

“Union Bank of India
Q3 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Union Bank of India Q3 FY2019 Results 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Rakesh Kumar from Elara Securities Private Limited. Thank you, and over to you, Sir!

Rakesh Kumar: Thank you, Stanford. Good afternoon, everyone. We welcome you all to Union Bank conference call. We have with us the Union Bank senior management, led by Mr. Rajkiran Rai G, Managing Director and CEO; Mr. Raj Kamal Verma, Executive Director; Mr. Gopal Singh Gusain, Executive Director; Dinesh Kumar Garg, Executive Director; and other senior management team.

Without much ado, I would like to request our CFO, Sir, to give the disclosure statement, and thereafter, we can start the brief presentation by Mr. Rajkiran Rai G. Thank you and over to you, Sir.

B. Sreenivasa Rao: Good evening, everyone. Before getting into the concall, I will read out the usual disclaimer statement. I would like to submit that certain statements that may be discussed during the investor interaction maybe forward-looking statements based on the current expectations. These statements involve a number of risks, uncertainties and other factors that could 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. Thank you. Over to you, Sir!

Rajkiran Rai G: Good afternoon. I am Rajkiran Rai, MD and CEO of Union Bank of India. I have the pleasure and privilege to welcome you all to conference call from Union Bank financial results for October-December 2018. Your views are important to us in shaping the business and financials. Thank you for joining the call.

It has been a period of marked uncertainty during October-December 2018 quarter as far as financial ecosystem is concerned. We started with doubts on health of some NBFC, which have grown too fast recently, stretching their asset liability mix. However, encouragingly, that phase did not last long and normalcy has returned to markets.

Externally, crude oil prices reversed its previous quarter gain, bringing comfort on rupee exchange rate. Inflation continued to track southward. It reflected in the easing of bond yields. The RBI's liquidity operations also helped in easing financial conditions in markets. Economic growth, meanwhile, is projected to be slightly better for FY2019, with the investments picking up.

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Coming to business and financials for our bank. I am happy to share that Union Bank has continued the momentum it has acquired in recent quarters. Our domestic loan growth stood at 8%, while deposit grew 2.2% over a year ago.

RAM sector share in advances stood at 56%. CASA share in deposits has risen to 35.5%, driven by 9.7% growth in savings deposit. Slippages during the quarter stood at Rs.2983 Crores as against Rs.4187 Crores a year ago. Our efforts on resolution and recovery yielded results, as recovery and upgradation, together, increased to Rs.1797 Crores, an increase of 11.3% over last quarter. It has been all granular except two accounts that accounted for one-third portion of the recovery.

The bank has sold two accounts of value Rs.381 Crores to the ARCs this quarter. Gross NPA as well as net NPA declined, both in terms of absolute amount as well as ratio. Gross NPAs and net NPA ratio stood at 15.7% and 8.3%, respectively, as at the end of December 2018.

Operating profit of the bank stood at Rs.1750 Crores during Q3, noting an increase of 5.8% over last year. It was driven by steady net interest income and 21.8% sequential growth in other income.

Of other income, core income from commission and exchange and recovery in written off accounts contributed majorly. Operating costs remained contained. Provisioning coverage ratio stood at 58.8% as at the end of December 2018.

With this brief on financials, let me update you on the structural initiatives.

As you may remember, we have undertaken a few shifts in our approach to business, with centralization of credit underwriting, verticalization of sourcing of new business, and specialization in monitoring and collection. We have rolled out new design, and early results are now available.

Of the underwriting, we are witnessing an improvement in quality of our new assets. Of retail, for example, 56% of the new loan sanctioned during April to December 2018 are having CIBIL score of 700 and above as against 37% for the loan sanctioned during the previous year ended March 2017.

For the credit portfolio as a whole, 66% of the rated assets are A and above as against 58% of March 2017, reflecting large shift towards better-rated clients incrementally. Likewise, sourcing of new business through customer acquisition group has started gaining momentum. Of the rural and suburban design, the Union Samridhhi Kendra they are indicating that we are witnessing 21% of loans flowing to new channels like BCs and partnerships.

