Transcript

of

Analysts/Investors Meet

held on February 6, 2023

at Mumbai.

Moderator: Namaste and Good evening everyone. My name is Mamta Samat from Perfect Relations, and I will be the moderator for today's event. On behalf of UCO Bank, I would like to extend warm greetings to everyone. Thank you to each one of you for joining us on UCO Bank's Q3-FY23 analyst meet. Today we have with us the senior management represented by Shri Soma Sankara Prasad, MD & CEO. Shri Soma Sankara Prasad, MD & CEO assumed the office of Managing Director & CEO of UCO Bank on 01 January 2022. Prior to this, he was holding the position of Deputy Managing Director and Group Compliance Officer at State Bank of India. During his 35 years of service, he has held important assignments in various capacities in Treasury operations, Retail, Corporate Credit, Insurance, and International Banking. Mr. Prasad has also worked as Chief Financial Officer at SBI General Insurance Co. Ltd. and as MD & CEO at SBI Pension Funds Pvt Ltd. We also have Shri Ishraq Ali Khan, Executive Director. He has been associated with the bank since 10 March 2021. Prior to this, he was Chief General Manager & Chief Technology Officer (CTO) in Union Bank of India. During his 33 years of service at Union Bank of India, he held various positions in Regional Office, Zonal Offices and FGM Offices. We also have Shri Rajendra Kumar Saboo, Executive Director. He assumed the charge as Executive Director of UCO Bank on 21 November 2022. Before that, he has been associated with Oriental bank of commerce and Punjab National Bank. In his 29 years of service, he has held a rich banking experience across multiple banking domains such as Branch Banking, Credit, HR, Treasury among others. We also have Shri Shashi kant Kumar, Chief Risk Officer and Shri. Sujoy Dutta, Chief Financial Officer. Before we begin, I would like to say that some of the statements that will be made in today's discussion may be forward-looking in nature. We will begin the meeting with the opening remarks from the management, followed by the Q3 earnings presentation and later interactive Q&A session.I would now request Shri Ishraq Ali Khan, Executive Director to make his opening remarks. Over to you Sir.

Shri Ishraq Ali Khan : Good evening, ladies and gentlemen. I extend my warm welcome to all the investors and analysts to our investors meet to discuss about the Q3 financial performance of the bank, and before we commence our presentation, I wish to say a few words about our bank. Founded in 1943, UCO Bank has grown into one of the leading Public Sector Bank with apan India presence. The bank has extensive networkof over 3,100 branches and 2 international branches, each at Hong Kong and Singapore. The Bank is serving huge customer base of 4 crores by delivering variety of products with adoption of state of the art technology. We have been on-boarding several Fintech companies and entering co lending tie-ups for enhancing customer reach and customer convenience. The Bank has crossed several milestones in its 79 years of journey. The global business of the bank scale to its highest level of Rs.3,94,228 crores, as on 31st December, 2022, with deposit of Rs.2,43,169 crores and advances, of Rs.1,51,059 crores. On capital front bank floated its initial public offer during the year 2003, and actively traded on National Stock Exchange and Bombay Stock Exchange. The Bank has a huge shareholder base of over four lakh shareholders with government representing 95.39% of the capital. Employees of the bank have contributed significantly to the share capital through subscribing to ESPS. Employees hold 0.82% of the capital. As our country is expected to grow at a robust growth of 7% this year. Banks being the torch bearer of the economic growth, we expect the bank to continue to scale to new heights and win the investor confidence. I once again, thank you all for participating in this investor meet. Thank you.

Moderator: Thank you sir. May I request Shri Soma Sankara Prasad, MD & CEO sir to take us through the investor presentation.

Shri Soma Sankara Prasad, MD & CEO: I think all of you are aware that UCO Bank came out of PCA in 2021 August. After we have come out of PCA, the emphasis has been on growth.At the earlier phase when we are in PCA for 3 to 4 years, it was on recovery and consolidation. So from January 2022, the focus has been on growth and that is one of the reasons why we decided to open 200 new branches all over the country. That is one thing which we have done, and of course, in this journey of nearly one year I can only say that the bank has really grown in terms of business and all other financial parameters which are in important to a bank.Of course, business-wise, I think all of you are aware that as at the end of December 22, our advances have grown by about 20.35%, which is more or less in line with the market and deposits have also grown at a pace which is slightly above the market, and one of the reasons as to why the bank has been doing very well is the quality of underwriting has gone up, the slippages have come down considerably, and we have been able to recover many bad loans which had gone bad in the earlier years. So, if you look at our gross NPA ratio as on 31st March 2022, it was 7.89% and today, as we speak as of the end of December, it was 5.63%. So, there is a drop of nearly 226 basis points in the grossNPA. In the net NPA, if you look at March-22 which is not very far away, about 9 months back, the net NPA was around 2.7% and today it is at 1.66%. That is, there is a drop of 104 basis points.This we have achieved without sacrificing our PCR. Our provision coverage, ratio, if you have a look at it now, it is at 93.5%, which is the third highest in the banking industry, after the IDBIBank and Bank of Maharashtra. So even the provision coverage ratio has gone up by about 200 basis points. The gross NPA and the net NPA have come down and the PCR has gone up by 200 basis points.At the same time, last year the slippages for the entire year were around Rs. 6,100 crores, that is roughly about 1,500 crores per quarter. If you look at the slippages for the three-quarters, that is for June, September, and December-22 are only 1,000 crores that is 500 crores per quarter, so the slippages, which used to be 1,500 crores per quarter have come down to 500 crores per quarter and more importantly, our cash recovery plus upgradation has been more than the slippage. If you look at December 22, our cash recovery plus upgradation has been about 1,001 crores.Whereas the slippage was around 490 crores.This is the story, quarter after quarter, where our cash recovery place upgradation is more than the slippages.In fact, we have been able to write back the provisions which we had to make last year, and I think that is one of the reasons as to why we are showing a healthy growth in our net profit. Of course, for the December quarter, 2 - 3 major highlights have been that we have made the highest ever quarterly net profit in the history of the bank at Rs. 653 crores, and we also have achieved the highest ever net interest income which was at Rs.1,900 crores, and we have also achieved the highest business around Rs. 3,94,000 crores. And even if you look at the 9 months profit which is around 1,280 crores, it is the highest ever net profit for 9 months. And on capital side, we are very adequately capitalized at 14.32%. So, on all the parameters, I would like to tell you that the bank is growing, and fundamentally, whatever parameter you look at, whether you look at the business growth, NPA, provision coverage ratio and capital adequacy ratio, on all the parameters, the bank is very strong. So, the future going forward looks very bright for the bank, and that is also reflected in the thumbs up given by the stock market. Our share price, which was around maybe around □10.40 not very long ago, somewhere in June 22 and today I think it is at Rs.28 or Rs.29, and it had actually touched Rs. 37.So, the market capitalization has nearly tripled in the last one year. This is what I would like to say, and I think that has given even some perspective about the way the bank has performed in the last one year or the last 9 months. So now I throw open the floor for questions, please.

Mr. Ajmera: Compliments to you sir for the fantastic results. In fact, you bring along with you a wealth of experience from the State Bank of India, the largest bank in the country, and definitely it has helped the bank to transform. You said that coming out from PCA so fast to this level. Complements to the entire team on that.The young executive directors and yourself and all the GMs for the fantastic results. In fact, if you look at the peer bank of this size, nearest is Bank of Maharashtra. We don't count IDBI Bank as public sector banks in the list of 12, and you are now slowly going in the direction of the Bank of Maharashtra, which is the most efficient bank today if you forget about the size of the business on all the parameters, and you are seen moving in that direction. Basically,since the base of your credit growth was low, and you needed the credit growth to be beyond 12 - 14% you are growing at a very good rate. You have your international business with 2 branches which has also shown substantial growth, so will you some colour to what is this international branches business, and whether it is competitive as far the yield is concerned, and it is advisable to put so much money since we have minimum information on that. This is my first question, the second is on CASA. On CASA, we are way behind. Maybe the legacy or the character of the bank, as compared to 54 - 55% and now 52 and a half percent of Casa, of the Bank of Maharashtra, our casa is much lower. Going forward, how do you plan to improve so that you become a little more competitive in terms of offering the rates as the Bank of Maharashtra is doing?Why I'm comparing it to that is because that bank is around aRs3,68,000 crore bank and yours now is Rs3,96,000crore bank. That is nearest and the best bank to compare with. Going forward, I think you are a composition of the RAM, and the corporate is 6139.So, in order to keep the pace goingwould you go for more corporate book increase, or you would continue to be with the 60 over 40 kind of ratio in the corporate and RAM? If you could also highlight on the Treasury as the Treasury income and investment income has gone down if you look at the other income. These are a few points of information and some clarification that I would seek.

