

Pvt banks' Q1 profit up 33.6%, as provisions fall 11.5%

ABHJIT LELE
Mumbai, 1 August

Private banks' net profit rose by 33.6 per cent year-on-year (YoY) in the April-June 2021 quarter and 18.8 per cent sequentially over the January-March quarter when the economy was hit by the second wave.

Out of the 14 private lenders that have declared results, only one bank — IDFC First Bank — booked a net loss in Q1 of FY22 on account of provisions for Covid. Provisions and contingencies fell both on a YoY basis (down 11.5 per cent) and sequentially (14.5 per cent) in the reporting quarter. This comes at a time when bank balance sheets are showing signs of stress due to a rise in gross non-performing assets

(NPAs) and net NPAs in the June 2021 quarter.

Arnil Gupta, vice-president, financial sector rating, ICRA, said while headline numbers look steady, banks are still not out of the woods. More restructuring of loans of borrowers hit by Covid is expected in the second quarter. Also, how the third wave will unfold is still not clear.

This time (in Q1 of FY22), provisions for restructuring have been done based on regulatory norms. In the first quarter last year, many banks made higher provisions as a prudential step for loans under moratorium as restructuring norms came in only later (in August 2020). Also, the fourth quarter of FY21 saw a rise in provisions for slippages after the Supreme Court lifted curbs on



Compiled by BS Research Bureau. Source: Capitaline

LISTED PRIVATE BANKS

	(₹ cr)	Q1FY21	Q4FY21	Q1FY22	Change (%) YoY
NII	48,885	53,218	54,300	2.0	11.1
Other income	18,666	24,858	22,351	-10.1	19.7
Operating profit	42,073	44,662	45,518	1.9	8.2
Provisions and contingencies	24,002	24,863	21,252	-14.5	-11.5
Net profit	13,647	15,344	18,227	18.8	33.6
Gross NPA	184,688	182,262	188,725	3.5	2.2
Net NPA	41,733	48,425	50,194	3.7	20.3
Deposits	3,895,837	4,433,225	4,654,615	0.5	14.3
Advances	3,322,789	3,687,625	3,669,497	-0.5	10.4

tive of ICICI Bank, said measures imposed by the authorities to contain spread of the pandemic had a significant impact on collections and recoveries in April and May 2021. Another banker pointed out that the first quarter of the financial year is a slow quarter, and in addition, came the impact of the second wave.

Loan growth has slowed and lending rates were slashed substantially in 12 months, impacting interest earnings, but deposits have continued to grow in double digits.

Other income rose by 19.7 per cent on a YoY basis to ₹22,351 crore. But it fell sequentially by 10.1 per cent from ₹24,858 crore in Q1 of FY21.

Asset quality profiles of private banks came under strain during April-June 2021. Gross NPAs rose marginally to ₹18.8 billion in June 2020 from ₹18.4 billion in June 2020 and ₹18.2 billion in March 2021. Net NPAs rose close to just over ₹0.5 trillion in March 2021 from ₹0.4 trillion a year ago and to ₹0.44 trillion in March 2021.

The extent of additions to the bad loan tally could have been more but for the Reserve Bank of India's (RBI's) regulatory package in May 2021. Many loans, which would be slipped into the NPA category, are being restructured and treated as standard assets. Many banks also wrote off bad

loans, which were fully provided, reducing the tally of outstanding NPAs from the books. HDFC Bank's write-offs of bad loans doubled to ₹3,100 crore in April-June 2021 quarter from ₹1,500 crore in the same quarter last year. IDFC First also wrote-off ₹1,400 crore of bad loans in Q2 of FY22. The pain is coming predominantly from retail — persons, and households — and micro, small and medium enterprises.

Shantanu Chaturvedi, managing director and chief executive, Axis Bank, said in the wake of repayment capabilities of a few customer segments were impacted due to medical emergencies or lockdowns.

"We, therefore, expect a greater impact in the retail segment than the corporate bank because of the second wave," he said.

FROM PAGE 1

Aditya Birla Group turns to UltraTech for profits

In comparison, UltraTech Cement's net profit was down 5 per cent year-on-year in FY21. The group's numbers exclude Vodafone Idea, which is a joint venture between AV Birla Group and UK's Vodafone Plc.

If Vodafone Idea's numbers are considered, the group's reported consolidated loss would have been ₹37.18 crore in FY21 — the third consecutive year of loss for the group.

UltraTech is also the most valuable company in the group by a long-shot, accounting for nearly half the combined market capitalisation of all group companies. On Friday, the cement leader closed with a market capitalisation of ₹2.2 trillion against group companies' combined market cap of ₹4.7 trillion. UltraTech Cement is India's top cement-maker, accounting for nearly a third of the industry's production capacity and revenue in FY21.

Grasim Industries — UltraTech's partner — is the second-most valuable company in the group with a market cap of ₹10.2 trillion, followed by Hindalco Industries (around ₹1 trillion).