For effective monitoring, we have developed the early warning signal, which help us track stress three months ahead of manifesting as SMAs. We have now data for our last nine months. The model scores well on both counts that is identifying the stress early as also helping us rectify in time. Friends,

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Union Bank is celebrating its centenary year. We have launched several new initiatives to enhance customer experience and improve our service proposition. We are confident of achieving our goals, buoyed by the energy that pervades across the rank and file. The structural changes are a step towards being the most preferred bank of new India.

I conclude by reiterating our guidance shared a quarter ago, except guidance on delinquency rate: credit growth to be around 7% to 8%, deposit growth at 8% to 10%; NIM, about 2.25 for quarter ending March 2019 with upward bias; credit cost of 2.25, with marginal upward bias; delinquency, around 4.5%; the rate of delinquency is revised upward, primarily due to risk of devolvement of outstanding long-term based and existing NPA accounts getting materialized; provision coverage ratio to be around 60% as of March 2019; cost-to-income ratio in the range of 46% to 48%.

Our endeavor will be to contain gross NPLs below 12% by March 2019. However, this is depending upon resolution is underway in NCLT.

Thank you. Now I am open for questions.

- Moderator:** Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Pranav Gupta from Birla Sun Life. Please go ahead.
- Pranav Gupta:** So, firstly, on your NCLT exposure, we have seen a dip in the NCLT exposure, is this largely due to the ARC sale, any resolution in that?
- Rajkiran Rai G:** Some of the accounts got settled also during the period. One account was an NCLT, but that, one was sale and some on settlements.
- Pranav Gupta:** Could you give us the amount of the sale?
- Rajkiran Rai G:** Sale, totally, we had two sales of Rs.381 Crores. So out of that that is was a major part, we can say, as the second one was below Rs.100 Crores.
- Pranav Gupta:** Okay. And that was on a cash basis?
- Rajkiran Rai G:** Yes, this is on cash basis.
- Pranav Gupta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from IDFC. Please go ahead.

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Mahrukh Adajania: Sir, just on the resolution, the PAR resolutions are moving very slowly, the reason after the initial talks on Prayagraj and SKS, we have not heard more news flow on that after, say, January. So how does this now shape up? Do all these go to NCLT in some time or will RBI give a relaxation? And if they do, how does that change or how does that impact your credit cost guidance or your credit cost for FY2020?

Rajkiran Rai G: Since you mentioned the account of Prayagraj, see, here, all the approvals are in place as far as SAMADHAN scheme of SBI. It is only the Power Purchase Agreement, where we need approval from the UP Government. So I think this is coming and, most probably, this will be settled. So like there is another account called GMR Chhattisgarh, because SKS we do not have exposure. So GMR Chhattisgarh under SAMADHAN, the approvals are under process. So we are hoping that this will be settled during this quarter. We are not expecting any forbearance from RBI on these assets. And the Supreme Court judgment, yes, it is delayed, but then this is giving us a window to settle it outside NCLT.

Mahrukh Adajania: Okay. But you think the U.P. government or any other state governments for that matter would give approvals given elections or will they delay?

Rajkiran Rai G: They will, they will, because it is important for them also. I think they will because every state government is vying for investments, so at this point of time, when the bankers and the investors are requesting, I do not think there is any reason. But for some bureaucratic hurdles of getting the approval from the right places, it may take time, but then it will happen.

Mahrukh Adajania: Your MSME slippages have risen again sequentially. Sir, any colour on that? And also, in terms of dispensation, how much of the SME portfolio is eligible for dispensation?

Rajkiran Rai G: Actually, this dispensation, which came on January 1, it has certain conditions. These accounts, which are on default, but not NPA as of January 1, are eligible. So it is very difficult to put a number. What we have done is all these accounts, which are under default, but not NPA, we have circulated to our regional offices. So to study, out of that, we have to take out the viable portion out. Only the viable portion will be restructured. So like, roughly, to put a number, my SMA-2 portfolio in MSME is around 1800 Crores. So, basically, these are potential target where the restructuring may be done. But again, the rider is all of 1800 Crores may not be eligible for restructuring because they may not be viable. So that study is going on. Maybe once we do that, we will be able to share the numbers. At this point of time, it is a bit hazy to give you a number.