Shri Soma Sankara Prasad, MD & CEO: Thank you, Mr. Ajmera for coming and for the questions.As far as international operations are concerned, we have 2 foreign offices, one at Singapore, another at Hong Kong.Right now. We don't have an office at Gifts City.We are thinking of applying to the RBI to open a branch in Gift City.Once that happens, whatever external commercial borrowings I provide for my Indian companies.I don't have to park them either in Singapore or Hong Kong. So right now, whenever I'm required to provide an ECB or a foreign currency loan to my Indian borrowers, I am required to park them in either Singapore or in Hong Kong.So, the international operations have seen a very impressive growth in terms of business.Of course, if you look at it inpercentage terms, it is less than 10% of my book. So, the base is very low. One of the reasons as to why the international operations has grown is that when the US Treasury rates were very low,there was an arbitrage which was available for swapping rupee into dollar and providing cheap dollars to our both Singapore and Hong Kong offices, so that arbitrage, I think has slowly come down and it is no longer there but we have taken advantage of this arbitrage till it was available, and we have been able to providedollars at competitive rates to our foreign offices, which is responsible for its growth.So far as your question relating to the I mean the names are concerned, when it comes to international operations.All of us are aware that the international NIM are much lower as compared to the domestic names. But what has happened is that the reason why the international operations of most of our foreign offices of most of the banks have grown is because when the credit pickup was not there in the domestic market that is, at the beginning of this year until the middle of last year, we took advantage of the demand for foreign currency loans and the differential in the interest rate between the dollar and the rupee, so as to help our international offices grow the loan book. So, that is one of the reasons. But once the loan demand picks up in India, as it has picked up now, I think we will be looking at growing our domestic book rather than our international book, because it makes a lot of difference when it comes to my NIM. So, that is one thing I would like to say, and the second thing is relating to CASA.So, when it comes to CASA, I'm aware of the fact that our banks CASA which is around 38%, is low compared to the general banking average, because if you look at the banking average,I think it comes to around 45% or 46%.And we are acutely conscious of the fact that our casa is much lower compared to the other banks, and we are also aware that lower Casa also has an impact on the cost of funds.We are working towards improving the CASA. Digitally,I should say that now, since a lot of things have gone digital, we are also trying to develop digital solutions, especially to the merchants, for the purpose of growing our casa. I am told that we are the first bank in India to launch this QR code with the Sound box which we have launched on January sixth of this year, wherein we provided to the merchants. This QR Code and sound box basically helps them in doing digital transactions and if these merchants.The merchants need not have an account with us, but it is advantageous if they open an account with us.This is one of the efforts that we are making towards growing CASA, besides sensitizing our branches, as they're quite conscious of the fact that CASA is a major issue.So that is there on the radar of the top management, and we are looking into it.The third question was relating to the corporate and the RAM ratio of 61 and 39. What happened was that when the bank went under PCA.One of the suggestions or one of the ideas that was given was that the bank should grow its RAM portfolio, that is, retail agriculture, and MSME portfolio, because what happens is that in corporatemost of the banks have gone into PCA and have they've gone into losses for the simple reason that large corporate loans have gone bad at that point of time, so it is always advisable to concentrate on RAM to a large extent, because you get a better NIM on your RAM advances compared to your corporate advances, because, corporates, as you all know, have a better bargaining power to dictate interest rates to the banks. So, it makes sense NIM-wise also for me to concentrate on RAM rather than corporate. And of course, we are acutely conscious of the fact that we should be very careful when it comes to the corporate loans. So, I am concentrating only on corporates, rated A, and above, and almost 90% of my loans to corporates are A and above, I mean, I have given only loans to rated companies that areA, and above, of course, that also includes Central government in State government, guaranteed loans where there is no rating, and we don't insist on a rating.If I take all that into account, it almost comes to about 89%.So the whole idea, while increasing my corporate, I am very careful that I do not want any large defaults on the corporate side, so I'm concentrating on higher rated corporates, and the emphasis going forward would always be to maintain a 60:40 RAM and Corporate ratio because it makes sense for the bank as far as the NIM is concerned, and as far as the loan or delinquency is concerned. And the fourth question relating to Treasury income. Treasury income, I think of all banks have gone down compared to the last year, that has been the trend, because when the eels have gone up, whatever opportunities are available by way of profit on sale of investments, those opportunities are no longer there, that is one of the reasons as to why the treasury profits have actually gone down but again, one thing of course I'm also aware of the fact that most of us, most of the banks, including UCO Bank, is holding excess SLR. Government securities that we are holding almost about 10% more than what we are required to hold by way of SLR. But at the same time, I'm not in a position to actually make use of the excess SLR for the purpose of generating liquidity for the bank, for the simple reason there are only 2 ways that I can generate liquidity. I can either repo whatever SLR securities that are there.But since RBI has closed the repo window, I can only borrow through TREPS from other banks, and most of the banks are on the borrowing side, so I am not able to generate adequate liquidity in the TREPS window and the second wayI can raise liquidity is by way of selling the excess common securities that I am holding.But most of the securities that I'm holding in we will increase in yields, there is a mark to market. I will have to book a loss if I have to sell these government securities. So,I'm not able to generate liquidity on that front.Yes, I'm conscious of that. But the treasury income going down is a cycle. Whenever the yield go up, the interest rate goes up the NIMgoes up,but then you take a hit on that treasury side. So that is one of the reasons why the Treasury income has gone down. He's our GM, Treasury, Mr. Shankar Narayan. He'll just supplement on the treasury side.If you just compare the results that have come, you will find that actually the treasury income as a percentage of the earning assets is roughly around 0.15% to 0.20,%, this is actually just come compare the results of various publicity banks that has already been declared.With regards to that,if you see that treasury income of UCO Bank, it is 0.22% of the earning asset which is fairly on the higher side. And as sir has already mentioned, another reason is that the eels are going up and the Banks avenue to book profits from the HTM has also come down because banks have been in the past booking substantial profit of the HTM.Going forward,what I see is that not immediately, maybe 6 - 7 months down the line there is considerable opportunity for us in the purpose. And then what we have done is that in the last few months, as the rates were going up, we have purchased both G-Sec which we have put in our HTM portfolio, where there's a space. So tomorrow, if there is a little softening of the rates, I mean, as you are saying, that the interest rates have almost peaked, so tomorrow, going down the line 3- 6 months down the line, if you find that there is a softening of the yields, then we'll be able to sell from the HTM and book profit. We don't disclose the HTM but the modified duration is around 3%.

<u>Analyst 2</u>:Thank you for hosting this analyst meet and stable numbers 2022, best wishes for 23.My first question is Iran trade has been assigned to UCO Bank.Historically, UCO Bank enjoyed almost 20-30,000 crore of deposits.What's your rough estimate based on the current rate which UCO Bank is likely to garner from the trade, the cash balances.

Shri Soma Sankara Prasad, MD & CEO: RBI has recently come out with a circular for opening a special vostro accounts for the purpose of internationalizing the rupee.This circular is actually a replica of the trade which we had done with Tehran earlier, but that was not a special vostro account. It was a current account, ordinary current account, and there was a substantial balance which was lying in that account till 2019, because we were buying oil at that point of time from Iran.So, what happened subsequently was when we stopped buying oil.This balance has depleted and right now it is not worth talking about.It is in a few 100 crores now. When it comes to the trade in rupee, and the balance is being available to the banks, one is that this RBI circular, which has been issued is not specific to a country.It is country agnostic though people talk about Russia.Any country which is willing to trade with India, and rupees can do the trade in rupees.That is the first thing which I would like to say. The second thing is that, unlike the earlier trade, what we did with Iran where the balance was simply lying in the account without being utilized, and therefore it was a CASA for us the new circular, provides that if there is any rupee balance lying in the account, it can be invested in government securities in the meantime, till it is utilized so that they earn interest on that.The second thing is that rupee balance can be utilized by way of FDI in India into corporates, and the third way that money that can also be converted into any of the major convertible currencies and the home currency of that country.So, there are three ways in which this rupee balance can be utilized can be utilized so most of the banks, even if there is a trade tomorrow which happens in rupee, they may not like to keep it idle in a rupee where they don't turn any interests, because special vostro account doesn't provide for payment ofany interest, because Special vostro account doesn't provide for any payment interest, so they may put the money in G-sec. They may utilize that in some other fashion.But right now, the mechanisms has been put in place, but no transactions have happened so far.So, going forward as and when the transactions happen,of course, there will be some rupee balance lying in the account, but it will not be like earlier, when there was no way of utilizing the money so the balance was lying in the account.If you are talking about the Iran transactions, it is all centralized in UCO Bank.But, as I said, when buying oil stopped from Iran, the balance of that account has come down.So, the level of transactions which are happening are at a very low level, because when the rupee balance is not there in the account,the amount that can be paid to the Indian exporters by way of rupee from that account has also come down, so the transactions have come down in that account. So unless and until something happens by which the balance in this account goes up, either tomorrow we start by buying oil again,if the sanctions are lifted, then they will be some balance which will come into that account, or there are certain other exports which happen from that country to India, so that the rupee balance again increases in that account, unless and until that happens or we look at some mechanism, like we give a loan in rupees to that country, and then that balance is augmented.Unless these things happen, the chances of any substantial rupee balance lying in that account are not there.

