

BUY
 TP: Rs 72 | ▲ 15%

**UJJIVAN SMALL
 FINANCE BANK**

| Banking

| 09 May 2026

Earnings beat with improving AQ; secured transition on track

- Operating profit in line with estimates; though PAT beat estimates on lower provisions; AQ performance remains better vs peers
- Strategy to de-risk the balance sheet by increasing the secured portfolio mix to 56% by FY27 from 49% in FY26
- Maintain BUY with TP of Rs 72 (unchanged); ascribing 1.6x Mar’28E ABV (1.7x earlier)

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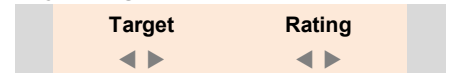
Operating profit in line with estimates; PAT beats: UJJIVANS’s PPop was in line with our estimates at Rs 5.1 bn (+43% YoY; +17% QoQ) in Q4FY26. However, PAT at Rs 2.8bn (+3.4x YoY; +52% QoQ) beat our estimates by 12.6%. This was mainly due to lower provisions of Rs 1.4bn (-46% YoY; -26% QoQ). Further, NIMs expanded to 8.5% (+30bps QoQ), mainly due to the decline in CoF to 7% (-10bps QoQ) and efficient liquidity management. Profitability was also supported by a decline in C/I ratio to 63.2% (-2.8% QoQ). Consequently, RoA improved to 2.1% (+63bps QoQ) in Q4FY26. Management expects RoA to improve to ~1.6% in FY27 (vs. 1.4% in FY26), driven by lower CC of 1.4–1.5% of average GLB, partly offset by a 20–30bps YoY rise in opex/ATA due to the planned addition of 140 branches.

Rising focus on secured portfolio: Lower CC will be largely be on the back of UJJIVANS’s strategy to de-risk the balance sheet by increasing focus on secured portfolio. Share of secured book in total disbursement rose to 47% in Q4FY26 vs 43% in Q3FY26. As a result, share of secured loans increased to 49% of gross loans, as of Mar’26 from 43% (Mar’25). Management expects secured book mix to increase to ~56%, with the overall loan growth to be ~25% YoY in FY27; supported by a capital-infusion plan of Rs 20bn. We expect loans to grow at ~21% CAGR in FY26-29E.

Asset quality remains better vs peers: UJJIVANS’s GNPA ratio improved to 2.27% (-12bps QoQ), as of Mar’26; and remains better vs peers. Slippage ratio improved to 2.5% (Q4FY26) vs 2.7% (Q3FY26), due to the reduced stress in MFI portfolio. However, ~60% of slippage was from MFI book. GL & IL X-bucket CE improved to 99.76% (Q4FY26) vs 99.63% (Q3FY26). SMA down to 1.27% (Mar’26) vs 1.6% (Dec’25) — indicating an improvement in the early delinquency buckets.

Maintain BUY: AQ stress in MFI book seems to be peaking out; credit costs are expected to decline, driving the improvements in RoA/ RoE to 1.5-1.7%/13.6-16.7% during FY27-29E. Management remains committed to re-applying for universal banking license, post achieving a diversified loan book. We maintain BUY and roll over the valuation to 1.6x Mar’28E ABV (1.7x earlier) with TP of Rs 72 (unchanged).

Key changes



Ticker/Price	UJJIVANS IN/Rs 62
Market cap	US\$ 1.3bn
Free float	100%
3M ADV	US\$ 8.7mn
52wk high/low	Rs 68/Rs 40
Promoter/FPI/DII	0%/17%/31%

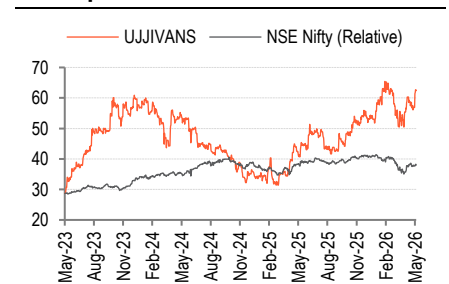
Source: NSE | Price as of 8 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
NII (Rs mn)	38,710	48,918	57,813
NII growth (%)	6.5	26.4	18.2
Adj. net profit (Rs mn)	6,926	9,808	12,409
EPS (Rs)	3.6	5.0	6.4
Consensus EPS (Rs)	3.6	5.3	6.8
P/E (x)	17.5	12.4	9.8
P/BV (x)	1.8	1.6	1.4
ROA (%)	1.3	1.5	1.6
ROE (%)	10.7	13.6	15.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

