

Q2 results: Banks to see muted growth, signs of some stress

Temporary reprieve with SC adjourning loan moratorium hearing to Oct 5

SURABHI

Mumbai, September 29

Banks seem to have got a partial reprieve for now, with the Supreme Court adjourning the hearing on the loan moratorium to October 5 — as an unfavourable verdict could have impacted their operating profits and Q2 results. Most companies are working on their results for the quarter ended September 30, 2020, and the end of the loan moratorium and debt restructuring is expected to have some impact even as lending growth has remained muted.



An unfavourable verdict would have impacted banks by about ₹8,000 crore, say analysts

Aditya Acharekar, Associate Director, CARE Ratings, said: “Depending on the Supreme Court verdict, banks may have to take a hit but it would depend on how it gets implemented.” The Centre has indicated to the SC that it is at an advanced stage in reaching a decision

on the interest in the loan moratorium period. Analysts had said an unfavourable verdict would have impacted banks and financial institutions by about ₹8,000 crore.

‘Low cumulative burden’ “Waiving interest (on interest) during moratorium period (if Supreme Court outcome is unfavourable) will barely lead to a cumulative burden of ₹7,500 crore to ₹8,000 crore for the industry — including about ₹2,000 crore for private banks and small finance banks, about ₹2,000 crore for public sector banks and ₹3,500 crore for NBFCs and housing finance companies,” ICICI Securities said in a recent report. “This would mean a drag of a meagre seven basis points on RoAs and an impact of less

than 4 per cent of operating profit of 2019-20,” it added. “Growth will continue to be subdued as banks will focus on collections and Covid-related uncertainties still remain. With capital buffers not very high, public sector banks will have to conserve capital. There will be some stress with the moratorium ending and restructuring allowed but it may not be visible right away in NPA numbers, although SMA numbers may show a rise. Indications are that 5-7 per cent of the portfolio would go for restructuring,” added Acharekar. A report by BNP Paribas noted that the restructured book for banks should not be a concern and could be in mid-to-low single digits as a percentage of total advances for large private banks.

RBI extends WMA limit relaxations for six months

OUR BUREAU

Mumbai, September 29

The Reserve Bank of India (RBI) has decided to extend the interim relaxation in WMA (Ways and Means Advances) limits and OD (overdraft) regulations for States/ Union Territories (UTs) for another six months till March 31, 2021.

Both these relaxations, which are aimed at helping States/UTs overcome short-term liquidity mismatches, are currently available till September 30, 2020. Under WMA, States/ UTs get short-term credit up to three months from the RBI to bridge temporary mismatches in cash flows.

On April 17, the RBI had announced an increase in WMA limit of the States/UTs by 60 per cent over and above the level as on March 31.

This was done to provide greater comfort to them for undertaking Covid-19 con-

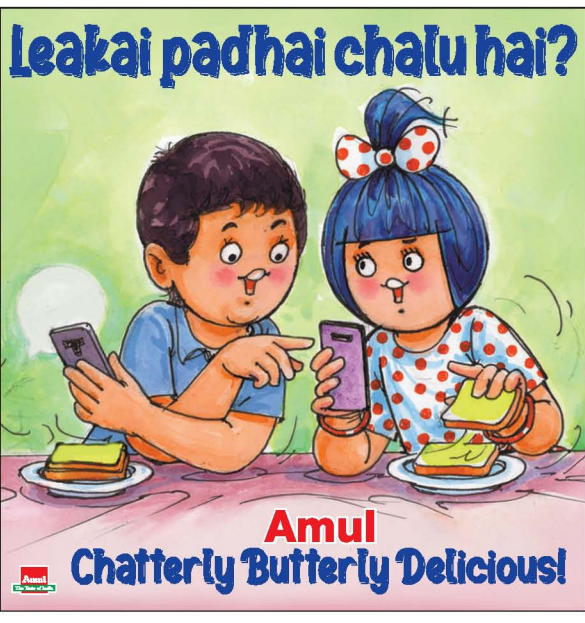
tainment and mitigation measures and to enable them to plan their market borrowings.

Further, in order to provide flexibility to State governments to tide over their cash flow mismatches, the OD regulations were relaxed with effect from April 7.

Under the OD relaxation, the number of days for which a State/ UT can be in overdraft continuously was increased to 21 working days from 14 working days; and the number of days for which a State/ UT can be in overdraft in a quarter was increased to 50 working days from 36 working days.

