

Ujjivan SFB logged a 30% miss on PAT at Rs1.1bn, mainly due to sharp contraction in margin and higher provisions as NPAs surged in the MFI portfolio driven by imposition of MFIN guardrails. Slippages were higher at Rs3.5bn / 4.7% of loans, largely on stress in Ujjivan+3 customers. Nevertheless, the bank managed to keep GNPA ratio at 2.7% (less than 3% threshold for SFB license) due to higher write-offs and NPA sale. The PAR 30+ MFI portfolio is still high at 5.6%, and thus the bank expects slippages to stay elevated in Q4FY25, before it sees some relief from Q1FY26 onward. The Ujjivan+3 lender-wise borrower portfolio stands at 8%, which is lower than that of some NBFC-MFIs and we thus believe Ujjivan will recover early. Factoring in the slower growth, lower margins, and higher LLP, we cut our earnings by 14-18%. But we retain BUY, with TP of Rs45, rolling forward on 1.1x Dec-26E ABV, given relatively healthy RoA among peers (vs Equitas) and its potential transition into a Universal Bank.

#### Ujjivan Small Finance Bank: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net profit	10,999	12,815	6,849	9,425	12,869
Loan growth (%)	30.6	26.3	14.1	17.1	20.3
NII growth (%)	52.1	26.4	7.3	14.7	16.8
NIM (%)	9.8	9.6	8.7	8.7	8.5
PPOP growth (%)	133.1	29.1	(13.2)	13.8	20.0
Adj. EPS (Rs)	6.0	6.6	3.5	4.9	6.7
Adj. EPS growth (%)	0.0	10.4	(46.3)	37.5	36.5
Adj. BV (INR)	20.5	28.8	31.6	35.8	41.2
Adj. BVPS growth (%)	39.5	41.7	11.5	13.5	15.4
RoA (%)	3.9	3.5	1.6	1.9	2.2
RoE (%)	33.3	26.6	11.5	14.1	16.8
P/E (x)	5.8	5.2	9.8	7.1	5.2
P/ABV (x)	1.7	1.2	1.1	1.0	0.8

Source: Company, Emkay Research

#### Growth and margins to ease in the near term

Ujjivan SFB's AUM grew at a moderate rate of 10% YoY/0.4% QoQ (net advances moderated to 16% YoY/2% QoQ), as the bank maintained heightened caution in the MFI segment. Further, growth was aided by the secured book (AHS, M-LAP, VF, gold loan, MSE book), thereby increasing its share in the overall book to 39% vs 35% in Q2. Deposit growth further moderated to 16% YoY/1.2% QoQ, with CASA ratio declining by 81bps QoQ to 25%. This—coupled with increased share of the secured portfolio, decline in yield, and higher interest reversal on NPAs—led to compression in NIMs by 60bps QoQ to 8.6%. Going forward, the management expects growth in the secured book to continue which should lead to some structural margin moderation, albeit to a better RaRoC.

#### Higher slippages, but manages headline GNPA ratio

Slippages were higher at Rs3.5bn/4.7% of loans, mainly due to stress in the Ujjivan+3 customers. Nevertheless, the bank managed to keep GNPA ratio at 2.7% (lower than 3% threshold for SFB license) due to higher write-offs (including ARC sale of Rs2.1bn). As of Nov-24, Ujjivan+3/Ujjivan+4 lender-wise borrowers stood at 8%/6.6%, with PAR remaining elevated at 13.1%/26.6% (vs 9.5%/18.7% as of Sep-24), respectively. Thus, the management expects slippages to remain elevated in Q4FY25, before some relief is seen from Q1FY26 onward; accordingly, it has guided to credit cost of 2.3-2.5% for full-FY25E. Overall collection efficiency stood at 96% while lender-wise Ujjivan+3/Ujjivan+4 collection efficiency declined to ~90%/79% (down by 270bps/580bps), resp, in Nov-24.

#### We retain BUY on Ujjivan SFB, but cut our earnings estimates

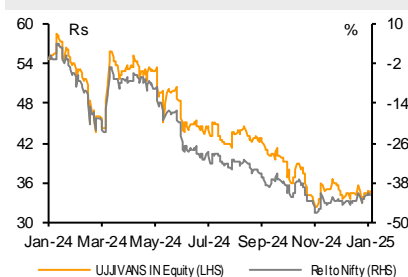
Factoring in the slower growth, lower margins, and higher LLP, we trim our earnings estimates by 14-18%. However, we retain BUY on the stock, with TP of Rs45, rolling forward on 1.1x Dec-26E ABV, given its relatively healthy RoA among peers (vs Equitas) and the potential transition into a Universal Bank. **Key risks:** Macro/micro disruption leading to slower-than-expected growth/higher NPAs, and KMP attrition.

