

RBI Policy- March 2020 - Key Takeaways

RBI Monetary Policy

Repo Rate	Changed
Now at 4.40% vs 5.15%	
Reverse Repo Rate	Changed
Now at 4% vs 4.90%	
MSF Bank Rate	Changed
Now at 4.65% vs 5.40%	
Policy Stance	Unchanged
Accommodative	

RBI on Growth, Inflation

FY20 REAL GDP TGT	Unchanged
At 5%	
Jan-Mar CPI TGT	Raised
Now at 6.8% vs 6.5%	

- 1. Rate Cut** – MPC advanced its meeting and reduced repo rate by 75 bps to 4.4%. MPC unanimously voted for sizeable reduction in the repo rate, but some differences in the quantum of reduction. MPC decided to continue with accommodative stance as long it is necessary to revive growth and mitigate the impact of Covid-19 on the economy, while ensuring that inflation remains within the target. The Monetary Policy Committee (MPC) voted in ratio of 4-2 in favor of rate cut. In the Feb'20 policy review all members had voted in favour of keeping rates steady.

2. Liquidity measures for banks

- (i) CRR:** RBI reduced CRR of all banks by 100 bps to 3% of net demand and time liabilities w.e.f. 28th March 2020. The reduction in the CRR would release liquidity to the tune of ₹1,37,000 crore. This dispensation shall be available for a period of one year ending on 26th March 2021.

It has been further decided to reduce the requirement of minimum daily CRR balance maintenance from 90% to 80% effective from the first day of the reporting fortnight beginning 28th March 2020 which is one time dispensation available upto June 26, 2020.

- (ii) LTRO:** In order to mitigate the adverse effects of Covid-19 on economic activity leading to pressures on cash flows, RBI will conduct LTRO upto 3 years for a total amount upto ₹1,00,000 crore at a floating rate linked to the policy rate.
- (iii) MSF:** RBI has raised the borrowing limits for the banks from 2% to 3% by dipping into the SLR under the MSF. This measure will be applicable upto 30th June 2020 which shall provide additional liquidity to the tune of ₹1,37,000 crore.

These three measures relating to CRR, LTRO and MSF will inject a total liquidity of 3.74 lakh crore into the system.

3. Regulatory measures

- (i) Moratorium on Term loans:** All commercial banks are allowed to have moratorium of 3 months w.r.t. term loans.
- (ii) Deferment of Interest on Working Capital Loans:** In respect of working capital facilities, lending institutions are allowed to defer three months on payment of interest in respect of such facilities outstanding as on 1st March 2020. The accumulated interest for the period will be paid after the expiry of the decrement period.
- (iii) Easing of Working Capital Financing:** In respect of working capital facilities, lending institutions may recalculate drawing power by reducing margins and/or by reassessing the working capital for the borrowers. Any changes in credit terms will not result in asset classification downgrade.
- (iv) Deferment of NSFR:** Net Stable Funding Ratio (NSFR) has been deferred by six months to 1st Oct, 2020. NSFR reduces risks by requiring banks to fund their activities with sufficiently stable sources of funding over a time horizon of a year in order to mitigate the risk of future funding stress
- (v)** Deferment of last tranche of Capital Conservation Buffer (CCB) of last tranche 0.625% by 3 months.

Team

Analyst	Designation	Sector	Email	Telephone
Alok Ranjan	Head – Research		alokranjan@way2wealth.com	+9122-6146 2902
Jayakanth Kasthuri	Research Analyst	Logistics & Capital Goods	Jayakanthk@way2wealth.com	+9122-4019 2914
Ashwini Sonawane	Research Associate	FMCG, Consumer Durables	ashwinisonawane@way2wealth.com	+9122-4019 2956
Yogita Desai	Research Analyst	Chemicals & Building Materials	yogitadesai@way2wealth.com	+9122-4019 2910
Harshil Gandhi	Research Analyst	BFSI	harshilgandhi@way2wealth.com	+9122-4019 2915
Institutions	Designation		Email	Telephone
Kaushal Jaini	Vice President		kaushaljaini@way2wealth.com	+9122-4019 2916
Manisha Panchal	Institutional Dealer		manishapanchal@way2wealth.com	+9122-4019 2984

Disclaimer

Analyst Certification: I, Harshil Gandhi, research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed Harshil Gandhi, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients and would be happy to provide information in response to specific client queries.