

MARKET WATCH		
	07-08-2019	% CHANGE
Sensex	36,691	-0.77
US Dollar	70.89	-0.11
Gold	37,920	3.02
Brent oil	56.71	-4.99

NIFTY 50		
	PRICE	CHANGE
Adani Ports	372.25	-4.70
Asian Paints	1559.20	-6.65
Axis Bank	659.95	-19.05
Bajaj Auto	2605.10	-4.70
Bajaj Finserv	7152.45	-56.10
Bajaj Finance	3265.80	-6.45
Bharti Airtel	366.10	-2.35
BPCL	331.10	-14.20
Britannia Ind	2540.55	-10.00
Cipla	518.30	18.15
Coal India	206.10	1.00
Dr. Reddys Lab	2556.80	0.60
Eicher Motors	16456.65	-554.10
GAIL (India)	121.70	-1.65
Grasim Ind	737.95	-23.55
HCL Tech	1022.65	-1.55
HDFC	2175.20	-14.70
HDFC Bank	2184.00	-5.10
Hero MotoCorp	2505.25	-36.70
Hindalco	176.40	-4.30
Hind Unilever	1777.25	33.15
Indiabulls HFL	445.40	-68.65
ICICI Bank	408.40	-1.85
Indusind Bank	1426.35	9.25
Bharti Infratel	245.55	-0.55
Infosys	776.10	1.65
Indian OilCorp	129.00	-3.40
ITC	253.65	-5.25
JSW Steel	212.25	-5.30
Kotak Bank	1476.30	-9.00
L&T	1360.05	-17.45
M&M	518.30	-31.15
Maruti Suzuki	5775.00	-58.30
NTPC	123.05	-0.30
ONGC	130.50	-0.95
PowerGrid Corp	198.85	0.75
Reliance Ind	1109.40	-18.90
State Bank	289.90	-11.50
Sun Pharma	421.05	2.85
Tata Motors	117.40	-5.10
Tata Steel	381.90	-19.70
TCS	2213.45	-1.45
Tech Mahindra	674.45	3.85
Titan	1028.45	-18.25
UltraTech Cement	4341.65	-15.35
UPL	532.80	-16.55
Vedanta	136.65	-4.15
Wipro	262.55	3.65
YES Bank	86.85	1.50
Zee Entertainment	327.90	15.45

EXCHANGE RATES		
Indicative direct rates in rupees a unit except yen at 4 p.m. on August 07		
CURRENCY	TT BUY	TT SELL
US Dollar	70.69	71.01
Euro	79.33	79.69
British Pound	85.88	86.28
Japanese Yen (100)	66.85	67.15
Chinese Yuan	10.02	10.06
Swiss Franc	72.67	73.01
Singapore Dollar	51.09	51.33
Canadian Dollar	53.03	53.27
Malaysian Ringitt	16.86	16.96

Source:Indian Bank

# Banks get more headroom for lending to NBFCs

RBI raises cap on exposure to single NBFC to 20%; lower risk weight for consumer loans may cut capital needs by ₹12,500 cr.

SPECIAL CORRESPONDENT MUMBAI

The on-going liquidity crunch faced by non-banking finance companies (NBFCs) has made the Reserve Bank of India (RBI) to take further measures to increase credit flow to the sector.

The central bank has decided to increase the cap on a bank's exposure to a single NBFC to 20% of its tier-I capital from 15% now.

Further, RBI has decided to give 'priority sector' tag for banks lending to NBFCs, for on-lending to farm, small and medium enterprises and housing sector.

Banks have been allowed to lend to the NBFCs for on-lending to the agriculture sector up to ₹10 lakh, up to ₹20 lakh to micro and small

enterprises, and for housing, up to ₹20 lakh per borrower. These will be classified as priority sector lending.

This will improve the available sources of funding, especially for new-age mid and small-sized NBFCs, at a relatively lower cost, while improving banks' ability to meet their priority sector lending targets.

