



11th October, 2023



India's Best Performing and Most Customer Centric PMS

Union Bank of India is a prominent player in the Indian banking sector, renowned for its diverse range of financial services, strong customer base, and strategic presence both within India and internationally. It is a versatile financial institution offering a wide range of services, including banking, government business, merchant banking, agency business insurance, mutual funds, and wealth management. Established as a cornerstone of financial stability, Union Bank of India has consistently demonstrated its commitment to excellence and prudence in financial management.

**Extensive Branch Network:** Union Bank of India's extensive branch network positions it as a financial powerhouse in India. Currently, the bank operates a vast network of 8,580 branches and 10,835 ATMs across the nation, showcasing its extensive reach and accessibility to customers. This network has significantly expanded from 4,281 branches and 6,895 ATMs following the merger with Andhra Bank and Corporation Bank.

**Diverse Loan Portfolio:** Union Bank of India maintains a well-diversified loan book, with corporate advances accounting for 45% of the total loan portfolio, reflecting its engagement with large enterprises. Furthermore, MSME (19%), Retail (18%), and agriculture (18%) segments contribute to the bank's balanced loan portfolio, showcasing its commitment to supporting various sectors of the economy. Within the retail segment, Union Bank specializes in various lending categories, with home loans (54%), mortgage loans (10%), vehicle loans (7%), education loans (6%), personal loans (4%), and others (19%) indicating a comprehensive approach to meeting individual and household financing needs.

**Exposure to Various Industries:** Union Bank of India strategically aligns its lending with various industries, diversifying risk and fostering economic growth. Infrastructure advances account for 16% of total domestic advances, followed by investments in NBFCs and HFCs (11%), basic metals (3%), food processing (3%), textiles (2%), construction (2%), and all engineering (2%). Advances to these industries collectively account for 42.5% of total domestic advances, showcasing the bank's commitment to sectoral development.

**Government Equity Infusion** Union Bank of India has secured substantial equity infusion from the Government of India, highlighting the government's confidence in its stability and growth potential.

**Broad Customer Base:** Post-merger with Andhra Bank and Corporation Bank, Union Bank boasts a vast customer base of over 15 crore customers, demonstrating its ability to cater to diverse customer needs and preferences effectively.

**International Presence:** While primarily focused on the Indian market, Union Bank has a minor international presence, contributing approximately 2% to its total business. The bank maintains operations in key global financial centers such as Hong Kong, DIFC, Dubai, and Sydney, further diversifying its footprint and global reach.

| Stock Data                |                    |
|---------------------------|--------------------|
| CMP                       | 104.1              |
| 52 Week High/Low          | 113.35/42.60       |
| Face Value                | 10                 |
| Market Cap (In Crs)       | 77,126             |
| Enterprise Value (In Crs) | 11,28,661          |
| NSE                       | UNIONBANK          |
| BSE                       | 532477             |
| Bloomberg                 | UNBK:IN            |
| Sector                    | Public Sector Bank |

| Shareholding Pattern (in %) |        |        |
|-----------------------------|--------|--------|
|                             | JUN 23 | MAR 23 |
| Promoter                    | 83.45  | 83.49  |
| FII                         | 1.46   | 1.66   |
| DII                         | 7.88   | 8.27   |
| Public                      | 7.17   | 6.57   |
| Others                      | 0      | 0.01   |

| Price Performance (in%) |        |        |         |
|-------------------------|--------|--------|---------|
| (%)                     | 1M     | 6M     | 1Yr     |
| Nifty 50                | -0.04% | 12.41% | 14.91%  |
| Union Bank              | 18.16% | 56.31% | 137.13% |

| Key Ratios     |       |
|----------------|-------|
| P/E            | 7.56  |
| P/S            | 0.9   |
| P/B            | 0.92  |
| Debt To Equity | 14.8  |
| ROE            | 11.4% |
| ROCE           | 5.02% |
| Dividend Yield | 2.84% |

