

**BUY**

TP: Rs 59 | ▲ 29%

**UJJIVAN SMALL  
FINANCE BANK**

| Banking

| 25 July 2025

## Secured lending mix rises to 45%, MFI stress nears peak

- **Diversifying segments; rebalancing unsecured book to relatively high-yield IL from MGL**
- **Asset quality performance remains better vs peers with normalisation in MFI CE expected from Q3FY26**
- **Maintain BUY with TP of Rs 59 (unchanged), ascribing 1.5x Jun'27E ABV**

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

UJJIVANS strategy is to de-risk 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 Q1FY26 vs 26% in Q1FY25. As a result, share of secured loans increased to 45% of gross loans as of Jun'25 from 33% (Jun'24). Within secured segments, the new verticals gained traction with gold loans (+49% QoQ), and vehicle loans (+20% QoQ). In the unsecured space, the bank is undergoing structural shift to IL vs MGL, given their better yields and AQ. We expect loans to grow at 19% CAGR in FY25-28E, largely led by secured and IL book.

**Asset quality performance remains better vs peers:** UJJIVANS's GNPA ratio deteriorated marginally to 2.5% (+34bps QoQ) as of Jun'25 but remains better vs peers. Slippage ratio improved to 4.9% (Q1FY25) vs 5.2% (Q4FY25). Management stated that ~80% of total slippages (Rs 3.5bn) were from the MFI portfolio. Further, slippages in MFI peaked in 9 out of top 10 states in Q4, while Karnataka peaked in Q1FY26. Also, >3 lender book declined to 7.4% (May'25) from 14% (Sep'24). UJJIVAN's NDA CE was above 99.3% in Jun'25. Management expects CE in MFI to normalise (99.5%+) by Q3FY26 and GNPA to be <2.5%.

### Profitability aided by lower credit costs but NIMs stay under pressure:

UJJIVANS reported PAT of Rs 1.0bn (+24% QoQ), mainly due to lower provision (15% QoQ). NII declined marginally to Rs 8.6bn (-1% QoQ). NIMs declined to 7.7% (-60bps QoQ) due to: a) change in advance mix (-25bps) b) excess liquidity (-17bps) c) refund of prepaid installment interest to MFI customers (-14bps). Further, C/I ratio was elevated at 67.4% (Q1FY26). Credit cost improved to 2.9% (Q1FY26) vs 3.6% (Q4FY25). Management expects NIMs to be 7.8-7.9% in the next 3 quarters of FY26 with RoE to be ~10-12% in FY26.

**Maintain BUY:** With AQ stress in MFI book seems to be peaking out, credit cost is expected to decline, leading to improvement in RoA/ RoE to 1.5-1.8%/12.2-15.5% during FY26-28E. We maintain BUY and roll over the valuation to 1.5x Jun'27E ABV with TP of Rs 59 (unchanged).

### Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	UJJIVANS IN/Rs 46
Market cap	US\$ 1.0bn
Free float	100%
3M ADV	US\$ 7.6mn
52wk high/low	Rs 52/Rs 31
Promoter/FPI/DII	0%/20%/17%

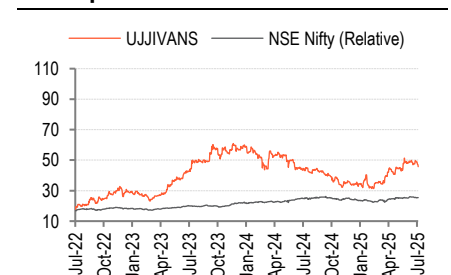
Source: NSE | Price as of 24 Jul 2025

### Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	36,363	40,135	47,520
NII growth (%)	6.7	10.4	18.4
Adj. net profit (Rs mn)	7,261	7,806	10,420
EPS (Rs)	3.8	4.0	5.4
Consensus EPS (Rs)	3.7	4.3	5.8
P/E (x)	12.2	11.3	8.5
P/BV (x)	1.5	1.3	1.2
ROA (%)	1.6	1.5	1.7
ROE (%)	12.4	12.2	14.5

