

CreditAccess Grameen Ltd.



CreditAccess Grameen Ltd.

Robust growth momentum back to normalcy

CMP INR 924	Target INR 1,135	Potential Upside 23%	Market Cap (INR Mn) 144,836	Recommendation BUY	Sector NBFC-MFIs
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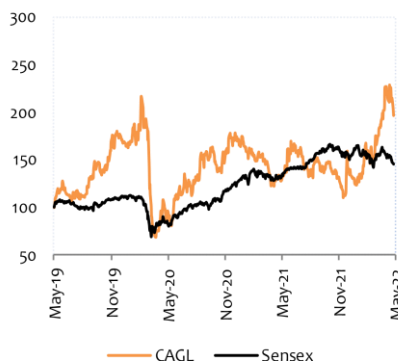
Result Highlights Q4FY22

- Net Interest Income (NII) for Q4FY22 increased by 23.1% YoY to INR 4,613Mn. For the full year FY22, NII stood at 15,833Mn, an increase of 16.3% YoY.
- The operating profit for Q4FY22 stood at INR 3,688Mn, a growth of 12.1% YoY. For the full year FY22, operating profits saw a 13.2% YoY growth at INR 10,776Mn. The cost to income ratio for Q4FY22 was improved at 33.8% as against 39.3% in Q3FY22.
- Disbursements improved at INR 57,920Mn (+22.5% YoY / +22.7% QoQ) and it has opened 42 new branches during the quarter.
- Gross Loan Portfolio (GLP) grew by 22.2% YoY as on Mar'22 at INR 165,990Mn (13.8% QoQ) as against INR 135,870Mn as on 31st March 2021, well ahead of 17-19% guidance growth. It has an active borrower base of 38.2 lakh.
- Profit after tax for Q4FY22 increased by 108.3% YoY to INR 1,601Mn ahead of our estimates, (INR 769Mn in Q4FY21), while for FY22 the PAT stood at INR 3,518Mn, a growth of 162.3% YoY. Credit costs declined up to 1% in Q4FY22 with INR 1,510Mn provisioning.
- Gross NPA (GL: 60+ dpd, RF: 90+ dpd) as of Mar'22 stood at 3.61% as against 4.43% as of Mar'21. Capital adequacy ratio (including Tier-II capital) as of 31st March 2022 was 22.8%. The Tier-I capital was 21.8%.

MARKET DATA

Shares outs (Mn)	156
Equity Cap (INR Mn)	1,559
Mkt Cap (INR Mn)	144,836
52 Wk H/L (INR)	1090/495
Volume Avg (3m K)	279.5
Face Value (INR)	10
Bloomberg Code	CREGAG IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	52,794
NIFTY	15,782

SHARE HOLDING PATTERN (%)

Particulars	Mar 22	Dec 21	Sep 21
Promoters	73.9	73.9	74.0
FIIIs	8.2	8.8	9.3
DIIIs	10.9	10.0	10.3
Others	7.0	7.2	6.5
Total	100.0	100.0	100.0

KEY FINANCIALS

(INR mn)	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
NII	10,534	13,614	15,833	21,332	26,978
PPOP	6,989	9,519	10,776	15,091	19,247
PAT	3,355	1,315	3,571	8,434	10,828
EPS (INR)	23.3	8.5	22.9	54.1	69.5
BVPS (INR)	197.5	244.0	261.5	316.9	387.9
ABVPS (INR)	192.7	233.0	245.8	304.6	378.4
P/E (x)	14.5x	64.7x	37.1x	17.1x	13.3x
P/ABV (x)	1.8x	2.3x	3.5x	3.0x	2.4x

Source: KRChoksey Research, Company reports Consolidated Financials

Asset quality improves: CAGL has showed an improving trend in NPA levels across all the geographies where it has improved from 'PAR 0' levels of 11.5% as on Sep'21 to 3.6% as on Mar'22 and 'PAR 90' levels of 5.4% as on Sep'21 improved up to 2.3% as on Mar'22. We expect NPA levels to further improve backed by improved collection efficiency (excluding arrears) from 94.5% for Q3FY22 to 97% in the month of Apr'22.

