

CMP: INR 47

Rating: BUY

Target Price: INR 65

Stock Info

BSE	542904
NSE	UJJIVANSFB
Bloomberg	UJJIVANS IN
Reuters	UJJI.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Cr)	519
Mkt Cap (INR Cr)	9051
52w H/L (INR)	52 / 30
Volume ('000)	12,816

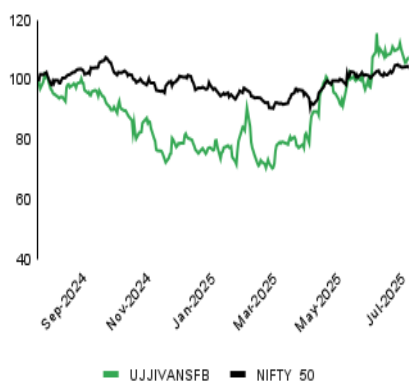
Shareholding Pattern %

(As on June, 2025)

Promoters	0
Public & Others	100

Stock Performance (%)	1m	6m	12m
Ujjivan SFB	-4.02	41.5	5.12
Nifty 50	0.5	8.96	3.06

Ujjivan SFB Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
Harshit Jain
harshit.jain@arihantcapital.com

Company reported a net profit of INR 1032 mn, below our estimate of INR 1485 mn, against INR 834 mn in Q4FY25. (vs INR 3011 mn for Q1FY25) (-65% YoY, +23.8% QoQ). NII stood at INR 8560 mn, lower than our estimate of INR 9579 mn (-9.1% YoY, -1% QoQ). They reported PPOP of INR 3605 mn, which was below our estimate of INR 4408 mn (vs INR 3598 mn for Q4FY25) (vs INR 5095 mn for Q1FY25). Provisions came at INR 2249 mn (-15% QoQ/ +104.8% YoY). PBT came in at INR 1355 mn, below our estimate of INR 1697 mn (vs INR 953 mn for Q4FY25) (vs INR 3997 mn for Q1FY25). GNPA/ NNPA stood at 2.5%/ 0.7% v/s 2.2%/ 0.5% in Q4FY25 and 2.3%/ 0.41% in Q1FY25.

- NIMs down 160 bps YoY led by decline in yields:** NIMs during the quarter came in at 7.7% v/s 8.3% in Q4FY25 v/s 9.3% in Q1FY25 (-160 bps YoY). The decline in NIMs was primarily due to the reduction in yields, during the quarter. The yield on average advances came in at 17.52% in Q1FY26 (-31 bps QoQ, -291 bps YoY). The Cost of funds came at 7.6% in Q1FY26 v/s 7.5% in Q1FY25 (flat sequentially). NIMs are expected to stabilize in 6% to 7% range in the medium term.
- Deterioration in asset quality:** Asset quality on overall basis showed deterioration as GNPA ratio was up 34 bps sequentially to 2.52% while net NPA was up 21 bps QoQ to 0.7%. GNPA in housing and micro mortgage segment was at 1.2% v/s 1.1% QoQ. Fresh slippages during the quarter were at INR 3.45 bn v/s INR 3.49 bn QoQ. Around 80% of fresh slippage came in from the micro finance segment. Write off for the quarter stood at INR 1.59 bn and recoveries & upgrades were at INR 0.47 bn. GNPA is likely to stay within the 2.5% limit, going forward. Collection efficiency in micro finance segment is expected to normalise in Q3 FY26. Further, credit cost is expected to normalise by Q4 FY26.
- Robust growth in MSME book:** In Q1 FY26, the bank saw net advances growth of 19.9% YoY and 3.5% QoQ to INR 325.01 bn, while gross loans were up 11% YoY. Secured book increased by 61% YoY to INR 151.62 bn and formed 45.5% of total loans versus 31.3% a year ago. Housing loans posted healthy growth of 44% YoY and 7% QoQ, total disbursement in this segment stood at INR 6.93 bn in Q1 FY26. Vehicle finance loans, gold loan, Agri banking saw sharp growth partly owing to low base. We expect loan growth to be around 20% mark for FY26 and secured book to grow faster than overall book.

