RBI POLICY MINUTES All six members voted for a cut, some raised concerns over poor transmission by banks

## Reviving Growth Top Priority for MI

Kolkata: The Monetary Policy Committee was unanimous in its concerns over the economic slowdown that needed an interest rate cut to give growth a push with inflation on the back burwith inflation on the back bur-ner for the first time since its in-ception, but some raised red flags over the effectiveness of the quantum of the cuts given poor transmission by banks.

All six members voted for a cut, but external members such as Chetan Ghate and Pami Dua were for a quarter point cut even as Go

for a quarter point cut even as Governor Shakttkanta Das appears to have set the tone for a deeper 35 basis points reduction.
All three RBI members were for 35 basis points cut and Ravindra Dholakia was for 40 basis points, but fell in line with majority, minutes of the MPC meeting relea-

sed by the central bank showed.
A basis point is 0.01 percentage point.

Ghate warned that a larger cut in the absence of transmission by banks would amount to "burning through monetary policy space without much to show for it." But Go-

nout much to snow for it." But Go-vernor Das argued that "the econo-my needs a larger push".

"Given the current and evolving inflation and growth scenario at this juncture, it can no longer be a business as usual approach," Das wrote in his mitutes. wrote in his minutes

The RBI on August 7 cut reporate the rate at which the central bank lends to banks, by 35 basis points to 5.40%

5.40%.

The commentary and voting of the MPC members assumes significance in the context of premature exit of conservative deputy governor Viral Acharya last month. With the main hawkish member of the MPC out, investors were keenly



commentary. BP Kanungo, the deputy gover-

nor who replaced Acharya in the panel, said, "I am of the view that

cy action to support economic ac-tivity and close the output gap. I, therefore, vote for a reduction in the policy repo rate by 35 bps and also keep the stance of monetary policy as accommodative."

Even as there was unanimity in the reduction, the noise about poor

"While the real economy needs some support, we should wait for more transmission to happen," Kanungo echoed similar views.

"Cumulative repo rate reduction of 75 bps effected since February 2019 has so far resulted in 29 basis points reduction in weighted average lenreduction in weighted average len-ding rate (WALR) of banks on fresh rupee loans. This is considered in-adequate even though the trans-mission is expected to improve, go-ing forward," said Kanungo.

Governor Das has been more vocal about transmission.

YES CAPITAL AND MORGAN CREDITS prepay as much as ₹790 cr of loans taken from Franklin Templeton and Reliance Nippon MF after a sharp decline in the value of pledged shares

Rana Kapoor Holding Cos Prepay Part

Yes Bank

of Loans After Yes Bank Stock Drops

benchmarking of bank lending ra-tes could be linked to the repo rate. Headline CPI inflation however rose to 3.2% in June from 3% in April-May. Food inflation also jumped to 2.4% in June from 2% in the previous month driven mainly by a pick-up in prices of meat, fish, pul-ses and vegetables.

pick-up in prices of meat, isin, puses and vegetables.

Pami Dua also cautioned about the monetary policy becoming the only game in town to revive the economy and said reforms are required to be possible to the property. red to boost investments.

"It is also important to recogni se that, while monetary policy can impact cyclical factors, it has can impact cyclical factors, it has its limitations with respect to significantly impacting structural factors," said Dua.

"Therefore, investment focused fiscal policy and active continuation of structural reforms are impossible at the limitation." Possible at the limitation."

perative at this juncture," Pami Dua said at the meeting.

### GET THE GIANTS ON HDFC TOP 100 FUND - A Large-Cap Fund ntact your financial adviser or give a missed call on 73974 12345 HDFC Top 100 Fund (An open-ended J HDFC MUTUAL FUND

### **Market Trends**

STOCK INDICES		9	6 CHANGE
Nifty 50	10918.7		0.89
Sensex	37060.37		0.72
MSCI India	810.36		0.70
MSCI EM	2247.6		0.25
MSCI BRIC	597.56		0.14
MSCI World	8919.71		0.20
SX 40	21557.21		0.81
Nikkel	20618.57		0.28
Hang Seng	26270.04		0.15
Strait Times	3122.57		0.43
Values In US 5, Gross			At 7 pm IST



BOND 10-YR YIELD 6.57 0.02 DUBAI CRUDE

1518.4 1647.44 1646.53 1510.0 "At 10.30pm, After adjusting for import duty, Indian spot gold lower by \$ 14.47 to US Comex gold price on Wednesday. The premium on local gold is due to tight supply following import curbs.

