MARKET WATCH

	14-03-2018	% CHANGE
Sensex	33,836	-0.06
US Dollar	64.83	0.09
Gold	31,515	0.20
Brent oil	64.19	-0.09

NIFTY 50

	PRICE	CHANGE
Adani Ports	382.10	-3.10
Ambuja Cements	243.90	5.10
Asian Paints	1137.00	-3.30
Aurobindo Pharma	577.80	-3.85
Axis Bank	536.15	4.65
Bajaj Auto	2950.55	-21.20
Bajaj Finance	1710.10	29.40
Bharti Airtel	422.60	-3.70
Bosch	18284.30	-203.60
BPCL	462.80	-3.85
Cipla	577.90	-0.85
Coal India	293.10	-1.75
Dr Reddys Lab	2181.45	-0.05
Eicher Motors	28846.65	-2.70
GAIL (India)	458.00	2.05
HCL Tech	965.05	8.05
HDFC	1844.70	-23.80
HDFC Bank	1864.50	4.25
Hero MotoCorp	3639.35	-61.85
Hindalco	226.70	0.55
HPCL	375.40	-7.55
Hind Unilever	1316.90	-3.65
Indiabulls HFL	1226.90	-4.90
ICICI Bank	306.05	1.70
IndusInd Bank	1733.35	3.85
Bharti Infratel	339.15	-9.85
Infosys	1180.80	-3.00
Indian OilCorp	395.05	-12.80
ITC	268.05	-1.40
Kotak Bank	1081.75	-2.15
L&T	1303.25	0.50
Lupin	781.55	0.95
M&M	728.20	-4.80
Maurti Suzuki	8846.30	90.25
NTPC	169.70	0.30
ONGC	180.60	-3.00
PowerGrid Corp	194.35	-0.70
Reliance Ind	929.05	-2.80
State Bank	257.05	2.35
Sun Pharma	520.10	-3.20
Tata Motors	354.05	0.90
Tata Steel	620.55	-8.30
TCS	2886.90	0.10
Tech Mahindra	639.10	19.95
UltraTech Cement	4230.25	60.25
UPL	718.35	-4.45
Vedanta	318.95	-2.10
Wipro	293.85	-2.75
YES Bank	318.85	6.05
Zee Entertainment	576.60	-2.55

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on March 14

CURRENCY	TT BUY	TT SELL
US Dollar	64.62	64.94
Euro	80.00	80.39
British Pound	90.25	90.70
Japanese Yen (100)	60.71	61.01
Chinese Yuan	10.23	10.29
Swiss Franc	68.37	68.71
Singapore Dollar	49.35	49.60
Canadian Dollar	49.85	50.10
Malaysian Ringitt	16.54	16.66

Source:Indian Bank

BULLION RATES CHENNAI

March 14 rates in rupees with previous rates in parentheses

Retail Silver (1g)	41.6	(41.4)
22 ct gold (1 g)	2908	(2897)

'No bank regulator can catch all frauds'

Not possible to be in every nook and cranny of banking activity, says RBI Governor Urjit Patel

SPECIAL CORRESPONDENT
MUMBAI

Amid criticism from several quarters, including the government, for failing to prevent banking frauds in the light of the recent Punjab National Bank scam, Reserve Bank of India Governor Urjit Patel said on Wednesday that no banking regulator can catch or prevent all banking frauds. "There has been a tendency in the pronouncements post revelation of the fraud that RBI supervision team should have caught it," Dr. Patel said in a speech at the Gujarat National Law University, Gandhinagar.

He said it was simply not feasible for a banking regulator to be in every nook and corner of banking activity to rule out frauds by "being there."

Line of control: RBI does not have the power to supersede public sector bank boards, says Dr. Patel. • VIVEK BENDRE

He said the RBI too was deeply pained by the banking frauds and termed these incidents 'loot'. "I have chosen to speak today to convey that we at the Reserve Bank of India also feel the anger, hurt and pain at the banking sector frauds and irregularities. In plain simple English, these practices amount to a looting of our country's future by some in the business community, in cahoots with some lenders," Dr. Patel said.

Mr. Patel said that banking regulatory powers in India were not ownership neutral. He pointed out that the RBI did not have the power to supersede public sector bank boards as they were not registered under the Companies Act like private sector banks. He said the RBI can neither remove any directors of public sector banks nor liquidate a government-owned bank.

"The BR Act exemptions for PSBs mean that the one agency – the regulatory – that can respond relatively quickly against banking frauds or irregularities cannot take effective action. Hence, for example, MDs at PSBs find it comfortable to tell media that business will be as usual for them under RBI's Prompt Corrective Action framework, as even if they do not meet the stipulated restrictions of the framework, the ultimate authority over their tenure is with the government and not with the RBI," Dr. Patel said.

