

Sectoral Deployment of Gross Bank Credit March-2012

Credit growth concerns to persists

The financial year 2012 closed with locking a MoM improvement in credit growth at 17.1%, however, down from 20.8% in FY 2011. Growth in food credit also reported downward movement to 27.3% in March 2012 on YoY basis from 32% in March 2011. Non-food gross bank credit growth also witnessed decline YoY basis to 17% YoY from 20.6% YoY in March 2011; albeit an improvement on MoM basis of 240bps.

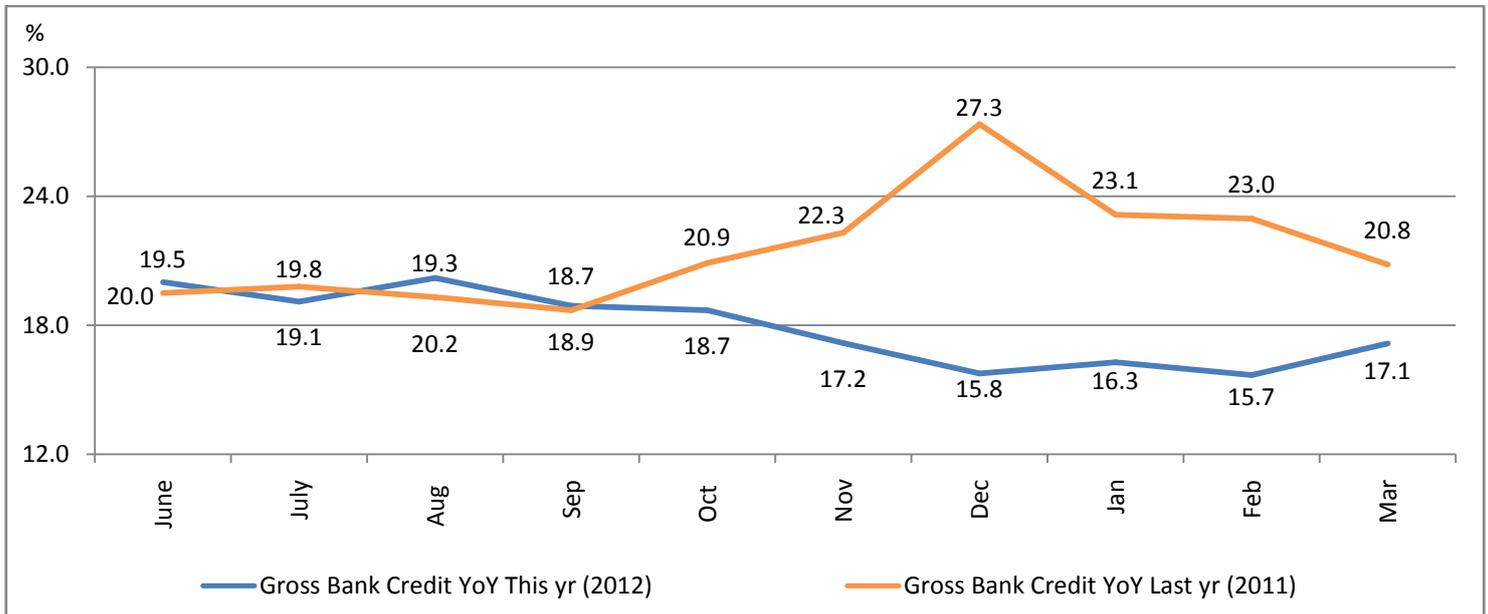
- Industry registered 21.3% growth YoY down from 23.6% in the previous year mainly on the back of weak demand from the medium-sized and subdued demand from the large industries in comparison to previous year.
- MoM credit to industry was led by petroleum & coal product, chemical product, food processing, beverage & tobacco, gems & jewellery, textiles and growth in Infrastructure led by credit growth from the troubled power sector.
- The Agriculture credit growth came as a positive surprise with improvement from 10.6% in March 2011 to 13.5% in March 2012 on YoY basis largely due to banks meeting their PSL targets towards the year end.

