

Ujjivan Small Finance Bank | BUY

Strong all round quarter

Ujjivan SFB delivered a strong quarter in 3QFY26, with PAT beat of 7% vs. JMFe (+71%/53% YoY/QoQ), driven by healthy loan growth, sharp uptick in margins and improving asset quality. AUM growth was healthy at +22%/7% YoY/QoQ with disbursements growing 55%/5% YoY/QoQ. NII was up +12%/5% YoY/QoQ, supported by NIMs rising 30bps QoQ at 8.2% and a further decline in CoF of 7.1% (-20bps QoQ). PPOP rose +22%/11% YoY/QoQ, reflecting strong scale benefits despite elevated operating expenses. Asset quality remained comfortable with gross/net slippages down 83bps/92bps QoQ and PCR increasing by ~300bps. Management reiterated confidence in achieving FY26 RoA guidance of 1.2-1.4%, with Q4 expected to witness a sharp improvement driven by lower credit costs, stronger disbursements and declining CoF. We value the bank at 1.7x FY28 P/BV with a revised TP of INR 73.

- **Loan/deposit growth further picks up:** AUM growth momentum remained healthy at +22%/7% YoY/QoQ, with management indicating that Q4 disbursements are tracking at all-time highs, providing confidence on growth continuity. The secured portfolio now accounts for ~48% of total loans, led by housing, MSME, and FIG, reflecting steady risk reduction on the balance sheet. Gold loans are emerging as a scalable growth franchise, driven by branch rollout and improving disbursement capacity. Deposits grew +22%/8% YoY/QoQ, while CASA was up +33%/7% YoY/QoQ, keeping CASA ratio stable at 27.3%. **We build avg. loan growth of 20% over FY26E/27E.**
- **Profitability steps up as core metrics strengthen:** CoF declined further to 7.1% from 7.3% in 2QFY26, aided by TD repricing and SA rate cuts, and management guided for a ~7% exit CoF by year-end. NIMs remained resilient at 8.2% and are expected to be stable to mildly positive in Q4, with upside potential from deposit repricing and improving product mix. Lower interest reversals from improving collections supported yields in microfinance despite no lending rate hikes. Operating expenses increased +22%/9% YoY/QoQ, reflecting labour code provisioning and business scale-up, but remain within internal planning assumptions. Management expects meaningful operating leverage from FY27 onwards as productivity improves.
- **Asset quality comfort deepens:** Asset quality trends continued to strengthen, with gross/net slippages down 83bps/92bps QoQ and calc. PCR increasing by ~300bps at 73.3%. GNPA/NNPA at 2.38%/0.57% (vs. 2.45%/0.67% in 2QFY26) reflected steady recovery momentum. Collection efficiency improved across all 10 states, with bucket-X efficiency above 99.6%. Slippages remain largely concentrated in microfinance, while non-MFI portfolios continue to display strong asset quality performance. Within microfinance, group loans account for the majority of stress, whereas individual loans remain resilient. The SMA book has started declining sequentially, suggesting lower future stress formation. Management expects credit costs to moderate further in Q4 and normalize fully by H1FY27 as residual stress is absorbed. **We model avg. credit costs of 1.8% over FY 26E/27E.**
- **Valuation:** Improving RoA/RoE trajectory, visible decline in cost of funds, stable to mildly positive NIM outlook, rising contribution of secured lending, and sustained asset quality normalization provide strong earnings visibility. The bank's long-term RoA aspiration of 1.8-2.0%, supported by diversification and operating leverage, strengthens the medium-term re-rating potential. **We increase our FY26E/27E/28E EPS estimates by 3%-7% and build avg. RoA/RoE of 1.6%/14% over FY26E/27E. We value the bank at 1.7x FY28 P/BV with a revised TP of INR 73.**



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	73
Upside/(Downside)	17.8%
Previous Price Target	65
Change	12.3%

Key Data – UJJIVANS IN

Current Market Price	INR62
Market cap (bn)	INR120.1/US\$1.3
Free Float	95%
Shares in issue (mn)	1,728.3
Diluted share (mn)	
3-mon avg daily val (mn)	INR730.0/US\$8.0
52-week range	63/31
Sensex/Nifty	82,307/25,290
INR/US\$	91.6

