

After a soft 3Q, Union Bank reported a ~10% beat on PAT at ~Rs50bn (vs the Emkay estimate of Rs45bn), owing to mainly higher treasury gains and lower tax in 4Q. Credit growth picked up as well, up 10% YoY/3.6% QoQ, while deposit growth was robust at 7% QoQ, with sharp seasonal acceleration in CA deposits. This led to lower CoF, which, combined with higher inter-bank money market operations, led to an 18-bps QoQ jump in NIM to 3.09%, defying peer trends. For FY26, the bank guides for slower credit growth in line with GDP growth. This, coupled with the swift policy rate cycle, could stress the bank's margin in the near term. However, we expect the bank to still manage 0.9-1.1% RoA, aided by better treasury gains, NPA recovery, and lower LLP. We retain **REDUCE** on the stock with an unchanged TP of Rs120, valuing the bank at 0.7x FY27E ABV. Our preferred picks among PSBs are SBI and Indian Bank.

Healthy business growth and margins

Union Bank reported a healthy credit growth of 10% YoY/3.6%QoQ, driven by robust growth in the retail segment (~22% of the overall book), although this was partly offset by muted growth in the corporate segment and a sequential decline in the agri book. Deposit growth was also strong at 7% YoY and 7.7% QoQ, while the CASA ratio remained steady at ~33%, aided by a sharp 29% QoQ increase in CA. This led to lower CoF, which along with deployment of easy liquidity in the inter-bank money market, led to an 18bps QoQ uptick in NIMs to 3.1%. Although the management did not offer formal guidance, they intend to grow the loan book at a modest rate, in line with GDP growth, maintaining a 75:25 mix between RAM and corporate lending, and focus on managing margins at current levels.

Higher slippages, albeit the GNPA ratio continues to improve

Fresh slippages were slightly higher at Rs 25.7bn/1.2% of loans, due to higher slippages in the agri (owing to repeated restructuring) and MSME (owing to full automation of asset classification) segments. However, higher recoveries led to a 25bps QoQ decline in the GNPA ratio to 3.6%. NNPA ratio too improved by 19bps QoQ to 0.6%, on the back of 382bps QoQ improvement in specific PCR to 83%. The overall SMA book too eased further to Rs38bn/0.4% of loans vs Rs76bn/0.8% of loans in Q3. The management expects fresh slippages to moderate from here on, and asset quality to remain healthy.

We retain REDUCE

We expect the bank to still manage 0.9-1.1% RoA, aided by better treasury gains, NPA recovery, and lower LLP. Retain **REDUCE** on the stock with an unchanged TP of Rs120, valuing the bank at 0.7x FY27E ABV. Our preferred picks among PSBs are SBI and Indian Bank. Key risks: Emerging asset-quality risk in the SME space and growth moderation as macros deteriorate.

Target Price – 12M	Mar-26
Change in TP (%)	-
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(2.4)

Stock Data	UNBK IN
52-week High (Rs)	173
52-week Low (Rs)	101
Shares outstanding (mn)	7,633.6
Market-cap (Rs bn)	938
Market-cap (USD mn)	10,989
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	13
ADTV-3M (Rs mn)	1,503.4
ADTV-3M (USD mn)	17.6
Free float (%)	25.2
Nifty-50	24,008.0
INR/USD	85.4

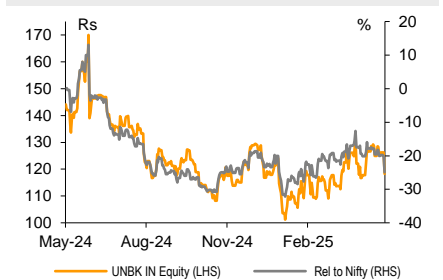
Shareholding, Mar-25

Promoters (%)	74.8
FPIs/MFs (%)	7.1/11.6

Price Performance

(%)	1M	3M	12M
Absolute	5.3	4.3	(13.5)
Rel. to Nifty	(1.8)	2.3	(20.9)

