

CreditAccess Grameen Ltd.



CreditAccess Grameen Ltd.

Asset quality remains stable; long term positive outlook remains intact

CMP INR 1,039	Target INR 1,211	Potential Upside 17%	Market Cap (INR Mn) 1,58,197	Recommendation BUY	Sector NBFC-MFIs
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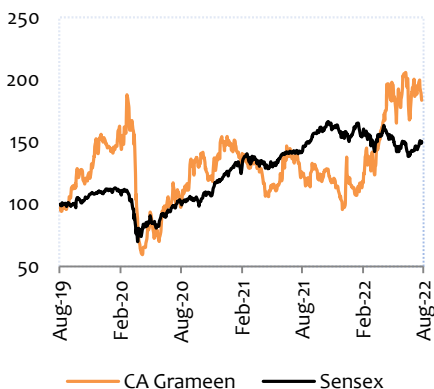
Result Highlights Q1FY23

- Gross Loan Portfolio (GLP) grew by 23.3% YoY as on Jun'22 at INR 1,56,150Mn (-5.9% QoQ) as against INR 1,65,990Mn as on Mar'22. It has an active borrower base of 36.9 lakhs. Disbursements grew by INR 21,460Mn (+101.5% YoY) and the branch network stood at 1,681 (18.0% yoy) with the net addition of 46 branches.
- Net Interest Income (NII) for Q1FY23 grew by 36.8% YoY to INR 4,625Mn (+0.3% qoq). Other operating income stood at INR 182Mn (-39.4% yoy / -81.0% qoq).
- The operating profit stood at INR 4,807Mn (+30.6% yoy, -13.7% qoq). The cost to income ratio for Q1FY23 was improved at 39.7% (-150bps yoy / +590bps qoq) as against 41.2% in Q1FY22.
- Provisioning for Q1FY23 declined at INR 1,009Mn (credit costs of 0.7%) as against INR 1,879Mn in Q1FY22.
- Profit after tax increased by 588.1% YoY to INR 1,396Mn as compared to INR 203Mn in Q1FY22; however de-grew by 12.8% qoq.
- Gross NPA (GL: 60+ dpd, RF: 90+ dpd) levels improved at 3.1% as of Jun'22 as compared to 7.56% as of Jun'21. Capital adequacy ratio improved at 24.7% as compared to 22.8% as on Mar'22.

MARKET DATA

Shares outs (Mn)	156
Equity Cap (INR Mn)	1,559
Mkt Cap (INR Mn)	1,58,197
52 Wk H/L (INR)	1154/495
Volume Avg (3m K)	223.5
Face Value (INR)	10
Bloomberg Code	CREDAG IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	58,116
NIFTY	17,340

SHARE HOLDING PATTERN (%)

Particulars	Jun 22	Mar 22	Dec 21
Promoters	73.8	73.9	73.9
FIIs	8.7	8.2	8.8
DIIIs	10.7	10.9	10.0
Others	6.7	7.0	7.2
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	21,825	28,426
PPOP	6,989	9,519	10,776	14,936	19,308
PAT	3,355	1,315	3,571	8,319	10,873
EPS (INR)	23.3	8.5	22.9	53.4	69.8
BVPS (INR)	197.5	244.0	261.5	315.0	386.0
ABVPS (INR)	192.7	233.1	254.1	308.1	378.5
P/E (x)	14.5x	64.7x	37.1x	17.3x	13.2x
P/ABV (x)	1.8x	2.3x	3.3x	3.0x	2.4x

Source: KRChoksey Research, Company reports
Consolidated Financials

Subdued disbursements on account of new MFI guidelines implementation

Disbursements for the quarter de-grew on a sequential basis on account of RBI's new MFI guidelines process implementation and overall demand trend which was assumed to be slower compared with H2 of financial year. In July'22, it has disbursed loans worth INR 1,200Cr and loan portfolio grew by INR 200Cr in Jul'22; it has added 80K new borrowers.

