



“Union Bank of India Q3 FY2018
Earnings Conference Call”

February 03, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the Union Bank Q3 FY2018 earnings conference call, hosted by Elara Securities Private Limited. 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. I would now like to hand the conference over to Mr. Rakesh Kumar from Elara Securities Private Limited. Thank you and over to you Sir!

Rakesh Kumar: Thanks Stanford. On behalf of Elara Capital, we would like to welcome on the Union Bank Q3 Results Conference Call. Firstly apologies for the delay and we have on the line Mr. Rajkiran Rai G, the Managing Director & CEO; Mr. Vinod Kathuria, the Executive Director; Mr. Raj Kamal Verma, Executive Director; Mr. Atul Kumar Goel, Executive Director and Mr. Shri B. Sreeneivasa Rao, the CFO. Without much ado, I would like to request Sir to give a brief presentation on the results and there after we can start the Q&A session. Over to you Sir!

B. Sreeneivasa Rao: Good afternoon. I will just read the disclaimer statement. I would like to submit that certain statements that may be made or discussed during these investor interaction maybe forward-looking statements based on the current expectations. These statements involve number of risks, uncertainties and other factors that could cause actual results to differ from the statements. Investors are therefore requested to check the information independently before making any investment or other decisions. I would now hand over to our Managing Director and Chief Executive, who are joined by Executive Directors and the Senior Management. Over to you Sir!

Rajkiran G. Rai: Good afternoon everyone. I have the pleasure and privilege of interacting with you all on the occasion of Union Bank’s financials for October-December 2017 quarter. On behalf of Union Bank of India and on my personal behalf, please accept my heartiest welcome to our telecon today.

At the outset let me convey our gratitude to investor fraternity for supporting us wholeheartedly in our capital-raising endeavor. The bank raised Rs.2000 Crores in equity capital through qualified institutional placement during quarter ended December 31, 2017 with participation widely distributed across investor classes both the domestic institutions as also foreign investors.

It has helped to strengthening the balance sheet and expediting asset quality resolution. You may be aware that the government has allocated Rs.4524 Crores through recapitalization bonds during Q4 FY2018. It will help strengthen our books further.

Coming to financial, but for sharp yield reversal in investment books, which has hit the banking industry alike our performance on operating metrics is encouraging. Operating profit stood at Rs.1650 Crores. The bottomline; however, continues in red because of bulking up of provisions. I had indicated this in our earlier interaction also.

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Friends, if you recall I had shared about our priorities in three areas. Strengthening the balance sheet through raising provisioning cover and CET ratio, improving origination and underwriting standards and unlocking capital through recovery.

I am happy to share that we have made significant advance on this line. The bank had frontloaded provisions for NPAs being referred to NCLTs to Q3 FY2018 rather than spreading it during the full half-year of FY2018. Accordingly our provisioning coverage ratio has improved further to 57.12%. About three-fourth of the slippages during Q3 have come from the stressed book that is S4A, SDR and restructured book and subsequently stressed book has come down. Meanwhile recoveries and upgradation rose to 691 Crores during Q3 as against 576 Crores in Q2.

Coming to improving origination, bank has setup a new structure what we call customer acquisition group, unifying our marketing and sales force for strategic pursuit of new client relationships. This structure has already been launched in 11 centers across country and will be scaled up going forward. As far underwritings, the bank has strengthened capabilities of existing centralized processing structure such as industrial finance branches for larger corporates, Sarals for MSME loans and union loan point for retail loans.

Besides we have issued a new structure for mid corporate. This has helped in improving customer experience as well as standardizing the processes. It will help in building quality book on incremental business. Likewise for investment credit in agriculture sector the bank has started hub and spoke structure with centralized hubs namely Union Samridhi Kendra. They have started pilot with two such centers. They are encouraged by early results. These initiatives will be scaled up going forward.