Table 1: Deployment of Gross Bank Credit (Summarized) as on Mar 23, 2012

Sector	Rs. crore	YoY %	% of Total
Gross Bank Credit (II + III)	4,371,351	17.1	100.0
I.Food Credit	81,607	27.3	1.9
II.Non-food Credit (1 to 4)	4,289,744	17.0	98.1
1.Agriculture & Allied Activities	522,623	13.5	12.2
2.Industry (Micro & Small, Medium and Large)	1,965,874	21.3	45.8
Micro & Small	259,191	13.1	13.2
Medium	205,642	11.4	10.5
Large	1,501,041	24.3	76.4
3.Services	1,032,992	14.7	24.1
4.Personal Loans	768,256	12.1	17.9

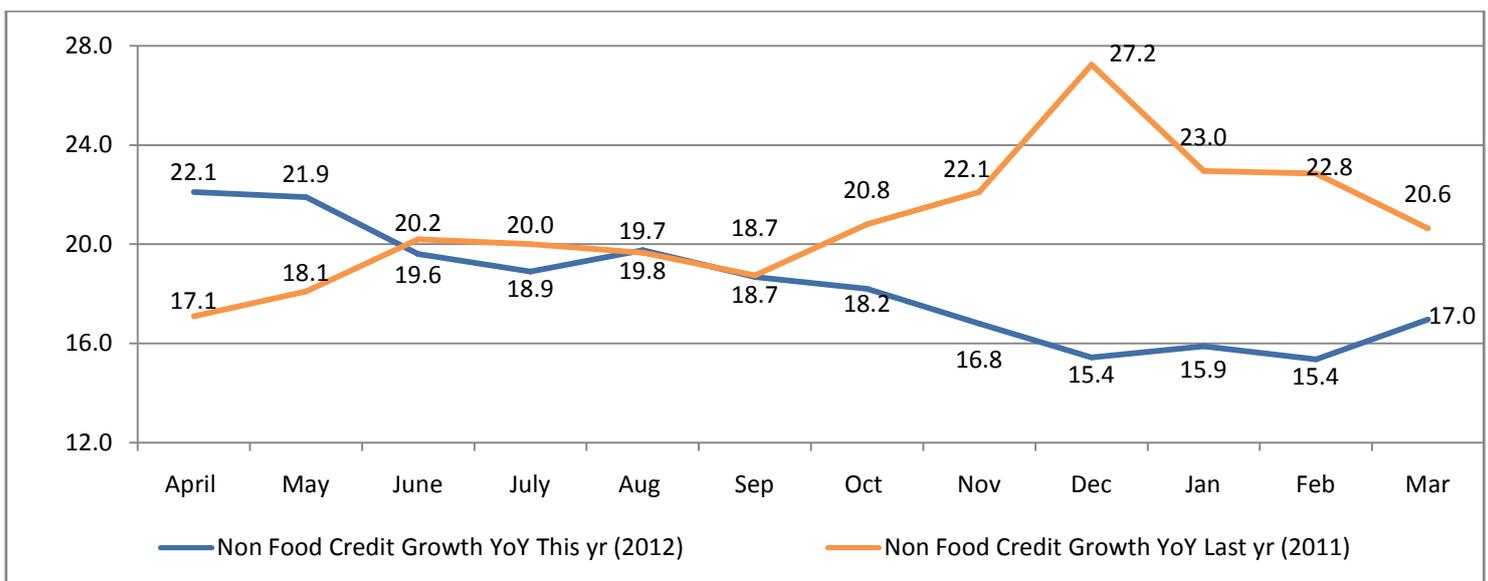
Source: - RBI, Arihant Research

Chart 1: Systemic Gross bank credit growth (YoY)