1-Year share price trend (Rs)



Union Bank of India: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net profit	136,484	179,872	176,984	165,532	163,546
Loan growth (%)	14.3	9.5	6.6	9.3	11.3
NII growth (%)	11.6	1.8	2.2	7.0	10.0
NIM (%)	2.9	2.7	2.6	2.6	2.5
PPOP growth (%)	10.8	10.2	(2.3)	3.4	3.7
Adj. EPS (Rs)	18.9	23.6	23.2	21.7	21.4
Adj. EPS growth (%)	52.9	24.9	(1.6)	(6.5)	(1.2)
Adj. BV (INR)	111.9	135.8	154.0	170.8	186.7
Adj. BVPS growth (%)	20.1	21.4	13.4	10.9	9.3
RoA (%)	1.0	1.2	1.1	1.0	0.9
RoE (%)	16.7	18.1	15.4	12.9	11.6
P/E (x)	6.5	5.2	5.3	5.7	5.7
P/ABV (x)	1.1	0.9	0.8	0.7	0.7

Source: Company, Emkay Research

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Key concall takeaways

Outlook on loans, deposits, and NIMs

- Although the management did not offer formal guidance, they intend to grow the loan book at a modest rate, in line with GDP growth, maintaining a 75:25 mix between RAM and corporate lending, and focus on managing margins at current levels.
- Bulk deposits constitute 27% of total deposits, while retail and CASA make up the remaining 73%; 50% of them are due for repricing within the next six months.
- Slower growth and a swift rate-cut cycle could moderate margins. However, the bank plans to shed low-yielding deposits to support margins. Further, the bank retains room to reduce its deposits rate further in the event of additional rate cuts, which would aid in preserving margins.

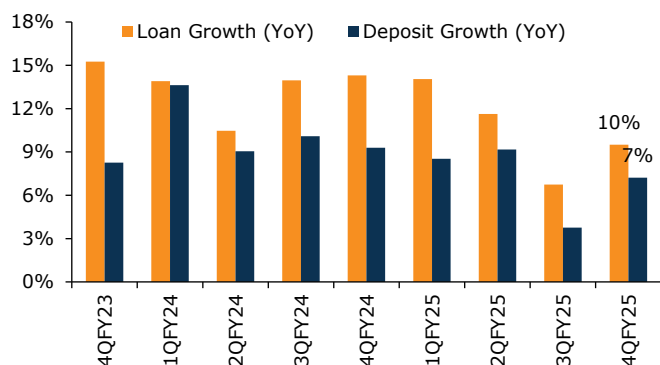
Asset quality

- Fresh slippages were slightly higher at Rs 25.7bn/1.2% of loans, due to higher slippages in the agri (owing to repeated restructuring) and MSME (owing to full automation of asset classification) segments. However, the management expects fresh slippages to moderate from here on, and asset quality to remain healthy.
- Recoveries from written-off accounts fell short of guidance in FY25; however, total recoveries from such accounts are expected to be higher in FY26 (compared to FY25).

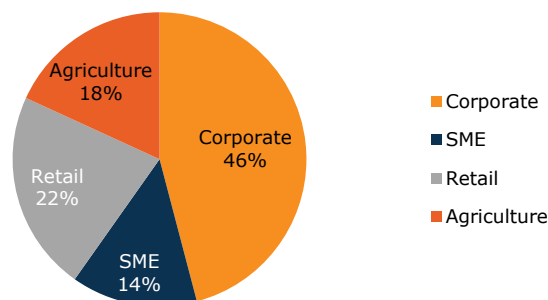
Others

- Higher employee PLI provisions (Rs2.5bn), PSLC purchases, and CSR spending led to an elevated opex in Q4.
- Total employee provisions were Rs25bn in FY25 vs Rs28.5bn in FY24 – FY24 provisions included the catch-up effect due to revised bipartite agreement.