Coming to business aggregate, the bank continues to grow in focus areas of RAM sectors and CASA led liability. RAM shares stood at 54.5% of loan book while CASA stood at 34%. Going forward we are looking at portfolio churn with RAM sectors, building strength in high yielding portfolio by gaining market share in newer segment. As I shared earlier before chasing a business our priority has been to first put in place right supporting mechanisms for better underwriting and collections. I am sanguine about growth prospects of economy, which has seen growing at 7%+ rate in real terms in coming financial year.

Demand for credit will follow. We have used the opportunity to rejig our internal structures as well as people capabilities to tap the coming opportunities. We largely through these initiatives and will share the developments on business front going forward.

With this brief overview let me conclude by reiterating our guidance for remaining of the financial year. Credit growth to be around 8% to 10% and deposit growth to be around 7% to 8%. CASA share objective is 34% to 35%. NIM to be around 2.10% by quarter ended March 2018. Cost-to-income

ratio to be around 48%, delinquency to be around 5.25% and credit cost around 4%, to contain gross NPAs around 13% by March 2018, PCR to rise above 58%.

Thank you all for your patient hearing. I look forward to actively engaging with you in shaping the future course of this great institution. Now we can share your feedback and queries. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

Mahrukh Adajania: Sir, my question was on loan loss provision, so all the provisions for NCLT2 has been made and there were higher slippages in the quarter also, where the loan loss provisioning has come down a bit right sequentially?

Rajkiran G. Rai: Right.

Mahrukh Adajania: So, what explains that?

Rajkiran G. Rai: Loan loss provision has come down because the ageing provisions in this quarter were slightly lower than last quarter.

Mahrukh Adajania: Sir, in respect to our telecom account, which has slipped for the sector and because the restructuring is underway, people are hoping that it will be upgraded, so when it does get upgraded, it will get upgraded in whole or in part, how does it work because the sizable accounts are more?

Rajkiran G. Rai: Yes, but then I do not think we are talking about upgradation of that account. We are talking of recovery in that account because there is a sale transaction, which is happening and actually that the whole transaction is split into four different sections, so the payments are going to come in different sections separately. We are expecting about 50% of the receipts in Q4.

Mahrukh Adajania: So has the receipts comes, the account will get written down?

Rajkiran G. Rai: Right.

Mahrukh Adajania: Sir, in terms any flavor on slippages because there was divergence in this quarter, so which sectors, accounts?

Rajkiran G. Rai: Actually, I already have the divergence numbers there. For us the divergence was around 2800 totally out of that 50% was already absorbed in June and September, so 1400 of the divergence, which we were contesting with the Reserve Bank earlier saying that it has not actually NPA, but then ultimately

we have to accept and we have made the classification in this quarter and we are in the provision actually about 494 Crores of provisions we have absorbed because of divergence in this quarter. So going forward I think we have given a guidance of 5.25%. I think is factoring in those because earlier if you remember we are given a guidance of 4.5%, which was revising into 5.25% that factor in our next quarter slippages.

Mahrukh Adajania: Sir, but what sector slipped during the quarter?

Rajkiran G. Rai: This quarter it was on various accounts, there was power, there was construction, there was telecom what you are mentioning, and these are major actually you can say power. Power is one thing, which is actually going to contribute a large way for further slippages, so this thermal power basically, so one or two.

Mahrukh Adajania: What size was the power account?

Rajkiran G. Rai: Actually what slipped in the last quarter was 550 Crores.

Mahrukh Adajania: Thank you. Thanks.

Moderator: Thank you. We take the next question from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Sir, thanks for the opportunity. Sir, on this divergence you mentioned the quantitatively aspect can you also talk about quantitatively how should we, what finally RBI did not agree on and what was the nature of these divergence?

Rajkiran G. Rai: These divergences if I give example are more on compliance issues at the time of restructuring. We assume that we have complied with those conditions of restructuring whereas Reserve Bank took objection that we are not fully complied with those issues even though the accounts are performing otherwise, so based on those technicalities Reserve Bank said you have to classify it has a NPA, which we did.

