



Deposits outpace credit growth after 30 months

Alignment due to fall in credit growth from previous highs

SUBRATA PANDA

Mumbai, 31 October

ILLUSTRATION: AJAY MOHANTY

After nearly 30 months, banks' deposit growth has edged above credit expansion, potentially signalling an end to a period when the reverse was in operation.

Growth in credit staying ahead of growth in deposits had prompted the Reserve Bank of India (RBI) to encourage banks to adopt innovative strategies to get more funds and narrow the gap between the two.

However, the alignment of deposit growth with credit expansion can largely be attributed to a decline in credit growth from its previous highs.

Having said that, deposit mobilisation by banks, especially those in the private sector, has picked up pace following the nudge from the regulator.

According to the latest data from the Reserve Bank of India (RBI), deposits in banks grew 11.74 per cent year-on-year (Y-o-Y) during the fortnight ended October 18 to ₹218.07 trillion while credit growth during the same period came in at 11.52 per cent Y-o-Y to ₹172.38 trillion.

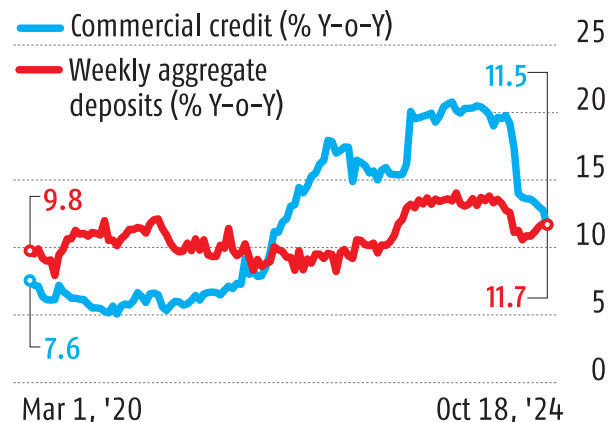
"This is in line with expectations, although it is likely occurring faster than anticipated. Incremental credit growth this financial year has been lower than last year, particularly due to a slowdown in credit to the services sector, which is contributing to the alignment of credit and deposit growth," said a senior economist.

That said, deposit growth of 11.74 per cent in the fortnight ended October 18 is lower than the 11.8 per cent growth in the previous fortnight (October 4). Similarly, credit growth also slowed during the October 18 fortnight, decreasing from the 12.77 per cent in the prior period.

Credit growth exceeded deposit growth



BRIDGING THE GAP



Source: Bloomberg/RBI

Compiled by BS Research Bureau

since the fortnight ended March 25, 2022, leading to a widening gap that reached as much as 700 basis points. According to a State Bank of India report, there have been episodes of credit and deposit growth divergence persisting for 2-4 years.

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Credit growth may be 12-13% in FY25: Experts

“Regulatory measures by the RBI, such as increased risk weightings for consumer loans and loans to non-banking financial companies, along with the newly proposed liquidity coverage ratio (LCR) norms and stress on retail unsecured lending leading to banks recalibrating their growth in this segment, has contributed to a slowdown in credit growth. Going forward, credit growth is likely to be in line with deposit growth. Private banks are intensifying efforts to boost deposit growth in order to improve their credit-deposit ratios. Meanwhile, banks are also approaching the capital mar-

kets,” said Saurabh Bhalerao, associate director, BFSI research, CareEdge Ratings.

Industry experts suggest with HDFC Bank slowing its credit growth to bring down its elevated credit-deposit ratio, loan expansion is bound to lose pace. Credit growth in banking could be in the range 12-13 per cent in FY25, according to them.

The challenge of deposit mobilisation for banks has been intensified by the upward trend in equity markets, which has attracted more household savings than lenders. After Covid-19, households have increasingly shifted their investment to equi-

ties, directly as well as through mutual funds (MFs), at the expense of banks. According to the data by Kotak Institutional Equities, the allocation of household assets to equities, MFs, and portfolio management services/alternative investment funds has increased from 15 per cent in 2020 to 25 per cent in 2024. In contrast, cumulatively, allocation to bank deposits—fixed deposits, savings account deposits, and current account deposits—came down from 53 per cent in 2020 to 42 per cent in 2024.

