The MPC has not viewed the growth slowdown

[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

transient, with growth prospects likely to improve in the medium term. By retain-

ing focus on inflation targets, the policy ensures that investor confidence on

macro-economic indicators will continue

CHANDA KOCHHAR MD and CEO, ICICI Bank

as being structural and is expecting it to be

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		
		CHANGE
Adani Ports		
Ambuja Cements		
Asian Paints		
Aurobindo Pharma		
Axis Bank		
Bajaj Auto		
Bajaj Finance		
Bharti Airtel		
Bosch		
BPCL	486.15	7.30
Cipla	581.05	2.15
Coal India		
Dr Reddys Lab		
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 OilCorp	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
Maurti Suzuki	7847.20	-41.10
NTPC	168.05	-0.35
ONGC		
PowerGrid Corp		
Reliance Ind		
State Bank		
Sun Pharma		
Tata Motors		
Tata Steel		
TCS		
Tech Mahindra		
UltraTech Cement		
UPL		
Vedanta		
Wipro		
YES Bank		
700 Entertainment		

Indicative direct rates in rupees a unit

Zee Entertainment 521.40

except yell at 4 p.iii. oil octobel 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 Ringitt	15.33	15.42	
Source:Indian Bank			

BULLION RATES CHENN October 04 rates in rupees with previ-

Retail Silver (1q).

CM YK

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

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, repla-

cing the banks' prime lend-

The study group submitted its report on September

"Arbitrariness in calculating the base rate/MCLR and spreads charged over them has undermined the integrity of the interest rate setting process," the study group has observed.

'Not in svnc'

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-

cise levies. Mr. Iaitlev also

pointed out that States such

as Delhi, Haryana, Punjab,

Himachal Pradesh were

quick to increase their VAT

rates on petrol and diesel

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 ag-

gregate impact on inflation

will be of around 14 basis

points but the aggregate

state revenue would be

"If State governments also

every time prices fell.

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 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.

GIC fixes IPO price band at ₹855-₹912

PRESS TRUST OF INDIA

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.

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 gen-

eral 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 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 de-

partments and in several parts of the country, he has a bird's eve 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 recoverv and distressed assets resolution could be his key

Pradhan says it is States' responsibility to cut rates to ease consumers' plight SPECIAL CORRESPONDENT from the fuels as well." The VAT on petrol and

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'

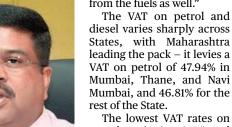
"The Finance Minister is going to write to the States," Mr. Pradhan told reporters on Wednesday. "It is their responsibility to reduce the VAT on petrol and diesel by five percentage points, then



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



'FM to ask States to cut VAT on fuels'

rest of the State. The lowest VAT rates on petrol are in Goa (17%) and in Andaman and Nicobar

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-

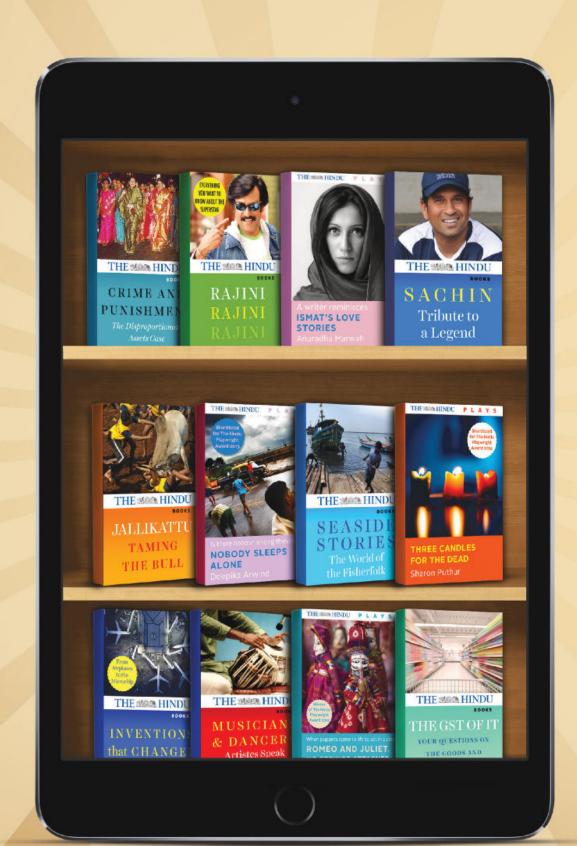
(6%) among the Union

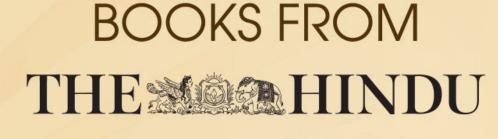
down by an additional ₹97.5 billion," India Ratings & Research said in a note. "In the last few days, because of the rise in international fuel prices, the government has had to take

action," Mr. Pradhan added

on Wednesday.







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