Jai Mundhra: Sure and secondly Sir, under this recap announcement government also hinted that there would be some of the banks, which may be asked to restrict themselves to SME or niche area or retail or corporate lending based on your assessment where would Union Bank would fall, I mean do you think the case for Union Bank to do universal banking or you think it would be better to do only let us say retail SME and shy away from corporate book because so far that has been pain point area, so what is your thinking now given that you have a choice of doing niche banking?

- Rajkiran G. Rai:** Actually, in our capitalization plan the growth of about 10% is factored in, which is accepted, so that means we are given a growth capital and we will continue to be universal bank.
- Jai Mundhra:** Sir just lastly if you can speak about the Ind-As what would be the impact on let us say network or provisioning if you were to move to Ind-As assuming it goes the way it is now?
- Rajkiran G. Rai:** It will be very difficult. Actually we had in our assessments up to September and we have submitted to regulator. December we are yet to work out because actually those numbers will change because of the G-Sec yield change now because up to September it was different and December it is different, so it is very difficult to put a number into it at this point of time. We will assess and if Ind-As is coming we will disclose at the right point of time.
- Jai Mundhra:** Sure Sir. That is helpful. Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Sreesankar R from Prabhudas Lilladher. Please go ahead.
- Sreesankar R:** Sir a couple of questions. My first question relates to you mentioned about 8% to 10% credit growth that you are utilizing what sectors are you planning to grow or where do you expect the growth from?
- Rajkiran G. Rai:** You would like to go for the second question or you want reply for this?
- Sreesankar R:** I will ask the second. Now what is our CD ratio and we have seen a sharp rise in yields also. The markets are anticipating probably the yields will start to come, which specifically says that what is our CD ratio and do you think your bank included has got more ability to bind G-Sec? Should the borrowing continue?
- Rajkiran G. Rai:** On the credit growth front if you have seen we have grown 13% YOY this quarter also. So we are giving a conservative estimate of 8% to 10% because even our capital raising plans and the allocation of capital by the government is based on this assumption of roughly 10% growth. We would like to grow at that phase and I think this is perfectly achievable and from the sector actually our retail is growing at more than 25%. MSME and agriculture are between 6% and 8%, so these are the major growth areas, but at the same time in infra some certain selected areas particularly the HAM projects we are participating and then there are some refinancing options happening in the industry where since we are a large bank we are getting opportunity to enter some good corporates at a very good rate, so the bank like economy may not be offering that opportunity, but then there is shifting of accounts happening, so for us maintaining this credit growth may not be difficult. As regards to CD ratio, we are 79% as of some percent global and 72% domestic. Now if you have seen we are bringing down our investment book. September to December we have brought down our investment book by Rs.5000 Crores, so it is a very strategic call because of the G-Sec yield issues, so we are bringing it

down and we are not likely to increase our investment portfolio as of now because we have surplus SLR to the extent of about Rs.16000 Crores, so that is adequate for our liquidity requirements, so we are not proposing to increase our investment portfolio at all, so maybe if there opportunity we will bring it down further.

Sreesankar R: In short what you have mentioning is that you are actually full up, up to the neck in terms of investment book?

Rajkiran G. Rai: Yes.

Sreesankar R: The demand is unlikely to increase from there, which means the pricing has to go up?

Rajkiran G. Rai: Not necessarily. There may be other players who will have appetite.

Sreesankar R: If other players have got appetite and their CD ratios or they do not have a surplus in their investment book correct?

Rajkiran G. Rai: There may be other, not only banks. There are various other players who will come with the appetite because now it is becoming very attractive. The pricing is becoming very attractive because FIAA caps and all that are full. There may be some relook on all these issues, so there will different players coming in. It may not be banks only.

Sreesankar R: The third basically you mentioned about a 25% growth in the retail book. The retail book itself is what the size is small and which segment in the retail are we seeing growth?