Analyst 2:Rupee balance is one part to earn, but the trade itself can give you a lot of fee, income, as I understand.

Shri Soma Sankara Prasad, MD & CEO: Yeah. But then further trade to give us a fee income.

Shri Rajendra Kumar Saboo, ED : In this rupee account of Tehran means Iran trade because of the sanctions, as the MD sir told,the oil import has stopped, and only few transactions are happening which are allowed under the sanctions related to the humanitarian grounds, like around medicines or food items only.So, there is the limited scope of transactions available in that particular account right now, due to the sanctions.So, we can't enter into other transactions which are covered in that under the sanctions.So, out of sanctions purview only these items, like humanitarian grounds, export and import, are only allowed.

Analyst 2: My next question, you highlighted about our market capitalization which we enjoy, government holding is at 95, is government directing for dilution or are we planning our dilution?

Shri Soma Sankara Prasad, MD & CEO: See, there is no Government directive as such to dilute the capital, but we are also conscious of the fact that the amount of shares which are available for trading are very less because 95% is held by the government, and we are also of the opinionthat we should raise capital when the going is good. We have actually taken an approval from our Board for raising capital, either through equity or through AT1bonds, that approval is already in place, so as and when we find that the market is good for us to raise capital, the idea is to raise capital.But as you are aware that we should demonstrate to the market that the performance is a sustainable on a longer-term basis before we get equity capital from the market. Right.

Analyst 2: Based on the current growth pattern, which is visible, do you need equity in 2023?

Shri Soma Sankara Prasad, MD & CEO: See, we have a capital adequacy of 14.32, as on December 31st2022.This is without adding back the profit that we have made so far.We have made about Rs1,200 crores profit so far, and another Rs.500-600 crores we will easily be making for the month of March. So, if you add back something like Rs.1,700 crores to the capital.Our capital adequacy will increase from 14.32 to 15.70.That is what we are estimating as at the end of March.With the capital adequacy of 15.70,I don't require to raise any capital from the market for the purpose of my growth, at least for the next one to one and a half years. I mean raising capital because we require it for growth is something which is not necessary for me, so I don't have to access capital market, for raising capital, for thepurpose of my growth, because I have adequate capital adequacy as on date. At the same time, it is always better to raise capital from the market first of all, to demonstrate our ability to raise capital from the market, and we'd also to test the market for AT1 bonds. Also, we'd like to see the pricing at which we would be able to raise AT1 bonds.It is only for that purpose that we want to access the market, and as it is said that it is always good to have a good capital adequacy on our books, most of the private banks, as you are all aware, have a very high capital adequacy of course for a different reason altogether being a Public Sector Bank, I don't need to have that kind of capital at equivalent, but it's always good to demonstrate to the market that I'm capable of raising capital.

Analyst 2: Have you ever explored that the 95% holding,10% of equity being converted to tier one or equal in bonds, perpetual bonds, which qualifies for tier1 lending. At the same time the government has achieved the direction of SEBI norms are met for reduction in Tier 1 into equity.

Shri Soma Sankara Prasad, MD & CEO: Government equity to Tier one is what you're saying, no, that is something I don't know. I'll have to check and see. I'll also tell you one thing, I'm having equity, right? I'm not paying any dividend on the capital, and I have the option of either paying dividend or not paying dividend. But once I convert something into tier one, then it becomes an obligation to pay interest on that.

Analyst 2: Let's assume that you're being G-sec of 8% on it. And if you go for a FPO and you place equity to other bankers or LIC, what impacts the existing shareholders will have, and what is the cost of carrying for dilution of that equity into the measurement. I suppose that measurement will give you the answer why, it is beneficial, at least in this sum.

Shri Soma Sankara Prasad, MD & CEO: Let us look at it to see what it is, at what rate I would be able to raise equity. And that exercise if you do, maybe they will get an answer but that is an option which we have not looked at.

Analyst 2: If any of your credit cost as a provision, plus write back, is going to collapse from wherever it is to date to 0.9 even lower the can you give some kind of an indicator colour for credit cost the next 3-4 quarters.

Shri Soma Sankara Prasad, MD & CEO: Credit costs actually have come down to 0.60%.Then there is a credit cost,if you look at the trend,say, for the last 5 quarters, 6 quarters, the credit costs have come down.That is because the slippages have come down. So, going forward, see what happens is that, see the way the credit costs have come down over the last one year,maybe we'll not be able to bring it down at the same pace going forward, because generally what happens is that, see whatever soft recovery has happened, whatever NCLT recovery has happened, whatever other recovery has happened subsequently what happens one, one and a half years to two years down theline, if you are left with a few hard core assets, few hardcore loans where the recovery is not so easy. Then in that case, I mean since your credit cost is a factor of all this, I mean, I see credit costs coming down, but then it may not come down at the pace at which it has happened for the last one to one and a half years.

Analyst 2: There's not much left so what is the estimated cash recovery for a period of time?

Shri Soma Sankara Prasad, MD & CEO: That is difficult to say. See our cash recovery so far almost every quarter has been around in the range of about Rs.500 crores. I'm talking about this Rs480 – 500 crore in the return of account. But actual cash recovery, if you look at it into other NPA accounts, and all that, it is much more than that.So, it has been around Rs400-Rs 500 crores in written off accounts and a little more than that if you take the NPA accounts also into account. Rs.817 crores in the last quarter. Rs817 crores is the total total cash recovery, including recovery in written off accounts. So going forward I see the same trend because what has happened is that in some of the accounts like, for instance, if you look at some of the sticky accounts like agriculture, we have actually gone in a standardized OTS scheme where the borrower can pay a certain percentage of the amount and we want to settle it.And we have, in fact, launched it, and we are looking at some cash recovery in that scheme also.Going forward, if you look at all these schemes that we have and where we want to have a standardized OTS, where we want to settle with the borrowers, and, in fact, we intend to go digital on this platform where the borrower sitting in his own home can use our app for the purpose of doing an OTS with us if his outstanding with us is below a certain level when it comes to agriculture.Looking at all these trends the cash recovery may remain around this level.

Analyst 2: Based on the transformation which you carried out, if you want to carry out further, catching up with the tier one banks, the larger banks or equal tier banks, what's the digital spread likely to be, the budget allocated for the next one or two years?

Shri Soma Sankara Prasad, MD & CEO: When it comes to digital, surprisingly, though, ours has been a small bank, we have been in the forefront of digital transformation with a number of products which we have been the first to launch, for instance, I spoke about the QRCode and sound box, and we have also launched a system of paying through UPI using the feature phone.Also, we have been the first bank to have recently launched it. Our mobile app is also one of the best rated apps.It is rated somewhere around between 4.5 and above in the app store.So digitally, we have been able to integrate a lot of Fintechs into our loan processing system.And as you're all aware now that the account aggregator model is there and then, of course, the integration of Fintech will also help you in assessing the veracity of obtaining the income tax returns.You get all kinds of GST returns, and your Pan verification, and your Aadhaar verification. Everything happens online which will certainly help in improving and ensuring a better underwriting.This will again ultimately bring down the credit costs.But as far as the spend on digital is concerned, I don't actually have the figures with me.But as a bank, even when the bank was going through a difficult time, we have never compromised on our spending on IT, especially in the area of Cybersecurity.We have ensured that our bank maintains standards which are on par with the best in the banking industry when it comes to spending on IT. So, digital, I don't have the figures with me, but I can only tell you, for instance, when it comes to WhatsApp banking for inquiry purposes, we have launched it about one to one and a half years back and we were the first bank to launch it, and I think we might have already gone, for even transactions on WhatsApp banking.A lot of things are being done on the digital side. In fact, recently, we had a Fintech festival where a lot of Fintechs have participated, and we have shortlisted 15 or 20 Fintechs with whom we are going to have partnerships for the purpose of ensuring that we scale ourselves up on the digital side.There are two ways, if you look at some of the bigger banks may be the trend is that somebody like SBI or BOB may spend more money on digital to develop it on their own right. Whereas, we have adopted a model where we want to partner with Fintech, which is actually more cost-effective for a bank of our size. And we remain on par with the best, so our approach has always been to have a lot of partnerships with Fintech companies, so that we take advantage of whatever they've developed.And since we have the customer base with us it becomes a win-win situation for both the Fintech as well as the bank.

