



# “Union Bank of India Earnings Conference Call for the period ended December 2020”

**January 29, 2021**



**MANAGEMENT: SHRI RAJKIRAN RAI G – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, UNION BANK OF INDIA  
SHRI GOPAL SINGH GUSAIN – EXECUTIVE DIRECTOR, UNION BANK OF INDIA  
SHRI DINESH KUMAR GARG – EXECUTIVE DIRECTOR, UNION BANK OF INDIA  
SHRI BIRUPAKSHA MISHRA – EXECUTIVE DIRECTOR, UNION BANK OF INDIA  
SHRI MANAS RANJAN BISWAL – EXECUTIVE DIRECTOR, UNION BANK OF INDIA  
SHRI NITESH RANJAN – CHIEF GENERAL MANAGER, STRATEGY, UNION BANK OF INDIA  
MRS. RANJITA SURESH – HEAD, INVESTOR**

**Moderator:** Ladies and gentlemen, good day and welcome to the Union Bank of India Earnings Conference Call for the Period-ended December 2020. 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 Birupaksha Mishra; Shri Manas Ranjan Biswal, 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 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, Head of Investor Relations at Union Bank of India. Thank you. And over to you, ma'am.

**Ranjita Suresh:** Good afternoon, everyone. The structure of the concall shall include a brief opening statement by M.D. and CEO and then the floor will be open for interaction.

Before getting into the concall, I'll read out the usual disclaimer statement. I would like to submit that certain statements that may be discussed during the investor interaction may be forward-looking statements based on the current expectation. These statements involve a number of risks, 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. You're 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 the 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 three banks for December '19 and March '20 and do not entail any adjustments.

With this I now request our “M.D. and CEO for his Opening Remarks.” Thank you. Over to you, sir.

**Rajkiran Rai G:** It is my pleasure and privilege to welcome you all to this concall to share the financial results for the third quarter ended 31st December 2020. I wish all of you a Very Happy, Safe and Healthy New Year 2021.

2020 turned out to be a year in which everything changed. COVID-19 pandemic has brought unprecedented changes in the way businesses are carried out across the globe. However, every challenge can be seen as an opportunity and Union Bank have started embracing digital to provide better services to customers to rationalize costs and to collaborate with the emerging players such as fintech's. The year 2021 has commenced with the countries across the world in a massive vaccination drive. There is also a strong rebound in domestic demand reflected in high frequency indicators, which also suggests that recovery is getting stronger. India is seen as the fastest growing economy for financial year '22 as per the IMF and in double digit as also highlighted by it in the economic survey.

Now coming to the “Performance of Union Bank of India,” I would like to give you a latest update on where we stand in terms of amalgamation progress. On the amalgamation front, we have achieved historic milestone of IT integration within a record time of 10 months. All technology-related integration is fully completed. It is now a seamless experience for customers across all channels.

I'm sure all of you would be keen to know about the asset quality of the bank. Here I would like to share with you that our proforma NPA as at December 2020 quarter comprise of 1.8% of the total loan book. The restructuring book which comprises of the implemented cases and the estimated numbers yet to be implemented is roughly about 2.5% of the loan book. Our SMA-2 numbers are roughly 0.8% of the loan book. All three together stress book is about 5% of the loan book. On the provisioning front, we hold COVID-related provisioning of approximately Rs.3,400 crores which is approximately 10% of the stress book, including provision of Rs.2,200 crores made during this quarter.

Overall, bank raised Rs.2,000 crores in tier-2 capital and Rs.1,700 crores of AT1 capital during FY'21 till date. Out of this Rs.1,200 crores, AT1 has been raised during January '21. Our reported CRAR and CET is 12.98% and CET is 9.22% respectively. Bank's operating profit will be self-sufficient for any provisioning requirement going forward. Our capital raising will be only for the growth capital. We are planning to raise Rs.2,000 to Rs.3,000 crores of equity capital during the current quarter. We will inform you the exact mode of raising at an appropriate time.

Now, let me share the “Highlights of Performance for the Quarter-ended December 2020.” NIM stood at 2.94% as compared to 2.78% of the preceding quarter. Operating profit for the quarter ended December 2020 increased by 12.16% quarter-on-quarter to Rs.5,311 crores which is supported by growth in net interest income by 4.71%, should add Rs.6,590 crores. Net profit of the bank stood at Rs.727 crores when compared to a net profit figure of Rs.517 crores in the preceding quarter. CASA deposit registered a growth of 11.1% YoY. CASA ratio stood at 35.38%. Share of RAM sector in overall loan book stands at 56.87%. Retail advances have grown by 7.45% YoY. MSME segment registered a growth of 4.86%. Agricultural segment grew by 7.88%. Gross NPA and net NPA ratio declined to 13.49 and 3.27 respectively from 15.51 and 6.48 in the corresponding quarter a year ago. Provision coverage ratio stood at 86.18% while credit costs stood at 1.86%. The CRAR for the Q3 financial year 2021 stood at 12.98%, registering an improvement of 60 basis points quarter-on-quarter from 12.38%. CET ratio is now at 9.22%.

