

MARCH 03, 2015

CARE ASSIGNS 'CARE AA+' RATING TO THE PROPOSED INFRA BOND OF UCO BANK

Ratings

Facilities/Instruments	Aggregate amount (Rs. crore)	Ratings ¹	Remarks
Proposed Infra Bond Issue	1,500*	CARE AA+ (Double A Plus)	Assigned

*including green shoe option of Rs.500 crore

Rating Rationale

The aforesaid rating draws strength from the strong parentage with continued support demonstrated by the Government of India (GoI), its long standing track record, pan-India presence with wide & expanding branch & ATM network, adequate capitalisation, continued growth in advances, satisfactory proportion of low cost deposits, stable investment profile and; satisfactory ALM and Interest rate sensitivity profile. The rating also factors in the satisfactory financial performance of the bank. The ratings are, however, constrained by its moderate asset quality. The bank's ability to maintain the business growth and CASA deposits along with simultaneous protection of its spreads; and improving its asset quality will be the key rating sensitivities.

Background

UCO BANK incorporated in 1943 and nationalised in 1969, is one of the major public sector banks in the country with the Government of India (GoI) holding 77.20% equity stake in the Bank as on December 31, 2014.

UCO BANK earned a PAT (after deferred tax) of Rs.929 crore on total income of Rs.16,099 crore in 9MFY15 as compared to a PAT (after deferred tax) of Rs.1,511 crore on total income of Rs.19,550 crore in FY14 (refers to the period April 1 to March 31). Gross NPA (%) and Net NPA (%) of the bank deteriorated to 6.50% and 4.25% as on December 31, 2014 from 4.32% and 2.38% as on March 31, 2014 respectively. This apart, UCO BANK's CAR as per BASEL III, continued to remain satisfactory at 12.12% as on December 31, 2014 as compared to 12.68% as on March 31, 2014.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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²Complete definition of ratings assigned are available at www.careratings.com and in other CARE publications.

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