

Day after RBI decision on better transmission, banks start moderating deposit, lending rates

SBI cuts deposit rates by 10-50 bps, MCLR by 5 basis points; BoI and Canara Bank also reduce rates

ENS ECONOMIC BUREAU MUMBAI, FEBRUARY 7

A DAY after the Reserve Bank of India (RBI) left the repo rates unchanged at 5.15 per cent, banks started slashing lending and deposit rates. State Bank of India (SBI), the country's largest bank, slashed term deposit rates on Friday by 10-50 basis points (bps) in the retail segment and 25-50 bps in the bulk segment. It has also slashed its marginal cost of fund-based lending rate (MCLR) by 5 bps across tenors with effect from February 10.

EXPLAINED Corporate bond yields likely to lower, too

INTEREST RATES are headed downwards despite the RBI's decision not to cut the repo rate. The provision of long-term money through LTRO at the repo rate is intended towards facilitating better transmission in the bond and loan markets. Besides lowering rates in the short end of the sovereign curve it is likely to lower corporate bond yields, deposit rates and lending rates.

8.20 per cent. For SBI, this is the ninth consecutive cut in MCLR in the current fiscal (2019-20). With this reduction, SBI's one-year MCLR has come down to 7.85 per cent per annum from 7.90 per cent, a bank statement said. The reduction in MCLR and deposit rates by the banks follow the RBI announcement of long-term repo operation (LTRO) for up to Rs 1 lakh crore, making cost of funds cheaper

est rate by 10 bps on deposits maturing in 1 year to 10 years from 6.10 per cent to 6 per cent now. SBI further said in view of surplus liquidity in the system, it has realigned its interest rate on retail term deposits (less than Rs 2 crore) and bulk term deposits (Rs 2 crore and above), effective February 10. "The impact of recent RBI policy measures and reduction in deposit rates will be reflected in the next review of MCLR," the bank said

On Thursday, in a bid to boost flow of bank credit to productive sectors in a weak economy, the RBI announced a cash reserve ratio (CRR) dispensation on incremental retail loans in the automobile, housing and the micro, small and medium enterprises (MSME) sectors until July 31, 2020. The RBI has now decided that commercial banks will be allowed to deduct the equivalent of incremental credit disbursed by them as retail loans for automobiles, residential housing and loans to MSMEs, over and above the outstanding level of credit to these segments as of the fortnight ended January 31, 2020

While the RBI slashed repo rate by 135 points in calendar year 2019, the 1-year median MCLR declined by only 55 bps during February 2019 and January 2020. The weighted average lending rate (WALR) on fresh rupee loans sanctioned by banks declined by 69 bps and the WALR on outstanding rupee loans by 13 bps during February-December 2019.

RBI set to conduct long-term repo operations on Feb 17, 24 for ₹50K cr

ENS ECONOMIC BUREAU MUMBAI, FEBRUARY 7

THE RESERVE Bank of India (RBI) has decided to kickstart the long-term repo operations (LTROs) on February 17 for a notified amount of Rs 25,000 with a tenor of three years.

On Thursday, the RBI had announced LTRO -- for up to a total amount of Rs 1,00,000 crore at the policy repo rate -- to facilitate the transmission of monetary policy actions and flow of credit to the economy. The first LTRO will be on February 16, 2023, the RBI said on Friday. The RBI will conduct the second LTRO for an amount of Rs 25,000 crore with a tenor of one year on February 24. This will be reversed on February 23, 2021, it said. "The details of remaining LTROs will be announced in due course," it said.

According to the RBI, LTROs will be conducted on CBS (E-KUBER) platform. "The operations would be conducted at a fixed rate.

