

3rd September, 2010.

SENSEX: 18221
NIFTY : 5479

Recommendation: BUY
Target Price : Rs 121

Company Overview:

The United Bank of India Ltd. is a public sector banking institution. It is one of the banks which were nationalized by the Government of India in 1969. As of June 30th 2010, United Bank of India had 1558 branches, over 300 ATM's, 28 regional offices, 10 extension counters and 1 representative office in Dhaka, Bangladesh.

United Bank of India's business is typically divided into

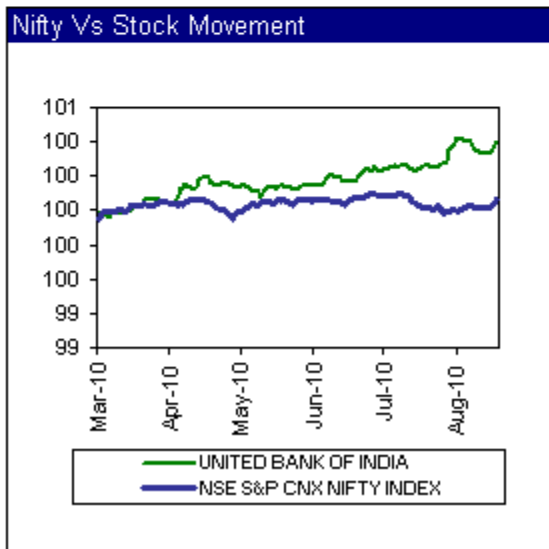
- Retail Banking Business → Provides loans & advances for housing, trade, automobiles, consumer durables, education, personal loan etc. to retail customers.
- Commercial Banking Business → Provides Term Loans to finance capital expenditure of assets across various industries, as well as short term loans, cash and export credit and other working capital financing and bill discounting facilities.
- Priority Sector Banking Business → Provides direct financing to farmers for production and investment, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs.
- General Banking Business → Provides debit cards, cash management, remittance services and collection services. The Bank also distributes third-party products like life and non-life insurance products and Mutual Funds on agency basis.

Key Statistics	
Latest Price	101.2
52 Week High	107.8
52 Week Low	66.0
Traded on	BSE,NSE

Share Holding Pattern	
Promoters	84.2%
FII's	2.1%
DII's	2.4%
Others	11.4%

Market Data	
PE Ratio	10.9
EPS	9.3
Market Cap (Cr)	3,202.3
Outstanding Shares(Cr)	31.6
Book Value/Share(Rs)	91.7
Face Value	10.0

Technical Indicators	
100 day MA	84.5
50 day MA	90.0



DETAILS AS ON 30th SEPT, 2009.

Geographic Distribution	No. of Branches	Deposits	Advances
		Rs. In Crores	
Central	86	1940	997
Eastern	936	43644	14686
North Eastern	250	8075	2171
Northern	68	5909	8679
Southern	57	1742	4579
Western	56	3429	10108
Total	1453	64740	41219

Industry Overview:

Public sector banks make up the largest category in the Indian banking sector. All public sector banks excluding the regional rural banks have about 56600 branches which account for about 75% of the outstanding gross bank credits and about 75% of aggregate deposit of scheduled commercial banks. The banking model of large network of branches enables the public sector banks to fund themselves out of the low cost deposits.

As per recent report of the credit rating agency Standard & Poor's (S&P), despite intense competition and high inflationary pressures, India's banking sector will continue to show high growth owing to the country's strong economic expansion. According to the agency, India's banking sector had survived the global financial slowdown on the back of a robust economy, a stable retail deposit base and a prudent regulatory environment.

Growth in India's banking sector will remain high, bolstered by sound economic growth prospects. Credit growth is expected to continue to exceed nominal GDP for the next five years. Secured retail credit will also pick up moderately due to an increase in auto and housing sales, attractive interest rates, and improved job security.

Investment Rationale:

1. Financial Performance:

- **1st Quarter ended June 2010:** United Bank of India posted a robust performance recording a total business growth of 12% YoY. The Bank's deposits soared to Rs 66694 cr, registering a growth of 11.6%. The Share of CASA stood at 39.3%, with savings bank deposits growing by 31.8% and current account deposits growing by 10.6% on YoY basis.
 - The Net Profit of the bank stood at Rs. 107.86 crore for the quarter ended June 2010.
 - The Bank's Interest Income during 1QFY11 increased by 20.81% YoY to reach Rs 1437.23 cr.
 - Capital Adequacy Ratio (CRAR) was at 12.99 % as on 30th June, 2010. The Tier I CRAR has increased from 7.30 % (June, 2009) to 8.59 % (June, 2010).
 - The Bank's Gross NPA stood at 3.19%, while Net NPA stood at 1.80% for quarter ended June '10.
 - The CD ratio of the Bank stood at 66.9% as on 30th June 2010.

	Advances (In Crs.)	YoY Growth
MSME Advances	6668	60.20%
Agricultural Advances	4700	13.20%
Retail Loans	6044	37.30%
Priority Sector Advances	14400	20.90%

2. High Current Account Savings Account Deposits (CASA):

Over the years, United Bank of India has maintained high CASA deposits. This can be attributed to the bank's large retail customer base. As of 30th September'09, the share of CASA deposits was at 33.96% of total deposits, out of which savings deposits which are less volatile accounted for 26.41% of total deposits while current deposits accounted for the balance 7.55%. This has provided the bank a significant cost advantage over its peers. United Bank of India's cost of funds for FY09 stood at 5.78%, which was lower than the average cost of funds of nationalized banks (6.18%) and all banks in India (6.05%) for the same period.

