## MARKET WATCH

| | 04-09-2019 | % CHANGE |
|---|---|---|
| Sensex | 36,725 | 0.44 |
| US Dollar | 72.12 | 0.37 |
| Gold | 39,248 | 0.31 |
| Brent oil | 60.47 | 5.29 |

## NIFTY 50

| | PRICE | CHANGE |
|---|---|---|
| Adani Ports | 364.35 | 3.05 |
| Asian Paints | 1535.15 | -41.60 |
| Axis Bank | 647.30 | 1.60 |
| Bajaj Auto | 2735.70 | -28.50 |
| Bajaj Finserv | 7023.10 | -3.20 |
| Bajaj Finance | 3250.25 | -8.25 |
| Bharti Airtel | 345.70 | 8.85 |
| BPCL | 363.55 | 7.35 |
| Britannia Ind | 2635.45 | -72.40 |
| Cipla | 471.40 | 1.85 |
| Coal India | 182.15 | 1.10 |
| Dr Reddys Lab | 2602.70 | 69.90 |
| Eicher Motors | 15642.40 | -133.40 |
| GAIL (India) | 127.30 | 0.50 |
| Grasim Ind | 694.05 | -2.20 |
| HCL Tech | 1125.65 | 17.30 |
| HDFC | 2100.10 | 10.20 |
| HDFC Bank | 2247.75 | 36.80 |
| Hero MotoCorp | 2566.10 | 8.65 |
| Hindalco | 181.65 | 3.25 |
| Hind Unilever | 1846.60 | 4.75 |
| Indiabulls HFL | 458.30 | 3.75 |
| ICICI Bank | 397.50 | 5.35 |
| IndusInd Bank | 1317.60 | -26.35 |
| Bharti Infratel | 248.05 | -0.20 |
| Infosys | 821.30 | 7.05 |
| Indian OilCorp | 120.35 | 3.10 |
| ITC | 243.25 | 1.70 |
| JSW Steel | 214.80 | 4.65 |
| Kotak Bank | 1426.45 | 12.15 |
| L&T | 1308.05 | 13.65 |
| M&M | 505.70 | -9.75 |
| Maruti Suzuki | 5830.75 | -218.95 |
| NTPC | 119.45 | 1.80 |
| ONGC | 119.00 | 1.85 |
| PowerGrid Corp | 196.90 | -0.15 |
| Reliance Ind | 1201.15 | -5.25 |
| State Bank | 275.10 | 6.70 |
| Sun Pharma | 426.45 | -12.90 |
| Tata Motors | 109.50 | -3.15 |
| Tata Steel | 339.25 | 7.85 |
| TCS | 2245.40 | -6.20 |
| Tech Mahindra | 703.25 | -1.25 |
| Titan | 1037.20 | -22.45 |
| UltraTech Cement | 3876.50 | -9.05 |
| UPL | 561.05 | 7.70 |
| Vedanta | 136.70 | 2.55 |
| Wipro | 256.05 | 2.40 |
| YES Bank | 59.45 | 0.70 |
| Zee Entertainment | 355.50 | -5.50 |

## EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on September 04

| CURRENCY | TT BUY | TT SELL |
|---|---|---|
| US Dollar | 71.92 | 72.24 |
| Euro | 79.20 | 79.55 |
| British Pound | 87.70 | 88.10 |
| Japanese Yen (100) | 67.69 | 68.02 |
| Chinese Yuan | 10.05 | 10.10 |
| Swiss Franc | 73.04 | 73.37 |
| Singapore Dollar | 51.88 | 52.11 |
| Canadian Dollar | 53.99 | 54.23 |
| Malaysian Ringitt | 17.10 | 17.19 |

Source:Indian Bank

## BULLION RATES CHENNAI

September 04 rates in rupees with previous rates in parentheses

| | | |
|---|---|---|
| Retail Silver (1g) | 54.8 | (52.6) |
| 22 ct gold (1 g) | 3741 | (3729) |

# External benchmark-based lending must: RBI

Move aimed at faster transmission of monetary policy rates; new norms to come into effect from October 1

SPECIAL CORRESPONDENT
MUMBAI

The Reserve Bank of India (RBI) on Wednesday made it mandatory for all banks to link floating rate loans – to retail customers and loans to micro, small and medium enterprises (MSME) – to an external benchmark. Some banks have already started to link home and auto loan rates to the repo rate, which is an external benchmark.