Analyst 2: What is Co-Lending Book Outstanding?

Shri Soma Sankara Prasad, MD & CEO: The Co-Lending Book outstanding is about Rs.1000 crores. It is a combination. Actually, it is mostly gold loans. But recently we have also entered into a co-lending partnership with other with Aadhaar, which is for housing loans.We are also entered a co-lending partnership with Paisalo which is again for smaller loans.We have also entered into partnership with one of the other companies for SME loans.But the major book, right now as we speak, it is gold loan.

Analyst 2: Thank you sir.

Shri Rajendra Kumar Saboo, ED : I wanted to add one more point on the digital front.Sir has already told you that we have adopted the paths of collaborating with Fintechs which is a cost-effective path.We have recently launched two – three new features in our mobile banking gap. One the lifestyle which has an eMarketplace. Our customers are able to access all the marketplaces like Amazon, or Flipkart, or whatever. And then, the second is the travel market place, where every type of tickets can be booked. Third one is wealth management products.For wealth management too we have collaborated with the Fintech, and are providing all the wealth management products through our mobile app.We are trying to integrate most of the digital services within our mobile banking app through collaboration with Fintech,since it is the cost effective and since it is very fast, because we don't have to develop from zero, it is already available. We only have to integrate.

Analyst 2: The learning curve is already available. Then the next question that you have answered. What is the spend on human resource to enable this capability?

Shri Rajendra Kumar Saboo, ED: Yeah. So now since we have launched all these features in our mobile apps. We have our marketing team in the place, and we also have our digital officers in the branches and our Zonal offices.We have started to now popularize these features in our mobile banking to our customers, and this has helped us to get more downloads of the mobile banking apps by our customers and our active user customers have also increased.This is an on-going process and in short, you can say that UCO Bank is one of the banks with fast development in the digital banking journey, and we are a tech savvy bank.Just to tell you and to supplement what my EDs are saying.We are the first bank to introduce discount stock broking, in our mobile banking platform. It is done about 6 or 7 months back, where a customer can through our mobile banking open a stock broking account, which is basically a discount stockbroking account where you pay a lump sum amount of say 5000 in a year, and there is no brokerage, and you can do unlimited transactions.

Analyst 2: So how many accounts have you managed to?

Shri Soma Sankara Prasad, MD & CEO: I don't have the figures with me right now. I think I can.I don't have the figures with me right now, but we will get back with the figures. That is one thing, and regarding your HR part that you have asked. One good thing that has happened with all the public sector banks with the Government being the owner, a common owner is, they have launched an exercise called EASE.I think you'd have heard about it. EASE. So basically, this consists of sharing the best practices with each other and laying down the benchmarks.Say, SBI achieved something, so it became a benchmark for other banks to achieve.

Analyst 2: This is more for the senior management above certain level.

Shri Soma Sankara Prasad, MD & CEO: No, it is not just for the development of the senior management. It is for the development of the bank. If you look at the ease measures which are being taken, we have, benchmarks in terms of digital capabilities, in terms of cybersecurity, in terms of HR,in terms of end-to-end digital lending. It is not just for senior management. Senior management is only a part of it.

Analyst2: I guess I have framed my question incorrectly. What I was saying is thatthe human resource, which is required for capabilities of marketing, all new digital initiatives that new talent which is likely to be attracted to the bank, how are you empowering those human resource and what kind of capability you're going for?

Shri Soma Sankara Prasad, MD & CEO: When it comes to public sector Banks, you are aware that we can't hire from the campus, we cannot do that because of the rule that it has to be done based on a common examination. That way, when we are hiring people, we hire from the market, and later, we'll have to train these people in these areas.One particular project we have launched is in the area of HR, which we have launched in partnership with the BCG,which provides for a very transparent measurement of the performance of the individuals.That is one thing we are looking at of course it's a one year project but what happens is all the public sector banks are going towards a system wherein the measurement of the performance will be more objective, more transparent, and there will be incentives which will be associated with the way a person performs, because you know up to scale four or scale five level, up to AGM level, public sector banks pay better than the private sector banks. I think you are aware of it that our objective would be to make the promotional exercise as well as ensuring that people are incentivized, based on performance rather than anything else.

Shri Rajendra Kumar Saboo,ED: Our UCO Banks employees average is less than 38 years. So less than 38 years being the average is, that they are more capable and more adaptable to the digital technologies.

Shri Soma Sankara Prasad, MD & CEO: That is one of the things I think our bank remains.I mean, if you look at it in terms of age profile, our is one of the youngest banks in the country, both public and private sector put together, so that might have happened.It is not designed that it has happened.It might have happened more by accident, because during PCA there was no recruitment of staff and all there might have been large scale retirements, and the subsequent recruitment might have brought down the retirement average age, but the fact remains that the average age is less than 38, as he is saying, and number of branch managers, whenever I go and meet people, my branch managers, most of them are very young, they're below 35 below 30.So that gives us an advantage in the sense that by their age profile itself they are more open to adopting digital means compared, to say, an average age of may be 45 or 50 years, where there is resistance to accepting digital.This next year is going to be an HR transformation for the bank for one year that we have enrolled BCG for that year.

Analyst 3: Sir Good evening. This presentation speaks about the NPA part. There is a rosy pictureall the NCLT accounts are almost provided and so far as the moment of

NPA is concerned quarter on quarter there is a consistent improvement the quality is improving, and the recovery is fantastic. Now when we talk about this co-lending part, like, we increase our book and almost Rs1000 crore, as it first told.So, it is working on somewhere 0.75% of the credit portfolio is under the co-lending model. Co-lending is typically like we rely on my co-lending party for the collection and create underwriting so what are the safeguards you have taken for ensuring that there is no compromise on underwriting and how we are monitoring the quality of assessment.

Shri Soma Sankara Prasad, MD & CEO: Yeah. So, when it comes to a co-lending partner, what we do is that we look at the rating of a co-lending partner, and as a bank, our exposure to a particular co-lending partner will depend on his credit rating.The exposure limits are based on the credit ratings, so we don't normally go beyond "A-" when we take an exposure along with it when you're doing co-ending.The second thing that we do is that, we look at the financials of that company and we satisfy ourselves that the company is performing well, and it has been in existence for some time, maybe for about 5 or 10 years, and the portfolio there is a seasoning of the portfolio that has happened, and apart from that, what we do is that our people visit that NBFC and look into their KYC and their lending practices, to satisfy ourselves that the practices followed by them meet our norms to a large extent, but at the same time I think what we should be acutely aware is the fact that there is always this belief that by doing co-lending, whether the bank is letting go of opportunities where it can do the lending itself, the profile of borrowers to whom these NBFCs lend to is different from the profile of the borrowers to whom we lend so obviously these are borrowers to whom we don't land, and of course NBFCs have got their own more low-cost model of servicing those borrowers wherein their credit costs which we observed, is very, very low compared to the banks, so the other safeguards that we have put into place as far when it comes to co-lending it is that when we do co-lending, of course KYC is done again, 100%. It is checked by us.And then a certain percentage that we have actually laid down 10 to 15% of the loans, we check it ourselves whether it's a gold loan, or whether it is a home loan and all that we go through the entire process as if we have done the loan ourselves.So, this is something which we do to mitigate any risk of coming out of co-lending.And the third thing that we do is, of course, we have a practice wherein we put up a quarterly review to the board on the co-lending with the various NBFCs, wherein quarterly we make an assessment of the stress in the portfolio. And whether the stress in the portfolio is within limits, whether the NPA levels are within limits, what are the credit costs to the bank, whether we should continue this relationship, or whether we should, take a call on whether we should go slow on the co-lending that is something which we put up to the board. So these are the various measures that we have put in place when it comes to co-lending, and our experience has been that through co-lending we have been able to reach out to borrowers to whom we normally don't lend that is the first part and the second part is since in co-lending the major part of the job is done by the Co-lender, and we are able to book the business on our books and the credit cost in most of the cases is very less, very reasonable, 2 to 3% we find it a very good model for the banks to increase their portfolio, and to make good money on the co-lending portfolio, and to further mitigate the issues that the regulator was earlier having, on reconciliation, we have onboarded a Fintech called Knight Fintech.They have provided a flat platform, wherein all these co-lending accounts are opened, and we open only single account in the core, so that the reconciliation happens on a day-to-day basis.So, the reconciliation part is also taken care of by this fintech platform and our experience our bank has been the pioneer in co-lending because we have been doing it with Muthoot for maybe the last 3 – 4 years. So, we have been one of the pioneers, and our experience so far has been good.But, as I said that we take all precautions, such as a selection of the company, we also look into their lending practices.We do our due diligence on the company. Then a certain percentage of the loans which are done through the co-lending model are again checked by our officers, and all these things appear in the review to the board which happens every quarter.These are all the steps that we have taken to ensure that our co-lending portfolio remains healthy.