The interest rate on WMA is the Repo rate (4 per cent).

For OD up to 100 per cent of WMA limit, the interest rate is 2 per cent above the Repo rate. For OD exceeding 100 per cent of the WMA limit, the interest rate is 5 per cent above the Repo rate.



RBI offers relief on buffer, stable funding ratio norms

OUR BUREAU

Mumbai, September 29

The Reserve Bank of India (RBI) has decided to defer the implementation of the last tranche of the Capital Conservation Buffer (CCB) and the Net Stable Funding Ratio (NSFR) guidelines for all commercial banks by six months to April 1, 2021.

The central bank cited the continuing stress on account of Covid-19 for the deferment.

The RBI said that the implementation of the last tranche of 0.625 per cent of CCB for all commercial banks (excluding Small Finance Banks, Payment Banks, Regional Rural Banks and Local Area Banks) has been deferred from September 30, 2020 to April 1, 2021.

If CCB had not been deferred then it would have had to go up to 2.5 per cent from October 1, 2020 from the 1.875 per cent currently, necessitating banks to raise capital.

Including CCB, the total capital ratio of a bank would have gone up to 11.5 per cent from October 1, 2020 due to increase in CCB as against the 10.875 per cent now.

CCB ensures that banks build up capital buffers during normal times (outside periods of

stress), which can be drawn down as losses are incurred during a stressed period.

Considering the potential stress on account of Covid-19, the RBI had earlier deferred the implementation of the last tranche of CCB from March 31, 2020 to September 30, 2020.

The RBI said the implementation of NSFR guidelines has been deferred by a further period of six months. These guidelines are applicable to all commercial banks (excluding Regional Rural Banks, Local Area Banks and Payments Banks).

As per the Basel III Framework on Liquidity Standards, the objective of NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

NSFR limits reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

On March 27, the RBI had deferred the implementation of NSFR guidelines by six months and it was to take effect from October 1.

VG Mathew, MD of South Indian Bank, to demit office today

OUR BUREAU

Kochi, September 29

VG Mathew, MD and CEO of Kerala-based South Indian Bank, is demitting office on September 30 following his retirement after leading the bank for six years.

He will be succeeded by Murali Ramakrishnan, who was part of the Strategic Project Group as Senior General Manager at ICICI Bank.

Under Mathew’s watch, the total business of the bank expanded from ₹83,000 crore to ₹1,48,000 crore and the total credit portfolio increased from ₹36,000 crore to ₹65,000 crore, according to a South India Bank release.

PIL seeks suspension of Lakshmi Vilas Bank board

Alleges large-scale mismanagement and release of misleading data to stakeholders

OUR BUREAU

Chennai, September 29

A public interest litigation (PIL) has been filed in the Madras High Court seeking suspension of the board of Lakshmi Vilas Bank, and the appointment of an administrator. The PIL has alleged large-scale mismanagement and release of misleading information to the general public and stakeholders, resulting in financial irregularities.

The PIL, filed by R Subramanian, a former employee of the bank, has been admitted. Justices MM Sundresh and R Hemalatha have called for the record in eight weeks.

Subramanian, a minority shareholder and a depositor, said in the PIL that advances of around ₹2,000 crore were given

to Religare, Jet Airways Group, Cox and Kings, Nirav Modi Group, Coffee Day and Reliance Housing Finance. Further, there was an advance of about ₹300 crore that had become an NPA but had not been disclosed. The loss to the bank is due to bad advances extended, the PIL said.

The mismanagement has resulted in gross non-performing assets (NPA) leaping from 2.67 per cent in 2017 to 15.30 per cent in 2019. It has stretched to 25.39 per cent in March 2020, the PIL added.

Shortfalls concealed

The PIL said that from 2006 to 2016, the bank had shown tremendous growth and expansion of branches across India. However, from 2016, the bank,



The PIL says that shortfalls of Lakshmi Vilas Bank were concealed or misquoted by disclosing false details in public domain

due to mismanagement and other serious violations of banking regulations, took a big hit. However, all such shortfalls have been completely concealed or misquoted by disclosing false and ‘suited’ details in the public domain, misleading the stakeholders as well as the general public investing in the bank, it added.

The bank published the results for the quarter ended

September 2017 on October 11, 2017, declaring a profit of ₹10.50 crore. In fact, it had incurred an approximate loss of ₹7 crore, the PIL alleged.