Allocation to fixed deposits has come down to 23 per cent in 2024 from 28 per cent during the

same period. Similarly, there has been a decline in allocation towards savings accounts as well — from 22 per cent in 2014 to 17 per cent in 2024.

Additionally, the merger of HDFC with HDFC Bank also added to the deposit worries of the banking sector because following the merger HDFC Bank's credit-deposit ratio moved above 100 per cent. It was around 85 per cent pre-merger.

RBI Governor Shaktikanta Das on numerous occasions over the last few months cautioned banks about the need for deposits because they faced competition from equity markets.

Banks have acted on the governor's advice. Not only did they increase interest rates on fixed deposits, thereby taking a hit on their margins, they also started to provide allied services to customers. State-owned banks have also started tapping into the Jan-Dhan accounts to mobilise deposits.

“Banks have raised their deposit rates on select tenors and the equity market has cooled to some extent, which has contributed to the pickup in deposit growth. However, given last year's high base and a slowdown in retail lending, credit growth appears to be slower. We expect credit growth for FY25 to be 13-14 per cent,” said Madan Sabnavis, chief economist, Bank of Baroda.

Bank lending to industry surged 43% in H1FY25

ABHIJIT LELE
Mumbai, 31 October

Reflecting buoyancy and growth momentum, bank credit to industry — small, medium and large — grew by 42.85 per cent in the first half of the current financial year (H1FY25) over the same period last year.

Reserve Bank of India (RBI) data showed that in absolute terms, banks lent ₹1.5 trillion in H1FY25 as against ₹1.05 trillion in H1FY24. The outstanding credit to industry stood at ₹37.86 trillion in September 2024. This data excludes the merger of HDFC with HDFC Bank.

Outstanding bank loans to large enterprises, which have a lion's share in credit, stood at ₹27.16 trillion. Credit growth to industry improved to 9.1 per cent year-on-year (Y-o-Y) in September 2024 compared to 6.0 per cent a year ago, the RBI said in a statement.

According to RBI forward looking surveys, the optimism in the manufacturing sector for Q3FY25 improved over the previous round. Cost of financing and salary outgo are likely to rise. Pressures from raw material cost are expected to ease, and selling price growth momentum may continue. Services and infrastructure companies continue to maintain a highly optimistic outlook for Q3FY25.

The investment outlook is supported by resilient non-food bank credit growth, elevated capacity utilisation, and healthy balance sheets of banks and corporates. This is

also backed by the government's continued thrust on infrastructure spending, the RBI said in its October monetary policy review.

The central bank said retail loan growth moderated to 16.4 per cent in September 2024 as compared to 18.2 per cent a year ago. This slowdown was largely due to the decline in growth in personal loans to 12.1 per cent from 23.6 per cent in the same period last year. The vehicle loans segment showed moderation in growth to 13.3 per cent Y-o-Y from 21.2 per cent, and credit card outstanding to 18.0 per cent from 31.4 per cent. However, housing — the largest constituent of retail loan segment — recorded accelerated growth.

Credit growth to services sector decelerated to 15.2 per cent in September 2024 from 21.6 per cent a year ago, primarily due to lower growth in credit to non-banking financial companies (NBFCs). The pace of lending to NBFCs slowed to 9.5 per cent in September 2024 from 21.9 per cent a year ago.

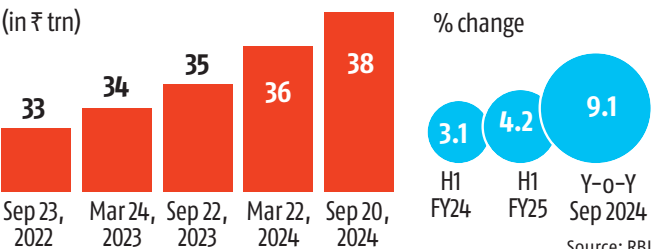
The outstanding credit to finance companies shrunk to ₹15.29 trillion in September from ₹15.48 trillion, the RBI data showed. Banks have turned cautious in lending to NBFCs after the regulator flagged concerns on fast pace of growth in credit and hiked the risks weight for NBFCs loan exposures in November 2023.

