



“Union Bank of India Q4 FY-21 Earnings Conference Call”

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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 March 2021. The bank is represented by the Managing Director & CEO, Shri Rajkiran Rai G; Executive Director, 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 participant 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 con call shall include a brief opening statement by MD and CEO and then the floor will open for interaction. Before getting into the con call, I will read out the usual disclaimer statements. I would like to submit that certain statements that may be discussed during the investor interactions may be forward-looking statements based on the current expectations. These statements involve a number of risks, uncertainties and other factors that cause the actual results to differ from the statements.

Investors are therefore requested to check the information independently before making any investment or other decisions. You are also aware that Andhra Bank and Corporation Bank were amalgamated into Union Bank of India, with effect from 1st April 2020. Accordingly, financials have been disclosed to stock exchanges. However, to facilitate our investor community to have like-to-like comparison, the investor presentation is based on aggregating the audited or reviewed numbers of pre banks for March 20 and do not entail any adjustments. With this, I now request the MD & CEO for his opening remarks. Thank you. Over to you, sir.

Rajkiran Rai G: Good evening, everyone. It is pleasure and privilege to meet you all for Union Bank of India financial results for the quarter and financial year ended 31st March 2021. It was a year like no other. The financial year began under clouds of uncertainty about the scale of contagion and longevity of the COVID-19 just when it seemed India had conquered the virus and restored normalcy, virus came back with even greater force, overwhelming our resources. However, it could not break our will to fight and bounce back.

Despite challenges banking industry has worked seamlessly to serve India. We also had the challenge of affecting amalgamation this year. Products and process harmonization were completed earlier to offer basic services from day one of amalgamation. Our technology platforms were integrated within record time of 10 months. Customers have common digital banking platforms, Payment Systems Integration is complete. Our organization structure is rejigged to make it attractive for large network and business mix post amalgamation. Most

satisfyingly our human resources have come together sharing a common vision of becoming the most preferred Bank of New India.

We have unlocked the synergy benefits in very first year of amalgamation. Coming to the business and financials of the year ended 31st March 2021 the operating profit of the Bank grew to 6.54% YoY and stood at Rs. 19,259 crores for financial year 2020-21. Net interest income registered a growth of 4.37% YoY and stood at Rs. 24,688 crores during the year 2020-21. The global net interest margin NIM stood at 2.7% for the year 2020-21. The net profit stood at Rs. 2,906 crores for the year against the net loss of Rs. 6,613 crores in the previous year. In terms of business, the RAM sector noted 8.4% year-on-year growth raising its share in domestic loan book to 57.7%.

Within RAM sector the retail advances grew 10.5% YoY, agriculture advances grew by 11.9% YoY. Of liabilities, total deposits grew 6.4% YoY to Rs. 923,805 crores as of March 31st 2021. The CASA ratio stood at 36.3% as of 31st March 2021 compared to 34.1% of previous year. Speaking of asset quality, the gross NPA ratio stood at 13.7% as of March 21. Our restructure loan book inclusive of cases implemented and those estimated to undergo restructuring before 30th of June is roughly 1.3% of the loan book. Our SMA-2 numbers are roughly 0.6% of the loan book.

All three together, the stress book is about 2.15% of the loan book. On capital front, the bank raised Rs. 2,000 crores of tier-2 capital and Rs. 1,705 crores of 81 Capital during 2021. Bank's operating profit will be sufficient for any provision requirements going forward. The capital raising will be only for growth purposes. Accordingly, we successfully raised Rs. 1,447 crores of equity capital during the current quarter of this financial year by way of QIP.

Friends, a number of initiatives are underway, both as a part of our long-term strategy and as per the EASE reforms agenda covering all-round digitization and customer convenience. Union Bank secured third ranked in Q3 of financial year 2021 in EASE agenda, with an overall score of 73.5 registering an impressive growth of 38% over the last Q4 of 2019-20.

The bank record highest absolute growth among all public sector banks over baseline forming all road improvements in bank. The bank has a lot of value unlocking left in its subsidiaries. These subsidiaries carry a wide range of activities in asset management, capital markets, insurance, marketing and distribution among others. We have been nurturing them and we will take a call on taking these to market at appropriate time. We have already initiated process of offloading over 30% stake in India First Life Insurance. It is expected to fetch good value. Our other subsidiaries and joint ventures are well established players today. There is a brief on these given in analyst's presentation, which you can take into account while analyzing the value potential going forward.

Economy has been resilient despite successive waves of COVID disrupting businesses. With vaccination in progress, we can look forward to double digit growth this year. We are ready to

help our clients recover and realize their goals faster. Let me conclude by sharing our guidance for the year 2021-22. Deposits and advances growth in the range of 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 in the range of 2.5%.

With this guidance, I conclude my remarks. We are grateful to the analyst and investor fraternity for their support and feedback that helps us 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 Mahrukh Adajania from Elara. Please go ahead.

Mahrukh Adajania: Sir, my first question is what is the collection efficiency in April-May versus March?

Rajkiran Rai G: Actually we have not shared the collection efficiency numbers for April and May. Our collection efficiency of March was 85%. So, the impact is about 2%, 3% in April and May but then we are not given the final number. So, we will share it in June only.

