

# Banks Sectorial Credit

Increased risk weight could impact growth ahead

## Summary

Banking sector (non-food) credit improved sequentially in Nov'23 to 20.8% YoY (@16.3% YoY ex HDFC Ltd) vs 19.8% in Oct'23. Driven by HDFC Ltd individual loans, retail portfolio grew by 30.1% YoY (@18.6% ex HDFC Ltd) while services segment grew by 25.4% YoY (@21.9% ex HDFC Ltd) and industry grew by 6.6% YoY (@6.1% ex HDFC Ltd). Credit to NBFCs (up 21.5% YoY) as well as other personal loans (up 24.3% YoY) witnessed a marginal uptick during Nov'23 on a MoM basis. Deposit growth, after remaining under pressure during FY23 witnessed strong growth and stood at 13.6% as on 17 Nov'23 (as compared to 9.6% on 24 Mar'23). Going forward, we need to watch for impact of increased risk weight changes in personal loans, credit cards and NBFC on credit growth for FY24. Among our banking coverage, our top picks are HDFC bank, ICICI bank and City Union Bank.

- Deposit rate growth moderating; Similar trend observed in lending rates:** Since pause in repo rate hike by RBI, the WADTDR (weighted average domestic term deposit rate) increase has been moderating and the same increased by 5bps MoM whereas WALR on fresh rupee loans which decreased by 7 bps MoM in Nov'23 Vs an increase of 4 bps in Oct'23. As of Nov'23, the weighted average domestic term deposit rate on outstanding deposits stood at 6.85%, whereas the weighted average lending rate on outstanding rupee loans was 9.25% and outstanding fresh rupee loans stood at 8.60%.
- Outlook:** Banking credit growth witnessed strong growth in FY23 and continued to outpace deposit growth during the year. Going forward, we expect credit growth to remain in the range of 14-15% (higher base impact) and would be led by higher retail credit growth coupled with revival of corporate credit. We also expect housing sector credit to witness positive growth traction led by pausing of repo rate by the central bank as well as strong focus of the government led affordable housing scheme.

## BFSI - Rating and Target Price

	Rating	Mkt Cap (In Bn)	CMP (Rs)	TP (Rs)	Upside (%)	P/ABV (x)	
						FY24E	FY25E
<b>Banks</b>							
Axis Bank	BUY	3,402	1,103	1,280	16	2.3	2.0
DCB Bank	BUY	41	132	150	14	0.9	0.8
Federal Bank	BUY	380	156	195	25	1.2	1.1
HDFC Bank	BUY	12,980	1,709	1,970	15	2.9	2.5
IndusInd Bank	BUY	1,243	1,598	1,675	5	2.1	1.8
City Union Bank	BUY	110	148	170	15	1.4	1.2
ICICI Bank	BUY	6,990	996	1,240	24	3.2	2.8
<b>Gold Finance</b>							
Manappuram Fin.	BUY	146	172	205	19	1.3	1.1
Muthoot Finance	HOLD	593	1,477	1,300	-12	2.6	2.2
<b>Vehicle Finance</b>							
Cholamandalam Inv.	HOLD	1,058	1,260	1,150	-9	6.2	5.0
Shriram Finance	BUY	342	276	330	20	1.9	1.7
Mahindra Finance	BUY	390	3,509	3,870	10	4.6	4.0
Sundaram Finance	BUY	771	2,052	2,230	9	1.9	1.6
<b>HFCs</b>							
Repco Home	BUY	25	392	515	31	1.0	0.8

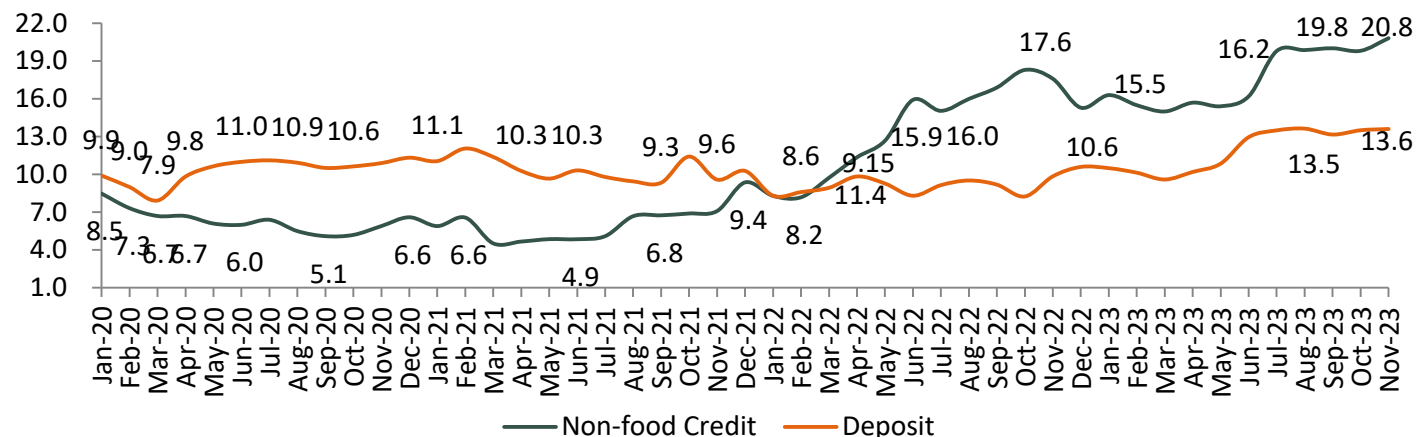
Source: Company; IDBI Capital Research

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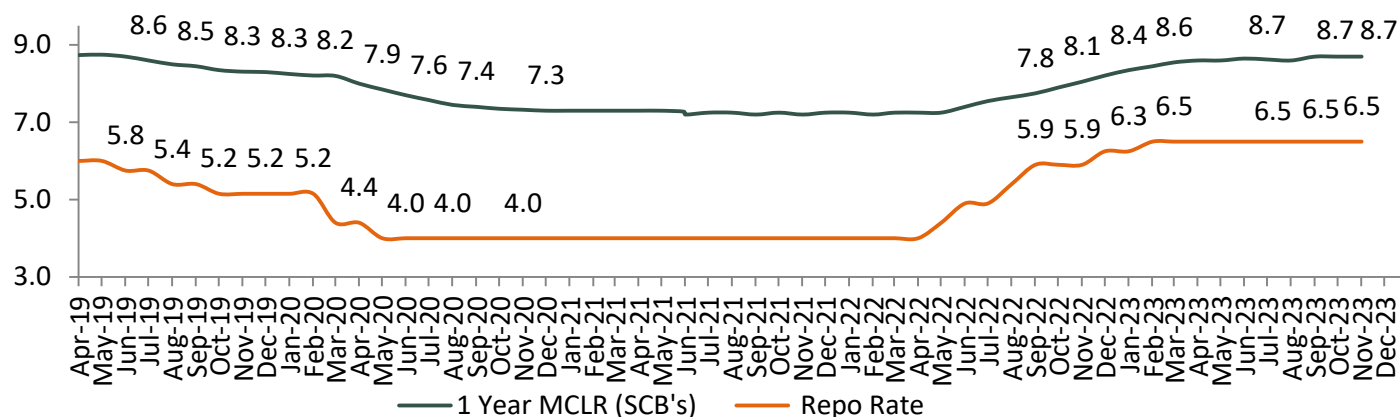
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**Exhibit 1: Non-food Credit growth witnessed an uptick downtick during Nov'23**