Mahrukh Adajania: Then, Sir, your MSME slippage, slippage from MSME was high even in this quarter. Sir, any colour on that? Why there were so high amount?

- Rajkiran Rai G:** This trend will continue, Madam. Actually, say, this time it is about 697 Crores, so if you see, consistently, it is between this 500 Crores, 600 Crores range but then, most of the stressed book of MSME may be booked actually only on, I think, slipping. I think, maybe another one or two quarters we may see similar number. After that, it will moderate. That is my expectation.
- Mahrukh Adajania:** Sir, lastly, on your IL&FS exposure, is there any provision? Is it still standard? And how do you see chipping from here?
- Rajkiran Rai G:** Actually, in IL&FS, major portion of mine is on the thermal power plant. Those are small. Actually, two of the small accounts have slipped. My exposure to group companies of IL&FS is hardly 200 Crores. So out of that, 100 Crores has slipped and 100 Crores may slip. But then, my major exposure of about 900 Crores is to the thermal power plant, so that is standard as of December. So here, there is one specific issue you must be also reading in the paper, the escrow account has the money, but because of the NCLT order, the money is not appropriated to the loan account. This has sufficient cash flows, so this is being taken up. Hopefully, this is resolved, my account will continue as standard. But otherwise, if they do not appropriate the money, the account will slip in the next quarter.
- Mahrukh Adajania:** Sir, actually, there is some confusion. I thought that, some banks were appropriating and some others we are not. Is it that all banks are now not appropriating from the escrows?
- Rajkiran Rai G:** No, because, actually, IL&FS has returned to every bank, as per the NCLT order, not to appropriate. So the lead bank is keeping the money and they are ready to give a cushion letter that we hold the money for the comfort of the auditors, but then, like actual transfer of money is not happening. But 28th is the hearing date. So we have taken up this issue hopefully that the NCLT make use of relaxation. Because of this call taken by the NCLT, there is a lot of SPVs, which are otherwise very positive cash flows, they will become NPA and there will be again an impact on the rating downgrade and other issues, so we expect that, 28th, some condition may be taken by NCLT.
- Mahrukh Adajania:** No, but it is 28th now, not 22nd?
- Moderator:** Ms. Adajania may we request you to come back in the queue for a follow-up please.
- Mahrukh Adajania:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhawal Gada from DSP Mutual Fund. Please go ahead.
- Dhawal Gada:** Sir, a few data-driven questions first. What is our SMA-2 at the end of December, Sir?

- Rajkiran Rai G:** Close to 11000, same number, yes.
- B. Sreenivasa Rao:** It is same number as of end of September.
- Dhawal Gada:** And so it was about 10200, so that is the same number?
- Rajkiran Rai G:** Roughly, roughly like roughly around that, yes, between 10000 and 11000.
- Dhawal Gada:** Okay. And does this number, Sir, include the 900 Crore of IL&FS or that is separate?
- Rajkiran Rai G:** Yes, yes. That is close to SMA-2 now.
- Dhawal Gada:** Okay. And, Sir, within this SMA-2, how much of the 5/25 and standard restructure also part of that Rs.10800-odd Crore? Approximately?
- B. Sreenivasa Rao:** Yes, some accounts will be part, yes.
- Rajkiran Rai G:** See, I will give another number, last time, when we gave out SMA-2 number, we told most of these accounts would not slip, actually. Out of that, only Rs.800 Crores slipped during this quarter, between Rs.10000 Crores and Rs.11000 Crores of SMA-2, during this quarter, only Rs.800 Crores slipped from those accounts because that is general trend, actually, because these are more coming from MSME and retail, the corporate SMA-2 is less than 3000?
- B. Sreenivasa Rao:** Around 3000.
- Rajkiran Rai G:** Around 3,000. So these are generally perpetually there because they pay between 60 and 90 days. So we do not see much slippage on this book, actually.
- B. Sreenivasa Rao:** And of the 5/25, only Rs.100 Crores is common with the SMA-2.
- Rajkiran Rai G:** Okay. Out of 5/25, only Rs.100 Crores is there in SMA-2.
- Dhawal Gada:** Okay, understood. And, Sir, what is the security receipts outstanding at the end of December?
- B. Sreenivasa Rao:** Around Rs.920 Crores.
- Dhawal Gada:** This is the net book value?
- B. Sreenivasa Rao:** Yes.