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

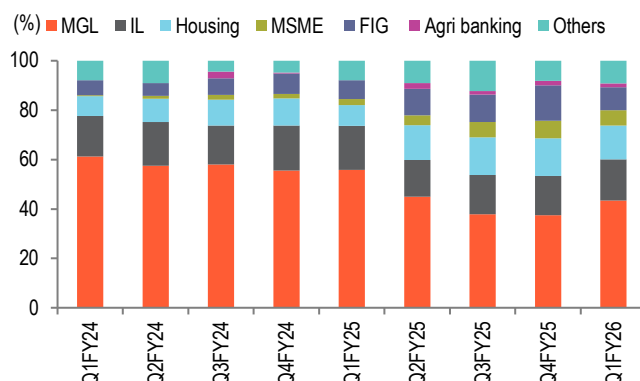
(Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ (%)	YoY (%)
<b>Income Statement</b>							
Interest Income	13,789	14,055	13,818	13,596	13,988	2.9	1.4
Income on investments	1,941	2,010	2,020	2,087	2,119	1.5	9.2
Int. on bal. with RBI & inter-bank funds & Others	42	63	73	50	81	61.5	92.0
<b>Interest income</b>	<b>15,772</b>	<b>16,128</b>	<b>15,911</b>	<b>15,734</b>	<b>16,188</b>	<b>2.9</b>	<b>2.6</b>
Interest expense	6,357	6,690	7,043	7,091	7,629	7.6	20.0
<b>Net interest income</b>	<b>9,415</b>	<b>9,438</b>	<b>8,867</b>	<b>8,643</b>	<b>8,560</b>	<b>(1.0)</b>	<b>(9.1)</b>
Growth YoY (%)	18.8	14.6	3.1	(7.4)	(9.1)		
Fee Income	1,160	1,160	990	1,790	1,570	(12.3)	35.3
Others	541	663	442	597	760	27.3	40.5
<b>Non-interest income</b>	<b>1,971</b>	<b>2,073</b>	<b>1,722</b>	<b>2,697</b>	<b>2,490</b>	<b>(7.7)</b>	<b>26.3</b>
Growth YoY (%)	11.2	9.9	(6.8)	14.2	26.3		
<b>Total income</b>	<b>11,386</b>	<b>11,510</b>	<b>10,589</b>	<b>11,340</b>	<b>11,049</b>	<b>(2.6)</b>	<b>(3.0)</b>
Growth YoY (%)	17.4	13.7	1.4	(3.0)	(3.0)		
Staff expenses	3,403	3,684	3,712	4,196	4,118	(1.9)	21.0
Other operating expenses	2,888	3,218	3,286	3,546	3,327	(6.2)	15.2
Operating expenses	6,290	6,902	6,997	7,742	7,445	(3.8)	18.4
<b>Pre-Provisioning Profit (PPoP)</b>	<b>5,095</b>	<b>4,608</b>	<b>3,592</b>	<b>3,598</b>	<b>3,605</b>	<b>0.2</b>	<b>(29.3)</b>
Growth YoY (%)	11.3	(4.7)	(21.5)	(30.6)	(29.3)		
Provisions	1,099	1,505	2,228	2,645	2,249	(15.0)	104.8
Growth YoY (%)	320.7	220.8	254.2	234.8	104.8		
Exceptional Item	-	-	-	-	-	-	-
<b>PBT</b>	<b>3,997</b>	<b>3,103</b>	<b>1,364</b>	<b>953</b>	<b>1,355</b>	<b>42.3</b>	<b>(66.1)</b>
Tax	986	773	278	119	323	172.3	(67.2)
<b>PAT</b>	<b>3,011</b>	<b>2,330</b>	<b>1,086</b>	<b>834</b>	<b>1,032</b>	<b>23.8</b>	<b>(65.7)</b>
Growth YoY (%)	(7.1)	(28.9)	(63.8)	(74.7)	(65.7)		
<b>Per Share</b>							
FV (Rs)	10	10	10	10	10	0.0	0.0
EPS (Rs)	2	1	1	0	1	24.1	(65.8)
Book Value (Rs)	31	30	31	31	32	1.8	4.3

Source: Company, BOBCAPS Research

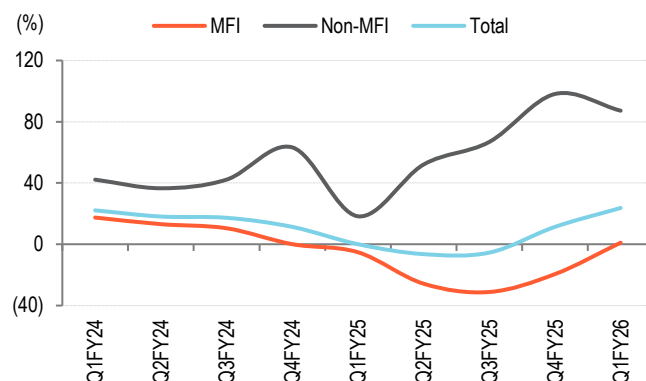
**Fig 2 – Quarterly snapshot: Balance sheet & other key metrics**

(Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ (%)	YoY (%)
<b>Deposits</b>	<b>3,25,140</b>	<b>3,40,698</b>	<b>3,44,940</b>	<b>3,76,305</b>	<b>3,86,190</b>	<b>2.6</b>	<b>18.8</b>
Growth YoY (%)	22.0	16.9	16.3	19.6	18.8		
<b>Advances</b>	<b>2,71,140</b>	<b>2,91,793</b>	<b>2,96,210</b>	<b>3,13,900</b>	<b>3,25,010</b>	<b>3.5</b>	<b>19.9</b>
Growth YoY (%)	22.3	20.0	15.6	16.8	19.9		
Investment	1,11,180	1,05,916	1,17,970	1,17,300	1,23,390	5.2	11.0
Equity	59,280	58,818	59,960	60,834	61,910	1.8	4.4
Assets	4,20,500	4,36,187	4,52,260	4,76,892	4,91,110	3.0	16.8
Growth YoY (%)	21.0	12.8	14.4	18.0	16.8		
<b>Yield</b>							
Yield on Funds	15.79	15.55	14.78	13.97	13.79	(18bps)	(200bps)
Cost of Funds	7.42	7.48	7.52	7.21	7.43	22bps	0bps
Spread	8.37	8.07	7.26	6.76	6.36	(39bps)	(201bps)
<b>Net Interest Margin</b>	<b>9.43</b>	<b>9.10</b>	<b>8.24</b>	<b>7.67</b>	<b>7.29</b>	<b>(38bps)</b>	<b>(214bps)</b>
<b>Ratios</b>							
Other Income / Net Income	17.3	18.0	16.3	23.8	22.5	(125bps)	522bps
Cost to Income ratio	55.2	60.0	66.1	68.3	67.4	(90bps)	1,213bps
CASA ratio	25.6	25.9	25.1	25.5	24.3	(125bps)	(134bps)
C/D ratio	83.4	85.6	85.9	83.4	84.2	74bps	77bps
Investment to Assets	26.4	24.3	26.1	24.6	25.1	53bps	(132bps)
<b>Assets Quality</b>							
GNPA	6,972	7,500	8,112	6,959	8,344	19.9	19.7
NNPA	1,112	1,641	1,649	1,524	2,261	48.3	103.3
Provision	5,860	5,859	6,463	5,435	6,082	11.9	3.8
GNPA (%)	2.52	2.52	2.68	2.18	2.52	34bps	0bps
NNPA (%)	0.41	0.56	0.56	0.50	0.70	20bps	29bps
Provision (%)	98.39	91.46	79.67	78.10	72.90	(520bps)	(2,549bps)
<b>Others</b>							
Branches	752	752	753	753	752	(1)	-
ATMs	610	610	611	613	613	-	3

