

Ujjivan Small Finance Bank | HOLD



Investor day 2025: Ambitious targets; execution remains key

Ujjivan Small Finance Bank (Ujjivan) recently hosted its Investor and Analyst meet 2025, outlining its long-term aspirations for the next 5 years. The bank has laid out an ambitious roadmap to transform itself into a diversified, secured-focused, and liability-driven franchise by FY30. The management's targets include tripling deposits to INR 1.2trln, building INR 1.0trln gross loan book, improving CASA ratio to 35%, and delivering sustainable profitability with RoA of 1.8–2% and RoE of 16–18%. While the strategy is well articulated, current operating metrics remain subdued, with 1QFY26 RoE at just ~7% and cost-to-income at ~67%. We believe the bank's long-term aspiration is credible in direction but will require disciplined execution on liability build-up, operating efficiency, and asset quality. We project average RoA/RoE of 1.3%/12% over FY26E–27E and retain our HOLD rating with a target price of INR 42, valuing the bank at 1.1x FY27E BVPS.

- **Strong growth ambitions on deposits and secured portfolio:** The management has guided for a 5-year loan CAGR of 25% to reach INR 1.0trln gross loan book by FY30, with deposits targeted at INR 1.2trln by FY30 (~26% CAGR). The strategy hinges on increasing secured loan book mix from the current 46% to 65–70%, led by **affordable housing, MSME, micro-mortgages, gold loans, agriculture finance, and vehicle finance**. Affordable housing is expected to contribute ~25% of the book by FY30, growing at ~30% CAGR, while MSME is expected to scale 10x from FY25 levels and form ~20% of the portfolio. Gold, agri, and vehicle finance are being positioned as emerging verticals. While these shifts should improve portfolio resilience, execution risks remain as these are relatively new businesses with limited seasoning.
- **Product mix – diversification gaining pace:** Microfinance remains an anchor segment, while the share of group loans is steadily reducing as customers graduate into individual loans. Affordable housing is growing strongly, supported by 550+ branches, while MSME, vehicle, and gold loans are scaling up as key growth engines. FIG is being maintained with a balanced growth approach. The management emphasised that the low-income segment is shrinking, with the focus shifting to urban and semi-urban borrowers, aligning with secured product growth.
- **Liability profile – CASA growth still a work in progress:** Deposits reached INR 386bn in 1QFY26, with CASA ratio at 24.3%. The management **targets ~27% CASA by FY26 and 35% by FY30**, supported by initiatives such as ASBA services, AD-1 forex licence, insurance and MF distribution, and co-branded cards. Bulk term deposits have reduced from 49% in FY21 to 29% in FY25, reflecting a conscious push for retail granularity. However, CASA build-up remains modest compared with peers, and in our view, achieving a 10ppt jump by FY30 will be challenging in a highly competitive deposit environment. Until CASA levels improve meaningfully, reliance on higher-cost deposits could keep funding costs elevated.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	12,815	7,261	5,622	9,943	12,203
Net Profit (YoY) (%)	16.5%	-43.3%	-22.6%	76.9%	22.7%
Assets (YoY) (%)	21.3%	18.0%	16.5%	19.2%	19.4%
ROA (%)	3.5%	1.6%	1.1%	1.6%	1.7%
ROE (%)	27.0%	12.6%	9.0%	14.3%	15.4%
EPS	6.6	3.8	2.9	5.1	6.3
EPS (YoY) (%)	17.9%	-43.4%	-22.6%	76.9%	22.7%
PE (x)	6.6	11.7	15.1	8.6	7.0
BV	29	31	34	38	44
BV (YoY) (%)	41.7%	8.0%	8.4%	13.8%	14.9%
P/BV (x)	1.53	1.42	1.31	1.15	1.00

Source: Company data, JM Financial. Note: Valuations as of 08/Sep/2025

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Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	42
Upside/(Downside)	-4.9%
Previous Price Target	42
Change	0.0%

Key Data – UJJIVANS IN

Current Market Price	INR44
Market cap (bn)	INR85.5/US\$1.0
Free Float	94%
Shares in issue (mn)	1,728.3
Diluted share (mn)	
3-mon avg daily val (mn)	INR559.6/US\$6.3
52-week range	52/31
Sensex/Nifty	80,787/24,773
INR/US\$	88.3