Target Price – 12M	Dec-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	30.2
CMP (23-Jan-25) (Rs)	34.6

Stock Data	Ticker
52-week High (Rs)	61
52-week Low (Rs)	32
Shares outstanding (mn)	1,934.6
Market-cap (Rs bn)	67
Market-cap (US\$ mn)	773
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	11
ADTV-3M (Rs mn)	397.2
ADTV-3M (USD mn)	4.6
Free float (%)	26.0
Nifty-50	23,205
INR/USD	86.5
<b>Shareholding, Dec-24</b>	
Promoters (%)	-
FPIs/MFs (%)	17.9/6.6

Price Performance			
(%)	1M	3M	12M
Absolute	2.9	(9.2)	(40.1)
Rel. to Nifty	5.3	(4.4)	(45.2)

#### 1-Year share price trend (Rs)



#### Anand Dama

anand.dama@emkayglobal.com  
+91 22 6624 2480

#### Nikhil Vaishnav

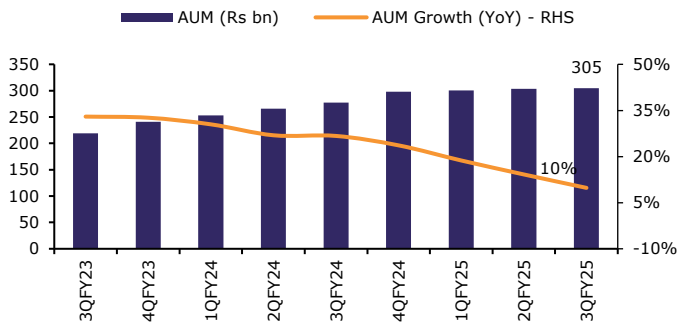
nikhil.vaishnav@emkayglobal.com  
+91 22 6624 2485

#### Kunaal N

kunaal.n@emkayglobal.com  
+91 22 6612 1275

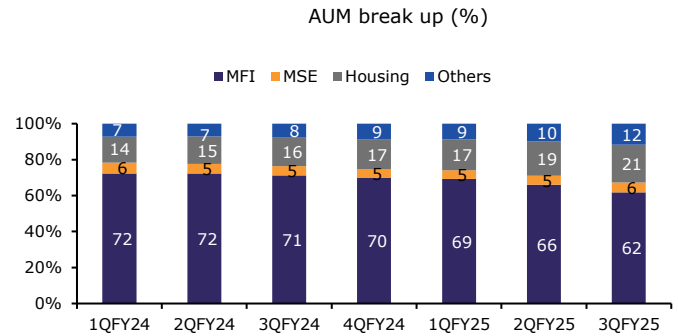
## Story in Charts

**Exhibit 1: Growth continues to moderate owing to the bank's cautious stance on MFI while being aided by secured asset**