Price Performance

%	1M	6M	12M
Absolute	14.3	31.3	80.1
Relative*	18.8	31.1	67.2

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26A	FY27E	FY28E
Net Profit	12,815	7,260	6,340	9,712	11,885
Net Profit (YoY) (%)	16.5%	-43.3%	-12.7%	53.2%	22.4%
Assets (YoY) (%)	21.3%	18.0%	16.2%	16.5%	19.1%
ROA (%)	3.5%	1.6%	1.2%	1.6%	1.7%
ROE (%)	27.0%	12.6%	10.1%	13.9%	14.9%
EPS	6.6	3.8	3.3	5.0	6.1
EPS (YoY) (%)	17.9%	-43.4%	-12.7%	53.2%	22.4%
PE (x)	9.3	16.5	18.9	12.4	10.1
BV	29	31	34	38	44
BV (YoY) (%)	41.7%	8.0%	9.5%	13.3%	14.4%
P/BV (x)	2.16	2.00	1.83	1.61	1.41

Source: Company data, JM Financial. Note: Valuations as of 22/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Ujjivan Small Finance Bank: 3QFY26 Conference call KTAs

Guidance

- Management reiterated confidence in achieving **FY26 RoA guidance of 1.2-1.4%, with Q4 expected to see a sharp improvement** driven by lower credit costs, higher disbursements and declining cost of funds.
- Credit cost normalization is underway and is expected to fully stabilize by H1FY27, with Q4FY26 being materially better than Q3.
- **Cost of funds is guided to trend towards ~7% exit rate by year-end**, supported by term deposit repricing and savings rate cuts.
- **NIMs are expected to remain stable to mildly positive in Q4**, with upside potential from deposit repricing and product mix improvement.
- Cost-to-income ratio is expected to remain broadly stable in FY26 and improve from FY27 onwards with operating leverage.
- The bank remains hopeful on universal banking license approval, with the application actively under consideration by RBI.

Growth

- Loan growth is expected to remain **strong in Q4, supported by all-time high disbursements** across microfinance and secured portfolios.
- Microfinance disbursements and new customer additions continue to improve sequentially, reflecting normalization in industry conditions.
- Rejection rates in MFI have moderated meaningfully from peak levels post Guardrails 2.0, supporting faster customer onboarding.
- Micro-mortgage growth is strong but largely optical due to a low base; portfolio is stabilising as it matures with conservative LTVs.
- The bank will introduce mid-corporate offerings in FY26, expanding its product suite into cash management, trade finance and corporate banking.

Profitability

- Lower interest reversals from improving collections supported yields in MFI despite no lending rate hikes.
- Cost of funds trajectory is firmly downward due to earlier deposit repricing, SA rate cuts and improved liquidity planning.
- NII growth momentum is supported by strong disbursement activity and balance sheet expansion rather than only margin expansion.
- Operating expenses were elevated due to labour code provisioning and business scale-up, but remain within internal planning assumptions.
- Management expects meaningful operating leverage from FY27 as branch productivity and digital investments start paying off.

Asset quality

- Asset quality normalization is clearly visible, with improvement in collections across all 10 states and bucket-X efficiency above 99.6%.
- Slippages remain predominantly concentrated in microfinance, while non-MFI portfolios continue to show strong stability. 70% from GL. 10% from IL. And 20% from others.
- SMA book has started declining sequentially, indicating lower future stress formation.
- Credit costs are expected to moderate further in Q4 and normalize fully by H1FY27 as residual stress stock gets absorbed.

Others

- CASA strategy remains focused on quality acquisition, with management targeting structural improvement in CASA ratio over the medium term.
- Savings rate cuts were executed in lower balance buckets, covering nearly half of SA balances, supporting CoF reduction.
- The bank plans to rationalize collection manpower from FY27 as portfolio stress normalizes and recovery workload declines.
- Management reiterated Vision 2030 strategy of shifting towards a 70:30 secured-unsecured book mix over time.
- Board strengthening continues, with emphasis on technology, AI and digital transformation to support the next phase of growth.