Price Performance

%	1M	6M	12M
Absolute	0.2	27.1	2.8
Relative*	-1.0	16.9	3.8

* To the BSE Sensex

JM Financial Research is also available on:
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Asset quality improving but requires close watch:** Ujjivan has maintained stable asset quality through stress periods, with GNPA contained and PCR consistently above 70%. The management indicated that slippages have already peaked across the top 10 states by 1QFY26, with collections improving further in Jul–Aug’25. Guardrails 2.0 are strictly applied, with less than 0.5% of loans disbursed to customers with 30+ DPD. While this demonstrates strong discipline, a large part of the future book will be in newer secured products where early delinquency risks remain. The management has **guided for steady-state credit costs of 1–1.5%**, but we remain conservative and expect normalisation to take time given rapid scaling in MSME, housing, and micro-mortgages.
- **Profitability & efficiency – near-term pressure remains:** The bank expects NIMs to stabilise at 6–7% by FY30, compared to 7.7% in Q1FY26, reflecting the shift towards secured lending. Cost-to-income ratio is guided to fall from ~67% to ~55% by FY30, driven by operating leverage, branch productivity, and digital adoption. Together, these drivers are expected to deliver RoA of 1.8–2% and RoE of 16–18% by FY30. However, current profitability remains subdued, with RoA of just 0.8% and RoE of 6.7% in 1QFY26. The management expects RoA/RoE to improve to 1.2-1.4%/10–12% by FY26 as credit costs normalise and newer businesses break even, but we believe this improvement will be gradual, given CASA build-up is still in progress and operating expenses remain elevated.
- **Universal bank licence – a potential catalyst, but uncertain:** The management continues to highlight the benefits of a potential universal bank licence — reduced PSL requirement (40% vs. 75%), lower capital ratio (11.5% vs. 15%), and broader product scope. Timelines and regulatory approval remain uncertain as of now.
- **Valuation:** Ujjivan’s long-term roadmap is clearly defined, with aggressive growth targets, portfolio diversification, and profitability improvements outlined to FY30. However, near-term profitability remains constrained by high opex, moderate CASA levels, and pressure on NIMs. The bank’s ability to deliver RoE of 10–12% in FY26 and scale towards 16–18% by FY30 will hinge on disciplined execution across liabilities, cost control, and asset quality in new secured businesses. While the strategy has potential, we remain cautious on the pace of delivery and until evidence of sustained improvement in return ratios emerges. We project average RoA/RoE of 1.3%/12% over FY26E–27E and **retain our HOLD rating with a target price of INR 42, valuing the bank at 1.1x FY27E BVPS.**

Ujjivan SFB – Investor Meet Key Takeaways

Growth

- Bank targets **3x deposit growth to INR 1.2trln by FY30**, supported by a CASA ratio of 35%.
- **Gross loan book (GLB) to reach INR 1.0trln by FY30**, implying 20–25% CAGR.
- Focus on **secured lending** as the primary growth driver, with secured book share guided to 65–70% by FY30.

Asset Quality

- The management stated that **slippages have peaked across top 10 states** by 1QFY26, with Jul–Aug showing continued improvements.
- Guardrails 2.0 being strictly implemented; <0.5% of disbursements made to customers with 30+ DPD.

Margins & Profitability

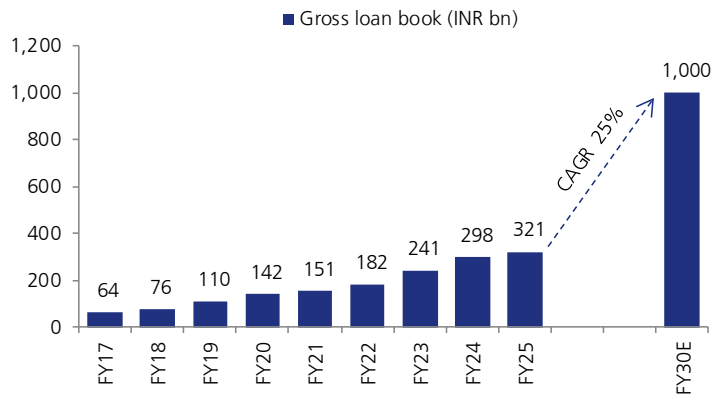
- NIM expected to **stabilise at 6–7%** by FY30 as secured book scales up.
- **Cost-to-income ratio targeted at 55% by FY30** (vs ~67% currently), aided by digital adoption and branch productivity.
- Credit cost guidance at **1–1.5% of GLB**, with long-term profitability targets of **RoA 1.8–2.0%** and **RoE 16–18%**.
- Current RoE remains subdued at ~6–7%, but the management expects recovery as credit costs normalize and secured businesses mature.