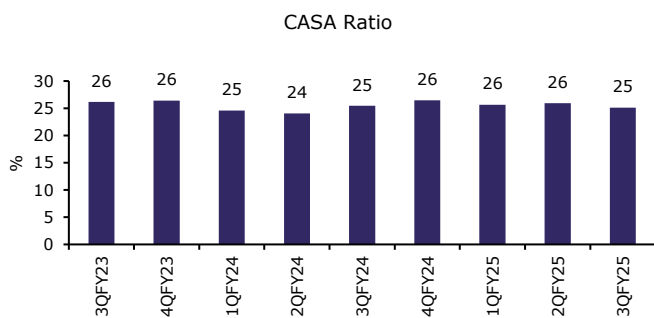
Source: Company, Emkay Research

**Exhibit 2: AUM mix changes further as MFI share declines to 62%; expect the unsecured:secured mix at 60:40 by Q4FY25**



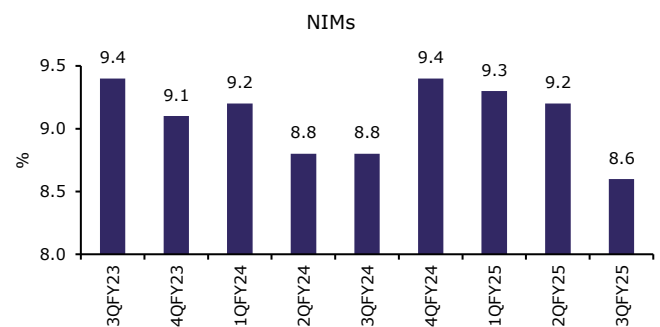
Source: Company, Emkay Research

**Exhibit 3: CASA ratio remains range-bound**



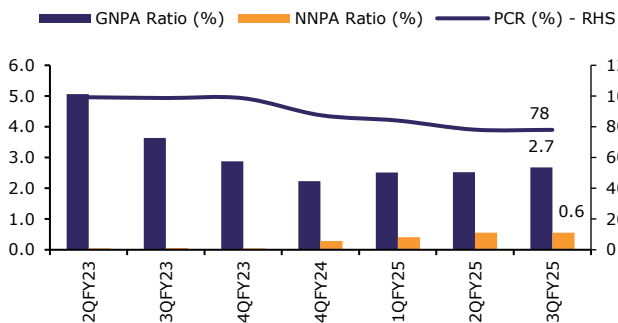
Source: Company, Emkay Research

**Exhibit 4: Margin falls owing to increasing share of secured portfolio, decline in yields, and interest reversal on NPAs**



