



UCO BANK

Q3 FY24 RESULTS

Post Earnings Analysts/Investors Meet

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TRANSCRIPT

UCO Bank Management is represented by :

1. Mr Ashwani Kumar, Managing Director & CEO
2. Mr Rajendra Kumar Saboo, Executive Director
3. Mr Vijaykumar Nivrutti Kamble, Executive Director

Moderator : M/s Antique Stock Broking Limited

Moderator – Antique Stock Broking Limited:

- Ladies and gentlemen, Good Afternoon and thank you for joining us for the post result conference of UCO Bank. It is my pleasure to host the senior management of UCO Bank. We have with us Mr. Ashwani Kumar - MD and CEO, Mr. Rajendra Kumar Saboo - Executive Director and Mr. Vijaykumar Kamble - Executive Director. We will begin the call with remarks from the management post which we'll open the floor for Q&A. Over to you MD sir.

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

- A very good afternoon. I welcome all the analysts to UCO Bank's third quarter performance results. I have along with me Executive Director Mr. Saboo, Mr. Kamble, CFO and all vertical heads in this room. I'll just give you a brief about the bank's performance in the third quarter. We have already uploaded the presentation. I hope everybody has gone through it. I'll just give you a brief then we'll go for the question and answer.
- Total business of the bank grew by 10.46% on a Y-o-Y basis and 4.39% on a quarter-on-quarter basis of which, the deposit grew by 5.38% on a Y-o-Y and 2.7% on a quarter-on-quarter basis. Gross advances grew by 18.63% on Y-o-Y and 6.83% on quarter-on-quarter basis. Out of gross advances, our RAM portfolio grew by 17.70% on a Y-o-Y basis and 4.8% on a quarter-on-quarter basis. Of RAM, retail advances grew by 18% on Y-o-Y basis and 5.7% on a quarter-on-quarter basis. Out of retail, our home loan vertical grew by 20.67% on a Y-o-Y basis and 4.4% on a quarter-on-quarter basis. And, vehicle loan portfolio grew by 28.92% on a Y-o-Y basis and 8.37% on a quarter-on-quarter basis. Our agriculture advances grew by 13.22% on a Y-o-Y basis and 1.60% on a quarter-on-quarter basis. MSME grew by 20.79% on a Y-o-Y basis and 4.76% on a quarter-on-quarter basis. Business per employee of the bank which was hovering around Rs. 18 - Rs. 19 crore, it has now crossed Rs. 20 crore.
- Operating profit for the quarter ended stood at Rs. 1,119 crore as against Rs. 982 crore previous quarter. So quarter-on-quarter there was a growth of 14%, and, net profit also for the quarter was Rs. 503 crore as against Rs. 402 crore for the previous quarter. So there was a growth of 25% on a quarter-on-quarter basis, but on Y-o-Y basis there was a decline in net profit.
- I will talk about the asset quality. Gross NPA, there is a trajectory of reduction on a quarter-on-quarter basis. Now the GNPA has improved to 3.85% as against 5.63% and 4.14% on a quarter above thereby registering an improvement of 178

bps on a Y-o-Y basis and 29 bps on a quarter-on-quarter basis. Similarly, net NPA has also come down to 0.98% as on 31st December 23 as against 1.66% as on December 22, thereby registering an improvement of 68 bps on a Y-o-Y basis and 13 bps on a quarter-on-quarter basis.

- Our PCR continues to improve. Now it stands 95.21 basis as of December 23 and our tangible PCR has crossed 75%. CRAR of the bank continue to be good. It is at 16.01% as of December 2023 and this is without considering nine months profit. If we add nine months profit our CRAR will be around 16.94%. Our NIM continues to be around 3%. The domestic NIM was 3.02% and overall global NIM was maintained at 2.84%. Our slippages are under control. Our slippages ratio have come down now. The slippage ratio for the current quarter is 1.09% only and there is a declining trend in the slippages on an overall basis.
- This was all about a brief performance about the bank. I'll just talk two minutes about the initiatives which the bank is taking now. Our bank has already floated RFP for the digital transformation. It is for on boarding the digital knowledge partner and that maybe another seven to ten days will be on boarding the knowledge partner and bank will start the digital transformation journey. Performance Management System bank has already completed. And HR transformation, now the bank is focusing on the learning and development transformation for the remaining part of this quarter and the next quarter. With regard to announcement in cyber security, we are going for an additional cyber security tools and we are also going for the API gateway. We are planning for enhancement in our infrastructure by virtualization of servers in the next quarter and we have also placed order for the integrated treasury solution and last quarter we started our state of the art call centre. Their IVR facility is also available.
- For MSME empower, we have started under CSR activity a journey for online training to MSME entrepreneurs in regional language and that will be CSR from our bank. These are the few initial thoughts. I think if ED want to add anything, we can. So now I think we can go ahead with the question and answer.
- **Moderator – Antique Stock Broking Limited:**
- Thank you MD sir for your opening remarks. We will open the floor for Q&A in a couple of minutes. Whoever wishes to ask a question, please raise your hand. We'll wait for a minute for the question queue to assemble.

