



TM

Indian Banking Sector

30 December 2023

Bank loans to NBFCs and other personal loans moderate

SECTOR UPDATE

Industry

Banking

Banking coverage - rating and target price

Company	Rating	CMP (Rs)	TP (Rs)
HDFCB	BUY	1,708	1,870
AXIS	BUY	1,100	1,125
ICICI	BUY	998	1,125
SBI	BUY	642	692
KOTAK	HOLD	1904	1,940
INDUSIND	BUY	1595	1,640
FEDERAL	HOLD	156	164

Source: Systematix Institutional Research

SCB's gross non-food credit growth Nov'23: Unsecured Retail still strong, Weakness in Infra credit. Overall bank credit growth momentum improved to 20.6% yoy (16% yoy ex-merger) with non-food credit growth of 21% yoy (16% yoy ex-merger). This was led by continued momentum in retail credit growth of 30% yoy (18.6% yoy ex-merger) and improvement in services credit growth to 25% yoy (22% yoy ex-merger) which was offset by tepid industrial credit growth of 6.6% yoy (6% yoy ex-merger). Share of Industrial credit in total non-food credit continued to decline and was at 23.9% (ex-merger) as of Nov'23 (vs 25% in FY'23 and 28-29% levels in FY19 and FY20) while the share of retail credit remained elevated at 31% in Nov'23 (vs 25-26% levels in FY19 and FY20). **2 key highlights were (i) growth moderation in bank loans to NBFCs (21.5% yoy vs 30% average growth in FY23) and other personal loans (21.7% vs 24-25% levels in FY23)** likely on the back of RBI's increase in risk weights ([recent note](#)) to curb unsecured credit growth (ii) **strong growth in commercial real estate and housing finance sector** reflected in 20% yoy growth in non-PSL housing loans (ex-merger), on a strong base, (vs 4% yoy growth in PSL housing and 15% yoy in overall housing loans). Commercial real estate financing registered 16% yoy growth (ex-merger) vs 11% in 1Q'24 and FY23.

Retail loan growth aided by Non-PSL housing and unsecured personal loan growth. Retail loan growth (18.6% yoy ex-merger, 30% yoy otherwise) continues to be led by **unsecured personal loan growth (23.3% yoy ex-merger)** while secured loan growth was subdued at 16% yoy (ex-merger). Within unsecured loans, both credit card advances (34% yoy in Nov'23 vs 28% in Oct'23) and consumer durable credit (+11% yoy in Nov'23 vs 7.7% yoy in Oct'23) saw higher growth due to 1 month push out in festive spends in 2023. On the other hand, growth in **other personal loans** which have substantial portion of unsecured loans, moderated to 21.7% yoy vs 22.3% yoy in Oct'23 likely on the back of RBI's measures towards curbing unsecured credit growth by increasing risk weights. Within secured loans, housing loan growth remained weak at 15% yoy (ex-merger) mainly due to weakness in PSL housing loans (4.3% yoy, ex-merger) which constitute 30% of total housing loans. However, growth in **non-PSL housing** continued to improve to 20% yoy (ex-merger), on a strong base, vs 18% yoy as of Sep'23. The 20%+ yoy growth momentum in **vehicle loans** which started in 2HFY23 is sustained so far.

Services credit growth led by strong growth in trade credit and commercial real estate: Services credit growth improved to 22% yoy ex-merger (vs 21% as of Sep'23) due to strong growth in **commercial real estate credit** which grew by 16% yoy (ex-merger) despite a strong base. While **wholesale trade credit** growth increased to 21% yoy, **retail trade credit** growth was weak at 17% yoy despite November being a festive month. Growth in **bank borrowings by NBFCs** which constitutes 36% of services credit, has moderated to 22% yoy levels in last 2 months (vs 30% average growth in FY23) likely on the back of RBI action to mitigate systemic risk stemming from higher inter-connectedness between banks and NBFCs.

