MARKET WATCH

	18-09-2019	% CHANGE
Sensex	36,564	0.23
US Dollar	71.24	0.75
Gold	38,676	-0.55
Brent oil	64.07	-0.91

NIFTY 50

	PRICE	CHANGE
Adani Ports	366.35	1.05
Asian Paints	1547.75	16.85
Axis Bank	648.40	7.95
Bajaj Auto	2777.05	3.90
Bajaj Finserv	7255.05	104.55
Bajaj Finance	3413.85	45.45
Bharti Airtel	335.60	-4.25
BPCL	382.10	13.35
Britannia Ind	2613.85	-78.60
Cipla	458.65	-2.00
Coal India	192.35	-5.25
Dr Reddys Lab	2743.65	5.60
Eicher Motors	16030.40	-254.55
GAIL (India)	134.95	3.05
Grasim Ind	703.10	2.15
HCL Tech	1058.45	2.60
HDFC	1988.30	-7.95
HDFC Bank	2187.75	-23.60
Hero MotoCorp	2576.10	7.15
Hindalco	198.00	0.05
Hind Unilever	1829.20	-2.00
Indiabulls HFL	419.25	-9.90
ICICI Bank	399.35	-1.30
IndusInd Bank	1330.40	-2.20
Bharti Infratel	253.50	3.30
Infosys	829.85	-1.40
Indian OilCorp	128.15	2.95
ITC	239.25	2.05
JSW Steel	221.40	5.20
Kotak Bank	1464.75	16.45
L&T	1318.00	4.30
M&M	527.00	5.05
Maruti Suzuki	6095.05	-35.35
NTPC	122.50	1.60
ONGC	127.00	-2.70
PowerGrid Corp	202.05	1.60
Reliance Ind	1205.70	8.25
State Bank	280.40	6.45
Sun Pharma	416.80	-3.85
Tata Motors	121.75	-0.25
Tata Steel	358.25	13.30
TCS	2138.55	15.90
Tech Mahindra	716.75	10.80
Titan	1160.70	2.45
UltraTech Cement	3902.80	2.40
UPL	557.05	-6.25
Vedanta	149.70	4.30
Wipro	244.30	0.15
YES Bank	64.10	-1.00
Zee Entertainment	335.40	-1.95

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on September 18

CURRENCY	TT BUY	TT SELL
US Dollar	71.03	71.35
Euro	78.51	78.86
British Pound	88.46	88.86
Japanese Yen (100)	65.67	65.97
Chinese Yuan	10.02	10.07
Swiss Franc	71.40	71.72
Singapore Dollar	51.71	51.95
Canadian Dollar	53.60	53.84
Malaysian Ringitt	16.97	17.07

Source:Indian Bank

BULLION RATES CHENNAI

September 18 rates in rupees with previous rates in parentheses

Retail Silver (1g)	50.2	(50.4)
22 ct gold (1 g)	3600	(3615)

SBI's teaser loan plan may not find favour with the RBI

Banking regulator still has concerns over fixed-cum-floating rate loans

MANOJIT SAHA
MUMBAI

State Bank of India's (SBI) plan to offer fixed-cum-floating home loan rates – known as teaser loans – is likely to hit a regulatory hurdle as the Reserve Bank of India (RBI) is uncomfortable with such products.

Teaser loans are those which charge comparatively lower rates of interest in the first few years after which the rates are increased.

During a recent media interaction, SBI chairman Rajnish Kumar said the bank will engage with the RBI for the product which will bear fixed interest for about 10 years and then, turn floating. There is no fixed rate home loan product in the market though there is demand for such a product, and a fixed-cum-floating rate product could have addressed that demand.

Cautious stance: RBI feels borrowers may find it difficult to service loans once normal rates take effect. ▪REUTERS

According to sources, the RBI is of the view that some borrowers may find it difficult to service the loans once the normal interest rate, which is higher than the rate applicable in the initial years, becomes effective.

In addition, a bank, while extending the loan, does not take into account the borrowers' repayment capacity after lending rates increase.

While such teaser products are not banned by the regulator, the standard asset provisioning requirement is higher for such loans. For normal home loans, the standard asset provisioning is 0.4% but for teaser loans it is 2%. RBI had increased the provisioning by five times for such loans since these loans are perceived as more risky.