Rajkiran G. Rai: About 55% of my retail book is housing and another 15% is LAP, loan against properties, so this is the major chunk and we are doing very well because I have already mentioned that we are restructuring the way we are doing business. Actually earlier if you see we had a branch model that one branch manager will do all kind of businesses. Now we are getting into a lot of specialization, the marketing setup, the delivery points are different, different channels, so we are getting good growth in that sector. There is a good potential and we are growing.

Sreesankar R: Most banks are now pretty aggressive at around 835 in terms of at least advertisements you can see at 835 for housing loans? If you are 55% then the retail segment is housing loans and 15% LAP, do you feel that this will incrementally go and compress your margin?

Rajkiran G. Rai: Not exactly because in retail what happens is we have other channels of income. When we sell a retail loan we also cross sell lot of other products, so income wise we will be balancing.

Sreesankar R: Thank you.

- Moderator:** Thank you. The next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.
- Anand Laddha:** Sir this time you have given disclosures on the standard SDR, S4A, 5:25 and standard structure book all together is Rs.11000 Crores? Is there any overlapping between the same?
- Rajkiran G. Rai:** Yes. In SDR there is 938 in the restructuring book and if you see the S4A also, there is also a overlapping of Rs.466 Crores.
- Anand Laddha:** In 5:25?
- Rajkiran G. Rai:** In 5:25 also some of the part will also be from the restructuring book and SDR also. Around 1000 is also from both the, if you take combined SDR as well as S4A.
- Anand Laddha:** Sir if I have to look at standard SDR without any overlaps what could be that number? So can you share what is the standard, SDR, S4A and 5:25 without overlapping any of the segments?
- Rajkiran G. Rai:** Then you can around 2500 you can reduce from all the numbers.
- Anand Laddha:** Sir you guided that the slippages would be around Rs.4000 Crores to Rs.5000 Crores based on the 5% to 5.25% slippage ratio? Is that fair to say that post Q4 or probably next year that it should come down to a normalized level of 1.5% to 2% or do you think there will some more slippages in next year also?
- Rajkiran G. Rai:** Actually like according to us the maximum level of stressed book will be rather 4% this is on the last site taking apart that our MSME and retail slippages, which will happen on quarter-to-quarter, large and that. Actually it may be about 4% of our book, which will be under stressed including various SDR, S4As, and whatever we are talking including some SMA-IIs. So then like out of that it is not that all 4% will slip, so assuming that 1% of that slips in the next quarter then what is left over is very minimum. So that way you can assume that next year the numbers will drastically reduce.
- Anand Laddha:** Sir if you can give some color on your SLR book like how much excess charge you are having in percentage terms as percentage of your NTDL?
- Rajkiran G. Rai:** It is around 4% to 5%, Anand.
- Anand Laddha:** Sir till what yield now is the SDR book is protected Sir?
- Rajkiran G. Rai:** We have already made the provision up to 7.32. So we are protected up to 7.2, which was the last G-Sec rate in December.

- Anand Laddha:** So if there is any further yield movement we will have to make more provision?
- Rajkiran G. Rai:** Naturally below this 7.32 then we will have chances of reversal also.
- Anand Laddha:** Sir on the pension side employee pension side are you factor increasing yield this quarter?
- Rajkiran G. Rai:** This quarter we have not factored it actually. Pension we have factored. Pension we have to provide as per the AS15. Every quarter we are taking the number from the actuary and we are providing every quarter.
- Anand Laddha:** This 7.3% increasing yield has been factored in the pension provision?
- Rajkiran G. Rai:** Definitely whatever the debt is on the basis of the actuary. They keep on changing on the basis of the market trend.
- Anand Laddha:** Perfect and Sir last we have seen very strong growth on the retail side as well on the SME side, so if you given some color like what sort of organization structure you are having? Are we using any sort of data analytics which most of the private banks use? Are we giving more cross sell to the existing customers?
- Rajkiran G. Rai:** At this point of time, this quarter we have used more of cross selling to existing customers. Actually we have developed a business analytics team, which is looking at because we have a 60 million customer base, so that is a huge base. We are looking at that data and trying to cross sell through that and the marketing teams, which have developed at various places they are also playing a great role in that, so that is helping us to build the book at this point of time.
- Anand Laddha:** Sir what is proportion of this loan growth would have come from our existing customer only?
- Rajkiran G. Rai:** I think at least of that must be from existing customers.
- Anand Laddha:** So it is giving additional loan to the same customer or new loan to our existing customer?
- Rajkiran G. Rai:** Customer is having some relation with me, actually we were trying to give him housing loan product or mortgage loan product, actually we have then the top-up loans also, there are various schemes, which we continuously market through our digital platforms, so by sending SMS, engaging them otherwise and then there are active marketing teams posted at various centers, so we give this data to them and they cross-sell.
- Anand Laddha:** Fine. Thank you. That is all from my side.