- We have the first question from the line of Mr. Deo. Sir, you've been unmuted. Please ask the question.
- **Mr. Deo – Participant:**
- Thank you very much sir for your very excellent presentation slides and your introduction. I just have two questions. First is, as a bank how much funding are you providing to renewable energy sector particularly in solar, wind and water? Can you give some estimates? And second question is, why no dividend? That's all.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Renewable solar, wind and water, give me some time. I will have to get the data regarding how much is given for renewable power. As on date we have given Rs. 702 crore for renewable sector and now we are launching for rooftop as the scheme has been announced by our honourable Prime Minister Modi ji. So, we are launching new product for rooftop solar also. Maybe today or tomorrow that product will be launched. And for dividend, last year we could not get the permission from Reserve Bank of India. We'll wait for the approval from Reserve bank of India then only we'll be able to comment on the dividend.
- **Mr. Deo – Participant:**
- Sir I'm sorry to interrupt you. But RBI, I read in some newspaper gave some instructions regarding that.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- RBI has given some draft guidelines for that. But we are yet to get the final guidelines. Based on that only we will provide for dividend and we will give you the guidance on the dividend then.
- **Mr. Deo – Participant:**
- Thank you very much sir.
- **Moderator – Antique Stock Broking Limited:**
- Thank you sir. Anyone who wishes to ask a question, please raise your hand. We have the next question from the line of Sushil Choksey. Sir, your line has been unmuted.

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

- Congratulations team UCO for a very stable result and progress on credit, whether it was RAM or corporate. Sir, looking at current CD ratio and the market condition where money market is short, you're aware what is the system wide shortage today, how are we placed to take the benefit in the current quarter specifically where the money market may remain elevated despite bond market being below 7%?

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

- Sir, if you look at our CD ratio which was hovering around 63 to 64, now it is touching 70 and that was our target also at the beginning of the year that we intend to reach 71 and then to cross 72 and 73. And then if you look at our LCR, it is around 140% now and we have surplus securities available which we are using to borrow in the TREPS market. As far as deposit is concerned, yes of course there is an increase in the deposit rate but we are going very selective in the deposit. We are using TREPS market for our short-term requirements and going forward to take more resources, we have already revamped our Suvidha - salary saving bank scheme which is bundled with the insurance product. Similarly, current account for the business is also bundled with the insurance product. So, these are the two initiatives and we have already increased rate of interest on the short-term deposit of 300 days to attract fresh deposits also. So these are the few things we have done for augmenting resources in this quarter.

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

- Sir, how do you see your cost of deposit in next one or two quarters by the time market will peak out?

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

- Sir, if you look at our cost of deposit, it is increasing but not so elevated. We'll try to contain our cost of deposit going forward also but there will be some increase in the cost of deposit.

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

- But any measure whether it will increase by 5 bps, 10 bps? Because our loan pricing link to MCLR can easily absorb it. So based on that I see your NII improving. So how much, rough estimate I don't need an exact number.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- If you look at our trajectory of cost of deposit in September it was 4.77, now it is 4.91 and a year ago it was 4.12. So in one year around 80 bps only it has increased. So I think maybe ten to twelve weeks more there can be increase in cost of deposit because now the repricing is also happening. The deposit which we took last year that all are getting repriced. So definitely maybe 5 to 10 bps increase in the cost of deposit.
- **Mr. Sushil Choksey – Participant:**
- Do you see the pricing power is in your hand compared to a customer at least in the current quarter?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- If you look at pricing power in respect of advances, yes pricing power has come back to the lender. Now in many of the cases we have increased prices also and wherever they are not agreeing we have asked them to repay. So that is there in the market.
- **Mr. Sushil Choksey – Participant:**
- Sir, traditionally UCO and eastern banks have a very good CASA rate specifically coming out from the eastern states that is Assam and adjoining area. How do you see that we re-energize ourselves to increase our CASA from the region which can be a big win-win situation for a bank like UCO?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Sir, I already explained earlier. Our CASA ratio hovers around 37% to 38% traditionally, if you look at our previous quarters' performance and we continue to maintain that. There is not much deterioration in the overall CASA ratio. But to answer your specific question, what we are doing, I have already spoken that on our foundation day, 6th of January, we have already revamped our salary scheme where we were offering insurance for a very smaller amount of insurance whereas in the industry other banks were offering higher amount of insurance and other ancillary incentives or benefits along with the savings account. To enhance the saving accounts, we have revamped the entire salary scheme and we have revamped the current account product also. So both these products have been launched in the market and I expect good amount of CASA to generate not only from the east from the other parts of the country also.

