



TRANSCRIPT

Q1 FY25 RESULTS

Post Earnings Conference Call with Analysts/Investors

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Bank's Senior Management is represented by :

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

Moderator : M/s Antique Stock Broking Limited

- **Moderator:**

- Good afternoon, ladies and gentlemen, and thank you for joining us for the Post Result Conference Call of UCO Bank for Q1FY25. It is my pleasure to introduce to you the senior management of UCO Bank. With us, we have –

- ✚ Mr. Ashwani Kumar, MD & CEO
- ✚ Mr. Rajendra Kumar Saboo, Executive Director and
- ✚ Mr. Vijay N. Kamble, Executive Director.

- We'll start the Concall by opening remarks from MD Sir and post which we'll open the floor for any Q&A. So, over to you MD Sir, and thank you.

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

- Thank you. I welcome all our analysts and investors to this Post Result Conference Call for the Q1 FY24-25. Along with me, to my right, is Mr. Saboo, our Executive Director, and Mr. Kamble, our Executive Director, our all-top management team including our verticals and corporate GMs are there to interact with you.

- Let me just give you a brief background of our results and how we performed and what are the initiative bank is taking and then we'll be taking up the question and answer also from you. I believe that our presentation is available with you all and I'll give you the major highlights of our performance during this quarter.

- Our total business grew by 11.46%. Total business comprising of deposit. Deposits grew by 7.39%, Advances grew by 17.64%. Out of Deposits, Saving Deposit grew by 5.47%, Current Account grew by 22.79%. Our CASA share improved by 52 bps to 38.62%.
- Advances. Retail Advances grew by 21.84% on a YoY basis. That was supported by Home Loan growth of 20.37% on a YoY basis. Vehicle Loan growth of 33.33% on a YoY basis. Agriculture grew by 19.64% on a YoY basis. MSME grew by 14.04% on a YoY basis.
- Our overall CD ratio improved by 628 bps to 72.07% on a YoY basis.

- Let me talk to you about asset quality.

- Our Gross NPA has come down to 3.32% i.e., degrown by 116 bps on a YoY basis.
 - Net NPA has come down to 0.78%, i.e., 40 bps improvement over last year.
 - PCR of the bank has also improved by 88 bps to 95.76%.
 - Our Tangible PCR also improved to 77.05%, i.e., up by 257 bps on a YoY basis.
 - * Our SMA portfolio more than 1 crore, that is now 700 crore in one and two category. It is 0.36% of the total standard advances.
- Restructured book is coming down. Total Restructured Book is 3288 crore, of which Rs.2191 crore is COVID restructuring and general restructuring is 1097 crore.
 - And when I talk about profitability,
 - Our Net Interest Income grew by 12.2% on a YoY basis and 3.05% on a quarter-on-quarter basis. However, Net Interest Income, our NIM improved. Domestic NIM improved by 26 bps to 3.29% on a YoY basis. Our Global NIM improved by 23 bps to 3.09% on a YoY basis.
 - Our Yield on Advances - domestic improved by 13 bps to 8.76%. Our Yield on Advances on global basis improved by 22 bps to 8.46%.
 - Our Operating Profit increased by 9.81% on a YoY basis to 1321 crores in this quarter.
 - Our Net Profit improved by 147% on a YoY basis to 551 crores.
 - Our CRAR improved by 24 bps to 17.09% on a YoY basis.
 - Our Cost of Deposit has come down over the last six months. In December'23 it was 4.91, now it is 4.79. It's a 12 bps reduction in cost of deposit.
 - Cost of Funds over six months has remained the same at 4.79.
 - Yield on Funds has improved from 7.94 to 8.36. Our Yield on Advances has also improved from 8.46% to 8.72% on a six months basis.
 - This is about the total business performance of the bank and now I'll just highlight about the initiatives which the bank has been taking over a period of time. Bank, as you all know, we had in the previous yearly results we have spoken about the IT initiative budget of Rs.1000 crore and various projects have already been started. Around Rs.280 crores of orders have been placed and certain other projects like Integrated Treasury, establishment of NOC Center, VM

setup and IT Asset Management and whitelisting, TBML Software at overseas center. All these have already been started. Now, we are in the process of floating RFP for SD WAN, APM, FXPC, Omni Channel, Network Refresh, Overseas Finacle Upgradation and Security Upgradation. So, all these initiatives will be taken up in this quarter and next quarter and we believe that by the end of this year all these projects will be up and running in various stages.