## Q1 FY 24 Result Update

| Q1 FY24 Result Comparison (In Rs Cr) |         |         |         |        |         |
|--------------------------------------|---------|---------|---------|--------|---------|
|                                      | Q1 FY24 | Q4 FY23 | Q1 FY23 | QOQ    | YOY     |
| Interest Income                      | 23478   | 22005   | 18174   | 6.69%  | 29.18%  |
| NIM                                  | 8840    | 8251    | 7582    | 7.14%  | 16.59%  |
| Operating Profit                     | 7179    | 6823    | 5448    | 5.22%  | 31.79%  |
| Net Profit                           | 3236    | 2782    | 1558    | 16.32% | 107.67% |
| EPS                                  | 4.79    | 4.11    | 2.32    | 16.45% | 106.5%  |

## Result Highlights

Union Bank of India demonstrated impressive financial growth across key metrics when compared to the preceding and corresponding quarters. Notably, the bank reported a substantial year-on-year (YOY) increase of 29.18% in interest income, reaching Rs 23,478 Cr, reflecting robust lending activity and effective interest rate management. The net interest margin (NIM) also saw a commendable YOY growth of 16.59%, standing at Rs 8,840 Cr, signifying efficient management of interest income and expenses. Operating profit rose to Rs 7,179 Cr, marking a 31.79% YOY increase, showcasing the bank's operational efficiency. Earnings per share (EPS) grew by a remarkable 106.5% YOY to Rs 4.79, indicating substantial value creation for shareholders.

Comparatively, in Q4 FY23, Union Bank had already displayed a robust financial performance. With an his upward trajectory in key financial metrics demonstrates the bank's consistency and ability to sustain its positive momentum, ultimately translating into significant value for its stakeholders.

**Digital Transformation Leadership:** Union Bank of India has established itself as a front-runner in the digital transformation of the banking sector. With rapid growth in digital customer acquisitions, a surge in digital account volume, and strategic partnerships with FinTechs and entities like ONDC and OCEN, the bank is actively enhancing its digital offerings. Furthermore, its involvement in key initiatives with the Reserve Bank of India, such as the Kisan Credit Card (KCC) journey and the Central Bank Digital Currency (CBDC) project, underscores its commitment to staying at the forefront of technological advancements in banking.

**Focus on Asset Quality:** Union Bank of India has made substantial progress in improving its asset quality. With significant reductions in both gross and net non-performing assets (NPAs) by 288 bps and 173 bps, respectively, the bank has demonstrated prudent risk management practices. This highlights its commitment to maintaining a healthy loan portfolio and enhancing the overall quality of its assets.

**Strategic Partnerships:** The bank's strategic collaborations with consultants, system integrators, and FinTechs underline its commitment to delivering innovative banking solutions. These partnerships are instrumental in advancing the bank's digital transformation journey and expanding its range of services, ultimately driving customer satisfaction and business growth.

**Future Digital Aspirations:** Union Bank of India has set ambitious digital goals for the future. With targets such as achieving 50% of Retail, Agriculture, MSME (RAM) acquisition through digital channels and transitioning 15% of the RAM book to digital channels, the bank is poised for continued digital growth. Additionally, its aim to capture INR 1 trillion of CASA through digital channels underscores its commitment to leveraging digital banking for enhanced customer engagement and value creation.

**NARCL Progress:** The bank's active participation in the National Asset Reconstruction Company Limited (NARCL) initiative reflects its dedication to resolving non-performing assets and strengthening its balance sheet. The successful settlement of three accounts and the anticipation of more accounts in the pipeline demonstrate Union Bank's commitment to prudent asset management and capital optimization

## Concall Highlights

**Strong Financial Performance:** Union Bank of India celebrated its commendable Q1 FY24 performance, marked by significant growth in profitability, asset quality, and capital adequacy. This demonstrates the bank's robust financial health and operational excellence. Despite the challenging economic environment, Union Bank has demonstrated resilience.

**Impressive Financial Metrics:** Union Bank's stellar financial metrics include a Total Business figure surpassing INR 19.5 trillion, reflecting the bank's substantial presence in the financial market. The bank also achieved a remarkable YoY growth of 32% in operating profit, indicating its operational efficiency and ability to generate consistent earnings. The nearly 108% surge in net profit reflects Union Bank's strong financial performance, translating into increased shareholder value. Additionally, the improved Net Interest Margin (NIM) at 3.13% highlights the bank's effective management of interest income and expenses. A notable Return on Assets (ROA) of 1% for the quarter signifies improved asset utilization, demonstrating Union Bank's commitment to generating higher returns. The Provision Coverage Ratio (PCR) of 90.86% showcases the bank's prudent risk management practices. Notably, the bank has seen a significant improvement in asset quality, with Gross Non-Performing Assets (NPA) declining by 288 bps and Net NPA by 173 bps. The impressive deposit growth of 13.6% YoY contributes to the bank's stable funding base. Union Bank's successful reduction of credit costs to 0.97% underscores its commitment to managing credit risk effectively.