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

- My last question in this round. Sir, you have done reasonably well on your RAM, reasonably much better than market expectation. There is position because property prices are rising, auto sales are increasing, maybe salary account linkage to loans is possible. Do you see your market share and your business momentum on that segment showing a similar or a better trajectory in the current quarter or 2024 as a calendar?

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

- Sir, if you look at auto market, currently the data suggests that the SUVs are selling more than the other car and similarly, if you look at our bank's vehicle loan portfolio, you will find that during this quarter there was around 8 to 9% increase on a quarter-on-quarter basis and on Y-o-Y basis also, our increase in the vehicle loan portfolio is around 28%. So a good amount of traction is there for the increased ticket advances or higher ticket advances in vehicle loan portfolio. Similarly in the housing loan also, the growth percentage indicates quite well. In a quarter 4.44 means very clearly that we are focusing on high ticket advantages and we are also trying to partner or approve projects of a renowned or big builder where the ticket size is also high. And we are approving DSAs also on a regular basis and approving projects tying up with the reputed builders and big builders of the area because there are certain renowned builders across the country but area specific builders are also there. So we are trying to approve those projects on an ongoing basis to enhance our reach to those areas and increase our ticket size.

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

- Sir, my last question to Saboo ji. What is his outlook on treasury market specifically pertaining to our book? And maybe current year 10-year GSEC is stable and looks like world market is going to be indicating that there's a rate cut in second half. So how are we placing ourselves despite money market being tied at CD ratio of 17 to take the benefit of it?

- **Mr. Rajendra Kumar Saboo - ED, UCO Bank:**

- Yes. So thank you Choksey ji. But let me tell you that our position in the treasury remains more or less the same as it was in the last quarter as is reflected in our numbers also. So our total investments are more or less at the same level, around Rs. 95,000 crore and whatever the maturities have been there, we have invested

in newer securities and maintaining the same ratio. Still our SLR is very high in comparison to what is required. So we are holding surplus SLR. That's why we are selectively going for the deposits and we are using these SLRs to borrow against them. As far as the view is concerned, you can see that after this declaration of inclusion of India bonds in the JP Morgan index and also the news about that Bloomberg index, there has been some activity in the market and there is selective buying also emerging in the market. We have seen some yield improvement also in the last quarter, in January also. I think, inflation now under control maybe still it is out of the target range of 4%, but still it is within 6%. If going forward, we are able to contain this inflation, which seems like that, the treasure outlook remains positive and we are there, means on wherever opportunity arises, we will be booking profits as well, wherever we have the positions and/or more or less, we will be maintaining the treasury book.

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

- Thank you for answering all my questions and best wishes to UCO team for 2024

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

- Thank you.

- **Moderator – Antique Stock Broking Limited:**

- Thank you, Sushil ji. We have the next question from the line of Amit Mishra

- **Mr. Amit Mishra – Participant:**

- Hello. Can you hear me?

- **Moderator – Antique Stock Broking Limited:**

- Sir, your voice is muffled.

- **Mr. Amit Mishra – Participant:**

- Now, can you hear me?

- **Mr. Rajendra Kumar Saboo - ED, UCO Bank:**

- Yes, Mr. Mishra

- **Mr. Amit Mishra – Participant:**

- Good evening. Sir, my first question is in continuation of previous question. Your RAM book, what is our target, for 5 years target to maintain the RAM ratio, like right now we are at 60% RAM and rest is corporate. So, do we want to continue with this percentage or do we want to increase the corporate book.

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

- Our percentage is 60% and we will continue to be 60 to 62. So, our RAM percentage will continue to hover there. It is to continue at 60%.

- **Mr. Amit Mishra – Participant:**

- Okay, within RAM, our retail is at 25% and MSME is 20%. So, do you want to maintain the same ratio or so we want to decrease the MSME and increase the retail?

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

- No, no, because there is a lot of opportunities at MSME as well and these MSMEs will transform into mid corporates and large corporates going forward, so we will continue to maintain a similar proportion going forward as well.

- **Mr. Amit Mishra – Participant:**

- Sir, at what rate have we done the wages provisions?

