

Ujjivan Small Finance Bank Ltd.

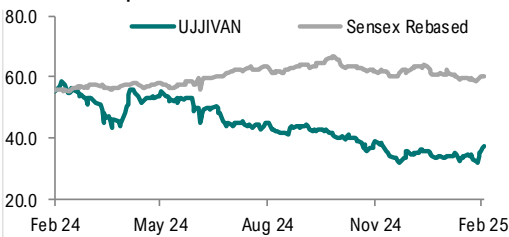
Accumulate

Sector: Banking

04th February 2025

Key Changes:	Target ▼	Rating ●	Earnings ▼	Target	Rs.41		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.37
Small Cap	UJJIVANS:IN	77,187	UJJIVANSFB	542904	12 Months	Return	+11%

Data as of: 03-02-2025

Company Data			
Market Cap (Rs. cr)	7,100		
52 Week High — Low (Rs.)	61-31		
Outstanding Shares (Rs cr)	193.5		
Free Float (%)	95.0		
Dividend Yield (%)	4.1		
6m average volume (million)	10.0		
Beta	1.2		
Face value (Rs.)	10.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	-	-	-
FII's	24.7	20.6	17.9
MFs/Institutions	7.3	6.5	6.6
Public	68.0	72.9	75.5
Total	100.0	100.0	100.0
Promoter Pledge	-	-	-
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-3.6%	-16.4%	-32.7%
Absolute Sensex	-3.2%	-4.7%	7.1%
Relative Return	-0.4%	-11.7%	-39.8%
*over or under performance to benchmark index			
			
Y. E March (cr)	FY25E	FY26E	FY27E
NII	3,691	4,035	4,655
Growth(%)	8.3	9.3	15.4
NIM(%)	8.9	8.7	8.7
Provisions	619	474	446
Adj. PAT	862	1,114	1,399
Growth(%)	-32.7	29.2	25.7
Adj. EPS	4.5	5.8	7.2
Growth(%)	-31.8	29.2	25.7
BVPS	32.5	37.2	43.5
Adj BVPS	31.7	36.0	41.7
P/E	8.2	6.4	5.1
P/B	1.1	1.0	0.8
Adj. P/B	1.2	1.0	0.9
ROE(%)	14.5	16.5	18.0

Stress from MFI segment far from over..

Ujjivan Small Finance Bank Ltd. (USFL), serves over 93 lakh customers through 24,290+ employees. USFL is the 3rd largest SFB with a loan book size of Rs.30,466cr and a deposit base of Rs.34,494cr.

- Gross Advances grew modestly at 10% YoY, driven by a 45% YoY increase in Affordable Housing and a 57% YoY increase in Financial Institutional Group lending. Deposit growth advanced by 16% YoY, with CASA accounts growing by 15% YoY. The CASA ratio stood at 25%.
- The bank is diversifying its product suite to reduce reliance on the microfinance segment, which has faced challenges. By increasing the proportion of secured assets, such as affordable housing loans, MSME loans, vehicle loans, and gold loans, the bank aims to lower its overall risk profile. This shift is evident as group loans experienced a 12% YoY decline.
- Net Interest Income grew by 3.1% YoY in Q3FY25, impacted by falling yields on advances and slower advance growth. Additionally, NIM contracted by 60 bps sequentially to 8.6%.
- The microfinance segment has faced significant challenges, leading to increased stress. The PAR for the group loan portfolio rose to 6.6% in December 2024 from 4.1% in June 2024. GNPA and NNPA have deteriorated to 2.7% and 0.6%, respectively, from 2.1% and 0.2% in Q3FY24.
- Due to increased stress in the microfinance segment, provisions have risen by 254% YoY to Rs. 223cr, weighing on the PAT, which has decreased by 64% YoY to Rs. 109cr.

Outlook & Valuation

The ongoing stress in the microfinance segment is expected to keep credit costs elevated throughout FY25. The bank's strategic measures, including enhanced collections, a focus on secured lending, and a prudent approach in microfinance, are positive steps towards managing and reducing credit costs in the long term. The shift in portfolio mix is expected to impact NIM negatively. With asset quality stress in group loans stabilizing, the ROA is expected to improve from FY26 onwards. **Therefore, we reiterate ACCUMULATE rating on the stock with a revised target price of Rs. 41 based on 0.95x FY27E BVPS.**

Quarterly Financials (Standalone)

