

Banking

Bank credit growth robust for Q1; up 3.5% YTD vs. run-down in pre-covid years

Non-food bank credit for the fortnight ended 1st Jul'22 spiked 2% FoF (vs 17th Jun'22), up 15% YoY. Since Mar'22, growth has been >3.5% YTD.

Bank credit sectoral deployment data for May'22 suggests YoY uptick across verticals: >16% in retail credit, 13% in services, 12% in agri, and >9% in industry. Incremental bank credit accretion in the past 12 months was Rs12.47trn, of which 49% was contributed by three components: housing (17%), MSME (17%), NBFC (15%). We believe India Inc, after undergoing a phase of deleveraging over the past few years, is now better positioned to embark on releveraging. Recovery in economic activity, derivative effect of increased investments and consumption may sustain the growth momentum of >12% CAGR over FY22-FY25E.

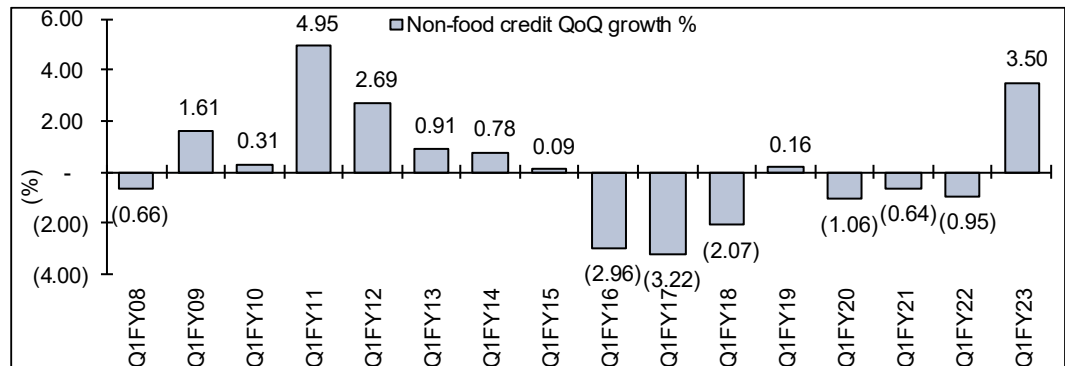
- ▶ We can expect the same to reflect in banks' QoQ growth for Q1FY23E. Leading banks, whose business updates are not yet disclosed, may see 4-6% QoQ growth.
- ▶ FY23 YTD has been an exceptional year where credit has grown more than 3.5% in the first quarter itself vs run-down of 2-3% during Q1 in the pre-covid years. Historically, this kind of traction was visible in Q1FY11 (>4.5%) when system-wide growth for FY11 ended at >20%.
- ▶ Similarly, deposits too have grown 2.4% FoF registering 9.8% YoY growth.

Table 1: Bank credit for the fortnight ended 1st Jul'22 spiked 2% FoF, up 15% YoY, >3.5% YTD

(Rs bn)	01-Jul-22	02-Jul-21	YoY % chg	17-Jun-22	FoF % chg	08-Apr-22	QoQ % chg
Non-food credit	1,23,438	1,07,357	15.0	1,21,068	2.0	1,19,260	3.5
Total deposits	1,69,612	1,54,513	9.8	1,65,693	2.4	1,67,413	1.3

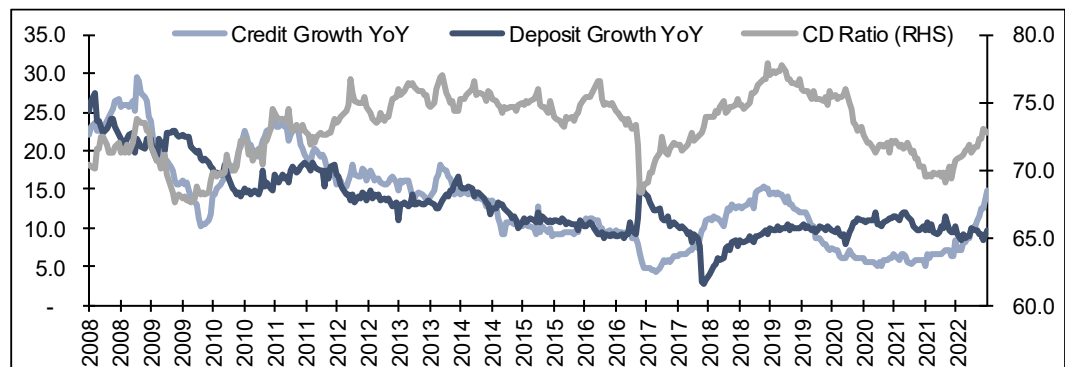
Source: RBI, I-Sec research.

Chart 1: Non-food bank credit growth exceptionally robust for Q1; up 3.5% vs. run-down in pre-covid years



Source: RBI, I-Sec research.

