



“Union Bank of India Earnings Conference Call for the period ended June 30th, 2021”

July 29, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the Union Bank of India Earnings Conference Call for the period ended June 30th, 2021. The bank is represented by the Managing Director and CEO, Shri Rajkiran Rai G., Executive Directors, Shri Gopal Singh Gusain, Shri Dinesh Kumar Garg, Shri Manas Ranjan Biswal, Shri Nitesh Ranjan and other members of the top management.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mrs. Ranjita Suresh – Assistant General Manager, Investor Relations. Thank you and over to you, ma'am.

Ranjita Suresh: Good evening everyone. The structure of the conference call share includes a brief opening statement by MD and CEO and then the floor will be open for interaction.

Before getting into the conference call, I will read out the usual disclaimer statement. I would like to submit that certain statements that may be discussed during the investor interaction, maybe forward-looking statements based on the current expectation. These statements involve a number of risks, uncertainties, and other factors, this may cause the actual results to differ from the statement. Investors are therefore requested to check the information independently before making any investment or other decisions.

With this I now request our MD and CEO for his opening remarks. Thank you. Over to you sir.

Rajkiran Rai G.: Good evening, everyone. It is a pleasure and privilege to meet you all for Union Bank of India financial results for quarter ended 30th June 2021.

The first quarter of the current financial year was marred by second wave of COVID-19 disrupting life and livelihoods. Banking industry continued to anchor relief efforts which enhanced liquidity and credit measures. Encouragingly with COVID cases declining beginning June, high-frequency data signal revival gaining momentum in the economy. Google mobility indicators show grocery activity returning to pre-COVID levels and recreation activity showing sequential uptick. Power consumptions grow, the momentum in rail freight, UPI transactions also improved sequentially in June 2021. Healthy monsoon coverage, water reservoir levels, and MNREGA employment boards well for rural sectors residents, the combination of fiscal and monetary measures, with rising vaccination coverage, auger well for business opportunities going forward.

Coming to the Bank's business and financials for the quarter ended June 2021:

Operating profit of the bank grew 31.5% year-on-year and stood at 5,303 crores for the Quarter 1 of the year 2022. Net interest income registered a growth of 9.5% year-on-year and stood at

7013 crores during the Quarter 1. The global NIM stood at 3.08% for the Quarter 1. The net profit stood at 1181 crores during the Quarter 1 of 22 as against net profit of 333 crores of the Quarter 1 of previous year registering a growth of 254.9%.

In terms of business:

The RAM sector noted 8.9% year-on-year growth, raising its share in domestic loan book to 56.1%. Within RAM sector, the retail advances grew 10.6% year-on-year and agriculture advances grew 12.7% year-on-year. In the liability side, total deposits grew 1.8% year-on-year led by low-cost CASA deposits which grew at 11.2% year-on-year. The CASA ratio thus stood at 36.39% as of June 2021 as compared to 33.3% a year ago. Of asset quality, the gross NPA ratio stood at 13.60% at the end of June 2021 compared to 14.95 in June 2020. Net NPA stood at 4.69 compared to 4.97 one year ago. On capital front, the bank has raised Rs. 1447 crores of equity capital through QAP May 21 and has raised Tier-2 bonds of 850 crores in June 2021. The bank has further raised 1,150 crores in Tier-2 bond during the current quarter.

Friends, a number of initiatives are underway. As part of our long-term strategy, the bank has initiated post-amalgamation transformation journey with focus on increased digitization by way of launching a project named Samarth 2.0 to identify and implement digitally enabled initiatives across the bank to realize larger benefits post-amalgamation. The bank aspires to achieve many benefits from Samarth 2.0 in the next two to three years like, customer journey through digitalization, long-term synergy and digital channels revamp, revamped POS, cards business models, digitized back-office, new digital sales-oriented and MSME branches. There is a brief on this initiative given in the analyst presentation which you can take into account while analyzing the value potential going forward.

You may recall that during the financial year 2021 earnings call, we are given guidance on certain parameters. We are happy to share that our actual performance during Q1 is mostly in line with the guidance. However, let me reiterate our guidance for the year 2021-2022. Deposit and advances, the range of growth is 8% to 10%. CASA ratio in the range of 36% to 37%. NIM to be around 2.9% to 3%. Credit cost to be around 2%. Delinquency ratio to be around 2.5. The delinquency for Quarter 1 of this year, largely driven by MSME judgement which slipped to the extent of 3139 crores attributed to business disruption due to lockdown. Going forward, restructuring ECLGS opportunities wherever eligible and as the economic activity has resumed, we expect nominal slippages under this segment, and this will come down substantially.

