Financial Express Page 10 7 June, 2019

Industry upbeat about RBI move

PRESS TRUST OF INDIA
New Delhi, June 6

HAILING THE RBI'S decision to cut lending rate by 25 basis points as a welcome step to boost demand and revive economy, industry chambers said there is more room to slash rates further. "There is room for further rate cut...this third consecutive rate cut in repo rate will lead to effective transmission, encouraging banks to lower their lending rates for both retail and corporate credit," said Sandip Somany, president, Ficci.

Reviving business confidence, consumer confidence and triggering animal spirits in the economy is the need of the hour, the chamber said in a statement.

Assocham said the shift in policy stance from neutral to accommodative is looking significant and these measures would rekindle economic growth and improve business sentiments. "The credit policy resolution and the RBI governor's emphasis on faster and higher transfer of rate cuts will be reassuring if done by the banks. This, when coupled with improved liquidity, would reduce the cost of borrowing," said Assocham president B K Goenka.

PHD Chamber also welcomed the rate cut and said it will help to stimulate demand, boost investments, enhance exporters' competitiveness and growth of the industrial sector. "At this juncture, the transmission of the policy rate cut by the banking sector in terms of reduced lending rates would be crucial to boost liquidity. Going ahead, we expect repo rate to come down to 5% in the coming quarters for adequate availability of credit to the industry especially to the MSMEs sector," the chamber said.

Repo rate cut by @RBI will boost India's economy by making loans affordable to MSMEs, exporters & home buyers. Removal of charges on NEFT & RTGS transactions will bring great relief to the people ..."

PIYUSH GOYAL,
COMMERCE AND INDUSTRY MINISTER

The decision to shift the policy stance to 'accommodative' will simultaneously help the financial system navigate to a lower interest rate regime and also look into growth concerns"

RAJNISH KUMAR,
CHAIRMAN, SBI

Given the need for growth, banks would take a call on further rate cuts"

SUNIL MEHTA
CHAIRMAN, INDIAN BANKS' ASSOCIATION

Going forward, while RBI should continue the accommodative stance in coming months, the new Government should present a progressive Union Budget that would help revive consumption and encourage greater private investments"

SANDIP SOMANY,
PRESIDENT, FICCI

... major part of the statement was the change of stance from 'neutral' to 'accommodative' ... Suppressed inflation & real sector performance were major parameters behind this decision"

DINABANDHU MOHAPATRA
MD & CEO, BANK OF INDIA

... emphasis on faster ... transfer of rate cuts will be reassuring if done by the banks"

B K GOENKA
PRESIDENT, ASSOCHAM

Industry wants more: 'RBI has more room to slash rates ahead'

NEW DELHI: Hailing the RBI's decision to cut lending rate by 0.25 per cent as a welcome step to boost demand and revive economy, industry chambers Thursday said there is more room to slash rates further.

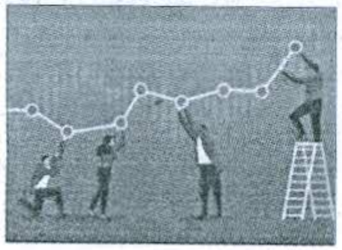
The Reserve Bank of India cut the repo -- short term lending rate at which it gives loan to banks -- third time in a row to 5.75 per cent in its second bi-monthly policy decision, adopting an accommodative stance.

"There is room for further rate cut...this third consecutive rate cut in repo rate will lead to effective transmission, encouraging banks to lower their lending rates for both retail and corporate credit," said Sandip Somany, President, Ficci.

Taking cues from the global factors as well as recent government data that estimated India's GDP growth to a five-year low of 6.8 per cent in 2018-19, the RBI has also revised downward the economic expansion to 7 per cent from 7.2 per cent earlier for the current fiscal.

Reviving business confidence, consumer confidence and triggering animal spirits in the economy is the need of the hour, the chamber said in a statement.

"Going forward, while RBI should continue the accommodative stance in coming months, the new Government should present a progressive Union Budget that would help revive consumption and encourage greater private investments," Somany said.



Assocham said the shift in policy stance from neutral to accommodative is looking significant and these measures would rekindle economic growth and improve business sentiments.