**Digital Transformation Success:** Union Bank's digital transformation journey has yielded substantial progress. The bank has experienced rapid growth in digital customer acquisitions and a surge in digital account volumes, showcasing its appeal to tech-savvy customers. Collaborations with FinTech companies and participation in initiatives like the Kisan Credit Card (KCC) journey and the Central Bank Digital Currency (CBDC) project with the Reserve Bank of India demonstrate Union Bank's proactive approach to digital banking. Additionally, the bank's plans to launch a mobile app with web-based journeys indicate a commitment to enhancing the customer experience further.

**Future Digital Aspirations:** Union Bank is setting ambitious digital goals for itself. It aims to achieve 50% of Retail, Agriculture, and MSME (RAM) acquisition through digital channels, demonstrating its commitment to digital customer engagement. The bank also targets the transition of 15% of the RAM book to digital channels, reflecting its desire to promote digital banking products and services. Furthermore, Union Bank aims to achieve INR 1 trillion of Current Account and Savings Account (CASA) deposits through digital channels, highlighting its focus on digital deposit mobilization. Enhancing customer satisfaction through hyper-personalization and leveraging AI for conversational AI exemplifies the bank's commitment to delivering exceptional digital experiences.

**Corporate and Home Loan Segment Focus:** Union Bank acknowledges the unique challenges in the corporate and home loan segments. Corporate loan growth has been relatively muted in recent quarters, with some segments showing marginal declines. However, the bank remains focused on providing value-added services to corporate clients and exploring opportunities in sectors like renewable energy and real estate to sustain growth. In the home loan segment, while growth has been steady at 10% to 11%, it remains slightly below the industry average. Union Bank is actively centralizing project approvals and increasing its penetration into new builder projects to enhance its home loan growth prospects.

**High-Value Education Loans:** Union Bank has observed a remarkable 33% growth in the education loan portfolio, emphasizing its focus on high-value education loans for premier institutes and overseas studies. These loans offer higher margins and present an opportunity for customer acquisition. Union Bank's commitment to providing educational financial support aligns with its broader strategy.

**Yield on Advances and Repricing:** Union Bank addresses the 40 bps Q-o-Q increase in yield on advances by attributing it to the repricing of floating loans. It anticipates further repricing in the upcoming quarters, highlighting the bank's proactive approach to managing its asset portfolio. Additionally, the bank anticipates income from written-off accounts, recovery of bulky non-performing assets (NPAs), and the possibility of a rate cut in the fourth quarter, all of which could positively impact its interest income.

**ECLGS Outstanding and NPA Management:** Union Bank offers details on the outstanding amount under the Emergency Credit Line Guarantee Scheme (ECLGS), amounting to INR 8,700 crores, with an NPA rate of 5.93%. Importantly, it highlights that these loans benefit from government guarantees, mitigating concerns about recovery. This information provides clarity

**Bulk Deposits and Moderating Costs:** Union Bank provides insights into the cost dynamics of bulk deposits, stating that the cost of bulk deposits remains slightly higher (20 bps to 30 bps) than retail deposits. It emphasizes the moderating trend in bulk deposit rates, driven by factors such as market liquidity and expectations of rate cuts. This information showcases the bank's proactive management of its deposit mix and cost structure.

