

Second Bi-monthly Monetary Policy Update, 2020-21

August, 2020

Outcome of the Second bi-monthly monetary policy was in line with market expectation. The Monetary Policy Committee (MPC) decided to keep the key policy repo rate unchanged at 4%. The MPC decided to maintain the accommodative monetary policy stance as long as it is necessary to revive growth, while ensuring inflation remained within target.

Key Outcome

- The policy repo rate under the liquidity adjustment facility (LAF) was unchanged at 4.00%
- Consequently, the reverse repo rate under the LAF was also unchanged at 3.35%.

Liquidity Measures:

- National Housing Bank (NHB) to get Rs 5,000 crore to shield the housing sector from liquidity disruption, augment the flow of finance.
- Nabard to get Rs 5,000 crore for refinancing NBFC-MFIs and other smaller NBFCs of asset size of Rs.500 crore and less to support agriculture and allied activities and the rural non-farm sector.

Resolution Framework For Covid-19 Related Stress:

- Stressed MSME borrowers will be eligible for restructuring their debt under the existing framework provided their accounts were standard as of March 1, 2020.
- This restructuring will have to be implemented by March 31, 2021.
- To Provide a window under the June 7 framework to enable lenders to implement a resolution plan in respect of eligible corporate exposure without change of ownership and personal loans.
- To Constitute expert committee under KV Kamath on required financial parameters to be factored into resolution plan.

Other Key Measures:

- Loan to value for loans sanctioned by banks against pledge of gold for non-agri purposes increased to 90% from 75 %
- To put in incentive Framework for Banks in the flow of priority sector credit. Priority sector being given to lending to startups.

GDP & Inflation Outlook:

- The MPC expects headline inflation to remain elevated in Q2FY21
- MPC is of the view that Headline inflation likely to ease in H2FY21, aided by favourable base effect
- Real GDP Growth for full year of FY 2020-21 estimated to be in negative territory.

Conclusion

Outcome of the Second bi-monthly monetary policy announcement of 2020-2021 is a status quo with key announcements. RBI provided additional special liquidity facility of Nabard and the NHB to address some of the liquidity problems for NBFCs, MFIs and Housing sectors. And, to ease some stress on households in the wake up of the coronavirus pandemic, the cap on loans against gold has been enhanced from 75 per cent to 90 per cent of the value. Further, In view of the Covid-19 pandemic and the resultant stress in the system, the central bank also decided to allow lenders to provide a restructuring facility on some loans that were standard as on March 1, 2020. We believe measures announced by the RBI augur well for individual as well as for corporates directly impacted by Covid-19.

ACMIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum calls
Equi-Tea	Smart Delivery trades
Market Watch	Positional technical calls
Investor First	Investment ideas
Preview	Master trades High & Medium Risk
Market Pulse	Techno Funda
RBI Monetary Policy	Equity SIP
Budget Report	Mutual fund model portfolios
Weekly Derivatives Synopsis	Portfolio Doctor
Rollover Snapshot	
Rollover Analysis (Monthly)	
For More Information on Retail Research Products please visit http://www.investmentz.com/research-report/	

Note: This report is only for informative purpose and does not involve any recommendation on any stock mentioned in this report for investment in short term or long term.

Asit C. Mehta INVESTMENT INTERMEDIATES LTD.

Retail Research Desk:

Email: retailresearch@acm.co.in

Research Analyst Registration Number:
INH000002483

CIN: U65990MH1993PLC075388

An ISO 9001:2015
certified company

Follow us on:



Information pertaining to Asit C. Mehta Investment Intermmediates Limited (ACMIL):

ACMIL is a SEBI registered Stock Broker, Merchant Banker, Portfolio Manager and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. It does not have any disciplinary history. Its associate/group companies are Asit C. Mehta Commodity Services Limited, Asit C. Mehta Realty Services Pvt. Ltd, Asit C. Mehta Forex Pvt. Ltd, Nucleus IT Enabled Services , Asit C. Mehta Financial Services Limited (all providing services other than stock broking,merchant banking and portfolio management services.).

Disclosures

ACMIL/its associates and its Research analysts have no financial interest in the companies covered on the report. ACMIL/its associates and Research analysts did not have actual/beneficial ownership of one per cent or more in the companies being covered at the end of month immediately preceding the date of publication of the research report. ACMIL/its associates or Research analysts have no material conflict of interest, have not received any compensation/benefits for any reason (including investment banking/merchant banking or brokerage services) from either the companies concerned/third parties with respect to the companies covered in the past 12 months. ACMIL/its associates and research analysts have neither managed or co-managed any public offering of securities of the companies covered nor engaged in market making activity for the companies being covered. Further, the companies covered neither are/nor were a client during the 12 months preceding the date of the research report. Further, the Research analyst/s covering the companies covered herein have not served as an officer/director or employee of the companies being covered

Disclaimer:

This report is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon such. ACMIL 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 the report. To enhance transparency we have incorporated a Disclosure of Interest Statement in this document. This should however not be treated as endorsement of the views expressed in the report.

You are also requested to refer to the disclaimer (which is deemed to be part and parcel and is applicable to this research report as well): <http://www.investmentz.com/disclaimer>