Product Mix

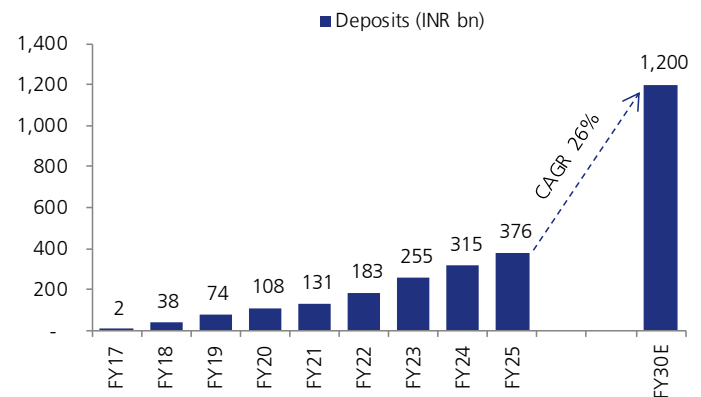
- **Affordable housing loans** targeted to form 25% of book by FY30, with ~30% CAGR.
- **MSME** book to grow 10x from FY25 levels, contributing ~20% by FY30, with focus on secured WC loans, SCF, and project/equipment finance.
- **Gold loans** and **Agri finance** identified as emerging businesses; gold loans being scaled across branches with cross-sell and OD facility.
- **Vehicle finance** guided to INR 600bn by FY30 with balanced mix across 2W, used and commercial vehicles.
- Individual loans expected to become 45–50% of book by FY30, though **microfinance will remain an important base segment**.

Others

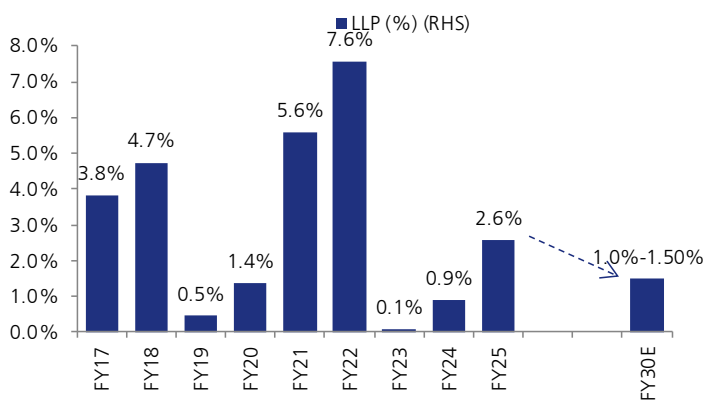
- Branch expansion to ~1,150 by FY30; focus on top 30 cities and ~15 key states for CASA growth.
- Digital platforms (internet and mobile banking) to be launched in FY26; analytics increasingly used for underwriting and collections.
- The bank is preparing for a **capital-raise of INR 20bn over 18–20 months** to fund growth.
- The management reiterated the benefits of a potential **universal bank licence** (lower PSL and capital requirement, broader product suite), though timelines remain uncertain.