Mahrukh Adajania: Any guidance on how much restructuring we will do in MSME and retail under OPR-2?

Rajkiran Rai G: No, ma'am, actually, we have not assessed that because it is in a very, very preliminary stage. The branches are connected to the customers and assessing so people are also waiting for the opening up which is happening in June. So, we may be able to estimate the number by June end or maybe July. Right now we will not be able to put out a number.

Mahrukh Adajania: And sir, how much of assets are outlined to be transferred, have you earmarked for transfer to the bad bank?

Rajkiran Rai G: Anyway now since we have shared the number so like there are 17 accounts in our bank about Rs. 7,800 crores which in the first phase is identified for fit to be transferred to the National Asset Reconstruction Company. But then the rider here because this call has to be taken by the ARC not by the bank because once ARC shows the interest in buying this asset then only it can be transferred there. But then it is preliminary estimate that this much like in the first list like Rs. 7,800 crores 17 accounts are marked to be offered to the ARC.

Mahrukh Adajania: Sir, would you be able to give a breakdown on how much of this is fully written off and how much is not?

Rajkiran Rai G: I can say that we have fully provided so, we do not share that out of that how many is written off because it does not make any difference. Actually, when the write back comes either it comes as a recovery NPA or it is recovery in written off account. So, it will be difficult to give that number.

- Mahrukh Adajania:** Sir, my last question is what was the interest reversals during the quarter?
- Rajkiran Rai G:** Interest reversal was Rs. 1,260 crores.
- Mahrukh Adajania:** Okay and last quarter you had provided how much for the proforma NPLs in provision?
- Rajkiran Rai G:** That number I will share with you. And actually see there are two numbers actually because let us not mix up. Reversal of interest were Rs. 1,260 crores. Then there was one more item called compounding interest, interest on interest that was Rs. 127 crores. That is separate where we give the credit back to the customer. Then the Rs. 1,260 crores was because the NPA was not officially recognized till December. When the NPA was marked in the month of March so, Rs. 1,260 crores of interest which is not collected got reversed, which will have an impact on our NIM and Net Interest Income for that particular quarter.
- That is why we have tried to compare year-on-year because Q4 numbers may not be depicting the current situation. So, the provision we held for interest reversal we had only Rs. 250 crores of provision for interest reversal but actual reversal happened around Rs. 1,260 crores.
- Mahrukh Adajania:** Okay sir and just one very final question. What is the recovery from Bhushan?
- Rajkiran Rai G:** Bhushan recovery was Rs. 1,450 crores.
- Moderator:** Thank you. The next question is from line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** First question is on your MSME slippages. So, out of your Rs. 17,000 crore, the highest number is from MSME and where at least the situation is still volatile. So, when you say 2.5% of slippages, are you seeing the similar kind of MSME slippages or because 2.5% would mean that improvement in the slippages year-on-year, right? So, that is the question, where do you think the improvement will come from?
- Rajkiran Rai G:** See we expect the MSME slippages should be at least 10% to 15% less than what happened last year. So, last year MSME book was already under stress when the COVID started. So, naturally COVID further compounded the problem. So, we have seen slippage and slightly the amalgamation also compounded a problem in recognition and the things because we are going through a massive amalgamation process in the first six, seven months. So, all put together we saw a higher slippage in MSME. But then I do not think that number will repeat. So, our numbers for this year, it is at least 15% less than last year slippage for MSME.
- Jai Mundhra:** And second question is on your SMA. So, the number that we have shared is for reporting above Rs. 5 crores but even if you see your slippages construct this year, it looks like 70%, 75% has come from below Rs. 5 crores number and maybe the situation would have worsened

from March. So, any broad numbers that you can give for the SMA-2 number for the entire bank, including below Rs. 5 crores exposure?

Rajkiran Rai G: I will leave that question to Nitesh.

Nitesh Ranjan: So, I think current number is around 2.4% of the book which compared to Q3 when we shared it was around 3%, SMA-2 full book.

Jai Mundra: SMA-2 including below Rs. 5 crores exposure?

Nitesh Ranjan: Yes, all accounts.

Jai Mundra: That is a very good number sir, if I were to compare versus across times. So, 2.4% is a good number. And the second last thing. What is the outstanding DTA that we have in our book because we have not moved to the new tax regime? And the last is the recovery execution from NCLT, non-NCLT business as usual etcetera, what could be the total upgrade recovery and maybe if you have the corresponding number that would be the reduction in the total GNPA? Those were the questions.

Rajkiran Rai G: Yes, recovery I will share later. On the DTA I think our DTA is around Rs. 15,700 crores is our DTA. On the recovery side, I will as Ashok Chandra. What you can do this year recovering number from NCLT, non-NCLT and next year expected number you can share.

Ashok Chandra: This year total recovery which we have made is Rs. 10,800 crores. And in that round Rs. 4,500 crores has come from the NCLT and remaining is from the non-NCLT. Going forward we are expecting around Rs. 13,000 crores of recovery in 2021-22 and in that we are expecting around Rs. 4,000 crores from NCLT and Rs. 9,000 crores from the non-NCLT.