Credit to agriculture and allied activities continued to be robust, with growth of 16.4 per cent in September 2024, compared to 16.7 per cent in the same month last year.

DEPLOYMENT OF GROSS BANK CREDIT

Industry (Micro and small, medium, and large)

(in ₹ trn)



Source: RBI

RUPEE HITS NEW LOW AGAIN AGAINST DOLLAR

84.11

₹ ₹ ₹

RBI
RBI



RBI

RBI

Rupee hits fresh low of 84.11 against dollar

Dealers cite foreign outflows, caution ahead of US polls as reasons

ANJALI KUMARI

Mumbai, 31 October

The rupee depreciated to a new intra-day low of 84.11 against the US dollar on Thursday, on the back of outflows from domestic equities and caution ahead of the results of the US presidential elections, said dealers.

Market participants said the Reserve Bank of India (RBI) intervened in the foreign exchange market through dollar sales, which prevented the rupee from falling further.

The local currency settled at 84.09 per dollar on Thursday, compared to 84.08 against the greenback on Wednesday.

"The rupee depreciated due to outflows, and foreign banks have been buying dollars," said a dealer at a state-owned bank. "The RBI is protecting the 84.09 per dollar level," he added.

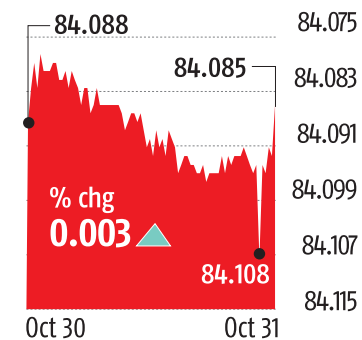
The greenback has been strengthening globally as the likelihood of a Donald Trump victory increases. Trump's inclination towards tariffs and higher borrowing has pushed US yields upward, leading to continuous capital outflows from other markets.

The dollar strengthened over the week due to rising US yields, the "Trump trade," and a weakening yen. The yen's depreciation was partly driven by Japan's recent elections, where no party secured a majority, leaving the country in political uncertainty despite the ruling LDP winning the most seats.



THE GRAPH

₹ vs \$ (inverted scale)



Source: Bloomberg
Compiled by BS Research Bureau

However, the yen rebounded slightly to 152.47 after reaching a low of 153.80. High US yields continue to exert pressure on the yen and other Asian currencies, although the CNH showed some resilience, buoyed by a better-than-expected Manufacturing PMI above 50 for the first time in six months.

"Foreign portfolio investors continued to sell, and the Indian rupee fell to a new low, but the RBI continued to sell dollars to keep the rupee afloat at the time of closing. The rupee is expected to remain in the range of 84.00 to 84.20 next week as the RBI may continue to absorb the outflows by providing dollars," said Anil Kumar Bhansali, head of treasury and executive director at Finrex Treasury Advisors LLP.

Market volatility is anticipated with the upcoming Non-Farm Payrolls (NFP) report, US presidential election, and the

Federal Open Market Committee meeting. The rupee has hit a series of record lows this month, prompting central bank intervention, although it has been one of the least volatile major Asian currencies, holding to a narrow range of 83.79-84.09 per dollar.

India's foreign exchange reserves dropped for a third week to \$688.27 billion as on October 18, their lowest in more than a month, the latest RBI data showed, although they remain the world's fourth-largest, sufficient to cover its entire level of external debt and nearly a year of imports.

China's stimulus efforts, which could intensify if US tariffs further hurt its economy, have been a factor driving foreign funds out of India and other emerging markets into China.

(With inputs from Reuters)

‘Focusing on strengthening credit architecture’

SALEE SUKUMARAN NAIR recently took charge as managing director (MD) and chief executive officer (CEO) of Tamilnad Mercantile Bank. Nair, formerly a deputy managing director of State Bank of India (SBI), in an online interaction with **Shine Jacob**, outlines his vision for the Thoothukudi-headquartered bank. Edited excerpts:

What will be your top priorities heading one of the oldest banks in the country?

