OCTOBER 19, 2015

CARE WITHDRAWS RATING ASSIGNED TO LOWER TIER II BONDS (SERIES VI & SERIES VII) AND REAFFIRMS THE RATINGS ASSIGNED TO THE VARIOUS INSTRUMENTS OF UCO BANK

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Lower Tier II Bonds (Series IX & Series X)	375 (Rupees Three hundred seventy five crore)	**CARE AA+ (Double A Plus)**	**Reaffirmed**
Upper Tier II Bonds (Series I & III)	620 (Rupees Six hundred twenty crore)	**CARE AA (Double A)**	
Perpetual Bonds (Series I)	150 (Rupees one hundred fifty crore)	**CARE AA (Double A)**	
Proposed Infrastructure Bonds	1,500 (Rupees One thousand five hundred crore)	**CARE AA+ (Double A Plus)**	
Lower Tier II Bonds (Series VI & Series VII)	-	-	**Withdrawn**

CARE has rated the aforesaid Upper Tier II Bonds & Perpetual Bonds one notch lower than Lower Tier II Bonds of UCO Bank in view of their increased sensitiveness to the Bank's Capital Adequacy Ratio (CAR), capital raising ability and profitability during the long tenure of the instruments.

The rating factors in the additional risk arising out of existence of the lock-in clause in hybrid instruments. Any delay in payment of interest/principal (as the case may be) following invocation of the lock-in-clause, would constitute as an event of default as per CARE's definition of default and as such these instruments may exhibit a somewhat sharper migration of rating compared to conventional subordinated debt instruments.

Rating Rationale

The aforesaid rating continues to draw strength from the strong parentage with continued support demonstrated by Government of India (GoI), long track record of operation, pan-India presence with an extensive branch & ATM network, adequate capitalization and moderate liquidity parameters. The ratings are, however, constrained by moderation in financial performance and deterioration in asset quality in FY15 & Q1FY16.

The bank's ability to shore up its CAR, improve its NIM and asset quality, and maintaining satisfactory proportion of low cost deposits will remain the key rating sensitivities.

Background

UCO Bank (UCO), incorporated in 1943, is a Kolkata-based mid-sized public sector bank. UCO manages a deposit base of Rs.208,119 crore and advance portfolio of Rs. 149,226 crore through a network of 3,030 (including four overseas branches) as on June 30, 2015. Of this, about 37% branches are located in metropolitan and urban areas. All the branches operate on core banking solution (CBS). Government of India (GoI) is the major shareholder of UCO, holding 72.83% equity stake as on June 30, 2015.

Since, Mr. Arun Kaul has retired from the post of CMD on August 31, 2015. In absence of the CMD, the two Executive Directors (i.e. Mr. Jai Kumar Garg and Mr. Charan Singh) are jointly in charge of the UCO Bank, till a regular incumbent takes over the charge of CMD.

The bank's operating profit declined in FY15 mainly due to sharp increase in interest expense on the back of decline in nil cost Iranian deposit. The bank's asset quality parameters has deteriorated in FY15 & Q1FY16, with GNPA and Net NPA ratios increasing from 4.32% and 2.38% as on March 31, 2014 to 7.30% and 4.53% as on June 30, 2015, respectively.

While the bank's overall CAR (as per BASEL III) has fallen from 12.68% as on March 31, 2014 to 11.71% as on June 30, 2015, the Tier I CAR remained stable at 8.71% as on June 30, 2015.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Analyst Contact
Name: Mr Utkarsh Nopany
Tel: 033 4018 1605
Cell: + 91 9836186474
Email: utkarsh.nopany@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rakesh Jayaraman
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 76655 96136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

CIN - L67190MH1993PLC071691