Jai Mundhra: This is the upgrade recovery, right, not the reduction?

Ashok Chandra: No, I am talking about the same, the cash recovery plus upgradation.

Rajkiran Rai G: Actually there is a recovery from return of accounts because like, when we give the tallying numbers for NPA.

Jai Mundhra: This is okay. I think we can include that here.

Moderator: Thank you. The next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.

Rishikesh Oza: Sir, my question was on your other income part. So, if I see your console and the standard of numbers there are a clear difference of around Rs. 2,500 crores. So, just wanted to know like what accounts for this income and the nature of this income?

- Rajkiran Rai G:** Yes, maybe if you are looking at only Q4 that will be the recovery from write off account because we had recovery from write off to the extent about Rs. 1,900 crores.
- Management:** You are talking about the stand alone:
- Rishikesh Oza:** Sir, I was talking about standalone and console? Recovery, I believe is already there in standalone that you have given in presentation?
- Management:** Okay, we will revert on this.
- Rajkiran Rai G:** Yes, we will I think maybe we may have to clarify. We do not see that much difference.
- Moderator:** Thank you very much. The next question is from the line Harsh from Reliance General Insurance. Please go ahead.
- Harsh:** I would like to know do we have any COVID provisions or we have utilized the Covid provisions made earlier?
- Rajkiran Rai G:** Yes, during Q4 actually the provision what we carried on standard assets as of Q3 because we made provision on the proforma NPA so that was utilized during Q4. But still we carry a provision of roughly Rs. 1,200 crores on the standard asset. They are mostly on the restructured book and maybe some of the anticipated provision requirement. We still carry some provision, but most of that provision what we made in Q3 we used during Q4.
- Moderator:** Thank you. The next question is from the line of Nilesh Darji, an individual investor. Please go ahead.
- Nilesh Darji:** Your NPA has increased this year of around Rs. 8,000 crores, why it so?
- Rajkiran Rai G:** Rs. 8,000 crores decreased actually.
- Nilesh Darji:** It has become 19000 to 23000 in this March 2021?
- Rajkiran Rai G:** No, actually last year NPA was Rs. 25,000 crores. This year NPA is Rs. 17,000 crores. So, the NPA has reduced by Rs. 8,000 crores compared to last year.
- Nilesh Darji:** I am not talking about last year. In December your NPA was 3% but now it is 4.62%, why it has increased so much now?
- Rajkiran Rai G:** In December NPA has not recognized. That all was in proforma NPA. Now if you add proforma NPA to NPA then you will get the number because according to Supreme Court order in December we have not recognized the NPA, it was recognized under proforma NPA.

So, in March it was actually recognized in system after the Supreme Court order. That is why the difference.

Nilesh Darji: How long is it going to increase? Now government has given you so much money but still NPA is increasing? Now the private companies have 2% higher but yours never this much less?

Management: If you see it then compared to previous year, in 2019-20 and 2020-21 NPA of the bank is less. And going forward also it is going to come down.

Nilesh Darji: In the last five years you have not given us dividend, our valuation of Rs. 300 has come down to Rs. 35. So, there is a huge loss for us? When our recovery will happen. I am holding the share for the last 5 years. Private sector's banks prices are increasing but ours are going down? Please do something so that the investment which we have made we got stuck we can come out?

Rajkiran Rai G: Now the turnaround has started. If you see this year's result you will see that the turnaround has started. Now the valuation will come. We are also actually like worry about the same that investor's value should come back. We are also making the effort so the problem which was there it is behind us. If you see this year's result then you will see the bank is now changing. So, going forward you will get good valuation. That is what we believe.

Nilesh Darji: Can we get the dividend this year?

Rajkiran Rai G: Yes, sure. If the performance is like this then dividend also will be given, why not?

Moderator: Thank you very much. The next question is from the line of Sohail Halai from Antique Stock Broking. Please go ahead.

Sohail Halai: Sir, just wanted to understand in terms of this ECGLS, how much have we disbursed? And second, has there been NPAs after ECGLS disbursements?

Rajkiran Rai G: Amount of ECLGS I will give you. I think the sanctions are Rs. 9,700 crores and the disbursement is Rs. 8,700 crores. So, like since this is a fresh loan, we are yet to see any NPA in these accounts, we are not seeing any NPA as of now.

Sohail Halai: And sir, do you think possibility of these loans, whether ECGLS have already been given that will also gets probably restructured at an additional 10% guarantee amount will be given to them? Your view on basically in terms of how this ECGLS funding would shape up going ahead as well?

Rajkiran Rai G: That we need to actually see these schemes are just announced after the approvals and all that. We have put out this scheme, we are just assessing because last year we had assessed the restructuring book can be as high as 4% or so. But ultimately it turned out that it is not even

half of that because the customer behavior is very difficult to predict. So, difficult to put a number but then yes, some of the restructuring can happen people will definitely avail the additional 10% some restructuring will happen. But very difficult to put a number into it but looking at the behavior last time it may not be a very big number.

Sohail Halai: Okay, but some of the ECGLS that people have taken may also find their ways in terms of restructuring and so they would be eligible for this 10% of additional financing as well under the new guidelines under the new scheme, right?