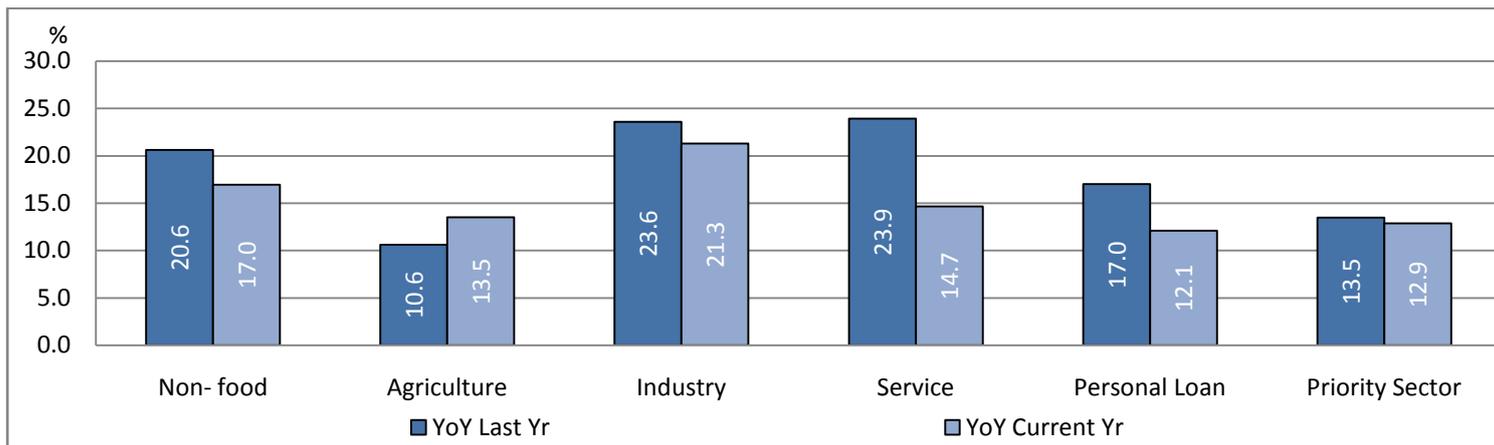
Source: - RBI, Arihant Research

Chart 2: Non food credit growth (YoY)



Source: - RBI, Arihant Research

Chart 3: Growth of Overall Non- Food credit and its components (YoY)

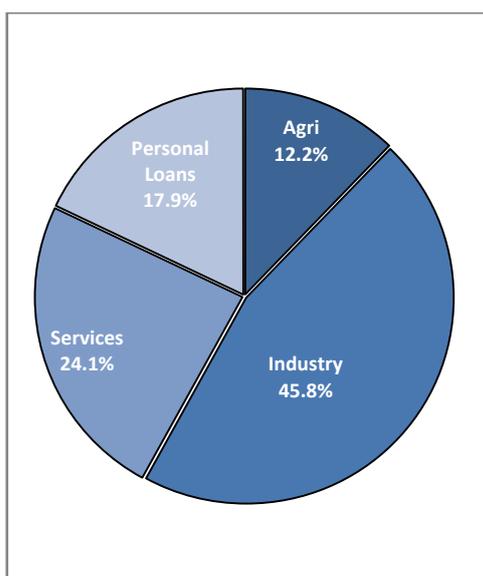


Source: - RBI, Arihant Research

Non Food Credit Growth

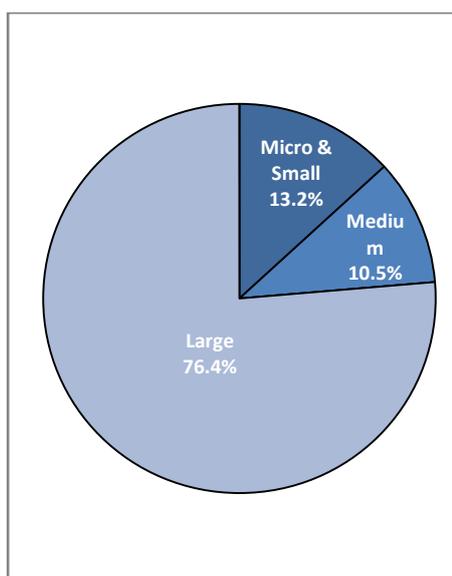
- As mentioned before, the non-food credit growth observed weakness on YoY basis. Clearly, except the agri component, all the remaining components that form the non-food credit witnessed downward movement (on YoY basis) at the end of financial year 2012.
- The reversal in RBI’s policy stance over the repo rate cut in the April Monetary Policy aims to provide booster to the much required credit growth; however, the likelihood of the lengthy time frame from the Regulator’s end for further monetary easing implies the credit growth concerns to persists for FY13.

