NEWS IN NUMBERS

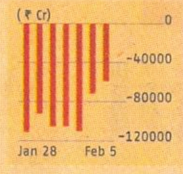
Rupee

Rupee ends stronger due to custodian inflows

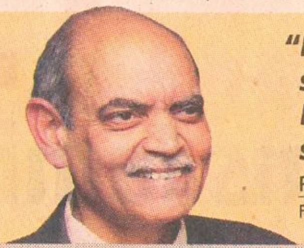
G-sec

Yields ease slightly amid value buying by traders

LAF



Borrowings drop, as most banks already meet a large portion of their fortnightly reserve requirements



"NPAs are sooner w better it serious c

RAJIV TAKRU

Financial Servic

IN BRIEF

BoM cuts lending rate by 0.25%

State-owned Bank of Maharashtra on Tuesday slashed its benchmark lending rate by 0.25 per cent to 10.25 per cent, making loans cheaper for borrowers. The minimum lending rate is reduced from 10.50 per cent to 10.25 per cent with effect from February 9. Foreign lender Citi also reduced its base rate by 0.25 per cent to 9.50 per cent, effective January 10. PTI

Vijaya Bank lowers base rate

Vijaya Bank has reduced its base rate by 25 basis points to 10.20 per cent from 10.45 per cent earlier. The revised rates will be effective February 5, the bank said. BS REPORTER

ICICI Bank & Aircel's Mobile Money

ICICI Bank and Aircel have announced the launch of a mobile banking service, Mobile Money. It is designed for the unbanked population and to enable customers of these two organisations to transfer money securely and instantly through their mobile phones without getting connected to data services. ICICI Bank had earlier launched Mobile Money with Vodafone and Tata Docomo. BS REPORTER

Three-day AIBEA meet from Feb 9

The 27th National Conference of All India Bank Employees Association, representing a million workmen, will be held in Kochi for four days from February 9. Over 3,000 delegates from all over the country, including 100 from abroad, are expected to participate. PTI

Govt likely to borrow more

Market sees gross borrowing at ₹6,00,000 cr in FY14; may put pressure on bond yields

NEELASRI BARMAN
Mumbai, 5 February

With the country likely to go for the general elections in early 2014, market participants expect the government to borrow more in 2013-14, compared with the current financial year. As a result, sovereign bond yields might rise in the first half of the next financial year (April-September), and the pressure on yields can only be countered if the central bank decides to lower the key policy rate.

The gross government borrowing for the current financial year was ₹5.7 lakh crore, and many experts expect it to be about ₹6 lakh crore for FY14. The figures will be announced in the Union Budget on February 28.

"I am expecting the gross market borrowing in FY14 to be in the vicinity of ₹6 lakh crore. Due to this, in the April-September period, government bond yields will underperform at the shorter-end of the rate curve," said Suyash Choudhary, head-fixed income, IDFC Mutual Fund.

According to Choudhary, a positive trigger will be further repo rate cuts. But countering that will be the initial supply pressure by way of government bond auctions in the range of ₹15,000-16,000 crore a week.

The yield on the 10-year benchmark bond 8.15 per cent 2022 ended at 7.92 per cent on Tuesday, compared with the previous close of 7.94 per cent. It is expected that by March the yield will fall further. "We will not have the supply of government bonds after February 22 to March-end due to which the yield should be about 7.75-7.80 per cent sometime in March," said Dwijendra Srivastava, head of fixed income, Sundaram Mutual Fund.

Sovereign bond yields may rise in the first half of the next financial year and the pressure on yields can only be countered if the central bank decides to lower key policy rate

However, the fall in yields is seen as a temporary phenomena due to demand-supply mismatch of government bonds in FY14.

"Demand supply mismatch may remain, which may be addressed by open market operation purchase of government bonds. This may further open up foreign institutional investors' limit or allow more players in the government securities market," said Srivastava. According to Srivastava, expectation of a higher gross domestic product (GDP) growth next financial year and in order to keep the fiscal deficit lower, in gross terms the government's market borrowing will be slightly higher.

RBI has recently cut the FY13 GDP growth projection to 5.5 per cent. In July 2012, it had projected a growth of 6.5 per cent, but lowered it to 5.8 per cent three months later, as investment demand slowed, consumption spending moderated and export performance eroded. For the current financial year, the government is confident of keeping the fiscal deficit at 5.3 per cent of GDP.

But, few also expect the gross market borrowing, to be announced in the Union Budget, to be lesser than that of this financial year. "Due to expectation of the government to keep the fiscal deficit at 4.8 per cent of GDP next financial year, the government's borrowing is likely to come down. However, the sustainability of fiscal deficit at 4.8 per cent needs to be seen over a period of time. The gross market borrowing may be ₹5.5 lakh crore," said S Srinivasaraghavan, executive vice-president and head-treasury, Dhanlaxmi Bank.

BORROWING BROCHURE

Expected borrowing by the government in 2013-14

Organisation	Expert	Gross market (₹lakh cr)
DSP BlackRock Mutual Fund	Dhawal Dalal	6.0
IDFC Mutual Fund	Suyash Choudhary	6.0
Quantum Mutual Fund	Arvind Chari	6.0
Sundaram Mutual Fund	Dwijendra Srivastava	5.9
Kotak Mahindra Bank	Mohan Shenoi	5.7
Dhanlaxmi Bank	S Srinivasaraghavan	5.5

Source: Industry

NBFCs der recovery p benefits lik

KRISHNA POPHALE
Mumbai, 5 February

Non-banking financial companies (NBFCs) have demanded income tax benefit on provisioning, like banks. In a representation to the finance ministry recently, the

RUN-UP TO THE BUDGET 2013-14

Finance Industry Development Council (FIDC), an umbrella body of NBFCs, demanded that NBFCs be covered under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities (Sarfaesi) Act to be able to recover their loans like banks.

The NBFC representatives met Finance Minister P Chidambaram during the pre-Budget meetings.

Sarfaesi Act is a stringent recovery law that allows banks to take over assets of the defaulters and auction them, without any kind of court intervention.

In its draft norms for NBFCs released last month, the Reserve Bank of India (RBI) had asked NBFCs to classify loans as non-performing assets if borrowers