"Union Bank of India Q4 FY-22 Earnings Conference Call"

May 13, 2022

MANAGEMENT: **MR. RAJKIRAN RAI G – MD & CEO, UNION BANK OF INDIA**
MR. NITESH RANJAN – EXECUTIVE DIRECTOR, UNION BANK OF INDIA
MR. RAJNEESH KARNATAK – EXECUTIVE DIRECTOR, UNION BANK OF INDIA
MR. NIDHU SAXENA - EXECUTIVE DIRECTOR, UNION BANK OF INDIA
MS. RANJITA SURESH – ASSISTANT GENERAL MANAGER (INVESTOR RELATIONS), UNION BANK OF INDIA

Moderator: Ladies and gentlemen good day and welcome to the Union Bank of India Earnings Conference Call for the period ended March 31st, 2022.

The Bank is represented by the Managing Director and CEO – Shri. Rajkiran Rai G and Executive Directors – Shri. Nitesh Ranjan, Shri. Rajneesh Karnatak, Shri. Nidhu Saxena and other members of the top management.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Ranjita Suresh: Good afternoon, ladies and gentlemen I Ranjita Suresh, the Head of Investor Relations welcome you all for the earnings conference call for the period ended March 31st, 2022. The structure of the con-call shall include a brief opening statement by MD and CEO and then the floor will be open for interaction.

Before getting into the con-call, I'll read out the usual disclaimer statement. I would like to submit that certain statements that may be discussed during the investor interaction maybe forward-looking statements based on the current expectations. These statements involve a number of risks, uncertainties and other factors that cause the actual results to differ based on the statement. Investors are therefore requested to check the information independently before making any investment or other decisions.

With this I now request the MD and CEO for his opening remarks. Thank you. Over to you sir.

Rajkiran Rai G: Good afternoon, everyone. It is a pleasure and privilege to meet you all for Union Bank of India Financial Results for the quarter and year ended 31st March 2022.

Economy is on recovery path, with activity surpassing pre-pandemic level across sectors. While GDP growth estimates have come-off, considering geopolitical developments, India continues to be seen as fastest growing major economy in the world. Inflation concerns, meanwhile, have meant rise in interest rates, both globally as well as at home. In an era of external benchmark linked loan rates, a hike in policy rates will immediately reflect in the Bank lending rates for home loan, auto loan and small business customers. Deposit rates will rise accordingly in due course.

Coming to Union Bank's Business and Financials for quarter ended 31st March 2022.

The Bank has continued to post strong financials as the Total Business grew by 10.86% YoY

Total Deposits grew by 11.75 % YoY led by low-cost CASA deposits which grew 12.40 % YoY. The CASA ratio thus stood at 36.54 % as at March 31st, 2022

Total Advances registered a growth of 9.60% YoY. The RAM sector noted 9.36 % YoY growth, Within RAM sector, the retail advances grew 8.65% YoY, agriculture advances grew 10.80 % YoY and the MSME Advances grew 8.56 %.

The net income grew by 12.55 % YoY; the NII stood at Rs. 27,786 crore for FY2022. The Global NIM stood at 2.94% for FY2022. The Net Profit stood at Rs. 5,232 crore during FY 2022 as against a net profit of Rs. 2,906 crore in FY 2021, thereby registering a growth of 80.05 %.

Of Asset Quality, the Gross NPA ratio stood at 11.11% as at March 31st, 2022 compared to 13.74% in March 2021. Net NPAs stood at 3.68%, which was 94 basis points lower on YoY basis.

CRAR improved from 12.56% as on 31.03.2021 to 14.52% as on 31.03.2022. CET1 ratio improved to 10.63% as on 31.03.2022 from 9.07% as on 31.03.2021. PCR also improved by 234 bps on YoY basis from 81.27% as of Mar 31, 2021 to 83.61% as of Mar 31, 2022.

We strengthened the collection capabilities by opening Regional Collection Centres, dedicated call centres and Feet on Street model combined with a skilled pool of staff deployed to reduce the stress position of Bank on continuous basis thereby reducing the stress percentage substantially.

Bank has recovered approximately Rs 16300 crores on gross basis during this financial year. To this end, Bank has initiated the process of digitization of the Recovery modules by launching Project Union Saras, wherein it has created Willful default classification portal, SARFAESI Repository, DRT/NCLT Portals etc.

