



Transcript of :
“Union Bank of India Earnings Conference Call for the
period ended June 30th, 2022”

{July 26, 2022}



MANAGEMENT ATTENDEES:

**MS. A. MANIMEKHALAI – MD & CHIEF EXECUTIVE OFFICER,
UNION BANK OF INDIA.**

**SHRI. NITESH RANJAN – EXECUTIVE DIRECTOR, UNION BANK OF
INDIA.**

**SHRI. RAJNEESH KARNATAK – EXECUTIVE DIRECTOR, UNION
BANK OF INDIA.**

**SHRI. NIDHU SAXENA – EXECUTIVE DIRECTOR, UNION BANK OF
INDIA.**

**MS. RANJITA SURESH – ASSISTANT GENERAL MANAGER
(INVESTOR RELATIONS), UNION BANK OF INDIA.**

Moderator: Ladies and gentlemen, good day and welcome to Union Bank of India Earnings Conference Call for the period ended June 30th, 2022.

The Bank is represented by the Managing Director and CEO – Ms. A. Manimekhalai, Executive Directors, Shri. Nitesh Ranjan, Shri. Rajneesh Karnatak, Shri. Nidhu Saxena 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 this conference is being recorded.

Now I hand over the call to Ms. Ranjita Suresh – Assistant General Manager, Investor Relations. Thank you and over to you ma’am.

Ranjita Suresh: Good evening ladies and gentlemen, I welcome you all for the Union Bank of India Earnings Conference Call for the period ended June 30th, 2022.

The structure of the con-call shall include a brief opening statement by MD and CEO and then the floor will be open for interaction.

Before getting into the con-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 expectations. These statements involve a number of risk, uncertainties and other factors that 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 her opening remarks. Thank you. Over to you, ma’am.

A. Manimekhalai: Good afternoon, everyone. With great pleasure, I welcome all of you to the Earnings Conference Call of Union Bank of India, Financial Results for the quarter-ended 30th June 2022.

As we all know, the pandemic is behind us, the Indian economy is well on the path of growth and recovery. We have seen credit growth has picked up in the economic activities in recovery mode in the past few months. Policy rates have been hiked, lending and deposit rates for the banks have risen accordingly.

Business and Financials for the quarter-ended June 30th FY2023

The Bank has continued to post strong financials as the total business grew by 10.8 YoY.

The Total Deposits has also grown by 9.27% YoY led by low-cost CASA deposit which grew by 8.69% and CASA ratio stands at 36.19% as of June 30th, 2022.

The Total Advance of the Bank has registered a growth of 12.95% and within the RAM sector, that is the Retail Agriculture and MSME sector. The Retail advances has grown 11.13%, Agriculture at 14.04% and MSME advances at 11.26%. RAM sector stands at 54.88% of the Total Advances.

The net income of the Bank has grown by 8.10%.

NII stands at Rs. 7,582 crores for the QY2023.

The Global NIM stands at 3%.

The net profit is that Rs. 1,558 crores as against a net profit of Rs. 1,181 crore in Q1 FY'22. Thereby, we have registered a growth of 32% in net profit.

As regards the Asset Quality, the Gross NPA stands at 10.22% as at 30th June 2022 compared to 13.60% in June 2021. Net NPA is at 3.31% which is 138 basis points below YoY.

CRAR has also improved from 13.32% to 14.42% as on 30.06.2022.

CET1 ratio improved to 10.68%. And PCR has also improved by 332 bps to 84.75% as of June 30, 2022.

Thank you and I request all of you to raise any questions that you have for the Bank.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We have our first question from the line of Ashok Ajmera with Ajcon Global. Please go ahead.

Ashok Ajmera:

Welcome to you to Union Bank. Madam, I have to personally come to welcome you. And I am sure that under your leadership, the Bank will do further reach, further glorious height. Having said that, ma'am, yes, on profitability front, the Bank has done well in this quarter too, but Quarter 1, I am interested too mean yes. But if you look at the, one is there on the growth of the business, YoY is okay, but if you look at this quarter, I think we have gone down drastically, the business-like deposits have gone down substantially by 3.84%, and our domestic advantage have increased only 1.52%.