(Rs mn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Income Statement							
Interest Income	13,596	13,988	14,727	15,476	16,583	22.0	7.2
Income on investments	2,087	2,119	2,030	1,994	2,160	3.5	8.3
Int. on bal. with RBI & inter-bank funds & Others	50	81	66	49	40	(20.4)	(18.2)
Interest income	15,734	16,188	16,823	17,519	18,784	19.4	7.2
Interest expense	7,091	7,629	7,606	7,515	7,855	10.8	4.5
Net interest income	8,643	8,560	9,217	10,005	10,929	26.4	9.2
Growth YoY (%)	0.5	(8.3)	(2.1)	12.8	26.4		
Fee Income	1,790	1,570	1,600	1,830	1,820	1.7	(0.5)
Others	597	760	734	875	907	52.0	3.7
Non-interest income	2,697	2,490	2,564	2,955	3,067	13.7	3.8
Growth YoY (%)	46.0	5.4	30.1	71.6	13.7		
Total income	11,340	11,049	11,780	12,960	13,996	23.4	8.0
Growth YoY (%)	8.5	(5.5)	3.5	22.4	23.4		
Staff expenses	4,196	4,118	4,355	4,738	4,700	12.0	(0.8)
Other operating expenses	3,546	3,327	3,473	3,823	4,150	17.0	8.6
Operating expenses	7,742	7,445	7,828	8,562	8,850	14.3	3.4
Pre-Provisioning Profit (PPoP)	3,598	3,605	3,952	4,398	5,146	43.0	17.0
Growth YoY (%)	(21.3)	(30.5)	(22.4)	22.4	43.0		
Provisions	2,645	2,249	2,350	1,953	1,439	(45.6)	(26.4)
Growth YoY (%)	320.4	184.7	113.9	(12.3)	(45.6)		
Exceptional Item	-	-	-	-	-	-	-
PBT	953	1,355	1,603	2,445	3,707	289.2	51.7
Tax	119	323	386	587	888	647.9	51.1
PAT	834	1,032	1,217	1,857	2,820	238.1	51.8
Growth YoY (%)	(72.2)	(68.7)	(59.6)	71.0	238.1		
Per Share							
FV (Rs)	10	10	10	10	10	0.0	0.0
EPS (Rs)	0.4	0.5	0.6	1.0	1.5	237.5	51.2
Book Value (Rs)	31.4	32.0	32.6	33.6	35.1	11.6	4.3

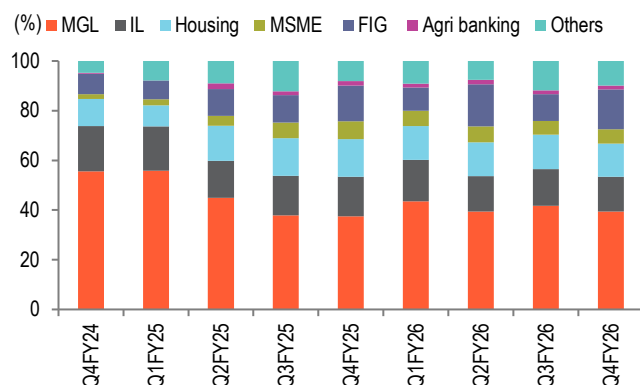
Source: Company, BOBCAPS Research

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

(Rs mn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Deposits	3,76,305	3,86,190	3,92,109	4,22,230	4,56,683	21.4	8.2
Growth YoY (%)	26.8	22.7	20.6	22.4	21.4		
Advances	3,13,900	3,25,010	3,38,076	3,62,280	3,97,606	26.7	9.8
Growth YoY (%)	22.5	20.9	24.7	22.3	26.7		
Investment	1,17,300	1,23,390	1,16,035	1,17,680	1,27,243	8.5	8.1
Equity	60,834	61,910	63,232	65,190	68,157	12.0	4.6
Assets	4,76,892	4,91,110	4,96,139	5,22,990	5,75,412	20.7	10.0
Growth YoY (%)	20.6	21.5	18.0	15.6	20.7		
Yield							
Yield on Funds	13.97	13.79	14.06	14.19	14.10	13bps	(9bps)
Cost of Funds	7.21	7.43	7.26	6.93	6.68	(52bps)	(24bps)
Spread	6.76	6.36	6.81	7.27	7.42	66bps	15bps
Net Interest Margin	7.67	7.29	7.70	8.11	8.20	53bps	10bps
Ratios							
Other Income / Net Income	23.8	22.5	21.8	22.8	21.9	(187bps)	(89bps)
Cost to Income ratio	68.3	67.4	66.4	66.1	63.2	(504bps)	(283bps)
CASA ratio	25.5	24.3	27.5	27.3	28.6	306bps	128bps
C/D ratio	83.4	84.2	86.2	85.8	87.1	365bps	126bps
Investment to Assets	24.6	25.1	23.4	22.5	22.1	(248bps)	(39bps)
Assets Quality							
GNPA	6,959	8,344	8,431	8,794	9,167	31.7	4.2
NNPA	1,524	2,261	2,250	2,081	1,704	11.8	(18.1)
Provision	5,435	6,082	6,181	6,713	7,463	37.3	11.2
GNPA (%)	2.18	2.52	2.45	2.39	2.27	9bps	(12bps)
NNPA (%)	0.50	0.70	0.67	0.57	0.43	(7bps)	(14bps)
Provision (%)	78.10	72.90	73.31	76.34	81.41	331bps	507bps
Others							
Branches	753	752	766	777	776	23	(1)
ATMs	613	613	613	613	612	(1)	(1)