The Bank has raised total capital of Rs.8,447 Crores during FY 2022 of which Rs. 1,447 crore was raised as equity capital through QIP, Rs 5,000 crores in the form of AT1 Bonds and Rs. 2,000 crore under Tier 2 bonds.

Friends, I wish to share that Union Bank has achieved all of Amalgamation goals well ahead of timelines. We could ensure seamless integration of people, process, and products, thereby realizing cost and revenue synergies well in time.

We have moved much ahead in our digital journey with Bank launching 'Project Sambhav', wherein we envisage a 'Digital bank within Bank' as "Union NXT" App. A couple of days ago, we launched "Trade NXT" platform, an innovative self-service solution providing array of trade finance services at customer's convenience. Union Bank of India has also become first public sector bank to go live on Account aggregator ecosystem. These are just a glimpse into many initiatives underway, as the Bank transforms for the digital era.

Speaking of early outcome, 4 million new U-mobile customers were added during FY 2021-22, taking total registered mobile banking users to 1.66 Cr. More than a third of the total leads generated during FY 2021-22 were through 'Union Dial' platform. There was 157% increase in volume of UPI transactions, making Union Bank rank third among peer PSBs in terms of volume of transactions. As several of our digital initiatives mature, it will cumulate in even better and faster growth ahead.

The Bank is well poised for growth and profitability with all round capacities and capabilities built during last few years. As economy returns to growth path, Union Bank will be both a beneficiary as well as driving the growth of new opportunities.

Let me reiterate the guidance for the financial year '23

- Deposit growth at ~10%
- Advances growth in the range of 10-12%
- CASA ratio in range of ~37%
- NIM to be around 3%
- Credit Cost to be at <1.5%
- Delinquency ratio to be < 2.0 %.

With this guidance I conclude my opening remarks. We are grateful to the analyst and investor fraternity for their continued support and feedback that helps us to take informed decisions in our journey towards efficiency and profitability.

We are now open for the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Suraj Das from B&K Securities.

Suraj Das: The first question is on the slippages side. You have reported slippages of Rs. 5,600 crores for the 4Q FY22, of which large corporate is Rs.2,500 Crores and MSME is Rs.1,400 Crores. So, then my question is the corporates slippages, does it include any lumpy accounts or from where it's coming? And on the MSME slippages side, you have reported Rs.1,400 crores in this quarter and almost Rs.7,000 crores for the full year. What is the outlook for the next year on the MSME slippages side? Is it coming from restructured book or ECLGS book or what is the source of these slippages? That is my first question.

Rajkiran Rai G: There is one lumpy account in the large corporate that is one retail entity you are aware. That is a major chunk of the large corporate slippages. Actually, our projections went a bit hay way on the slippage because of this lumpy account slippage. So, that is why one big account I think that is Rs.1,720 crores. That is one account. Regarding your question on MSME. MSME actually particularly after the COVID and the restructuring, MSME was a sector which is maximum affected because if you see the other part, retail and even agriculture is consolidating. MSME, we saw the enhanced slippages but then that is also consolidating. This is I think that also will start coming down because that confidence I get because of that SMA 0, 1, 2 position what we are seeing in the MSME. That has consolidated very well. The numbers are quite decent on the stress side. So, the further chances of slippage in MSME is coming down substantially. Hopefully, the maximum stress in MSME is already recognized. Regarding your question whether it is coming from the restructured book, small percentage of the stress book also has slipped but it is coming from everywhere. It's not that, there is a predominance from the stress to book. Some percentage has come but then it is coming from even the non-restructured book also.

Suraj Das: Just a follow-up, you have given SMA-2 for Rs. 5 crores and above which is only 0.09%. Can you tell us what is the all-inclusive SMA-2 position would be as of maybe March?

Management: We have disclosed that the Rs.5 crores & above SMA-2 is around 0.09% which when we compare to the previous year March '21 is quite below the 1% level it was earlier. Overall SMA-2 number is 0.66%. Again, which compared to the previous year much lower and SMA-2 book also last year March '21, it was around 6.4% and it has come down to around 2.4%. SMA-1 and SMA-2 both together, they are just around 3% of the book.

Suraj Das: That is all?

Management: All SMA.