So, going forward, what are your views in my first question about your credit growth because the CD ratio went up only because the deposits have come down. So, how much room do you have for the credit growth and what are your plans, because I know you from Canara Bank also, which has recently declared a very good result, your dynamism on this front. So, what are your

plans for the Bank credit growth in the coming two, three quarters, ma'am, this is my first question.

A. Manimekhalai:

Credit growth, yes, we have done, in the large corporate, we have done a growth of about 13.5%. We have shown good growth in our RAM sector also, at around 12.95%. And going forward we are looking at for the year end about 12% to 13% would be our growth in the overall credit portion. And -- bring the ratio of RAM to 56%. And large corporate will be around 44%.

And there is lot of, we are getting lots of queries and lots of credit growth we are seeing under the HAM, we are seeing growth in the CRE. We are seeing under pharma. We are seeing other chemicals. We are seeing growth in many of these numbers. Of course with regard to RAM sector Retail, we have taken a lot of broader structural initiatives. We have opened about 215 Retail loan points to push Retail, all our 8700 branches, will be talking to these 250 Retail loan, so that we can increase our retail advances also.

Same, we are also doing in the MSME loan points, we are likely to open some more centers. We are presently having 125 MSME loan points, about 150 MSME focused branches. So, these branches together will increase my RAM numbers. Of course, we are also looking at MCBs, opening more MCBs, giving more traction to our large corporate branches. And we will see the numbers that we are talking about.

Ashok Ajmera:

My second question, ma'am is on the movement of the non-performing assets, the NPAs. What we see is that we were expecting a larger recovery, maybe some from NCLT accounts and also the Gross NPA was expected to go down because of NARCL transfers. But I think that did not happen in this quarter.

My question is on the write off that we have done a tremendous amount of I think Rs. 6,648 crores of write off, which is, I mean little higher than usual figure. So, what kind of write off these are, can recovery people can extend on that, and going forward, what are the scope for the recovery in the coming two, three quarters?

Ashok Chandra (CGM SAMV):

First point is the recovery through the NCLT and NARCL yes, that is also a concern for us. But going forward, I think another three months' time, we will see some good number of accounts shifting to NARCL.

And second and third quarter we are expecting some NCLT resolutions also should come. I think, I had shared one number last time also. See there are 44 NPA, NCLT accounts which are already approved by NCLT and where our exposure is Rs. 4,842 crore. and there are 55 accounts where the COC has already been filed in NCLT, we are waiting for the approval to come from NCLT, and that amount is Rs. 5,168 crore. So, almost around Rs. 10,000 crore which we should expect in this financial year, definitely it should come realization should come. and the NARCL also, another three four months, we are expecting some good number of accounts likely to be shifted. So, this is about NCLT and NARCL.

Your second question was the Gross NPA and the recovery. I think this is one -- this time we have not got any resolutions from the NCLT . From NCLT resolution what we have got is only Rs. 122 Crore. Remaining all the recovery which has happened through our traditional mode of recovery, through the sale of properties, OTS and there are certain, DRT resolutions which we have got now. Other than that, we are not seeing any major resolutions coming from the NCLT route now. So, this is the present thing, going forward –

Write off is, you asked about the composition in that, composition is around Rs. 4,000 to Rs. 4500 crores is the corporate book, and Rs. 1,400 crores is the MSME and Rs. 200 crores is the Retail, This is the total write off which we have done in this particular quarter.

Ashok Ajmera:

My one question is on the Treasury which is a great concern for every Bank. Now, with the interest rates hardening up, our Treasury income has gone down from Rs. 1,186 crores in the March quarter to Rs. 220 crores. And now there are chances it may go down in the, towards the losses. So, what about the Treasury, can we get a outlook of the Treasury performance and the income that how much how, you know we got a huge investment in the Treasury, how much has converted into the interest and this profit has gone down. So, what the future is saying about the overall, our AFS book is also competitively almost about Rs. 80,000 crore to Rs. 85,000 crores. So, where do we stand now, in the coming quarter?

