

RESEARCH REPORT

UNION BANK OF INDIA



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About

Union Bank of India is engaged in the Business of Banking Services, Government Business, Merchant Banking, Agency Business Insurance, Mutual Funds, Wealth Management etc.

Revenue Breakup

Corporate and Wholesale Banking -36%

Retail Banking-34%

Treasury-27%

Other Banking Operations-3%

Synopsis of Financials

- Achieved highest ever operating profit of ₹8,113 crores, reflecting a 12.4% growth.
- Net profit stood at ₹4,720 crores, showing a significant year-on-year growth of 34.4%.
- ROA improved to 1.35% and ROE reached 19.10% for Q2 FY25.
- Capital adequacy ratio improved to 17.13%, with CET ratio increasing to 13.88% as of September 2024.
- Gross NPA reduced by 202 basis points to 4.36%, while net NPA reduced by 32 basis points.
- PCR improved by 76 basis points to 92.79%.
- Cost-to-income ratio improved to 43.56% for Q2 FY25, down from 44.08% in the previous quarter.

Stock data (as 13th Dec 2024)

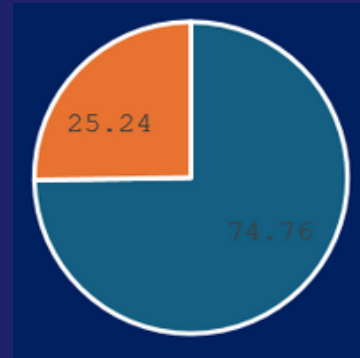
Nifty Price	: 24,748
52 week High (in Rs.)	: 172
52 week Low (in Rs.)	: 107
Market Cap. (in Crore)	: ₹ 96,442 Cr.
NSE Code	: UNIONBANK

Stock data



-NIFTY50
-UNIONBANK

Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	68,230	81,163	100,376
Interest	40,178	48,033	63,364
Expenses	32,264	36,155	32,420
Financing Profit	-4,213	-3,024	4,591
FPM%	-4,213	-3,024	4,591
Net Profit	-4,213	-3,024	4,591
EPS in Rs	7.70	12.45	18.07

Quarterly Results



Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	19,778	20,966	22,163	23,613	24,732	25,521	26,510
Expenses	9,598	8,817	10,041	7,978	7,962	8,012	9,365
Financing Profit	-1,204	-93	-1,688	971	1,271	1,273	179
FPM%	-6%	-0%	-8%	4%	5%	5%	1%
Other Income	3,697	3,669	5,601	4,209	4,221	4,281	5,102
Interest	11,384	12,242	13,810	14,664	15,498	16,236	16,966
Depreciation	0	0	0	0	0	0	0
Profit before tax	2,493	3,576	3,912	5,180	5,492	5,554	5,281
Tax %	26%	37%	28%	37%	35%	35%	37%
Net Profit	1,853	2,264	2,812	3,272	3,572	3,625	3,328

Source: Screener

Key Ratios

Sr. No.	Particulars	31.03.2024	31.03.2023
		(₹ in crore)	
i)	Interest Income as a percentage to Working Funds	7.51	6.60
ii)	Non-interest income as a percentage to Working Funds	1.21	1.20
iii)	Cost of Deposit	5.22	4.37
iv)	Net Interest Margin	2.99	2.90
v)	Operating Profit as a percentage to Working Funds	2.12	2.08
vi)	Return on Assets	1.03	0.69
vii)	Average Business (Deposits plus advances) per employee (₹ in crore)	25.37	23.14
vi)	Net Profit per employee (₹ in crore)	0.18	0.11

Source: Annual Report

Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	6,835	6,835	7,634
Reserves	64,026	71,969	89,964
Borrowings	1,085,613	1,163,059	1,251,568
Other Liabilities	37,292	46,495	52,831
Total Liabilities	1,193,766	1,288,357	1,401,996
Fixed Assets	7,171	8,826	9,224
CWIP	37	22	36
Investments	351,839	343,727	343,953
Other Assets	834,718	935,782	1,048,783
Total Assets	1,193,766	1,288,357	1,401,996

Synopsis Quater Results

Key Highlights

Growth Metrics:

- Deposits grew by 9.2% year-on-year, aligning with the target range of 9-11%.
- Advances grew by 9.6%, with RAM lending growing by 12.3% and corporate lending at 6.3%.
- NIM stood at 2.97% for H1 FY25 and 2.90% for the quarter, in line with guidance of 2.8% to 3%.