Source: RBI; IDBI Capital Research; Note: Deposit growth is on fortnight basis

**Exhibit 2: MCLR rate remained stable in line with re-pricing of deposit rates**



Source: RBI; IDBI Capital Research

## Exhibit 3: Sector Credit

(Rs bn)

Sectors	Nov'23	Nov'22	Oct'23	YoY (%)	MoM (%)
<b>Non-Food Credit</b>	<b>1,55,803</b>	<b>1,28,956</b>	<b>1,54,060</b>	<b>20.8</b>	<b>1.1</b>
Agriculture and Allied activities	19,312	16,339	19,132	18.2	0.9
<b>Industry (MSME)</b>	<b>36,009</b>	<b>33,777</b>	<b>35,723</b>	<b>6.6</b>	<b>0.8</b>
Micro & Small	6,895	5,884	6,833	17.2	0.9
Medium	2,838	2,533	2,808	12.0	1.1
Large	26,276	25,360	26,083	3.6	0.7
<b>Services</b>	<b>42,648</b>	<b>34,005</b>	<b>42,109</b>	<b>25.4</b>	<b>1.3</b>
Transport Operators	2,189	1,760	2,152	24.4	1.7
Computer Software	264	242	255	9.3	3.7
Tourism, Hotels & Restaurants	770	682	764	12.9	0.7
Shipping	67	75	66	(10.8)	1.5
Aviation	404	245	401	65.4	0.8
Professional Services	1,559	1,287	1,541	21.1	1.2
<b>Trade</b>	<b>9,108</b>	<b>7,653</b>	<b>9,255</b>	<b>19.0</b>	<b>(1.6)</b>
Wholesale Trade	4,574	3,779	4,645	21.0	(1.5)
Retail Trade	4,535	3,873	4,609	17.1	(1.6)
Commercial Real Estate	4,287	3,118	4,241	37.5	1.1
NBFCs	14,938	12,292	14,762	21.5	1.2
Housing Finance Companies	3,045	3,119	3,221	(2.4)	(5.5)
Public Financial Institutions	1,907	1,781	1,905	7.0	0.1
Other Services	9,060	6,651	8,671	36.2	4.5
<b>Personal Loans</b>	<b>50,565</b>	<b>38,881</b>	<b>49,993</b>	<b>30.1</b>	<b>1.1</b>
Consumer Durables	236	213	222	10.8	6.3
Housing	25,941	18,940	25,647	37.0	1.1
Advances against FDs	1,130	964	1,140	17.2	(0.9)
Advances to Individuals	78	75	79	4.0	(0.5)
Credit Card Outstanding	2,447	1,823	2,407	34.2	1.7
Education	1,119	911	1,107	22.8	1.0
Vehicle Loans	5,648	4,677	5,532	20.8	2.1
Loans against Gold Jewellery	1,003	846	1,000	18.5	0.3
Other Personal Loans	12,964	10,431	12,861	24.3	0.8

Sectors (Contd...)	Nov'23	Nov'22	Oct'23	YoY (%)	MoM (%)
<b>Priority Sector</b>					
Agriculture & Allied Activities	19,604	17,461	19,381	12.3	1.2
Micro & Small Enterprises	18,765	16,455	18,536	14.0	1.2
Medium Enterprises	4,604	4,239	4,616	8.6	(0.3)
Housing	7,403	6,228	7,425	18.9	(0.3)
Education Loans	616	595	615	3.4	0.0
Weaker Sections	15,308	13,506	15,548	13.3	(1.5)
Export Credit	123	155	80	(20.6)	53.5
Renewable Energy	47	42	48	12.0	(2.8)
Social Infrastructure	26	24	26	8.5	(0.5)
Others	489	502	596	(2.7)	(17.9)

Source: RBI; IDBI Capital Research

## Exhibit 4: Industry Credit

(Rs bn)

Sectors	Nov'23	Nov'22	Oct'23	YoY (%)	MoM (%)
<b>Mining &amp; Quarrying (incl. Coal)</b>	<b>546</b>	<b>544</b>	<b>550</b>	<b>0.2</b>	<b>(0.7)</b>
<b>Food Processing</b>	<b>1,804</b>	<b>1,621</b>	<b>1,773</b>	<b>11.3</b>	<b>1.7</b>
Sugar	140	169	150	(17.1)	(6.6)
Edible Oils & Vanaspati	206	169	191	21.6	7.9
Tea	61	61	61	(0.0)	(1.1)
Others	1,397	1,222	1,371	14.3	1.9
<b>Beverage &amp; Tobacco</b>	<b>275</b>	<b>206</b>	<b>265</b>	<b>33.6</b>	<b>3.8</b>
<b>Textiles</b>	<b>2,519</b>	<b>2,198</b>	<b>2,492</b>	<b>14.6</b>	<b>1.1</b>
Cotton Textiles	989	837	970	18.1	1.9
Jute Textiles	42	39	44	8.1	(6.0)
Man-Made Textiles	450	392	445	15.0	1.3
Other Textiles	1,039	931	1,033	11.6	0.6
<b>Leather &amp; Leather Products</b>	<b>122</b>	<b>117</b>	<b>124</b>	<b>4.4</b>	<b>(1.2)</b>
<b>Wood &amp; Wood Products</b>	<b>229</b>	<b>190</b>	<b>228</b>	<b>20.5</b>	<b>0.7</b>
<b>Paper &amp; Paper Products</b>	<b>465</b>	<b>437</b>	<b>464</b>	<b>6.4</b>	<b>0.2</b>
<b>Petroleum, Coal Products &amp; Nuclear Fuels</b>	<b>1,362</b>	<b>1,488</b>	<b>1,221</b>	<b>(8.4)</b>	<b>11.6</b>
<b>Chemicals &amp; Chemical Products</b>	<b>2,381</b>	<b>2,250</b>	<b>2,324</b>	<b>5.8</b>	<b>2.5</b>
Fertiliser	325	349	307	(6.7)	6.1
Drugs & Pharmaceuticals	783	700	779	11.8	0.5
Petro Chemicals	203	233	195	(12.6)	4.1
Others	1,069	968	1,043	10.4	2.6
<b>Rubber, Plastic &amp; their Products</b>	<b>878</b>	<b>816</b>	<b>870</b>	<b>7.6</b>	<b>0.8</b>
<b>Glass &amp; Glassware</b>	<b>110</b>	<b>81</b>	<b>110</b>	<b>36.2</b>	<b>(0.3)</b>
<b>Cement &amp; Cement Products</b>	<b>621</b>	<b>532</b>	<b>617</b>	<b>16.7</b>	<b>0.7</b>
<b>Basic Metal &amp; Metal Product</b>	<b>3,768</b>	<b>3,201</b>	<b>3,733</b>	<b>17.7</b>	<b>0.9</b>
Iron & Steel	2,580	2,179	2,538	18.4	1.7
Other Metal & Metal Product	1,187	1,022	1,195	16.1	(0.6)

