

April 04, 2019

The RBI has decided to slash the repo rates by 25 bps to 6.00%.

The tone of the MPC was Neutral from calibrated accommodative.

The MPC member kept the GDP forecast constant at above 7% for FY20

Inflation targets lower for March quarter to 2.9%-3.0% in H1FY20 .

The MPC, in its assessment of inflation, said that food prices remain low and fuel inflation has declined further.

First Bi-Monthly Monetary Policy of Fiscal 2020

The MPC (Monetary Policy Committee) of the RBI has decided to reduce the interest rates by 25 bps which reduced the repo rates to 6.00% from earlier 6.25% , the first cut in fiscal 2020. The reverse repo too was slashed by 25 bps to 5.75%. The Statutory liquidity ratio (SLR) was maintained at the same rate of 19.25%. The reduction of the repo rate was on expected lines as market consensus had predicted a rate cut in the new financial year after a rate cut in his maiden policy of the new governor. The tone of the MPC changed from “Calibrated tightening” to “Neutral” stance of monetary policy in consonance and reduced the inflation target for the H2FY19 and H1FY20, while supporting GDP growth target of above 7%.

Maintains GDP Forecast above 7% for FY20.

The MPC member kept the GDP forecast constant at above 7% for FY20 and lowered GDP growth rate to 7.2% from earlier target of 7.4% in FY20. Real GDP growth projected to improve from 7% in FY19 to 7.2% in FY20. The governor feels that multiple factors like fall in crude prices, lower inflation, higher liquidity by way of rise in the MSP prices and increase in the capacity utilization rate will lead to increase in the growth in the economy. The governor urban consumption may get support from election spending, tax exemptions and strong flow of personal loans rural consumption may get support from farm income schemes, loan waivers and thrust on rural infrastructure.

Downtick in Inflation

On inflation, the committee has started to feel the ease on the inflation side stating to be on a benign side and has reduced the inflation target to 2.9 – 3% in H120 and 3.5-3.8% in H2FY20. Inflation remains within the MPC's mandated range of 4 (+/-2) %. The chief reason for steep decline in the inflation is due to fall in crude prices to \$ 70 per barrel from \$85 per barrel. The MPC, in its assessment of inflation, said that food prices remain low and fuel inflation has declined further. In addition, core inflation in March too was lower than expected.

Outlook

RBI for the first time in FY2020 has lowered the repo rate with the change in its stance to Neutral from calibrated accommodative stance followed by softening the inflation targets steeply on account of falling crude prices and stronger rupee. The RBI has also maintained GDP growth rate of above 7% in its current policy and slashing repo rate will definitely boost liquidity into the system. The governor also hinted for adequate liquidity into the system. If crude continues to stay at a current levels of 70\$ / barrel, we feel, we can witness one rate cut in the up-coming bi-monthly policy of the new financial year.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Research Analyst:

- Foram Parekha, Fundamental Analyst – Equity Email: foram.parekh@indiabulls.com

This Report is published by Indiabulls Ventures Limited (hereinafter referred to as "IVL") for private circulation. IVL is a SEBI Registered Research Analyst having registration number: INH100004906. Apart from this, it is also a SEBI Registered Stock Broker, Merchant Banker Category I and a Depository Participant with NSDL and CDSL. Further it is also a member of Association of Mutual Funds of India (AMFI) for distribution of Mutual Funds (AMFI Registration Number ARN-17795). The Company's equity shares are listed on NSE and BSE and its Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange. IVL has other business divisions that are separated from the research division by Chinese walls, and therefore may, at times, have different or contrary views on stocks/scripts and/or markets. IVL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market.

Analyst Certification: We /I, **Foram Parekh, MBA** author(s) hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. We/I, also certify that no part of our/my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. The analyst(s) is/are principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. We/I and/or our/my relative(s) or Indiabulls Ventures Limited or its Associate(s) may or may not have actual / beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report.

