

Retail Equity Research (South India Focus)

# CreditAccess Grameen Ltd

NBFC- MFI

BSE CODE : 541770

NSE CODE: CREDITACC

BLOOMBERG CODE: CREDAG:IN

SENSEX : 55,959

**BUY**

12Month Investment Period

Rating as per Small Cap

**CMP Rs. 619 TARGET Rs.775 RETURN 25% ↑**

(Closing: 24-08-21)

**KEY CHANGES:**
**TARGET ↑**
**RATING ↔**
**EARNINGS ↑**

## Maintaining our positive outlook

CreditAccess Grameen Limited (CAGL) is one of the leading Microfinance NBFCs in India with high focus on Group lending and Retail finance with majority of its operations in South India.

- **Gross Loan Portfolio (GLP) declined 7% on sequential basis to Rs.12,664cr as disbursement took a hit during the quarter due to lockdown and restrictions.**
- **Disbursement for the quarter de-grew by 77% QoQ while it reached pre-covid levels during July.**
- **Though collections were impacted due to lockdown in key cities, improvement was visible during July giving hopes of better asset quality in the coming quarters.**
- **Interest income declined by 7.3% YoY and 9.8% QoQ while Net Profit declined by 68.8% YoY and 70.7% sequentially due to collective impact of interest reversal, higher opex and elevated provision.**
- **We maintain our Buy rating with a revised upward target price of Rs.775 based on 2.5x FY23E Adj. BVPS.**

### Gross Loan Portfolio declined due to lower disbursement

In Q1FY22, Gross Loan Portfolio (GLP) declined 7% on sequential basis to Rs.12,664cr as disbursement took a hit during the quarter due to lockdown and related restrictions. Total disbursement de-grew by 77% sequentially to Rs.1065cr. However, disbursements have shown a large improvement and reported pre-covid levels during July. Company has opened 66 new branches in July 2021 in-order to expand its business. Number of borrowers saw a 5.6% decline during the month to 37.85 lakh (39.12 lakh in previous quarter). GLP of standalone entity de-grew by 6.7% QoQ to Rs 10,625cr while MMFL de-grew by 9.2% to Rs 2,038cr.

### High opex and provision impacted net profit

During the quarter, Net Interest Income (NII) de-grew by 7.3% YoY and 9.8% QoQ due to 1.7%YoY decline in interest income and 7.2% YoY increase in interest expenses. Decline in interest income was due to interest reversal on NPA recognition of about Rs.21.3cr. Non interest income stood at Rs30.03cr, an increase of 34% YoY and a decline of 74% QoQ. Operating expenses saw an increase of 15.2% YoY and resultantly pre-provision profit declined 15.3% YoY while declined 34.2% sequentially. Cost to income ratio increased from 32.7% in Q4FY21 to 41.2% during the quarter. As provisions remained elevated at Rs.187.9cr, company reported an adjusted net profit of Rs.22.5cr registering a 68.8% decline YoY and 70.7% decline sequentially. ROA for the quarter stood at 0.5% and ROE at 2.1%.

### Improvement in collection efficiency during July

During the quarter collection efficiency remained under pressure due to lockdown stringent lockdown. Collection including arrears during May stood at 79% while it was at 84% in June. Collection efficiency improved to 97% in July which gives confidence for a better asset quality in the coming quarters. As on July 2021, 76.6% borrowers have made full payment while 16.9% made partial payments. Only 6.5% of the borrowers did not make a single payment. In absence of a third wave, we expect improvement in collection efficiency and asset quality going forward. As on Q1FY22, consolidated GNPA stands at 7.56% against 4.43% in previous quarter. Provisioning stands at 6.30% as against 5.01% in previous quarter. GNPA looks elevated as company follows 60dpd (Day Past Due) compared to 90 dpd followed by peers. However, PAR 90+ (Portfolio At Risk) stands at 4.02% on a consolidated level.

### Outlook and valuation

Improvement seen in disbursement and collection efficiency during July gives confidence on better business performance in FY22 compared to previous fiscal. In absence of a third wave, the asset quality is also expected to improve from coming quarter. We value the company at 2.5x on FY23E Adj BVPS and arrive at a target price of Rs 775 and maintain our BUY rating.

