

Union Bank (UNBK) - BUY

Company Update

Current Market Price (CMP)

Rs.126

Target Price

Rs.155

Rationale:

- Union Bank of India had hosted an analyst meet to discuss the outlook for the bank.
- We came out of the meeting with a positive outlook on asset quality (delinquencies and bad loan recoveries) for the bank.
- While Net Interest Margin (NIM) and business growth might be weak in the medium term, the bank has room to preserve profitability in a healthy range through the lever on credit cost.
- Given the inexpensive valuations, we maintain BUY with an unchanged FV.

Company update:

Positives:

- Medium-term outlook on slippages remains healthy.
- Traction on recoveries will stay strong for a few year
- Business growth is likely to remain at modest levels, with FY25E performance at the lower end of the guided range.
- The fear about a string of defaults in PSU exposures after a few such exposures turned delinquent has not materialized thus far.

Negatives:

- NIM will stay under pressure driven by the recent cut in repo rate.
- The funding environment for the banking system remains challenging.

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For detailed report dated 25th Feb 2025. Note: CMP & valuation may differ due to difference in dates



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