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बीएसई लिमिटेड BSE Ltd. बीएसई लिस्टिंग सेंटर BSE Listing Centre स्क्रिप कोड Scrip Code - 532 477	नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड National Stock Exchange of India Ltd. निप्स NEAPS स्क्रिप कोड Scrip Symbol-UNIONBANK-EQ सिक््योरिटी Security - UBI-AT/BB
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महोदया Madam/महोदय Sir,

विषय Subject: पोस्ट अर्निंग्स कॉल के प्रतिलेख Transcript of Post Earnings Call

<p>यह सूचित किया जाता है कि 31 मार्च, 2024 को समाप्त तिमाही/वर्ष के लिए बैंक की लेखापरीक्षित (एकल तथा समेकित) वित्तीय परिणामों के लिए 11 मई, 2024 को आयोजित पोस्ट अर्निंग्स कॉल के ट्रांसक्रिप्ट को एतद्वारा सर्वेबल पीडीएफ संलग्नक के रूप में प्रस्तुत किया गया है।</p> <p>इसे बैंक की वेबसाइट पर निम्नलिखित वेब लिंक के माध्यम से भी उपलब्ध कराया जा रहा है:</p> <p>https://www.unionbankofindia.co.in/english/financial-result.aspx</p> <p>यह जानकारी सेबी (सूचीबद्धता दायित्व और प्रकटीकरण आवश्यकताएं) विनियम, 2015 की अनुसूची III, भाग ए, पैरा ए, 15 (बी) के साथ पठित विनियम 46(2)(ओए) और विनियम 30 के संदर्भ में प्रस्तुत की गई है।</p>	<p>This is to inform that transcript of Post Earnings call held on May 11, 2024 for Audited (Standalone and Consolidated) Financial Results of the Bank for the Quarter/Year ended on March 31,2024 is submitted herewith as a PDF searchable attachment.</p> <p>The same is also being made available in the Bank's website under the following web link:</p> <p>https://www.unionbankofindia.co.in/english/financial-result.aspx</p> <p>This information is furnished in terms of Regulation 46(2)(oa) and Regulation 30 read with Schedule III, Part A, Para A, 15(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.</p>
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भवदीय Yours faithfully,

(एस. के. दाश S. K. Dash)
कंपनी सचिव Company Secretary
एफसीएस FCS - 4085

Encl.: As above

“Union Bank of India Q4 Earnings Conference Call”

May 11, 2024

MANAGEMENT: MS. A. MANIMEKHALAI	– MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
MR. NITESH RANJAN	– EXECUTIVE DIRECTOR
MR. RAMASUBRAMANIAN S	– EXECUTIVE DIRECTOR
MR. SANJAY RUDRA	– EXECUTIVE DIRECTOR
MR. PANKAJ DWIVEDI	– EXECUTIVE DIRECTOR
MR. AVINASH VASANT PRABHU	– CHIEF FINANCIAL OFFICER
MR. SUDARSHANA BHAT	– CHIEF GENERAL MANAGER
MS. KANIKA PASRICHA	– CHIEF ECONOMIC ADVISOR
MR. ANITH THOMAS ZACHARIAH	– DEPUTY GENERAL MANAGER

Moderator: Ladies and gentlemen, good day and welcome to the Union Bank of India Earnings Conference Call for the period ended March 31, 2024.

The Bank is represented by the Managing Director and CEO – Ms. A. Manimekhalai; Executive Directors – Shri Nitesh Ranjan, Shri Ramasubramanian S., Shri Sanjay Rudra, Shri Pankaj Dwivedi 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 touch-tone phone. Please note that this conference is being recorded.

I now hand over the call to Mr. Anith Thomas Zachariah, Deputy General Manager. Thank you, and over to you, sir.

Anith Thomas Zachariah: Thank you. Good morning, ladies and gentlemen. I, Anith Thomas Zachariah, Deputy General Manager of the Investor Relations Department, welcome you all for the Union Bank of India Earnings Conference Call for the period ended March 31, 2024.

The structure of the con call shall include a brief “Opening Statement” by the respected MD and CEO ma’am, and then the floor will be open for interaction.

Before getting into the conference call, I will read out the usual disclaimer statement:

I would like to submit that certain statements that may be discussed during the investor interaction may be forward-looking statements based on the current expectations. These statements involve a number of risks, uncertainties and other factors that cause the actual result to differ from the statements. Investors are therefore requested to check this information independently before making any investment or other decisions.

With this, I now request our respected MD and CEO ma’am for her opening remarks. Thank you, and over to you, ma’am.