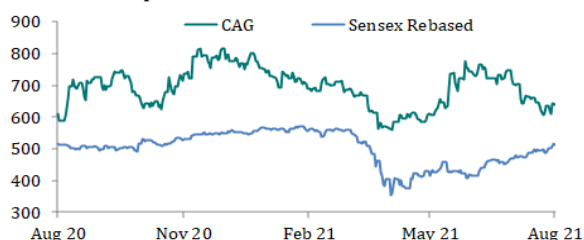
### Company Data

Market Cap (Rs cr)	9,629
Outstanding Shares (cr)	15.6
Free Float(%)	26
Dividend Yield(%)	0
52 week high (Rs)	839
52 week low (Rs)	541
6m average volume (lakh)	1.5
Beta	1.24
Face value (Rs)	10

Shareholding (%)	Q3FY21	Q4FY21	Q1FY22
Promoters	74.0	74.0	74.0
FII's	9.5	10.1	10.1
MFs	6.8	6.5	7.1
Public/Others	9.7	9.4	8.8
Total	100	100	100
Promoter pledge	0	0	0

Price Performance	3 month	6 month	1 year
Absolute Return	5.1%	-7.2%	4.4%
Absolute Sensex	9.5%	8.7%	44.8%
Relative Return*	-4.4%	-15.9%	-40.4%

\*over or under performance to benchmark index



Consolidated (Rs Cr)	FY21A	FY22E	FY23E
NII	1,361	1,631	1,991
Growth	29.2%	19.8%	22.1%
NIM(%)	11.51	11.86	12.20
Provisions	771	602	264
Adj. PAT	134	340	789
Growth	-59.8%	153.8%	132.0%
Adj. EPS	8.9	21.9	50.7
Growth	-61.6%	145.7%	132.0%
BVPS	237	259	310
Adj BVPS	237	259	310
P/E	69.7	28.4	12.2
P/B	2.61	2.39	2.00
Adj. P/B	2.61	2.39	2.00
ROE (%)	4.17	8.81	17.83

## Quarterly Financials

(Rs Cr)	Q1FY22	Q4FY21	QoQ Growth (%)	Q1FY21	YoY Growth (%)
Interest Income	587	612	-4%	597	-2%
Interest Expense	249	237	5%	233	7%
Net Interest Income (NII)	338	375	-10%	365	-7%
Fee and Other Income	313	143	119%	96	225%
Total Income	651	517	26%	461	41%
Expenditure	152	158	-4%	132	15%
Pre-Provision Profit	499	359	39%	329	52%
Provision	188	250	-25%	155	21%
PBT	311	109	186%	174	79%
Tax	8	22	-63%	26	-68%
Reported PAT	303	87	250%	148	104%
Adjustment	-2	-21	-	3	-
Adj. PAT	305	107	185%	148	106%
Diluted EPS (Rs)	1.44	3.59	-60%	4.97	-71%

## Change in Estimates

Year / Rs cr	Old estimates				Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Net Interest Income (NII)	1,527	1,767	1,631	1,991	6.8%	12.7%
Net Interest Margin (%)	11.9	12.4	11.9	12.2	-4bps	-20bps
Pre-Provision Profit	985	1,162	1,061	1,330	7.8%	14.5%
Adj. PAT	385	693	340	789	-11.6%	13.9%
Diluted EPS (Rs)	24.7	44.5	21.9	50.7	-11.5%	14.0%

**PROFIT & LOSS**

Y.E March (Rs cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Interest Income	1,218	1,633	2,290	2,682	3,198
Interest Expense	417	580	929	1,052	1,207
<b>Net Int. Income</b>	<b>802</b>	<b>1,053</b>	<b>1,361</b>	<b>1,631</b>	<b>1,991</b>
<i>Change</i>	<i>58.4%</i>	<i>31.4%</i>	<i>29.2%</i>	<i>19.8%</i>	<i>22.1%</i>
Non Int. Income	65	72	176	134	160
Operating Income	867	1,126	1,537	1,765	2,151
<i>Change</i>	<i>294</i>	<i>427</i>	<i>586</i>	<i>704</i>	<i>821</i>
Operating Exp.	<b>573</b>	<b>699</b>	<b>952</b>	<b>1,061</b>	<b>1,330</b>
<b>Pre Prov. Profit</b>	<i>81.9%</i>	<i>22.1%</i>	<i>36.2%</i>	<i>11.5%</i>	<i>25.3%</i>
Prov. & Conting.	75	237	771	602	264
<b>PBT</b>	<b>498</b>	<b>462</b>	<b>180</b>	<b>460</b>	<b>1,066</b>
<i>Change</i>	<i>51.6%</i>	<i>-7.3%</i>	<i>-60.9%</i>	<i>154.8%</i>	<i>132.0%</i>
Tax	176	126	49	120	277
Tax Rate (%)	35%	27%	27%	26%	26%
Reported PAT	322	335	131	340	789
Adjustment	0	2	-3	0	0
<b>Adj. PAT</b>	<b>322</b>	<b>334</b>	<b>134</b>	<b>340</b>	<b>789</b>
<i>Change</i>	<i>51.4%</i>	<i>3.7%</i>	<i>-59.8%</i>	<i>153.8%</i>	<i>132.0%</i>
No. of shares (Cr)	14.4	14.4	15.6	15.6	15.6
EPS (Rs)	23.1	23.2	8.9	21.9	50.7
<i>Change</i>	<i>12.1%</i>	<i>0.1%</i>	<i>-61.6%</i>	<i>145.7%</i>	<i>132.0%</i>