Industrial credit growth dragged down by continued sluggishness in Infrastructure credit. SCB's Industrial credit growth of 6.6% YoY (6.1% ex merger) was primarily dragged down by continued sluggishness seen in infrastructure credit growth (2.1% YoY) which constitutes 36% of industrial credit. On the other hand, credit to commodities registered strong growth wherein credit to basic metal and metal products increased by +18% yoy, credit to textiles increased by 15% yoy and pick-up in credit to Chemicals (+6% yoy vs 0-3% yoy growth in each of the last 4 months). Credit growth to large corporates remained sluggish at 3.6% yoy. MSME credit growth also has slowed down to 15.6% yoy vs 20-30% average growth for 2022.

Manjith Nair

manjithnair@systematixgroup.in

+91 22 6704 8065

Pashmi Chheda

pashmichheda@systematixgroup.in

+91 22 6704 8063

Nirali Chheda

niralichheda@systematixgroup.in

+91 22 6704 8019

Key Charts

Exhibit 1: Unsecured retail credit growth strong and weakness in infrastructure credit growth

(Growth %) - Y/Y	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Non-food Credit	16.4	15.3	16.7	15.9	15.4	16.1	15.6	16.3	19.8	19.9	20.0	19.8	20.8
<i>Ex Merger</i>	16.4	15.3	16.7	15.9	15.4	16.1	15.6	16.3	14.8	15.0	15.3	15.3	16.3
Agriculture & Allied Activities	14.0	11.5	14.4	14.9	15.4	16.7	16.0	19.7	16.8	16.6	16.8	17.5	18.2
Industry (Micro & Small, Medium and Large)	13.0	8.7	8.7	7.0	5.6	7.0	6.0	8.1	5.8	6.7	7.1	5.9	6.6
<i>Ex Merger</i>	13.0	8.7	8.7	7.0	5.6	7.0	6.0	8.1	5.2	6.1	6.5	5.4	6.1
Micro & Small Industry	19.5	13.7	15.2	13.2	13.2	9.7	9.5	13.0	10.2	10.7	10.1	16.9	17.2
Medium industry	27.9	15.4	18.1	13.5	12.0	19.1	18.9	13.2	9.7	9.8	9.8	12.1	12.0
Large industry	10.3	7.0	6.5	5.0	3.2	5.3	3.9	6.4	4.3	5.4	6.1	2.8	3.6
Services	21.3	19.6	21.5	20.7	19.7	21.6	21.4	26.7	23.1	24.7	25.1	23.6	25.4
<i>Ex Merger</i>	21.3	19.6	21.5	20.7	19.7	21.6	21.4	26.7	19.4	20.7	21.3	20.1	21.9
Transport Operators	11.8	11.5	12.8	13.3	14.3	18.6	19.1	23.7	20.8	22.0	21.6	22.7	24.4
Computer Software	11.0	6.4	2.7	1.5	2.6	6.5	11.9	16.1	5.2	12.7	8.6	0.8	9.3
Tourism, Hotels & Restaurants	3.3	0.2	2.1	1.4	2.4	3.1	3.6	6.9	9.0	12.0	11.1	11.7	12.9
Shipping	-7.4	-2.2	0.7	-5.8	-19.8	-19.9	-18.3	-16.4	-21.6	-21.1	-21.7	-11.1	-10.8
Professional Services	12.5	12.2	17.6	15.5	16.4	15.4	13.9	21.0	19.9	20.8	22.2	19.5	21.1