OUTLOOK & VALUATION

Ujjivan Small Finance Bank reported a subdued operational performance in Q1FY26, marked by contraction in net interest margins and elevated credit costs, leading to a YoY decline in net profitability. Asset quality weakened sequentially, with an uptick in GNPA and NNPA ratios. However, business growth remained healthy at ~20% YoY, largely driven by its core retail franchise. We expect loan growth to sustain near current levels, with an increasing share of secured lending. Credit costs are expected to normalise by the exit quarter of FY26. We maintain our BUY rating on the stock with a target price of INR 65, valuing the bank at 1.25x FY27E ABV.

Exhibit 1: Financial Performance

Particulars. (INR in Cr)	FY22	FY23	FY24	FY25	FY26E	FY27E
NII	17,736	26,979	34,095	43,580	48,857	59,253
PPOP	5,905	14,850	19,171	24,522	27,091	35,581
PAT	-4,146	10,999	12,815	15,527	17,344	23,071
EPS (INR / Share)	-2.4	5.6	6.6	7.9	8.9	11.8
ABVPS (INR / Share)	15.6	20.3	27.9	36.7	45.2	56.6
NIM (%)	8.40%	9.83%	9.54%	9.97%	9.16%	9.26%
ROA (%)	-1.8%	3.3%	3.2%	3.1%	2.9%	3.2%
ROE (%)	-14.8%	26.1%	22.8%	21.0%	19.0%	20.2%
P / ABV (x)	2.8	2.2	1.6	1.5	1.0	0.8

Source: Company reports, Arihant Capital Research

Q1FY26 - Quarterly Performance (Standalone)

Quarterly Result Update (Rs Mn)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Interest Income	16,188	15,734	15,772	2.9%	2.6%
Interest Expended	7,629	7,091	6,357	7.6%	20.0%
Net Interest Income	8,560	8,643	9,415	-1.0%	-9.1%
Other Income	2,490	2,697	1,971	-7.7%	26.3%
Operating Income	11,049	11,340	11,386	-2.6%	-3.0%
Operating Expenses	7,445	7,742	6,290	-3.8%	18.4%
Employee Expenses	4,118	4,196	3,403	-1.9%	21.0%
Other Operating Expenses	3,327	3,546	2,888	-6.2%	15.2%
PPOP	3,605	3,598	5,095	0.2%	-29.3%
Provisions	2,249	2,645	1,099	-15.0%	104.8%
PBT	1,355	953	3,997	42.3%	-66.1%
Tax Expenses	323	119	986	172.3%	-67.2%
Net Income	1,032	834	3,011	23.8%	-65.7%
Balance Sheet Analysis					
Advances	325,010	313,900	271,140	3.5%	19.9%
Deposits	386,190	376,300	325,140	2.6%	18.8%
Total Assets	491,110	476,890	420,500	3.0%	16.8%
CASA Deposits	93,810	96,120	83,340	-2.4%	12.6%
CASA (%)	24.3%	25.5%	25.6%	-125bps	-134bps
CAR (%)	22.8%	23.1%	24.9%	-33bps	-208bps
Spreads					
NIMs (%)	7.70%	8.30%	9.30%	-60bps	-160bps
Cost of Funds	7.60%	7.60%	7.50%	0bps	10bps
Yield on Average Advances	17.52%	17.83%	20.43%	-31bps	-291bps
Asset Quality					
GNPA (%)	2.50%	2.20%	2.30%	30bps	20bps
NNPA (%)	0.70%	0.50%	0.41%	20bps	29bps
Returns & Expenses					
RoA	0.80%	0.70%	2.90%	10bps	-210bps
RoE	6.70%	5.60%	20.90%	110bps	-1420bps
Cost / Income Ratio	67.38%	68.28%	55.25%	-90bps	1213bps

