



TRANSCRIPT

Q2 FY25 RESULTS

Post Earnings Conference Call with Analysts/Investors

Date	21.10.2024
Time	03:00 pm
Mode	Virtual (Webex)

Bank's Senior Management is represented by :

- 1. Mr Ashwani Kumar, Managing Director & CEO**
- 2. Mr Rajendra Kumar Saboo, Executive Director**

Moderator : M/s Antique Stock Broking Limited

– **Moderator:**

- Good afternoon, ladies and gentlemen. Welcome to UCO Bank, Quarter 2 FY25 Earnings Call. It is my pleasure to introduce to you the senior management of UCO Bank with us. We have Mr. Ashwani Kumar - MD & CEO, sir. Mr. Rajendra Kumar, Saboo - Executive Director. Mr. Vijay N. Kamble - Executive Director. We'll have opening remarks from the MD, sir, post which we'll open the floor for questions and answers. Over to you Sir.

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- Thank you. I welcome all investors and analysts to this Post Quarter 2 results. Well, global business of the bank grew by 13.56% on a YoY basis, to Rs. 4,33,704 crores, of which deposits grew by 10.57% to Rs. 2,75,777 crores. Advances grew by 18% to Rs. 1,97,927 crores. Our total RAM stood at Rs. 1,08,200 crores with a growth of 20% on a YoY basis. Under RAM, retail advances stood at Rs. 47,039 crores, registering a growth of 29.36%, which was fuelled by home loan and vehicle loan growth - home loan growth of 19% and vehicle loan growth of 38.66% respectively. Agriculture advances stood at Rs. 26,987 crores, with a growth of 17.41%, of which the contribution to the SHG portfolio grew by 33.63% on a YoY basis. MSME sectors stood at Rs. 34,174 crores, registering a growth of 11.32% on a YoY basis.
- Now coming to operating profit. Operating profit of the bank for the quarter ended 30th September stood at Rs. 1,432 crores, registering a growth of 45.82% on a YoY basis, as against Rs. 982 crores for the same period in the preceding year. For the half year ended, operating profit stood at Rs. 2,573 crores, registering a growth of 26% over the previous year.
- Net profit as on 30th September stood at Rs. 603 crores as against Rs. 402 crores for the same period in the preceding year, registering 50% growth on a YoY basis. For the half yearly basis, net profit stood at Rs. 1,154 crores against Rs. 625 crores, registering a growth of 84% on a YoY basis.
- Net interest income for the quarter ended 30th September, 2024 grew by 20% on a YoY basis. For the half year ended September 2024 net interest income grew by 16% on a YoY basis. Net interest margin for the quarter ended 30th September, 2024 on a global basis, was 3.10% as against 2.84% for the same period in the preceding year. For the half year ended, the NIM stood at 3.09% as against 2.92% during the preceding year. The NIM was supported by increase in cost of funds which grew by 32 bps, whereas the yield on funds grew by 52 bps. So, that added to our NIM margin.