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

- We have done it as per the agreement entered at 17%. This quarter, we have made additional provision of around 277 crores. Previous December '22 quarter, provision was only 20 crores. So, now 257 crores of additional provision are there and last quarter, we did 100 crores. Even last to last quarter, we did 80 crores. So, December and March, we provided slightly on a lower side, last year, 20 crores each and whatever shortfall was there, now we have fully converted in this quarter.

- **Mr. Amit Mishra – Participant:**

- Okay, sir. Sir, what are the NIM in overseas business, like NIM domestic is 3.02 but NIM global is at 2.84.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Yes, yes, overseas is slightly on lower side, around 1...
- **Mr. Rajendra Kumar Saboo - ED, UCO Bank:**
- Yes, around 1.6.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- 1.5 or 1.6.
- **Mr. Amit Mishra – Participant:**
- Any reasons for this or do we want to increase our overseas book in the future.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- No, overseas book is like this on an average. If you look at any bank, overseas NIM is in this range only because that is all over linked market, so their NIM is hovering in this range only
- **Mr. Amit Mishra – Participant:**
- Okay, got it sir. Sir, I might have missed it in your opening remarks, I joined late. Can you give me the guidance for FY24 NIM and loan both, for 2 layers.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- See, our guidance for loan growth is 12 to 13 percent and we continue to maintain that guidance. Approximately we are already there, around 10%, we have already achieved on a YoY basis, YTD basis, so 12 to 13 percent, we gave guidance in the beginning and we will continue to maintain that. Slippage guidance ratio, we had given 1.25%. Now, currently we are already below 1.25. This quarter, we are at 1.20 and we expect the same trend to continue and the brokerage, these are the 2 things. Third thing, what was it?
- **Mr. Rajendra Kumar Saboo - ED, UCO Bank:**
- NIM.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- NIM, we continue to maintain NIM on ad hoc 3%, even though despite these conditions, the endeavor will be to maintain 3%.
- **Mr. Amit Mishra – Participant:**
- Okay, thank you sir. Thank you for answering my questions. Thank you.
- **Moderator – Antique Stock Broking Limited:**
- Thank you. we have our next question from the line of Sarvesh Mutha.
- **Mr. Sarvesh Mutha – Participant:**
- Good afternoon, sir. Are you able to hear me?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Yeah, yes Sarvesh.
- **Mr. Sarvesh Mutha – Participant:**
- Sir, my first question is, our 14% advances are going towards NBFCs and in light of the recent RBI regulations, do you see any impact from those.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Sorry, come again?
- **Mr. Rajendra Kumar Saboo - ED, UCO Bank:**
- He said NBFCs.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- NBFCs, okay, okay. See, recent RBI guidelines, they have given increase in risk weight, we have already factored in this quarter and there was an increase in risk weight portfolio of around 4500 crores and that translates to around 65 bps of CRAR which we have already taken in this quarter.
- **Mr. Sarvesh Mutha – Participant:**
- Okay and any AIF related provisions that you have taken.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- AIF, we don't have any exposure. We have only, hardly two and a half crores but that AIF has not lent to the corporate loan. So, there is no requirement of any provision on that. That is hardly two and a half crores.
- **Mr. Sarvesh Mutha – Participant:**
- Okay, thanks for the clarification and sir, on cost to income ratio, for the last couple of quarters, we are above 60%. If we look at FY23, we were at 55,56 percent. So, do you think in the coming 2, 3 quarters, we will be back in the early 50s kind of range?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Yeah, and next year, we expect the cost to come down because bank has already taken a lot of initiative for reduction in the cost like, we are looking at the premises because currently we are looking at the outgo. Teams are looking at the electricity cost also along with the premises. Wherever we have surplus, said audit is going on. We will try to surrender surplus premises. As far as the staff cost is concerned, that will continue, so we are there and this quarter, we have already provided for an extra 257 crores, otherwise costing would have been a little lower but the wage provision was required, that we have made and next quarter onwards I think 100 to 120 crores on a quarterly basis, which will increase the load here, so this quarter 150 crores extra from load is there, next quarter, maybe it will be 120 crores only.
- **Mr. Sarvesh Mutha – Participant:**
- Okay and on our advance growth, they have grown quite well this quarter and when we compare it to other PSU banks, growth has been better, so what exactly are we doing in terms of processes that we are outgrowing other PSU banks?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- See, if you look at our retail growth overall, that is well supported by the improved TAT. We have done the LOS of all our retail journey, so the TAT is monitored right from the time when the application is made in the system, it is being monitored. As a result, there is a growth in our home loan, retail, Agri, MSME, everywhere. In so far as the corporate, in the corporate, there is growth also and in the corporate we look at, we have grown around 15% in PSUs and 15% in corporate. So, there is a mix and the only mantra that the team is trying to

achieve is through is TAT. As we are in a position to reduce the TAT, I think we are in a better position to bargain a little higher interest also and the fees also

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

- Okay and sir, within retail loans, our growth has been broad-based, likewise home loans, so home loans being a majority part of our retail loans, how have the yields been in the home loans. Specially if you look at the last 4 to 6 quarters.