A. Manimekhalai: Good afternoon to all of you. I welcome you all on behalf of Union Bank and I also thank you for joining us today.

We appreciate your support and valuable feedback. Despite the global geopolitical tensions, the Indian economy remains strong, supported by high GDP growth and sustained positive momentum.

At Union Bank, our strategic focus has always been to build a sustainable business with a customer-centric approach. Let me just give you a brief on what guidance that we had given for the year FY24 and what the actual numbers are. We provided financial guidance at the start of

FY24, and I am pleased to report that the Bank is aligned well with the projections that we have made.

We aimed for a YoY deposit growth of 8% to 10% for FY24 and we ended the year with 9.3% growth. The advances growth projected was 10% to 11% and we could achieve 11.7% growth. The NIM guidance was set at 3%, but we were able to achieve 3.10% and on a YoY basis, our NIM improved by almost 3 bps. We aimed to reduce our gross NPA to less than 6% and we successfully brought it down to 4.76%. Regarding gross recovery and net slippages, we exceeded our goals by keeping slippages below Rs. 12,000 crores and achieving a gross recovery of Rs. 18,554 crores.

Let me now quickly run through the highlights on our “Financial Performance”:

Firstly, I am happy to share that we have achieved our highest ever net profit of Rs. 13,648 crores for FY24 with an impressive year-on-year growth of 62%. Our operating profit of the Bank reached Rs. 28,210 crores registering a growth of 10.8% largely driven by a net interest income of 11.6% and a non-interest income growth of 10%. The total business of the Bank reached Rs 21.9 trillion with a deposit base of Rs 12.21 trillion and advances of Rs 9.05 trillion. The RAM portfolio increased by 13.8% and our RAM lending to corporate lending ratio remains at 55-45 ratio.

The capital position of the Bank is quite strong with 16.97% as our CRAR and 13.65% as CET1 ratio. The gross NPA has reduced by 277 bps. PCR is increased at 235 bps with 92.69%. The ROA and ROE is at 1.03% and 15.58%. Our operating profit has declined sequentially by 4.3% and as all of you are aware, it is primarily due to the increase in expenses related to wage revision and additional provisions for pensions amounting to Rs. 1,334 crores.

Beyond the financial, this year the Bank achieved many milestones. We raised Rs. 8,000 crores in equity capital, the largest among the public sector banks, and our market capitalization also crossed Rs 1 lakh crores. We have received some upgradations from the rating agencies and we have also been included in the MSCI Global Standard Index among our other achievements.

We have been taking many initiatives in the last couple of years to strengthen our organization, including to strengthen the underwriting and digital capabilities. Our Bank is in the forefront of adopting advanced IT and cybersecurity systems and we have also been adjudged as number 3 in the Ease ranking of all the public sector banks.

During the current year, we have taken many new initiatives, like for the CASA transformation, we have taken new initiatives. We are targeting the RUSU (Rural and Semi-Urban) centers and growth hotspots to increase our high potential in these locations. We have also set up a customer service excellence cell to provide top-notch service to all my customers.

Looking ahead, we see significant opportunity to drive business growth. Although the operating environment may be a bit challenging due to the tight liquidity, we are optimistic that the Bank will continue its efforts to capitalize on these substantial opportunities that lie ahead of us.

Thank you, and I am now open for questions. Thank you all of you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Mahrukh Adajania with Nuvama. Please go ahead.

Mahrukh Adajania: Ma'am, so your annual slippages are within your guidance, but there has been a sharp increase in MSME, Agri and Retail slippage QoQ in the fourth quarter though of course, the overall figure for the year is in line with your guidance. So, if you could explain if there's any seasonality or any specific geography-related issue or any segment-related issue within these three segments? That's my first question, and I have two others.

Ramasubramanian S.: Good afternoon, ma'am. See, as you are right, you told that MSME and Agriculture, slippage more than the last quarter. But historically also, if you're looking at it, around Rs. 1,000 crores are slipping last quarter of every year in the Agriculture sector, because this is about the repayment and the seasonality which coincide on that.

That is the reason. MSME, it is normal, which we're taking into account our portfolio and what are the slippages happening. It is normal, and we are closely monitoring those things.

Mahrukh Adajania: Sure. But sir, the growth in this quarter, QoQ is much sharper than the previous last few years. And then on a sequential basis, and also like when private banks say, they say that first and third quarter have seasonality in terms of repayment. So, how is it different for state banks? Why is it more seasonally weaker in terms of repayments in fourth quarter, like say, relative to private banks? Though I know that PSUs have a larger Agri portfolio than private, but still asking just for understanding.

