



## Yet another Bazooka from RBI ...

Today the RBI governor made his 2<sup>nd</sup> press conference in last one month to combat coronavirus induced slowdown.

### Key Policy decision – Frontloading measures

- Another 50000 crore of targeted long term repos operations (TLTRO) for investment grade papers. 50 percent of this amount must go to Mid-sized NBFCs and MFIs. Investment to be made within one month.
- Special refinancing facility for NABARD, SIDBI and NHB for 50000 crores.
- Reduced reverse repo (rate at which RBI takes money from banks) from 4 to 3.75 percent.
- WMA (overdraft facility for banks) of states increased to 60 percent from 30 percent.
- NPA classification will exclude Moratorium period.

### Impact – Liquidity measure to bring much needed breather

- LTRO will help top names in NBFCs. However, only time will tell if banks will buy these NBFCs or SME papers.
- Refinancing will reduce the supply of NABARD, SIDBI and NHB papers in market.
- Reduction in reverse repo will force banks to come and buy in market instead of keeping money with RBI.
- Increase in WMA facility will reduce the pressure of borrowing on states in current market.

*Source of Data: RBI Press Conference briefing dated 17<sup>th</sup> April 2020*

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