Pick of the Week

Uco Bank

Traditional Values, Next-Gen Banking

July 26, 2026

Reco BUY

Industry	BFSI - PSB
LTP (Jul 24, 2026)	Rs 25.88
Entry Range	**Rs 25.8-26.0**
Add on Dips	**Rs 23.5-23.7**
Base Case Target	**Rs 29**
Bull Case Target	**Rs 31**
Time Horizon	4 Quarters

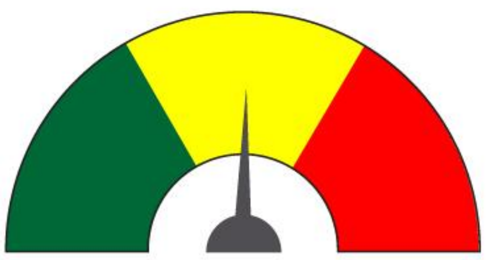
Stock Info

BSE Code	532505
NSE Code	UCOBANK
Bloomberg	UCO IN
CMP Jul 24, 2026	25.88
Equity Capital (Rs Cr)	12539.6
Face Value (Rs)	10
Equity Share O/S (Cr)	1254.0
Market Cap (Rs Cr)	32452
Adj. Book Value (Rs)	24.1
Avg. 52 Wk Volumes	91,30,000
52 Week High	34.20
52 Week Low	22.22

Share Holding Pattern % (Jun'26)

Promoters	90.95
Institutions	4.36
Non-Institutions	4.69
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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From Cleanup to Compounding

Our Take

UCO Bank represents a classic public sector turnaround story that has completed its pain phase and entered a sustainable expansion period. The combination of historical balance sheet cleanup (Net NPA < 1%), structural alignment toward higher-yielding RAM portfolios, a stable retail deposit base, and deep valuation comfort makes it an attractive option for investors looking to capture value in India's ongoing banking credit upcycle.

Strict underwriting and aggressive bad-debt recoveries reduced Gross NPA to ~2.1% and Net NPA to 0.3%, backed by a high Provision Coverage Ratio (PCR) exceeding 95% to absorb future credit shocks.

To sustain margins and mitigate corporate default risks, UCO Bank has rebalanced its focus toward the RAM (Retail, Agriculture, and MSME) segment, which makes up roughly 65% of domestic advances. This granular lending approach is supported by a stable retail deposit base (over 70% domestic deposits) and a resilient CASA ratio, keeping cost of funds low and sustaining Net Interest Margins over 3%. Coupled with ongoing digital scaling and pan-India reach, UCO Bank offers an attractive, value-driven entry into India's credit expansion.

- ***Uco Bank has reported a sturdy Q1FY27 performance, much above the conservative management guidance. UCO Bank, headquartered in Kolkata, has a strong presence in West Bengal with 400 branches. With the Government change, we believe the bank has strong growth opportunities in the coming years.***
- ***We feel that investors can buy the stock between in the band of Rs 25.8-26.0 and add more on dips in Rs 23.5-23.7 band. We expect the Base case fair value of Rs 29 (0.98x FY28E ABVPS) and the Bull case fair value of Rs 31 (1.05x FY28E ABVPS) over the next 4 quarters.***

Growth gains momentum, risks continue to ease

UCO Bank reported a strong operational performance for Q1FY27 driven by solid balance sheet expansion, a significant surge in core operating income, and sustained cleanup of legacy stressed assets. Net profit for the quarter rose 8.1% YoY to Rs 656 cr on account of deferred tax adjustment as the bank transitioned to new tax regime. NII surged for the quarter surged to Rs 2,808 cr, up 16.9% YoY. This robust NII performance was supported by sequential expansion in Global NIM, which held at 3.05%. Operating profit recorded a massive growth of 80% YoY to reach Rs 2,810 crore, on back of strong recoveries in written- off accounts. The performance reflects the ongoing execution of UCO Bank's multi-year structural transformation, positioning it as a resilient mid-tier public sector lender despite broader macroeconomic pressures and high deposit costs