The bank has ventured into strategic and digital initiatives wherein the following initiatives have taken place: Digital onboarding of customers through multiple channels, dedicated analytics team, and infrastructure, straight through processing for Shishu, Mudra, unsecured personal loan and MSME loan renewals. You'll notice that our performance during the quarter has been in line with the full year guidance. Thus, we are retaining our guidance except for deposit growth.

Let me reiterate the “Guidance for the Current Year. Deposit growth between 4% and 6%, advances growth of 4% to 6%, CASA ratio of around 35%, NIM to be around 2.8%, delinquency to be around 3% for the full year, restructuring to be around 3% of the loan book, credit costs to be 2.5% to 3% with the downward bias This is what I wish to share with you all.

Now we are open for interaction and your valuable feedback. Thank you so much.

**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. Please go ahead.

**Ashok Ajmera:** I have a couple of observations and questions and I request that I may be allowed for that. My first question is that we had a detailed discussion last time on the collection efficiency and there was some difference in the methods of calculation, then it was reported originally some 75% and then finally, we were given the numbers of 87% of the collection efficiency percentage. Because the norms must have been set in comparison with other banks now, So, what was the collection efficiency ratio in December quarter?

**Rajkiran Rai G:** Collection efficiency is stable around 85% now.

**Ashok Ajmera:** Sir, this collection in the demand of the quarter and out of that or some unpaid demand of the last quarter also has been come in?

**Rajkiran Rai G:** No, the collection efficiency is what is the demand in December, what is collected, it is like that.

**Ashok Ajmera:** So nothing to do with the previous quarters receipts which have...?

**Rajkiran Rai G:** Will be separately done. Actually, that collections are happening, because we are continuously collecting previous overdues also. But when you talk of collection efficiency basically it is a demand during the quarter, and which is collected in time.

**Ashok Ajmera:** My second question is all round increase in the retail, agri and MSME, I mean retail advances increased by Rs.3,156 crores, agri is Rs.4,906 crores, MSME is Rs.4,069 crores. And finally, the net growth in the advances in this quarter is only Rs.2,455 crores which means that corporate advances declined by Rs.9,670 crores. So, going forward what are your plans and views like you continue to increase the advances only on retail, agri and MSME or you are now targeting some small mid corporate and what is your trust area for increasing the advances now?

**Rajkiran Rai G:** In retail, we are growing as per the plan, because we should understand there was a COVID and there was amalgamation going on. So, with that actually we have picked up. Now, retail growth is around 7%. So, by March end, it will be in double digits. So, retail growth will pick up and it will be in double digits. On the corporate side also actually we are doing okay, we are doing sanctions, it is not that mid corporate, we are doing even large loans. So, corporate credit, there are many reasons why it has shrunk actually. One is you should see there is a write-off also this time which is Rs.5,000-odd crores which generally reduces our aggregate outstanding. And

second, there are a lot of short-term credit which is very interest rate sensitive which moves, like particularly from the government and NBFCs and all that who take short term credit and the banks are very aggressive in offering very low rates. So, because of that some of the short-term loans have moved. But otherwise, we are steady on corporate credit. Our sanction pipeline is very strong. So, we are very sure that corporate credit also will see a growth of around 5% to 6% by March.

**Ashok Ajmera:** Sir, you touched upon NBFCs exposure like which has also gone down in this quarter if you compare with the last quarter outstanding. I think some BBB and below the overall loan book also has gone up. But in NBFC it has come down. So what are your views on NBFC, are you still continuing the NBFC, you look at as attractive field for advances?

**Rajkiran Rai G:** Actually, we are continuing with the NBFC advances. We have not stopped actually. But then if you look at the asset quality like we are inclined to give higher rated NBFCs. So, that is what the trend is basically. Everybody's trying to move to the A, AA, AAA kind of this thing. And NBFC like downward trend is another reason because we did some bond issuances also. So many of the NBFCs have raised bonds and paid loan outstanding. So, that is another reason why NBFC outstanding has come down.

**Ashok Ajmera:** These bonds and debentures in your investment is of Rs.75,488 crores in your non-SLR investment book. What is the quality of this bond and debenture of Rs.75,488 crores broadly?

