RBI announces steep cut in repo and reverse repo rates by 75 and 90 basis points

Here are some reactions from the Industry

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CITY AIR NEWS
DEDICATED TO LATE SHRI H.R. DHIMAN (JOURNALIST) STRAIGHT FORWARD

"The struggling real estate sector and the home buyers trapped in COVID - 19 worries, have been relieved a bit with the RBI's measures. While the repo, reverse repo and CRR cuts would been relieved a bit with the RBI's measures. While the repo, reverse repo and CRR cuts would increase lending powers of the banks to the businesses, a suggested moratorium of home loan instalments and interests thereon, which the banks should implement with immediate effect, will ease people from financial burdens. It will support our business continuity plans, as well, because more liquidity will help the homebuyers schedule their buying plans in the short run.

In this volatile environment, the real estate has been and will further be proved as the most secure investment. The rental yield in the residential asset class will be between 2-5% basis the size and location of the apartment and coupled with about 5-7% of internal rate of return on capital appreciation over five years horizon. This will make the real estate investment a safe heaven for investors with a total yield of 7 to 10% as returns. It will pave ways for positive arbitrage - investing in the residential real estate category, which has been almost non - existent for the last decade or so."

Anuj Khetan, Director, Vijay Khetan Group

"This is a very significant move with substantial monetary policy intervention at a time when COVID -19 has impacted the economy at large. This is in conjunction with economic package announced by the finance minister yesterday for the poor. In addition to other benefits, the package is expected to benefit 3.5 crore registered construction workers. This is also a perfect orchestration of the joint efforts by the Central government, State governments and the Central Bank to deal with this global health crisis.
In these unprecedented times, the 75 bps rate cut (bringing down current the repo rate to 4.4%) combined with a reduction of 90 bps in reverse repo rate and other measures to infuse liquidity into the system is a welcome move. The repo rate reduction has even breached the 2009 level mark when the economy was hit by the global financial crisis and the policy rate fell to 4.75 per cent. This is to ensure revival of growth, mitigate impact of covid19 while containing inflation. The reduction in reverse repo rate will encourage banks to resort to enhanced lending to productive sectors of the economy at a time when growth of credit is slowing down. It shows the central bank's willingness to use all the instruments at their disposal to mitigate the impact of a global pandemic on the functioning and the stability of the Indian economy and the financial sector. The injected liquidity of 3.74 lakh crores along with the 3-month moratorium on all term loans by financial institutions will alleviate short-term liquidity concerns and help developers as well as home buyers survive in these uncertain times.

It is a big relief for developers and homebuyers to help them mitigate the challenges faced by

them currently. It is pertinent to note that total outstanding loans of real estate developers from Commercial banks, NBFC s and HFCs is estimated to be around INR 4.5 lakh crore as of March 2020. At the same time, this moratorium will definitely benefit homebuyers as these financial institutions have lent an estimated INR 20 lakh core as of March 2020.
It is important for immediate transmission of these rate cuts to the home buyer which will boost consumer sentiment. The state governments should also take necessary steps to utilise the cumulative INR 31,000 crore funds for the welfare of building & construction labourers to help those who are severely impacted by the economic disruption on the back of the lockdown."

Ramesh Nair is the CEO & Country Head of JLL India

"It will hugely benefit not only the banking system but also the Indian economy. The reduction in the Repo rate by 75 basis points to 4.4% and Reverse repo by 90 basis points to 4% will reduce the cost of credit. The reduction in CRR by 100 basis points to 3% for 1 year to release 1.37 lakh crores will address the liquidity.
Three months moratorium on payment of installments of Term Loan outstanding, deferring of Interest on Working Capital facilities by 3 months and not considering such deferment for NPA will benefit all particularly the MSME. RBI may clarify that deferment of interest on Working Capital covers pre-shipment exports credit also.
RBI acknowledges that the world economy is standstill and many countries will soon be in recession and therefore should bring a separate relief package for exporters providing them relief from interest and penalties on overdue export bills, forward booking of foreign currency etc. All pre and post shipment finance to exporter to have extended due date by 90 days on auto route.
Bank should not charge interest on month end basis. Interest to be charged after 30 June, 2020 on all types of loans. No interest to be debited from today till 30 June on any of exim loans."