Balance sheet growth to restore: The CREDAG business growth in the last 2 years was lowered on account of less client acquisition amid COVID 19 pandemic. The management expects 8-10% YoY growth in client acquisition during FY23 which will drive growth in overall loan portfolio. The growth is expected from existing as well as newer geographies. It has opened 211 new branches during FY22 of which ~91% of branches are outside the top 3 states which is expected to observe robust growth over the next 2 years. We expect company's overall loan portfolio to grow at ~25% CAGR over the next 2 years. As a result, we estimate revenue to grow at 27.6% CAGR over the FY20-24E.

Strong and strategic business model: Company's district based expansion strategy has helped in reducing the district wise GLP exposure, as there is no district having more than 4% of GLP and 88% of total districts have less than 0.5% of GLP. Top 10 districts constitute ~21% of total GLP. It has improved operating efficiency from 39.3% in Q3FY22 to 33.8% in Q4FY22. For FY22, cost to income ratio maintained at 39.0% (+90bps YoY). We expect operating efficiency to improve up to ~35.5% over the next 2 years.

Key con-call highlights: 1) The borrower base declined by 2.2%, as 3.8 lakh borrowers written off during FY22. 2) In the last 12 months, CREDAG added 5.8 lakh borrowers, of which 49% of were outside top 3 states. During the same period, MMFL added 1 lakh borrowers of which 49% were out of Tamil Nadu. 3) The 65% of MMFL GLP converted into CAGL business model by March 2022. 4) The credit cost stood at INR 128.3Cr od which includes write off of INR 52.43Cr. The credit cost was partially offset by bad debt recovery of INR 20.8 cr during Q4FY22. Bad debt recovery stood at 74.2Cr in FY22 compared to 15.72Cr in FY21. 5) The management has provided the FY23 guidance of GLP

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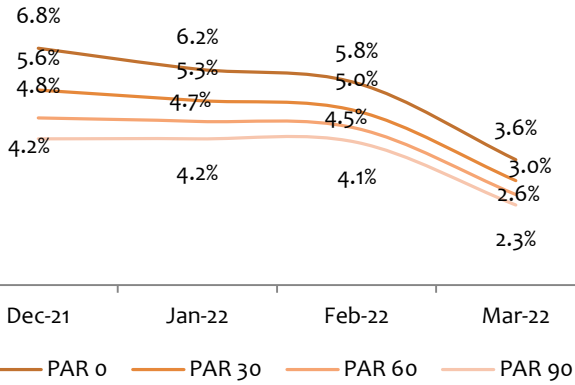
growth at 24-25% and credit costs of 1.8-2.0% on avg on book loan portfolio, return on assets (ROA) and return on equity (ROE) expected in the range of 4.0 - 4.2% and 16.0 – 18.0%, respectively considering a stable operating environment. 6) NIMs are expected to increase by 55-60bps YoY in FY23. 7) New customer acquisition is expected to grow at 8-10% YoY in FY23. 8) As per the new guidelines, the annual household income limit has raised from INR 1.25 lakh in rural and INR 2 lakh in urban up to INR 3 lakh. Removal of pricing cap which has enabled the company's to determining pricing of the loan product based on customer's risk profile. 9) Also, qualifying asset limit revised from 85% of net assets to 75% of total assets. 10) The lending rates for Q1FY23 to be in the range of 18.75% - 21.5% in case of CAGL which are the lowest in the industry and 19.35% - 22.1% in case of MMFL.

Valuation: We revised our estimates and factor 25% AUM growth over the next 2 years on account of robust expansion by CAGL during the year. Thus, overall profitability outlook revised upwards at 34% CAGR between FY20-24E.

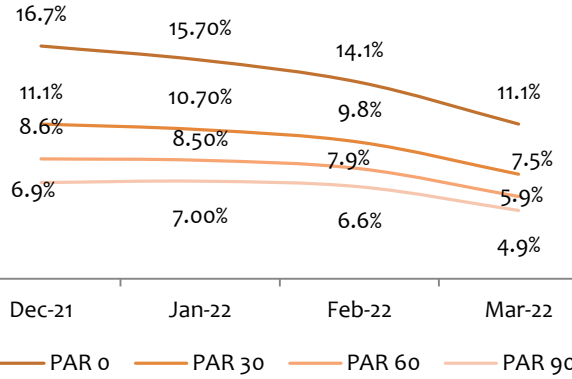
Currently, the stock is trading at 3.8x P/ABV based on FY22 ABVPS of INR 246 and our previous target of INR 843/share has been achieved. We are positive on the company's strong business model and the robust growth is expected in 2HFY23. We assign P/ABV multiple 3.0x to FY24E ABVPS of INR 378 to revised our target price upwards at INR 1,135/share and maintain our BUY recommendation on the stock with an upside of 23% over the CMP.