Exhibit 1. Gross loan book of INR 1.0trln targeted by FY30

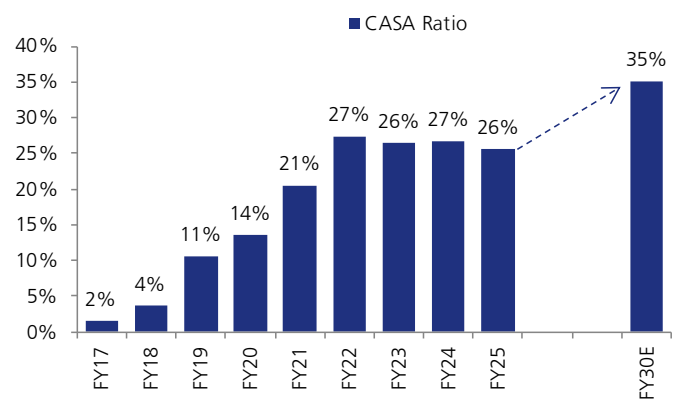
Source: Company, JM Financial

Exhibit 2. Deposits targeted to triple by FY30

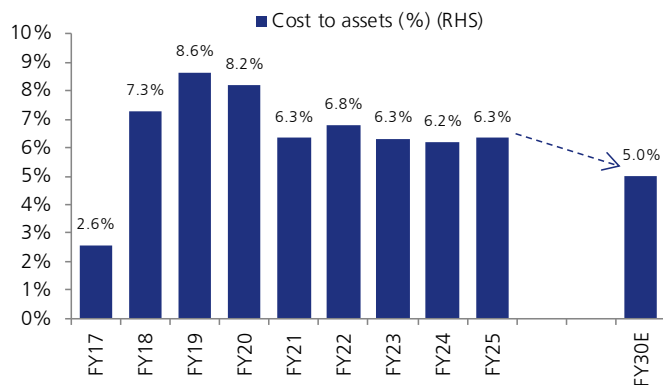
Source: Company, JM Financial

Exhibit 3. Credit cost expected in the range of 1.0-1.5% by FY30

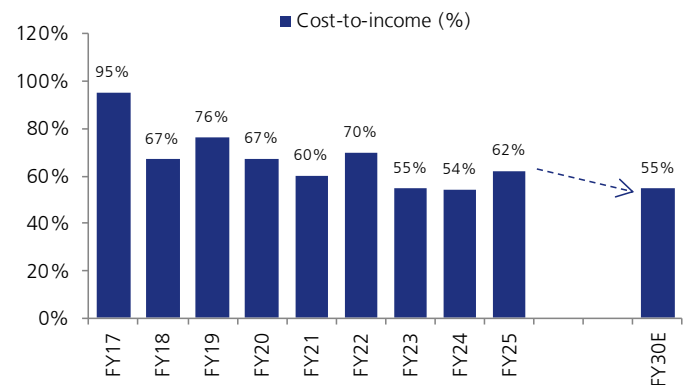
Source: Company, JM Financial

Exhibit 4. CASA ratio to reach ~35% by FY30

Source: Company, JM Financial

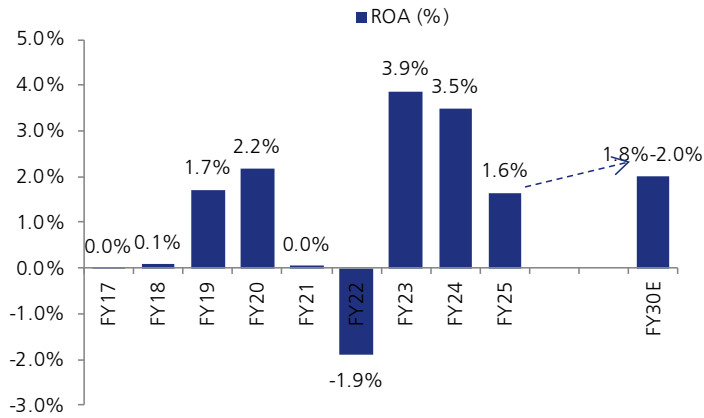
Exhibit 5. Cost to asset ratio expected to fall below 5% by FY30