Rajkiran Rai G: It is not above Rs.5 cores; it is entire domain of the advances SMA-1 and SMA-2 is below 3%.

Suraj Das: What would be the total restructured book, you have given details on slide #37 about COVID restructuring that is one and two? However, what will be the non-overlapping MSME or earlier CDR or SDR or whatever it is? What is the total restructured book?

Rajkiran Rai G: Actually, like in the COVID restructured book we have shown about Rs. 21,000 crores. This is actually initially restructured both on the restructuring 1 scheme and restructuring 2 scheme. The present outstanding in this book is around Rs. 18,000 crores, rest is either closed or have become NPA. That is a balance in that book. On the MSME, actually there was earlier restructuring scheme where we had outstanding of about Rs. 2,000 crores. I think yes about Rs. 2,000 crores. Other than the COVID restructuring even the Rs. 2,000 crores of MSME which is restructured earlier.

Suraj Das: My last question would be on the ECLGS side, so it looks like for past couple of quarters our ECLGS disbursement is increasing. So, what is the guidance, going ahead will it continue to increase or what is your outlook here and what would slippages or NPA percentage in the ECLGS book?

Management: The ECLGS book is almost saturated now because all the schemes are almost completed, and coverage happened. For us we have around Rs. 15,000 crores of sanction, around Rs. 14,000 crores was the total disbursement in that ECLGS book. Currently outstanding will be around Rs. 11,500 crores. So, far, the NPA is concerned again the NPA is quite lower around the 3% is only NPA of the outstanding book. If you look at the overall disbursed book, it is much below the 3%. So, it's behaving quite well.

Moderator: The next question is from the line of Nilesh Shah from Arrow Investment Advisors.

Nilesh Shah: I have just one small query on the number of branches that have been closed. I think 442 branches have been closed. Obviously, I think there must be an overlap with Corporation Bank and Andhra Bank merger. We have got some (+9000) branches now. So, any plans to reduce the number of branches and go more on the digitization way in terms of what Neo Bank is where people don't have basically branches and they reduce the number of branches. I just want clarity on the number of branches that the Bank is targeting to probably close or reduce?

Rajkiran Rai G: We have closed more than 700 branches because there will be certain procedures before we take it out from the number of branches on surrendering certain things. That's why the number is showing 400 odd but actually we have closed more than 700. We have targeted about 750 branches, post amalgamation. These are the branches basically which were overlapping because on the same place we had two-three branches within a 1-kilometer radius, that kind of thing. So, that rationalization has happened and we have almost completed that process and it will be a continuous process to identify branches which are like which can be closed and replaced by other units. Regarding your digital question, we have started working on this last year that of opening an all-digital branches. Basically, these are very small 200-300 square feet branches typically in malls and other kind of things and in major metros we have started opening there. They will have support of a relationship manager there but no like manual activity. It is all machine driven so we have started and our experience has been very good. Because I think in metros gradually most of these manual branches; we may have few, will gradually get replaced by the digital branches which we are doing. Added to that honorable FM also made an announcement on digital banking units about 75 of them are coming up on the next Independence Day. So, that model was started by us earlier in the last year itself and this is coming again from the government so this will take it forward. Your point is right. Particularly in metros we will see more of this digital kind of branches and may be that will really help in bringing the operating cost down as we go forward.

Moderator: The next question is from the line of Dixit Doshi from White Stone Financial.

Dixit Doshi: Firstly, you mentioned that the big retail account was, exposure was Rs. 1,720 crores. How much is provided already?

Rajkiran Rai G: This is one account, for the group our exposure is higher than that because all the accounts had not slipped because they may slip during this quarter. There our provision for the group totally is 58.50%. We have made some aggressive provisioning in this group. Group as a whole, our exposure almost including investment book it is about Rs. 2,700 crores and we have already made a provision of 58.50%. Since there is some recovery in this account subsequent to March, today's date they cover will be about 61%. As of March, it is 58.50%.

Dixit Doshi: Now my second question is you mentioned that we are targeting a growth of 10% to 12% and also the way slippages are coming down and profits are going up and with capital adequacy of 14.5%. Do we require to raise further capital this year or no requirement?