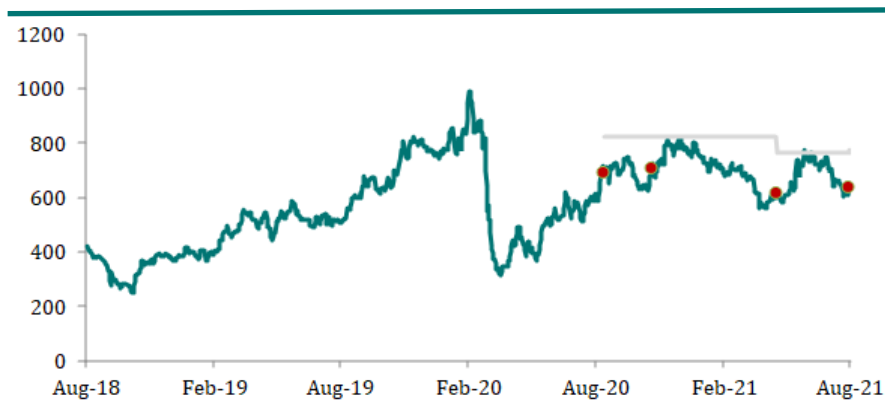
**BALANCE SHEET**

Y.E March (Rs cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	616	718	2,484	1,381	1,655
Loans & Advances	6,603	11,099	11,720	13,910	16,280
Investments	0	46	1	1	1
Gross Fixed Assets	34	50	69	91	116
Net Fixed Assets	19	32	24	39	48
CWIP	0	0	0	0	0
Intangible Assets	8	175	164	347	528
Def. Tax (Net)	43	57	104	60	60
Other Assets	69	463	561	920	695
<b>Total Assets</b>	<b>7,357</b>	<b>12,590</b>	<b>15,059</b>	<b>16,657</b>	<b>19,266</b>
Deposits	0	0	0	0	0
Debt Funds	4,867	9,540	10,941	12,171	14,069
Other Liabilities	114	295	386	420	245
Provisions	12	20	26	35	131
Equity Capital	144	144	156	156	156
Reserves & Surplus	2,222	2,590	3,536	3,876	4,665
Shareholder's Funds	2,365	2,734	3,692	4,032	4,821
<b>Total Liabilities</b>	<b>7,357</b>	<b>12,590</b>	<b>15,059</b>	<b>16,657</b>	<b>19,266</b>
<b>BVPS (Rs)</b>	<b>164.8</b>	<b>189.9</b>	<b>237.3</b>	<b>259.1</b>	<b>309.9</b>
<i>Change</i>	<i>47.2%</i>	<i>15.3%</i>	<i>24.9%</i>	<i>9.2%</i>	<i>19.6%</i>
Adj. BVPS (Rs)	164.8	189.9	237.3	259.1	309.9
<i>Change</i>	<i>47.2%</i>	<i>15.3%</i>	<i>24.9%</i>	<i>9.2%</i>	<i>19.6%</i>

**RATIOS**

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Profitab. &amp; Return</b>					
Interest yield (%)	20.1	17.8	19.4	19.5	19.6
Cost of funds (%)	9.8	8.1	9.1	9.1	9.2
Spread(%)	10.3	9.8	10.3	10.4	10.4
NIM (%)	13.2	11.5	11.5	11.9	12.2
ROE (%)	16.9	13.1	4.2	8.8	17.8
ROA(%)	5.2	3.3	1.0	2.1	4.4
<b>Business Growth</b>					
Loans & Advances (%)	34.9	68.1	5.6	19.4	16.9
Borrowings (%)	34.3	96.0	14.7	11.2	15.6
<b>Operating Ratios</b>					
Cost to Income (%)	33.9	37.9	38.1	39.9	38.2
<b>Capital Adequacy</b>					
CAR (%)	35.3	23.6	25.7	24.4	29.2
<b>Asset Quality</b>					
GNPA (%)	0.61	1.58	4.43	3.57	2.55
NNPA (%)	0.00	0.00	0.00	0.00	0.00
<b>Valuation</b>					
P/E (x)	26.8	26.8	69.7	28.4	12.2
P/B (x)	3.8	3.3	2.6	2.4	2.0
Adj. P/B (x)	3.8	3.3	2.6	2.4	2.0

## 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

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	-	-	-

#### 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 :** 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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