FY23 GLP growth at 24-25%; credit costs to be remained at 1.8 - 2.0%

CA Grameen has opened 211 branches in FY22 and additional 50 branches in Q1FY23 following its district based expansion approach. It has observed 50% of its customers from new geographies which are unique to CA Grameen while developing a strong culture of discipline of repayments. We have sustained our GLP growth estimates at 25.0% CAGR over the next 2 years in line with the management guidance.

CA Grameen is expected to maintain its credit costs in the range of 1.8% - 2.0% on account of residual impact of COVID-19 on its portfolio. It has guided 60-65% of this credit costs will be provided in the H1 of financial year. We estimate PAT growth of 74.5% over FY22-24E on account of expected improvement in asset quality levels backed by healthy collections and lower credit costs at 2.0%.

Valuation

Microfinance industry has a strong growth potential with high business risk. We remain positive on the CA Grameen's long term business outlook backed by its strong business model where NNPA levels stood at 1.15% as on Jun'22. It aims at acquiring new customers from rural areas while retaining average ticket size of loans at similar levels on the back of harmonisation of MFI guidelines. **Currently, the stock is trading at P/ABV multiples of 3.0x / 2.4x based on FY23 / FY24E ABVPS. We assign P/ABV multiple 3.2x to FY24E ABVPS of INR 379 to revise our target price upwards at INR 1,211/share (Previous target: INR 1,135) with an upside of 17% over the CMP.**

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Key con-call highlights:

- The inflation has not impacted repayment behaviour of MFI customers in the history of CA Grameen.

Robust loan book growth outlook

- The process dilution led by implementation of new MFI harmonised guidelines in the month of April and May'22 resulted into low disbursements and new customer additions.
- 73% of MMFL book is on CA Grameen technology and 27% book on MMFL old platform.
- During the quarter, net branch addition stood at 46 with the closure of 2 MMFL branches and 2 branches were merged.
- Total borrower base stood at 36.9 lakh borrowers. During the quarter, it has added over 92K borrowers and written off 1.2 lakh borrowers. Renewal of loan for over 1 lakh borrowers is under process and it is expected to be renewed during the Q2FY23, which also had an impact on company's borrower base being contracted as on Jun'22.

Strengthened collections to improve asset quality

- 55 - 58% of total borrowers are paying on a weekly basis.
- Collections efficiency excluding arrears for both CA Grameen and MMFL stood at 97% / 93% in Q1FY23, respectively. Collections for 73% of MMFL book which is on CA Grameen platform stood at 99% in Q1FY23.
- CA Grameen aims at AUM diversification with 78-80% of portfolio from Karnataka, Maharashtra and Tamil Nadu to bring down up to 60-65% of overall portfolio.

Maintaining strong liquidity for potential growth

- CA Grameen has received credit rating upgrade to AA- stable from India ratings.
- It maintains a healthy liquidity position with INR 1,542Cr as on Jun'22. It has INR 3,755Cr worth undrawn sanctions and INR 5,393Cr sanctions are in pipeline as on Jun'22.
- ESG compliance and international rating will support CA Grameen to raise funds internationally. Currently, it has 17% of borrowings from foreign funds which is expected to increase up to 25-30% over the next two years.

