kotak Securities

Dated: 20th Oct 2025

Ujjivan Small Finance Bank (UJJIVANS) - BUY

Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.49	**Rs.60**

Rationale:

- Ujjivan SFB posted about 50% yoy earnings decline, led by elevated provisions (credit cost of ~3%), while operating profit declined ~15% yoy.
- Asset quality has improved, and slippages have declined 100 bps qoq.
- With the microfinance cycle largely behind, the focus is likely to shift to operating profitability.
- We find valuations nearing a fair level. Retain BUY (unchanged FV of Rs60).

Q2FY26 Earnings Update:

Positives:

- Trajectory of loan mix shift to secured segments continues.
- Deposits grew ~15% yoy led by sharper growth in CASA deposits.
- Net Interest Margin (NIM) improved 20 bps qoq, led by a decline in the cost of funds and the utilization of surplus liquidity.
- Gross and net NPL ratios were broadly flat qoq at 2.5% and 0.7%, respectively.
- It has a strong granular liability franchise. The share of top-20 depositors stands at 5.5%.

Negatives:

- Credit costs remained elevated as the bank made provisions for residual stress.
- While Ujjivan has outperformed peers in the microfinance business, the bank has some ground to cover on secured business profitability and liability franchise improvement.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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