Key trends: 3QFY26

Exhibit 1. Ujjivan SFB – 3QFY26 Result summary

(INR mn)	3Q'25	2Q'26	3Q'26	YoY (%)	QoQ (%)	3Q'26E	A/E (%)
Net Interest Income	8,867	9,217	10,005	13%	9%	9,561	5%
Non-interest income	1,722	2,564	2,955	72%	15%	2,720	9%
Total Income	10,589	11,780	12,960	22%	10%	12,281	6%
Opex	6,997	7,828	8,562	22%	9%	8,350	3%
Operating Profit	3,592	3,952	4,398	22%	11%	3,931	12%
Core PPOP	3,532	3,702	4,248	20%	15%	3,781	12%
Provisions	2,228	2,350	1,953	-12%	-17%	1,648	19%
PBT	1,364	1,603	2,445	79%	53%	2,283	7%
Tax	278	386	587	112%	52%	548	7%
PAT	1,086	1,217	1,857	71%	53%	1,735	7%
Yield on IEA (%)	14.8%	14.1%	14.2%	(59) bps	13 bps	14.1%	14 bps
CoF (%)	7.5%	7.3%	6.9%	(59) bps	(33) bps	7.2%	(25) bps
NIM on IEA(Calc. %)	8.2%	7.6%	8.0%	(13) bps	40 bps	7.7%	33 bps
Loan (INR bn)	296.2	338.1	362.3	22%	7%	356.3	1.7%
Deposit (INR bn)	344.9	392.1	422.2	22%	8%	398.0	6.1%
Disbursement (INR bn)	53.6	79.3	82.9	55%	5%	85.0	-2.4%
C/D ratio	86%	86%	86%	(7) bps	(42) bps	90%	(373) bps
Gross slippage (%)	4.76%	3.35%	2.52%	(224) bps	(83) bps	2.76%	(24) bps
Net Slippage (%)	4.22%	2.76%	1.84%	(238) bps	(92) bps	2.13%	(29) bps
GNPA (%)	2.68%	2.45%	2.38%	(30) bps	(7) bps	2.50%	(12) bps
NNPA (%)	0.56%	0.67%	0.57%	2 bps	(9) bps	0.69%	(11) bps
PCR	79.7%	73.3%	76.3%	(333) bps	303 bps	73.0%	334 bps
Credit cost (%)	3.03%	2.83%	2.23%	(80) bps	(60) bps	1.90%	33 bps
ROA (%)	0.98%	0.99%	1.46%	48 bps	47 bps	1.37%	9 bps
ROE (%)	7.4%	7.9%	11.7%	432 bps	385 bps	11.0%	74 bps

Source: Company, JM Financial

Exhibit 2. Ujjivan SFB – AUM break-up

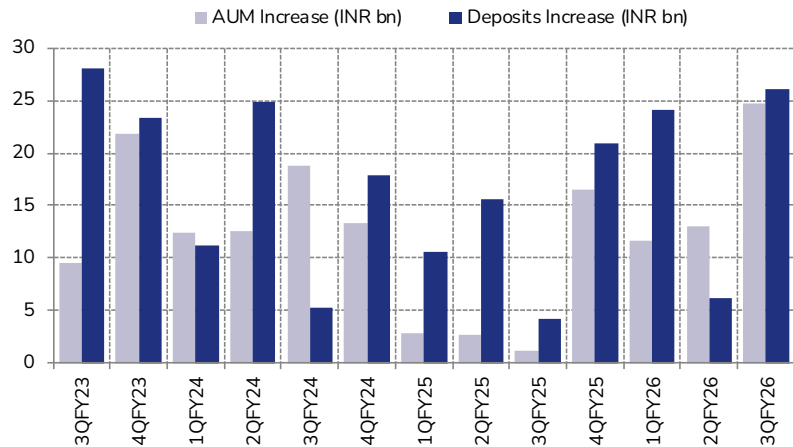
AUM Break-up (INR bn)	3Q'25	2Q'26	3Q'26	YoY (%)	QoQ (%)
Group Loans	136.6	131.1	136.9	0.2%	4.4%
Micro Individual loan	49.5	54.6	56.9	14.8%	4.1%
MSE	16.9	25.6	28.7	69.1%	12.0%
Housing	63.9	87.5	95.6	49.5%	9.3%
Agri and Animal Husbandry	2.0	5.1	6.1	211.3%	19.0%
FIG	22.6	24.9	26.6	17.9%	6.9%
Others	13.1	17.1	19.9	51.9%	16.5%
AUM	304.7	345.9	370.6	21.6%	7.1%
AUM Mix (%)					
Group Loans	44.8%	37.9%	36.9%	-7.9%	-1.0%
Micro Individual loan	16.3%	15.8%	15.3%	-0.9%	-0.5%
MSE	5.6%	7.4%	7.7%	2.2%	0.3%
Housing	21.0%	25.3%	25.8%	4.8%	0.5%
Agri and Animal Husbandry	0.6%	1.5%	1.6%	1.0%	0.2%
FIG	7.4%	7.2%	7.2%	-0.2%	0.0%
Others	4.3%	4.9%	5.4%	1.1%	0.4%
AUM	100.0%	100.0%	100.0%		

