SBI cuts savings a/c rate to 3%, scraps min balance requirement

MCLR slashed 10–15 bps, 10th cut this financial yr

ABHIJIT LELE
Mumbai, 11 March

In a major rate revision, State Bank of India (SBI) has decided to pay interest at a flat 3 per cent per annum to savings bank account holders.

Earlier, it paid 3.25 per cent for balances up to ₹1 lakh. The rate was 3 per cent for savings bank deposit accounts with balances above ₹1 lakh.

In a customer-friendly move, it will stop levying fine for failing to maintain average monthly balance in savings accounts. The bank used to levy a penalty of ₹5 to ₹15 plus taxes on non-maintenance of average balance, SBI said in statement. It will also waive SMS charges.

The charges on maintaining average balance have now been waived on all 445.1 million SBI savings bank accounts.

Currently, customers need to maintain average balance of ₹3,000 in a metro region, ₹2,000 in semi-urban areas, and ₹1,000 in rural areas.

The bank also slashed its marginal cost of funds-based lending rate (MCLR) by 10-15 basis points across all tenors from March 10. This was the tenth consecutive cut in MCLR in the current financial year.

One-year MCLR will be 7.75 per cent against previous rate of 7.85 per cent. MCLR was 8.5 per cent in April 2019.

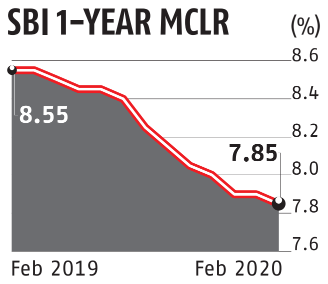
Consequently, equated monthly instalments (EMIs) on eligible home loan accounts (linked to MCLR) will get cheaper by around ₹7 per ₹1 lakh on a 30-year loan. EMIs on car loans will also be reduced by ₹5 per ₹1 lakh on a seven-year loan.

Keeping adequate liquidity in the system, the bank has realigned interest rates on term deposits with effect from March 10. Besides the 50-basis points (bps) cut on short-term deposits (7-45 days), it reduced the rate for one-year and above tenors by 10 bps.

Now, deposits in the 7-45-day bucket will have a rate of 4 per cent rate, against the old rate of 4.5 per cent. The retail term deposit for one year and above will carry a rate of 5.9 per cent, against 6 per cent. The rate on one-year deposits are down 110 bps since May 2019 when the rate was 7 per cent.

For bulk term deposits, interest rates have been reduced by 15 bps for deposits for 180 days & above tenors.

SBI 1-YEAR MCLR



Source: RBI, SBI

AT OTHER BANKS What some other banks are offering

PNB		ICICI BANK	HDFC BANK	
3.25% Up to ₹5 lakh	3.5% From ₹5 to ₹50 lakh	3.5% Less than ₹50 lakh	3.5% Below ₹50 lakh	4% ₹50 lakh–₹500 cr
3.8% Above ₹50 lakh		4% Above ₹50 lakh	RBI repo rate + 2 bps Above ₹500 cr	

Lending to labour-intensive sectors tightened

NAMRATA ACHARYA & ISHITA AYAN DUTT
Kolkata, 11 March

Banks are tightening their lending norms for some labour-intensive sectors. Particularly those at the lower end of mechanisation.

The data from the Reserve Bank of India (RBI) shows a sharp fall in growth of loan dues for tea, textiles, glass, and gems & jewellery sectors.

For tea, year-on-year, this growth fell from 32 per cent in 2017 to 3 per cent in 2019. Textiles (which includes) went from 7.6 per cent growth in 2017 to a fall of 5.4 per cent in 2019. For gems and jewellery, from 0.7 per cent growth to a 11.1 per cent fall.

With most also under-performing in these sectors, it's a bit of a vicious cycle. A tea company owner said, "It's a disaster; banks are just not lending."

Adding, "Except a handful, most companies are under severe stress from stagnating prices and escalating cost. Between Assam and North Bengal, scores of tea gardens are up for sale, but there are hardly any buyers."

For jute, many banks are now seeking original deeds in the names of owners. Difficult, as mills have changed hands several times over the years and few have original deeds. Most jute mill lands are still in the name of companies established in the 1950s and have changed hands many times. Banks are refusing to accept registered documents and want the company that is running the mills to have clear title, said Sanjay Kajaria, former chairman of the Indian Jute Mills Association and a mill owner.

The government of West Bengal needs to allow approval and clearance for regularisation of land title, so that jute mills can mortgage the land for securing working capital loans from banks and financial institutions.

Bachhraj Bamalwa, partner in the jewellery firm of Nemichand Bamalwa, says banks have been reluctant to extend credit to the sector for quite some time, identifying it as a high-risk one after the Nirav Modi loan scam.

The proprietor of a leather processing unit says banks have been slow in lending to his sector for quite some time.