The move is aimed at faster transmission of monetary policy rates. Banks have been reluctant to cut interest rates despite the RBI lowering the repo rate by 110 basis points (bps) between February and August.

"It has been observed that due to various reasons, the transmission of policy rate changes to the lending rate of banks under the current MCLR framework has not been satisfactory," the banking regulator said while announcing the new norms.

"The RBI, therefore, has issued a circular making it mandatory for banks to link all new floating rate personal or retail loans and floating rate loans to MSMEs to an external benchmark effective October 1, 2019."

The norms for external benchmark linking of interest rates was scheduled to be operational from April 1, but was deferred. At present, interest rates on loans are linked to a bank's marginal cost of fund-based interest rate (MCLR). Banks can choose from one of the four external benchmarks – repo rate, three-month treasury bill yield, six-month treasury bill yield or any other benchmark interest rate published by Financial Benchmarks India Private Ltd.

**Stonewall syndrome:** Banks have been reluctant to cut rates despite RBI lowering the repo rate by 110 bps. ▪PAUL NORONHA

"Adoption of multiple benchmarks by the same bank is not allowed within a loan category," the RBI said.

While banks are free to decide on the spread over the external benchmark, credit risk premium can change only when borrower's credit assessment undergoes a substantial change, the RBI said, adding that other components of spread, including operating cost, could be altered once in three years. "The interest rate under external benchmark shall be reset at least once in three months," RBI said. Existing loans and credit limits linked to the MCLR, base rate or BPLR, would continue till repayment or renewal, RBI said.

Regarding transition to external benchmark from MCLR for existing customers, RBI said floating rate term loans sanctioned to borrowers eligible to prepay the loan without pre-payment charges, will be eligible for switch-over to the external benchmark without any charges, except for reasonable administrative/ legal costs. "The final rate charged to this category of borrowers, post switchover to external benchmark, shall be the same as the rate charged for a new loan of the same category, type, tenor and amount, at the time of origination of the loan," RBI said.

**'Good move'**

"It is a good move from the RBI... they were hinting at this for sometime. Banks are well-prepared to launch the products," Union Bank of India MD & CEO Rajkiran Rai. G told *The Hindu*. Union Bank has already linked some of the floating rate products to repo rate. Mr. Rai indicated that deposit rates could also be linked to an external benchmark at a later stage.

"First, we will try to link the savings bank interest rate and then gradually we will try to introduce some term deposit products so that the transmission of the rates are equal on both sides," he said.

# Boehringer, Lupin ally for cancer drug

SPECIAL CORRESPONDENT
MUMBAI

German Pharmaceutical major Boehringer Ingelheim and India's Lupin Ltd. have announced a licensing, development and commercialisation agreement for Lupin's MEK inhibitor compound (LNP3794) as a potential targeted therapy for cancers. The objective is to develop Lupin's lead MEK inhibitor compound in combination with one of Boehringer Ingelheim's innovative KRAS inhibitors for patients with gastrointestinal and lung cancers.

Lupin will receive a $20 million upfront payment with potential total milestones of more than $700 million and royalties on the sales of the product.

# India among top 10 nations in gold reserves

U.S. leads the pack with 8,134 tonnes followed by Germany with 3,367 tonnes

SPECIAL CORRESPONDENT
MUMBAI

India has pipped the Netherlands to move into the list of top ten countries in terms of total gold reserves.

According to the World Gold Council, India has gold reserves totalling 618.2 tonnes, which is marginally higher than the Netherlands' reserves of 612.5 tonnes.

Interestingly, in terms of individual countries, India actually ranks ninth since the International Monetary Fund (IMF) occupies the third position after the U.S. and Germany.

According to the latest release by the World Gold Council, U.S. leads the country list with total gold reserves of 8,133.5 tonnes followed by Germany with 3,366.8 tonnes.