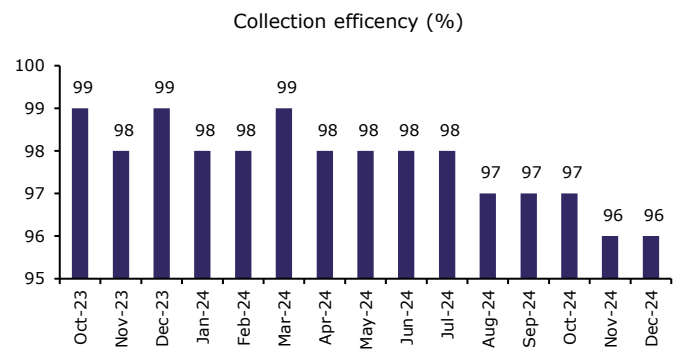
Source: Company, Emkay Research

**Exhibit 5: GNPA contained by higher write-offs (with an eye on Universal banking license)**



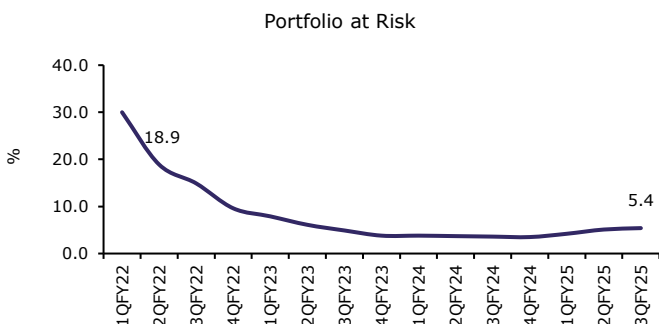
Source: Company, Emkay Research

**Exhibit 6: Overall collection efficiency saw a slight fall in Q3**



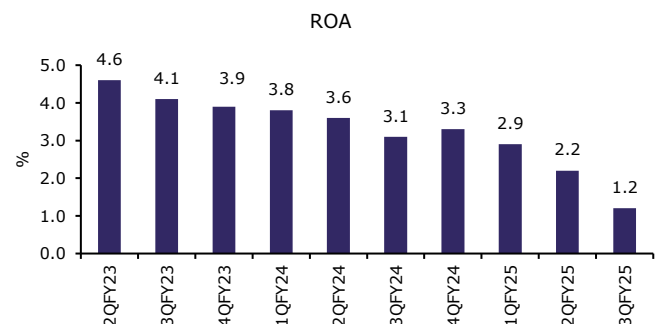
Source: Company, Emkay Research

**Exhibit 7: PAR book inching up, but well under control**

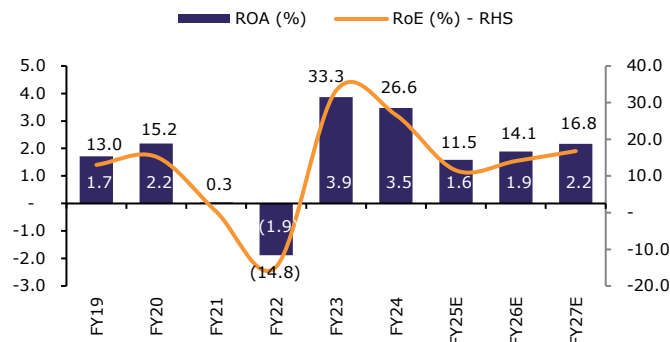


Source: Company, Emkay Research

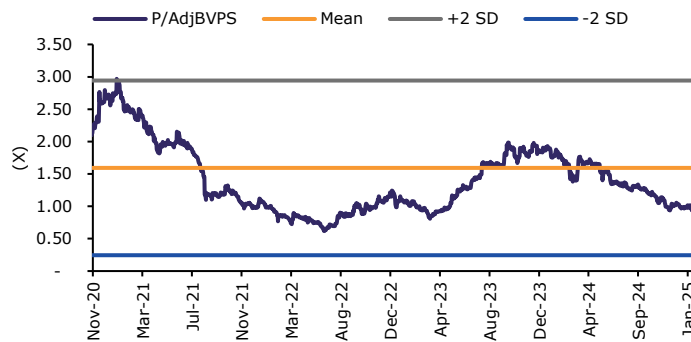
**Exhibit 8: RoA declined due to lower other income, and higher LLP**



Source: Company, Emkay Research

**Exhibit 9: Return ratios expected to remain healthy, aided by reducing opex**

Source: Company, Emkay Research

**Exhibit 10: The stock currently trades at 1.1x its 1Y forward P/ABV**

Source: Bloomberg, Emkay Research

**Exhibit 11: Actuals vs Estimates (Q3FY25)**

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	10,589	11,672	11,846	-9%	-11%	Lower other income led to a miss
PPOP	3,592	4,569	5,381	-21%	-33%	Lower net income, and contained opex led to a miss
PAT	1,086	1,547	3,050	-30%	-64%	PPOP miss along with higher provisions led to a PAT miss

Source: Company, Emkay Research

**Exhibit 12: Quarterly Summary**

(Rs mn)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	YoY (%)	QoQ (%)	FY24	FY25E	YoY (%)
Interest Earned	14,706	15,285	15,772	16,128	15,911	8	-1	56,772	63,813	12
Interest Expenses	6,107	5,950	6,357	6,690	7,043	15	5	22,677	27,242	20
Net Interest Income	8,599	9,335	9,415	9,438	8,867	3	-6	34,094	36,571	7
Global NIMs (reported)	8.8	9.4	9.3	9.2	8.6	-20bps	-60bps	9.6	8.7	-80bps
Non-interest Income	1,848	2,361	1,971	2,073	1,722	-7	-17	7,868	7,685	-2
Operating Expenses	5,874	6,511	6,290	6,902	6,997	19	1	22,791	27,618	21
Pre-Provisioning Profit	4,573	5,186	5,095	4,608	3,592	-21	-22	19,171	16,639	-13
Provision & Contingencies	629	790	1,099	1,505	2,228	254	48	2,149	7,543	251
PBT	3,944	4,396	3,997	3,103	1,364	-65	-56	17,022	9,096	-47
Income Tax Expense (Gain)	943	1,099	986	773	278	-71	-64	4,207	2,247	-47
Net Profit/(Loss)	3,001	3,296	3,011	2,330	1,086	-64	-53	12,815	6,849	-47
Gross NPA (%)	2.2	2.2	2.5	2.5	2.7	50bps	16bps	2.2	2.9	66bps
Net NPA (%)	0.2	0.3	0.4	0.6	0.6	39bps	0bps	0.3	0.7	37bps
Deposits (Rs bn)	296.7	314.6	325.1	340.7	344.9	16	1	314.6	362.9	15.4
Net Advances (Rs bn)	256.2	268.8	271.1	291.8	296.2	16	2	268.8	306.9	14.1

Source: Company, Emkay Research

**Exhibit 13: Revision in estimates**

Y/E Mar (Rs mn)	FY25E			FY26E			FY27E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Net income	46,188	44,256	-4.2%	53,296	50,639	-5.0%	63,228	59,133	-6.5%
PPOP	18,571	16,639	-10.4%	21,454	18,940	-11.7%	26,649	22,722	-14.7%
PAT	8,347	6,849	-17.9%	11,147	9,425	-15.5%	14,947	12,869	-13.9%
EPS (Rs)	4.3	3.5	-18.0%	5.8	4.9	-15.5%	7.7	6.7	-13.9%
BV (Rs)	33.2	32.4	-2.4%	38.5	36.8	-4.4%	45.2	42.4	-6.1%