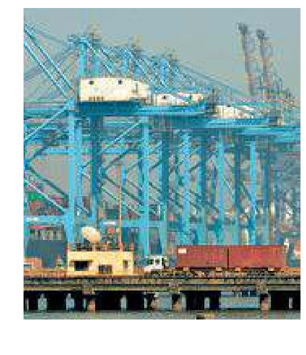
'Credit culture'

He said RBI had undertaken cleaning up the credit culture of the country, and referred to the recent stringent circular on NPA as the churning rod in the '*Amrit Manthan' or the 'Samudra Manthan*' of the modern day Indian economy. He called for making banking regulatory powers neutral to bank ownership and creating a level-playing field between public and private sector banks. Dr. Patel said it was an open issue on whether centralised government control alone can be effective enough at implementing governance of the banking franchise comprising more than two-thirds of the sector's deposits and assets.

World Bank sees FY19 growth at 7.3%

'Durable revival in investments crucial'

SPECIAL CORRESPONDENT
NEW DELHI



The World Bank forecasts India's economic growth will accelerate to 7.3% in 2018-19, from 6.7% in the current financial year, before gathering momentum to a 7.5% pace in 2019-20.

The Central Statistics Office has projected GDP growth for the 12 months ending March 31, at 6.6%.

"The key takeaways about the Indian economy are that it is steadily growing, and it is growth where volatility has significantly decreased," Junaid Ahmed, World Bank Country Director of India, said."Growth is not being led by any single factor, and is instead being driven by a number of factors such as exports, consumption, and investment."

"Another highlight is the resilience," he said. "Despite shocks such as the implementation of the Goods and Services Tax, and demonetisation, the growth path is back on track."

The bank's India Development Update divides India's economic growth history into four segments. The first is from 1970 to 1990, when the economy maintained an average growth rate of 4.4%. This subsequently accelerated in the 1991-2003 period to an average of 5.4%. Thereafter, growth accelerated sharply for a short period from 2004 to 2008, where it averaged 8.8%, which then slowed down to a "still impressive" average of 7.1% in the 2009-17 period.

"It would be hard to find another country with such a growth promise," said Poonam Gupta, Lead Economist and the report's main author. "Growth is not just steady, but is steadily accelerating."

"If we were to ask what it could take to reach a sustainable 8% growth trajectory, then our only example would be to look at the 2004-08 period," Ms. Gupta said. "Durable revival in private investments and exports would be crucial for India achieving a sustained high growth of 8% and above."

'Reforms must continue'

"This will require continued impetus for structural reforms," Ms. Gupta added. "Resorting to countercyclical policies will not help spur sustained growth and India should not compromise its hard-earned fiscal discipline in order to accelerate growth."

The report highlights several challenges facing the Indian economy that need prioritised attention. These include the poor state of private sector investments which need to be enhanced through measures "that assure a favourable investment climate while reducing policy uncertainty".

"Reviving bank credit to support growth is critically important," the bank noted. "Implementation of the new Insolvency and Bankruptcy Code is an important step towards improving credit behaviour. However, the policy may take time to be effective in cleaning the balance sheets," the bank said.

'LoU ban to hit importers as costs rise'

CII, Assocham say RBI's move to hurt export competitiveness, especially for SMEs

LALATENDU MISHRA
MUMBAI

The Reserve Bank of India's directive barring banks from issuing Letters of Undertaking (LoUs) has brought the $85 billion buyers' credit market – a key source of low-cost trade finance for the country's importers – to an abrupt standstill.

The RBI's move on Tuesday, coming in the wake of the $2 billion LoU fraud at state-owned Punjab National Bank, evoked sharp reactions from trade and industry organisations, which argued that the abrupt move would push up financing costs for the country's importers and exporters. Many exporters used the LoUs to help fund their imports of raw materials and the central bank's decision would hurt their competitiveness, the lobby groups said.

'Disruptive impact'

"The decision would have a disruptive impact on the buyers' credit market, in the immediate term," Shobana Kamineni, president of the Confederation of Indian Industry, said in a statement. "The traders who have been conducting business through these instruments will now have to necessarily shift their transactions to Letters of Credit and Bank Guarantees. The result would be that cost of credit may go up, especially for the SMEs."

Industry bodies said the gems and jewellery sector was likely to be the worst affected by the LoU ban.

"A lot of people, especially genuine businessmen, will be impacted and the ban is not exactly the proper thing to do," said Rajesh Mehta, Chairman, Rajesh Exports Ltd., one of India's largest bullion exporters.

Mr. Mehta said costs for the trade would rise as the LoU was a simple method to avail international trade finance.

LIBOR-based pricing

LoUs were the cheapest source of funding as the credit provided against them were typically priced 20-30 basis points above the three-month or six-month LIBOR. The total cost was about 2.3%, which is much lower than the average of 10% or more for any rupee loan product. Since the LoU route is no longer available, importers have to provide bank guarantees or letters of credit, which are more expensive.

Assocham secretary general D.S. Rawat said following the ban, importers – essentially in the gems and jewellery trade – were unable to raise money to secure their shipments.

'Few black sheep'

"The costs have gone up since raising money through the LoU was the cheapest source of raising finance. We had a product which was an important instrument of trade finance, particularly for import-based exporters; so, if a few black sheep have taken advantage of the situation, the fault does not lie with the LoU," Assocham's Mr. Rawat said.