- Moderator:** Thank you. Next question is from the line of Adarsh P from Nomura Securities. Please go ahead. As there is no response, we will move to the next question from the line of Ravikant Bhat from Emkay Global. Please go ahead.
- Ravikant Bhat:** What has been the wage revision provision during the quarter, if we have done any?
- Rajkiran G. Rai:** No, this quarter we have not done the wage revision provision; we will make it next quarter. We assume that it will be about Rs.75 Crores per quarter.
- Ravikant Bhat:** So without that your employee expenses have moved up QOQ, I am saying the numbers correct?
- Rajkiran G. Rai:** It is very marginal movement. Employee cost has moved very marginally that will be normal movement actually.
- Ravikant Bhat:** Sure. Thank you.
- Moderator:** Thank you. We take the next question from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** Sir if you can provide the SME2 number last quarter if I remember it was somewhere Rs.13600 Crores?
- Rajkiran G. Rai:** Similar number, Jai Mundhra it is Rs.13518. It is same around of the total loan book.
- Jai Mundhra:** So it is roughly same Rs.13500 Crores right?
- Rajkiran G. Rai:** Yes.
- Jai Mundhra:** Sure Sir. That is helpful. Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.
- Sneha Ganatra:** Sir you mentioned the guidance on the slippages for the next year of FY2019 how do we see the overall recoveries and upgrades considering the NCLT cases and overall recovery with return of account?
- Rajkiran G. Rai:** The pure recoveries without considering NCLT for this quarter should be more than Rs.1000 Crores for our bank. We are not expecting NCLT resolution in Q4 as the things stand because even though we will have offers, but then we are not factoring in any actual receipt of cash even though resolutions

may happen in this Q4, but Q1 we will see substantial recoveries in NCLT cases, Q1 and Q2 of next year.

Sneha Ganatra: Any amount would you like to specify?

Rajkiran G. Rai: The amount we are not specifying at this point of time, but then the comfort level is the kind of offers we are seeing are good offers and the existing provisions what we have are more than sufficient and in few cases there may be write backs also.

Sneha Ganatra: Got it and your credit cost guidance you mentioned for this year is around 4%, right?

Rajkiran G. Rai: Yes.

Sneha Ganatra: For the next year can we expect it around 2% levels or it can come down drastically?

Rajkiran G. Rai: It may not come down that much actually we can safely assume it can be around 2%, because there will be ageing provisions happening in few of the accounts.

Sneha Ganatra: Got it. Thank you.

Moderator: Thank you. We will take the next question from the line of Sanket Chheda from IDFC Securities. Please go ahead.

Sanket Chheda: What would be your total stock of SRs right now compared to Rs.1000 Crores last quarter?

Rajkiran G. Rai: It is around the same level. SR, we have not issued any in this quarter, hardly 5, 6 Crores we have issued, it is the same number, almost.

Sanket Chheda: Rs.1000 Crores only.

Rajkiran G. Rai: Yes.