Source: Company, Emkay Research

**Exhibit 14: Key Assumptions**

	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	26.3	14.1	17.1	20.3
Deposit Growth (%)	23.2	15.4	19.8	22.0
NIM (%)	9.6	8.7	8.7	8.5
GNPA (%)	2.2	2.9	2.9	2.6
Credit Cost (%)	0.9	2.6	1.9	1.4

Source: Emkay Research

**Exhibit 15: Key ratios and trends**

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Loans (Rs mn)	218,960	240,860	253,260	265,750	277,910	297,790	300,690	303,440	304,660
Growth YoY (%)	33.0	32.6	30.5	26.9	26.9	23.6	18.7	14.2	9.8
Growth QoQ (%)	4.6	10.0	5.1	4.9	4.6	7.2	1.0	0.9	0.4
<b>Composition (%)</b>									
- MFI	70.6	72.1	72.3	72.1	71.3	69.9	68.9	63.7	59.4
- SME (MSE)	8.0	6.6	6.0	5.4	5.0	4.7	4.7	5.0	5.6
- Retail (Housing)	14.4	14.1	14.5	15.2	15.9	16.5	17.3	19.1	21.0
- Others	7.1	7.2	7.2	7.3	7.8	8.8	9.1	12.3	14.0
<b>Liability Profile (%)</b>									
Deposit (Rs mn)	232,030	255,377	266,600	291,393	296,690	314,622	325,140	340,698	344,940
Growth YoY	49.1	39.6	44.5	42.9	27.9	23.2	22.0	16.9	16.3
Growth QoQ	13.8	10.1	4.4	9.3	1.8	6.0	3.3	4.8	1.2
CASA (Rs mn)	60,700	67,440	65,550	70,130	75,490	83,320	83,350	88,330	86,570
CASA ratio	26	26	25	24	25	26	26	26	25
<b>Asset Quality</b>									
Gross NPA (Rs mn)	7,376	6,306	5,965	5,860	5,707	6,125	6,972	7,500	8,112
Net NPA (Rs mn)	95	90	126	218	428	763	1,112	1,641	1,649
GNPA (%)	3.6	2.9	2.6	2.4	2.2	2.2	2.5	2.5	2.7
NNPA (%)	0.1	0.0	0.1	0.1	0.2	0.3	0.4	0.6	0.6
RSA (%)	1.5	1.1	0.8	0.6	0.5	0.4	0.4	0.4	0.0
Specific PCR (%)	98.7	98.6	97.9	96.3	92.0	87.5	84.0	78.1	78.0
<b>Capital Adequacy (%)</b>									
CRAR	26.0	25.8	26.7	25.2	24.4	24.7	24.9	23.4	23.9
Tier-I	22.8	22.7	23.6	22.5	22.0	22.6	23.0	21.6	22.1
<b>ROE Decomposition - on total assets (%)</b>									
NII	9.7	9.3	9.3	9.0	8.8	9.3	9.1	8.8	8.0
Other Income	1.9	2.2	2.1	2.1	1.9	2.4	1.9	1.9	1.6
Net Income	11.7	11.5	11.4	11.0	10.7	11.7	11.0	10.7	9.5
Opex	6.2	6.4	6.0	5.8	6.0	6.5	6.1	6.4	6.3
PPOP	5.4	5.1	5.4	5.3	4.7	5.2	4.9	4.3	3.2
Provisions	(0.0)	(0.0)	0.3	0.5	0.6	0.8	1.1	1.4	2.0
PBT	5.4	5.2	5.1	4.8	4.0	4.4	3.9	2.9	1.2
Tax	1.3	1.3	1.3	1.2	1.0	1.1	1.0	0.7	0.2
ROA	4.1	3.9	3.8	3.6	3.1	3.3	2.9	2.2	1.0
Leverage (x)	7.3	7.7	7.8	7.9	7.9	7.5	7.1	7.3	7.5
ROE	29.9	29.9	29.6	28.2	24.4	24.6	20.9	15.8	7.3

