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Conference Call Transcript

Union Bank of India

Q4FY17 Results

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Corporate Participants

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Chairman & Managing Director

Mr. Vinod Kathuria
Executive Director

Mr. Raj Kamal Verma
Executive Director

Mr. Atul Kumar Goel
Executive Director

Mr. Nitesh Ranjan
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Questions and Answers

Moderator: Ladies and gentlemen good day and welcome to the Union Bank of India Q4 FY2017 earnings conference call hosted by Edelweiss Securities 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. Aditya Narain from Edelweiss Securities. Thank you and over to you Sir!

Aditya Narain: Thank you Stanford. We have Union Bank of India's entire top leadership team here to discuss and present its results today. We have Mr. Arun Tiwari – Chairman and Managing Director, Mr. Vinod Kathuria – Executive Director, Mr. Raj Kamal Verma – Executive Director, Mr. Atul Kumar Goel - Executive Director and now I would request Mr. Arun Tiwari to give you a brief overview of the company's performance followed by a Q&A session. We will start by handing it over to Mr. Nitesh Ranjan of Union Bank of India. Over to you Sir!

Nitesh Ranjan: Good evening ladies and gentlemen. First of all apologies for rescheduling this con-call and thank you so much for joining this, I on behalf of Union Bank of India welcome each one of you to this investor concall. Before I hand over to our Chairman and Managing Director, I would like to submit that certain statements that maybe made or discussed during this investor interaction maybe forward looking statement based on the current expectations. These statements involve number of risks, uncertainties and other factors that could cause actual results to differ from the statement. Investors are therefore requested to check the information independently before making any investment or other decisions. I would now hand over to our Chairman and Managing Director, who is joined by our executive directors and the senior management team. Over to you Sir! Thank you.

Arun Tiwari: Hello! Good evening and I also say the same thing what Nitesh said. My apologies for having got delayed this conference call. Thank you very much for giving us the opportunity to talk to you through this medium. It is my pleasure to welcoming you all to this conference call on the financial results of Union Bank of India for the Q4 FY 17 and financial year ending 31 March 2017.

Just a quick macro view of what is happening in the banking industry, it all begin rather on a sombre note, with bank financials hammered under AQR by RBI and then came the regulatory concerns on monetary policy transmission, ushered us into MCR regime, which further accentuated margin concerns. And analyst fraternity was wary of liquidity concerns with FCNR deposits due for maturity in Q3 of last financial year and then came the demonetization on November 8, 2016, which was unprecedented, both in the scale and scope of economy. But the most heartening thing has been the shift of narratives from liquidity tightening to liquidity abundance from nontransmission of rates to loan rates being at the lowest level in that current decade. Digitization has also expedited with banking becoming synonymous with mobility and introduction of new-age payment instruments like UPI or BHIM. But there are four recent policy developments, which deserve a quick mention before I turn to the bank's financials. First was, the government's equipping RBI with necessary levers for effective resolution of large stress assets. Secondly, was the RBI pushing for more transparency in the banks disclosure of the stress if there were divergences exceeding a specified threshold of 15% and then the third one was additional provision for exposure to stressed sectors of economy like telecom and finally, the bank's preparation regarding Ind AS and GST which is due to be rolled out from July 1. I have a rather short comment to make on the first three developments. It reflects systemic response to the twin balance sheet issues which has held back economy growth in recent years and should help banks to the deal with the NPA problem holistically. As far the Union Bank is concerned, I am proud of bank's conservative and prudent approach in recognition and provisioning. As such there are no surprises waiting down the road. Regarding the Ind AS and GST, bank's preparation is well in sync with the latest developments. I am also happy to say that the bank has leveraged demonetization opportunity to expedite its transformation journey and to become a digital bank for a digital India. The bank has already two-third of its transaction under digital channels one of the highest in the industry. Our focus is on enhancing the core digital transaction share, including transaction on ATMs - core digital transaction share rose by 9%, volumes grew 36% and 26%. Another thing which has been a differentiator for us that we have been working on is predictive business analytics, which has given us quite a good results in our balance sheet and P&L and when I talk about the business financials for the year 2016-2017, a quick comment about the asset quality. Our bank has continued to reduce slippages sequentially. Slippages during the Q4 were contained at Rs.2951 Crores. Sequentially if we looked at Q1 this was Rs.3603 Crores, it decelerated to Rs.3396 Crores then to Rs.3294 Crores and finally in Q4 to Rs.2951 Crores. This was deceleration on one side and whereas the reduction, if I take the quick numbers from Q1 to Q4 sequentially Rs.493 Crores, Rs.815 Crores, Rs.753 Crores and Rs.1642 Crores. I think this has been the result of our strategic approach on asset resolution and recoveries gained traction with establishment of a DART team, a Difficult Asset Resolution Team and Terminal Asset Recovery Team which are specialized units pursuing systemic coordination, drawing on expertise across the verticals like private, legal, monitoring, and risk management. And accordingly, what numbers I gave you this is the result of concerted synchronized efforts. The gross NPA was contained at 11.17% lower than 11.70% as at December 31, 2016 and similarly net NPA stood at 6.57% sequentially lowered from 6.95% in Q3 of the financial year. During the year, we have sold four accounts to ARCs with an outstanding of Rs.189 Crores, no new accounts were under us in Q4 in SDR. Provision coverage ratio has slightly improved to 51.4% as against 50%. On profitability, one good thing is operating profit of the bank for the Q4 stood at Rs.2134