Balasubhramanian(CGM)

Treasury :

As you rightly told the income by sale of securities has come down, and to avoid -- the MTM losses also we have maintained very well, our portfolio we have anticipated the withdrawal of the Easy Monetary Policy and we have rebalanced the AFS portfolio and during this particular quarter, our MTM losses are very meager .That is how in anticipation of the entire scenario, changing scenario we have already rebalanced our AFS portfolio.

Second one is that to make up whatever shortfall as far as the sale of security is concerned, we are working on the exchange income, that is how last time during last quarter it was Rs. 108 crores. Now this quarter we have made around Rs. 199 crores. As also the interest income has increased from Rs. 5,100 crores odd to Rs. 5,954 crores.

And one more thing is that we have rebalanced our entire portfolio even with the 25 to 30 basis points, further hardening around 25 basis points also, we have maintained the portfolio without any further MTM loss. and the same way we are focusing mainly on the serving of the investment portfolio. And the duration was 1.44% as on June '21 was concerned, and March '22 it was 1.20%, and we have reduced it to 0.89%. That is how we are churning the things and then avoiding the MTM losses and increasing the interest income. That's how we are going to make up the whatever shortfall to greater extent.

Moderator:

Thank you, sir. We have a next question from the line of Dixit Doshi with Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: My first question is regarding the Future Retails, have you completely provided or still some provisions is left?

A. Manimekhalai: We have completely provided for Future Retails.

Dixit Doshi: And in these provisions, there are some provisions of non-performing investments also. So, are we, do we still have some investments which are non-performing from any other corporate?

A. Manimekhalai: All, 100% which is on all NPA.

Dixit Doshi: My next question is regarding the credit cost; we are still above 2%. So, how are we looking at it going forward? Any target for FY23?

A. Manimekhalai: We are, we will be maintaining at less than 2% that is the guidance that we have given to ourselves.

Dixit Doshi: And my last question is, so, our capital adequacy has improved and now we are making a decent profit, and also we are targeting just 12% to 13% of loan growth. So, are we looking for any equity, capital raise during the year?

A. Manimekhalai: We have got Board approval for raising capital, to the extent of Rs. 8,100 crores, including AT-1 bonds and QIP. Rs. 3,800 is the equity portion and if market improves, we will be looking to come to the market with the QIP, maybe in the third quarter or the fourth quarter.

Dixit Doshi: But do we really need the equity capital raise at such valuations?

A. Manimekhalai: No, we do not want the equity capital, but we would like to bring down the government stake to at least 75% and that is why we would like to do the QIP.

Moderator: Thank you. We have next question from the line of Mahrukh Adajania with Edelweiss. Please go ahead.

Mahrukh Adajania: My first question is on Employee Expenses; Employee Expenses have risen quarter-on-quarter. Now, if rates rise, there should be some benefit on the Employee Benefit portion, right. So, why have our Employee Expenses risen quarter-on-quarter?

Prafulla Samal (CFO): See the employee cost increased basically on account of two counts, the 1st Quarter, we have had some performance link incentives that has come, so that is unique for the 1st Quarter, which will not come in the 2nd Quarter, or 3rd Quarter. Regarding the Employee Benefit, under AS15 that is Pension and Gratuity, the 1st Quarter, 2nd Quarter normally, we provide on an estimated basis, we don't take a valuation. If you see in the last quarter, Q4 of the last year, we are taking the valuation and because of the rate hike, we didn't have any additional liability on account of Pension and Gratuity, therefore the cost was lesser, impact was negative. But this quarter we have conservatively provided on estimated basis, going forward we will take valuation. So, after

valuation, we will take the net adjustments. So, that's the reason why there is an increase in the employee cost during this 1st Quarter, which will be leveled out when we move forward in the next quarter.

