

Ujjivan Small Finance Bank Limited

March 23, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	500.00	CARE AA-; Stable	Reaffirmed
Non-convertible debentures	500.00	CARE AA-; Stable	Reaffirmed
Fixed Deposit	10,000.00	CARE AA-; Stable	Reaffirmed

Details of instruments in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to instruments, bank facilities and fixed deposits of Ujjivan Small Finance Bank Limited (USFBL) considers the comfortable capitalisation and improving scale of its loan book, supported by increasing diversification. USFBL's advances, which grew modestly in FY25 due to stress-driven contraction in the micro-banking segment, rebounded to 15% in 9MFY26, led by sustained traction in secured lending and a gradual recovery in microfinance.

The bank is actively reducing its reliance on micro-banking (52% share) by increasing the proportion of secured loans, which rose to 48% of the loan book as on December 31, 2025 (March 31, 2025: 44%) and is targeted to increase to 60–65% over the medium term. This transition is expected to strengthen the portfolio stability, though with some moderation in yields.

Stress in the micro-banking segment in the last year has weighed on asset quality, with slippages increasing to 4.21% in FY25 and 3.60% in 9MFY26 (FY24: 2.25%). Despite higher slippages, the bank has maintained gross non-performing assets (GNPA) and net NPA (NNPA) below 3% and 1%, respectively, aided by write-offs, NPA sales to asset reconstruction companies, and accelerated provisioning.

Margin compression from a rising secured loan mix, elevated credit costs, interest reversals linked to micro-banking stress, and higher operating expenses impacted profitability, with return on total assets (ROTA) declining to 1.66% in FY25 and further to 1.10% in 9MFY26, compared to 3.50% in FY24. Nevertheless, over the medium term, profitability is expected to improve with scale benefits, operating efficiencies, and moderation in credit costs. Ratings also remain constrained by a moderate, though improving, resource profile, with a relatively low current account saving account (CASA) ratio.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade

- Significant scale up of the business and profitability accompanied by a meaningful diversification into a secured asset class.
- Sustained improvement in the CASA proportion resulting in lower cost of funds.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade

- Significant deterioration in profitability with ROTA remaining below 1% on a sustained basis.
- Material deterioration in the asset quality.
- Capital adequacy ratio (CAR) remaining below 18% on a sustained basis.

Analytical approach:

Standalone

Outlook: Stable

The stable outlook reflects the likely continuation of comfortable capitalisation despite near-term pressures on profitability and asset quality.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Comfortable capitalisation levels

The CAR remained comfortable, with the overall CAR at 21.62% and the Tier-I CAR at 20.13% as on December 31, 2025. Capitalisation is primarily supported by internal accruals and periodic equity infusions - including ₹475 crore raised in FY23 to support the envisaged growth. CareEdge Ratings expects CAR to remain at healthy levels, in line with the management's guidance of 17–20% over the medium term, providing adequate headroom to absorb potential credit risks and support business expansion.

Scaling up of loanbook with increasing diversification

USFBL demonstrated strong growth in advances in the post-COVID-19 period, with loan growth of 33% in FY23 and 24% in FY24. Growth moderated to 8% in FY25 and 15% year-to-date in 9MFY26, primarily due to a deliberate reduction in the unsecured micro-banking portfolio amid industry-wide stress, even as the secured portfolio continued to expand at a healthy pace. As a result, the share of micro-banking loans declined to 52% as on December 31, 2025, from 70% as on March 31, 2024, with a corresponding increase in secured advances to 48% from 30%. The bank intends to further increase the secured mix to 65–70% over the medium term alongside scaling the loan book with a compounded annual growth rate (CAGR) of 20–25% from the current levels. Although the unsecured portfolio has resumed growth on the back of improving asset quality, its growth is expected to remain relatively lower than that of the secured portfolio over the medium term.

As on December 31, 2025, the non-micro-banking portfolio mainly comprises housing loans (22%), micro, small and medium enterprise (MSME) loans (8%), loans to financial institutions (7%), micro mortgage (4%), and other segments (7%), including vehicle, gold, personal, and staff loans. The bank also benefits from geographical diversification, with operations across 24 states and two Union Territories. The top three states together accounted for 37% of advances, with no single state contributing over 14%, indicating moderate geographic concentration. Growth is expected to remain driven by the secured portfolio over the medium term, in line with the bank's stated strategy.