Sectors (Contd...)	Nov'23	Nov'22	Oct'23	YoY (%)	MoM (%)
<b>All Engineering</b>	<b>1,939</b>	<b>1,771</b>	<b>1,961</b>	<b>9.5</b>	<b>(1.1)</b>
Electronics	460	417	468	10.4	(1.7)
Others	1,479	1,354	1,493	9.2	(0.9)
<b>Vehicles, Vehicle Parts &amp; Transport Equipment</b>	<b>1,105</b>	<b>999</b>	<b>1,115</b>	<b>10.5</b>	<b>(1.0)</b>
<b>Gems &amp; Jewellery</b>	<b>923</b>	<b>782</b>	<b>983</b>	<b>18.0</b>	<b>(6.1)</b>
<b>Construction</b>	<b>1,314</b>	<b>1,232</b>	<b>1,326</b>	<b>6.6</b>	<b>(0.9)</b>
<b>Infrastructure</b>	<b>12,804</b>	<b>12,535</b>	<b>12,671</b>	<b>2.1</b>	<b>1.0</b>
Power	6,323	6,351	6,220	(0.4)	1.7
Telecommunications	1,458	1,292	1,414	12.8	3.2
Roads	3,060	2,875	3,068	6.4	(0.3)
Airports	80	91	80	(12.7)	0.3
Ports	74	82	76	(10.1)	(2.4)
Railways (other than Indian Railways)	129	114	128	13.1	0.6
Other Infrastructure	1,681	1,729	1,687	(2.8)	(0.4)
<b>Other industries</b>	<b>2,846</b>	<b>2,777</b>	<b>2,897</b>	<b>2.5</b>	<b>(1.8)</b>
<b>Industries</b>	<b>36,009</b>	<b>33,777</b>	<b>35,723</b>	<b>6.6</b>	<b>0.8</b>

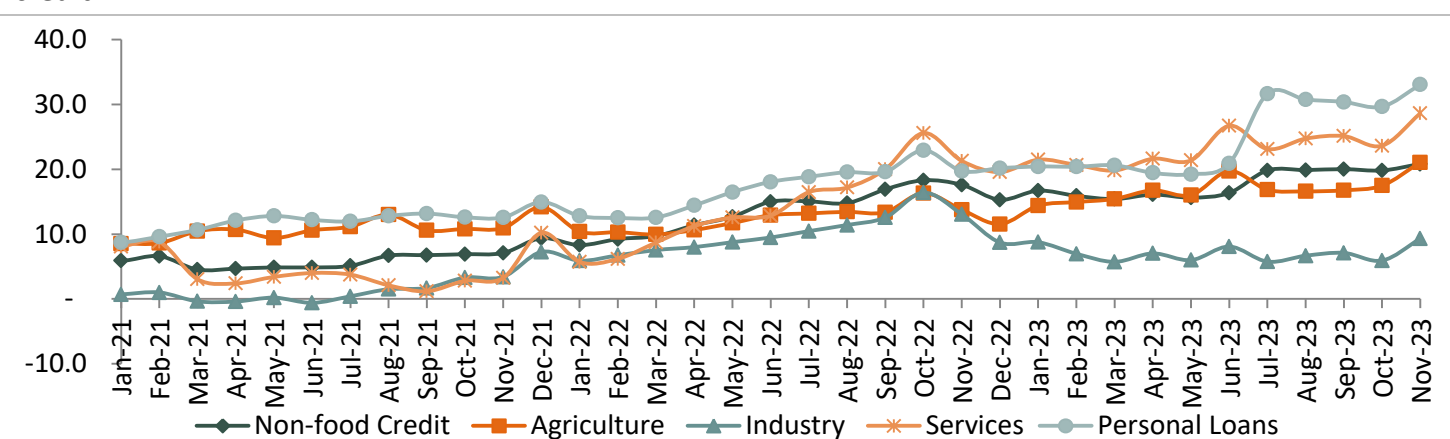
Source: RBI; IDBI Capital Research

**Exhibit 5: Bank group wise MCLR (1 year)**

Months	Public sector Banks			Private sector Banks			Foreign Banks			SCBs		
	Min	Max	Median	Min	Max	Median	Min	Max	Median	Min	Max	Median
Jan-2023	8.15	8.50	8.30	8.10	10.80	9.20	4.86	10.25	7.66	4.86	10.80	8.35
Feb-2023	8.15	8.65	8.45	8.15	10.96	9.20	4.50	10.80	7.70	4.50	10.96	8.45
Mar-23	8.40	8.65	8.53	8.15	11.13	9.30	4.82	11.25	8.02	4.82	11.25	8.55
Apr-2023	8.45	8.65	8.60	8.20	11.05	9.35	4.35	9.95	7.91	4.35	11.05	8.60
May-2023	8.45	8.65	8.60	8.15	11.10	9.40	3.44	9.95	7.95	3.44	11.10	8.60
Jun-2023	8.50	8.65	8.65	8.15	11.10	9.50	3.41	9.95	8.10	3.41	11.10	8.65
Jul-2023	8.50	9.10	8.65	8.10	11.05	9.50	3.74	9.95	7.85	3.74	11.05	8.63
Aug-2023	8.55	8.90	8.65	8.10	11.23	9.50	3.86	10.00	8.01	3.86	11.23	8.60
Sep-2023	8.55	8.90	8.70	8.10	11.18	9.65	4.45	10.00	7.86	4.45	11.18	8.70
Oct-2023	8.55	8.90	8.70	8.10	11.18	9.68	4.45	10.00	7.78	4.45	11.18	8.70
Nov-2023	8.55	8.95	8.70	8.10	11.16	9.70	5.25	10.00	8.09	5.25	11.16	8.70
Dec-2023	8.65	8.95	8.75	8.25	11.32	9.60	5.75	10.25	7.95	5.75	11.32	8.75

