

“Strong Credit Growth and Broad-Based Business Expansion”

Ajcon Global's observations & views

1. UCO Bank delivered strong credit growth in Q2FY27, supported by broad-based traction across RAM and corporate advances. The Bank's focus on maintaining a balanced credit mix, strengthening its deposit franchise and expanding its international presence through GIFT City should support sustainable business growth. However, volatile treasury yields remain a key monitorable for overall profitability.
2. Despite credit growth significantly exceeding its FY27 guidance of 12–14%, the Bank has retained its guidance, reflecting a prudent approach. Higher provisioning towards the ECL transition, alongside continued efforts to strengthen the balance sheet, provides comfort on risk preparedness, while margin sustainability, deposit repricing and execution of the growth strategy will remain key factors in H2FY27.

Q2FY27 RESULT ANALYSIS

- 1) **Total Business** expanded by 5.32% QoQ at Rs. 637280 Crores in Q2FY27 against Rs. 605083 Crores in Q1FY27 and also, increased by 18.81% YoY from Rs. 536398 Crores in Q2FY26.
- 2) **Total Deposits** rose by 5.20% QoQ at Rs. 349590 Crores in Q2FY27 against Rs. 332315 Crores in Q1FY27 and also, grew by 14.36% YoY from Rs. 305697 Crores in Q2FY26.
- 3) **Gross Advances** increased by 5.47% QoQ at Rs. 287690 Crores in Q2FY27 against Rs. 272768 Crores in Q1FY27 and marked a growth of 24.70% YoY from Rs. 230702 Crores in Q2FY26.
- 4) **Net Interest Income** increased by 2.78% QoQ at Rs. 2886 Crores in Q2FY27 against Rs. 2808 Crores in Q1FY27 and also, jumped by 13.96% YoY from Rs. 2533 Crores in Q2FY26.
- 5) **Operating Profit** was down by 33.38% QoQ at Rs. 1872 Crores in Q2FY27 against Rs. 2810 Crores in Q1FY27 and increased by 16.08% YoY from Rs. 1613 Crores in Q2FY26.
- 6) **Net Profit** increased by 19.82% QoQ at Rs. 786 Crores in Q2FY27 against Rs. 656 Crores in Q1FY27 and jumped by 26.77% YoY from Rs. 620 Crores in Q2FY26.
- 7) **NIM (Global)** marginally declined to 3.00% in Q2FY27 against 3.05% in Q1FY27 and from 2.90% in Q2FY26, respectively.
- 8) **Cost of deposits** slightly increased to 4.70% in Q2FY27 against 4.70% in Q1FY27 and came down from 4.73% in Q2FY26.
- 9) **Cost/Income ratio** increased to 50.39% in Q2FY27 against 37.49% in Q1FY27 and eased from 52.79% in Q2FY26. (Excluding one-time TWO recoveries, the normalized Cost-to-Income ratio stood at 45.42% for Q1 FY27 and 47.93% for H1 FY27).
- 10) **Cost of Funds** increased to 4.44% in Q2FY27 against 4.36% in Q1FY27 and declined from 4.57% in Q2FY26.
- 11) **Total Non-Interest Income** declined by 47.32% QoQ at Rs. 888 Crores in Q2FY27 against Rs. 1686 Crores in Q1FY27 and slightly up by 0.47% YoY from Rs. 884 Crores in Q2FY26.
- 12) **Fee based income** rose by 10.47% QoQ at Rs. 558 Crores in Q2FY27 against Rs. 505 Crores in Q1FY27 and grew by 34.66% YoY from Rs. 414 Crores in Q2FY26.
- 13) **Treasury income** declined by 82.10% at Rs.29 Crores in Q2FY27 against Rs. 163 Crores in Q1FY27 and also decreased by 71.80% YoY from Rs.104 Crores in Q2FY26.
- 14) **Yield on Advances (Domestic)** eased to 8.11% in Q2FY27 against 8.14% in Q1FY27 and also, declined from 8.39% in Q2FY26.
- 15) **The total Government guaranteed advances** increased to Rs. 7830 Crores in Q2FY27 against Rs. 7718 Crores in Q1FY27 and also, rose from Rs. 6649 Crores in Q2FY26.
- 16) **CASA ratio** declined to 36.77% in Q2FY27 against 36.94% in Q1FY27 and also, decreased from 38.11% in Q2FY26.
- 17) **Credit/Deposit (C/D) ratio** marginally increased to 82.29% in Q2FY27 against 82.08% in Q1FY27 and also, surged from 75.47% in Q2FY26.
- 18) **Return on assets (ROA)** improved to 0.80% in Q2FY27 against 0.68% in Q1FY27 and 0.71% in Q2FY26, respectively.
- 19) **Fresh slippages** increased to Rs. 549 Crores in Q2FY27 against Rs. 444 Crores in Q1FY27 and declined from Rs. 629 Crores in Q2FY26.
- 20) **Gross NPA ratio** improved to 1.96% in Q2FY27 against 2.08% in Q1FY27 and 2.56% in Q2FY26. Net NPAs ratio also improved to 0.18% against 0.25% in Q1FY27 and 0.43% in Q2FY26, respectively.
- 21) **Credit cost** increased to 0.65% in Q2FY27 against 0.39% in Q1FY27 but came down from 0.72% in Q2FY26, respectively.
- 22) **Provision Coverage ratio** increased to 98.36% in Q2FY27 against 97.85% in Q1FY27 and 96.99% in Q2FY26, respectively.
- 23) **The Bank's Capital Adequacy ratio** came down to 18.85% in Q2FY27 against 19.03% in Q1FY27 and increased from 17.89% in Q2FY26.