This is a legacy bank and significantly operates on manual terms. What we are trying to do first is modernise it and improve workforce productivity so that our business growth can move to the next trajectory. We are focusing on strengthening our credit architecture by centralising the credit processes into 12 specific locations, with an apex body managing it. The purpose of this is to move credit operations out of the branches. Today, branches handle the entire range of operations, making it challenging to focus on specific areas, particularly deposits. We are refocusing on branches with regard to deposit management to ensure the deposit franchise is strengthened. This is possible if credit operations are moved out. The credit management centre will oversee all retail areas, excluding jewel loans. These centres will have marketing personnel,

relationship managers, and appraisers, surrounded by a 'feet on the street' team.

You mentioned deposit growth strategy. What is it?

We want to strengthen our deposit franchise. Our NRI business was relatively weak, comprising only 4 per cent of our deposit base. We aim to increase this to at least 10 per cent within a year and a half. To achieve this, we are

establishing a global NRI centre, likely in Kerala, to attract NRIs in areas where Indians are concentrated. This is part of an effort to extend beyond Tamil Nadu's borders and should be operational within a few quarters. We will focus on

transactional business, aiming to attract traders and micro, small and medium enterprises by catering to their needs, like cash pick ups, managed by a central unit. The bank is analysing how our internet and mobile banking is performing compared to peers and we aim to match them. This will help reduce customer costs in dealing with the bank.



SALEE SUKUMARAN NAIR

MD & CEO, Tamilnad Mercantile Bank

What is your outlook on deposits and advances? What are your branch expansion plans?

We are performing well on profitability and revision ratios. The impact of these structural changes should become evident by next year. For the current year, advances may grow by 13 per cent, while deposits should grow by around 7-8 per cent. By next year, we anticipate significant changes in both areas. We have 567 branches, with 417 located in Tamil Nadu. Out of the 40 new branches, we plan to open this year, we have already opened 15. Currently, only seven branches are loss-making,

excluding the new ones. We aim to build a local presence in branches outside Tamil Nadu, hiring around 178 from other states.

The Reserve Bank of India (RBI) recently flagged irregular practices in gold loans and asked lenders to take remedial measures. How are you addressing this?

Gold loans constitute a significant part of our portfolio. It is around ₹15,000 crore in an overall portfolio of ₹45,000 crore. We are mindful of what the RBI has said. We have internalised RBI caution to the banks. We are closely monitoring the loan to value (LTV). We will fully comply with the RBI guidelines. It is a portfolio that is growing substantially. Credit monitoring centres are introduced to take the focus away from gold loan and rebalance the portfolio and bring back the focus on MSME.

What are your capital expenditure plans with an increased focus on technology? Do you have any fundraising plans?

We are looking aggressively at technology and are hiring 47 for this. On the capex side, we are looking at spending around ₹100 crore in the current year, only for IT. Our fundraising will largely be anchored by deposit growth. Apart from that, we are also diversifying into refinance. We have a significant priority sector portfolio of 77 per cent. Some of this is open for refinance.



“WE AIM TO INCREASE OUR NRI BUSINESS FROM 4% OF OUR DEPOSIT BASE TO AT LEAST 10% WITHIN A YEAR AND A HALF”

Urban demand under pressure as food inflation bites

Likely to remain soft on lower salary hike, high interest rates, says Nomura

AKSHARA SRIVASTAVA
New Delhi, 31 October

A worrying trend is unfolding in the Indian consumer sector, with fast-moving consumer goods (FMCG) companies reporting a slowdown in urban consumption in the September quarter.

While temporary factors, such as a heavy monsoon, have worsened the slowdown, especially for out-of-home consumption, companies say high levels of food inflation remain a key concern for urban consumers.