Following the introduction of higher risk weights, banks had discontinued those products.

SBI's decision to ponder over such products came after the regulator mandated banks to link floating rate retail and MSME loans to an external benchmark. SBI, in fact, pioneered such a product by linking its home loan rate to repo rate, which it started offering from July.

Many other public sector banks followed suit before the RBI mandated such products for the entire banking system from October 1.

SBI, however, decided to withdraw the product earlier this month following the RBI norms on external benchmark-linked floating rate loans and is re-working the product in line with the guidelines.

NBFC loan pricing under RBI lens

Banking regulator may mandate anchor rate

MANOJIT SAHA
MUMBAI

After mandating banks to implement external benchmarking for retail loan pricing, the Reserve Bank is now looking at the loan pricing regime of non-banking finance companies with a view to bring in more transparency.

According to sources, the central bank is internally discussing the loan pricing mechanism of the non-banking sector. At present, there is no anchor rate for NBFCs, similar to banks, that is linked to the lending rate of a particular loan.

For example, banks have the marginal cost of fund based lending rate (MCLR) – the anchor rate – and all the loans are linked to such a rate. Earlier, the base rate acted as an anchor rate.

Banks were not allowed to lend below the base rate or the MCLR rate. Banks are allowed to add a spread, based on the risk assessment, to the anchor rate.

However, there is no such mandate for NBFCs to have an anchor rate to which all the loan rates are linked.

"There is no anchor rate for NBFCs.

"So, first, we have to see how they are pricing loans," sources said, adding it would take some time before mandating an anchor rate for NBFCs.

Unresponsive to changes

It has often been noticed that lending rates of banks and NBFCs, including housing finance companies, are not responsive to changes in the RBI's policy rate or the repo rate. As a result, the banking regulator has now mandated banks that floating rate retail loans for homes, vehicles and loans to small and medium enterprises should be linked to an external benchmark like repo rate or Government of India T-bills, for example.

The main objective behind linking loans to an external benchmark was for faster transmission of monetary policy rates, particularly in a declining interest regime. At the end of September 2018, the number of NBFCs registered with the Reserve Bank of India declined to 10,190 from 11,402 at the end of March 2018. Only a handful of large NBFCs are supervised by the banking regulator.

The consolidated balance sheet of NBFCs expanded in 2017-18 and also in 2018-19, helped by strong credit expansion. The profitability of NBFCs improved on the back of fund-based income, low NPA levels relative to banks and strong capital buffers, RBI had observed in a recent report.

FY20 worst in 15 years for FMCG, says Credit Suisse

'Impact of multiple factors playing out'

SPECIAL CORRESPONDENT
MUMBAI

For the fast moving consumer goods (FMCG) sector, which has been facing extreme headwinds in the last few quarters, the current financial year could be the worst in 15 years in terms of revenue growth on account of agriculture slowdown, liquidity concerns, employment issues and slower-than-expected impact of government initiatives.

"Agri GDP growth has been at a 15-year low since 2018. Liquidity worsened post Oct-2018 as NBFCs faced pressures. Employment challenges for small businesses started with demonetisation and GST, and was aggravated due to liquidity. The simultaneous impact of these factors is playing out," stated a report by Credit Suisse.

"The PMKSN (Pradhan Mantri Kisan Samman Nidhi) direct income transfer rollout has been slower than expected and has only covered 50% of the intended beneficiaries by Sept-2019. As per our analysis, PMKSN can, in Year 1, provide a 2-3% boost to overall FMCG growth, but there will be a lag effect after full coverage," it added.

Trade disruptions

According to the global financial major, the slowdown in the FMCG sector started in 2016, though it was camouflaged first by trade disruptions in 2017 caused by demonetisation and Goods and Services Tax, and then by the low-base effect leading to high growth in FY19.

This assumes significance as most leading FMCG players are witnessing a multi-quarter low in terms of volume growth.

HUL, which is the country's largest pure-play FMCG entity, registered a 7% volume growth in the quarter ended June 30, the lowest volume growth in seven quarters.