Chart 2: CD ratio to improve further as growth accelerates (%)



Source: RBI, I-Sec research

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Table 2: Advances to grow in the range of 4-6% QoQ momentum

QoQ (%)	Loans									
	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23E	
HDFC	1.0	3.5	4.2	4.7	1.3	4.5	5.2	8.6	1.9	
AXIS	(4.0)	2.9	0.9	7.8	0.1	1.1	6.9	6.4	2.5	
KOTAK	(7.2)	0.4	4.5	4.5	(2.8)	8.0	7.6	7.2	3.0	
INDUSIND	(4.2)	1.6	2.9	2.6	(0.9)	4.8	3.5	4.6	4.0	
BANDHAN	4.7	5.1	4.7	6.3	(8.4)	(0.4)	7.8	17.1	(3.0)	
SBIN	(1.2)	(0.2)	3.2	3.4	(0.7)	0.5	5.5	6.0	2.0	
RBL	(2.3)	(0.9)	0.5	3.9	(3.6)	(0.9)	3.8	3.2	(2.9)	
YES	(4.0)	1.5	1.7	(1.7)	(1.9)	5.6	2.0	2.7	2.0	
IDFCFB	14.4	(8.1)	18.1	(5.4)	8.0	2.5	4.6	1.2	6.7	
KVB	0.1	3.7	3.5	1.7	(0.8)	2.8	3.6	3.1	3.0	
FB	(0.6)	1.4	2.4	5.1	(1.5)	3.4	4.6	2.8	4.6	
CUBK	(0.1)	2.6	3.0	0.7	(1.7)	4.4	1.0	7.1	2.0	
DCB	(1.1)	(0.7)	1.7	2.6	(1.8)	5.3	3.0	5.2	2.0	
Equitas	1.3	7.4	3.8	3.2	(0.5)	6.4	3.7	4.6	6.0	
Ujjivan	1.5	(3.4)	(1.8)	11.0	(7.3)	3.4	13.4	10.3	6.9	
Suryoday				7.6	(4.8)	11.6	9.0	3.9	3.0	
SIB	0.5	0.4	(4.1)	(6.2)	(1.8)	(0.0)	1.6	4.4	4.8	

Source: Company, I-Sec research

Table 3: Growth regaining momentum; corporate credit pick-up to further accelerate pace

YoY (%)	Loans									
	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23E	
HDFC	20.9	15.8	15.6	14.0	14.4	15.5	16.5	20.8	21.6	
AXIS	10.4	8.2	3.6	7.5	12.0	10.1	16.7	15.2	18.0	
KOTAK	(1.9)	(4.0)	(1.1)	1.8	6.6	14.7	18.1	21.3	28.5	
INDUSIND	2.4	2.1	(0.1)	2.8	6.4	9.7	10.4	12.4	18.0	
BANDHAN	17.8	22.6	26.7	22.5	7.2	1.6	4.6	15.1	21.9	
SBIN	7.7	6.9	7.6	5.3	5.8	6.5	8.9	11.6	14.7	
RBL	(0.3)	(4.0)	(5.3)	1.0	(0.3)	(0.3)	3.0	2.4	3.1	
YES	(30.4)	(25.6)	(8.8)	(2.7)	(0.5)	3.5	3.8	8.5	12.8	
IDFCFB	(9.8)	(12.8)	6.5	17.5	10.9	23.8	9.6	17.2	15.8	
KVB	(1.8)	1.5	5.1	9.3	8.3	7.4	7.1	8.1	13.3	
FB	8.5	6.4	6.1	8.6	7.6	9.7	12.1	9.5	16.3	
CUBK	7.2	6.5	7.9	7.1	5.4	7.3	5.2	11.0	15.2	
DCB	4.2	0.3	(0.2)	2.4	1.7	7.9	9.3	12.1	16.4	
Equitas	26.0	26.1	18.9	16.7	14.5	13.4	13.3	14.9	22.4	
Ujjivan	17.4	7.9	0.1	7.0	(2.3)	4.6	20.7	20.0	38.3	
Suryoday							24.7	20.4	30.2	
SIB	3.4	14.0	(3.0)	(9.3)	(11.4)	(11.7)	(6.5)	4.0	11.0	