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PAR trend continues to decline backed by improved collections – Month wise trend

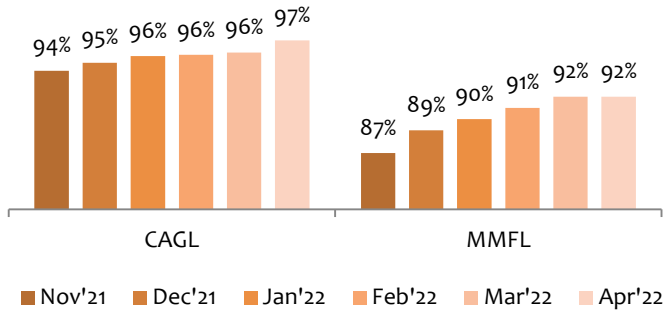


Source: Company data, KRChoksey Research



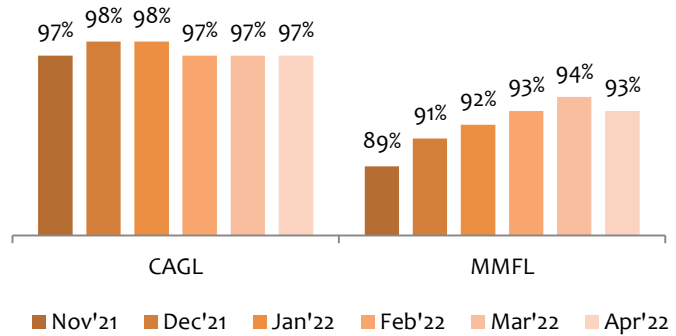
Month wise improved collections trend

Month-wise: Collection Efficiency (excl. arrears)

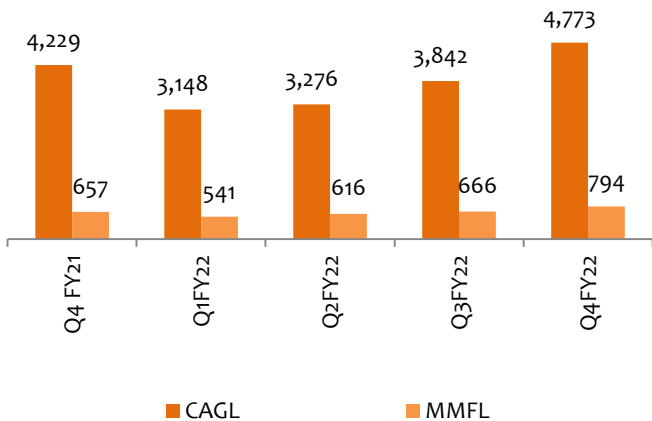


Source: Company data, KRChoksey Research

Month-wise: Collection Efficiency (incl. arrears)

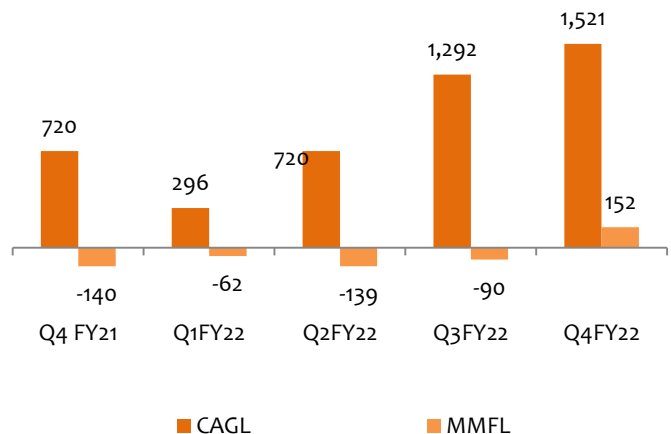


Revenue Performance (INR Mn)



