

PICK OF THE WEEK

03rd January, 2026

CreditAccess Grameen Ltd

Sector: BFSI – Microfinance

BUY

CMP

1,288

Target Price

1,417

Upside

10%

CMP as on 02nd January, 2026 | Time horizon: 6-9 Months

Why CreditAccess Grameen Ltd

- End of the Accelerated Write-Off Cycle
- Asset Quality Improvement Underway
- Strong NIM Profile

About the Company

CreditAccess Grameen (CAGrameen) is a rural-focused microfinancier that caters mainly to women borrowers who lack access to the formal banking sector. CAGrameen is predominantly present in Karnataka, Maharashtra, and Tamil Nadu, which collectively contribute ~71% of its Gross Loan Portfolio (GLP) and ~62% of its total borrower base as of Sep'25.

Investment Rational

A. End of the Accelerated Write-Off Cycle

- CAGrameen expects normalised levels of write-off from Q3 onwards, thereby keeping the credit costs lower.
- Credit costs have peaked and are expected to improve over H2.

B. Growth Visibility Improves

- GLP growth would be driven by sustained branch additions, scaling up customer addition run-rate to ~1 Lc customers/month, and sustained robust growth in the Retail Finance (RF) book.
- We factor in GLP growth of ~20% CAGR over FY26-28E, with RF growth outpacing MFI growth.

C. NIMs to Remain Strong

- CAGrameen's management expects the CoF to continue trending downwards and expects to exit FY26 with a CoF of ~9.5% and a further 20 bps improvement in FY27.
- CAGrameen has taken a 75 bps rate hike on its GL portfolio as part of its risk-based pricing approach, considering the ECL rate increase.

Outlook & Valuation

- CAGrameen has been successfully navigating the challenges of the recent MFI credit downcycle and has exhibited resilience as it readies for its next leg of growth. The optimism around GLP growth picking up from H2 onwards is encouraging.
- We factor in strong GLP/NII/Earnings CAGR growth of 20/20/56% over FY26-28E, with RoA/RoE delivery of 4.3-4.4%/18-19% over the same period.
- **Valuation:** Trading at 2.2x FY27E BV

Analyst Insights

- We recommend a BUY with a target price of Rs 1,417, implying an upside of ~10% from the CMP.

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Financial Summary

	FY26E	FY27E	FY28E
NII (Rs Cr)	3,926	4,747	5,669
PPOP (Rs Cr)	2,891	3,494	4,170
PAT (Rs Cr)	777	1,556	1,899
EPS (Rs)	48.7	97.4	118.9
BVPS (Rs)	484.2	581.6	700.5
P/BV (x)	2.7	2.2	1.8
RoA (%)	2.6	4.3	4.4
NNPA (%)	1.2	1.0	0.8

Market Data

No. of Shares	16.0 Cr
Market Cap (Rs Cr)	20,602
52-week High	1,490
52-week Low	750
P/BV (x)	2.2
BSE Code	541770
NSE Code	CREDITACC

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