Source: Company, JM Financial

Exhibit 6. Cost to income ratio expected to be around 55% by FY30

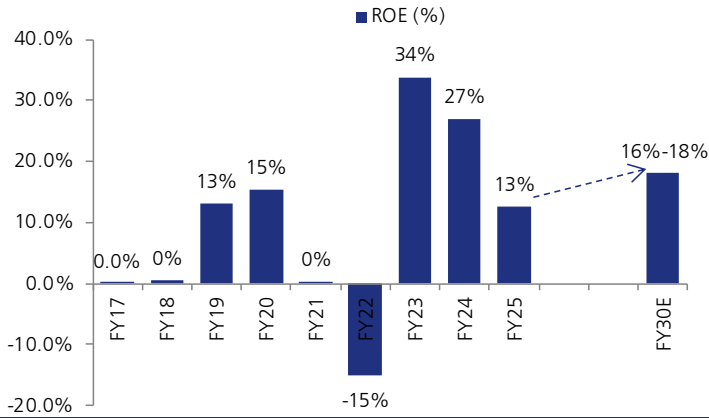
Source: Company, JM Financial

Exhibit 7. RoA expected to be 1.8%-2.0% by FY30



Source: Company, JM Financial

Exhibit 8. RoE expected to be 16-18% by FY30



Source: Company, JM Financial

Financial Tables (Standalone)

Profit & Loss (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income	34,095	36,363	36,856	45,662	54,357
Profit on Investments	240	450	1,300	500	300
Exchange Income	0	0	0	0	0
Fee & Other Income	7,627	8,012	9,515	12,106	14,662
Non-Interest Income	7,868	8,462	10,815	12,606	14,962
Total Income	41,962	44,825	47,671	58,268	69,319
Operating Expenses	22,791	27,932	31,876	36,721	43,467
Pre-provisioning Profits	19,171	16,893	15,795	21,547	25,852
Loan-Loss Provisions	2,149	7,477	8,397	8,465	9,795
Provisions on Investments	0	0	0	0	0
Others Provisions	0	0	0	0	0
Total Provisions	2,149	7,477	8,397	8,465	9,795
PBT	17,022	9,416	7,398	13,083	16,057
Tax	4,207	2,155	1,775	3,140	3,854
PAT (Pre-Extraordinaries)	12,815	7,261	5,622	9,943	12,203
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	12,815	7,261	5,622	9,943	12,203
Dividend paid	3,581	0	562	994	1,220
Retained Profits	9,234	7,261	5,060	8,949	10,983

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Deposits	23.2%	19.6%	18.0%	20.0%	20.0%
Advances	26.3%	16.8%	20.2%	21.1%	21.3%
Total Assets	21.3%	18.0%	16.5%	19.2%	19.4%
NII	26.4%	6.7%	1.4%	23.9%	19.0%
Non-interest Income	33.5%	7.6%	27.8%	16.6%	18.7%
Operating Expenses	26.5%	22.6%	14.1%	15.2%	18.4%
Operating Profits	29.1%	-11.9%	-6.5%	36.4%	20.0%
Core Operating profit	27.6%	-13.1%	-11.8%	45.2%	21.4%
Provisions	1,107.8%	247.9%	12.3%	0.8%	15.7%
Reported PAT	16.5%	-43.3%	-22.6%	76.9%	22.7%
Yields / Margins (%)					
Interest Spread	8.57%	7.53%	6.42%	6.74%	6.64%
NIM	9.54%	8.51%	7.31%	7.60%	7.52%
Profitability (%)					
Non-IR to Income	18.7%	18.9%	22.7%	21.6%	21.6%
Cost to Income	54.3%	62.3%	66.9%	63.0%	62.7%
ROA	3.48%	1.65%	1.09%	1.63%	1.68%
ROE	27.0%	12.6%	9.0%	14.3%	15.4%
Assets Quality (%)					
Slippages	2.25%	4.21%	3.70%	3.20%	2.75%
Gross NPA	2.23%	2.18%	2.75%	2.57%	2.32%
Net NPAs	0.28%	0.49%	0.73%	0.68%	0.52%
Provision Coverage	87.5%	78.1%	74.0%	74.0%	78.0%
Specific LLP	0.78%	2.31%	2.30%	1.90%	1.80%
Net NPAs / Networth	1.4%	2.5%	4.2%	4.2%	3.4%
Capital Adequacy (%)					
Tier I	22.58%	21.38%	20.00%	19.23%	18.63%
CAR	24.69%	23.10%	21.48%	20.47%	19.67%