Sharad Kumar Saraf, President, FIEO

"The RBI's much - needed liquidity infusion of Rs 3.74 Lakh crore into the economy comes as a big relief for the country, its markets and the people who are battling a COVID - 19 war in already prevailing recessionary conditions. The repo, reverse repo rate and CRR cuts would extend more lending powers to the banks. It's an attempt to ensure financial stability and confidence that the financial markets needed. A moratorium of three months on repayment of loans and interest thereon, with a further assurance of not classifying such assets for downgrading, will give relief to the homebuyers and businesses. It will ease them from financial burdens and help them plan financial priorities better in this challenging time. The RBI has also assured that the banking system was sound and there was no need to be panicky about it. But, all this has highlighted a fact that the real estate is a safe asset - class, as it is a physical one. This is evident when cash flows and liquidity have impacted all other asset classes severely."

Rajan Bendelkar, President, Western Region, Naredco and Director of Raunak Group

"The steep cut in the repo & reverse repo rates by 75 and 90 basis points is in-line with announcements made by Central Banks across the world, to mitigate the impact of the Coronavirus. The 3 month moratorium for borrowers is a huge relief for individuals. At a time when there is a looming concern of the economy slipping into a recession, the announcements by the finance minister, yesterday and the RBI today depicts the responsiveness of our financial institutions. The relatively higher reduction in the reverse repo and the CRR is bound to push banks to look at increased lending, thereby ensuring attractive lending rates. We believe that with the Repo now, at 4.40% the banks will finally be passing the benefits of the believe that with the Repo now, at 4.40% the banks will finally be passing the benefits of the current & previous rate cuts to the customers. This will reduce the borrowing cost for the home-seeker significantly and have a positive impact on Real Estate. The commitment by the RBI Governor to tackle the evolving situation by making use of the many arsenals at it's disposal is very reassuring."

Kaushal Agarwal, Chairman Director, The Guardians Real Estate Advisory

“We welcome the RBI’s move to cut the repo rates and take steps to provide more liquidity in the system. This will go a long way in reducing the massive pain being felt in all parts of the economy and especially in the rate sensitive real estate sector. By reducing repo rates by 75 basis points, reducing reverse repo by 90 bps, infusing funds to the tune of 3.74 lakh crore in the banking system via various measures and by announcing a moratorium of 3-months on all term loans including home loans the RBI has shown its decisive intent to mitigate what could have been a severe economic fallout of the corona virus pandemic.”
Dhruv Agarwala, Group CEO, Housing.com, Makaan.com and Proptiger.com

“RBI’s fresh announcements will further provide relief to several Indians who have been forced to sit home in the wake of the novel coronavirus outbreak, but first all the banks need to make sure that there is a quick transmission of the announced rate cuts to the end consumer, else the whole effort will be futile.

We also wholeheartedly welcome the 3 month moratorium on EMIs and this should be applicable right away to bring relief to millions of homebuyers across the nation.

We feel that RBI and the Government should proactively make sure that these benefits reach the end consumer, especially now that there is a 100 basis points cut in the cash reserve ratio to ensure sufficient liquidity in the system.”

Amit Modi, Director ABA Corp and President (Elect), CREDAI Western UP

“RBI has played its part and it is now upto commercial banks to pass on the benefits to the end users as well as corporates. The transmission track record of banks is not great and thus, it would be interesting to see how the apex bank nudges the bank to follow suit.”

Pradeep Aggarwal, Founder & Chairman, Signature Global and Chairman, National Council on Affordable Housing, ASSOCHAM

“With of repo by 75 bps to 4.4% and reverse repo by 90 bps to 4% along with liquidity infusion to the tune of Rs 3.74 lakh crore, the home loan rates to should fall by 90-110 basis point. For the sake of Indian economy, RBI must ensure proper transmission.”