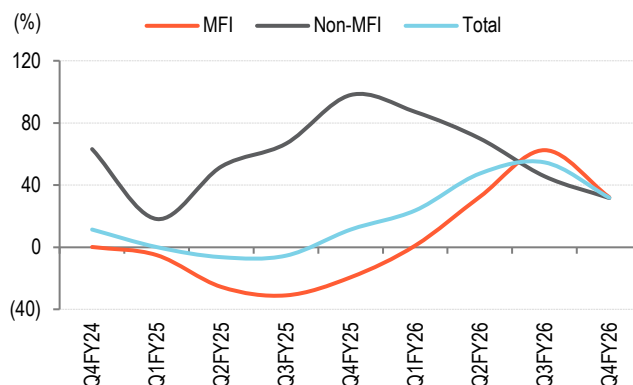
Source: Company, BOBCAPS Research

Fig 3 – UJJIVANS disbursed 47% towards secured segments...



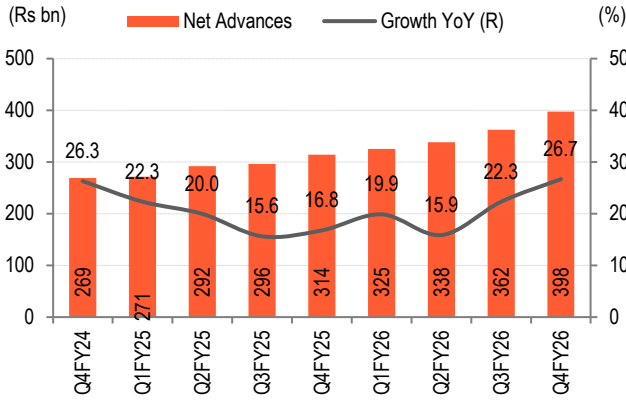
Source: Company, BOBCAPS Research

Fig 4 – ...increasing disbursement in non-MFI segment by 31% YoY



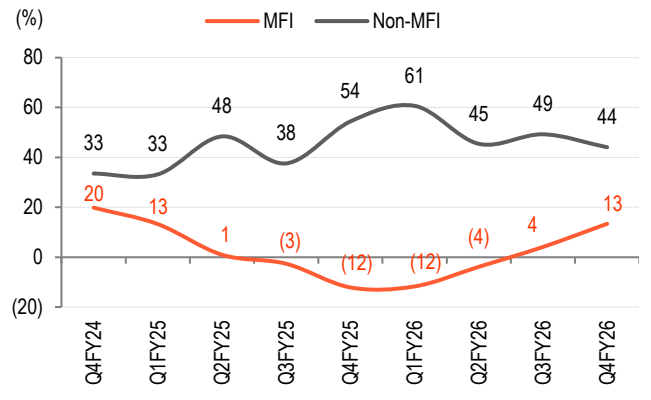
Source: Company, BOBCAPS Research

Fig 5 – Overall advances grew 26.7% YoY...



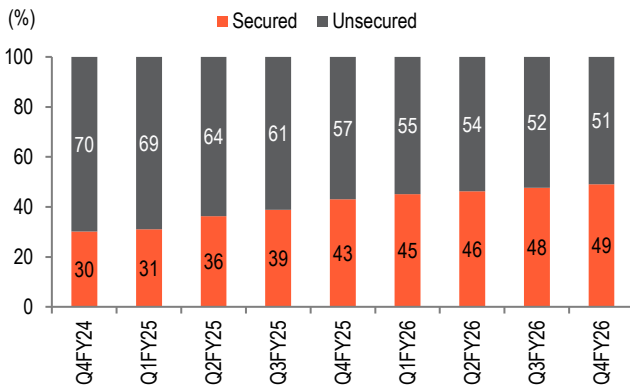
Source: Company, BOBCAPS Research

Fig 6 – ...with 44% YoY growth in non-MFI segments...