Analyst 3: Second question is related to this continuous hardening of interest quarter over quarter in the current financial year and incidentally just before the start of the financial year you came out of PCA.Initially, there were some tight ropes on the lending to corporate that you had explained in your deliberations that there is a hard bargain by those corporate so far as the industry is concerned, the way the rating is up the bargaining also gets hardened.Almost over 90% plus portfolio is A rated and above.And there will always the issue with respect to the interested cost. Also, you having a less CASA of less than 38 or almost 38% and so the passing of this market rate is immediate to you.Any strategy, whether you want to have a business mix where you want to consider even few low-rated but standard decent account, based on some great underwriting structure, like may be a good collateral or a good cash flow-based business where you can charge a good interest rate and you can take your NIM margin.

Shri Soma Sankara Prasad, MD & CEO: Yeah. Sure. what I would like to say is that the banks are in an advantageous position when it comes to the REPO rate going up.Because nearly 40% of my credit portfolio is linked to repo. So, the cost is immediately passed on the next day for us, as far as our bank is concerned, and other 40% is linked to the MCLR.The transmission happens a little more slowly, but then now the MCLR is also gone up and the transmission has happened. So, when it comes to deposits, as you all know, it is only the incremental deposits, I'll have to pay higher interest rate in case I decide to increase the interest rate.So, whatever the base of deposit portfolio that I have that remains more or less stable, except for the incremental deposits.So, my increase in cost of deposits will happen at a much lower pace compared to my increase in the lending rates. So, when it comes to the corporates, we have to make a trade-off between getting a better interest rate, taking a higher risk, I mean building up a risker portfolio and selecting a corporate portfolio where the ratings are higher the chances of default are lower, but my NIM is lower on the corporate portfolio, so that is a conscious choice that we have to make.But as I said, we came out of PCA only about one and a half years back, and one of the lessons that we have learned from PCA is that the bank had to go into PCA only because of the default in the corporate book where a few large loans made to corporates have gone bad, and my experience has also been that if one corporate becomes bad, whatever interests that you have made on 100 corporates will go down to range is because of one corporate going bad so it is in that context, I feel that it is a better sacrifice to make, wherein we have a better rated portfolio, where I feel confident, about my corporate portfolio, even though my NIMs will be impacted because of that. Till I have a system in place where I know how to manage the risk arising out of aportfolio, which is risky, but still, I'm able to manage that risk better.And I also learn how to price my risk when it comes to the riskier portfolio. So, till that happens, I feel that I am better off with a portfolio, where, at least till the banks fundamental parameters become stronger and stronger, maybe another 3-4 years down the line I can take a call on taking exposure to corporates which are lower rated.But right now, I don't want to take the call.

Analyst 3: Last question about the exposure to NBFC.Last year we have seen a lot of growth has taken place that is then entering NBFC space which is the common for all the banks. What is your call? And what is your future?

Shri Soma Sankara Prasad, MD & CEO: See, even this year if you look at the 9 months, and if you look at the credit portfolio of all the banks, the lending to NBFC is a substantial chunk of whatever increase in creators has happened. So that is a fact. But at the same time, when it comes to the NBFC portfolio. We had taken a call not to go below double AA also. So, NBFC portfolio typically consists of 3 types of risk. One is that I am directly lending to the NBFCs, which is a direct lending. Then I am purchasing pool from them and also doing co-lending with them. Both co-lending and pool purchase do not come as a direct exposure on the NBFC, it's an exposure on the individual borrower, though I know it is an exposure on the individual borrower. I have taken care to set my exposure limits for each NBFC, based on the rating first. Second thing is, we have also set limits based on the direct lending plus pool, plus co-lending also. Because I am aware of the fact that tomorrow, if something happens to the NBFC I may not be in a position to recover my pool and my co-lending, because typically the recovery mechanism in NBFC helps in the recovery. So, if mechanisms itself is not there, tomorrow it becomes difficult for me.So, I have been conservative, and ensuring that I set my exposure limits on the portfolio, I go for better rated corporates, and then, of course, based on the rating, we take an exposure on the particular NBFC there is exposure ceilings are there and then I also set ceilings on my total exposure to an NBFC.So, I have put this, and of course, as an NBFCs as a whole also I have a ceiling when it comes to setting a limit, as a part of my credit book, so I mean, these are all steps that I've taken to ensure that I do not go overboard when it comes to lending to NBFCs.

Shri Rajendra Kumar Saboo, ED: Even at the portfolio level, I want to add that our 97.5% portfolio in NBFC is A and above only 2% around is only BBB and so that also would have slipped subsequently.

Analyst 3: it's very good to know. We talked about HR Transformation, and we have a very young team on the dais.

Shri Soma Sankara Prasad, MD & CEO: It's not so young as it looks.

Analyst 3:I have seen many of the leading banks. So, it's comparatively much younger than other banks. So that's really good.

Now, coming to you mention about very good performance on net profit, that's good, and also in your opening remarks you talked about the share price that's really wonderful, particularly on YoY bases and Q-o-Q performance, very good performance so congrats for that. So that now, coming to a few more key issues, one is, you are like, we talked about asset quality, find NIMs fine. Net profit fine. Capital adequacy is also fine. A few important points operating profit growth. We look at YoY just 1%. Now the performance of a bank is actually seen by operating profit and when we benchmark with whether PSU or private, many are growing between 15% to 30-40% on operating profit. So just 1%. So, one is to understand why we are lagging behind and what type of operating profit growth we can expect in a next year at least. So one is that and second thing is looking deep down at the numbers shared. We found cost to income is very high compared to PSU Banks. Even compared to many private banks, 57% we see in the 9 months in the 0.57.

Shri Soma Sankara Prasad, MD & CEO: Okay.

Analyst 3: And generally, PSU, with a high vintage supposed to be below 0.45. Somehow it went below 0.40, so why, it is high. Any abnormals and what is a strategic, objective, and timeline to bring it to points 4 5 and point 4. Two very critical numbers which are coming from here.Third, we talked about lending advances growth. It is very good strategy to cut, not to encourage corporate lending. You talked about the past experience, which was very bad. Point is another thing is good, rated corporates won't give you any margins. That is true. In fact, I know from other larger things the day often they will squeeze you maximum and borrow at below 8% which is a fact. So, but another thing, what we see in terms of advances it's a 22% growth. Right, which is good compared to peers, 22 is fine, and one is, we would like to know what the sustainability of advances growth is, particularly the finance minister in the budget, a few days back, talked about kickstarting the capex cycle, and very good boost to infra particularly large project completion. Large-mine projects, and also a big sustainable boost to infra so would like to know overall earlier after presentations used to be much more detailed, lending growth advances 22%, which are the main 4 or 5 sectors it is driven by and particularly infrastructure growth last year is how much and how much can we expect? Infrastructure growth in the coming year, particularly FY24 and which are the other sectors we expect demand from particularly in the last couple of last Five days, I think we are seeing some sense in the Capex cycle coming decision making being done for in other sectors also.So, what is your sense? You are getting on the ground, and if you can get a detailed sector of exposure where we can see the YoY and QoQ numbers also. Another point we talked about co-lending. We talked about us being among the forefront in co-lending now here I have spoken to a lot of people in co-lending now here, I would like to share some concerns. We talked about rating. There are very high-quality rated companies in the home loan space AA+ with positive outlook like IndiaBulls housing. Now, they have a very clear, co-lending model, where they would lend it around 12 and one over 2%, and they get some margins. They may take from you at 9 or 9 and a half 10, whatever.So, the risk is not very high, because the borrower pays some reasonable cost. So, you also save on the operating cost of reaching the last mile of affordable housing,the finance minister also says there's a boost.But on the other side I come to know from, there are a lot of fintech players, and Co-Lending. They are going around you know, of bank to buy and take it. They lend at what rate 18%. And they like to come to you start negotiating 10-10 and a half. They will be happy to give you 11-11, and half 12 also, but when they are charging 18% from the Fintech platform, risk is actually dynamite, because ultimately credit quality depends on the affordability to the borrower so quality always gets affected. A credit cycle is good now everybody, it seems, from the numbers it is good. The slippages ratios are low, and all. But actually, he is also using it for some purpose which may not be viable in the long term. So ultimately, sooner or later it comes, and if the co-lender is charging 18%, basically, we as a bank are losing. So, for us, it even 11-12, 13% becomes risky. Soon or later, what happened in corporate lending earlier in the first cycle, it hit comes up on us we had them among the largest NCLT. Even today we see technical right-offs are very high. The previous thing. There are reasons for that. So, co-lending here would like to know what the maximum percentage is we are co-lending. In some cases, there is, you know, 80% maximum, in some cases 70% 51%, is that because that becomes a risk mitigation tool and also is there a clear control on what is the amount paid cost to the borrower. Simple, we are not talking about A grade and all what they are doing, and you mentioned the credit cost of 2 to 3 also, which is Ok. But that actually, it can spiral. Yeah. So, the clear understanding of that a co-lending to Fintech there are many johnny's come late. Yeah. 100 crores, 200 crores. They are in a market Private equity which is dried off to Fintech space.Practically, we have seen last 6 months, 9 months total dried off, and now, because it's a New Age business co-lending, one bank is doing so another bank wants to do. So, would like you to elaborate on because it's a really high-risk area. And once you really answer it, I can take a few more questions.