India's gold reserves have grown from 357.8 tonnes in the first quarter of 2000 to 618.2 tonnes in 2019. ▪REUTERS

While the IMF is ranked third with a holding of 2,451.8 tonnes, it is followed by Italy (2,451.8 tonnes), France (2,436.1 tonnes), Russia (2,219.2 tonnes), China (1,936.5 tonnes), Switzerland (1,040 tonnes) and Japan (765.2 tonnes) before India at the 10th spot.

India's entry into the list of top ten countries comes at a time when the quantum of monthly purchases is the lowest in over three years.

"Net purchases [of a tonne or more] in July amounted to a relatively modest 13.1 tonnes. This is 90% less than June and the lowest level of monthly net purchases since August 2017," said Alistair Hewitt, director – Market Intelligence, World Gold Council.

Incidentally, the holding data for most countries is as of July 2019 as the compilation is typically reported with a lag of two months.

Previously, when the WGC reported the country-wise reserves in March, India's gold holding was pegged at 607 tonnes.

India's gold reserves have grown substantially in the past couple of decades from 357.8 tonnes in the first quarter of 2000 to the current 618.2 tonnes.

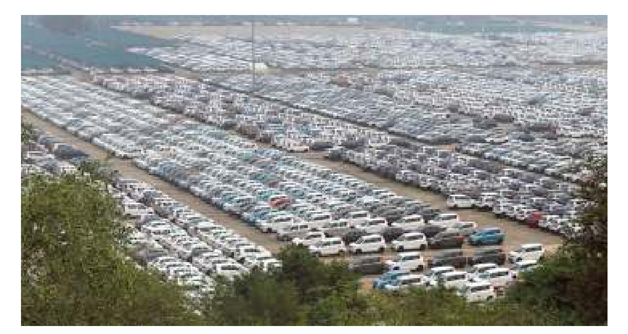
India's neighbour Pakistan has seen its standing unchanged at the 45th position with total gold reserves of 64.6 tonnes.

# Maruti to halt production at 2 Haryana plants on Sept. 7, 9

Demand slowdown forces stoppage in PV manufacturing

SPECIAL CORRESPONDENT
NEW DELHI

Amid a severe slowdown in demand in the auto sector, the country's largest carmaker Maruti Suzuki India on Wednesday announced suspension of production at two of its plants in Haryana for two days. The company said it had decided to shut down the passenger vehicle manufacturing operations of the Gurugram Plant and the Manesar Plant in Haryana on September 7 and 9, 2019.



**Low gear:** Assembled cars seen at the Maruti Suzuki plant at Manesar on Wednesday. ▪V.V. KRISHNAN

Maruti Suzuki added that both days would be observed as 'no production' days. With vehicle sales declining every month, the carmaker has been cutting down production since February this year. In February, it cut production by 8.3%, in March by almost 21%, in April by nearly 9.6%, in May by 18%, in June by 16%, in July by 25.5% and in August by almost 34%.

In August, the company saw domestic sales of passenger vehicles nosedive 36% to 93,173 units as against nearly 1.46 lakh units in the year-ago period.

# 'PSBs must have ₹10 lakh crore business to appoint CGMs'

CGM to GM ratio cannot exceed 1:4, says Finance Ministry

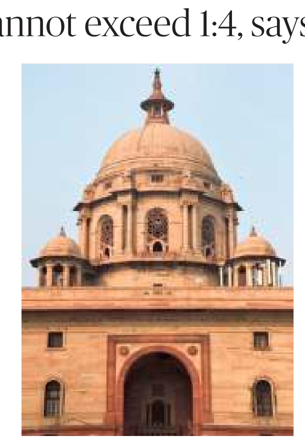
SPECIAL CORRESPONDENT
MUMBAI

The Finance Ministry has decided to fix a cut-off mark in terms of total business of public sector banks (PSBs) to create the position of chief general managers (CGMs).

Last week, Finance Minister Nirmala Sitharaman had said PSBs will now have the position of CGM which was thus far available only to the State Bank of India.