Disclosure of Interest Statement for the subject company	(Yes / No)	If Yes, nature of such interest
IVL or its associates or Research analyst(s) or his/her relatives have financial interest in the subject company.	No	
IVL or its associates or Research analyst(s) have any other material conflict of interest.	No	
IVL or its associates or Research analyst(s) have received any compensation from the subject company during the past 12 months.	No	
IVL or its associates or Research analyst(s) have received any compensation or any other benefits from the subject company or third party in connection with the research report.	No	
IVL or its associates or Research analyst(s) have managed or co-managed public offering of securities of the subject company during the past 12 months.	No	
IVL or its associates or Research analyst(s) have received compensation for investment banking or merchant banking or brokerage services from the subject company during the past 12 months.	No	
IVL or its associates or Research analyst(s) have received compensation or other benefits for products or services other than investment banking or merchant banking or brokerage services from the subject company during the past 12 months.	No	
Analyst has served as an officer, director or employee of the subject company.	No	
IVL / Analyst has/have been engaged in market making activity of the subject company.	No	
Subject company is/was a client of IVL or its group companies, during twelve months preceding the date of publication/distribution of the research report.	No	

Disclaimer:

This document has been prepared by Indiabulls Ventures Limited (IVL), for use by the recipient as information only and is not for circulation or public distribution. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security. This document is published in accordance with Regulation 19 of the SEBI (Research Analysts) Regulations, 2014 & IVL research analysts have adhered to the code of conduct under Regulation 24 (2) of the SEBI (Research Analysts) Regulations, 2014. IVL researches, aggregates and faithfully reproduces information available in public domain and other sources, considered to be reliable and makes them available for the recipient through this document. However, IVL make no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability or availability, error, omissions with respect to the information contained in this document. While we would endeavour to update the information herein on a reasonable basis, IVL, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent IVL from doing so.

Recipients should be aware that past performance is not necessarily a guide for future performance & value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities/commodity/commodity contract/ financial instruments. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. The disclosure of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Nothing in this document constitutes investment, legal, accounting and/or tax advice or a representation that any investment or strategy is suitable or appropriate to recipients' specific circumstances. Anything contained in, not contained in, assumed to be implied, warranted, excluded from being warranted or vaguely alluded to shall not be attributed to, blamed upon, or otherwise associated with IVL nor IVL shall be responsible, accountable, discountable, or in presence or absence thereof for any liability arising from the use of this document. IVL, its directors and/or employees doesn't accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

IVL directors/employees and its clients may have holdings in the stocks/commodities/commodity contract/ financial instruments mentioned in the document. This report is based on technical, fundamental and derivative analysis on studying charts of a stock/commodity/commodity contract/ financial instrument's price movement, outstanding positions and trading volume, as opposed to solely focusing on a company's fundamentals that may or may not match with the report prepared by solely focusing on the company's fundamentals.

- (a) IVL and its affiliated companies, their directors and employees (including relatives of Research Analyst) may/may not -from time to time, have a long or short position in, and buy or sell the securities of the subject company (or)
- (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as an advisor or lender/borrower to the subject company or may have any other potential/material conflict of interests with respect to any recommendation and other related information and opinions at the time of publication of research report or at the time of public appearance.

Indiabulls Ventures Limited may have issued research reports/recommendations (such as but not limited to intraday and swing calls)/information in the past, pertaining to the same stock/security/commodities/commodity contract/ financial instruments, that can be inconsistent/contrary with and/or reach a different conclusion from the information presented in this document. Opinions expressed are our current opinions as of the date appearing on this Research and are subject to change without notice. It is possible that due to volatile price fluctuation in the near to medium term, frequency of changes in market conditions and general/company specific economic prospects etc., research recommendations may be inconsistent/contrary with those stated earlier.

Certain transactions including those involving futures, options and/or other derivatives as well as non-investment grade securities/commodities/commodity contract/ financial instruments involve substantial risk and are not suitable for all investors. Such investors must make their own investment decisions, based on their investment objectives, financial positions and their specific needs.

The research report may contain the graph of the daily closing price of the securities/commodities/commodity contract/ financial instruments covered by the Analyst in this report. However, the investor can view the same at www.nseindia.com, www.mcxindia.com, www.ncdex.com, <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart) / <https://economictimes.indiatimes.com/markets/commodities>.

Additional Disclaimer: The research report 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 this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IVL & its associates to registration or licensing requirements within such jurisdictions.

X – X – X – X – X

Indiabulls Ventures Limited : www.indiabulls.com

Corporate Office: Indiabulls Ventures Limited, Indiabulls Finance Center, Tower 1, 8th floor, Senapati Bapat Marg, Elphinstone Road (W), Mumbai – 400013.