CARE Ratings
Professional Risk Opinion

Credit Growth Profile: April-October 2015

Growth in credit so far this year has been sluggish with overall GDP and industrial growth conditions also being on the lower end. For the period April to November, credit offtake had increased by 4.8% compared with 7.3% last year. In incremental terms credit was Rs 2,903 bn compared with Rs 3,860 bn last year, which indicates a negative growth in terms of the second derivative. The focus of this report is to examine in detail the segments that have moved growth in credit for the period April to October (data is available with a lag of one month). Table 1 presents information on the broad profile of credit for this period.

Table 1: Sector wise credit profile: (Rs bn and changed in %)

Sector	Mar-14 (o/s)	Oct-14 (o/s)	Change Oct-Mar 13	Change Oct-Mar 14
Gross Bank Credit	56,572	58,690	6.4	3.7
Food Credit	912	984	-8.5	7.8
Non-food Credit	55,660	57,707	6.6	3.7
Agriculture & Allied Activities	6,694	7,447	5.0	11.2
Industry	25,229	25,402	5.7	0.7
Micro & Small	3,517	3,562	7.5	1.3
Medium	1,274	1,269	2.7	-0.4
Large	20,438	20,570	5.6	0.6
Services	13,370	13,578	8.3	1.5
Transport Operators	904	887	6.5	-1.8
Professional Services	707	722	18.9	2.1
Trade	3,228	3,246	7.9	0.6
Commercial Real Estate	1,544	1,656	14.0	7.3
NBFCs	2,946	3,112	11.8	5.6
Personal Loans	10,367	11,281	8.1	8.8
Consumer Durables	128	146	13.8	14.0
Housing	5,408	5,934	11.9	9.7
Advances against FDs	641	554	-7.4	-13.6
Credit Card Outstanding	249	294	-6.1	18.5
Education	600	632	6.4	5.4
Vehicle Loans	1,304	1,454	8.2	11.5
Other Personal Loans	1,998	2,227	6.0	11.5

Source: RBI

- The two sectors that have shown a higher increase in credit are agriculture and personal loans while the other two, industry and services have witnessed lower growth.
- Lower growth in industry at 0.7% relative to 5.7% can be attributed to both lower industrial growth of 1.9% as well as high interest rates.
- Growth in personal loans has been driven by higher growth in vehicle loans in particular with mortgages also pushing up the rate, even though the growth was lower than that of last year. This is significant because notwithstanding unchanged rates of RBI the household segment has gone in for such loans. Discounts offered by the auto sector and lower prices due to the excise reliefs provided in the budget would have countered to an extent the high level of interest rates.

Table 2: Industry-wise deployment of credit

Industry	o/s Oct-14 Rs crore	Oct-April-13 % change	Oct-April-14 % change
Mining & Quarrying (incl. Coal)	366	-3.7	3.6
Food Processing	1,435	4.0	-3.0
Sugar	336	-5.1	-3.5
Edible Oils & Vanaspati	181	3.3	-14.8
Tea	33	30.1	0.6
Others	885	7.8	-0.2
Beverage & Tobacco	193	-1.5	4.0
Textiles	1,958	1.8	-4.0
Cotton Textiles	947	-1.8	-6.4
Jute Textiles	24	-8.3	18.0
Man-Made Textiles	197	3.5	-8.8
Other Textiles	791	6.4	-0.3
Leather & Leather Products	102	9.3	-0.5
Wood & Wood Products	96	12.5	2.2
Paper & Paper Products	336	10.7	1.5
Petroleum, Coal Products & Nuclear Fuels	555	-6.4	-12.6
Chemicals & Chemical Products	1,500	0.9	-10.5
Fertilizer	218	2.0	-28.9
Drugs & Pharmaceuticals	482	6.2	-2.1
Petro Chemicals	368	-9.4	-15.5
Others	433	5.3	-2.4
Rubber, Plastic & their Products	367	9.7	-0.4
Glass & Glassware	89	7.6	2.0
Cement & Cement Products	556	8.0	2.8
Basic Metal & Metal Product	3,676	7.5	1.5
Iron & Steel	2,720	8.0	1.3
Other Metal & Metal Product	956	5.9	2.3
All Engineering	1,473	6.9	1.2
Electronics	377	-1.3	2.8
Others	1,096	9.8	0.7
Vehicles, Vehicle Parts etc	664	9.5	-2.0
Gems & Jewellery	719	13.8	-0.2
Construction	727	9.1	18.3
Infrastructure	8,880	8.1	5.7
Power	5,277	9.0	8.1
Telecommunications	904	0.3	0.0
Roads	1,636	11.1	4.0
Other Infrastructure	1,063	7.0	2.5
Other Industries	1,711	0.1	-7.5
All Industries	25,402	5.7	0.7

Source: RBI

Table 2 shows that:

- There were only 5 industry groups that witnessed an increase in growth rate in the current financial year: these were beverages and tobacco & construction and jute textiles, mining and electronics. The latter three had positive growth rates coming over negative rates last year.
- The better performance in the consumer loans segment does not match flow of credit to the relevant sectors
    - Vehicle loans growth has been high though credit to auto segment has been low (negative growth for motor vehicles).
    - Home loans growth though lower than last year is still high at 9.7% is synchronous with higher growth in loans to the construction sector.
- Growth in credit to infrastructure has slowed down from 8.1% to 5.7%, which can be attributed to limited restarting of the stalled projects as well as the prevalence of high interest rates.
- Most of the industries with low industrial growth such as chemicals, printing, wood products, coke, office machinery and furniture also have witnessed low growth in credit.

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