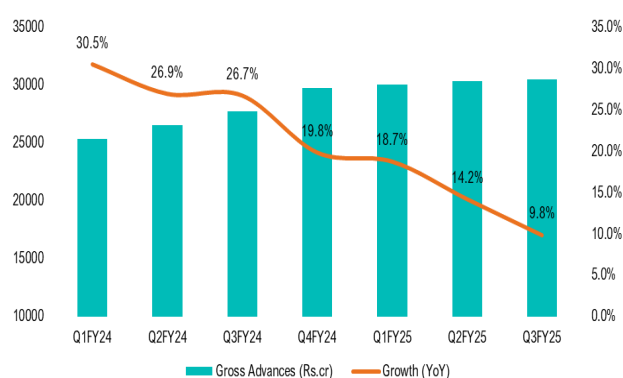
Rs cr	Q3FY25	Q2FY25	QoQ(%)	Q3FY24	YoY(%)	9MFY25	9MFY24	YoY(%)
Net Interest Income (NII)	887	944	-6.04	860	3.1	2,772	2,476	12.0
Total Income	1,059	1,151	-8.00	1,045	1.4	3,348	3,027	10.6
Expenditure	700	690	1.38	587	19.1	2,019	1,628	24.0
Pre-Provision Profit	359	461	-22.06	457	-21.5	1,329	1,399	-4.9
Provision	223	151	48.03	63	254.2	483	136	255.4
PBT	136	310	-56.05	394	-65.4	846	1,263	-33.0
Reported PAT	109	233	-53.39	300	-63.8	643	952	-32.5
Diluted EPS (Rs)	0.6	1.2	-52.94	1.5	-62.7	3.3	4.8	-31.8



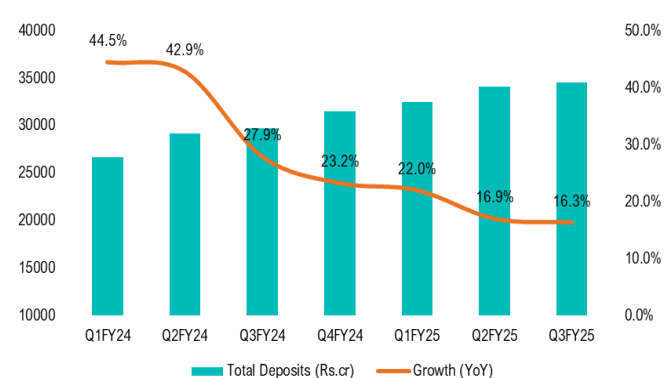
Key Highlights

- Ujjivan Small Finance Bank reported disbursements of Rs.2,029cr to micro group loans in Q3 FY25, marking a 16% QoQ decline. Significant growth was observed in the secured portfolio, including affordable housing, MSME, vehicle finance, and gold loans. Strategically, the bank is shifting towards secured assets to de-risk its portfolio, with the secured book now contributing 39% to the total loan book and expected to reach around 40% by the end of the financial year.
- To improve recovery rates and manage delinquencies more effectively, the bank has strengthened its collection efforts by adding over 345 personnel, bringing the total collection team to over 2,260 members. Additionally, the bank has implemented stringent norms for new customer acquisition in the microfinance segment, focusing on customers with better credit behaviour and restricting disbursements to new customers in problematic clusters.
- GNPA increased by 60 bps YoY to 2.7% in Q3FY25, compared to 2.1% in Q3FY24. NNPA increased by 40 bps YoY to 0.6% in Q3FY25, compared to 0.2% in Q3FY24.
- Ujjivan Small Finance Bank has introduced new digital products, including digital current accounts, digital fixed deposits, and digital savings accounts, with plans to launch their UPI app, Ujjivan Pay, in Q4.
- The bank's return ratios are currently impacted by elevated credit costs, particularly in the microfinance segment. For Q3 FY25, the ROA and ROE stand at 1.2% and 8.8%, respectively, significantly lower than the 3.1% and 24.2% recorded in Q3 Y24.

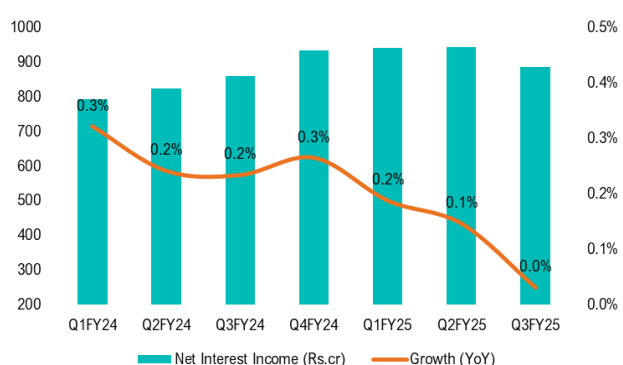
Gross Advances



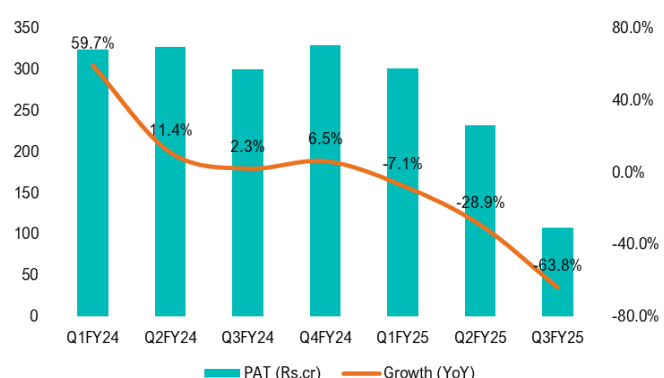
Total Deposits



Net Interest Income



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change(%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Net Interest Income (NII)	4,061	4,821	3,691	4,035	4,655	-9.1	-16.3
Net Interest Margin (%)	9.3	9.2	8.88	8.70	8.73	-42bps	-50bps
Pre-Provision Profit	2,266	2,639	1,764	1,959	2,312	-22.2	-25.8
Adj. PAT	1256	1,491	862	1114	1399	-31.4	-25.3
EPS (Rs)	6.5	7.7	4.5	5.8	7.2	-31.3	-25.1