- Bank started Tab Banking previously and now we have around 1700 branches which are already having Tab and we propose to take to 2000 this quarter and by the year end we intend to reach to all 3000 plus branches.
- Bank has also introduced Green Deposit product wherein we are offering additional incentive to the Retail Term Deposits by 20 bps over the normal rate.
- Bank to improve our CASA.
- We have also introduced 'UCO Pink Basket' for our female customers wherein UCO Aprajita is a saving scheme, UCO Jai Lakshmi for women entrepreneurs through current account and UCO Sanchayika has RD scheme has also been launched to support our women customers.
- Then, we have also started various initiatives to improve our customer service. A state-of-art Call Center has already been implemented. Now, we have started Customer Experience Cell also wherein we are talking to the customers whose grievances were redressed whether they are satisfied or not. That is in the process to enhance our customer journey.
- To support MSMEs, we have launched various new products like MSME for purchase of their office for rice sellers. Co-lending tie up has also been started with three new tie ups with MAS Financial and certain other NBFCs.
- In order to strengthen our underwriting standards, we have now started the hub structure across the bank. Earlier, we had only around 20%-25% branches connected through the hub structure, now all our branches are connected with the hubs from 1st July onwards. We have 43 Retail Loan hubs, we have 43 MSME and Agri hubs and we have 12 integrated hubs at certain state centers where MSME and Retail both are taken care. So, all these hubs have been put in place in order to enhance standardized underwriting standard across the bank.

- Further, to ease customer convenience, we have started new products also on digital initiative. STP journeys have been started. For Pension Loan, STP journey is there, for Top-up Gold Loan, it is there, pledge of Gold Loan is there. So, various initiatives have been started. We have also introduced e-vehicle product for our customers. For our Education Loan, we have revamped our Education Loan schemes to strengthen the Education Loan portfolio.
- As regards staff is concerned, the average age of our staff is around 38.5 years and around 29%-30% is our female staff. And in order to strengthen, we are recruiting this year staff in...How many staff we are taking this year?
- **Management:**
- We have taken so far 305.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- In the clerical category. Customer Relationship.
- **Management:**
- Clerical and it is...
- **Management:**
- AFO.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- AFO. AFO.
- **Management:**
- Another 125 to be...
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Another 125 will be planned in this. So, we are also participating in all digital initiatives of RBI and knowledge hub also to strengthen our position there.
- So, these are the few initiatives I thought let me speak in my opening address. Whatever is your queries, your observations, we'll be more than happy to address those. Thank you very much.

- **Moderator:**

- Thank you, Sir. So, we'll start the Q&A round. I'll call out the person name and he can unmute. So, our first question is from the line of Mr. Ashok Ajmera. I will request you to unmute yourself and go ahead with the question.

- **Mr. Ashok Ajmera – Participant:**

- Compliments to you, Sir, for that number.

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

- Thank you. Thank you, Ajmera ji.

- **Mr. Ashok Ajmera – Participant:**

- And on the profitability front also. The Net Profit also is improved. Even the Operating Profit is good. Provisions has been kept as usual, I mean normal this thing. Only thing, little bit I think provision for NPA is there. If you compare from the last quarter to now 396 crores and even this fresh addition in the slippages of the NPA is also little...We thought it is tapering down but still it is 479 crores. Though your recovery from written off Account is good.

- So, Sir, I mean, are we feeling still that we need to keep providing for the NPA because for the last 2-3 years book is very good actually? Yes, the asset quality has increased and our underwriting norms have also become solid and more better one. So, do you feel still that there is a need, I mean, the slippages will continue and there's need for more provisions for the NPA quarter after quarter? This is number one.

- Number two, the recovery from the written off Account is good.. What is the total written off Account book of the bank? And whether you expect the same trend of recovery in the coming quarters of the year?

- My third question is on this change in the policy of RBI for classification of our investments. And because of that we have taken a hit of 751 crore decrease in the General Reserves. So, if our Treasury can explain that why such a big amount had to be...? Otherwise, it would have been mark-to-market had practice would not have been changed. So, are we expecting a loss on that account if it would not have been reduced from the General Reserve or is there any other reason?

- So, these are just my few questions now.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Okay. Thank you, Ajmera ji. See, Ajmera ji, first question was about slippage. See, if you look at slippage from our '2023, our overall slippage ratio was 1.75% and in next year '24 our slippage ratio was 1.3. So, we have been working to control our slippages on a quarter-on-quarter basis. On a yearly basis we have come down. And if you look at slippages in this quarter, that is 1.02%. So, our target is to keep it around 1% in this year also so that the decreasing trend continues. And when we are in a lending business, when the book is also growing then slippages cannot be ruled out. Number one.

