

**RBI POLICY UPDATE:**

- RBI's Monetary Policy Committee (MPC) on Thursday decided to cut its benchmark repo rate by 25 bps to 5.75%, amid slowing economic growth and lower consumer inflation. This is the third time in a row that RBI has cut key rates this calendar year. The last time the central bank cut repo rate for the three times in a row was in 2015.
- While India's economic growth has slowed down to a 5-year-low of 5.8% in Q4FY19, Consumer inflation has remained within the central bank's medium-term target of 4% for ninth straight month. Besides, global uncertainties and the NBFC-led liquidity squeeze will continue put pressure on the growth momentum in coming quarters.
- Given these circumstances, six-member MPC has decided to ease interest rates and changed the stance to 'accommodative' from 'neutral', signalling one more rate cut in the coming months if inflation persisted within tolerable limits.
- The reverse repo rate under the LAF stands adjusted to 5.5%, and the marginal standing facility (MSF) rate and the Bank Rate to 6%. These decisions are in consonance with the objective of achieving the medium-term target for CPI inflation of 4% within a band of +/- 2%, while supporting growth.

Key Policy rates:

Policy Tools	Post policy	Pre policy	Status
Repo	5.75%	6.00%	Changed by 25 bps
Reverse Repo	5.50%	5.75%	Changed by 25 bps
Marginal Standing Facility (MSF)	6.00%	6.25%	Changed by 25 bps
Bank Rate	6.00%	6.25%	Changed by 25 bps
CRR	4.00%	4.00%	Unchanged
SLR	19.0%	19.0%	Unchanged

Growth Outlook:

- MPC has lowered the GDP growth forecast for FY20 from 7.2% in the April policy to 7.0% (in the range of 6.4-6.7% for H1FY20 and 7.2-7.5% for H2), mainly due to slowdown in domestic activities and escalation in global trade tensions.
- GDP growth for 2018-19 has been estimated at 6.8% YoY, down by 20 bps from the second advance estimates released on February 28, pulled down by a downward revision in private final consumption expenditure (PFCE) and moderation in exports.
- Exports were unable to sustain the growth of 11.8% observed in March 2019; they grew by 0.6% in April 2019 dragged down by engineering goods, gems and jewellery, and leather products. Imports grew at a somewhat accelerated pace in April 2019 relative to the preceding month, driven by imports of petroleum (crude and products), gold and machinery. This led to a widening of the trade deficit, both sequentially and on a y-o-y basis.
- However according to the central bank, political stability, high capacity utilisation, the uptick in business expectations in Q2, buoyant stock market conditions and higher financial flows to the commercial sector augur well for investment activity.

Inflation Outlook:

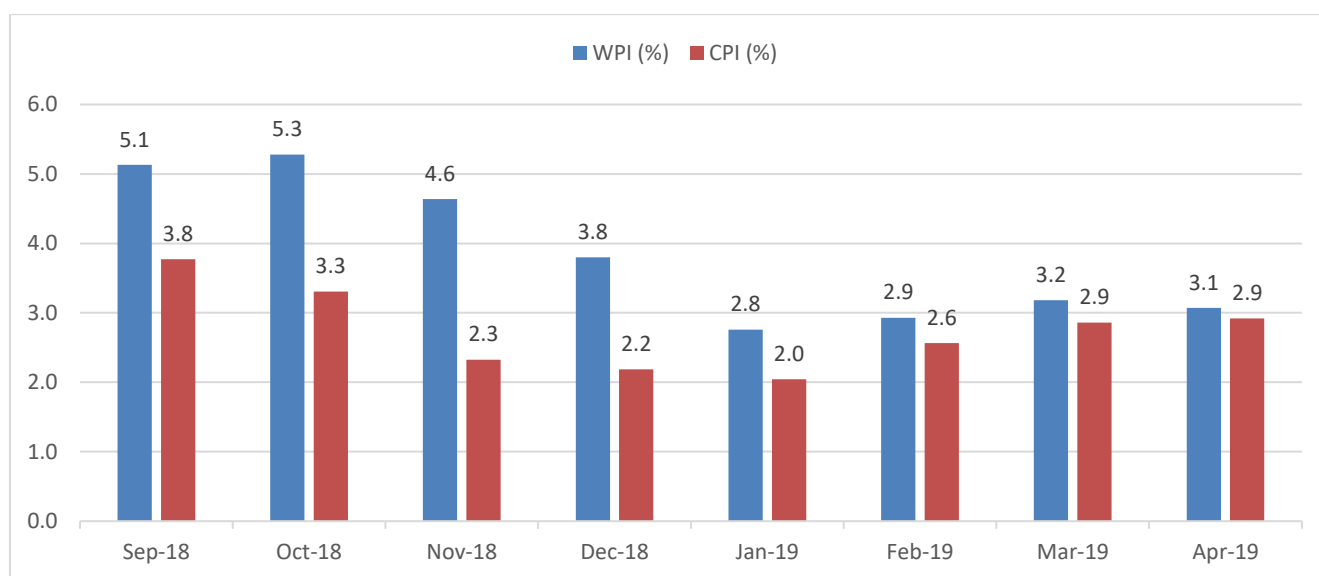
- MPC has also revised the path of CPI inflation to 3.0-3.1% (from 2.9-3.0%) for H1FY20 and 3.4-3.7% (from 3.5-3.8%) for H2FY20, amid uptick in food prices - mainly vegetables. Crude prices have continued to be volatile.
- Retail inflation, measured by y-o-y change in CPI, remained unchanged in April, at its March level of 2.9%, with higher inflation in food and fuel groups being offset by lower inflation in items excluding food and fuel.
- Risks around the baseline inflation trajectory emanate from uncertainties relating to the monsoon, unseasonal spikes in vegetable prices, international fuel prices and their pass-through to domestic prices, geo-political tensions, financial market volatility and the fiscal scenario.



