



# “Union Bank of India Press Meet for the period ended December 2020”

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**Moderator:** Ladies and gentlemen good day and welcome to the Union Bank of India Media Press Meet 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 the Managing Director and CEO, Shri Rajkiran Rai G. Thank you and over to you sir.

**Rajkiran Rai G:** Thank you. Good afternoon all. It is my pleasure and privilege to welcome esteemed members of Print and electronic media who have joined this conference call for briefing on Union Bank financial results for the quarter ended December 2020. I trust all of you are in good health. The 3<sup>rd</sup> quarter of the financial year has been encouraging for us, as there is strong rebound in domestic demand, reflected in high frequency indicator which also suggests that the recovery is getting stronger with business getting back to the pre-COVID levels. We have already shared the press release which contains detailed information on the proforma of Union Bank of India. However, I would like to share few highlights:

The global business grew by 1.77% year-on-year to Rs. 15,34,396 crore as of December 2020. The CASA ratio stood at 35.38%, while retail advances grew at 7.45% year-on-year to Rs. 1,20,386 crore. Net Interest Income during nine-month period increased by 9.04% to Rs. 19,285 crore compared to Rs. 17,687 crore of previous nine months of FY20.

Operating profit increased by 12.16% to Rs. 5311 crore during the Q3 of FY21. The net profit increased by 40.7% to Rs. 727 crore during the Q3 of FY21, compared to the Rs. 517 crore of the previous quarter. The net profit stood at Rs. 1576 crore for the nine-month period compared to the net profit of the corresponding period last year which was Rs. 544 crore. Global net interest margin NIM stood at 2.94, whereas domestic NIM stood at 2.98 for the quarter 3. Gross NPA ratio improved to 13.49% as of 31<sup>st</sup> December, compared to 15.51% as of 31<sup>st</sup> December 2019. Net NPA ratio improved to 3.27% as on 31<sup>st</sup> December, compared to 6.48 of December last year. Provision Coverage ratio improved to 86.18% as of 31<sup>st</sup> December 2020, compared to 73.91% of December last year, 2019. CRAR stood at 12.98% as of 31<sup>st</sup> December 2020 and compared to minimum regulatory requirement of 10.875. The CET ratio stood at 9.22%.

Thank you, now we look forward for your valuable feedback. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Hitesh from PTI. Please go ahead.

**Hitesh:** Hello Sir just wanted to know, what is your onetime restructuring book?

**Rajkiran Rai G:** Restructuring book for the COVID related stress?

- Hitesh:** Yes.
- Rajkiran Rai G:** It is Rs. 16,725 crore totally, out of that Rs. 3272 crore is already restructured up to 31<sup>st</sup> December, the expected restructuring is Rs. 13,454 crore in the next 6 months.
- Hitesh:** Sir can you also give me a breakup?
- Rajkiran Rai G:** Breakup I can give you, MSME total expected restructuring is Rs. 2878 crore, out of that Rs. 1460 crore is already restructured. In case of personal loans, expected restructuring is Rs. 3250 crore, out of that Rs. 1866 crore is already restructured. Under corporate, expected restructuring is Rs. 10,598 crore which is expected to be restructured up to June, so nothing has happened up till now, so Rs. 10,598 crore, that is the total.
- Hitesh:** And sir on year-on-year basis your profit is down by 37%, so what is the reason for that?
- Rajkiran Rai G:** Last year Q3, you had recovery of Essar Steel, so because this is amalgamated number of three banks together in case of Corporation Bank, they had returned back a substantial amount as profit, about Rs. 1500 crore, so that was a one-off entry for Corporation, as an amalgamated entity that is pushing the numbers of previous year up, otherwise operating proforma is better this year. So, if you exclude that entry, because they have total written off that account, so they took it as a profit last time.
- Moderator:** Thank you. The next question is from the line of Ankur Mishra from Financial Express. Please go ahead.
- Ankur Mishra:** Sir can you throw light on provisioning because it has increased three-fold I guess, year-on-year basis and if you can provide the breakup for the same?
- Rajkiran Rai G:** On the provisioning?
- Ankur Mishra:** Yes, sir on the provisioning, how much is the COVID related provisioning and contingent provisioning, if you have mix?
- Rajkiran Rai G:** I will give you the breakup, see during this quarter Rs. 3036 crore is the provision for NPAs, it involved some fraud provisioning also and then we have a standard asset provision of Rs. 2227 crore, now in this Rs. 2227 crore also Rs. 1525 crore, you know we have, of NPA Rs. 11,615 crore which would have become NPA but for Supreme Court order, so we have made a 15% provision on that Rs. 1525 crore, in addition to that another Rs. 750 crore we have kept as a provision for the onetime restructuring which is likely to happen in the coming month. So, Rs. 2227 crore is the total provision we have made in this quarter for expected COVID impact.
- Ankur Mishra:** Understood sir and also how much will be Proforma GNPA's and Net NPAs, considering that provisioning?