Credit growth remained the main engine of balance sheet expansion, with advances surging 21.6% YoY to Rs 2.68 lakh crore, exceeding the bank's initial annual growth guidance of 12–14% for FY27. On the liability side, total deposits grew 11.3% YoY. The bank's focus on low-cost deposit accumulation paid off, as domestic CASA deposits expanded 12.3% YoY to reach Rs 1.16 lakh crore

Asset quality for UCO Bank continued its downward trajectory in NPAs. GNPA fell by 55 basis points YoY to 2.08% of total advances, down from 2.63% in Q1FY26 and 2.17% in the preceding quarter. NNPAs also improved sequentially and on an annual basis, declining to 0.25% from 0.45% in Q1FY26 and 0.27% in Q4FY26. Provisions for NPA fell sharply by nearly 62% YoY to Rs 254 cr. UCO Bank maintained a high Provision Coverage Ratio (PCR) of 97.85%, offering a substantial buffer against potential slippages, particularly in unsecured retail loan segments.

To comply with SEBI's Minimum Public Shareholding (MPS) norms, the bank plans to execute an equity dilution strategy, following board approval to raise up to Rs 2,700 cr. Additionally, it also plans to mobilise up to $500 million from foreign currency markets by December 2026.

Management Guidance & Outlook

- *Loan growth of 12-14% in FY27 (will review after Q2FY27 results)*
- *NIM target range of 2.8% to 2.9%, with aims to outperform it.*
- *Confident on keeping gross NPAs below 2% and net NPAs below 0.20% by March, with current slippages remaining below the 1% target.*
- *Credit costs to be contained below 0.75%*

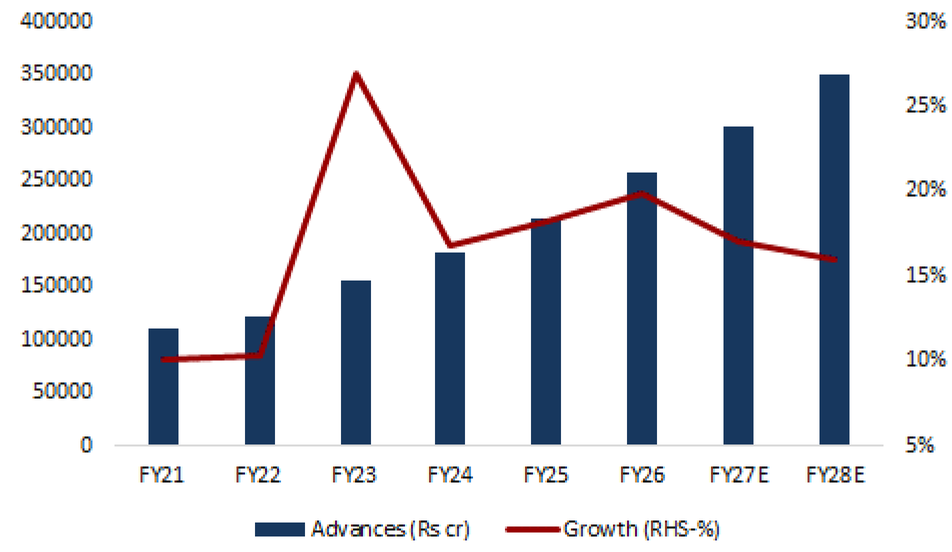
Financial Summary

Particulars (Rs Cr)	Q1FY27	Q1FY26	YoY-%	Q4FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E
NII	2808	2403	16.9	2614	7.4	8101	9630	10196	12600	14453
PPoP	2810	1562	79.8	1573	78.6	4576	6037	6429	8583	10114
PAT	656	607	8.0	801	-18.1	1654	2445	2768	3721	5918
EPS (Rs)	0.5	0.5	8.0	0.6	-18.1	1.4	1.9	2.2	3.0	4.7
ABV (Rs)						19.0	21.4	23.4	25.8	29.5
P/E (x)						18.7	13.3	11.7	8.7	5.5
P/ABV (x)						1.4	1.2	1.1	1.0	0.9
RoAA (%)						0.5	0.7	0.7	0.9	1.2
RoAE (%)						6.2	8.4	8.6	10.7	15.3