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

- See, our rate of interest or pricing on the home loan is based on the CIBIL score. So, based on the CIBIL score and generally our onboarding is more than 700 on our CIBIL score and where ours ranges from 8.45% to 8.9%

- **Employee - UCO Bank:**

- 8.45 to 8.9.

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

- 8.9%, so in this range, we are onboarding our housing loan customers. Similarly, in vehicle loan also, it is ranging depending on the CIBIL score. Again, it ranges from 8.45% for the customers who have already availed a housing loan from us, it's a lower rating for them and to others, starting from 8.55 goes up to 9.30 based on the rating. So, this is the broad range based on which onboarding is happening in the retail portfolio.

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

- And sir, on the corporate side, we grow 14% this quarter. Where exactly is the growth coming from? Small corporates or mid corporates and what industries are we lending to?

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

- I think, see, there are, give me a second, I have the details. In this 9 months, in total we have sanctioned around 18 thousand crores in the last quarter, 18 thousand crores to various customers of which the NBFCs are also there, around 20 to 25 percent to NBFC and the bank is also there. In fact, infrastructure is also there, around 2000 crores. It is a well spread strategy, civil supply is also around 200 crores, iron and steel are also there, 1800, so it is all spread across the various segments.

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

- And has the size of the company, like what kind of turnovers are these companies, broadly?

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

- These are all 100 to 200 crores turnover companies, AAA, AA, A, our onboarding is mostly more than BBB and above.

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

- Okay and sir, on the return on assets, we have given a big 0.67% this quarter and last year, we were at 0.85, so what is your exit FY24 ROA guidance as well as your medium to long term guidance on ROA? Do you see going towards 1% ROA as what other PSU banks are achieving.

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

- Let me tell you, first, our endeavor is to improve our operational efficiency to control our cost to income ratio and improving our operating profits going forward on a quarter-on-quarter basis and profitability. So, as we improve on operational efficiency and operating costs, I think, on a quarter-on-quarter basis, our ROA will continue to improve. So far as 1% ROA is concerned, I think for our bank size, given the current situation we have, it will take maybe a year or so to reach to that level. Maybe next year, we plan that, next quarter, we will plan for the next quarter also, particularly related to reaching 1%.

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

- And sir, on slippages, MSME slippages have again increased this quarter. What exactly is happening over there?

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

- No, if we look at our slippages, total slippages have come down., June it was 546, December 578 and now 482. Of that MSME segment slippages are hovering around 150 to 200 crores on a quarter. Last quarter, all our slippages in the MSME segment was 260 crores and last quarter September, it was 156 crores. This quarter, 180 crores. So, it is range bound, 150 to 200 crores and we expect the MSME slippages to come down because our restructured book is also coming down on a quarter-on-quarter basis.

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

- Okay and sir, just your thoughts on the capital raising plan. You know that the government shareholding is at 95%. You intend to raise equity capital of 2000 crores. So, what's the plan behind that.

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

- If you look at our CRAR and adding that, the profitability of 9 months, our CRAR is very comfortable, 16.94%, even after considering the growth that we have achieved in the 9 months and so far as capital requirement for the growth, there is no requirement for capital for the growth but yes, government holding is very high, that is the reason we have taken approval also. During this quarter, we don't have any plans. Next year, when we go to the board again, with the approval of the capital raising plan and we will approach government also, maybe for growth plus or maybe for QIP, whatever we plan in the next year.

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

- Okay sir, thank you, thanks for answering all my questions. Thank you, sir.

- **Moderator – Antique Stock Broking Limited:**

- Thank you. We have our next question from Mr Barnawal

- **Mr Barnawal, Participant:**

- Yes sir, the question again on the NBFC exposure. So, are we able to pass on the rate increase to the customer due to change in the RBI RWA guideline because from what of our PSU banks are commenting, we have heard that there was pricing pressure. They have not been able to pass on the rate increase. So, are we able to pass on the rate increase to the customer or are we on the exposure side?

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

- See, as far as NBFC exposures, we have already taken up the matter with many of the NBFCs and some of the NBFCs have agreed and few were not agreeing, so we have got it repaid also from them and again, now they have agreed again and we have agreed to increase that pricing to make that loan available, so it was, just to give you a flavor of how it played out, we also said January but now they have agreed to the pricing, so we have also lend to them. So, on a case-to-case basis,

we are taking call for all NBFCs, one by one. We can increase and where they are not able to absorb, we are exploring the option of coming out also.

