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RBI puts restriction on Uco Bank's business, asks board to take corrective action

BY [ATMADIP RAY](#), ET BUREAU | UPDATED: MAY 12, 2017, 08.28 PM IST

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KOLKATA: [Reserve Bank of India](#) has put restriction on Uco Bank's lending and branch expansion plans as the state-run lender made net losses for the two successive fiscal amid severe stress on [asset quality](#).

There would be check on management compensation and directors' fees as well as the sector regulator has invoked prompt corrective action (PCA) for the bank, aiming to bring it back on recovery path.

Uco has become the second lender to face business restrictions after [IDBI Bank](#) after RBI revised its [PCA framework](#) last month.

The central bank of Asia's third largest economy has been on a mission to clean up the banking system which saw a surge in stressed-assets.

Uco's gross non performing loans stood at Rs 22541 crore at the end of FY17, which was 17.12% of total advances. The [NPA ratio](#) was one of the poorest in the industry. It was 15.43% a year ago and 17.18% at the end of December last year.

It reported fourth quarter loss of Rs 588 crore on dipping income compared with Rs 1715 crore loss in the year ago period. Its net annual loss stood at Rs 1851 crore for FY17 as against Rs 2799 crore in the preceding fiscal.



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Uco board would now have to review its business model under RBI's guidance and chart out a roadmap for achieving medium and long term viability to make the bank profitable again. It has to activate a plan to recover loans and undertake a business process re-engineering.

In a regulatory filing to [stock exchanges](#), the bank said that RBI has initiated prompt corrective action in view of high NPA and negative return on assets. "These measures aimed at improving performance of the bank and to strengthen internal controls of the bank," it said.

Its total business stood at Rs 332940 crore with advances at Rs 131655 crore. Capital adequacy under Basel III was 10.9%, rose from 9.63% a year ago.

Uco's board has approved the issuance of 75 crore fresh equity shares to raise capital by way of follow-on public offer or institutional placement or preferential allotment. The government has infused Rs 1150 crore in March by subscribing its preferential shares.

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