



“Union Bank of India Earnings Conference Call for the Period Ended September 30, 2024”

October 22, 2024



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SHRI RAMASUBRAMANIAN S. – EXECUTIVE DIRECTOR
SHRI SANJAY RUDRA – EXECUTIVE DIRECTOR
SHRI PANKAJ DWIVEDI – EXECUTIVE DIRECTOR
SHRI AVINASH PRABHU – CFO
SHRI AJAY BANSAL – DEPUTY GENERAL MANAGER,
HEAD OF INVESTOR RELATIONS**

Classification: Public

Moderator: Ladies and gentlemen, Good Day and Welcome to the Union Bank of India Earnings Conference Call for the Period ended September 30th, 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 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. Ajay Bansal – Deputy General Manager. Thank you, and over to you, sir.

Ajay Bansal: Thank you, Madam. Good afternoon, ladies and gentlemen. I, Ajay Bansal – Head of Investor Relations, welcome you all for Union Bank of India Earnings con-call for the period ended September 30th 2024.

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

Before getting into the con-call, I will read out the usual disclaimer statement

I would like to submit that the certain statements that may be discussed during the investor interaction may be forward-looking statement 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 statement. Investors are therefore requested to check this information independently before making any investment or other decision.

With this, I now request our respected M.D. & CEO ma’am for her “Opening Remarks.” Thank you, and over to you, ma’am.

A. Manimekhalai: Good afternoon everyone, and welcome to the Union Bank Financial Results Announcement for the Second Quarter ended September 30, 2024. Thank you for joining us today. I trust you have had the opportunity to review our Results.

I will provide you a brief overview of our performance and “Key Highlights” for this quarter:

Before diving into our financials, let’s touch upon the operating environment. The banking industry has seen credit growth outpace the deposit growth, creating a competitive scenario for liabilities. However, the gap between credit and deposit growth is narrowing as per the latest RBI data.

Now let's take a look at our "Financial Highlights" for the quarter-ended September 2024:

We have achieved our highest ever operating profit and net profit for a quarter. Our operating profit reached Rs. 8,113 crores reflecting 12.4% growth. Net profit stood at Rs. 4,720 crores showing a 34.4% year-on-year growth.

ROA has improved to 1.35% and ROE has reached 19.10% for Q2 FY25.

Our capital adequacy ratio improved to 17.13% with the CET ratio increasing to 13.88% as at September 2024.

Gross NPA has reduced by 202 basis points while net NPA has reduced by 32 basis points. The PCR has improved by 76 basis points to 92.79%.

Our cost-to-income ratio improved to 43.56% for Q2 FY25 down from 44.08% that was what was in the last quarter.

Our Q2 performance is broadly in line with our FY '25 guidance. Deposit grew by 9.2% year-on-year and advances by 9.6%. While the deposit growth is within our target range of 9-11%, Advances growth has been slightly muted than the what the target that we had given. In the advances segment, we saw 12.3% growth in RAM lending while corporate lending grew at moderate 6.3%.

Our NIM stood at 2.97% for H1 FY '25 and 2.90% for quarter ended in FY '25, aligning with our guidance of 2.8% to 3%. The decline in NIM is primarily due to adjustments in penal charges as per RBI guidelines and a drop in our dummy ledger recovery.

Asset quality continues to improve with gross NPA reducing to 4.36%, aligning closely with our target of below 4% by March 2025.

For Q2 FY '25, gross recovery was Rs. 3,932 crores, which is lower than slippages of Rs. 5,219 crores, mainly to a large-ticket slippage from a single major account. In H1 FY '25, we achieved a gross recovery of Rs. 7,300 crores, in line with our annual target of Rs. 16,000 crores.

Total slippages stood at Rs. 7,537 crores as against our guidance of Rs. 11,500 crores. We have consistently met and often exceeded our target, and we are confident in our ability to achieve the same for FY '25.

We remain committed to sustainable growth, ensuring a balanced focus on both top-line and bottom-line performance. We prioritize profitability and efficiency over chasing growth at any cost.