Shri Soma Sankara Prasad, MD & CEO: See, let me first actually, I mean, spell out that as the top management, we are acutely conscious of the fact that there are 3 areas where we are weak as it a bank where we aspired to do better. One is the NIM, the net interest, margin. If you look at it, our net interest margin is below 3%. Okay, it's 2.99 . So, as you all know, that some of the public sector banks are having 3.3, 3.4. Some of the private sector banks are having above 4, so NIM is one area which we are very conscious. The second one, we are very conscious is our CASA, which somebody has already pointed out, which is around 38%. And the average should be around 45%. And the third one is the cost to income ratio. So, these are the 3 areas which are of which are actually in our focus where we are working on improving in all these 3 parameters.So, let us make it very clear upfront.

So, the operating profit actually made a statement. Of course, is impacted to a certain extent by the lack of Treasury income. But you might say that it is a factor with all the other Banks, also that the Treasury profit, if you look at year on year, Treasury profit if you actually look at your hour a non-interest income. There is a slide in that. So, in fact, our fee income has grown by some 18 or 20%, or whatever in that. And then our income from our selling third-party products has gone up by 300%,of course, on a very, very small base.So, the only area where we have not grown is that a Treasury income, where there's a negative growth because of which our non-interest income has grown only at around 14.5% which is quite good, if you look at it but our operating profit. Last year there was one exceptional item in the operating profit. The interest on Air India loan. We received about Rs200 to Rs250 crores as interest on Air India loan, which was an exceptional item for December, 2021. If you take out that item and look at the growth in the operating profit, I think the operating profit growth would be reasonable. I'm not saying it's great, but it would be quite reasonable. Ok, so if 10 to 12% or 14% is the increase.So, 20%, I believe, is the increase in operating profit in the 200 courses taken out, which I think is quite good. It's a good figure, so that is one-of our items which was there in last year and not this year, and that is why the increase in operating profit is very less apart from being impacted by the treasury income.So, that is the first point I would make regarding cost to income ratio. Yes, you have a point. Our cost to income is high. Most of the public sector banks, it is high. Maybe you might say that ours is much higher than other PSBs. Even State Bank of India, which has come out with its results as a cost to income of more than 50%, I think. So, we are conscious of it. There are several reasons for that there might be an employee cost, and maybe there are certain other costs. And there is this provision relating to pensions as you know, as the life expectancy goes up, then we have to provide for pensions, and there might also be the reason that some of these private sector banks are able to engage people using a model, where they are not actually on the rolls, right, a number of employees may not be on the roles, but they're taken on an outsourcing model from some other agency. So, with the result that you get a lower cost. I mean, that is what even the public sector banks are now aspiring to do. Bank of Baroda has already done by setting up an agency. So that is something we are looking at for bringing our cost to income ratio low, because one of the major costs for all the public sectors Banks is the employee cost, that is accepted. So how do we bring it down in all the non-core operations, let us have people from an outside agency where we pay much less so that your cost to income comes to down.So, we are working on that. We are not there yet, but we are aware of the fact that the cost to income is high. This is because of historical reasons. Basically, the employee cost and the pension costs are the 2 major components in that which we can't do much about. So that is why it is higher, unless I increase my income much more than the cost. That is what I should look at. Regarding sustainability of growth, a credit growth. What we spoke about, of course we spoke about NBFC. Being one of the sectors where the credit growth has been there in this 9 month. So, there are certain other sector, numbers will share it separately.

First of all, let me tell you that our corporate book has grown by 30% this year, whereas my RAM as a whole has grown by only 14.5. That is because, see, if you look at my home loans, for instance, they have grown by 19%, car loans 19%, personal loans 23%. But because I have this co-lending book which has come down. That is one of the reasons why my direct lending has gone up and the overall RAM has come down. So, my corporate loan book has grown by 30% this year, which is actually good. I mean, we have taken exposure to highly rated corporates, but if you ask me from, where am I getting my credit growth. It has been in from infra. Infra has got 2 components here. When we talk about Intra one is this, we have this HAM model Hybrid Annuity Model, where in the national, highway authority of India gives contracts for laying roads and all that. So that has been one component. And then we have the National asset monetization pipeline where the NHAI or some other agency gives it on lease for 20 years. They collect certain money upfront and this money is repaid by way of toll, and so that I have seen loans in that we have seen very good growth in the steel sector. Okay, this is again, I have taken exposure to better rated cooperate like Jindal and others. Then I have seen a lot of growth in the cement area. Then, I have also seen a growth in renewables. Okay, renewables, including ethanol-based power plants. So, these are areas broadly on the corporate credit side.

Of course, we have certain PSUs and all that like where, of course, the credit growth is there like, of course, we have exposure to BSNL, and we have exposure to Reliance Retail. And all these are the other side. But these are the largely sectors where we have seen a good corporate growth in this particular year. So, the sector, wise we will share the figures with you separately, I don't have it with me right now.

Regarding the core lending model, what we spoke about, first of all, what we do is when we do our due diligence, when we go and sit there. Actually, it is practically before we enter into a co-lending with somebody, our people go and sit there for about a week or 10 days straight, study everything, so we are conscious. We also take into account the interest rate that they are charging to the end borrower. We have an idea how much are they going to charge the end borrower. I'm not talking about NBFCs, which are charging 25% and 30%. We are only looking at NBFCs, with whom we partner. We charge a reasonable rate of interest.

Of course, again, here I think you said something like a lost opportunity for the banks. I don't think it's a lost opportunity, because the kind of borrowers to whom they lend again are not the borrowers to whom we lend. For instance, they lend to a borrower based on his Kacha book, and all that if he's doing some business, sit with him for 2-3 days, look at his cash flow, and lend it, which we cannot do without any document. So those are again borrowers to whom we don't lend, so we are only leveraging their network for the purpose of reaching this last mile borrowers. When it comes to these last mile borrowers, based on my banking experience, let me tell you for them the accessibility to credit is more important than the cost of credit. Because they want access to credit rather than the cost of credit, because they are borrowing from the money lenders and all that at a much higher interest rate, so the NBFCs maybe they lend to them at a rate which looks high if you look at it from the organized sector point of view, but then, which is quite reasonable for them from their point of view, if you look at, what they were borrowing earlier, and what they're borrowing now. The cost comes down considerably for them, and the NBFCs have a collection model which is able to manage this risk.

Suppose a borrowers income comes on a daily basis. For some borrowers there's a shop where he sells at the end of the day there is cash, and you have to go to him on a daily basis for collecting your instalment of the loan that is not possible in a bank, but it is possible for the NBFCs because they have that sort of a recovery mechanism wherein they go to a borrower based on his cash flow, on a daily basis, on a weekly basis on a fortnightly basis, on a monthly basis. So, their ability to manage risk from this last mile borrowers is much better than that of the banks and that is one of the reasons as to why their credit costs are lower. So, we are actually not partnering with NBFCs, and we also look, as I said, in the beginning that we look at the pedigree of the NBFC. We look at how long they have been there, we look at a minimum AUM size. It is not that the NBFC which is just born yesterday, one year old having an AUM of Rs200-300 crores and we partner with them, are ready.

Analyst: What is the minimum AUM before we lend to an NBFC? For agriculture NBFCs, Fintechs?

Shri Soma Sankara Prasad, MD & CEO: It is different for different segment. For agriculture it is smaller. We don't lend to Fintech. We only lend to NBFCs, which are established NBFCs with Rs. 3,000 crores and I think they look at 3 to 5 years' experience before we lend 3 years

Analyst: And for co-lending NBFCs?

Shri Soma Sankara Prasad, MD & CEO: Whether it is a loan to an NBFC or whether it is a co-lending with NBFC, the norms are almost the same, except for the fact that for co-lending we also look at their due diligence model their way of assessing credit, their recovery mechanism, which is in place and the interest rate that they charge and what kind of NPAs they have on their books, of course, that we do when we do for direct lending also. But what I'm saying is that the due diligence part is much more deeper. I mean, we go much deeper when it comes to co-lending, trying to understand their model by sitting with them, which may not happen when I do direct lending, because I go more by the figures which are there, and the credit rating which is assigned to the company.

