31st July 2026

Ujjivan Small Finance Bank Ltd.

BSE: 542904 | NSE: UJJIVANSFB

Recommendation	Time Period	Current Price	Target Price	Potential Upside
BUY	**12 months**	**72/-**	**83/-**	**15.0%**

Ujjivan Small Finance Bank is a scheduled commercial bank primarily catering to the unserved and underserved borrowers in India. Initially started as an NBFC-MFI in 2005, Ujjivan received an in-principle approval from the RBI to set up a small finance bank in 2015. Its loan book has been historically dominated by microbanking (group loans), but it has been diversifying into secured assets like affordable housing loans, MSME financing and vehicle finance to reduce unsecured exposure.

Investment Rationale:

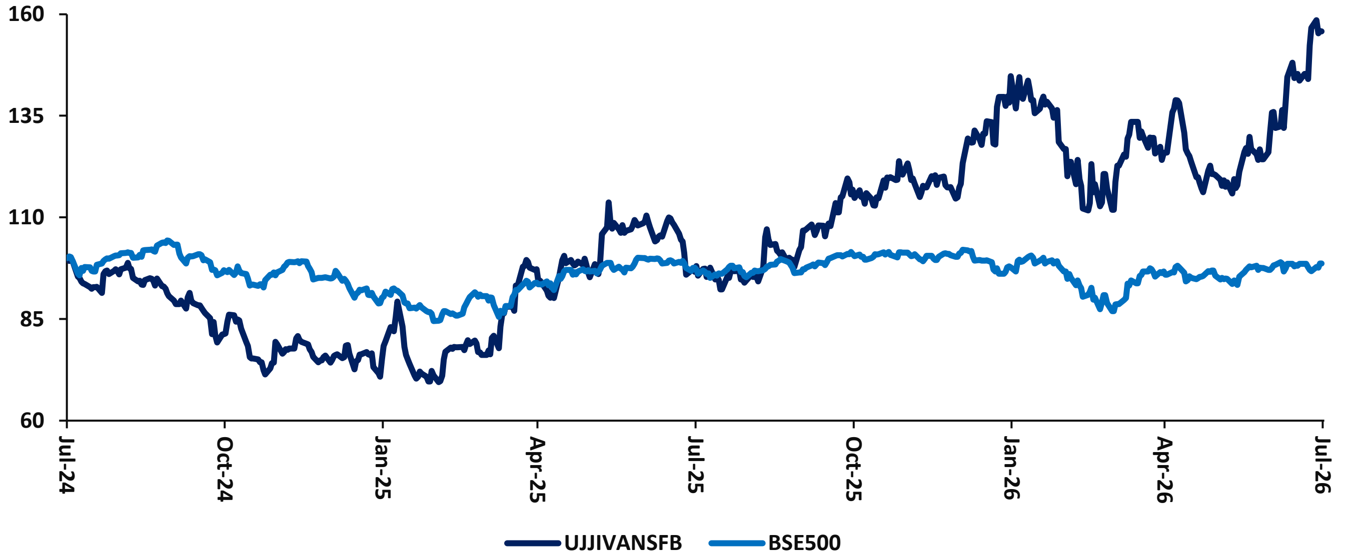
- **Lower opex and credit costs to drive RoA expansion:** The bank has revised FY27 RoA guidance to 1.8-2.0% vs earlier guidance of 1.6%, driven by lower-than-expected opex and credit costs. Opex-to-average assets for FY27 guided at 6.4%, led by lower-than-expected opex growth. Management highlighted that delayed commencement of expansion-related expenses in 1QFY27, associated with branch expansion, branding initiatives and investment into tech capabilities, along with efficiency gains is expected to result in lower opex growth. Ujjivan aims to invest Rs 250 cr during FY27 for branding and expansion expenses, other than BAU expenses. Further, opex trends are expected to moderate from FY28 onwards driven by lower expansion-related expenses. Credit costs (% of total assets) are guided to be in the range of 0.9-1.0% for FY27 aided by lower fresh slippages and improvement in X-Bucket collection efficiency (99.7% as of Jun'26-end) in the MFI segment. MFI 1Q credit cost on GLB (gross loan book) was ~1.9% and expected to stay under ~2% for FY27.
- **Robust asset growth:** The gross loan book growth continues to remain above 25%+ led by sustained traction in MFI and non-MFI book. During 1QFY27, the gross loan book grew 29% YoY aided by a ~17% YoY growth in the MFI segment (group and individual loans) and robust expansion in the secured loan book. Group and individual loan disbursements grew ~43% and ~19% YoY, respectively, indicating a revival in the MFI segment. Advances growth guidance reiterated at 25% YoY in FY27, driven by secured segments and sustained revival in the microfinance segment. Secured loan book is expected to expand to 56% by FY27-end.
- **NIMs to remain stable:** Margins were stable at 8.5% in 1QFY27, aided by 10 bps moderation in CoF being offset by 10 bps asset yield decline. The management do not envisage any material changes to cost of funds and expect NIMs to remain rangebound during the fiscal year. Asset yields to remain largely stable aided by strategic balance between MFI and non-MFI book.
- **Attractive Valuation:** We believe UJJIVANSFB is best placed to benefit from the credit demand revival in the MFI industry, underpinned by strong geographical reach, funding profile and prudent underwriting standards. Additionally, the strategy to diversify the loan book continues to gather pace, led by sustained traction in core secured segments of housing and MSME, along with newer segments such as vehicle loans and gold financing. At CMP of Rs 72, the stock is trading at a P/B multiple of 1.8x/1.5x for FY27E/FY28E respectively, based on Bloomberg consensus estimates
- **Key Risks:** Moderation in secured loan book growth; Margin pressure due to low growth in high-yield book.

Financial Summary

Particulars (Rs cr)	FY25A	FY26A	FY27E	FY28E
NII	3,636	3,871	4,916	5,900
Net Profit	726	693	1,161	1,401
NIM (%)	8.8	8.1	7.9	7.8
RoA (%)	1.6	1.3	1.8	1.8
RoE (%)	14.1	10.7	15.6	16.4
GNPA %	2.2	2.3	2.0	2.0
Credit Cost (%)	1.7	1.5	1.2	1.1
PE (x)	19.4	20.5	12.1	10.0
P/BV (x)	2.3	2.1	1.8	1.5

Source: Bloomberg, SSL Research

Stock Performance (2-Years)



Source: Bloomberg, SSL Research

Recommendation History

Date	Stock Price	Target Price	Recommendation	Status
-	-	-	-	-

SBICAP Securities Limited

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