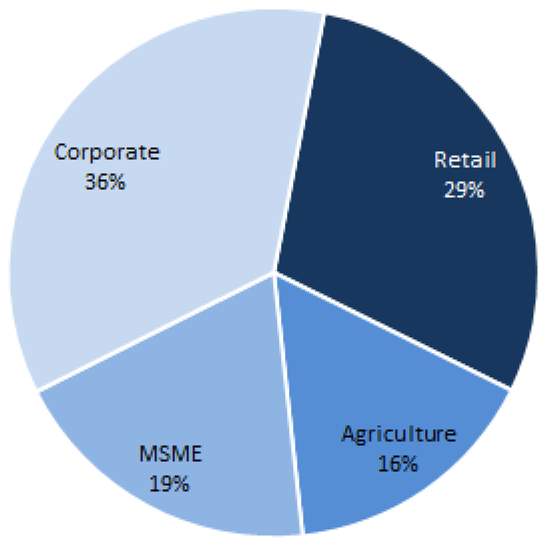
(Source: Company, HDFC sec)

Story in Charts

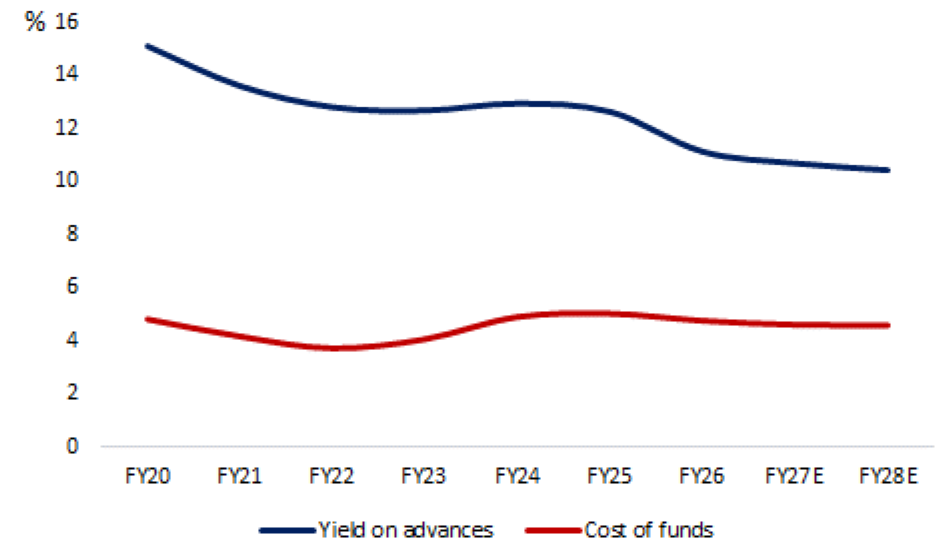
Advances trend



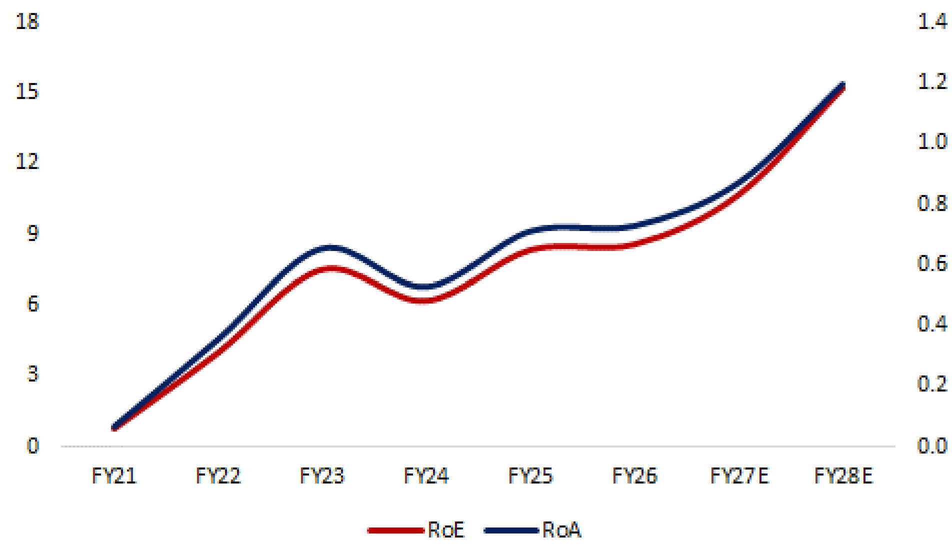
Advances breakup



Yield and Borrowing trend



Return ratios (%)



(Source: Company, HDFC sec)

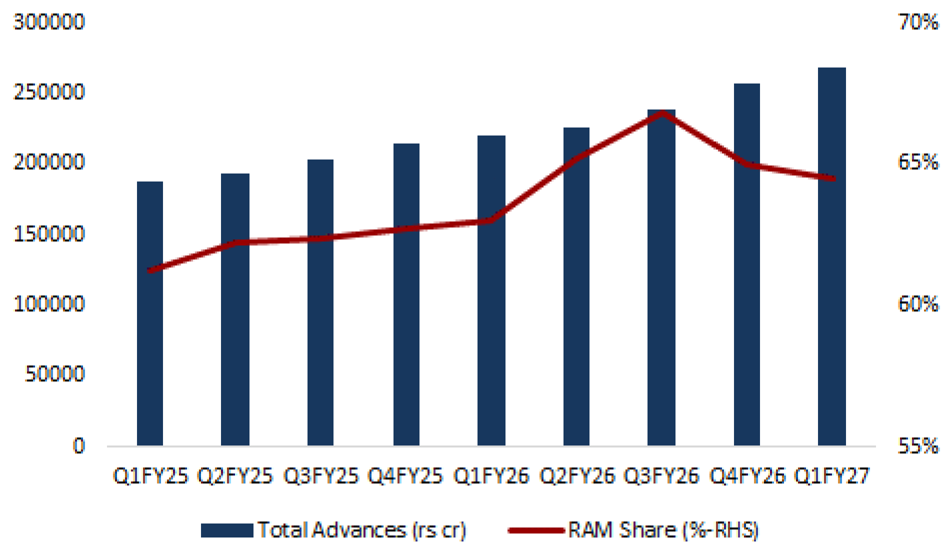
Key Drivers

RAM segment accounts for 65% of total advances

Strategic Rebalancing Toward the "RAM" Portfolio

Historically, many PSBs suffered from an over-reliance on large-ticket corporate consortium lending, which triggered the last bad-loan cycle. UCO Bank has successfully restructured its advance profile toward the safer RAM (Retail, Agriculture, and MSME) segments. The bank's credit book features a healthy RAM-to-Corporate mix, with the RAM segment accounting for roughly 65% of total domestic advances. Retail lending is concentrated in low-risk home loans and auto loans alongside granular MSME credit, offering higher yields while spreading credit concentration risk across hundreds of thousands of accounts rather than a few massive corporations. This pivot protects the bank from cyclical corporate defaults while capturing higher yield margins.

