CITY UNION BANK LTD

B.N.RATHI SECURITIES LIMITED

NOVEMBER 2024

WHY IT IS A BUY:

- High Management Efficiency with a high Return on Assets (ROA) of 1.24%.
- The Bank has a high Capital Adequacy Ratio of 18.07% signifying high buffers against its risk based assets.
- Positive results in September 2024
  - GROSS NPA (Q) Lowest at 3.54%
  - Interest Earned (Q) Highest at Rs 1433.95 Cr
  - NET NPA (Q) Lowest at 1.62%
- Stock is technically in a BULLISH stance: Monthly chart Bullish Descending Triangle breakout.
- With ROA of 1.5 , it has a Fair valuation with a 1.5 Price to Book Value
  - The stock is trading at a discount compared to its average historical valuations.
  - Over the past year, while the stock has generated a return of 25.85%, its profits have risen by 12.1%, the PEG ratio of the company is 1.
- High Domestic Institutional Holdings at 33.57% since June 2023.

Investors Returns (3 years)

Period	6M	1Y	2Y	3Y
Stock (%)	9.08%	26.94%	-5.24%	3.24%
Sector (%)	8.36%	8.36%	38.75%	43.85%
Sensex (%)	6.64%	24.35%	30.75%	33.92%

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High Management Efficiency with a High ROA of 1.24%

ROA 1.24%: Bank has been able to generate a ROA of 1.24% signifying high profitability per unit of total assets.

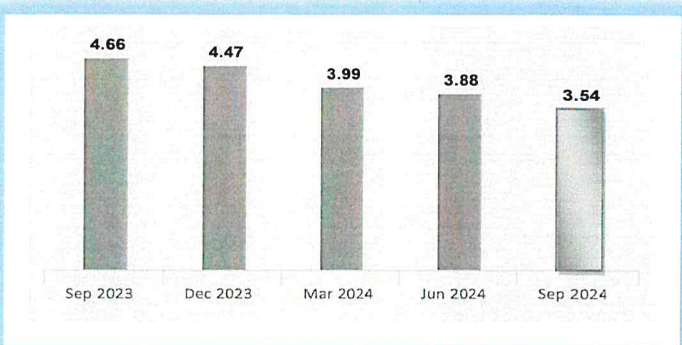
GROSS NPA 4.37%: A low ratio signifies bank has stronger due diligence systems when giving out loans.

Net Interest Margin: High margins signify the bank has been able to generate higher profits from its interest bearing assets.

Positive Results in September 2024.

Proportion of stressed loans given by bank are falling

Gross NPA Lowest at 3.54% and fallen each Quarter in the last five quarters.

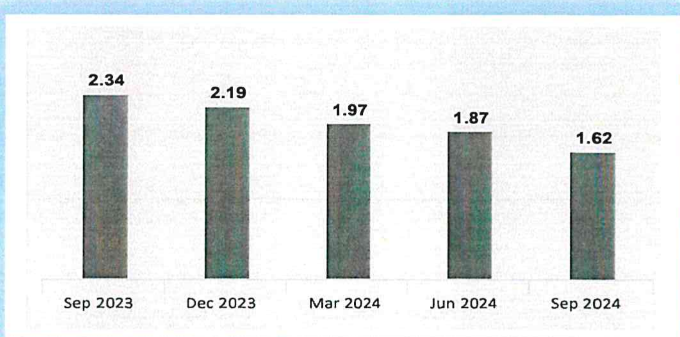


Near term sales trend is very positive

Interest Earned Highest at Rs 1433.95 Cr and grown each quarter in the last five quarters.

Proportion of stressed loans given by Bank are falling

Net NPA lowest at 1.62% and fallen each quarter in the last five quarters.



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QUARTERLY RESULTS:

	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Revenue	1228	1266	1304	1326	1374	1389	1434
Interest	714	744	766	810	828	843	851
Expenses	451	452	390	391	402	403	451
Financing Profit	63	71	149	125	145	142	132
Financing Margin%	5%	6%	11%	9%	11%	10%	9%
Other Income	195	191	182	193	175	192	226
Depreciation	0	0	0	0	0	0	0
Profit before tax	258	262	331	318	320	334	358
Ta%	16%	13%	15%	20%	20%	21%	20%
Net Profit	218	227	281	253	255	264	285
EPS in Rs	2.94	3.07	3.79	3.42	3.44	3.57	3.85

PROFIT & LOSS:

	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Revenue	3402	3767	4169	4135	4105	4714	5271
Interest	1972	2156	2493	2305	2188	2552	3147
Expenses	1120	1140	1690	1738	1605	1723	1559
Financing Profit	310	472	-15	92	311	440	564
Financing Margin	9%	13%	-0%	2%	8%	9%	11%
Other Income	532	514	680	689	759	810	742
Depreciation	52	62	79	87	85	73	75
Profit before tax	790	925	586	693	985	1177	1231
Tax %	25%	26%	19%	14%	23%	20%	17%
Net Profit	592	683	476	593	760	937	1016
EPS in Rs	8.10	9.30	6.46	8.02	10.28	12.66	13.71

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BALANCE SHEET:

	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Capital	66	73	74	74	74	74	74
Reserves	4097	4767	5222	5769	6512	7383	8327
Borrowings	34588	38929	42865	45883	53001	57086	60381
Other Liabilities	1186	1489	1573	1586	1944	2051	2044
Total Liabilities	39937	45259	49734	53312	61531	66595	70826
Fixed Assets	223	250	245	233	215	239	270
CWIP	0	0	0	0	0	0	0
Investments	7879	7712	9117	9436	12221	14333	15664
Other Assets	31835	37297	40372	43643	49095	52023	54891
Total Assets	39937	45259	49734	53312	61531	66595	70826

SHAREHOLDING PATTERN:

	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
FII	24.95%	25.33%	23.66%	26.60%	26.95%	26.44%	26.01%
DII	36.18%	33.12%	33.18%	32.39%	29.50%	32.35%	33.57%
PUBLIC	38.85%	41.54%	43.15%	41.01%	43.55%	41.00%	40.42%

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TECHNICAL ANALYSIS:

The above Monthly chart prices made a all-time highs in January 2020 since then prices crated a flat baseline with the stable lows through the trend line tracking the lower highs which is the Bullish Descending Triangle formation. Prices breached the trend line resistance resuming the bullish trend intact with the rise in volumes and closed well above the same suggesting the bullishness. The short term EMA (50,100) and long term EMA (200) which successfully closed above the same indicating the trend towards the bullishness. The RSI 14 period is trading at 58 levels with the trend line resistance breakout which is showing strength and suggests that momentum is turning in favor of the bulls and we expect prices to trade higher in the coming months.

Sources:

www.nseindia.com www.bseindia.com www.moneycontrol.com
www.screener.in www.in.tradingview.com

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