Quarterly Result Update (Rs Mn)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Group Loans	129,610	130,900	157,680	-1.0%	-17.8%
Micro Individual Loans	53,320	51,820	43,550	2.9%	22.4%
MSE	22,530	20,470	14,150	10.1%	59.2%
Affordable Housing	79,620	73,080	51,990	8.9%	53.1%
FIG	27,980	27,850	18,000	0.5%	55.4%
Others	15,780	13,880	8,160	13.7%	93.4%
Total Advances	332,870	321,230	300,690	3.6%	10.7%

Source: Company reports, Arihant Capital Research

Conference Call Highlights:

Guidance

- Management expects NIMs to stabilize in 6% to 7% range in the medium term.
- Loan growth to be around 20% mark for FY26 and secured book to grow faster than overall book.
- Cost-to-income is expected to be at ~67% mark during the year.
- The bank expects credit cost to normalise by Q4 FY26.
- Collection efficiency in micro finance segment is expected to normalise in Q3 FY26.
- GNPA is likely to stay within the 2.5% limit, going forward.

Highlights

- Ujjivan Small Finance Bank posted de-growth in net interest income largely owing to decline in NIMs.
- Net interest margin was down 60 bps QoQ and 160 bps YoY to 7.7% in Q1 FY26.
- Non-interest income was up 26% YoY and was mostly driven by treasury gains.
- Operating expenses were up 18.4% YoY but was down by 3.8% sequentially. Cost to income remained elevated at 67.4% largely owing to subdued overall top-line growth.
- Provisions for the quarter increased 105% YoY but were down 15% QoQ as slippages increased YoY. The bank took accelerated provisions worth INR 0.23 bn during the quarter.
- Net profit owing to higher credit cost and tepid top-line declined by 65.7% YoY to INR 1.03 bn.
- In Q1 FY26, the bank saw net advances growth of 19.9% YoY and 3.5% QoQ to INR 325.01 bn, while gross loans were up 11% YoY.
- Secured book increased by 61% YoY to INR 151.62 bn and formed 45.5% of total loans versus 31.3% a year ago.
- Total disbursements for the quarter stood at INR 65.39 bn in which 59% was towards secured segment.
- Housing loans posted healthy growth of 44% YoY and 7% QoQ, total disbursement in this segment stood at INR 6.93 bn in Q1 FY26.
- Vehicle finance loans, gold loan, Agri banking saw sharp growth partly owing to low base.
- Deposits growth for the quarter stood at 18.8% YoY and 2.6% to INR 386.19 bn.
- Asset quality on overall basis showed deterioration as GNPA ratio was up 34 bps sequentially to 2.52% while net NPA was up 21 bps QoQ to 0.7%.
- Fresh slippages during the quarter were at INR 3.45 bn v/s INR 3.49 bn QoQ.
- Around 80% of fresh slippage came in from the micro finance segment.

Profit & Loss Statement (in INR Mn)	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	28,128	41,650	56,772	63,544	79,606	96,552
Interest Expended	10,392	14,671	22,677	27,181	31,319	37,300
Net Interest Income	17,736	26,979	34,095	36,363	48,857	59,253
Other Income	3,133	5,892	7,868	8,462	9,771	11,851
Operating Income	20,869	32,871	41,962	44,825	58,629	71,103
Operating Expenses	14,964	18,021	22,791	27,932	31,538	35,522
Employee Expenses	8,126	9,203	11,832	14,995	15,053	17,657
Other Operating Expenses	6,838	8,818	10,959	12,938	16,485	17,865
PPOP	5,905	14,850	19,171	16,892	27,091	35,581
Provisions	11,408	178	2,149	7,477	3,913	4,750
PBT	-5,503	14,672	17,022	9,416	23,178	30,831
Tax Expenses	-1,358	3,673	4,207	2,155	5,834	7,760
Net Income	-4,146	10,999	12,815	7,261	17,344	23,071