Mahrukh Adajania: And what explains the improvement in margins? It's largely that you would, some of the wholesale deposits would have been repaid or how does it, what are the reasons that contribute it?

Prafulla Samal (CFO): If you see, Madam, our CD ratio has gone up from 69% to 73%, which means that we have deployed resources more efficiently, which earlier we used to have surplus resources put in the reverse repo or something. But now they are fully deployed in the advances and all So, that is the reason why the rate is better and the NIM is better.

Mahrukh Adajania: And your repo reset is not after three months, right, it is in the month of the rate balancing or rate hike, correct means for an existing repo rate loan, how much time does it take to catch up to the new rate?

B.S.Venkatesha (CRO): Yes, it is immediately the coming month, because every 11th is our reset rate. So, if based on the policy reserves and the 11th of every month we reset it. So, accordingly it gets passed on immediately. We don't wait for two months, three months like that.

Moderator: Thank you. We have next question from the line of Ashlesh Sonje with Kotak Securities. Please go ahead.

Ashlesh Sonje: First question is on the SMA book that books seems to have gone down sharply in the June quarter. So, can you just shed some light on that?

S.K.Mohapatra

CGM(CMCC): Yes, See the SMA actually particularly the larger corporate borrowers, we have reduced drastically. SMA accounts which were in stress, they have paid their installment one in advance and the accounts have come out of stress, that is a major reason why the stress book has come down.

Ashlesh Sonje: And any sense about the SMA book all loan, not just the 5 crores and above?

A. Manimekhalai: Above Rs. 5 crores it is around Rs. 3853 crores that is the outstanding, and which is about 0.53% to the gross advances.

Ashlesh Sonje: Second question is on the restructured book, can you give the total restructured loans of the bank, including OTR1, OTR2 and MSME?

S.K.Mohapatra

CGM(CMCC) : Total restructured book is Rs. 31, 396 crores, out of which -- COVID restructured one and two is Rs. 21,240 cores.

Moderator: Thank you. We have next question from the line of Ashak Ahamad with Square Financial Services. Please go ahead.

Ashak Ahamad: Just a small questions I have from the HR perspective, like as you said, Madam in the last to last question that we have increased the touch point for the MSME sector, but from the Human Resources point of view, how well prepared are these branches, because by character, MSME customer have become off lately very impatient, like tomorrow they are with one bank, say after five months, they are going to be with some other banks. So, how we are going to deal with segment, because the new credit formation is not happening in this segment what is happening exactly on the ground is like people are shifting from X to Y, Y to Z just for interest rate arbitrage or processing like that. So, just wanted to have your view on this.

Rajneesh Karnatak(ED): On the MSME side, the shifting of accounts is happening and no new credit accretion is happening, fresh credit accretion is happening. But we are handling it very nicely over here. So, we have a vertical which takes care of the entire MSME piece in the bank. And there are specialized focused branches on MSME we have Saral which are the central points for processing of the proposals. So, we have a skillset over here at the people side, people who have jobs, family, credit, they have been identified, they have been posted in the MSME vertical down, right up to the branch level, who are taking care not only of the marketing of the MSME proposals, but also of the credit underwriting and post sanction also the monitoring and the collection fees in the MSME.

So, the entire gamut of MSME is being taken care of. And we have identified people with job, family, credit, and the staff who are posted in the MSME sector. And though there is not much accretion is there but however our book is growing comfortably and our set is also in the MSME sector is under control.

Moderator: Thank you. We have a next question from the line of Rishikesh from Robo Capital. Please go ahead.

Rishikesh: Just one clarification on taxes. What amount of hit are we going to take in FY23?

Prafulla Samal (CFO): It will be roughly around Rs. 2000 crores but we have taken Rs.522 crores DTA, whole year it will be around Rs. 2000 crores.

Rishikesh: So, earlier we were, if I am not wrong, we were going to take almost around Rs. 4000 to Rs. 5000 crores of it, so is it like we are going to divide it in two years?