Trade	16.0	13.7	16.8	16.7	17.5	18.2	17.5	17.3	17.1	14.2	16.2	18.9	19.0
Wholesale Trade (other than food procurement)	10.7	9.7	12.1	13.0	13.0	12.6	13.4	11.8	14.9	5.6	11.1	17.9	21.0
Retail Trade	21.7	17.9	21.8	20.4	22.3	24.3	21.8	23.3	19.3	23.6	21.4	19.9	17.1
Commercial Real Estate	7.7	5.1	7.6	8.5	8.5	9.1	6.6	11.3	38.1	38.5	37.8	35.6	37.5
<i>Ex Merger</i>	7.7	5.1	7.6	8.5	8.5	9.1	6.6	11.3	12.3	13.9	14.8	14.0	16.2
Non-Banking Financial Companies (NBFCs)	32.4	35.5	31.0	32.4	29.9	29.2	27.6	35.1	23.6	25.8	26.3	22.1	21.5
Housing Finance Companies (HFCs)	15.8	16.4	13.9	12.6	11.3	7.7	7.2	13.9	1.7	3.0	-0.2	2.0	-2.4
Public Financial Institutions (PFIs)	86.9	66.8	37.1	38.1	27.6	34.4	33.0	49.0	25.8	28.6	34.9	20.1	7.0
Other Services	25.2	11.8	24.1	17.6	16.1	23.5	26.6	33.8	23.9	30.3	29.7	28.2	36.2
<i>Ex Merger</i>	25.2	11.8	24.1	17.6	16.1	23.5	26.6	33.8	19.9	24.1	23.8	22.6	30.6
Retail Loans	19.9	20.2	20.4	20.4	21.0	19.4	19.2	20.9	31.7	30.8	30.4	29.7	30.1
<i>Ex Merger</i>	19.9	20.2	20.4	20.4	21.0	19.4	19.2	20.9	18.4	18.3	18.2	18.0	18.6
Consumer Durables	33.4	46.0	43.6	39.4	17.6	30.8	14.2	17.2	11.7	11.1	10.9	7.7	10.8
Housing (Including Priority Sector Housing)	16.6	16.1	15.4	15.0	15.2	14.3	14.6	15.0	37.4	37.7	37.3	36.9	37.0
<i>Ex Merger</i>	16.6	16.1	15.4	15.0	15.2	14.3	14.6	15.0	13.1	13.8	13.8	14.5	15.0
Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	30.2	37.4	30.2	43.0	46.0	33.9	35.4	46.4	24.2	19.9	17.9	16.5	17.2
Advances to Individuals against share, bonds, etc.	19.2	14.0	11.5	12.0	10.5	12.9	9.8	5.9	3.8	4.2	4.4	-4.9	4.0
Credit Card O/s	25.8	27.0	29.6	29.2	32.5	29.7	29.9	36.0	31.2	30.0	29.9	28.0	34.2
Education	12.9	13.2	15.7	16.0	17.1	18.0	18.3	19.4	19.9	20.2	20.8	20.6	22.8
Vehicle Loans	22.3	24.7	25.5	23.4	24.8	23.1	22.2	22.9	21.2	20.6	21.2	20.0	20.8
Loans against gold jewellery	17.8	11.2	14.9	20.0	19.7	20.4	22.1	26.0	23.1	22.1	20.1	17.3	18.5
Other Personal Loans	24.0	23.9	25.6	25.8	26.7	24.0	23.2	26.1	28.9	26.0	25.5	24.9	24.3
<i>Ex Merger</i>	24.0	23.9	25.6	25.8	26.7	24.0	23.2	26.1	24.2	23.2	22.7	22.3	21.7
Food Credit	-36.6	-39.1	-39.1	-48.3	-63.8	-50.0	-31.7	-35.9	-35.7	-30.1	-32.0	-22.8	-22.9
Total Bank Credit growth	16.0	14.9	16.3	15.5	15.0	15.9	15.4	16.2	19.7	19.8	19.9	19.7	20.6
<i>ex merger</i>	16.0	14.9	16.3	15.5	15.0	15.9	15.4	16.2	14.7	14.9	15.2	15.2	16.2