Balance Sheet (in INR Mn)	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Equity & Liabilities						
Share Capital	19,283	21,547	19,314	19,350	21,547	21,547
Reserves & Surplus	8,321	20,032	36,097	40,588	68,968	92,039
Net Worth	28,026	42,091	56,135	60,834	91,238	114,310
Deposits	182,922	255,377	314,622	376,305	467,854	574,303
Borrowings	17,636	26,415	21,708	28,454	28,903	14,987
Other Liabilities and Provisions	7,461	9,286	11,758	11,299	14,612	16,196
Total Capital & Liabilities	236,045	333,169	404,222	476,892	602,608	719,796
Assets						
Cash & Balances with RBI	16,822	23,053	25,183	31,334	70,432	85,498
Balances with Other Banks & Call Money	4,859	1,783	185	364	3,277	3,978
Investments	41,529	85,103	97,660	117,300	118,975	131,318
Advances	163,032	212,897	268,829	313,900	391,289	474,988
Fixed Assets	2,494	2,829	4,267	4,569	9,706	14,639
Other Assets	7,309	7,504	8,098	9,425	8,928	9,375
Total Assets	236,045	333,169	404,222	476,892	602,608	719,796

Source: Company reports, Arianth Capital Research

Ratios	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Growth rates						
Advances (%)	12.5%	30.6%	26.3%	16.8%	24.7%	21.4%
Deposits (%)	39.3%	39.6%	23.2%	19.6%	24.3%	22.8%
Total assets (%)	15.8%	41.1%	21.3%	18.0%	21.1%	19.4%
NII (%)	2.6%	52.1%	26.4%	6.7%	12.1%	21.3%
Pre-provisioning profit (%)	-27.0%	151.5%	29.1%	-11.9%	10.5%	31.3%
PAT (%)	-5144.8%	365.3%	16.5%	-43.3%	11.7%	33.0%
Balance sheet ratios						
Credit/Deposit (%)	89.1%	83.4%	85.4%	83.4%	83.6%	82.7%
CASA (%)	27.3%	26.4%	28.0%	28.5%	29.0%	29.0%
Advances/Total assets (%)	69.1%	63.9%	66.5%	65.8%	64.9%	66.0%
Leverage (x) (Asset/Shareholder's Fund)	8.4	7.9	7.2	7.8	6.6	6.3
CAR (%)	19.0%	24.8%	28.9%	26.6%	30.6%	31.4%
CAR - Tier I (%)	17.7%	21.8%	26.4%	24.5%	28.9%	30.1%
Operating efficiency						
Cost/income (%)	71.7%	54.8%	54.3%	62.3%	53.8%	50.0%
Opex/total assets (%)	6.3%	5.4%	5.6%	5.9%	5.2%	4.9%
Opex/total interest earning assets	7.1%	6.6%	6.4%	6.5%	6.0%	5.6%
Profitability						
NIM (%)	8.4%	9.8%	9.5%	8.5%	9.2%	9.3%
RoA (%)	-1.8%	3.3%	3.2%	1.5%	2.9%	3.2%
RoE (%)	-14.8%	26.1%	22.8%	11.9%	19.0%	20.2%
Asset quality						
Gross NPA (%)	7.1%	4.0%	3.1%	3.2%	3.1%	3.0%
Net NPA (%)	0.6%	1.1%	0.6%	0.7%	0.7%	0.8%
PCR (%)	92.2%	75.9%	81.6%	81.1%	78.8%	76.1%
Credit cost (%)	7.0%	0.1%	0.8%	2.4%	1.0%	1.0%
Per share data / Valuation						
EPS (INR)	-2.4	5.6	6.6	3.7	8.9	11.8
BVPS (INR)	16	22	29	31	47	58
ABVPS (INR)	16	20	28	30	45	57
P/E (x)	-18.3	7.8	6.7	11.8	5.0	3.7
P/BV (x)	2.7	2.0	1.5	1.4	0.9	0.8
P/ABV (x)	2.8	2.2	1.6	1.5	1.0	0.8

Source: Company reports, Arianth Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
Y.N. Road,
Indore - 452003, (M.P.)
Tel: (91-731) 4217100/101
CIN: L66120MP1992PLC007182

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

Research Analyst
Registration No.

Contact

Website

Email Id

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.com

instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Arihant Capital Markets Ltd

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800