

**SOME INDUSTRY** captains make the point that true success of RBI move will depend on banks' willingness to reduce lending rates for clients

# It is the Right Medicine Just in Time, Says India Inc

## Our Bureau

**Mumbai:** Captains of Indian industry expect RBI chairman Raghuram Rajan's decision to cut the policy rate to a four-year low to provide an impetus to economic growth, attract investments, ease the debt burden of power and road developers and help boost demand for capital goods.

"Bravo Raghu! The right medicine just in time," Mahindra & Mahindra chairman Anand Mahindra tweeted soon after the policy announcement. "A 50 basis points cut is the right signal to markets and consumers and should boost consumption."

Debt-laden companies said this would lead to big savings in interest payments for them.

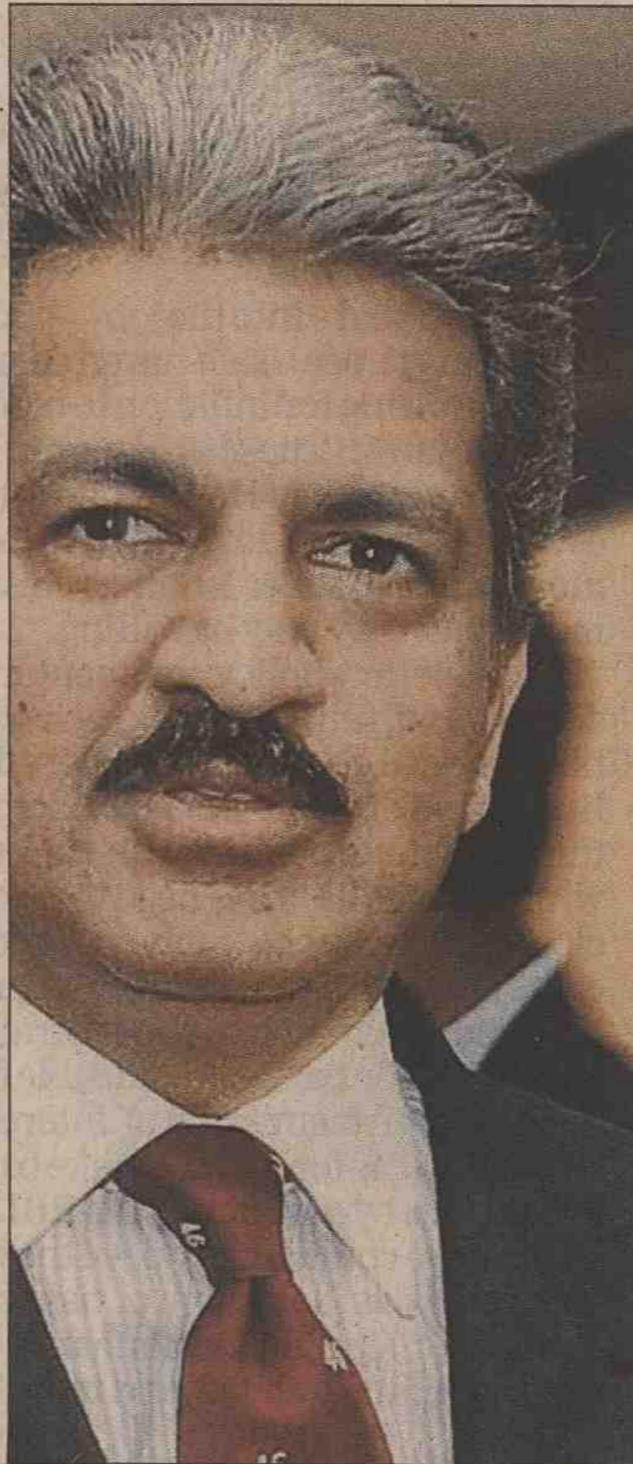
Factory utilisation of many companies has been around 70% with lower consumer demand and heavy interest cost hitting revenue and profit.

Executives said they expect commercial banks to reduce their lending rates and save interest costs for borrowers, primarily the companies which build power plants, roads and airports. Lower rates could push consumers to buy houses, consumer goods and travel, helping revive economic growth.

"Banks need to lower their cost of deposits and standing in the way are rates on public small savings schemes," Mahindra said. "This is a tricky issue for the government."

Steel to cement maker JSW Group, which is aggressively building a portfolio of power plants, said the decision will boost both markets and the economy. Steel companies have been stressed with lower demand and cheap imports.

"The logical extension would be for banks to pass on the rate cuts so as to supplement investments,"



FILE PHOTO

**ANAND MAHINDRA**  
Chairman, M&M

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said JSW Group chairman Sajjan Jindal. "With reverse repo (the rate at which the central bank borrows from commercial banks) down to 5.75%, banks should now be motivated to lend rather than

sit on their money."

But analysts said the economic slowdown in China and a possible depreciation of the rupee could still hit metal makers and miners.

"Right now the global demand situation is weak and China is unpredictable. And, if the rupee depreciates further after the rate cut, companies with high foreign currency debt will suffer," said Goutam Chakraborty, metals analyst at brokerage Emkay Global. Metal companies like Vedanta, Hindalco Industries and Tata Steel have significant foreign currency debt.

Executives said the true success of the cut will depend on banks' willingness to reduce lending rates.

With an uncertain global economic outlook, industry was in need of a domestic push, Jindal said. "Still, more is needed and banks should ensure that they pass on the exact reduction down to the consumers."

Madhu Terdal, chief financial officer at GMR Group, which has interests in power to airports and roads, said his company has a total debt of ₹42,000 crore and "a half-percentage (point) rate cut will straightaway benefit our annual bottom line by ₹210 crore".

Some commercial banks have already started cutting rates. India's largest bank by assets, State Bank of India (SBI), announced that it will cut rates by 0.4 percentage points. GMR owes SBI ₹2,000 crore.

"The corporate sector will be encouraged to make strategic investments and this will positively impact demand across industries," said Tulsi Tanti, chairman Suzlon Group, India's largest windmill maker.

Heavy debt and lower demand had pushed Tanti to sell some of its overseas assets and hawk a sizable stake to Sun Pharma owner Dilip Shanghvi.