- Dhawal Gada:** Okay, okay. And, Sir, sorry I missed the guidance on gross NPA that you gave, earlier, you mentioned some guidance on the GNPA ratio.
- Rajkiran Rai G:** Yes, that is 12% subject to some NCLT settlements.
- Dhawal Gada:** Okay. And lastly, Sir, on capital, how are we sort of looking at that? Like 7.5% CET1 ratio, so what is the thought process here?
- Rajkiran Rai G:** I think, last time, I shared that we have requested the government and like you maybe also knowing that some capital allocation is happening, so we are expecting that as of now, we are not defaulting, but then like we are expecting some good capitalization from the government during this quarter.
- Dhawal Gada:** Okay. Sir, any amount that you would like to share?
- Rajkiran Rai G:** No, no. At this point of time, it will be difficult to share, but then I am expecting a reasonable capitalization.
- Dhawal Gada:** Thanks Sir and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** Thanks for the opportunity. Sir, first one, asset quality. So you mentioned there is some around 700-odd Crores of devolvement in this quarter, which has come from the already NPA accounts. Sir, if you can broadly sort of quantify what is the non-fund base limit outstanding to the pool of NPA outstanding, so that will help us in understanding what could be the devolvement in coming quarters?
- Rajkiran Rai G:** In the NPA book, actually, about Rs.1500 Crores of non-fund based is still outstanding, not crystallized. But then, out of that, the corporate accounts is around Rs.1100 Crores.
- Jai Mundhra:** Okay. Sure, Sir. And clearly, now SMA-2 is largely similar in the last 2, 3 quarters. Are you seeing at least a reduction in SMA-1 book or that is also more or less similar, just from qualitative perspective?
- Rajkiran Rai G:** Yes, actually. See, what has happened is this SMA-1 and SMA-2, it is almost a perpetual kind of thing, like, a very few of the accounts are slipping, but then like that 30 days or 60 days default continues. So we are not like unduly worried that this will slip. But then the numbers remain same in the last 2, 3 quarters.
- Jai Mundhra:** Okay, sure. And, Sir, this time around, you have shown a good chart on this early warning signal. So just to understand you have given some 47% of the early warning account as of starting of the financial year, and they have slipped. Sorry, 47% is still in that strip?

- Rajkiran Rai G:** Yes, yes.
- Jai Mundhra:** And 20% are in SMA bucket, right?
- Rajkiran Rai G:** Yes.
- Jai Mundhra:** And only 3% have only fallen to NPA?
- Rajkiran Rai G:** Yes.
- Jai Mundhra:** Okay. So do you have the absolute number, Sir, for this pie, just to get an understanding as to how it may be upgraded?
- Rajkiran Rai G:** See, actually, what we are doing is, actually, before the account gets into SMA that is first to default. So we have built a model where like it gives a number on the early warning signal accounts, which are likely to default. So on that, we start working, because once it gets through SMA, very difficult to upgrade because the default starts already. So now, I think, numbers, it will be difficult to share at this point of time. But and see what happens, we started with a portfolio of only MSME in the beginning. So, roughly, we started with a portfolio of maybe around Rs.3000 Crores for MSME, and we started working on that, so it has really helped. Now we have spread it to all accounts above 10 lakh for retail in every account. Earlier, actually, our first experiment where the data is shared, they are more on the MSME book, because, particularly, on the MSME book, if you start working on these accounts early on, the chances of upgrading the account and resolution is much better, because once the default happens, it is very difficult to get these accounts upgraded. So that is what we thought.
- Jai Mundhra:** Sure. So this is more reflective of MSME portfolio? Anything on the corporate, Sir? I mean, any such theme for corporate book?
- Rajkiran Rai G:** Corporate book, actually, is becoming healthier and healthier so SMA-0. Actually, most of my SMA-2 numbers, what I am sharing, I think roughly 70% of that is retail and MSME, the corporate book is hardly 3000 kind of thing in SMA-2 also. So I think corporate book is whatever is remaining is behaving very well.
- Jai Mundhra:** Sure, Sir. And the last question is, from my side, Sir, Sir, on the NCLT table that you have given, Rs.9600 Crores, Rs.9700 Crores of exposure. So I mean, part of it would have been prudently written off, right? So I just want to know so out of this Rs.9600 Crores, how much is in GNPA and how much is already, let us say, written off in GNPA?
- Rajkiran Rai G:** None of these accounts are written off as of now in the NCLT case. They are all in GNPA, but then, there may be cases where we have 100% provision.