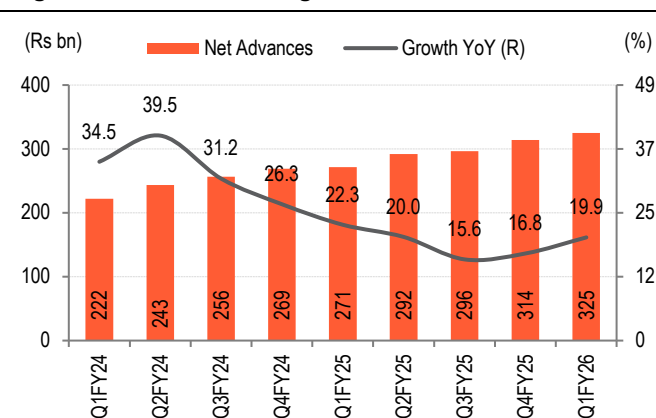
Source: Company, BOBCAPS Research

**Fig 3 – UJJIVANS disbursed 40% towards secured segments...**

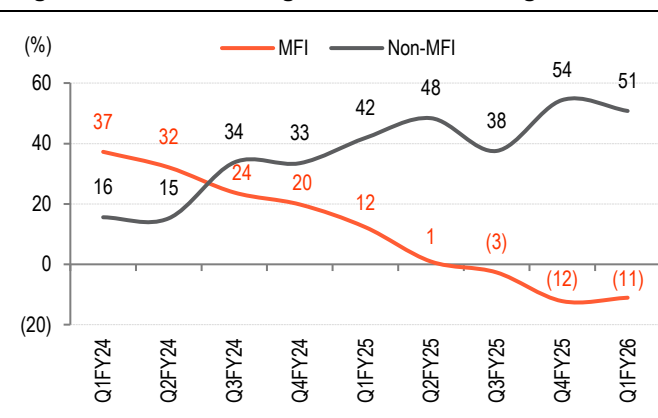
Source: Company, BOBCAPS Research

**Fig 4 – ...increasing disbursement in non-MFI segment by 87% YoY**

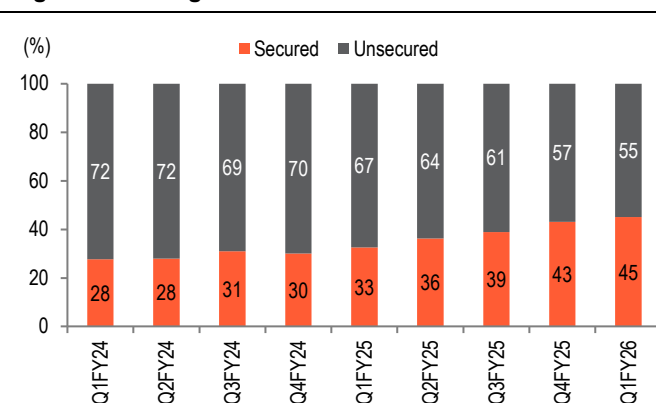
Source: Company, BOBCAPS Research

**Fig 5 – Overall advances grew 20% YoY...**


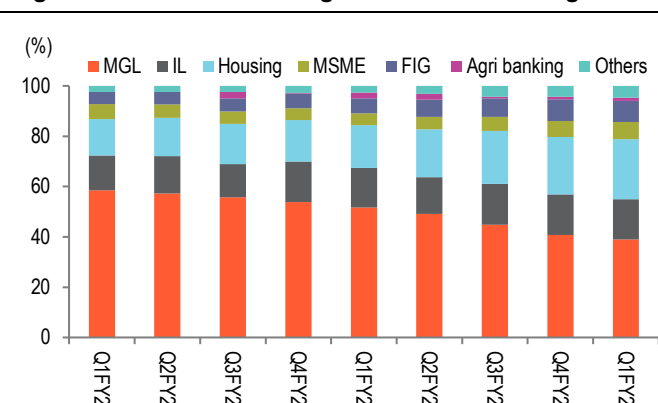
Source: Company, BOBCAPS Research

**Fig 6 – ...with 51% YoY growth in non-MFI segments...**


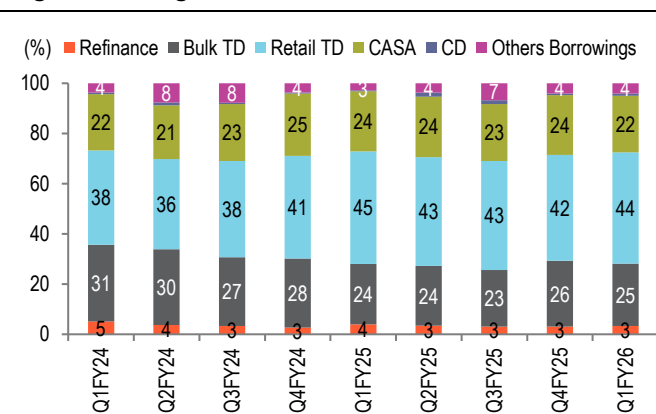
Source: Company, BOBCAPS Research

**Fig 7 – ...leading to 45:55 secured vs unsecured mix**


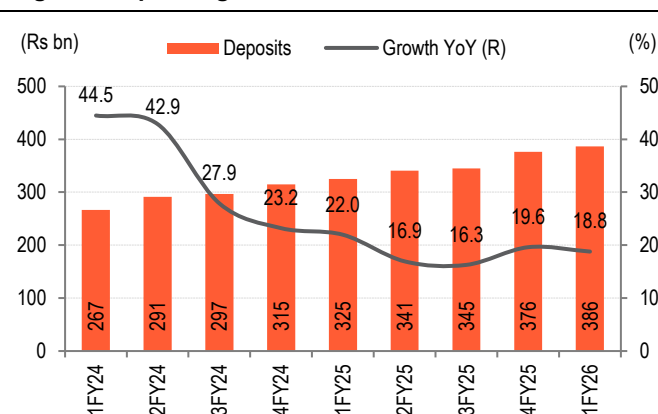
Source: Company, BOBCAPS Research

**Fig 8 – Portfolio mix shifting towards secured segments**


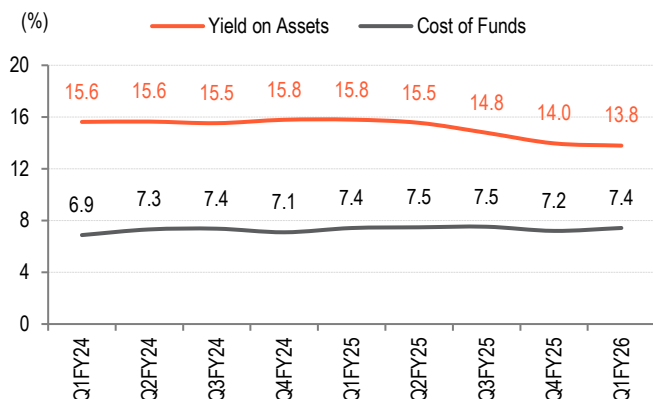
Source: Company, BOBCAPS Research

**Fig 9 – Funding mix**


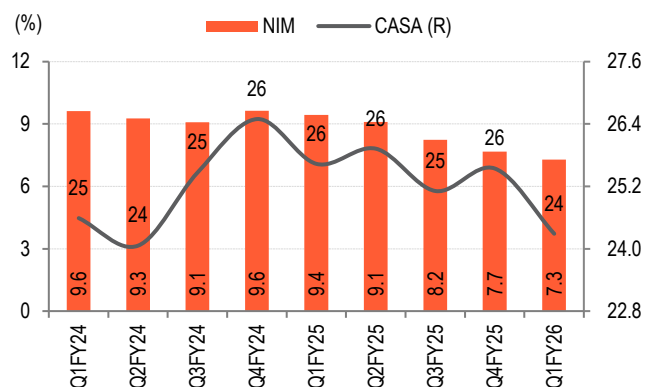
Source: Company, BOBCAPS Research