If you look at Paisalo you will have to look at the time it is established. How long it has been there and then what has been their book? What has been their NPA, what is their mechanism, without doing thatI don't think we would have entered into a partnership with them, so we look at that case separately, in case you want, we can share the figures with you.

So again, when it comes to lending top 10 sectors, you go to page 37 of this book. So there, actually, it is given. You don't have this book. I'm sorry we'll share it with you separately.

So, regarding this sustainability of credit growth is one question that you have asked. But I think, looking at the Indian growth story, I mean, like today itself I was reading in the papers, a lot of MNCs which are there are very bullish about India. Even Apple has made a statement that overall global revenue is down by 5%. But India is only one country where they've seen a huge growth in their revenues. So, I think, looking at the way the world is looking at India for growth, and then this infrastructure spending which had gone up by 30% last year and again 30% now.

So, this is going to have a lot of downstream impact in terms of both the SMEs as well as on the other companies. So, we are quite confident that we will be able to maintain this credit. It might soften a little. Please understand that as far when it comes to credit growth, we are coming on a lower base, because during the Covid time not much of a growth was there. So, 20% may look very high, but the base is much lower compared to, because there was no growth in the last 2019, 2020 and 2021 not much of a growth was there. So, we are coming from a lower base, but it looks sustainable. Maybe it will not be 20% - 21%. As the base becomes larger. But I think 15 to 16 or 14 to 15%, is a reasonable rate, at which I think what all the banks are looking at

Analyst: And target ROA of plus 1%?

Shri Soma Sankara Prasad, MD & CEO: Our target has always been an ROA of 1% and ROE of 10% that is the target I had set for myself, but then I think we are almost there, but then my ROE for the quarter is about 12.24 or 12.27 per cent, so I think, with the end of the year, when we end with the profit of around 16 to 1700 crores, I think we would have achieved an ROA of 1% and ROE of at least 12%

Analyst: One suggestion based on what you said in the market, take money when it is good. Now there was also a talk about floating stock, you know, government 95 and 5. The best thing based on your own philosophy is to say, forget AT1 bonds, go as per SEBI formula and raise money preferential from the market so the floating stock will increase, and the biggest concern we have is the price to book will become more moderate. Today we are worried about high price to book. Then ROEs need to be much more than 13%. But floating stock, and today you'll get money it's only I think one other PSU has announced fundraising right. I think Union Bank, others will do it. So, today as per SEBI formula, it won't be difficult to get it. So, people go by that, and you have had a Rs40 price also you mentioned?

Shri Soma Sankara Prasad, MD & CEO: Yes, 37, 38. So I should be able to raise it at a I mean dilution should happen at the proper valuation.

Analyst: SEBI driven price is the best valuation for you, and your price of book will become more moderate, it will be lifetime opportunity of being in the right place at the right time for you. I wish you all the best. Thank you so much.

Moderator: As we are running short of time, we'll take a couple of more questions.

Shri Soma Sankara Prasad, MD & CEO: Maybe it's Ok. They're all there and we are prepared to answer all the questions I know we are having a good interaction. Let us appear to that. It doesn't matter. I'm prepared to answer all the questions so I can.

Analyst: Can you put some color on agriculture loans, book size, and new to credit.

Shri Soma Sankara Prasad, MD & CEO: Yeah, you see, agriculture what has happened is that our agriculture book is not very large. It's about Rs20,000 crores. Actually, what we have observed in agriculture is that the NPA has been very high. That was primarily in case of crop loans. What we give by way of crop loans which are basically unsecured, there's no security. As a bank and I think most of the banks have done that. We have shifted from production credit to investment credit, where an asset is created in agriculture and the government's agricultural infrastructure fund, which is an excellent scheme which they have come about, wherein they want to develop the agricultural infrastructure basically the backend like cold storages warehouses and things like that. In fact, recently, under agricultural infrastructure fund, we had even financed a drone which actually does this chemical, and all is sprayed on the crop. So a lot of things which we can finance under AIF. So, and I find right now that when I shift to the production from production credit to the investment credit, I am able to do a much better job of cutting down my NPA. Having said that, of course I'm aware that as a government bank there is a certain emphasis on giving a certain amount of loans at the KCC, it is a requirement that is there. But I always tell my people that even in KCC, the NPA is higher because you don't go and ask them at the right time.

You actually have to go to the villages when these people are available early in the morning, after the harvest, when the money is there for you to recover your loans, a farmer has got, several pressing requirements.So, if you don't go and ask him at the right time, he will divert the money somewhere else, and your crop Loan, will not be repaid. That is one problem which is there. But the emphasis has been shifting from production credit to the investment credit.So that is one point I would like to take.

Analyst: And you're new to credit how many clients you've added for new to credit?

Shri Soma Sankara Prasad, MD & CEO: I don't have the figures.You're talking about agriculture right. Just stating myself, agriculture has been to saturate when it comes to these loans. So, a lot of new people who are eligible for these loans have been given loans, but when it comes to all the other sectors like, if you're talking about retail MSME and all. I don't have the figures with me right now.We can share it with.

Analyst: Thank you.

Analyst: Good evening. Your operating expenses have gone up by 24.5 3 percentage operating expenses. So, can you throw some light? What is the?

Shri Shashi Kant Kumar, CRO: Yes, this time, what we have done it? There is some because there is some bipartite settlement where the family pensions provision has increased. So, RBI has allowed us to Amortize in 5 years. So, we started with amortizing. But since we have generated sufficient profits, so because this, whatever we are amortized, it actually affecting my capital also. So, what we have done since we have generated, some operating profit was there. So, we have amortized much more than what we were expected to do, so, as a result, in fact, what we have to do is only 28 crores or something quarter on quarter basis. We were supposed to do, but this time we have made more than Rs100 crores, so as a result of that operating cost has also gone up, and that the second question is, somebody is also asking what that why that cost to income ratio has gone up so marginally, that's also has resulted in that cost to income ratio has gone up.

Shri Soma Sankara Prasad, MD & CEO: And one more thing just to supplement. See, last December we have upgraded our Finacle version. We have gone from Finacle 7 to Finacle 10, which involves a huge expenditure for the bank, and I think all of us are aware that the depreciation on IT, it has to be done over 3 years. So effectively, the rate is 33-34% per year. So that is also one of the reasons why the operating expenses and the cost to income have gone up, because whatever it expenditure is there, it has to be written off in 3 years. So that is also one of the reasons as to why the operating expenses have grown up, and the cost to income is also gone up, and while upgrading the this, IT upgradation. This we have upgraded the bandwidth of the all the branches, so they get faster access to customer conveniences their way, so that expenses also have gone up to you.

Analyst: New Branches Opening.

Shri Soma Sankara Prasad, MD & CEO: Yes, that is also an expense. See, we are opening 200 branches this year, that is, before March. Already about 85 to 90 branches have been actually opened. So that is again, see, what has happened is at this point. I would like to say, that when we were under PCA for about 3 - 3.5 years. One of the restrictions was, we cannot open new branches. So, what happens is in most of the towns, in fact, right from the big cities to the Tier 2 towns. These towns expand during the period of one year, 2 years, and all that, and the town centre would have shifted somewhere else. So, the business potential I think that would have happened in Mumbai and any other city where. Earlier. What was the town centre now is no longer the town centre. It has shifted somewhere else where the business has shifted. So, we actually want to open these branches in areas where the growth has moved in these towns and cities where we could not open earlier. So that is the reason why that is also one of the reasons why the expenditure has gone up, because selecting when you were to again the rent will go up. Selecting new promises and all that, so that is also one of the reasons location changes.

Shri Soma Sankara Prasad, MD & CEO: We have done, branch shifting we have done, and that face lifting of the branches, and moderation of the ATMs that we have done here. That's the cost has incurred this. We always talk about saying that our banks should also look on par with any other private sector bank when it comes to that. So that is something which we have been emphasising on saying, you spend money, but then you cannot have a premises which looks second grade right. So, we have been spending quite a bit of money on upgrading our premises also, which is also added to the total expenditure.

Analyst: Can you share number of share broking accounts opened through your app, your experience and your partners?

Shri Soma Sankara Prasad, MD & CEO: See our partner, let me let me share with you that our partner in this has been a Fintech company called Fisdom. Okay. So, they provide mutual funds, and they are also into the shares and all that through our mobile banking, you actually enter their platform. Wherein you can open a Demat account, and it's a very, very smooth. You can try it. In fact, you can download our mobile app and say it. It's a very seamless experience. And along with that they have come up with this discount stock broking, wherein they say, I think you pay Rs9,999 in a year you can do endless I mean there is no limit, on the number of transactions you do. They won't be any brokerage on those transactions. So, we have a commission sharing model with them. I mean, wherein we get a large part of the Commission, comes to the bank. So, this is one way where we are providing this wealth management services because they also invest in AIFs and all those mutual funds, apart from stock broking. You can file your income tax return on our mobile banking app. You can get Income tax advisory also for a fee. Income tax filing is free but advisory you want; you will get it for a fee. So, all these services are provided seamlessly on our mobile banking app. And we felt that we should partner with them because we should make these services available to our customers. And, as I said earlier, it's obviously a win-win for both because of our customer base and their technology.