Our CASA & retail term deposits account for 72% of our total deposits, a ratio we have maintained consistently. In our advances portfolio, we have targeted retail to corporate ratio of 55-45%, and as of September 2024, we are at 57-43%.

Let me share with you some of the “Significant Developments” during the quarter:

We achieved second position in the EASE 7 ranking for the 1st Quarter. We ranked first under the theme Banking towards Viksit Bharat, and second in Customer Service Excellence, Effective Risk Management, and Developing Employees for Emerging Banking priorities.

We have opened 122 branches this financial year, up to September, including 12 focused branches in RUSU centers.

We launched Union LEAP, a CASA transformation and business build project, deploying 1,250 relationship managers to drive new business acquisition and engage existing customers. Up to September 30, 2024, we added over 3.48 million CASA accounts, and our own mobile registrations reached 29.1 million. Additionally, we onboarded 1,23,000 clients through our digital savings account.

We introduced several new digital journeys, such as the PM Vishwakarma STP, KCC renewal up to Rs. 10 lakhs, GST Gain STP for fresh sanctions up to 1 crore, and Union Nari Shakti STP for New-To-Bank Customers. Bank introduced a UPI Interoperable Cash Deposit into the CRM, UPI Lite auto top-up, UPI Circle functionality and the ability to deposit into PPF and SSA accounts.

We inaugurated two rural self-employed training institutes in Mauganj, Madhya Pradesh and Palnadu, Andhra Pradesh, both fully managed by women staff to support women entrepreneurs.

All rating agencies have upgraded the Bank over the past year. In FY '25, S&P Global revised our outlook to positive with a BBB- positive rating, while IND rating and Brickwork upgraded us one notch to AAA with a stable outlook. We have also been added in the Nifty Next 50 Index.

To Conclude:

The Union Bank has consistently demonstrated strong, stable and sustainable performance. Our key initiatives, including enhanced underwriting capabilities, centralization, verticalization, HR transformation and a robust assurance framework are yielding positive results.

We have significantly strengthened our digital capabilities through the Vyom app, digital onboarding, straight-through processing journeys, fintech partnerships, analytics and data lakes. We are committed to building on these initiatives to enhance our performance and customer experience further.

With that, we are now open to questions. Thank you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mahrukh from Nuvama Wealth Management. Please go ahead.
- Mahrukh:** Ma'am, the slippage, so I have two related questions, firstly that the slippage we are seeing in LC and others of Rs.34 billion should be from a single account that is in the news and that was discussed even last quarter, correct? Is that correct?
- A. Manimekhalai:** Yes, ma'am, it is only from a single account.
- Mahrukh:** Now the thing is that last quarter you had disclosed that a couple of accounts had come to the SMA list, right? And that is why there was a sharp increase in SMA. So, if something has slipped from SMA to slippage, I am guessing that this account was identified as SMA, then why has the SMA figure gone up quarter-on-quarter by Rs. 7 billion? It should come down by the amount of slippage, correct? That is the other question.
- Ramasubramanian S.:** Madam, only a couple of accounts which were there in the quarter 2 in which there was a one- or two-days delay which has come, and it has been recovered. So, it was on 30th September, it was the position actually.
- Mahrukh:** But on 30th September, the account that appears to have slipped in the corporate slippage was SMA last quarter, correct?
- Ramasubramanian S.:** No, see, actually in the last, if you are looking at a quarter 1, we made a provision for two accounts. Of the others, one has slipped in the current quarter.
- Mahrukh:** Correct.
- Ramasubramanian S.:** Another one is continuing in SMA. So, it was not there as a SMA on 30/6/2024.
- Mahrukh:** Sorry.
- Ramasubramanian S.:** See, another account, it was not a SMA as on 30/6, though it has defaulted in some other Bank.
- Mahrukh:** So, you made provisions on two of which, one was not SMA in the 1st Quarter.
- Ramasubramanian S.:** Yes.
- A. Manimekhalai:** Yes.
- Mahrukh:** But now the increase in SMA is driven by only that account or by a couple of accounts?
- Ramasubramanian S.:** No, another account also, but that is only because one- or two-days delay, it has come back actually.