Rajkiran Rai G: Definitely they will be eligible and like they can be restructured also because like if the moratorium period given is less than 24 months, so now they can avail the full 24 months. So, that permission RBI has given.

Sohail Halai: Okay, and sir, second just connected to this is SMA restructured so far. So, they are not allowed to be restructured second time, right? So, they could potentially slip into NPLs?

Rajkiran Rai G: Yes, the MSMEs and other accounts restructured in last year. So, because we have given them moratorium and all that, immediately we do not foresee that they will slip actually. But then it again depends on how quickly they can come back, whether you have a third wave, whether again lockdown will happen see so many things. So, difficult to predict on the customer behavior or how the economy behaves, because most of these actual what we have done in the last restructuring also, we have not done restructuring of unviable units and all that things.

So, you would have seen the numbers we are very careful. We recognize NPA rather than restructuring and delaying the game. So, we have gone for aggressive recognition and taking it as NPA. So, whatever we are restricted, we are very clear that they are very viable units. So, we will not like hazard a guess at this point of time what will happen. So, there can be NPAs out of this but then may not be much.

Sohail Halai: Okay sir, and if you could just speak about the recovery as well and especially in terms of DHFL recovery, when do you expect and how do you expect?

Rajkiran Rai G: See DHFL like our respected recovery is roughly Rs. 600 crores plus Rs. 900 crores. Up to Rs. 600 crores is the cash recovery another Rs. 900 crores the NCDs or other bonds which is expected. So, these are number for us. So, it is a fully provided account. So, naturally this will be write back we will be getting so according to me if everything goes right, we should see it before September.

Sohail Halai: Okay. And sir, final question on this asset sale on at the national level, just wanted to understand a couple of parts. One is basically 15% would be in cash and 85% would be in security receipts. Suppose you have written off an account whether this security receives money would be also accounted then recovery of a written off or these security received will be marked to Rs. 1?

Rajkiran Rai G: Actually since they are fully provided account, so there will not be any additional provisioning requirement for the SRs. That is one thing. So, because that provision will get transferred to the SR even if you have to mark it to Rs. 1. But then since these SRs are backed by the government's sovereign guarantee so that treatment like whether I can write back that much provision is something which we have to wait for the regulator's decision.

At this point of time, it will be difficult to predict that, but if they give the cushion because it is guaranteed by the government, so that SRs to that extent, I can write back the provision if the regulator permits. Otherwise, yes, these SRs can carry the provision what I am already holding, but then these SRs will be tradable also. We will try to create a market because they are sovereign backed. So, if I am able to sell these SRs, definitely I can book that profit.

Sohail Halai: Sir, just to be clear on this. Suppose the exposure on a written off account is 100 and the recovery is 30. So, you will get somewhere around Rs. 25 as security receipts. So, now there is no clarity yet whether this will boost your P&L or whether this will be marked to Rs. 1, this would depend upon RBI's regulations, right? Am I right on this?

Rajkiran Rai G: Yes. So, just to clarify, like issuing of SRs will not entail any further provision, because it is already provided. So, that is one part. Second, if the regulator permits write back of provision that will be a benefit to the P&L that will accrue to our P&L. One more source is sale of these SRs.

Sohail Halai: Okay. So, there would be a trading market that could be created because of the government backing and after selling these SRs, you could actually show it in your P&L as well?

Rajkiran Rai G: Right.

Sohail Halai: And sir, finally, in terms of if I look at the margins, so, what is your sense in terms of the margins going into FY22 and FY23? So, I understand and appreciate that this year again, because of the interest income reversal the fourth quarter margins was actually low, but on a steady state basis, how are you looking at the pricing of the loans and consequently, what is the kind of risk that you are ready to take on your books?

Rajkiran Rai G: I think the net interest margins came around 2.71% if you look at the full year, so we are projecting 2.9% to 3% NIM for the current year. So, actually our estimates are that the interest rates are going to be very stable during this year. I do not see any price cuts and all that I think the deposit rates also will remain steady and MCLR also will remain steady.

Now it is basically the pricing part. So, right now on the short-term loans of all public sector and other big private sectors, there is huge competition, because there is so much of liquidity and the demand is low. So, banks are competing with each other to grow the loan book by offering very low interest rates.

The pricing power at this point of time is missing. But then unless the liquidity sucked out of the system, this competition will continue, but then when we are projecting our improvement in net interest margin, because we are having a lot of infrastructure funding particularly is our term loan proposals and as a large bank, there is some pricing power. We are gradually improving our pricing plus on the retail side; we are shifting to products which are like higher margin, like vehicle loans and other.

So, with that we are planning that we can reach around 2.9% to 3%, but otherwise, interest rate is going to be very stable this year, short term market I do not think banks will have the pricing power for the next seven eight months.

Sohail Halai: And finally, if you could actually just guide in terms of any internal estimates of the ROAs that you have for the next couple of years?

Rajkiran Rai G: Yes, I ask Nitesh to share that.