Prafulla Samal (CFO): No, it is not like that, actually DTA depends upon various other factors like how much NPA provisioning, how much write ups we are going to do in a year. So, based on that only actually how much timing differ and gets reversed. So, it doesn't work that proportionately. So, based on

kind of Rs. 18,000 crores or Rs. 13,000 crores of provision which we have estimated for the current year based on that this is the estimate around Rs. 2000 crores of DTA reversal may happen.

- Rishikesh:** So, when can we expect the normalized tax rate?
- Prafulla Samal (CFO):** See current year, we are sealed, we have some brought forward losses from the earlier year that is going to be set off in the current year. So, we are not expecting any substantial tax liability again, we continue to pay tax on the minimum alternative taxes, although we are processing that the MAT is not applicable to the Public Sector Bank. So, that dispute is going on where we are waiting for matter to be final decision to be taken in that -by the IT Appellate- Tribunal. So, based on that we will take a decision, only this year we may not go for the low tax regime but depending upon how our decision comes in our favor we will take decision at appropriate time.
- Moderator:** Thank you. We have next question from the line of Jay from B&K Securities. Please go ahead.
- Jay:** On your treasury, if you can highlight what is your PV01. And where have you done the MTM?
- Sudarshan Bhatt (GM):** Our PV01 is 4.5 and MTM operation is 0.89. We have strategically made our AFS portfolio at a lower duration to mitigate the MTM losses in the coming days. We are expecting that interest rate will harden that is why we have modified our portfolio in the 1st Quarter of the last financial year itself so that we will be able to face this MTM challenges. So, we have already provided the MTM and coming days we are comfortable with the present duration portfolio. And our ASF portfolio though it is Rs. 89,000 to Rs. 90,000 crores but it is consisting of lower duration treasury bills and other bonds. We will be able to exit and replenish with the higher yield coupon so that we will be able to generate additional interest income from this portfolio.
- Jay:** So, Rs. 4.5 crore right that is the right understanding.
- Sudarshan Bhatt (GM):** Yes.
- Jay:** And in this quarter you had Rs. 270 crores treasury gains. If you can bifurcate what was the MTM hit and how much was the gross treasury gain on sale of investment?
- Sudarshan Bhatt (GM):** See total shifting loss is around Rs. 97 crores is that other than that whatever is there that is trading income from the security sale.
- Jay:** So, there was no MTM apart from this Rs. 97 crores.
- Sudarshan Bhatt (GM):** MTM was very minimal which has been offset by the credit from the MTM provision provided in the last quarter. So, that is why no hit on the MTM on account of additional MTM in the current quarter.