Source: Company, JM Financial

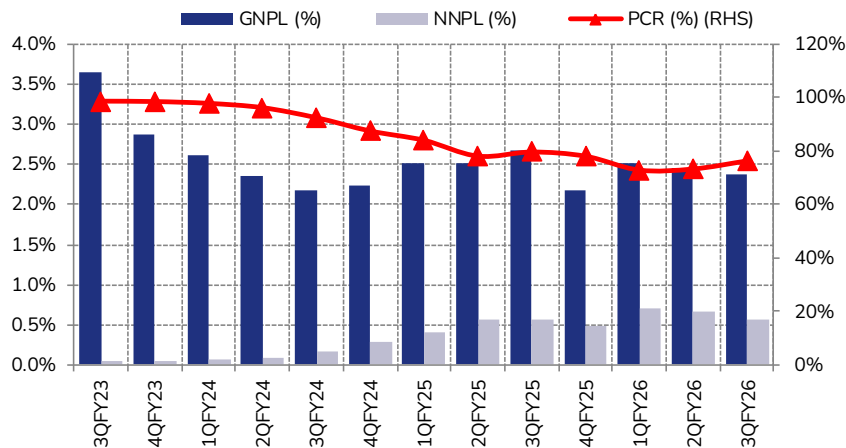
Exhibit 3. Ujjivan SFB – Deposit composition

Deposits Composition (INR bn)	3Q'25	2Q'26	3Q'26	YoY (%)	QoQ (%)
CASA	86.6	107.8	115.4	33.2%	7.0%
Retail TD	166.1	169.8	178.6	7.5%	5.2%
Institutional TD	86.2	114.5	128.3	48.8%	12.1%
Total Deposits	339.0	392.1	422.2	24.6%	7.7%
Deposit Mix (%)					
CASA	25.6%	27.5%	27.3%	1.8%	-0.2%
Retail TD	49.0%	43.3%	42.3%	-6.7%	-1.0%
Institutional TD	25.4%	29.2%	30.4%	5.0%	1.2%
Total Deposits	100.0%	100.0%	100.0%		

Source: Company, JM Financial

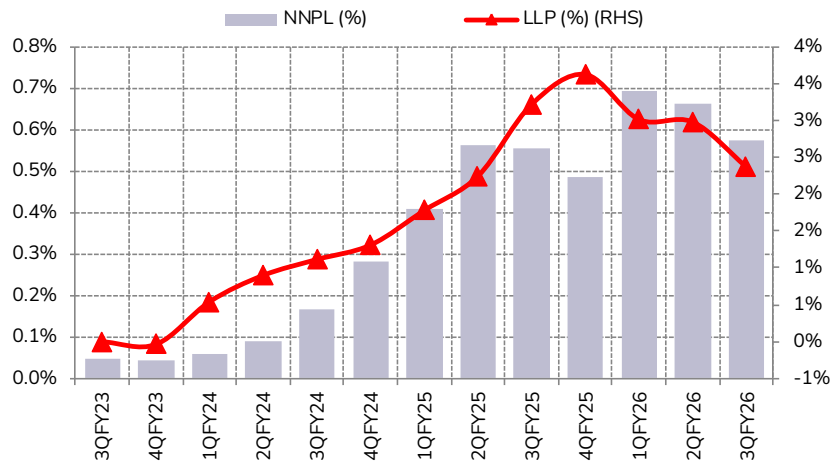
Exhibit 4. Ujjivan SFB: Trend in accretion to loans and deposits

