

Ujjivan SFB posted a 4% miss on earnings—PAT at Rs3bn/RoA at 2.9%—mainly due to lower other income and rising LLP. Ujjivan SFB's AUM growth too moderated, to 19% YoY/1% QoQ in Q1FY25, due to a conscious decision to slacken disbursements (amid election-induced disruption) and owing to regulatory caution slowing down growth in certain geographies. Ujjivan had indicated asset-quality disruption in 1Q during its recent analyst meet which manifested with 29bps QoQ jump in GNPA ratio. It expects some normalization at start-2Q as the election-related impact is now behind, but guides to elevated credit cost in FY25E, factoring in rising stress in MFI/some contingent provision buildup. We cut FY25E-27E earnings by 3-4% as we build-in slightly slower growth/higher LLP; we also trim our target multiple to 1.4x Jun-26E ABV, causing a cut in TP to Rs60/sh (from Rs65). We, though, retain BUY on Ujjivan, which we still prefer in the SFB space, given its superior return ratios (RoA: >2.5%/RoE: ~20-21%) and 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	12,781	14,222	16,683
Loan growth (%)	30.6	26.3	20.1	22.9	22.7
NII growth (%)	52.1	26.4	16.9	19.8	21.3
NIM (%)	9.8	9.6	9.3	9.1	9.0
PPOP growth (%)	133.1	29.1	15.9	22.7	23.9
Adj. EPS (Rs)	6.0	6.6	6.6	7.4	8.6
Adj. EPS growth (%)	0.0	10.4	0.3	11.3	17.3
Adj. BV (INR)	20.5	28.8	34.0	39.7	46.6
Adj. BVPS growth (%)	39.5	41.7	18.7	17.3	17.6
RoA (%)	3.9	3.5	2.9	2.6	2.5
RoE (%)	33.3	26.6	20.8	19.6	19.6
P/E (x)	7.4	6.7	6.6	6.0	5.1
P/ABV (x)	2.1	1.5	1.3	1.1	0.9

Source: Company, Emkay Research

Calibrated business growth hurts margins

After delivering healthy AUM growth for the last 8 quarters, Ujjivan SFB's AUM growth moderated to 19% YoY/1% QoQ in Q1FY25, and net advances grew 22% YoY/1% QoQ to Rs271bn due to lower disbursements, as it turned cautious in 1Q. This is primarily because of the watchful approach adopted by the SFB toward acquiring NTC customers across all segments amid rising asset-quality concerns. Deposit growth, too, was moderate, at 22% YoY/3% QoQ, with CASA ratio slipping to 25.6% (down by 85bps QoQ). This, coupled with contraction in LDR, led to a 10bps QoQ decline in NIMs to 9.3%. Going forward, the bank expects credit growth at ~20%, given concerted efforts to diversify its portfolio and increase share of its secured book (AHS, M-LAP, VF, gold loan, and new MSE book) to ~40% of gross advances by FY26 from current levels of 31.3%. It also expects NIMs to moderate to 9% in FY25, as cost pressure remains elevated.

Asset quality slips owing to elections

Fresh slippages were elevated at Rs1.9bn/2.8% of loans, on seasonality/election-related disruption in collections (collection efficiency down to 98% vs 99% in Q4FY24) in the MFI space. This led to 28bps QoQ increment in GNPA ratio to 2.5%. Ujjivan carries a relatively strong PCR of 84% on its back-book, while also carrying floating provisions to the extent of Rs2.5bn/0.8% of loans. We believe the bank could further shore-up provision buffers to avoid meaningful P&L disruption as asset quality deteriorates and this, hence, could lead to elevated credit cost of ~1.7% in FY25E, increasing gradually thereafter.

We retain BUY on Ujjivan SFB, but cut our TP to Rs60/sh

We cut our FY25E-27E earnings estimate by 3-4%, factoring in the slightly slower growth and higher credit cost, but expect the bank to still deliver superior RoA/RoE at 2.5-2.9%/~20-21% over FY25E-27E. We retain BUY on the stock, though we trim our TP to Rs60/share (Rs65 earlier) mainly due to a cut in the P/ABV multiple to 1.4x which echoes the industry-wide growth/asset-quality stress and the cut in its earnings estimates. Ujjivan has taken Board approval to apply for a 'Universal Banking' license in FY25 which we believe is a long-term stock catalyst. **Key risks:** Macro/micro disruption leading to slower growth; higher NPAs with seasoning of the MFI/SME book; KMP attrition.