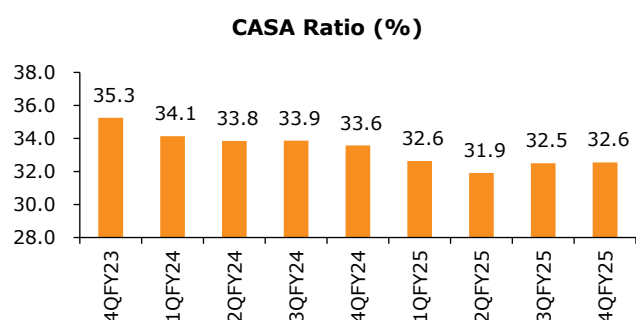
Story in Charts

Exhibit 1: Credit and deposit growth picked up


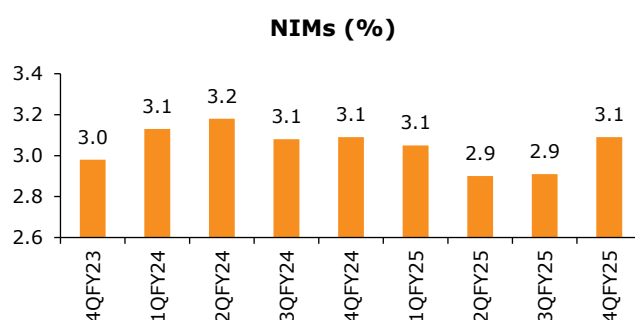
Source: Company, Emkay Research

Exhibit 2: RAM book constitutes 54% of the total loan portfolio


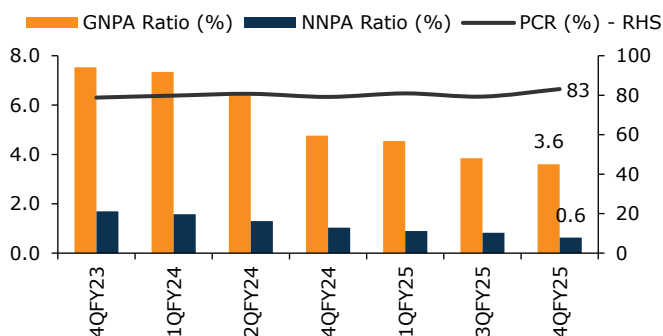
Source: Company, Emkay Research

Exhibit 3: Healthy CA growth led to steady CASA ratio QoQ


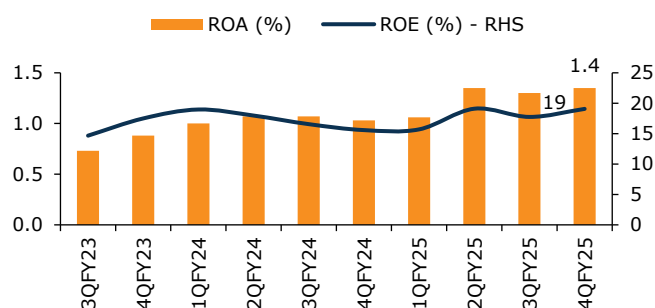
Source: Company, Emkay Research

Exhibit 4: Lower CoF led to improvement in NIMs


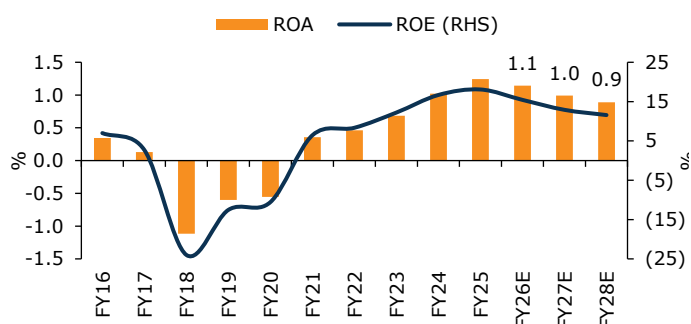
Source: Company, Emkay Research

Exhibit 5: Headline asset quality continues to improve


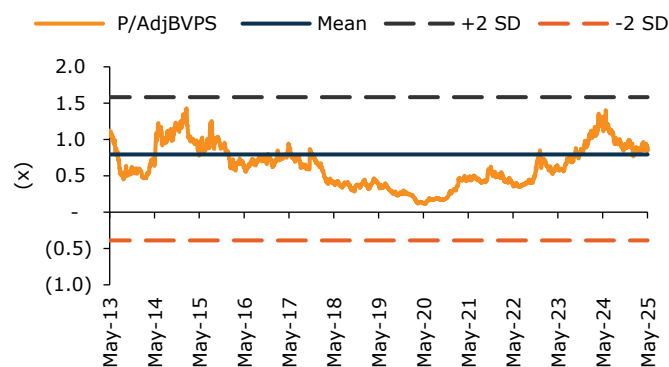
Source: Company, Emkay Research

Exhibit 6: Higher treasury gains/lower tax led to progress in RoA


Source: Company, Emkay Research

Exhibit 7: We expect the bank to deliver RoA/RoE of 0.9-1.1%/12-15% over FY26-28E, aided by better treasury gains, NPA recovery, and lower LLP


Source: Emkay Research

Exhibit 8: The stock is currently trading at its mean valuation


Source: Bloomberg, Emkay Research

Exhibit 9: Actuals vs Estimates (Q4FY25)

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	150,731	140,164	138,831	8%	9%	Higher Other income led to a beat
PPOP	77,001	75,518	75,140	2%	2%	Higher net income partly offset by higher staff cost and opex led to slight beat
PAT	49,849	45,405	43,206	10%	15%	PPOP beat and lower tax led to PAT beat

Source: Emkay Research

Exhibit 10: Quarterly Summary

Rs (mn)	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25A	YoY (%)