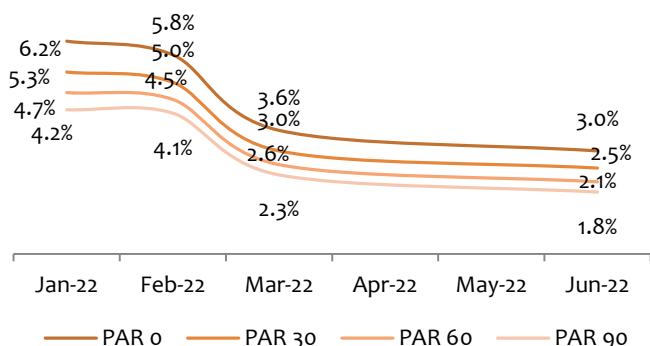
Key fundamental performance indicators

- There was a decline in yield performance on account of high liquidity on the books led by lower disbursements and ~5.9% of book contracted due to base effect. It expects 50-60bps growth in yields in FY23.
- NIMs are expected to improve by 50bps in FY23 and additional 50bps in FY24.
- It has guided ROA of 4.0% - 4.2% in FY23E with the potential increase of 50-60bps going forward.
- Cost to income ratio is expected to be in the range of 35% - 38% in FY23.
- It holds strong human resources with 2-3% of higher than required staff. During the quarter, it focused more on trainings and recruitment was delayed along with some attrition that led to decline in the number of loan officers on a sequential basis.

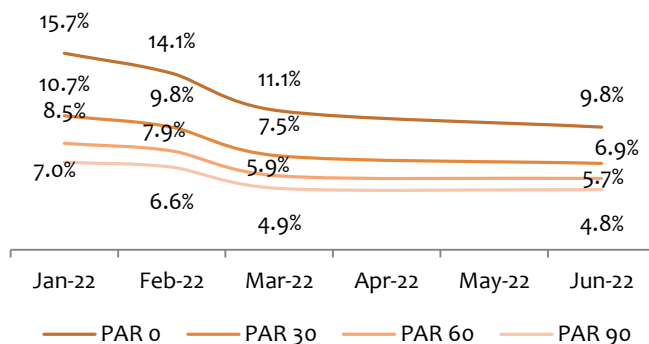
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PAR trend continues to decline backed by improved collections

CAGL: PAR Trend



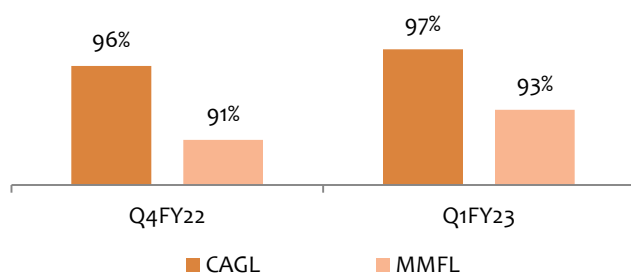
MMFL: PAR Trend



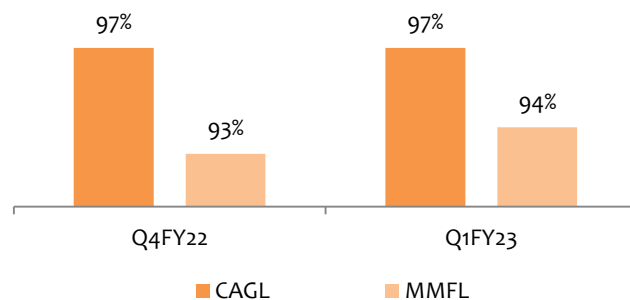
Source: Company data, KRChoksey Research

Collections improved compared with last quarter

Collection Efficiency (excl. arrears)

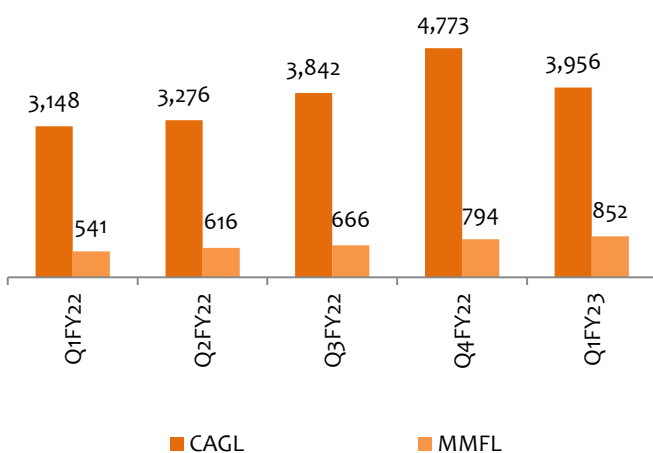


Collection Efficiency (incl. arrears)