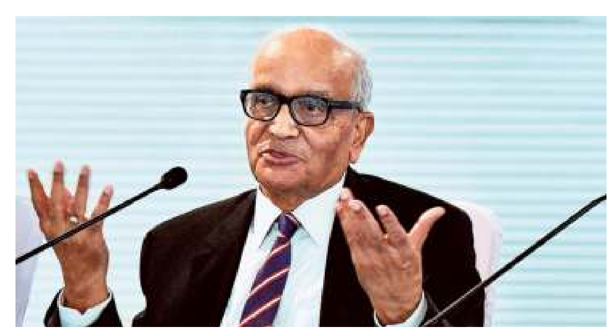
Road tax hikes by States making cars unaffordable, says Maruti's Bhargava

Cars can't be treated as luxury products, taxed heavily, says the auto major's chief

YUTHIKA BHARGAVA
NEW DELHI

Citing increases in road taxes by various States as one of the main reasons for higher car prices, making them unaffordable, Maruti Suzuki chairman R.C. Bhargava said that cars cannot be treated as luxury products capable of bearing any level of taxation.

"I think the most important thing is [to understand] why there is a slowdown. Why have customers stopped buying cars like they had been buying before? One part of it is the financial aspect; and to some extent, because of the intervention by the Centre, that is beginning to change... the attitude of the banks has certainly become much more favourable... But the price problem still remains. To a large extent, it is because in the last few months, nine States added substantially to road tax," Mr. Bhargava said.



Off lane: It is illogical to relate overproduction with slowdown, says the Maruti Suzuki chairman. ▪KAMAL NARANG

These States, including Bihar, Punjab and Kerala, have raised road taxes leading to an increase ranging between ₹5,000 and ₹57,000 in the on-road prices of cars.

"State governments have to realise that this industry is unable to bear this kind of burden; in many cases, the officers concerned seem to think that car is a luxury product capable of bearing any amount of taxation. It isn't, as we have seen now," he said.

"We are selling 3-3.5 million cars; we want to go to 5-10 million, how do you do that if the price goes beyond the reach of people? You cannot get growth in the manufacturing industry, especially in a poor country like India, if the price of the manufactured product is not kept within the reach [of mass buyers]," he said. He added, "It's not in my hands if somebody else is making a major addition to the cost."

On arguments that over production by automakers had resulted in the slowdown in the sector, Mr. Bhargava termed them 'absurd'.

"It is not logical to relate the two. How does overproduction lead to a fall in demand from customers? You have seen every manufacturer declaring non-production days to cut down on production. It doesn't do me [or] the dealer any good to have cars and inventory. So, if anyone thinks that we produce cars for the fun of producing cars, they have different ideas of how business runs."

On long he expected the slowdown to stretch, he said, "I don't know. But if I was to make what would, at best, be a guess, we should start seeing a change in the coming months and the next year should be much better."

Aramco to restore full production by Sept. end

SPECIAL CORRESPONDENT
NEW DELHI

Saudi Aramco will be able to fully restore its production capacity by the end of September, the company's president and CEO Amin Nasser said on Tuesday.

Saudi Aramco's Abqaiq and Khurais plants were hit by drone attacks on Saturday, severely affecting their production capacity. Global oil prices shot up by about 20% following the attacks. "These synchronised attacks were timed to create maximum damage to our facilities and operations," Mr. Nasser said at a press conference in Jeddah. "The rapid response ... shows the company's preparedness to deal with threats aimed at sabotaging Aramco's supply of energy to the world."

It was also revealed that production at Khurais resumed 24 hours after the attack.

Fed cuts rates by 25 bps on 7-3 vote

REUTERS
WASHINGTON

The U.S. Federal Reserve cut interest rates by a quarter of a percentage point for the second time this year on Wednesday in a widely expected move meant to sustain a decade-long economic expansion, but gave mixed signals about what may happen next. The central bank also widened the gap between the interest it pays banks on excess reserves and the top of its policy rate range, a step taken to smooth out problems in money markets that prompted a market intervention by the New York Fed this week.

In lowering the benchmark overnight lending rate to a range of 1.75% to 2.00% on a 7-3 vote, the Fed's policy-setting committee nodded to ongoing global risks and "weakened" business investment and exports.

Ambani hikes stake in RIL to 48.87%

PRESS TRUST OF INDIA
NEW DELHI

Billionaire Mukesh Ambani has raised promoter stake in flagship Reliance Industries by 2.71% to 48.87%, according to a regulatory filing by the company.