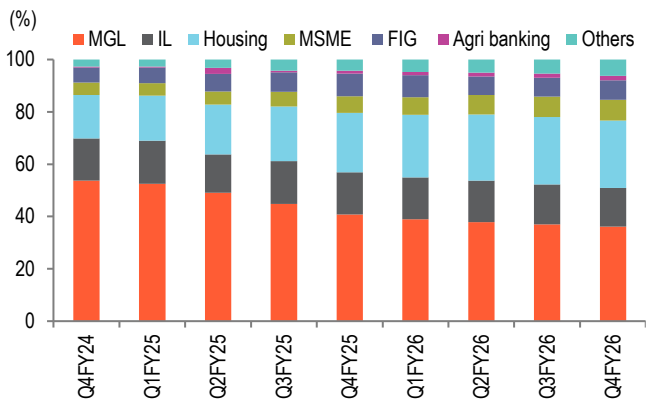
Source: Company, BOBCAPS Research

Fig 7 – ...leading to 49:51 secured vs unsecured mix



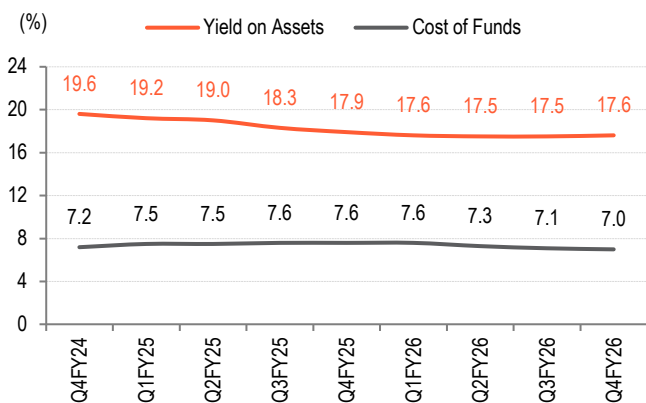
Source: Company, BOBCAPS Research

Fig 8 – Portfolio mix shifting towards secured segments



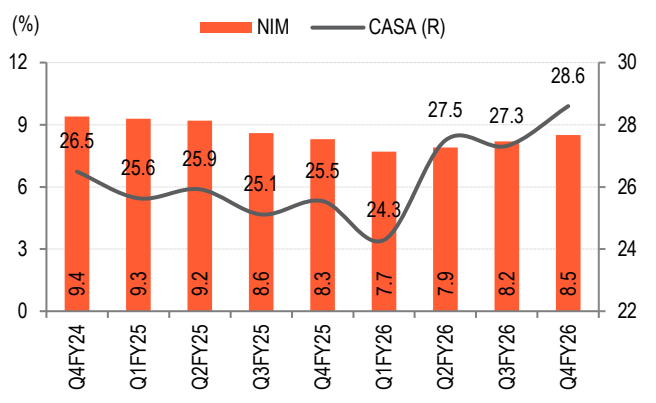
Source: Company, BOBCAPS Research

Fig 9 – CoF declined in Q4FY26



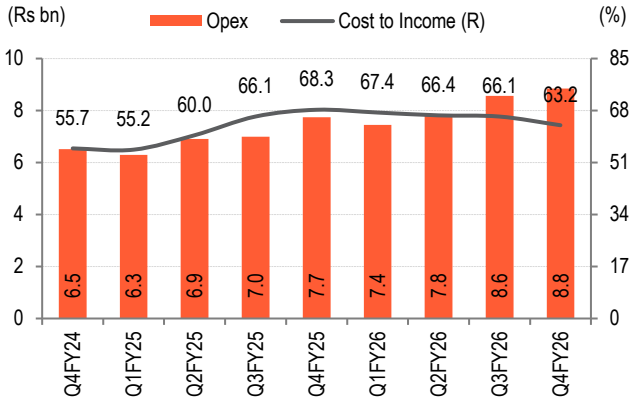
Source: Company, BOBCAPS Research

Fig 10 – NIMs improved on deposit repricing, better liquidity and higher CASA share