Key weaknesses

Significant exposure to microfinance sector, resulting in muted profitability for FY25 and 9MFY26

USFBL's asset quality moderated in FY25 and 9MFY26, primarily due to stress in the micro-banking portfolio, which continues to constitute a significant share of the loan book. The high dependence on microfinance exposes the bank to inherent risks such as borrower vulnerability, regulatory uncertainties, and socio-political factors associated with unsecured lending.

Slippages remained elevated at 4.21% in FY25 and 3.60% (annualised) in 9MFY26 compared to 2.25% in FY24. Despite this, headline GNPA and NNPA were maintained below 3% (GNPA at the end of Q3FY25: 2.68%, Q4FY25: 2.18%, Q1FY26: 2.52%, Q2FY26: 2.45% and Q3FY26: 2.38%) and 1%, respectively, supported by write-offs, sale of NPAs to asset reconstruction companies, and accelerated provisioning. The net stressed assets (net stressed assets = Net NPA + Net Std. Restructured + Net Security Receipts) to net worth ratio stood comfortable at 3.5% as on December 31, 2025. While asset quality indicators such as collection efficiency and days past due (DPD) trends have shown gradual improvement, near-term performance is expected to remain sensitive to the micro-banking segment.

Profitability moderated in FY25 and 9MFY26 due to elevated credit costs, interest reversals linked to micro-banking stress, net income margin (NIM) compression from an increasing secured loan mix, and higher operating expenses. USFBL reported ROTAs of 1.66% in FY25 and 1.10% in 9MFY26, compared to 3.50% in FY24. Profitability is expected to improve over the medium term, supported by normalisation in credit costs and scale efficiencies, despite some moderation in yields from a higher secured loan mix, with the ability to control slippages remaining a key monitorable.

Relatively lower CASA proportion

The bank's liability profile has strengthened post its transition to a small finance bank, with deposits accounting for 92% of total outside liabilities (TOL) as on December 31, 2025. Deposits grew by 22% year-on-year to ₹42,223 crore; however, the CASA ratio remained relatively modest at 27.32% and continues to be lower than peers in the small finance bank segment.

The bank has been focusing on building a granular retail deposit base, with CASA and retail term deposits (up to ₹3 crore) constituting 70% of total deposits as on December 31, 2025, alongside a gradual reduction in reliance on wholesale term deposits. CareEdge Ratings expects the bank to focus on raising CASA deposits, which would provide a stable depositor base and reduce cost of funding in the medium term.

Liquidity: Adequate

USFBL's liquidity profile remained adequate with no negative cumulative mismatches in time buckets up to one year per asset liability maturity (ALM) statement as on December 31, 2025. USFBL's average liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) stood at 160% and 124%, respectively, for the quarter-ended December 31, 2025, against the regulatory requirement of 100%. The bank maintained excess statutory liquidity ratio (SLR) of ₹2,515 crore or 6.3% of net demand and time liabilities (NDTL), which can be readily used for repo or liquidated in the secondary market. The bank also had high-quality non-SLR instruments of ₹1,999 crore as on December 31, 2025. The bank can also resort to Rupee borrowing as CDs, term money, portfolio securitisation, and re-finance from domestic financial institutions in case of liquidity need. The bank also has access to facilities such as liquidity adjustment facility (LAF), marginal standing facility (MSF), and call money market to meet liquidity requirements.

Environment, social, and governance (ESG) risks

Given USFBL's service-oriented nature of business, its direct exposure to environmental risks remains low. However, it faces implicit environmental risks through its portfolio of assets. Customer data privacy and security remain the key social risk-related vulnerabilities for USFBL as breaches could attract regulatory attention and damage the bank's reputation. While digital banking offers many benefits to the bank, poor execution of IT strategies and failure to adequately meet customer needs could lead to high costs. On a positive note, USFBL is enhancing financial inclusion by offering products and services aimed at marginalised sections of society, addressing social concerns. Prudent lending to these underserved segments could create growth opportunities, which must be weighed in the context of asset quality risks, including borrower creditworthiness, economic vulnerabilities, and regulatory uncertainties. USFBL's Board comprises eight Directors, of whom six are independent Directors and four are women Directors.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Banks](#)

[Financial Ratios - Financial Sector](#)

[Rating Basel III - Hybrid Capital Instruments issued by Banks](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Other bank