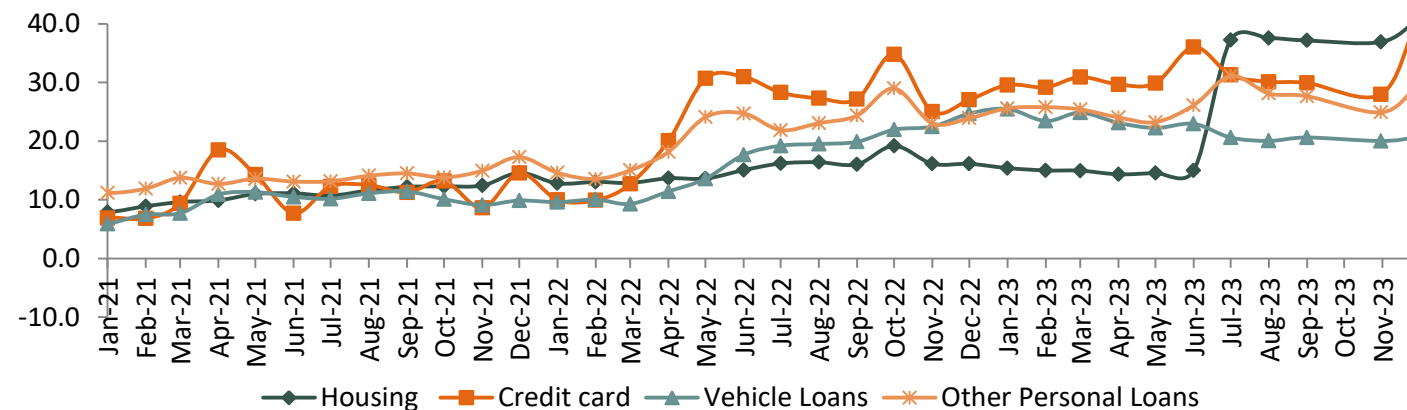
Source: RBI; IDBI Capital Research

**Exhibit 6: Non-food credit growth (YoY) remained strong supported by growth in personal loans & services credit**



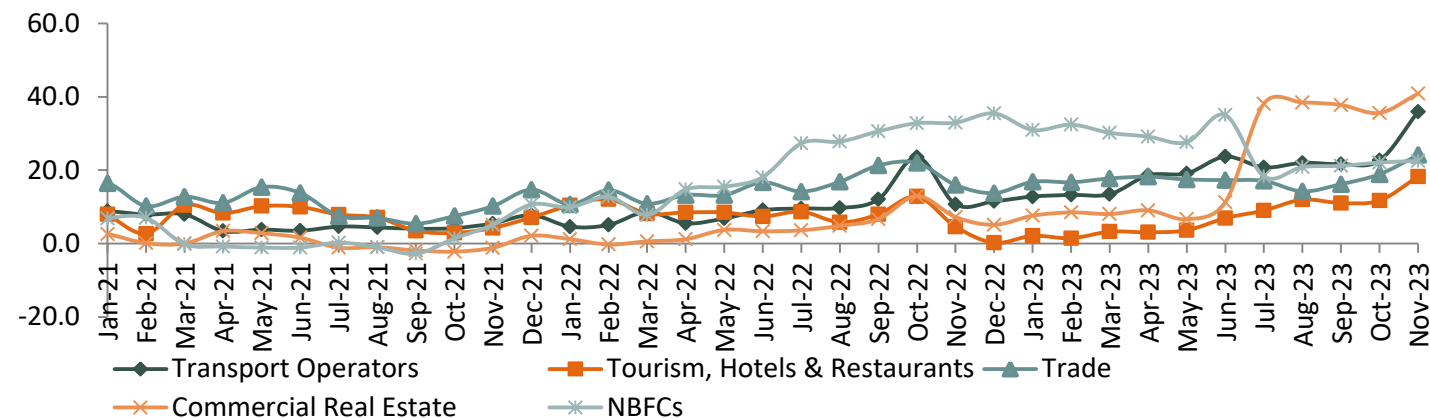
Source: RBI; IDBI Capital Research

**Exhibit 7: Housing and credit card segment continued to witnessed strong growth**



Source: RBI; IDBI Capital Research

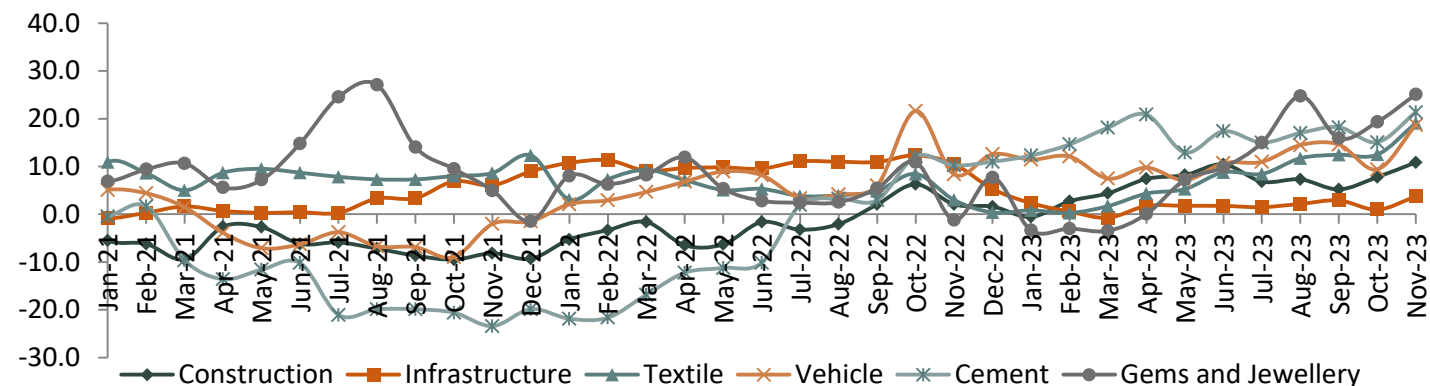
**Exhibit 8: Credit growth witnessed strong traction across all sectors during Nov'23**



Source: RBI; IDBI Capital Research

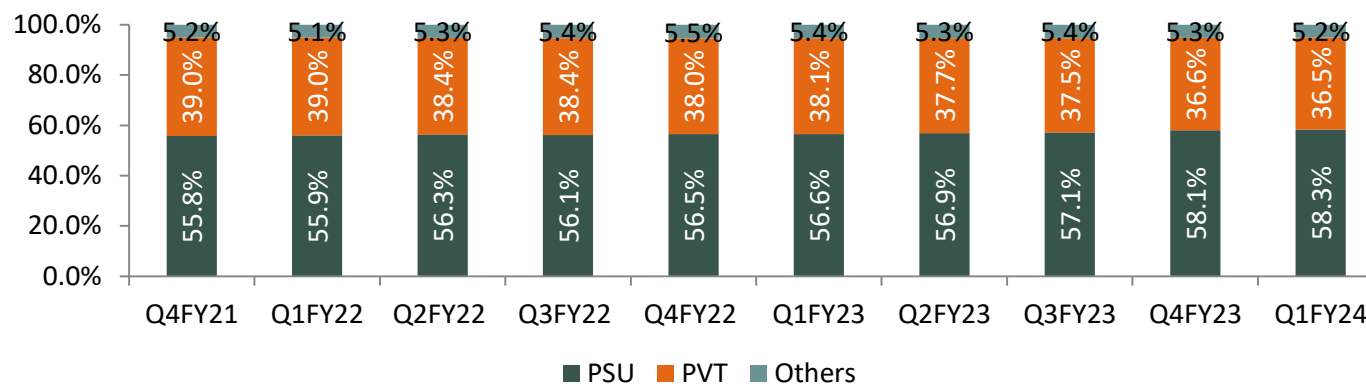


**Exhibit 9: Credit growth remained stable across segments in Nov'23**



Source: RBI; IDBI Capital Research

**Exhibit 10: Market Share within the Banking Sector**

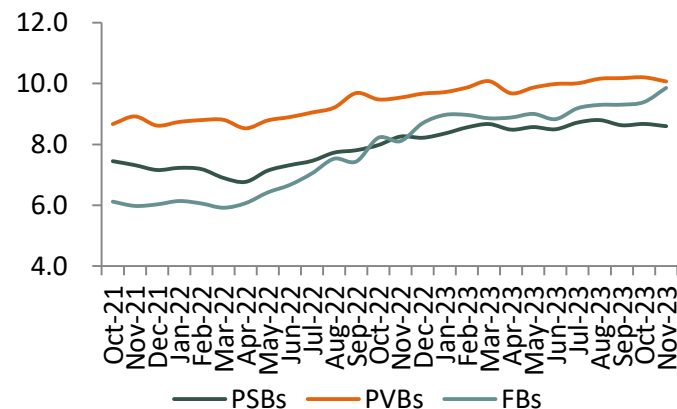


Source: RBI; IDBI Capital Research; Note- Deposit growth is on fortnight basis

The market shares for public sector banks for Q1FY24 stood at 55.8% vs. 55.9% in Q4FY23 while the private sector Banks remained stable QoQ (at 39%) as seen in the illustration. We believe as there has been a

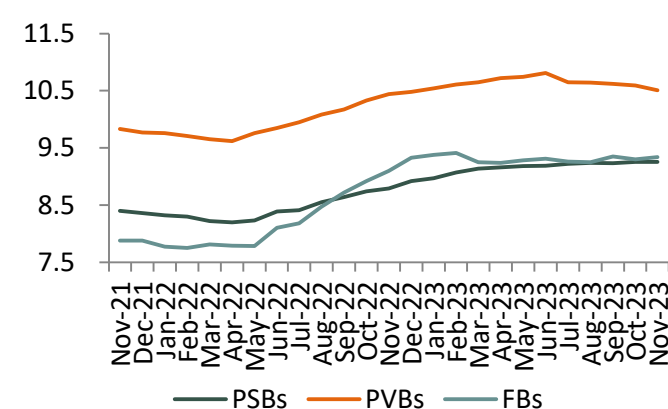
consolidation of Public Sector Banks and the Private peers continue to outperform with respect to credit growth along with rigorous focus on the asset quality.