Rights issue

Subsequently, on November 27, 2017, the bank came out with a rights issue with a hefty premium and raised ₹786 crore. When the appropriation of Religare Finvest deposits of ₹750

crore remained unsolved and the dispute was raised by the depositor company, the same should be mentioned specifically in the letter of offer and red herring prospectus, but was not, said the PIL.

However, immediately after the allotment of the rights issue the bank published its December 2017 results on January 30, 2018, showing losses of ₹39.23 crore. The NPA details showed that the bank had misled the public and other stakeholders/ investors by suppression of material, said the PIL.

For FY19 alone, the investment in unrated and unlisted securities jumped from ₹215.85 crore to ₹265.85 crore.

“All these mishaps have taken place in the recent past by the head of institution — Managing Director and CEO — with or without the knowledge of the Board,” the PIL said.



ALLOYING IDEAS FORGING STRATEGIES

Message of Dr. S. K. Jha, Chairman & Managing Director, Mishra Dhatu Nigam Limited at 46th Annual General Meeting held on 29th September, 2020

 **The Value of Production (VOP) at ₹ 97,011 lakh has recorded an impressive growth of 19% when compared with FY 2018-19.**
 **Achieved the highest ever profit before tax of ₹ 20,209 Lakh which is a 5.8% growth compared to FY 2018-19.**

Chairman's Message

Dear Shareholders,

It is with great pride and happiness that I welcome you all to the 46th Annual General Meeting (AGM) of Mishra Dhatu Nigam Limited. It is my privilege to present the Annual Report for FY 2019-20 with this being my first AGM after assuming charge as Chairman & Managing Director w.e.f. May 1, 2020. In these 46 years, MIDHANI has cultivated a legacy of trust amongst Defence and other strategic sectors such as Space & Energy. I can assure you that, the core values and leadership principles behind our success will continue to guide our actions and decision making in the future as well.

Looking back on FY 2019-20, I can confidently say that we have had a fairly successful year after taking into consideration the backdrop of COVID-19 pandemic which ushered in a new reality for industries across the world. The world today is reeling under the impact of the COVID-19 pandemic, with Governments, healthcare systems and Businesses trying to address the health and socio-economic impact of the virus. Global supply chains, consumption, travel and tourism have been severely disrupted.

Despite the difficult situation, MIDHANI is looking forward to target the new opportunities emerging from ‘Atmanirbhar Bharat Abhiyan’, the Prime Minister’s vision to make India self-reliant. These initiatives will provide us with the opportunity to explore new products and markets for optimum utilization of our technological capabilities and to also expand our reach by diversifying into new businesses.

FY 2019-20 Performance Highlights:

Your Company has numerous developments and achievements during the FY 2019-20, and I am happy to share some of the highlights. Performance wise, MIDHANI has for the FY 2019-20 recorded its highest ever Value of Production (VOP), Export Sales, Profit before tax, and Dividend payout.

The Value of Production (VOP) at ₹ 97,011 lakh has recorded an impressive growth of 19% when compared with FY2018-19. Consequently, we have also achieved the highest ever profit before tax of ₹ 20,209 Lakh which is a 5.8% growth compared to FY 2018-19, and the best ever operating profit of ₹ 16,565 lakh. On the sales front, despite the lock down impacting sales in the end

of March, we have recorded sales of ₹ 71,288 Lakh which is at a similar level to the sales of ₹ 71,085 Lakh recorded for FY 2018-19.

Your Company’s export turnover was ₹ 1,042 lakh, a growth by 29.4% and we are also happy to report that your Company declared and recommended a dividend (₹ 1 interim & ₹ 1.56 final dividend) of ₹ 2.56 per equity share @ 25.6% for the FY 2019-20. Also, during FY 2019-20, MIDHANI has dispatched the first consignment of Ultra High Strength Steel and Cobalt alloy for the prestigious Human Space Flight Program of ISRO ‘Gaganyaan’. During the lock down, your Company developed and supplied 1.5 kg. of 0.16 mm Nickel Wire with purity better than 99.6% which was critically required to manufacture Oxygen sensors pertaining to “Critical Core Ventilator” being produced by Bharat Electronics Limited (BEL) for COVID-19 patients.

