

Bankers remain cautious over lending to corporates

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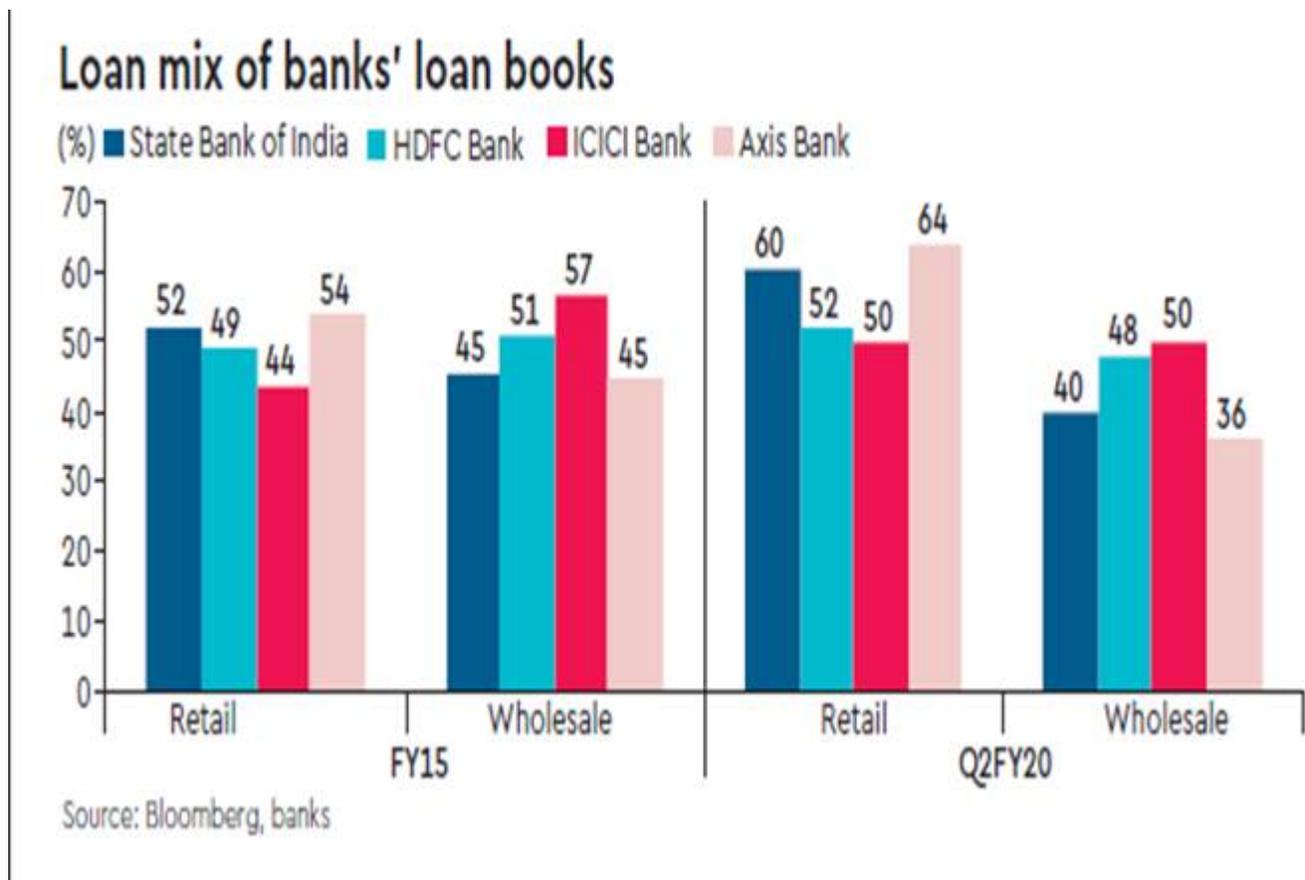
On Wednesday, SBI chairman Rajnish Kumar said if other banks cease to lend to infrastructure projects, it only means a fresh opportunity for SBI.



Corporate loans account for about 48% of HDFC Bank's total advances.

The continuing stress on the balance sheets of a large swathe of companies appears to have made bankers cautious about lending to the corporate sector. Four of the largest banks — State Bank of India (SBI), HDFC Bank, ICICI Bank and Axis Bank — have seen their loan mix tilting heavily in favour of smaller loans over the last few years. Bankers deny that the changing composition of their loan books reflects a squeezing of credit to corporates, and attribute it to falling demand from companies.

On Wednesday, SBI chairman Rajnish Kumar said if other banks cease to lend to infrastructure projects, it only means a fresh opportunity for SBI. “If they stop lending, I will expand in that space. It only means a bigger opportunity for me,” he said, adding that there is still scope for SBI to lend in sectors such as roads, renewable energy and oil and gas.



Earlier, Kumar had said low utilisation of working-capital limits by corporates is resulting in slow wholesale loan growth. “As the utilisation in working capital limits improves, the performance on the advances front will also improve. The ratio could then again change to 58:42 (wholesale:retail),” he noted.

Pallav Mohapatra, MD and CEO, Central Bank of India, told FE there was demand from three sectors — roads built under the hybrid annuity model (HAM), renewables and non-banking finance companies (NBFCs). “There is demand in the business segment, but it is from MSMEs and not much in the large corporate sector because power and manufacturing sectors are all down.” He added that private players are not coming forward with proposals for any fresh capital expenditure.

At the end of September 2019, retail and small-enterprise loans accounted for 64% of Axis Bank’s loan portfolio, with corporate loans making up the rest. At SBI, over 60% of the loan book comprised retail, agri and micro, small and medium enterprises (MSMEs). Only two quarters ago, such loans constituted under 50% of the lender’s book.

ICICI Bank achieved a near-perfect 50:50 balance between its retail and wholesale books, with 49.9% of its book comprising retail loans. A media report, earlier this week, said ICICI Bank had decided to shut down its project finance vertical.