- Jai Mundhra:** So if the account is 100%.?
- Rajkiran Rai G:** They are not written off. They are reflected in GNPA. The whole of this book is in GNPA.
- Jai Mundhra:** But if the account is 100% provided, you would have prudently written off, right, Sir?
- Rajkiran Rai G:** No. Now I have a substantial amount of 100% provision, where we are not written off.
- Jai Mundhra:** Thank you so much Sir, I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Chinmay Desai from Anvil Shares & Stock. Please go ahead.
- Chinmay Desai:** Just, I kind of missed the number from what you said regarding the slippage from SMA-2 account, if you could quantify?
- Rajkiran Rai G:** It is about Rs.800 Crores. Actually, last quarter, when I shared this Rs.10000 Crores to Rs.11000 Crores of SMA-2. So because this question frequently comes, we studied. Actually, from this book, only Rs.800 Crores has actually slipped in NPA. Other things either continued to SMA-2 or would have upgraded themselves.
- Chinmay Desai:** Okay. Sir, and if I got it right, Essar outstanding is Rs.9.2 billion, right?
- Rajkiran Rai G:** Yes, right, yes.
- Chinmay Desai:** That is it. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.
- Sneha Ganatra:** Sir, on the delinquency you mentioned, it would be around 4% to 4.5%?
- Rajkiran Rai G:** 4.5%, we said.
- Sneha Ganatra:** 4.5%. So then we can consider the slippages would be around Rs.3100 Crores to Rs.3200 Crores. That would be runrate be little bit higher than your Q3 and Q2 numbers also?
- Rajkiran Rai G:** No. Actually, the next quarter number, IL&FS account does not slip, it will be much lower.
- Sneha Ganatra:** What would be that amount? Rs.2000 Crores?

- Rajkiran Rai G:** Roughly yes. It should be because we do not put absolute numbers, it is very difficult, so yes but there is one IL&FS account, this is not sorted out this quarter, so with that. Otherwise, it should be much lower than this quarter.
- Sneha Ganatra:** Okay. But still, our total gross NPA numbers would be around Rs.48000 Crores?
- Rajkiran Rai G:** It will be much lower. Now we have reached around Rs.49500 Crores, so I am expecting about Rs.4000 Crores of resolution from NCLT.
- Sneha Ganatra:** And this, you are expecting in Q4 only?
- Rajkiran Rai G:** Yes because, like, there are about 8 to 10 accounts, which are resolved, and we are waiting for the final detail. So about Rs.4000 Crores, and our normal recoveries and sales and all that should give at least, consolidated basis, another Rs.1500 Crores. So with that, actually, our gross NPA should come down substantially.
- Sneha Ganatra:** Reduction in gross NPA by Rs.4000 Crores, right? So that would be around Rs.45000 Crores.
- Rajkiran Rai G:** Roughly, because that is how we are projecting in the 12%.
- Sneha Ganatra:** And for the next year, would you like to give us a guiding on asset quality? How do you see the slippages trend, considering whatever the P&Ls been considering of our books on the corporate side, retail and MSME?
- Rajkiran Rai G:** Yes. Next year, very difficult to put in a number. But then, the delinquency for next year can be anything between 2.5% and 3%. That is a rough estimate at this point of time. Assuming that the slippage from the retail and MSME will continue for the first two quarters; a little, June and September; after that, it moderates. So with that, it can be anything between 2.5% in Q3. We will give that guidance but then, we can expect that kind of range, delinquency.
- Sneha Ganatra:** And the outlook on margins?
- Rajkiran Rai G:** Margin, actually, like, see, 2.5% is the NIM, which we are likely to achieve on a quarter basis. Even for the full year, we still continue to be around 2.25%. So next year, it should be 2.5% stable with upward bias.
- Sneha Ganatra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Bhavik Dave from Reliance Mutual Fund. Please go ahead.