Manoj Gaur, MD, Gaurs Group and Chairman, Affordable Housing Committee, CREDAI (National)

“All of it looks good and we welcome the steps taken by the RBI Governor. The rate cuts announced are sweeping and in fact historical. RBI has been doing its bit every now and then, which we have seen last year also when it brought down the repo rate five times, but benefits hardly get passed on to the buyers. Banks have to understand the role real estate plays in the overall development of economy through employment generation along with its allied sectors. We hope that the situation will change and the sector will get its due.”

Sagar Saxena, Project Head, Spectrum Metro

“Last time such massive cut in policy rates and liquidity infusion was announced during the financial crisis of 2008. This indicates the kind of disruption that Covid has brought. In this context, all measure that RBI has announced was warranted and we welcome the RBI move. From reduction of rates to infusion of liquidity to moratorium on loans, will help both individuals & organization to the cope up with current situation.”

Ashish Bhutani, CEO, Bhutani Infra

“After cutting policy rates five times in the past one year, the RBI had been on a pause since December in view of high inflation. Banks should consider real estate as the priority sector as this sector along with its allied sectors/industries contributes handsomely to the GDP.

Homebuyers should also get relief from the banks in the form of reduced EMIs which will bring in a situation prevalent in 2003-04 when rates were around 7 per cent. If buyers will get such a rate then the real estate sector might see another boom, which will be good for the overall health of the economy."
Vikas Garg, Deputy Managing Director, MRG World

"If benefits are passed on to the home loan seekers we expect the market to take the pre-2007 trajectory. EMI burden has been making many people to defer buying homes and wait for the favorable conditions. After the current announcement by RBI, if banks bring down the EMIs then we expect a new windfall of buyers. The reduced EMIs will surely make the buyers to instantly look for the available options for their homes. We are expecting an increased number of inquiries in a few days and a good conversion rate."
Amit Raheja, CMD, Wealth Clinic

"While the RBI's move involving cut in repo, reverse repo, CRR and SLR and thereby the infusion of abundant liquidity are need of the hour, its now time for banks to rise to the occasion and pass on the benefits at the earliest before the negative triggers come into play.

The moratorium on all loans and deferment of interest on all loans including working capital, home and car loan EMIs are appreciable moves, we expect far reaching benefits for all sectors in the times to come as RBI continues to monitor the situation closely."
Mohit Goel, CEO, Omaxe Ltd.

"The massive rate cut is a big relief for entire economy amid lockdown due to Covid -19 in the country. The Apex bank's move is meant to boost consumer sentiments once commercial banks transmit the benefits to actual consumers. This includes home seekers as well as developers. When home loan interest rates are lower for buyers, they are encouraged further to invest in a home. Apart from this, a moratorium of three months on all outstanding loans including home loans is a major step in order to lighten the burden for all EMI payers to overcome in ongoing circumstances."
Deepak Kapoor, Director, Gulshan Homz

"After the announcement made by the RBI Governor, it is up to the individual banks to pass on the benefit. It should not happen like earlier repo rate cut announcement where nothing was given to the home loan seekers. If we want to see the growth of real estate sector, which contributes significantly towards the GDP, then EMIs have to be reduced and latest announcement has definitely given that opportunity to individual banks. Another important aspect is the increase in liquidity as reverse repo rate has been cut by 90 basis points. Banks should use part of this money to infuse money in real estate sector and consider it as RBI

Governor has stressed upon the need to keep the credit flowing to the stressed areas of the economy.”
Vijay Verma, CEO, Sunworld Group

“Reduction in repo rate, reverse repo and CRR along with other measures of infusing liquidity in the system was extremely important and RBI has pressed the right button. Equally important is the moratorium of 3-month, which RBI has provided on all term loans including home loans. This will help individuals immensely.”
Parveen Aggarwal, Founder & Chairman, Signature Sattva