FOREX RATE (#-\$ Exchange Rate) 71.48 71.55

**US Stocks Hold** 

After briefly paring the day's rise, major indexes quickly

regained their footing in the

minutes from the central bank's

for the first time in over a dec-

debated cutting interest rates

meeting when it cut by 25 basis

points, although central bankers

were united in wanting to avoid

the appearance of being on a path to more rate cuts. Consumer

discretionary continues to pace

Fed Debated a

**Bigger Rate Cut** 

in July Meet

ade. The minutes showed the Fed

**Gains After** 

Fed Minutes

### Morgan Credits Pvt Ltd, holding companies controlled by Yes Bank co-promoter Rana Kapoor, have co-promoter Rana Kapoor, have prepaid a part of the loans they to-ok from Franklin Templeton and Reliance Nippon Mutual Fund, possibly as much as e790 crore. Both are looking to reduce debtfol-lowing a sharp fall in the bank's shares, which had been pledged as collateral for the loans.

Joel Rebello and Saikat Das

collateral for the loans. Yes Bank shares have lost twothirds of their value in about flve months, ending at ₹65.40 on Wednesday, down from ₹275.70 at

the start of April.
Yes Capital had borrowed ₹630 res Capital had borrowed 630 crore by privately placing bonds inflye schemes of Franklin Temp-leton Mutual Fund while Morgan



Credits had borrowed a total of ₹1,160 crore by placing bonds with Reliance Nippon Mutual Fund. That's now down to₹200 crore and ₹800 crore, respectively

They together hold a 6.29% sta-ke in the bank and are owned 100% by Radha K Khama, Raak-he K Tandon and Roshini Kapoor — Rana Kapoor's daughters.

### Aug 21, 2018 Aug 21, 2019 The companies have prepaid a part of their debt as part of "the

Price on BSE (\*)

65.4

overall debt reduction plan by both," Rana Kapoor told ET. "Yes Capital NCDs (non-con-"Yes Capital NCDs (non-con-vertible debentures) from Franklin Templeton have (be-en) prepald by 67%, even tho-ugh bullet repayment maturity isonly in October 2020," Kapoor said in a WhatsApp message.
"Morgan Credits NCDs from
RNAM (Reliance Nippon Asset
Management) have been prepaid by over 31 %, even though bullet repayment maturity is only in April 2021. All interest pay ments are fully current. The pa-yments were made this week and the last."

A sharp decline in the value of a pledged stock means the promoter has to give the lender more shares or reduce the loan out standing, said a person familiar with the matter.

"At around ₹80 per share, the value of the collateral was not enough to cover the loans," he said. "The companies had to either pledge more shares or pre-pay some loans."

### **BULLISH CALLS**

## FPIs Up Contrarian Bets in Q1, **Buy into Auto, Telecom Stocks**

Fortune favours the brave. That appears to be the latest investment motto at overseas funds, which last quarter bought telecom. NBFC and auto stocks. proving that contrarian bets are here to stay. FPIs raised stakes in Bharti Airtel and Vodafone Idea by 4.4% and 2.5%, respectively, in the June quarter compared with the last quarter of FY19. Based on the average quartery photos. FPIs 19,000 crore in the two telecom com-

total India investments in the June quarter. FPIs invested about ₹32,000 crore in Indian equities in the June quarter, according to NSDL data. With Reliance Jio altering and dictat-ing the industry dynamics, others in

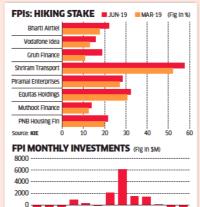
the telecom business are battling high cash burn and spiraling debt. To be sure, last two quarterly results of the Bharti Airtel suggest that the decline in the smartphone segment is getting less

peak in FY20. Bharti Airtel's average revenue per user has been improving in the past four quarters.