Crores, which is notched up 15.3% sequentially, and year-on-year basis, it has gone up by 30%. On business growth, we have been within the guidance given by us at the beginning of the last financial year. Our business though, it seemed a slight disruption or shrunk during the demonetization period, but we pursued our growth in the assets light side wherein the capital was required to be lesser and our target has been of the loan mix of RAM sector that is retail, agri and micro, MSME. This RAM sector grew by 15% and within this the retail growth was about 23%. About capital, capital position of the bank is at 11.79% as at March 31, 2017 which is 154 basis points above the minimum regulatory requirement and that has been our guidance to remain always 100 to 150 basis points to have the headroom or the cushion. CET1 stood at 7.71%, which is 96 basis points of the regulatory minimum, and during the year, bank received a sum of Rs.541 Crores from government of India during Q4. We also raised put together Rs.1305 Crores and tier II Rs.2750 Crores with interest rate ranging from 9.50% to 9.08%. Then briefly about I mean… I am a confident person, a confident professional that economy in the times to come is poised to grow for a structural leap as several reforms aimed at digital deepening or universal financial inclusion or lowering of entry and exit barrier, thereby enhancing ease of doing business and integration of markets through GST together will work their way through and even the external dynamics as playing out in India's favor which reflects in export posting a robust growth in the Q4 and I would quickly conclude with our guidance on the key variables for financial year 2017-2018. The credit growth to be around 8% to 10%, CASA 35%, domestic NIM 2.25%, gross NPA below 10.75% with credit cost around 1.52% to 1.67%. Thank you so very much.

Me and my team are ready for the questions from your side.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

Mahrukh Adajania: Hi Sir, firstly your AFS duration has jumped sharply, have you invested in a lot of corporate bonds or you have taken some strategic call to increase duration, sequentially I mean from 2.9 to 4.6 or something

Arun Tiwari: Actually because on account of demonetization we have received some extra fund so extra fund we have parked in the cash management bill or treasury bill considering the liquidity available. So that was the reason.

Mahrukh Adajania: Okay so that is why the AFS… the AFS duration has gone up because of that.

Arun Tiwari: Yes.

Mahrukh Adajania: CMB duration that is why.

Arun Tiwari: Because we have redeemed the liquidity, which we were dealing in the current quarter, March.

Mahrukh Adajania: Okay what would be the duration of our cash management bill?

Arun Tiwari: That was near about three to six months on the availability of the liquidity, not more than one year.

Mahrukh Adajania: Because the duration has increased sharply from 2.8 to 4.5 years. And Sir just in terms of slippage, any colour that you could give.

Arun Tiwari: Mahrukh this recovery has come up from all the sectors, the small accounts, large account, sorry slippages?

Mahrukh Adajania: Yes Sir so any lumpy account like last time there was steel account like that?