KEY FINANCIAL INDICATORS – Q2FY27

CMP (16.10.2026)	: Rs. 23.73
Face Value	: Rs. 10
Book value per share	: Rs. 23.25
Market Capitalisation	: Rs. 29,756 Crs.
Capital Adequacy Ratio	: 18.85%
C/D ratio	: 82.29%
CASA ratio (Domestic)	: 36.77%
Net Interest Margin (Global)	: 3.00%
Cost / Income ratio	: 50.39%
Gross NPA	: 1.96%
Net NPA	: 0.18%
PCR	: 98.36%
Slippage ratio	: 0.85%
Credit cost	: 0.65%
Return on Assets (Annualised)	: 0.80%
Return on Equity (Annualised)	: 11.42%

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Management Comments

- 24) In his opening remarks, Mr. Rajendra Kumar Saboo, Executive Director holding interim charge of MD & CEO, highlighted the Bank's key initiatives to drive business growth, improve profitability and strengthen asset quality. These included the launch of new CBDC features, RPA-based process automation, digital marketing solutions, enhanced UPI services and a Customer 360-degree portal. He also emphasized the expansion of digital business under Project Parivartan, new product launches across key segments, strengthening of the CASA franchise through strategic MoUs, and focused recruitment to enhance operational efficiency and customer service.
- 25) Answering an analyst's query on recovery, Mr. Saboo stated that the Bank reported a normalized technical write-off (TWO) recovery of around ₹301 crore in the quarter, compared with ₹233 crore in the previous quarter, excluding a one-off recovery of ₹785 crore. With recoveries from large accounts largely completed, the Bank will focus on smaller written-off accounts through various recovery mechanisms, including SARFAESI and OTS schemes, and aims to sustain TWO recoveries at around ₹300 crore per quarter going forward.
- 26) Addressing the treasury outlook, the MD & CEO stated that hardening bond yields have put pressure on treasury profitability, with the outlook dependent on future yield movements and macroeconomic indicators. However, the impact is expected to be largely offset by improved yields on advances following the 25 bps repo rate hike, as around 66% of the Bank's advances are linked to the external benchmark lending rate. He also highlighted that the Bank's limited FVTPL portfolio restricts potential treasury losses.
- 27) While answering the analyst's query on slippages and SMA, the MD & CEO stated that the higher slippages in Q2FY27 were primarily attributable to the half-yearly classification of agricultural crop loans. He highlighted that gross slippages declined to ₹549 crore in September 2026 from ₹629 crore in September 2025, reflecting an improvement in asset quality. Regarding SMA accounts, he noted that SMA levels (₹1 crore and above) stood at 0.42%, improving from 0.77% YoY, with the recent QoQ uptick remaining manageable.
- 28) Addressing to the analyst's query on deposit rates, Mr. Saboo stated that while the repo rate hike has been immediately passed on to repo-linked advances, any increase in deposit rates would depend on the Bank's deposit mobilisation requirements and prevailing market conditions. He added that the Bank does not foresee an immediate need to raise deposit rates and will take an appropriate call as the situation evolves, with revised rates applicable to fresh deposits and renewals.
- 29) While speaking on credit growth, the MD & CEO stated that the Bank's advances growth has been broad-based, with retail and agriculture advances growing by around 30% each, MSME by 20%, and corporate advances by 24.15% YoY. He added that the RAM portfolio has already crossed 65% of total advances and the Bank aims to maintain this share while ensuring balanced growth across segments. The Bank has a corporate credit sanction pipeline of around ₹10,000 crore, with further disbursements subject to acceptable lending rates and market conditions.
- 30) Commenting on ECL provisioning, Mr. Saboo informed that the Bank has estimated an ECL provisioning requirement of over ₹3,200 crore as of the transition date of 1 April 2027, against which provisions of around ₹2,500 crore have already been maintained, covering nearly 70% of the requirement. He added that the Bank will continue to build additional provisions over the coming quarters, subject to profitability.
- 31) Addressing the analyst's query on NIM outlook, the MD & CEO stated that the Bank reported global NIM of 3.00% and domestic NIM of 3.19% in the latest quarter, against its global NIM guidance of 2.80–2.90%. He added that the Bank expects to sustain NIM above its guided range, supported by the pass-through of the repo rate hike to its EBLR-linked advances portfolio.
- 32) Responding to the analyst's query on the cost-to-income ratio, Mr. Saboo explained that the ratio stood at 50.39% in Q2FY27, compared with 52.79% in Q2FY26. He noted that a one-off recovery in Q1FY27 had boosted income and lowered the reported ratio; excluding this impact, the ratio was around 45%. The Bank expects to maintain the cost-to-income ratio at around 50% for FY27, with efforts to bring it below 50% in the following year.