**Rajkiran Rai G:** Bond issuances, we subscribe to only higher-rated companies.

**Ashok Ajmera:** So, there is no small private group in this?

**Rajkiran Rai G:** No, no, we don't do that. As a policy it will be generally AA only.

**Ashok Ajmera:** Sir, one question on this profit and loss account. There is a credit for taxation in December quarter of Rs.388 crores in spite of the profit. Either I'm reading something wrong or deferred tax liability also there is a minus figure of 284. Can somebody explain on this why the taxation is given? In the provisioning, taxation provision is (-388) crores and deferred taxation is (-285) crores.

**Rajkiran Rai G:** We had certain tax provisions which was under litigation. So, we have got some favorable orders. Based on that we have taken a writeback because this provision was done in previous years where we had contested, but we had made the provision. Because there are favorable rulings, so, this tax rate is taken back.

**Ashok Ajmera:** Otherwise, our profit would have been much lower in this quarter had it not been there. Anyway, sir, there is one I think some typing error in slide #33 of your presentation in the processing charges and LC commission. It is mentioned as Rs.5,000 crores. Is it a typographical error or...?

**Rajkiran Rai G:** It is Rs.286 crores. It is a typo error. We will correct and send it.

- Ashok Ajmera:** If you take this Rs.1,321 crores of the total and other items, then it comes to Rs.1,080 crores, not Rs.5,000 crores?
- Rajkiran Rai G:** Total Q3 the core fee-based income is Rs.1,321 crores, the treasury income is Rs.1,458 crores...
- Ashok Ajmera:** No-no, I am just talking about the breakup of the core fee of Rs.1,321 crores, there is a commission of Rs.56 crores, commission on government business Rs.7 crores, and debit card 149 crores, remaining figure it is printed here.
- Rajkiran Rai G:** You can correct it. Processing charge and advances is Rs.286 crores and commission on insurance business is Rs.56 crores, LC BG commission is Rs.214 crores.
- Ashok Ajmera:** So, this is I think mentioned here totally.
- Rajkiran Rai G:** Typo. We will correct and send it. Since you made a mention about our profit number, see, actually tax write-backs is a very common process when we win a case and all that, we do that regular basis. But you should also understand that I had made Rs.750 crores provision on the possible restructuring cases which has to be done next quarter and June quarter. So, we have taken extra provision because we had extra profits. So, as abundant precaution, we have done another Rs.750 crores of extra provision, in addition to the like provision what we had done on the probable NPAs of December. Just to give you a color that the profitability is strong, it is not because of the tax rate can be appropriate, we have good profits.
- Ashok Ajmera:** On the Mudra Loan anything can you give color about the amount which is in problem?
- Rajkiran Rai G:** It is a very small portion. Let us not focus too much on Mudra because Mudra is 18,000 crores book where stress maybe around 12% kind of thing. So it is normal. Any MSME loan is in that range of stress, because this actually like we should not view purely from the stress point of view because it's a very small book.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.
- Mahrukh Adajania:** So, just a few questions. Firstly, do you see any tail risks in your MSME book, do you think that NPAs on the MSME or the retail book will catch up with a lag because they have been much lower than expected for the entire sector as a whole? And also, if you could quantify your ECLGS disbursements? And what do you think could be the slippage ratio one year out on these loans?
- Rajkiran Rai G:** There are many questions. First, let me give ECLGS disbursements are around Rs.8,300 crores. That is one. On the retail proforma NPA which is technically 90-days DPD as of 31st December was Rs.3,064 crores and in MSME it was 2,240 crores. One thing you should also understand. This is a cumulative NPA because like as of 31st December, so, this is happening from August because the moratorium ended in August, we have not marked NPA from March itself actually, and this

is the Supreme Court ruling. So, it is practically eight, nine months coming together in December. And it seems to be a bit high, but then now since the COVID impact is much less, number will substantially come down both for retail.

**Mahrukh Adajania:** There's no tail risk on retail and SME according to you?

**Rajkiran Rai G:** See, on the retail side, we don't foresee much slippage happening. On the MSME side on the restructured book we can capture about 5% to 10% of slippages happening over a period of two to three years. MSME will be restructuring, there are a lot of assumptions which go in actually. So something like can work, right, if the economy is growing at above double digits, then most of them can recover also, we don't know, but then it will be depending on a lot of things. So in MSME naturally we have to factor in at least 10% of slippage from the restructured book.

**Mahrukh Adajania:** MSME would include ECLGS loan as in when you say 5% to 10%?

**Rajkiran Rai G:** We have not done a trend study because according to me my input wise the MSMEs which have taken ECLGS are mostly not coming for restructuring. So, I think these are two different things. So I am talking of restructuring MSME and slippage out of it. So from ECLGS, how many will slip, it is very difficult because this is the first time it has happened. But then there is a fully 100% guarantee. So we need not worry on that. But yes, ECLGS slipping means, original account also will be slipping along with that.