Arun Tiwari: This time around I do not know what we called lumpy. There were accounts of Rs.1300 Crores one single account in the group and Rs.1300 Crores or so put together three accounts from one…

Mahrukh Adajania: Okay and which sector was that?

Arun Tiwari: Sorry, Steel.

Mahrukh Adajania: Steel account of Rs.1300 Crores. Sir you mentioned that you do not have to disclose any divergence but would you have any amount of divergence it would definitely be below 15% which is why you do not need to disclose it but…?

Arun Tiwari: Divergence was there, which has been factored and provided for and it is much, much below the threshold.

Mahrukh Adajania: Right, but what would be the amount?

Arun Tiwari: Rs.1242 Crores.

Mahrukh Adajania: Okay and Sir what would be the overlap between various categories of S4A, SDR and standard restructured, you have given all these amounts but what would be the overlap?

Arun Tiwari: Restructured and S4A overlap of Rs.497 Crores, S4A and 5:25 overlap of Rs.269 Crores and restructured and SDR overlap is of Rs.588 Crores.

Mahrukh Adajania: Okay got it Sir and just on last question on this whole NPL ordinance and expectation of oversight committee, banks are divided on that so what is your opinion?

Arun Tiwari: In which way there are divided?

Mahrukh Adajania: As in will RBI form oversight committees?

Arun Tiwari: No rather this notification which came last Friday even before that talks were on that we should have more oversight committees because one oversight committee how much work they can take.

Mahrukh Adajania: That is only for S4A, will the oversight be extended to other resolution method. Currently the oversight is only for S4A.

Arun Tiwari: Because the issue is, NPAs are now just which are in the one particular category of S4A. It should ideally.

Mahrukh Adajania: Okay but have the banks got a chance to collectively discuss with RBI after the ordinance or it was pre-ordinance discussion.

Arun Tiwari: No this is just about 4 or 5 days so I do not think if we had a chance and in between there is a weekend.

Mahrukh Adajania: Got it. Okay Sir. Thank you so much.

Moderator: Thank you. We take the next question from the line of Rahul Maheshwari from IDBI Mutual Fund. Please go ahead.

Rahul Maheshwari: Good evening Sir. I have three questions first of all on page #17 in terms of the provisions which has been made, we have seen sharp and these on sequential basis on standard assets so, can you give some colour on which are the sectors, are this due to the telecom?

Arun Tiwari: No Rahul it is not of any particular sector because as per the RBI guidelines whatever the account classified under SDR or S4A, we have to make the secondary provision to make it to 15% so we have to make one-fourth of the provision every quarter that is the reason of that otherwise no other reasons.

Management: And about telecom our exposure within the telecom Rs.5000 Crores is on government-owned companies.

Rahul Maheshwari: So government own companies and how much is NPA of this Rs.5000 Crores?

Management: Nothing.

Arun Tiwari: The total exposure to telecom is Rs.7400 of that Rs.5000 is on MTNL and BSNL and nothing is NPA.

Rahul Maheshwari: Okay and in the same line depreciation on investments, which has been high. This is mainly on the account of the security receipts and why such a high provision on the investments side has been….

Arun Tiwari: First thing is that security receipt hardly we have got, total amount is Rs.897 Crores.

Rahul Maheshwari: It is outstanding security receipt?

Arun Tiwari: Yes outstanding.

Rahul Maheshwari: Okay. Can you explain why it increases, depreciation or investments such high?

Arun Tiwari: Increased in two reasons, first market to market and other is we have made the provision for the Discom bonds also because as far the RBI guidelines we have make to provision for Discom bonds also that we have provided whatever was required for the DisCom bonds.

Rahul Maheshwari: Okay and my second question is on the page #25 which is there, the stressed sector recognition in that the power sector which is there mainly your overall exposure in that 15.8% of exposure and you have mentioned it as a private. Can you tell are those A rated companies or it is below B rated kind of companies, just to get a sense that going forward we may find some more slippages and of the outstanding exposure which is there because very few… 16% has only been there, that is why?

Management: Power sector if I only two power plants are yet to go live, rest 13 are up and running.

Rahul Maheshwari: Okay but do you find going forward this is the max, which would take place?

Management: Yes that is right.