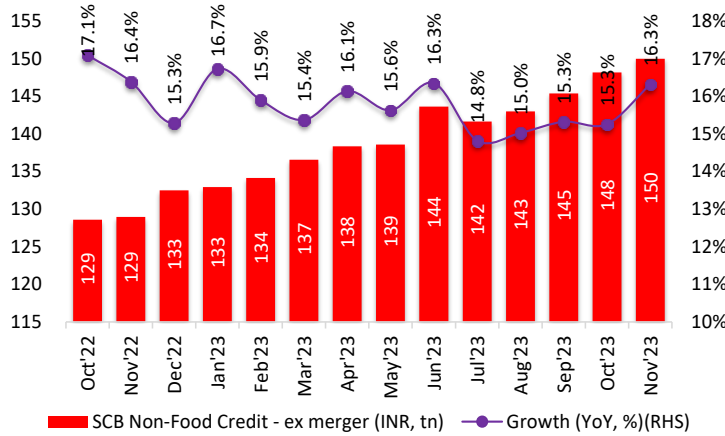
Source: Company, Systematix Institutional Research

Exhibit 2: Moderation in bank loans to NBFCs and other personal loans

INR bn	Nov-22	Oct-23	Nov-23	% YoY	% MoM	% YTD annualized	Incremental contribution Mix (%) - Nov-23
Non-food Credit	1,28,956	1,54,060	1,55,803	21%	1.1%	21%	89%
<i>Ex Merger</i>	1,28,956	1,48,195	1,49,997	16%	1.2%	15%	90%
Agriculture & Allied Activities	16,339	19,132	19,312	18%	0.9%	18%	10%
Industry (Micro & Small, Medium and Large)	33,777	35,723	36,009	7%	0.8%	8%	16%
<i>Ex Merger</i>	33,777	35,546	35,832	6%	0.8%	7%	16%
Micro & Small Industry	5,884	6,833	6,895	17%	0.9%	13%	3%
Medium industry	2,533	2,808	2,838	12%	1.1%	8%	2%
Large industry	25,360	26,083	26,276	4%	0.7%	7%	11%
Services	34,005	42,109	42,648	25%	1.3%	23%	30%
<i>Ex Merger</i>	34,005	40,904	41,459	22%	1.4%	18%	30%
Transport Operators	1,760	2,152	2,189	24%	1.7%	21%	2%
Computer Software	242	255	264	9%	3.7%	9%	1%
Tourism, Hotels & Restaurants	682	764	770	13%	0.7%	16%	0%
Shipping	75	66	67	-11%	1.5%	-7%	0%
Aviation	245	401	404	65%	0.8%	64%	0%
Professional Services	1,287	1,541	1,559	21%	1.2%	18%	1%
Trade	7,653	9,255	9,108	19%	-1.6%	10%	-8%
Wholesale Trade (other than food procurement)	3,779	4,645	4,574	21%	-1.5%	12%	-4%
Retail Trade	3,873	4,609	4,535	17%	-1.6%	8%	-4%
Commercial Real Estate	3,118	4,241	4,287	38%	1.1%	49%	3%
<i>Ex Merger</i>	3,118	3,566	3,622	16%	1.6%	18%	3%
Non-Banking Financial Companies (NBFCs)	12,292	14,762	14,938	22%	1.2%	17%	10%
Housing Finance Companies (HFCs)	3,119	3,221	3,045	-2%	-5.5%	-7%	-10%
Public Financial Institutions (PFIs)	1,781	1,905	1,907	7%	0.1%	13%	0%
Other Services	6,651	8,671	9,060	36%	4.5%	39%	22%
<i>Ex Merger</i>	6,651	8,289	8,685	31%	4.8%	31%	22%
Retail Loans	38,881	49,993	50,565	30%	1.1%	31%	32%
<i>Ex Merger</i>	38,881	45,516	46,126	19%	1.3%	15%	33%
Consumer Durables	213	222	236	11%	6.3%	19%	1%
Housing (Including Priority Sector Housing)	18,940	25,647	25,941	37%	1.1%	46%	17%
<i>Ex Merger</i>	18,940	21,444	21,772	15%	1.5%	14%	18%
Advances against Fixed Deposits (Including FCNR (B), NRRR Deposits etc.)	964	1,140	1,130	17%	-0.9%	-11%	-1%
Advances to Individuals against share, bonds, etc.	75	79	78	4%	-0.5%	4%	0%
Credit Card O/s	1,823	2,407	2,447	34%	1.7%	29%	2%
Education	911	1,107	1,119	23%	1.0%	23%	1%
Vehicle Loans	4,677	5,532	5,648	21%	2.1%	19%	7%
Loans against gold jewelry	846	1,000	1,003	19%	0.3%	18%	0%
Other Personal Loans	10,431	12,861	12,964	24%	0.8%	19%	6%
<i>Ex Merger</i>	10,431	12,592	12,698	22%	0.8%	16%	6%
Food Credit	522	198	403	-23%	103.3%	153%	11%
Total Bank Credit growth	1,29,478	1,54,258	1,56,206	21%	1.3%	21%	
<i>ex merger</i>	1,29,478	1,48,393	1,50,400	16%	1.4%	15%	