Reliance Services and Holdings Ltd, controlled by promoter group firm Petroleum Trust, acquired 2.71% stake in Reliance on September 13, it said.

The acquisition was pursuant to a scheme of arrangement not directly involving Reliance, the filing said without giving details.

Mr.Ambani and his private firms held 47.29% stake as on June 30, 2019.

As on June 30, FIIs held 24.4% stake in the firm, mutual funds had 4.56% and insurance companies 7.1%. The remaining share was with the public.

GCX plans to cut bond debt by $150 million

Arm of Reliance Communications files for bankruptcy protection in U.S. court

SPECIAL CORRESPONDENT
MUMBAI

Reliance Communications (RCom) on Wednesday said its wholly owned subsidiary Global Cloud Xchange (GCX), which has filed for bankruptcy protection in a U.S. court, was planning to reduce its bond debt by $150 million.

"GCX has announced a pre-packaged plan of reorganisation to support its long-term growth and development by reducing bond debt by $150 million, providing a permanent capital structure that includes working capital facility and transitioning the business to new ownership," the company said in a filing with the exchanges.

Bill Barney

New loans to firm

Under the new plan, GCX's senior secured note holders would become owners of the company and provide new loans to support and grow the business. GCX, that owns one of the world's largest private sub-sea cable systems, filed for bankruptcy protection in a U.S. court on September 15 after it missed payments on its $350 million of 7% bonds that matured in August this year.

"Upon emergence from this process, the company expects to be well-positioned to aggressively pursue its business plan independent of the overhang caused by its corporate parent's challenges," GCX said, adding that more than 75% of the company's lenders have already committed their support for the plan.

To ensure GCX maximises value for its stakeholders in this process, the company will also use the protections and framework of Chapter 11 to undertake a sale process that welcomes additional prospective buyers. GCX expects to complete the Chapter 11 process and emerge as a stronger company within the fourth quarter of 2019.

"We appreciate the strong collaboration with our lenders, which has resulted in a plan of reorganisation that allows us to honour our commitments to employees, customers and suppliers," said Bill Barney, chairman and CEO, GCX.

Foreign funds 'take over' Indian road assets

Overseas investors have so far pumped in up to ₹25,000 crore in projects

LALATENDU MISHRA
MUMBAI

In a new trend in the road infrastructure space in India, pension funds, sovereign wealth funds and private equity funds from Canada, Abu Dhabi, Australia and Singapore are seen emerging as new owners of road assets, replacing traditional owners like IRB, GMR, Dilip Buildcon and L&T, to name a few.

So far, these funds have collectively pumped in about ₹20,000-₹25,000 crore in up-and-running road assets and more funds are on their way. "Ownership of road assets has significantly changed over the last two years. Suddenly, there has been a change in ownership pattern," said Jagannarayan Padmanabhan, director and practice leader, Transport Infrastructure Advisory, Crisil Risk & Infrastructure Solutions.

> **GIC, CDPQ, CTPID, CPPIB, Macquarie are new names on the block**
>
> JAGANNARAYAN PADMANABHAN
> Director and Practice Leader, Transport Infrastructure Advisory, CRIS Ltd.

"Earlier it was L&T IDPL, Ashoka Buildcon, IL&FS and others who were the road developers. Now, you are having a separate set of owners of assets who were not active in this space. These include GIC, CDPQ, CTPID, CPPIB, Macquarie and Esquire Capital, who have now become owners of road assets."

Some of the other foreign investors in Indian assets include AMP Capital and National Infrastructure & Investment Fund (NIIF), in which Abu Dhabi Investment Authority (ADIA) has made significant investment.

"What this means is that other than NHAI, foreign investors are controlling a certain percentage of India's road assets. That is a significant twist in how things pan out," he said. These strategic investors are looking at the long term, he said. He added that the Centre's plans for investment of ₹100 lakh crore in infrastructure in 5 years seemed to be far-fetched.

"Internally, last year we had a view that in the next 5 years, the need for investment is about ₹50 lakh crore.

"While the share of central government funding is close to 45%, State governments will spend 25-27% and the rest will be done by the private sector. This means that the Centre is not going to spend the planned entire ₹100 lakh crore," he said.