Sanket Chheda: Would be there any overlap of this SDR, S4A, 5:25 with and SME2 book?

Rajkiran G. Rai: Too much actually like, I think you have the number?

B. Sreeneivasa Rao: You are asking from the SME2?

Sanket Chheda: SME2 book?

- B. Sreeneivasa Rao:** SME, mostly will be from SME2, every account is coming in the SME also, but if you say SDR, S4A and 5:25 there will be a overlapping of around 2500, but SMA, if you are taking SMA there may be most of the account is also coming in the SMA.
- Rajkiran G. Rai:** Around Rs.6000 Crores is the overlap, SDR, S4A and all that, in SMA2 Rs.6000 Crores is overlap.
- Sanket Chheda:** This you are saying between the schemes SDR, S4A, 5:25 there is an overlap of Rs.2500 Crores and with SMA2 there is an overlap of Rs.6000 Crores, is that correct?
- Rajkiran G. Rai:** Yes, right.
- Sanket Chheda:** Last question, what would be the overlap between SDR, S4A, 5:25 and debt with a standard restructured book?
- B. Sreeneivasa Rao:** That we said in the beginning.
- Rajkiran G. Rai:** Again I can repeat, SDR there is an overlapping of around eight accounts of 938 and S4A there is a one account of Rs.466 Crores and the remaining around Rs.1000 in the 5:25.
- Sanket Chheda:** That helps. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Pritesh Bumb from Prabhudas Lilladher. Please go ahead.
- Pritesh Bumb:** One question on the restructured accounts, so we have a standard restructured now left off Rs.3700 Crores approximately, any idea of when moratorium or anything ends on this portfolio or can we see this becoming 0 in near term or something like that?
- Rajkiran G. Rai:** I think one account moved up this fact, standard restructured.
- B. Sreeneivasa Rao:** Rs.400 Crores I think has moved up, if you see the slide around Rs.431 Crores of the account has moved out of the restructured.
- Rajkiran G. Rai:** After that it is Rs.3700.
- B. Sreeneivasa Rao:** Out of this Rs.3700 there are also accounts in stress, so when we giving the delinquency guidance some of these will come in the coming quarters, so may be we can say by next six to nine months it should be very close to.
- Rajkiran G. Rai:** Either upgradation or slipping to NPA.

- Pritesh Bumb:** This earlier slide of 5:25 SDR and S4A that adds up to Rs.3700 or is it a little more or NPAs also included in that SDR, S4A. The recovery restructure, which is there on an earlier slide, it includes NPA as well?
- Rajkiran G. Rai:** Rs.3700 is standard restructuring.
- Pritesh Bumb:** There will be overlap between 5:25, SDR, S4A, so there will be overlap because if I had all three it is not tallying to that Rs.3700, so I just asked what is?
- B. Sreeneivasa Rao:** Rs.3733 is the standard restructuring without considering the NPA, the account, which have become slipped to NPA, they are not in 3733, but when you are asking the over narrowing there is a overlapping around Rs.2500 then you compare this number with the SDR, S4A or 5:25.
- Rajkiran G. Rai:** So what you are telling is the total restructure standard is Rs.3700 the amount of overlap of standard structure in those special category of restructuring is less than that right?
- Pritesh Bumb:** It is more actually, so if I add 5:25 SDR 2795, 2660 and 1923 does not tally, so I just wanted to understand that is standard?
- Rajkiran G. Rai:** Those are all standard, those are all the standard as on date and the commonality between the standard restructured and these schemes is around Rs.930 Crores for SDR, around 466 for S4A. Standard restructured, which are not into any of these categories.
- Pritesh Bumb:** Got it. Second question was on the your AFS book, so it is about 33% of the total book, what is the rational to keep such a high book into AFS when yields are going to move up?
- Rajkiran G. Rai:** There is a limitation, as per the RBI guidelines there is a restriction on the HTM book, so that is already on the same number, but AFS there is no restriction, whatever we will take the position that will come to the AFS book only.
- Atul Kumar Goel:** Also that if you compare with the last quarter this AFS book was around 39%, which has now come down to 33% that is one thing. Secondly out of that AFS if you see the SLR AFS, which you do not disclose, but that will come down by 25% over the previous quarter of September.
- Rajkiran G. Rai:** One more thing also if you want to make the profit you have to keep some buffer in your stock, because there is a limitation of sale from the HTM, if you see the number of the June quarter, December quarter we have made a good profit in those quarters, so definitely we have to keep some cushion in the AFS book for trading purpose. Moreover, I may add one more thing also in AFS there is other investment also, which we cannot convert into the HTM like CP because we have to take the combo deal in the market as on date, so that will come in our AFS book.