- Coming back to asset quality. Gross NPA has improved to 3.18% as on 30th September, 2024, as raised 4.14% as on 30th September, 2023, thereby registering an improvement of 96 bps on a YoY basis. Net NPA improved to 0.73% as on 30th September, 2024, registering an improvement of 38 bps on a YoY basis. Provisional coverage ratio stood at 95.92% as on 30th September, 2024. CRAR of the bank stood at 16.84%, wherein tier 1 was 14.59%. Then cost to income ratio has also improved to 56%. Fee-based income grew by 15% on a YoY basis and quarter-on-quarter basis by 10%. Non-interest income grew by 53% on a YoY basis and on quarter-on-quarter basis by 19%. In our SMA, more than 1 crore Portfolio is around 1,500-1,600 crores, which is 0.38% of our total advances.
- This was the overall performance of the bank. Now coming back to the guidance. We have given a guidance of deposit growth of 8-10%, where now the growth for this September Quarter was 10.57%. Our CASA growth, again we have given a guidance of 8-10%. CASA grew by 8.09% in this quarter. Credit growth, our guidance was 12-14%. Overall credit growth is 18%. Within the credit growth, prime advances, I have already shared. Housing, retail, everything I have already covered. CASA percentage - bank continued to maintain 38% CASA over last 5-6 quarters. CASA has been hovering around 37-38%, and we continue to maintain this ratio. CD ratio of the bank has improved from 67.25% a year before, to 71.77%. Our target is to reach to 75%. Slippage ratio - during the quarter we had little higher slippage of 800 plus crores. That was mainly on account of one corporate account slipping in this quarter, of approximately around 245 crores, against which we have already made 50% provision for that. So, this was all about guidance.
- Now coming to certain initiatives which the bank has taken. In the previous year, the bank started with a performance management solution - PMS project for HR transformation, which was completed. Now the bank has started Project Parivartan, which is the digital transformation project, where we will be digitising our retail assets and liabilities' journeys over a period of time. At the time of launch, we have already made new launches. UCO GST Smart Finance, this is STP journey, Pre-Qualified Personal Loan, STP journey, KCC STP journey to JanSamarth portal. We have revamped Shishu Mudra STP journey. We have revamped our KCC renewal up to 1.60 lakh STP journey. So, all these five new journeys have already been implemented. And as of date now, total nine STP journeys are available at our in our digital platform. Looking forward, we plan to launch 25 journeys by March 2025. And then, remaining initiatives will be continued in the next year also.

- The bank has also participated in the global fintech initiatives like UPI Circle; the bank has already implemented that. UPI Lite auto pay top-up facility has been made live. The bank has also introduced loan repayment facility through BBPS. We have tied-up with Swiggy, Zomato,pluto one for improving our visibility and debit card in the market.
- In order to strengthen our compliance and monitoring, we have started a new transaction monitoring vertical, wherein all transaction monitoring from various verticals has been combined into one vertical. We have launched a Pulse program i.e. an alert monitoring system, which is again an integrated alert monitoring system, wherein alerts from different channels are coming and our teams are sitting there to monitor those alerts. We have also launched a new chatbot UDAY i.e. a Generative AI-based chatbot solution. We have also launched IVR in UCO Sampark 2.0, where our call centre is now enriched with 31 different self-service options through IVR. And through IVR, we are able to service 89% of our customers. The bank has also started to revamp WhatsApp banking. We are providing 35 services in 5 languages on WhatsApp banking. Tab banking was introduced last year. Currently, we have tabbed 1,698 branches, and we intend to cover remaining branches by March 2025.
- To garner more CASA and to give focus to female customers, new initiatives were taken. We launched a pink basket, where three unique deposit products, exclusively for women, UCO Aparajita, a saving account, UCO Jaya Lakshmi, a current account, and UCO Sanchayika, a flexi-RD account, was launched with special features. UCO Udaan scheme aims at providing financial support to meritorious female students for taking admission in premier educational institutions of the country with 1.10% concession in rate of interest. We have also introduced woman-centric policy in the recently concluded board meeting. We are providing a special concession to home loan female borrowers, a concession of 0.05%. In MSME schemes also, 0.25% concession is given.
- There are various other initiatives in IT and digital being undertaken. Bank has earmarked around 1,000 crore budget for IT, of which 36% has already been incurred, and remaining we plan to incur in this half year. Many new projects are under RFP stage or under approval stage. So, all those things will be coming in this remaining part of the year.
- Thank you. This is what I have to share with you. Anything thereafter, we'll be open to questions and answers. Thank you.

– **Moderator:**

– Thank you, MD sir, for your opening remarks. We now move to Q&A session. We will wait a minute for the question queue to assemble. If you wish to ask a question, raise your hand, you shall be unmuted. Question from the line of Mr. Ashok Ajmera.

– **Mr. Ashok Ajmera – Participant:**

– Good evening, sir. Saboo saab, Kamble saab, good evening. Our compliments to you for the good set of numbers in this quarter also. Even the last quarter was also good, the 1st Quarter as compared to some of the other banks. So, good set of numbers, whether you talk about the operating profit or the net profit. And even your asset quality is also improving quarter after quarter. Having said that, sir, I have got just a couple of observations and some questions, sir.