**Exhibit 11: Weighted Average Lending Rates (WALR) (On Fresh Rupee Loans Sanctioned)**



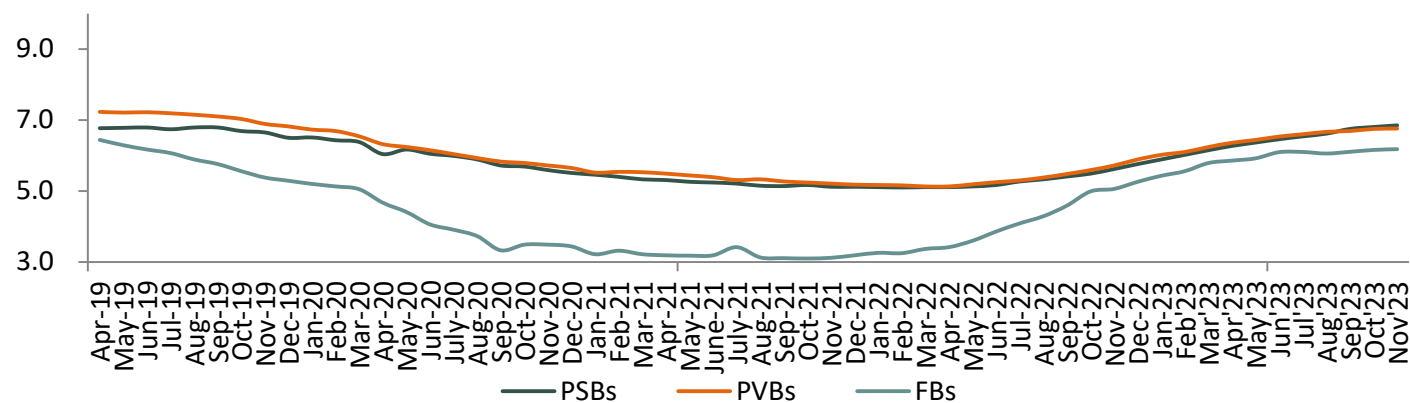
Source: RBI; IDBI Capital Research

**Exhibit 12: Weighted Average Lending Rates (WALR) (On Outstanding Rupee Loans)**



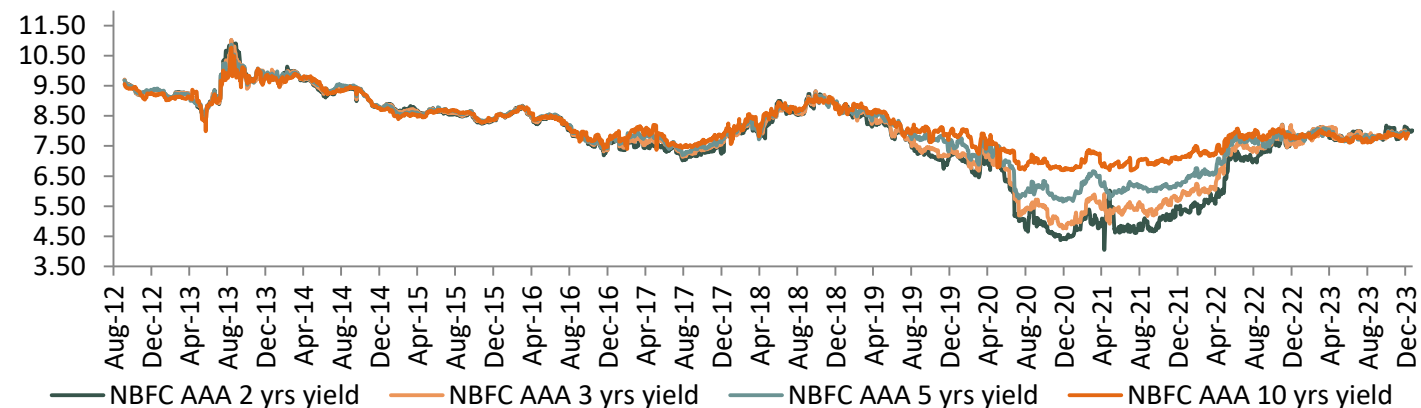
Source: RBI; IDBI Capital Research

**Exhibit 13: Weighted Average Domestic Term Deposit Rates (WADTDR) (Outstanding Rupee Term Deposits)**



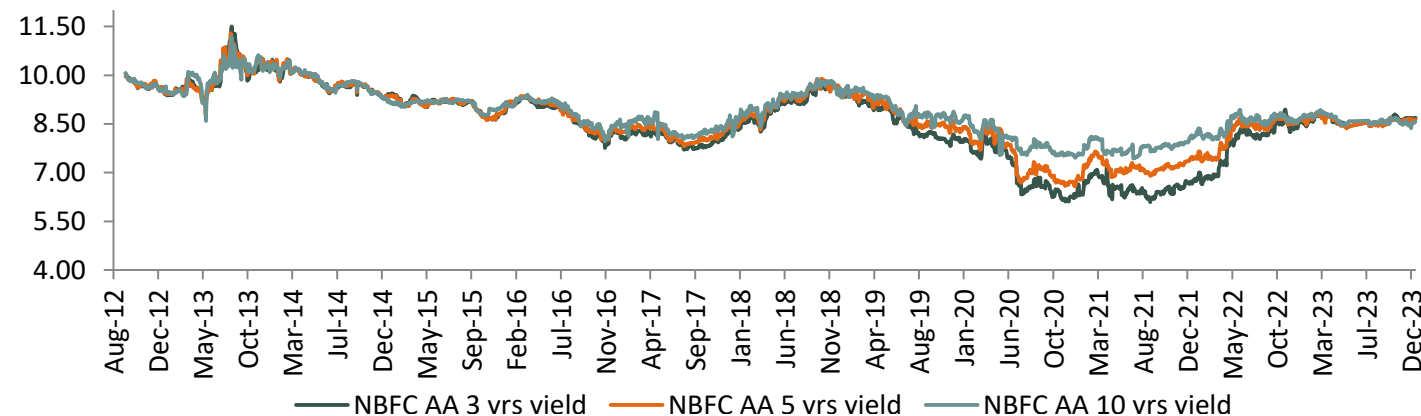
Source: RBI; IDBI Capital Research

**Exhibit 14: NBFC AAA yields have remained rangebound in the last few months**



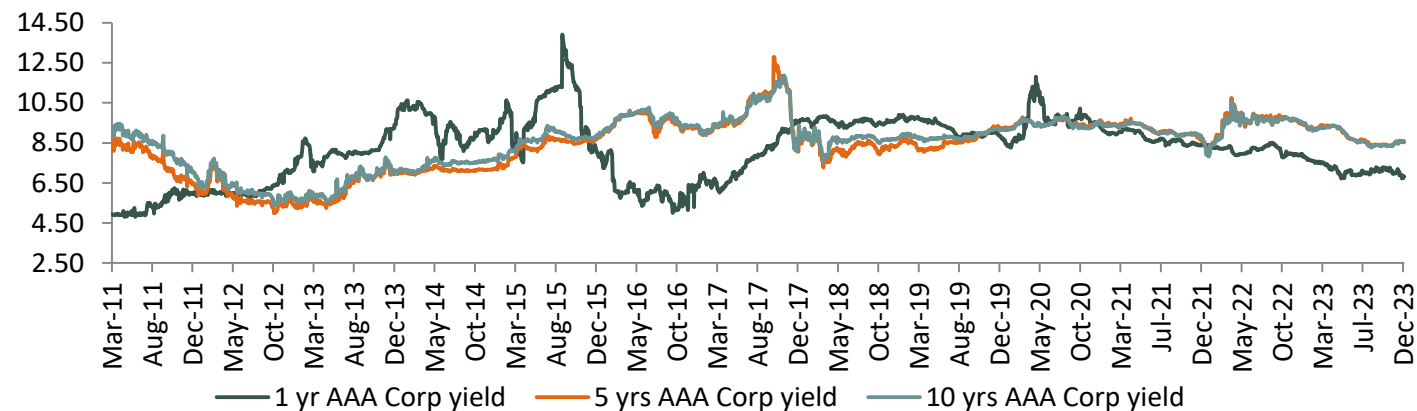
Source: Bloomberg; IDBI Capital Research