With this guidance, I conclude my remarks. We are grateful to analyst and investor fraternity for their support and feedback that helps us to take informed decision in our journey towards efficiency and profitability. I look forward to your questions. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashok Ajmera from Ajcon Global Services Ltd.

Ashok Ajmera:

Again, compliments to you because I would start with first the kind of guidance you had given, I think more or less all the parameter on the contrary, the credit cost has come down below the, NIM has gone up substantially than the guidance. Most of the parameters are better than what the guidance you had given. My only one concern is on the advanced growth, credit growth side, because even in this quarter also we have been saved by phenomenal treasury profit and treasury operation. But for this, in the normal banking operations we would have let behind because most of the money is invested through the treasury and then there is a treasury income also and the profit also all together about, I think 2067 crores, if I go on the segment-wise profitability. So, what is actually our plan? How are we going to achieve this 10% or 8% to 10% of the credit growth target? From where it is going to come? Because the retail is also too much crowded now. So, your comments on that. My second point is that on the NARCL, last time you had said that 17 accounts of 7,800 crores identified. So, what is the progress on that? Whether the assets have been fully identified, valued? And how much are we going to receive the money from the 17 accounts of 7,800 crores? My third is only a small data point. If you look at the advance figure, the known figure which is mentioned in the balance sheet of 5,84,596 crores, and if you take your advances of 6,45,091 crores, reduce the provision figure of 60,687 crores there is a difference of 192 crores. So, I don't know. I mean, on this arithmetic what could be this 192 crores element? So, these are my few observations and the questions, on this first round of my opportunity which has been given to me because I know that the moderator will otherwise cut me down. So please if you can answer these.

Rajkiran Rai G.:

Thank you, Mr. Ashok. On the credit growth side, if you look at retail and agriculture, retail has grown at 10% despite the COVID disruption and agriculture has grown at 12%. So, we foresee a much bigger transaction on the retail side, that is the RAM sector side as we go along. On the corporate credit side, yes, we are yet to see the traction because the working capital utilizations are quite low. Even the term loan sanctions are not being used. But then what we are seeing is good economic activity picking up. So, hopefully the working capital utilization levels will go up and that is what we are hoping by end of Q2 or in Q3, we will see a traction in large corporates also by way of utilization of the limits and also utilizing the term loan sanction. So, we are also seeing some activity of investments happening particularly in some of the sectors. So, all put together, once the large corporates start growing at around even 5-6% then it is very easy for us to achieve 8% credit growth. So that is our expectation. So, by the end of the year, we are very confident that credit growth for the bank will be more than 8%. But then your concern on the earning side. If you look at the net interest income, that is very steadily growing because our average advances is holding, like even though the credit growth numbers are coming mostly because of the short-term credit, because of the interest rate differential between banks, they are moving from bank to bank. Because of that 2%-3%-4% difference in credit growth you may see. But from the earning perspective, it is not going to make big difference. But then growth is definitely required. So, it will come, and I am very sure that by end of the year the growth numbers will be there, but it is not going to have a major impact on the net interest income what we are already seeing.

On the NARCL side, our numbers of that 17 accounts and 7,800 crores, they are broadly crystallized from our side because we did exercise of identifying the accounts. But then the action has to come from the other side. Now, this NARCL actually you may be aware, that it is progressing well. But then there are many approvals needed. Now the next step of action will come from the NARCL side because after their approvals from the consent regulatory body, they will do the process of acquiring these assets. We need to wait for that, but I am very sure this will happen quickly. I will not put a deadline to that, but then this is progressing very well.

On this difference of 192 crores, my CFO is here, he will be able to explain. It is actually 645 minus this thing. It is some provision which might not have been captured. So, it is only because of that, from the outstanding number to the balance sheet number. So, we will be able to clarify offline to you.

Ashok Ajmera: Because this amount of the provision of the gross NPA is 87,968 crores, 27,281 is your net NPA. So, the difference is 60,687 crores. If you reduce this from 6,45,000 crores it comes to 5,84,404 crores.

Rajkiran Rai G.: I got your number I will clarify offline.

Management: Mr. Ashok, our net NPA is 27,437. 27,281 was the March figure.

Ashok Ajmera: Okay.