Rahul Maheshwari: Okay and in the statement you said there was sale to ARC at 189 Crores so this is the net book value or can you give a breakup that what was the exposure how much is the net book value and how much the write off… haircut has been taken place?

Arun Tiwari: No whatever was the provision was that amount.

Rahul Maheshwari: No what was the exposure towards this sale to ARC?

Arun Tiwari: Rs.189 Crores was the outstanding bill and NAV was Rs.113 Crores so we have sold at Rs.110 Crores only, it was only Rs.3 Crores

Rahul Maheshwari: No I did not get you Rs.189 Crores was the gross exposure and Rs.113 Crores you sold or it's the net book value.

Arun Tiwari: No, Rs.113 Crores was the Rs.189 Crores minus provision. Rs.110 is the sale value, so was a hit of around Rs 3 Crores only.

Rahul Maheshwari: Okay and the CET1 ratio has come at 7.71% as compared to the March if we see, what is the action plan because now going forward Basel III norms you have to… overall cost should be increased so any plans for fund raising kind of thing because that is on the verge of this thing that is why.

Management: We have got Board's approval to raise, last year also we raised Rs.3500 Tier I capital, going forward if you look at our, I mean, ultimately the pinpoint has been the NPAs. The formation of NPA has gone down, recoveries have gone up and I believe that during current financial year, there should be unlocking of provision and that would…and if you look at my operating profit number, gone up by 30%, I have a reason to believe we should be able to hold on to our guidance on that it should always be about 125 basis points over the prescribed limit.

Rahul Maheshwari: So every quarter how much capital consumption takes place on a quarterly… in rough estimate on run rate basis?

Management: If you can see the slide #26 itself, on the top right-hand side we have given the movement of capital adequacy ratio and that shows the consumption of capital through the RWA growth; 64 basis points for example in last FY was due to the business growth. So on quarterly basis in terms of the pattern of the business growth you can imagine that maybe 10% to 15% in Q1 and that way it progresses in line with the business growth.

Rahul Maheshwari: Okay Sir. Thank you.

Moderator: Thank you. We take the next question from the line of Adders Parasrampuria from Nomura. Please go ahead.

Adarsh Parasrampuria: Hi Sir I just wanted to reconfirm in your guidance, did you mention the NIMs on the domestic business at 2.25% next year?

Management: Yes that is right.

Adarsh Parasrampuria: I just wanted to check that it seems to be a drop that your guiding in margins, so just this year we are a shade about 230 to 235 so just wanted to understand what is the underlying factors because CASA has moved up. We are probably through the hump of all the so-called slippages impacting NIMs as well, so what lead you to do give a lower guidance on margins?

Management: I think two to three reasons Adarsh, one is that in FY2017 which we have been guiding every quarter, there was a kind of maturity of some deposits at a higher level, 7, 7.5, even 8% kind of thing till Q2 which were getting reprised at a much lower level but in I think the sharp fall in deposit rate that we saw in FY2017 not going to happen this year that is one and number 2 is that demonetization benefit that we got in Q3 and Q4 of FY2017 now that is going to receive somewhat this year and third is in terms of shoring of the capital will also be depending on the capital bond so one is that new capital bond that we will be raising this year and the second is the capital bonds that we have raised in the second half of the year right up to end of March, the full year cost of that will be accounted this year so these three factors will largely impact the margin for the full year.

Adarsh Parasrampuria: Where are you in terms of like what percentage of the book was MCLR linked, say in 3Q, 2Q and where are we today, like that how is that progressing, is that impacting your margin guidance as well?

Arun Tiwari: Advances in MCLR is around Rs.1,19,341 Crores and base rate was Rs.93,508 Crores. Sometime on account of demonetization MCLR has reduced as compared to base rate. So there is pressure also in good rated account to reduce the rate from the base rate to MCLR.

Adarsh Parasrampuria: Understood and Sir you guided on the credit cost, could you also guide in terms of slippages given that you would have all had a experience which shows, your slippages are going down. What would your expectation in FY2018?

Management: FY2017 it was around 5.2% delinquency ratio but I think FY2018 this should be well below 3% kind of delinquency, but even larger number we have already shared in terms of the advances growth rate and the end-year gross NPA ratio of 10.75% so that largely tells the story about the slippages and the recovery.