Focus on increasing RAM segment loan share



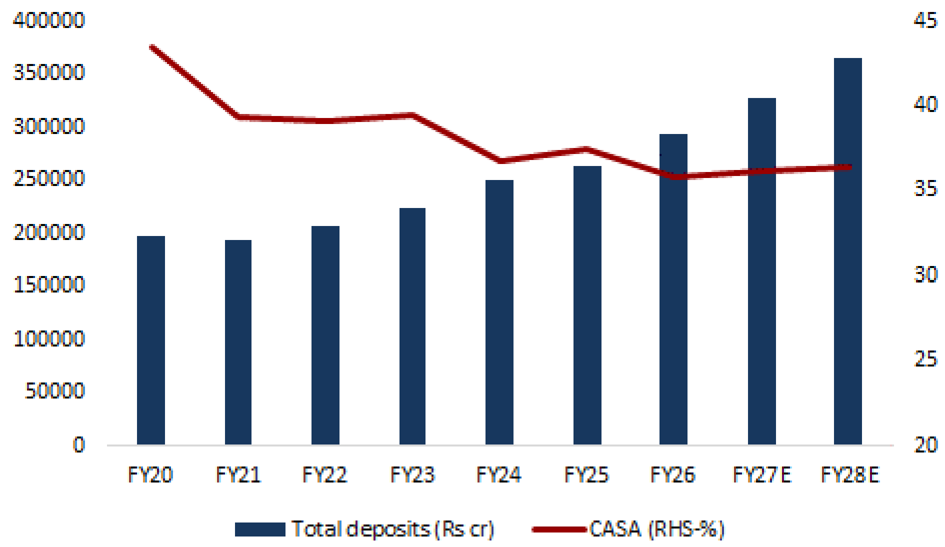
(Source: Company, HDFC sec)

CASA to improve on implementation of Govt. schemes

Resilient Liability Franchise & CASA Core

A bank's long-term lending viability depends heavily on the cost and stability of its deposits. UCO Bank leverages a deep-rooted retail liability franchise cultivated over eight decades. Over 70% of the bank's domestic deposits are driven by retail savers rather than volatile bulk institutional deposits. The bank maintains a resilient Current Account Savings Account (CASA) ratio, which serves as a shield against steep rises in borrowing costs during inflationary interest rate cycles. UCO Bank stands to benefit from regional economic shifts and policy implementations in West Bengal, driven by local credit schemes and institutional partnerships. A steady stream of low-cost CASA deposits allows UCO Bank to keep its overall Cost of Funds lower than many non-banking financial companies (NBFCs) and smaller private competitors, helping sustain healthy NIM over the 3% mark.

Focus on increasing RAM segment loan share



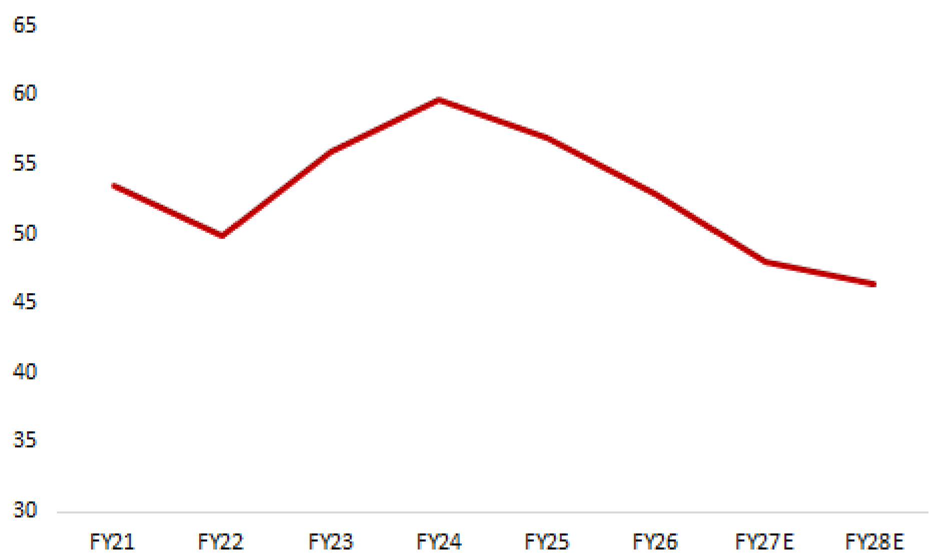
(Source: Company, HDFC sec)

Increasing digital adoption driving down cost-income ratio

Operating Efficiencies via Digital Transformation

Modern banking demands hyper-digitisation to lower customer acquisition and transactional servicing costs. UCO Bank has transitioned its operational landscape via its proprietary digital platforms. With millions of active mobile banking users (anchored by its top-rated UCO mbanking plus application) and an expanding

Cost-to-Income ratio (%)



(Source: Company)

web banking footprint, the bank has pushed high-volume retail transactions away from expensive physical branches toward seamless digital channels. Enhanced digital workflows across onboarding, micro-lending, and payment collections are translating into measurable operational leverage. As transaction processing costs fall, the bank's Cost-to-Income ratio is positioned to decline, amplifying profitability margins over the medium term.