Management: Right now, it is 27,437. So, maybe that is the difference I think you are looking at.

Moderator: The next question is from the line of Mahrukh Adajania from Elara Capital.

Mahrukh Adajania: I had a few questions. Firstly, I just wanted to clarify this MSME restructuring, the outstanding stock of MSME restructuring would be around 5,000 crores. Is that the right number?

Rajkiran Rai G.: Yes. 1.0 MSME restructuring was around 2,427. In the resolution 2.0 it is around 954 crores. This is what is MSME restructuring, in the resolution 1.0 and 2.0.

Mahrukh Adajania: But there were these MSME schemes that were extended.

Rajkiran Rai G.: That was around 2700 crores. So, right. Under the old scheme of 2019, so around 2700 crores was there, right, I agree.

Mahrukh Adajania: The other question I have is that would it be possible to share a SMA to below 5 crores?

Nitesh Ranjan: I think it is around 3.7%, all SMA inclusive of 5 crores and above also which is compared to last quarter, I think it was around 2.35.

- Mahrukh Adajania:** So, including even small ticket below 5 crore is 3.7%.
- Nitesh Ranjan:** Right.
- Mahrukh Adajania:** Would there be any recovery included in NII? Recovery from, some banks have included recovery from Kingfisher in NII, that's why I am asking.
- Nitesh Ranjan:** Small quantum is there around 150 crores of interest income is on account of the recovery.
- Mahrukh Adajania:** And the rest is in other income. The total recovery would be how much?
- Rajkiran Rai G.:** Total recovery from right off is around 300, but that is in other income.
- Mahrukh Adajania:** Correct. And then 150 is interest.
- Rajkiran Rai G.:** 150 is actually we changed the accounting policy, which all the major banks are practicing for many years, we changed it this year. So that's why it has come there. So, we changed the policy that generally the recovery is appropriated to interest in other charges first and to the principle later. But earlier were doing it to the principle directly. So, we changed that principle. So, with that about 150 crores extra interest was recovered which would have otherwise gone to reduce the gross NPA as per the old policy.
- Mahrukh Adajania:** But that 150 crore relates to Kingfisher or everything?
- Rajkiran Rai G.:** No, it is not Kingfisher. It is a normal recovery. When I do a recovery in any NPA account, now the appropriation goes to the interest first.
- Mahrukh Adajania:** So, there is no lumpiness on account of Kingfisher or anything?
- Rajkiran Rai G.:** There is no lumpiness. And this is a very normal thing and quarter-on-quarter the same numbers make up. But on the profit side it will not have much impact because on the gross NPA that reduction would have helped me in lesser provision.
- Mahrukh Adajania:** Do you have any pending restructuring pipeline, whatever is implemented is clearly given in the presentation. So, over and above that any pending?
- Rajkiran Rai G.:** Not on large corporate side, because that is all complete, whatever was due was completed. And the resolution 2.0, like these MSME and retail is eligible for restructuring up to 30th September, so we expect roughly 2000 crores of restructuring during second quarter.
- Moderator:** The next question is from the line of Jay Mundhra from B&K Securities.

- Jay Mundhra:** A few questions. First, on your Agri NPA, the quantum is not that big but still it looks like that other PSU banks have not reported even this much amount of Agri NPA. So, just wanted to check, is there any state specific issue or is there some uniqueness to this Agri NPA? Because other banks they have reported very minuscule set of Agri NPA.
- Rajkiran Rai G.:** I cannot comment on other banks because Agri NPA some interpretation issues were there, like on the renewal side, particularly on the crop loan renewal side, what is the cycle we need to take? So, since went through the amalgamation, so we put a prudent norm, with that actually we saw some increase in NPA because of the amalgamation, like we adopted a policy which was applicable for Union Bank. Because of that we could have seen some increase in Agriculture NPA but otherwise it is stabilizing. We don't foresee any bigger NPA coming now.
- Jay Mundhra:** And similarly, there is large corporate while the amount is not big considering the balance sheet size, but again it looks like this 1400 crores of large corporates slippage is also slightly unique. So, can you throw some light, any specific sector where these large corporates are coming from, slippages?
- Rajkiran Rai G.:** Actually, in the last minute one thermal power project slipped which is amounting to almost 900 crores, one thermal power which actually because one discom payment got delayed in the last minute which was not anticipated. So, that is something between 800 to 900 crores. And one jewelry account which was almost expected to slip, that was another 300 crores. These two are the chunky accounts, otherwise large corporates there was nothing.
- Jay Mundhra:** And the thermal is part of a UP based group?
- Rajkiran Rai G.:** From south, southern group.
- Jay Mundhra:** That is helpful. And second is restructuring, so in your notes to account, you say that MSME restructure is 6200. Just wanted to check that does it already include your 2400 crores of MSME restructuring under 1.0, or these are like additive number?
- Rajkiran Rai G.:** Total MSME restructuring is around 6,100 crores. It includes that 2019 MSME restructuring plus 2427 under resolution 1.0 and about 954 under 2.0.
- Jay Mundhra:** Sir, 964 is some different number because your presentation shows some 536, is this the same thing?
- Rajkiran Rai G.:** Its below 25, I think because this is some disclosure, so I think it is below 25 because up to 50 crores it is eligible, so that difference. But then it is the total MSME, 954 in the 2.0 is the full number.
- Jay Mundhra:** So, this 2.0 number should actually be higher by 400 odd crores versus what is there in the presentation because that would not have been clubbed in the personal loan for sure.