### Under Asset Quality

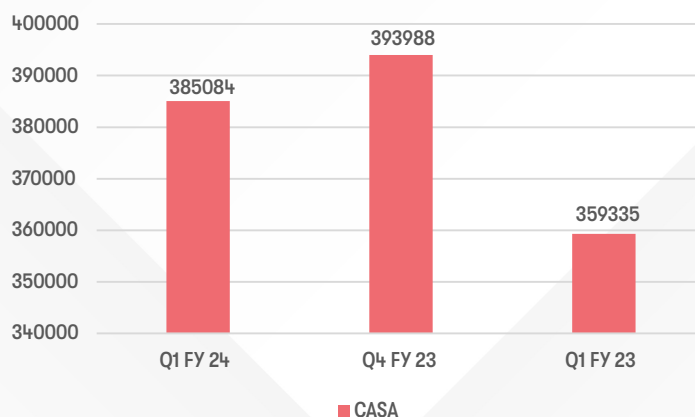
- Union SARAS (End-to-end digital solution for Recovery management)
- Centralization of NPA A/Cs in specialized Branches - ARBs
- Separate "TransactionMonitoring Vertical" to monitor EWS & Frauds
- Leverage BC Network for collections

### Under Credit

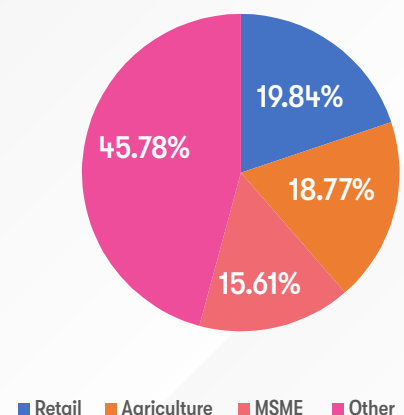
- End-To-End digitization of Sanctions and Renewal of KCC Loans
- STP for Retail & MSME Loan Review/Renewal
- Pre Approved Personal Loans
- Retail Loans sourcing by UBI services Ltd
- Specialized Branches(UMFB, Start-up, Gold Loans)

## Story Through Charts

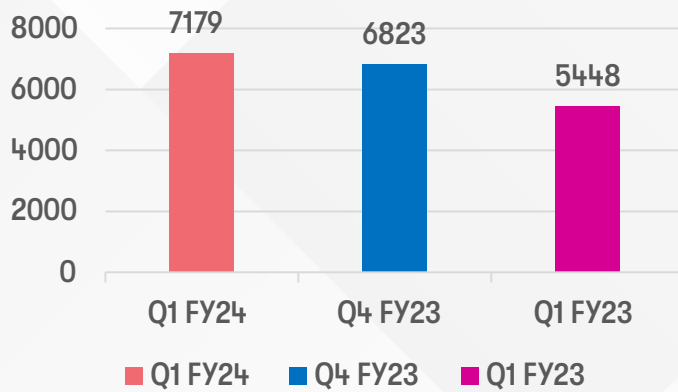
### CASA (In Crs)



