

# Banking liquidity shrinks on RBI's defence of rupee

GST outflows have also pushed up interbank cost of funds

BHASKAR DUTTA  
Mumbai, 27 July

Over the last couple of days, the interbank call money rate has hardened towards the upper band of the Reserve Bank of India's (RBI's) interest rate corridor as the liquidity surplus in the banking system has shrunk significantly due to the central bank's interventions in the currency market, treasury officials said.

Outflows on account of goods and services tax (GST) also played a role in reducing the surplus liquidity and sending the call rate sharply higher.

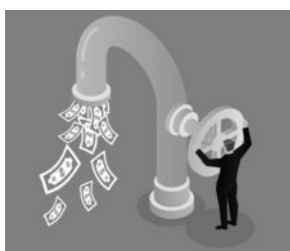
The net outflows on account of GST are estimated around ₹1.2 trillion to ₹1.4 trillion in July, treasury officials said. However, given that this quantum is similar to the amount of outflows observed over the last few months, the more sizeable impact has been felt from the RBI's aggressive interventions in the currency market. The RBI has been aggressively selling dollars from its reserves to shield the rupee from excessive volatility in the face of higher US interest rates and a stronger greenback globally. The rupee touched a record low of 80.06 per US dollar on July 19.

When the RBI sells US dollars in the spot market, it sucks out rupee liquidity from the banking system.

"The RBI has been taking out ₹35,000 to ₹37,000 crore per week for the last three weeks through its FX interven-

## CALL RATES SPIKE

- Interbank call money rate has risen sharply over last two days, currently near MSF rate
- Rise in call money rate due to sharp fall in liquidity surplus in banking system
- Aggressive RBI intervention in FX market, GST outflows key reasons for reduced liquidity
- RBI estimated to have sucked out around ₹1 trillion through dollar



sales in last three weeks

- Banks parking significantly lower quantum of funds with RBI now
- Interbank call rate represents overnight cost of funds for banks

tions," a senior treasury official with a foreign bank said.

"The reserves have also fallen sharply. Earlier, the RBI was letting its forwards (position) mature, which is why the headline reserves were not falling too sharply, but now the data is showing that the reserves have dropped significantly," he said.

From \$590.6 billion worth of foreign exchange reserves as on June 17, the RBI's reserves have fallen to \$572.7 billion as on July 15.

Given that the RBI intervenes in the currency market through transactions with individual banks, the overall impact on liquidity in the banking system is hard to gauge at the time of the central bank's interventions.

This could have led to some banks miscalculating the

amount of funds to park with the RBI at variable rate reverse repos and therefore facing liquidity stress when outflows occurred. The banking system liquidity surplus which fell to around ₹1.5 trillion on Monday is current estimated around ₹2 trillion, dealers said.

## Market impact

The weighted average interbank call rate closed at 5.07 per cent on Wednesday, not far from the marginal standing facility (MSF) rate of 5.15 per cent. The weighted average call rate had settled at 5.09 per cent on Tuesday.

The interbank call money rate represents the bank's overnight cost of funds. The weighted average call money rate is the operating target of the RBI's monetary policy.

The MSF is the upper band

of the RBI's liquidity adjustment facility, or interest rate, corridor. The repo rate represents the middle of the corridor while the standing deposit facility marks the lower band.

During the course of trade on Wednesday, the interbank call money rate even outstripped the MSF rate, rising to a high of 5.35 per cent, Clearing Corporation of India data showed.

From ₹2.8 trillion of net liquidity absorbed by the RBI on July 1, the central bank received funds from lenders worth ₹49,876 crore on July 26.

"The quantum being placed by banks in overnight SDF with central bank has been steadily declining. Banks had borrowed ₹59,000 crore from the RBI through MSF on Monday. The RBI intervened by conducting a 3-day ₹50,000 crore variable rate repo auction to ease the liquidity tightness," IFA Global's CEO Abhishek Goenka said.

With ₹1.8-trillion funds set to return to the system through the maturity of a variable rate reverse repo on Friday, the liquidity stress is set to ease. The government's month-end spending on salaries and pensions — estimated around ₹80,000-90,000 crore a month — is set to further reduce the strain.

However, given the RBI's firm commitment to smoothen out volatility in the exchange rate, banks may park a lower amount of funds with the RBI in anticipation of periodic stress on liquidity.