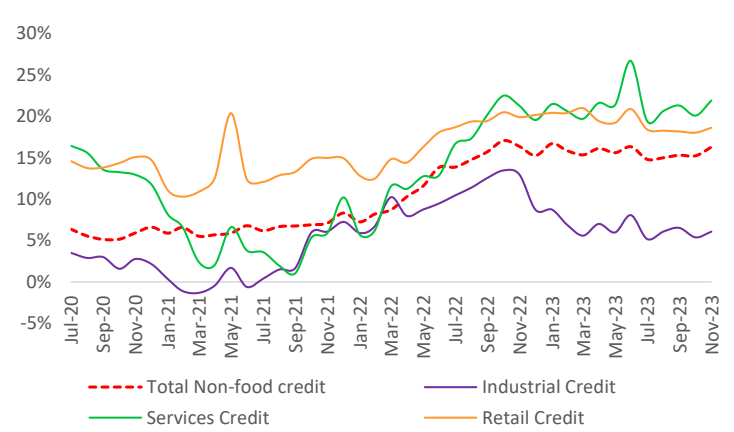
Source: Company, Systematix Institutional Research

Exhibit 3: SCB Non-Food credit growth....



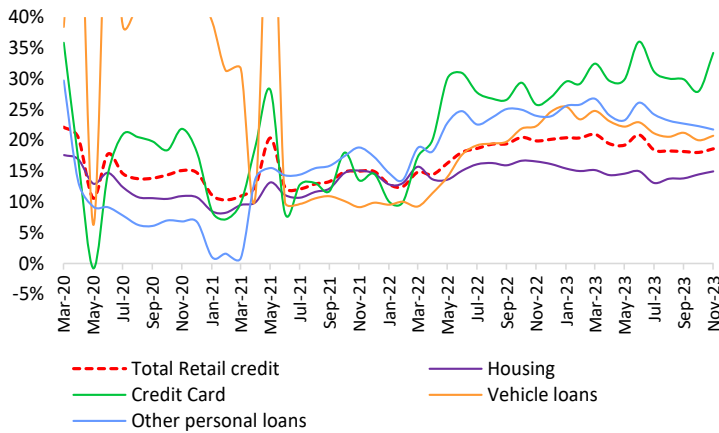
Source: Company, Systematix Institutional Research *ex-merger data