Rajkiran Rai G: We will be going to the board but then I think we don't need to raise any equity capital. Even the AT1 like all the calls are taken and we have reached sufficient AT1 during the year. The capital requirement for the next year according to me will not be that much, may be some bond raising but equity I don't think we may need to raise in the present circumstances because even that CET1 of 10.6% we still have plans to reduce some more DTA. Even now my DTA is around Rs.12,000 Crores. There is a scope to reduce about Rs. 3,000- Rs. 4,000 crores of DTA during the next year. That is further add to our CET1. I think we have enough cushions and I don't think we need to raise the equity.

Dixit Doshi: Can you give some guidance regarding the treasury income? How do you see it next year? Let's say till what yield we don't require to any losses over there.

Rajkiran Rai G: Treasury income will come down. There is no doubt about it. We can say it roughly it can be half of what was there this year, roughly I'm telling, but it will be adequately compensated by the interest income which will go up. That is our assessment because our standard advances and average advances in the last quarter has gone up substantially. Even the first quarter itself it will be visible, the interest income and all that, that should compensate. And enhanced write-back from the provisions and all that should help because recoveries are like very much visible. Lot of traction in the NCLT and DRT cases now we are seeing so that also will add to the other income part. In addition to that, a lot of technology initiatives, particularly on the trade finance side, we are looking at doubling of our income there. So, overall income level we are hoping that we'll be able to sustain but treasury it will come down. And mark-to-market I think we have a duration of average around 1.2% on the AFS book. I think maybe we are safe up to 7.5%. From this point another 75 bps as treasury team says they're covered.

Moderator: The next question is from the line of Jay Mundra from B&K Securities.

Jay Mundra: First is on your loan to deposit ratio. On your LDR-CD ratio, credit-to-deposit ratio on domestic side, if I were to exclude overseas advances, then this is around 67%-68%. Also, in your guidance you're saying that 10% deposit and 10%-12% advances. I wanted to check what stops you from increasing CD ratio from 68% to may be 75%-76%? And because we are a sovereign Bank at least we can manage slightly higher CD ratio. So, wanted your thoughts on that?

Rajkiran Rai G: Yes. See on the credit side any available opportunity we don't let go. Whenever there is an opportunity to take an exposure which fits into our risk perceptions and the fix into our norms, we don't let go any opportunity. You would have seen on the corporate side also Union Bank has been very aggressive and we have taken very good exposures. So, we will not let go any opportunity. One way of increasing the CD ratio is reducing the deposits which we can very well do because like that's the way but then we feel that because we don't raise much bulk deposits. These are all most of the retail deposits which are flowing. We can't let go this customer because in the long-term there may be a damage. So, we continue to raise the deposit at a very reasonable rate from our regular customer. That's why we get a normal growth of deposit of around 10%. That actually skews our CD ratio because for a 10% deposit growth, ideally, I should have a 15% to 17% credit growth to improve my CD ratio. But then the credit side demand is not that high but the deposit growth is stable so that's why this ratio but we would also love to do 75% to 78% CD ratio. The right now the situation somehow is not permitting me to do that. That is an ideal ratio but then it may take some more time to reach there.

Moderator: The next question is from the line of Ashok Ajmera from Ajcon Global Services.

Ashok Ajmera: Even at the cost of repetition I would say compliments to you for coming out with a very good set of numbers even during these circumstances. I mean if you look at the operating profit, the net profit, your NPA, gross NPA, net NPA I think everywhere the Bank has performed well and has come near to the targets which are given or almost achieved. Having said that, I've got a few observations and some questions. We were talking about this one account of that retail account where you said that the total exposure is around Rs. 2,700 crores and 58% or 61% is already provided for. But what we read is that this account has been declared by some lenders as a fraud account. I think something is in the course also.

Rajkiran Rai G: I don't think so, Ajmera ji, you may be getting it wrong. That is on the NBFC space you're talking.

Ashok Ajmera: So, the remaining amount, Rs. 1,050 crore, which is still to be provided for, do you feel any need of that out of the provision in the coming quarter itself or it will not be required?

