

Kotak Mahindra Bank sees 50 bps rate cut in 2016

Priya Kansara
See Also

1 Best Rewards Credit Cards

2 Best Investments for Retirement

3 Life Insurance for Seniors



Despite oil prices sliding and commodity prices remaining low, C Jayaram, Joint Managing Director of Kotak Mahindra Bank, does not expect too many rate cuts in 2016. Also, it will take some time for the banking sector's loan book to expand as earnings growth of companies has plateaued, he told *BusinessLine*. Excerpts:

How do you see India's economic growth panning out, given earlier growth expectations of 9 per cent plus?

India's economic growth will be a function of what is happening across the world. Globally, there are huge challenges right now, such as commodities being at all-time lows, and oil sliding below \$28. Emerging markets are having troubles and China is having its own set of issues. Given the global environment, it is unlikely that India can completely cut itself off and be in a separate trajectory. Having said that, the current growth rate of around 7 per cent still make us the fastest-growing economy in the world.

Do you think the Indian economy is resilient enough to weather the storm in the global economy?

We are primarily a domestic economy and less exposed to global forces. Our exports, as a component of GDP, are less than most of our peers'. In that sense, we have massive resilience. Lower commodity prices are good for us. We are huge importers of commodities, particularly oil. Many things work in our favour. Having said that, we are in a global economy. So, we can't be cut off from the issues. But we are looking far better than any other emerging market that one can think of.

What is your view on interest rates?

Interest rates would come down a little bit more but I don't think the Reserve Bank of India will have too many interest rate reductions. Our own prediction is that the RBI will probably have a 50 bps interest rate reduction in 2016. I don't think there will be any rate cuts in the remaining (part) of FY16.

How do you see bank loan growth? When do you see it picking up?

Loan growth is intrinsically connected to the economy's performance. There are issues related to corporate lending in terms of their ability to improve earnings.

Loan growth will remain muted particularly on the corporate side but slightly better on the retail side. But, overall, it will be muted.

When do you see a recovery?

It is really a function of when the economy starts to look better. The best data point is earnings growth of companies and that has pretty much plateaued at this point in time. It will take a few quarters before it will start showing a pick-up, and then everything else will start looking better.

Do you see incremental stress in some sectors?

There are no new sectors which look incrementally stressed. In recent times it has been companies operating in the commodities business. That's the only other broad sector which theoretically could look worse if things don't improve on the commodity price front.

Is your net interest margin of 4-4.3 per cent sustainable given high credit costs, post-merger?

We have been able to sustain our net interest margin for quite a long time. So that should continue. Merger is not going to impact margins.

(This article was published in the Business Line print edition dated January 22, 2016)

MORE FROM BUSINESS LINE

In Tamil Nadu, it may be 'Sasikala's party' Dell EMC looks to hire 5,000 engineers in India in one year Maruti Suzuki Ignis to target millennials