Bhavik Dave: I just wanted to understand your power book. So we have Rs.23800 Crore kind of a number on the power exposure. And NPA in that book, NPA plus provision, is around 24%. So I just wanted to understand, can you give us a breakup of this Rs.23800-odd Crores? How much is private, how much is PSU? And what is the kind of stress that can come up in this book? Because we see that peers are at 40% NPA numbers, and we are at 24%. Is there anything that we need to recognize here? Or our book is completely different from the peer set?

Rajkiran Rai G: Yes. See, out of these total book of power, like, Rs.8000 Crores is PSU exposure, which is standard, okay? In the non-PSU exposure, we have Rs.15758 Crores. Out of that, Rs.5673 Crores is recognized as NPA. So about Rs.10000 Crores is the standard in the non-PSU category. Out of that, actually, the coal-based generation standard is Rs.5852 Crores, where the stress actually lies. So in the coal, total exposure is Rs.11100 Crores Out of that, almost 50% is recognized, Rs.5281 Crores. Out of the total NPA of Rs.5673 Crores, Rs.5281 is the coal generation. So standard in the coal is Rs.5852 Crores. So we do not expect that except that IL&S Tamil Nadu, which is about Rs.900 Crores for us. So I do not expect that there is stress in this book.

Bhavik Dave: Sure. And Sir, also on the MSME portfolio, so you have been growing MSME quite rapidly, I wanted to understand what is your view on the Mudra Loan? So how is this portfolio performing? And what is the size of Mudra in the MSME?

Rajkiran Rai G: See, out of Rs.66000 Crores of book, Rs.6700 Crores is Mudra exposure, totally. Okay. Out of Rs.6700 Crores, our NPA is around 7% as of now. And what we have done under Mudra, we have done about one-third of this portfolio is under light commercial vehicles where, the NPA is below 3%. So actually, we have made a scheme under Mudra for financing light commercial vehicles, and through the dealer network and tie-ups, we have pushed this product under Mudra, which is helping me to achieve the target, at the same time, the quality of portfolio is maintained. So roughly about one-third of the portfolio under light commercial vehicles, so it is helping me to maintain this so we do not see that, enhanced stress in this book as of now. Another thing we need to keep in mind is, under Mudra, there is credit guarantee coverage from the Mudra itself. So like, I do not think banks will incur major losses. And as of now, it is not a great concern because the book size is comparatively small.

Bhavik Dave: Okay. And lastly on agri, so agri, again, our NPAs are quite under control. So I just wanted to get a sense of how do you see this book performing? Do you see any kind of stress that is brewing up in your agri portfolio?

Rajkiran Rai G: Agri. See this time, the slippage was a bit high, about Rs.500-odd Crores, but then, we do not see much stress there, actually. So like, I think it should moderate because as the debt settlements have happened, those states are returning to normalcy. So I think after that, the renewals will start taking

place. So I think I do not see any enhanced NPA slippage in agriculture. It is close to 7% now. I think it may be around that level because a lot of money will come from the state government wherever the state settlements have happened. So that is expected in the last quarter. With that, NPA will come down substantially.