- Pritesh Bumb:** Fair enough and third question was on the capital I think we have taken board approval again today? When are we expected to raise capital by our various needs like rights issues, QIP and all?
- Rajkiran G. Rai:** No this actually is done specifically to accommodate the government capital, which is coming in. We had earlier approval, but then that was sufficient to cover this Rs.4524 Crores of capital coming from the government, so to accommodate that only we have modified actually.
- Pritesh Bumb:** So there is no market raise of capital?
- Rajkiran G. Rai:** Not in the Q4. It is only to absorb the government capitalization.
- Pritesh Bumb:** Thank you Sir.
- Moderator:** Thank you. We will take the next question from the line of Kunal Shah from Edelweiss Securities. Please go ahead.
- Prakhar:** Couple of questions, first on margins, so we have revised down our guidance on margins? What is this basically for accounting for highest interest income reversal or something else to look into it?
- Rajkiran G. Rai:** We have given a guidance of 2.10 on the NIM actually. That is what you are asking the net interest margins 2.10.
- Prakhar:** Earlier it was some close to 2.3% as we mentioned last time that margin, so we have revised down our guidance?
- Rajkiran G. Rai:** Loans are getting reprised down very fast actually. So 67% of our loan book is already reprised at MCLR, so it has come down very fast. Meanwhile the dip is coming down at that speed actually. So this is really shrinking. So 2.10 is the likely number now.
- Prakhar:** Second any plans on non-core assets sale?
- Rajkiran G. Rai:** We are doing actually. One of the stake sale we have already disclosed it, so we sold already last week, so there are two to three stake sales happening, but then this is not more than about Rs.300 to Rs.400 Crores.
- Prakhar:** Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Ramesh Rao from Vashisht Capital. Please go ahead.

- Ramesh Rao:** I can see you that you have made a loss of about Rs.2600 Crores in nine months for this financial year and this year is likely to end in losses and post RBI divergences last year also would be in losses, so why question is, is there any chance of Union Bank of India going in a prompt corrective action of RBI?
- Rajkiran G. Rai:** We are not the people to comment on that, but I hope it will not be the case because we have put about Rs.8000 Crores of assets under sale now under ARC or other route. So we are working our numbers in such a way that my net NPA comes down below 6%, so that is one thing. The other parameter is ROA for two years, which will attract, but then generally this divergence issues are not taken when we consider PCA. It is only a technical thing. So this is the only year we will be in loss, so I do not think we will attract the PE norms. We are working our numbers so that we will be below 6% at net NPA.
- Ramesh Rao:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Adarsh P from Nomura Securities. Please go ahead.
- Adarsh P:** Sir just a question out of the Rs.4200 Crore slippages can you just walk through what all was from the SDR, 5:25 and restructured book?
- Atul Kumar Goel:** Around Rs.3000 Crores were from these schemes out of the total figures.
- Rajkiran G. Rai:** From the restructured and SDR and S4A.
- Adarsh P:** Another thing is can you just walk through you have kind of disclosed your restructured book number of Rs.3700 Crores being standard? Is there an overlap between this and the other RBI dispensations of 5:25, SDR and S4A?
- Rajkiran G. Rai:** Yes it is there.
- Atul Kumar Goel:** I think you had missed on the call. We have just shared that number.
- Adarsh P:** Sorry I just got maybe I just got disconnected, so can you just repeat Sir?
- Rajkiran G. Rai:** I will tell you. In SDR, there is Rs.938 Crores of overlap with a standard restructured because SDR book is Rs.2660 Crores out of that Rs.938 Crores is overlapping with standard restructured. Similarly in the S4A, the total book is Rs.10923 Crores. Out of that Rs.467 Crores is overlapping with standard restructured.