Source: Company, JM Financial

Exhibit 5. Ujjivan SFB: Trend in asset quality

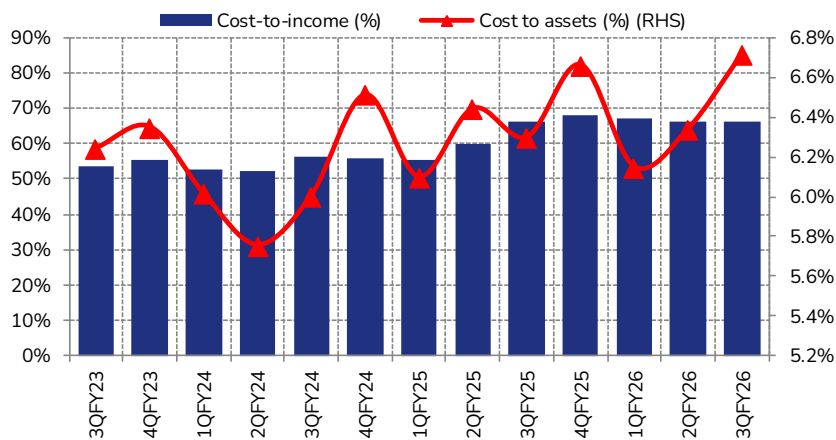
Source: Company, JM Financial

Exhibit 6. Ujjivan SFB: Net NPLs and LLP trends



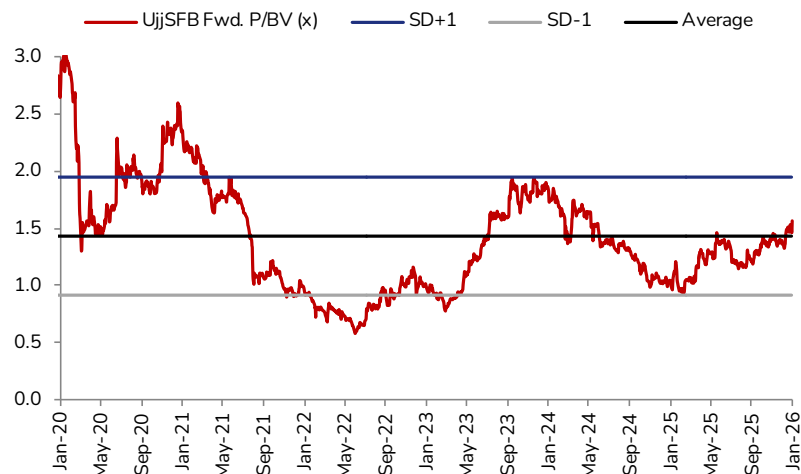
Source: Company, JM Financial

Exhibit 7. Ujjivan SFB: Trend in cost ratios



Source: Company, JM Financial

Exhibit 8. Ujjivan SFB: One year forward P/B chart



Source: Company, JM Financial

Exhibit 9. Ujjivan SFB: Change in Estimates

Old vs. New Estimates	FY26E, Old	FY26E, New	Change	YoY	FY27E, Old	FY27E, New	Change	YoY	FY28E, Old	FY28E, New	Change	YoY
Income Statement (INR mn)												
Net Interest Income	37,445	38,483	2.8%	5.8%	44,662	46,614	4.4%	21.1%	53,579	54,234	1.2%	16.3%
Non-Interest Income	10,771	10,888	1.1%	28.7%	12,886	12,522	-2.8%	15.0%	15,553	14,826	-4.7%	18.4%
Total Income	48,216	49,371	2.4%	10.1%	57,549	59,135	2.8%	19.8%	69,132	69,060	-0.1%	16.8%
Operating Expenses	32,424	32,841	1.3%	17.6%	37,806	38,651	2.2%	17.7%	45,003	44,452	-1.2%	15.0%
Pre-provisioning Profits	15,791	16,530	4.7%	-2.1%	19,742	20,484	3.8%	23.9%	24,129	24,608	2.0%	20.1%
Reported Profits	5,947	6,340	6.6%	-12.7%	9,367	9,712	3.7%	53.2%	11,586	11,885	2.6%	22.4%
Balance Sheet (INR bn)												
Deposits	433	452	4.3%	20.0%	506	528	4.3%	17.0%	608	634	4.3%	20.0%
Net Advances	378	388	2.6%	23.5%	454	464	2.2%	19.8%	546	557	2.0%	20.0%
Total Assets	545	554	1.7%	16.2%	637	646	1.3%	16.5%	765	769	0.5%	19.1%
Key Ratios (%)												
NIM (%)	7.54%	7.73%	0.19%	-0.78%	7.72%	8.08%	0.37%	0.36%	7.75%	7.89%	0.14%	-0.19%
ROA (%)	1.16%	1.23%	0.07%	-0.42%	1.59%	1.62%	0.03%	0.39%	1.65%	1.68%	0.03%	0.06%
ROE (%)	9.5%	10.1%	0.6%	-2.49%	13.5%	13.9%	0.4%	3.78%	14.7%	14.9%	0.2%	1.03%
EPS (Rs.)	3.1	3.3	6.6%	-12.7%	4.8	5.0	3.7%	53.2%	6.0	6.1	2.6%	22.4%
BV (Rs.)	33.7	33.9	0.5%	9.5%	38.1	38.4	0.9%	13.3%	43.5	44.0	1.1%	14.4%
Net NPA (%)	0.70%	0.56%	-0.14%	0.07%	0.66%	0.53%	-0.14%	-0.03%	0.66%	0.60%	-0.06%	0.07%

Source: Company, Bloomberg, JM Financial

Financial Tables (Standalone)

Profit & Loss (INR mn)					
Y/E March	FY24A	FY25A	FY26A	FY27E	FY28E