Adarsh Parasrampuria: And the guidance that you all gave on credit cost does that in anyway include provision coverage going up or that is for a flat….?

Management: Yes we gave both, this year we are going up to 55%.

Adarsh Parasrampuria: Understood Sir. Thanks a lot.

Moderator: Thank you. We will take the next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.

Sneha Ganatra: Sir, could you share some light on NPA resolution. How the things are, how the ground level things are going on?.

Arun Tiwari: Look, resolution, we made a very strategic move in the sense for different kind of NPAs. Large NPAs, one set of a strategy, one set of team; medium-size, another team, other strategy; small loans, which were NPA, yet another kind of thing. And we went behind all these kind of bad borrowers or NPA account in a very consorted, time consistent manner. And that is where we see the results. This is what where in Q1 last financial year, we have shared with each of you in each quarter that strategies for a different kind of accounts would be different by a different team, that has resulted into the recoveries.

Sneha Ganatra: Post this ordinance, how do you see your recoveries and updates can be the panning out?

Management: I mean we will be consistent with our guidance and every quarter of it will go down from the previous quarter, formation of NPA and recovery will be up.

Sneha Ganatra: Okay and any guidance on the cost to income ratio would you like to maintain?

Management: We said 51%.

Sneha Ganatra: Okay. And the credit cost would be maintained at 1.5% to 1.7% including this factor of the aging of the NPAs.

Management: Yes.

Sneha Ganatra: Okay thank you.

Moderator: Thank you. We take the next question from the line of Sanket Chheda from IDFC Securities. Please go ahead.

Sanket Chheda: Hello I just wanted to SMA2 figure?

Management: SMA2 figure as on March 17 at Rs.16,410 Crores, the same figure was Rs.16,892 Crores a year back that is as of March 16.

Sanket Chheda: Rs. 16,000 Crores?

Management: March 16, it was Rs. 16,892 Crores, now it is Rs. 16,410 Crores. In terms of percentage it was 6.1%, now it is 5.4%.

Sanket Chheda: Okay Sir, that is all from me.

Moderator: Thank you. We take the next question from the line of Jai Mundhra from BNK securities. Please go ahead.

Jai Mundhra: Hi Sir. Just on have we declared any dividend because I could not find that in our BSE release?

Management: No Sir.

Jai Mundhra: Okay, secondly Sir RBI seems to have placed a lot of focus on the resolution through insolvency and bankruptcy code, which is already in force for the last two, three, four months; just wanted to get your perspective Sir why is that, I believe none of the bankers have actually initiated any IBC proceedings so far. So what are the challenges that you are facing in that field Sir?

Management: Look it is I think very robust kind of bill, which was passed and brought into the force. One thing is the timelines are very tight 180+90 days, 270 days end-to-end, you have to have that resolution person what we call that IP and in different kind of industry as steel or power; you have to get hang on of somebody and when we are talking through IBC we are talking largely about large accounts. So everybody will think twice before getting into that process because that process was very straightforward from that zero date 180+90 days. So, most of us not that I mean in the IB level we have had a meeting about a month back wherein broad contours were drawn how to go about and this was predominantly about the large borrowers, but at this month of March and then the audit where we have kept this issue slightly on the backburner now. The teams were working about this not that it was exactly on the backburner, somewhere in the middle of the burner.

Jai Mundhra: No Sir, the reason why I asked is, would it be more like a deterrent or you think you can actually go ahead and initiate some of the proceedings?

Management: Look I am a believer in experiments as on JLF came, SDR came, S4A came; we tried everywhere. So even this we will do, but we should be very sure about of entire process being time bound.

Jay Mundhra: Sorry just to take it a step further so you said what would be the consideration so let us say that two corporate accounts what sector would kind of help you decide whether to go for IBC or not?

Management: It is not fair through IBC it is not only the insolvency, there is a set process for resolution also. There is again a concept of credit approval committee that would be of the all the lenders and first they will still explore the possibility of a resolution if there is economic value in the asset, if that is not working, then the call can be taken for the insolvency. So it is not that we will straightway start with insolvency. First of all, we would try to still explore through the credit committee for resolution that is provided in the act itself.

