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Gold declines ₹1,000 on global cues, but consumers stay away

DILIP KUMAR JHA
Mumbai, 25 February

The price of gold corrected by 0.5 per cent in intra-day trade on Tuesday, following global cues, as investors booked profit amid fears of large selloffs in equity having knock-on effects on the bullion.

In early trade, the price dropped by ₹1,200 to ₹42,371 per 10 gm in futures trade on the Multi Commodity Exchange (MCX) for its delivery in April.

In the benchmark physical markets at Zaveri Bazaar, it declined by ₹1,000 to trade at ₹42,406 per 10 gm.

However, gold closed ₹778, or 1.8 per cent lower, at ₹42,637. Silver closed at ₹980, or 2 per cent lower, at ₹48,055 per kg.

The decline in the gold price was followed by the bullion's move in the international markets.

In London spot trade, gold opened at $1,659.38 an ounce, or oz (one ounce is about 31 gm) and jumped to $16,64.04 an oz in early trade.

But, profit booking pulled down the bullion to the day's low of $1,633.13 an oz before recovering to trade at $1,652.80 an oz in early afternoon trade in London.

"Jewellery demand was very thin on Tuesday. But with the gold price falling a little from yesterday's (Monday's) high, we do expect higher walk-ins and footfalls in the evening hours today (Tuesday)," T S Kalyanaraman, chairman and managing director, Kalyan Jewellers.

Kalyan Jewellers has seen stable sales over the last weekend. "With both the wedding season and Akshaya Tritiya coming up, we are getting more enquires for our rate protection and pre-booking offers, a facility that customers avail of when prices are volatile," Kalyanaraman said.

Gold prices have moved up strongly in the past eight months, with investors yielding returns of nearly 30 per cent on global economic uncertainties.

PRICE CORRECTION

₹/10 gm Date	Standard gold
Feb 17	40,701
Feb 18	40,970
Feb 19	41,469
Feb 20	41,575
Feb 24	43,415
Feb 25	42,637

Source: Zaveri Bazaar

With countries like Japan and China having announced a monetary stimulus and more countries are planning such support worth billions of dollars to prevent their economies from recession, investors are moving towards safe-haven assets.

The worsening coronavirus spread in China and the rest of the world has strengthened gold's appeal as the most preferred investment avenue.

"Gold is passing through its bullish cycle, which comes once in seven-eight years, in which the yellow metal appreciates 30-40 per cent. The metal's upward move got support from global economic uncertainties. Today's correction is just temporary profit-booking by investors. This continues for a short period for a rebound in a couple of days," said Vishal Wagh, head of research, Bonanza Portfolio.

Gold prices on Tuesday remained highly volatile. Gold for delivery in April opened at ₹43,176 per 10 gm on Tuesday on the MCX, a sharp decline from its previous day's close of ₹43,580 per 10 gm on profit-booking. The gold price for delivery in April further declined to trade at ₹42,371 per 10 gm before recovering to ₹42,876 in late afternoon. Overall, the April gold contract price recorded a decline of 1.6 per cent from its previous day's close.

"The current gold-silver ratio stands at around 90, which indicates that silver prices have more room for appreciation than gold, which would depend upon demand in industrial commodities including base metals," said Gnanasekar Thiagarajan, director, Commtrendz.

Gold's safe-haven appeal got support from an increasing number of coronavirus cases outside China.

Meanwhile, the impact of gold's decline in London was slower in India due to rupee appreciation. The rupee appreciated by 0.2 per cent or 15 paise in the day before closing with a marginal appreciation of 4 paise to close at 71.88 against the greenback. Meanwhile, the sharp volatility in gold prices has lowered physical demand in jewellery stores.

NFRA to issue notice on Deloitte in IFIN case

RUCHIKA CHITRAVANSHI
New Delhi, 25 February

GAPS FOUND IN AUDIT REPORT

- Failure to comply with standards of auditing
- Didn't question the going concern assumption, based on which financial statements were made
- Independence of auditor compromised
- Non-audit services provided at high fee without approval
- Incorrectly certified accounts showing positive net owned funds and CRAR

The National Financial Regulatory Authority (NFRA) has initiated disciplinary action against Deloitte Haskins & Sells (DHS) for alleged lapses in its audits of IL&FS Financial Services (IFIN).

"The first step would be to issue a show-cause notice to the audit company, before any action is taken... It is in the works," a senior government official told *Business Standard*.

The regulatory body had said in an audit quality review report that quality control systems and processes at DHS were "severely inadequate and ineffective".

NFRA said the auditor did not display the required professional scepticism. It accepted the management stand about not disclosing that net-owned funds and the capital to risk-assets ratio of IFIN as of March 31, 2018, were negative, and that this situation would lead to the cancellation of the company's licence to operate as a non-banking financial company. Instead, DHS accepted the explanations of the management and certified these ratios as positive.