Rajkiran Rai G: We are ahead in provisioning. Whenever the need arises, we'll have enough cushion to do that. Why we have taken a bulk provision upfront is we had a cushion in this quarter. So, we always take this proactive step to make a big provision in the beginning itself so that in the coming quarters we'll not be under pressure. So, like we have taken it upfront. So, maybe in the next 2, 3 quarters, like the other NBFC account, we have already reached a provisioning level of 86%. So, we have covered 86%. So, like that there also we initially took about 50%, 55% provision in the first quarter, then gradually increased. Now, we have reached a level of 86%. Here also because these resolutions take time to safeguard our balance sheet from any shock, we take these provisions upfront and particularly since we had a very good quarter with good profit, we took a step to make higher provisioning in this account.

Ashok Ajmera: My second one, sir, on the credit growth. If you look at only the quarter on quarter, we have grown our NBFC book, from Rs. 70,218 crore to Rs. 90,150 crore, of course, including the housing finance, which is around 7,000 crore growth. So, the remaining growth of about Rs. 11,000 crore has come from the NBFC space. So, I believe they are all AA or AAA rated though the breakup has been given, but in this quarter is it the government backed this thing or a AA, AAA NBFCs.

Rajkiran Rai G: I think we have a presentation on that, Mr. Ajmera. One slide is there. You can see the quality of NBFC book, I think it is 98 to 99% on very, very high grade NBFCs. So, the quality is all high. And it constitutes major chunk of government, PSU and top corporate backed NBFCs. I can assure you that.

Ashok Ajmera: Sir, my question, next one is that on the recovery front, sir, we are coming quarter to quarter down on the recovery from the written of accounts which is coming down every quarter. And my second question on the recovery only, that our annual recovery target of Rs. 16,000 crore whether it has been met? And secondly, some color on the NCLT, some of accounts, last time it was reported by Chandra Ji that out of Rs. 2,500 crore of the NCLT already approved Rs. 900 crore was to be recovered in this quarter. So, what is the status on the NCLT?

Rajkiran Rai G: I think recovery we have done very well. I will ask Ashok Chandra to answer your question.

Ashok Chandra: First of all, the TWO recovery I will touch because you're concerned about that. Last year, entire TWO recovery was Rs. 2,485 crore, and this year it is Rs. 2,734 crore. So, overall, if you see the entire financial year, TWO recovery has gone up and year-to-year basis also previous years also if you see, every year it has gone up now. So, that is the first thing, I think I need to clarify that.

Ashok Ajmera: I was referring only the quarter. Anyway, sir, of course, I take it.

Ashok Chandra: Quarter what happens, sometimes quarter was around Rs. 300 crore in this particular quarter, but quarter it varies because recovery, it doesn't happen in one particular quarter, whatever you estimate. Now, second point was that NCLT approvals are there, are where the COC approvals have been there. As of now also, we have 102 accounts where the COC approvals are there and where the NCLT approvals are already there. And that both the segments put together, there are 60 accounts where the COC has approved and it is lying in the NCLT for their approval and that amount is Rs. 5,600 crore, and there are 42 accounts which have been approved by NCLT and we are waiting for the resolution to happen, that amount is around Rs. 6,300 crore. So, both put together, we have around Rs. 12,000 crore which is likely to realize in this entire financial year because the entire financial year is there for us to realize that amount and since this is all in advanced stages, we expect that yes, these things should happen in this financial year. And you've pointed that Rs. 16,500 crore of recovery we have done, but that is on gross basis, because in addition to the cash recovery, what is shown there plus upgradation there is a recovery from written off accounts and recovery on the interest on NPA, all put together we have crossed Rs. 16,500 crore of recovery for the year.

Moderator: The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: So, sir, if you can also share how much was the MTM loss for the quarter? And where is this being accounted for? Because I could not see that in the deck.

Management: That's shown as a part of the other income itself because there was a new accounting norm.

Management: There was no MTM loss.

Management: As per the accounting norm, it has to be shown in other income only but this quarter, there is no MTM loss.

Jai Mundhra: There is no MTM loss. And so let's say now you would have pegged till 6.85%, right, which was the March closing roughly.

Rajkiran Rai G: Yes, that was March numbers. But then actually I think we answered it earlier also that we are MTM positive as of now.

Management: Our duration is 1.20%.

Jai Mundhra: And sir, on your restructuring book, how much of that would have come out of moratorium as of now roughly just to understand.

Management: I think we may not have that number; we'll share with you. So, I think we may not have that number. We may have to check.