## 'Faster transmission'

"Permitting banks to on-lend through NBFCs for priority sector lending would make this transmission faster and more efficient," Umesh Revankar, MD and CEO, Shriram Transport Finance Ltd., said.

RBI Governor Shaktikanta Das also battled for mutual fund and insurance compa-



Shaktikanta Das flanked by RBI colleagues Michael Patra, N.S. Vishwanathan, B.P. Kanungo and Mahesh Jain. ■ PAUL NORONHA

nies, who are creditors of stressed NBFCs, to be part of the resolution process, and said inter-regulatory discussions were going on in this regard.

"It is necessary to look at the whole liability of the enti-

ty comprehensively. So, we have had inter-regulator meetings, and IRDAI has taken a decision to enable the insurance companies to be a part of the inter-creditor agreement. Our discussions with other regulators are go-

**RBI has decided to give 'priority sector' tag for banks lending to NBFCs, for on-lending to farm, SMEs and housing**

ing on," Mr. Das said.

In the resolution process of mortgage lender Dewan Housing Finance Corporation Ltd. (DHFL), where insurance and mutual funds have sizeable exposure, banks want other creditors to be a part of the resolution process.

Mutual funds are awaiting approval from the markets regulator for becoming a part of the bank-led resolution plan.

In a bid to encourage

banks to extend loans to retail consumers segments such as individual vehicle loans and personal loans, amid a sharp slowdown in demand, the central bank has decided to lower the risk weight for consumer loans, excluding credit cards.

The risk weight, which was 125% as prescribed in 2004, will now become 100%. As a result, banks will need to set aside lower capital for these loans.

Ratings agency ICRA said with personal loans of ₹6 lakh crore outstanding as on June 2019, a 25-percentage point reduction in risk weight may also reduce the capital requirements of banks by ₹12,500 crore and add 14 bps to their capital ratios.

SPECIAL CORRESPONDENT MUMBAI

Come December, you can transfer funds round-the-clock using the National Electronic Funds Transfer or NEFT facility. RBI Governor Shaktikanta Das announced on Wednesday that the central bank would make available the NEFT system 24x7 from December.

Currently the system is available from 8 a.m. to 7 p.m. on all working days except second and fourth Saturdays of the month.

In another citizen-friendly measure, the Reserve Bank has thrown open the Bharat Bill Payment System to all categories of billers, except pre-paid recharges.

## INTERVIEW | SHAKTIKANTA DAS

# Lower rates will spur credit flow and revive growth, says Das

Slowdown is perhaps cyclical, not structural; there is room for structural reforms to be undertaken, says the RBI Governor

SPECIAL CORRESPONDENT MUMBAI

*During the post policy media interaction, RBI Governor Shaktikanta Das explained why the bank announced an unconventional rate cut of 35 basis points (bps).*

## Why a 35 bps rate cut?

■ According to the assessment of the MPC (monetary policy committee), based on demand conditions etc, a 25 basis-point [rate] cut was inadequate, while a 50 basis-point cut was excessive. That is why we took a balanced call.

**What are the underlying issues, according to the RBI, that are hurting growth?**

■ There is a demand and investment slowdown; both put together having a dam-

pening effect on growth. We have reduced the growth projection to 6.9% with risks slightly to the downside. Our understanding is that, at this point, it is perhaps a cyclical slowdown, not really a deep structural slowdown. Nonetheless, we have to recognise that there is room for structural reforms which needs to be undertaken.

**What is the RBI's view on dollar bonds?**

■ We have conveyed our views internally to the government. [The] Govern-

ment is consulting the Reserve Bank on this issue. For the moment, I would leave it at that.