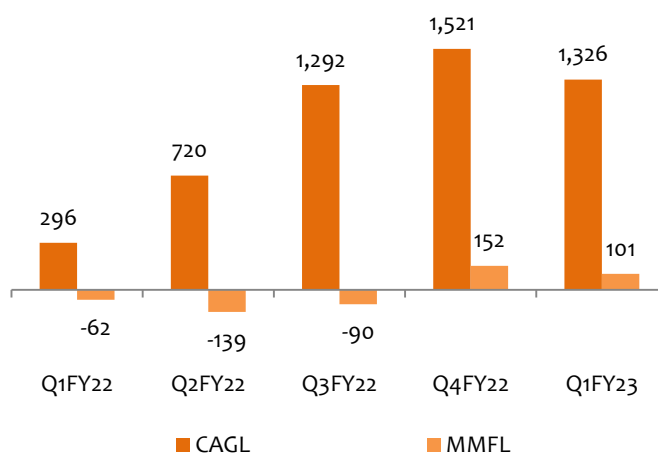


Source: Company data, KRChoksey Research

Revenue Performance (INR Mn)



Profitability (INR Mn)

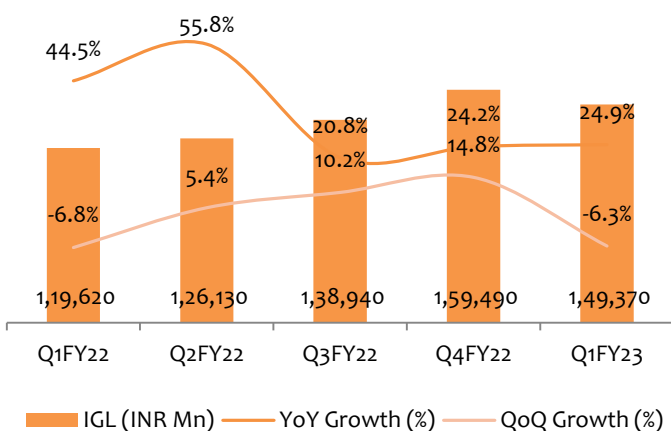


Source: Company investor presentation

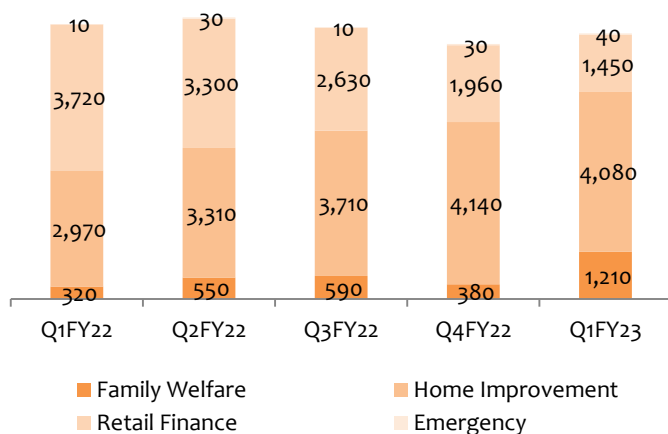
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Income Generation Loans (IGL) observed strong growth; other loans have seen degrowth during Q4FY22