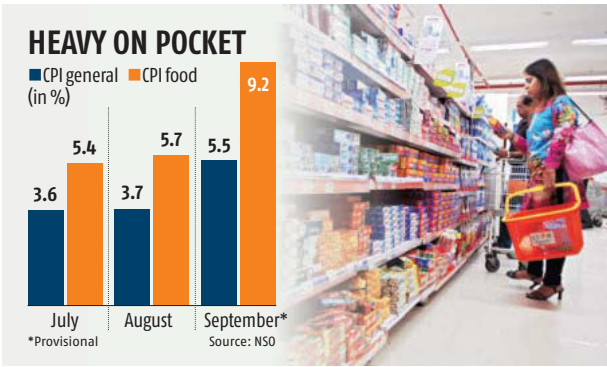
In its second-quarter results released on Wednesday, Dabur India, the maker of Hajmola candy and Real fruit juice, said its rural business continued to outpace urban by 130 basis points (bps) for the third straight quarter. While rural markets grew 1.8 per cent, urban lagged at

1.2 per cent.

The primary factor behind this lag was food inflation, Dabur India Chief Executive Officer Mohit Malhotra told investors in a post-earnings call. "Food inflation is definitely something which is worrying me. It was around 9 per cent and is shifting spending from discretionary to more essential items," he said.

According to data from the National Statistical Office (NSO), food inflation showed an upward trend in the second quarter, rising sharply to 9.2 per cent in September from 5.7 per cent in August and 5.4 per cent in July.

This increase was led by a rise in the prices of fruits (7.65 per cent) and vegetables (35.99 per cent), while the prices of cereals (6.84 per cent) and protein-rich items like eggs (6.31 per cent) and meat and fish (2.66 per



cent) decelerated during the month.

Earlier this week, analysts at Nomura India noted that urban demand was likely to remain soft due to lower salary increases, waning pent-up demand, high interest rates, and tight credit conditions.

"When deflated by urban consumer price index CPI, real salary and

wage expenditure growth of listed non-financial corporates — a proxy for real urban wages — moderated to 0.8 per cent year-on-year in Q2 FY25 (provisional for July-September) from 1.2 per cent in Q1 FY25, down from 2.5 per cent in FY24 (year ended March 2024) and 10.8 per cent in FY23. This likely reflects a mix of

weaker nominal salary growth and a leaner workforce," Nomura said.

Suresh Narayanan, chairman and managing director at Nestlé India, also raised concerns over rising food inflation after announcing the company's September-quarter results. Identifying metros and mega cities as "points of pressure,"

Narayanan said while Tier-I towns and rural areas seem relatively stable, "the pressure points are coming from mega cities and metros... It is almost like we are operating in two Indias."

Narayanan identified food inflation as the primary reason behind this shift. "Growth in the food and beverages sector, which used to be in double digits a couple of quarters ago, is now down to 1.5-2 per cent. It is a combination of food inflation... the debate was once again rekindled a few days ago, when there were talks about a sharp uptick in (prices of) fruits and vegetables, and of course in oil prices. This is cause for concern."

In NFRA versus ICAI, audit standards upgrade on cards

RUCHIKA CHITRAVANSHI
New Delhi, 31 October

The tug of war between the National Financial Reporting Authority (NFRA) and the Institute of Chartered Accountants of India (ICAI) over the need to revise India's auditing standards to align with global norms has further intensified. This follows the ICAI introducing new quality management rules without taking NFRA of the Corporate Affairs ministry on board.

The proposed adoption of revised International Standards on Auditing (ISA) 600 has become a focal point in the dispute between the two regulators. Several auditors, particularly in large audit firms, support the move, viewing it as essential to strengthen audit quality and enhance trust in financial statements. They argue that this should take precedence over narrow interests.

The revised standards deal with special considerations in the audit of group financial statements, asserting that the Group Auditor holds ultimate responsibility for the audit. Under these standards, the Group Auditor would also evaluate the component auditor's communications and the adequacy of their work. NFRA has invited public comments on the revisions until October 30 and is expected to notify the

new standards for applicable companies after its next board meeting in November.

The revised standards deal with special considerations that apply to an audit of group financial statements. The revised standards hold that the Group Auditor is ultimately responsible for audit. Group auditor under revised standards would also evaluate the component auditor's communications and the adequacy of their work. The NFRA has invited public comments on the revisions until October 30. Sources said NFRA is likely to notify the new standards for applicable companies after its next board meeting in November.