Source: Company, Emkay Research

Ujjivan Small Finance Bank: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	41,650	56,772	63,813	72,522	84,223
Interest Expense	14,671	22,677	27,242	30,574	35,238
Net interest income	26,979	34,094	36,571	41,948	48,985
NII growth (%)	52.1	26.4	7.3	14.7	16.8
Other income	5,892	7,868	7,685	8,691	10,147
Total Income	32,871	41,962	44,256	50,639	59,133
Operating expenses	18,021	22,791	27,618	31,699	36,411
PPOP	14,850	19,171	16,639	18,940	22,722
PPOP growth (%)	133.1	29.1	(13.2)	13.8	20.0
Core PPOP	14,833	18,931	16,326	18,549	22,253
Provisions & contingencies	178	2,149	7,543	6,340	5,517
PBT	14,672	17,022	9,096	12,600	17,205
Extraordinary items	0	0	0	0	0
Tax expense	3,673	4,207	2,247	3,175	4,336
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	10,999	12,815	6,849	9,425	12,869
PAT growth (%)	(365.3)	16.5	(46.6)	37.6	36.5
Adjusted PAT	10,999	12,815	6,849	9,425	12,869
Diluted EPS (Rs)	6.0	6.6	3.5	4.9	6.7
Diluted EPS growth (%)	(348.9)	10.4	(46.3)	37.5	36.5
DPS (Rs)	0.8	0.4	0.2	0.5	1.0
Dividend payout (%)	13.3	5.3	5.7	10.3	15.0
Effective tax rate (%)	25.0	24.7	24.7	25.2	25.2
Net interest margins (%)	9.8	9.6	8.7	8.7	8.5
Cost-income ratio (%)	54.8	54.3	62.4	62.6	61.6
Shares outstanding (mn)	1,954.7	1,931.4	1,935.0	1,935.0	1,935.0

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Asset quality					
Gross NPLs	6,306.2	6,125.3	9,092.1	10,469.6	11,659.7
Net NPLs	90.4	762.9	2,000.3	2,617.4	3,148.1
GNPA ratio (%)	2.9	2.2	2.9	2.9	2.6
NNPA ratio (%)	0.0	0.3	0.7	0.7	0.7
Provision coverage (%)	98.6	87.5	78.0	75.0	73.0
Gross slippages	3,350.0	4,797.8	11,867.3	9,183.0	7,934.1
Gross slippage ratio (%)	1.5	1.7	3.8	2.5	1.8
LLP ratio (%)	0.1	0.9	2.6	1.9	1.4
NNPA to networth (%)	0.2	1.3	3.1	3.6	3.7
Capital adequacy					
Total CAR (%)	23.5	29.0	26.6	25.8	24.8
Tier-1 (%)	22.5	28.1	25.8	25.2	24.3
CET-1 (%)	22.5	28.1	25.8	25.2	24.3
RWA-to-Total Assets (%)	49.1	46.6	50.0	50.0	50.0
Miscellaneous					
Total income growth (%)	49.8	36.0	10.6	13.6	16.2
Opex growth (%)	20.4	26.5	21.2	14.8	14.9
Core PPOP growth (%)	139.5	27.6	(13.8)	13.6	20.0
PPOP margin (%)	31.2	29.7	23.3	23.3	24.1
PAT/PPOP (%)	74.1	66.8	41.2	49.8	56.6
LLP-to-Core PPOP (%)	1.2	11.4	46.2	34.2	24.8
Yield on advances (%)	19.8	20.7	19.4	19.2	18.8
Cost of funds (%)	6.0	7.3	7.5	7.2	7.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	19,547	19,314	19,350	19,350	19,350
Reserves & surplus	20,544	36,820	43,377	51,834	62,769
Net worth	40,091	56,135	62,727	71,184	82,119
Deposits	255,377	314,622	362,932	434,692	530,529
Borrowings	28,415	21,708	26,050	24,747	22,273
Interest bearing liab.	283,791	336,330	388,982	459,440	552,801
Other liabilities & prov.	9,286	11,758	8,817	9,710	14,801
Total liabilities & equity	333,169	404,222	460,525	540,334	649,721
Net advances	212,897	268,829	306,858	359,469	432,273
Investments	85,103	97,660	114,831	134,956	162,330
Cash, other balances	24,836	25,368	25,284	31,012	38,696
Interest earning assets	322,836	391,857	446,973	525,437	633,300
Fixed assets	2,829	4,267	4,988	5,836	6,834
Other assets	7,504	8,098	8,565	9,061	9,587
Total assets	333,169	404,222	460,525	540,334	649,721
BVPS (Rs)	20.5	29.1	32.4	36.8	42.4
Adj. BVPS (INR)	20.5	28.8	31.6	35.8	41.2
Gross advances	219,112	274,192	313,949	367,321	440,785
Credit to deposit (%)	83.4	85.4	84.5	82.7	81.5
CASA ratio (%)	26.4	26.7	23.7	23.6	24.9
Cost of deposits (%)	6.0	7.1	7.6	7.2	7.0
Loans-to-Assets (%)	63.9	66.5	66.6	66.5	66.5
Net advances growth (%)	30.6	26.3	14.1	17.1	20.3
Deposit growth (%)	39.6	23.2	15.4	19.8	22.0
Book value growth (%)	39.5	41.7	11.5	13.5	15.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	5.8	5.2	9.8	7.1	5.2
P/B (x)	1.7	1.2	1.1	1.0	0.8
P/ABV (x)	1.7	1.2	1.1	1.0	0.8
P/PPOP (x)	4.5	3.5	4.0	3.5	2.9
Dividend yield (%)	2.3	1.0	0.6	1.4	2.9
DuPont-RoE split (%)					
NII/avg assets	9.5	9.2	8.5	8.4	8.2
Other income	2.1	2.1	1.8	1.7	1.7
Fee income	2.1	2.1	1.7	1.7	1.6
Opex	6.3	6.2	6.4	6.3	6.1
PPOP	5.2	5.2	3.8	3.8	3.8
Core PPOP	5.2	5.1	3.8	3.7	3.7
Provisions	0.1	0.6	1.7	1.3	0.9
Tax expense	1.3	1.1	0.5	0.6	0.7
RoA (%)	3.9	3.5	1.6	1.9	2.2
Leverage ratio (x)	8.6	7.7	7.3	7.5	7.8
RoE (%)	33.3	26.6	11.5	14.1	16.8
Quarterly data					
Rs mn, Y/E Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
NII	8,599	9,335	9,415	9,438	8,867
NIM(%)	8.8	9.4	9.3	9.2	8.6
PPOP	4,573	5,186	5,095	4,608	3,592
PAT	3,001	3,296	3,011	2,330	1,086
EPS (Rs)	1.53	1.69	1.54	1.19	0.56