Mahrukh: And so, which sectors would that belong? It's corporate, government. What kind of sectors would the SMA that got upgraded subsequently belong to?

A. Manimekhalai: These are state governments, ma'am, and these can come back to normalcy in this quarter.

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

Ashok Ajmera: Ma'am, compliments to you, especially as regard to the profitability of the Bank is concerned. You are very, very conscious about it and quarter after quarter you are declaring a very good profit. So, my compliments to the entire team and you for the same. I think our profit after tax has come up to almost Rs. 4,700 crore. I think one of the highest quarterly profit.

Having said that, ma'am, I have got some questions, your comments, and maybe my concern on especially the business growth. So, while you say that year-on-year, I mean, if you take the whole year, then it's okay, 9%, 7%, that's okay. But if you look at the current half year of FY '25, our deposit has grown only by 1.67%, then our credit has grown only by 2.5%.

So, especially on the credit side, if you look at it, if you take your target of 13%, which means about Rs. 1,17,000 crores in this financial year should be, whereas the total credit expansion is only Rs. 23,947 crores. It means in the remaining 6 months, starting from October to March now, you will have to have the credit increased by about Rs. 93,000 crores.

Similar story on deposit side also. So, how confident and sure you are that in almost the remaining 5 months now, 1 month of course you must have done some business, Rs. 93,000 crores is not a small amount. So, how do you see the visibility from the sanction pipeline, from the new proposals which are coming in, which are in the sanctioning stage and the proposals which were sanctioned are already in the disbursement stage? So, can you give some little more detailed break up on this, how are we going to achieve this Rs. 93,000 crores credit? This is a very, very important point to take time forward.

A. Manimekhalai: Ajmeraji, I will answer your question. First, I will look at the low growth in the advances. The corporate loan, especially on T-Bill linked loans, we were not very aggressive. We let go some of the advances which were yielding us a slightly lesser rate of interest. We had built this book when we had a surplus liquidity in the system. So, we have brought down our TBLR book to a considerable extent.

Our NBFC book has also been reduced from whatever it was in December '23 to now. We have brought it down considerably. That's the area where we have, you know, why we have declined on our corporate book.

Now, if you are asking us with regard to what is our pipeline pending for disbursement and sanctions, if you remember we had set a guidance of 11% to 13% credit growth for the FY '25. We have almost about Rs. 75,000 crore credit for disbursement and sanctions. Out of which

Rs. 36,000 crores is pending for disbursement and Rs. 39,000 crores of sanctions are pending for sanctions actually.

Now, on the corporate side, we have good sanctions under road, power, real estate, telecom, iron and steel, cement. All these areas we are seeing, you know, we have got good sanctions. We are also focusing on sunrise sectors like renewable energy, EV, semiconductors, data centers, tourism. These are the areas that we are looking at. So, we also are hoping that there would be Capex coming back in this quarter and so that we can revise whatever sanctions we have got on hand and see that they are disbursed. That is with our credit growth.

With regard to deposit growth, of course, we had given a guidance of 9% to 11% and we have stuck to that guidance. We have done about 9.26% growth in our deposit. However, CASA has declined a little. But if you look at the numbers that we have, we have added absolute numbers to the close to about Rs. 8,000 crores in our CASA book and retail term deposit has also seen healthy growth.

We have taken lot of measures to see that our CASA increases, like we have opened as I said in the very beginning 122 branches, out of which 12 branches are in the RUSU centers. The premium branches have been opened. We have strengthened our BC model. We have got more than 21,000 BC models. We have launched special deposit schemes so that we can garner more deposits.

We have also separately introduced something called Excellent Cell in the Bank, which is dedicated to give top-notch service to our customers. So, we are looking at lot many things like this. We also are having a micro-market strategy. We are focusing on growth hotspots in the country. We have identified about 51 growth hotspots in the country where we will be seeing this growth.

So, overall, I can say that our focus is very clear. We would like to increase our deposits. We would like to increase our customer base. In the very beginning, I have told you that we added close to about 34.80 lakh CASA accounts, out of which, about 15 lakh customers are from the rural and semi-urban areas.

