QUICKLY

MD& CEO of CARE Ratings resigns

Mumbai, December 20

A little over five months after he was sent on leave by the board, Rajesh Mokashi, Managing Director and CEO, CARE Ratings has resigned from the post. The company, in a regulatory filing on Friday, said that TN Arun Kumar, will continue to act as the Interim Chief Executive Officer. "While the board of directors at Friday's meeting has taken on record the said resignation, the same is without prejudice to the xamination of anonymous complaints forwarded to CARE Ratings Ltd and any action, if required to be taken pursuant thereto," it further said. Mokashi was sent on leave on July 18 pending the completion of the examination of anonymous complaint received by the Securities and Exchange Board of India and forwarded to the rating agency. This had been seen as a fallout of the developments at IL&FS, whose ratings had overnight been sharply downgraded. OUR BUREAU

PEL gets new consumer finance head

Mumbai, December 20

Piramal Enterprises Ltd on Friday announced the appointment of Jairam Sridharan as Chief Executive Officer of its consumer finance business. Sridharan was previously the Chief Financial Officer of Axis Bank. Consumer and small business financing is one of India's most exciting growth opportunities," said Anand Piramal, Executive Director, Piramal Group. OUR BUREAU

'This slowdown is cyclical, not structural'

The problem is on the consumption side and it will take a while for the GDP to revert to the 6 per cent-mark, says the Crisil chief

THE BL INTERVIEW

SURABHI

Mumbai, December 20

Expressing optimism about the acquisition of Greenwich Associates for $40 million, Ashu Suyash, Managing Director and CEO, CRISIL, said this will help the company strongly establish itself in the global market as well.

"Bringing the two brands together will make us a global leader in the benchmarking analytics space," she told *BusinessLine* in an interview.

Talking about the economy, she said that it will take a couple of quarters to get the GDP growth back to 6 per cent and, in the near term, a revival in consumption is essential. **Excerpts:**

What are the sectors that will benefit CRISIL from this acquisition?

Greenwich Associates is a strong global brand with a track record of nearly five decades. We already have a presence in benchmarking analytics because of our coalition business, which serves the investment banks globally. Greenwich Associates has strong presence in investment management, wealth management and commercial banking. Bringing the two brands together will make us a global leader in the benchmarking analytics space. It will establish CRISIL strongly in the global market as well.

CRISIL recently cut GDP growth rate to 5.1 per cent for the fiscal. When do you expect a revival in the economy?

We have lowered our estimates on GDP, given the slowdown we are seeing. The slowdown is on the consumption side — one of the strong growth engines for India for over a decade. It is going to take a bit of time for the GDP to get back to the 6 per cent-mark. It is not something that we see happening overnight. The NBFC sector is seeing a lot of headwinds and this is one of the factors that has accentuated the slowdown. Some of the core industries are also seeing a demand issue — auto, some consumer durables sector. In that sense, it will take a couple of quarters before GDP gets back to the 6 per cent-mark.

Is 6 per cent GDP growth likely by the end of 2020-21?

If one takes a 2021 kind of view, we do see it reaching 6 per cent. From an overall perspective, India has strong growth potential. We see this as more of a cyclical slowdown and not a structural one. We would watch for the Budget announcements to see if the government is looking at stepping on spending in a lot of ways and we need to see investment revival. As we have seen in the past, initially, it is always from the government side. Capacity utilisation has been operating at below-expected levels for a while. So investment uptick will take longer. This not not be a material contributor in the near term; it will be a long-term positive factor. Near term is about consumption revival.

What is your view on core inflation?

At the moment, we have seen core inflation climb up and there are a number of things that have contributed to it. We would like to watch for a couple of quarters to see whether this trend will continue, especially because we are witnessing a slowdown now. Normally, when demand is high and you see inflation climbing up...that is a different way of looking at it.

Are there any other sectors that Crisil is keen to get into?

Our strategy is that we want to be a leader in the businesses we are in. We look at an organic and inorganic strategy. Crisil has had a good track record of delivering on its acquisitions. In this instance, we don't have such a strong hold in the investment management space, wealth management and commercial banking.

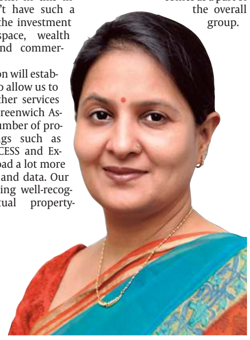
This acquisition will establish that and also allow us to cross-sell our other services and products. Greenwich Associates has a number of proprietary offerings such as MarketView, ACCESS and Explorer. We can load a lot more of our research and data. Our focus is on adding well-recognised intellectual property-based offering.