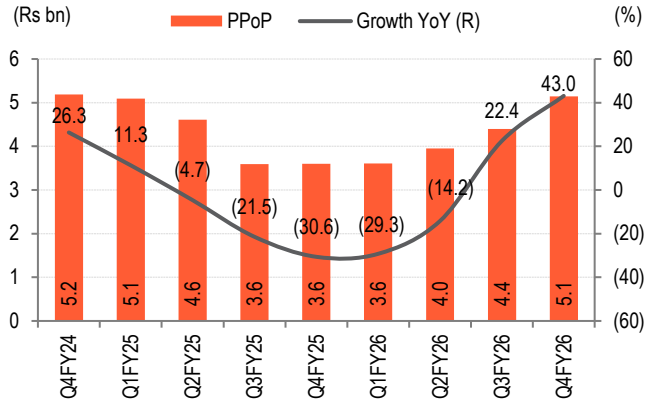
Source: Company, BOBCAPS Research

Fig 11 – Cost to Income stood at 63.2%



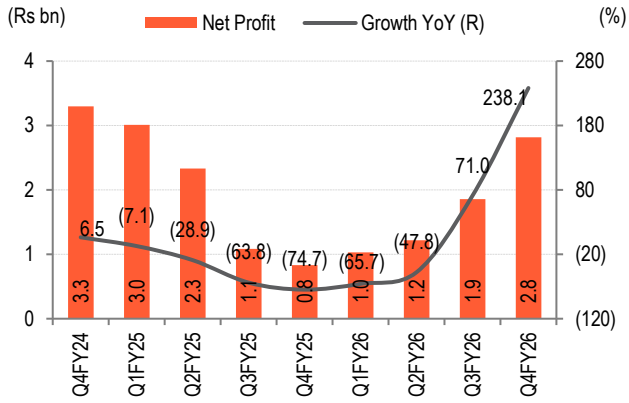
Source: Company, BOBCAPS Research

Fig 12 – PPOp grew 43% YoY, led by healthy NII growth



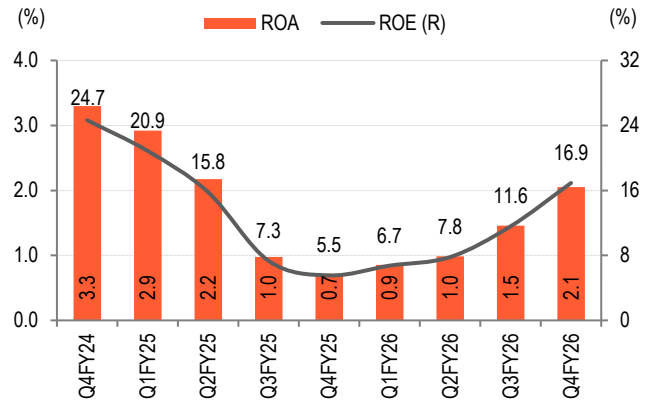
Source: Company, BOBCAPS Research

Fig 13 – PAT grew by 52% QoQ



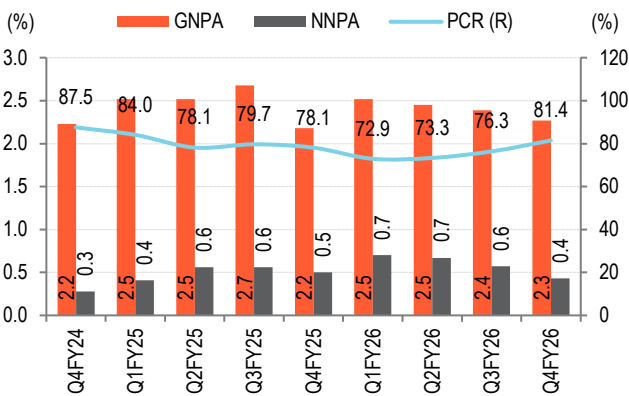
Source: Company, BOBCAPS Research

Fig 14 – Return ratios improve QoQ



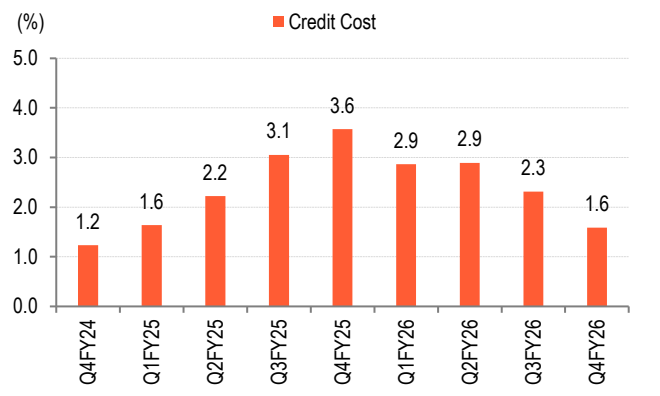
Source: Company, BOBCAPS Research

Fig 15 – Asset quality better vs peers



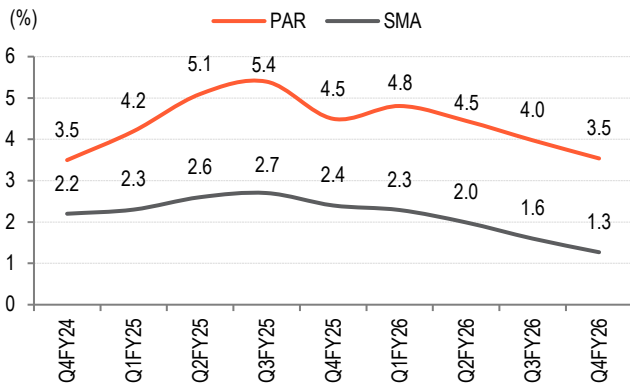
Source: Company, BOBCAPS Research

Fig 16 – Credit cost improved QoQ



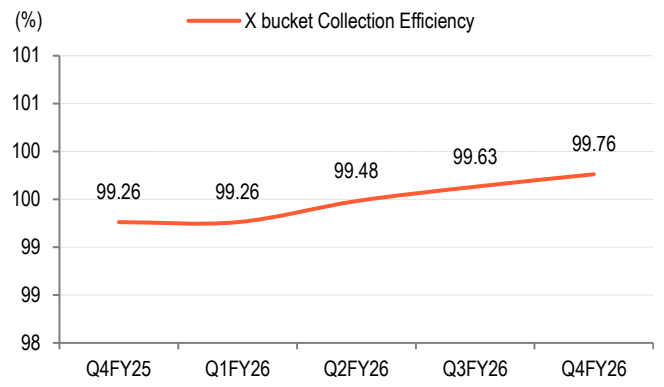
Source: Company, BOBCAPS Research

Fig 17 – PAR & SMA improving



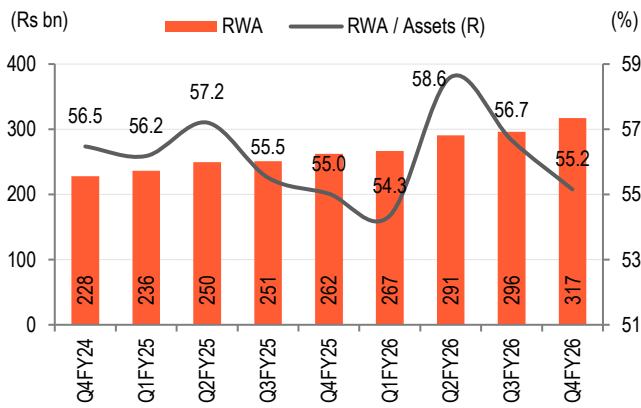
Source: Company, BOBCAPS Research

Fig 18 – Collection efficiency improving gradually



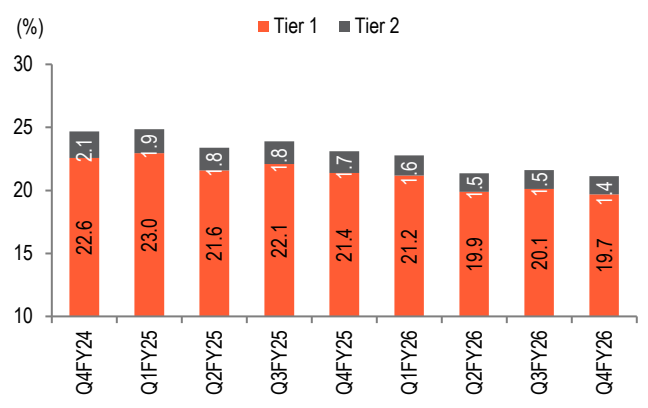
Source: Company, BOBCAPS Research

Fig 19 – RWA/Asset healthy



Source: Company, BOBCAPS Research

Fig 20 – Adequate capital to fund growth



Source: Company, BOBCAPS Research

Concall Highlights

Growth Guidance

- **Advances growth guided at ~25% YoY** for FY27, led by secured retail segments, while micro-banking growth is expected to remain in high single digits.
- Management plans to **grow the secured portfolio by ~40%**, with secured loans expected to form **~56% of the overall portfolio by Mar'27**.
- The bank plans on adding **~140 new branches in FY27**, to strengthen the distribution and deposit mobilisation.

Profitability & Margins

- **RoA guidance stands at ~1.6%**, supported by stable margins and moderation in credit costs.
- **NIMs will likely continue being stable at ~8.4-8.5%**, broadly in line with the Q4FY26 exit levels. Management expects a **~30bps benefit from deposit repricing**, which should reduce the funding costs during FY27, but will be partially offset by a rise in the relatively low-yielding secured portfolio.
