



DALAL & BROACHA
STOCK BROKING PVT. LTD.

RBI Policy @ Dalal & Broacha

RBI POLICY UPDATE:

- With the retail inflation remaining sub-four percent for last five consecutive months (well within the RBI's medium-term target), Monetary Policy Committee (MPC) has cut its key policy rate by 25 bps from 6.5% to 6.25% at its sixth bi-monthly monetary policy review in FY19.
- While all MPC members voted in favour of change in stance to 'neutral' from 'calibrated tightening', four out of six voted in favour of a rate cut.

Growth Outlook:

GDP growth for 2019-20 is projected at 7.4% – in the range of 7.2-7.4% in H1, and 7.5% in Q3 – with risks evenly balanced.

Inflation Outlook:

Monetary Policy Committee (MPC) has changed its stance to 'neutral' from 'calibrated tightening' and revised inflation projection to 3.2-3.4% in H1FY20 (from 3.8-4.2% in H1FY20 projected previous in its fifth bi-monthly monetary) and 3.9% in Q3FY20.

Key Policy rates:

Policy Tools	Post policy	Pre policy	Status
Repo	6.25%	6.5%	Changed by 25 bps
Reverse Repo	6.00%	6.25%	Changed by 25 bps
Marginal Standing Facility (MSF)	6.50%	6.75%	Changed by 25 bps
Bank Rate	6.50%	6.75%	Changed by 25 bps
CRR	4.00%	4.00%	Unchanged
SLR	19.25%	19.25%	Unchanged

Other major announcements

- RBI has decided that rated exposures of banks to all NBFCs, excluding CICs, would be risk-weighted as per the ratings assigned by the accredited rating agencies, in a manner similar to that for corporates. Current guidelines required a uniform 100% risk weight on bank exposure to rated as well as unrated systemically important non-bank lenders that don't take deposits.
- Raised the limit for collateral-free agriculture loans from Rs 1 lakh to Rs 1.6 lakh & has decided to set up an internal working group (IWG) to review agricultural credit & arrive at a workable policy solution.
- In order to make the urban cooperative banks (UCBs) financially resilient and to enhance the depositors' confidence, RBI has proposed to set up an Umbrella Organization (UO) which will apart from extending liquidity and capital support to its member UCBs, would also be expected to set up Information and Technology (IT) infrastructure for shared use of members to enable them to widen their range of services in the wake of advances in information and communication technology at a relatively lower cost.
- RBI decided to harmonize major categories of NBFCs engaged in credit intermediation, viz., AFC, Loan Companies, & Investment Companies, into a single category. The proposed merger of existing categories would reduce to a large



DALAL & BROACHA
STOCK BROKING PVT. LTD.

RBI Policy @ Dalal & Broacha

extent the complexities arising from multiple categories and also provide the NBFCs greater flexibility in their operations. It will cover 99% of the NBFCs by number. Guidelines in this regard will be issued by the end of February 2019.

- Central bank has proposed to set up a task force on Offshore Rupee Markets to ensure Rupee value stability. Details about the composition and terms of reference of the Task Force shall be issued separately by the end of February 2019.

Conclusion:

Retail inflation declined from 3.4% in October 2018 to 2.2% in December, mainly due to continuing deflation in food items and a sharp fall in fuel inflation which earlier has been the main worry for the central bank. Therefore, with the projection of soft inflation and neutral policy stance, the central bank has been able to keep their option open for further rate cuts in forthcoming reviews. Going forward in the near term, we also expect the inflation to remain under RBI's medium-term target (4% within a band of +/- 2%).



DALAL & BROACHA
STOCK BROKING PVT. LTD.

RBI Policy @ Dalal & Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this



DALAL & BROACHA
STOCK BROKING PVT. LTD.

RBI Policy @ Dalal & Broacha

document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms. CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. AbhilashaSatale	abhilasha.satale@dalal-broacha.com	022 67141135	Mid cap
Mr. Avinash Tanawde	avinash.tanawde@dalal-broacha.com	022 67141449	BFSI
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021. Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com