Broadening horizons: MIDHANI of tomorrow

In line with Government’s initiative, prime focus is placed on Indigenization, New Product Development, and Technology Development. The Government’s initiatives to make India self-reliant, and increase exports especially in the defence and energy sectors gives further impetus to your company’s ambitious goals. Globally, the super alloy market is expected to grow and the key sectors we serve, namely, Defence manufacturing, Aerospace, Oil and Gas are all poised for growth and we expect them to aid our ambitious growth plans. In recent years, your Company has entered into alliances and research programmes with leading PSUs and universities. We are diversified and well segmented, and poised for growth across the board, with our strong R&D, integrated facilities and superior process technologies. Our Armour plant at Rohtak will focus on the local and global demand for body and vehicle armouring. It is also important for MIDHANI to develop products targeted at the higher end of value chain and in keeping with this vision, during the FY 2019-20, our Joint Venture with National Aluminium Co. Ltd (NALCO) under the name of “Utkarsha Aluminium Dhatu Nigam Limited” to manufacture high end Aluminium Alloy at Nellore, Andhra Pradesh was also incorporated.

Cultivating an Innovative mind-set and value creation :Make in India Vision

We recognize that competitiveness, high-quality

diversified products and shorter delivery period is the need of the hour. With our glorious past, I am confident that we can preserve our industrial strength and utilize our production capacities to make our country self-reliant in supply of critical materials of National importance. Your Company places important focus on R&D and a culture of innovation to be competitive and to keep up with the technological advancements. 3 Patents were granted to MIDHANI during the year in special steel, super alloy and titanium alloy for respective applications

An expenditure of ₹ 797 lakhs was incurred on R&D in FY2019-20 and over 10 new products and 7 new manufacturing and technological process have been developed for application in Energy, Space and Defence sector.

Systems for Social Sustainability:

Your Company believes strongly in the equitable distribution of wealth in society and it has pioneered various CSR initiatives. During the year under review, the Company reached out to the society through initiatives in health, sanitation, education, sports, skill development amongst others. During FY 2019-20, Company has spent ₹ 395 Lakh towards CSR activities which is the highest ever and is also more than the statutory requirement.

The Company’s signature CSR programmes with specific focus on Promotion of Healthcare and Sanitation, Promotion of Education and Skill Development has brought positive change that addresses critical development issues in areas of school education, sanitation coverage and health care facilities.

Talent Management:

Your Company is fully committed to the development and encouragement of talent employed, and to also support the social, economic and professional development of all. The health and safety of our workforce has always been paramount to MIDHANI and in this COVID-19 pandemic we have implemented models—from testing parameters to contact tracing, monitoring social distancing norms, classifying employee risk levels, and providing appropriate healthcare responses.

Several employee welfare initiatives were taken during FY2019-20 and there is strong focus on empowerment of women employees and providing them with equal opportunity to explore their potential and to perform to their best, on par with their male colleagues, across all levels in the Company. Your company achieved the highest training man days in FY 2019-20, a total of 4703 man days, covering employees across the organization. Both internal and external training programs were conducted, including overseas sponsorship for senior executive training programs.



Corporate Governance Practises:

MIDHANI continues to follow in both letter and spirit, the guidelines issued by the Department of Public Enterprises from time to time. Ethics are of utmost importance, and the Board and senior management confirm adherence to the Code of Conduct guidelines on an annual basis. We are happy to report that, your Company scored 100% as per the revised grading norms for CPSEs, conducted by the DPE on compliance of guidelines on Corporate Governance issued by them. Your Company and its leadership won several awards during 2019-20, notably the ‘Most Trusted Company 2019’ by IBC media USA in August 2019, the ‘Gold Award for Corporate Excellence’ by Skoch Group for one of the projects, and several in individual leadership awards for sustainable growth, wealth creation and performance, awarded to the talented senior management.

Conclusion

On behalf of the Board, I thank all of our esteemed shareholders for your commitment and belief in our capabilities and our work. I am confident that with the faith and trust you have shown in us, we will continue to take big strides in the journey forward and continue to build a valuable national institution.

A Company is nothing without its talent pool, and I am deeply grateful to successive generations of Employees who have served and contributed to your Company with their time, dedication and sincerity.

I also acknowledge the enormous amount of good will and support that we have received from our customers, the Department of Defence Production and all Government agencies particularly the Government at the Centre, State and local bodies who have provided valuable guidance and support in company management.

Thanking You,
Jai Hind!!

Sd/-
Dr. S. K. Jha
Chairman & Managing Director



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