- Despite increasing the secured mix, the bank aims to protect yields through scaling up of **high-yield secured products** such as micro-mortgages (~19.8% yields), gold loans (14%+ yields), two-wheeler finance, and used car loans.

Asset Quality & Credit Costs

- **Credit costs are expected at ~1.4–1.5%**, aided by the improving AQ trends in the MFI portfolio.
- The bank maintained a **healthy PCR of ~81%**, providing adequate buffers against potential stress.
- Strategic guardrails continue in the micro-finance business, with sourcing focused on a mix of **~75% repeat customers and ~25% NTB customers** to maintain the quality of portfolio.

Liabilities & Capital

- **CASA ratio guidance remains at ~30%**, with a continued focus on granular retail deposits.
- The Board has approved raising up to **Rs 20bn equity capital** in H2FY27, to support its growth aspirations over the medium term.

Universal license & others

- After **RBI returned its Universal Banking application**, management reiterated its **commitment to re-apply after further progress in portfolio diversification** and secured book expansion.
- Management expects **Opex/ATA to increase by ~20–30bps** in FY27, given the investments in technology, AI capabilities, and branch expansion.

Valuation Methodology

UJJIVANS's adequate capital position, high credit growth with the MFI stress receding, and healthy return ratios are expected to support the stock re-rating. AQ stress in MFI book seems to be peaking out; credit costs are expected to decline, driving the improvements in RoA/ RoE to 1.5-1.7%/13.6-16.7% during FY27-29E. Further, despite the RBI returning the Universal Banking application, management remains committed to re-applying after achieving a greater portfolio diversification and higher secured book mix. We maintain BUY and roll over the valuation to 1.6x Mar'28E ABV (1.7x earlier) with TP of Rs 72 (unchanged).