- Rajkiran Rai G:** Considering that, our Gross NPA will be 15.28 and Net NPA will be 5.02 if you include the proforma NPA. But one thing I would like to add here, proforma NPA has happened as expected NPA as per the system but it is the Supreme Court order was there, so there were no aggressive cash recoveries happening actually, even though we are doing soft recoveries. So, just to compare, in September we had Rs. 4000 odd crore of proforma NPA which we declared, roughly 50% of that has been recovered up to December. So, just to give you a trend so even though it is Rs. 11,600 crore, by March a good percentage of that is likely to be recovered but however as a matter of precaution we are holding 15% provision against that.
- Ankur Mishra:** Okay sir, you said Rs. 1525 crore, if you have breakup of the same; how much is retail, how much is corporate?
- Rajkiran Rai G:** Okay out of this proforma NPA of Rs. 11,615 crore, agriculture is the biggest chunk there, Rs. 4809 crore, retail Rs. 3064 crore, MSME is Rs. 2240 and corporate is Rs. 1502 crore.
- Ankur Mishra:** Okay got it sir and what is your outlook for next quarter, do you still expect the net NPAs to remain below 5% in the next quarter, what is your expectation?
- Rajkiran Rai G:** Actually we are expecting the substantial recoveries out of this, so we do not expect that number will go up substantially because see the moratorium got over in August, so whatever like this number captures the 4 month's EMI or installment collection, so most of the NPA which can happen because of the COVID impact is within this number, now actually with some restructuring and some cash collection this number can go down substantially, our expectation is net NPA between 4% and 5%, it will be below 5% but it is likely to be above 4%.
- Moderator:** Thank you. The next question is from the line of Alekh from Informist Media. Please go ahead.
- Alekh:** Sir you mentioned that you expect to keep net NPAs below 4-5%, is there any time frame for that?
- Rajkiran Rai G:** Pardon, your question I did not get, we are expecting to keep the net NPA between 4% and 5%, so what is your next part of the question?
- Alekh:** What is the timeframe for that?
- Rajkiran Rai G:** That is, we are talking for March'21.
- Alekh:** Okay and you said you are going to expect recovery, so is there any target how much do you expect in the Jan-March?
- Rajkiran Rai G:** Next quarter we are looking at some major settlements, at least two major accounts in NCLT which are very close to resolution which are already approved and in the last leg, so that should add actually to our recovery, so we are expecting Rs. 4000-5000 crore of recovery in the last quarter.