"We must keep pace with global standards and evolving market dynamics, as many Indian companies have expanded Internationally or intend to, and many global organisations are already invested or keen to invest here. India is a mature nation with an effective regulator, to ensure fairness and transparency," said a senior partner from one of the Big Four firms.

The ICAI, however, feels that given the complexities of the Indian market, the revised standards will concentrate audit work in the hands of a few big firms. Experts suggest the NFRA is using its legal powers to regulate and

TUG OF WAR

- ICAI recently introduced new quality management rules without taking NFRA of the Corporate Affairs ministry on board
- The proposed adoption of revised International Standards on Auditing (ISA) 600 has become a focal point in the dispute between the two regulators

- Several auditors supported the move, viewing it as essential to strengthen audit quality
- ICAI said that there are apprehensions by small and medium audit firms who are generally entrusted with audit work of the subsidiary companies



modernise audit standards audit standards, aiming to reduce auditor lapses through a robust framework.

Sources in the ICAI said the unique regulatory architecture and professional environment in India requires careful consideration of domestic needs before adopting overseas standards.

The ICAI has also said there are apprehensions by small and medium audit firms who are generally entrusted with audit work of the subsidiary companies. They fear the Group auditor, under the guise of overseeing the quality of their work and under the pretext of ensuring uniform quality, may persuade the management to replace smaller audit firms of

subsidiary companies with that of their own firms. This, ICAI feels, would make the survival of the small firms difficult.

Speaking on conditions of anonymity, a top executive in a Big Four firm said without elaborating that NFRA's interpretation of the international standards could be open to debate.

On implementation challenges, Aurelia Menezes, Partner at King Stubb & Kasiva, Advocates and Attorneys, said: "One of the major practical challenges in the implication of the revised SA 600 is meeting the increased requirements for the group auditors and performance of the additional responsibilities outlined thereof."

Menezes said ICAI's concerns that

revisions would hamper the business of smaller audit firms are partially valid. He said that post implementation of the revised SA 600, the principal auditors or the group auditors would want to take up the audit of the associate or subsidiary companies as well in order to be in a better position to audit and to avoid any associated risks rather than to rely on the audits prepared by component auditors.

"However, the ICAI's concern is limited to these public interest entities which we believe does not put a major dent on the business of smaller audit firms," Menezes said.

The revised standards would be applicable to public interest entities in India that fall under Rule 3 of NFRA

Rules 2018, except public sector enterprises, state-owned banks, insurance entities, and their respective branches which comprise merely 1.5 per cent of the total active companies that are required to be audited.

NFRA sources said that ICAI's opposition to the revised standards has focused more on professional interests than on public interest or investor protection.

Citing the examples of past audit failures, including cases involving Reliance Capital, Coffee Day Global, and Dewan Housing and Finance — where a cumulative fraud of around ₹66,500 crore was alleged — the NFRA said: "A mechanical reliance was placed by the Principal Auditor on the work of the Other Auditor without assessing the special circumstances that required additional audit procedures."

Across these cases, the NFRA cited fund siphoning through subsidiaries, failure to consolidate significant subsidiaries, inadequate audit procedures, and missed risks of material misstatement, and related party transaction verifications.

The senior Big Four partner quoted above said it's essential to prioritise these revisions, especially as Indian companies continue to expand internationally and global investors continue to look to invest in India.



Fintech firms latch on to digital gold rush this festival season

Roll out new ways for users to invest in gold via micro-purchases, SIPs for regular savings

AJINKYA KAWALE
Mumbai, 31 October

This festival season, a digital gold rush has descended on the financial technology (fintech) sector, with companies rolling out new ways for users to invest in gold through micro-purchases and even systematic investment plans (SIPs) for regular savings.

Major fintech platforms — PhonePe, Paytm, Amazon Pay, MobiKwik, BharatPe, and others — are offering special deals to drive interest in digital gold investments during Diwali. Paytm, for instance, allows users to invest in gold digitally with a minimum entry of just ₹1.

Across platforms, users can set up recurring investments via daily or monthly SIP options, making it easy to grow their digital gold holdings over time.


The low ticket sizes have enabled firms to strengthen their presence in this space.