Jay Mundhra: Sure, so if you see there is some economy's value in the assets then possibly IBC would be the last resort.

Management: Yes.

Jay Mundhra: Sure, that helps and Sir this lastly on this SMA2, I am given to understand that Q4 is slightly seasonally better quarter across banks, the SMA2 figure on at least on Q4 trends to moderate. So, just wanted to get what has happened for our bank, I believe it as actually gone up by around 10% quarter-on-quarter.

Management: SMA2?

Jay Mundhra: Yes Sir, last quarter I believe it was some Rs. 15,000 odd Crores and this has slightly gone up to 5%, 6% to Rs. 16,000 Crores plus.

Management: Yes Rs. 16,400 Crores. Yes it has gone up, which account is coming here? Okay, may be one account might have moved to SMA2.

Jay Mundhra: Okay, and Sir just you gave the kind of overlap between S4A and SDR if I heard it correctly it was 497 overlap between S4A and SDR?

Management: 497 was S4A and restructured.

Jay Mundhra: Okay and restructured and SDR?

Management: 588 and S4A and 5:25 of 269.

Jay Mundhra: So Sir roughly on this SMA2 pool, if you want to highlight the overlap between these other deferred stress like restructured S4A 525 SDR. That would be much helpful.

Arun Tiwari: Whatever is under S4A or SDR, accounts are from the SMA2 category only because those accounts are stress and we are trying to address those accounts in that stage itself.

Jay Mundhra: Sure.

Arun Tiwari: Maybe out of the total number of accounts under these two categories almost 60% to 70% accounts are from that category only because there is where resolution is required.

Jay Mundhra: Sure and any ballpark number on 5:25 and restructured book, which will also be falling in SMA2 category?

Arun Tiwari: 5:25, there is no restructure account in the 5:25.

Jay Mundhra: No Sir, 5:25 or restructuring falling into SMA2 category?

Arun Tiwari: Yes, number means you want the number of accounts?

Jay Mundhra: No Sir, quantum wise how many of 5:25 accounts, which are under 5:25 referencing or also in SMA2?

Arun Tiwari: It was around 40%.

Management: What you said that we are trying to get the resolution of SMA2. So it would be entire pool will be from there?

Jay Mundhra: Except, it may be some SMA open account also Sir.

Management: 5:25.

Jay Mundhra: And Sir this is lastly on the restructured Sir, how much of the Rs. 5,600 Crores would have an overlapping with SMA2?

Arun Tiwari: Overlapping, no there would be common, in this category also out of the Rs. 5696 Crores around 30% to 40% of the cases would be in both the places.

Jay Mundhra: Sure Sir. Yes, that helps Sir. Thank you very much.

Moderator: Thank you. We take the next question from the line of Nilanjan Karfa from Jefferies. Please go ahead.

Nilanjan Karfa: Thank you Sir. Just to follow up with the last question if I exclude the overlaps, the restructured, 525, SDR, and S4A comes to about Rs. 13,000 Crores and you have SMA2 of Rs. 16410 Crores. So there are still SMA2 accounts, which are probably stressed but not classified in. Is that a right sense?

Management: Yes.

Nilanjan Karfa: Right, and then if I look at provisions, we have let us say roughly about Rs. 15000 Crores of NPL provision against about Rs. 34000 Crores of gross NPL and we have this net stress of Rs. 13000 Crores or SMA2 of Rs. 16410 Crores; what kind of provisions do we have on this SMA2 or the next stress of Rs. 13000 Crores broadly and a followup on that is given that we are looking at resolutions to happen. What is the kind of haircuts do we expect and if you could particularly talk about the iron, steel and power sector? Thank you Sir.

Arun Tiwari: Say what happens in the SMA2 category; accounts would be there either in 525 or in SDR or may be in S4A and within that restructuring book as well as in SMA2 there would be some accounts common because ultimately accounts, which are appearing in restructuring are definitely accounts having stress may be SMA2 level or sometimes SMA1 also, not that all would be there, it is only a difference of one day of the overdue. It can move from SMA2 to SMA1 and as about the provisioning, already RBI guidelines are there. Accounts, which are restructured and in SMA2 category we are providing 5% on that, it is a general provision and accounts, which are there in SDR we have to provide 15% over a period of four quarters. So at the rate of 3.75%, so total provision would be 15% on that cases, which are under SMA2 as well as SDR.