“The decision by RBI to slash the repo rate by 75 basis points will surely revive demand in Real Estate & contain the downside of risk of COVID-19 induced economic slowdown to a great extent. Many home buyers who could not buy during the current lockdown are expected to return, once the crisis will abate. In such times, increased liquidity will help further pushing ahead the demand.”
Ankit Kansal, Founder & Managing Director 360 Realtors

“Amidst the coronavirus outbreak, the government as well as various authorities are doing their bit. In this quest, to jumpstart the economy, RBI’s decision to reduce repo rate cut by 75 basis point, the biggest repo rate cut till date, is a commendable move. With this the home loan rates will fall tremendously that will help to keep the realty sector afloat at this time of crisis. With such lucrative rates, we can expect a significant rise in number of new buyers.

The RBI also announce a 3 month deferment to the repayment of term loans. This announcement by RBI will further provide relief to several Individuals and corporates who have been forced to sit home in the wake of the novel coronavirus outbreak.”
Prateek Mittal, Executive Director, Sushma Group

"Steps taken by the RBI are in line with fighting the burden of debt brought by the current situation. Banks all over the world are doing their bit to infuse liquidity to maintain the healthy flow of the market. Now it is up to the individual banks to take an immediate call and act in order to ensure that economy does not face trouble. Speaking of real estate I would say that the benefits should be passed on to the buyers and help real estate sector with liquidity infusion by putting it in priority sector category."

Akshay Taneja, MD, TDI Infratech Ltd.

“The 3-month EMI moratorium move from RBI is a welcome move, for those customers, whose short term cash flows are adversely affected by the Coronavirus pandemic. This basically means that the customers may be allowed to defer their immediate EMI payments, but come June, they will have to resume the payments. It is not a waiver, but only a shift in payment schedules.

Also, like most other things, this moratorium doesn’t come free for consumers as well. Interest gets accrued during this period, and customers would need to pay this accrued interest along with their resumed payments from June onwards. That’s a small price to pay for getting this immediate relief.

For Banks and NBFCs, there’s a lot of work involved in implementing this, starting with alignment of repayment schedules, accounting changes, provisioning schedule changes, reporting changes and all of that finally going through a Board approval before implementing this policy on an urgent basis.

Customers who have the ability to pay (such as salaried professionals whose incomes are still intact) should compare their original cash flows with the revised repayment schedules and accrued interest payments, and then take a call on what makes the most sense for them.

All in all, while there is a deferment in EMIs for now, from June onwards, customers do need to be cognisant of their repayments and credit scores. At MoneyTap, we will closely work with our borrowers and capital supply partners to work out the best policy and processes. These are uncertain and extreme circumstances, but we’re taking a long term view and will work towards helping all stakeholders, particularly our borrowers.”

Kunal Varma, Chief Business Officer, CO- founder, MoneyTap

"The government's decision to provide a 3-month moratorium to financial institutions will provide some degree of relief to both retail borrowers and lenders. While the focus and priority of everyone remain steadfast towards the current situation, keeping a close eye on the financial sector, effectively reduces the impact in the coming months. The government is trying to navigate these times by trying to keep a balance and recognizing the challenges of the financial services space."

Varun Sridhar, Lead, realme PaySa

As the country grapples with COVID the RBI announcement is indeed a welcome move. This is

no doubt a decisive, well thought through and timely step that will provide much needed relief and stability to the lives of individuals.
Ashwin Chawwla, Founder & CEO, Escrowffrr

“Comprehensive set of measures announced by the RBI Governor, Shaktikanta Das, will boost liquidity in the system & help borrowers tide over temporary cashflow mismatch. Transmission of rate cut is imperative as is lending by banks during these challenging times.”
Subhrakant Panda, CEO and Managing Director, Indian Metals and Ferro Alloys

