

# Will RBI further cut CRR and repo rate in the coming fiscal?

*The Reserve Bank of India recently announced the cut in cash reserve ratio and repo rate by 25 basis points*



FILE PHOTO

**NILESH SHAH**  
Deputy CEO, Axis Capital

The way the RBI has anchored inflationary expectations over the past two years, it will lead to softening inflation. The government will likely succeed in containing the fiscal deficit through amortisation of assets like PSU divestment and the spectrum sale in March. The other worry is the huge current account deficit. To control it, gold imports have to slow down and the trade deficit with China has to reduce. If both the twin deficits are contained then we could see the effects of currency appreciation and revival of investment. That said, we believe growth will receive an impetus over FY14 from supportive fiscal and monetary policy. GDP growth should certainly be better than FY13. So we could expect a repo rate cut by 50-75 bps in the current quarter and over FY14.



**ANEESH SRIVASTAVA**  
CIO, IDBI Federal Life Insurance

Further rate cuts depend upon the intent and ability of the government to control the fiscal deficit. The targeted 5.3% for this year being achieved depends on the quantum of subsidy burden and the targeted PSU disinvestment being attained. With the sale of NTPC for ₹12,000 crore and the sale of spectrum bandwidth, it looks more likely to be achieved. But if you have a huge current account deficit you need to net huge capital flows to support it. When interest rates are low you will not attract capital inflows. So that, too, has to moderate. On the inflation front, wholesale price index-based inflation is low but inflation measured by the consumer price index is still high. Overall, in the next quarter, we do not expect any huge changes in the variables to induce a rate cut. ☺

## THE INSIDE STORY

### SUCHITRA DHANANI SAYAJI HOTELS

**Sold** 214,000 shares @ ₹116.95 per share

**Holds** 1.14% stake\*

### S RAGHUNANDAN JYOTHY CONSUMER PRODUCTS

**Bought** 15,330 shares @ ₹37.20 per share

**Holds** 0.07%\*

### PR PERUMALSWAMI KOVAI MEDICAL CENTER & HOSPITAL

**Bought** 17,935 shares @ ₹178.55 per share

**Holds** 0.41% stake\*

### JAITHIRTH RAO VA TECH WABAG

**Sold** 8,286 shares @ ₹551.6 per share

### ANANT SINGHANIA RAYMOND

**Sold** 10,000 shares @ ₹459 per share

**Holds** 1.48% stake\*

### VINEET AGARWAL TCI DEVELOPERS

**Bought** 497 shares @ ₹163 per share

**Holds** 2.71% stake\*

Note: Promoters' stake in personal capacity. This holding does not include other investment companies and persons acting in concert. Insider trades from December 24 to January 2, 2013