Does Greenwich Associates become part of S&P group?

S&P own 68 per cent in Crisil, and so CRISIL is an S&P Global company. Greenwich Associates is a Crisil acquisition, and so it comes as a part of the overall group.

The NBFC sector is seeing a lot of headwinds and this is one of the factors that has accentuated the slowdown

ASHU SUYASH
Managing Director and CEO, CRISIL



'Operation Twist' aims to limit rise in long-tenor yields

Buying, selling of G-Secs at the same time is expected to expedite policy transmission

OUR BUREAU

Mumbai, December 20

The special open market operations (OMO) announced by the Reserve Bank of India (RBI) late Thursday are aimed at addressing the hardening in longer-tenor bond yields since the December policy review, according to a DBS report.

The OMO will involve simultaneous buying and selling of government securities worth ₹10,000 crore on December 23 — purchasing 6.45 per cent government bonds maturing in 2029 and simultaneously selling the same amount of short-term bonds maturing in 2020 (Operation Twist).

The report said this move (also known as 'Op-Twist') is part of the broader measures by the RBI to expedite policy transmission, when seen in the broader context of prodding banks to peg part of the loan book to external benchmarks, keep an accommodative policy bias, provide support to non-bank institutions and keep liquidity ample.

More steps are likely to smothen the liquidity and credit premia aspects of the lending rates to hasten the pass-through of an easy monetary policy, it added.

Liquidity neutral

"The move will be liquidity neutral, unlike traditional OMOs. There was no indication whether it would be a one-time exercise or part of continuing operations. Given the scope of likely additional borrowings in early 2020, we reckon more are likely to follow to limit rise in the longer-tenor yields," said Radhika Rao, Economist - India, Thailand androzone, and Eugene Leow, Rates Strategist - G3 & Asia, DBS.

The report said the government security (G-Sec) yield curve is expected to start showing a modest flattening over the coming quarters as the RBI takes steps to reduce term premium.

Fears of fiscal slippage

The authors of the report observed that over the past few months, long-term bonds failed to rally despite further RBI monetary easing, widening the 10-year premium vs the repo rate to 140-150 basis points (bps). Most of this is driven by fears of fiscal slippage and, more recently, indications that the RBI may be on pause after an aggressive cut cycle, they added. One basis point equals one-hundredth of a percentage point.

"We reckon that the authorities may be more comfortable if the two-year/10-year spread is capped at 100 bps (the recent peak of 115 bps was registered in early December)," the authors said.

The report noted that a sell-off at the short end of the G-Sec yield curve appears unlikely at this point. Short-term T-bills, by contrast, have been trading below the repo rate as liquidity remains ample, allowing the policy rate cuts to pass through.

With growth concerns still lingering, it is unlikely for the RBI to reverse gears just yet. Moreover, food prices are the key driver of headline inflation. Unless this phenomenon spills over to the rest of the CPI basket, we still think that the RBI will maintain a dovish bias," the authors said.

Scan & Share

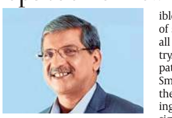
Esaf Bank develops tool for hearing impaired

OUR BUREAU

Kochi, December 20

A unique digital banking and financial literacy tool for the hearing impaired, which was developed by the ESAF Small Finance Bank, has been handed over to the Reserve Bank of India.

The product was developed to spread the digital and safe-banking awareness drive among differently-abled persons. K Paul Thomas, Managing Director and CEO of Esaf Bank submitted the educational video to Reeny Ajith, Regional Director, Reserve Bank of India.



K Paul Thomas, MD and CEO

The aim of the video presentation is to educate young people with hearing impairment to be financially responsible and to increase awareness of safer banking and the overall banking trends in the country. The educational video is a path-breaking step by Esaf Small Finance Bank to assist the hearing impaired in banking activities with the help of sign language.

"It is my personal belief that financial literacy and training should precede financial inclusion. Then only will financial inclusion be effective. We deeply appreciate the efforts of Esaf in this direction, said Reeny Ajith.

All-India bank strike on January 8

K.R. SRIVATS

New Delhi, December 20

Bank employees and officers across the country will join the National General Strike on January 8, All India Bank Employees Association (AIBEA) General Secretary, CH Venkatachalam, has said.

This strike has been called to oppose the Centre's anti-worker labour policies and its anti-people banking reforms, he said.