Number two, provisions. We as a precautionary measure, as a forward looking into new guidelines which may come in the times to come ECL, so what we have taken that we have provided extra provision on certain class of assets, right. And in Doubtful 2 category, where our asset is more than 1 crores, we have provided 100% in all those assets; Doubtful 2 which are likely to go to the Doubtful 3. So, we have provided for fully in those assets. We have provided for around 50% in D 1 category also. So, that is on account of increased provisioning on a prudence basis which we have done in this quarter to increase our Provision Coverage Ratio also and to increase over Tangible Provision Coverage Ratio particularly. As a result, our net NPA has also come down and gross NPA is also now coming down with the controlled slippages and the recovery.

- Third thing was, Sir, recovery in written off account, we have around 27,000 crores, return of book available and now the trend is, the low hanging fruit from the written off book has already been recovered. Going forward, the run rate for recovery of return of accounts may not be at the same level but now we have to more depend upon the field ground level because small accounts are also part of the written off account. Out of 27,000 odd crores, 19000 crores is in the NCLT book. So NCLT hard core NPAs, out of that some are under liquidation also, they are under various stages. So going forward, it may not be the same trend but yes, if we have strengthened our field, we have brought out special OTS Scheme also from 1st July which will give boost to the return of recovery from the field from the next quarter onwards. 3rd thing Sir, that is you talked about the investment portfolio. Because of that, there is a decrease in the general reserve by 751. Actually it is not the decrease in the overall networth of the bank because it is on account of recap bonds and recap bonds which we were earlier taking on face value, now we have to take them on fair price value. As a result, which we were earlier deducting for calculating CRAR, this 751 crores, which now we are taking to the general reserve. So when we talk about CRAR, it will not have any overall

impact. So that we were already taking care at the time of calculation of CRAR, now it has come in the books. It's as simple as that.

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**

- Ajmera ji, good afternoon. Actually we can explain to you like this. Earlier we were taking this zero-coupon recap bonds of around 2600 crores at face value in our investments. But as per the RBI guidelines, because these are zero coupon bonds, we have to discount it to the NPV and accordingly the difference was taken into account for calculation of capital. So it was being reduced, the difference amount from the capital. Now as per the new guidelines, we have to basically fair value all the items in our investment, so we have done this fair valuation and due to this fair valuation, the same discount which was being applied on the capital is now taken into the general reserve directly. So now the investment value has also reduced to that extent, that is on fair value only now, not on gross value and the difference has been taken into the general reserve. So in totality if we see, the 750 crores is due to that majorly, even after taking that also, the net accretion is there which is being added into the capital due to this new valuation method. So overall, these new guidelines are capital accretive for the bank.

- **Mr. Ashok Ajmera – Participant:**

- So net net, no effect....

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**

- No impact, no impact.

- **Mr. Ashok Ajmera – Participant:**

- Sir, my 2nd question is on, every bank is facing this, deposit growth problem and we are also equally facing the same. But it's better than some of the other banks. I think it is 2.67pc even in this quarter also. So how going forward in future, you continue to keep growing at the same pace. I think you are targeting around 13-14pc of the credit growth. So then how do you maintain that? If the deposit mobilization is not there to that extent or rather it is decelerating, it is reducing rather. So one on that. And secondly, our NBFC portfolio is very good, I mean the size of the NBFC portfolio is I think around, almost around 14 odd percent. So going forward, do we continue to do the same trend of increasing that portfolio and what kind of yield overall we are generating from that portfolio?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- You are right Sir. I think credit deposit gap is a question mark on everybody's mind. Let me just take you back to our CD ratio. Our CD ratio in March 23 was 64pc and now we have reached in the last 5 quarters to 72pc. So we are having around 26pc of our SLR securities. Excess SLR securities are there. So whatever is maturing, we are using those securities also. We are using our....what you call that? Refinance facility also because this quarter I think we have taken around 900 odd crores of refinance also and whatever avenues are there to raise through the TREPS market because cost of deposit is higher, so the cost of raising funds through the TREPS market is lower. So we are using TREPS market because we have excess SLR securities. Right? And we are planning to reach to 75pc by keeping our deposit growth of 8-10pc and advances rate of 12-14pc. We don't foresee any challenge in reaching those levels. If you look at our deposit growth in this quarter, in this quarter our growth is around....total global deposit is around 2pc and overall domestic deposit growth is around, again same 1.89pc and on YoY, it is, 5.87pc. Our focus is on CASA this quarter and in the next quarter and retail term deposit, for that we have launched certain schemes also and we will continue to strive for low-cost deposit and retail term deposit and intend to reduce our dependence on bulk deposit. As a matter of policy, whatever bulk deposit was as on March 2023, now even today, we are below that level and as a percentage, we are bringing it down on a quarter to quarter basis so that we widen our base and we accordingly take stable deposits over a period of time. The 2nd thing Sir, the NBFC exposure is around 14pc of our domestic advances. If you look at our figure, percentage of NBFC advances to total domestic advances is coming down on a quarter on quarter basis. So we intend to keep that percentage in that trend only. We don't want to increase our percentage because NBFC exposure of 14% is reasonable. We don't want to go beyond this also. So within this range, we will keep our exposure, overall exposure.
- **Mr. Ashok Ajmera – Participant:**
- Just one call, the overseas book, I mean which grew faster in this quarter. So where are we putting this money in the overseas....we are an Indian company. What kind of yield are we getting on that? I mean, must be a very small meagre amount or we are getting some good handsome income from that?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- See, in overseas, our book grew, both in deposit also and in advances also. In advances, we are going for the primary syndication and secondary syndication also and wherever the, we have a reasonable NIM, so we are going for those

