

## Daily Economic News Summary: 16 September 2016

### 1. Hero FinCorp raises Rs1, 000 from ChrysCapital, others

Source: [Live Mint \(Link\)](#)

Hero FinCorp Ltd, the retail lending arm of Hero MotoCorp Ltd, said on Thursday that it had raised Rs1,000 crore, as it seeks to expand its loan book more than four-fold by 2020. The non-banking financial company (NBFC) raised Rs570 crore from (PE) firm ChrysCapital Advisors Llp; Rs132 crore from Credit Suisse Group AG; and Rs300 crore from Hero Group. Hero FinCorp, in which Hero MotoCorp has a 40.3% stake with the rest owned by its promoters, is targeting expanding its loan book to Rs35,000 crore by 2020 from Rs8,000 crore now. “The fresh investments that we have received are going to significantly contribute towards our expansion plans,” said Abhimanyu Munjal, joint managing director and chief executive officer, Hero FinCorp.

### 2. SBI deposit rates cut by up to 25 bps

Source: [Live Mint \(Link\)](#)

In an indication of excess liquidity in the banking system, State Bank of India (SBI) has cut deposit rates by up to 25 basis points (bps) in some maturities, even as credit growth remains sluggish. Typically, deposit rate cuts precede a cut in lending rates. Banks calculate their lending rate based on their marginal cost of funding. SBI last cut its lending rate earlier this year in August by 5 bps to 9.10%. A basis point is one-hundredth of a percentage point.

India’s largest lender has cut deposit rates by 25 bps for deposits less than Rs1 crore with maturity of more than 455 days but less than 3 years from the beginning of this month, according to data on the SBI website. “Since our last deposit rate cut, we were waiting for other lenders to follow suit. In the last month, two private sector banks have reduced deposit rates. We acted right away,” said an SBI official on condition of anonymity. The deposit rate cut comes on the heels of a drop in benchmark government bond yields, down 60 bps since the end of June. A drop in the benchmark bond yield means that the overall borrowing cost for banks has come down.

That has largely come about as the central bank moved away from its policy of maintaining a liquidity deficit and started infusing cash into the system this fiscal. RBI said its intention was to improve the transmission of lower policy rates, which have been reduced to 6.5% from 8% at the start of 2015. According to Reserve Bank of India (RBI) data, liquidity in the system has improved from a deficit of Rs2.4 trillion in the week ending 31 March to a surplus of Rs769 billion as of 14 September, helping bring down borrowing costs.

### **3. Droom starts selling new cars, targets Rs5,000 crore GMV by 2017**

Source: **Live Mint** ([Link](#))

Droom, an online marketplace for pre-owned automobiles, has started selling new vehicles as it targets a threefold increase in sales over the next 12 months, a top company executive said on Thursday. “Earlier, we wanted to focus on the used-vehicle segment and change the way it functions through the use of digital tools. In the same vein, we want to now create a paradigm shift in the still conventionally-run new vehicle sector and bring about a positive disruption for the benefit of the end consumer,” said Sandeep Aggarwal, founder and chief executive at Gurgaon-based Droom Technology Pvt. Ltd, which owns the marketplace. Aggarwal left e-commerce marketplace ShopClues, which he founded in 2013, and founded Droom in 2014.

Droom will sell new vehicles from companies such as Nissan Motor India Pvt. Ltd, Skoda Auto India Pvt. Ltd, Hero Electric and Mahindra & Mahindra Ltd, Aggarwal said. Droom currently does an annualized GMV (gross merchandise value or cost of goods sold) of Rs1,200 crore and aims to touch Rs3,000 crore by March 2017 and Rs 5,000 crore by December 2017. Auto makers will get to have their own brand stores on Droom where they can put up videos, brochures and announcements. Droom will offer test drives at customers’ doorstep. The company operates with gross margins of 1.5-2.5% in the new vehicle segment and about 1-1.5% in the used vehicle segment.

### **4. Mercedes sets up India’s largest spare parts warehouse**

Source: **Live Mint** ([Link](#))

Mercedes Benz India Pvt. Ltd Thursday said it has set up a parts warehouse in Pune, the largest by any luxury car maker in the country. The 16,500 sq. m warehouse can stock up to 44,000 parts, meaning customers can get parts and accessories replaced quickly, instead of waiting for imports, which takes time. The warehouse will have a vehicle preparation centre that can stock as many 5700 cars to customize them before delivery, the company said in a statement.

Mercedes has also set up a training academy for its sales and service staff who deal with high end cars. Till Conrad, head-Region Overseas Mercedes-Benz Cars at Daimler AG termed India as “one of the bright spots for Mercedes-Benz”, adding the expansion and investment underlines its confidence in the Indian market.

### **5. IFC plans to invest \$40 million in Ujjivan Financial**

Source: **Business Standard** ([Link](#))

International Finance Corporation (IFC) is planning to invest up to \$40 million (around Rs 260 crore) in Ujjivan Financial Services in the form of a senior debt investment. Ujjivan is one of the 10 recipients of the Small FinanceBank License (SFB). IFC's proposed investment will help the company expand its outreach and access to low income borrowers who have little or no access to formal sources of financing and strengthening its balance sheet through availability of long-tenor debt during its transformation phase, said IFC.

IFC, the World Bank's investment arm, further said that the support in terms of long-tenor debt would benefit the company by supporting growth and helping it manage liability during early years of transition to SFB."IFC's long term support to microfinance sector will help strengthen investor confidence in this sector," said IFC. Ujjivan is a microfinance lender, which will soon enter into small finance banking.



**By Nandini Malhotra**