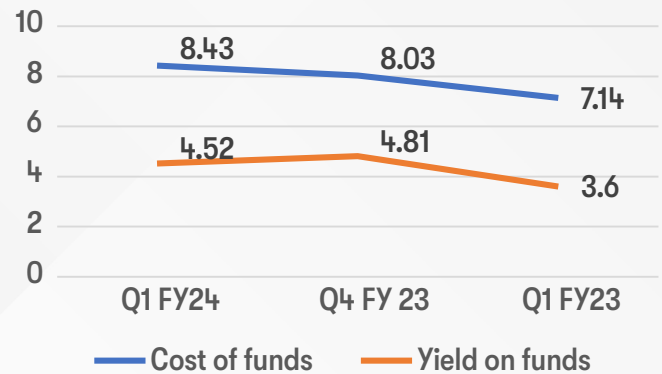
### Lending Sectors



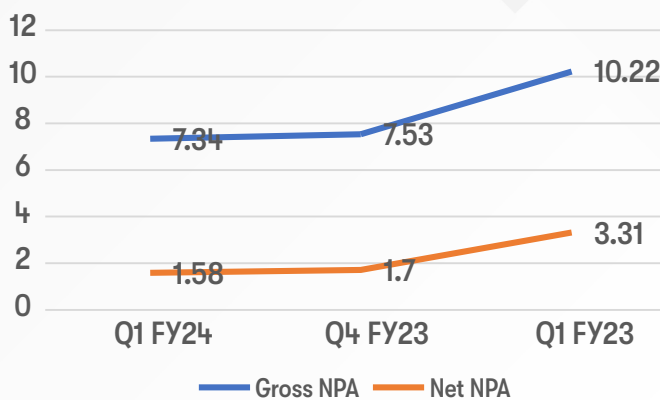
### Operating Profit



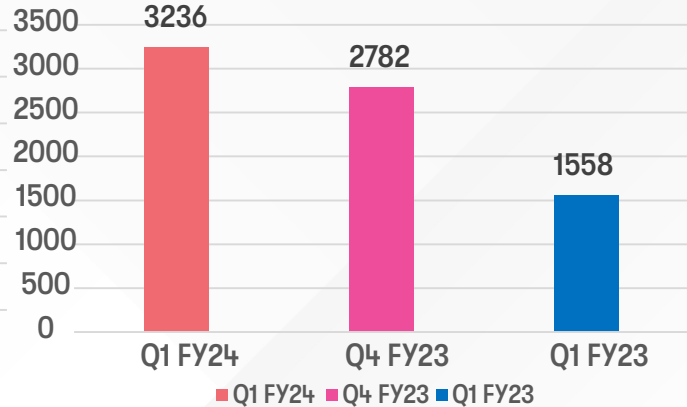
### Cost & Yield



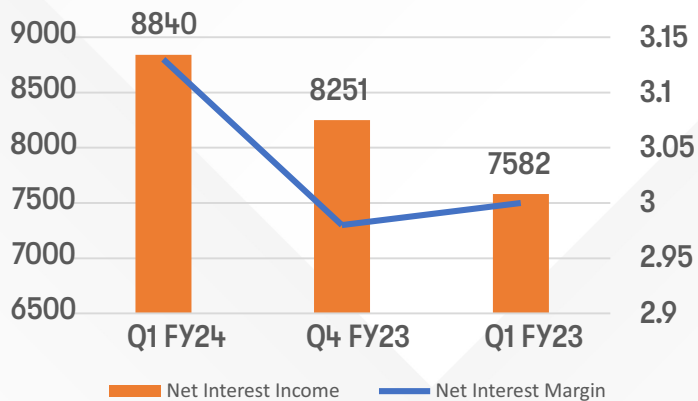
### NPA



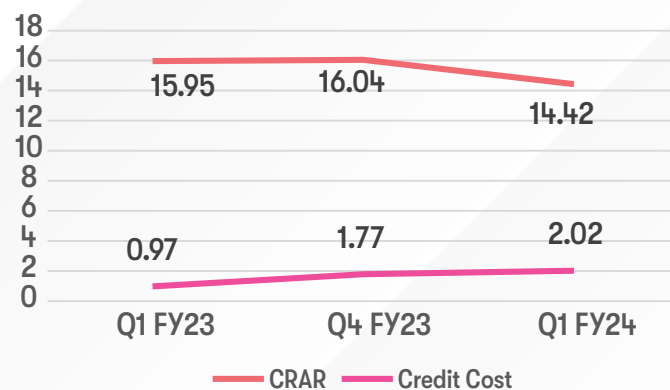
### PAT (In Cr)



### Interest Income & Margin



### Performance Ratios



## Technical Outlook



Union Bank has given a Multiyear Breakout on charts and is now at a retest level. The stock looks in a strong momentum backed by improvement in fundamentals.

Weekly RSI is trading above 70 indicating massive strength in the buying.

10 Days Moving Average > 20 Days Moving Average > 50 Days Moving Average > 100 Days Moving Average > 200 Days Moving Average indicates a strong sustainable buying in this counter.

| Moving Averages Days | Simple Moving Average | Exponential Moving Average |
|----------------------|-----------------------|----------------------------|
| 5                    | 103.68                | 103.97                     |
| 10                   | 105.02                | 103.57                     |
| 20                   | 100.87                | 101.02                     |
| 50                   | 94.16                 | 94.81                      |
| 100                  | 85.07                 | 88.11                      |
| 200                  | 78.97                 | 79.49                      |

| Pivot Levels : FIBONACCI |                 |           |  |
|--------------------------|-----------------|-----------|--|
| R1 111.15                | Pivot<br>107.35 | S1 103.55 |  |
| R2 113.50                |                 | S2 101.20 |  |
| R3 117.30                |                 | S3 97.40  |  |

| Relative Strength Index (RSI) | Daily | Weekly |
|-------------------------------|-------|--------|
|                               | 57.23 | 70.17  |

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