- Rajkiran Rai G.:** I will give the number. 3962 crores is the restructuring under 2.0. Out of that 2855 is under personal that is retail part and 954 MSME, rest is coming from Agri.
- Jay Mundhra:** Understood, sir. And two last things from my side is, one is the tax thing, so we also had accumulated losses from erstwhile Andhra Bank and other bank. So, irrespective of which tax regime you are in, we can still set off the accounting profit against the accumulated loss or is there some challenge in that treatment?
- Rajkiran Rai G.:** We have already done; accumulated losses are set off against the share premium. We have cleaned that.
- Jay Mundhra:** Once you have set off already under share premium, but you can still reduce your accounting profit through those, or no? Because few banks have already done, and they have paid negative tax rate.
- Rajkiran Rai G.:** Last time we had made this disclosure saying that the accumulated losses carried forward for accounting purposes even though we have set off, we will have the tax benefit. So, that's why we have not made any tax provision if you see this time. That 535 crores what you see is we are reducing the DTA. Actually, this time we started doing the deferred tax asset. We carry about 15,000 crores of DTA because which was carried over from previous year. So, now actually since we are into profits and a lot of write-offs are happening, so we are gradually bringing down that. So, this quarter about 535 crores of DTA we reduced.
- Jay Mundhra:** So, DTA reduction as and when you move to the new tax regime this will anyway help.
- Rajkiran Rai G.:** This will help us actually because I have to gradually bring down DTA because this will help in multiple ways. Because this DTA gets reduced from my equity and that's why my adjusted book value comes down. And it also goes down like from the CET-1 also, core equity. It gets reduced from that. So, as we round it out off, as we reduce the DTA my capital CET-1 goes up.
- Moderator:** The next question is from the line of Ravi Kumar from Hyderabad Investments.
- Ravi Kumar:** We have been an investor with Andhra Bank since a decade or more than a decade and also of course a customer since decades. Just I would like to bring up two points to you. One is the transformational changes. When every other bank, majority of the banks are working seamlessly irrespective of the location, so these particular banks are not customer friendly, for every purpose they ask us to come to the bank and give the application, come to the bank, and speak to the manager. See, in this global era our bank will be in remote area, and we will be staying in cities. And on top of that the charges, what kind of charges, what kind of charges they are applying, mindlessly they are applying the thing is they don't even have the understanding before we do any transaction. They are simply applying the transaction charges and they are very huge. In that way, as a customer, what I am doing is, I am utilizing the Andhra Bank service, Union Bank service for whatever I require and then I am pulling all my money from my savings account,

whether it is Rs. 2 lacs or Rs. 5 lac into some other customer-friendly bank. The CASA ratio, like the moment when I put some money in savings bank account and leave it for three months, six months, that is where bank is going to make the money. At the same time the pain is bank is cheating. The bank staff doesn't have any answer, even if we call to the customer care, they are also helpless, and I am seeing very careless attitude towards customer service. If this does not change, I think, God has to save this bank.

Rajkiran Rai G: Mr. Ravi Kumar, please don't generalize. If you have a specific issue with a particular branch, please send it to us, we will talk to them and ensure that this is sorted out. I would encourage you to use my mobile platform or net banking platform. So, that will help you not to go to the branch because most of the transactions are permissible under mobile and net banking, but we can take your issues offline and sort it out.

