



Union Bank– Q3FY25

“There is an all-round slowdown in business growth impacting the profitability as well”

Ajcon Global's observations & views

1. The bank could not maintain its credit growth due to a cautious approach towards lending. How it achieves the given growth targets for FY 25 will be interesting to watch.
2. The bank's digital journey is on right track & has started yielding good results specially in retail business.
3. The bank's treasury is very active & is expected to do well.

Q3FY25 Result Analysis:

- 1) **Net Interest Income** was up by 2.13% QoQ and 0.79% YoY at Rs. 9240 crores in Q3FY25 against Rs. 9047 crores in Q2FY25 and at Rs. 9168 crores in Q3FY24.
- 2) **Operating Profit** was down by 7.65% QoQ and 2.94% YoY at Rs. 7492 crores in Q3FY25 against Rs. 8113 crores in Q2FY25 and Rs. 7278 crores in Q3FY24.
- 3) **Net Profit** was decreased by 2.46% QoQ and 28.24% YoY at Rs. 4604 crores in Q3FY25 against Rs. 4720 crores in Q2FY25 and Rs. 3590 crores in Q3FY24.
- 4) **Net Interest Margin (NIM)** was marginally up at 2.91% in Q3FY25 against 2.90% in Q2FY25 and down YoY against 3.08% in Q3FY24.
- 5) **Cost of Deposits** has remained same at 5.56% in Q3FY25 and up against 5.27% in Q3FY24. Cost of Funds decreased to 5.01% in Q3FY25 against 5.04% in Q2FY25 and up against 4.84% in Q3FY24. Yield on Advances has gone up to 8.78% in Q3FY25 against 8.70% in Q2FY25 and 8.75% in Q3FY24.
- 6) **Total Business** mix was gone down to 0.23% QoQ at Rs. 21.66 Trillion in Q3FY25 against Rs. 21.71 Trillion in Q2FY25.
- 7) **Total Non- Interest Income** was down by 17.11% QoQ at Rs. 4417 crores against Rs. 5328 crores in Q2FY25 and up by 17.02% YoY at Rs. 3774 crores in Q3FY24.
- 8) **Fee Based Income** decreased by 7.72% QoQ at Rs. 2365 crores in Q3FY25 against Rs. 2563 crores in Q2FY25 and it is increased by 10.97% YoY from Rs. 2132 crores in Q3FY24.
- 9) **Cost to income ratio (Global)** was increased to 45.14% in Q3FY25 against 43.56% in Q2FY25 and against 43.77% in Q3FY24.
- 10) **Total Advances** increased by 2.19% QoQ and 5.94% YoY at Rs. 949164 crores in Q3FY25 against Rs. 928832 crores in Q2FY25 and Rs. 895974 crores in Q3FY24.
- 11) **Total deposits** down by 2.04% QoQ at Rs. 1216562 crores in Q3FY25 against Rs. 1241947 crores in Q2FY25 and it was up by 3.76% YoY at Rs. 1172455 crores in Q3FY24.
- 12) **Domestic CASA ratio** inclined to 33.43% in Q3FY25 against 32.72% in Q2FY25 and 34.40% in Q3FY24.
- 13) **C/D ratio** came at 80.38% globally and 77.34% Domestic in Q3FY25.
- 14) **Return on Assets (ROA)** down to 1.30% in Q3FY25 against 1.35% in Q2FY25 and 1.07% in Q3FY24.
- 15) **Fresh slippages** decreased to Rs. 1820 crores in Q3FY25 against Rs. 4946 crores in Q2FY25 and against Rs. 2401 crores in Q3FY24. Recovery + Upgradation decreased to Rs. 1855 Crores in Q3FY25 against Rs. 1984 crores in Q2FY25 and it also down from Rs. 4113 crores in Q3FY24.

KEY FINANCIAL INDICATORS – Q3FY25

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|---------------------------|-------------------|
| CMP (29.01.2025) | : Rs. 112.54 |
| Face Value | : Rs. 10 |
| Book value per share | : Rs. 135.90 |
| Market Capitalisation | : Rs. 8,59,130.36 |
| Capital Adequacy Ratio | : 16.72% |
| C/D Ratio | : 80.38% |
| CASA Ratio | : 33.43% |
| Net Interest Margin (NIM) | : 2.91% |
| Cost / Income Ratio | : 45.14% |
| GNPA | : 3.85% |
| Net NPA | : 0.82% |
| PCR | : 93.42% |
| Slippage Ratio | : 0.89% |
| Credit Cost | : 0.63% |
| Return on Assets | : 1.30% |
| Return on Equity | : 17.25% |

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- 16) **Gross NPA Ratio** declined to 3.85% in Q3FY25 against 4.36% in Q2FY25 and 4.83% in Q3FY24. Net NPA ratio was also down at 0.82% in Q3FY25 against 0.98% in Q2FY25.
- 17) **Credit cost** decreased to 0.63% in Q3FY25 against 1.09% in Q2FY25 and 0.56% in Q3FY24.
- 18) **The Bank's Capital Adequacy Ratio** down to 16.72% in Q3FY25 against 17.13% in Q2FY25 and it was up YoY 15.03% in Q3FY24.

Management Comments

- 19) The bank had a solid financial performance in the Q3FY25. The bank increased its profitability, handled expenses more efficiently, and saw excellent revenue growth.
- 20) While profitability and asset quality metrics remain in line with expectations, there has been moderate growth in this quarter due to a conscious decision to shed high-cost deposits, which impacted terminal growth numbers. As a result, deposit growth has moderated to 3.8%, while growth in advances has remained at 5.9%.
- 21) Several innovative initiatives were established, including the Union Current Account SCP, Union Digital Contact Center, Union MSME Superfast SCP, and Union CBDC Accessibility Initiative for the Visually Impaired, and the Union Green Home initiative. The bank added 146 branches in the current fiscal year, bringing the total Branch Network to 8,574.
- 22) The bank remains firm and navigates obstacles while generating sustainable growth and value for stakeholders with a focus on innovation, operational excellence, and customer sensor initiatives are confidence in its capacity to generate long-term success.
- 23) In response to an analyst's question about business concerns, the bank's MD and CEO, Ms. Manimekhalai, stated, "We are committed to a sustainable growth with a balanced focus on top line and bottom line numbers." The bank's overall goal is to create long-term value for stakeholders rather than making small glories.
- 24) Ms. Manimekhalai responded to an analyst query about retail loan growth and risk management, stating that the majority of the retail loan increase came from secured categories such as home and gold loans. They also indicated that credit underwriting has been tightened, and digital monitoring techniques are being employed to detect early symptoms of stress.