Interest Earned	2,63,502	2,63,644	2,67,084	2,69,579	276,952	5	2.7	997,780	1,077,260	8
Interest Exp	1,69,135	1,69,523	1,76,612	1,77,177	181,812	7	2.6	632,076	705,123	12
Net Interest Income	94,367	94,121	90,473	92,403	95,140	1	3.0	365,704	372,137	2
Global NIMs (reported)	3.09	3.05	2.90	2.91	3.09	0bps	18bps	2.90	2.70	-20bps
Non-interest Income	47,074	45,092	53,280	44,166	55,591	18	25.9	160,802	198,129	23
Operating Expenses	76,111	61,360	62,625	61,650	73,730	-3	19.6	244,399	259,366	6
Pre Provisioning Profit	65,330	77,853	81,128	74,918	77,001	18	2.8	282,107	310,901	10
Provision & Contingencies	12,596	27,558	17,122	15,991	15,439	23	-3.4	67,802	76,110	12
PBT	52,735	50,295	64,006	58,928	61,562	17	4.5	214,304	234,791	10
Income Tax Expense (Gain)	19,628	13,507	16,808	12,891	11,713	-40	-9.1	77,821	54,919	-29
Net Profit/(Loss)	33,107	36,789	47,197	46,036	49,849	51	8.3	136,484	179,872	32
Gross NPA (%)	4.76	4.54	4.36	3.85	3.60	-116bps	-25bps	4.76	3.60	-117bps
Net NPA (%)	1.03	0.90	0.98	0.82	0.63	-40bps	-19bps	1.03	0.63	-41bps
Deposits (Rs bn)	12,215	12,242	12,419	12,166	13,097	7	7.7	12,215	13,097	7
Net Advances (Rs bn)	8,708	8,787	8,971	9,202	9,535	10	3.6	8,708	9,535	10

Source: Company, Emkay Research

Exhibit 11: Revision in estimates

Y/E Mar (Rs mn)	FY26E			FY27E			FY28E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Net income	577,278	578,505	0%	601,817	608,922	1%	na	646,189	na
PPOP	312,415	303,891	-3%	317,510	314,101	-1%	na	325,849	na
PAT	170,730	176,984	4%	162,413	165,532	2%	na	163,546	na
EPS (Rs)	22.4	23.2	4%	21.3	21.7	2%	na	21.4	na
BV (Rs)	158.0	159.5	1%	174.5	176.6	1%	na	193.6	na