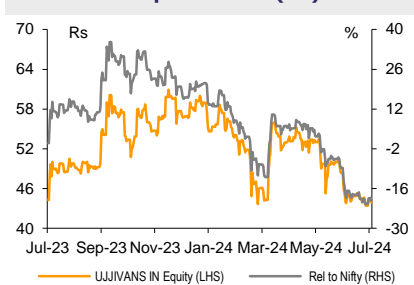
Target Price – 12M	Jun-25
Change in TP (%)	(7.7)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	36.6
CMP (25-Jul-24) (Rs)	43.9

Stock Data	Ticker
52-week High (Rs)	63
52-week Low (Rs)	40
Shares outstanding (mn)	1,933.8
Market-cap (Rs bn)	85
Market-cap (US\$ mn)	1,014
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	17
ADTV-3M (Rs mn)	810.5
ADTV-3M (US\$ mn)	9.7
Free float (%)	26.0
Nifty-50	24,406
INR/US\$	83.7
Shareholding, Jun-24	
Promoters (%)	-
FPIs/MFs (%)	24.7/7.3

Price Performance

(%)	1M	3M	12M
Absolute	(2.9)	(17.4)	(0.2)
Rel. to Nifty	(5.6)	(23.6)	(19.5)

1-Year share price trend (Rs)



Anand Dama

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

Kunaal N

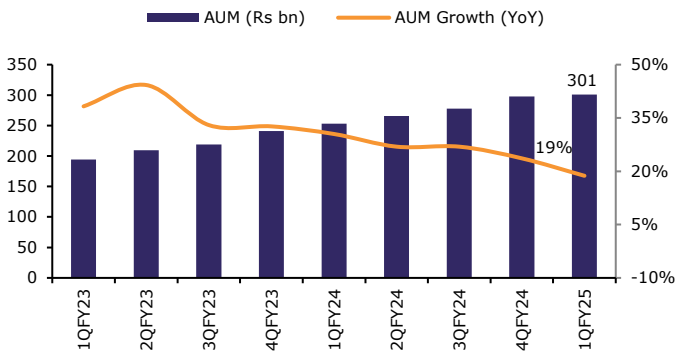
kunaal.n@emkayglobal.com
+91 22 6612 1275