- Alekh:** And mainly led by NCLT accounts?
- Rajkiran Rai G:** About half of that from NCLT and half of our normal recoveries.
- Alekh:** So, this will be Bhushan Steel and Deewan?
- Rajkiran Rai G:** Yes.
- Moderator:** Thank you. The next question is from the line of Mayur Shethi from Times of India. Please go ahead.
- Mayur Shethi:** Yes, this is Mayur here. Can you give an update on the integration part on what is the timeline going forward? And when do you expect to achieve the cost rationalized ratio?
- Rajkiran Rai G:** Yes, thank you for that question actually. We have completed the integration, like even Andhra Bank integration is completed now, the Corporation Bank we had done 2 months, so now Andhra Bank integration is also complete now, so now with that actually we are going to the next step because parallely we were doing certain synergies, our synergy realization is about Rs. 800 crore till now, so we expect another Rs. 500 crore of Synergy benefits by this year end and for 3-year period we expect a synergy of about Rs. 3600 crore.
- Mayur Shethi:** And integration what is the next, is everything complete, the back end and the products, everything?
- Rajkiran Rai G:** Everything is complete, our integration is complete, all the two banks. We are on a single platform, all the mobile apps, net bank, all payment systems, everything is integrated, now MIS is coming from one server now, so we are totally integrated.
- Mayur Shethi:** And any branch rationalizations that will happen?
- Rajkiran Rai G:** Yes, we have about 460 branches to be rationalized over a period of time actually because these are basically identified based on the proximity of the branches operating at the same area and all that, so like out of that, maybe about 100+ branches will get rationalized before March.
- Moderator:** Thank you. The next question is from the line of Shayan from MINT. Please go ahead.
- Shayan:** Hi Sir. I want to look into understand something now the Economics of the Today has said that there is a need for another round of AQR and the last one fail to detect some of the evergreening. Do you think, if there is another round of AQR after the forbearance is withdrawn, the impact will be as it was last time; banks reported losses because of high provisioning, a lot of accounts were recognized, do you think something similar could happen again?
- Rajkiran Rai G:** I do not think so, because see it is all system generated NPAs now, so the system is recognizing the defaults. So last time around, we had lot of restructuring schemes which were available,

which the corporates have used to postpone the recognition, this time there is nothing of that sort available. Even if you look at the restructuring book of the leg, which is a very liberal restructuring which is available. Ultimately, the request totally received is only Rs.16,000 crore, which is only 2.5%, we were predicting this number earlier also. It is only 2.5% of the book which has come for restructuring, now other accounts are all standard accounts. So within that 2.5%, what is the AQR they are talking about, maybe we have to wait for the Supreme Court to give the final judgement there will leg, even now actually we are declaring openly what would have been the NPA numbers. So it is all very clear, all the banks have announced that number, so these doubts are really very stretched actually because there is no scope for anybody to hide any NPA now because there is no re-structuring schemes for corporates available as of now, everything is withdrawn. So there is nothing, it is very transparent, so I do not think it will throw any surprise, one thing. Second, if you look at the corporate, corporate book is the most well-behaved book today, if you look at the slippage what it is, I already disclosed the number, so on the Proforma NPA corporate is the lowest contributor and similarly on the restructuring book also, it is not a big number which is coming, so I think there is not much stress left in corporate, corporate book is cleaned.

**Shayan:** Okay and another question, Sir. Of the restructuring numbers that you gave out, are there some Proforma backgrounds also that have been re-cast or in the process of being re-cast?

**Rajkiran Rai G:** Like Proforma NPA in the restructuring book?

**Shayan:** Yes Sir.

**Rajkiran Rai G:** No, that we are not recognizing now because that is why we have made a provision there, probably in the onetime restructuring know, suppose somebody may not be eligible as we go along, you know, because there are lot of factors to be seen in the restructuring, so somebody is not eligible, he may slip for two NPA also, that is why we have kept a provision of Rs. 750 crore on the OTR book. Of Rs. 16,000 crores, we have kept. There is no overlap, we have segregated the Proforma NPA and OTR book separately, there is no overlap between the two.

**Shayan:** No Sir. Sorry, just one last question, I was asking, like some of your peer banks have done, they have also re-structured loans that were part of the Proforma NPA because after 31<sup>st</sup> you will not be able to invoke the restructuring anyway, so has that been done already, Sir, or?

**Rajkiran Rai G:** Yes actually see, if the OTR is already implemented then it will not come in the NPA because they will be standard but if the OTR is invoked, that is what actually we have given that number also know, like what is remaining to be restructured. That number I read out to you actually.