Urea subsidy extended till 2020

SPECIAL CORRESPONDENT
NEW DELHI

The Cabinet on Wednesday approved the proposal by the Department of Fertilizers to continue the ongoing Urea Subsidy Scheme from 2017 to 2020.

The estimated cost of this would be ₹1,64,935 crore, the government said. "The continuation of the urea subsidy scheme will ensure that adequate quantity of urea is made available to the farmers at statutory controlled price," the government said in a release.

The DBT mechanism would entail 100% of the payment going to fertiliser companies on the sale of fertilisers to farmers at subsidised rates.

INTERVIEW | RAJNISH KUMAR

'RBI's ban on LoUs may push up the cost of imports'

Export competitiveness would also be impacted: SBI chief

MANOJIT SAHA

The Reserve Bank of India's decision to ban Letters of Undertaking (LoUs) will raise costs for importers and will hurt export competitiveness, says SBI chairman **Rajnish Kumar**, *in an exclusive interview. Edited excerpts:*

What will be the impact of RBI's ban on Letters of Undertaking (LoU)?

■ The cost of imports will go up. What was happening was importers, through the route of LoU, they were availing dollar funding which was cheaper than rupee funding. So now, the importer will have an option of either opening a letter of credit, but for that they will need suppliers' agreement – the supplier should be willing to extend the credit. Or otherwise, they have to fund it through rupee borrowing. So, that will increase the cost. And if they are exporting, then it will impact your export competitiveness also.

PNB had said it will pay the bonafide dues to the banks. When are you expecting payments from PNB?

■ We have given our claim and all the supporting documents. Hopefully some repayment will happen this month.

What has been the response from the banking regulator for improving checks and balances after the PNB scam?

■ RBI has asked all the banks to integrate SWIFT with the core banking solution.

All banks are now linking SWIFT with CBS.

RBI has given a circular to do it by April 30. We will do it by that time.

What are the steps SBI has taken?

Risk management in the bank is continuous, not a one-day process

■ We thoroughly reviewed our LoU portfolio. Risk management in the bank is a continuous process and not a one-day process. Period review, see to it that checks and balances are working, you have to on a continuous basis.

RBI came out with a circular tightening NPA norms. What is your view?

■ There are two ways to look at it. One is there are definitely bring more discipline on the borrowing. Borrowers will be more careful on how they manage their cash flow and the intent will be to repay bank dues in time. However, on certain things probably some relief is required. The Indian Banks' Association has represented to RBI on these issues. So let RBI examine it and see what comes out.

What are the issues?

■ One of the things that the circular says is that before an account is upgraded, 20% has to be paid. I think that is a bit tough requirement. Similarly, if the account is under restructuring and even if there is a delay of one day and then the account has to be referred to NCLT within 15 days.

Apart from this circular, bond yields have further increased in Q4. How difficult is Q4 going to be?

■ It is going to be difficult for banks on account of both these reasons. But thereafter, things will start returning to normal. By April-May, all the NCLT cases of the first RBI list will have resolution. The impact will be that banks' gross and net NPAs will start coming down. And certain portion of these assets will get a new management, so that will start become performing. You normally see a negative credit growth in first quarter, but I have a feeling that credit growth will be positive in first quarter.

For SBI, our pipeline of stressed assets looks very normal. Our fresh slippages in the next financial year will not exceed 2%.

So, do you see credit demand to pick up in the next financial year?

■ There are certain sectors which are doing well. Like if infrastructure grows, then naturally cement will do well.

In steel sector we have seen revival. I am told, housing sector demand is much better starting from January.

Automobile sector is doing well. There are many sectors where activity is happening, but what is probably missing is large size projects by the private sector which is because of the over capacity that has been created. Going ahead, we see revival in credit growth.

Also, now NCLT resolution will start happening. In many cases, we are in advanced stages of resolution. If that starts happening, then there will be working capital, investment requirements will revive demand.

Wholesale inflation eases in Feb.

PRESS TRUST OF INDIA
NEW DELHI

Inflation based on wholesale prices eased to a seven-month low of 2.48% in February on cheaper food articles, including vegetables.

On the basis of Wholesale Price Index (WPI), inflation was 2.84% in January and 5.51% in February 2017. WPI inflation at 2.48% in February is the lowest in seven months. The previous low level was recorded in July at 1.88%.

According to government data released on Wednesday, inflation in food articles slowed to 0.88% in February from 3% in the preceding month.

Inflation in vegetables softened with annual inflation at 15.26% as against 40.77%in January. While the rate of price rise in onion slowed, it increased in the case of another kitchen essential, potato.

IPO: ICICI Securities fixes price

SPECIAL CORRESPONDENT
MUMBAI

The price band for the proposed initial public offer (IPO) of ICICI Securities, which is the investment banking and broking arm of ICICI Bank, has been fixed between ₹519 and ₹520 per equity share.

The public issue will open for subscription on March 22 and close on March 26, as per a stock exchange announcement by ICICI Bank.

The minimum bid lot for the offer has been fixed at 28 equity shares.

The investment bankers for the offer are Bank of America Merrill Lynch, CLSA, Citigroup, Edelweiss, IIFL and SBI Caps.