In a communication to bank chiefs, the government said PSBs having a total business of ₹10 lakh crore will be eligible to have CGM posts in Scale VIII. As a result, three sets of merger bound banks – of the four sets announced by the Finance Minister – will be eligible for CGMs.

Post merger, the total business of PNB-OBC-UBI pack



A view of North Block that houses Finance Ministry.

will be close to ₹18 lakh crore, the Canara and Syndicate combine, over ₹15 lakh crore and Union Bank-Corporation Bank-Andhra Bank, ₹14.6 lakh crore. Indian Bank and Allahabad Bank combine had a total business of ₹8.08 lakh crore as on March 31, 2019. A bank can appoint a maximum of one CGM for four general managers (GMs), the Ministry said.

Candidates with two years of experience as general managers will be eligible to become CGM, the Ministry said in a communication, adding 50% relaxation would be possible if the board approves the proposal. Eligible candidates must have two years of residual service, it said. "The process of promotion to the post of CGM may be on the lines of the extant process for promotion to the post of GMs in nationalised banks, which is done by a selection committee comprising MD & CEO, government nominee director, RBI nominee director and two outside experts," the communication said.

# Crisil cuts FY20 growth forecast to 6.3%, expects 'mild' pick-up in Q2

'Slowdown deeper and more broad based than suspected'

SPECIAL CORRESPONDENT
MUMBAI

Rating agency Crisil has revised the growth forecast for India for the current financial year sharply to 6.3% from 6.9% projected earlier, after the first-quarter growth rate plummeted to a 25-quarter low of 5%.

Observing that India's economic slowdown was deeper and more broad-based than suspected, the rating agency said, "A plunge in domestic private consumption demand, slump in manufacturing, halving of merchandise exports growth, and a high-base effect from last year have gnawed away at first-quarter growth."

Crisil said given the twin trouble of slack private consumption and manufacturing in the quarter, it believed the remaining quarters were unlikely to over reach to take the full-year number to its earlier forecast of 6.9%.

> **Much of this cyclical slowdown has hit sectors that are large employment generators**

"Therefore, we revise down our growth forecast for fiscal 2020 to 6.3%, from 6.9% estimated earlier. That is under the assumption that the second quarter will see some mild pick-up in growth, which continues through the year," Crisil said.

Crisil expects growth to get some lift from the low base effect that will now set in. Besides, an easing monetary policy, improved transmission of rate cuts, and the government's minimum income support to farmers would also feed into consumption.

**Sluggish consumption**

Crisil said sluggishness in private consumption could be explained by a number of factors, including a possible income slowdown and cost increases, amid other challenges in the automobile sector, slowing activity in real estate, and an overall dent to consumer sentiment.

"In fact, much of this cyclical slowdown has affected sectors that are large employment generators, suggesting that incomes and/or employment growth in these might have suffered," it said.

# 'Indian Bank, Allahabad Bank merger to create jobs'

N. ANAND
CHENNAI

The merger of Allahabad Bank with Indian Bank will generate more jobs and not result in the closure of branches or loss of jobs, said a top official.

"After consolidation, we might need more people at the zonal level, processing centres, MSME, ICT departments, digital initiatives and marketing," said Padmaja Chunduru, MD and CEO, Indian Bank.

Asserting that there would be no closure of branches, she said the overlapping of branches was very little either in the north or south. "We have only 50 branches of Allahabad Bank in the south," she added.

**'IT, HR are key'**

"IT and human resources are the two crucial issues in this merger. Since we are on the same technology platform, we expect the merger to be smooth. Human resources will not be an issue. However, integration will take some time," she added.

Ahead of its merger with Allahabad Bank, top Indian Bank officials are visiting Mumbai to understand the previous mega mergers involving State Bank of India and its subsidiaries and Bank of Baroda (BoB) with Vijaya Bank and Dena Bank.

"We are in Mumbai for three days to understand how BoB and SBI went ahead with their mergers successfully. We learnt about the steps taken by them through presentations. We expect the transition to be smooth," she said. After getting an in-principle nod from the board, Ms. Chunduru plans to address the staff of Allahabad Bank next week to dispel fears about job loss or transfer of staff.