Nitesh Ranjan: I think for this year we have given a guidance of around 20 basis points against which we have reported around 27 basis point of ROA. For next year, our guidance is somewhere between 40 to 50 basis points. And you will see that in terms of our operating profit run rate, we have already reached around Rs. 5,000 crores of operating profit per quarter. And as MD said in the beginning, we are looking this year around 8% to 10% of advances growth so one is that income will come from that. Then couple of points I will also add.

In terms of NIM, NIM will increase one through you can see there is a steady increase in CASA ratio. And also that now most of these, this year if you assume that, interest rates remain stable so most of the advances have already been re-priced at the lower rate. However, the re-pricing of deposits will still happens which will come for maturity. So, that is the advantage we will get. On top of that, as said in the opening statement, we are looking at divesting our stake of 30% in IndiaFirst Life Insurance Company.

So, that is another income which will come and then on the credit cost this year's credit cost will be lower due to the lower aging provision, lower delinquency related provision that we are looking at. And also something benefit that can come due to the transfer of assets to NARCL. So, altogether, we are looking at around 40 to 50 basis points of ROA this year and moving forward in FY23, somewhere between 0.75% to 0.8% ROA one can think of.

Moderator: Thank you very much. The next question is from the line of Abhijeet from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Looking at the slippage's break up for the full year FY21 there is Rs. 5,700 crores slippages from the large corporate segment. If you could elaborate, what has driven that?

- Rajkiran Rai G:** Out of that about Rs. 3,000 crores is already upgraded because these were OTR cases under restructuring because there is no protection. They slipped in March, but then before June, like they are restructured and they are already upgraded during this quarter. So, like Rs. 3,000 crores is already upgraded out of this Rs. 5,711 crores. So, on the corporate side, we did not see much it was only OTR cases.
- Abhijeet Sakhare:** This upgrade, is it part of the slide 41 where you have given the estimated implementation number on corporate restructuring?
- Rajkiran Rai G:** No, that is actually the remaining corporate accounts post March which will be restructured, the remaining. Out of this something is happened in May and other things before 30th June, that is the number we shared. So, to give a color to the total restructured book from the OTR1 RBI Scheme so, we have given that because some spillover was there because the scheme was there up to June 30th. So, naturally some corporate accounts are getting restructured in Q1.
- So, to give clarity we are given that. But what I am saying is the NPA slippage from the corporate book, which was Rs. 5,711 crores as of March from that book actually, about Rs. 3,000 crores of accounts which slipped they were under onetime restructuring, the restructuring is complete and they got upgraded in the Q1 of this year.
- Abhijeet Sakhare:** So, that Rs. 3,665 crores of corporate loans, we should add Rs. 3,000 crores from the NCL line which will get upgraded?
- Rajkiran Rai G:** No, do not mix up that because that will be under restructuring. That Rs. 3,600 crores which is happening during these three months they will get added to the total restructuring book of Rs. 6,000 odd crores which is already completed as of 31st March. If you look at retail, MSME and corporate which has happened up to March, that adds up to about Rs.6,000-odd crores. The remaining Rs.3,600 crores is happening before June. The total restructured book will be Rs.10,000 crores and all the Rs.10,000 crores will be standard.
- Management:** Just to add here, on slide #41 Rs.3,365 crores that you are noticing, that are due for implementation in this quarter. Out of that, Rs.2,000 crores had slipped in Q4 which is now upgraded due to the ODR implementation.
- Abhijeet Sakhare:** There is one slide #19 on Mudra loans. So, the total loans under Mudra scheme is almost Rs.19,000 crores. There is a number of Rs.6,737 crores, that is the number for last year, is it?
- Rajkiran Rai G.:** Correct.
- Participant:** So, it's almost grown three times over the last one year?
- Rajkiran Rai G.:** No-no, the first part is the disbursement during this year, the second part is outstanding.

- Participant:** So, Rs.18,000 crores gets included in the retail segment or the MSME segment?
- Rajkiran Rai G.:** It will be mostly in MSME.
- Participant:** What would be the NPA just on the Mudra?
- Rajkiran Rai G.:** Mudra is around 11.79.
- Participant:** And it has gone up this year or...?
- Rajkiran Rai G.:** Definitely has gone up slightly, I do not have the last year's number, it is 11.79, much below the normal MSME slippages.
- Participant:** What is the share of repo linked loans in the overall loan book?
- Rajkiran Rai G.:** It is 15%.
- Moderator:** Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global Services please go ahead.
- Ashok Ajmera:** I have got a few data points and some clarification. In case of the sector wise, if you see the loan portfolio, in textiles, there has been an increase in this quarter of Rs.4,700 crores. Is it one or two large companies or they are collectively the advances in the whole textile sector?
- Rajkiran Rai G.:** Textile sector, I may not have that breakup now. But these are the normal decision-making processes and there will be increasingly...
- Ashok Ajmera:** Except NBFC and textiles, there's no growth in any other this thing. So, I was just wondering that it is a larger round or...but anyway if you don't have the numbers right now...
- Rajkiran Rai G.:** We'll look at it.
- Ashok Ajmera:** Similarly, in NBFC of around Rs.1,700 crores in housing finance of Rs.2,800 crores, they are all I suppose A-plus rated companies?
- Rajkiran Rai G.:** Yes, that breakup we have given in one of the presentations actually, how is our NBFC book and these are all top-rated accounts, where we are increasing selectively our exposure.
- Ashok Ajmera:** Other, etc, if you look at this treasury, in this quarter has been Rs.934crores as compared to Rs.1,454 crores in the last quarter. But=there is a profit on sale of investment also which has also gone down. So, any specific region for treasury, because otherwise there was no impact in any other bank of this magnitude? So, is there a change in the policy or change in the method of looking this income?