advances. And the corporates maybe from India also or overseas also, both type of corporates are there while entering into. For deposit, if you look at Y-o-Y basis, our deposit grew by around 4000 crores because while there was opportunity in overseas, while taking into that, I think the overall cost was lower than the cost of deposit which we were able to raise domestically. So we rose deposit from the overseas market, earlier also and the current quarter also because the overall cost was coming down. As a result, you will see, in this quarter, our cost of deposit has come down from the previous quarter and cost of funds has also come down slightly in this quarter. So, this is a calculated strategy that we monitor our rates, domestic and overseas on a daily basis through our Fund's Committee and we take a call to raise deposits from which source it is convenient and cheaper mode of deposits.

- **Mr. Ashok Ajmera – Participant:**

- Ok Sir, thank you Sir. Thank you for this opportunity and if time permits, I will come again.

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

- Thank you.

- **Moderator:**

- Thank you. Our next question is from the line of M.B Mahesh. You can unmute yourself and go ahead.

- **Mr. M.B Mahesh – Participant:**

- Hi! Just one question – in slide 33, the SMA zero on the corporate and others has gone up from 366 crores to 1892 crores. If you can tell us what's happened here?

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

- Just give me a second. Actually SME zero in one corporate account because that account was opened just before the fag end of the year....quarter and there was a one day interest charged in that account and that was serviced on 1st. So immediately thereafter it was serviced on 1st. Because of that it came around 1000 crores, account was there. So because of that only. As on date, it is fully recovered and SMA 1 and 2 is less than 700 crores, more than 1 crore. We are monitoring more than 1 crore, each SMA.

- **Mr. M.B Mahesh – Participant:**

- Sorry, I didn't understand Sir. You are saying that the account was opened this quarter and there was an interest rate outstanding. Is it?

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

- Ya, it was only 1 day interest because it got opened the day before the close and immediately on 1st, it was serviced. It's because of that.

- **Mr. M.B Mahesh – Participant:**

- Ok. The 2nd question is on slide no.18. The securities receipt is down from Rs.1061 to Rs.54 crores.

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

- See, the security receipts have been now marked to market and in the new guidelines and since it was already 100pc provided for, so there is no impact otherwise. So now only the present market value has been taken. Fair value, so the fair value has been taken. It is because of this but since it was already provided for fully, so there is no impact on our P/L and reserves.

- **Mr. M.B Mahesh – Participant:**

- Ok, fine. Done, thank you.

- **Moderator:**

- Thank you. Participants, who wish to ask questions, can raise their hands. The next question....so we have one question from the chat box from Mr. Raju. He asks, "Yield on advances during the quarter declined sharply on Q-o-Q basis. Can you please specify the reason for the same? Also, given the cost of funds have almost peaked, what is your outlook on them?"

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

- Yes. See, yield on advances has come down because in the previous quarter, we had recovered from the TWO where the.....around 100 crores was part of interest income which wasprevious quarter we recovered. So that was the reason that this quarter, the yield on advances has come down by 109cr.....28.....so there is a 81 crores gap in theso 26 bps is the gap. Because 81 crores is the net gap in total. So that is the impact, because of this reason.

- **Moderator:**
- Ok. So the next question is from the line of Mr. Sushil Choksey. Please unmute yourself and ask your question. Mr. Choksey, you can unmute yourself and ask the question. Ok, since we are not getting a response, our next question will be from the line of Jai Mundhra. Please unmute yourself and ask your question.

- **Mr. Jai Mundhra – Participant:**
- Hi! Good afternoon!

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

- **Mr. Jai Mundhra – Participant:**
- Thanks for the opportunity. Sir, my question is on the yield of investment. After these new investment norms, yield on investments have gone up quite sharply. Is this because now AFS are being amortized or there is some other reason in the new framework as to why the yields have gone up?