So, these many strategies that we have got. I am sure that we will be able to increase my advances portfolio and my deposit portfolio also.

Ashok Ajmera:

Thank you, ma'am, for such an elaborate answer and I am sure with you being there all the time, you have been performing better than the targets and this year also, you may do some magic to reach that figure of the credit and deposit both.

Having said that, ma'am, while we are comfortable on the, I think, recovery front, target of Rs. 16,000 crores, we have already achieved Rs.7,300 crores. So, we are more or less there. But on the slippage front, out of Rs. 11,500 crores of target for FY '25, we have already, I think, slipped about Rs. 7,537 crores. And we have a very strong SMA pipeline, in a sense that lot of

these accounts, SMA-2 is also Rs. 1,664 crores. So, going forward, on the slippages front, are we comfortable? I mean, our slippages in the coming 6 months now, the remaining 6 months will not be more than Rs. 4,500 crores or Rs. 4,000 crores, so as to meet the target of, I mean, to be limited to the target of Rs. 11,500 crores.

And coupled with that, one more question, ma'am, because I may not be allowed to ask in this round the question. If you look at note no. 20, in the last June quarter, we said that we have made the additional provision on prudential basis on advances of Rs. 1,239 crores, which has come down in this quarter to Rs. 553.93 crores.

So, in fact, we have written back an additional prudential provision of Rs. 685 crores in this quarter. So, had that not been there, our NPA provision would have gone up. So, it means it would have been Rs. 3,200 crores. So, what is this mystery? I mean, why have we reduced this provision, which was already made in June 2024, of Rs. 1,239 crores, now reduced to Rs. 553 crores?

A. Manimekhalai:

So, I will answer your question with regard to slippage first. Though we had given guidance of Rs. 11,500 crores, we have already crossed about Rs. 7,300 crores in this quarter itself, in the second quarter itself. But you know, if you see, the only one large slippage, that's the reason that the slippages are quite high in this quarter. If you look at the actual slippages that happened in this quarter, it is just about Rs. 1,604 crores.

So, slippages are under control. If not for that one big slippage, we would have contained our slippage to a very great extent. And with regard to what is talking about, you know, the second part of the question is also answered because of this reason only the slippage, the provision that we made in the 1st Quarter of Rs. 1,200 crores. Because that slipped into an NPA, that is the reason that it is showing that numbers.

Moderator:

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

Jai Mundhra:

Hi, good afternoon, ma'am, and thanks for the additional disclosures. Ma'am, just wanted to check on the account that slipped, how much you have provided and what is your sense on the eventual haircut or the timeline of the resolution because that account is supposed to be sovereign. So, if you can share your thoughts there.

A. Manimekhalai:

Jai, we have provided close to the extent of 20% as per the norms and with regard to recovery part of it, lot many things are happening at the background, at the government level, at the Bank's level. Many things are in process, and we hope that the recovery comes very soon.

Jai Mundhra:

But what will be the eventual haircut, ma'am? Should it be less than 20% or could it be even more than 20%?

A. Manimekhalai:

No, we are not talking about any haircut as of now, Jai, on this account.

- Jai Mundhra:** Second, ma'am, that is still the second account, right, which was talked about last quarter. Is the account still in SMA-0? Right?
- A. Manimekhalai:** Yes, it is.
- Jai Mundhra:** And ma'am, so how is it possible in the sense that in last quarter, it was also relatively spread, and 90 days have passed and still in SMA-0? Is it under dispensation yet?
- Ramasubramanian S.:** Yes, Jai, if you are looking at it last quarter, it has started showing sickness in other banks. Though it was not SMA there, it started showing sickness in other banks. So, as a prudential measure, we have done our provisioning, standard asset provisioning we have done it. Till the unit is running, cash flows are there, they are able to pay, but with some delay. Some restructuring plans are being worked out.
- Jai Mundhra:** So, there is no dispensation here. It is just that as of now the account is still in SMA-0?
- Ramasubramanian S.:** Yes, there is nothing.
- Jai Mundhra:** And we have around Rs. 550 crores standard asset provisioning?
- Ramasubramanian S.:** Yes, that's right.
- Jai Mundhra:** And secondly, sir, we understand that margins are okay, but accounting wise there is a change and hence the penal interest has 11 basis point impact. So, thanks for that disclosure. But if I remember correctly, this new circular was effective from April 1st, right? So, how should, I mean, why is the impact in this quarter and how should one look at it in the next quarter?
- Avinash Prabhu:** No, so, Jai, yes, you are right, it was April 1st, but the higher impact came in this quarter. There was not much of an impact in the April to June quarter, but in the July to September quarter the impact was higher. So, it was about 11 bps in the September quarter. And for the six months, the impact is 6 basis points.
- Jai Mundhra:** Even in third quarter, hypothetically, a person is charged penal interest, then this may impact third quarter also. This is not done?
- Avinash Prabhu:** Yes, but it will continue.
- Jai Mundhra:** Other income.
- Avinash Prabhu:** Yes, but Jay, it's really only a movement from net interest income to non-interest income. So, I mean, there's no change in the operating profit. It's just a movement between lines like as you're aware.