- Rajkiran Rai G.:** Treasury actually, there is a regular activity depending on the call of the treasury, they book profits, because generally it is the interest rate function actually, so, third quarter the situation would have been better to book profits, they would have booked actually. So, like I have no comment here because treasury function is basically when they see profits and the market is well congenial, they book more profits. Maybe Q3 was higher than normal, maybe they sensed better opportunity because treasury is more of a more independent this thing. So, looking at the opportunities they encash. So, Q4 is more of a normal number, I think if you look at all quarters, this is a normal number you'll see. Q3 was higher.
- Ashok Ajmera:** Recovery and written off accounts is very good; Rs.1,961 crores. There is one head other Rs.134 crores. What is that in recovery?
- Rajkiran Rai G.:** Sale to ARC.
- Ashok Ajmera:** In note #22 there is an additional provision of Rs.750 crores on account of the delayed implementation of the accounts under resolution. What is the total outstanding of those loan accounts and how many such accounts on which the provision of Rs.750 crores is made?
- Rajkiran Rai G.:** So, there was a delay in implementation of a resolution plan in a few cases. For that extra provision has been stipulated.
- Ashok Ajmera:** I just wanted how many number of accounts and what is the amount of those total outstanding in those accounts?
- Rajkiran Rai G.:** We'll share with you separately.
- Ashok Ajmera:** This special COVID loan dispensation by RBI at repo rate of 50,000 crores was announced, I believe our bank had also made the policy under this particular scheme. So, do you have any data that how much our loan book is under this COVID loan and are we positive about it in future?
- Rajkiran Rai G.:** Definitely, we are positive. The products are all given now to the field, but then it is too early to share the numbers because it's very early stages, because the product is there and the branches are already canvassing, actually we are reaching out. So, we are very positive, we are likely to build a good book on this, but then too early days for putting a number into this.
- Ashok Ajmera:** So, will you consider it to route it through the NBFC for onward lending to the medical field?
- Rajkiran Rai G.:** No, at this point of time that consideration is not in front of us. We are looking at only direct lending at this point of time.

- Ashok Ajmera:** This interest deferral from March to August which was converted into FITL which was to be paid before 31st March 2021, do you have the number that whether it is being paid on time by everyone or was there any slippage on that also?
- Rajkiran Rai G.:** Only Rs.58 cores is pending in FITL, all other FITL was paid.
- Ashok Ajmera:** This recovery which I referred just now in this Rs.1,900 crores, was Bhushan recovery included?
- Rajkiran Rai G.:** Rs.1,450 crores of Bhushan is included in the total write-off recovery of Rs.1,900 crores for the quarter.
- Ashok Ajmera:** Other than Bhushan is only around Rs.500 crores?
- Rajkiran Rai G.:** Yes.
- Ashok Ajmera:** One point which is discussed earlier about the national asset recovery, like example of you have got means around 8,000 crores which is there in the first list of 84,000, 85,000 crores and on the same example, that if the value is taken about 25%, 30%, so, it comes to around 2,000 crores or so, and on that 15%, so, the Rs.300 crores will definitely be going as a profit in your bottom line. Now, my question was which you were explaining is that for the remaining amount is guaranteed by the Government of India sovereign guarantee, first of all, there is no question of any provision on that, so, no additional provision, the provision which is there has to be returned back, secondly, why can't it be treated as income now only because, in any case, that amount has to be received, it is guaranteed by the Government of India, why not the entire 2,000 crores comes in the bottom line of the bank guarantee?
- Rajkiran Rai G.:** That we will take a call. Actually, too premature as informed when we get the government guarantee and all that, at that time we'll discuss with the regulator and take a call on that. So, at this point of time, we have not factored that in. Secondly, it will not remain only at 8,000 crores because this is only in the month of June and July the 85,000 list is going to be finalized, but ultimately during this year it is almost 2 lakh crores.
- Rajkiran Rai G.:** Yes, those accounts are also identified. This number is where all the banks have already met and given in principle okay that this is there.
- Ashok Ajmera:** Your bank can be around 20,000, 25,000 crores out of that 2 lakh crores for the whole year, isn't it?
- Rajkiran Rai G.:** Too early. First list is around 7,800 crores which we have shared. Second and third list will come, and it can be close to what you're saying. But then we have no estimate of numbers as of now.

Ashok Ajmera: And my last question is when you're talking about 10% to 12% of the growth in the advances, everyone knows the retail portfolio, so, is there any particular thought in the bank to because at the same time you want a higher rate of interest also, you want to increase your NIM also, the yield also, so, is there any plans to push MSME in a bigger way in the coming years, where you get a reasonably good rate of interest rather than the large corporate or the retail?

