

Retail Equity Research

CreditAccess Grameen Ltd.

NBFC- MFI

BSE CODE : 541770

NSE CODE: CREDITACC

BLOOMBERG CODE: CREDAG:IN

SENSEX : 81,741

BUY

12 Months Investment Period

Rating as per Mid Cap

CMP Rs. 1,327 TARGET Rs.1,565 RETURN 18% 

(Closing: 31-07-24)

KEY CHANGES:
TARGET

RATING

EARNINGS


Operational efficiency to support valuation...

CreditAccess Grameen Ltd. (CAGL) is one of the leading microfinance NBFCs in India with a strong focus on group lending and retail finance. The majority of its operations in South India.

- The Gross Loan Portfolio (GLP) grew by 20.6%YoY, reaching Rs.26,304cr, while the number of active borrowers increased by 12.7%YoY.
- Advances are expected to grow at a CAGR of 23% during FY25-26, supported by strong customer additions.
- The Net Interest Income (NII) growth stood at 28.7%YoY. The Net Interest Margin (NIM) contracted by 10bps QoQ and stood at 13%.
- The GNPA and NNPA rose to 1.46% and 0.45%, respectively, from 1.18% and 0.34% in the previous quarter, due to a temporary increase in delinquencies related to seasonal factors.
- Despite a soft H1FY25, the management remains confident of achieving its guidance spelled for FY25E, driven by strong growth in H2FY25. We believe CAGL remains well-placed to deliver strong return ratios. Consequently, we maintain our BUY rating with a target price of Rs.1,565, based on a 2.4x FY26E BVPS.

GPL growth moderated

In Q1FY25, GLP exhibited moderated growth, soaring by 20.6%YoY to Rs.26,304cr. The total number of borrowers rose by 12.7%YoY to 49.84lakh. The momentum of growth stalled due to seasonal weakness generally seen in Q1, severe heatwave across regions, and limitations due to general elections. Although the new MFIN guidelines are expected to impact the borrower base, CAGL is confident that the new customer additions will adequately compensate for any loss in borrowers due to the guidelines. Management is confident in achieving its target growth as disbursements have reached normalcy by the beginning of Q2.

Credit cost inched higher

NII grew by 29%YoY due to Rs.927cr due to a 30% increase in interest income, while interest expenses grew by 33%. The portfolio yield of CAGL remained stable at 21% during the quarter. The weighted average cost of borrowing remained steady at 9.8%, while the marginal cost of borrowing decreased by 30 bps YoY to 9.4%. The NIM remained flat at 13.1% compared to Q1FY24. The company reported a feeble growth of 14.1%YoY in net profit at Rs.397cr, due to a 129% increase in provisions as there is transitional stress from assets. Management is confident that the increment in credit cost is already factored into the credit cost guidance of 2.2%-2.4% for FY25. ROA for the quarter stood at 5.4% and ROE at 23.5%. We expect the PAT to grow at a CAGR of 21% for FY25-26.

Asset Quality deteriorated

During Q4, the collection efficiency (excluding arrears) declined to 97.8% from 98.3% in Q4FY24. The GNPA of CAGL stands at 1.46%, compared to 1.18% in Q4FY23, while NNPA declined by 10bps to 0.45%. The current stress in asset quality is considered transitional, as operational efficiency has returned to normalcy by the beginning of Q2FY25. ECL provision stands at 2.29%, which is well above the GNPA.

Outlook and valuation

CAGL has put in place corrective actions to restore its operational efficiency. Despite a soft H1FY25, the management remains confident of achieving its guidance for FY25E, driven by strong growth in H2FY25. We believe CAGL remains well-placed to deliver strong return ratios. Consequently, we maintain our BUY rating with a target price of Rs.1,565, based on a 2.4x FY26E BVPS.

Company Data

Market Cap (Rs cr)	21,268
Outstanding Shares (cr)	15.9
Free Float(%)	33.0
Dividend Yield(%)	0.0
52 week high (Rs)	1,794
52 week low (Rs)	1,194
6m average volume (lakh)	2.9
Beta	0.4
Face value (Rs)	10.0

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	66.7	66.7	66.5
FII's	12.0	12.0	10.9
MFs	15.8	15.8	16.3
Public/Others	5.5	5.5	6.3
Total	100.0	100.0	100.0
Promoter pledge	-	-	-

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-12.1%	-16.8%	-9.0%
Absolute Sensex	10.1%	14.3%	24.1%
Relative Return*	-22.2%	-31.2%	-33.1%

*over or under performance to benchmark index



Consolidated (Rs cr)	FY24A	FY25E	FY26E
NII	3,168	3,987	4,870
Growth(%)	49.8	25.9	22.1
NIM(%)	12.8	12.7	12.7
Provisions	452	689	808
Adj. PAT	1,446	1,712	2,108
Growth(%)	75.0	18.4	23.1
Adj. EPS	90.9	107.4	132.2
Growth(%)	74.8	18.2	23.1
BVPS	412	510	642
Adj BVPS	406	499	632
P/E	14.6	12.3	10.0
P/B	3.20	2.59	2.05
ROA(%)	5.7	5.3	5.3
ROE (%)	24.8	23.3	23.0

Quarterly Financials

(Rs cr)	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Interest Income	1,437	1,105	30.0	1,363	5.4
Interest Expense	510	385	32.6	482	5.8
Net Interest Income (NII)	927	720	28.7	881	5.2
Fee and Other Income	75	66	15.1	96	-21.4
Total Income	1,002	786	27.5	977	2.6
Expenditure	293	242	21.0	294	-0.4
Pre-Provision Profit	709	544	30.4	683	3.9
Provision	175	76	128.5	153	13.9
PBT	535	467	14.4	529	1.0
Tax	137	119	15.3	132	3.6
Reported PAT	398	348	14.1	397	0.1
Adjustment	-	-	-	-	-
Adj. PAT	398	348	14.1	397	0.1
Diluted EPS (Rs)	24.9	21.9	13.8	24.9	0.1