Source: Company investor presentation

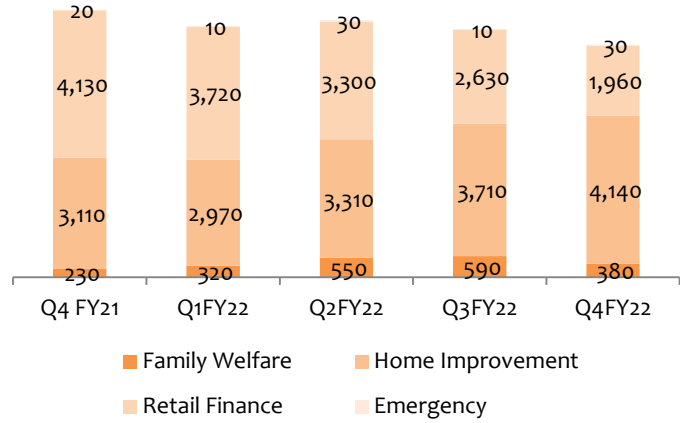
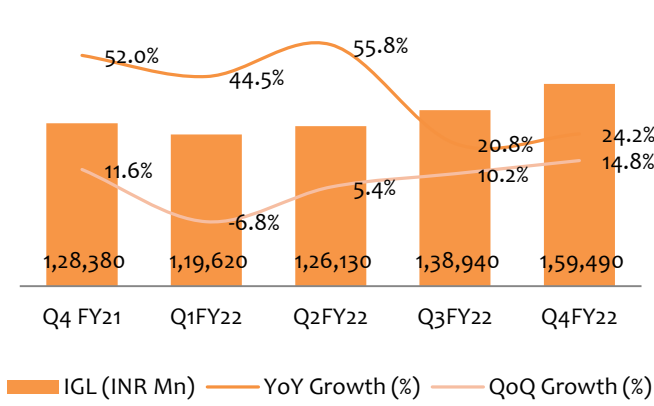
Profitability (INR Mn)



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Income Generation Loans (IGL) ha observed strong growth; other loans have seen degrowth during Q4FY22

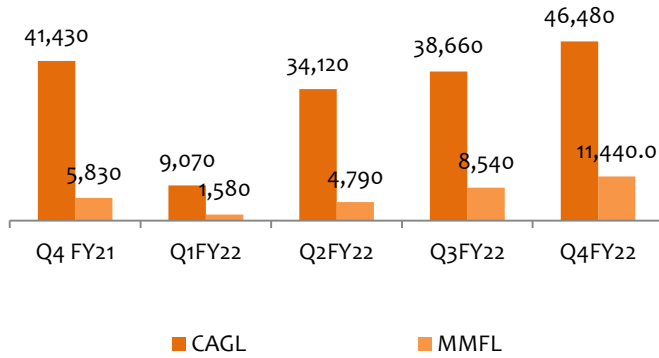
Consolidated Loan Portfolio



Source: Company data, KRChoksey Research

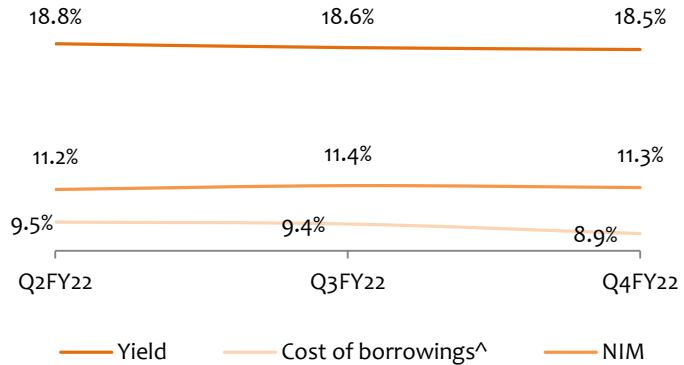
Disbursements observed robust growth of 22.6% YoY

Disbursements (INR mn)



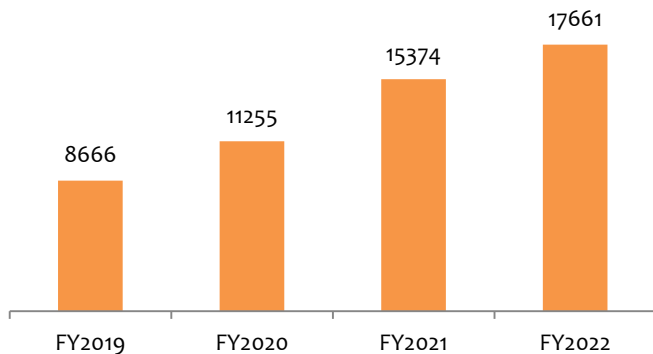
Source: Company data, KRChoksey Research
^calculated on daily average borrowings