- **Participant:**

- Okay, okay, thank you sir. And the next question is on recovery from written off accounts. If we look at the number in this quarter, it was quite strong at 600 crores plus as against the 297 in the previous quarter. So, what is your view on how one should look at this number going ahead. What is the write off pool you have. So, what kind of recovery from this written off do we expect going ahead?

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

- See, if we look at recovery from right of account going in this quarter, I think last quarter also I explained that in one account, we were expecting recovery in the last quarter, it did not happen. This quarter, we got recovery from a few accounts, around 390 odd crores, one account, 390 crores from one account only and that is the reason recovery from written off account is quite elevated this quarter but on a sustainable basis, I think it should be around 250 to 300 crores on a sustainable basis quarter on quarter going forward.

- **Participant:**

- Okay sir. Thank you.

- **Moderator – Antique Stock Broking Limited:**

- Now, if anyone wishes to ask question, please raise your hand. We have our next question from the line of My Sushil Choksey. Sir, you will be unmuted.

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

- Sir, before I get to our business, I want to take something from your history, your experience, Ashwini ji yourself, Saboo ji and Bank of Maharashtra Mr Kamble. Sir, you all have rich experience starting from obviously OBC, PNB, Indian bank, Saboo ji is from PNB and Bank of Maharashtra, looking at the curve between the three of you today, if UCO Bank has to achieve something in the next 12 months, what are the main initiatives which you will do to intent of the bank because you are the only bank from the public sector which is the eastern region and lot of activity starting from mining, railway, manufacturing, bamboo, it is all there, the initiatives but what are the 3, 4 steps which you take, as a bank, it would be a much higher elevated in 2025 from today?

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

- Choksey Ji, one important initiative, I think which probably which I will not hesitate in accepting that we are little behind in that digitization. So, first and foremost step in this next financial year, we are focusing on the digitization. Thus, as we look at the way to increase CASA the way to increase the stickiness of the customer, I think our digital adoption by our customers is a must and to ensure the digital adoption, I think the first and foremost thing is availability of all the products on the digital platform. So that I onboard the customer and then they are there permanently with me because I am able to process all my products or to service their all their requirements which a customer has. So the first and foremost will be the digital transformation for which we have already quoted RFP for the audit partners. And hopefully, by the next 10 days, we'll be onboarding and next financial year, we'll be starting our digital transformation journey in a big way. That is there, then we can focus on the digital business. Because currently we are not able to count or focus on the digital business for want of our digital adoption. Then the stage will be the digital business, will be our focus in the next financial year, we'll be monitoring how much business we are generating through digital business that will help me in reducing my operating cost also and cost to income ratios will also be improved ...improving with this initiative. Second, another initiative from the product size, which you talked about for various, our MSME team is already working on different, different products. And now we will be focusing on the cluster wise approach in this financial year. So based on the cluster, cluster specific schemes for each area will be our focus area. So they're based on the cluster, we make a scheme and we launch a scheme there and we start generating business out of that cluster. Third thing for anything, we need to have a skilled team, skilled people. For that we have already gone to the market for hiring, skilled level in IT, in risk management, in credit, in data analytics, and we'll be onboarding our new people or the staff with all those skills. For improving the skill of our own people who are already there or upskilling them we'll be we'll be now revamping our entire learning and development module and the journey so that we are able to upskill our or reskill our own people as well, to face the new challenges or the journeys or digital adoption or cluster specific, or CASA whatever. So, the change management program will be the key focus to our learning and development and transformation. And I think these are the three or four things which we think we should do apart from focusing on business parameters which we have already spoken.

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

- Business parameter is a follow up of technology and human resource which you will empower if they are in place, I suppose the profitability is just a time, matter of time. So what kind of spend have we budgeted for technology, what kind of budget have we taken up for human resource development whereas skilling of your staff existing and new , new obviously will come at market salary but existing staff is concerned?

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

- See, for... I'll just give you a brief idea about the IT budget. 2-3 days I've been sitting with the IT team. So, for this quarter, we have initiated or we have planned two things which we need to incorporate or on board and the total spend, including IT infrastructure, even cyber security and Digital transformation one more there was, API gateway, Treasury solution, AML solution, we are centralized Forex, and domestic trade finance, centralization of that. All these things if I have a look at during this quarter which we have planned, if all the plans are going in according in the right direction, around 200 crores of additional spend, we are planning in this quarter itself. And for the next quarter we'll be budgeting now, based on the strategy we are planning maybe in a month's time, but for the next this quarter, we have planned around 200 crores of additional spend on IT.