**Fig 10 – Deposits grew 19% YoY**


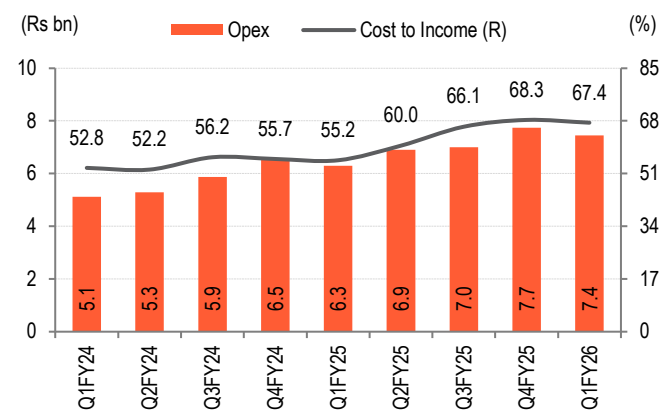
Source: Company, BOBCAPS Research

**Fig 11 – Lower yields on portfolio shifting to secured...**


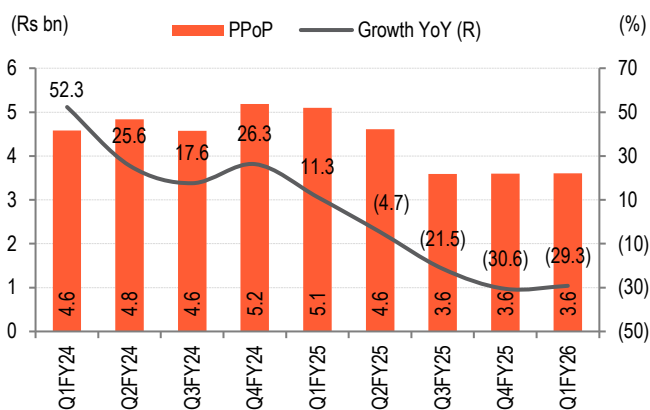
Source: Company, BOBCAPS Research

**Fig 12 – ...leads to margins pressure**


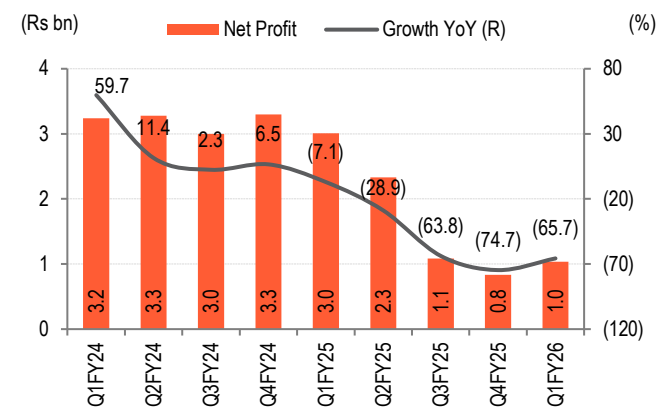
Source: Company, BOBCAPS Research

**Fig 13 – Cost to Income stood at 67.4%**


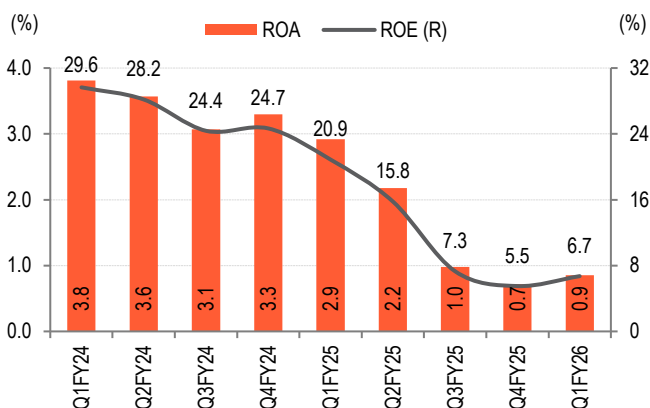
Source: Company, BOBCAPS Research

**Fig 14 – PPOp remained flat QoQ**


Source: Company, BOBCAPS Research

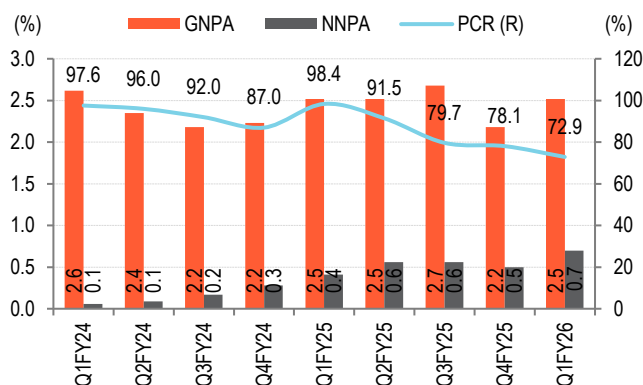
**Fig 15 – PAT grew 24% QoQ**


Source: Company, BOBCAPS Research

**Fig 16 – Return ratios improves marginally**


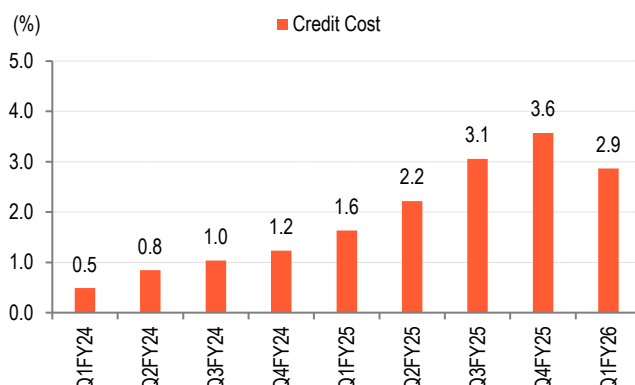
Source: Company, BOBCAPS Research

**Fig 17 – Asset quality better vs peers**



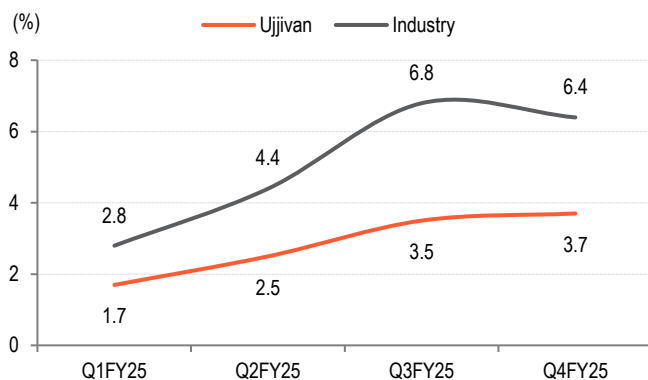
Source: Company, BOBCAPS Research

**Fig 18 – Credit cost expected to improve**



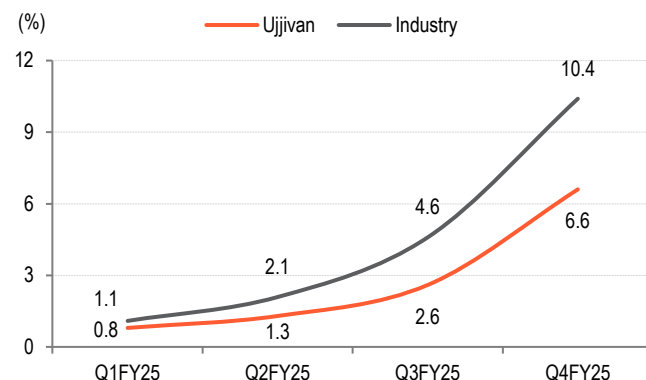