**Exhibit 15: NBFC AA yields remained rangebound in the last few months**



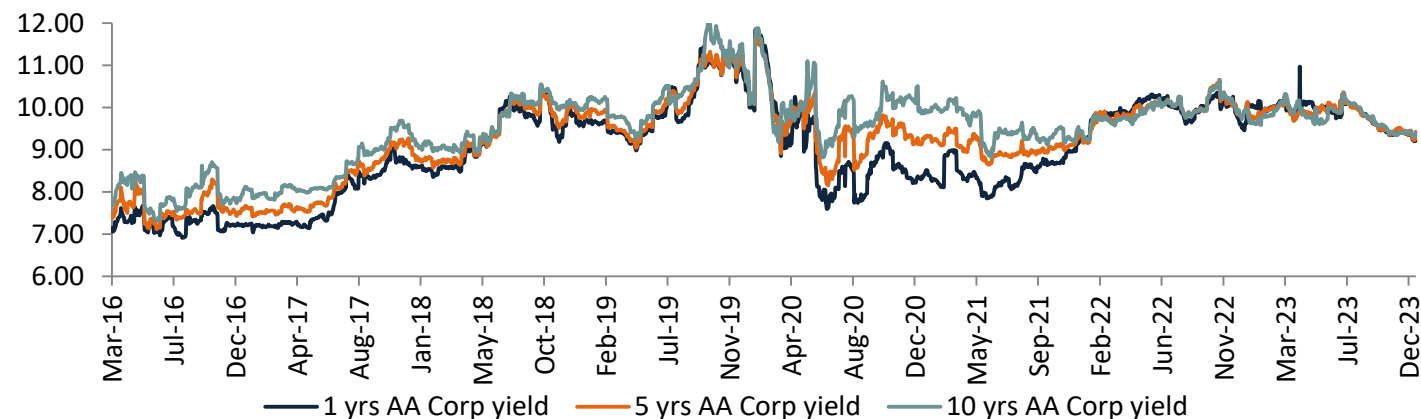
Source: Bloomberg; IDBI Capital Research

**Exhibit 16: Corporate bond AAA yields- for 5 years and 10 years are at an intersection point**



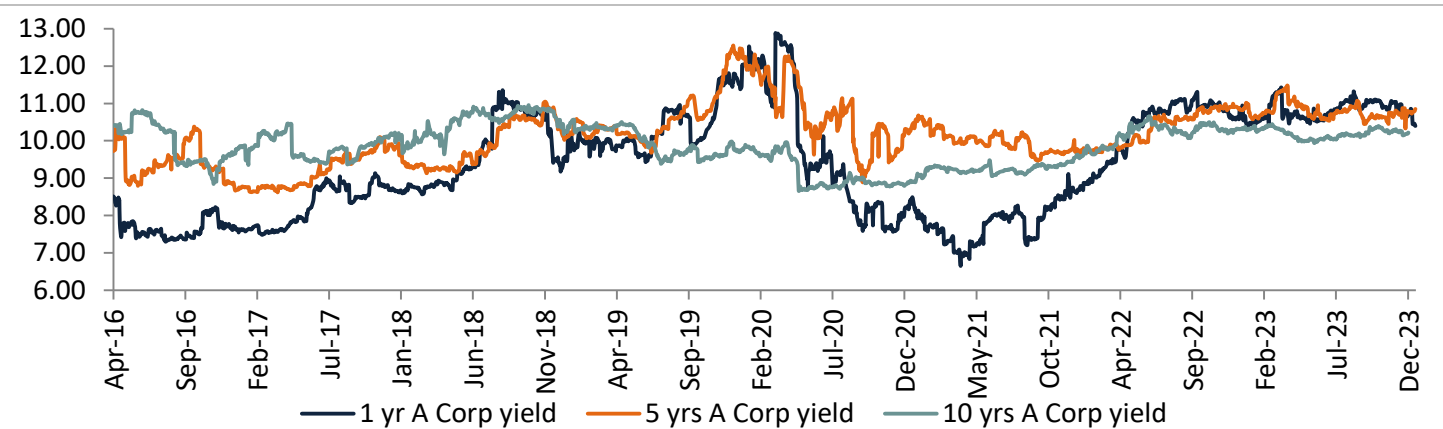
Source: Bloomberg; IDBI Capital Research

**Exhibit 17: Corporate bond AA yields- for 5 years and 10 years are at an intersection point**



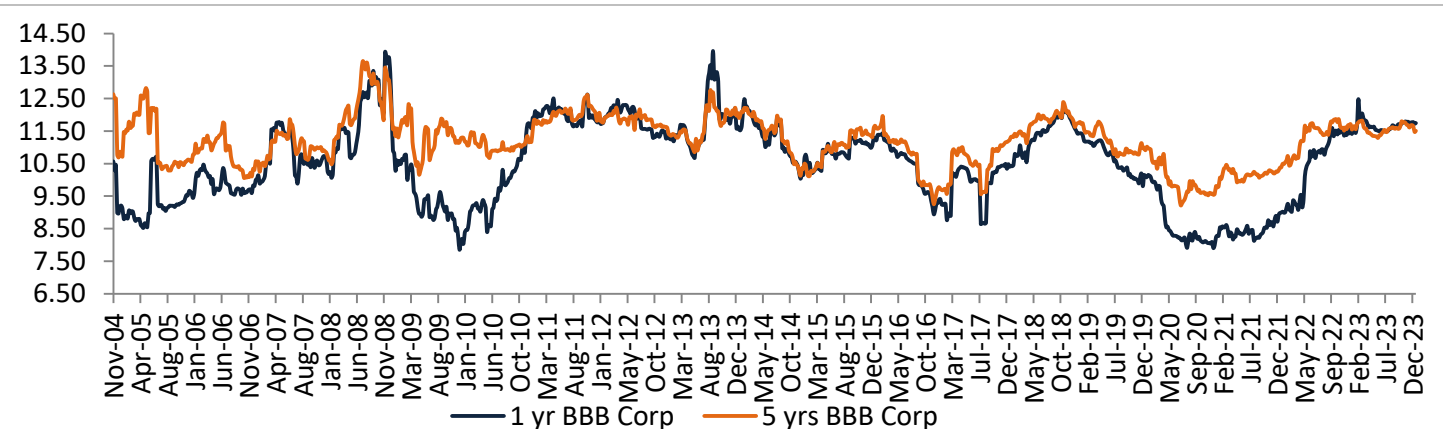
Source: Bloomberg; IDBI Capital Research

