Ujjivan SFB expects RBI to decide on universal bank application by Dec: CEO

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Subrata Panda, Aathira Varier August 1, 2025

Sanjeev Nautiyal, managing director & chief executive officer (MD & CEO), Ujjivan Small Finance Bank

Ujjivan Small Finance Bank's results for the first quarter of 2025-26 (Q1FY26) saw its net profit decline by 65.72 per cent to ₹103.22 crore. Following the announcement, **Sanjeev Nautiyal**, the bank's managing director & chief executive officer (MD & CEO), spoke to *Aathira Varier* and *Subrata Panda* in a video interview on its microfinance portfolio and application before the Reserve Bank of India (RBI) to be converted into a universal bank. **Edited excerpts:**

How is your microfinance portfolio shaping up?

The entire industry faced headwinds last year and there has been a general de-growth in the microfinance portfolio. But in Q4FY25, we saw disbursements were much better. In Q1FY26 also, our disbursements on the microfinance side were as good as they were in the previous quarter.

Against de-growth in three consecutive quarters, we saw a glimmer of hope with a very small growth emerging in our microfinance portfolio in Q1. It is actually giving us confidence that the worst is behind us and growth could be a normal phenomenon now, and will increase in the coming months.

So, slippages will trend downwards from here on…

There are 10 states which the industry monitors because 85-90 per cent of the microfinance business comes from them. What we saw in Ujjivan was that in 9 out of the 10 states, the slippages had peaked in Q4FY25. Slippages in Karnataka peaked in Q1FY26. We feel that going forward, the slippages will bend down and we will have a better grip on the situation. Our business is also going to see an upward curve. It will be a gradual ascent, but by the start of the second half of FY26, it could be business as usual.

Will you look to grow your MFI book in a measured way now?

We are targeting a very moderate growth around 10 per cent. In Q1, growth of nearly ₹30-40 crore has emerged. This should increase with each passing month. Individual loans will grow at a faster pace. Group loans will be less than 10 per cent. So, the combined effect of group loans and individual loans under microfinance should be around 10 per cent for FY26.

You have considerably increased the secured portion of your book since last year. What is the ideal mix for you, going forward?

The effort is to reduce volatility and risk on the balance sheet. Efforts for growing the secured business have been in motion for at least two-three years. But, this trend gained faster momentum and acceptance in FY25. The unsecured book has come down from 70 per cent in FY24 to 54 per cent currently. There is a clear shift because of a combination of two factors: reducing volatility and risk and meeting the regulators' expectations. Also, it sits with our ethos of a universal bank as well. We have built a blueprint for 5 years. By March 2030, the secured book should be 65-70 per cent and the remaining would be unsecured. By March 2030, we expect the return on assets (RoA) will be 1.8-2 per cent, and return on equity (ROE) should be 18 per cent. By FY30, our loan book would be around ₹1 trillion.

Do you have any capital raising plans?

We do have plans to raise capital, maybe two years down the line.

How will you benefit from RBI’s relaxation on priority sector lending (PSL) norms for small finance banks (SFBs)?

The reduction in the PSL targets to 60 per cent offers us the flexibility and manoeuvrability to decide where to focus in terms of our risk appetite, cost implications and profit aspirations. These three fulcrums will decide where we would focus our energy through the release of the 15 per cent. In PSL, marginal farmers are the category where most of the demand comes for. So if we can do more in that area, we can sell it in the form of PSL certificates. But otherwise, this will be a play on what more we can do on say vehicle loans, micro mortgages, and agri-banking.

Are there any new segments you would want to enter?

We have plans to introduce new products, irrespective of the change. But lowering of the PSL mandate offers us a choice on what suits us best in terms of pricing, cost and risk. We will then push appropriate products to fill the gap in the 15 per cent released to us while also being mindful of the fact that if we can do more of small and marginal farmers, we will sell them as PSL certificates as well.

Are you planning to sell any more portfolios to asset reconstruction companies (ARCs)?

As of now we are not considering any ARC sale. We will manage the book from within the bank.

By when do you expect to secure a universal banking license?

We applied in the month of February. And our application is under evaluation and processing at the Department of Regulation. We have not heard back from the RBI, which has not given any indication on its plans for our application. But it will be put up to an internal committee, and that stage has not yet been reached. We are expecting that the decision could be out by December this year.

Source - Business Standard