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**
- Jai, basically there are both the reasons. One is that, our portfolio structure also we are changing. In the last 1 year or so, you have seen that yield have been increasing. Whatever face....incremental investments are happening, that is on little bit higher yield, so that is also helping us. And then this amortization, now the amortization is both ways. Earlier it was only 1 way, only the premium had to be amortized, now the discount is also being amortized. So now that is also helping, means both are the reasons which have helped us improve our yield on investment.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- And denominator fact is also there.

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**
- Ya. Because now it has been fair value, now the investment is on a fair value and it has risen, instead of gross value. I think it is clear to you.

– **Mr. Jai Mundhra – Participant:**

– Yes sir, clear, thank you sir.

– **Moderator:**

– Okay, so the next question we have from the line of Mr. Sushil Choksey, please unmute yourself and go ahead.

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

– Good evening. Congratulations for stable result. Sir, I am looking for based on the current deposit mobilization issues, what would be our guidance in mopping up resources and advances?

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

– Choksi ji, currently our deposit growth, as you have seen is around 7.39% on a YoY basis, and our guidance at the start of the year was 8% to 10%, and advances growth was 12% to 14%. Why we have given a guidance of lower deposit growth, basically because our CD ratio is still less than 75. We are working towards achieving 75% CD ratio. We want to raise funds at the time when we can deploy them profitably. So currently, we have enough resources available, we have excess SLR securities, which we are using to raise resources, which is cheaper in the current scenario. So, we will go for deposit once we achieve around 75% of CD ratio in a larger way only. So, till that time our focus will continue to be on CASA growth and retail term deposit growth. And as you see, that our total CASA share in this quarter on a YoY basis has improved by 52 bps to 38.62%, though it is below the industry benchmark. But we are able to maintain this ratio in spite of tough conditions in the deposit market.

– To raise deposits and to raise CASA, we have taken various initiatives. First, is to onboard the quality customers for which we have launched tab banking, which is now available with around 1,700 branches, which we will be launching to the 2,000 branches and then to 3,000 branches in a phased manner. That is number one. Number two, we have launched a campaign to onboard our customers on the digital channel. And in one year, our onboarding, active onboarding to the digital channel for the retail saving bank customer is almost double. So, what was the level in June '23, now the active retail customers on mobile is double.

– We are targeting our current account holders also, where we are giving them... You can see in our presentation our digital adoption in current account is also improving through sound box, QR code, and we have a corporate mobile

banking app also, where also transaction flow is increasing and improving. So, all these steps we are taking to tap resources.

- Further, to tap women customers, we have launched three innovative products as a Pink Basket for women customers also, wherein we are targeting their savings account, and through recurring deposit, and also for the entrepreneurs, we have launched a current account scheme specifically for women entrepreneurs, wherein special benefits have been passed on.
- So, we expect that these things, in addition to the initiatives which we have taken in the previous quarters and previous year by launching our resource vertical... now this quarter we have launched Zonal Resource Head also at the field level. We expect these efforts or these steps will enable us to enhance our CASA and improve our CASA growth in the remaining next quarters.

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

- Sir, I have no doubt in your credit growth number reaching 75 or exceeding 75 where your CD ratio is concerned. Am I to assume that based on the current treasury yields which are likely to play between 6.85 and 6.95, or it may go to 6.75 in the current quarter, are you balancing a treasury profit along with your credit growth rather than taking high-cost deposit in the first half? Is that assumption, right?

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

- Yes, you are right. We are not going for the high-cost deposit currently. If you look at our total bulk deposits, we are still below or around our March '23 level. So we are not going for the bulk deposit. The bulk deposit is very costly currently also though the other rates, our call rates and our traps, our G-Sec rates have come down, but the bulk deposit rates still are in a very higher side. So, we are not taking deposits at those rates currently. Once the rates come down, then we will start taking deposits also.

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

- Sir, is it possible for us to reach a CASA of 40-42% range in the current year?

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

- It will be tough given the current environment. Because, as you also know, there is a report also and our RBI Governors have also talked about, that customers are going from a savings habit to an investment habit. So, it is tough. But with the

initiatives which we are planning, we believe that we should be able to reach maybe year's time, if we continue our efforts in that direction very seriously. And our field is also activated. Maybe next year we will be able to reach, not in current year.

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

- Sir, noting SEBI Chairperson as well as RBI Governor's statement on fund getting diverted to markets, stock market by retail, how are we in cross-selling or any initiative, earning any profit out of eastern India specifically where our CASA ratios are high, especially the eastern state where we have larger presence compared to our competition?