The strike call has been given by the five unions — AIBEA, AIBOA, BEFI, INBEF and INBOC. Employees of the RBI, co-operative banks, RRBs, LIC and general insurance sector would also join the strike, Venkatachalam said. The central trade unions — INTUC, AITUC, HMS, CITU, AIUTUC, TUCC, SEWA, AICCTU, LPF and UTUC — along with various independent federations and unions in different sectors, have also given a call for a National General Strike on January 8, 2020.

AIIB announces $210 m loan for irrigation, solar energy projects in India

PRESS TRUST OF INDIA

Mumbai, December 20

The Beijing-based Asian Infrastructure Investment Bank (AIIB) on Friday announced a total loan of $210 million for irrigation and solar energy projects in India.

The multilateral institution will $145 million to improve irrigation services and strengthen flood risk management in West Bengal, while $65 million has been earmarked for a 250 MW solar project in Rajasthan, promoted by Hero Future Energies, an official statement said here.

India is the second-largest shareholder of the bank and the largest recipient of its loan and equity commitments. The total commitments to the country stand at $3 billion, which is about a third of total of $10 billion.

The irrigation project in West Bengal is co-financed by the World Bank and is expected to strengthen the management of the Damodar Valley Command Area irrigation scheme, the statement said.

Modernise irrigation

The funds will also be used to modernise irrigation infrastructure at main, branch, distributary and minor canal levels and invest in structural measures to reduce flooding in the project area, it said.

The bank statement said West Bengal has 37,660 sq km prone to floods out of its total area of 88,752 sq km and regularly faces floods, and climate change may only aggravate the problems.

"This investment will help thousands of farmers get adequate water through scientific water conservation and distribution methods," its Vice-President and Chief Investment Officer DJ Pandian was quoted as saying.

US lawmaker to seek testimony of Wells Fargo board

REUTERS

Washington, December 20

Wells Fargo's board of directors will be called to testify before Congress about the bank's numerous scandals sometime in 2020, a senior US House lawmaker told Reuters on Thursday.

Representative Maxine Waters, who chairs the House Financial Services Committee, said in a brief interview she wanted to press the board on their role in righting the bank after years of fines, regulatory penalties, and business upheaval.

"We're going to get some of their board members up here, and see what kind of responsibilities their board members are taking for the management of Wells Fargo," she said. "We're going to have hearings, absolutely." Waters, a Democrat from California, added that she remains convinced that Wells is too big to be properly managed and should be broken up. "We're going to focus especially on Wells Fargo," she said of her panel's agenda next year.

Elevated food inflation limits scope for further rate cuts

REUTERS

Mumbai, December 20

India's volatile food prices are yet again posing a sticky inflation problem for its central bank, preventing it from cutting rates as deeply as it would like to support a stuttering economy.

After slashing rates five times this year, the Reserve Bank of India (RBI) stunned markets earlier this month by resisting a sixth reduction as many had predicted.

Accelerating inflation is a concern, the RBI said after its decision, while signalling it had room to ease policy further to lift an economy growing at its weakest pace in six years.

Earlier this week, RBI Governor Shaktikanta Das reiterated the central bank's readiness to ease if needed.

Yet traders expect price pressures will be a hurdle to pushing down the key repo rate below the current 5.15 per cent over the coming months.

Six-year high

Indeed, prices of pulses, meat, eggs and edible oils — big contributors to the recent spike in food inflation — are likely to remain elevated, say traders and industry insiders.

Food inflation in November rose to an almost six-year high and ia likely to remain at those levels over the next few months.

In November, inflation rose to an almost six-year high ISTOCK

"Prices of grains such as wheat could start moderating from April onward, but prices of milk, meat and edible oils may remain firm," said Harish Galipelli, head of commodities and currencies at Inditrade Derivatives & Commodities in Mumbai.

Dairies have raised milk prices by around 5 per cent this month due to a drop in supplies. Egg and chicken prices too are seen remaining elevated as production costs have jumped due to rising animal feed prices, said a poultry producer.

A normal monsoon year would have helped cool food inflation, but this year the highest rainfall in 2-1/2 decades followed by untimely rains have damaged the summer-sown crops and delayed planting of winter crops.

Price spikes

Food inflation has long been volatile in India, a country where farming is still carried out by small households, making supply uneven and unpredictable.

Prices of pulses are rising as production of summer-sown black gram and pigeon peas was curtailed by untimely rainfall, said Nitin Kalantri, a pulses miller based at Latur in Maharashtra.