Ramasubramanian S.: See, that is what we have. So, public sector, you see, the way we are having our Agriculture portfolio, that is, if you're looking at it, our major are coming from even pan-India also. It is there actually all over India. And especially our concentration, because of the branch network, our concentration is more on UP, Maharashtra, Karnataka and Andhra Pradesh and Telangana. So, basing on the seasonality of the crops, this payment terms have been fixed by the things and normally, we find that the last quarter slippages in Agri is a little higher.

A. Manimekhalai: One thing we should understand that as per the RBI guidelines also, the slippages in the Agri portfolio, once the repayment comes in, immediately we can give the loans also to these sectors. Now, if you look at my Agriculture portfolio, if I look at June to March, there has been an increase, but in the last quarter, it has increased and as ED also pointed out, it is because of the seasonality of the crops and also because of the geographical conditions in these locations. But going forward, these slippages will be now converted into advances when the payment comes through. The payments usually come in this quarter and then we can make fresh advances also.

Mahrukh Adajania: That's helpful, ma'am. So, would MSME and Agri be linked? Because there's rice processing in MSME, all these processing units. So, are the MSME and Agri slippages linked or not really?

A. Manimekhalai: Ma'am, the food processing industry is, either classified as agriculture or MSME based on, of course, the investment that is made in that sector. Most of the rice processing and dal processing industries are classified as agriculture only. Other than that, based on the investment, it is all classified under MSME.

Moderator: The next question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.

Ashok Ajmera: Yes, ma'am. Overall, if you see the overall year's performance, it's fantastic. And every guidance given by you, ma'am, has been achieved. The only concern is on the operating profitability, which is mainly you said that because of the employees' cost, the pension. But we have seen in most of the other banks that the majority of this provisioning was done into the December quarter. Now, here, you see our employees cost has gone up to Rs. 4,829 crores in this quarter against Rs. 3,279 crores, which has had a major impact. Some impact has been offsetted by increase in the other income by Rs. 1,000 crores in this quarter. So, going forward, what will be our run rate on the employees per month cost so that we can get a clear idea? And what is the reason or what are the exact calculations for such a high employee cost in this quarter, ma'am?

A. Manimekhalai: Sir, thank you for the compliments. And you know, with regard to the wage revision expenses, we have done this provision every quarter, actually. And every quarter it was done, as you are aware, we have been talking about this. The additional provision to the extent of Rs. 1,334 crores is what we have done in this quarter. This is mainly for pension, gratuity and leave encashment. That was what we have taken up. Wage arrears provision also we have taken close to about Rs. 163 crores. The total additional provision that we have done, additional impact on staff expenses is close to about Rs. 1,334 crores. So, that is what has impacted our operating profit.

Ashok Ajmera: Okay, ma'am, point well taken. Going forward, ma'am, what will be our monthly or quarterly employees cost approximately? Because all this provisioning has been done, with extra provisioning.

Avinash Prabhu: So, because of the bipartite every quarter, the increase in HR costs would be about Rs. 330 crores. So, if you try and standardize the HR establishment costs, say, for example, if you take the September quarter of this year, you need to add about Rs. 330 crores and that is already reflected in this year's number as well. So, ideally, you should not see so much of an increase in the HR costs going forward. You might probably see about a 6% to 7% increase in the HR costs on an annual basis. And that is because of increase in expenses like dearness allowance, et cetera. So, very simply put, about Rs. 1,300 crores is the one-time hit that we've taken in Q4.

Ashok Ajmera: About Rs. 1,300 crores per month, according to you, isn't it, sir?

Management: Rs. 330 crores per quarter.

