



2nd Edition of MSME Pulse Report by SIDBI-TransUnion CIBIL for June 2018 Quarter released; Findings of 2nd Edition of MSME Pulse Report show that the overall commercial credit exposure (Y-o-Y) has shown the highest growth rate in the last five quarters.

The 2nd Edition of MSME Pulse by SIDBI-TransUnion CIBIL for June 2018 quarter has now been released. The findings show that the overall commercial credit exposure (Y-o-Y) has shown the highest growth rate in the last five Quarters.

MSME Pulse Report by SIDBI-TransUnion CIBIL further states that the total on-balance sheet commercial lending exposure in India stood at Rs.54.2 lakh crores, as of March 2018 with Micro and SME segment constituting Rs.12.6 lakh crores, which contributes to ~23% of commercial credit outstanding. While the growth in NPA rate has moderated, it is too early to conclude that the NPA problem is close to bottoming out.

Data in MSME Pulse report by SIDBI-TransUnion CIBIL shows that the MSME segment has left behind the short-term impact of GST and demonetisation and they are firmly back on growth path with the segment having exposure below INR 25 crore growing at 15%. High growth in new to credit shows positive impact of GST. New-to-credit (NTC) borrowers are expected to be 5 lakh plus from April,18 to September 2018, which is 21% higher than NTC observed from October, 2017 to March, 2018.

To sum-up, the second edition of MSME Pulse Report by SIDBI-TransUnion CIBIL reveals a broad based recovery in commercial credit growth and also shows that MSME segment continues with strong growth and stable asset quality.

Highlights of MSME Pulse Second Quarter Edition are as follows:

MSME Pulse Second Quarter Edition Highlights

- **Broad based recovery in credit growth**-Overall credit exposure(Y-o-Y) has shown the highest growth rate in last five quarters. In addition, after the lows of September 2017, even Large (*greater than ₹ 100 Crores exposure*) segment has shown two consecutive quarters of recovery in credit growth. Micro (*credit exposure less than ₹ 1 Crore*) and SME (*₹ 1 Crore-25 Crores*) segments constitute ₹ 12.6 lakh Crores credit exposure (*23% of commercial credit outstanding*) with Y-o-Y growth of 22% and 13% respectively .In comparison 7% for Mid (*₹ 25 Crore-100 Crores*) and 6% for Large (*greater than ₹ 100 Crores exposure*) from March 2017 to March 2018.
- **Demonetization and GST Impact are firmly behind the MSMEs:** As of Mar'18 based on the credit utilization exposure, the metrics used to gauge the impact in this

study, it appears that most MSME's including the smallest ones have recovered from the impact of demonetization and GST.

- **Large segment asset deterioration continues, Mid segment NPA rate restricted-**
In Large corporate segment, NPA rates have increased from 15.3% (in Mar'17) to 18% (in Mar'18). The directional reduction in NPA rate of Mid segment (16.3% in Mar'17 to 15.9% in Mar'18) may be attributed to bad debt being sold to Asset Reconstruction Companies (ARC) and uptick in loan growth in this segment. The stock of gross NPA in commercial exposure increased by 1.48 Lakh Crores in Mar'18 over Mar'17. However, quarterly additions to NPA suggest that the steepest rise was between Q2FY'18 to Q3FY18, While the growth in NPA rate has moderated, it is too early to conclude that the NPA problem is close to bottoming out.
- **Relatively stable asset quality for MSMEs:** MSME NPA rates have remained stable and range bound. In the Micro segment the NPA rate has moved from 8.9 % (in Mar'17) to 8.8 % (in Mar'18) .In SME segment the NPA rate hovered between 11.4% (in Mar'17) to 11.2 % (in Mar'18). Recognized NPA exposure for MSME is ₹ 81,000 Crores as on Mar'18
- **Growth to ensure asset quality:** Future NPA in the segment may be driven by ₹ 11000 Crores exposure, which are currently tagged as 'standard' but belongs to entities that have at least one or more exposures tagged as NPA by other bank or credit institution. Additionally, there is a system-side exposure of ₹120,000 Crores belonging to entities with CIBIL MSME Rank (CMR) between CMR 7 and CMR 10. CMR7 to CMR10 are associated with *High Risk*. These high-risk exposures are expected to add ₹16,000 Crores in NPA by March 2019. However, strong credit demand in this segment among other things driven by formalization of this segment is likely to keep the overall NPA rate in this segment in check.
- **Formalization may add a million a year New-to-Credit MSME borrowers:** Number of new-to-credit (NTC) borrowers in MSME segment continued to accelerate with 5 lakh NTCs estimated in H1-18 compared to 4 lakhs in H2-17. In effect going forward, it may be expected that annually, at least a million plus NTC MSME borrowers would be seeking formal credit. Recent NTC portfolio study suggest that 60% first-time borrowers sustain or increase their credit, in the two-year period following their first formal loan.



- **Risk Profile study of top 30 locations:** A study of risk profile of top 30 locations by CMR distribution of borrowers shows that locations in North and West regions have a comparatively better risk profile than the locations in South and East.