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

- See, to take the benefit of all those things, on our app we have a technology integration with a service provider wherein our customers can onboard for their Demat accounts, their trading account and also for mutual fund subscription on a SIP basis. So that facility we have already integrated with our app. And all our customers have been made available so that they need not go to any other bank for using their services. Within the bank, we have given that facility to our customers so that in turn bank also earns something as a cross-selling of the product.

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

- Is cross-selling fetching us 25-50 crores or it is at a nascent stage?

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

- It's a nascent stage. From the mutual fund and the broking business, it's a nascent stage because it is yet to take off in a big way.

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

- Sir, my next question is to Mr. Saboo. How does he see treasury profit and the yield pattern behavior for the current year?

– **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**

- So, Choksey ji, you have already told how the yields are going to behave in the near future, as we all understand the current market situation. So, what I can say is that, because of the new guidelines by RBI about the valuation of investments, the actual profit booking plus only M2M about the FVTPL book will help us

through the profit and loss account. Any gains in the AFS book will only go to AFS Reserve. It will not help us in the profitability part. We have surplus SLR still around 7.5%; surplus SLR we are holding. Gradually it is reducing as we are getting the redemption and maturities or some part through market opportunity, if there is any, to book profit. So, gradually it will move in that way only going forward. And if we see some better yields coming forward, if we get some more opportunity for booking a profit, that trading call obviously will be there. So, it will depend upon the market fluctuation, volatility and various factors. So, profitability of treasury through trading will only be helping us in going forward, basically. So, in the current position whatever we have shown, that also includes the fair value gain in FVTPL book. And I do not expect that to continue because once it is booked... because this is the first time valuation method we have applied in the June Quarter. Going forward only the incremental gains will be there. So, it will be not up to that level.

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

- Sir, I appreciate that you take a clue of what yields I am recommending, but what is your bank's view that is more important. I may speculate and ask any yield. That does not mean the bank will speculate on that basis.

– **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**

- So, no we have our own treasury setup. Our dealers and our Chief Dealer and the treasury people take a call on the market depending upon the market situation. But we do not speculate. You know, we are maintaining SLR book and other investments also. But the treasury dealers take a call. So, we do not speculate and we do not even give any forward guidance also because this is a market based phenomena which we cannot comment upon. So, I think that it's better leave to people like you who are operating in the market.

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

- See Choksey ji, there are two ways of looking at it. One has to take a call whether they want to protect their interest earning for the future or they want to book profits. Right? So, if I have to protect my interest earning for the future and probably the bank can go... any bank. I am not talking about my bank or any bank. They can go for high yielding securities to continue in the book and keep interest earnings safe, so that they will add to the profitability and operating profit in the short term. If I have a short-term vision, I can book profits also. So, both ways, every bank will have a different strategy.

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

- Where co-lending and digital initiatives are concerned, you may have tied up MAS and few more names as you specifically said. Is this only specific to MSME or are we looking at co-lending? So, your peer banks in your size of assets and advances, have started focusing on multiple partnerships. So, is our technology stabilized for co-lending on a larger pie to take our book to 8,000-10,000 crores in MSME or various housing loans or affordable housing or any other segments?

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

- See, our co-lending is not only to MSME, co-lending arrangements are MSME also, retail also and Agri also. All three segments. And now our technology partner is well stabilized. And I think now it is more than six months it is stabilized. Earlier, we had taken them on board, there were certain initial hiccups. Now, technology is fully stabilized and we are able to onboard our co-lending customers also on a regular basis.

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

- How are you seeing the shaping of co-lending platform, because sourcing is a big issue which the partner may be bringing on table? And those customers can add a lot of value, because once the customer is at your end, they establishing further benefits is possible. Are you seeing any traction on a bigger way a month on month or...?

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

- This is a value proposition which this co-lending model brings to the bank. And since the bank has started various partnerships, I think from the next quarter onwards, we will start reaping the benefits of this relationship with our co-lending customers who are onboarded on an individual basis. So, maybe next quarter onwards, we will start reaping benefits of those relationships which we are building now.

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

- Sir, how are you preparing for the government holding or SEBI clause on the 75% ownership? Because I hear in the street that government is reluctant to sell, whereas we need to dilute. So, how is that balance going to be achieved?