- Ashok Ajmera:** Means approximately the monthly cost will be Rs. 1,250 to Rs. 1,300 crores, isn't it?
- A. Manimekhalai:** No. The monthly expense will be close to about Rs. 110 crores with regard to additional expenses of Rs. 110 crores per month.
- Ashok Ajmera:** Ma'am, what will be the impact of these RBI guidelines which have come for the higher provisioning of the project finance loans?
- A. Manimekhalai:** Sir, as per the RBI guidelines provisioning, we are not seeing much impact. To give you a small number, we are still calculating the numbers. There is a lot of clarity that needs to come. About 68% of our loan book is completed projects. Out of that, project loans to corporate is about only about 28%. So, we are not seeing much of an impact which we will be able to manage.
- Ashok Ajmera:** I will take the point further. Some other points are there, but if the time permits, I'll come back again. Otherwise, we'll meet later.
- Avinash Prabhu:** And just to answer your question, the quarterly cost as far as establishment costs or staff costs will be roughly about Rs. 3,300 to Rs. 3,500 crores.
- Ashok Ajmera:** Yes. So, that's what I'm saying that maybe Rs. 1,150 to Rs. 1,200 crores per month.
- Avinash Prabhu:** Yes.
- Moderator:** The next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.
- Nitin Aggarwal:** Good afternoon, everyone, and congratulations, ma'am, on good results overall, but for the high OPEX. So, my first question is on the capital. Now, if I look at, because Bank has raised capital very well over the year and has reduced government holding to the minimum to like less than 75, so how do we really look to deploy this capital better? Because the growth rates that we are targeting now is still like closer to where we have been, and our ROEs are significantly higher than the loan growth. So, we will ideally keep on accreting capital. So, what's the plan to utilize this capital ratio better?
- A. Manimekhalai:** The capital raise, the deployment of these capital will be towards the CAPEX for the Bank. You understand that the Bank is looking forward to utilize a lot of CAPEX on building the digital portfolio of the Bank also. So, that is one area that we are looking at. Secondly, of course, for the growth of the Bank, at least in the credit portfolio, we are looking at that. We have also seen a little bit of increase in our establishment expenses. That is also another area. We are also looking at growth in our branch expansion for the current year. We are close to about 200 to 250 branches is what we are looking at to grow in the current year. So, these are the areas that we will be looking to deploy our capital.
- Nitin Aggarwal:** And the second question is on the overall tax rate, because we have been absorbing the DTAs and our tax rate, therefore, is elevated. And despite that, we have been able to deliver more than

1% ROA. So, what is the outlook there? By when do we plan to migrate to the lower tax rate? How much is the outstanding DTA remaining that are yet to be absorbed?

Avinash Prabhu: We have already migrated to the lower tax rate in the current year, which is March '24. However, you are not seeing the impact because we have had a write back in terms of the deferred tax asset. So, that is the reason why you are seeing that the effective tax rate is higher in the range of around 35% or so. But in the current year, which is '24-'25, you see the effective tax rate in the 25% to 27% range. So, you see that in the current year.

Nitin Agarwal: And so related to it, then what will your ROA guidance as such for FY '25?

Avinash Prabhu: So, we have given an ROA guidance which would be higher than 1%, and we would stick with that.

Moderator: Thank you. The next question comes from the line of Kunal Shah with Citigroup. Please go ahead.

Kunal Shah: So, with respect to write-offs and the recovery from that, so when we look at it this year, we have almost done Rs. 4,000 odd crores kind of recovery from the written off accounts. And we are guiding for recoveries to continue quite strong, getting into FY '25 as well. But broadly, if you can just highlight maybe out of this Rs. 16,000 odd crores of guidance for recovery, how much of that could be from the written off accounts and the pull out there?

Sanjay Rudra: Last year actually our recovery in the technically written off account is around Rs. 4,000 crores, and also we have recovered the dummy interest to the extent of Rs. 3,000 crores. So, altogether it is around Rs. 7,000 crores and we hope that this year also we are expecting the total recovery of around Rs. 16,000 crores. And our recovery from the technically written off accounts will be more than Rs. 4,000 crores for the current financial year also.

Kunal Shah: That will be like more than Rs. 4,000 crores. And when you look at it in terms of the related question, may be the dummy interest which was accrued during this year, so is that the reason that despite may be exiting the Q4 with this kind of a margin, we are still guiding for 2.8% to 3% margin, or is it more in terms of the cost of deposits catch up and how much of re-pricing on the deposit is still left?

A. Manimekhalai: Re-pricing on advances you are asking?

Kunal Shah: No, no, sir, I was just saying in terms of the overall margins, the exit quarter margins which have been there, okay, the run rate at least in terms of the guidance that we are giving is still lower. So, is it to do more with respect to the further catch up in cost of deposits which can happen, or is it maybe the component of recovery which got accrued in this year that might not repeat next year and that's the reason we are still saying like 2.8% to 3.0% margins, Yes.

Sanjay Rudra: No, margin of 3%, you are talking about the NIM, net interest margin.