Source: Company, I-Sec research

Table 4: Deposits growth to pick up as lenders raise TD rates

QoQ (%)	Deposits									
	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23E	
HDFC	3.7	3.4	3.4	5.0	0.8	4.5	2.8	7.8	2.9	
AXIS	(3.8)	1.3	2.8	8.9	2.3	3.1	4.8	6.5	2.5	
KOTAK	(0.5)	0.0	1.4	5.6	2.3	1.8	4.7	2.1	4.5	
INDUSIND	4.6	8.1	4.8	7.0	4.4	3.0	3.3	3.1	3.0	
BANDHAN	6.2	9.1	7.7	9.5	(0.8)	5.9	3.2	14.0	(3.0)	
SBIN	5.5	1.5	1.9	4.1	1.1	2.4	1.0	5.3	2.0	
RBL	6.7	4.5	4.2	8.8	1.8	1.5	(2.6)	7.3	2.0	
YES	11.4	15.7	7.7	11.4	0.2	8.2	4.3	7.0	3.0	
IDFCFB	7.3	8.5	11.2	5.2	3.0	(1.2)	2.8	13.9	9.8	
KVB	1.7	1.8	1.6	1.9	1.8	1.6	2.2	2.7	2.0	
FB	1.7	1.2	3.1	6.8	(1.9)	1.5	2.0	0.9	0.9	
CUBK	0.5	1.0	4.5	2.9	0.2	3.8	0.9	2.1	3.0	
DCB	(3.1)	(2.2)	0.3	2.9	3.0	3.8	1.5	7.6	3.0	
Equitas	9.3	9.4	23.0	3.3	4.3	5.8	(1.2)	6.0	5.5	
Ujjivan	2.6	(2.8)	8.1	13.1	4.1	3.0	10.5	17.5	0.8	
Suryoday	0.7	9.4	6.5	(2.6)	1.9	(5.7)	1.3	21.5	4.0	
SIB	(0.7)	0.2	1.1	(1.0)	2.3	2.6	1.7	0.9	(1.1)	

Source: Company, I-Sec research

Table 5: Deposits growth likely to be at par with advances growth

YoY (%)	Deposits									
	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23E	
HDFC	24.6	20.3	19.1	16.3	13.2	14.4	13.8	16.8	19.3	
AXIS	13.9	6.8	8.4	9.0	16.0	18.1	20.3	17.7	18.0	
KOTAK	12.3	12.2	10.8	6.6	9.6	11.5	15.1	11.3	13.7	
INDUSIND	5.3	10.2	10.3	26.6	26.5	20.6	19.0	14.6	13.1	
BANDHAN	38.7	34.4	29.6	36.6	27.6	23.8	18.7	23.5	20.8	
SBIN	16.0	14.4	13.6	13.6	8.8	9.8	8.8	10.1	11.1	
RBL	8.8	7.8	17.2	(6.9)	9.0	(14.0)	5.6	(3.1)	(0.5)	
YES	(48.0)	(35.2)	(11.8)	54.7	39.1	30.1	26.0	21.0	24.4	
IDFCFB	5.4	9.3	22.7	36.2	30.8	19.0	10.0	19.1	27.0	
KVB	(2.7)	(1.8)	(0.3)	7.1	7.2	7.0	8.0	8.5	8.8	
FB	16.9	12.3	11.8	13.4	9.3	9.7	8.5	5.2	8.2	
CUBK	5.0	2.4	8.7	9.1	8.7	11.8	11.3	7.1	10.1	
DCB	2.2	(2.0)	(2.9)	(2.2)	4.0	10.4	14.5	16.8	16.8	
Equitas	29.1	28.7	51.2	51.9	45.0	40.3	19.8	15.6	16.9	
Ujjivan	39.0	6.0	9.0	21.8	23.7	31.2	26.1	39.3	34.8	
Suryoday				14.3	15.6	(0.3)	(3.6)	18.2	20.7	
SIB	0.9	(0.4)	(1.6)	(0.4)	2.6	5.1	5.8	7.8	4.2	

Source: Company, I-Sec research

Table 6: C/D ratio movement likely to vary across players

%	C/D Ratio									
	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23E	
HDFC	84.4	84.5	85.1	84.9	85.3	85.2	87.2	87.8	86.9	
AXIS	89.1	90.5	88.9	88.0	86.1	84.4	86.2	86.1	86.1	
KOTAK	78.0	78.3	80.7	79.9	75.9	80.5	82.9	87.0	85.8	
INDUSIND	93.8	88.2	86.6	83.1	78.9	80.2	80.4	81.5	82.3	
BANDHAN	115.1	110.9	107.8	104.7	96.7	91.0	95.0	97.6	97.6	
SBIN	67.2	66.1	67.0	66.5	65.4	64.1	67.0	67.5	67.5	
RBL	91.9	87.1	84.0	80.2	75.9	74.1	79.0	76.0	74.7	
YES	140.2	122.9	116.1	102.4	100.2	97.8	95.6	91.8	96.6	
IDFCFB	140.3	118.7	126.1	113.4	119.0	123.4	125.5	111.6	108.4	
KVB	76.8	78.2	79.7	79.6	77.6	78.6	79.6	83.8	84.6	
FB	78.3	78.4	77.6	78.1	76.6	78.1	81.9	81.3	84.2	
CUBK	84.2	84.1	83.0	83.1	81.6	80.2	82.2	86.2	85.3	
DCB	85.1	86.5	87.7	87.4	83.3	84.5	85.8	83.9	83.1	
Equitas	122.1	123.5	106.0	102.8	97.8	98.6	110.1	108.7	109.2	
Ujjivan	128.9	128.2	116.3	110.3	97.0	95.7	105.8	99.3	105.3	
Suryoday	119.7	113.4	113.1	122.3	114.4	134.3	153.7	131.5	130.2	
SIB	78.3	77.3	73.7	70.2	66.8	65.2	65.0	67.3	70.1	

Source: Company, I-Sec research

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