Rajkiran Rai G: Actually, the ECLGS 1, most of the accounts will be because that was 12 months moratorium. So, there's all out of the moratorium. ECLGS 2, like we had accounts with 24 months moratorium, they will maybe under this thing, but major chunk will be out of moratorium. But then it is only like estimate. I'll come back to you with actual numbers. But I'm very sure the first lot was 12-month moratorium and that period is over.

Jai Mundhra: And sir, if you have the loan mix to break about the loan book by MCLR, repo rate?

Rajkiran Rai G: We got his question. I think 52% of our book is in MCLR and 22% of our book is in EBLR and 10% under treasury bill linked, that makes 74%, 84%, 85%.

Jai Mundhra: Rest would be base rated BPLR and base rated right?

Management: Rest would be BPLR and base rated.

Jai Mundhra: Last two questions, sir. One is have we finalized how much is the family pension for us

Rajkiran Rai G: Yes, Rs. 1,902 crore and we have decided to spread it over 5 years. So, Rs. 380 crores is booked this year, remaining is amortized.

Jai Mundhra: And last question, sir, from my side on I think Nitesh Ranjan sir mentioned some 3% ECLGS, While this is a small amount, but have you started invoking guarantee? How difficult or easy could that be? Have done or do you intend to do or what is the thought process there?

Rajkiran Rai G: We don't personal guarantees of the defaulters.

Jai Mundhra: Invoking ECLGS guarantee from government.

Rajkiran Rai G: You were talking about ECLGS. Your voice is breaking actually. Now actually ECLGS, I think guarantee invocation stage is yet to come. I think we have not reached that level, but then I can assure you that sufficient funding has happened in that fund. So, as long as like I think, earlier experience also on the CGTMSE and other things, so we'll not have any problem invoking the guarantee and claiming the money. We will not have any problem. Because I was in the board of that fund also. So, they are sufficiently funded.

Management: Amount is also very insignificant.

Rajkiran Rai G: So, I don't think we'll foresee any problem in getting the money from the guarantee fund.

Moderator: The next question is from line of Akhil from Robocapital. Please go ahead.

Akhil: So, just regarding the tax rate that the company pays currently, over the past few quarters has been quite high and this quarter it's come down quite a bit. So, I just want to know what is the normal tax rate that the company is going to pay going forward?

Rajkiran Rai G: We are paying zero taxes. Actually, what number you see there is a reversal of DTA. Actually, since we have carried forward losses, so actually our tax liability is not there. So, we are using this opportunity. I think this year we were sitting on a big chunk of DTA, which also gets reduced from our CET1. So, that DTA we are gradually reversing. Now, actually, the final position at the end of the year is about Rs. 12,000 crore of DTA. Why we are doing it is to move to new tax regime, I will take a onetime hit. So, we want to reverse this DTA and like maybe by the end of the next year, if we are able to reverse another Rs. 4,000 crore to Rs. 5,000 crore then we will take a call of moving to the new tax regime. So, this is a DTA reversal. It is not the tax payment.

Moderator: The next question is from the line of Mahrukh Adajania from Edelweiss Financial Service. Please go ahead.

Mahrukh Adajania: So, I just wanted to check one thing. For a lot of other PSU banks there are being big slippage in small loans, MSME below Rs. 50 million loan. So, what is really happening there?

Rajkiran Rai G: It's again a question of monitoring actually, that's why we decided to share our SMA-1 and SMA-2 number for the whole book, which is below 3%. We have a very, very efficient monitoring system and a collection mechanism. That's why our probability of getting there is very low. My SMA-1, SMA-2 book is below 3% for the whole advances book. So, I don't foresee that problem for our Bank.

Mahrukh Adajania: Sir, when can you start invoking ECLGS guarantees, after what timeframe? Within how much time of a slippage?

Management: That is within 90 days of default we have to invoke.

Mahrukh Adajania: And sir, given that your SLR duration is now so low below 1 year, what will be the loss on the book currently?

Rajkiran Rai G: We didn't have any loss in the previous quarter, mark-to-mark losses was not there in the last quarter. And we are sufficiently cushioned with some more increase in rates also.

Moderator: The next question is from line Abhijit from Kotak Securities. Please go ahead

Abhijit: Two data questions. What was the interest reversal for the quarter?

Rajkiran Rai G: I don't think there is any interest reversal visible.

Management: It would be there for the NPA, but we don't have the data.