Marazbaan Dastur

marazbaan.dastur@emkayglobal.com
+91 22 6612 1281

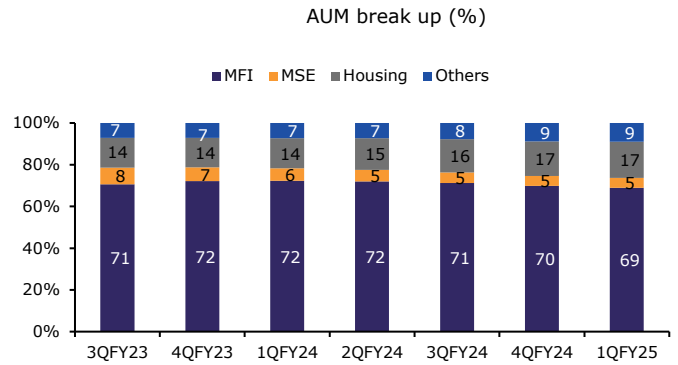
Story in Charts

Exhibit 1: Growth slows a bit, as the bank turns cautious on MFI



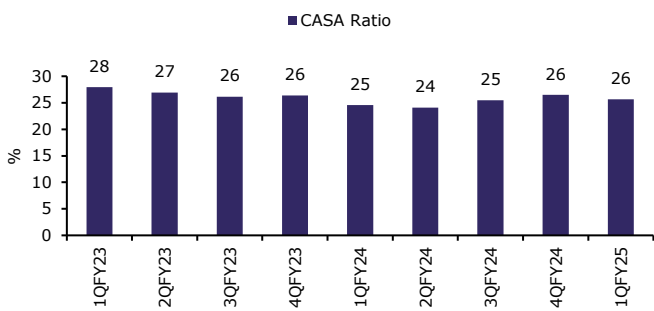
Source: Company, Emkay Research

Exhibit 2: MFI share remains high at 69%, but set to moderate



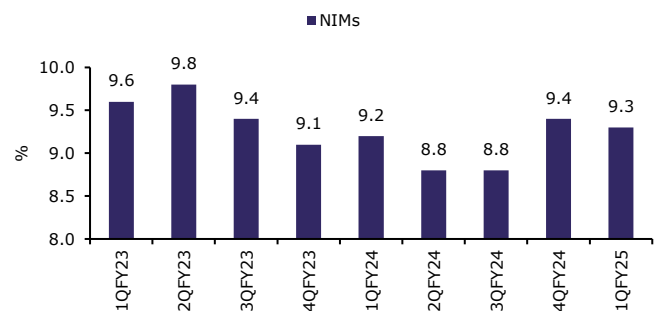
Source: Company, Emkay Research

Exhibit 3: CASA ratio remains range bound



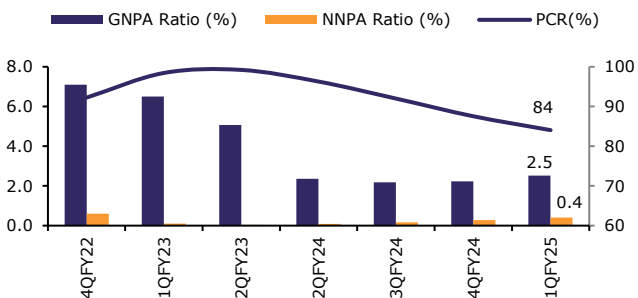
Source: Company, Emkay Research

Exhibit 4: NIM slips slightly, QoQ



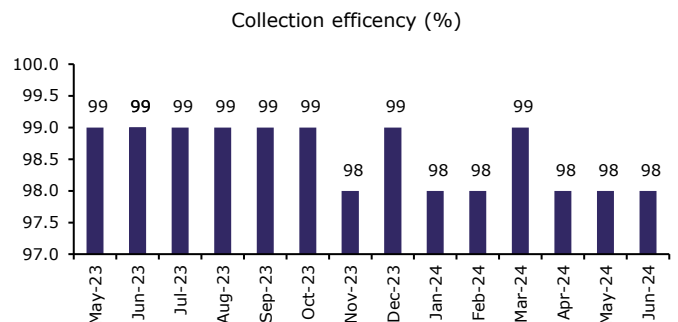
Source: Company, Emkay Research

Exhibit 5: Fresh slippages were higher, leading to slight increase in GNPA ratio



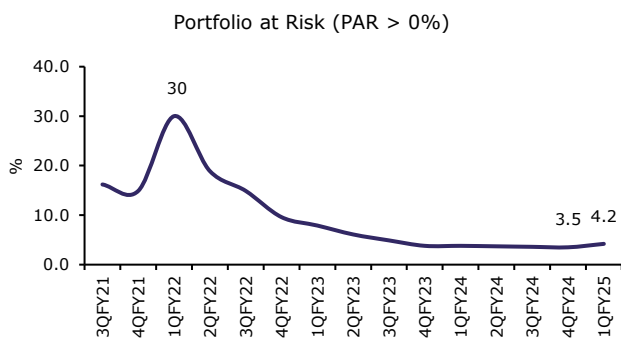
Source: Company, Emkay Research

Exhibit 6: Overall collection efficiency took a small tumble 1Q



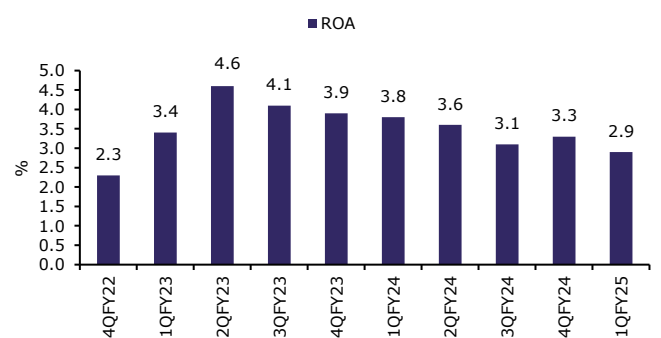
Source: Company, Emkay Research

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

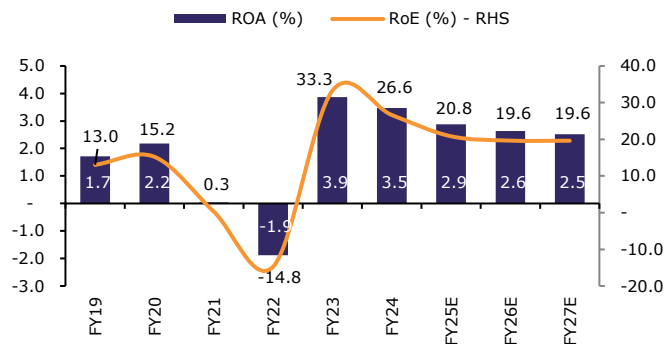


Source: Company, Emkay Research

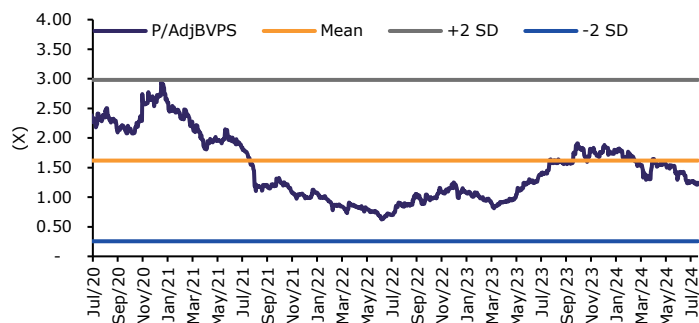
Exhibit 8: RoA slips a tad in 1Q due to slower growth, lower other income, and elevated LLP



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 1.2x one-year forward P/ABV

Source: Bloomberg, Emkay Research

Exhibit 11: Actuals vs. Estimates (Q1FY25)