Net Interest Income	34,095	36,362	38,483	46,614	54,234
Profit on Investments	240	75	1,000	500	500
Exchange Income	0	0	0	0	0
Fee & Other Income	7,627	8,387	9,888	12,022	14,326
Non-Interest Income	7,868	8,462	10,888	12,522	14,826
Total Income	41,962	44,824	49,371	59,135	69,060
Operating Expenses	22,791	27,932	32,841	38,651	44,452
Pre-provisioning Profits	19,171	16,892	16,530	20,484	24,608
Loan-Loss Provisions	2,149	7,477	8,188	7,705	8,970
Provisions on Investments	0	0	0	0	0
Others Provisions	0	0	0	0	0
Total Provisions	2,149	7,477	8,188	7,705	8,970
PBT	17,022	9,415	8,342	12,779	15,638
Tax	4,207	2,155	2,002	3,067	3,753
PAT (Pre-Extraordinaries)	12,815	7,260	6,340	9,712	11,885
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	12,815	7,260	6,340	9,712	11,885
Dividend paid	3,581	0	634	971	1,188
Retained Profits	9,234	7,260	5,706	8,741	10,696

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26A	FY27E	FY28E
Growth (YoY) (%)					
Deposits	23.2%	19.6%	20.0%	17.0%	20.0%
Advances	26.3%	16.8%	23.5%	19.8%	20.0%
Total Assets	21.3%	18.0%	16.2%	16.5%	19.1%
NII	26.4%	6.7%	5.8%	21.1%	16.3%
Non-interest Income	33.5%	7.6%	28.7%	15.0%	18.4%
Operating Expenses	26.5%	22.6%	17.6%	17.7%	15.0%
Operating Profits	29.1%	-11.9%	-2.1%	23.9%	20.1%
Core Operating profit	27.6%	-11.2%	-7.7%	28.7%	20.6%
Provisions	1,107.8%	247.9%	9.5%	-5.9%	16.4%
Reported PAT	16.5%	-43.3%	-12.7%	53.2%	22.4%
Yields / Margins (%)					
Interest Spread	8.57%	7.53%	6.92%	7.38%	7.14%
NIM	9.54%	8.51%	7.73%	8.08%	7.89%
Profitability (%)					
Non-IR to Income	18.7%	18.9%	22.1%	21.2%	21.5%
Cost to Income	54.3%	62.3%	66.5%	65.4%	64.4%
ROA	3.48%	1.65%	1.23%	1.62%	1.68%
ROE	27.0%	12.6%	10.1%	13.9%	14.9%
Assets Quality (%)					
Slippages	2.25%	4.21%	3.40%	2.80%	2.70%
Gross NPA	2.23%	2.18%	2.29%	2.15%	2.34%
Net NPAs	0.28%	0.49%	0.56%	0.53%	0.60%
Provision Coverage	87.5%	78.1%	76.0%	76.0%	75.0%
Specific LLP	0.78%	2.49%	2.19%	1.69%	1.63%
Net NPAs / Network	1.4%	2.5%	3.3%	3.3%	3.9%
Capital Adequacy (%)					
Tier I	22.58%	21.38%	20.27%	19.86%	19.20%
CAR	24.69%	23.10%	21.75%	21.13%	20.26%