Moderator: The next question is from the line of Ashok Ajmera from Ajcon Global Services Ltd.

Ashok Ajmera: I have a couple of questions and some clarification required, this carry forward fraud of Rs.485 crores has been carried forward as per the RBI guidelines, but how much provision for the fraud has been made during this quarter is not mentioned. Can you give me that number, that in this quarter how much have you provided on account of the frauds?

Rajkiran Rai G.: 485 crores is the carry forward, but this quarter we have made about Rs. 550 crores is the provision that we have done during this quarter.

Ashok Ajmera: Yes. Generally, it is mentioned in the notes and other banks or maybe your bank also earlier. This time it is only mentioned that this much amount is carried forward.

Rajkiran Rai G.: Only a small amount is pending now.

Ashok Ajmera: This additional provision of Rs. 981 crores made on the nine accounts, what is the total outstanding in this nine accounts as per note number 16?

Rajkiran Rai G.: I'll just come back to you on that. I will give you the number.

Ashok Ajmera: Okay. As per note number 23, these two accounts which are stayed by NCLT, Kolkata for not providing as an NPA Rs. 2,640 crores, can you throw some more light on this? Because provision has been made for Rs.862 crores on these accounts.

Rajkiran Rai G.: We have not mentioned the name, but then like we gave some, because this is a standard asset as of now. This provision, what we have done, it will go under standard asset provision. As a precaution, we have done it because there is a stay on classifying these accountants as NPA. As abundant precaution, we have made up to 30% provision. Last quarter, we have done 15% and, in this quarter, we have done 15% as a precaution, because when the stay goes away, if it slips,

bank should not be caught unaware. Since we had a cushion to make the provision, we have made 30% provision.

Ashok Ajmera: No Sir, I understand whatever is the legally required and even otherwise also you've done it, but what is the nature of those accounts? Are they actually going to slip? Are they actually the bad accounts or there is some possibility of these accounts...?

Rajkiran Rai G.: But for the stay, they would have been NPA accounts.

Ashok Ajmera: Okay. So, whatever the provision is made is according to you is sufficient to take care of it.

Rajkiran Rai G.: It is a precaution we are taking. That generally when it becomes substandard, we have to make 15% and then after a year, it has to go to 25%. But then as a precaution, we are keeping a higher provision. Because we had the cushion to do that, we did that. See, most of the public sector banks nowadays, we try to keep higher provisions. We don't want to postpone the recognition and provision. We want to take it upfront so that the balance sheet is correctly reflected. That is the idea.

Ashok Ajmera: Some of the banks who used to make extra provisions, floating provisions, earlier now all they are consuming that to bring the books in black, because that earlier even instead of 15% RBI standard 20% used to be provided. I think most of the banks have stopped doing that. Anyway, I think you are properly cushioned with all those kinds of, I just wanted some clarity on these two accounts. Sir last time you had said that, out of those FITL, interest on the loan for six months moratorium, some Rs. 68 crores was pending to be received. Is that has gone bad, or any recovery is made out of that those accounts?

Rajkiran Rai G.: I don't think there's anything remaining from FITL I think were able to sort it out.

Ashok Ajmera: So, then there are no issues?

Rajkiran Rai G.: No issues which percolated from that because we were anticipating that because of the FITL non recovery. It may percolate for some bigger slippage, but that didn't happen. We could manage that.

Ashok Ajmera: My next point is around. Have you got that note number 16?

Rajkiran Rai G.: We will share the number, outstanding we are not having.

Ashok Ajmera: Can you throw some light on this Mudra Loans, especially this Kishor and Tarun, what is the status and how much percentage of that generally as per your experience going to go bad?

Rajkiran Rai G.: Actually, Mudra is broadly in line with the MSME actually. So, up to now, the NPA is around 16%, but then they are broadly covered by Credit Guarantee Scheme. We don't foresee major losses from this 16% NPA. They are covered under guarantee scheme.

Ashok Ajmera: On this credit front, you said that the corporate MSME or corporate credits are going to come. Maybe you might see in the third or fourth quarter. But what I see is that cement and steel, especially steel industries almost reredited now. I mean, many of those steel, earlier the banks used to rather keep them away. Those industries have started performing well. Have you started receiving some kind of applications from the cement, steel and basic infrastructure companies and the corporates? Is there any green shoots?