**Shayan:** Yes Sir.

- Rajkiran Rai G:** So they are the accounts which are likely to be restructured, so but then we have segregated that. Actually, like there is no overlap between the Proforma NPA and the restructuring book what I am talking about, they are distinct.
- Moderator:** Thank you. The next question is from the line of Falak Naaz Sayed from Asian Edge. Please go ahead.
- Falak Naaz Sayed:** Sir good evening. What were the write offs, was there any write off this quarter?
- Rajkiran Rai G:** Yes, we had a write off this time; Rs. 5800 crore was the write off this quarter, had a practical write off.
- Falak Naaz Sayed:** And can you give some credit cost guidance because you are saying that corporate book is mostly clean now, so in the coming times, stress will be seen in from the retail and MSME and other Agri loan sector?
- Rajkiran Rai G:** Yes. So, credit cost guidance, we have done already, 2.5% to 3% is the credit cost guidance. Yes, actually this time what we are seeing is, the stress is coming from MSME, Agriculture and Retail. So, like more from MSME and Agriculture.
- Falak Naaz Sayed:** Okay and any plans to monetize and your stake in any of the subsidiaries?
- Rajkiran Rai G:** Yes, we are in a process of selling our stake in India, First Life Insurance.
- Falak Naaz Sayed:** By when will that complete, how much will you sell?
- Rajkiran Rai G:** We are planning, actually that process is on, how much and all that will be decided later but then we have a 30% stake actually there, so that process is going on. I will not be able to comment more than that, but then and the process is expected to be completed by 31<sup>st</sup> March.
- Falak Naaz Sayed:** Okay by 31<sup>st</sup> March, but this 30% stake you have, it will come down to what level?
- Rajkiran Rai G:** No, that decision finally we will take, whether to sell full or keep part and all that, know that is a management call which will be taken at a later date, so that is why I am not commenting on that, but then the sale process is on.
- Falak Naaz Sayed:** Okay and that buyers will be existing shareholders, that you will sell to?
- Rajkiran Rai G:** I cannot comment more than that, Madam because this is a process which is going on now, it is confidential.
- Moderator:** Thank you. The next question is from the line of Ankur Mishra from Financial Express. Please go ahead.

**Ankur Mishra:** Sir wanted to get a glimpse on credit growth as well, I mean it has remained flat quarter-on-quarter and year-on-year, where do you see this in coming quarter and the next financial year?

**Rajkiran Rai G:** Actually, for the next quarter, our credit growth is likely to be between 4% to 6%, that means we will end the year with a credit growth somewhere between 4% to 6%. For the next year, we are yet to put our projection because the growth projections are in double digits, so naturally the credit growth also is likely to be in double digits next year.

**Ankur Mishra:** Okay Sir and where do you expect coming, what are the pockets where you are expecting growth?

**Rajkiran Rai G:** Actually, we are expecting growth both in the retail segment and also in the corporate book. Actually, in the first three quarters we are not seeing much growth in the corporate credit, even though we have a strong sanctioned pipeline but the utilization and all that are quite low, so we are not seeing much traction. Otherwise, if you see the retail book, we are going at around 7%, so like next quarter also, the retail growth will sustain and retail growth we will see double digit growths now because last two, three months lot of sanctions have happened and the corporate credit also will pick up. So, the sanctions will happen both in retail and the corporate book.

**Moderator:** Thank you. Well, that was the last question in queue. As there are no further questions, I would now like to hand the conference back to the management team for closing comments.

**Rajkiran Rai G:** Thank you. Actually, this has been a very good quarter for our bank. We have given the projections, probably NPA numbers and just to add, the total provision bank is holding for the possible COVID-19 impact on our assets is about Rs. 3500 crore put together. This is a provision we are holding, which we should be able to take care of probable hit on the asset's quality for the quarter. So the balance sheet is quite strong now, the provision coverage ratios have substantially improved, and the capital position of the bank also has substantially improved. So thank you for all the support, 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.