Rajkiran Rai G.: See, we are not abiding MSME financing but now we have better mechanism of underwriting MSME loans, there are credit bureaus giving a lot of information and then we have developed a very good straight-through processing of assessment of MSME. So, MSME will continue to be there, but according to us, the MSME growth can be around 5%, but then we are expecting a double-digit growth on retail and the agriculture this time also it has done well, particularly in agriculture the gold loan portfolio. So, that is where we are aggressively planning to grow.

Ashok Ajmera: Gold loan is also one of the areas where definitely will be fine sir?

Rajkiran Rai G.: Yes, now, we have great South India presence where this gold loan is very preferred mode of borrowing. So, we have built some mechanism to increase our gold loan portfolio which we will be aggressively driving during this year.

Management: There was a query on the difference in other income in the standalone and the consolidated. I just like to say that the numbers are actually not comparable, because the previous year numbers are of Union Bank of India pre-amalgamated and this year number is amalgamated, that is number one. Number two is that both the life insurance company that we have is a joint venture, IFLIC and SUD Life, their premium income is actually shown as part of the other income in the consolidated financials. So, that is the only reason you're seeing that difference. There is nothing extraordinary here. If you have any further clarification, I think you can reach out to our investor relations.

Moderator: Thank you. The next question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.

Rishikesh Oza: You earlier said that your deferred tax assets of around 15,000 crores. So, is it fair to say that for the next two years we won't see any tax on books?

Rajkiran Rai G.: I think, yes, we may not, because we have accumulated losses carried forward.

Management: So, we have cumulative losses of around Rs.11,000 crores which is sufficient for this year and also next year will be set out to so these two years we are not expecting any substantial tax output.

Moderator: Thank you. The next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

- Sushil Choksey:** My first question is with commodity inflation, oil being a two-year high, oil cartel is working very hard, India's petrol already at Rs.100, commodity inflation at 10-year high, if we look at any soft commodity. As RBI and government managing the borrowing and current situation is well, don't you think treasury outlook needs a little different than where we stand today?
- Rajkiran Rai G.:** Actually, in a treasury, this time that G-SAPs are going to make all the difference because like every month, we are seeing a lot of buying happening under G-SAPs, a lot of my securities which are in the money without disturbing my STM portfolio. So, this year, because of this G-SAPS itself, the treasury income should go up. And strategy wise interest rates are likely to be very stable, because the way we are seeing the 10-year bond market around 6%, maybe 5, 10 basis points here and that, so with that stability, treasury has a source of booking certain income but then GSAPs are going to be the big differentiator for the treasury this year. Otherwise, interest rate is likely to be very stable this year.
- Sushil Choksey:** Can the treasury income year-on-year be better, thanks to GSAP?
- Management:** It will be stable, that's what we can say at this point.
- Rajkiran Rai G.:** In a fluctuating scenario, treasury does better. Now, this is a stable scenario. So, this time, GSAP will help them to maintain the numbers what they have achieved last year. To improve your profitability, you may do long-term loans and avoid the short-term tenors, banking competition between private, public and foreign. In what specific area you seeing growth in long tenure of seven-year, eight-year, nine year 10-year kind of?
- Rajkiran Rai G.:** You're right actually because that is where some pricing power is still there long-term loan, short-term is...
- Sushil Choksey:** Besides LRD and road projects where do you see...?
- Rajkiran Rai G.:** Actually, that investment is yet to come back. We are seeing small proposals of some expansion in steel, some expansion in textiles but then they are quite small compared to our book size, we are yet to see some Greenfield projects to come in except on the solar and other things, so not many. So, mostly now what is happening is a consolidation in the sector, where good customers are shifting from smaller banks to larger banks, trying to reduce the number of bank in the consortium. So, mostly these kinds of activities. So, on the long-term funding side, mostly the funding is happening in road, power transmission to some extent, so mostly on this and LRDs and other things.
- Sushil Choksey:** To improve your cost-to-income, one is CASA, and second thing is digitization. On these two areas specifically much of the consolidation is now over as your opening remark indicated. What further steps would you take that you strengthen the bank to greater heights?

Rajkiran Rai G.: Yes, you're right, CASA, you'd have seen that we have already improved by 2% we were around 34%, now we are 36%. So, we will steadily grow, there is a lot of effort going on, because we are a low CASA bank guarantee, so, we are very conscious of that, and we are gradually improving and hopefully in another three years' time we should cross 40% CASA ratio. Now again like this CASA increase and other loans, the digitization is the way forward. So, bank has taken a lot of steps actually on the digitization side right from account opening to processing of loans. We are one bank which already has digitized even the documentation part. Even though the numbers are not big at this point of time on personal loan, pre-approved loans it is a straight through processing, they can come through either mobile or net banking even up to the level of documentation, they can complete the process without visiting your branch. It has also happened in vehicle loans in some states. In MSME up to Rs.5 crores we have a straight through processing already built in. So, digitally we are building a very strong mechanism. On the trade finance side, we have already tied up with one of the very famous software vendors and we are in the process. In next three, four months, all my export, import business will move to the trade finance module which will totally digitize the process and centralize the process. So, my customers should be able to sit at home and do all these export, import BG, LC transactions including bill discounting. So, there is a lot of work going on the digitization side which will be rolled out during the year.