- Jai Mundhra:** Right. Thanks for the clarification. Last thing sir, the cost of deposit has increased, Q-o-Q at least that looks slightly steep, we have been very calibrated in the deposit growth, CASA is also reasonably okay. What explains the rise in the cost of deposit?
- A. Manimekhalai:** Yes, Jay, the cost of deposits YoY is almost increased by 35 bps. Now, the Bank had slow rate of growth in CASA that is the reason for this increase in cost of deposits plus the Bank had also introduced a few specifically designed products for garnering retail term deposits. This was high cost deposits that we had taken up. It's not because that we had taken bulk deposits, but it was only for the growth of retail deposits that we had taken. So, that is the reason for the increase in the cost of deposits.
- Moderator:** Thank you. The next question is from the line of Nitin Aggarwal from Motilal Oswal Financial Services Limited. Please go ahead.
- Nitin Aggarwal:** I have two questions. One is ma'am if you can talk about how much is the interest reversal this quarter because with this large corporate slippage, has the margin been further impacted due to that? Or is this the base that we need to work forward with in the next quarter?
- A. Manimekhalai:** The interest reversal from this large account is about Rs. 45 crores.
- Nitin Aggarwal:** Okay, so not much.
- A. Manimekhalai:** Yes, not much.
- Nitin Aggarwal:** Right, ma'am. And second, is there any lumpy recovery that we are looking at because we have maintained our recovery guidance for the year while first half is tracking well, but we carry 100% provisions on the NCLT book, even the SR book is fully provided. So, any recovery that we are expecting in the next two quarters?
- A. Manimekhalai:** We have a very healthy book of about Rs. 81,000 crores and we hopefully want to get some good recovery from these accounts. So, lot many things are happening at this front to recover from the technically written-off accounts and the bankers put a lot of efforts in one time settlement actually. And SARFAESI, we have done very well under SARFAESI. We have done OTS. We have brought up a scheme for Rs. 1 crore and below accounts and we have in this half year it is close to 2000 accounts and that is one area where we are working good recovery. SARFAESI also I think among the public sector banks, we are one of the highest numbers of SARFAESI auctions we have done, that is another place we have seen. But with regard to bigger recoveries, chunky recovery, we hope that there are some recoveries from NARCL and NCLT.
- Nitin Aggarwal:** Right. The last question is on the net profits that we have reported, which is a very sharp jump, like an almost 28% sequential increase. So, like this is a ROA of 1.3 plus. And so how should we look at it? Why did we not use this extra profit this quarter to make provisions given that SMA number is still unchanged despite this slippage? So, what is the thought process behind this high profits?

Avinash Prabhu: Yes, so Nitin, we did the standard asset provisioning in the last quarter. At this stage, we did not see a need for incremental provision. Our provision coverage ratio anyway stands at about 92.5%. So, we thought that we won't make any additional provisioning for this quarter. If there is a requirement, we will look at provisioning in subsequent quarter. But we did not see a need to make additional provision this quarter.

Moderator: Thank you. The next follow-up question is from the line of Ashok Ajmera from Ajcon Global Services Limited. Please go ahead.