Robust Sovereign Backing & High Capital Cushions

A primary anchor for investing in UCO Bank is its absolute sovereign support. The Government of India (GoI) maintains an equity stake of ~91%. This virtually eliminates systemic liquidity risks and guarantees capital infusion under extreme macroeconomic duress. Over recent fiscal cycles, internal accruals and capital optimization strategies have reinforced the bank's balance sheet. With a comfortable Capital to Risk-Weighted Assets Ratio (CRAR) comfortably exceeding the regulatory minimum of 11.5%, the bank possesses the necessary capital room to expand its loan book smoothly without imminent dilution risks for minority shareholders.

Extensive Pan-India and Niche International Footprint

UCO Bank balances an extensive domestic presence with select cross-border capabilities. With over 3,200 physical branches, a substantial network of business correspondents (BCs), and over 16,000 total touchpoints, the bank possesses deep structural penetration across semi-urban and rural India. This positions it well to capture financial inclusion gains and rural consumption tailwinds.

Unlike many mid-sized peers, UCO Bank retains dedicated overseas branches in prime financial hubs like Hong Kong and Singapore. These international outposts act as strategic gateways for trade finance and foreign exchange revenues, offering a diversified corporate fee-income stream that helps offset domestic macro variations.

Risks & Concerns

NIM compression
Systemic pressures on deposit pricing remain the primary concern, which could compress margins if deposit growth lags behind the fast-paced advance growth.

Asset Quality concerns
A significant portion of the bank's loan book consists of exposure to corporate borrowers, agriculture, and Micro, Small, and Medium Enterprises (MSMEs). These sectors are historically vulnerable to macroeconomic fluctuations. Any fresh economic slowdown or stress in corporate default cycles could trigger a spike in fresh NPAs.

Intense Competition for Low-Cost Deposits (CASA)
The Indian banking landscape is witnessing fierce competition for deposits. Large private and public sector banks are aggressively chasing retail deposits by offering competitive products. To fund its strong growth, the bank must continuously offer higher deposit rates, which can exert downward pressure on its interest margins if asset yields face compression.

Public Shareholding Compliance
With government ownership hovering above 90%, UCO Bank must eventually comply with SEBI's Minimum Public Shareholding (MPS) rule, which mandates a public float of at least 25%. Future equity dilution through a Qualified Institutional Placement (QIP) or Follow-on Public Offer (FPO) could pose temporary price overhangs.

Company Description

UCO Bank (formerly United Commercial Bank) is a leading Indian public sector bank and a Government of India undertaking. Founded in 1943 by industrialist G.D. Birla during the Quit India movement, the bank was established to build an institution powered by Indian capital and management. Headquartered in Kolkata, West Bengal, it holds a unique position as the only major public sector bank headquartered in Eastern India. The bank was nationalised by the Government of India in 1969 and renamed UCO Bank in 1985.

UCO Bank operates a vast pan-India footprint with over 3,300 domestic branches, more than 2,500 ATMs, and 43 zonal offices. It also maintains an international presence through key overseas branches in global financial hubs, including Singapore and Hong Kong, alongside a representative office in Tehran.

The bank provides a comprehensive suite of commercial banking services divided across Retail, Agriculture, MSME (RAM), and Corporate Banking segments. Its product offerings range from personal accounts, home/vehicle loans, and wealth management to trade finance, treasury services, and priority sector lending.

In recent years, UCO Bank has undergone significant operational and digital modernisation—introducing end-to-end digital lending, mobile banking platforms, and automated customer services. With a total business volume exceeding Rs 5 lakh crore, UCO Bank remains a core player in India's banking infrastructure, balancing commercial growth with government-led financial inclusion initiatives.