“We support government’s decision in the interest of public health and as responsible citizens, it is our duty to suppress the spread of the virus. Jewellery, as an industry is grappling with zero cash flows due to the this closure. At Tanishq, we are ensuring that all support and help is provided to thousands of Karigars (artisans), our store team, our business partners, vendors and support staff. At the same time, we are concerned for Karigars who are outside our ecosystem, who may not have access to the same level of support and are dependent on daily work. We will explore within industry, other Jewellers to how all such karigars could also be helped in these challenging times.”
Ajoy Chawla, CEO Jewellery Division, Titan Company Limited

“We are happy to see many of SIAM suggestions, like 3-month moratorium on loan repayments, repo rate reduction, have been announced by the RBI to infuse liquidity amid these unprecedented times. These measures will certainly provide relief to people & businesses. We hope banks will pass on the repo rate reduction in the form of interest rate reduction to businesses and consumers.”

Rajan Wadhera, President, SIAM

“The moves announced by RBI today are decisive and a comprehensive package to ensure stability of financial markets making borrowing costs as low as possible with businesses around the country are closed and the economy is showing recessionary trends. The steps to ease working capital pain, reduced liquidity costs and providing moratorium on term loans will alleviate stress across various sectors. Reduction in the REPO rate and reverse REPO rate will also help in improving the liquidity in current stressed market.
The bold steps announced by the RBI today and yesterday’s package by the Government for the marginal sections of the society clearly gives us confidence that we will weather this difficult period and return to normal once the disruptions from the COVID19 abate.”
Gautam Hari Singhania, CMD, Raymond Ltd

“The RBI policy has done everything in its power to help the Indian economy fight the slowdown, emanating from the Covid-19 crisis. The Central bank has effectively cut rates in the system by over 100 basis points, if one were to consider the combined benefit of the repo cut, sharp reverse repo cut, easing of CRR requirement, reduced need of daily CRR balance and MSF facility. This potent combination will result in immediate monetary transmission of these measures. While new demand for credit will likely remain tepid, this offers a large sentiment boost, at the very least. Existing borrowers certainly get a big relief in the form of moratorium in term loans and their working capital payments. The Central bank also announced LTROs and banks are to use the proceeds, to participate in the corporate bond market, thus helping ease liquidity and lowering yields. All-in-all, the liquidity injected in the system would be to the tune of $50bn. Among other steps, banks are now being allowed to participate in NDF market, a long-standing demand, that will help tide over the currency volatility somewhat. The most important statement in the policy speech, was the assurance that the RBI will remain vigilant and do whatever is necessary, in future as well, to revive growth. Full marks to the RBI Governor for these commendable and decisive steps. While the stock market erased its gains post the policy announcement, I would imagine that expectations were already built-in, over the past 3 days; and I would view the slide as profit booking and not a negative reaction to the measures announced.”

Amar Ambani, Senior President and Head of Research, YES Securities

“The bold steps initiated by the Monetary Policy Committee should help financial markets tide over the current situation. The 100 bps Cash Reserve Ratio (CRR) cut along with the 75bps repo rate cut and additional liquidity under marginal standing facility (MSF), will free up precious term liquidity to augment the government’s fiscal efforts. The 3 year targeted long term repo operations (TLTRO) will decongest credit channels and lower the cost of credit, providing much needed relief to corporates. The moratorium on loan EMIs, term loans and working capital facilities, is expected to provide relief to retail and corporate customers during these uncertain and challenging times.”

Zarin Daruwala, CEO, India, Standard Chartered Bank

"The RBI has gone all out to fight the economic fallout of Covid-19. Although the rate cut is big, we believe the economy will benefit more from the liquidity and regulatory actions. The RBI has pumped liquidity into the system through targeted long term operations and CRR cut. They have also taken a series of measures to nudge banks to lend to the productive sectors of the economy. Moreover, regulatory measures such as relaxing debt servicing burden and working capital financing till June 2020 are likely to help business during this crisis.
RBI has shown clear intent to support businesses and use a variety of instruments to support growth. These moves provide the right tailwind for the economy once the lockdown is complete

and will boost sentiments which is a big positive. We expect sharp reduction in economic

activity at least in Q1FY21. Consequently, full year GDP growth for FY21 could also be significantly lower. The market will however still expect newer triggers to boost the sentiment further.