**Exhibit 18: Corporate bond A yields- For 5 years and 10 years remain at levels similar to each other**



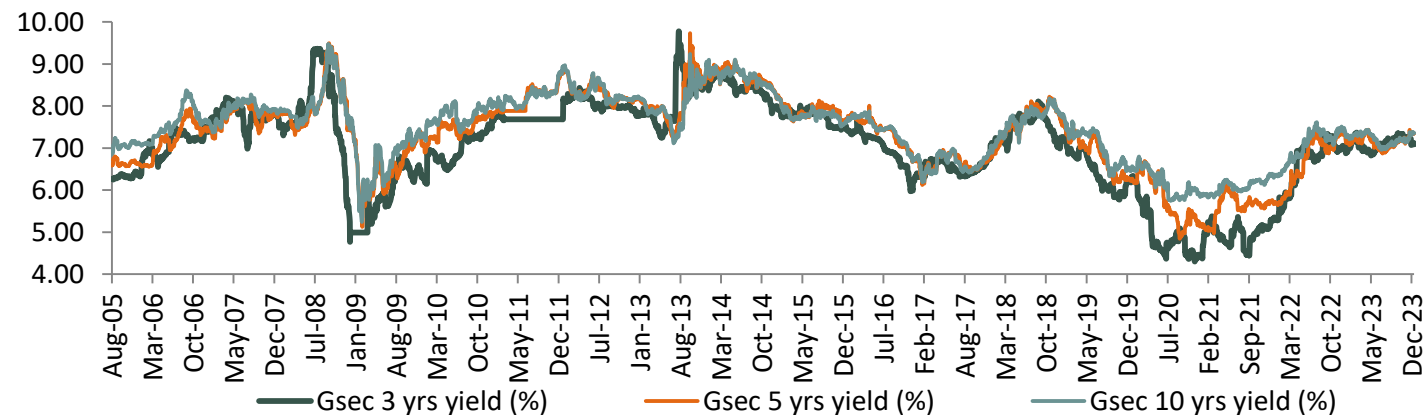
Source: Bloomberg; IDBI Capital Research

**Exhibit 19: Corporate bond BBB yields- 1 year and 5 year yield trajectory remains stable**



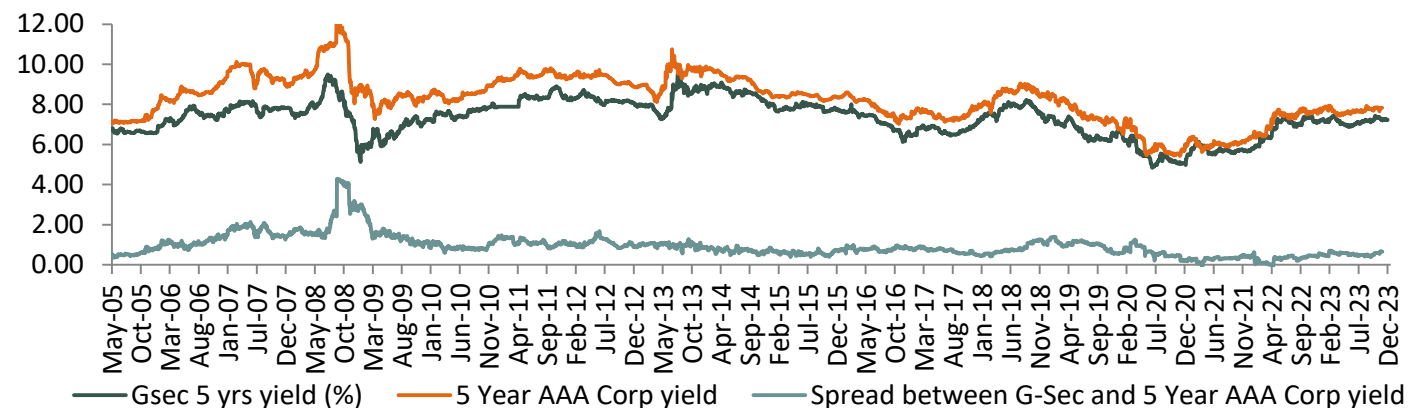
Source: Bloomberg; IDBI Capital Research

**Exhibit 20: G-sec yield- For 3 years, 5 years and 10 years are at similar levels**



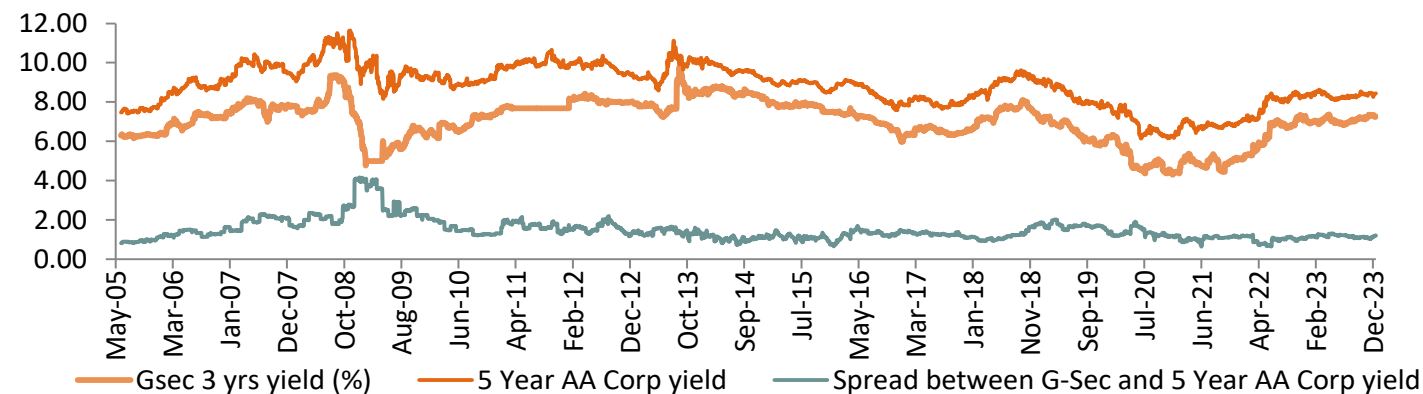
Source: Bloomberg; IDBI Capital Research

**Exhibit 21: Spread between G-Sec and 5 Year AAA Corp yield**



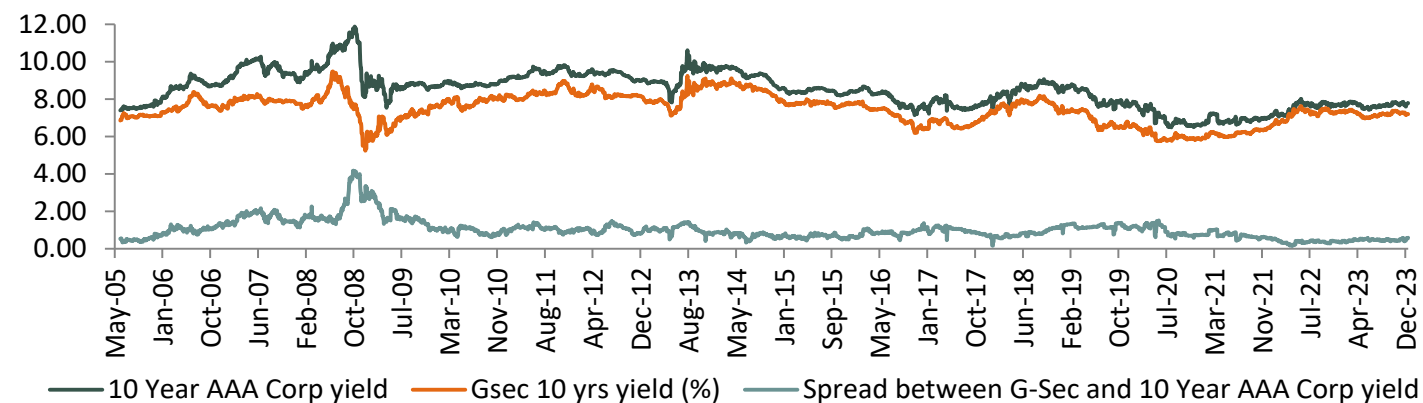
Source: Bloomberg; IDBI Capital Research