**Where do you see the recovery in growth coming from?**

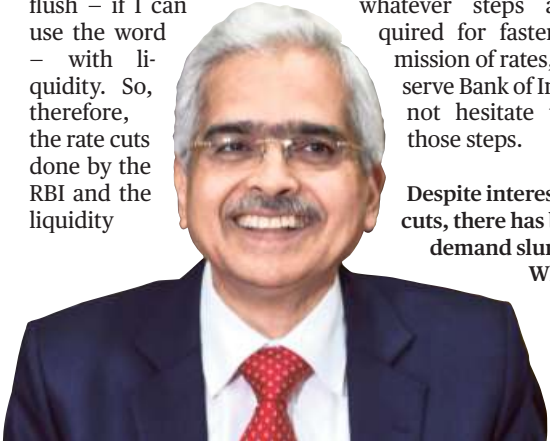
■ Our expectation is – and I am saying this after our interaction with the government – the government will take necessary, further measures as may be required to deal with various issues. With the RBI cutting interest rates, the credit flow will revive. Therefore, growth numbers will

**When something is done against convention, too much should not be read into it**

pick up.

**What steps will the Reserve Bank take to ensure faster transmission of monetary policy rates?**

■ The system is flush – if I can use the word – with liquidity. So, therefore, the rate cuts done by the RBI and the liquidity



which we have injected, both have started the cycle of rate cuts so far as new loans from banks are concerned.

We have a sense that there will be improvement.

The RBI is monitoring it regularly. And in future, whatever steps are required for faster transmission of rates, the Reserve Bank of India will not hesitate to take those steps.

**Despite interest rate cuts, there has been a demand slump. What**

**stopped you from a 50 bps rate cut?**

■ In policy making there is something called 'you take a call.' When you take a call, there is something more than mere numbers, which is beyond what is there just in the data. So, the MPC, in its considered opinion, took the view that it will be 35 bps rate cut.

What is so sacred about multiples of 25 bps? It has just been adopted and has become a convention. So, therefore, when you do something out of convention, too much should not be read into it. So, it is a judgement call that the MPC has taken.

**The rupee is under pressure. Will it impact**

**RBI's effort to push if it depreciates further?**

■ On the rupee, it won't be appropriate for me to give some kind of forward guidance.

I will just repeat the stated policy of the RBI that it is the RBI's responsibility to manage volatility of the rupee.

**Is a CRR (cash reserve ratio) cut on the table? How long do you see the rate easing cycle continuing?**

■ At the moment, there is no proposal for a cut in the cash reserve ratio. As far as future rates are concerned, you have to wait for the incoming data and [watch] how the macroeconomic situation evolves.

## Spandana IPO fully subscribed

SPECIAL CORRESPONDENT MUMBAI

The initial public offer (IPO) of Spandana Sphoorty Financial, which closed for subscription on Wednesday, was subscribed 1.05 times till 6 pm on the last day of bidding.

According to data from the National Stock Exchange, the issue received bids for 1.03 crore shares, as against 98.22 lakh shares on offer in the price band of ₹853 to ₹856.

The lacklustre response from retail investors was seen even as many brokerages, including Motilal Oswal Financial Services, Emkay Global, Centrum, Prabhudas Lilladher and Angel Broking among others recommended subscribing to the issue with a long-term investment horizon.

# SBI cuts lending rate by 15 bps

RBI promises steps for faster transmission to consumers

SPECIAL CORRESPONDENT MUMBAI

Hours after the Reserve Bank of India decided to cut interest rates for the fourth straight time, State Bank of India (SBI) responded with a 15-basis point (bps) cut in the marginal cost of fund-based lending rate (MCLR) – the benchmark lending rate.

SBI announced the reduction across all tenors with effect from August 10. With this reduction, its one-year MCLR will be 8.25%.

"With today's MCLR cut, home loans have become cheaper by 35 bps since April 10, 2019," SBI said. Since SBI has linked its home loan rate to the repo rate, those rates will also fall by 35 bps.

"With today's cut in the policy rate, SBI's effective Repo Linked Lending Rate (RLLR) for cash credit/over draft customers will stand



revised to 7.65%," SBI said.

Banks have been reluctant so far to reduce interest rate, which is evident from the fact that their MCLR declined 29 bps in response to the 75 bps repo rate cut by RBI between February and June. However, now more banks may follow suit.