Spread Analysis (%) – NIMs are stable during the quarter



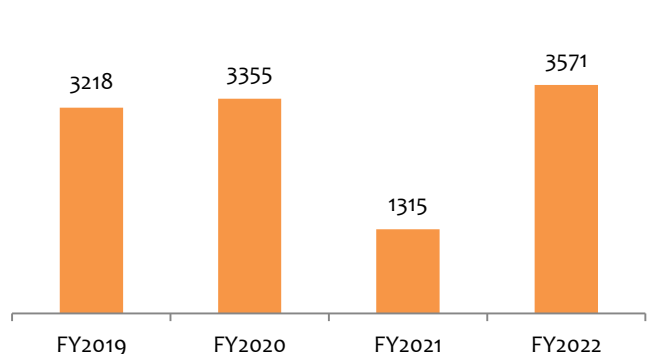
Financial Performance

Revenue (INR Mn)



Source: Company data, KRChoksey Research

PAT (INR Mn)



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CAGL Q4FY22 Result Performance

Consolidated Financials (INR mn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ
Income Statement					
Interest Income	7,285	6,120	19.0%	6,541	11.4%
Interest Expense	2,672	2,373	12.6%	2,391	11.7%
Net Interest Income	4,613	3,747	23.1%	4,150	11.2%
Non Interest Income	960	1,143	-15.9%	356	169.7%
Operating Income	5,573	4,889	14.0%	4,506	23.7%
Operating Expenses	1,885	1,599	17.9%	1,771	6.4%
Pre-provisioning Profit	3,688	3,290	12.1%	2,735	34.8%
PPOP Margin (%)	66.2%	67.3%	-111 bps	60.7%	548 bps
Impairment of financial instruments	1,510	2,504	-39.7%	1,179	28.0%
Pre-tax Profit	2,178	786	177.2%	1,556	40.0%
Tax	577	223	158.6%	387	49.3%
Profit before minority interest	1,601	563	184.5%	1,169	36.9%
Minority interest	0	-206	-100.0%	0	NM
Profit after tax	1,601	769	108.3%	1,169	36.9%
PAT Margin (%)	28.7%	15.7%	1301 bps	26.0%	278 bps
Diluted EPS	10.27	3.59	186.2%	7.66	34.1%

Balance Sheet (INR mn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ
Cash and bank balance	17,614	24,844	-29.1%	16,253	8.4%
Loans	1,47,653	1,17,205	26.0%	1,33,790	10.4%
Borrowings	1,30,097	1,10,243	18.0%	1,14,514	13.6%
Networth	40,761	37,964	7.4%	39,911	2.1%

Source: Company data, KRChoksey Research

NM: Not Meaningful

Key Ratios

Key Ratios	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ
Spread Analysis					
Yield on average loans (%)	18.5%	18.6%	-10 bps	18.6%	-10 bps
Cost of borrowings (%) [^]	8.9%	9.2%	-30 bps	9.4%	-50 bps
NIM (%)	11.3%	10.8%	50 bps	11.4%	-10 bps
Asset quality and capital					
GNPA (%) (GL: 60+ DPD, RF: 90+ dpd)	3.61%	4.43%	-82 bps	6.02%	-241 bps
Provisioning	3.4%	5.0%	-157 bps	4.7%	-130 bps
CAR (%) [*]	22.8%	29.4%	-660 bps	31.8%	-900 bps
Key ratios					
Cost to income (%)	33.8%	32.7%	110 bps	39.3%	-550 bps
Opex/GLP ratio (%)	4.8%	4.9%	-10 bps	5.1%	-30 bps
ROA	3.7%	1.5%	220 bps	3.0%	70 bps
ROE	15.9%	6.0%	990 bps	11.9%	400 bps

Source: Company data, KRChoksey Research

[^] calculated on daily average borrowings

^{*}Q3FY21 CRAR on standalone basis

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Consolidated Financial Statements