RBI eases repayment for stalled commercial realty projects

Mumbai: The RBI Friday allowed banks to restructure commercial real estate advances and delay repayments for a period of up to two years. Earlier this week, the RBI announced lenders will be allowed to extend the repayment schedules for stressed commercial real estate projects for one year, without

downgrading their asset classification. The date of commencement of commercial operations of projects, to which their repayment schedule is linked, may be shifted "within the period of one year from the original DCCO stipulated at the time of financial closure for commercial real estate projects," it said. FE

Banks would be required to place their requests for the amount sought under LTRO during the window timing at the prevailing policy repo rate. Bids below or above policy rate will be rejected," it said. "In case of over-subscription of the notified amount, the allotment will be done on pro-rata basis. The RBI will, however, reserve the right to inject marginally higher amount than the notified amount due to rounding effects. The minimum bid amount would be Rs one crore and multiples thereof. The allotment would be in multiples of Rs one crore. There will be no restriction on the maximum amount of bidding by individual bidders," the RBI said. The reversal of these operations would take place at the 'start of day' on the day of maturity, it said. "The eligible collateral for LTROs and the applicable haircuts will remain the same as applicable for LAF.

Rupee slips 22 p to 71.40 against USD on strong dollar demand

ENS ECONOMIC BUREAU NEW DELHI, FEBRUARY 7

THE RUPEE declined by 22 paise to settle at 71.40 against the US dollar on Friday amid selling in domestic equities and strengthening of the US currency overseas.

Forex traders said the rupee traded weak largely owing to strengthening of the US dollar ahead of the non-farm payrolls number scheduled to be released later in the day. During the day, the local unit lost further ground and touched a low of 71.49, before finally settling at 71.40 against the dollar, down 22 paise over its previous close. On the domestic market front, the SENSEX fell 164.18 points or 0.4 per cent to 41,141.85. WITHPTI

'RBI may cut interest rates by 40 bps in FY21'

The Reserve Bank of India (RBI) is likely to cut benchmark interest rates by 40 basis points before the end of fiscal 2020-21, Fitch Solutions has said

POLICY PAUSE: The RBI held its benchmark repurchase (repo) and reverse repo during its February 6 monetary policy meeting at 5.15 per cent and 4.90 per cent, respectively. GDP FORECAST: Real GDP growth to slow to 5.1 per cent in FY20, from a revised 6.1 per cent (down from 6.8 per cent previously) in FY19. WORD OF CAUTION: While some high-frequency indicators such as tractor and three-wheeler sales, domestic air passenger traffic, and railway freight traffic point towards a recovery in economic activity, the MPC noted a need to continue monitoring incoming data to gauge the sustainability of the recovery. SIGNS OF RECOVERY: Stating there may be a slight recovery over the second half of the fiscal, it said a gradual feed through of income from the winter crop should support a recovery in consumption, with high existing food prices due to a previously poor summer crop harvest providing some support to farmer incomes. ONUS ON RBI: The onus of supporting the economy has now fallen on the RBI after the Budget provided little support to growth over the near term, a view that contrasts with that of RBI. WEAK ECONOMIC GROWTH outlook will spur further monetary easing from the RBI. Source: Fitch Solutions/PTI

KERALA BUDGET No new mega programmes for state; commitment to old projects, welfare schemes dominant theme

SHAJU PHILIP THIRUVANANTHAPURAM, FEB 7

THE LEFT Democratic Front government's last Budget (FY21) in its current term in Kerala is marked by the absence of any new mega schemes. However, the promise to complete ongoing infrastructure projects, the roll-out of a few successful development models and a few new interventions in the social welfare sector were the notable announcements. The Budget, presented by Finance Minister TM Thomas Isaac, on Friday has banked on the Kerala Infrastructure Investment Fund Board (KIIFB), the agency for sourcing funds outside state revenue, to complete infrastructure projects mainly in road, irrigation, health and education sectors.

While prioritising the rehabilitation of Non-Resident Keralites who return to Kerala, the government announced schemes to promote migration. As many as 10,000 nurses will be given crash programmes in skill and foreign language development. As the state enters its 25th year of people's planning programme, implemented in local self-government bodies, the government proposed a grassroots-level project for tackling natural calamities induced by climate change. "This is the first time in the world that such a local level natural calamity defence project is being implemented. It would delve into preventive steps to be adopted if the natural calamities of 2018 and 2019 are repeated. All local bodies would be asked to debate and devise the strategies," he said.