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26A	FY27E	FY28E
Equity Capital	19,314	19,350	19,350	19,350	19,350
Reserves & Surplus	36,097	40,588	46,293	55,034	65,731
Deposits	314,622	376,305	451,566	528,332	633,998
Borrowings	21,708	28,454	24,186	29,023	34,827
Other Liabilities	11,757	11,299	11,864	13,050	14,355
Total Liabilities	404,222	476,891	554,155	645,686	769,158
Investments	97,660	117,300	118,445	127,297	162,758
Net Advances	268,829	313,900	387,578	464,158	557,069
Cash & Equivalents	25,368	31,698	27,069	28,571	34,242
Fixed Assets	4,267	4,569	5,309	6,186	6,153
Other Assets	8,098	9,424	15,753	19,474	8,936
Total Assets	404,222	476,892	554,155	645,686	769,158

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26A	FY27E	FY28E
NII / Assets	9.25%	8.25%	7.46%	7.77%	7.67%
Other Income / Assets	2.13%	1.92%	2.11%	2.09%	2.10%
Total Income / Assets	11.38%	10.17%	9.58%	9.86%	9.76%
Cost / Assets	6.18%	6.34%	6.37%	6.44%	6.28%
PBP / Assets	5.20%	3.83%	3.21%	3.41%	3.48%
Provisions / Assets	0.58%	1.70%	1.59%	1.28%	1.27%
PBT / Assets	4.62%	2.14%	1.62%	2.13%	2.21%
Tax rate	24.7%	22.9%	24.0%	24.0%	24.0%
ROA	3.48%	1.65%	1.23%	1.62%	1.68%
RoRWAs	6.54%	2.96%	2.23%	2.94%	3.05%
Leverage	7.3	8.0	8.4	8.7	9.0
ROE	27.0%	12.6%	10.1%	13.9%	14.9%

Source: Company, JM Financial

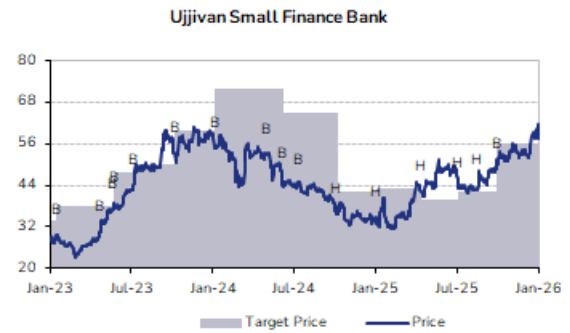
Valuations					
Y/E March	FY24A	FY25A	FY26A	FY27E	FY28E
Shares in Issue	1,931.4	1,935.0	1,935.0	1,935.0	1,935.0
EPS (INR)	6.6	3.8	3.3	5.0	6.1
EPS (YoY) (%)	17.9%	-43.4%	-12.7%	53.2%	22.4%
PER (x)	9.3	16.5	18.9	12.4	10.1
BV (INR)	29	31	34	38	44
BV (YoY) (%)	41.7%	8.0%	9.5%	13.3%	14.4%
ABV (INR)	29	31	34	38	44
ABV (YoY) (%)	41.7%	8.0%	9.5%	13.3%	14.4%
P/BV (x)	2.16	2.00	1.83	1.61	1.41
P/ABV (x)	2.16	2.00	1.83	1.61	1.41
DPS (INR)	1.9	0.0	0.3	0.5	0.6
Div. yield (%)	3.0%	0.0%	0.5%	0.8%	1.0%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Aug-21	Buy	40	
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
8-Sep-25	Hold	42	0.0
19-Oct-25	Buy	56	33.6

Recommendation History



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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