

Ujjivan Small Finance Bank (UJJIVANS) - BUY

Company Update

Current Market Price (CMP) Rs. 54	Fair Value (FV) Rs.72
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Rationale:

- We recently met with Ujjivan’s microfinance team (business and credit verticals) and also undertook a channel check on the gold loan business.
- Microfinance asset quality is improving with no major disruption in any regional pockets.
- Credit demand for Ujjivan looks healthy due to lower competitive intensity.
- The gold loan business is still nascent but remains a key focus area.
- Stock has corrected sharply in recent months and offers an attractive play on microfinance recovery.
- We reiterate BUY on Ujjivan SFB; FV unchanged at Rs72.

👍 Positives:

- Collections in the microfinance business continue to improve steadily for the overall industry in the past few months.
- There has been no material deterioration in any regional pockets of the country thus far.
- Business volumes are trending quite well. The trend of new customer acquisition (NCA) is progressively improving.
- Momentum in Ujjivan’s microfinance business has picked up alongside the improvement in credit quality.
- The sharp reduction in the industry’s borrower base and leverage in the past two years gives comfort on the growth outlook.

👎 Negatives:

- We continue to monitor any impact from the evolving geopolitical situation.



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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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