Ujjivan SFB Eyes Mid-Corporate Lending by FY27, Says CEO Sanjeev Nautiyal, ETBFSI

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Sanjeev Nautiyal, MD & CEO, Ujjivan Small Finance Bank

Bengaluru-based Ujjivan Small Finance Bank is preparing to enter mid-corporate lending by FY27, aligning the move with its aspiration to become a universal bank. The bank applied for a universal banking license in February 2024 and expects a decision from the Reserve Bank of India by December.

Currently lending to NBFCs and running a supply chain finance vertical, Ujjivan is now building capabilities to cater to mid-sized businesses in manufacturing, trading, and distribution. While CEO Sanjeev Nautiyal admitted that corporate credit demand is muted, he expressed confidence that it will rebound. “A bank surely will have to have all products and services to be worth its salt,” he told ETBFSI in an interview.
CEO Sanjeev Nautiyal spoke on the bank’s universal banking ambitions, mid-corporate lending roadmap, microfinance stress recovery, the evolving relevance of joint liability groups, deposit mobilisation playbook, and building a digital-first, customer-centric franchise.

Edited Excerpts:

What's your strategy for deposit mobilisation amid lean margin compression and rate cuts?

Nautiyal: Only 17 per cent of Ujjivan's book is on floating rates, so we're less impacted. We've cut savings bank rates, 65 bps in TDR and 100 bps in S&P, for select buckets. Over the past 6 - 8 months, we've overhauled our liability strategy. It's now multi-layered and segment-specific, targeting NRIs, senior citizens, institutions, HNIs, etc. We've bifurcated teams for acquisition and retention, launched a priority program for HNIs and Ultra-HNIs, and focused on faster digital onboarding. Our aim is to become a well-known liability franchise offering full life-cycle engagement.

How are you approaching the dynamics in microfinance, particularly risk, recovery, and underwriting? Which geographies are performing better in collections, and how do you view the JLG model?

Nautiyal: Group lending grew in Q1, delinquencies are tapering, and we expect the second quarter to reflect better sentiment. Our collections beyond one-month delinquency are handled by a separate team. Our delinquency (PAR 31–180) in 10 key states is around 3.5 per cent, significantly better than the industry average of 6.7 per cent. North and East are faring better, while South, especially Karnataka, Tamil Nadu, Kerala, and parts of Gujarat have seen more stress. On Joint Liability Group (JLG) model, even after becoming a bank, we've never legally relied on the group to enforce repayment. It's more of a convenience and cost-reduction tool. Center meetings help with education and collection, but post-COVID, their frequency has declined (now about 60 per cent). Group lending will continue but individual lending, aided by digital and bureau data, is growing faster.

The Q1 write-offs Rs 153 crore, were all from microfinance. When do you expect normalisation?

Nautiyal: Yes, the entire write-off in Q1 was from the microfinance segment. We believe normalisation is already underway. Slippages peaked in Q4FY24 and in Karnataka, they peaked in Q1FY25. For us, the second half should be significantly better, and we expect to return to business-as-usual momentum.

How will the recent CRR cut help the bank?

Nautiyal: With most of our book on MCLR or fixed rates, the CRR (Cash Reserve Ratio) cut is expected to release about Rs 300 crore for us as the RBI implements the reduction in four tranches.

What is your ideal loan book mix as you prepare for universal bank status?

Nautiyal: As of June, 54 per cent of our book is unsecured, 46 per cent secured. Over the next five years, we're targeting a shift to 65–70 per cent secured and the rest unsecured. This is part of our strategy to diversify and de-risk.

When do you expect a decision on the universal banking license?

Nautiyal: We applied in February 2024, having met the eligibility criteria set in April. Our understanding is that the application is under active review and may be placed before the committee soon. A decision could come around December, give or take a month or two.

What will the transition change for Ujjivan, and how will you balance scale with inclusion?

Nautiyal: As a universal bank, we'll no longer be bound by SFB restrictions like 75 per cent PSL or ticket size caps. That opens up new product lines, forex, working capital, unsecured credit and helps attract better talent. But we'll stay committed to inclusion. We'll keep expanding in underbanked areas, continue microfinance lending, and transition group borrowers to individual loans, micro-mortgages, affordable housing, and gold loans. The PSL obligation will still apply (40 per cent of a larger book).

How would you go about corporate lending?

Nautiyal: Currently, 7 - 8 per cent of our loan book is lending to NBFCs through our Financial Institutions Group. We also do supply chain financing for vendors and dealers of mid-sized enterprises. These have given us experience. We're preparing policies and resources to lend directly to mid-corporates in manufacturing and trading. It hasn't started yet, but likely by FY27.

Corporate credit demand is muted now. Corporates are borrowing via NCDs or ECBs. But cycles change. Demand will return. A bank must be prepared across segments, "to be worth its salt," we must offer the full suite of products.

What's your tech budget for FY26?

Nautiyal: Roughly 6-7 per cent of our total OPEX is allocated to technology.

What new initiatives are on the anvil this fiscal?

Nautiyal: Our focus is on growing the secured book and launching new products in MSME, vehicle finance, and agriculture. We're also rolling out secured digital products and a revamped mobile banking app. Data, analytics, and AI will be central to how we operate.

Source - ETBFSI