- Bhavik Dave:** That is about it. Thank you Sir.
- Moderator:** Thank you. Participants to ask a question, please press “*” then “1”.
- Rakesh Kumar:** Just one question I had. Sir, with the expected amount of capital that we are going to receive this year, like, next year, in FY 2020, credit growth would be quite as strong is not it?
- Rajkiran Rai G:** Yes, I expect credit growth to be strong in the next quarter itself. We were just, like, balancing ourselves, there is a good demand and there is a good scope to grow. And we were getting our credit structure right underwriting process and all that. I think it took us some time to get all these things stabilized. Now I think we are positioned to grow fast. And this quarter itself, we can see better credit growth.
- Rakesh Kumar:** And the fee income, Sir, fee income momentum, should start thereafter when your credit growth increases?
- Rajkiran Rai G:** Fee income, we have done quite well if you will look at the break up, this quarter itself, where we have seen a substantial increase. Fee income will also improve because our Overseas Business actually had gone down substantially where this bill discounting and other things used to happen, so it affected us a bit. Now the things are returning to normalcy. So fourth quarter itself, we should have better numbers on this, fee income and the credit growth.
- Rakesh Kumar:** Thanks Sir.
- Moderator:** Thank you. The next question is from the line of Dhawal Gada from DSP Mutual Funds. Please go ahead.
- Dhawal Gada:** A few more questions, Sir. One is on portfolio buyouts that you would have done during the quarter, sir.
- Rajkiran Rai G:** Yes. We did roughly about Rs.3000 Crores of portfolio buyout during this quarter.
- Dhawal Gada:** And which segment this would be in?
- Rajkiran Rai G:** It is mostly from the housing side. And we have done some LAP.

- Dhawal Gada:** Okay. And did we participate in developer financing portfolio, during the quarter? Some buyouts?
- Rajkiran Rai G:** No. We did not go there. We did on the retail side, actually.
- Dhawal Gada:** Okay. And Sir, sorry to come back on power again, but apart from the accounts that you mentioned, what is happening in other exposures? Like, the big ones, like KSK Mahanadi and others? What is the status there?
- Rajkiran Rai G:** KSK Mahanadi, also, there is an offer. But then, like, it is not very concrete. Actually, like the accounts I mentioned, there is already approval process going on. Few banks have already approved and few banks are in approval process, whereas KSK Mahanadi is taking some time. But then, there is an offer. There is a very concrete offer there. So hopefully, that also will come up now for settlement.
- Dhawal Gada:** Any other major exposure where you are confident that we can recover some money over the next two quarters, where there is some progress?
- Rajkiran Rai G:** These are the three, basically, but then there are definitely accounts where there is a good opportunity. But right now, I think it is difficult because these are at discussion stage. But SBI, SAMADHAN, now they had put out some data on this, so I would not like to take the names at this point of time. They are all at discussion stage. There are few accounts.
- Dhawal Gada:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** Thanks for the followup. Just on this power if you can quantify, how much of your GNPA is under SAMADHAN?
- Rajkiran Rai G:** Difficult to give that number. I think we have Rs.5281 Crores under coal-based. The accounts, which are likely to be resolved now, two accounts. They are at Rs.1000 Crores flat, Rs.1100 Crores kind of exposure, two accounts. If you add KSK Mahanadi, it will be around Rs.1800 Crore kind of thing, three accounts, which are likely to be settled out.
- Jai Mundhra:** Okay. Sure, Sir. And this ARC sale that you have done with Rs.380 Crores, this is the amount you have recovered, right, in cash, not the book value of the accounts, right? So Rs.380 Crores have come to you in cash?
- Rajkiran Rai G:** Yes.
- Jai Mundhra:** Sure Sir. That is very helpful.

- Moderator:** Thank you. Sir, we have one question, which has just come up. We will take the question from the line of Chintan Shah from Elara Capital. Please go ahead.
- Chintan Shah:** Thank you for the opportunity. Sir, on the recoveries part from the last two quarters, we have seen a recovery of around Rs.1200 Crores. So is this number sustainable going forward as well?
- Rajkiran Rai G:** Yes. Next quarter, actually, numbers should be substantially better actually because these are very normal quarters where we did not have any very specific big account coming up. So actually, this quarter, if you really see our recovery numbers have moved up substantially. Recovery and upgradation is close to Rs.1800 Crores. And if you add the written-off recovery, we have crossed Rs.2000 Crores of recovery in this quarter. So I think these numbers are sustainable. Plus, actually, with the NCLT, the resolutions of two, three major accounts, so Q4, I am fairly sure that we will see a recovery of at least Rs.4000-plus Crores in the Q4. We should see that number.
- Chintan Shah:** Okay. And also, one more thing on the NCLT recovery, which you mentioned, NCLT resolution, three, four accounts. So like, what kind of haircut are we expecting? Any number on that? Any colour?
- Rajkiran Rai G:** See, as far as the NCLT is concerned, actually, whatever settlement happens, I think our provision is sufficient. I do not think any further haircuts will be required in any of these accounts.
- Chintan Shah:** So I understand, Sir, the provision is sufficient. But so there can be also provision write back, no? So do we have any?
- Rajkiran Rai G:** That is what we are looking at, actually. Substantial provision write-back, we are factoring for Q4.
- Chintan Shah:** Okay. So like, the haircut can it be, like, 15%, 20% write-back, or something more than that or less?
- Rajkiran Rai G:** Like, for the next quarter, the number of resolution, like, what I am putting out, it can be about 25% of that as a write-back.
- Chintan Shah:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Pritesh Bumb from Prabhudas Lilladher. Please go ahead.
- Pritesh Bumb:** Sir, I needed the duration for the HTM, HFT and AFS, if you can provide that for this quarter?
- Rajkiran Rai G:** Yes, I think, Nitesh?