Source: Company, BOBCAPS Research

**Fig 19 – MGL PAR 31-180 better vs industry**



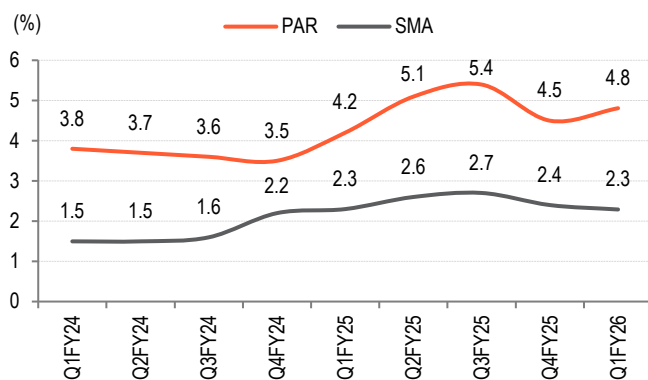
Source: Company, BOBCAPS Research

**Fig 20 – Karnataka PAR 31-180 better vs industry**



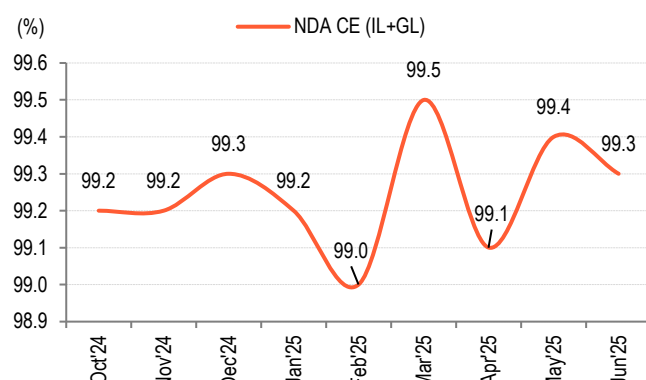
Source: Company, BOBCAPS Research

**Fig 21 – PAR & SMA**

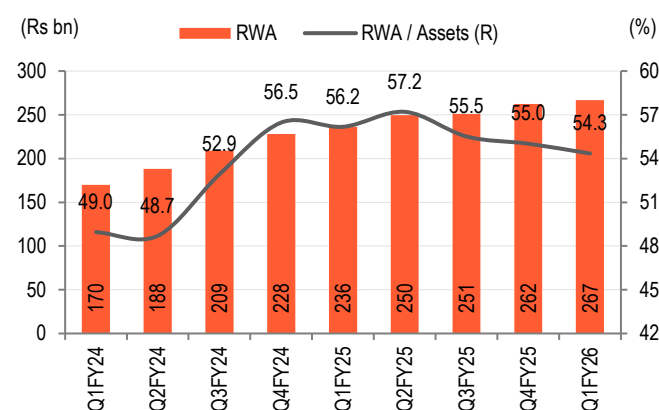


Source: Company, BOBCAPS Research

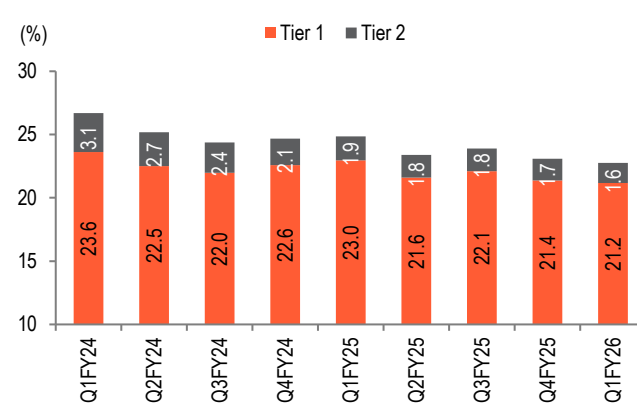
**Fig 22 – Collection efficiency expected to normalise from Q3**



Source: Company, BOBCAPS Research

**Fig 23 – RWA up to Rs 267bn; RWA/Asset at 54.3%**

Source: Company, BOBCAPS Research

**Fig 24 – Adequate capital to fund growth**

Source: Company, BOBCAPS Research

## Concall Highlights

### Advances and deposits

- **Advances:** Gross advances increased by 4% QoQ to Rs 332.9bn (Jun'25).
  - **Secured Book-** The growth was primarily driven by the non-MFI segment that grew by 51% YoY, in which housing was up 62% YoY (+9% QoQ), agri banking grew 94% YoY (+14% QoQ), MSME up 59% YoY (+10% QoQ). New verticals also saw traction- gold loans (+49% QoQ), Vehicle loans (+20% QoQ).
  - **MFI book-** MGL book consciously downsized (-19% YoY) and accounted for 39% of the gross advances as of Jun'25 vs 52% as of Jun'24. IL book grew 11% YoY as of Jun'25.
- **Deposits:** Total deposits stood at Rs 386.2bn, marking 3% QoQ and 19% YoY growth. The surge was fueled by continued traction in retail term deposits (18% YoY and 8% QoQ), given higher interest rates offered by the bank.
- **CD Ratio:** Credit-deposit ratio increased to 84.2% in Q1FY26 from 83.4% in Q4FY25. Management guided it to be maintained at 88% for FY26.
- **CASA Ratio:** CASA ratio declined to 24.3% in Q1FY26 vs 25.63% in Q1FY25. Within CASA deposits, the bank witnessed a decline in CA deposits (-16% QoQ); and SA deposits declined 1% QoQ. However, due to higher growth in retail TD, share of CASA + Retail TD improved and stood at 72.2% in Q1FY26 vs 70.9% in Q4FY25. Management targets CASA to be ~27% for FY26.