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

- See sir, we have already taken Board approval and our AGM has also approved for issuing 400 crore equity shares for the face value of 4,000 crores. And if entire thing is done, then we will be able to reduce our government holding to less than 75%. To begin with, we have already sought approval. We have written to the government for giving approval to raise 2,000 crore in the first tranche, because raising that much of money in one tranche is not possible. So, we will go in a tranche wise. We have already taken Board approval also for publishing RFP also and for onboarding merchant bankers. And once that approval comes, we will come to the market at the opportune time for raising capital.
- **Mr. Sushil Choksey – Participant:**
- So, you are looking at fresh issue of shares, not OFS?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Yes, currently option with us is issuance of fresh shares only. But the option continues to be with the government for coming out with an FPO.
- **Mr. Sushil Choksey – Participant:**
- Sir, how are you... I see one large bank taking a lot of advantage between international and domestic and quarter-on-quarter showing some profit in treasury. Are we getting any benefit of that kind in treasury of arbitrage income?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Not too much. Not too much. We are not seeing too much of arbitrage.
- **Mr. Sushil Choksey – Participant:**
- And how is the international book shaping up, sir?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- International book is growing, sir. And if you see, our international deposit also, we have grown on a YoY basis by 48%. What we do on a daily basis, our Funds Committee meets and deposit opportunities, we see whether domestically it is cheaper or overseas centres it is cheaper, including our hedging cost. If it is cheaper there, then we go for the overseas deposit. You'll see that we have our overseas deposit has increased around 4,000 crores in a one-year period. That is the opportunity we see always. And on the credit front also, we go for the primary and secondary syndication and also the LC bill discounting. But major

focus is on the primary and secondary syndication where we get a reasonable return.

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

- Is there any word or any outlook on the associate Bank where I see that there is a little turnaround for us?

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

- Sorry, I couldn't understand.

- **Management – UCO Bank:**

- It is the Paschim Banga Bank.

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

- Paschim Banga Gramin Bank?

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

- Yeah, yeah. That's right.

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

- Ah, so that is already turned around because earlier that was into losses. Previous year they made a profit, good profit and current year, since their results were not audited, so we could not place those results in our... but in the consolidated numbers, we have taken around 4 crores....

- **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**

- 4 crores, yes, our share.

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

- Our share, our share. But now things have changed from the previous year things will improve on a quarter-on-quarter basis at that level also.

- **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**

- And now they are complied with capital also.

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Now they are complied with the capital also. That is also there, yes.
- **Mr. Sushil Choksey – Participant:**
- Yeah, I noted that. Sir, congratulations and good wishes for the current year.
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Thank you.
- **Mr. Sushil Choksey – Participant:**
- And if there are any further questions, I'll join back the queue.
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Thank you.
- **Moderator:**
- Thank you, sir. We have one question from the chat box from Mr. Ashlesh. He asks please share a breakup of your NPA provision of ₹396 crores. Net NPA has declined quarter-on-quarter by only ₹150 crores. Hence, increase in provision for D1, D2 and write off does not fully explain the ₹396 crores?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- See, I have breakup. Yeah. Give me a second. Give me a second. I'm just taking it from my team. I know additional provision which we made na. Additional provision in which segment. His question is on which segment how much additional provision, aging provision is how much, and the substandard provision is how much, fresh provision. Breakup of 396.
- *(Background conversation – trying to get the required information from the concerned team)*
- **Moderator:**
- Sir, in the meantime, we can take another question?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Yes. Please go ahead I'll just give you he's bringing the paper because breakup is not readily available. Just working on that.
- **Moderator:**
- Okay, the next question is from the line of Ashok Ajmera. Please unmute yourself and go ahead.
- **Mr. Ashok Ajmera – Participant:**
- Yes, sir. Thanks for giving the opportunity again for the second time. Sir, again one question is on, which we have not touched upon is on NARCL, I mean, the recovery. Though we have talked about overall in general, the recovery. I mean, NARCL we identify good number of accounts and a good amount also, but only one account has been resolved according to you, and only 4 crore worth of account has been resolved so far. And you are saying that 3 accounts, the bids are given, received, and there are certain sorry, bids are for two and six are kept pending or maybe because of some stay or something. Can you little bit elaborate on this entire NARCL portfolio? And how do we, I mean, in our planning for the next three quarters, how do we expect the recovery from it?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- See, Ajmera ji, one account is already settled through NARCL during this quarter wherein we recovered 4 crore rupees. Right. There are six accounts under discussion, various stages, currently which are identified by NARCL, out of that six accounts pertains to our bank where we have exposure. Right. So, in two accounts they are in a very advanced stage where bids have been submitted and that is under examination and our exposure in those two accounts is Rs. 121 crores. There are three accounts where it has been kept on hold temporarily because of some issues which are going on, just give me, I'll give you that also, because one account has already been admitted in NCLT. So, NARCL has kept on hold that account. One account there are certain discussion of OTS are also going on with the promoters. So, that is on hold and another account is also under CIRP. So, these three accounts have been put on hold currently and once those things don't materialize, probably it will be again taken up at the NARCL stage. And there is one account which is under discussion, in which our bank exposure is around Rs. 76 crores in that account. That is due diligence is going

on. Once the due diligence is over, then they will be advanced stage of giving offer and bids will be submitted. So, these are the six accounts where we have exposure of 850 crores which are under various stages.