**Moderator:** Thank you. The next question is from the line of Suraj Das from B&K Securities. Please go ahead.

**Suraj Das:** So, if I heard correctly, you said the retail pro forma NPA is Rs.3,064 crores and the MSME pro forma NPA is Rs.2,240 crores. But on your slide number 42, the retail NPA is written as Rs.3,293 crores. So, I just wanted to understand how come the retail pro forma NPA differ than the actual reported retail NPA?

**Rajkiran Rai G:** So, that 3,293 crores are actual NPA on the as of now, that is a recognized NPA.

**Suraj Das:** This Rs.3,064 crores actually are over and above that Rs.3,293 crores?

**Rajkiran Rai G:** Yes, which would have slipped in December but for Supreme Court ruling.

**Suraj Das:** Now, coming to the second question. So, you have given that 1.8% of gross loan is the pro forma slippage which roughly actually comes around 117 billion. So, if you can give some sectoral flavor to it, I mean, what are the major factors on this proforma slippages is coming? And out of this 117 million as you said that 20, 30 from retail, 22 is from MSME. So what is the amount for corporate and agri?

**Rajkiran Rai G:** Agri is Rs.4,809 crores. corporate is only Rs.1,502 crores.

**Suraj Das:** Coming to the restructuring part, as you mentioned in your slide that there is something around 10,000 crores of restructuring expected in the corporate book. So, again here if you can give some sectoral flavor, I mean what are the main sectors coming for these restructuring and are there any lumpy accounts where you are expecting restructuring?

**Rajkiran Rai G:** You may be aware actually, there are certain cases which may look for other ways of resolution also even like particularly two accounts which are under restructuring where OTR is invoked, but then there are other possibilities also which will be known in this quarter. So, at this point of time, we are classified under this. Then there are two entities from the public sector space also which have come. And out of that one is a large account, almost close to Rs.4,000 crores. So, that actually may not qualify under this, but right now, since we have invoked the restructuring, we are classified here. So, this number according to me on the corporate may go down substantially from what we have told.

**Suraj Das:** That Rs.4,000 crores of public account may not qualify for the restructuring?

**Rajkiran Rai G:** Yes. And there is standard account as of now because they are into metal space basically. So, there we apply it. So, we have taken it under that, but now it has to go through the scrutiny, but they are standard. Otherwise, they are not in a default status as of now, but they want to take the advantage of this, but then I think they may not be eligible. And then there is another account which is slightly smaller again from a public sector space. So, these two accounts constitute roughly Rs.4,500 crores.

**Suraj Das:** So, those two large lumpy accounts?

**Rajkiran Rai G:** Lumpy accounts. Then we have from the retail space and then we have a few textiles and other accounts.

**Suraj Das:** Now, my next question is what is the recovery expected for 4Q, I mean, the coming fiscal year? Also, I mean, you have some large accounts in NCLT where there are rising inflows on account of resolution happening, so on and so forth.

**Rajkiran Rai G:** Yeah, we expect recovery of about Rs.5,000 crores next quarter. Out of that, about 50% may come from this NCLT resolution account, at least two accounts which are very close to resolution. Resolution in the sense they are close to recovery. Resolution is all done, it is in the final stages.

**Suraj Das:** What is the expectation for FY'22?

**Rajkiran Rai G:** That we need to look at. Actually, maybe once the March numbers are out, then only, because right now, we have not estimated what can be the recovery. But then from looking at my gross NPA book, generally we recover something between 10,000 to 15,000 crores. Last year was a trend. And if the NCLT is activated again, so, we can see that number again; Rs.10,000 to Rs.15,000 crores.



- Suraj Das:** My third question is on the interest reversal on proforma. So, you have done some provisioning of Rs.250 crores for this quarter. So, I just wanted to understand have you considered the interest amount in interest income and then done the provisioning, or you have not counted the interest on proforma in the interest income?
- Rajkiran Rai G:** We have considered the interest income and after that we have done the provision.
- Suraj Das:** One just clarification I needed. Because on the PPT which have been published for Q3, there the NIMs number for previous quarter, for example, September quarter is 2.78, and if I look at the Q2 PPT, it was 2.51. So there are a few numbers which have changed for 2Q PPT vis-à-vis 3Q PPT. I just wanted to know what has changed and why is this reclassification or some sort of that?
- Nitेश Ranjan:** So, on the NIM, actually, we have been steering the NIM disclosure to various banks particularly on the peer bank side. And we observe that particularly on the denominator side, there was a different definition taken by various banks on the average earning assets. And if you do the like-to-like comparison, then what is reported by the banks and what is the like-to-like comparison number is different and our conclusion was that for most of the banks if we also reduce the gross NPA from the denominator and then makes it an average earning asset, then actually the numbers look very competitive and where you can actually explain the differential in the NIM of one bank with the other with respect to the difference in CASA, difference in yield on advances, so that is how this time from the denominator we have reduced the gross NPA and that is why the previous year numbers have also been reported differently.
- Suraj Das:** This NIM, if I understand correctly, also includes the interest on pro forma as you said. So if I adjust for that, what would be the impact on the NIM, roughly around?
- Nitेश Ranjan:** That will be around 10 basis points impact will be there. So you can say that our NIM without that interest that we have booked will be around 2.8.
- Suraj Das:** And sir last question from my side, as you have mentioned on slide #40, the total provision against the COVID-19 contingent provision is at 34 billion, roughly around 3,400 crores. So if you can just give the breakup because if I see the BSE disclosure, there is some 1500 crore of provisioning is there for the COVID-19 and then another 500 crore of provisioning for the contingent liability and then there is 700 crore additional restructuring provision. So this if I add, then it will come something around 28 billion or roughly around 2,800. So what is the difference that I am missing?
- Rajkiran Rai G:** You have to add another 590 crores because if you remember in the month of March, RBI permitted some reversal of NPA because the account which was SMA as of 29<sup>th</sup> February which was stripping in March, RBI permitted reversal, but they asked us to provide. So there about, we are holding about 588-590 crores. So that is also standard asset provision. We are carrying that