Asset Quality:

- Gross recovery for Q2 FY25 was ₹3,932 crores, lower than slippages of ₹5,219 crores due to a large-ticket slippage from a single major account.
- Total slippages stood at ₹7,537 crores, below guidance of ₹11,500 crores for FY25.

Operational Developments:

- Achieved second position in the EASE 7 ranking for Q1, excelling in customer service and risk management.
- Opened 122 branches this financial year, including 12 branches in RUSU centers.
- Launched Union LEAP project to enhance CASA transformation, deploying 1,250 relationship managers.
- Added over 3.48 million CASA accounts; mobile registrations reached 29.1 million.
- Introduced new digital journeys, including PM Vishwakarma STP and UPI functionalities.

Challenges and Management Insights:

- Management highlighted competitive pressures in the banking industry due to credit growth outpacing deposit growth.
- Acknowledged a significant slippage from a single account, raising concerns about asset quality but expressed confidence in maintaining overall asset quality.
- Focus on sustainable growth with a balanced approach to profitability and efficiency.
- Management remains optimistic about achieving growth targets, with a strong pipeline for credit disbursement and sanctions amounting to ₹75,000 crores.

Future Guidance:

- Committed to achieving credit growth guidance of 11% to 13% for FY25.
- Plans to enhance deposit growth through new branches and special deposit schemes.
- Expecting improvements in retail loan growth during the festive season, particularly in home and vehicle loans.

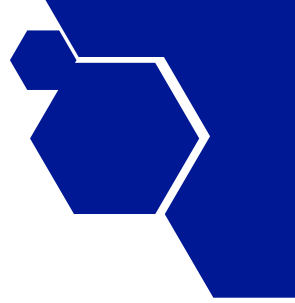
Treasury Outlook:

- Anticipated stability in the treasury income with a positive outlook on interest rates.
- Management expressed confidence in generating 20% to 25% growth in treasury income in the coming quarters.

Overall Sentiment:

- Management expressed strong confidence in the bank's performance and strategies, emphasizing a commitment to digital transformation and customer engagement.

