

[HOME](#) [LATEST](#) [MARKETS](#) [PREMIUM](#) [FOR YOU](#)[Home](#) / [Industry](#) / [Banking](#) / Private banks soft-pedal corp loans as PSBs up their game

## Private banks soft-pedal corp loans as PSBs up their game



Private banks saw their corporate loan books stagnate in June compared to the previous quarter. [mint](#)

3 min read . Updated: 30 Jul 2022, 08:35 AM IST

[Shayan Ghosh](#)

Listen to this article

0:00 / 0:00

**MUMBAI** : Leading private sector banks are taking a step back from some segments of the corporate loan market, citing intense competition, as their state-owned peers

While State Bank of India has always been present in almost all consortium loans, mid-sized and even smaller public sector banks are approaching companies to be part of such agreements. Some have even formed separate teams that would reach out to borrowers instead of waiting for corporate clients to approach them. However, this aggressive stance has prompted private banks that are more sensitive to margins to put the brakes on some negotiations.

OPEN APP

**The Prestige Group launches Prestige Jasdhan Classic,...**  
Prestige Group | Sponsored

**He's My Only Son, Don't Let Cancer Take Him From Me. Help**  
Ketto | Sponsored

**India: Why Is Everyone Excited Over This Rs.1999 Smartwatch**  
FitSense | Sponsored

**Avoid Writing Mistakes With This Desktop App**  
Grammarly | Sponsored

I won ₹100000 by

Close

as Kotak Mahindra Bank and HDFC Bank saw their corporate loan volume compared to the previous quarter, while Axis Bank witnessed a multiple private sector bankers said they decided not to engage in lending at the cost of margins; instead opting only for deals where they use a financial metric of risk-adjusted return on capital.

[HOME](#) [LATEST](#) [MARKETS](#) [PREMIUM](#) [FOR YOU](#)

**Mumbai: The price (& size) of these hearing aids might surprise you**

Hear.com | Sponsored

s largest private lender HDFC Bank let go of wholesale loans worth re in the first quarter of 2022-23. Srinivasan Vaidyanathan, chief he bank, said that sometime around May, when interest rates some customers were offered lower rates by other lenders.

by Taboola

“...we do not want to cut back on our rates to keep them. So, we said that it is fine to let go; let somebody else take it at a lower price than where we do,” Vaidyanathan told analysts on 16 July but did not disclose whether these loans were taken over by a public sector or a private sector competitor.

[OPEN APP](#)

Some other private lenders seemed to have faced similar circumstances in the June quarter, as competition to get hold of well-rated borrowers gathered steam.

“In the market, we saw extremely high price pressures and margin pressures in the corporate segment clearly in the last quarter. There’s a significant amount of irrational

HOME LATEST MARKETS PREMIUM FOR YOU

in the June quarter, which have grown from ₹21,227 crore in the March quarter to ₹23,458 crore as on 30 June. Apart from lending to corporate clients, banks also invest in bonds issued by corporates, known as credit substitutes. “When there is pricing pressure, we also tend to do a bit more of credit substitutes,” said Manian.

## MINT PREMIUM

OPEN APP

See All

### PREMIUM

For merger, HDFC Bank to raise ₹2.7 trillion

### PREMIUM

How Shaadi.com's Anupam Mittal grows his money

### PREMIUM

Repo rate may go up by 50bps: Mint poll

### PREMIUM

How will India fare as global growth sputters?

Meanwhile, in a call with reporters on 25 July, Rajiv Anand, deputy managing director at Axis Bank, said intense competition among banks in the corporate loan market has led to some amount of mispricing of liquidity. The issue of mispricing in the corporate loan market was pointed out by SBI chairman Dinesh Khara in September last year; at that time, interest rates were significantly low, owing to RBI's loose monetary policy in the face of covid-19 that left the system in a liquidity slush.

Public sector lenders were once at the helm of infrastructure financing; after stepping back following the last round of bad loans, they seem to be back in the market with

[HOME](#) [LATEST](#) [MARKETS](#) [PREMIUM](#) [FOR YOU](#)

⌵

⌵

⌵

Experts are somewhat circumspect about the trend and believe that the situation will depend on the kind of corporate lending opportunities available in the market, irrespective of the ownership of the lender.

“The credit-deposit ratio has been low throughout the covid-19 period, and banks have a lot of treasury assets and surplus liquidity with them. They would thus want to deploy them in whatever best opportunities are available in the market,” said Sanjay Agarwal, senior director, CareEdge Ratings (formerly Care Ratings). [OPEN APP](#)

To that extent, there could be some pressure on the pricing of large-ticket loans, Agarwal said, adding that it is not a question of the public sector outpricing the private sector but the opportunities available right now and things that could rapidly change in the coming months.

Catch all the [Industry News](#), [Banking News](#) and Updates on Live Mint. Download The [Mint News App](#) to get Daily [Market Updates](#).

[More](#)

### Subscribe to Mint Newsletters

Enter email address

Subscribe

[OPEN APP](#)