For example, PhonePe reports that over 12 million users across India have bought "high-purity 24K gold" on its platform, which charges zero making fees. The companies report strong traction in major metro cities for digital gold purchases.

"Delhi-National Capital Region, Hyderabad, and Bengaluru are the top three cities for digital gold investments,

GOLDEN GLOW

- Major fintech firms have come up with offers to attract investments in the digital gold space
- Offers include cashbacks and rewards on every digital gold purchase
- Low ticket size option has enabled firms to strengthen their presence in this space



representing 22 per cent of total activity. Digital gold encourages disciplined saving, letting users start with as little as ₹10,

and promotes consistency over time through SIP options," said Bipin Preet Singh, co-founder and chief executive

officer of MobiKwik.

The appeal of digital gold among fintech users is driven by the ability to own fractional amounts of the metal, offering a flexible alternative to physical gold purchases.

"We've observed a growing preference for digital gold, valued for its flexibility in fractional ownership and assurance of verified 24K gold. This trend is especially popular with young urban professionals looking to diversify their savings," said Anuradha Aggarwal, director and chief marketing officer, Amazon Pay India.

The offerings have led fintech firms to collaborate with established players in digital gold, including MPMC-PAMP India, SafeGold, and CaratLane.

To back digital gold holdings, firms store physical gold in vaults, ensuring that users' digital accounts are matched

by real assets.

Most fintech platforms also offer instant selling options, allowing users to cash out in Indian rupee or by weight, at current market rates. Some platforms go further, offering to deliver purchased gold in physical form directly to customers.

PhonePe is offering up to ₹2,000 cashback on digital gold purchases of ₹1,500 or more until November 1.

During Dhanteras, MobiKwik offered an additional 10 per cent in free gold for users who invested at least ₹2,100 and set up a daily SIP.

Amazon Pay, meanwhile, provided a 3 per cent cashback reward for Amazon Prime members, while BharatPe's new Invest BharatPe application offers 1.1 per cent in free gold on purchases of ₹100 or more during the festival season.

HDFC Bank arm HDB files papers for ₹12.5K cr IPO

Lender to sell shares worth ₹10,000 crore through offer for sale

SUBRATA PANDA

Mumbai, 31 October

HDB Financial Services, the non-banking financial services arm of HDFC Bank, has filed a draft red herring prospectus (DRHP) with the Securities and Exchange Board of India (Sebi) for an initial public offering (IPO) of ₹12,500 crore. Of this amount, HDFC Bank is selling shares worth ₹10,000 crore through an offer for sale (OFS), while the remaining ₹2,500 crore will be raised through a fresh issue by the lender.

The lender plans to use the proceeds from the IPO to enhance its Tier-I capital base and to address future capital needs, including those for onward lending.

HDFC Bank, India's largest private sector lender, holds a 94.36 per cent stake in HDB Financial Services. Established in 2007, HDB Financial Services is an upper-layer non-deposit-taking non-banking financial company (NBFC) that offers both secured and unsecured loans. As of September 30, HDB's loan portfolio comprised just over 71 per cent in secured loans, with the remainder being unsecured.

Earlier this month, HDFC Bank had announced that its board had approved to sell equity shares worth ₹10,000 crore via an OFS in its subsidiary HDB Financial Services.

Reserve Bank of India (RBI) guidelines require HDB Financial Services to be listed by September 2025. The process of listing was kicked off between July and August by HDFC Bank.

For the quarter ended September 30, 2024 (Q2FY25), HDB Financial Services reported net revenue of ₹2,410 crore and a net profit of ₹590 crore. The loan book totalled ₹98,600 crore, with Stage-3 loans accounting for 2.10 per cent of gross loans. The total capital adequacy ratio (CAR) stood at 19.3 per cent, with a Tier-I CAR of 14.6 per cent.