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	11,386	11,745	11,756	-3%	-3%	Lower other income led to a slight miss
PPOP	5,095	5,272	5,419	-3%	-6%	Lower net total income led to a miss on PPOP
PAT	3,011	3,121	2,932	-4%	3%	Lower PPOP partly offset by lower tax led to a miss

Source: Company, Emkay Research

Exhibit 12: Quarterly Summary

(Rs mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY24A	FY25E	YoY (%)
Interest Earned	12,869	13,911	14,706	15,285	15,772	23	3	56,772	67,280	19
Interest Exp.	4,942	5,678	6,107	5,950	6,357	29	7	22,677	27,407	21
Net Interest Income	7,927	8,233	8,599	9,335	9,415	19	1	34,094	39,873	17
Global NIMs (reported)	9.2	8.8	8.8	9.4	9.3	10bps	-10bps	9.6	9.3	-28bps
Non-interest Income	1,772	1,886	1,848	2,361	1,971	11	-17	7,868	9,154	16
Operating Expenses	5,120	5,286	5,874	6,511	6,290	23	-3	22,791	26,816	18
Pre-Provisioning Profit	4,579	4,834	4,573	5,186	5,095	11	-2	19,171	22,210	16
Provision & Contingencies	261	469	629	790	1,099	321	39	2,149	5,123	138
PBT	4,318	4,364	3,944	4,396	3,997	-7	-9	17,022	17,088	0
Income Tax Expense (Gain)	1,077	1,087	943	1,099	986	-8	-10	4,207	4,306	2
Net Profit/(Loss)	3,241	3,277	3,001	3,296	3,011	-7	-9	12,815	12,781	0
Gross NPA (%)	2.6	2.4	2.2	2.2	2.5	-10bps	28bps	2.2	2.3	2bps
Net NPA (%)	0.1	0.1	0.2	0.3	0.4	35bps	13bps	0.3	0.4	13bps
Deposits (Rs bn)	266.6	291.4	296.7	314.6	325.1	22	3	314.6	385.8	22.6
Net Advances (Rs bn)	221.7	243.3	256.2	268.8	271.1	22	1	268.8	323.0	20.1