### Profitability

- **Net Interest Income (NII):** NII de-grew by 1% QoQ and 9% YoY to Rs 8.6bn. Net interest margin (NIMs) declined by 60bps QoQ to 7.7%. Management guided NIMs to be around 7.8%-7.9% this year.
- **Other Income:** Other income stood at Rs 2.5bn (+26% YoY), primarily driven by treasury performance contributing Rs 0.5bn.

- **Provisions:** Provisions stood at Rs 2.2bn, (-15% QoQ), translating to a credit cost of 2.9% from 3.6% in Q4FY25. Around 80% of provisions were made for the unsecured loan segment.
- **Return Ratios:** RoA improved to 0.8% (+12bps QoQ) and RoE grew 114bps QoQ to 6.7%. Management guided ROA to be 1.2%- 1.4% and ROE to be 10%-12% for FY26.

#### **Asset quality**

- **GNPA:** UJJIVANS's GNPA ratio increased to 2.52% (+34bps QoQ) in Q1FY26 vs 2.18% in Q4FY25.
- Management expects the CE in MFI to normalise (99.5%+) by Q3FY26 and GNPA to be <2.5%.



## Valuation Methodology

UJJIVANS is currently trading at a favourable risk-reward proposition at 1.2x FY27E ABV vs 5Y average of 1.4x. Current valuation remains attractive, supported by portfolio diversification, better asset quality vs peers with the stress that seems to be peaking out in MFI book likely to result in lower credit cost and improvement in its return metrics. We expect the bank to deliver RoA/ RoE to 1.5-1.8%/12.2-15.5% during FY26-28E. We maintain BUY rating and roll over the valuation to 1.5x Jun'27E ABV with TP of Rs 59 (unchanged).

**Fig 25 – Actual vs Estimates**

(Rs mn)	Q1FY26A	Q1FY26E	Change (%)
Loans	3,25,010	3,21,843	1.0
Deposits	3,86,190	3,86,121	0.0
Assets	4,91,110	4,86,319	1.0
NII	8,560	8,905	(3.9)
PPOP	3,605	3,296	9.4
Provisions	2,249	2,146	4.8
PAT	1,032	863	19.6

Source: Company, BOBCAPS Research

**Fig 26 – Key operational assumptions**

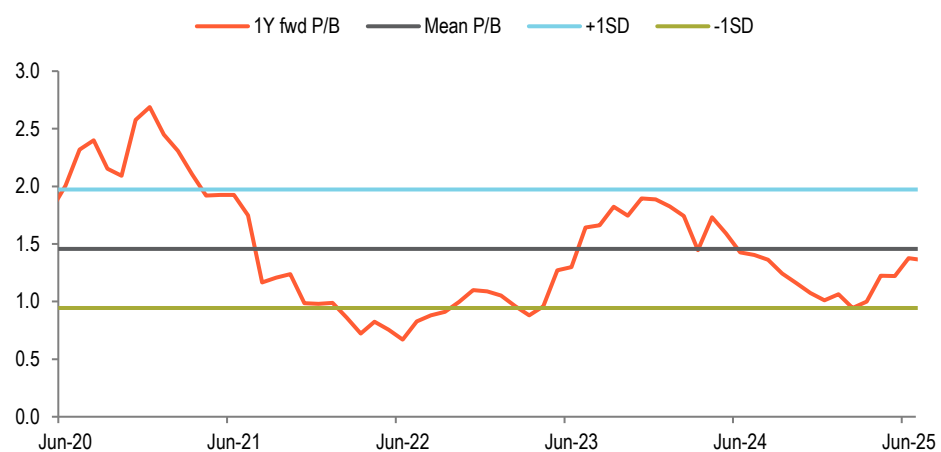
(%)	FY25	FY26E	FY27E	FY28E
Advances growth	16.8	18.0	20.0	20.0
NII growth	6.7	10.4	18.4	19.9
PPoP growth	-11.9	6.2	20.6	21.1
PAT growth	-43.3	7.5	33.5	21.6
NIM	8.8	8.1	8.3	8.3
GNPA	2.2	2.3	2.1	1.9
CAR	23.1	21.8	21.6	21.1

Source: Company, BOBCAPS Research

**Fig 27 – Valuation assumptions**

Gordon growth model	Assumptions
Risk-free rate (%)	6.4
Equity risk premium (%)	5.0
Beta	1.0
Cost of equity (%)	11.2
Blended ROE (%)	13.2
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	15.0
Long-term growth (%)	3.3
Long term dividend payout ratio (%)	75.0
Justified P/BV Multiple (x)	1.5

Source: Company, BOBCAPS Research

**Fig 28 – PB band chart**

Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates:

- Relatively lower CASA ratio (~24%) vs peers; ability to raise deposits at competitive rates consistently
- Operating expenses higher than expected levels
- Marginal profile of borrowers and prolongation of MFI asset quality stress

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	34,095	36,363	40,135	47,520	56,955
NII growth (%)	26.4	6.7	10.4	18.4	19.9
Non-interest income	7,868	8,462	9,678	11,453	13,628
Total income	41,962	44,825	49,812	58,973	70,583
Operating expenses	22,791	27,932	31,877	37,337	44,394
PPOP	19,171	16,892	17,935	21,635	26,190
PPOP growth (%)	29.1	(11.9)	6.2	20.6	21.1
Provisions	2,149	7,477	7,527	7,741	9,290
PBT	17,022	9,416	10,408	13,894	16,900
Tax	4,207	2,155	2,602	3,473	4,225
Reported net profit	12,815	7,261	7,806	10,420	12,675
Adjustments	0	0	0	0	0
Adjusted net profit	12,815	7,261	7,806	10,420	12,675