Rajkiran Rai G.: Yes. Yes. We started receiving. Actually, there are few sanctions also which have happened. But then they don't have the capacity to change my number totally, because these are all like sanctions in few hundreds or maybe thousand crores kind of sanction, because for a book, large book of our size, unless we see a traction of 5,000, 10,000 crores, you will not feel that number going up, but then we see at least 3-4 new steel company, new in sense, the capacity expansions happening. We are receiving these proposals. Even in cement also and textiles also we are seeing that.

Moderator: The next question is from the line of Abhijeet from Kotak Securities.

Abhijeet: The first one is, the upgrade number about Rs. 3,100 crores. Are there any large accounts here?

Rajkiran Rai G.: Yes, last time was when I made this statement because one large corporate account, which was under restructuring, so about Rs. 2000 crores. This quarter it got restructured and got upgraded.

Abhijeet: Second one is the employee cost has been slightly higher this quarter, what should we look at in terms of the full year numbers?

Rajkiran Rai G.: The employee cost per quarter will be around Rs.2,500 crores, this time we had about Rs. 300 crores extra because of some, one was actually we paid some incentive, what we call performance incentive, that is once in a year. That was about Rs. 90 crores and some provisioning we are to do for some terminal benefits. It's about Rs. 300 crores more than the normal. Otherwise, it will be around Rs.2,500 crores per quarter.

Abhijeet: One clarification on the restructuring that we are doing, what is the nature of restructuring here? Are we giving a blanket and for moratorium based on the product? So, if you can highlight?

Rajkiran Rai G.: It is mostly the moratorium. It is a postponement of the installment, mostly restructuring in that line.

Abhijeet: And how long is that?

- Rajkiran Rai G.:** It is anything between 6 months to 24 months. Depending on the case, so there is no general number I can put, but then it is between 6 months to 24 months.
- Abhijeet:** The last one is, like the government has increased the size of the ECLGS scheme itself, but we're not seeing balance kind of utilizing it at least as far as the numbers that are coming out so far, any comments sir?
- Rajkiran Rai G.:** Actually, for getting like, under the second resolution that 2.0 and the ECLGS which is coming, if you have to give the second dose, somebody has taken 20% now they're eligible for another 10%. That account has to be necessarily restructured. So that is one condition. Because of that, there is some reluctance on the part of the borrower to avail that 10%. We are trying to work around that. That is one of the reasons, but otherwise this time short disruption, only two months, so things are almost back to normal. We could see that in June when we went for collections, things are almost back to normal. If you see the slippage also, the accounts which were stressed and which you could not come out, we have classified them as NPA. You couldn't see that number. That's why the restructuring was only Rs. 954 crores in MSME this quarter. So, but then the NPA number was higher. So, I think, these are all almost recognized now in MSME. I feel that it's all recognized.
- Abhijeet:** The slippages are on the SME side; these accounts have utilized any form of restructuring in the last two years the scheme that has been running so far?
- Rajkiran Rai G.:** I didn't get your question? You are talking about 2019 guidance on MSME restructuring?
- Abhijeet:** Yes.
- Rajkiran Rai G.:** We have about Rs. 2800 crores of restructuring, out of that some accounts are slipping also. I think this quarter we saw slippage of around Rs. 200 crores out of this book, roughly. I can give you the exact numbers, but then broadly, I think it is around that. That is old restructuring of 2019.
- Moderator:** The next question is on the line of Rakesh Kumar from Systematix.
- Rakesh Kumar:** Just one question and this is pertaining to the yield on investment we generate, so this is close to around 5.9%. Just wanted to get adjusted number for amortizations, shifting loss and capital gains. How that number looks like, because considering the funding cost and all how remunerative that investment part of businesses, you can help me with that number?
- Rajkiran Rai G.:** Would you please repeat your question? Can you repeat your question?
- Rakesh Kumar:** I was trying to arrive at investment yields our reported number is 5.9%. But since amortization figure comes only on the half yearly and full-year basis. So, adjusted for amortization cost on

the investment portfolio and then the shifting loss and the depreciation on the book, what is it normalized number or adjusted number on the investment book yield if you can help us?

Nitesh Ranjan: I'm not still able to figure out, but I can give you some numbers to help you calculate. So, shifting loss is around Rs. 130 crores and I think amortization anyway is happening on the daily basis. It's not about half yearly or quarterly basis, that is already accounted for in the yield on investment. In terms of depreciation on investment, we have around Rs. 200 crores of reversal is this quarter. I'm not sure whether I have helped you get the number.