Consolidated Loan Portfolio

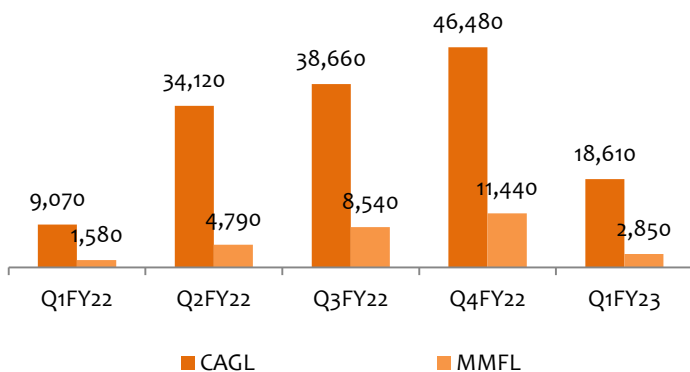


Source: Company data, KRChoksey Research



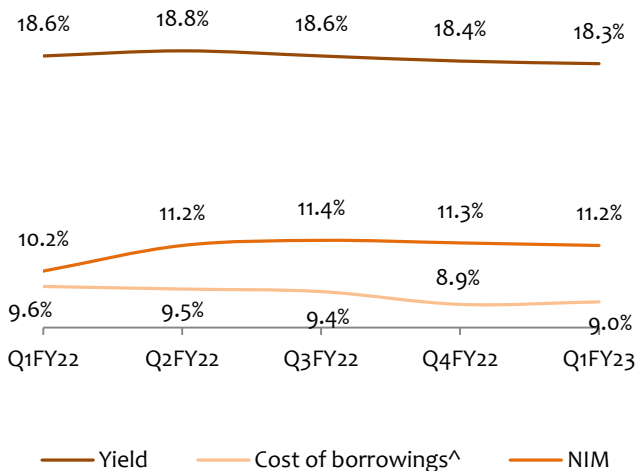
Disbursements grew by 102% yoy; muted for the quarter

Disbursements (INR mn)



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

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



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CAGL Q1FY23 Result Performance

Consolidated Financials (INR mn)	Q1 FY23	Q1 FY22	YoY (%)	Q4 FY22	QoQ
Income Statement					
Interest Income	7,423	5,873	26.4%	7,285	1.9%
Interest Expense	2,798	2,493	12.2%	2,672	4.7%
Net Interest Income	4,625	3,380	36.8%	4,613	0.3%
Non Interest Income	182	300	-39.4%	960	-81.0%
Operating Income	4,807	3,680	30.6%	5,573	-13.7%
Operating Expenses	1,909	1,516	25.9%	1,885	1.3%
Pre-provisioning Profit	2,898	2,164	33.9%	3,688	-21.4%
PPOP Margin (%)	60.3%	58.8%	147 bps	66.2%	-590 bps
Impairment of financial instruments	1,009	1,879	-46.3%	1,510	-33.2%
Pre-tax Profit	1,889	286	561.3%	2,178	-13.3%
Tax	493	83	495.5%	577	-14.6%
Profit after tax	1,396	203	588.1%	1,601	-12.8%
PAT Margin (%)	29.0%	5.5%	2353 bps	28.7%	31 bps
Diluted EPS	8.80	1.44	511.1%	10.27	-14.3%

Balance Sheet (INR mn)	Q1 FY23	Q1 FY22	YoY (%)	Q4 FY22	QoQ
Cash and bank balance	13,692	22,219	-38.4%	17,614	-22.3%
Loans	1,41,376	1,08,214	30.6%	1,47,653	-4.3%
Borrowings	1,18,800	97,788	21.5%	1,30,097	-8.7%
Networth	42,463	38,177	11.2%	40,761	4.2%

Source: Company data, KRChoksey Research

NM: Not Meaningful

Key Ratios

Key Ratios	Q1 FY23	Q1 FY22	YoY (%)	Q4 FY22	QoQ
Spread Analysis					
Yield on average loans (%)	18.3%	18.6%	-30 bps	18.5%	-20 bps
Cost of borrowings (%)^	9.0%	9.6%	-60 bps	8.9%	10 bps
NIM (%)	11.2%	10.2%	100 bps	11.3%	-10 bps
Asset quality and capital					
GNPA (%) (GL: 60+ DPD, RF: 90+ dpd)	3.10%	7.56%	-446 bps	3.61%	-51 bps
Provisioning	3.0%	6.3%	-330 bps	3.4%	-44 bps
CAR (%)	24.7%	28.6%	-390 bps	22.8%	190 bps
Key ratios					
Cost to income (%)	39.7%	41.2%	-150 bps	33.8%	590 bps
Opex/GLP ratio (%)	4.7%	4.6%	10 bps	4.8%	-10 bps
ROA	3.1%	0.5%	260 bps	3.7%	-60 bps
ROE	13.4%	2.1%	1130 bps	15.9%	-250 bps

