

**RESEARCH****[INITIATION] UJJIVAN SMALL FINANCE BANK | TARGET: Rs 59 | +24%  
| BUY**

Asset quality holds firm amid lending mix transformation

**SUMMARY****[INITIATION] UJJIVAN SMALL FINANCE BANK**

- Diversifying to secured segments; rebalancing unsecured book to relatively high-yield IL from MGL
- Asset quality performance remains better vs peers with normalisation in MFI slippages expected from 2HFY26
- Initiate coverage on UJJIVANS with a BUY and TP of Rs 59 (1.5x FY27E ABV)

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FINANCE BANK**

| Banking

| 14 July 2025

## Asset quality holds firm amid lending mix transformation

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Niraj Jalan | Vijiya Rao  
research@bobcaps.in

### Structural shift to high-yielding IL vs MGL and rising focus on secured book:

UJJIVANS strategy is to de-risk its balance sheet through increasing focus on secured portfolio. This was evident from the rise in the share of secured book disbursement to 40% of total disbursement in FY25 vs 24% in FY24. As a result, share of secured loans increased to 43% of gross advances as of Mar'25 from 30% (Mar'24). In the secured space, housing consisted of 23% of the total gross advances, followed by FIG (9%), MSME (6%), Others (4%) and Agri Banking (1%) as of Mar'25. Within the unsecured book, the bank is undergoing a structural shift to higher yielding IL (28% of gross MFI loans as of Mar'25 vs. 23% as of Mar'24) vs MGL (72% as of Mar'25 vs. 77% as of Mar'24). In addition to relatively higher yields, IL also saw better AQ with GNPA of 1.8% vs MGL's (2.9%) in FY25. We expect advances to grow at 19% CAGR in FY25-27E, largely led by secured and IL book.

**Asset quality performance remains better vs peers:** UJJIVANS's AQ remains better compared to peers with GNPA ratio of 2.2% (-50bps QoQ) as on Mar'25. Slippages increased sharply to Rs 11.3bn (+2.4x YoY) in FY25. Slippage was largely from MFI portfolio, which accounted for 83-87% of total slippages in the last three quarters of FY25. This indicates that the AQ of secured non-MFI portfolio remained largely healthy. Further, UJJIVANS's MGL book 31-180 PAR consistently fared better vs the industry (Fig 62). UJJIVANS's MFI book X CE improved to 99.3% (provisional) as of Jun'25 vs. 99.0% (Feb'25). In addition, the SMA (1-90 DPD) in the MFI book improved to 2.7% as of Mar'24 vs 3.0% in Feb'25, indicating signs of improvement in AQ. We expect slippages to normalise from 2HFY26 and AQ to fare better vs peers.

**Initiate coverage on UJJIVANS with a BUY and TP of Rs 59:** With AQ stress in MFI book seems to have peaked out, bank's credit cost is expected to decline; leading to improvement in RoA/ RoE to 1.9/15.5% by FY27E. UJJIVANS's adequate capital position, healthy credit growth with MFI stress receding, recovery in earnings and awaited RBI's approval for conversion to a universal bank (applied in Feb'25) will lead to stock re-rating. We initiate coverage on UJJIVANS with a BUY rating and TP of Rs 59 (1.5x FY27E ABV) vs. currently trading at 1.2x FY27E ABV.

Ticker/Price	UJJIVANS IN/Rs 48
Market cap	US\$ 1.1bn
Free float	100%
3M ADV	US\$ 8.7mn
52wk high/low	Rs 52/Rs 31
Promoter/FPI/DII	0%/20%/8%

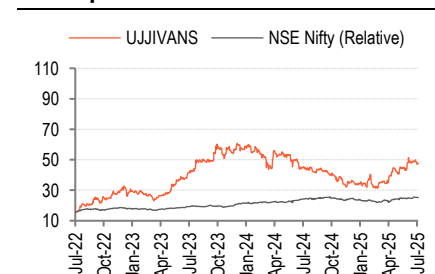
Source: NSE | Price as of 11 Jul 2025

### Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	36,363	40,464	47,310
NII growth (%)	6.7	11.3	16.9
Adj. net profit (Rs mn)	7,261	8,608	11,322
EPS (Rs)	3.8	4.4	5.9
Consensus EPS (Rs)	3.7	4.3	5.9
P/E (x)	12.7	10.7	8.1
P/BV (x)	1.5	1.3	1.2
ROA (%)	1.6	1.7	1.9
ROE (%)	12.4	13.3	15.5

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



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**BUY** – Expected return >+15%

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**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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