## SRI LANKA CRISIS

# Are Indian states also on path to economic distress?

RAGHAV AGGARWAL  
New Delhi, 27 July

Sri Lanka, once one of the most prosperous nations in India's neighbourhood, has been in the news for all the wrong reasons of late. Food and fuel scarcity, skyrocketing inflation, civil unrest and finally, former President Gotabaya Rajapaksa fleeing the country on July 13, the sequence of events brought forth the country's grim economic and political reality. However, are some Indian states taking the same policy decisions that landed the island nation into trouble?

## What went wrong with Sri Lanka?

The Sri Lankan government, under the Rajapaksa brothers, Gotabaya and Mahinda, came into power in 2019. To fulfil the election promises and alleviate the tax burden of the citizens, the government decided to opt for short-term solutions like providing freebies etc.

On top of that, the Sri Lankan government also decided to ban the use of fertilisers and opted for organic farming, pulling the agricultural output down considerably. At the same time, the country's tourism sector was severely hit by Covid-19. All these factors led to a sharp fall in the government's revenues.

According to the data by International Monetary Fund (IMF), the Sri Lankan government's general revenue as a per cent of the gross domestic product (GDP) fell from 14.1 per cent in 2016 to 9.2 per cent in 2020. In 2021, it stood at 8.9 per cent.

This led to a rise in the fiscal deficit. The government debt was 79 per cent in 2016. By 2020, it had breached the 100 per cent mark and stood at 101.2 per cent. In 2021, the debt stood at 107.2 per cent.

The government issues repayment guarantees to enable the public sector enterprises to take loans. These are issued as limits under the Fiscal Management (Responsibility) Act. It was revised to 15 per cent in 2021.

## What is the situation in India?

Indian economy is in better shape compared to its peers. Where the debt to GDP ratio is over 100 per cent in advanced economies (107.2 per cent in Sri Lanka), it is 73.95 per cent in the case of India.

India's external debt to GDP ratio is even lower at 19.9 per cent. In the US, this ratio stands currently at 127 per cent.

However, in a June 2022 report, the RBI said that several states are posting worrisome numbers, mainly due to populist measures.

## How are Indian states performing?

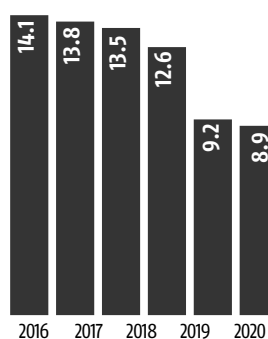
Several Indian states are under severe economic stress. According to official data, Rajasthan, Punjab, and Tamil Nadu have the highest revenue deficit at 3.64 per cent, 2.64 per cent and 2 per cent of the gross state domestic product (GSDP), respectively.

Telangana, a relatively new state, has

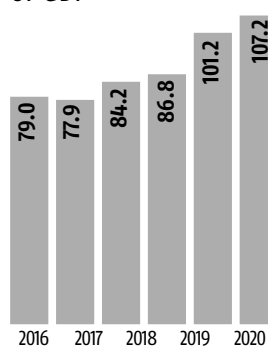


## HOW THE NUMBERS STACK UP

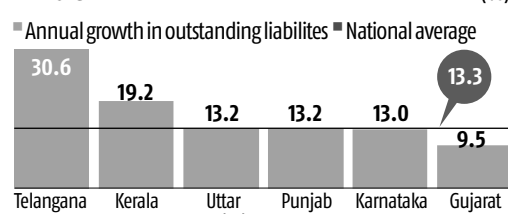
### SRI LANKA'S REVENUE AS % OF GDP



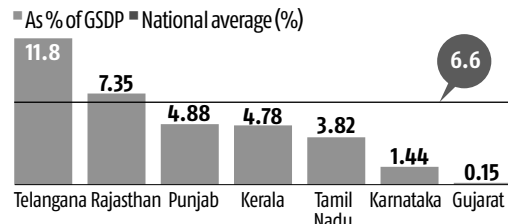
### SRI LANKA'S DEBT AS % OF GDP



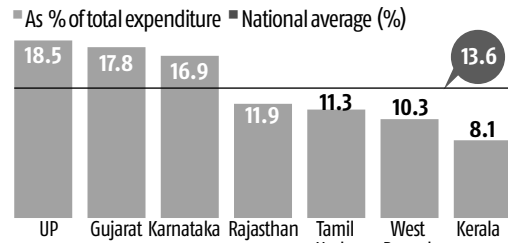
### WHO'S WHERE



### OUTSTANDING GUARANTEES



### CAPITAL OUTLAY



already slipped into the deficit zone with a revenue deficit of 0.66 per cent.

