Market Trends

	STOCK IND	3 CHANGE	
	Nifi:y 50	11069.4	0.06
	Sensex	36971.09	0.01
	MSCIIndia	835	0.34
	MSCIEM	2340,86	0.36
	MSCIBRIC	610.07	0.02
	MSCI world	84 35,83	0.25
	SX 40	21745.26	0.05
	Nikkel	20751 28	0.59
	Strait Times	3200.64	0.50
	Values in US S. Gro	055	Al 7 Pm LSf
	OIL	. (\$)	BOND



GOLD RATE Frices per Troy Ounce (S) US

OPEN	1310.9	1448.67
LAST	1310.4 🗕	1442.14
		a line of the state

TAC 10.30pm. After adjusting for import duty, Judian spot gold lower by \$ 0.70 to US Comex gold price on Thursday. The premium on local gold is due to tight supply following import curbs.

India

FOREX RATE (2.5 Exchange Rate) OPEN 71.67 71.46 Market on Twitter@

POTENTIAL HOME & CAR buyers could hope for lower interest rates only by April; Bankers say deposit rates have to be adjusted first; Guv Das to meet bankers Rate Cut Today may not Mean **Cheaper Loans Tomorrow**

Beating Volatility

Our Bureau

Mumbai: Potential home and car buyerscould hopefor lower interest rates by April as the banks may lower their lending rates fellowing RBI's decisiento reduce its benclunark reporate for the first time since August 2017. Transmission of policy rates would be the topic of discussion when governor Shaktikanta Das meets bankers later thismonth.

The RBI cut its reporate by 25 basis points to 6.25% and changed its policy stance to 'neutral' from 'calibrated tightening' citing benign inflation percentage point.

Bankers, however, said the transmission to lower rates cannot happen immediately as deposit rates have to flust be adjusted. "Under the marginal

Rate View ADJUSTMENTIN

deposit rates not possible till end of March as bank asset liability committees will meet at the end of the quarter **HIGHER DEMAND** for deposits would also put upward pressure on the interest rates bank offier for funds

possible till end of March as outlook. One basis point is 0.1 bank asset liability committees ing agency Crisil said banks will meet at the end of the quar tet." said Ashutosh Khajuria, executive director at Federal

MAR

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NEW DELHI / GURGAON, FRIDAY, 8 FEBRUARY 2019

In a report on Wednesday, rat the meeting, would face a challenge in their deposit mobilisation in the next couple of years as credit grows Bank. "We also have to take into at 14% on average between fisaccount the fact that deposit cals 2019 and 2020. "To meet this growth at 10% is lower than the credit growth, banks will have cost of deposit-based lending 15% credit growth reported, to taise about ₹25 lakh crore over the two fiscals.

lakhcrore is expected to become available through the release of statutory liquidity ratio (SLR) funds, around **?20** lakh crore would need to be raised through fresh deposits," Crisii said.

Higher demand for deposits would also put upward pressure on the interest rates bank offer for funds from the public, which in turn will make cutting lending rates more difficult for banks

Governor Das also said he will meet with bankers in the next few days to get their feedback and nudge themto reduce rates It remains to be seen if bankers reduce their lending rates after



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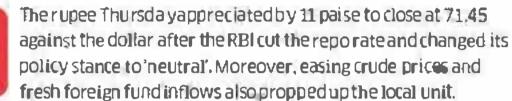
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to be adjusted first, which is not tocut rates."



Views on RBI Policy



There are several innovative announcements in policy apart from the rate cut that could potentially trigger a new paradigm for financial markets. The decision to rationalise the risk weights for lending to rated NBFCs will enable better price discovery, lower capital requirement and facilitate credit flow from the banks



DARUWALA CEO. STANCHART

The RBI has been supplying liquidity through sustained **Open Market Operations (OMOs)** of government securities, and with this rate cut, we should see a moderation in borrowing rates. Providing banks with increased flexibility on bulk deposits is a welcome move and will assist them in better managing their asset liability mismatches



Our Bureau

Mumbai: The Reserve Bank of India Thursday revised the risk weight requirement for high-street lenders funding nonbanking finance companies (NBFC), pav ing the way for a cut in borrowing costs and increased financing to many of the country's last-mile financiers.

RBI has reduced the risk weight for rated exposure from the existing 100% to weights linked to their respective externalratings, inamannersimilar to that for corporates. This will enable stronger and well-rated NBFCs to raise more funds at competitive rates.