provision. That is also for the COVID stress only. So if you add that, totally we are holding around 3,460 crores of provision which can be used for COVID related stress in the next quarter.

**Suraj Das:** And my last question is sir on the SMA book, so SMA-2 numbers look pretty comfortable at only 0.8% of gross advances, if you can give some color on the SMA-0 and 1 book as well?

**Rajkiran Rai G:** We are not making the disclosures. We are giving only SMA-2.

**Nitesh Ranjan:** Yeah, we have been disclosing SMA-2 only, but since you have asked, SMA-1 also is comfortable number around the same range that we have reported on SMA-2.

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

**Sushil:** Sir, my first question is as you have completed the merger integration in technology, what kind of initiatives on digitization and rationalization is going to emerge and what kind of benefits are you seeing starting this quarter?

**Rajkiran Rai G:** On the digital side, since the integration is complete, we have launched many products. Actually, like on the straight through processing like without a human intervention, we have started personal loan on trial basis. These are mostly the preapproved salaried cases where we started processing online. So similarly, we have started for MSMEs up to 5 crores, so straight through processing. And also we have started for Shishu Mudra. So these are the digital interventions, then we also have a dial a loan facility or a missed call facility where our marketing team will catch up with you if you give a missed call for any loan requirements. So these are the digital initiatives which are already there and there are many more digital initiatives which are going to come. And on the synergy side since this is just complete Andhra Bank, the big benefit will flow from branch rationalizations. So we have already started that exercise. So we have identified roughly 470, nearly 500 branches for rationalization which will happen within 1 year. So that will be a big this thing and on the IT side because now it will be one system. There will be lot of savings which will be coming from the IT side. So we will be saving lot on the HR by the redeployment because these multiple functions which used to happen from the 3 banks, this is getting centralized and you are aware that we had a very high degree of credit centralization and a marketing setup. Now with the 2 branches adding, it has further strengthened. So according to us, the synergy benefits in the first 3 years are likely to be about 3,600 crores.

**Sushil:** Where do you see your cost-to-income based out of these measures over a period of 1 or 2 years?

**Rajkiran Rai G:** The cost-to-income, right now we are around 45-46%. So it is not that it will substantially go down because other cost may increase, but the cost-to-income what is our projection, Nitesh? It is around 44-45. It will not go down that low because the other costs will increase, but then actually the cost which is now increased that will get moderate. So we will be around 45 cost-to-income.

**Sushil:** And taking cost-to-income, what is your CASA number which you are projecting around this year?

**Rajkiran Rai G:** This year, we are likely to end with something between 35-36% and we are projecting every year increase of roughly 2%.

**Sushil:** Sir, next question, what is your outlook on treasury and mean treasury only by government securities based on economic survey which is out today or are we very serious on corporate bond market? I see we have sanctioned lot of credit specifically to our customers bond market was **(Inaudible) 36:57** either government or direct participation because the yields on that are higher than the advances that you have done that is what I gathered?

**Rajkiran Rai G:** I think the book is available. We have given you some analysis. We have invested in bond market. You can see the numbers.

**Sushil:** Numbers, I am aware. I am asking from outlook point of view.

**Rajkiran Rai G:** Outlook point of view, actually you see, on the government securities, this has been a very good quarter because of the lower income and all that, we could book substantial profits also during this year. From the earning perspective, we are aggressive investors in corporate bond market also, but right now we are mostly doing in AA or that kind of bonds, but then we are pretty aggressive in the bond market also. Last year also like around February when lot of opportunities were there, we have taken good positions at that point of time also. Our outlook on the corporate bond market is positive and particularly because the yields are good because the credit market is not that good because most of the good borrowers are preferring the bond market today. So we are also playing along. So we are positive on that.