– On the credit growth side, though every bank is facing some issue on the credit side and as well as deposit side, in our case, if we take our target of 14%... because I will take the credit growth target of 14% being UCO bank, and I know that you can perform. So, our total credit should be around 26,000 crores in the whole year. What we have done is, only 11,000 crores so far. So, we are looking for about 14,500 to 15,000 crores of credit in the coming six months. So, number one is, how sure we are about that, looking at our sanction pipeline and some of the projects which are in pipeline, the sanctions, and some of the amount which is under pipeline for disbursements. So, how prepared we are? And are we sure that yes, we will achieve this kind of credit target? Deposit more or less... I think, out of 15,000... I mean, 26,000, we have already got it and we need to get only 13,666 crores. So, mainly on the credit side, can you throw some light on this, sir, on this question, that how do we plan to grow our credit to the target of almost about 26,000 crores this year? 26,162 as per the target of 14%, should be.

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– See, Ajmera ji, if you look at our growth, in both the quarters we have grown around 6,000 crores in each quarter, around 6,000 crores.

– **Mr. Ashok Ajmera – Participant:**

– Yes, sir, 5.91% only in six months, two quarters.

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- Yes, 5.9. So, our target is to reach to 14%, right? And you all know that the 2nd half is always a busy season where the credit growth picks up. Now, the festival season is also there. And a lot of action in our home loan and retail loan product is already there, in vehicle loan. If you see our housing loan portfolio, around 19-20% growth is there. And in our car loan, around 38% growth is there. So, these are the two major drivers for the RAM segment.
- Coming to corporate, a lot of proposals we are getting in the corporate segment also. But wherever we are getting good margins, operating margins, only there we are going for additional facilities. And currently, the way the projects and sanctions are, around 8,000 crores sanctions are already there, which if we are able to meet our margin requirements, we'll be giving a signal to release. So, we don't feel any problem, any issue in achieving our 14% growth target. Given an opportunity... like currently we are growing around 18%. If you look at our credit growth in the last four or five quarters, it's around 14% to 18%. So, given an opportunity, we may achieve even a little larger number than the 14% also. We are quite confident in it, the way the pipeline is already built up with us.

- **Mr. Ashok Ajmera – Participant:**

- Thanks, sir. Point well taken, sir. Sir, a little bit on the advances side, the quality. We have got very good recovery in this quarter from the return of account of 520 crores. And even otherwise also, the things are under control as far as the slippages are also concerned. So, I would just like to throw some lights on the coming six months, that are we going to maintain the same trend from the written off accounts? And what is the pool of written off accounts which we have, the total pool? And what do you expect in the remaining two quarters of the current year?
- Similarly, on the treasury side also, we are doing reasonably well. So, are we expecting some kind of a windfall in the treasury...? I mean, treasury also nowadays, is a part of the basic P&L. The income comes there because of the revised norms. So, on the treasury side as well as from the recovery side, how optimistic we are, sir?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- So, on the recovery, this quarter we had a good recovery. And I expect that in the coming quarter also we will have a good recovery from TWO because there is already one account, one big account where we are expecting some recovery in this quarter. So, this quarter recovery will be more or less in the similar lines. Next quarter, pipeline is there, but we are yet to rationalize that and look at the

pipeline properly. But if I look at the total recovery in this half year i.e. 1,729 from the write off of... and total of recovery and upgradation is 3,000 crore... Sorry, it was 1,100 crore in this half year, and full year is 1,700 crore. So, our endeavour will be that full year we continue to maintain that last year's recovery at least, 1,700 crore.

– **Mr. Ashok Ajmera – Participant:**

- Okay, that is good, sir. Just a last question in this round, sir. Some light on the restructured book, and what kind of provision on the standard restructured book which we are having? Or, are we having any buffer provision apart from the IRAC norms? Because in the restructured standard book there is some part of the COVID provisions also as well as non-COVID also. So, some information on the overall provision on the restructured book, standard restructured, and as well as beyond the IRAC norms, if we are having any buffer of the provisions?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- Sir, the restructured book, if you see, the restructured book has been coming down on a quarter-on-quarter basis. Now, the total restructured book stands at 2,786 crores as against 3,709 crore a year ago. So, around 1,000 crore reduction in the restructured book is there. And COVID restructured book has also... Overall, COVID restructured book has also come down by 800 crores, from 2,500 crore to 1,700 crore. We are maintaining normal required margin on the restructured book as per Reserve Bank of India guidelines. In addition to that, we had maintained a provision of 530 crores towards COVID restructuring provision which we still continue to hold. We have not released that provision; that provision still continues to be in the books. Overall buffer which you were asking, overall buffer available to the bank, including this COVID restructuring provision, which is over and above, that includes approximately 1,000 crores. So, 1,000 crores is over and above the mandatory required provision which bank is holding.