Source: Emkay Research

Exhibit 12: Key Assumptions

(%)	FY25A	FY26E	FY27E	FY28E
Loan Growth	9.5	6.6	9.3	11.3
Deposit Growth	7.2	5.9	10.0	11.6
NIM	2.7	2.6	2.6	2.5
GNPA	3.6	3.0	2.7	2.5
Credit Cost	0.8	0.6	0.8	0.9

Source: Emkay Research

Exhibit 13: Key Ratios and Trends

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Loans (Rs bn)	8,099	8,185	8,472	8,960	9,049	9,122	9,288	9,492	9,829
<i>growth (YoY)</i>	13.1	12.3	9.5	11.4	11.7	11.5	9.6	5.9	8.6
<i>growth (QoQ)</i>	0.7	1.1	3.5	5.8	1.0	0.8	1.8	2.2	3.6
Liability Profile/CAR (%)									
Deposits (Rs bn)	11,177	11,281	11,376	11,725	12,215	12,242	12,419	12,166	13,097
<i>growth (YoY)</i>	8.3	13.6	9.0	10.1	9.3	8.5	9.2	3.8	7.2
<i>growth (QoQ)</i>	4.9	0.9	0.8	3.1	4.2	0.2	1.5	(2.0)	7.7
CASA (%)	35.3	34.1	33.8	33.9	33.6	32.6	31.9	32.5	32.6
CA (%)	6.6	5.9	5.4	6.0	6.0	5.5	5.5	5.5	6.6
SA (%)	28.6	28.2	28.4	27.8	27.5	27.2	26.4	27.0	26.0
Global NIM (%)	3.0	3.1	3.2	3.1	3.1	3.1	2.9	2.9	3.1
CAR (%)	16.0	16.0	16.7	15.0	17.0	17.0	17.1	16.7	18.0
Tier I (%)	13.9	13.9	14.6	13.1	15.0	15.2	15.2	14.9	16.2
Branches (no. of)	8,580	8,561	8,521	8,479	8,466	8,473	8,555	8,574	8,621
Asset Quality (%)									
GNPA	7.5	7.3	6.4	4.8	4.8	4.5	4.4	3.9	3.6
NNPA	1.7	1.6	1.3	1.1	1.0	0.9	1.0	0.8	0.6
PCR	78.8	79.8	80.7	78.4	79.1	80.0	78.4	79.3	83.1
Slippage	1.7	1.9	1.4	1.4	1.7	1.2	2.6	0.9	1.2
ROE Decomposition (%)									
NII	2.6	2.8	2.8	2.8	2.8	2.7	2.6	2.6	2.6
Other Income	1.5	1.0	0.9	0.9	1.1	1.1	1.2	1.0	1.1
Treasury	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.5
Opex	2.1	1.7	1.7	1.7	2.2	1.8	1.8	1.7	2.0
PPOP	2.2	2.2	2.2	2.2	1.9	2.2	2.3	2.1	2.1
Provisioning Cost	0.9	0.6	0.5	0.5	0.4	0.8	0.5	0.5	0.4
PBT	1.2	1.6	1.7	1.7	1.5	1.4	1.8	1.7	1.7
Tax	0.4	0.6	0.6	0.6	0.6	0.4	0.5	0.4	0.3
ROA	0.9	1.0	1.1	1.1	1.0	1.1	1.3	1.3	1.4
ROE	14.4	16.2	16.4	15.7	13.9	14.8	18.0	16.8	17.8

