

Ujjivan Small Finance Bank Ltd.

Accumulate

Sector: Banking

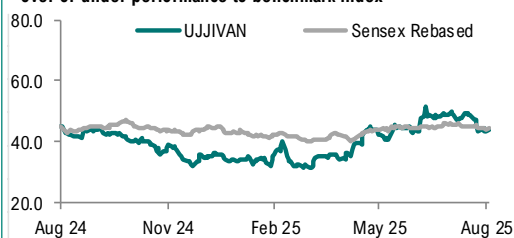
05th August, 2025

Key Changes:						Target	Rs.51
						Rating	
						Earnings	
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.44
Small Cap	UJJIVANS:IN	80,710	UJJIVANSFB	542904	12 Months	Return	+16%

Data as of: 05-08-2025, 17:00 hrs

Company Data			
Market Cap (Rs. cr)	8,525		
52 Week High — Low (Rs.)	52-31		
Outstanding Shares (Rs cr)	193.6		
Free Float (%)	95.0		
Dividend Yield (%)	3.4		
6m average volume (million)	9.0		
Beta	1.0		
Face value (Rs.)	10.0		
Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	-	-	-
FII's	17.9	19.5	19.6
MFs/Institutions	6.6	8.5	16.8
Public	75.5	72.0	63.6
Total	100.0	100.0	100.0
Promoter Pledge	-	-	-
Price Performance	3 Month	6 Month	1 Year
Absolute Return	3.9%	17.6%	-2.0%
Absolute Sensex	0.6%	3.1%	0.0%
Relative Return	3.3%	14.5%	-2.0%

*over or under performance to benchmark index



Y.E March (Rs.cr)	FY25A	FY26E	FY27E
NII	3,636	3,831	4,603
Growth(%)	6.7	5.4	20.2
NIM(%)	8.7	8.0	8.0
Provisions	748	722	655
Adj. PAT	726	755	1,142
Growth(%)	-43.3	3.9	51.4
Adj. EPS	3.7	3.9	5.9
Growth(%)	-43.3	5.1	51.4
BVPS	31.4	34.3	39.2
Adj BVPS	30.6	33.4	38.3
P/E	11.9	11.3	7.5
P/B	1.4	1.3	1.1
Adj. P/B	1.4	1.3	1.1
ROE(%)	12.4	11.9	16.0

Stability returns to the MFI segment

Ujjivan Small Finance Bank Ltd. (USFL), a prominent Small Finance Bank in India, operates through 752 branches across 26 states & UTs. USFL strives to promote financial and digital inclusion throughout India, providing financial services to underserved and unserved populations.

- Gross Advances grew modestly at 11% YoY, driven by an 845% YoY increase in gold loans and a 288% YoY increase in Financial Institutional Group lending. Deposit growth advanced by 19% YoY, with CASA accounts growing by 13% YoY. The CASA ratio stood at 25%.
- By increasing the proportion of secured assets, such as affordable housing loans, MSME loans, vehicle loans, and gold loans, the bank aims to lower its overall risk profile. This shift is evident as group loans experienced an 18% YoY decline.
- Net Interest Income fell by 9% YoY in Q1FY26, impacted by falling yields on advances and slower advance growth. Additionally, NIM contracted by 60 bps sequentially to 7.7%.
- Stress in the microfinance segment, particularly in group finance, has nearly stabilized during the current quarter. However, asset quality has weakened, with GNPA rising to 2.5% and NNPA to 0.7%, compared to 2.3% and 0.4% in Q1FY25, primarily due to the absence of ARC sales in the first quarter.
- With credit costs stabilizing, PAT has improved by 23.8% sequentially to Rs.103 cr, while ROE for the quarter has also increased to 6.7% on an annualized basis.

Outlook & Valuation

With stress in the MFI segment receding and companies strategically shifting towards secured, high-yield assets such as affordable housing and vehicle loans, both advances and deposit growth are expected to get back on track by year-end, with advances projected to grow at 19% YoY. While credit costs are anticipated to decline, the shift in portfolio mix is likely to compress NIMs in the short term, leading to a temporary impact on return metrics. However, by the end of FY27, ROA is projected to improve to approximately ~2%. **We upgrade our rating to Accumulate on the stock with a revised target price of Rs. 51, based on 1.3x FY27E BVPS.**

Quarterly Financials (Standalone)

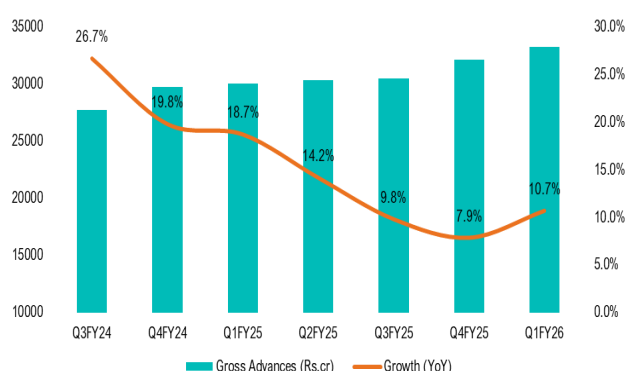
Rs cr	Q1FY26	Q4FY25	QoQ(%)	Q1FY25	YoY(%)
Net Interest Income (NII)	856	864	-0.97	941	-9.1
Total Income	1,105	1,134	-2.56	1,139	-3.0
Expenditure	744	774	-3.85	629	18.4
Pre-Provision Profit	360	360	0.20	510	-29.3
Provision	225	265	-14.96	110	104.8
PBT	136	95	42.28	400	-66.1
Reported PAT	103	83	23.78	301	-65.7
Diluted EPS (Rs)	0.5	0.4	23.26	1.5	-65.4