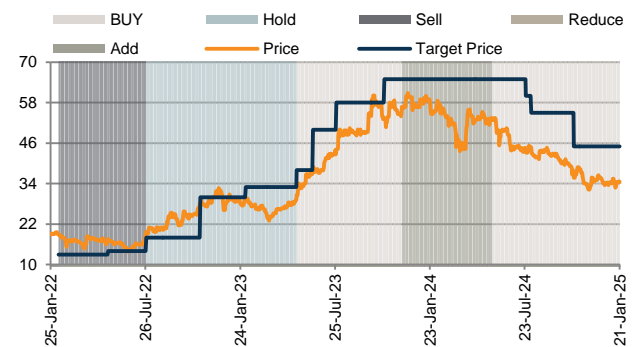
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
25-Dec-24	34	45	Buy	Anand Dama
25-Oct-24	36	45	Buy	Anand Dama
04-Aug-24	45	55	Buy	Anand Dama
25-Jul-24	44	60	Buy	Anand Dama
23-Jun-24	48	65	Buy	Anand Dama
21-May-24	53	65	Buy	Anand Dama
25-Jan-24	55	65	Add	Anand Dama
30-Nov-23	57	65	Add	Anand Dama
27-Oct-23	53	65	Buy	Anand Dama
02-Oct-23	54	58	Buy	Anand Dama
27-Jul-23	44	58	Buy	Anand Dama
01-Jul-23	38	50	Buy	Anand Dama
12-Jun-23	37	50	Buy	Anand Dama
12-May-23	31	38	Buy	Anand Dama
09-Mar-23	27	33	Hold	Anand Dama
03-Feb-23	30	33	Hold	Anand Dama
08-Nov-22	28	30	Hold	Anand Dama
27-Jul-22	20	18	Hold	Anand Dama
15-May-22	18	14	Sell	Anand Dama
09-Feb-22	19	13	Sell	Anand Dama

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>SELL</b>	<15% downside

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India  
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com



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