All these measures we believe are positive for the markets. It is also encouraging to hear the governor state that they are constantly monitoring the situation and will take further appropriate actions if needed"

Vijay Chandok, MD & CEO, ICICI Securities

"The rate cut of 75bps is in line with our expectations and will aid to bring down the cost of borrowing. The CRR cut of 100bps will help in infusing the desired liquidity requirement in the system. The three months moratorium announcement will reduce the repayment pressure on the borrower and give him buffer time to understand his income status and react to his repayment of the loan accordingly.

All in all, it is a very welcoming policy. The government have announced corrective measures to combat with current pandemic situation which would thereby help in bringing financial stability into the system."

Umesh Revankar, MD and CEO, Shriram Transport Finance

"RBI today first announced a surprise Press Conference at 10 AM and then unveiled a slew of measures that aim to provide monetary relief, supporting the fiscal bazooka announced by the Centre over the last few days. To put it in perspective, market participants have been looking askance at the silence of the regulator when other major central banks had announced "whatever it takes' types of measures. The timing is important as often mentioned by the Governor and today's timing could be considered most appropriate.

Possibly for the first time in the history of the Central Bank have we seen such a wide ranging and stellar economy-supporting measures and these will certainly have a salutary effect in addressing the macroeconomic risks from the pandemic COVID-19.

A cut in the Repo Rate by 75 basis points to 4.40% (previous low was the 2004 4.50%), widening of the corridor and therefore the Reverse Repo rate now is fixed at 4%, 40 basis instead of 25 basis so far below the Repo Rate). CRR cut by 100 basis points and at 3%, this is at the lowest in about 60 years. The CRR cut alone is expected to release 1.37 trillion rupees into the system immediately. This will also increase profitability of banks. In addition, the RBI has this time announced a targeted LTRO where the funds raised under the scheme will be allowed to have an end-use of buying corporate bonds and Commercial Papers. And these can be held under HTM category. This will provide the much needed shot-in-the-arm for the non-slr market in terms of liquidity support. MSF, an emergency funding tool, is now increase to 3% of NDTL. The combined liquidity effect of the changes to LTRO, CRR Cut and MSF will bring in 3.75 trillion rupees into the system.

In addition to above, a three-month moratorium of loan repayments (both term loan and working capital) and postponement of implementation of capital conservation buffer by one 6

months would help banks from the capital perspective. One thought it would have been equally helpful if the Provision Coverage Ratio was also lowered to say 60/55% so that it would release some capital from locked in provisions.
Overall, the policy measures were expected on similar lines and would go a long way in helping the economy in a big way if the pernicious effects of the virus are contained."

R.K.Gurumurthy, Head – Treasury, Lakshmi Vilas Bank

"Liquidity booster, rate cut and moratorium is complete package for the time being. Government needs to take measures to revive demand as soon as lockdown is lifted RBI does whatever it takes to make banks, markets Covid-19 resistant."
Nirmal Jain, Chairman, IIFL Group

"With COVID-19 crisis which is impacting the Indian and global economy at large, it has become utmost important to monetize the deficit and ensure cash flow and liquidity in the market. A 75 bps rate cut (bringing down current the repo rate to 4.4%) combined with a reduction of 90 bps in reverse repo rate along with other measures to infuse liquidity into the system are significant moves taken by the governor to ease liquidity.
Government of India is taking critical moves under consideration to address this global pandemic by announcing several comprehensive packages. These measures will bring liquidity and relief to the cash flow of organizations giving them financial relief. as part of the overall initiative along with the 3-month moratorium on all term loans by financial institutions will alleviate the concerns of small and medium organizations and individuals alike.
These bold moves, along with zero collateral loans, will encourage banks to lend, giving succour to organisations helping mitigate the financial distress facing them."
Avinash Bagdi, Head Of Finance, Covestro

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