

MARKET WATCH

	04-10-2017	% CHANGE
Sensex	31,672	0.55
US Dollar	65.01	0.74
Gold	30,600	0.16
Brent oil	56.08	-2.94

NIFTY 50

	PRICE	CHANGE
Adani Ports	387.65	3.95
Ambuja Cements	269.55	1.20
Asian Paints	1154.05	5.25
Aurobindo Pharma	724.95	18.00
Axis Bank	505.95	-3.70
Bajaj Auto	3173.50	11.30
Bajaj Finance	1862.65	-5.15
Bharti Airtel	377.15	-7.50
Bosch	20707.00	309.20
BPCL	486.15	7.30
Cipla	581.05	2.15
Coal India	270.00	-2.00
Dr Reddys Lab	2387.60	52.05
Eicher Motors	30884.60	-262.70
GAIL (India)	436.15	0.75
HCL Tech	886.60	4.05
HDFC	1768.10	6.50
HDFC Bank	1797.00	-11.85
Hero MotoCorp	3794.90	-11.35
Hindalco	241.90	0.30
HPCL	444.15	9.55
Hind Unilever	1197.50	11.15
Indiabulls HFL	1257.10	22.75
ICICI Bank	276.10	-2.30
Indusind Bank	1697.70	4.75
Bharti Infratel	416.50	8.00
Infosys	899.60	-3.95
Indian Oil Corp	408.75	2.20
ITC	267.40	6.00
Kotak Bank	1029.45	22.90
L&T	1138.30	3.40
Lupin	1027.50	6.15
M&M	1288.75	24.45
Mauriti Suzuki	7847.20	-41.10
NTPC	168.05	-0.35
ONGC	172.10	1.45
PowerGrid Corp	209.05	2.90
Reliance Ind	818.85	20.50
State Bank	253.20	1.90
Sun Pharma	517.90	15.25
Tata Motors	423.55	7.55
Tata Steel	659.00	-1.80
TCS	2442.30	-6.15
Tech Mahindra	465.05	1.75
UltraTech Cement	3872.50	-22.50
UPL	788.15	-7.85
Vedanta	319.10	0.85
Wipro	282.75	-0.20
YES Bank	355.80	4.75
Zee Entertainment	521.40	-0.55

EXCHANGE RATES

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

CURRENCY	TT BUY	TT SELL
US Dollar	64.81	65.13
Euro	76.37	76.75
British Pound	86.05	86.49
Japanese Yen (100)	57.68	57.97
Chinese Yuan	9.74	9.79
Swiss Franc	66.72	67.06
Singapore Dollar	47.68	47.94
Canadian Dollar	52.02	52.27
Malaysian Ringgit	15.33	15.42

Source: Indian Bank

BULLION RATES CHENNAI

October 04 rates in rupees with previous rates in parentheses

Retail Silver (1g)	42.30	(42.00)
22 ct gold (1g)	2,815	(2,814)

RBI flays banks for keeping rates high

Cites arbitrariness in calculation of base rate, MCLR; moots an external benchmark for loan pricing

PRESS TRUST OF INDIA MUMBAI

The Reserve Bank today flayed lenders for keeping interest rates high and flagged concerns over the base rate and the marginal cost of fund-based lending rate (MCLR), saying these have not improved monetary transmission.

An internal RBI group also suggested switching over to an external benchmark in a time-bound manner so that better rates are available to borrowers.

"The RBI study group has observed that internal benchmarks such as the base rate/MCLR have not delivered effective transmission of the monetary policy," RBI said in a report today.

The group was constituted by RBI to study various aspects of the MCLR system from the perspective of improving policy transmission. RBI introduced MCLR on



Holding a mirror: From left, RBI's Urjit Patel, M.D. Patra, Viral Acharya and N.S. Vishwanathan. ■ PAUL NORONHA

April 1, 2016 after finding that the then prevailing base rate had failed to achieve the objectives of easier and faster policy transmission.

Before the MCLR was rolled out, the banks were following a more rigid base rate system, which came into force on July 1, 2010, replac-

ing process," the study group has observed.

'Not in sync'

The base rate/MCLR regime is also not in sync with global practices on pricing of bank loans, it said, adding that "the study group has, therefore, recommended a switchover to an external benchmark in a time-bound manner."

Addressing the media, RBI Deputy Governor Viral Acharya said the report had proposed three possible external benchmarks to which such lending could be tied to going forward.

"We think the internal benchmarks such as the base rate and MCLR, based on data, seem to give banks very high amount of discretion...., lots of factors that are flexible to them to ensure that the lending rate can be kept high even if monetary policy is going down and [is] ac-

commodative." He also said the move was to address the above-mentioned lacunae by bringing in a better global benchmarks wherein these rates are tied to external benchmarks as "this will create a fair bit of transparency for borrowers and they can just compare two loans and see which is at the lower spread because the benchmark will be the same."

The report also suggested that "the interest rate resets, which are right now at an annual frequency, creating potentially a one-year lag in transmission, can be changed on all floating rate loans to quarterly resets so that transmission would be much faster once the monetary policy changes."