Source: Company data, KRChoksey Research

^ calculated on daily average borrowings

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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	34,630	44,728
Interest expense	5,800	9,287	9,841	12,805	16,302
Net interest income	10,534	13,614	15,833	21,825	28,426
Non interest income	721	1,760	1,828	1,792	1,512
Operating income	11,255	15,374	17,661	23,617	29,938
Operating expense	4,266	5,856	6,885	8,681	10,630
PPOP	6,989	9,519	10,776	14,936	19,308
Provisions	2,373	7,714	5,967	3,735	4,669
PBT	4,616	1,805	4,808	11,201	14,639
Tax expense	1,261	490	1,237	2,881	3,766
PAT	3,355	1,315	3,571	8,319	10,873

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	46,537	57,410
Minority interest	1,089	1,048	984	1,002	1,202
Shareholders' funds	28,431	37,964	40,761	49,098	60,172
Borrowings	96,069	1,10,243	1,30,097	1,67,825	2,11,460
Trade Payables	1,087	2,017	2,590	3,238	4,047
Other liabilities & provisions	315	369	499	4,058	4,111
TOTAL LIABILITIES & EQUITY	1,25,902	1,50,592	1,73,947	2,24,218	2,79,789
USES OF FUNDS					
Cash and cash equivalent	7,176	24,844	17,614	27,446	29,668
Investments	456	5	5	4,902	4,951
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	5,109	11,719
TOTAL ASSETS	1,25,902	1,50,592	1,73,948	2,24,218	2,79,790
GLP	98,960	1,35,870	1,66,010	2,07,513	2,59,391

Source: Company data, KRChoksey Research

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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%	29.0%	26.0%
Total assets (%)	71.1%	19.6%	15.5%	28.9%	24.8%
NII (%)	31.4%	29.2%	16.3%	37.8%	30.2%
Pre-provisioning profit (%)	22.1%	36.2%	13.2%	38.6%	29.3%
PAT (%)	4.3%	-60.8%	171.6%	133.0%	30.7%
Balance sheet ratios					
Advances/Total assets (%)	88%	78%	85%	83%	83%
Leverage (x)	1.3x	1.4x	1.3x	1.3x	1.3x
Operating efficiency					
Cost/income (%)	37.9%	38.1%	39.0%	36.8%	35.5%
Opex/ average assets (%)	4.3%	4.2%	4.2%	4.4%	4.2%
Opex/GLP (%)	3.8%	5.0%	4.7%	4.6%	4.6%
Profitability					
NIM (%)	11.9%	11.9%	12.0%	12.9%	13.2%
ROAA (%)	3.4%	1.0%	2.2%	4.2%	4.3%
ROAE (%)	12.9%	4.0%	9.1%	18.5%	19.9%
Per share data / Valuation					
EPS (INR)	23.3	8.5	22.9	53.4	69.8
BV (INR)	197.5	244.0	261.5	315.0	386.0
ABV (INR)	192.7	233.1	254.1	308.1	378.5
P/E (x)	14.5x	64.7x	37.1x	17.3x	13.2x
P/BV (x)	1.7x	2.2x	3.3x	2.9x	2.4x
P/ABV (x)	1.8x	2.3x	3.3x	3.0x	2.4x

Source: Company data, KRChoksey Research

CreditAccess Grameen Ltd.

CreditAccess Grameen Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
02-Aug-22	1,039	1,211	BUY	Buy	More than 15%
16-May-22	923	1,135	BUY		
08-Feb-22	731	843	BUY	Accumulate	5% – 15%
11-Nov-21	597	843	BUY		
13-Aug-21	612	843	BUY	Hold	0 – 5%
07-May-21	616	843	BUY		
30-Jan-21	694	843	BUY	Reduce	-5% – 0
7-Nov-20	677	843	BUY		
04-Aug-20	531	684	BUY	Sell	Less than – 5%

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