

Rating Rationale

10 Feb 2023

UCO Bank

Brickwork Ratings withdraws the rating of BWR A+/Positive to the Bonds amounting to Rs. 2,000 Crs of UCO Bank

Particulars

Instrument	Amount Rs Crs		Tenure	Rating*	
	Previous	Present		Previous (14 Feb 2022)	Present
Lower Tier II Bonds (under Basel II)	1,000	-	Long Term	BWR A+/Positive (reaffirmed & revision in outlook from stable)	Withdrawn on redemption
Tier II bonds (under Basel III)	1,000	-		BWR A+/Positive (reaffirmed & revision in outlook from stable)	Withdrawn on redemption
Total	2000.00	-		-	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

The aforesaid bonds rated by BWR were redeemed in full as conveyed by the bank and confirmed by the debenture trustee.

Note: i) Lower Tier II bonds (Basel II) were duly redeemed on its maturity date of 28 Dec 2022

ii) Tier II bonds (Basel III) redeemed through exercise of call option on completion of 5 years on 31 Mar 2022

RATING ACTION / OUTLOOK:

Brickwork Ratings (BWR) withdraws the ratings of various bonds of UCO Bank, as tabulated above.

BWR has withdrawn the rating for the Lower Tier II Bonds (under Basel II) of Rs. 1000 Crs and the Tier II bonds (under Basel III) of Rs. 1000 Crs on its full redemption, as conveyed by UCO bank and confirmed by the debenture trustee. The lower tier II bonds (under Basel II) of Rs. 1000 Crs were redeemed in full on its maturity date, and the Tier II bonds (under Basel III) of Rs. 1000 Crs were redeemed in full through exercise of call option on completion of five years from the date of issue. The rating withdrawal is in line with the BWR policy on withdrawal of rating.

Tier-II Instruments (under Basel III)

The distinguishing feature of Tier-II capital instruments under Basel II, is the existence of the point of non-viability (PONV) trigger, occurrence of which may result in loss of principal to the investors, and hence, to default on the instrument by the issuer. According to the Basel III guidelines, the PONV trigger will be determined by the RBI. BWR believes that the PONV trigger is a remote possibility in the Indian context, given the robust regulatory and supervisory framework and the systemic importance of the banking sector. The inherent risk associated with the PONV feature is adequately factored into the rating on the instrument.

About the Bank

UCO Bank, founded in 1943 is one of the older public sector banks in India. The bank has its headquarters in Kolkata, West Bengal. The Government of India holds 95.39% shareholding in the bank as on 31 December 2022. The Bank generated net profits of Rs. 167 Crs in FY21 and since then the net profits have been increasing, on a q-o-q basis. For 9MFY23, the bank’s net profits were Rs.1281 Crs, against Rs.617 crs for 9MFY22. And, the net profits for Q3Fy23 were Rs.653 Crs, as against Rs.310 crs for Q3FY22. The improvement in net profits was on account of incremental advances resulting in increased interest income. As on 31 December, 2022, the bank had a total of 3120 branches and 2415 ATM’s. The bank, based in the eastern region of the country, has a presence across the nation.

Bank’s Financial Performance - Standalone

Key parameters	Units	Audited FY21	Audited FY22	Unaudited 9MFY23
Global Business	Rs Crs	394,229	353,850	394,229
CASA Ratio	%	39.66%	39.42%	36.4%
CD ratio	%	57.50%	57.92%	62.12%
NII	Rs Crs	1413	1652	5372
Provisions (other than tax)	Rs Crs	3982	3868	985
PAT	Rs Crs	167	930	1281
Gross NPA ratio	%	9.59%	7.89%	5.63%
Net NPA ratio	%	3.94%	2.7%	1.66%
PCR	%	88.40%	91.44%	93.58%
CRAR	%	13.74%	13.74%	14.32%
Tier I ratio	%	11.14%	10.97%	11.57%
CET-1 ratio	%	11.14%	10.97%	11.57%

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY - NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

Sl. no	Instruments	Current rating			Rating History		
		Type	Amount Rs Crs	Rating	2022 14-Feb-2022	2021 08-Mar-2021	2020 30-Mar-2020
1	Tier II bonds (under Basel III)	Long Term	0	Withdra wn	BWR A+/ Positive [reaffirmed with revision in outlook from Stable] [Rs. 1000 Crs]	BWR A+/Stable (reaffirmed) [Rs. 1000 Crs]	BWR A+/ Stable [reaffirmed with revision in outlook from Negative] [Rs. 1000 Crs]
2	Lower Tier II bonds (under Basel II)	Long Term	0	Withdra wn	BWR A+/ Positive [reaffirmed with revision in outlook from Stable] [Rs. 1000 Crs]	BWR A+/Stable (reaffirmed) [Rs. 1000 Crs]	BWR A+/ Stable [reaffirmed with revision in outlook from Negative] [Rs. 1000 Crs]
			0		Nil		

COMPLEXITY LEVELS OF THE INSTRUMENTS - HIGHLY COMPLEX

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Capital Instruments Issued by Banks and Financial Institutions**
- **Banks and Financial Institutions**
- **Policy on Rating Withdrawal**

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UCO Bank

ANNEXURE I

Instrument Details

Instrument	Issue Date	Amount Rs. Cr	Coupon Rate %	Maturity Date	ISIN No.
Lower tier II bonds under Basel II	28-Dec-2012	0	9.00%	28-Dec-2022	INE691A09185
Basel III Tier II Bonds	31-Mar-2017	0	8.95%	31-Mar- 2027	INE691A08047

ANNEXURE II

INSTRUMENT (NCD) DETAIL: NA

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