Chart 4: Non-food credit breakup



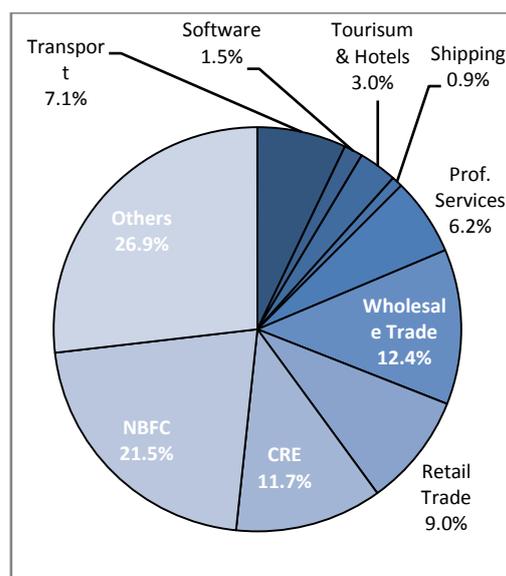
Source: - RBI, Arihant Research

Chart 5: Industry Break -up



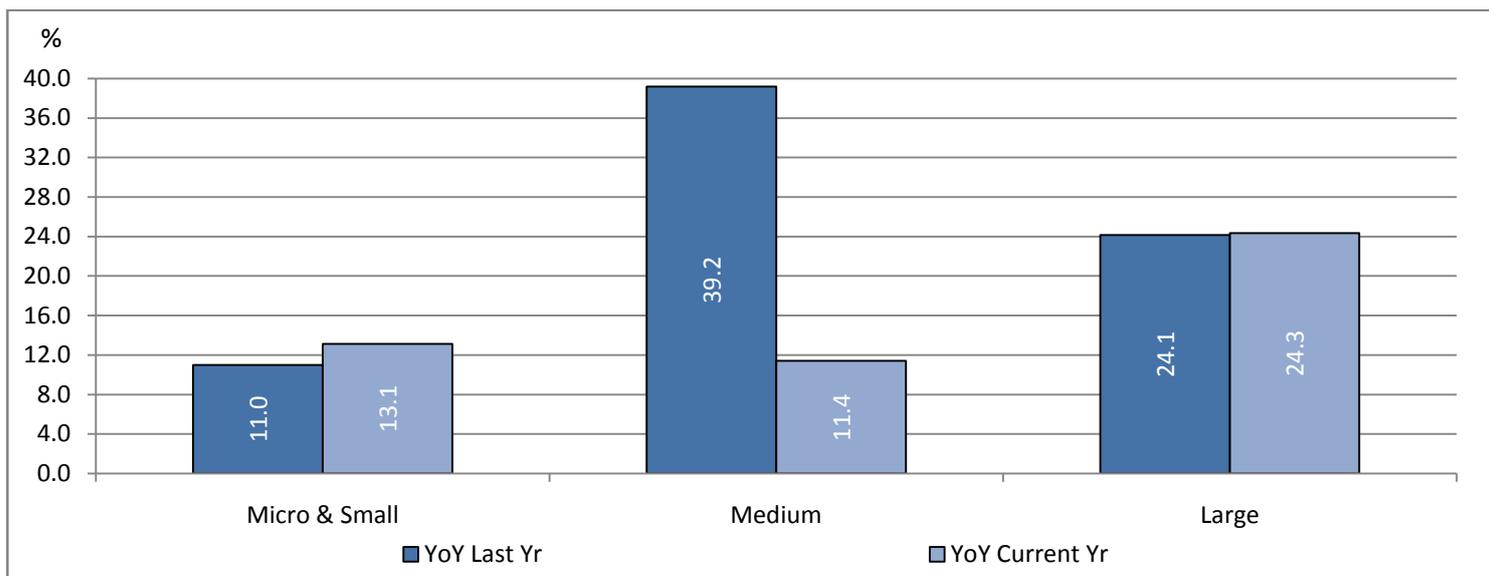
Source: - RBI, Arihant Research

Chart 6: Services Break -up



Source: - RBI, Arihant Research

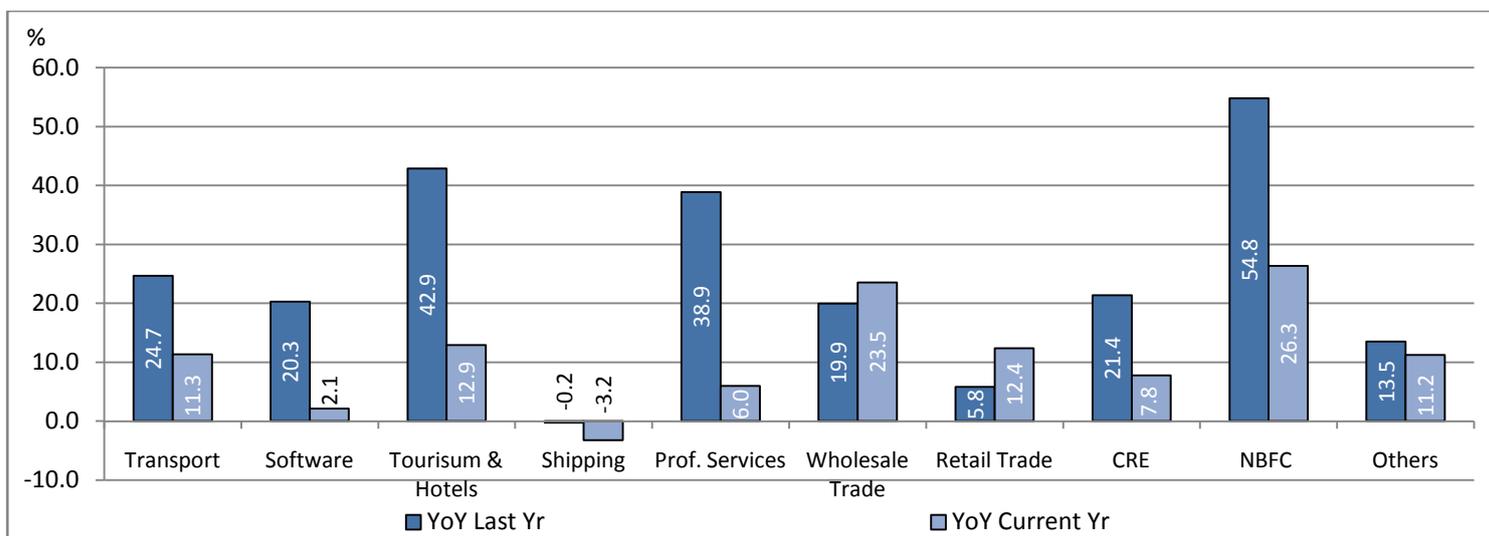
Chart 7: Breakup of Industrial credit growth



Source: - RBI, Arianth Research

The growth performance in industry components was a mixed bag. While the micro and small sized industries observed decent growth of 13% YoY (200 bps higher than the previous year), the large sized industries registered flat growth and the medium-sized industries witnessed poor show with mere 11% growth on YoY basis (down from as high as 39% growth a year before).

