

## SBI COMPOSITE INDEX CONTINUE TO GROW UPWARD

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### SBI YEARLY COMPOSITE INDEX IMPROVED FURTHER

- The yearly SBI Composite Index has continued its upward momentum since Jun'20 and is at 53.8 (Moderate Growth) in Jan'21, compared to 53.5 (Moderate Growth) in Dec'20 and 49.7 (Low Decline) in Jan'20. The monthly index also increased to 59.6 (High Growth) in Jan'21, compared to 58.2 (High Growth) in Dec'20 and 49.21 (Low Decline) in Jan'20.
- Based on the SBI index, we believe IIP & IIP manufacturing may grow 1.5-2.0% in Dec'20 and 2-3% in Jan'21, respectively.

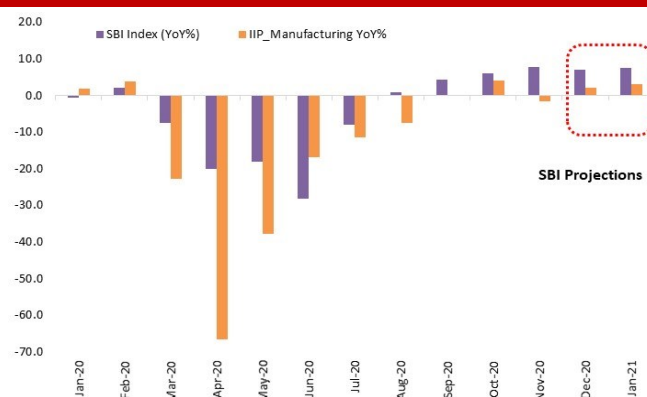
### CREDIT GROWTH IMPROVED

- ASCB's incremental credit growth has turned positive in Nov'20 and continued to grow at a robust pace. The YTD growth of ASCB's credit stood at 2.6% during Apr'20 to 15 Jan'2021, compared to 2.4% growth during the corresponding period of last year. Since Nov'20 banks have given incremental loans of around Rs 3 lakh crore, as demand for credit demand is coming back to traction in all sub-segments like housing, vehicle loans & other personal loans, it will push the growth to above last year number.
- We believe Emergency Credit Line Guarantee Scheme (ECLGS) would continue to play a major role in the sequential improvement in bank credit. As part of the ECLGS programme under the Atma Nirbhar Bharat Abhiyan package, which is valid until March 21, 2021, the Centre has already sanctioned 71.3% of the Rs 3 lakh crore emergency credit to the badly affected MSMEs and businesses as of January 8, 2021. However, still we may not see much credit offtake for new facilities i.e. term loans, this year. However, in sectors facing stress i.e. real estate, construction, textile etc. with elongated working capital cycle, we may see higher utilisation in working capital limits.
- NPAs of the banking sector continued to come down, due to various initiatives of the government and RBI. Further, in the budget, Government proposed to create an ARC/AMC to clean the stress in banking sector. This will increase the capacity of the banks to lend to the productive sector of the economy. The approach is to set up an AMC, which in partnership with an ARC takes overstressed assets from banks. The AMC then conducts operational turnaround of the asset creating value for the overall system. The AMC would be the market maker and thereby ensure healthy competition, fair price and cash recovery.

### SBI Yearly and Monthly Composite Index Trend



### SBI Index (YoY) vs IIP Manufacturing (YoY%)



Source: SBI Research

### Asset Quality Improved

Bank	GNPA(%)			PCR with AUCA		
	Q3FY21	Q2FY21	Q3FY20	Q3FY21	Q2FY21	Q3FY20
Bank of Baroda	8.5	9.1	10.4	85.5	85.4	77.8
Canara Bank	7.5	8.2	8.4	84.9	81.0	71.0
Indian Bank	9.1	9.9	7.2	86.5	84.4	70.8
UCO Bank	9.8	11.6	19.5	91.2	89.8	83.7
Bank of Maharashtra	7.7	8.8	16.8	90.0	87.2	82.6
ICICI Bank	4.4	5.2	6.0	77.6	78.6	-
HDFC Bank	0.8	1.1	1.4	-	-	-
Kotak Mahindra Bank	2.3	2.6	2.5	78.4	75.6	64.4
Yes Bank	15.4	16.9	18.9	76.8	75.7	72.7

Source: SBI Research

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