Fig 21 – Actual vs Estimates

(Rs mn)	Q4FY26A	Q4FY26E	Change (%)
Loans	3,97,606	3,97,606	(0.0)
Deposits	4,56,683	4,56,610	0.0
Assets	5,75,412	5,73,345	0.4
NII	10,929	11,001	(0.7)
PPOP	5,146	5,137	0.2
Provisions	1,439	1,760	(18.2)
PAT	2,820	2,505	12.6

Source: Company, BOBCAPS Research

Fig 22 – Key operational assumptions

(%)	FY26A	FY27E	FY28E	FY29E
Advances growth	26.7	23.5	20.0	19.0
NII growth	6.5	26.4	18.2	17.8
PPoP growth	1.2	18.8	20.2	22.7
PAT growth	(4.6)	41.6	26.5	25.4
NIM	8.1	8.3	8.1	8.0
GNPA	2.3	2.1	1.9	1.8
CAR	21.1	19.6	18.7	18.0
ABV (Rs)	34.2	38.4	43.7	50.3

Source: Company, BOBCAPS Research

Fig 23 – Revised estimates

Estimates Key Parameters (Rs mn)	New		Old		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Loan	4,91,043	5,89,251	4,49,756	5,35,210	9.2	10.1
Deposits	5,50,303	6,54,861	5,26,571	6,34,518	4.5	3.2
Assets	6,93,442	8,28,774	6,58,832	7,85,366	5.3	5.5
NII	48,918	57,813	46,549	55,093	5.1	4.9
PPOP	20,320	24,432	21,749	26,062	(6.6)	(6.3)
Provision	7,242	7,886	7,934	8,372	(8.7)	(5.8)
PAT	9,808	12,409	10,361	13,267	(5.3)	(6.5)
ABV (Rs)	38	44	38	44	1.3	0.3

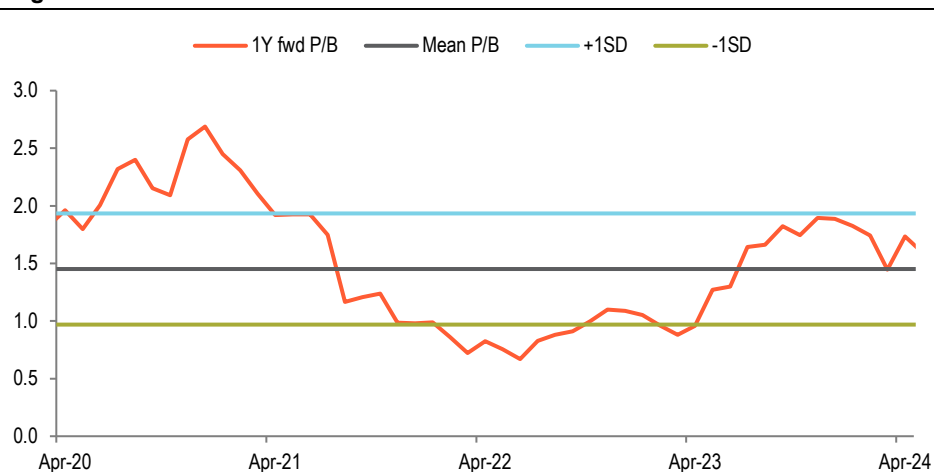
Source: Company, BOBCAPS Research

Fig 24 – Valuation assumptions

Gordon growth model	Assumptions
Risk-free rate (%)	6.9
Equity risk premium (%)	5.5
Beta	1.0
Cost of equity (%)	12.4
Blended ROE (%)	15.1
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	15.0
Long-term growth (%)	3.8
Long term dividend payout ratio (%)	75.0
Justified P/BV Multiple (x)	1.6

Source: Company, BOBCAPS Research

Fig 25 – PB band chart



Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Net interest income	36,363	38,710	48,918	57,813	68,094
NilI growth (%)	6.7	6.5	26.4	18.2	17.8
Non-interest income	8,462	11,075	12,054	14,461	17,215
Total income	44,825	49,785	60,972	72,274	85,308
Operating expenses	27,932	32,684	40,653	47,842	55,333
PPOP	16,892	17,101	20,320	24,432	29,975
PPOP growth (%)	(11.9)	1.2	18.8	20.2	22.7
Provisions	7,477	7,991	7,242	7,886	9,227
PBT	9,416	9,110	13,077	16,545	20,748
Tax	2,155	2,184	3,269	4,136	5,187
Reported net profit	7,261	6,926	9,808	12,409	15,561
Adjustments	0	0	0	0	0
Adjusted net profit	7,261	6,926	9,808	12,409	15,561