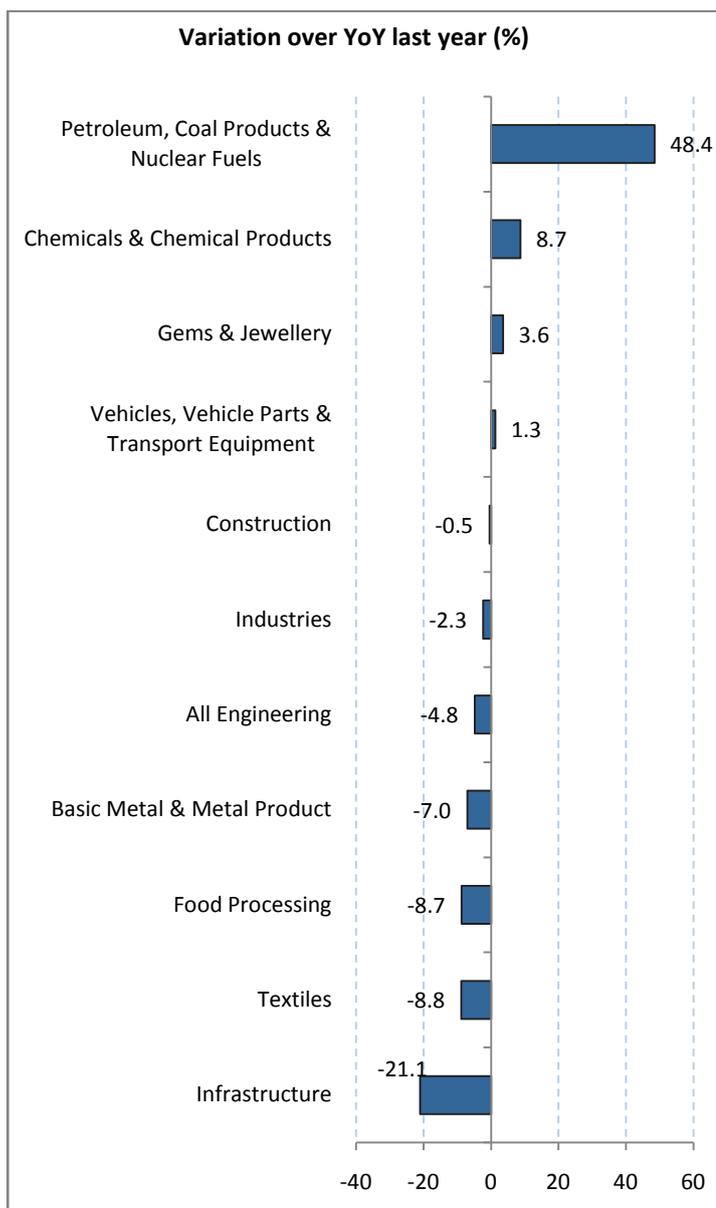
Chart 8: Breakup of Services sector credit growth



Source: - RBI, Arianth Research

The services sector showed dismal performance wrt credit growth on YoY basis except the trade component. The wholesale and retail trade segment witnessed robust growth; while shipping segment proved weakest. That said, on MoM basis these segments are showing signs of revival.

Chart 9: Industry-wise variation of Gross bank credit (YoY)

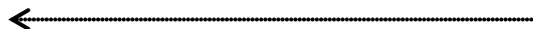


Source: - RBI, Arianth Research

Top five industries -

Infra captures 31.5% of total industry credit of which power accounts for 16.7%. Next in line is Basic metal product at 13% of which iron and steel accounts for 9.8%. Textiles contribute 8.1% to total industry credit, Engineering 5.8%, and Chemicals & chemical products 5.7%.

Industries with substantial weight and higher variation in YoY growth current year vs. previous year



Note: Sectoral deployment of credit is collected by RBI on a monthly basis from select 47 SCB's accounting for about 95% of the total non-food credit deployed by all SCB's for the month.

Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254834/32

Head Office

3rd Floor, Krishna Bhavan,
67 Nehru Road, Vile Parle (East),
Mumbai - 400057
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

E-5 Ratlam Kothi
Indore - 452003,
(M.P.)
Tel: (91-731) 3016100
Fax: (91-731)
3016199

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ARIHANT capital markets Ltd.

3rd Floor Krishna Bhavan, 67 Nehru Road, Vile Parle (E) Mumbai - 400057
Tel. 022-42254800 Fax. 022-42254880

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www.arihantcapital.com