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	50,757	49,027	-3.4%	59,877	58,503	-2.3%	72,235	70,347	-2.6%
PPOP	23,294	22,210	-4.7%	27,365	27,242	-0.5%	33,906	33,750	-0.5%
PAT	13,253	12,781	-3.6%	14,734	14,222	-3.5%	16,724	16,683	-0.2%
EPS (Rs)	6.9	6.6	-3.6%	7.6	7.4	-3.5%	8.7	8.6	-0.2%
BV (Rs)	34.7	34.5	-0.6%	41.0	40.5	-1.2%	48.1	47.6	-1.1%

Source: Company, Emkay Research

Exhibit 14: Key Assumptions

	FY24A	FY25E	FY26E	FY27E
Loan Growth (%)	26.3	20.1	22.9	22.7
Deposit Growth (%)	23.2	22.6	25.2	25.4
NIM (%)	9.6	9.3	9.1	9.0
GNPA (%)	2.2	2.3	2.4	2.7
Credit Cost (%)	0.7	1.7	2.2	2.5

Source: Emkay Research

Exhibit 15: Key ratios and trends

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
Loans (Rs mn)	194,090	209,380	218,960	240,860	253,260	265,750	277,910	297,790	300,690
Growth YoY (%)	38.3	44.3	33.0	32.6	30.5	26.9	26.9	23.6	18.7
Growth QoQ (%)	6.9	7.9	4.6	10.0	5.1	4.9	4.6	7.2	1.0
Composition (%)									
- MFI	68.8	69.2	70.6	72.1	72.3	72.1	71.3	69.9	68.9
- SME (MSE)	9.1	8.9	8.0	6.6	6.0	5.4	5.0	4.7	4.7
- Retail (Housing)	15.0	14.7	14.4	14.1	14.5	15.2	15.9	16.5	17.3
- Others	7.2	7.2	7.1	7.2	7.2	7.3	7.8	8.8	9.1
Liability Profile (%)									
Deposit (Rs mn)	184,490	203,962	232,030	255,377	266,600	291,393	296,690	314,622	325,140
Growth YoY	34.9	44.8	49.1	39.6	44.5	42.9	27.9	23.2	22.0
Growth QoQ	0.9	10.6	13.8	10.1	4.4	9.3	1.8	6.0	3.3
CASA (Rs mn)	51,550	54,960	60,700	67,440	65,550	70,130	75,490	83,320	83,350
CASA ratio	28	27	26	26	25	24	25	26	26
Asset Quality									
Gross NPA (Rs mn)	11,467	9,289	7,376	6,306	5,965	5,860	5,707	6,125	6,972
Net NPA (Rs mn)	178	73	95	90	126	218	428	763	1,112
GNPA (%)	6.5	5.1	3.6	2.9	2.6	2.4	2.2	2.2	2.5
NNPA (%)	0.1	0.0	0.1	0.0	0.1	0.1	0.2	0.3	0.4
RSA (%)	4.0	2.7	1.5	1.1	0.8	0.6	0.5	0.4	0.0
Specific PCR (%)	98.4	99.2	98.7	98.6	97.9	96.3	92.0	87.5	84.0
Capital Adequacy (%)									
CRAR	20.0	26.7	26.0	25.8	26.7	25.2	24.4	24.7	24.9
Tier-I	18.7	23.4	22.8	22.7	23.6	22.5	22.0	22.6	23.0
ROE Decomposition - on total assets (%)									
NII	10.0	10.4	9.7	9.3	9.3	9.0	8.8	9.3	9.1
Other Income	2.1	2.3	1.9	2.2	2.1	2.1	1.9	2.4	1.9
Net Income	12.1	12.7	11.7	11.5	11.4	11.0	10.7	11.7	11.0
Opex	7.1	6.7	6.2	6.4	6.0	5.8	6.0	6.5	6.1
PPOP	5.0	6.0	5.4	5.1	5.4	5.3	4.7	5.2	4.9
Provisions	0.5	(0.2)	(0.0)	(0.0)	0.3	0.5	0.6	0.8	1.1
PBT	4.5	6.2	5.4	5.2	5.1	4.8	4.0	4.4	3.9
Tax	1.1	1.6	1.3	1.3	1.3	1.2	1.0	1.1	1.0
ROA	3.4	4.6	4.1	3.9	3.8	3.6	3.1	3.3	2.9
Leverage (x)	8.2	7.5	7.3	7.7	7.8	7.9	7.9	7.5	7.1
ROE	27.9	34.7	29.9	29.9	29.6	28.2	24.4	24.6	20.9