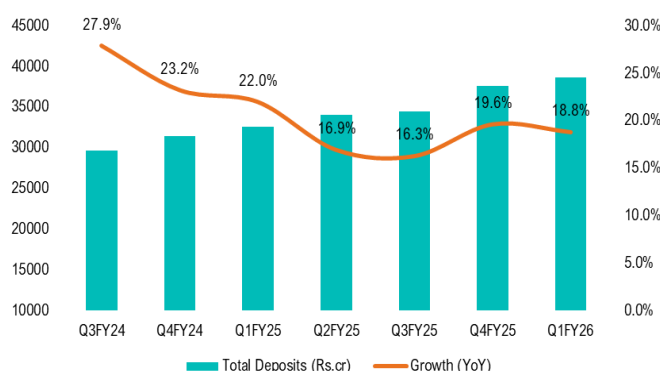
Key Highlights

- Ujjivan Small Finance Bank reported strong disbursement growth in Q1FY26, reaching Rs.6,539 cr, a 24% YoY increase. This momentum was fueled by a strategic pivot toward secured lending, with disbursements in secured products rising 86% YoY. Notably, affordable housing and micro mortgages doubled, MSME disbursements surged 212%, and gold loans expanded by 550%. Reinforcing this shift, the bank increased the share of secured assets in its overall portfolio from 31% to 46% YoY, underscoring its commitment to portfolio stability, risk diversification, and long-term asset quality.
- The bank's X-Bucket collection efficiency remained strong at 99.4% for the last two months and is expected to exceed 99.5% by Q3. While gross NPAs and PAR levels saw a marginal uptick due to the absence of ARC sales in Q1, underlying trends suggest a decline in fresh slippages, particularly in micro banking. Slippages had peaked in most states by Q4FY25, with Karnataka peaking in Q1 FY26. The bank continues to maintain a prudent provisioning approach, with a credit cost of Rs.225 cr in Q1 and a provision coverage ratio (PCR) expected to hover between 75% and 77% for the year.
- GNPA increased by 19 bps YoY to 2.5% in Q1FY26, compared to 2.3% in Q1FY25. NNPA increased by 32 bps YoY to 0.7% in Q1FY26, compared to 0.4% in Q1FY25. The MFIN guardrails 2.0 have been fully adopted by the bank, effective 1st April 2025.
- The bank aims to close the year with a CASA ratio of 27%, while keeping the cost-to-income ratio steady at around 67%. On profitability metrics, ROE is expected to be in the range of 10 and 12%, and ROA between 1.2 and 1.4%. Credit cost is guided to remain between 2.3 –2.4% of the average gross loan book, with expectations of normalization in the second half of the fiscal year.

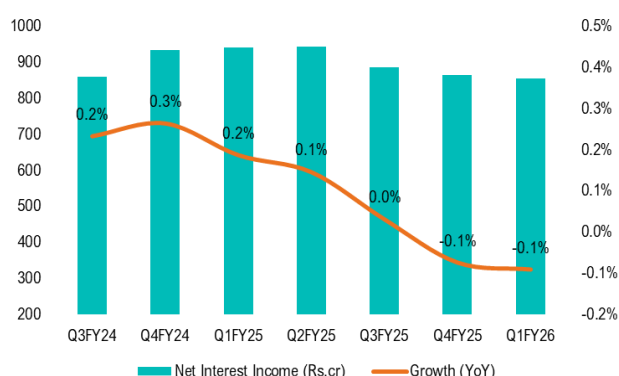
Gross Advances



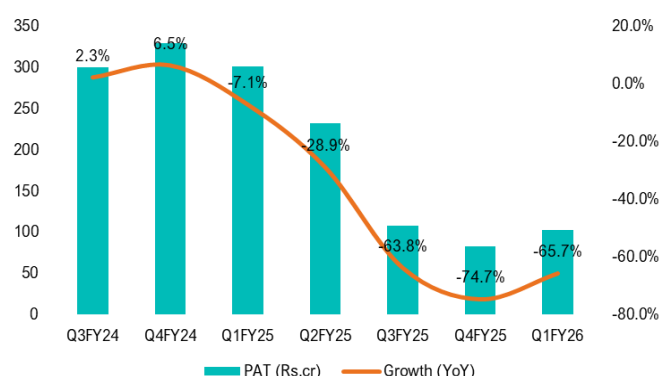
Total Deposits



Net Interest Income



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change(%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (NII)	4,035	4,655	3,831	4,603	-5.1	-1.1
Net Interest Margin (%)	8.7	8.73	7.97	7.97	-73bps	-76bps
Pre-Provision Profit	1,959	2,312	1,727	2,176	-11.8	-5.9
Adj. PAT	1114	1,399	755	1142	-32.3	-18.3
EPS (Rs)	5.8	7.2	3.9	5.9	-32.8	-18.0



