

Union Bank of India (UBI)

Recommendation	Buy
CMP	Rs. 102
Target Price	Rs. 175
Time Frame	15-18 months
Risk	Medium
Sector	Public Sector Bank

Price & Ratio Analysis

% Change from previous Day	5.65%
% Change from previous Month	10.95%
52 Week High/ Low	102.89/41.90
Market Cap (Rs. CR)	75,481
Book Value / Share	115
% of Deliverable Qty to Traded Qty	30.85%
EPS	13.64
ROCE	5.02%
P/E	7.47

Company Description

Incorporated in 1919, Union Bank of India is India's leading public sector bank with the Government of India holding at 76.99% in Bank's total share capital. On 1st April 2020, Andhra Bank and Corporation Bank were amalgamated into Union Bank of India. Today, it has a network of 8500+ domestic branches, 10,100+ ATMs, 75,300+ employees and 17,000+ BC Points. The Bank's total business as of 30th June 2023 stood at Rs. 19,46,509 crore, comprising Rs. 11,28,052 crore of deposits and Rs. 8,18,457 crore of advances.

The Bank also has 3 branches overseas at Hong Kong, Dubai International Financial Centre (UAE) & Sydney (Australia); 1 representative office in Abu Dhabi (UAE); 1 banking subsidiary at London (UK); 1 banking joint venture in Malaysia; 4 para-banking subsidiaries (domestic); 2 joint ventures and 1 associate - Chaitanya Godavari Gramin Bank. Union Bank of India is the first large public sector bank in the country to have implemented 100% core banking solution. The Bank has received several awards and recognition for its prowess in technology, digital banking, financial inclusion, MSME and development of human resources.

Support, Resistance & Trend Analysis

Support	81/53
Resistance	169/251
Moving Average 50 days/200 days	90/78
Pivot Level	53
ADX (14d)	26.96
Bollinger Band (Weekly)	102/69
MACD Weekly	6.85
RSI (14, E9) Monthly	72.07
Stochastic oscillator monthly (1,3,3)	66.67

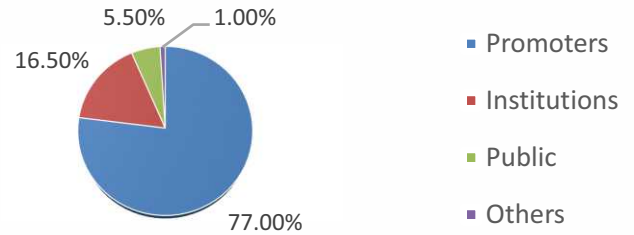
Technical Analysis

Technically, brace yourselves with the sequence of a higher high/low formation on the daily/weekly and monthly time frames + a classic Flag pattern breakout pattern which indicates the uptrend seems quite sustainable. The price is seen comfortably trading above its 21, 50 and 200-day moving average and most importantly is just signalling a massive breakout on the long-term charts. The general rule is if a stock is trading above its 200-DMA, the trend is largely upward. An impulse uptrend is seen forming on the daily/weekly time scale with positive SAR series.

Add to that a bullish divergence and a rising stochastic signal (on daily charts) with recent increase in volumes signalling a larger rebound. The 200 days Exponential Moving Average (EMA) of the stock on the daily chart is currently at 76-77 zone. The level of 76-80 zone will act as a strong support zone.

Look to accumulate at CMP, and on dips between 75-80 zone, targeting 151/175 and then aggressive 15-18 months targets at 201 with stop below 59.

Shareholding Pattern



Quarterly Result

Rs. Crs	Q1FY24	Q1FY23	Q4FY23	Y-o-Y %	Q-o-Q %
Net Sales	23,613.0	18,256.0	22,163.0	29.3%	6.5%
EBIT	5180	2165	3912	139.3%	32.4%
EBIT Margin (%)	21.9%	11.9%	17.7%	4.7	5.0
EBITDA	5,180.0	2,165.0	3,912.0	139.3%	32.4%
EBITDA Margin (%)	21.9%	11.9%	17.7%	1,007.8	428.6
Net Profit	3272	1583	2812	106.7%	16.4%
Net Profit Margin	13.9%	8.7%	12.7%	518.6	116.9
EPS (Rs.)				106.66	16.36

Peer Comparison

Company	UBI	SBI	BOI	CANARA	PNB
CMP	102	598	109	383	77.5
Market Cap (Rs. CR)	75496	533826	44811	69472	85335
Book Value/Share	115	402	147	430	93
EPS	13.64	68.4	12.22	66.79	3.14
Dividend Yield (%)	2.95	1.89	1.83	3.13	0.84
P/E	7.4	7.99	9.45	5.42	19.3
P/B	0.96	1.44	0.74	0.88	0.83
ROE%	11.72	16.8	7.17	15.94	3.54
REV CAGR (3 Years)	30.56	8.66	3.7	21.55	15.33
NIM%	2.57	2.7	2.48	2.38	2.34
CAPITAL ADEQUACY RATIO	16.04	14.68	16.28	16.68	15.5

Chart



Valuation & Outlook

UBI is our preferred bet in the PSU banks amidst its size and should benefit immensely from the pick-up in economic activity in the Indian economy, a favorable credit quality cycle, strong internal accruals, and excess liquidity with a sturdy PCR, healthy capitalization, a strong liability franchise, and an improved asset quality outlook.

UBI continues to demonstrate a strong liability franchise.

UBI reported 107.67% jump in net profit at Rs. 3,236 crore in the Q1FY24, aided by a decline in bad loans and improvement in interest income. The net profits were at Rs. 1,558 crore in the year-ago period.

Net interest income in the first quarter of the current fiscal rose by 16.59% to Rs. 27,381 crore from Rs. 20,991 crore in the same period a year ago.

The CASA deposits have increased by 7.17% YoY.

UBI now has a total deposits base of Rs. 11,28,052 crores as on June 30th, 2023.

Total Business increased by 13.08% YoY where in Gross Advances increased by 12.33% YoY.

Total Deposit grew by 13.63% YOY. UBI has a total business of Rs. 19,46,509 crores as on June 30, 2023.

Credit in Retail, Agri and MSME (RAM) segment of the bank increased by 14.92% YoY, where 16.47% growth in Retail, 13.37% growth in Agriculture.

14.88% growth in MSME advances is achieved on YoY basis. RAM advances as a per cent of Domestic Advances stood at 55.92%.

Reduction in NPA: Gross NPA (%) reduced by 288 bps on YoY basis to 7.34% and net NPA % reduced by 173 bps on YoY basis to 1.58% as on 30th June 2023.

Strong capital ratios: CRR improved from 14.42% as on 30th June 2022 to 15.95% as on 30 June 2023. CET1 ratio improved to 12.34% as on 30th June 2023 from 10.68% as on 30th June 2022.

Cost efficiency and improved return amidst reduction in cos to income and Credit Cost ratios, UBI's return on assets and returns on Equity improved to 1% and 18.97% respectively.

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Mehta Equities Ltd

903, 9th Floor, Lodha Supremus, Dr. E. Moses Road,
Adjacent to Konark Empress Building,
Worli Naka, Worli, Mumbai - 400018

info@mehtagroup.in

For Grievances

grievance@mehtagroup.in

T : +91 22 61507101

F : +91 22 61507102

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**Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months
Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months**

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Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in

Compliance Officer: Prakash Joshi

Email Id: compliance@mehtagroup.in

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: help.kyc@mehtagroup.in Phone: + 91 22 61507154.