**Exhibit 22: Spread between G-Sec and 5 Year AA Corp yield**



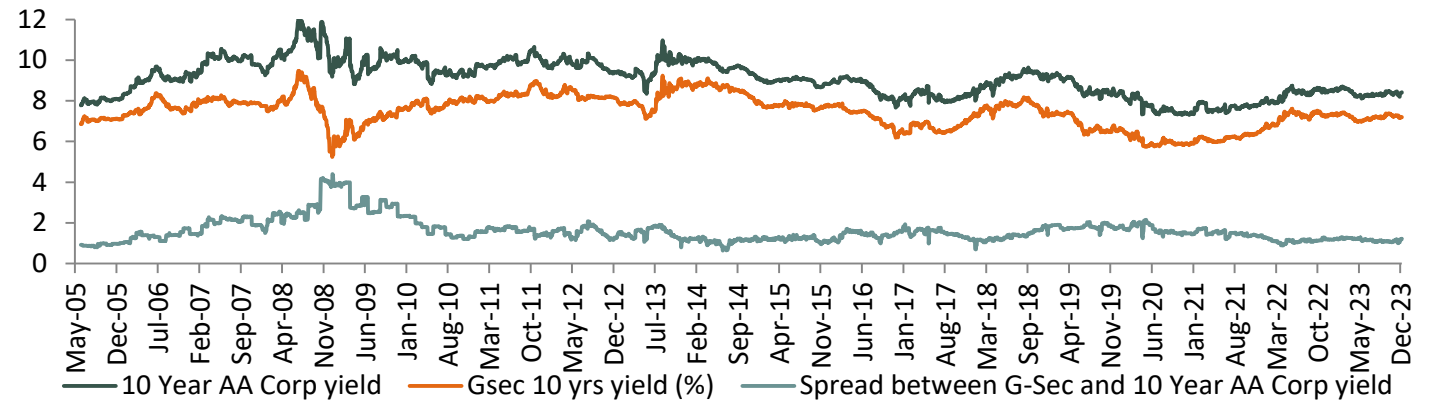
Source: Bloomberg; IDBI Capital Research

**Exhibit 23: Spread between G-Sec and 10 Year AAA Corp yield**



Source: Bloomberg; IDBI Capital Research

**Exhibit 24: Spread between G-Sec and 10 Year AA Corp yield**



Source: Bloomberg; IDBI Capital Research



## Exhibit 25: Corporate bond Raised by NBFCs on MoM basis

NBFCs (Rs in Bn)	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
HDFC	-	30.0	250.0	-	0.4	216.4	214.2	-	-	-	-	-	-
LIC HF	10.0	-	19.5	21.1	-	71.1	-	12.5	-	9.4	-	-	-
PNB HF	-	-	-	1.5	-	-	3.5	-	-	10.5	-	-	0.3
Shriram Transport	-	-	-	-	-	-	-	-	-	-	-	-	-
Cholafin	9.0	0.2	6.0	2.4	-	20.3	2.0	-	14.6	0.2	22.1	2.0	8.8
Sundaram Finance	-	-	-	5.0	-	-	5.0	-	12.5	7.5	5.0	2.0	-
Shriram City Union	-	-	-	-	-	-	-	-	-	-	-	-	-
Muthoot Finance	3.5	13.0	5.5	17.6	0.1	4.8	-	9.6	-	-	44.1	-	30.0
Manappuram Finance	-	-	5.0	11.0	-	-	-	-	-	10.0	6.0	-	-
Bajaj Finance	-	8.6	-	49.6	0.4	25.8	5.0	-	-	62.0	22.4	-	4.3
M&M Financial	-	1.2	-	25.4	0.3	-	-	9.0	-	3.5	-	-	-
Piramal Enterprise	-	5.0	-	1.0	-	-	-	-	-	-	8.0	5.3	-
L&T Finance	17.2	0.7	2.8	6.4	-	3.9	5.0	-	-	16.0	-	-	-
Indiabulls Housing	-	-	-	36.9	-	-	-	5.0	-	3.1	-	5.1	46.4

Source: Bloomberg; IDBI Capital Research

## Exhibit 26: Valuation Metric of Coverage Universe

	Market Cap (Rs Bn)	CMP (Rs)	TP (Rs)	Reco	NII (Rs bn)		Op Pft (Rs bn)		PAT (Rs bn)		EPS (Rs)		ABVPS (Rs)		PER (x)		P/ABV (x)		ROA (%)		ROE (%)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
<b>Banks</b>																						
Axis Bank	3402	1103	1,280	BUY	495	565	401	470	241	281	78	91	473	558	14.1	12.1	2.3	2.0	1.7	1.8	17.6	17.2
DCB Bank	41	132	150	BUY	19	23	10	11	5	7	16	22	148	164	8.2	6.0	0.9	0.8	0.9	1.0	10.5	13.0
Federal Bank	380	156	195	BUY	84	100	58	69	36	43	15	18	129	144	10.5	8.8	1.2	1.1	1.3	1.3	13.3	12.5
HDFC Bank	12,980	1709	1,970	BUY	1121	1330	937	1126	591	713	78	94	589	678	21.9	18.2	2.9	2.5	1.9	1.8	16.1	14.6
IndusInd Bank	1,243	1598	1,675	BUY	207	242	169	198	91	106	117	136	779	887	13.6	11.7	2.1	1.8	1.9	1.8	15.5	15.8
City Union Bank	110	148	170	BUY	23	26	19	21	11	13	14	17	105	121	10.2	8.6	1.4	1.2	1.5	1.6	13.4	13.9
ICICI Bank	6,990	996	1,240	BUY	680	790	517	619	349	419	50	60	311	362	20.0	16.6	3.2	2.8	2.1	2.1	16.2	16.8
<b>Housing Finance</b>																						
Repco Home Fin	25	392	515	BUY	7	8	5	6	4	4	59	59	411	466	6.6	6.7	1.0	0.8	2.8	2.5	13.8	12.1
<b>Gold Finance</b>																						
Manappuram Fin	146	172	205	BUY	55	63	33	36	21	23	25	28	131	153	6.8	6.2	1.3	1.1	4.1	4.9	16.7	20.3
Muthoot Fin	593	1477	1,300	HOLD	74	84	53	61	38	44	95	111	574	665	16	13	3	2	4.9	5.1	17.3	17.9
<b>Vehicle Finance</b>																						
Cholafin	1058	1260	1,150	HOLD	88	108	58	74	33	42	39	50	205	250	32	25	6	5	2.4	2.5	19.4	19.6
Mahindra Finance	342	276	330	BUY	69	83	41	51	20	27	17	22	142	158	17	12	2	2	1.9	2.2	11.5	14.1
Sundaram Finance	390	3509	3,870	BUY	20	24	19	24	13	16	120	148	766	888	29	24	5	4	2.9	3.0	16.1	17.2
Shriram Finance	771	2052	2,230	BUY	179	210	137	161	69	81	183	216	1101	1270	11	9	2	2	3.2	3.3	15.1	15.7

Source: Bloomberg; IDBI Capital Research




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