– **Mr. Ashok Ajmera – Participant:**

- Okay, sir. Thank you very much and all the best to you, sir. I will try to come back again for some other minor information and questions, in case I get it.

– **Moderator:**

- Thank you, Ajmera ji. We have our next question from the line of Mr. Sushil Choksey. Sir, you'll be unmuted.

– **Mr. Sushil Choksey – Participant:**

– Sir, Good Afternoon. Congratulations on great stable result.

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– Thank you, sir.

– **Mr. Sushil Choksey – Participant:**

– Sir, my question pertains to... from your media interaction, I understand there was a single account which led to the impact on Gross NPA and Net NPA. Is the recovery number target of 6,000 crore Gross NPA... can't it get better or you want to be conservative?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– See, 6,000 crore is our number which we have kept for ourselves. At that time, we had not expected this account to slip. Right? Having this account getting slipped, even then, we are continuing to maintain our number that we will be targeting less than 6,000 crores of Gross NPA.

– **Mr. Sushil Choksey – Participant:**

– Sir, is it a telecom account of the government entity?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– Yes.

– **Mr. Sushil Choksey – Participant:**

– Okay. Sir, my next question is on your CD ratio and margin sustainability. And if you can throw some colour on CASA, how are we shaping up? Because East India, I remember from earlier days, is a great source for CASA accounts. How are we working towards increasing CASA, keeping our margin stable between domestic and international book? With your sustainable growth and credit, which is likely to outsmart the number what you said, can I get some colour on the growth path as well as on CASA?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– See, if you look at our CASA, our CASA has been hovering around 37 to 38% over the last, I think, around one and a half years. So, in spite of having huge pressure on CASA, we are able to maintain CASA. To garner CASA, we have

taken a number of initiatives in the last year and in the current year also. Last year, we introduced Tab Banking to reach out to the customers for opening their accounts. We revamped our salary saving account with a tierized insurance product and other inbuilt incentives to deal with our bank or maintain savings account with our bank. Then, we also introduced resource vertical at our head office level. And in this year, we have introduced resource vertical at the zonal office level also. We have made a zonal resource team where they are meeting customers, and around 300 odd staff members are engaged in reaching out to the customers at different zones and to open new accounts, to open new deposit accounts. We have also introduced special deposit scheme of 333 days with an interest rate of 7.30%. We have also signed MOUs with some of the PSUs for their salary accounts. So, the focus on CASA is very clear. As a result, we are able to maintain our CASA ratio of 38%, number one.

- Your other question was or margins. See, if you look at my margin, a year before, our margin was 2.84%. Right? Now, we have improved to 3.10%. And from where the improvement has come? Just look at our cost of funds and yield on funds. My cost of fund has increased from 4.47 to 4.79. So, that is a 32 bps increase. Whereas my yield on funds, that has improved by 52 bps. And how we have improved our yield on funds? With the rebalancing of our loan products and portfolios, we have shed certain low yielding advances, and we have concentrated on RAMP segment, which is giving good yield as compared to the corporates. If you look at our ratings also, we have reduced our AAA rated advances and AA and A has increased and BBB. So, that way we have tried to improve our yield on advances and yield on funds also. So, all these initiatives will continue in this quarter and coming quarters also. And our endeavour will be that we maintain our margin guidance, which we have given earlier.