- Jay:** Some question to CFO sir. Was there any one-off interest income either last quarter or this quarter? Maybe a chunky interest recovery or a chunky interest reversal last quarter because if you look at on quarter-on-quarter basis interest on advances has gone up very high from Rs. 11,000 crores to Rs. 12,000 crores.
- Prafulla Samal (CFO):** No there is no such one off. Basically, is it, because of the better deployment of the resources number one. Number two, we had changed the accounting policy last year as you know that the appropriation of the recovery part moved towards the interest then towards the principal. The 1st Quarter also we have got around Rs. 600 crores of interest recovery from the NPA account that also added to the interest income.
- Jay:** Secondly on your SMA-2 book, so, last quarter, it was just nine basis points, which would be, a very small amount of maybe what Rs. 600 to Rs. 700 crores. This quarter you have Rs. 1000 to Rs. 1200 crores slippage from corporate and around Rs. 900 plus slippages from MSME. So, your SMA-2 number is not at all reflective of stress even for more than Rs. 5 crores corporate, is that a right understanding?
- S.K.Mohapatra (CGM):** No. More than Rs. 5 crores, if you see the total book, SMA-2 is Rs. 1,044 crores as of this 30th June. But slippage is something different. Slippage is not exactly what is SMA-2 that will slip. Some other accounts also, if the 90 days credit is not coming that will also slip, okay. So, slippage in the last quarter corporate book was Rs. 1,100 crores.
- Jai Mundra:** Sir, I'm saying last quarter SMA-2 was 9 basis point, which, in absolute terms would be around Rs. 700 crores, Rs. 800 crores. This quarter you have Rs. 2,000 crores plus slippages from MSME plus large corporate. Sir, your SMA-2 number is not at all indicative of potential slippages. That is my question, sir.
- Ashok Chandra (CGM):** I am Ashok Chandra, CGM, SAM vertical here. In fact, I can just to add here, the slippages which you are seeing is that of Rs. 4,200 crores, in that the Rs. 600 crores has been added, which was already NPA. So, NPA to NPA, there has **been some devolvement** of bank guarantee. So, that Rs. 600 crores from the corporate book it is coming here. So, that is the reason you are seeing that SMA-2 was less that time and your slippages are a little bit higher here. So, that is one of the reasons. Out of Rs. 1,100 crores, Rs. 600 crores is that component.
- Jai Mundra:** And then last 2 questions. Is Rs. 31,000 crore of total restructuring which is COVID plus COVID 2 plus MSME plus your earlier CDR, 525, etc. this number is right, right, Rs. 31,000 crores, this is standard thing?
- A. Manimekhalai:** Yes.
- Jai Mundra:** This is all standard, right, as of now.
- S.K.Mohapatra (CGM):** No. This is including NPA. So, total book is Rs. 31,396. Out of that Rs. 8,692 is NPA. And total standard book is currently Rs. 22,703 crores.

- Jai Mundra:** And last question, sir, if you have the loan book break up by bench markup, that how much is MCLR and how much is repo rate link and base rate or any other bifurcation that you have.
- A. Manimekhalai:** Almost 30% is EBLR.
- Management:** Around 33% is EBLR.
- A. Manimekhalai:** And remaining is MCLR and TEBLR.
- Management:** 52% is MCLR, rest is in base rate and other channel.
- Moderator:** We have next question from the line of Ashok Ajmera with Ajcon Global Services. Please go ahead.
- Ashok Ajmera:** I got some small data points and some clarification so as to arrive at the right number. As for the notes to the account, fraud account is Rs. 1,223 is carried forward for the subsequent quarter. Again, I know that how much have been provided on product count during this quarter and this remaining amount will be within next 2 quarters or 3 quarters or remaining is for 4 quarters.
- Prafulla Samal (CFO):** Ajmera ji, let me answer this question. First thing, how much is fraud account provided during this quarter, it will be like in March, we have unamortized fraud of around Rs. 120 crore, that has been provided fully. And during the current quarter whatever fraud we have declared since we have already made adequate provisions there, we are not required to make additional provision. It was the bank's policy; fraud provision can be carried forward for the next 4 quarters. Okay. So, coming to the Rs. 1,223 crore of fraud is basically major amount happened because of the 2 large corporate accounts. One is Rs. 700 crore odd and another is Rs. 400 crore odd. So, these 2 accounts, we have already made adequate level of provisioning and rest of the provisions will be made during the current year. And majority of the provisions are already factored in our ageing provisions when we are assuming the ageing provisions, if it comes, that Rs. 700 crore account which I have told, that need not be carried forward till March because ageing provision itself in December itself, it will be fully provided. So, we hope that this Rs. 1,223 crore provision which is naturally provided will be provided by December. So, it's already factored in our ageing provisions.
- Ashok Ajmera:** My second question, sir, on IBC, we've provided 100% on Rs. 11,921 crore that is as per the RBI circular note number 14. What are the chances of recovery out of this, Rs. 11,921 crore as calculated internally by the bank, sir?
- Ashok Chandra (CGM):** This financial year, we are looking for only 2 accounts visibility is there, and mostly in the form of cash recovery it will be very less because there is 1 resolution, bigger resolution but not in the form of cash, it is all the deferred some payments are there and some land parcels are there in that. So, around Rs. 1,000 crore recovery we are expecting from the RBI list one.
- Ashok Ajmera:** Sir, this last question on this SR of Rs. 2,178 crores, is it fully provided for?