## Improved liquidity

"Evidently, this would go to reduce the lending rate offered by banks. With improvement in the liquidity position and reduction in deposit rates offered by

**Including today's MCLR cut, home loans have become cheaper by 35 bps since April 10, 2019**

banks, further reduction in lending rate are expected," said Sunil Mehta, MD & CEO of Punjab National Bank and chairman of the Indian Banks' Association. By the time the festive season sets in, the lower lending rate would help to boost domestic demand, he added.

RBI Governor Shaktikanta Das also said he expected more rate cuts by banks.

"We have a sense that there will be improvement [in monetary transmission]. RBI is monitoring it regularly. And in future, whatever steps are required for faster transmission of rates, RBI will not hesitate to take those steps," Mr. Das said.

## Aurobindo Pharma profit rises 40%

SPECIAL CORRESPONDENT HYDERABAD

Drugmaker Aurobindo Pharma has reported a consolidated net profit of ₹635.68 crore for the quarter ended June, an almost 40% increase over the ₹455.59 crore posted in the comparable period of the previous fiscal.

Revenue from operations were 28% higher at ₹5,444.6 crore (₹4,250.3 crore). Driving the performance was a 42.3% growth in formulations revenue to ₹2,688.4 crore (₹1,889.6 crore) in the U.S.

The formulations revenue from Europe and growth markets as well as those of ARV formulations were also higher and helped the company in the face of a 2.1% decline in API revenue to ₹732.2 crore (₹748 crore).

# Automakers seek easing of tax rates

Industry meets FM over fast-tracking of car loans, job losses

TCA SHARAD RAGHAVAN NEW DELHI

Finance Minister Nirmala Sitharaman and representatives of the auto sector, on Wednesday, discussed the possibility of fast-tracking of loans to buy vehicles, and also the employment status of the auto sector in terms of job losses so far, said officials present at the meeting.

The sector also sought easing of tax rates to bolster demand. However, the Finance Minister said that the government would take a consolidated view and take steps only after it had a more complete view of the issues plaguing the major sectors, an official added.

## Poor demand

"The auto sector representatives met the Finance Minister and laid out the issues that are affecting their sector," the official told *The Hin-*



Nirmala Sitharaman

*du.* "The major issue they highlighted was that demand was poor, and that this was because customers were finding it difficult to secure loans."

"The representatives and the Minister discussed the possibility of a fast-track loan programme for car loans and also for other consumer sectors," the official added. "The employment issue was also highlighted, but

the FM said the government will take a decision on all the issues only once all the sector meetings are completed and internal deliberations are done."

"The meeting was a fruitful one in that every auto maker and component maker who attended was given ample time to speak," a representative from the auto sector said on the condition of anonymity. "The meeting went on for three hours and all the sector's issues were discussed."

The auto industry is expected to submit a formal proposal with all their suggestions in a day or two.

Heavy Industries Minister Arvind Sawant and Minister of State for Finance Anurag Thakur, as well as senior officials of the Finance Ministry attended the meeting.

(With inputs from Yuthika Bhargava)

# HCL first quarter net declines 8.2%

'Lower profit on account of certain cost items'

SPECIAL CORRESPONDENT NEW DELHI

HCL Technologies on Wednesday posted a decline of 8.2% in its net profit to ₹2,230 crore for the first quarter ended June 30, 2019, even as revenue rose 18.3% to ₹16,427 crore, compared with the same quarter last year.

The IT major, which is 'cautiously optimistic' about the growth this fiscal, maintained its revenue guidance of 14-16% in constant currency terms for FY19-20.

As per Indian Accounting Standards (Ind-AS), HCL Technologies' net profit stood at ₹2,431 crore in the year-ago period, while revenue stood at ₹13,878 crore in the same quarter last year.