Source: Company, Emkay Research

Union Bank of India: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	997,780	1,077,260	1,088,732	1,120,396	1,209,802
Interest Expense	632,076	705,123	708,283	713,362	762,024
Net interest income	365,704	372,137	380,449	407,034	447,778
NII growth (%)	11.6	1.8	2.2	7.0	10.0
Other income	160,802	198,129	198,056	201,888	198,410
Total Income	526,506	570,266	578,505	608,922	646,189
Operating expenses	244,399	259,366	274,613	294,821	320,340
PPOP	282,107	310,901	303,891	314,101	325,849
PPOP growth (%)	10.8	10.2	(2.3)	3.4	3.7
Core PPOP	262,804	280,016	269,918	278,429	291,960
Provisions & contingencies	67,802	76,110	67,282	92,801	107,205
PBT	214,304	234,791	236,609	221,300	218,644
Extraordinary items	0	0	0	0	0
Tax expense	77,821	54,919	59,626	55,768	55,098
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	136,484	179,872	176,984	165,532	163,546
PAT growth (%)	61.8	31.8	(1.6)	(6.5)	(1.2)
Adjusted PAT	136,484	179,872	176,984	165,532	163,546
Diluted EPS (Rs)	17.9	23.6	23.2	21.7	21.4
Diluted EPS growth (%)	44.9	31.8	(1.6)	(6.5)	(1.2)
DPS (Rs)	3.8	4.8	4.7	4.5	4.5
Dividend payout (%)	20.1	20.2	20.3	20.8	21.0
Effective tax rate (%)	36.3	23.4	25.2	25.2	25.2
Net interest margins (%)	2.9	2.7	2.6	2.6	2.5
Cost-income ratio (%)	46.4	45.5	47.5	48.4	49.6
Shares outstanding (mn)	7,633.6	7,633.6	7,633.6	7,633.6	7,633.6

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Asset quality					
Gross NPLs	430,983	353,504	315,997	308,899	317,092
Net NPLs	89,905	59,693	63,199	67,958	79,273
GNPA ratio (%)	4.8	3.6	3.0	2.7	2.5
NNPA ratio (%)	1.0	0.6	0.6	0.6	0.6
Provision coverage (%)	79.1	84.0	80.0	78.0	75.0
Gross slippages	118,767	120,730	125,024	141,955	163,872
Gross slippage ratio (%)	1.3	1.2	1.2	1.3	1.3
LLP ratio (%)	0.8	0.8	0.6	0.8	0.9
NNPA to networth (%)	9.2	5.3	4.9	4.8	5.1
Capital adequacy					
Total CAR (%)	17.0	18.0	17.9	17.8	17.5
Tier-1 (%)	15.0	16.2	16.3	16.3	16.2
CET-1 (%)	14.5	15.3	15.9	16.0	15.9
RWA-to-Total Assets (%)	45.4	46.9	48.1	48.5	48.2
Miscellaneous					
Total income growth (%)	21.5	10.1	0.9	2.8	6.5
Opex growth (%)	11.4	6.1	5.9	7.4	8.7
Core PPOP growth (%)	7.8	6.5	(3.6)	3.2	4.9
PPOP margin (%)	24.3	24.4	23.6	23.8	23.1
PAT/PPOP (%)	48.4	57.9	58.2	52.7	50.2
LLP-to-Core PPOP (%)	25.8	27.2	24.9	33.3	36.7
Yield on advances (%)	8.9	8.7	8.2	7.8	7.7
Cost of funds (%)	5.2	5.5	5.1	4.8	4.6