- Kunal Shah:** Yes. So, NIM we exited at 3.1. Guidance is 2.8 to 3. Okay. So, is it because of cost of deposit re-pricing, or is it because of a lower recovery even from the interest component?
- Avinash Prabhu:** So, Yes, so this is basically because we are expecting some pressure on our cost of funds and that's the reason why we have given a guidance of 2.8% to 3%.
- Kunal Shah:** So, how much of re-pricing will still be left on the deposit side? We already feel like we are at 5.2, overall cost of deposit.
- A. Manimekhalai:** No, it actually depends on the kind of liquidity that we are going to have in the current fiscal, of course. We have seen good liquidity in the month of April, but in the month of May and June, we feel that the liquidity will be slightly under pressure. So, based on the liquidity conditions, the cost of funds, so that is how we have re-priced, we have given a guidance of NIM 2.8% to 3%. But this is, of course, subject to review. As the market conditions improve, we will come out with better numbers probably after looking at the liquidity position in the market.
- Moderator:** Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** Ma'am, I just wanted to ask what kind of loan growth and deposit advances do we look for FY '25 and will our GNPA decrease further?
- A. Manimekhalai:** Yes, my guidance for the year, the next year's guidance is that we will be close to about 11% to 13% in our advances. Deposit growth will be about 9% to 11% and our slippages we will be containing below Rs. 11,500 and gross recovery we are looking at Rs. 16,000 crores.
- Darshil Jhaveri:** Sorry, ma'am, gross slippages. Sorry, could you just repeat that?
- A. Manimekhalai:** Gross recovery will be Rs. 16,000 crores and slippages we are likely to reduce it below Rs. 11,500 crores.
- Darshil Jhaveri:** And our GNPA, ma'am?
- A. Manimekhalai:** Gross NPA will be below 4%.
- Darshil Jhaveri:** And just one more question. Just with how the economic outlook currently, do we see any sector where there might be more pressure due to inflation or something, just like how is the economy doing well or some part where can be a surprising pressure?
- Kanika Pasricha:** In terms of, first of all, when you say the economy is doing well, as a bank we are actually focused more on sunrise sectors, but when you say inflation, as you would have seen even RBI has been stating, they are cautious about inflation eating into salary led or retail led credit growth, which is as I have already tried to crack down on unsecured retail. So, retail is one portfolio with personal loans growth for the system at 27% excluding margin effect at 16% to 17%. So, broadly,

retail is one area which may come under pressure on account of higher inflation. Otherwise, on other corporate side basically, they are actually witnessing the momentum is still trying to pick up after 10 years and the momentum may still continue.

A. Manimekhalai: Actually, my CEA has already said, we are also looking at the private CAPEX in FY '25, pickup in the private CAPEX, especially in the telecom, the construction, and the road, and the railways, food processing. These are the sectors that we are really looking at. There, the government has also talked about hotspots, growth centers in various locations like tourism and all those areas. So, we are also focusing on these areas to improve our loan growth.

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

Rakesh Kumar: So, my question is basically pertaining to one is that interest income on the IT refund. That number has taken or doubled now to more than Rs. 1,000 crores for the entire year. So, any expectation there that how it will be in next year? Though it is slightly difficult to predict, but if you can tell us, because the number is quite sizable.

Avinash Prabhu: Yes. So, obviously, IT refunds cannot be forecasted with good accuracy. So, we would conservatively look at maybe about Rs. 500 crores of IT refunds, interest on IT refunds.

Rakesh Kumar: Second part was considering the flow of or the run rate of the slippage for this quarter, would it be like the guidance that we have given credit cost guidance, so we would be able to stick to that number, our slippage number of Rs. 11,500 crores, because run rate has increased suddenly in this quarter?

A. Manimekhalai: Actually, if you look at my slippages of whatever we have had during the current year of Rs. 11,000 and odd, out of that Rs. 750 crores is a slippage from my previous years, that is because of the aging, probably aging is what we have got, and plus we have also got recovery of close to Rs. 1,500 crores. With that actually my slippage is around Rs. 9,665 crores only for the current. So, with this, I will be able to maintain my ratio that we have talked about, credit cost ratio that we have talked about.

Rakesh Kumar: So, credit cost number, how much you hope, get, ma'am, the guidance for '25?

A. Manimekhalai: We are at the same range. We are looking at the current year, it was about between 60 to 70 bps. So, that is how we are looking at for the next year.

Avinash Prabhu: We are looking at a guidance of less than 1% in terms of credit cost.

Moderator: Thank you. The next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: I have a few questions. One is on project loans, the new RBI's draft guidelines. Just to clarify that you had mentioned that 68% of the project loans are already completed and rest maybe 30% is under implementation. Is that number right? And is this a part of your, the entire Rs. 4 lakh crores corporate book or what is the absolute number here?

A. Manimekhalai: Sir, my total corporate advance is as you have also mentioned is about Rs. 4.07 lakh crores. Out of that, if you take out the NBFC portion, out of the remaining portion, 68% of that is project loans. And out of that 68% are completed loans, and the remaining is in various stages of the implementation.