Exhibit 4: ...led by strong growth in retail credit



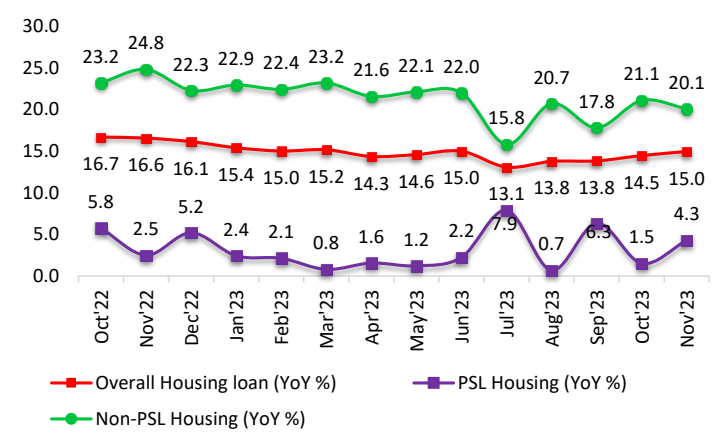
Source: Company, Systematix Institutional Research, *ex-merger growth

Exhibit 5: Retail credit led by growth in Non-PSL housing whilst other personal loans moderate



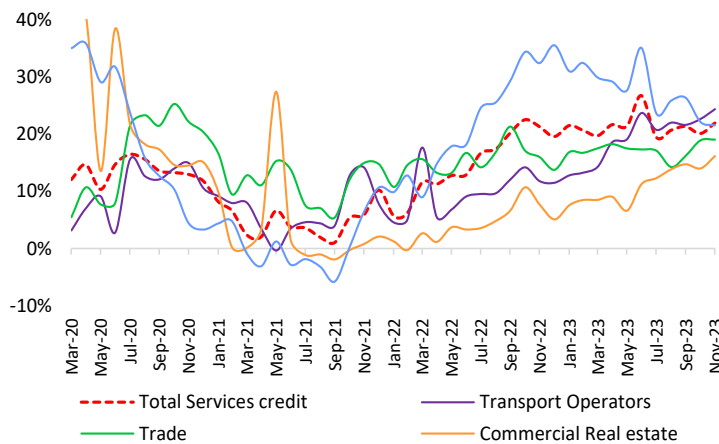
Source: Company, Systematix Institutional Research *ex merger growth

Exhibit 6: Non-PSL housing growth remains strong, on a high base



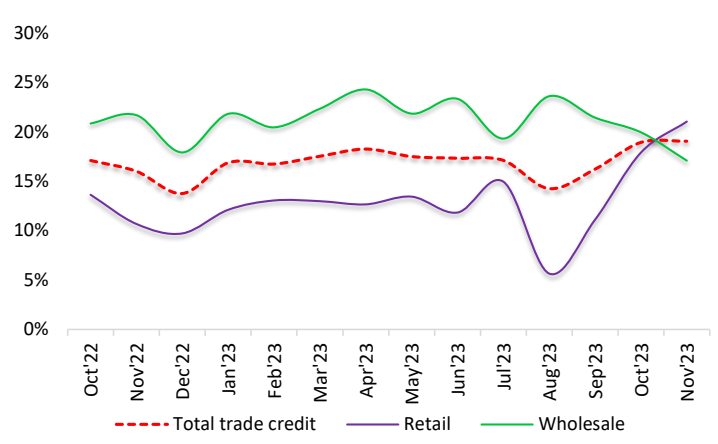
Source: Company, Systematix Institutional Research, *ex-merger growth

Exhibit 7: Services credit growth steady as strong growth in CRE...