NFRA has been given powers to issue orders imposing monetary penalty and debarring an individual member or firm registered with Institute of Chartered Accountants of India (ICAI) for six months to 10 years for professional or any other misconduct.

NFRA would seek Deloitte's response on its findings soon. The authority has also advised Deloitte to take necessary action to revamp its processes and rigorously ensure compliance.

Deloitte India did not wish to comment on the matter.

The company recently announced that it would not offer non-audit services to any of its audit clients.

"We believe this would increase the public's confidence in auditor independence and quality and will remove ambiguity in a public and business environment that demands greater clarity about our service," the company said.

In an earlier statement, Deloitte India had said, "We remain confident that our audits have been performed in accordance with applicable laws, regulations, and professional standards in India."

The authority is also likely to come up with a supplementary report to deal with matters that have not been covered.

The Serious Fraud Investigation Office, too, in its complaint had said the auditors had failed to verify the end-use of bank finances and the money raised through non-convertible debentures, despite it being a regulatory mandate for verifying such things.

The Ministry of Corporate Affairs has sought a five-year ban on the former auditors of IL&FS under the Companies Act. The Bombay High Court granted interim relief to the auditors against any coercive action in November.

Credit growth may be 8-9% in FY21: CRISIL

SUBRATA PANDA
Mumbai, 25 February

The slowdown in credit offtake that hit the banking sector adversely in the current financial year might be showing signs of bottoming out.

Rating agency CRISIL estimates that the gross credit offtake may see a 200-300 basis points rise in 2020-21 (FY21), driven by a revival in economic activity, continuous demand for retail credit securitisation. Credit growth for 2019-20 (FY20) is hovering around 6 per cent, the lowest in many years. In 2018-19, growth was 11 per cent and in 2017-18, it was 9 per cent. The agency also expects some growth momentum in the fourth quarter, after three subdued quarters.

The uptick in growth will be led by private sector banks as growth in their credit offtake is estimated to be around 15 per cent. This implies that they will gain market share from their public sector counterparts, supported by strong capital position and ability to raise capital. "Their share is expected to rise around 400 basis points (bps) by March 31, 2021, over March 31, 2019," said CRISIL.

RBI's LTRO move will boost lending by banks, as they will be exempted from maintaining CRR for incremental lending to retail sector and MSMEs

Furthermore, Reserve Bank of India's (RBI's) recent move to introduce long-term repo operations to reduce cost of funds for banks will boost lending by banks, as they will be exempted from maintaining cash reserve ratio for incremental lending to the retail and micro, small and medium enterprises (MSMEs) segments. This will enable banks to extend credit at a cheaper rate as they will be borrowing at the repo rate and the deposit rates will not have to be tampered with.

According to CRISIL, "Incremental net domestic credit this fiscal up to December 2019 is just a fifth of what it was a year ago. Lending to the retail segment and non-banking financial companies (NBFCs) showed good growth, while credit to corporates (ex-NBFCs) and MSME declined". Retail credit growth is estimated to grow around 16 per cent in FY21, driven by sustained demand in the unsecured loans segment and buyouts by banks of the non-bank retail portfolios through direct assignment route. Securitisation transactions through the direct assignment route have surged almost 40 per cent to ₹59,000 crore in the first half of FY20, compared to ₹42,700 crore a year ago. Meanwhile, bank loans to corporate houses, excluding bank loans to NBFCs, is expected to remain subdued in FY20, but will see a slight pick-up from thereon. "Overall growth in this segment, however, is expected to remain low at 2-3 per cent in FY21, causing its share in total bank credit to fall 300 bps to 48 per cent between March 2019 and March 2021," the rating agency said.

The drag in corporate lending will be on account of low capacity utilisation in the economy that will result in keeping private investments muted in the near to medium term.

BoB moves SC in Simplex Projects case

ABHIJIT LELE
Mumbai, 25 February

Bank of Baroda (BoB) has moved the Supreme Court (SC) against the Calcutta High Court's (HC's) order in the matter of a bank guarantee issued on behalf of Simplex Projects.

The matter pertains to a bank guarantee of ₹6.97 crore furnished by BoB to Indian Oil Corporation (IOC) on behalf of Simplex Projects. IOC had demanded the amount be encashed under the bank guarantee, which the bank did not release since the guarantee was not valid on the date of invocation.

BoB, in a statement, said after seeking legal advice, it had decided to exercise rights available by preferring a challenge against orders passed by the Calcutta HC. BoB approached SC on Monday. The HC had asked the Reserve Bank to consider appropriate steps against BoB, including revoking licence or authority to carry with banking business, for failing to honour a bank guarantee.