Rakesh Kumar: Well, I was just trying to assess that credit part of business is okay, but investment part of business how remunerative it is on the spread basis. So that was adjusted number I was trying to arrive at.

Management: So, let me also add some more color to this. Today if I look at the bulk deposits, most of these bulk deposits are coming at the average rate of maybe between 3% to 3.25%. So that is one source of funds, which we are deploying in the investment and earning maybe somewhere around 5.5% to 6% of yield. That obviously gives around 2% to 2.5% of clean margins on the investment book also.

Moderator: The next question is from the line of Mahrukh Adajania from Elara Capital.

Mahrukh Adajania: Sir, what was the recovery pipeline for the year and how much of that would be from NCLT?

Rajkiran Rai G.: Well, this is something we are very comfortable answering. Actually like, before Ashok gives you numbers, actually this quarter, our recovery upgradation was above Rs. 5,000 crores. In this cash recoveries which goes to reduce the NPA was Rs. 1147 crores upgradation was Rs. 3194 crores. In addition to that, we had a recovery from write-off accounts of about Rs. 300 crores and other cash recoveries of Rs. 464 crores, which all put together it was about Rs. 5,000 crores. But then, like for NPA reduction purpose it is around Rs. 4,300 crores, recovery plus upgradation. The full-year number we are told that it will be around Rs. 13,000 crores, recovery plus upgradation out of that Rs. 4,000 crores coming from NCLT and Rs. 9,000 crores from other recoveries. This Rs.4,000 crores of NCLT this quarter, we have not received much, but we expect we have a pipeline, I think Ashok will take over, he'll give you the number.

Ashok: Yes. Madam, I can just tell you two things, which gives you this comfort. One is that we have 61 accounts which are approved by the COC, and that amount regeneration amount is Rs. 2,127 crores. There are 35 accounts which are already approved by NCLT, and it is on the way for implementation, that amount is Rs. 3,529 crores. Total during the entire year, we have 96 accounts in the pipeline and total resolution amount itself will be Rs. 5,656 crores. We are very conservative we are taking the estimate recovery from the NCLT, that we are expecting it to be Rs. 4000 crores.

- Mahrukh Adajania:** Got it. Can you just repeat, in COVID-2 you gave Jay some numbers, but I could not pick that up? So, the MSME restructuring is 964 and you also gave an agri restructuring number, which I missed. Can you please repeat it?
- Ashok:** Total restructuring was Rs. 3,962 crores out of that Rs. 2,855 crores was retail, then personal loans, Rs.954 crores MSME others come from some allied activities. Actually, agriculture is not eligible for a restructuring some of the allied activities under that sector are eligible which came in. That comes to around Rs. 150 crores or Rs. 154 crores.
- Moderator:** The next question is from the line of Sushil Choksey from Indus Equity.
- Sushil Choksey:** A simple question, will we raise equity this year, or the equity raised what we have done is sufficient for the year?
- Rajkiran Rai G.:** Actually capital-wise we are comfortable because, as it is my CET 1 is 9.7 and with the kind of planning, what we have, it will be upwards of 10 by the end of the year. So, that way we don't need the equity, but if we raise equity, it will be at the end of the year, if it all we raise. And mainly because we have to bring up the public flow to 25% percent. Today 83% is held by the government. We have to bring it down by another 8%, only for that reason we may have to raise equity.
- Sushil Choksey:** This 8% is mandatory in the current financial year or it can be...?
- Rajkiran Rai G.:** No, we have sought time now. So maybe we are getting that relief. If you get time then depending on the conditions we'll raise, but I don't think we need to raise equity this year for our business requirements.
- Sushil Choksey:** Second you spoke about taking deposits and swapping into investment side, I think Nitesh Sir answered that question. Are we building more of a corporate book with a three- or five-year tenure or are we looking at some government bonds, because I am asking from more point of inflation in the current market scenario?
- Nitesh Ranjan:** It is a mix of both actually, both the government bonds as well as the corporate bonds and across the tenor, but bias is more towards the one-to-five-year bucket. We are mindful of the, like you said interest rate going up.
- Moderator:** The next question is from the line of Anand Laddha from HDFC Mutual Fund.
- Anand Laddha:** On your guidance of provisioning cost 2% for the current year, does it also include the aging provision which is likely to come for us?
- Rajkiran Rai G.:** Yes, it is including everything.