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	76,336	76,336	76,336	76,336	76,336
Reserves & surplus	893,354	1,053,416	1,191,841	1,320,475	1,447,249
Net worth	969,690	1,129,752	1,268,177	1,396,811	1,523,585
Deposits	12,215,281	13,097,495	13,874,704	15,262,174	17,030,262
Borrowings	269,484	273,418	287,240	301,944	317,618
Interest bearing liab.	12,484,764	13,370,913	14,161,944	15,564,118	17,347,881
Other liabilities & prov.	465,122	497,892	522,831	467,247	466,036
Total liabilities & equity	13,919,576	14,998,557	15,952,951	17,428,176	19,337,502
Net advances	8,707,761	9,535,133	10,165,884	11,115,421	12,367,743
Investments	3,379,035	3,543,814	3,754,460	4,087,940	4,503,503
Cash, other balances	1,193,029	1,313,340	1,387,870	1,525,284	1,700,092
Interest earning assets	13,279,825	14,392,287	15,308,215	16,728,644	18,571,339
Fixed assets	92,228	97,819	103,544	108,621	115,389
Other assets	547,523	508,451	541,193	590,911	650,774
Total assets	13,919,576	14,998,557	15,952,951	17,428,176	19,337,502
BVPS (Rs)	119.6	141.0	159.5	176.6	193.6
Adj. BVPS (INR)	111.9	135.8	154.0	170.8	186.7
Gross advances	9,048,839	9,828,944	10,418,681	11,356,362	12,605,562
Credit to deposit (%)	71.3	72.8	73.3	72.8	72.6
CASA ratio (%)	33.6	32.6	32.5	32.5	32.9
Cost of deposits (%)	5.0	5.4	5.1	4.8	4.6
Loans-to-Assets (%)	62.6	63.6	63.7	63.8	64.0
Net advances growth (%)	14.3	9.5	6.6	9.3	11.3
Deposit growth (%)	9.3	7.2	5.9	10.0	11.6
Book value growth (%)	13.2	17.8	13.1	10.8	9.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	6.5	5.2	5.3	5.7	5.7
P/B (x)	1.0	0.9	0.8	0.7	0.6
P/ABV (x)	1.1	0.9	0.8	0.7	0.7
P/PPOP (x)	3.3	3.0	3.1	3.0	2.9
Dividend yield (%)	3.1	3.9	3.8	3.7	3.7
DuPont-RoE split (%)					
NII/avg assets	2.7	2.6	2.5	2.4	2.4
Other income	1.2	1.4	1.3	1.2	1.1
Fee income	1.1	0.9	0.8	0.8	0.8
Opex	1.8	1.8	1.8	1.8	1.7
PPOP	2.1	2.2	2.0	1.9	1.8
Core PPOP	2.0	1.9	1.7	1.7	1.6
Provisions	0.5	0.5	0.4	0.6	0.6
Tax expense	0.6	0.4	0.4	0.3	0.3
RoA (%)	1.0	1.2	1.1	1.0	0.9
Leverage ratio (x)	16.3	14.5	13.5	13.0	13.0
RoE (%)	16.7	18.1	15.4	12.9	11.6

Quarterly data					
Rs mn	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
NII	94,367	94,121	90,473	92,403	95,140
NIM (%)	4.4	4.4	4.3	4.3	4.4
PPOP	65,330	77,853	81,128	74,918	77,001
PAT	33,107	36,789	47,197	46,036	49,849
EPS (Rs)	4.3	4.8	6.2	6.0	6.5

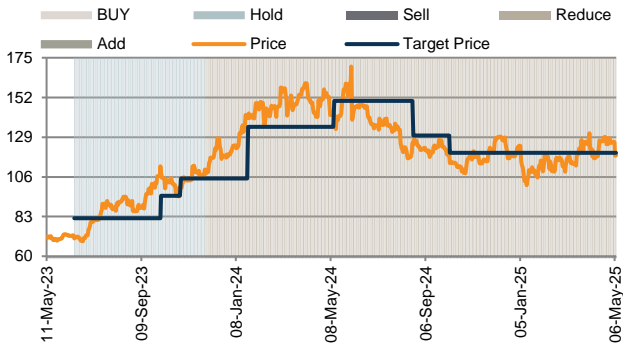
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-Apr-25	117	120	Reduce	Anand Dama
25-Feb-25	116	120	Reduce	Anand Dama
07-Oct-24	114	120	Reduce	Anand Dama
21-Aug-24	125	130	Reduce	Anand Dama
12-May-24	142	150	Reduce	Anand Dama
23-Jan-24	140	135	Reduce	Anand Dama
30-Nov-23	108	105	Reduce	Anand Dama
29-Oct-23	100	105	Hold	Anand Dama
04-Oct-23	108	95	Hold	Anand Dama
15-Jun-23	70	82	Hold	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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