Revenue Highlights

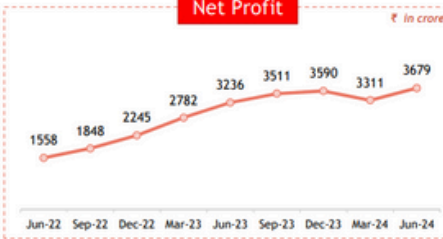


Profitability

Operating Profit



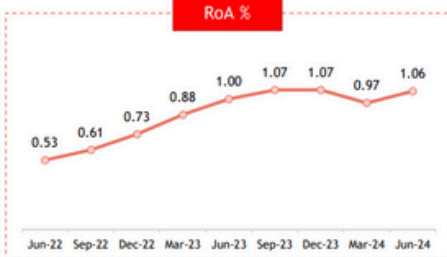
Net Profit



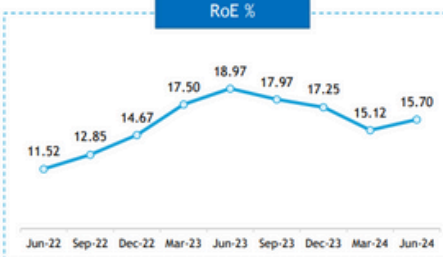
Net Interest Income



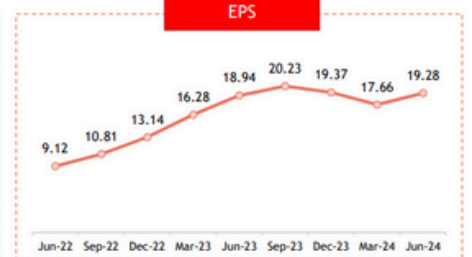
RoA %



RoE %

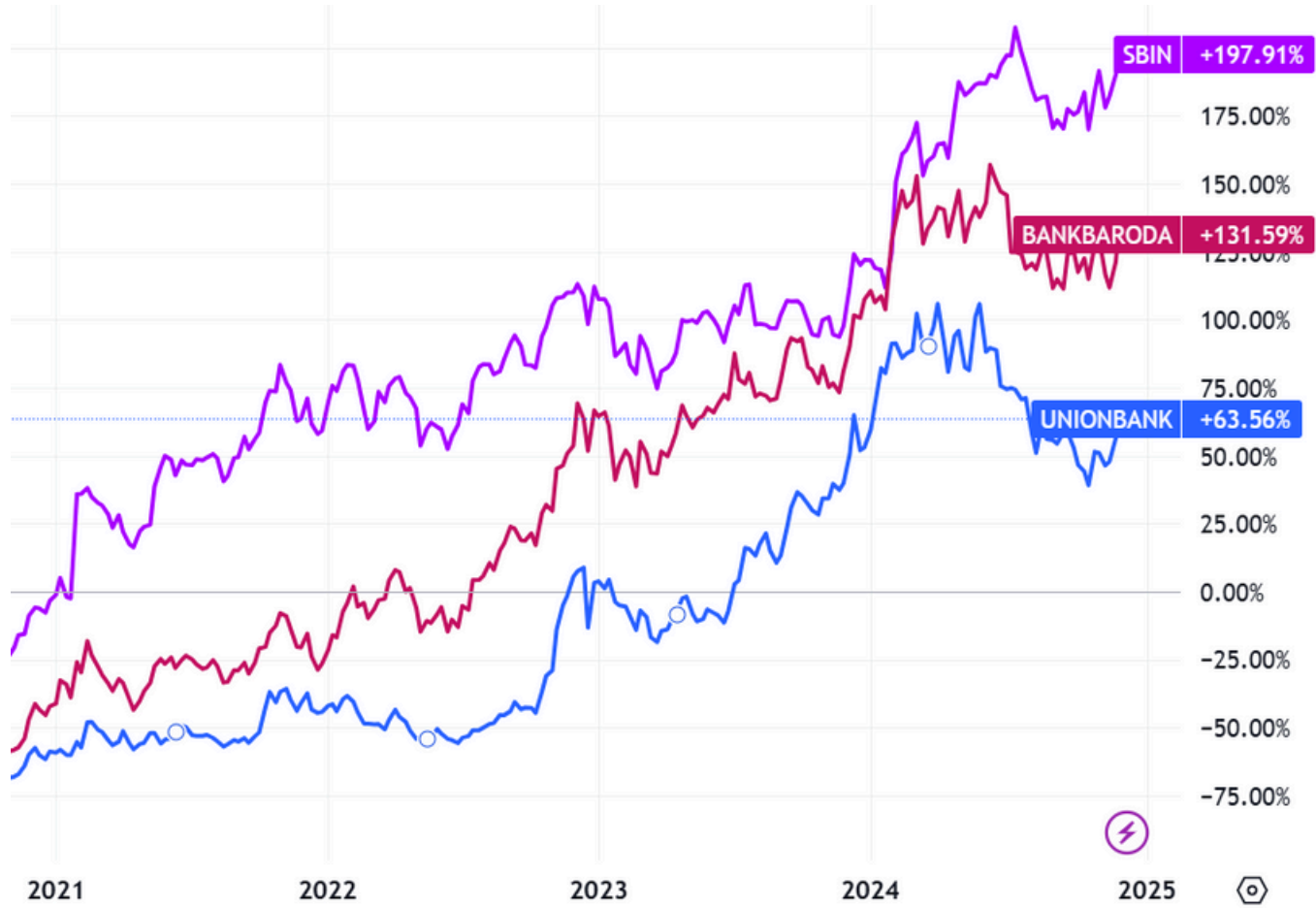


EPS



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
St Bk of India	861.70	10.04	769079.14	1.59	20565.03	22.88	121044.68	12.71	6.16
Bank of Baroda	257.85	6.67	133404.96	2.95	5404.97	21.86	31886.92	8.97	6.33
Union Bank (I)	127.20	6.33	97129.54	2.83	4750.93	33.01	26886.58	8.71	6.55

Source: Screener

Final Outlook

UNIONBANK: BUY | LTP: 127.27

Union Bank of India's financial performance for FY 2024 shows a strong recovery with improved profitability, driven by higher net interest margins (NIM) above 3% and robust asset quality. The bank's gross non-performing asset (NPA) ratio declined, reflecting better management of bad loans. Bank reported rise in its total income 21.47% from FY 2023 and net profit increase by 61.84% in FY 2024 and show low NPA which indicate that the bank management is good and moving in the right direction. The price to book value and PE ratio is also lower than their competitors which show that share price is undervalued. It also show lower debt to equity ratio than thier peers bank which shows that bank have lower loans. As bank is showing profit and show strong financial growth year on year and have international presence also I recommend to BUY the stock as of now the PE is also low and stock price almost fallen almost 30% from july 2024 till october 2024.

I would give **buy** recommendation for this stock

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