- Anand Laddha:** Okay. In terms of our tax rate, we would remain at full tax rate in the current year or how one should assume?
- Rajkiran Rai G.:** We are out of tax net for this year because of the carry forward losses. We may not be paying any tax this year. So, we are planning to move to the next, we started registering our DTA now because, we carry about Rs. 15,000 crores of DTA. Gradually we have to bring it down. For moving to new test regime, I think we may have to take a hit up about Rs. 5,000 crores. That's why we want to bring the DTA down during this year because the profitability is good. And maybe next year we can plan. We'll see either by end of March '23 because we have cushion for this year. Next year, we may think of moving to the new tax regime, but not for this year.
- Anand Laddha:** Okay. But there's no compulsion for you to move to a new tax regime.
- Rajkiran Rai G.:** Absolutely. No. This year it is not admissible also because we are not liable to pay tax this year. We have enough cushion, next year yes, we will think of it. Before that we'll see how this year pans out, because there are some, like good recoveries in the horizon. There are some divestments which can give me some good returns this year. If we get a good cushion, then we will try to use that. And, because when I reverse DTA, not only my hit comes down, it adds to my capital because now it is reduced from the capital.
- Anand Laddha:** Sir, you indicated recovery target of 13,000, quarter before this. If you can pick up this, how much is the recovery from written-off assets and how much would be the recovery and upgrade, a part of the NPA movement?
- Management:** Yes. Recovery in the technical write-off, what we are projecting is to the tune of around Rs. 1,000 crores.
- Anand Laddha:** And Rs. 1000 crores will be from written-off asset, balance Rs. 12,000 crores will be part of your NPA movement?
- Management:** Yes. And remaining that NCLT already we have projected around Rs. 4,000 crores and through non-NCLT route also around Rs. 4,000 crores and Rs. 1,000 crores from technical write-offs. It comes to around Rs. 9,000 crores and Rs. 4000 crores already we have booked out now. So, it all put together I think we are crossing Rs. 13,000 crores.
- Anand Laddha:** So, would be an assumption would be recovery upgrades this year would be closer to the slippage is we would have?
- Management:** With all planning and we are trying to move in that direction.
- Anand Laddha:** Any guidance you can give in terms of ROA, ROE sir?
- Rajkiran Rai G.:** Yes, definitely. Yes. I think Nitesh you can give.

Nitesh Ranjan: Anand, last time last quarter, we have given a guidance of around 40 to 50 basis point ROA for this year. We stick by that, Q1 performance is in line with that. Even on the normalized situation, we should be able to have a 40 to 50 basis point of ROA. That will be, as you have seen driven by the growth in the NIM stability of the other income and the reduction in the credit cost. And ROE we have guided for 8% to 10%, this quarter we are 10%, but we'll maintain the guidance for 8% to 10%.

Rajkiran Rai G.: There is one clarification Mr. Ashok Ajmera had asked that question. Note 16, there are 9 accounts with outstanding of Rs. 3,151 crores for which provision of Rs. 980 crores is made because there was a delay in the resolution. I think that satisfies his question Mr. Ashok Ajmera.

Moderator: Thank you. As there no further questions from the participants. I now hand the conference over to the Management for closing comments.

Rajkiran Rai G.: Thank you for your time. Maybe, if you look at the number, this is a very stable quarter compared to the previous three, four quarters, because we had impact of not classifying as NPA for two, three quarters. And because of the moratorium and the last quarter suddenly there was a huge slippage, interest reversals. So, numbers are not very stable to look at, but this quarter has been very stable. We don't have any one-off kind of things. Actually, these are reflecting the normal business scenario. Despite the two months of second wave, which totally disrupted our working in April and May, we could come back strongly in June, even though slippage numbers are slightly above our comfort level. Then, again this happened, because of one or two large accounts slipping and some higher slippage in MSME. We are very confident that the projection on slippage, the delinquency will also be maintained. The numbers, what we have reported in first quarter will remain stable and will improve. We see a lot of traction on the recovery side also, which is improving day by day. With this actually we will continue to do well. I'm very sure, the third wave may come, but it may not disrupt the economic activity to that extent which happened in the first wave, second wave was impacting us, but then it went off very quickly. We could come back to normalcy pretty quickly. I request all the investing community and the analyst community to look at us positively and like support us in all our endeavors for the coming quarters. Thank you so much.

Moderator: Thank you. On behalf of Union Bank of India, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.