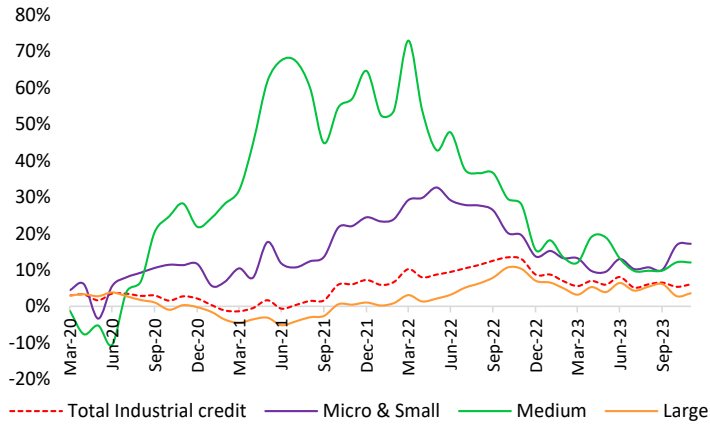
Source: Company, Systematix Institutional Research *ex-merger growth

Exhibit 8: ...was offset by weak growth in trade credit



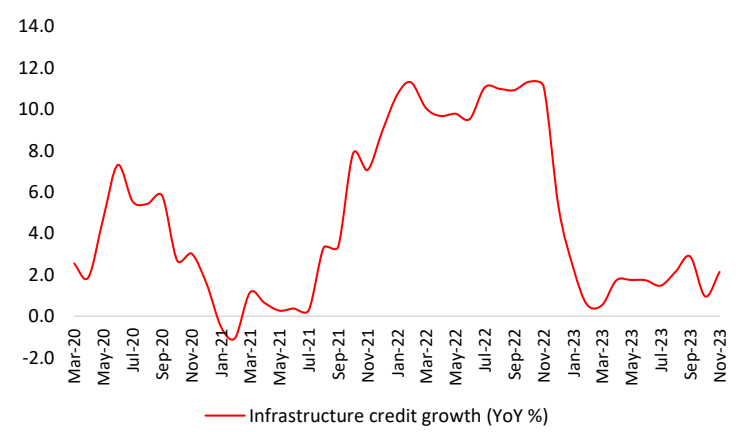
Source: Company, Systematix Institutional Research

Exhibit 9: Industrial credit growth dragged....



Source: Company, Systematix Institutional Research *ex-merger growth

Exhibit 10: ...by sluggishness in infrastructure credit



Source: Company, Systematix Institutional Research

Institutional Equities Team

Nikhil Khandelwal Managing Director +91-22-6704 8001 nikhil@systematixgroup.in

Equity Research

Analysts	Industry Sectors	Desk-Phone	E-mail
Dhananjay Sinha	Co Head of Equities & Head of Research - Strategy & Economics	+91-22-6704 8095	dhananjaysinha@systematixgroup.in
Ashish Poddar	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8039	ashishpoddar@systematixgroup.in
Himanshu Nayyar	Consumer Staples & Discretionary	+91-22-6704 8079	himanshunayyar@systematixgroup.in
Manjith Nair	Banking, Insurance	+91-22-6704 8065	manjithnair@systematixgroup.in
Pradeep Agrawal	NBFCs & Diversified Financials	+91-22-6704 8024	pradeepagrawal@systematixgroup.in
Pratik Tholiya	Specialty & Agro Chem, Fertilisers, Sugar, Textiles and Select Midcaps	+91-22-6704 8028	pratiktholiya@systematixgroup.in
Sameer Pardikar	IT & ITES	+91-22-6704 8041	sameerpardikar@systematixgroup.in
Sudeep Anand	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8085	sudeepanand@systematixgroup.in
Vishal Manchanda	Pharmaceuticals and Healthcare	+91-22-6704 8064	vishalmanchanda@systematixgroup.in
Bharat Kudikyala	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8076	bharatkudikyala@systematixgroup.in
Chetan Mahadik	Consumer Staples & Discretionary	+91-22-6704 8091	chetanmahadik@systematixgroup.in
Devanshi Kamdar	IT & ITES	+91-22-6704 8098	devanshikamdar@systematixgroup.in
Jennisa Popat	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8066	jennisapopat@systematixgroup.in
Kalash Jain	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8038	kalashjain@systematixgroup.in
Nirali Chheda	Banking, Insurance	+91-22-6704 8019	niralichheda@systematixgroup.in
Pashmi Chheda	Banking, Insurance	+91-22-6704 8063	pashmichheda@systematixgroup.in
Pranay Shah	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8017	pranayshah@systematixgroup.in
Pratik Oza	Midcaps	+91-22-6704 8036	pratikoza@systematixgroup.in
Pravin Mule	NBFCs & Diversified Financials	+91-22-6704 8034	pravinmule@systematixgroup.in
Prathmesh Kamath	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8022	prathmeshkamath@systematixgroup.in
Ruvi Mundhra	Macro-Strategy	+91-22-6704 8078	ruvimundhra@systematixgroup.in
Rajesh Mudaliar	Consumer Staples & Discretionary	+91-22-6704 8084	rajeshmudaliar@systematixgroup.in
Ronak Dhruv	NBFCs & Diversified Financials	+91-22-6704 8045	ronakdhruv@systematixgroup.in
Shweta Dikshit	Metals & Mining	+91-22-6704 8042	shwetadikshit@systematixgroup.in
Vivek Mane	Pharmaceuticals and Healthcare	+91-22-6704 8046	vivekmane@systematixgroup.in
Yogeeta Rathod	Midcaps	+91-22-6704 8081	yogeetarathod@systematixgroup.in