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

- Sir, 200 crores maybe only for the quarter, but for the initiative which you take will you drop for next one year or two years some sizable budget or these 200 is just a precursor to actual budget which you decide?

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

- 200 crores is only planned for this quarter. And for next year, the budget will be higher, because whatever initiatives we have planned all, like data warehouse, we have already planned, their phase one we have already placed order for around 20 crores, but the overall cost is around 70 crores, so 50 crores will go in the next quarter. And then our overseas Finacle upgradation also we have planned. Likewise, ALM and transfer price mechanism solution, we are also planning. So, all these things will come.

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

- Sir and human resources, you said that you are hiring many people from market and you will be skilling some existing setup. So, how many positions are you creating for IT, how many for credit, some kind of idea if you can throw?

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

- See for credit we have already advertised around 50 positions and for IT I believe it is...

- **GM, HR – UCO Bank:**

- 100.

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

- 100. 20 or 120. IT. IT, we have already advertised for 20 positions. We have already hired IT consultant we are now given advertisement for CTO also, we have given advertisement for HR advisor also, learning and development advisor also. Even we are going for a gold vertical advisor also and risk management around 15 positions we have already advertised and security officers also we have advertised and what else agriculture officers also.

- **Management – UCO Bank:**

- Collection Officer.

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

- Collection officer also we have advertised. So, these are the product specific advisors and the positions we are creating, and we will be hiring people.

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

- So, you see 2024 taking lot of time for initiatives and showing you results at the same time, but the actual results may follow in some time to come I suppose.

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

- Yes. Yes. Yes, actual result, that will be in the next year only.

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

- Okay. Sir, you mentioned to one of the participant asking a question on corporate and RAM book of 60:40. It's comfortable, whether you do 60, 62 or 65 and 35 whatever suits you based on the NIM which you get. But if I have to ask you a question UCO bank is attracting what kind of customer base today in the corporate world which is giving you a reasonable return at the same time comfort and quality? I mean sector wise where are you seeing growth coming to your bank?

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

- See one sector is I think infrastructure, Iron and Steel metals, these are the two sectors where we are getting, even textile also we are getting, even this ethanol that is also one area we are getting some good proposals and apart from that I will just share with you, even NBFCs we could get some good proposal, PSU's we were able to get good proposal or Food processing also and Iron and Steel , food processing, cement, infrastructure. Yes, these are the areas where we are getting proposals.

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

- Sir, secondly, have you tied up with PFC, REC and IREDA for any kind of....

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

- With IREDA we are in the process. Our internal approvals are there I think we will be now entering into a MoU with them for the co-lending arrangement.

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

- So, co-lending and they would process, or you would process the business?

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

- They are the term lending institution. They will be processing and we will look at from our policy angles and then wherever we are in a position to participate we'll participate and second option will be room will be, because they are the

term lending, all the projects will require working capital so we'll be participating in the working requirement as well.

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

- Sir, my one question you answered that you will look at QIP, looking at the market condition for PSU stocks marketed by our honorable Prime Minister, this is the biggest gain of the year. You people are made handsome gains, it is not in private sector but public sector stocks, whether it is PSU banks, Defense stocks, railway stocks multiple. Looking at your current condition with government holding, why would you dilute your holding by doing a QIP and not an OFS.. I am not expecting an answer from you. But I'm just saying you should debate to take the advantage whereby government also has a benefit at the same time you get benefit because your CD ratio doesn't need a higher equity base because your retained profit and that trajectory itself will give you growth next year. So, I'm just putting up and I'm sure you have Tier I bonds appetite too whenever the yields are in your favor, not today's market conditions.

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

- See, I've already spoken that we'll be taking up with the government for OFS as well, because this is the call that Government has to take. We can only address them, or we can only request them to go for that way. But, if at all we have to look at from the growth requirements particularly we don't require capital per se because our existing TRAR, Tier 1, CET 1, even after considering the growth of this quarter and nine months, it is at 16.01% and if we add back our profitability, it will be around 16.9%. So, next quarter profitability will also be added. So, I believe by next quarter it should cross 17%. I think.

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

- One question to Saboo ji, based on the current money market and the bond market if corporate bonds are available at 9, 9 ½ % and you are lending to double A and triple A and maybe A rated customers at MCLR plus quarter, MCLR plus half, if it is NBFC it will be higher and if you estimate that the inflation rate as what RBI is guiding and what you spoke. Will we take some advantage.... I'm not asking for your position will we take some advantage differentiating like SBI in the market or we will stay with the entire pack and stay away from it?