3. MOU with Unique Identification Authority of India (UIDAI):

United Bank of India has signed a Memorandum of Understanding with Unique Identification Authority of India (UIDAI) to act as Registrar for 'AADHAAR' project. United Bank of India has become the 11th Bank in the country to have entered into such MoU by which it shall provide AADHAAR (UID No.) to its existing 15 million customers and future customers as well, by collecting Biometric and Demographic details as per UID norms so as to provide anytime, anywhere and anyhow banking.

4. In Expansion Mode:

United Bank of India Ltd. has plans to extend banking facilities to 4341 un-banked villages by March 31, 2012. Out of this expansion, 1841 branches will be opened in villages having population over 2000 and further 2500 branches in villages having population below 2000. The physical branches will be opened in 45 unbanked villages and the rest 4296 villages will be covered by Information and Communication Technology (ICT) solution through business correspondent model.

Key Concern:

Regional Concentration: United Bank of India is exposed to regional risk, as 81.79% of its total branches are located in the eastern and north eastern region. As of 31st Jan'10, out of the total 1505 branches, 973 are located in eastern India and 258 are located in north eastern India. The banks concentration in these regions exposes it to geographical, ecological and political circumstances in the region as compared to other public and private sector banks that have diversified national presence.

Peer Comparison:

Company	Latest Price	Equity Base (Cr)	FY 2010 (Rs in Cr)		PAT Margins	EPS	PE Ratio
			Net Interest Income	PAT			
UNITED BANK OF INDIA	101.2	316.4	1,391.0	322.3	23.2%	9.3	10.9
STATE BANK OF TRAVANCORE	853.1	50.0	1,400.2	684.2	48.9%	134.1	6.4
BANK OF MAHARASHTRA	71.7	430.5	1,296.3	439.6	33.9%	9.9	7.3
DENA BANK	109.5	286.8	1,100.0	511.3	46.5%	17.5	6.3
SOUTH INDIAN BANK LTD	202.4	113.0	568.3	233.8	41.1%	20.0	10.1

Financial Performance:

	(Rs. In Cr.)			
ANNUAL RESULTS	201003 (12)	200903 (12)	200803 (12)	200703 (12)
Income Statement				
Interest Earned	5,249	4,312	3,557	2,825
Interest Expended	3,858	3,150	2,653	1,675
Net Interest Income	1,391	1,162	905	1,150
Other operating Income	666	549	466	348
Total Income	2057.6	1710.9	1370.1	1497.6
Total Expenditure	1647.0	1464.4	1190.8	1193.5
Profit Before Tax	322.4	184.7	145.1	267.3
Net Profit	322.2	184.7	145.1	266.4
Adjusted Net Profit	322.2	184.7	145.1	266.4
EPS (Rs)	9.3	1.2	0.9	16.9
Book Value (Unit Curr.)	91.7	15.4	14.2	124.6
Balance Sheet				
SOURCES OF FUNDS :				
Share Capital	866.4	1782.4	1532.4	1532.4
Reserves Total	3036.5	1295.3	1128.8	882.9
Total Shareholders Funds	3902.9	3077.8	2661.3	2415.3
Deposits	68180.3	54535.9	46970.7	37166.7
Borrowings	915.3	456.8	1162.1	399.7
Other liabilities & Provisions	4,012.6	3,970.3	3,516.9	2,328.1
Total Liabilities	77,011.2	62,040.7	54,311.0	42,309.7
APPLICATION OF FUNDS :				
Cash & Balances with RBI	4707.0	4532.3	5249.4	2686.4
Balances with Banks & money at Call	1,670.8	1,877.9	622.7	1,598.6
Investments	26,067.7	17,924.2	18,514.6	14,601.8
Advances	42,330.0	35,393.6	27,858.1	22,156.3
Fixed Assets	651.0	624.2	622.8	605.2
Other Assets	1,584.7	1,688.5	1,443.2	661.4
Total Assets	77,011.2	62,040.7	54,311.0	42,309.7

* Results for all years are on consolidated basis

** Company Annual Reports

Valuation:

Based on fundamental analysis, at an estimated EPS of Rs. 11 for FY11E and PE of 11x, we recommend a 'BUY' on United Bank of India Ltd. with a target price of Rs. 121, a potential upside of 20%.

Technical Analysis:



Source: Bloomberg, Daily Chart, United Bank of India

Technically, United Bank of India is trading well above its 20, 50 & 100 day Exponential Moving average (at Rs 95, Rs 91 & Rs 85 respectively). Technical indicator RSI is trading near over bought zone of 70. This configuration is positive. United bank of India is having support around 91, below which 86/81 levels. We advise long term investors to accumulate this scrip at support levels for target of 117 / 123.

LISTING DETAILS:

The Company got listed on 18th March 2010 at a premium of 16.67% on both the exchanges. The issue price of the bank’s share was Rs 66 and it got listed at Rs 77 on BSE and Rs 75 on NSE.

Note:

Recommendations that are given are purely based on technical analysis. While utmost care has been taken to give the recommendation, the analyst or the organization does not take any responsibility for the consequences of this recommendation. Investors who trade on the basis of these recommendations do so purely at their own risk.

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1. Name of the analyst : Praveen Kumar Dodda, Priyanka Damle
2. Qualifications of the analysts : B.E., MBA; B.Com, C.A.
3. Analysts' ownership of any stock related to the information contained : NIL
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