JM Financial, BNP Paribas, BofA

THE LISTING

■ **Stakeholder:** HDFC Bank, holding 94.36% in HDB Financial Services

■ **Use of proceeds:** To strengthen Tier-I capital and support future capital needs for lending

■ **RBI requirement:** HDB Financial must list by Sep 2025

Q2FY25 FINANCIALS

■ **Net revenue:** ₹2,410 crore

■ **Net profit:** ₹590 crore

■ **Loan book:** ₹98,600 crore, with 2.10% in Stage-3 loans

■ **Capital adequacy ratio:** 19.3%, Tier-I CAR at 14.6%

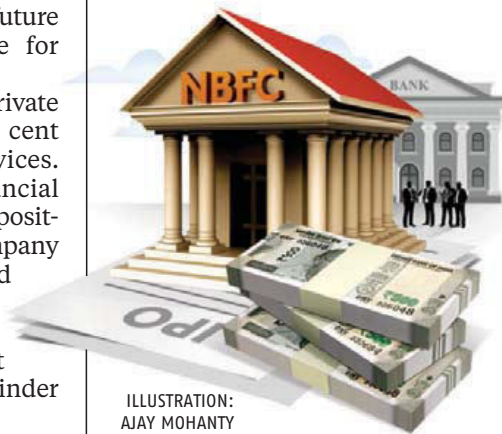


ILLUSTRATION:
AJAY MOHANTY

Securities India, Goldman Sachs (India) Securities, HSBC Securities and Capital Markets (India), IIFL Securities, Jefferies India Pvt. Ltd, Morgan Stanley India, Motilal Oswal Investment Advisors, Nomura Financial Advisory and Securities (India), Nuvama Wealth Management, and UBS Securities India are the lead book managers for the IPO.

The lender has stated in its DRHP that it would consider a pre-IPO placement after consulting the lead managers.

The pricing and other details of the IPO will be determined in due course. The IPO is likely to be the biggest-ever by an NBFC.

After the IPO is completed, HDB Financial Services will continue to be a subsidiary of HDFC Bank.

Indian Banks' Loan Growth Slows in September Amid RBI Measures

In September 2024, Indian banks reported a moderate loan growth of 14.4% year-on-year, marking a decline from the 15.3% growth observed in September 2023. The slowdown aligns with the Reserve Bank of India's (RBI) interventions aimed at controlling the retail lending segment, particularly concerning personal loans and credit card debt.

1. Retail Lending Impact

- Growth in personal loans decelerated to 12.1% in September, a notable drop as the RBI encourages banks to adopt more cautious lending practices in this sector.
- Credit card loan growth also decreased significantly, moving from a high of 31.4% in the previous year to 18%, reflecting the impact of these regulatory actions.

2. Industrial Lending Shows Resilience

- Unlike retail loans, the industrial lending segment showed improvement, with loans to industries growing by 9.1% compared to 6% the previous year. This suggests that businesses are actively seeking financing for expansion, which aligns with broader economic growth initiatives.

3. Banking Sector's Strategic Adjustments

- As the RBI encourages banks to rebalance their lending portfolios, institutions are likely to focus on quality lending practices rather than volume growth. This could further support stability within the sector, especially amid external economic uncertainties.

For detailed insights, the full article can be accessed on Reuters' website.



Banking Sector Updates - September 2024

1. Weighted Average Lending Rate (WALR):

- Fresh Rupee Loans: 9.37%, a slight decrease from 9.41% in August 2024.
- Outstanding Rupee Loans: 9.90%, marginally down from 9.91% in August 2024.

2. Weighted Average Domestic Term Deposit Rate (WADTDR):

- Fresh Rupee Term Deposits: 6.54%, up from 6.46% in August 2024.
- Outstanding Rupee Term Deposits: 6.95%, an increase from 6.93% in August 2024.

These figures indicate a slight decline in lending rates for new and existing loans, while deposit rates have risen during the same period. Public sector banks saw a more significant rise in both lending and deposit rates compared to private sector banks.

Source: The Economic Times

Category	Rate Type	September 2024	August 2024
Weighted Average Lending Rate (WALR)	Fresh Rupee Loans	9.37%	9.41%
	Outstanding Rupee Loans	9.90%	9.91%
Weighted Average Domestic Term Deposit Rate (WADTDR)			
	Fresh Rupee Term Deposits	6.54%	6.46%
	Outstanding Rupee Term Deposits	6.95%	6.93%