Ashok Ajmera: Ma'am, if you look at note no. 15, it says that in this quarter one new SR has been added. I would just like to know the amount in the account for this SR and what was the outstanding and how much amount for which the SR has been issued because 15% must have been in the cash if it is NARCL or what is the status of this SR?

Avinash Prabhu: Ajmera ji, I will connect with you offline on this one, on this query of yours.

A. Manimekhalai: No, the details are not presently with us. We will connect to you offline.

Ashok Ajmera: Alright ma'am, there is no issue. Yes, so my question was also on one of my colleagues which asked and he went out of the line is increase in the credit cost to 1.09% from 0.73% in last quarter. So, what is the overall target of the credit cost for the whole FY25 ma'am?

A. Manimekhalai: Credit cost, we would like to keep it at 1% or below 1% anytime and that is how it was behaving for all these quarters, but for that one slippage that happened in this quarter, that is the reason that the credit cost has shot up. Otherwise, it was always under control and below 1%.

Ashok Ajmera: Okay, ma'am, as usual, one question is on the treasury front. Now, with all kinds of different views coming and even the honorable RBI Governor also looking at the increase in the inflation rate and earlier the expectation of rate coming down and now recently again reading his statement, even after taking a pause, again to be very, very little more. So, what are our views on going forward on the treasury and the performance of the treasury looking at the rate scenario in the country by our Reserve Bank of India, not comparing with the US Fed? So, what are our views going forward on the profit income from the treasury and also revaluation of assets and other.

Sudarshana Bhat: Ajmera ji, thank you very much for the question. As we projected during the 1st Quarter of the financial year, that a lot of things will come into action, like indexes, bond indexation and borrowing cut and all those things and subsequently a rate cut by Federal Reserve in September, 50 basis points instead of 25 basis points. Subsequently, European Central Bank and Bank of India also cut the rate by 50 basis points and 25 basis points. And RBI stands on the outlook from neutral to accommodation. These all given a clear indication about the outlook very good in the futuristic view of the market. Subsequently, during the recent conversation, there is a clear-cut indication that inflation is very high, and RBI may not be in a position to cut the rate in the near future unless the probability of very visible. But there are some political situations

within the Federal Reserve in US also that election is matter, all those things given a mixed reaction into the market. But however, global condition as well as Indian market conditions are very favorable in the coming days because usually the market moves after the Diwali, the New year, the market react in a positive manner because of the ample liquidity availability and stability of the rupee because in spite of Rs. 40,000 crores to Rs. 50,000 crores of outflow in the FIS on account of the redemption of the equity is still rupees at a level of Rs. 84 level that gives a clear indication in the market as well as to the market participation that there will be stability in the liquidity as well as interest rate outlook. We are hopeful that we have positioned ourselves in the coming days to take advantage of the market. Whatever the things have happened based on the projection, we have booked the profit. In the next two quarters also, we take a defensive and positive view of all those factors and give a decent 20% to 25% growth in the treasury income.

Ashok Ajmera: That's good. Bhat sir, I am always very positive, and your actions are definitely getting good profits to the Bank. So, thank you very much for this elaborate commentary on that. Thank you ma'am for this second opportunity.

Moderator: Thank you. The next follow-up question is from the line of Mahrukh from Nuvama Wealth Management. Please go ahead.

Mahrukh: I just wanted to check that last quarter, the penal interest was applicable only on incremental loans. And this quarter, it's on outstanding loans. Is that understanding correct?

Avinash Prabhu: That's correct.

Mahrukh: So, then next quarter, incrementally, the impact should be lower. It will continue, but it should be a lower impact, right? Just on NII. I know it comes back as non-interest, but just asking.

Avinash Prabhu: Yes, it should. Yes, we will, of course, have a deeper look at that. But Yes, it could be lesser, but the impact will still be there. And it'll probably be higher than Q1.

Mahrukh: If you just see the other interest, right? Other interest as in that interest from interbank funds and maybe RBI, have gone up by Rs. 1 billion. So, that's just because of liquidity or what?

