

March 30, 2020

UCO Bank: Ratings withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Lower Tier II Bonds – Basel II	800.00	0.00	[ICRA]A+(Negative); withdrawn
Upper Tier II Bonds – Basel II	500.00	0.00	[ICRA]A-(Negative); withdrawn
Total	1,300.00	0.00	

*Instrument details are provided in Annexure-1

Rationale

The ratings for the Rs. 800-crore Basel II compliant Lower Tier II Bonds and Rs. 500-crore Basel II compliant Upper Tier II Bonds of UCO Bank (UCO) have been withdrawn. There is no amount outstanding against the Rs. 800-crore Lower Tier II Bonds as the rated bonds were redeemed on maturity. Further, there is no amount outstanding against the Rs. 500-crore Upper Tier II bonds as the rated bonds were redeemed by the exercise of a call option. Hence, the ratings have been withdrawn as per ICRA's rating withdrawal policy.

Key rating drivers and their description

The key rating drivers have not been captured as the rated instruments are being withdrawn.

Liquidity position

The liquidity position has not been captured as the rated instruments are being withdrawn.

Rating sensitivities

The rating sensitivities have not been captured as the rated instruments are being withdrawn.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Rating Methodology for Banks Impact of Parent or Group Support on an Issuer's Credit Rating ICRA Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	The ratings factor in UCO's sovereign ownership and the demonstrated track record of capital infusion by the Government of India (GoI). ICRA expects the GoI to support UCO with capital infusion.
Consolidation/Standalone	Standalone

About the company

UCO Bank was established in 1943 as United Commercial Bank and was nationalised in 1969. The bank was wholly owned by the GoI until September 2003, when an initial public offer led to a reduction in the GoI's stake to 75%. As on December 31, 2019, the GoI had a 93.61% stake in the bank. As on December 31, 2019, the bank had 3,088 branches, including one branch in Hong Kong and one in Singapore. UCO is focussed on the rural and semi-urban segments, with around 61% of its branches being in these areas. It had 2,048 ATMs as on December 31, 2019.

In 9M FY2020, the bank posted a net loss of Rs. 2,454 crore on an asset base of Rs. 2,23,591 crore compared to a net loss of Rs. 2,769 crore on an asset base of Rs. 2,04,019 crore in 9M FY2019. As on December 31, 2019, UCO's capital adequacy ratio was 10.27% (Tier I: 7.21%; both Basel III), while its gross and net NPAs stood at 19.46% and 6.34%, respectively.

Key financial indicators (audited) - Standalone

	FY2018	FY2019	9M FY2019	9M FY2020
Net interest income	3,125	4,311	3,019	3,838
Profit before tax	(4,427)	(4,306)	(2,780)	(2,454)
Profit after tax	(4,436)	(4,321)	(2,769)	(2,454)
Net advances	1,07,470	99,314	94,264	97,804
Total assets (excluding revaluation reserves)	2,13,704	2,28,134	2,04,019	2,23,591
% CET 1	8.23%	8.64%	7.14%	7.21%
% Tier 1	8.94%	8.64%	7.14%	7.21%
% CRAR	10.94%	10.70%	9.33%	10.27%
% Net interest margin / Average total assets	1.41%	1.95%	1.93%	2.27%
% Net profit / Average total assets	-2.00%	-1.96%	-1.77%	-1.45%
% Return on net worth	-35.19%	-28.73%	-28.94%	-20.64%
% Gross NPAs	24.64%	25.00%	27.39%	19.46%
% Net NPAs	13.10%	9.72%	12.47%	6.34%
% Provision coverage excl. technical write-offs	53.90%	67.71%	62.23%	72.00%
% Net NPA/ Net worth	111.71%	64.16%	91.04%	37.22%

Amounts in Rs. crore; Net worth excludes revaluation reserves

Source: UCO Bank, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sl. No	Instrument	Rating (FY2020)					Chronology of Rating History for the Past 3 Years								
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating	Earlier Rating	Date & Rating in FY2019			Date & Rating in FY2018		Date & Rating in FY2017			
					30-Mar-2020	29-Aug-2019	21-Nov-2018	25-Jul-2018	25-May-2018	9-Aug-2017	20-Jun-2017	24-Jun-2016	30-May-2016	29-Apr-2016	
1	Lower Tier II Bonds	Long Term	800.00	-	[ICRA]A+ (Negative); withdrawn	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]AA- (Negative)	[ICRA]AA- (Negative)	[ICRA]AA (Negative)	
2	Upper Tier II Bonds	Long Term	500.00	-	[ICRA]A- (Negative); withdrawn	[ICRA]A- (Negative)	[ICRA]A- & (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]AA- (Negative)	

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE691A09169	Lower Tier II Bonds	08-Mar-2010	8.92%	08-Mar-2020	800.00	[ICRA]A+(Negative); withdrawn
INE691A09177	Upper Tier II Bond	25-Mar-2010	8.90%	25-Mar-2025 (Call:25-Mar-2020)	500.00	[ICRA]A-(Negative); withdrawn

Source: UCO Bank, ICRA research

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