Sushil Choksey: Further to digitization, human resource need a big transformation as banks are changing and the processes are changing. What kind of spend you would allocate towards digitization in human resource upliftment?

Rajkiran Rai G.: See, today, every staff in the bank has to be digital savvy, there is no other way, everybody either in branch or corporate they have to work on these technologies, everybody is being trained on that. And on the HR side, there's a great transformation actually going on where we totally again got into advanced performance management platform where there is industrial development plan, training module. So, today I can pick up any staff and know what kind of training is going through. A lot of eLearning modules are there particularly on the digital learning side. So, we are making a lot of efforts on that side. See, you can always get a technology it by spending some money, but unless the staff are tech-savvy, it is very difficult to implement. We understand that and there is a lot of work going on this direction also.

Sushil Choksey: So, all these measures would lead to a turnaround time that in percentage term efficient by 10% ,20% this year or more?

Rajkiran Rai G.: Today, there may be always exceptions, but on the corporate credit side, you can talk to corporates, and they will tell how Union Bank perform. So, I think Union Bank has one of the best in corporate credit and we are able to garner a lot of business on the corporate credit. On the retail and MSME side, our mechanisms are very-very good because we have centralized the whole process for the whole bank now. So, the TAT is particularly in MSMEs between seven to 10 days.

- Sushil Choksey:** Does it mean that TAT in large corporate being better, are you able to take larger fees or a higher interest compared to competition?
- Rajkiran Rai G.:** Yes, first time you can see entry of syndication fee of about Rs.7, 8 crores which was not there. So, our bank this year has earned about Rs.8 crores in syndication fee also.
- Sushil Choksey:** Can this be a three-digit growth?
- Rajkiran Rai G.:** May take some more time. See, unless the investment comes in the system in a big way that number will not improve. At this point of time there are very few proposals in the pipeline. But then yes, as the investment credit goes up, so, naturally we can always look at that bigger numbers.
- Moderator:** Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global Services. Please go ahead.
- Ashok Ajmera:** After the Supreme Court judgment of legendary Sharma case where the provision was made for Rs.1,536 crores. So, that time how much amount of the NPA in December was taken on which this provision was made? And actually, how much additional amount have gone into NPA during this quarter in addition to that proforma NPA?
- Rajkiran Rai G.:** I think the proforma NPA was around 11,700 crores as of December and the actual slippage happened is 14,480 minus in March. So, 14,480 crores minus Rs.11,780 crores is the slippage during the fourth quarter.
- Ashok Ajmera:** Some of this part is from those accounts only, means additional for this current three months or these are altogether different parties for this remaining Rs.3,000 crores?
- Rajkiran Rai G.:** It is very difficult to go account wise, but then when you look at it arithmetically, proforma NPAs are actual NPA, to the extent of 11,700 crores as of December. So, now, net addition to that was Rs.3,000 crores where ultimately resulted in Rs.14,700 crores in March, actual recognition. So, you can say in Q4, about Rs.3,000 crores of NPA got added to the proforma NPA. And again, like what happens when we recognize the NPA in a particular customer ID, all the accounts get recognized as NPA, whether it is proforma NPA or otherwise. So, you can't say that the same NPA account got increased, it will be new accounts which would have added, that is the interpretation.
- Ashok Ajmera:** My second question on this provision for the fraud account, that Rs.938 crores has been carried forward. But how much has been provided in this quarter on account of this fraud cases?
- Rajkiran Rai G.:** In this quarter around Rs.350 crores.
- Ashok Ajmera:** So, this Rs.938 crores will be in April-June and July-September or...

- Rajkiran Rai G.:** By September quarter it will be absorbed.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.
- Mahrukh Adajania:** Will you have the number for revaluation reserve?
- Rajkiran Rai G.:** Rs.4,500 crores.
- Moderator:** Thank you very much. Ladies and gentlemen due to time constraint, that will be the last question for today. I will now hand the conference over to the management for closing comments.
- Rajkiran Rai G.:** Thank you for your participation and for the questions. Your questions always lead us to look at our numbers again and reorient our strategy. Thank you. But if you look at the performance during this year, this was the most difficult year not only because of the COVID and also because of the amalgamation which we went through, and the first six months basically, like in addition to the COVID, we were resetting the administrative officer, setting up our centralization, other departments and all that, despite that, if you look at the performance, bank has done very well. The profit of Rs.2,906 crores after reaching provision coverage ratio of 81% is a very good improvement over previous year. At this point of time, we strongly feel that bank's balance sheet has improved substantially, the operating profits have reached substantially high levels, so, when you are assessing the valuation of the bank, please keep all these numbers. We have shared whatever details you wanted, and we are also available offline if any data is required. So, please look into our numbers positively and also help we improve on our profitability and performance as we go forward. So, thank you so much.
- Moderator:** Thank you very much. On behalf of Union Bank of India, that concludes this conference. Thank you for joining us. You may now disconnect your lines.