- **Mr. Sushil Choksey – Participant:**

- Sir, do you think interest rates, globally and in India, have peaked? And treasury were rewarded handsomely, but where interest margins are concerned, specifically at MCLR, have we reached a peak or do you think it is still a pass-through system?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- See, if you look at the current economic scenario, I think there is a downtrend in the rate-cut scenario in the different parts of the world. But the given current situation of our country, the economic situation, inflation, our RBI has not yet taken any call. I think, once the economic scenario stabilizes in the country by

way of inflation control, because inflation is the main target which RBI is looking at, so that time once RBI is comfortable, they may come out with a reduction in the Repo rate also. That trend is likely to come. It is a matter of time. As soon as RBI is comfortable with the macroeconomic indicators, then they may come out.

- So, far as the peaking of rate of interest, I think MCLR is now almost peaked. Maybe basis cost of funds in one month or two months, there may be somewhat an upward reason by some of the banks. But, more or less, it is now peaked.

- **Mr. Sushil Choksey – Participant:**

- Sir, how are we benefiting in such scenario on the treasury profits in the 2nd half? As your CD ratio is likely to get to 75, that is what you are targeting, are we monetizing adequate instead of just increasing our resources and redeploying towards corporate credit or retail credit? If you could answer that question.

- **Mr Rajendra Kumar Saboo - UCO Bank:**

- So, Choksey saab, yes, always we are there in the market through our treasury and we look for opportunities in the market. And I think the CD ratio target of around 75% is there and we have surplus liquidity as our SLR is more than the required level of SLR. Wherever we get opportunity or we get the maturities, redemptions, we get those funds back. And then, we try to redeploy into the credit to increase our NIM. Our NIM as you have seen has improved, and yield on advances has also improved. So, overall NIM will be improving if we can deploy our funds into better yielding advances.
- Having said that, again, the investment portfolio will also continue and we will not see any drastic changes also there, because we have to maintain the SLR and surplus HQLA as well for the LCR guidelines. Profitability, where there is the opportunity, the bank is looking for the opportunity in the market. And not in a big way, but yes, as to the market trend, we are looking at the opportunities to book profit also wherever it is, as per our positioning in the market and our targets.
- So, I think overall, the scenario as you have asked, the rate of interest scenario is still unfolding. In India, we are yet to see the rate cut cycle start because the inflationary pressures are still there and RBI is waiting for the new data set to come into the picture. Maybe the other parts of the world have already started cutting rates, but in India, we may have to wait for some more days. And, if that rate cuts come, we all know that the investment portfolio will yield more profits if the rate is cut. So, that we will see.