In some commodities such as edible oils, overseas price spikes have been lifting costs in India, said BV Mehta, executive director of the Solvent Extractors Association of India (SEA).

India fulfils nearly two-third of edible oil requirement from imports.

Prices of palm oil, which accounts for two-third of India's edible oil imports, have jumped 35 per cent in just over two-months to their highest level in nearly three years.

Andrew Bailey to lead BoE through Brexit

Come March, he will take over from Mark Carney

REUTERS

London, December 20

Britain's new government named Andrew Bailey as the next Bank of England boss on Friday, entrusting one of the City of London's most experienced regulators with steering the world's fifth-biggest economy and its vast finance industry through Brexit.

Bailey worked for 30 years at the BoE, where he was central to efforts to shore up the British banking system during the global financial crisis. In 2016, he moved to his current role running the Financial Conduct Authority, which is responsible for cracking down on financial misconduct.

"Andrew was the standout candidate in a competitive field," finance minister Sajid Javid told reporters. "He is the right person to lead the bank as we forge a new future outside the EU and level-up opportunity across the country."

Bailey, 60, said in a statement that he was honoured to take over from Mark Carney as head of the BoE "particularly at such a critical time for the nation as we leave the European Union."

Eight-year term

Britain had delayed naming Carney's successor since last year with the country focussed on Brexit — the impact of which remains a big challenge for the central bank — and on an election emphatically won by Prime Minister Boris Johnson last week.

Andrew Bailey, CEO of the Financial Conduct Authority REUTERS

Javid said Bailey would serve an eight-year term as governor starting on March 16.

Carney has agreed to delay his departure to March 15 from a previously scheduled date of January 31. Bailey's role in containing the 2008-09 near-meltdown of the financial sector means he is a familiar face to top officials at the US Federal Reserve and other major central banks.

"When he was in the room, you were confident you had someone who was worth listening to and, importantly, also had the solution to what the problem might be," a former official involved in tackling the crisis said, speaking on condition of anonymity. Bailey's typically low-key approach offers a contrast to the high-profile style of Carney.

Bailey's supporters say he knows how to use the BoE's sweeping powers without alienating London's powerful bankers, but critics have accused him of pulling his punches when it came to punishing miscreants in the industry.

Neutral on Brexit?

Bailey beat other candidates seen as more likely to get the BoE's top job — and its advertised annual salary of €480,000 — including another former deputy governor, Minouche Shafik, who now heads the London School of Economics.

Shafik was rejected by Johnson because of her critical views on Brexit, the *Financial Times* said.

Bailey is viewed as pro-European by the City but has sought to be outwardly neutral on Brexit, starting each speech by saying the FCA takes no position on the issue.

He has also repeatedly said that Britain, the largest financial centre in Europe, must not become a permanent "taker" of EU rules after Brexit for banks in Britain to have access to the bloc — a nod to backers of leaving the EU.

Bailey succeeded the tough-talking Martin Wheatley at the FCA, leading to suggestions that the finance minister at the time, George Osborne, wanted someone less confrontational.

Retreat from negative rates could prove risky for bonds

BLOOMBERG

December 20

The world's sovereign debt markets just got a little bit riskier as speculation grows that central banks will follow Sweden and edge away from uber-low interest rates.

Bonds fell after the Riksbank ended half a decade of subzero rates on Thursday in a test case for counterparts experimenting with negative borrowing costs, including the European Central Bank, Swiss National Bank and the Bank of Japan. Any signs of a lurch toward positive rates could further drive down prices of longer-term securities.

Higher yields

If you suddenly remove the idea that rates will be negative, then that means that all the risk in bonds is for higher yields, said Eric Lonergan, a fund manager at M&G Investments Ltd. That's very important and is more a pro-risk environment. The bond market is a riskier place to be.

The Riksbank's decision to boost borrowing costs to 0 per cent follows a rise in government debt yields this month, after a lull in a trade war between the US and China dimmed global economic headwinds and Prime Minister Boris Johnson won a landslide victory in the UK election.

Traders see about a 20 per cent chance of a 10-basis-point rate lift by the European Central Bank in July 2021. On Monday they saw a 5 per cent chance of a rate cut that month.

While Federal Reserve officials have said negative rates aren't appropriate for the US, some market practitioners have pondered the possibility.

After lowering rates three times, Fed policy-makers left them unchanged on December 11 and forecast they would stay that way through the 2020 presidential election year.