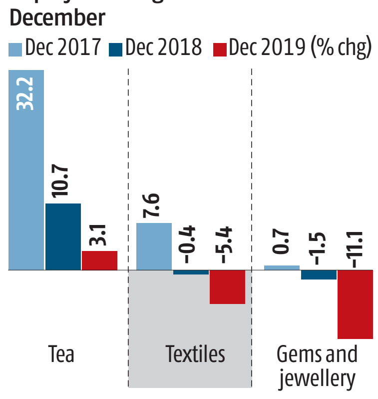
Bankers have their reasons. Typically, these are labour-intensive companies, with low mechanisation, and are financially weak. They are not meeting (our) lending norms, said the head of a public sector lender. Most players in the sectors are proprietorship or partnership firms. Banks are more comfortable dealing with corporate entities.

Another head of a public sector bank said, "Overall, there is a slowdown. And, no new promoters are coming in tea, textiles, etc. The industry is complaining that labour laws are not conducive for growth and that we are losing market share to countries like Bangladesh in sectors like textiles. Also, in a sector like tea, when one big company faces problems, it is indicative of the fact that the whole industry is under stress."

Says another public sector banker, "There is not much demand in sectors which earlier accounted for major credit. However, banks are not at all shying away from lending."

CASH CRUNCH

Industry-wise YoY growth in deployment of gross bank credit till December



Source: RBI data

Govt to sell ₹8K-cr SUUTI stake to meet FY20 target

ARUP ROYCHOUDHURY
New Delhi, 11 March

The Centre will offload around ₹8,000 crore worth of stake in Axis Bank and ITC through Specified Undertaking of Unit Trust of India (SUUTI) before March 31 to help it meet the revised divestment target for 2019-20 (FY20) of ₹65,000 crore, *Business Standard* has learnt.

"There will be a shortfall compared to the revised disinvestment estimates. To make up for that, DIPAM (Department of Investment and Public Asset Management) will sell some ₹8,000 crore worth of SUUTI stake," said a top government official.

The Centre currently owns 4.71 per cent in Axis Bank and 7.93 per cent in ITC through SUUTI. As of Wednesday, the Axis stake was valued at ₹8,221 crore and the ITC stake was valued at ₹17,127 crore, taking the total to ₹25,348 crore.

The Centre held a small stake through SUUTI in Larsen & Toubro as well (1.7 per cent), which it liquidated last year. For FY19, DIPAM was given a disinvestment target of ₹80,000 crore. It surpassed that and raked in ₹84,972 crore in the normal course of the year. However, the actual divestment receipts for 2018-19 now stand at ₹94,727 crore, according to the FY21 Budget documents.

The official quoted above said that a part of this jump was because of a sale of ₹7,000 crore through SUUTI. This is different from the 3 per cent stake it sold in Axis Bank through SUUTI earlier that year. It was in the latter transaction that the Centre's stake in L&T was liquidated.

Without SUUTI, the Centre would have fallen well short of the FY20 Revised Estimates, as reported earlier.

This is because a number of offers-for-sale (OFSs) planned for March — including SAIL, NMDC, PFC, Coal India, IRCON, Hindustan Aeronautics, and others — have been postponed because of bearish market conditions.

The only other transactions that are expected to go through by March 31 are the acquisition of THDC and NEEPCO by NTPC, the planned initial public offering of IRFC, and some buybacks by public sector undertakings, informed sources said.

The finance ministry is internally expecting around ₹15,000 crore from NTPC's acquisition of THDC and NEEPCO, and around ₹5,000-7,000 crore from the planned IPO of IRFC and some buybacks.

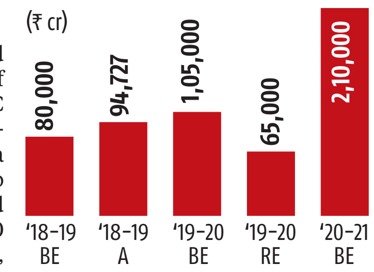
So far, DIPAM has garnered a little over ₹35,000 crore. The transactions mentioned above, excluding SUUTI, would take the disinvestment proceeds to around ₹55,000-57,000 crore.

The target for the current fiscal was revised downwards to ₹65,000 crore from ₹1.05 trillion. In the 2020-21 Union Budget Finance Minister Nirmala Sitharaman also reduced the tax revenue and total expenditure estimates for FY20, and widened the fiscal deficit target to 3.8 per cent of gross domestic product, from 3.3 per cent.

DIPAM's last transaction was the sale of 10 per cent of the Centre's stake in RITES through OFS. The issuance bombed as the exchequer raised around ₹400 crore, against expectations of garnering ₹1,000 crore.

The Centre's big divestment plans, including the privatisation of Air India, Bharat Petroleum, Container Corporation of India, and Shipping Corp of India, and the planned IPO of LIC, are all slated for the next fiscal year.

STATE OF DIVESTMENT



BE: Budget Estimate A: Actual; Source: *indiabudget.gov.in*

₹25,348 cr worth of stake Centre owns in Axis and ITC through SUUTI

4.71% Current stake in Axis; in ITC, it's 7.93%

₹7,000 cr worth of SUUTI stake DIPAM sold towards FY19 end