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change(%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Interest Income (NII)	3,919	4,724	3,987	4,870	1.7	3.1
Net Interest Margin (%)	12.7	12.8	12.7	12.7	5bps	-10bps
Pre-Provision Profit	2,987	3,590	2,982	3,632	-0.2	1.2
Adj. PAT	1,752	2,108	1,712	2,108	-2.3	0.0
Diluted EPS (Rs)	109.9	132.3	107.4	132.2	-2.3	0.0

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Interest Income	2,567	3,327	4,900	6,203	7,506
Interest Expense	984	1,213	1,732	2,216	2,637
Net Int. Income	1,583	2,114	3,168	3,987	4,870
Change(%)	16.3	33.5	49.8	25.9	22.1
Non Int. Income	183	224	273	335	398
Total Income	1,766	2,338	3,440	4,322	5,268
Operating Expenses	688	831	1,049	1,340	1,636
Pre Prov. Profit	1,078	1,506	2,391	2,982	3,632
Change(%)	13.2	39.8	58.7	24.7	21.8
Prov. & Conting.	597	401	452	689	808
PBT	481	1,105	1,939	2,293	2,823
Change(%)	166.5	129.9	75.4	18.3	23.1
Tax	124	279	493	581	716
Tax Rate (%)	25.7	25.3	25.4	25.4	25.4
Reported PAT	357	826	1,446	1,712	2,108
Minority Interest	-6	-	-	-	-
Adj. PAT	363	826	1,446	1,712	2,108
Change(%)	170.9	127.5	75.0	18.4	23.1
No. of shares (Cr)	15.6	15.9	15.9	15.9	15.9
EPS (Rs)	23.3	52.0	90.9	107.4	132.2
Change(%)	170.5	123.0	74.8	18.2	23.1
DPS (Rs)	-	-	-	10.0	-

BALANCE SHEET

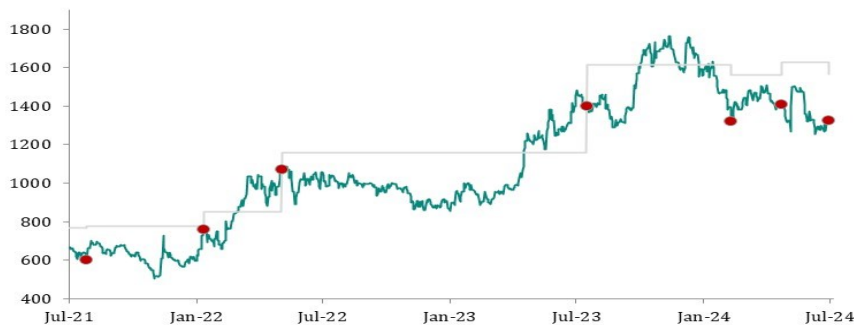
Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash & bank balances	1,761	1,436	1,314	1,889	2,335
Loans & Advances	14,765	19,043	25,105	30,840	37,990
Investments	1	455	1,439	1,600	1,851
Gross Fixed Assets	91	76	100	113	140
Net Fixed Assets	32	32	32	37	43
Intangible Assets	150	130	117	90	64
Def. Tax (Net)	0	81	137	156	196
Other Assets	773	680	703	839	946
Total Assets	17,482	21,858	28,846	35,452	43,425
Debt Funds	12,921	16,312	21,841	26,751	32,500
Other Liabilities	394	402	388	524	628
Provisions	-	37	47	54	68
Equity Capital	156	159	159	159	159
Reserves & Surplus	4,011	4,948	6,411	7,963	10,071
Shareholder's Funds	4,167	5,107	6,570	8,123	10,230
Total Liabilities	17,482	21,858	28,846	35,452	43,425
BVPS (Rs)	267.5	321.3	412.2	509.6	641.9
Change(%)	6.9	20.1	28.3	23.6	25.9
Adj. BVPS (Rs)	253.5	314.7	406.4	499.4	631.7
Change(%)	1.4	24.1	29.1	22.9	26.5

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
Interest yield (%)	17.9	18.4	19.9	19.8	19.6
Cost of funds (%)	8.2	8.3	9.1	9.1	8.9
Spread(%)	9.7	10.1	10.8	10.7	10.7
NIM (%)	10.5	11.1	12.8	12.7	12.7
ROE (%)	9.0	17.8	24.8	23.3	23.0
ROA(%)	2.2	4.2	5.7	5.3	5.3
Business Growth					
Loans & Advances (%)	26.0	29.0	31.8	22.8	23.2
Borrowings (%)	18.1	26.2	33.9	22.5	21.5
Operating Ratios					
Cost to Income (%)	39.0	35.6	30.5	31.0	31.1
Capital Adequacy					
CAR (%)	22.8	23.6	24.9	23.6	24.1
Asset Quality					
GNPA (%)	3.6	1.2	1.2	1.5	1.1
Valuation					
P/E (x)	56.9	25.5	14.7	12.4	10.0
P/B (x)	5.0	4.1	3.2	2.6	2.1
Adj. P/B (x)	5.2	4.2	3.3	2.7	2.1

Recommendation Summary (Last 3 years)

Dates	Rating	Target
14 September 20	Buy	824
10 November 20	Accumulate	824
10 May 21	Buy	767
25 August 21	Buy	775
10 February 22	Accumulate	850
02 June 22	Hold	1,158
16 August 23	Accumulate	1,615
11 March 24	Buy	1,560
24 May 24	Buy	1,628
31 July 24	Buy	1,565



Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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