Analyst: So, they get benefits of your customer base or is there a point where, we are benefitting from their customers opening bank accounts at UCO Bank. That is the main thing.

Shri Soma Sankara Prasad, MD & CEO: No! No!See their customers that reverse model right now. Seesome customers of theirs might open. There is no agreement wherein their customers will open.No, it doesn't happen that way. It is our customers make use of their platform.Ok, and what do I get out of it? One is that, of course getting that income sharing between them and me is there.

Second thing is, see. I do not want my customer to go to some other bank, because this facility is not provided by me.That is more important for me. Forget about as you said. Maybe it's a meagre amount, whatever I get from them.But my customer should not go to another bank. There are a number of banks which are offering, which I have, for instance, I come from SBI earlier. They have the SBI Cap securities, which is a subsidiary of SBI, which is there, and which is providing them their services. I do not have the capacity to set up a subsidiary and provide those services to my customer.But at the same time, I should meet my customer requirements so that it doesn't leave me and go somewhere else.So, this is where this comes in.

Analyst: Sir, If Fisdom has come, Its Non-banks, because banks are also competitors. Tomorrow if IIFL and Angel also comes to us, we'll still be glad to do it?

Shri Soma Sankara Prasad, MD & CEO: Yes, depending on the requirement. Yes, see now, for instance, the same logic applies to insurance. We have life insurance, general insurance, and health insurance. Earlier we were permitted to partner with 3 companies okay in general, 3 in life and 3 in health. I think now we realize permitting 9 companies. I think. So, I mean there is no harm I'll on board them, but it is for them to sell services to my customers and my customers. The only thing I had to ensure is that they follow proper practices while selling their services to my customers. So, once I ensure that I mean, I mean the choice is there for the customer, whether it is 3 or 4 tomorrow, as you're saying, if Angel comes as somebody else comes, there's a choice available and there may be competition between them where my customer might get more services for a better fee. So, I'm open to that.

Shri Ishraq Ali Khan, ED: Just to update the house that our mobile banking app is rated as one of the best mobile app in the financial sector. All the bandwidth you can see. Review on the internet.

Shri Rajendra Kumar Saboo, ED: I want to add that Fisdom, or whatever Fintech we are taking, they are also empanelled and selected through an proper RFP Process.

Shri Soma Sankara Prasad, MD & CEO:. As he's saying, being a public sector bank, will have to go through an RFP Process and all that before we run.

Analyst: Sir, our exposure to this much talked account, and how do you see going forward, I mean the things are stabilizing. You have first of all any exposure? Number 2, do you intend to take more because they are foreign sources will stop for some time, and they might come to Indian banks now, and also to the public sector banks, so what are your views on that? Because it is much talked about. It has taken Rs. 10 Lakh crores of market cap down, I mean their own wealth down, and the tremendous amount of market Cap down, and I think here we can talk candidly or openly, because even the finance minister also said that respective people will explain their position to the people.

Shri Soma Sankara Prasad, MD & CEO: Yeah, see, I mean, see, we also like other banks, we also have exposure to them. But then our exposure is much less than 1% of our total advances, and it is a very small amount. It's around 0.7- 0.8% of our total book. That is the first thing, the second thing I would like to say is that our loans have been to companies which are operating right now, I mean, they are not even under construction, and I mean that risk is also they're not there. They are operating, they are generating cash flows, and we have been getting regular repayment in those loans. And not only are sufficient cash flows available, there are solid assets which are there on the ground. Our loan is adequately secured by those assets. Whether it is power, or whether it is something else. So, these are all operating companies with adequate cash flows and security, to whom we have exposure, and we do not have, as, like any other public sector, bank we do not have any exposure against shares we do not do normally public sector banks don't do any loans, any share, so there's no question of margin calls and issues like that when it comes to lending to these companies. So, we do not have. We do not see any risk, I mean at all when it comes to the loans to these companies. That is the first part I would want to say regarding the future. What we have asked. I mean, if it is, I mean good infrastructure projects where there is a good debt-to-equity ratio, and I mean where the necessary approvals are in place, there's no reason why, as a banker I cannot take a reasonable risk in financing those projects as long as both the debt and equity are tied up. So, there's no reason why I cannot take a future exposure to any group, for that matter, when it comes to financing these.

Analyst: Now, the clarification on this, do you have any exposure through our foreign branches on those bonds, overseas bonds. Is it included in that?

Shri Soma Sankara Prasad, MD & CEO: No So we don't do bonds, that is included in that. We have something, there is an entity based in Singapore which is a subsidiary of Adani, to whom we have a little exposure from our Singapore office, but that is again a company there. We do not have any investment exposure to the group.

Analyst: And does it include Ambuja, ACC etc,

Shri Soma Sankara Prasad, MD & CEO: We do not have exposure to those companies.

Analyst: So, about Rs1500-1600 crores is your total exposure.

Shri Soma Sankara Prasad, MD & CEO: much less than that. It is about Rs1,400 crores.

Analyst: Funded Non- Funded?

Management: Both Put together.

Analyst: And is this all disbursed?

Shri Soma Sankara Prasad, MD & CEO: Yes, this is all disbursed, and these all are operating companies.These are not some projects still under construction, and all that. We have exposure to power, and all that where they are operating companies.

Analyst: Are they all large companies?

Shri Soma Sankara Prasad, MD & CEO: Yeah, that is what I'm saying. That is what I am saying.

Analyst: If you can mention their names?

Shri Soma Sankara Prasad, MD & CEO: Names. I don't want to mention. Yeah. We have exposure to power, not green energy, this is all, thermal power and mainly power. It's mainly power. These are operating companies which are generating cash. Everybody is safe. Actually, we only lend against the projects which are, yeah.

Analyst: You mentioned a Singapore company, what is that?

Shri Soma Sankara Prasad, MD & CEO: That is a trading company where the exposure is around Rs.400 crores.

Shri Soma Sankara Prasad, MD & CEO: Its genuine trading. It's not just our bank has got an exposure in Singapore. There are about 20-25 banks, including Singaporean banks, which have exposure. So, then this big company has been the big venture. Singapore based companies don't have a rating, for that matter, because Singapore is one of the countries where all I mean, all the 3 rating agencies have given a AAA rating to that country this is one of the 12 countries in the world, where all the 3 major rating agencies are given a AAA rating, even US doesn't have all the 3 rating agencies giving it a AAA, So companies which are incorporated in Singapore believe that they are themselves AAA, because the country is rated AAA.

Analyst: Credit to Indian companies is Rs 1000 cr only?

Shri Soma Sankara Prasad, MD & CEO: Yes, we are transparent bank.

Analyst: We are of course small bank, but still, we have an expense on all these salaries and everything. And now, since your profits are going up, you've started making provision of the PLA the nine-month Performance link Incentives, for this staff, because 5% growth, 5 days or 10 days period. Have you started to do that, or are you planning to do that?

Shri Soma Sankara Prasad, MD & CEO: No, let's say small amount. Actually, we have paid the last 2 financial years, and we are paid highest 10% - 15% view. It is not a material item for us to make a provision for that.

Analyst: No, in fact, it is the most interactive Analyst Meet in the industry. And even though the questions are asked only by 5-6 people, a lot of clarification, is there for everyone who are present here. Most of the points here are already been covered.

Shri Soma Sankara Prasad, MD & CEO: So, I mean my request to all of you would be to cover the bank much more.

Moderator: Yeah. So, we will request Rajinder Kumar Saboo, to make the vote of thanks.

Shri Rajinder Kumar Saboo, ED: Thank you. Our Respected MD & CEO sir and my colleague ED Sir here and our GM and CFO on dais and other our bank colleagues and most respected our analysts and investors present today. Here in this meeting. So, I'm thankful to all of you. I understand that whatever the questions you were having in your mind have been explained very well by our MD Sir. And all of the queries you raised, up to most extent have been satisfied and addressed. We have noted a few points with regards to our presentation also. Some of you have mentioned that certain more details are required to be there, so we will take care of those details in the next presentation you will find more clarifications about Sectoral or whatever deployment. Whatever else you want, and I can just assure you that the results which have been shown in our discussion has been held so it will be on more means upfront for sharing the information with you, having more interactions with the investors and analysts. More frequently we will have the interactions. So, it means not only after just this quarterly results in between also we will try. And my thanks to all of you for coming here, and please join us for tea. Thank you so much.

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