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity capital	19,314	19,350	19,350	19,350	19,350
Reserves & surplus	36,821	41,484	48,197	56,950	67,597
Net worth	56,135	60,834	67,547	76,300	86,947
Deposits	3,14,622	3,76,305	4,40,277	5,25,250	6,26,623
Borrowings	21,708	28,454	30,161	34,685	39,888
Other liab. & provisions	11,757	11,299	14,662	16,649	28,196
Total liab. & equities	4,04,222	4,76,892	5,52,647	6,52,884	7,81,654
Cash & bank balance	25,368	31,698	29,601	31,621	37,724
Investments	97,660	1,17,300	1,37,843	1,61,253	1,91,939
Advances	2,68,829	3,13,900	3,70,402	4,44,482	5,33,379
Fixed & Other assets	12,365	13,994	14,800	15,527	18,612
Total assets	4,04,222	4,76,891	5,52,647	6,52,884	7,81,654
Deposit growth (%)	23.2	19.6	17.0	19.3	19.3
Advances growth (%)	26.3	16.8	18.0	20.0	20.0

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS	6.6	3.8	4.0	5.4	6.6
Dividend per share	1.5	0.0	0.6	0.9	1.0
Book value per share	29.1	31.4	34.9	39.4	44.9

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
P/E	6.9	12.2	11.3	8.5	7.0
P/BV	1.6	1.5	1.3	1.2	1.0
Dividend yield (%)	3.3	0.0	1.2	1.9	2.3

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	9.2	8.3	7.8	7.9	7.9
Non-interest income	2.1	1.9	1.9	1.9	1.9
Operating expenses	6.2	6.3	6.2	6.2	6.2
Pre-provisioning profit	5.2	3.8	3.5	3.6	3.7
Provisions	0.6	1.7	1.5	1.3	1.3
PBT	4.6	2.1	2.0	2.3	2.4
Tax	1.1	0.5	0.5	0.6	0.6
ROA	3.5	1.6	1.5	1.7	1.8
Leverage (x)	7.7	7.5	8.0	8.4	8.8
ROE	26.6	12.4	12.2	14.5	15.5

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Net interest income	26.4	6.7	10.4	18.4	19.9
Pre-provisioning profit	29.1	(11.9)	6.2	20.6	21.1
EPS	10.4	(43.1)	7.4	33.5	21.6
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	9.1	8.8	8.1	8.3	8.3
Fees / Avg. assets	53.3	48.0	47.0	47.5	47.5
Cost-Income	54.3	62.3	64.0	63.3	62.9
ROE	26.6	12.4	12.2	14.5	15.5
ROA	3.5	1.6	1.5	1.7	1.8
<b>Asset quality (%)</b>					
GNPA	2.2	2.2	2.3	2.1	1.9
NNPA	0.3	0.5	0.6	0.5	0.4
Slippage ratio	2.3	4.2	3.7	2.3	2.0
Credit cost	0.9	2.6	2.2	1.9	1.9
Provision coverage	87.3	77.7	75.6	76.6	76.7
<b>Ratios (%)</b>					
Credit-Deposit	85.4	83.4	84.1	84.6	85.1
Investment-Deposit	31.0	31.2	31.3	30.7	30.6
CAR	24.7	23.1	21.8	21.6	21.1
Tier-1	22.6	21.4	20.3	20.2	19.7

Source: Company, BOBCAPS Research

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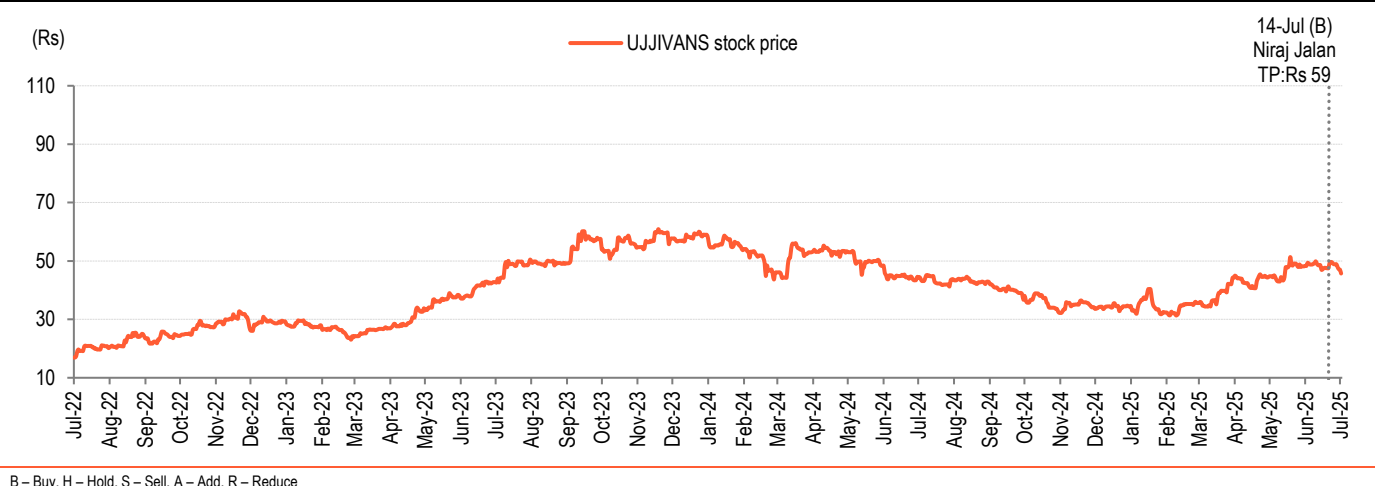
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