Rajkiran Rai G: We'll share the number. Right now, not major chunk but then just because when the NPAs happen, some reversals will be there, but that we have not carved out the number. We'll give you.

Abhijit: And sir, just to double check SMA-1 and SMA-2 on the entire book, you said close to 3%. The last quarter's number was a little lower than 2%. Is that number correct?

Management: Last quarter, we had not disclosed the SMA-1, we had disclosed only SMA-2.

Rajkiran Rai G: That was also above Rs. 5 crore and all that. So, now that has come down.

Abhijit: So, that 1.9% from last quarter, has gone to what number today.

Management: 0.6%.

Abhijit: Sir, next one was that on the corporate book the growth that we've seen on a sequential basis, if you can talk about the yields that this is coming in at, because we're just trying to figure out the NIM contraction that has happened, how do we sort of interpret that number?

Rajkiran Rai G: Actually, the 10% of the book, which is linked to the T bill, that I where we saw the margin shrinkage. Basically, this is where the PSUs and some of the government agencies started borrowing at a T bill linked rate, and many banks competed there, that is where the margin shrink. And now that is gradually going away, gradually going away. But last two quarters, we saw that. So, like, quantify the effect will be difficult, but I think gradually it will go away, because already we are seeing tightening of interest rates in that space also. On EBLR front and MCLR front, we didn't see the margin shrinkage, actually this quarter, that will work to our advantage, because already we have increased the prices and the deposit cost will not go up that fast. So, we'll have advantage. So, the 10% of the book is where the shrinkage happened.

Abhijit: And you're not tweaking the credit spreads, right, on the benchmark. Is it getting entirely passed through, whatever changes that have happened?

Rajkiran Rai G: On the EBLR, actually I can't change other parameters, only the benchmark 40 basis points, it will go up straight away. On the MCLR side, this time we have only factored the CRR impact, because there's a negative carry and the MCLR will go up when the deposit rates will go up. Other cost we can't change overnight because there is a schedule for that and RBI checks that. So, operating costs and all that we can't change that frequently. But then MCLR, now they've factored a CRR impact. May be gradually the deposit increase it will factor in. EBLR is linked to repo, 40 basis points it has already jumped.

Abhijit: Sir, just on this one. the reset period on EBLR is 3 months, right? So, is it fair to assume that the 25 basis or 40 basis repo hike will flow forward with a little bit of a lag right at that point?

Rajkiran Rai G: There is no 3 months there, it is immediate. Maybe some banks may have their policy, but in our case it is immediate.

Moderator: The next question is from the line of Arjun Bagga from Dolat Capital. Please go ahead.

Arjun Bagga: Sir, this just one question regarding this retail account exposure. So, I understand that we have around Rs. 2,700 crore of exposure to the whole group with provision of 58.5%. But just wanted to check there was another Rs. 1,720 crore number being discussed, like what is that?

Management: That was within that only, Rs. 1,720 crores number.

Rajkiran Rai G: That is a slippage in the previous quarter because there are multiple accounts in that, so Rs. 1,720 crores was the account which slipped last quarter, remaining accounts are still standard within the group.

Arjun Bagga: So, I understand that like around Rs. 500 crore is still standard like because since I think Rs. 500 crore is the investment book. So, Rs. 500 crore is standard, Rs. 500 crores the investment book and Rs. 1,700 crore has slipped, is that understanding correct, sir?.

Management: I'll just explain you. In fact, other books have also, those accounts have also slipped in this April month, except one account, their exposure is Rs. 255 crore. So, Rs. 2,700 Crores which is the figure we have given, in that you can reduce Rs. 2,255 crore, rest all it has Rs.255 Crores.

Rajkiran Rai G: March number is Rs. 1,720 crores.

Moderator: Ladies and gentlemen, we'll take that as the last question. And I'll hand the conference over to Sri Rajkiran Rai for closing comments.

Rajkiran Rai G: Thank you, like always your participation always helped us to look inwards and analyze better. So, I thank you everyone for helping the Bank and also participating. So, we have really turned around and we are able to show very consistent performance. We have always stuck to our projections and I'm very sure going forward also, the projections what we do we'll continue to deliver the results as per the projections. Thank you.

Moderator: Thank you very much. On behalf of Union Bank of India, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.