PROFIT & LOSS ACCOUNT (INR Mn)	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
Interest income	16,334	22,901	25,674	33,746	42,327
Interest expense	5,800	9,287	9,841	12,414	15,349
Net interest income	10,534	13,614	15,833	21,332	26,978
Non interest income	721	1,760	1,828	2,316	2,856
Operating income	11,255	15,374	17,661	23,648	29,833
Operating expense	4,266	5,856	6,885	8,558	10,586
PPOP	6,989	9,519	10,776	15,091	19,247
Provisions	2,373	7,714	5,967	3,735	4,669
PBT	4,616	1,805	4,808	11,356	14,578
Tax expense	1,261	490	1,237	2,921	3,750
PAT	3,355	1,315	3,571	8,434	10,828

Source: Company data, KRChoksey Research

BALANCE SHEET (INR mn)	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
SOURCES OF FUNDS					
Share capital	1,440	1,556	1,559	1,559	1,559
Reserves & surplus	25,902	35,360	38,218	46,652	57,480
Minority interest	1,089	1,048	984	1,181	1,417
Shareholders' funds	28,431	37,964	40,761	49,392	60,456
Borrowings	96,069	1,10,243	1,30,097	1,58,718	1,98,398
Trade Payables	1,087	2,017	2,590	3,367	4,377
Other liabilities & provisions	315	369	499	577	675
TOTAL LIABILITIES & EQUITY	1,25,902	1,50,592	1,73,947	2,12,054	2,63,906
USES OF FUNDS					
Cash and cash equivalent	7,176	24,844	17,614	16,153	20,811
Investments	456	5	5	8	12
Advances	1,10,989	1,17,205	1,47,653	1,86,761	2,33,452
Fixed & other assets	7,281	8,538	8,675	9,131	9,629
TOTAL ASSETS	1,25,902	1,50,592	1,73,948	2,12,054	2,63,904
GLP	98,960	1,35,870	1,66,010	2,07,513	2,59,391

Source: Company data, KRChoksey Research

CreditAccess Grameen Ltd.

KEY RATIOS	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
Growth rates					
Advances (%)	68.1%	5.6%	26.0%	26.5%	25.0%
Borrowings (%)	97.4%	14.8%	18.0%	22.0%	25.0%
Total assets (%)	71.1%	19.6%	15.5%	21.9%	24.5%
NII (%)	31.4%	29.2%	16.3%	34.7%	26.5%
Pre-provisioning profit (%)	22.1%	36.2%	13.2%	40.0%	27.5%
PAT (%)	4.3%	-60.8%	171.6%	136.2%	28.4%
Balance sheet ratios					
Advances/Total assets (%)	88%	78%	85%	88%	88%
Leverage (x)	1.3x	1.4x	1.3x	1.3x	1.3x
Operating efficiency					
Cost/income (%)	37.9%	38.1%	39.0%	36.2%	35.5%
Opex/ average assets (%)	4.3%	4.2%	4.2%	4.4%	4.4%
Opex/GLP (%)	3.8%	5.0%	4.7%	4.6%	4.5%
Profitability					
NIM (%)	11.9%	11.9%	12.0%	12.8%	12.8%
ROAA (%)	3.4%	1.0%	2.2%	4.4%	4.5%
ROAE (%)	12.9%	4.0%	9.1%	18.7%	19.7%
Per share data / Valuation					
EPS (INR)	23.3	8.5	22.9	54.1	69.5
BV (INR)	197.5	244.0	261.5	316.9	387.9
ABV (INR)	192.7	233.0	245.8	304.6	378.4
P/E (x)	14.5x	64.7x	37.1x	17.1x	13.3x
P/BV (x)	1.7x	2.2x	3.3x	2.9x	2.4x
P/ABV (x)	1.8x	2.3x	3.5x	3.0x	2.4x

Source: Company data, KRChoksey Research

NM: Not Meaningful

CreditAccess Grameen Ltd.

CreditAccess Grameen Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
16-05-22	923	1,135	BUY	Buy	More than 15%
08-02-22	731	843	BUY		
11-Nov-21	597	843	BUY	Accumulate	5% – 15%
13-Aug-21	612	843	BUY		
07-May-21	616	843	BUY	Hold	0 – 5%
30-Jan-21	694	843	BUY		
7-Nov-20	677	843	BUY	Reduce	-5% – 0
04-Aug-20	531	684	BUY		
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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