- Nitesh Ranjan:** So I think we have provided this time only for the AFS, but that is the number, which we will be looking at, and then calculating the kind of mark-to-market gain or loss. HTM, we are not providing this time onwards. And you must have noticed, in the AFS book, our duration has already come down. Strategically, we have reduced that.
- Pritesh Bumb:** So have you provided somewhere in the presentation? I cannot see that.
- Nitesh Ranjan:** Yes, so if you see on with this slide.
- Pritesh Bumb:** Okay, it is there. Yes, it is there, okay. Second, on the other expenses side, so we see a jump quarter-on-quarter about 22%. That was the same phenomenon type last year also. So what kind of other expenses, generally comment?
- Rajkiran Rai G:** Actually, this will be this quarter phenomenon because there are some bumpiness, particularly on the digital side expenses. So because there is a substantial increase in our PoS machine usage and other ATM usage and all that. So on the income side also, it has helped; but on the expenses side, some bumpiness, but this is normalized. When it comes to the 12-month period, it will normalize. So this quarter, it is a slightly higher, actually, that is why my operating cost is slightly higher than last quarter. Even the employee cost and other, they are normal. But then this is more coming from the digital side: ATMs, PoS and other related.
- Pritesh Bumb:** Another question was because we have seen the branches and ATM count going down, so when we will have expected the banks also will have gone down from there?
- Rajkiran Rai G:** See, this year, I had mentioned earlier also, we are consolidating totally. Like, you would have seen our book and we were concentrating more on rationalizing everything, right, from our credit underwriting to the branch network. See, we have merged some other branches, which were not very viable, so that is why the numbers have come down. It is not that we are shrinking, but then, it is like nearby branches and all that, some mergers and all that. So we have opened branches also. So these numbers will now normalize because some of the opening of the branches is for the Q4, so that number will normalize. In ATMs, yes, it was a very conscious decision. All non-viable ATMs, we closed down. So now that is, like, ATM has become a bigger cost now, so we have normalized that. And no further closure, actually. No further closure. We have closed whatever it is.
- Pritesh Bumb:** But this exercise will continue for sometime?
- Rajkiran Rai G:** No. We have already identified and closed. Actually, I do not think these numbers will now, I mean, likely to remain. Actually, internally, we were consolidating for the last one year on all the parameters.

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Pritesh Bumb: Okay Sir, 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 Rai G: Thank you very much for all your questions. Actually, there is lot of comfort now because the last three quarters, you would have seen we are very consistent in our performance. And this quarter, one of the redeeming features is very, very good recovery numbers, which seems to be very sustainable. And because I always say that the slippage and the recovery number, when they start matching, I think the turnaround is very substantial. So we are coming but for about Rs.700 Crores of slippage, which happened from the existing NPA book, I think we were close to that number.

I thank you for all the cooperation. Like, with the growth coming back in the system, there is lot of good opportunities. I am very sure that when we come back for Q4, we will have much better number on the growth side, in addition to improving most of the efficiency parameters which are very consistent. Thank you so much. Thank you for participating.

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, and you may now disconnect your lines.