Among NBFCs, FPIs raised holdings in Shriram Transport, Gruh Finance, Equitas Holdings, and Muthoot Fi nance - in the range of 1.5-8% - in the June quarter. FPIs stake in Shriram Transport increased 5.7% as it is trading at a trough

valuation, which adequately reflects the current demand environment Shriram Transport has a strong franchise in the used commercial vehicle finance business. Even in the auto sector which is reeling under acute de-mand contraction, FPIs shopped in the June quarter. They bought in Maruti

Suzuki and India's largest tractor maker Mahindra & Mahindra. FPIs raised stakes in Maruti Suzuki and Mahindra & Mahindra by 0.9% and 3%, respectively, - Ashutosh R Shyam/ETIG



# Sep Oct Oct Dec Jan Mar Apr Apr Aug

ANALYSTS SAY their strength mostly driven by covering of bearish bets rather than fresh investor interest

## Auto Stocks' Recent Bounce could be 'Short-lived'

@timesgroup.com

Mumbai: Stock performance of Mumoat: Stock performance or automobile companies has steadi-ed in August after being the big-gest laggards so far in 2019, but the new-found resilience could be short-lived unless the government announces measures to stem the falling demand for vehicles, Analysts said the strength in automobile shares has been mostly driven by covering of bearish bets rather than fresh investor interest, making them vulnerable to furt-

making them vulnerable to turt-her sell-offs.

"Broadly, short positions have been unwound because of expec-tation of announcement for the sector. Fresh longs are still not there in the system. It is a dead cat bounce unless there is some announcement," said Raiesh Palviva, head-technical and derivatives at Axis Securities

The BSE Auto index is up 1.75% so far in August, ending at 15,742.22 on Wednesday. The index is down 37% from all-time high of

the decline in auto sales in July the sharpest in 19 years. A revival in monsoon and ex-

pectation of a pick-up in demand pectation of a pick-up in demand during the upcoming festival season have also revived in-vestors' interest in two-wheelers. Analysts are most bullish on Bajaj Auto due to attractive valuation and strong product Hero MotoCorp is up 15% this

month, while Bajai Auto and Maruti Suzuki (India) have gained 10% and 14%, respectively. Tata Motors has fallen 17% in August. of which most of the decline came on Wednesday when the stock slumped 9%. The stock has been weak due to disappointment over JLR earnings and fear of a no-deal

"Over the past few sessions, we have witnessed bottom-fishing in auto stocks (except CVs) as they were oversold. But the delay in announcing a package for the sector will lead to people starting to lose hope, although in all fair-ness we do not want a band-aid

### Dead Cat Bounce? Hero MotoCorp 2.714.2 15.2 -12.6 Maruti Suzuki 6,223.0 13.7 -16.3 9.8 57,699.5 7.8 -14.0 Balkrishna Ind 740.3 5.4 -19.9 Apollo Tyres 162.3 3.0 -31.2 TVS Moto 0.0 -35.7 Eicher Motors 16.002.8 -2.1 -30.9 520.6 -5.4 -35.2 -39.7 Ashok Leyland -11.6 61.8 -17.2

solution," said Deenak Jasani solution, Said Deepar Jasani, head of retail research at HDFC Securities. "There is also a ques-tion of how much boost the go-vernment can afford to give at this point in time within its limited resources given the slowdown in

resources given the slowdown in tax collections and focus rural distress," said Jasani.

The effects of the slowdown in the economy is visible in the auto space, with regulatory changes

sector has seen more of a cyclical slowdown. Last year urban demand was weak which was compensated by rural demand compensated by rural demand and helped overall demand grow in mid-single digits," said Aditya Jhawar, analyst at Investec. "This year there was issue with the onset of monsoons... The rabi crop should be reasonably good which beauf who have demand to the constant of the co

which should push rural demand. Also, the auto industry has been lobbying for government support through GST rate cut or fiscal

through GST rate cut or inscal intervention, "said Jhawar. Action in the derivatives seg-ment has been mostly restricted to short covering, Maruti Suzuki futures open interest is down 25% in August while there I Loro. in August while that of Hero MotoCorp is down 11%

Jhawar of Investec is bullish on Bajaj Auto with a target price of Rs 3,130. "We like Bajaj Auto as valuations are attractive. The valuations are attractive. The company has outperformed the industry last year and may again outperform this year because of strong product pipeline and rejigged strategy," said Jhawar.