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	19,314	19,350	19,350	19,350	19,350
Reserves & Surplus	36,097	40,588	45,648	54,596	65,579
Deposits	314,622	376,305	444,040	532,848	639,417
Borrowings	21,708	28,454	32,722	39,266	47,119
Other Liabilities	11,757	11,299	12,994	15,593	18,711
Total Liabilities	404,222	476,892	555,649	662,549	791,073
Investments	97,660	117,300	130,986	154,276	181,643
Net Advances	268,829	313,900	377,371	457,103	554,624
Cash & Equivalents	25,368	31,698	36,884	44,260	53,112
Fixed Assets	4,267	4,569	4,779	5,499	6,329
Other Assets	8,098	9,425	5,629	1,410	-4,634
Total Assets	404,222	476,892	555,649	662,549	791,073

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	9.25%	8.25%	7.14%	7.50%	7.48%
Other Income / Assets	2.13%	1.92%	2.09%	2.07%	2.06%
Total Income / Assets	11.38%	10.17%	9.23%	9.57%	9.54%
Cost / Assets	6.18%	6.34%	6.17%	6.03%	5.98%
PBP / Assets	5.20%	3.83%	3.06%	3.54%	3.56%
Provisions / Assets	0.58%	1.70%	1.63%	1.39%	1.35%
PBT / Assets	4.62%	2.14%	1.43%	2.15%	2.21%
Tax rate	24.7%	22.9%	24.0%	24.0%	24.0%
ROA	3.48%	1.65%	1.09%	1.63%	1.68%
RoRWAs	6.54%	2.96%	1.98%	2.97%	3.05%
Leverage	7.3	8.0	8.5	9.0	9.3
ROE	27.0%	12.6%	9.0%	14.3%	15.4%

Source: Company, JM Financial

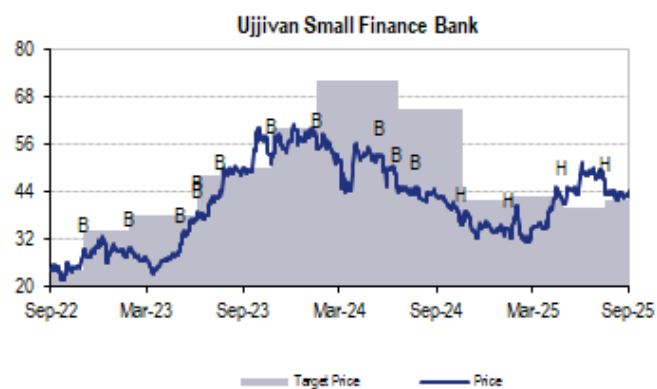
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	1,931.4	1,935.0	1,935.0	1,935.0	1,935.0
EPS (INR)	6.6	3.8	2.9	5.1	6.3
EPS (YoY) (%)	17.9%	-43.4%	-22.6%	76.9%	22.7%
PER (x)	6.6	11.7	15.1	8.6	7.0
BV (INR)	29	31	34	38	44
BV (YoY) (%)	41.7%	8.0%	8.4%	13.8%	14.9%
ABV (INR)	29	31	34	38	44
ABV (YoY) (%)	41.7%	8.0%	8.4%	13.8%	14.9%
P/BV (x)	1.53	1.42	1.31	1.15	1.00
P/ABV (x)	1.53	1.42	1.31	1.15	1.00
DPS (INR)	1.9	0.0	0.3	0.5	0.6
Div. yield (%)	4.2%	0.0%	0.7%	1.2%	1.4%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Nov-20	Buy	45	
3-Feb-21	Buy	48	6.7
8-Aug-21	Buy	40	-16.7
12-May-22	Buy	24	-40.0
27-Jul-22	Buy	24	0.0
8-Nov-22	Buy	34	41.7
4-Feb-23	Buy	38	11.8
12-May-23	Buy	38	0.0
11-Jun-23	Buy	38	0.0
13-Jun-23	Buy	48	26.3
27-Jul-23	Buy	50	4.2
29-Oct-23	Buy	60	20.0
25-Jan-24	Buy	72	20.0
21-May-24	Buy	72	0.0
24-Jun-24	Buy	65	-9.7
29-Jul-24	Buy	65	0.0
25-Oct-24	Hold	42	-35.4
23-Jan-25	Hold	43	2.4
2-May-25	Hold	40	-7.0
26-Jul-25	Hold	42	5.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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