Source: Company, Emkay Research

Ujivan 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	67,280	80,227	96,888
Interest Expense	14,671	22,677	27,407	32,446	38,927
Net interest income	26,979	34,094	39,873	47,781	57,961
NII growth (%)	52.1	26.4	16.9	19.8	21.3
Other income	5,892	7,868	9,154	10,722	12,386
Total Income	32,871	41,962	49,027	58,503	70,347
Operating expenses	18,021	22,791	26,816	31,262	36,596
PPOP	14,850	19,171	22,210	27,242	33,750
PPOP growth (%)	133.1	29.1	15.9	22.7	23.9
Core PPOP	14,833	18,931	21,835	26,773	33,234
Provisions & contingencies	178	2,149	5,123	8,229	11,447
PBT	14,672	17,022	17,088	19,013	22,303
Extraordinary items	0	0	0	0	0
Tax expense	3,673	4,207	4,306	4,791	5,620
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	10,999	12,815	12,781	14,222	16,683
PAT growth (%)	(365.3)	16.5	(0.3)	11.3	17.3
Adjusted PAT	10,999	12,815	12,781	14,222	16,683
Diluted EPS (Rs)	6.0	6.6	6.6	7.4	8.6
Diluted EPS growth (%)	(348.9)	10.4	0.3	11.3	17.3
DPS (Rs)	0.8	0.4	1.2	1.4	1.5
Dividend payout (%)	13.3	5.3	18.1	19.0	17.4
Effective tax rate (%)	25.0	24.7	25.2	25.2	25.2
Net interest margins (%)	9.8	9.6	9.3	9.1	9.0
Cost-income ratio (%)	54.8	54.3	54.7	53.4	52.0
Shares outstanding (mn)	1,954.7	1,931.4	1,931.4	1,931.4	1,931.4

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	7,411.8	9,726.7	13,211.3
Net NPLs	90.4	762.9	1,334.1	1,945.3	2,642.3
GNPA ratio (%)	2.9	2.2	2.3	2.4	2.7
NNPA ratio (%)	0.0	0.3	0.4	0.5	0.5
Provision coverage (%)	98.6	87.5	82.0	80.0	80.0
Gross slippages	3,350.0	4,797.8	7,567.7	10,522.4	13,938.1
Gross slippage ratio (%)	1.5	1.7	2.3	2.6	2.8
LLP ratio (%)	0.1	0.9	1.7	2.2	2.5
NNPA to networth (%)	0.2	1.3	2.0	2.4	2.8
Capital adequacy					
Total CAR (%)	23.5	29.0	26.9	25.8	24.8
Tier-1 (%)	22.5	28.1	26.2	25.2	24.3
CET-1 (%)	22.5	28.1	26.2	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	18.2	19.0	20.1
Opex growth (%)	20.4	26.5	17.7	16.6	17.1
Core PPOP growth (%)	139.5	27.6	15.3	22.6	24.1
PPOP margin (%)	31.2	29.7	29.1	30.0	30.9
PAT/PPOP (%)	74.1	66.8	57.5	52.2	49.4
LLP-to-Core PPOP (%)	1.2	11.4	23.5	30.7	34.4
Yield on advances (%)	19.8	20.7	20.1	19.8	19.5
Cost of funds (%)	6.0	7.3	7.4	7.1	6.9