USFBL is the third-largest small finance bank in India, incorporated on July 04, 2016, and was a subsidiary of Ujjivan Financial Services Limited (UFSL). UFSL was a Bengaluru-based microfinance company registered as non-banking financial company (NBFC)-microfinance institution (MFI) with Reserve Bank of India (RBI). It has been in microfinance lending since 2005 and has operated through joint liability group (JLG) model in urban and semi-urban areas and target customers who are salaried and self-employed women. UFSL was one of the 10 entities to be granted "in-principle" approval by RBI on September 16, 2015, to set up a bank under the "Guidelines for Licensing of Small Finance Banks in the private sector" (Guidelines) issued by the RBI on November 27, 2014. Subsequently, on November 11, 2016, RBI granted the license to USFBL to carry out the banking business in India. Accordingly, USFBL formally commenced its operations on February 01, 2017, where in line with the terms with Business Transfer Agreement (BTA) effective from February 01, 2017, entered between UFSL and USFBL, entire assets/liabilities of UFSL had been transferred to USFBL. Per the listing norms requirement of RBI for SFBs, bank concluded its initial public offering (IPO) process and got listed on NSE and BSE on December 12, 2019. Post IPO, UFSL's shareholding stood at 83.32% in USFBL.

The bank completed its reverse merger with USFL in May 2024 by allotting equity shares per the share exchange ratio based on the share exchange ratio specified in the scheme - 116 equity shares each of USFBL for every 10 equity shares of UFSL. RBI has approved appointment of Sanjeev Nautiyal as MD and CEO for a three-year term, effective July 01, 2024. He succeeded Ittira Davis.

On February 04, 2025, USFBL submitted a formal application to the RBI for Universal Banking License per RBI Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total income	6,464	7,201	5,854
Profit after tax (PAT)	1,281	726	411
Total assets	40,195	47,468	52,078
Net interest margin (NIM) (%)	9.31	8.30	7.44
ROTA (%)	3.50	1.66	1.10
Gross non-performing assets (NPA) (%)	2.23	2.18	2.38
Net non-performing assets (NPA) (%)	0.28	0.49	0.57
Capital adequacy ratio (CAR) (%)	24.69	23.10	21.62

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures	INE551W08013	26-08-2022	11.95%	26-04-2028	300.00	CARE AA-; Stable
Debentures-Non-convertible debentures	Proposed	-	-	-	200.00	CARE AA-; Stable
Fixed Deposit	-	-	-	-	10,000.00	CARE AA-; Stable
Fund-based-Long Term	-	-	-	-	500.00	CARE AA-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based-Long Term	LT	500.00	CARE AA-; Stable	-	1)CARE AA-; Stable (26-Mar-25) 2)CARE AA-; Stable (23-May-24)	1)CARE AA-; Stable (03-Jan-24) 2)CARE A+; Positive (03-Aug-23)	1)CARE A+; Stable (05-Jan-23) 2)CARE A+; Stable (05-Jul-22) 3)CARE A+; Stable (01-Apr-22)
2	Debentures-Non-convertible debentures	LT	500.00	CARE AA-; Stable	-	1)CARE AA-; Stable (26-Mar-25) 2)CARE AA-; Stable (23-May-24)	1)CARE AA-; Stable (03-Jan-24) 2)CARE A+; Positive (03-Aug-23)	1)CARE A+; Stable (05-Jan-23) 2)CARE A+; Stable (05-Jul-22)
3	Fixed Deposit	LT	10000.00	CARE AA-; Stable	-	1)CARE AA-; Stable (26-Mar-25) 2)CARE AA-; Stable (23-May-24)	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Complex
2	Fixed Deposit	Simple
3	Fund-based-Long Term	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in</p>	<p>Analytical Contacts</p> <p>Sanjay Agarwal Senior Director CARE Ratings Limited Phone: +91-22-6754 3500 E-mail: Sanjay.agarwal@careedge.in</p> <p>Priyesh Ruparelia Director CARE Ratings Limited Phone: 022-67543593 E-mail: Priyesh.ruparelia@careedge.in</p> <p>Sudam Shrikrushna Shingade Associate Director CARE Ratings Limited Phone: 912267543453 E-mail: sudam.shingade@careedge.in</p>
---	---

About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge Ratings and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2026, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information required as per applicable law and regulations and CARE Ratings Limited holds exclusive copyright over the same. Any reproduction, retransmission, modification, derivative works or use or reference to the contents, in whole, in part or in any form, is prohibited except with prior express written consent from CARE Ratings Limited.

**For detailed Rating Report and subscription information,
please visit www.careratings.com**