

India Inc lauds CRR cut, but rues status quo on key policy rates

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Mumbai, Jan 24: Corporate India was once again left asking for more as the RBI left key lending rates untouched. Companies, however, said the CRR cut will improve liquidity in the system. "The cut in CRR by 0.5% is very timely and will improve liquidity in the banking system," said Seshagiri Rao, joint managing director and Group chief financial officer, JSW Steel. "It is, however, essential to cut policy rates to boost sentiment and revive the investment cycle."

JSW Steel has 51% of its total debt of ₹17,734 crore in foreign currency denominated loans after loans became costlier in India during the rate hike cycle. The telecom sector is another sector, which has borrowed heavily from banks to boost their network infrastructure. "Due to high interest rates domestically, we are trying to repay our domestic debts as soon as we can," said Akshaya Moondra, CFO, Idea Cellular. Half of Idea's borrowings are now from overseas, even as its interest and finance costs rose more than four fold since December 2010 quarter from ₹57.2 crore to ₹252.7 crore in December 2011 quarter.

Many viewed the CRR cut as a signal to a future lending rate cut. "This is the first step towards a reduction in interest rates," said RPG Enterprises chairman Harsh Goenka.

"The announcement to reduce CRR is a welcome move and gives further signal that once conditions become

favourable, RBI will begin to reduce these policy rates," said Harsh Pati Singhania, managing director, JK Paper.

Steel-to-shipping conglomerate Essar Group's chief financial officer V Ashok said that he hopes the CRR cut would translate into interest rate cut in the near future.

Companies in the real estate sector viewed the CRR cut as a step in the right direction.



"The move will release substantial amount into the banking system and hopefully give the necessary fillip to the low sentiment prevailing for last few quarters," said Bharat Modv, chief financial officer, Hubtown. "However, the real benefits would be seen when there will be a substantial cut in the bank rates. We expect some rate cuts in the next credit policy," he added. Some disagree, saying that interest rate cut should have been the priority. "We don't foresee any immediate impact on the interest rate, which is disappointing as real estate is top-notch priority for the common man," said Manoj Paliwal, CFO, Omkar Realtors & Developers.