Standalone Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Interest Income	4,165	5,677	6,466	7,019	7,921
Interest Expense	1,467	2,268	2,775	2,983	3,266
Net Int. Income	2,698	3,409	3,691	4,035	4,655
% Change	52.1%	26.4%	8.3%	9.3%	15.4%
Non Int. Income	589	787	819	889	1,004
Total Income	3,287	4,196	4,511	4,925	5,659
Operating Expenses	1802	2279	2747	2966	3347
Pre Prov. Profit	1,485	1,917	1,764	1,959	2,312
% Change	151.5%	29.1%	-8.0%	11.1%	18.0%
Prov. & Conting.	18	215	619	474	446
PBT	1,467	1,702	1,145	1,485	1,866
% Change	366.6%	16.0%	-32.7%	29.7%	25.7%
Tax	367	421	283	371	466
Tax Rate	25%	25%	25%	25%	25%
Reported PAT	1,100	1,282	862	1,114	1,399
Adj*	-	-	-	-	-
Adj. PAT	1,100	1,282	862	1,114	1,399
% Change	365.3%	16.5%	-32.7%	29.2%	25.7%
No. of shares (cr)	195	193	193	193	193
EPS (Rs)	5.8	6.5	4.5	5.8	7.2
% Change	342.5%	12.4%	-31.8%	29.2%	25.7%

Ratios

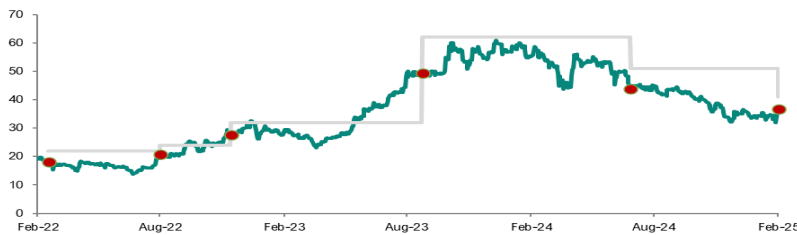
Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
Interest yield (%)	15.2	15.7	15.6	15.1	14.9
Cost of funds (%)	6.1	7.3	7.6	7.1	6.7
Spread(%)	9.1	8.4	8.0	8.1	8.2
NIM (%)	9.8	9.5	8.9	8.7	8.7
ROE (%)	31.4	26.1	14.5	16.5	18.0
ROA(%)	3.9	3.5	2.0	2.3	2.5
Business Growth					
Loans & Advances (%)	32.6	23.6	8.5	12.1	17.2
Deposits (%)	39.6	23.2	16.5	16.6	17.2
Operating Ratios					
Cost to Income (%)	54.8	54.3	60.9	60.2	59.1
Capital Adequacy					
CAR (%)	19.0	24.1	24.8	25.3	25.1
Asset Quality					
GNPA (%)	2.6	2.1	3.4	4.5	5.4
NNPA (%)	0.0	0.3	0.5	0.7	0.8
Valuation					
P/E (x)	6.3	5.6	8.2	6.4	5.1
P/B (x)	1.7	1.3	1.1	1.0	0.8
Adj. P/B (x)	1.7	1.3	1.2	1.0	0.9

Balance Sheet

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	2,484	2,537	2,199	2,140	2,101
Loans & Advances	21,290	26,883	31,111	36,224	42,442
Investments	8,510	9,766	11,270	12,960	15,034
Net Fixed Assets	283	427	455	512	532
Other Assets	750	810	905	1,014	1,188
Total Assets	33,317	40,422	45,939	52,851	61,298
Deposits	25,538	31,462	35,668	41,744	49,082
Debt Funds	2,641	2,171	2,717	2,499	2,165
Other Liabilities & Provisions	929	1,176	1,276	1,413	1,655
Capital	2,155	1,931	1,931	1,931	1,931
Reserves & Surplus	2,054	3,682	4,347	5,263	6,465
Shareholder's Funds	4,209	5,613	6,278	7,194	8,396
Total Liabilities	33,317	40,422	45,939	52,851	61,298
BVPS (Rs)	22	29	33	37	43
% Change	33%	35%	12%	15%	17%
Adj. BVPS (Rs)	21	29	32	36	42
% Change	38%	33%	10%	14%	16%



Recommendation Summary (last 3 years)



Dates	Rating	Target
17.Feb.22	Buy	22
01.Aug.22	Buy	24
14.Nov.22	Accumulate	32
24.Aug.23	Buy	62
27.Jun.24	Accumulate	51
04.Feb.25	Accumulate	41

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition: ▲ Upgrade ● No Change ▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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