Jai Mundhra: Ma'am, it would be great if you have the absolute number, but anyway, so ma'am, let's say, assuming this goes through the rest, I mean, only the 32% numbers, 32% of the project loans, which would have some impact, right, on provisioning, the 68% which are already completed may not have any substantial markup.

So, the question is, do you sense that these 68% project loans, which are already complete, could there be any incentive for the bank to increase the prices here? I mean, what I am asking is, under these guidelines, do the operating assets can have higher pricing from banks?

Ramasubramanian S.: See, this is the RBI draft guidelines has come for discussions and we are also having internal discussions with ourselves, what are the things which we want to or we also called for our views on this. So, we are also working on that. But if you are looking at it, in the corporate book, the 28% of the corporate book is, we have under the project loans and out of the 28% of the corporate book, 68% are completed projects. But as per the RBI draft guidelines, even after completion of the also, in the operation phase, we have to have the higher provisions has to be done till that 20% repayment is being paid back.

So, basing on all these things, there is a room, but it cannot be, we will be closely, once it is being implemented, we will be closely associating with the corporate and we will, because the same thing we have done it in the NBFC also. The NBFC also come in December quarter, December, when RBI introduced the higher provision norms, we engaged ourselves with all the NBFCs and we improved the pricing. So, same thing, it will be done. It will not be like over the table, we will not be doing, but there is always with a good negotiation and engaging ourselves and looking at the long-term business prospects, this always will be done.

A. Manimekhalai: It is too early to have any speculation on the numbers right now, actually. The RBI is actually currently seeking a lot of input from the banks and various other institutions, and we have also given our feedback to them for the analysis, and we are sure that the RBI will take a prudent view on this. So, I think we should wait for the final decision before taking any view on this subject.

Jai Mundhra: Just to clarify then, see, out of Rs. 4 lakh crores, 28% only is project loans and of which 68% is already completed. Is that clear.

- A. Manimekhalai:** Yes, exactly, yes.
- Jai Mundhra:** Second question, ma'am, is on guidance on loan growth, right. So, we are saying that 11% to 13%. And within that, do you think that the RAM growth will be a bit higher than the overall growth and corporate growth will be a bit slower as it appears right now?
- A. Manimekhalai:** Yes. So, we have projected a ratio of 55% to 45%, that is what we are saying. Corporate loan will grow at the ratio of 45% will be at the corporate loan. We are looking at the ratio of 55% growth in our, sorry, in our retail portfolio will be, RAM portfolio will be considering 55% of the total. Historically, we are growing at 11% to 13% in our RAM portfolio, and similar growth is what we expect in the current year also.
- Jai Mundhra:** And ma'am, on the recovery of Rs. 16,000 crores this year that we estimate, is there any breakup between, let us say, NCLT or maybe NARCL? Or this is going to be only granular retail and MSME kind of a thing?
- Sanjay Rudra:** Yes, in case of the current year recovery target, already The NARCL 11 accounts are under discussion with the NARCL amounting to almost Rs. 1,990 crores. As I already said, our target to recovery through the technical written-off is in the range of Rs. 4,000 crores. NCLT also the progress is quite satisfactory. Last year, a resolution happened in almost Rs. 3,200 crores in 8 accounts. This year also, we are expecting some good number of accounts where the resolutions are in progress. And the equivalent amount also Rs. 4,000 crores, we are targeting for the current year also.
- Jai Mundhra:** Rudra sir, just to understand, this dummy interest goes to P&L, right? That is why it is called dummy interest, right?
- Sanjay Rudra:** Yes.
- Jai Mundhra:** And that Rs. 3,000 crores that we did this year, you think that could be a similar number this year? Or this should come down as total recovery is also declining.
- Sanjay Rudra:** That is what we have observed in the previous year also, that is '22-'23 also, it was around Rs. 2,700 crores. So, it is in the range of Rs. 2,700 to Rs. 3,000 crores annually.
- Jai Mundhra:** Last question, sir, or ma'am, if you can comment on the unsecured personal loan, we had a portfolio of around Rs. 11,000 odd crores. What is the number right now and if you can share any slippages in that book and the absolute number of the portfolio and the GNPA or slippages in that book?
- A. Manimekhalai:** With regard to personal loans, including credit card, there is a very marginal growth actually. If you look at Rs.12,587 crores was my last year's numbers and the present is about Rs.12,983 crores. And there is a growth of about just about 3% and in credit card we have a de-growth of

about 2%. Not much of delinquency in those books because it is given to all salaried employees who have got accounts at the bank. We have not seen much slippages in my personal loan book.