**Sushil:** Are we focusing with 2-3-year tenure or we are taking 5-10-year tenure?

**Rajkiran Rai G:** We have taken up to 5.

**Sushil:** Between Andhra Corporation and Union, the other two banks have come out of PCA in 2019 early before the merger. You must have had solid amount of written-off assets rather than only NCLT recovery. What kind of outlook is there on those written-off accounts recovery be meaningful contributor to the Bank?

**Rajkiran Rai G:** Yes. Actually, like we will see some of that in the next quarter also, some of the resolutions as they happen and all that. There will be meaningful contribution to the P&L from written-off accounts. Right now, actually like we have not encashed much during this period because of the COVID. So we could not go aggressive. Even in the resolutions or one-time settlements what we have done, we could not get the recoveries. Everybody has extended the time schedules. So now we will see, maybe last quarter we will see some recoveries and maybe next year will be good year on this because given the one-time settlements which have sanctioned...

- Sushil:** I am asking on the number what is available to collect in terms of increase we are able to collect, those written-off assets value would be how much on the...?
- Rajkiran Rai G:** 49,000 crores are the written-off book.
- Sushil:** Can we estimate 25% of that figure as a good number?
- Rajkiran Rai G:** May not be in the one year. You can factor about 10% in the first year. About 5000, we plan for next year 21-22. This year, we could not do much because of the COVID.
- Sushil:** Then if I can ask you, I am not asking you from a RAM point of view, but consumer loans and corporate loans, what kind of mix we can see over a period of 2 years with all your initiatives?
- Rajkiran Rai G:** See, like the RAM loans are between 55-58 roughly. The corporate loans will remain around 40-42%.
- Sushil:** So the mix would be more or less similar number or 1 or 2% here and there, that is what you are saying?
- Rajkiran Rai G:** Because corporate loan, we have a good sanction pipeline, and we are also expecting a good traction on the retail.
- Sushil:** Are you seeing pricing pressure or pricing pressure is over now?
- Rajkiran Rai G:** Pricing pressure on the corporate side is there still actually particularly for the short-term credit.
- Sushil:** And my last question is any plans on asset monetization because now the integration is done, lot of assets would be surplus between the 3 balance sheets on a single Union Bank benefit. Any plans to synergize and get something out?
- Rajkiran Rai G:** Yes, it is there. The plan is there, but then I will not quantify the numbers now, but then yes, there is a part of the synergy when I said 3,600 crores of synergy, we are likely to see so yes, there is some asset monetization involved in that.
- Sushil:** That is part of the 3,600 crores number.
- Rajkiran Rai G:** Yes.
- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.
- Abhijeet Sakhare:** On the SMA number, can you give us the SMA position on the entire book which includes retail likely?

- Rajkiran Rai G:** No. We are disclosing above 5 crores.
- Abhijeet Sakhare:** No sir, the reason for asking is basically to get a view on how that part of the book is shaping up in terms of overdue loans out there to get some comfort on the near term slippages?
- Rajkiran Rai G:** That we will see whether like we can disclose, if we can disclose, other banks also have disclosed above 5 crores only.
- Nitesh Ranjan:** If you look at the SMA-2 numbers of the account less than 5 crores, it is not that all of these are sleeping actually historically because somehow the collection mechanism that banks have and the behavior on the part of the customers also is that they are paying between 60<sup>th</sup> to 90<sup>th</sup> day and therefore these accounts time and again they appear in SMA-2. That is why to give a better color this time, we have given only the 5 crores and above accounts. And if I can give you a kind of some of color on this 0.8% of SMA-2, I think around 60% of that comes from the MSME book. Around 20% comes from the retail book and remaining is the spread between corporate and agriculture. I hope that gives you some insights on that.
- Abhijeet Sakhare:** So basically without giving the numbers, would it be fair to say that the smaller ticket size loans, the overdue position there is not too worrisome at this point of time, probably similar to historical levels. Would that be a fair assumption?
- Rajkiran Rai G:** Yeah, so wherever worrisome is there, it is already reflected in the pro forma NPA and some accounts in the OTR list that we have disclosed. Remaining, I think more are behavioral issues. It is not that they are going to slip.
- Abhijeet Sakhare:** And for the next year, would it be fair to say that we will probably go back to historical range of slippages of around let us say 2% to 2.5% kind of level?
- Rajkiran Rai G:** It should be much lower than that, next year because see, the contribution was mainly coming from the corporate book. Now, these numbers what we see on the pro forma NPA and the OTR book actually, this is coming mostly because of the behavior pattern, not MSME and retail and because of the Supreme Court stay. Now actually when the things happened, most of this will get collected because I will give you an example. In September, we had almost 4000 crores of pro forma NPA and more than 15% got collected in the last 3 months. So I think this is a trend like so trying to draw conclusion of slippage from this number may not be right for public sector space. So I do not see that because the legacy issues are almost over. Corporate book is behaving very well. So the slippages next year should be close to 2%, but too early by March, I will be able to give you more this thing, but then next year delinquency close to 2% should be a reality.
- Abhijeet Sakhare:** And sir last question is on the employee cost?
- Nitesh Ranjan:** This quarter was about 2,400, but previous 2 quarters was about 2,000 crores order.
- Rajkiran Rai G:** Yeah because there is a wage revision happened.