Analysts, however, see a sharp rise in the group's profit in FY22, led by Hindalco Industries and Grasim's fibre and pulp business on the back of a spike in global metal and commodity prices. For example, Hindalco earnings nearly trebled in Q4FY21 or a year-on-year basis.

While Vodafone Idea lost money for the fifth consecutive year in FY21, other businesses -- with the exception of UltraTech Cement -- reported low single-digit return on capital employed (RoCE) and return on equity (ROE) in FY21.

The bulk of the group's capital is, however, invested in the metal, telecom and financial services businesses.

Ultratech Cement is only a minor part of the group in terms of revenues and assets.

The company accounted for just a fifth (20.9 per cent) of the group's combined revenue and only 17.6 per cent of its assets in FY21, excluding Vodafone Idea. Including Vodafone Idea, UltraTech's contribution to the group's revenue and assets was even lower — 17.5 per cent and 12.9 per cent, respectively, in FY21.

The aluminium and copper producer, Hindalco Industries, is the biggest company in the group, in terms of revenue and assets. It accounted for half the group's combined revenue and around a third of its assets in FY21. It reported a consolidated net profit of ₹3,767 crore in FY21, down 31.5 per cent from ₹5,496 crore a year ago. This translated into a sub-par RoCE of 7.1 per cent in FY21, down from around 8 per cent a year ago. The RoE was even lower — 5.6 per cent, around half the Sensex companies' average RoE of around 11 per cent.

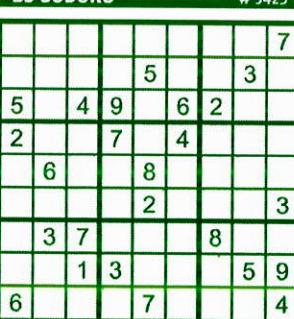
Similarly, the group flagship Grasim Industries is facing an earnings slowdown in its core business of synthetic fibres, and in chemicals. The company's net profit, on a standalone basis, has been stagnant for nearly six years.

The group's telecommunications Vodafone Idea is, however, its biggest financial headache. Vodafone Idea reported a net loss of ₹44,233 crore in FY21, albeit an improvement from a loss of ₹27,000 crore in FY20. The telecom major has now cumulatively lost ₹1.37 trillion in the past five years. AV Birla group is co-promoter and holds 26 per cent stake in India's third-largest mobile operator. Aditya Birla Fashion also reported a loss in FY21 on account of store closures due to the Covid-19 pandemic.

Of the seven listed compa-

nies of the group, three — Ultratech Cement, Aditya Birla Capital and Aditya Birla Money — are the subsidiaries of Grasim Industries.

BS SUDOKU # 3425



SOLUTION TO #3424

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Solution
tomorrow

HOW TO PLAY

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JAYANT AGRO-ORGANICS LIMITED

Linda Shashikumar Venkatesan

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NOTICE

(For the attention of the Equity Shareholders of the Company)

Mandatory Transfer of Equity Shares of the Company to Investor Education & Protection Fund (IEPF)

Members are hereby informed that the Thirty Ninth Annual General Meeting of the Company (AGM) will be held on 27th August, 2021 at 11:00 A.M. through Video Conference ("VCM") Other Audit, Review, Means ("OARM") facility as per the provisions of the Company Act, 2013 and Rules framed thereunder and the SEBI (Listed Obligations and Disclosure Requirements) Regulations, 2015 read with General Circular Nos. 14/2020, 17/2020, 20/2020 and 02/2021 dated 8th April 2020, 13th April, 2020, 5th May, 2020 and 20th May, 2020, respectively, issued by the Ministry of Corporate Affairs ("MCA") and Circular No. CIR/2019/1 dated 12th June, 2019, SEBI/CIR/P2020/07 and SEBHO/CE/CD/2021/01 dated 12th June, 2021, respectively issued by the Securities and Exchange Board of India ("SEBI"), respectively.

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करने वाला जाना। पात्रा 13 का अपारा-13 के अनुसार आपका यह नाटक मात्र दिया जाएगा कि आप बैक की विस्तृत सामाजिक पात्रा रूप से जिम्मेदारी वाला उत्तम प्रत्यक्ष विस्तृत विशेषज्ञ होता है, परंतु यह अच्युत की तरह से अविश्वसनीय नहीं करते। अपारा-13 की विस्तृत सामाजिक पात्रा रूप से जिम्मेदारी वाला उत्तम प्रत्यक्ष विस्तृत विशेषज्ञ होता है, परंतु यह अच्युत की तरह से अविश्वसनीय नहीं करते। अपारा-13 की विस्तृत सामाजिक पात्रा रूप से जिम्मेदारी वाला उत्तम प्रत्यक्ष विस्तृत विशेषज्ञ होता है, परंतु यह अच्युत की तरह से अविश्वसनीय नहीं करते।