Sudarshana Bhat: This is on account of the available liquidity surplus that has been deployed to get a decent return, madam.

Marukh: Okay, so the FX loss income will be how much from that?

Sudarshana Bhat: So, that will be around Rs. 700 crores to Rs. 750 crores.

Mahrukh: That is the same like last quarter.

Sudarshana Bhat: Yes, it will be there.

- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.
- Dixit Doshi:** My first question is, can you give a breakup of our MCLR link and external benchmarking clone?
- A. Manimekhalai:** Yes, MCLR is about 47%, that is the breakup and the remaining 43% is EBLR, the rest is base rates and other rates.
- Dixit Doshi:** My second question is regarding your outlook on the NIM. So, where do you see our NIMs over next 3-4 quarters because even without the interest rate cut by the RBI, we are seeing the pressure on the NIM. So, if not in December, let's say in January, February, we will see a rate cut. So, how do you see your NIM over the next 2-3 quarters?
- A. Manimekhalai:** We were given guidance at the beginning of the year that the NIM would be in the range of 2.8% to 3%. And currently our NIM is about 2.97% and with a good MCLR book that we have, we will be able to keep our NIM at that range only, 2.8% to 3%.
- Moderator:** Thank you. The next question is from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.
- Ashlesh Sonje:** Couple of questions from my side. Firstly, on this PSU exposure default, it seems that the government is now fine with PSU entities defaulting on Bank loans. How does it change your view on lending to PSU entities going ahead?
- Ramasubramanian S.:** See, we have to understand that default can happen from any, whether it is a private or PSU, it is under some of the critical areas because of that it is happening. There is no special dispensation being given by the Bank in appraising or underwriting the PSU loans also. So, we thought the same structure only and we are doing it. So, I do not find any difference in underwriting. There is any separately we are doing underwriting standards for the PSU. So, this is a normal business risk which the banks are undertaking, and the pricing also is depending on that only.
- Ashlesh Sonje:** And just to clarify, in the past have you experienced a loss on any of your PSU exposures in history?
- Ramasubramanian S.:** No, I think some long time back, there were one or two there actually.
- Ashlesh Sonje:** And second question on the cost of deposits, what proportion of your term deposits are yet to be repriced fully to the fresh TD rates?
- A. Manimekhalai:** Except for the core deposits of CASA, the retail term deposits will be repriced as and when the date of contract comes in. It has to be repriced. But one thing is most of the deposits, 70% of my deposits are in the 1-year range. So, after a year it will come out for repricing.

- Ashlesh Sonje:** Under your fee based income, there is an item called others, which has increased 50% QoQ to Rs. 1167 crores. Is it fair to assume that this is the penal charges related income?
- Avinash Prabhu:** Yes, penal charges are part of that others. You're right.
- Moderator:** Thank you. The next followup question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.
- Dixit Doshi:** Yes, just one clarification. So, the account which got slipped is PSU, but the other account which is in the SMA, that's also PSU or that is some private account?
- Ramasubramanian S.:** Yes, that is also PSU only.
- Dixit Doshi:** And both are state government or central PSU?
- Ramasubramanian S.:** PSU is a central government.
- Dixit Doshi:** So, the one which is slipped is central government and the other one is the state government?
- Ramasubramanian S.:** No. That is a different context. Other than these two, there were one or two accounts which the state government party had given. It was for one or two days. It came as a SMA on September, which was cleared subsequently.
- Moderator:** Thank you. The next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.
- Sushil Choksey:** Congratulations to Team Union for the stable result. The first question is credit visibility in terms of sanction pipeline, which is un-availed, and what kind of visibility is for the growth in the second half, specifically in view of the guidance which you've given to the previous questions?
- A. Manimekhalai:** Okay, we had given guidance of 11% to 13%. We have got a healthy pipeline actually. If you see our sanctions, in this quarter we have got about Rs. 76,000 crores of sanctions for the current quarter and out of this, Rs. 36,000 crores is pending for disbursement. So, we have got a healthy pipeline also. And we hope that if the CAPEX cycle comes back, we will be able to disburse much faster and whatever the sanction limits that we have got, that also quickly disbursed.
- Sushil Choksey:** Ma'am, the visibility is more coming from private sector or public sector?
- A. Manimekhalai:** It's more on the public sector. We have roads. And some of the private sectors are also in the area of real estate, telecom, iron and steel, sunrise sectors like renewable energy, semiconductors, data centers, tourism. There are many areas that we have given, ports are there. So, many areas we have given our sanctions.