- **Mr. Ashok Ajmera – Participant:**

- So, sir I mean, approximately how much, at what valuation we think anything around 25 30% of the overall this thing or 35, 40%, if you take a bid?

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

- Currently, no idea, because we don't have any idea about the offering which will be available because it is difficult to predict anything.

- **Mr. Ashok Ajmera – Participant:**

- Yes, sir. Anyway, we'll come to know as the time goes by. Sir this Saboo ji had explained about this you know Sanjeev's question Treasury income. Now you see the Treasury, the income, which otherwise would have been in Treasury now has become a part of the interest income, the majority of it, because now we are not showing as a other income or this thing we are showing straight away as an interest because of the change in the policy. So, from 472 crore in the last quarter, it has come down to 90 crores. So, what is the exact calculation, had the system not have changed, had we got a similar kind of profits, the Treasury income in the other income?

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

- For this, Ajmera ji we will give you separately because exact calculation I don't have currently.

- **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**

- Yeah. The breakup of 472, we have to see. But that is, means there are certain valuation gains there, which is not this time because, as I already told, the valuation gains are now going into the AFS reserve only, the AFS valuation gain.

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

- So that is what he is asking? So how much is it for me?

- **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**
- So, that was there in the previous quarter. Exactly breakup is not available. What was the actual profit booking and what was the valuation gain. But majority was the valuation gain only, that we can say, majority amount was that only, which is not available this time. So, that's why the fall in the income is there.
- **Mr. Ashok Ajmera – Participant:**
- Yeah. But it has increased the net worth there, it has added to the.....
- **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**
- Yeah, naturally the AFS reserve will help us in the capital. Yeah. Capital calculation, be part of that.
- **Mr. Ashok Ajmera – Participant:**
- In the capital calculation. Yes, yes.
- **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**
- Yes.
- **Mr. Ashok Ajmera – Participant:**
- Sir, again, since the time is there, you know, this Agri portfolio is facing some issues with some states coming for waiver and are we in any way impacted by that or do we think that other states also might come out with similar kind of an announcement and how the banks interests are protected from, because ultimately somebody has to foot the bill. So, how do we see ourselves?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- See Ajmera ji, if you look at the states, which we are talking about like
- **Mr. Ashok Ajmera – Participant:**
- Telangana.
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Telangana, we don't have much presence in Telangana because our presence in that state is not much and our exposure to the KCC segment is very small. It's not a number which is going to impact us so broadly. If you talk about Maharashtra, we are also again not having much presence because in the West our presence is

only 10% of the business outlets. So, 10% branches in the West, which include your Maharashtra also, Gujarat also. So, that much presence is not there and their portfolio, if I look at, that number is also not so significant. And these are the two states I think, which are majorly under discussion currently.

- **Mr. Ashok Ajmera – Participant:**

- Okay, sir. So, coming on this credit advance portfolio only I think I feel that little aggressive on this solar, alternative energy. And we have come out with some very good schemes also under that, so that the automatic sanctions can take place maybe up to 10 crore or something. So, how do you see that portfolio growing, I mean, what is our experience and performance and are we looking some amount, to generate from this kind of renewable energy credits?

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

- See, we have launched a scheme also and we are promoting, and we are encouraging our teams also to fund those projects under these schemes and a lot of traction is there in the field because generally these sanctions are at field level, and we expect that maybe in 6 to 9 months we will build up a good portfolio under this scheme. So, we believe that this scheme is going to benefit not only credit growth, but also the economy as well.

- **Mr. Ashok Ajmera – Participant:**

- Thank you, sir.

- **Moderator:**

- Due to time constraints, this would be our last question. I would request MD sir, for his closing remarks.

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

- Thank you, all our analysts and investors, for sparing your valuable time to join our conference call for the Quarter 1 results for the year 24- 25. And as a bank, we have been consistently showing our performance for the last 5 quarters. Gross NPA has been coming down, Net NPA has been improving. NIM is improving. Our asset quality is also improving. As our restructured book is coming down, our SMA levels are also under control and the Bank is taking various initiatives

to strengthen its IT infrastructure, Cyber security infrastructure and also improving its digital initiatives. We are in the process of launching our digital transformation and next 12 months we intend to go in a big way in our digital transformation by digitizing all our products, making them available on our app, internet banking to facilitate our customers who apply to subscribe to those products at their sweet will, at their choice of location where they will want to. So, we'll continue to improve further in the times to come and hope to make performance stable in the times to come. 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. I would ask the participants to end their meeting. Thank you.

END OF TRANSCRIPT