RBI will take a final view on the recommendations of the study group after taking into account the feedback [from the public] received until October 25, 2017.

The MPC has not viewed the growth slowdown as being structural and is expecting it to be transient, with growth prospects likely to improve in the medium term. By retaining focus on inflation targets, the policy ensures that investor confidence on macro-economic indicators will continue

CHANDA KOCHHAR
MD and CEO, ICI Bank

[Rates being unchanged] must have come from the thought process that there is adequate liquidity but this liquidity is not available to those who need it. Equity markets are riding a different story: while industry is starved of liquidity, households are flush with it: that is getting into the markets

MOTILAL OSWAL
Chairman & MD, MOFSL

'Quick decision maker with a bird's eye view'

SBI's Kumar needs to spur loan growth

MANOJIT SAHA MUMBAI

Rajnish Kumar, who will take charge as chairman of State Bank of India (SBI) on October 7, is known to his colleagues as someone with an excellent grasp of the situation and as a quick decision maker. Mr. Kumar, who joined the bank in 1980, worked in several areas including retail banking, large and mid corporate, international banking, project finance and merchant banking (he was the chief executive officer of SBI Caps - the merchant banking arm of SBI) and also was posted in remote areas like in north-eastern states, where he was a chief general manager.

"He is very hands on in his approach," said a top former SBI executive. Citing his administrative acumen in the north-east, the executive said Mr. Kumar's skills came in handy in those remote areas.

Mr. Kumar, appointed for a three-year term, had pushed the digitisation drive of the bank, particularly post demonetisation. This had helped SBI give its private sector rivals a run for their money. As MD of



Rajnish Kumar

SBI's national banking group, he was instrumental in pushing retail credit and financial inclusion.

"By working across departments and in several parts of the country, he has a bird's eye view of the economy," a colleague, who did not wish to be named, said.

A big challenge for Mr. Kumar will be to kick-start credit growth.

His experience in project finance and large corporates would be helpful in reviving loan growth.

Mr. Kumar takes charge at a time when SBI's bad loans have surged about 10% in the wake of the April merger of the associate banks. Speeding up recovery and distressed assets resolution could be his key priorities.

'FM to ask States to cut VAT on fuels'

Pradhan says it is States' responsibility to cut rates to ease consumers' plight

SPECIAL CORRESPONDENT NEW DELHI

A day after the Centre eased the impact of taxes on fuel prices by slashing excise duty by ₹2 per litre, Petroleum Minister Dharmendra Pradhan said that Finance Minister Arun Jaitley would soon write to all the States.

Mr. Jaitley would urge them to reduce their VAT rates on petrol and diesel by five percentage points each in order to further ease the consumers' plight in the face of rising fuel prices, he said.

'States are beneficiaries'

"The Finance Minister is going to write to the States," Mr. Pradhan told reporters on Wednesday. "It is their responsibility to reduce the VAT on petrol and diesel by five percentage points, then



Dharmendra Pradhan

consumers will get even more relief."

"The States are the biggest beneficiaries of the tax on fuel," Mr. Pradhan added. "They receive the VAT on petrol and diesel, and also due to the recommendations of the Fourteenth Finance Commission, they get 42% of the central excise collections

from the fuels as well."

The VAT on petrol and diesel varies sharply across States, with Maharashtra leading the pack - it levies a VAT on petrol of 47.94% in Mumbai, Thane, and Navi Mumbai, and 46.81% for the rest of the State.

The lowest VAT rates on petrol are in Goa (17%) and in Andaman and Nicobar (6%) among the Union Territories.

Both Mr. Pradhan and Mr. Jaitley had reiterated several times of late that the government was not considering a cut in the excise duties in the face of rising fuel prices, with the latter daring Opposition-ruled States to also slash State-level taxes on petro products and forego their share of the exchequer's revenue from ex-

cise levies. Mr. Jaitley also pointed out that States such as Delhi, Haryana, Punjab, Himachal Pradesh were quick to increase their VAT rates on petrol and diesel every time prices fell.

"If State governments also make adjustments to VAT rates on petrol and diesel to match the cut in excise duty (₹1.5/litre on petrol and ₹1.75/litre on diesel), the aggregate impact on inflation will be of around 14 basis points but the aggregate state revenue would be down by an additional ₹97.5 billion," India Ratings & Research said in a note.

"In the last few days, because of the rise in international fuel prices, the government has had to take action," Mr. Pradhan added on Wednesday.

GIC fixes IPO price band at ₹855-₹912

PRESS TRUST OF INDIA MUMBAI

State-run General Insurance Corporation of India (GIC Re) fixed the price band of ₹855-912 per share of face value of ₹5 each for the initial public offering.

The IPO is set to be the second-largest share sale in the country's capital markets' history.

The company is planning to sell shares worth ₹11,370 crore through the issue. If fully subscribed at the upper end of the price band, this will be the largest public float by a domestic company after the October 2010 offer by Coal India, which had raised ₹15,000 crore.

The IPO opens on October 11 and closes on 13.



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