- A. Manimekhalai:** Sir, 70% is fully provided as per the guidelines of the RBI
- Ashok Ajmera:** But generally, most of the peer banks, if you look at it, in fact, they've provided all 100% irrespective of the duration. But anyway, a data point I just wanted to have. One on the tax front, we said that the amount brought forward losses under the income tax are high. So, we have not yet opted for lower tax regime under the income tax provision which has been given. It is actually I think note no. 18 or so, how much is the amount of those carry forward losses? And as per the new regime, even if you opt for the new regime, main carry forward losses can be allowed to be set up. So, what kind of carry forward losses these are and how much amount of those losses are still there to be set off against any future profits?
- Prafulla Samal (CFO):** Ajmera ji, totally around Rs. 12,000 crores of carry forward losses were there post amalgamation which we have partially setup during the last 2 years and around Rs. 3,000 crore which is left over to be set off during the current year. So, setting up that, we are not expecting any major tax that we are going to pay. In fact, we will be paying tax on the MAT, minimum alternate tax which is much lower than that minimum alternative tax of 13%. So, that's the reason. So, of course next year onwards, we will be going to pay the tax in full rate, because there will not be any brought forward losses. So, we'll take a decision at that point of time. So, this year it is not required.
- Moderator:** We have next question from the line of Rakesh Kumar with Systematix Shares. Please go ahead.
- Prafulla Samal (CFO):** So, just a couple of questions. Firstly, what is the amount of SLR that we have in HTM book now?
- Sudarshan Bhatt (GM):** Rs. 1.90 lakh crore.
- Rakesh Kumar:** Sorry, sir. Couldn't hear you, sir.
- A. Manimekhalai:** Rs. 1.90 lakh crore.
- Rakesh Kumar:** No, in interest terms?
- Sudarshan Bhatt (GM):** 25.7%.
- Rakesh Kumar:** And there was some discussion happening that the limit can be increased. So, is there such discussion happening with at the IBA level or the RBI?
- Sudarshan Bhatt (GM):** Yes, that is in respect of increasing the relaxation for holding in the HTM portfolio. Present limit was 22%, it has been relaxed up to 23% till 31st March 2023. Further, there is some delegation going on to increase the limit to 24%, that is yet to be announced.
- Rakesh Kumar:** And secondly, so, there was some discussion also happening around amalgamation of the smaller PSU banks which were still like Indian Overseas Bank and other smaller banks, regional PSU

bank. So, what is the discussion that is happening at the industry level, if you can give some understanding on that front?

A. Manimekhalai: Actually, no discussions on this is happening at our end at least. Maybe at the DFS level, it must be happening, but we are not aware of any such discussions.

Moderator: We have next question from the line of Suraj Das with B&K Securities. Please go ahead.

Suraj Das: Most of the questions have been answered. I have just only one question. So, you reported SMA book for the bank is Rs. 3,853 crore. If you can just let us know what is the total SMA book, which is inclusive of less than INR 5 crore now?

S.K.Mohapatra (CGM): Yes. Our total SMA book is Rs. 33,168 crore. Out of that, more than INR 5 crore, we have reported Rs. 3,852 crore.

Suraj Das: Can you repeat the number once again, sorry, I lost you.

S.K. Mohapatra (CGM): Total SMA book is Rs. 33,168 crore.

Suraj Das: Okay. And what will be portion of f SMA-2 here, SMA-2, 1 and 0?

S.K. Mohapatra (CGM): SMA-2 is INR 10,192 crore.

Suraj Das: Okay. And rest SMA-0 and 1.

S.K. Mohapatra (CGM): SMA 0 is Rs. 17,360 crore and SMA-1 is Rs. 5,616 crore.

Suraj Das: And one more question on the capital side. So, does your number of CET1 of 10.68%, does it include the 1Q-FY23 PAT that as well?