Telangana, surprisingly, has the highest growth rate of outstanding liabilities between 2015 and 2020 at 30.6 per cent. Kerala follows it at 19.2 per cent.

With the revenue falling, most states government are forced to compromise on the welfare schemes to meet the committed expenditure, including interest payments, pension and salaries. In this regard, Punjab, Kerala, Tamil Nadu, Rajasthan and West Bengal are India's worst-performing states.

For the period between 2017 and 2020, the committed expenditure of these states as a per cent of the revenue receipt is higher than the national average of 36 per cent.

The RBI report also stated that the total outstanding liabilities of the four states, namely Punjab, Rajasthan, West Bengal and Kerala, were higher than the national

average of 32.1 per cent. Too much debt restricts the state's ability to take more welfare initiatives.

Telangana also has the highest outstanding guarantees at 11.8 per cent of the GSDP. The national average stands at 6.6 per cent.

It is the least for Gujarat and Karnataka at 0.15 per cent and 1.44 per cent, respectively.

The official data has also shown how the off-budget borrowings by several states have skyrocketed since 2019. Against the national average of 0.7 per cent, Telangana has an off-budget borrowing of 4.65 per cent of its GSDP.

To control the surge, the government of India has set a cap of 3.5 per cent of GSDP or ₹8.57 trillion on off-budget borrowing.

More on business-standard.com

# LAURUS Labs

Knowledge . Innovation . Excellence

Laurus Labs Limited

Regd. Office: Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam - 531 021, Andhra Pradesh, India.

Corp. Office: 2nd Floor, Serene Chambers, Road No.7, Banjara Hills, Hyderabad - 500034, Telangana, India.

Tel: +91 40 3980 4333 ; Fax: +91 040 3980 4320 ; E-mail: secretarial@lauruslabs.com; Website: www.lauruslabs.com

(CIN: L24239AP2005PLC047518)

Extract of Unaudited Consolidated Financial results for the quarter ended June 30, 2022 which are prepared in compliance with Indian Accounting Standards.

(₹ in Crores)

SL. No.	Particulars	Quarter ended			Year ended
		30-Jun-22	31-Mar-22	30-Jun-21	31-Mar-22
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Total revenue from operations	1,538.94	1,424.83	1,278.50	4,935.57
2	Net Profit for the period (Before tax, Exceptional and/or Extraordinary items)	355.88	301.71	316.05	1,083.85
3	Net Profit for the period before tax (After Exceptional and/or Extraordinary items)	355.88	301.71	316.05	1,083.85
4	Net Profit for the period after tax (After Exceptional and/or Extraordinary items)	252.23	231.72	241.61	832.23
5	Total Comprehensive Income for the period	251.23	235.54	240.74	833.26
6	Net Profit for the period after tax (After Exceptional and/or Extraordinary items) attributable to:				
	i) Equity holders of the Company	251.28	230.50	241.39	827.52
	ii) Non-controlling interests	0.95	1.22	0.22	4.71
7	Total Comprehensive Income for the period attributable to:				
	i) Equity holders of the Company	250.28	234.32	240.52	828.55
	ii) Non-controlling interests	0.95	1.22	0.22	4.71
8	Equity Share Capital	107.47	107.47	107.32	107.47
9	Reserves (Excluding Revaluation Reserve) and Non-controlling interests as shown in the Audited Balance Sheet				3,243.72
10	Earnings Per Share (Of ₹ 2/- each)				
	1. Basic : ₹ *	4.68	4.29	4.50	15.42
	2. Diluted : ₹ *	4.66	4.28	4.48	15.35

\* Not annualised for quarter ended.

## Notes:

- Additional information on Unaudited standalone financial results for the quarter ended June 30, 2022

(₹ in Crores)

SL. No.	Particulars	Quarter ended			Year ended
		30-Jun-22	31-Mar-22	30-Jun-21	31-Mar-22
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Total revenue from operations	1,495.25	1,377.66	1,220.60	4,707.04
2	Profit before tax	327.61	284.97	290.10	975.41
3	Profit after tax	231.61	221.22	222.08	750.09
4	Total Comprehensive Income for the period	231.46	223.01	221.75	750.89

- The above is an extract of the detailed format of Quarterly Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the Quarterly Financial Results are available on the websites of the Stock Exchanges and the Company namely www.bseindia.com, www.nseindia.com and www.lauruslabs.com

- The above financial results of the Company as reviewed by the Audit Committee has been approved by the Board of Directors at its meeting held on July 27, 2022.