- Abhijeet Sakhare:** Going forward, it stabilizes at 2000 crores or closer to 2.5?
- Rajkiran Rai G:** It will be 2.5. Actually, see earlier we were making a provision separately for the wage revision. This quarter actually like it is a part of that, 2400 to 2500 will be our employee cost.
- Moderator:** Thank you. The next question is from Suraj Das from B&K Securities. Please go ahead.
- Suraj Das:** Sir, coming back to the collection efficiency, you have said that broadly stable at around 85%. So if you can give some color on sector wise as well, so what has been the collection efficiency in MSME, corporate and retail and agri book as well? And also, in the last quarter earning call, you said that there are some data challenges in terms of cyber integration and all that and also on account of non-marking of FITL accounts. So have all the issues been resolved as of now and can I take the 85% number inclusive of all that?
- Rajkiran Rai G:** Yeah, I think because this is the amount wise. When you look at account wise, actually it is more than 91% actually. Number of accounts which are getting collected is around 91%. Amount wise, it is around 85. So Sectorally, I think retail and MSME is around 85. Even corporate is around, they are all in that range only.
- Moderator:** Thank you. The next question is from Ashok Ajmera from Ajcon Global. Please go ahead.
- Ashok Ajmera:** Sir, in fact I forgot the compliment, your treasury team in my last first time when I got the opportunity because you have got a very handsome profit on the sale of the investment and the exchange, almost about 1458 crores. So my question is very good and very encouraging and the whole team should be complimented. But my question is that going forward, what are the views of our treasury CGM or GM, the team or you that how do you look at next 1 or 2 quarters on the treasury front, on the investment profit booking and the exchange profit booking?
- Rajkiran Rai G:** We have CGM treasury here. We will hear her actually what is their view?
- Management:** So I think if I look at whatever the budget numbers are coming with respect to the government borrowings and the revenues what are coming up, they are looking quite positive. Coupled with that, the Reserve Bank of India's Governor's guidance again and again they are going to keep the interest rates benign for the time being. So for next 2 quarters, definitely, we are not seeing any surge in the yields of the G-sec market. It will be hovering around the same levels where we are and maybe post budget if we get something good for the banking sector and on the growth front from the government projections what we are talking the double digit, we may see actually maybe running for some time.
- Ashok Ajmera:** But by the time you will be ED of some another bank, madam.
- Rajkiran Rai G:** Views of the department will continue to be there.

**Ashok Ajmera:** Sir, pardon me for repeating this again and again, but this collection efficiencies basically demand collection and balance, I mean other banks, they have put the terminology of DCB. Now a Canara Bank can be 95%, Bank of Baroda can be 94%, now State Bank also coming out. So why, I mean is there any still some mismatch in the method of calculations or something because Union Bank cannot be only 85% according to me. Last time also I was correct that it was not 75%, it came out to be 87%. So just I am giving a thought for you all or at least some working on it so that from the next quarter of course that efficiency matter will not arise much from this...

**Rajkiran Rai G:** We will not because, see with pro forma NPA once the Supreme Court clears, the actual NPAs will be seen. So with that actually this way of looking at things because these are basically used for taking certain assumptions on what can be the NPA level. Now with pro forma NPA, you already had a color of the NPA which would have happened in December. So I think this does not matter whether it is 85, 90, you have to go back and see what is the NPA percentage. That is actually real reflection of collection.

**Ashok Ajmera:** It is only when you compare, sometimes you feel little bit because it is such a nice bank...

**Rajkiran Rai G:** May be assumptions because see what happens. We have certain assumptions plus also you have to understand, we are going through an amalgamation exercise of two comparatively large banks. They are not very small banks. So data wise also, there can be some issues in matching the EMIs and collections, something can flow from there also, but it is very difficult to put a number into those things. So these are data which are available, and I can't give you any wrong data. What is coming from the system only I have to tell you.

**Ashok Ajmera:** Perfectly alright, sir I might have missed because for 5 minutes I was not here on the call. This, due to the merger and now the entire merger has been completed successfully, how many branches and ATMs you have closed of all the 3 banks together to have a little cost saving?