Sushil Choksey: Ma'am, how's the visibility in the festive season where retail loans are concerned, specifically car loans, housing loans, with the environment being so competitive and rates being offered by majority banks are pretty low. How is the visibility there?

Arun Kumar: In retail loans, we have grown last quarter in the range of 5.88%.

A. Manimekhalai: Choksey ji, actually we have done very well in the last quarter in the sector of retail loans. Home loans and vehicle loans, we saw close to about 15% growth and very good growth in our education loans sector also. Festive seasons are usually the time when retail registers higher growth and we hopefully want to see a better growth in our vehicle loan sector, home loan sector in this quarter also.

Sushil Choksey: Ma'am, my next question is more pertaining to treasury, so you can answer or Mr. Bhat can answer. Ma'am, the world expects little volatility with US presidential election. RBI Governor has made very specific that early rate cut is not required, but it seems that 2025 rate cut is certain, maybe in the 1st Quarter or later part. In view of the volatility which is there in the money market led by treasury and exchanges both, how are we garnering to position ourselves by encashing sufficient treasury and converting into corporate loans or retail loans where the arbitrage is visible at 1.7% to 3% depending what loans are you sanctioning?

Sudarshana Bhat: As far as volatility is concerned, yes. After the Governor's statement and US elections outcome, there will be clarity on the volatility. Till that time, the expectation of futuristic things happening, market will position themselves in the exchange market. But as far as India is concerned, RBI is quite visible to have stability in the exchange rate in spite of so much volatility in the global exchange rate, but Indian rupee is very stable, at Rs. 84 to 84.10 level that indicates a clear-cut direction from the Reserve Bank that they want to stabilize the rupee. Once the rupee stability happens, almost all of the factors like liquidity, interest rate and various other factors in spite of the geopolitical conditions and crude oil prices uptick and global imbalances, still Indian conditions are far favorable. We as a treasury along with the relationship team coordinate with the various corporates to encash the benefit of getting more and more business opportunity in respect of the foreign exchange, interest rate products and other sectors so that we can definitely margin ourselves and generate additional fee income by way of exchanging the information and timely interaction with them and giving the market outlook to generate additional business as well as overall growth in both treasury, credits and whatever aspect available from the segment.

Sushil Choksey: So, is the foreign exchange income affects arbitrage income which was very sustainable compared to other banks likely to be visible in the second half?

Sudarshana Bhat: Yes, because this depends on the liquidity condition. We are having compatible liquidity, and there is a good arbitrage opportunity available because the expectation of the interest rate cut in the US by 200 basis points in the next one year. So, there is a spike in the premium market that will be able to generate decent arbitrage as and when the liquidity is available into the system.

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.

Avinash Prabhu: And just before that, there was a question from Ajmeraji on the SR in note no. 15. So, the amount is not material, it's only Rs. 2 crores. So, that covers that question as well.

Nitesh Ranjan: Thank you everyone for joining on the call. As we have discussed in the call that the Bank's performance in Q2 has been in line with the guidance, and there were certain developments in the quarter in terms of the slippage of one large account, which also we had guided actually in the concall of the 1st Quarter. Other than that, everything has been in line. Also, that's how the initiative that Bank has taken during the current year, particularly in terms of CASA mobilization and which we have spoken earlier also. Hopefully in the second half of the year, we should see a good outcome out of that, as well as some of the steps that we have taken for MSME loan growth both in terms of the product and the reach out through a specific branch. I think that we should also see the positive outcome. And thirdly, on the digital area also, we have taken several initiatives. We have been talking about that. Hopefully in the second half that we are in, we'll see some of these getting rolled out for our customers and creating value for the Bank. So, thank you once again for joining and for your feedback.

A. Manimekhalai: Thank you everyone.

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