By order of the Board  
For Laurus Labs Limited

Dr. Satyanarayana Chava

Whole Time Director & Chief Executive Officer

Place: Hyderabad  
Date: July 27, 2022

# JINDAL STAINLESS (HISAR) LIMITED

## EXTRACTS OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2022

(₹ in crores except per share data)

Sr. No.	Particulars	Consolidated		
		For the quarter ended		For the year ended
		30 June 2022 Unaudited	30 June 2021 Unaudited	31 March 2022 Audited
1	Total income from operations	3,453.96	2,776.48	15,011.36
2	EBITDA*	337.43	412.32	2,153.27
3	Net profit for the period (before tax, exceptional and/or extraordinary items)	227.15	343.14	1,891.02
4	Net profit for the period before tax (after exceptional and/or extraordinary items)	380.49	448.19	2,435.63
5	Net profit for the period after tax (after exceptional and/or extraordinary items)	307.76	358.06	1,942.48
6	Total comprehensive income for the period (comprising profit for the period (after tax) and other comprehensive income (after tax))	307.57	358.81	2,006.86
7	Paid up Equity Share Capital (face value of ₹2/- each)	47.19	47.19	47.19
8	Other equity			4,862.25
9	Earning per share (EPS) (face value of ₹2/- each)			
	a) Basic	13.04	15.18	82.33
	b) Diluted	13.04	15.18	82.33
	(EPS for the quarter not annualised)			

\*EBITDA = Earnings before interest, tax, depreciation & amortization and other income

## Notes:

- The above is an extract of the detailed format of quarterly financial results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the standalone and consolidated quarterly financial results are available on the company's website: (www.jshlsteel.com) and on the websites of Bombay Stock Exchange (www.bseindia.com) and the National Stock Exchange of India Ltd. (www.nseindia.com).
- Standalone financial information of the Company, pursuant to regulation 47(1)(b) of SEBI (LODR):

(₹ in crores)

Particulars	For the quarter ended		For the year ended
	30 June 2022 Unaudited	30 June 2021 Unaudited	31 March 2022 Audited
	Total income from operations	3,071.03	2,512.23
EBITDA*	315.86	382.01	1,939.99
Profit before tax (before exceptional items)	260.91	321.06	1,714.75
Profit before tax (after exceptional items)	260.91	321.06	1,714.75
Profit after tax	194.64	239.62	1,275.23

\*EBITDA = Earnings before interest, tax, depreciation & amortization and other income

- The financial results of the Company for the quarter ended 30 June 2022 have been reviewed by the audit committee and approved by the board of directors at their respective meetings held on 27 July 2022 and the limited review of the same has been carried out by the statutory auditors of the company.
- These results have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) prescribed under section 133 of the Companies Act 2013 and other recognized accounting practices and policies to the extent applicable.

- On 29 December 2020, the Board of Directors of the Company had approved a Composite Scheme of Arrangement (the "Scheme") under Section 230 to 232 (read with Section 66 and other applicable provisions) of Companies Act, 2013 amongst the Company, Jindal Stainless Limited, JSL Lifestyle Limited, Jindal Lifestyle Limited, JSL Media Limited and Jindal Stainless Corporate Management Services Private Limited. The Scheme having appointed date of 01 April 2020 is subject to necessary statutory and regulatory approvals under applicable laws, including approval of the Hon'ble National Company Law Tribunal, Chandigarh Bench ("NCLT").

Subsequent to the approval of the Scheme by Shareholders and Creditors on 23 April 2022 with the requisite majority, the Company filed the second motion application before the Hon'ble NCLT and the Hon'ble NCLT vide its Order dated 13 July 2022 has directed that Notice be issued to the Income Tax authorities, the Registrar of Companies and other authorities and has fixed the next date of hearing as 18 October 2022

Place: Gurugram  
Date: 27 July 2022



(CIN: L27205HR2013PLC049963)

Regd. Office: O.P. Jindal Marg, Hisar-125 005 (Haryana) | Tel: (01662) 222471-83 | Fax: (01662) 220499

Email Id. for Investors: investorcare.jshl@jindalstainless.com | Website: www.jshlsteel.com

By Order of the Board of Directors  
For Jindal Stainless (Hisar) Limited

Jagmohan Sood  
Whole Time Director