### 'GLOOM AND DOOM NARRATIVE RATHER OVERDONE'

### **Pvt Sector Must Not** Rely on Govt Sops to **Clamber Out of Losses,** says CEA Subramanian

Our Bureau

Mumbai: India's private sector needs a mindset change, reflecting its successful journey into industrial adulthood, and must not rely on government incentives to clamber out of business losses in periods of economic distress, Chief Economic Advisor Krishnamurthy Subramanian sald Wodnosday said Wednesday. "The private sector cannot have a si

"The private sector cannot have a si-tuation of (making) private profits and socialising losses," Subramani-an said at an event organised by Jana small Finance Bank. "In a market economy, assets do get reallocated when some one doesn't manage an as-set very well. The private sector ne-eds to recognise that: The mindset preds to change from whenever theneeds to change from whenever the re is a difficulty to say 'papa, bacha lo mujhe' (daddy, please save me). That needs to change?" needs to change."
Pronounced declines in vehicle sales,

Pronounced decimes in venicle sales, increases in unsold apartment inventory, and protracted liquidity problems in the para-banking sector have caused the likes of Bajaj Group's Rahul Bajaj, Larsen & Toubro's AM Naik and HDFC Group's Deepak Parekh to highlight wor the past flow works the cravity of over the past few weeks the gravity of the economic crisis.

Subramanian also hinted that the 'gloom and doom' narrative in the groom and doom narrative in the economy was rather overdone, and that it would take 6-8 months for the recovery to be visible on the ground. "In India, we tend to socillate between irrational exuberance and excessive pessimism: The truth is somewhere in hot wood. In the next is worse we took

between. In the past 15 years, we took our eyes off structural reforms required for growth, starting 2004. The go vernment in the next five years is clear ly focused on economic growth," Sub-ramanian said.

ramanian said.
RBI governor Shaktikanta Dashad also recently said that the financial sector should refrain from fretting about



KRISHNAMURTHY SUBRAMANIAN Chief Economic Advisor

The mindset needs to change from whenever there is a difficulty to say 'papa, bacha lo mujhe' (daddy, please save me) That needs to change

the apparent slowdown, despite evi the apparent slowdown, despite evi-dent challenges facing the economy. The Indian economy expanded at 6.8% In FY19—Its slowest pace In five years. Subramantan also said that it was imperative for India to leverage in-vestments as a growth driver instead of relying solely on consumption. "Consumption acts like a force mul-triplier indeed but consumption is

tiplier indeed, but consumption is not the key driver of growth, Invest-ment is what is really critical for us to ments what is really critical for us to create jobs in the economy," he said. "The evidence is very clear, that if we want jobs in the economy, we need to have investments and particularly private sector investment, and there-by create productivity."

INCLUSION MAY LEAD TO ₹11 CRORE OF BUYING

## Nestle may Join Nifty in Next Rejig, Surges 5.6% to Record High

Zee Entertainment or Indiabulls Housing likely to be excluded from the index, say analysts

Our Bureau

Mumbai: FMCG major Nestle India is likely to be included in the benchmark Nifty index from October following the revision in criteria for inclusion of stocks in the Nifty indices, said broke rages. Zee Entertainment Enterprises or Indiabulls Housing Finance are lik-

or intabulis Housing Finance are in-ely to be excluded from the index. Shares of Nestle India rallied to re-cord high on hope of inclusion in the upcoming review of the index before ending up.5.6% att12,635 on the BSE on Wathosday.

The index is reconstituted semi-annually considering six months data ending January and July. The changes, if any, are generally implemented from the first working day of the deri-vatives series of April and October. Fourweeks' notice is given to market par-ticipants in case of any replacement. Under the revised criteria, which NSE will also be considered for inclu-sion in the indices. Considering this parameter, along

with the other considerations, Nestle India is most likely to replace India India is most likely to replace India-bulls Housing Finance from the Nifty 50, said brokerage ICICIdirect. Nestle India is likely to have a weightage of nearly 1\s^4. In the index after inclusion, the brokerage said.

The retail brokerage expects India-bulls Housing to be exclu-ded to make way for Nestle in the benchmark index

in the benchmark index. Yes Bank is also another probable candidate for exclusion from the index, said ICICIdirect

the index, said ICICIMPECT.

"The six-month average free float
MCAP (market capitalisation) for Indiabulls Housing Finance is lower than
Yes Bank and it is likely to be removed
from the Nifty 50," said ICICIdirect.
However, Edelweiss believes that Zee
Finantialmant Enterprises is likely to

Entertainment Enterprises is likely to exit the Nifty while Nestle is likely to be included.

The inclusion of Nestle is likely to entail buying worth til crore in the stock; while Zee Entertainment may see sel-ling to the tune of \$56 million, the bro-kerage said.