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	19,547	19,314	19,314	19,314	19,314
Reserves & surplus	20,544	36,820	47,331	58,849	72,635
Net worth	40,091	56,135	66,645	78,163	91,949
Deposits	255,377	314,622	385,778	482,828	605,581
Borrowings	28,415	21,708	20,623	19,592	18,612
Interest bearing liab.	283,791	336,330	406,401	502,419	624,193
Other liabilities & prov.	9,286	11,758	10,777	13,357	13,746
Total liabilities & equity	333,169	404,222	483,823	593,940	729,888
Net advances	212,897	268,829	322,952	396,925	487,220
Investments	85,103	97,660	118,057	145,943	181,305
Cash, other balances	24,836	25,368	29,261	36,174	44,942
Interest earning assets	322,836	391,857	470,270	579,042	713,468
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	483,823	593,940	729,888
BVPS (Rs)	20.5	29.1	34.5	40.5	47.6
Adj. BVPS (INR)	20.5	28.8	34.0	39.7	46.6
Gross advances	219,112	274,192	329,030	404,707	497,789
Credit to deposit (%)	83.4	85.4	83.7	82.2	80.5
CASA ratio (%)	26.4	26.7	26.9	28.7	30.6
Cost of deposits (%)	6.0	7.1	7.5	7.2	7.0
Loans-to-Assets (%)	63.9	66.5	66.8	66.8	66.8
Net advances growth (%)	30.6	26.3	20.1	22.9	22.7
Deposit growth (%)	39.6	23.2	22.6	25.2	25.4
Book value growth (%)	39.5	41.7	18.7	17.3	17.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	7.4	6.7	6.6	6.0	5.1
P/B (x)	2.1	1.5	1.3	1.1	0.9
P/ABV (x)	2.1	1.5	1.3	1.1	0.9
P/PPOP (x)	5.8	4.4	3.8	3.1	2.5
Dividend yield (%)	1.8	0.8	2.7	3.2	3.4
DuPont-RoE split (%)					
NII/avg assets	9.5	9.2	9.0	8.9	8.8
Other income	2.1	2.1	2.1	2.0	1.9
Fee income	2.1	2.1	2.0	1.9	1.8
Opex	6.3	6.2	6.0	5.8	5.5
PPOP	5.2	5.2	5.0	5.1	5.1
Core PPOP	5.2	5.1	4.9	5.0	5.0
Provisions	0.1	0.6	1.2	1.5	1.7
Tax expense	1.3	1.1	1.0	0.9	0.8
RoA (%)	3.9	3.5	2.9	2.6	2.5
Leverage ratio (x)	8.6	7.7	7.2	7.4	7.8
RoE (%)	33.3	26.6	20.8	19.6	19.6
Quarterly data					
Rs mn, Y/E Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
NII	7,927	8,233	8,599	9,335	9,415
NIM(%)	11.2	11.2	11.2	11.2	11.2
PPOP	4,579	4,834	4,573	5,186	5,095
PAT	3,241	3,277	3,001	3,296	3,011
EPS (Rs)	1.66	1.68	1.53	1.69	1.54

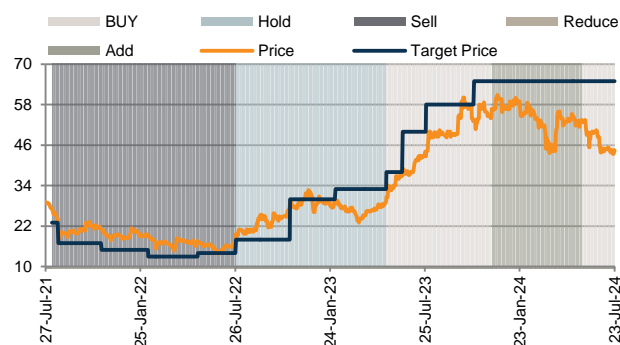
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
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
11-Nov-21	21	15	Sell	Anand Dama
20-Aug-21	20	17	Sell	Anand Dama
08-Aug-21	27	23	Sell	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

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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