Under the ongoing Green Kerala Mission, 50,000-km streams would be revived or rejuvenated with the help of workers under the national rural job guarantee scheme. Besides, 50,000 wells and 25,000 ponds would be recharged during the next fiscal. While the government plans to relook unnecessary appointments in schools and eliminate redundant posts in all government departments as part of cost-cutting, there is a proposal to give 1.5 lakh jobs in non-agriculture sector via local self-government bodies. Under project billed as Local Employment Assurance Programme (LEAP), private or co-operative ventures could be launched to give employment at rural level. These ventures could focus on manufacturing valued added products or substitutes for plastic. A hunger-free project, which had been announced in the previous budget in Alappuzha district last year, would be extended across Kerala with 1,000 hotels offering lunch priced at Rs 25. In a state where the number of elderly population is growing fast, the Budget proposed automatic system for the care of elders and indispensed. Patients or elders would be under the eye of an automated camera, which with the help of artificial intelligence technology would alert their movements and health status, including blood pressure and other parameters, at a nearby public health centre. A unit for a patient would cost Rs 10,000. This scheme would be implemented on a pilot basis in Kannur and the Budget has earmarked Rs 10 crore for it. The Budget proposed a model electronic platform on the lines of Uber for sourcing and marketing of vegetables and fruit on a single platform. Even as increasing the monthly amount of various social welfare pensions to Rs 1,300, the Minister announced all ineligible persons now drawing pensions would be eliminated.

LIC investment in G-secs rises to ₹2.81L cr in 10 months

ENS ECONOMIC BUREAU MUMBAI, FEBRUARY 7

LIFE INSURANCE Corporation (LIC), which is gearing up for its initial public offering (IPO), on Friday said investments made by the corporation in government securities rose to Rs 2.81 lakh crore in the period between April-January 2020, much higher than the target of Rs 2.55 lakh crore.

India's largest insurance company with assets of over Rs 32 lakh crore had invested Rs 1.91 lakh crore in government securities in the last financial year. The corporation purchased Rs 46,850 crore in equities till January this financial year as compared to Rs 59,115 crore seen in the last financial year. According to LIC Chairman MR Kumar, individual new business

performance of the corporation as of January 2020 has shown a growth of 17.48 per cent in its first year premium and 29.42 per cent in number of policies by posting a figure of Rs 45,199 crore and 195,85,635 policies respectively. The composite market share in the number of policies and first year premium as of January 2020 was 77.61 per cent and 70.02 per cent respectively which has increased from 73.54 per cent in policies and 66.26 per cent in first year premium as of January 2019. Its total income grew to Rs 297,017.28 crore for the period ended Q2 of FY20 from Rs 252,149.60 crore in the last corresponding period, a growth of over 17.79 per cent. LIC Chairman said it would be talking to their employees and assured them that the proposed IPO will not lead to privatisation of the insurer. "I would say that, there are talks of privatisation and Economic Secretary has already clarified that this has nothing to do with privatisation and the government will divest part of their



LIC Chairman MR Kumar in Mumbai on Friday. Pradip Das

holding in LIC. There are many PSU banks, and even New India Assurance and GIC Re are listed, but they continue to be government entities," Kumar said. He also said that there is no problem for staff or the employees they will continue to be with the LIC, which is more or less wholly controlled by the government. Around one lakh employees had recently staged a walk-out across country the against the proposed stake sale announced by the Finance Minister in the Budget. Speaking to media, Kumar said there are a lot of figures floating around the market capitalization and size of IPO. "We have not done the maths. Unless we do our internal discussion and maths, I don't think we would be able to answer that today. Valuation has to be reasonably, scientifically (done) and a lot of work has to be done," he said. The IPO is likely to hit the market in the second half of the current fiscal. Kumar said that there lies no room of doubt for policyholders and the employees of LIC as the sovereign guarantee will continue for LIC even after divestment of government stake in LIC. However, he said the Corporation will focus on the issue of transparency and valuation. The government is likely to offload 10 per cent of its stake through the IPO. There will be some legislative changes in the LIC Act before it gets listed. As on January 31, the Corporation has booked profits to the tune of Rs 23,273 crore from its investment in equities. LIC will be focusing on non-single premium and hence it has brought down the premium price of term insurance plan remarkably, he said.