"The credit policy resolution and the RBI Governor's emphasis on faster and higher transfer of rate cuts will be reassuring if done by the banks. This, when coupled with improved liquidity, would reduce the cost of borrowing," said Assocham President B K Goenka.

The industry body's Senior Vice-President Niranjan Hiranandani said the cut in repo would provide momentum to the market, but more needs to be done to address the issue of liquidity.

"Liquidity is very low as the borrowing cost is still very high. This liquidity crisis is taking a toll on the health of the companies and further inflicting financial damage thereby affecting the credit rating of companies and industries. Unless things are passed down, the NPAs of the banks would pile up in the near future," he added.

PHD Chamber also welcomed the rate cut and said it will help to stimulate demand, boost investments, enhance exporters' competitiveness and growth of the industrial sector.

While common man will be benefited with softening of EMIs on loans, the ripple effect of rate cut will enable small business to fulfil their credit requirements, the industry lobby said in statement.

"At this juncture, the transmission of the policy rate cut by the banking sector in terms of reduced lending rates would be crucial to boost liquidity. Going ahead, we expect repo rate to come down to 5 per cent in the coming quarters for adequate availability of credit to the industry especially to the MSMEs sector," the chamber said. PTI

Business Standard | **Page 11** | **7 June, 2019**

Raters call for demarcation of ore before auctioning

Analysts reason that captive players will hold edge over private merchant miners, given their financial might

ADITI DIVEKAR
Mumbai, 6 June

To address the ongoing tug of war between domestic iron ore merchant miners and the steel industry, rating agencies see diversification of resource distribution as a key solution.

Recently, steel producers asked the government to auction iron ore mining licenses currently held by private miners when they expire in March 2020. The Indian Chamber of Commerce (ICC), Associated Chambers of Commerce and Industry of India (Assocham) and the Chattisgarh Sponge Iron Manufacturers' Association (CSIMA) and Pellet Manufacturers' Association of India (PMAI) have written to the planning think-tank NITI Aayog, lobbying for mine auctions.

Separately, the Federation of Indian Mineral Industries (Fimi) has appealed to NITI Aayog to extend the lease validity of merchant mines till 2030. This has led to the ongoing tug of war between the two sections of the sector.

"The idea is to have a free flow of raw material in the domestic market along with cost competitiveness, which will percolate to the cost of production of steel and then to overall economic inflation. For this reason, auctioning should be a mix of captive as well as the non-captive usage," explained Mahaveer Jain, associate director (corporates) at India Ratings & Research.

Mining leases totaling around 80-85 million tonnes of iron ore are set to expire in March 2020. Of this, about 65 million tonnes are in Odisha alone, said industry officials. Moreover, a majority of these mines are with private merchant miners such as Ahuja, Rungta Mines, and KJS Ahluwalia Group among others.

These private merchant miners supply ore to induction furnaces and electric arc furnaces units largely situated in the east part of the country.

There should be a demarcation in terms of which section of the industry (merchant or captive miner) should bid for what kind of mine when its opened for auctioning, said officials.

"A lot of merchant mines have allied/leased infrastructure in place at the mines already apart from the piled inventory. This would add an element of uncertainty for any new bidder," said Hetal Gandhi, director at CRISIL Research.

Existing mining companies could have their own infrastructure in the form of trucks, jetties, site offices, cranes and other leased equipment, and not just the mine resource

Existing mining company could have own infrastructure in the form of trucks, jetties, site offices, cranes and other leased equipment and not just the mine resource.

Moreover, if mines for auctioning are not demarcated, captive players will easily have an upper hand over private merchant miners since the latter does not have the financial strength to compete for the former, said agencies.

"If auctioning is kept open to captive steelmakers as well, bid premiums will go way high as witnessed in last year auctions for captive usage. This can put the merchant miners at a disadvantage," explained Gandhi.

India is amongst the top producers of iron ore globally, with total production growing to around 220 million tonnes in FY19, growth of 9.5 percent from last year, Care Ratings said in its report. With some iron ore mines licenses expiring in March 2020, miners are expected to ramp up production and build inventories. Production growth in FY20 is expected to be in line with FY19, it said.