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

Sushil Choksey: Ma'am, in your opening remark, you highlighted that you are going to have a huge CAPEX or a large number on digital and branch initiatives. Can you elaborate little more what are the initiatives we are taking under that?

Nitesh Ranjan: So, when we talk about digital and IT, I just like to give a color that we have continuously been augmenting our IT capacity to make it more robust and resilient. So, if you look at our CAPEX on IT over the last few years, I think in FY '22, it was around 5 billion INR, FY '23, it was close to 6.5 billion INR, and which we augmented significantly in the last financial year to around 11.5 billion INR.

And on top of that, this year also, again, the plan is of around close to 14 billion of CAPEX related to the IT and which includes the core IT, the security, the analytics and the digital transformation project that we are underway. And it encompasses hardware augmentation, network capability and security capability.

So, far as the digital things are concerned, you are aware that from the last year we have started investing in digital capability, building the digital platform, which also includes the creation of the mobile banking platform on our own, which we will be migrating to during the current financial year.

Simultaneously, we have also been building several digital journey and which MD in the opening remarks alluded to. Close to around 12, 13 journeys are already there. And on the asset side, we have done a business of around Rs. 8,300 crores on that. And on the liability side, total of I think around 20 lakh customers have been able to open the liability side accounts to our mobile app and close to around Rs. 60,000 crores of deposits flow have happened through that.

Simultaneously, we are covering the low-ticket size MSME and the Agri loans for the auto renewal on the digital side. That amount also a number of accounts is significantly higher. We have invested in analytics capability by building the data lake and the analytics, which is a work in progress.

So, overall, I think one part is that we will continue to invest heavily into IT infrastructure. And the idea is that, and we have been telling this earlier also, that over the next few years, around 50% of our retail origination should happen through the digital channels, and I think these are on track.

Sushil Choksey: This would lead to a reduction in cost to income by how much?

- Nitesh Ranjan:** So, very difficult to say at this point of time. But if you look at the financial institutions who have invested in digital, I think the impact on the cost-to-income ratio is, what you call, it comes with a lag of three to five years because the initial investment is pretty high. So, not in the immediate years, but if you look at maybe three to five years from now, it can definitely have an impact of 2% to 3% on the cost-to-income ratio.
- Sushil Choksey:** And this doesn't include any Union Bank shared service, which you are planning to or implementing, right?
- Nitesh Ranjan:** No, in overall reduction of the cost-to-income ratio, obviously the shared services will also have some positive impact.
- Sushil Choksey:** Yes, but these expenses, what you are incurring is only part of Union Bank balance sheet, not shared service.
- Sanjay Rudra:** Right.
- Sushil Choksey:** My second question is, ma'am, as you are witnessing still tight condition as an assumption of your forecast, with India being included in various indexes starting from Bloomberg and JP Morgan, how are we prepared to capitalize on this opportunity, which the bond market and the money market and the FX, which would emerge and throw a big, huge benefit to banks, specifically a size of Union Bank, which can garner a huge money flow through various schemes and the security market?
- Sudarshana Bhat:** Yes, see, bond indexation news is already there in the market. That will happen during the June month. There will be expectation of 10 to 15 or 25 billion of dollar indexation will happen. This will happen over a period of the next year. We will take this as an opportunity and include those corporates and FPIs in our folder and try to generate a custodian facility which can be extended to those FPIs, so that we can able to increase our fee income as well as trading activity in those segments. I just say that will be a plus factor for very positively in the coming days.
- Sushil Choksey:** Any quantifying or measures you have taken within the bank?
- Sudarshana Bhat:** We have an independent fee activity. That will increase our volume and net worth, so that we can be able to garner those things very positively. As of now, it is in the initial stage. We will look for the opportunity in the coming days when the indexation inclusion happens.
- Sushil Choksey:** But have we implemented anything in GIFT City or overseas branches?
- Sudarshana Bhat:** Yes, already we have requested for getting the permission from Reserve Bank of India. It is in the final stage. We are looking to get the permission as early as possible. When that happens, definitely we will look for opening our setup at GIFT City.
- Sushil Choksey:** Ma'am, what is your guidance on ROE and ROE for the coming year?