Financial Statements

Income Statements

Particulars (in Rs Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest Income	17651	21854	25067	26281	29865	33927
Interest Expenses	10307	13754	15437	16085	17265	19475
Net Interest Income	**7343**	**8101**	**9630**	**10196**	**12600**	**14453**
Non interest income	2508	3266	4407	3460	3915	4397
Operating Income	**9852**	**11366**	**14037**	**13656**	**16515**	**18850**
Operating Expenses	5511	6790	7999	7227	7932	8736
Pre Provisioning operating profit	4341	4576	6037	6429	8583	10114
Provisions & Contingencies	1436	2007	2204	2055	1818	2117
Profit Before Tax	2905	2569	3834	4373	6765	7997
Tax	1043	915	1389	1606	3044	2079
PAT	**1862**	**1654**	**2445**	**2768**	**3721**	**5918**

(Source: Company, HDFC sec)

Balance Sheet

Particulars (in Rs Cr) - As at March	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	11956	11956	12540	12540	12540	12540
Reserves & Surplus	13809	15401	18465	20710	23686	28421
Shareholder funds	**25765**	**27357**	**31005**	**33249**	**36226**	**40960**
Deposits	249338	263130	293542	327563	366062	412565
Borrowings	20501	25331	28687	23310	30158	38482
Other Liab & Prov.	5260	7873	9247	11737	25269	32346
SOURCES OF FUNDS	**300863**	**323691**	**362481**	**395858**	**457715**	**524354**
Cash & Bank Balance	28728	29025	36127	23885	26841	29736
Investment	95169	92904	94272	98777	113093	127690
Advances	155870	182022	215135	257763	301583	349836
Fixed Assets	3510	3781	3852	4200	4404	4707
Other Assets	17586	15958	13095	11233	11795	12385
TOTAL ASSETS	**300863**	**323691**	**362481**	**395858**	**457715**	**524354**

(Source: Company, HDFC sec)

Key Ratios

Particulars	FY23	FY24	FY25	FY26	FY27E	FY28E
Return Ratios (%)						
Yield on advances	12.7	12.9	12.6	11.1	10.7	10.4
Cost of funds	4.1	4.9	5.1	4.8	4.6	4.6
NIM	2.9	2.9	3.1	2.9	3.2	3.1
RoAE	7.5	6.2	8.4	8.6	10.7	15.3
RoAA	0.7	0.5	0.7	0.7	0.9	1.2
Asset Quality Ratios (%)						
GNPA	5.0	3.6	2.8	2.2	2.2	2.2
NNPA	1.3	0.9	0.5	0.3	0.3	0.2
PCR	73.9	74.9	81.9	87.7	88.6	89.5
Growth Ratios (%)						
Advances	26.9	16.8	18.2	19.8	17.0	16.0
Borrowings	51.8	23.6	13.2	-18.7	29.4	27.6
NII	13.4	10.3	18.9	5.9	23.6	14.7
PPP	-9.5	5.4	31.9	6.5	33.5	17.8
PAT	100.3	-11.2	47.8	13.2	34.4	59.0
Valuation Ratios (x)						
EPS (Rs)	1.6	1.4	1.9	2.2	3.0	4.7
P/E	16.6	18.7	13.3	11.7	8.7	5.5
Adj. BVPS (Rs)	17.5	19.0	21.4	23.4	25.8	29.5
P/ABV	1.5	1.4	1.2	1.1	1.0	0.9
Dividend per share (Rs)	0.0	0.3	0.4	0.4	0.6	0.9
Dividend Yield (%)	0.0	1.1	1.5	1.7	2.3	3.6
Other Ratios (%)						
Cost-Income	55.9	59.7	57.0	52.9	48.0	46.3
Credit-Deposit	62.5	69.2	73.3	78.7	82.4	84.8

(Source: Company, HDFC sec)

HDFC Sec Prime Research Rating description
Green Rating stocks
This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks
This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks
This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria
Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential
Sell - >10% downside return potential

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