Nilanjan Karfa: Right and the last part of the question was for resolutions, do you foresee, we need to take some haircuts and any expectation what kind of number we should look at?

Management: No there cannot be one cap fitting all. It is very case-to case-basis.

Nilanjan Karfa: So Sir, does that mean that our 1.5% to 1.75% credit cost guidance does not factor in this additional haircut.

Management: No, I cannot be outlier if something has to be resolved, I cannot be saying in one of the five banks or 10 banks that I would not do it. So then sit aside or sit out of the ring. I have to fall in line and be a factor just about everything in 1.75.

Nilanjan Karfa: So we have factored in a possible haircut for all of these resolutions?

Management: Yes.

Nilanjan Karfa: Okay, good to know Sir. Thank you.

Moderator: Thank you. We take the next question from the line of M. B. Mahesh from Kotak Securities. Please go ahead.

M. B. Mahesh: Sir, good evening. Just a question again on this SMA2, it has been one year and this SMA2 just refuses to come down despite kind of the bank having seen slippages of roughly about Rs. 13000 Crores for the year.

Management: Mahesh, the same thing is with the economy, if refuses to improve.

M. B. Mahesh: Sir, but this slippage is not this high for some of the other banks, if you adjust for the changes in SMA2 what are we missing?

Management: I do not think we are missing out on anything.

M. B. Mahesh: But it continues to remain high. I am just trying to understand why Rs. 16000 Crores is reasonably high on the book of yours? Is there too many chunky accounts which is there, which is causing this major deviation in the SMA2 book?

Management: Hardly anything chunky is left now in the system.

M. B. Mahesh: Okay, just second question is on the telecom exposure you have indicated Rs. 7000 Crores, which you have; in the SDR account I can see in slide number 25 roughly about 13 billion exposure.

Management: Slide number 25?

M. B. Mahesh: So it is 5000 of MTNL, BSNL and 1378 of this telecom exposure, is it?

Management: Yes.

M. B. Mahesh: That is all. You do not have any else?

Management: Nothing.

M. B. Mahesh: Okay, thanks. And I am sorry one final question on the steel exposure; can we have the outstanding gross NPAs and the loan book in this sector?

Management: That is there on slide 25 table, the first table on that page. You have the total outstanding in iron and steel out of which how much is NPA, how much is the standard structure.

Management: Okay, the iron and steel is Rs. 11018 Crores, NPA is at Rs. 8543 Crores.

M. B. Mahesh: Hey you mentioned this quarter also there was a major steel account, which slipped Right?

Management: Yes, that is right. Major I mean it is a group of accounts, same group.

M. B. Mahesh: Okay, done. Thanks a lot.

Moderator: Thank you. We take the next question from the line of Sangam Iyer from Subhkam Ventures. Please go ahead. Mr. Iyer your voice is not audible.

Sangam Iyer: Hello, am I audible now.

Moderator: Yes it is. Thank you.

Sangam Iyer: I just wanted to understand, let us talk about some guidelines coming to you from RBI, which would help us further accentuate the resolution process going forward. What exactly are we looking at from RBI incrementally to come through and secondly the question asked by early participant also the haircuts that could come through because of the resolutions going forward? When you are saying the credit cost factors in that, that means we are not expecting too much of an haircut coming through from the large account base for some kind of resolution?

Management: No, the last Mr. Iyer what you said was the last notification of guidance, which came from Reserve Bank of India regarding resolution. Made it stringent you know what was happening the corrective action plan on the JLF, it was happening for the last two, two and a half, three years, but eventually resolutions were not there. One of the primary reasons was if there are 10 banks or 12 banks. The banks with the minority stake they will hold it back so that these magic number of 75% is not attained and in the process 1, 1.5 years close, it was a strain on all their lenders who have exit trade. So Reserve Bank of India has made it very clear this time around 60% rest all whether you like it or not, you will have to fall in line or exit and exit with the…if there is substitution or whatever your stake is there. Now who will take that substitution? So in that scenario if you do not do it there are penalties higher provisions. I think when the JLF was being taken for ransom that would decelerate o a largest possible extend and you can find the resolution. And you look even in the JLF the decisions, which are taken with our predominantly based on the time that the project has got the economic value. It is the matter of cash flows. So if not today, tomorrow there will be cash flow. So, even if that haircut if I take equity state, today it may seem to be that as if I may take some MTM loses maybe for an year and a half or two. There will be uptake also.