**Rajkiran Rai G:** 130 branches are likely to be closed this year itself. Totally 437 branches are identified for rationalization totally. And 158 ATMs are already closed and 76 branches out of this 130 are in the process of closure. It will be like few days kind of thing because it takes a month or two. Within that 130 what we are doing before March, 76 are about to be closed because the process has started because that notice period and other things are there.

**Ashok Ajmera:** Sir, one of my observation is there about on the loan front corporate lines, every loan is a corporate above 5 crores. Sir, like you set up the norm for processing the case and turning around the cases up to the sanction level or rejection level whatever is there for the digital media and other thing. But I see that for the normal corporate loans at the branches and the regional offices and head offices, I don't find any fixed kind of a time limit or anything or whether anybody is supervising that. Because few proposals remain for 3 months, 4 months, 6 months and is there somebody looking at it at the higher level that what is happening around that various sanctions like you are Saral, branch CFS and other branch, because I mean somehow I observe even those

things also and engage in other things also as a consultant. So is there any fixed system to track all those cases and everything?

**Rajkiran Rai G:** I don't know unless there is a specific case, but otherwise we monitor the TAT because we have a lending automation system. Once an application is entered in a system from that point I can track. But suppose if a proposal is taken, it is not entered in the lending automation system, then I can't track it because I don't know, because see sometimes, some proposals are just like that given to branches or regions. So they yet to form an opinion whether it is a fit case to lend or not. So during that period and discussions, generally it is not recorded particularly bigger corporate loans. So once they form up their mind to do it and once they enter in the lending automation system, our turnaround time is very good. But then I don't know which specific case you are referring. If there is any specific case, we can do that later. But generally, once it is entered in the lending automation system, like our turnaround is very good because we monitor it and it is a part of our agenda also we monitor that.

**Ashok Ajmera:** My last question is sir, again on the recovery front because we have a huge write off even in this quarter also more than 5000 crores and there must be some NPV value even in those account, a) out of that is there any major bigger accounts which have been written off or some general small accounts are only there?

**Rajkiran Rai G:** There are large accounts so, like totally we have a write off book, large write off book, so it is a technical write off. All the accounts are under recovery because see, many of these accounts maybe in NCLT process and other processes, litigations are going on, DRT suites and all that.

**Ashok Ajmera:** So there also we can apply the 10% formula of this year, the recovery?

**Rajkiran Rai G:** Hopefully, that is the estimate. We are expecting about 5000 crores of recovery from this technical write off account for next year also.

**Ashok Ajmera:** And what about some of those accounts which are in NCLT and other things like Bhushan Steel & Power which are....

**Rajkiran Rai G:** That is expected anytime now. Q4 we are expecting that Bhushan Steel will be recovered.

**Ashok Ajmera:** How much is yours, about 1200? How much is that in your case?

**Management:** 1400 crores.

**Rajkiran Rai G:** 1400 crores of recovery expected.

**Ashok Ajmera:** I know because I think earlier, we had a discussion on this. Alright, thank you very much.

**Moderator:** Thank you very much. That was the last question in the queue. I would now like to hand the conference back to the management team for closing comments.



**Rajkiran Rai G:**

So, thank you. Thank you for all your questions. We are always available if there are further queries. You can get in touch with Mr. Nitesh, he will update and whatever disclosure can be done, we will be happy to share that information with you. Like, to sum up, I would like you to appreciate the quality of the balance sheet. See, we are very clear in trying to identify the possible NPAs, trying to possible like, identify the possible restructuring book and particularly in case of restructuring because now the 31<sup>st</sup> of December was the last date expect MSME, so there is no further restructuring addition possible. So number is more or less crystalized. Based on that, actually we are already holding 750 crores of provision because we are likely to make a 10% provision over the next two quarters for which upfront, we have started making provisions. And the probable slippages even though we are very confident that this slippage, what pro forma NPA what we have declared, it will go down substantially in the next 2-3 months because of the recoveries, but then we are holding 15% provision. With that, actually we are very confident that whatever probably slippages or restructuring book provisions can be made from our operating profits. So I think at least now people should be confident about balance sheet, the amalgamation is complete. We have a common system today, so the balance sheet is comparative, clean, well provided for, provisioning coverage is almost at 86%. I think like the time has come to revalue Union Bank and the strength of Union Bank. So I request everyone to relook at the Union Bank Financials and now it is very clear balance sheet, well provided for and the capital CET1 reaching 9.2% levels, we have sufficient cushion now on the capital side also. So I would like to reassess the analyst community, the Union Bank financials. So thank you.

**Moderator:**

Thank you very much. On behalf of Union Bank of India that concludes the conference. Thank you for joining us, ladies, and gentlemen. You may now disconnect your lines.