"With a view to facilitating the flow of creditt • well-rated NBFCs it has now been **RBI** has decided that rated exposures of banks to all NBFCs. excluding Core Investment Companies (CICs), would be risk weighted as maior per the ratings assigned by the accredited rating agencies," RBI said in a statement of NBFCs on development and regulatory policies. "Exposures to CICs will continue toberiskcredit weighted at 100%.

The central bank guidelines will be published by end February.

Banks' exposure to NBFCs is estimated at 75.7 lakh crore, of which exposure to AFCs. IFCs and IDFs is already risk Broking. "Given the low capital adequacy weighted based on their ratings.

"The reduction in risk weights for NBFCs is expected to free up the equity capital for banks against their exposures to NBFCs. which the banks can use for incremental credit growthor improvement in their capi-

differential risk weights, the capital requirements of banks against these exposures cancome down by₹12,500 crore This amount, in turo, can be used for incremental lending or improving the capital ratios at the lenders. This is equivalent to a 0.125% im-

the willingness of banks to doso."

tal ratios," said Karthik Srinivasan, senior

VP. Icra. "While this can also result in reduced borrowing rates and incremental creditsupply for NBFCs, th is will depend on

Assuminghalf of banks' total exposure

to NB FCs is to the category not covered by

5 provement in capital ade quacy ratios at high-street banks, said Srinivasan. RBI has decided to har-

monise major categories of NBFCs engaged in decidedto credit intermediation. harmonise asset finance companies, loan companies and incategories vestment companies into

a single category. engaged in "This is hugely positive intermediation for highly ratedloancom-

panies such as Muthoot Finance. Muthoot Capital. Manappuram, Sbriram City Union and Bajaj Finance," said Digant Haria, an analyst at Antique of PSU Banks, they were keen to lend to highly rated HFCs and AFOs due to the benefit of lower riskweights. On the other hand, PSU Banks were not too keen to lend to even highly rated loan companies due to 100 % risk weights.









Volatility is temporary.

Smart investors stay invested at all times.



Volatility is the natural behaviour of the market.

Once the volatility phase is over, markets return to normalcy.



to Further Impairment at Tata Motors

Ashutosh.Shyam etimesgroup.com

ETIntelligence Group: A recordquarterly lossat Tata Motors is pointing to a rather bumpy road ahead, and investors in the JLR owner may haveto wait for a few moreguar ters before earnings become stable at India's most globalised carmaker.

JLR earnings dropped as the companytookan impairment charge of £31 billion (the equivalent of **#28.700** crore), which reduced its net worth by 37.5%. That could affect ductoortfolio has been prima- drop of 15% for the industry. debt covenants and put pres sure on JLR's rating. According to the company, it wrote Europe are looking at putting off the value of its assets due heftier taxes on such vehicles. tosignificant headwinds.

If demand remains subdued ce in China, a market with one scal. There is little clarity on unces more than and technology disruption of the highest margins for how volumes would increase a third of its continues, the possibility of a JLR historically has rolled in- in China, where growth drop- components further impairment also be vestors. JLR's China volume ped to the lowest since 2004. comes a reality. The JLR pro- fell 47%, compared with a Of the 13 models at JLR. only nent.

JLR Guidance

The sharp underperforman-

FV19	FY 20-22	Beyond
Negative	>premium segment	>premium segment
Marginally negative	3 6%	7-9%
Negative	Positive	Positive
upto 4 bn pounds	upto 4 bn pounds	11-13% of revenue
Negative	Negative in FY20, positive thereafter	Positive
	Negative Marginally negative Negative upto 4 bn pounds	Negative> premium segmentMarginally negative3-6%NegativePositiveupto 4 bn poundsupto 4 bn poundsNegativeNegative in FY20,

fotu witnessed growth in the December quarter The whole sale volumes declined 11%. The Street haspencilled in volume drop of 7% for FY19 and a gain of 5% in FY20 Given the uncertainty in China, there are fair chances of further downward revisions. Brexit remains the biggest threat for JLR. The company is working with the base case scenario of a negotiated deal where trade would be unhindered. However, a 'no deal' could Brexit

hurt volumes and profitability significantly. rily concentrated on the diesel Operating profit margin at JLR sells about engine, and governments in JLR China dropped to 4.8% in a fifth of its total the first nine months of FY19 volumes to Eucompared with 19.7% in the rope (excluding same period the previous fit the UK) and sofrom the conti-



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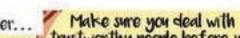
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