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- That will go to the... that will not come to...
- **Mr Rajendra Kumar Saboo - UCO Bank:**
- Of course, as per the new guidelines, AFS reserve is there. So P&L is only the HFT part. Whatever is the pure HFT part under the FVTPL, that will only come into the profitability. So, that is limited depending on the activity in the HFT portfolio.
- **Mr. Sushil Choksey – Participant:**
- Sir, can I ask one last question? How much is unavailed credit which you have sanctioned today between corporate? And what is the target on retail in the current portfolio?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Mr. Choksey, around 8,000 crores is unavailed in the corporate segment.
- **Mr. Sushil Choksey – Participant:**
- Okay, sir. Thank you for answering all my questions. Good luck for the year.
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- As we are settling for better rate of interest. If we are able to succeed, then we will discuss.
- **Mr. Sushil Choksey – Participant:**
- Thank you, sir.
- **Moderator:**
- Thank you, Sushil ji. If anyone wishes to ask a question, please raise your hand. We have the next question from the line of Mr. Amit Mishra. Please go ahead, sir.
- **Mr. Amit Mishra – Participant:**
- Hi, sir. Thanks for the opportunity. Sir, you mentioned CD ratio of 75% you are targeting. So, by when we will achieve this 75%?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- See, our intention is to achieve it by March 2025. That is the reason we have kept a lower guidance for deposit growth and higher guidance for the credit growth.
- **Mr. Amit Mishra – Participant:**
- Okay. Sir, I was looking at your overseas loan book, which is around 24,000 crores. There are no NPAs in that book. So, do you want to build this book or reduce this book? Do you have any target in your mind? What are the margins on overseas books?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- See, again, overseas book, if you look at last two quarters, we have not grown our overseas book, basically, because we are not getting good margins. Once some good margin is available, definitely we will try to grow our overseas book also.
- **Mr. Amit Mishra – Participant:**
- So, what are the current margins on overseas books?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Current margin is around 1.4-1.5.
- **Mr. Amit Mishra – Participant:**
- Okay. And sir, your asset quality for the quarter was pretty stable. But I wanted to just ask, these agri slippages were higher as compared to last quarter or last year also. It was around 206 crores as compared to last quarter of 48 crores. So, anything specific happened there? Because other...
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Agriculture, actually, there is a phenomenon that it happens on a half yearly basis, because its classification is on half yearly basis. So, generally, if you look at September '23 number, that time also agriculture slippage was quite high, around 150 crores; last year, same quarter. September also? So, it is in line with the previous year, same quarter.
- **Mr. Amit Mishra – Participant:**
- Okay, sir. Sir, one last question. How much is your loan gold book right now?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Loan gold book has touched around 8,000 crores.
- **Mr. Amit Mishra – Participant:**
- 8,000 crores. Gold loan book.
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Gold loan book.
- **Mr. Amit Mishra – Participant:**
- Okay, sir. Thank you.
- **Moderator:**
- Thank you, Amit. Any other questions? Please raise your hand. We have our next question from the line of Mr. Sarvesh Mutha. Sir, please go ahead.
- **Mr. Sarvesh Mutha – Participant:**
- Yeah, good afternoon. Sir, I wanted to ask about the corporate slippages. This time, they were around 324 crores. So, what exactly is driving that?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- See, there was one corporate account having an exposure of around 245 crores. That slipped in this quarter. So, that has added to this corporate slippage.
- **Mr. Sarvesh Mutha – Participant:**
- And how is the overall asset quality environment that you are forcing for the coming half year?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- See, if you look at our SMA book, more than 1 crore. Every quarter it is coming down. Around 1,600 crores, more than 1 crore. I am talking about 1,600 crores, more than 1 crore, includes my SMA-0, SMA-1 and SMA-2. And that works out to around 0.5% of my book. So, no big challenge in the current scenario when my SMA of more than 1 crore is very minimal.

– **Mr. Sarvesh Mutha – Participant:**

– Okay, and sir, on margins, we are probably on the rate cut horizon in India. And say if RBI does a 50 basis point rate cut in the next 6 months, how are we positioned for that?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– See, with regard to margins, in case the rate cut is there, definitely it will have some impact on the margins. But our strategy is to improve our CASA deposit and retail term deposit. To reduce our dependence on the bulk deposit. So, in that direction, the entire team is working. You will see that in spite of such a challenging environment, we are able to maintain our CASA at 38%. And, as I already explained, we have launched various new initiatives for the CASA and for the retail term deposits to attract retail term deposits. So, I believe that in case we are able to improve our CASA position and retail term deposits, I will be able to counter or will be able to reduce the impact of rate cut on our NIM.

– **Mr. Sarvesh Mutha – Participant:**

– Okay, thank you.

– **Moderator:**

– We have a next question from the line of Mr. Sushil Choksey.

– **Mr. Sushil Choksey – Participant:**

– Sir, on the retail mix, I see our home loan, vehicle loan, personal loan and others are growing. But looking at the growth pattern where UCO's presence is, what are we enabling that this growth number which can be beneficial on CASA, cross-segment and various parameters, will be more sustainable with the higher trajectory?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– Sushil ji, if you look at our retail growth, particularly housing and vehicle, we have been growing in housing in the last, I think, 5-6 quarters, from 17% to 20%. And in vehicle, we have been growing from 23% to 38% in the last 5 quarters. Definitely, it gives us a unique positioning wherein we are able to cross-sell or garner their CASA accounts also and third-party products also. So, the bank is leveraging all these opportunities.

- Further, another initiative bank has taken is that, the bank has introduced a retail hub structure - retail hub and MSME hub. Previously, only select few branches, only one-third of our branches, not even one-third of our branches were attached to the hub. Now, all branches are attached to the hub. We have retail hub, we have MSME hub. So, all branches are now in the development role, the business development. So, they are garnering leads and the leads are being sanctioned by the hubs. So, definitely, when they have ample time available at their disposal, when they have don't have to sanction, they have to only simply generate leads. So, lot of cross-sell and up-sell opportunities are available with the branches. And I believe, our branches will encash that opportunity and leverage our growth in retail and MSME and housing, and particularly car.