Sangam Iyer: Right, so when we are looking at the haircut stress, here we are more looking at some equity or a long-term bond perspective as against any immediate provisions that might come into this exposure?

Management: Of course, If I have got the faith in the promoter and the industry, this account is in, I would always look at as uptakes.

Sangam Iyer: Okay, that is where the thought process is predominantly, not any kind of big time, one time provisions?

Management: No, you should have very deep pockets for that.

Sangam Iyer: Right, exactly. That was what my worry is?

Management: Yes.

Sangam Iyer: And Sir, finally on the incremental slippages for next year, you said that it would be incrementally coming down on a quarterly basis than the current run rate of Rs. 3000 odd Crores that has been happening?

Management: Yes.

Sangam Iyer: Great. Okay thank you.

Management: Thank you.

Moderator: Thank you. Participants to ask a question, you may press "*" and "1". We take the next question form the line of Shashin Upadhyay from ICICI Securities. Please go ahead.

Shashin Upadhyay: Hi, good evening. Just two questions from my side; I just wanted to know the proportion of top 50 NPAs as a percentage of total GNPAs. If you could articulate that and second is what is the pension related provisions that we would have made in Q4?

Management: Okay, this top 50 NPA is about Rs. 17000 Crores and in terms of percentage it is 53% of gross NPA.

Shashin Upadhyay: Sir, would you actually be able to articulate overall provision that you would have got against this accounts?

Management: No, we do not think.

Shashin Upadhyay: And employee pension related provision?

Arun Tiwari: Rs. 235 Crores for the pension.

Shashin Upadhyay: Okay, fine. Thank you.

Moderator: Thank you. We take the next question from the line of Sameer Bhise from Macquarie. Please go ahead.

Sameer: Hi, thanks; just one question I do not know if it was covered earlier. What is the overlap between different dispensations and SMA2 number of Rs. 16000 Crores?

Management: Yes, Sameer this is being repeated third time.

Sameer: I am sorry for that.

Management: No it is okay, S4A 5:25 is Rs. 269 Crores.

Sameer: Sir, I have these numbers between the SMA2 outstanding and their standard restructured and say other dispensations.

Management: Sameer, can you do me a favor? Send me a mail, I will get this replied.

Sameer: I will reach out with it, yes.

Management: Yes, please.

Sameer: Thank you.

Moderator: Thank you. Participants to ask a question you my press "*" and "1". We take one question from the line of Jai Mundhra from BNK Securities. Please go ahead.

Jai Mundhra: Hi Sir, thanks for the time. Sir just any colour on the upgrades and recovery that we have seen in this quarter? Is it corporate or…?

Management: Jai, it is all mixed back, small accounts; from Rs. 50 Thousand to Rs. 50 Crores.

Jai Mundhra: Okay.

Management: Yes, it is entire bind with across all the industrial segments.

Jai Mundhra: And Sir lastly on this tax write-back that has happened, so how should we see that tax rate for let us say FY' 18 broadly?

Management: See tax rate reversal this time we have made a reversal of the income tax provision, which we have made in the earlier year and for which we have already received the order from the income tax appellate authority. That was the reason, otherwise to whatever the tax that has been provided by the income tax we have to provide.

Jai Mundhra: Yes, from next year onwards it should normalize?

Management: Yes, normalize.

Jai Mundhra: Sure Sir. Thanks very much.

Moderator: Thank you. Ladies and gentlemen as there are no further questions from the participants, I now hand the conference over to the management of Union Bank of India for closing comments.

Management: Thank you so very much. It is always been wonderful to meet the fraternity of analysts, very pointed questions, we also come ready and one thing we can reassure whatever guidance or explanations we give on this kind of con-calls we will stand by that and any of you is free to call on us. Whenever you have time, we have the time for you. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference. Thank you for joining us and you may now disconnect your line.

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