A. Manimekhalai: CET1. Composition of CET1.

Suraj Das: Sir, I'm asking that the number that you have reported for CET1 which is Rs. 58,887 crore, does this number include 1Q-FY23 PAT

Management: Again, voice is not so clear, especially at the right point your voice is breaking.

Management: So, we can hear 58,887.

Prafulla Samal (CFO): Suraj, what is that component you are asking, I am not able to understand.

Management: I think offline we can talk.

Suraj Das: We will take it offline.

- A. Manimekhalai:** You can connect to us off-line, and we will discuss this because we are not able to hear you properly.
- Prafulla Samal (CFO):** Yes, I'll answer this question. He's asking about whether we're including quarterly profit. No, we are not including the quarterly profit in that.
- Moderator:** We have next question from the line of Mahrukh Adajania with Edelweiss. Please go ahead.
- Mahrukh Adajania:** Sir, what was the slippage from ECLGS?
- A. Manimekhalai:** ECLGS slippages.
- Management:** Here, right now we don't have.
- A. Manimekhalai:** We will send you the figures. We don't have the figures right now.
- Moderator:** We have next question from the line of Pranav Tendolkar with Rare Enterprises. Please go ahead.
- Pranav Tendolkar:** Sir, out of the total standard restructured book that you indicated around, I think, Rs. 31,396 crore, right, out of that, you said Rs. 22,703 standard, right?
- S.K.Mohapatra(CGM):** Yes.
- Pranav Tendolkar:** And rest of it has already slipped to **NPA**.
- S.K.Mohapatra(CGM):** Yes.
- Pranav Tendolkar:** So, in this quarter, how much of that has slipped in to NPA? Out of the total 21,240 crores slippages, how much of total has come from restructure?
- S.K.Mohapatra(CGM):** Restructure is INR 1,200 crore.
- Pranav Tendolkar:** Yes. So, sir, this 31,396 restructured book that you said, it includes all the covenant prior to COVID, SME, MSME restructuring everything, right? There's nothing more than this?
- Prafulla Samal (CFO):** It is total. Total restructured book, including 1 and 2.
- Pranav Tendolkar:** Sir, out of total of your loan book, various variable based linked book will be 87%? Or is it more or less? So, including **EBLR**, like what? Total of the advances, how much percent of advances are linked to the floating rate?
- Prafulla Samal (CFO):** 90% is floating rate.

Pranav Tendolkar: 90%, right. So, also, I missed, if you already mentioned, what is the outlook on NIM going forward?

A. Manimekhalai: We will be at 3.10.

Pranav Tendolkar: Right. And advances growth also similar to this quarter or will it pick up?

A. Manimekhalai: Advances book will be around 12% to 13%.

Pranav Tendolkar: Sir, last question from my side. Sir, slippage, and recovery guidance for the whole year, along with the credit cost guidance. I mean if you can give.

A. Manimekhalai: The recovery will be around Rs. 15,000 crores. And we are looking at slippages as to the extent of Rs. 13,000 crore.

Pranav Tendolkar: And credit cost for the year?

A. Manimekhalai: Credit cost will be less than 1.7%.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference back over to the management for closing comments. Over to you.

A. Manimekhalai: Thank you, all of you, for joining us in this telecall and thanks for the questions.

We would like to tell you is that the bank is well poised for growth and profitability with all round capabilities built during the last few years. The economy is also returning to the growth path. The bank will be taking the benefit of all the drivers for new opportunities.

We have also done a lot of activities and a lot of new steps in the technology field also. The bank has recently launched the Metaverse and has also launched the incubation center at our Hyderabad Center. We have taken a lot of steps with regard to STP journeys in MSME and agriculture.

And I'm sure with the guidance, I conclude that we are grateful to the analysts and the investor fraternity for their continued support and feedback and which will help us to take informed decisions in our journey. Thank you, and thanks a lot all of you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Union Bank of India, that concludes this conference. Thank you for joining with us, and you may now disconnect your lines.

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