Standalone Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	4,165	5,677	6,354	7,039	8,211
Interest Expense	1,467	2,268	2,718	3,208	3,609
Net Int. Income	2,698	3,409	3,636	3,831	4,603
% Change	52.1%	26.4%	6.7%	5.4%	20.2%
Non Int. Income	589	787	846	985	1,150
Total Income	3,287	4,196	4,482	4,816	5,752
Operating Expenses	1802	2279	2793	3089	3576
Pre Prov. Profit	1,485	1,917	1,689	1,727	2,176
% Change	151.5%	29.1%	-11.9%	2.2%	26.0%
Prov. & Conting.	18	215	748	722	655
PBT	1,467	1,702	942	1,005	1,521
% Change	366.6%	16.0%	-44.7%	6.7%	51.4%
Tax	367	421	215	250	379
Tax Rate	25%	25%	23%	25%	25%
Reported PAT	1,100	1,282	726	755	1,142
Adj*	-	-	-	-	-
Adj. PAT	1,100	1,282	726	755	1,142
% Change	365.3%	16.5%	-43.3%	3.9%	51.4%
No. of shares (cr)	195	193	194	194	194
EPS (Rs)	5.8	6.5	3.7	3.9	5.9
% Change	342.5%	12.4%	-43.3%	4.1%	53.5%

Balance Sheet

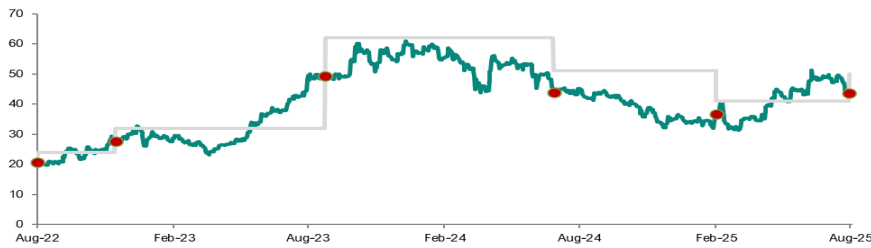
Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	2,484	2,537	3,170	2,583	3,375
Loans & Advances	21,290	26,883	31,390	37,313	45,163
Investments	8,510	9,766	11,730	14,076	16,891
Net Fixed Assets	283	427	457	512	532
Other Assets	750	810	942	1,128	1,342
Total Assets	33,317	40,422	47,689	55,611	67,303
Deposits	25,538	31,462	37,630	43,806	53,232
Debt Funds	2,641	2,171	2,845	3,823	4,859
Other Liabilities & Provisions	929	1,176	1,130	1,338	1,620
Capital	2,155	1,931	1,935	1,935	1,935
Reserves & Surplus	2,054	3,682	4,149	4,710	5,658
Shareholder's Funds	4,209	5,613	6,084	6,644	7,593
Total Liabilities	33,317	40,422	47,689	55,611	67,303
BVPS (Rs)	22	29	31	34	39
% Change	33%	35%	8%	9%	14%
Adj. BVPS (Rs)	21	29	31	33	38
% Change	38%	33%	7%	9%	14%

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
Interest yield (%)	15.2	15.7	15.2	14.6	14.2
Cost of funds (%)	6.1	7.3	7.3	7.2	6.7
Spread(%)	9.1	8.4	7.9	7.4	7.5
NIM (%)	9.8	9.5	8.7	8.0	8.0
ROE (%)	31.4	26.1	12.4	11.9	16.0
ROA(%)	3.9	3.5	1.6	1.5	1.9
Business Growth					
Loans & Advances (%)	32.6	23.6	7.9	19.0	21.0
Deposits (%)	39.6	23.2	19.6	19.1	21.0
Operating Ratios					
Cost to Income (%)	54.8	54.3	62.3	64.1	62.2
Capital Adequacy					
CAR (%)	19.0	24.1	24.2	22.1	20.8
Asset Quality					
GNPA (%)	2.6	2.1	2.2	2.1	1.9
NNPA (%)	0.0	0.3	0.5	0.5	0.4
Valuation					
P/E (x)	7.6	6.7	11.9	11.3	7.5
P/B (x)	2.0	1.5	1.4	1.3	1.1
Adj. P/B (x)	2.1	1.5	1.4	1.3	1.2



Recommendation Summary (last 3 years)



Dates	Rating	Target
17.Feb.22	Buy	22
01.Aug.22	Buy	24
14.Nov.22	Accumulate	32
24.Aug.23	Buy	62
27.Jun.24	Accumulate	51
01.Feb.25	Hold	41
05.Aug.25	Accumulate	51

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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