- Adarsh P:** Understood. The last question is on the margins that you have guided to a certain margin number, so just wanted to understand how do you get there? What are the levers you would expect to get to your right budget, I believe you mentioned 2.8% ?
- Rajkiran G. Rai:** 2.10% is the target.
- Adarsh P:** 2.10% ?
- Rajkiran G. Rai:** 2.10% and we are already there. Actually we are not giving you higher position because what had happened is the yield on advances has come down very fast compared to the reduction in cost of deposits. So margins have shrunk a bit, so maybe this quarter also that correction will be a bit difficult, but going forward we are building our mechanisms to increase it, but then this year we may end with 2.10 for the full year.
- Adarsh P:** Understood and what would be impact of interest reversals on your margins for the first nine months?
- Rajkiran G. Rai:** Given this quarter it was Rs.380 Crores. The interest reversed in this quarter itself is Rs.380 Crores. Nine months figure I may not have, but then that is where the shrinkage of margin is happening actually, but because these are all one off things, but then it is happening. So you have to absorb it.
- Adarsh P:** What is the nine month number Sir the 384 in the third quarter versus the nine-month number?
- Rajkiran G. Rai:** It will be around Rs.760 Crores.
- Adarsh P:** Understood. Thanks a lot Sir.
- Moderator:** Thank you. We will take the next question from the line of Jamil Ansari from Renaissance Investments. Please go ahead.
- Jamil Ansari:** Thank you. Sir you have guided for an annual slippage of 5.2% for FY2018, so this works out to close to Rs.6000 Crores of slippage in Q4?
- Rajkiran G. Rai:** No. I think we are already around 4% for the nine months.
- Jamil Ansari:** I think 5.2% on your current loan book would be close to Rs.16000 Crores?
- Atul Kumar Goel:** It will be on the previous year loan book opening loan book.
- Jamil Ansari:** In terms of the nature of the slippages would this be again from the current stressed book?

- Rajkiran G. Rai:** 75% of the slippages will come from the stressed book only. It has happened this quarter also. It will be from the stressed book.
- Jamil Ansari:** Nothing from the non-stressed part?
- Rajkiran G. Rai:** The non-stressed is mainly coming from your retail, MSME and other kind of things.
- Jamil Ansari:** Secondly in terms of margins, so FY2018 it is 5.21%, but for FY2019 what sort of guidance would you have? You will not have all these interest reversals?
- Rajkiran G. Rai:** Yes, but ideally we look at 2.50%, but at this point of time, we are working with 2.25%, but then like we need to see how it plays out because for me I am sitting on a 40000 on non-earning assets in my loan book, which brings down my average drastically, so now how much that gets resolved in Q1 whether it is spills over to Q2, so I think maybe when we hit Q1 it will be a better. May be end of this quarter will give us an idea because now the financial bid in this major accounts are coming in now and the resolution plan will be clear in the next 15 days. I think by the end of this quarter, we should be able to give some color on these projections. At this point of time, let us keep it at 2.25% for our working.
- Jamil Ansari:** 2.25% for FY2019?
- Rajkiran G. Rai:** For next year FY2019.
- Jamil Ansari:** Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Sanket Chheda from IDFC Securities. Please go ahead.
- Sanket Chheda:** My question is answered. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.
- Rajkiran G. Rai:** Thank you very much. It was a very good discussion. We look forward for very positive environment going forward. All the best. Thank you.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your line.