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

- No, we are not staying away and we are very much in the market. And there are 2-3 points which we consider while we go for investment in corporate bonds. Number one point is the duration as you can see from our duration, it has already means increase a little bit that is consciously increased. So, that is around 3.21. So, we are consciously keeping our book duration at around 3 to 3.5 only. So, we are not going in very long duration bonds that is number one. Number two is that we are also exploring for better rated bonds only. So that may be AA and AAA only. Number three is that we should get sufficient means return also the coupon also has to be considered. Keeping in view all these three points, we are consciously increasing our book as you can see, quarter on quarter there has been an increase in the bond portfolio, non-SLR bond portfolio of our bank. So collectively we are going for that corporate bond also that is very much open for us.

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

- Sir, today HSBC in the leading journal, which is published from Calcutta mainly business standard, is carrying article that we should get 100 billion flow into corporate bond market in India, in one year or the timeframe, whatever it may be two years. 100 billion bonds, I don't think so India has ever witnessed this flow even in equity on a cumulative number of years not that the holding is much larger, but if you take a one- or two-years span. So, looking at your CD ratio, this is just a suggestion, no compulsion from my side. I think we are well placed because our CD ratio being at 70, we may be a better place than some of the other larger banks whose CD ratio are at 75 - 80% and are jumping around for largest bank is looking at support from banks like you to take over some assets on a short-term funding. I think we are well placed, and I feel the team which is managing UCO bank today at top level has potential to dramatically surprise the market. So, I'm asking this question, nothing beyond that.

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

- Thank you, Sushil. Thank you. I think it's a very relevant point you have made. The team is well, cognizant of this fact. They're looking for opportunities as well as come the way. Maybe next quarter, we'll give you some news.

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

- Sir, thank you for answering all my questions. And best of luck for 2024 again.

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

- We will give one more thing I would like to share that we are holding provisions out on the standard book and that is around 3000 crores in the standard book of which around 1500 crores in our mandated position in terms of RBI guidelines of 7th June 2019 circular or RF1 or RF2, or MPLL to credit standard asset. But apart from that, in SMA one and two June quarter we provided 189 crores without ... that time SMA one and two, more than one crore was around 2041 crores. So, 189 crores we have provided but our SMA one and two more than one crore has come down to around 1200 crore, 1141 But we are not worrying, worse that for any reason we are continuing to hold 189 crore in SMA one, two, more than 1 crore, provision of 189 crores. Forward provisioning of 530 crores we are continuing, and we have already provided for IMPS provision, if any case we have already provided for the 100-crore provision, and we are also maintaining contingency provisions in addition to that. So, total put together we are having around 1335 crores of provision on a standard asset which is beyond RBI mandated. Some 2800 crore ...2900 crore is the total provision.

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

- Sir, you are prudent to carry almost 1% of asset as cushion for future when the environment is very good. Then I may ask one more question as time permits, if somebody is wondering, what is the undisbursed credit line which you have sanctioned today?

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

- It's around 5000 crores.

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

- 5000. And what kind of pipeline do you see in infrastructure and corporate banks in the current quarter?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Then same, it is a mix infrastructure also, corporates also, PSU's also NBFC's also, everybody reaching out for additional line.
- **Mr. Sushil Choksey - Participant:**
- But are you seeing a higher amount than the last quarter or the market is tied, the bond market maybe not conducive, so people will line up at banks to take more borrowing?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- It's slightly higher side, corporates or the NBFC's which were not earlier approaching they have also started approaching the bank.
- **Mr. Sushil Choksey - Participant:**
- Sir, thank you and best wishes to all your aspirations and thoughts which you've shared with us.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Thank you.
- **Mr. Rajendra Kumar Saboo – ED, UCO Bank:**
- Thank you.
- **Moderator - Antique Stock Broking Limited:**
- Thank you, Sir. This was a last question. We thank UCO bank for giving opportunity to Antique stock broking for hosting the call. I would hand it over to MD sir for his closing remarks.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Thank you, all the analysts and thank you Antique stock broking for arranging this Con-call. Before we conclude, I just want to reiterate and clear that bank has been doing consistently well on a quarter-on-quarter basis showing sustainable

growth, improvement in the asset quality by reduction in gross NPA, net NPA. slippages are under control and whatever guidance we have given; we believe that will be within the guidance in the next quarter. Thank you. Thank you, all the analysts.

- **Moderator - Antique Stock Broking Limited:**
- Thank you, Sir. Thank you everyone for joining in. This concludes the call. Everyone can disconnect the line.

~End of Transcript~