"We have started FY20 on a very, very strong note with continued revenue momentum. We posted double-digit quarterly year-on-year



C. Vijayakumar

growth of 17% in constant currency [according to US GAAP accounting standards]. To give you a historic perspective, the last time we posted a 17% year-on-year growth was in 2011. In terms of incremental revenue added, it comes close to \$100 million, which is the highest-ever incremental revenue that we have produced," HCL Technologies president and CEO C. Vijayakumar said, announcing the results. Asked about the decline

in profit, HCL Technologies CFO Prateek Aggarwal said the lower profit was in line with the guidance that the company had given in the last quarter.

"Part of the reason is we had already invested in certain [aspects such as] sales and other direct costs as well... the HCL software deal [with IBM] was expected to be closed by June 1; instead, it closed July 1. But pretty much for the whole quarter, we were carrying the cost in anticipation of deal closure and the revenue was not there to start with," he added. In December last year, HCL Technologies had inked an agreement to acquire select IBM software products for ₹12,252 crore (about \$1.8 billion), including earn outs of ₹1,035 crore (\$150 million). The board has declared a dividend of ₹2 per share.

# Changes to IBC may be challenged in Essar case

Creditors may file writ petition in SC

PRESS TRUST OF INDIA NEW DELHI

The recent amendments to the Insolvency and Bankruptcy Code (IBC), passed by Parliament and awaiting assent of the President, were brought to the notice of the Supreme Court by a section of creditors on Wednesday.

A bench of Justices R.F. Nariman and Surya Kant was told by some operational creditors in Essar insolvency case that they will be challenging the new amendments passed by Parliament as they affected them.

The top court sought the assistance of the Attorney General in the matter and requested him to be present on August 19.

The bench was hearing a plea by the committee of creditors (CoC) of Essar

Steel challenging NCLAT's July 4 order that approved steel tycoon Lakshmi Mittal-led ArcelorMittal's ₹42,000 crore bid for acquiring the debt-laden firm.

The CoC had sought quashing of the National Company Law Appellate Tribunal (NCLAT) order which had given financial creditors equal status with operational creditors in the distribution of the Arcelor-Mittal's bid amount.

"During the hearing, we have been apprised of the fact that amendments to the IBC have been passed by both houses of the Parliament. Counsel for respondents (operational creditors) take umbrage to some of these amendments and they want to challenge them by way of writ petition," the bench said.

# Expenses hit Tata Steel profit

Firm's revenue rose by a marginal 1.3% to ₹35,497 crore

SPECIAL CORRESPONDENT MUMBAI

Tata Steel reported a 65% fall in its first quarter net profit to ₹683 crore on rising expenditure.

The fall in profit came on a marginal 1.3% increase in revenue to ₹35,497 crore as steel prices across geographies declined with weakening economic activities and uncertainty around the ongoing U.S.-China trade conflict.

Commenting on the results, T. V. Narendran, CEO and MD, Tata Steel, said, "The steel sector is facing significant headwinds which has affected spreads and overall profitability."

"However, our strong business model in India has helped us counter the overall market weakness, including the slowdown in the automotive sector, by growing volumes in multiple custom-



T.V. Narendran

er segments. Our focus on operational excellence has also helped in containing the impact on margins."

The company is banking on increased government spending and efforts to address the liquidity crunch to revive demand and steel prices in India in the second half of the year.

The company's adjusted EBITDA during the quarter fell by 21.7% to ₹5,530 crore. Koushik Chatterjee, exec-

utive director and CFO, Tata Steel, said, "Amidst a very challenging global economic environment, including in India, higher input costs and weak demand conditions, Tata Steel reported a consolidated EBITDA margin of 15.4% on the back of a robust India performance of EBITDA margin of 24.2%."

"The European performance was impacted by shutdown and downtime in Netherlands. The U.K. operations had a stable performance post the major repairs of the blast furnace earlier in the year."

The company is implementing a transformation plan to reduce operating costs, rationalise capital expenditure and working capital and improve overall cash flows.

"Our liquidity is strong at over ₹12,000 crore," Mr. Chatterjee added.