- **Mr. Sushil Choksey – Participant:**

- Sir, my next question is, the transformation journey started by the current management team, of both the EDs and yourself, what is the digital spend you have already achieved? How much is left? And when do you see that entire initiative and the transformation journey starting to benefit the bank? Whether this year or next year?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- See, the transformation journey will help the bank in the next year in a big way. Current year we have started... just now around a month back only we have started our transformation journey, Project Parivartan, wherein we have taken an ambitious target of digitizing 25 journeys. So, all those journeys, first we have to develop, deploy. We have to go to the branches for the mindset change by reaching out to the customers to subscribe to our digital products. We have already identified Digi Champs at the branch level who are equipped with the latest updates on the journeys which we are working on. And they will be reaching out to the customers for creating awareness about the digital journeys. I think next year will be our big year when we will see our digital balance sheet also on our map. So, once the awareness... Once the journey and then awareness, both the things are available, then digital balance sheet will be starting from the next year.

- **Mr. Sushil Choksey – Participant:**

- Sir, I am going back to my earlier question which I asked in the first round. My assumption is that 10-year yield will trade between 650 and 670 in the last quarter of the current year i.e. between January and March. The RBI interest rate cut cycle will start in January to March, but not suddenly. MCLR, I assume,

would be at a similar rate of 8.9 to 9%. How much of arbitrage possibility are you sensing between your treasury book and your corporate book, where your yield on corporates may be somewhere around in the vicinity of 9%, subject to not lending to NABARD, NaBFID and government companies, but more on private sector, MSME portfolio which is trending? And retail loan you might be doing at 8.4 to 8.7. So, how much of arbitrage possibility is there to balance between both?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– See, if you look at our investment book, we have a good amount of investment which is beyond our required limit also. As and when the opportunity is coming, we are liquidating the investment also. Even recently, we have taken a call to liquidate our investment prematurely and we have booked profit a little bit as well. And then, we have utilized that money in lending to the mid-corporate and retail segment. So, definitely, there is a good arbitrage opportunity available when the treasury bill, G-Sec rates are coming down, and we can lend profitably all those funds to our customers. So, we will continue to look at those opportunities in the remaining part of the year also to take the benefit of lower yield, when we can liquidate our investments and deploy them in the credit market.

– **Mr. Sushil Choksey – Participant:**

– So, any thinking process on buying corporate bonds which are yielding 9% kind of rates?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– That process is always going on. We have been buying corporate bonds at regular intervals wherever we feel that good yield is there and less risk is there.

– **Mr. Sushil Choksey – Participant:**

– Okay. And sir, I had asked you a question on how much is our digital spend left in terms of value?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– Digital total IT spend was 1,000 crores out of which I think 360 odd crores we have already completed, orders have been placed. Remaining 600 crore projects are already in pipeline. They are in RFP stage or some are in evaluation stage, some are in approval stage. So, I believe, by the end of this year, we will be through with this 1,000 crore of budget.

- **Mr. Sushil Choksey – Participant:**
- Sir, thank you for answering all my questions and best wishes to team UCO for the big positivity.
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Thank you.
- **Moderator:**
- Thank you, sir. We would be taking that as the last call for today. I would like to thank UCO Bank for giving this opportunity. MD sir, any closing remarks?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- So, Bank has been positioning itself in the digital area now. Earlier we worked on the HR transformation. Now Project Parivartan has been initiated, and we expect that Project Parivartan will give the results in the next year when we will be launching. We will be through with our journey by the end of this year. The bank will continue to maintain its guidance in the quarters to come. And we will make sure that whatever guidance we have given, we'll achieve that guidance in the quarters to come.
- Thank you, all the analysts and investors for joining our Quarter 2 Results Conference. Thank you very much.
- **Moderator:**
- Thank you, sir. Thank you to the management of UCO Bank for giving Antique Stock Broking this opportunity to host the call. We now conclude the Earnings Call. Thank you, everyone.
- ***END OF TRANSCRIPT***