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Equity capital	19,350	19,427	19,427	19,427	19,427
Reserves & surplus	41,484	48,730	56,968	67,392	80,463
Net worth	60,834	68,157	76,396	86,819	99,891
Deposits	3,76,305	4,56,683	5,50,303	6,54,861	7,76,010
Borrowings	28,454	37,360	46,140	53,061	61,020
Other liab. & provisions	11,299	13,212	20,603	34,033	46,369
Total liab. & equities	4,76,892	5,75,412	6,93,442	8,28,774	9,83,289
Cash & bank balance	31,698	34,437	34,489	39,469	44,715
Investments	1,17,300	1,27,243	1,49,397	1,79,350	2,14,748
Advances	3,13,900	3,97,606	4,91,043	5,89,251	7,01,209
Fixed & Other assets	13,994	16,127	18,513	20,703	22,617
Total assets	4,76,892	5,75,412	6,93,442	8,28,774	9,83,289
Deposit growth (%)	19.6	21.4	20.5	19.0	18.5
Advances growth (%)	16.8	26.7	23.5	20.0	19.0

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
EPS	3.8	3.6	5.0	6.4	8.0
Dividend per share	0.0	0.0	0.8	1.0	1.3
Book value per share	31.4	35.1	39.3	44.7	51.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
P/E	16.6	17.5	12.4	9.8	7.8
P/BV	2.0	1.8	1.6	1.4	1.2
Dividend yield (%)	0.0	0.0	1.3	1.6	2.1

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Net interest income	8.3	7.4	7.7	7.6	7.5
Non-interest income	1.9	2.1	1.9	1.9	1.9
Operating expenses	6.3	6.2	6.4	6.3	6.1
Pre-provisioning profit	3.8	3.3	3.2	3.2	3.3
Provisions	1.7	1.5	1.1	1.0	1.0
PBT	2.1	1.7	2.1	2.2	2.3
Tax	0.5	0.4	0.5	0.5	0.6
ROA	1.6	1.3	1.5	1.6	1.7
Leverage (x)	7.5	8.2	8.8	9.3	9.7
ROE	12.4	10.7	13.6	15.2	16.7

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Net interest income	6.7	6.5	26.4	18.2	17.8
Pre-provisioning profit	(11.9)	1.2	18.8	20.2	22.7
EPS	(43.1)	(4.9)	41.3	26.5	25.4
Profitability & Return ratios (%)					
Net interest margin	8.8	8.1	8.3	8.1	8.0
Fees / Avg. assets	48.0	52.6	47.5	47.5	47.5
Cost-Income	62.3	65.6	66.7	66.2	64.9
ROE	12.4	10.7	13.6	15.2	16.7
ROA	1.6	1.3	1.5	1.6	1.7
Asset quality (%)					
GNPA	2.2	2.3	2.1	1.9	1.8
NNPA	0.5	0.4	0.4	0.3	0.3
Slippage ratio	4.2	3.4	2.5	2.1	2.0
Credit cost	2.6	2.2	1.6	1.5	1.4
Provision coverage	77.7	81.1	81.7	82.2	82.7
Ratios (%)					
Credit-Deposit	83.4	87.1	89.2	90.0	90.4
Investment-Deposit	31.2	27.9	27.1	27.4	27.7
CAR	23.1	21.1	19.6	18.7	18.0
Tier-1	21.4	19.7	18.3	17.5	17.0

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

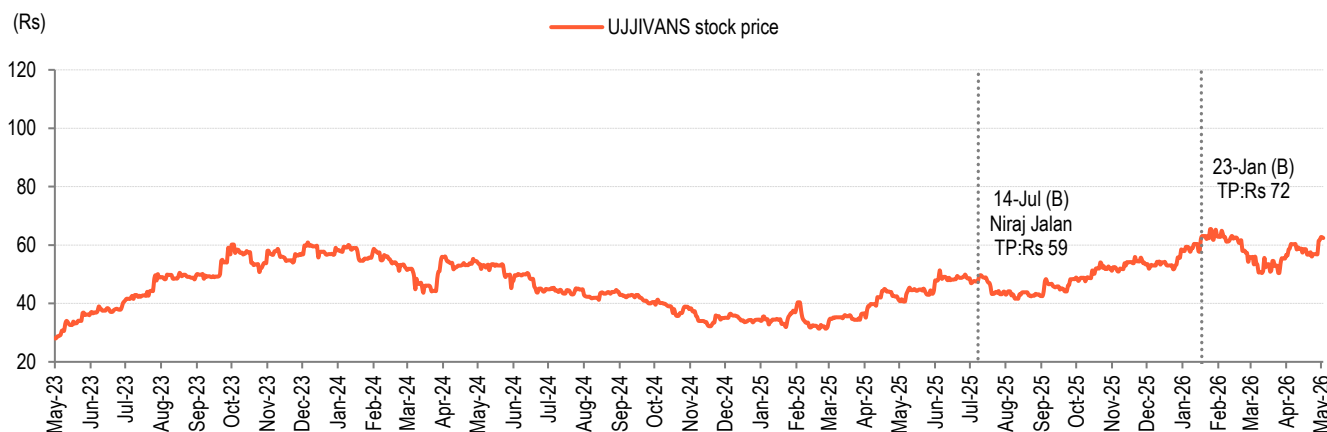
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): UJJIVAN SMALL FINANCE BANK (UJJIVANS IN)



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