- A. Manimekhalai:** ROA, we said we will be above 1%.
- Sushil Choksey:** Are we being conservative or?
- A. Manimekhalai:** We will be above 1%.
- Avinash Prabhu:** No, because I think the reason why we are saying above 1% is because we have been saying that our NIM would be 2.8 to 3. So, obviously, that could also have an impact on the ROE, and therefore we are sticking with the guidance of greater than 1%. Obviously, we will try to beat that.
- Moderator:** Thank you. The next question is from the line of Vikram Raghvan from Moon Capital. Please go ahead.
- Vikram Raghvan:** I just have one data keeping question. What is the interest recovery or the dummy ledger recovery in this quarter? Last quarter we did Rs. 995 crores.
- Sanjay Rudra:** Last year we recovered altogether Rs. 3,000 crores, and as I said earlier also, on average, we are recovering around Rs. 3,000 crores annually. So, this year also we are targeting Rs. 3,000 crores of dummy interest.
- A. Manimekhalai:** This quarter we recovered from the dummy ledger about Rs. 850 crores.
- Moderator:** Thank you. The next question is from the line of Ashlesh Sonje with Kotak Securities. Please go ahead.
- Ashlesh Sonje:** Just a couple of questions from my side. Firstly on the personal loans book, can you share some trends on what the GNPA ratio on this book looks like? How it has trended in the last few quarters and any observations which you have seen on the delinquencies?
- A. Manimekhalai:** Yes. The NPAs on the personal loan is to the extent of less than 1.5% actually, and I am not seeing a trend in any of the slippages because as I said, these are all to my own customers, salaried customers who are already banking with the bank salary from various authorities, but their banking with the salary is drawn from my bank. So, I am not seeing much of a trend in this and problem in this portfolio. But however, my book is also very small. Less than Rs. 13,000 crores is my book, and I have not seen much of a slippage in this book.
- Avinash Prabhu:** Yes, our slippage is quite consistent. Even our March '24 slippage is consistent with what we reflected in the December '23 quarter as well for personal loans.
- Ashlesh Sonje:** What was the GNPA ratio, let's say, in the December quarter or in the March FY '23 quarter?
- Avinash Prabhu:** The GNPA ratio in the December quarter was 4.83% and in the...

- Sushil Choksey:** Specifically on the personal loans now?
- A. Manimekhalai:** No, personal loans, sir, Yes.
- Avinash Prabhu:** Yes, it would be similar, Yes.
- Sushil Choksey:** Any sense on what is the re-pricing left in the NCLR-linked loan portfolio?
- A. Manimekhalai:** It's just about, you know, if you can see the repo rate increased by 250 bps, but then we passed on only to the extent of 165 bps to the customer. I still have a long, you know, I can pass on to the customer still further, but then depending on the market conditions and the liquidity positions, only then I will be increasing the NCLR numbers.
- Moderator:** Thank you. The next question comes from the line of Rakesh Kumar with B&K Securities. Please go ahead.
- Rakesh Kumar:** Just one question with respect to the borrowing strategy, like, the Treasury Department, the way the borrowing number has come down year-on-year and sequentially also, so, could you give some understanding, like, what we are planning on doing there on the borrowing?
- Sudarshana Bhat:** Yes, as far as domestic treasury is concerned, we are having a excess SLR, against which only we are borrowing. As far as our global balance sheet is concerned, we have it tied up with the HSBC bilateral loan agreement of \$500 million. So, that will help to meet our requirement. Other than that, whatever is required, we will be doing those activities to either syndication loan or bilateral loan depending upon the credit demand in the global market. India is concerned, we are having excess SLR with which we will be able to, whenever required, to keep our CD ratio within the tolerable limit, we will take the chance. Otherwise, we will rise up by way of bulk deposits or CD to take care of the credit demand.
- Rakesh Kumar:** Excess SLR would be how much, sir, in the quantum?
- Sudarshana Bhat:** Now, as on March, we are having around Rs. 65,000 crores to Rs. 70,000 crores excess SLR that can be deployed for the purpose of credit requirement to keep our CD ratio.
- Moderator:** Thank you. Ladies and Gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments.
- A. Manimekhalai:** Thank you all of you for participating in the con call. I thank you once again for your continued support to the bank. The bank is on a sustained growth path. We are taking measures to see that we have strong fundamentals and at the compromise of our bottom line, we do not want to grow our top line too.
- And the bank is also very much concerned and open to the compliance part. The regulators' views are taken very seriously by the bank. And we are guided by the various RBI guidelines,

and the DFS guidelines and the various authorities. And we stand to see that all our initiatives that we have taken in the couple of years has yielded lot of results to the bank, and we continue to make newer initiatives to see that the customers have the best of the products from the bank and also the right kind of services from the bank. Thank you all of you once again.

Moderator:

Thank you. On behalf of Union Bank of India, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.