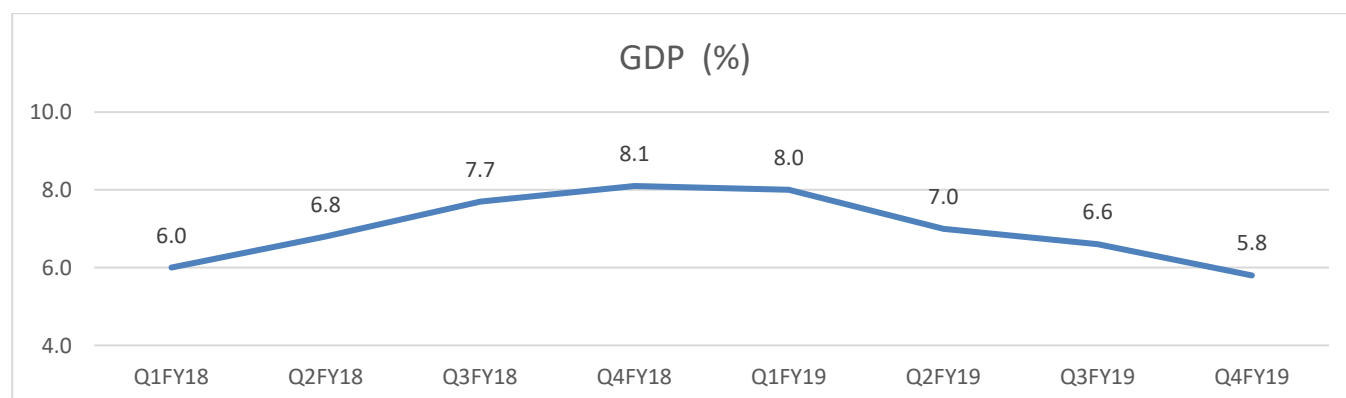
Other major announcements

- In order to mitigate risks of excessive leverage, RBI has set the minimum leverage ratio at 3.5% for all Indian banks and 4% for Domestic Systemically Important Banks (DSIBs). The instructions in this regard shall be issued before end of June 2019.
- The central bank has decided to constitute an Internal Working Group to review comprehensively the existing liquidity management framework and suggest measures, among others, to (i) simplify the current liquidity management framework; and (ii) clearly communicate the objectives, quantitative measures and toolkit of liquidity management by the Reserve Bank. The Group is expected to submit its report by mid-July 2019.
- The central bank has removed charges for payments via NEFT and RTGS and asked banks to pass on the benefits to customers.
- In order to enhance access to banking facilities to the small borrowers and to encourage competition, the central bank has decided to issue the Draft Guidelines for 'on tap' Licensing of Small Finance Banks by the end of August 2019.

CPI inflation has been well below the threshold of 4% for the last seven months in a row



GDP growth hits 5-year low





DALAL & BROACHA
STOCK BROKING PVT. LTD.

RBI Event Note @ 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



DALAL & BROACHA
STOCK BROKING PVT. LTD.

RBI Event Note @ Dalal & Broacha

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 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. Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141439	Midcaps
Mr. Mayank Babla	mayank.babladalal-broacha.com	022 67141412	I.T/Telecom/Media
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Ms. Nidhi Babaria	Nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141432	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