

## Union Bank (UNBK) - BUY

### Company Update

Current Market Price (CMP) <b>Rs. 174</b>	Fair Value (FV) <b>Rs.210</b>
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### Rationale:

- We hosted the management team of Union Bank (led by Mr Asheesh Pandey, MD and CEO) yesterday for a meeting with investors.
- Management reiterated the progress on loan growth along with the intent to deliver steady profitability.
- The tensions in the Middle East have not yet impacted the bank but remain a key monitorable.
- Union Bank remains a preferred pick among the PSU banks in our coverage for its healthy RoE profile.
- We maintain BUY rating with a FV of Rs210 (unchanged), valuing the bank at ~1.1X book (adj.) and ~9X March 2027E EPS for RoE of 12-13% in the medium term.

### 👍 Positives:

- Loan growth is steadily catching up to the industry level, led by the RAM (retail-agri-MSME) businesses.
- Net Interest Margin (NIM) is expected to stay range-bound, led by balance sheet optimization and term deposit repricing.
- Asset-quality outlook remains stable for now.
- Management reiterated the credit cost guidance at ~25 bps of average assets.
- Overall profitability is unlikely to see sharp variations in the medium term.

### 👎 Negatives:

- Deposit growth remains a challenge for the system.



The content of this document has been derived from Kotak Securities PCG research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

## RATING SCALE (PRIVATE CLIENT GROUP)

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### Definitions of ratings

- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE** – We advise investor to subscribe to the IPO.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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