Before sale to Zomato, Uber's India food biz was on a downhill slope

PRANAV MUKUL NEW DELHI, FEBRUARY 7

IN THE period running up to the sale of Uber Eats India to Zomato, which was announced last month, the India food operations of ride-firm Uber witnessed a slowing down of operations, evident from the decreasing number of food deliveries and the gross value of those deliveries. According to the global earnings released by Uber on Friday, the total number of food deliveries in India by eats stood at 29 million during the quarter-ended December 31, down from 37 million in the September-quarter and 42 million in the June-quarter. Additionally, the gross value of bookings seen by Uber Eats India during the October-December period was \$95 million, compared with \$103 million in the previous quarter, and \$110 million during April-June.

command nearly 80 per cent of the segment. Consequent to the operations slowing down, Uber Eats India's loss from operations also trimmed to \$44 million in the December-quarter, against \$61 million in September-quarter and \$86 million in April-June period. Uber declared its global earnings on Friday, reporting a \$1.1-billion loss in the October-December 2019 quarter. The firm, which went public last year, generated \$4.1 billion in revenue, up 37 per cent last year. Its revenue grew around the world, although the biggest gain was in the US and Canada, where it pulled in 41 per cent more than last year. In its earnings release, Uber said divestment of Eats in India to Zomato was in line with its strategy "to focus on markets where we can achieve a leading position". In a post-earnings call, Uber CEO Dara Khosrowshahi said the company planned to turn profitable in the fourth quarter of 2020, sooner than its earlier projection of turning a full-year profit in 2021.

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REVIEWING ORDER OF THE UK COURT ... WILL TAKE LEGAL ADVICE: SPOKESPERSON FOR AMBANI 'Anil Ambani to pay \$100 mn in conditional order for Chinese banks'

PRESS TRUST OF INDIA LONDON, FEBRUARY 7

A UK court on Friday directed Reliance Group chairman Anil Ambani to pay \$100 million within six weeks towards a conditional order granted to three Chinese banks pursuing the recovery of over \$680 million owed to them as part of a loan agreement. In what is in effect a deposit to be paid into court pending a full trial in the case, Judge David Waksman has set six weeks for payment to be made as he concluded that he did not accept Ambani's defence that his net worth was nearly zero or that his family would not step in to assist



The court was told that Reliance Group chairman was a wealthy businessman and now he is not as a result of a "disastrous turn of events" in the telecom market in India

der of the UK court and will take legal advice as to further remedies in appeal," a spokesperson for Anil Ambani said. "The order pertains to an alleged personal liability of Mr Ambani and will have no bearing on the operations of the Reliance Infrastructure Limited, Reliance Power Limited and Reliance Capital Limited," the spokesperson said. The banks — Industrial and Commercial Bank of China Ltd Mumbai Branch, on behalf of itself, China Development Bank and Exim Bank of China — welcomed the order. "This is a straightforward debt claim to recover outstanding loans made to RCom (Reliance Communications) in good faith and secured by a binding personal guarantee given by Mr Ambani, which he has refused to honour," a statement on behalf of the banks said. Earlier, during a half-day hearing, the court was told that Reliance Group chairman Anil Ambani was a wealthy businessman and now he is not as a result of a "disastrous turn of events" in the telecom market in India. The Chinese banks had sought summary judgment over an alleged breach of a personal guarantee on a debt refinancing loan of around \$925 million in February 2012. Ambani denies providing authority for any such guarantee, resulting in the High Court action in the UK - the jurisdiction agreed to as part of the terms of the loan agreement.