Equity Sales & Trading

Name		Desk-Phone	E-mail
Vipul Sanghvi	Co Head of Equities & Head of Sales	+91-22-6704 8062	vipulsanghvi@systematixgroup.in
Jignesh Desai	Sales	+91-22-6704 8068	jigneshdesai@systematixgroup.in
Sidharth Agrawal	Sales	+91-22-6704 8090	sidharthagrawal@systematixgroup.in
Rahul Khandelwal	Sales	+91-22-6704 8003	rahul@systematixgroup.in
Chintan Shah	Sales	+91-22-6704 8061	chintanshah@systematixgroup.in
Pawan Sharma	Director and Head - Sales Trading	+91-22-6704 8067	pawansharma@systematixgroup.in
Mukesh Chaturvedi	Vice President and Co Head - Sales Trading	+91-22-6704 8074	mukeshchaturvedi@systematixgroup.in
Vinod Bhuwad	Sales Trading	+91-22-6704 8051	vinodbhuwad@systematixgroup.in
Rashmi Solanki	Sales Trading	+91-22-6704 8097	rashmisolanki@systematixgroup.in
Karan Damani	Sales Trading	+91-22-6704 8053	karandamani@systematixgroup.in
Vipul Chheda	Dealer	+91-22-6704 8087	vipulchheda@systematixgroup.in
Paras Shah	Dealer	+91-22-6704 8047	parasshah@systematixgroup.in
Rahul Singh	Dealer	+91-22-6704 8054	rahulsingh@systematixgroup.in

Corporate Access

Mrunal Pawar	Vice President & Head Corporate Access	+91-22-6704 8088	mrunalpawar@systematixgroup.in
Darsha Hiwrale	Associate Corporate Access	+91-22-6704 8083	darshahiwrale@systematixgroup.in

Production

Madhu Narayanan	Editor	+91-22-6704 8071	madhunarayanan@systematixgroup.in
Mrunali Pagdhare	Production	+91-22-6704 8057	mrunalip@systematixgroup.in
Vijayendra Achrekar	Production	+91-22-6704 8089	vijayendraachrekar@systematixgroup.in

Operations

Sachin Malusare	Vice President	+91-22-6704 8055	sachinmalusare@systematixgroup.in
Jignesh Mistry	Manager	+91-22-6704 8049	jigneshmistry@systematixgroup.in
Sushant Chavan	Manager	+91-22-6704 8056	sushantchavan@systematixgroup.in

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Systematix Shares and Stocks (India) Limited:

Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in

Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in

Details of Email id grievance redressal cell : grievance@systematixgroup.in

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