

Aug 01, 2022

**RESULT REPORT Q1 FY23** | Sector: Financials

# CreditAccess Grameen Limited

## An in-line quarter; growth/profitability to pick up

### Lower disbursements in Q1 were baked in the annual 24-25% GLP growth guidance

CRETAG's Q1 FY23 performance was on the expected lines as the business growth was impacted by process transition from implementation of RBI's recent MFI guidelines even as collections expectedly remained firm. Consolidated disbursements were much lower compared to Q4 FY22 (5% ahead of our estimate though) due to system/process changes and large-scale manpower training. While borrower addition was significantly low during April and May; the loan renewals were also limited during the quarter due to minimal disbursements in Q1 of FY21/22 owing to Covid. Customer addition has started to normalize from June, and the co. has disbursed ~Rs12bn in July (Rs2bn AUM accretion in the month). Management reiterated its annual growth guidance of 24-25% with branch addition continuing outside of the Top 3 states (KTK, MH & TN).

### Credit cost to fully normalize from H2 FY23

Collection efficiency (w/o arrears) in June stood at 97% for CA Grameen and at 93% for MMFL, versus 97% and 92% respectively in April. This depicts firm collection trends through the quarter, and thus there was no increase in stress pool/non-paying clients. Collection efficiency (w/o arrears) in June excl. non-paying NPA customers was at 99% for CA Grameen and 96% for MMFL. Write-offs were lower at Rs1.9bn v/s Rs2.95bn in Q4 FY22. Overall ECL provisions in CA Grameen/MMFL stand at 2.7%/4.3% against GNPA (largely @ 60+ dpd) of 2.5%/5.8%. Coverage on Stage-3 assets (which will include the non-paying clients) was at 70%/50% in CA Grameen/MMFL. Full-year credit cost is estimated at 1.8-2%, with H1 to bear a larger burden owing to write-off of Covid stress.

CRETAG's growth and profitability should pick-up from Q2 FY23. Much deeper benefits should accrue to the co. from the new Microfinance regulations given its deep rural distribution, high customer retention, competitive pricing and readiness to build a significant secured/non-MFI book. RoA/RoE in FY24 would be much better than FY23, due to lower credit cost and full benefit of risk-based pricing. Valuation stands at 3.4x 1-year rolling fwd. ABV, and the stock has previously traded at multiples of 4-4.7x in a stable operating environment with 16-18% RoE delivery. This time CREDITACC's RoE delivery would be far superior at 18-22% due to scale benefits and risk-based pricing. Remains a Top Pick with 12m TP of Rs1300.

### Exhibit 1: Result table

(Rs mn)	Q1 FY23	Q4 FY22	% qoq	Q1 FY22	% yoy
Total Operating Income	7,596	8,219	(7.6)	6,161	23.3
Interest expended	(2,798)	(2,672)	4.7	(2,493)	12.2
Net Interest Income	4,798	5,547	(13.5)	3,668	30.8
Total Income	4,807	5,573	(13.7)	3,680	30.6
Operating expenses	(1,910)	(1,885)	1.3	(1,516)	26.0
PPOP	2,897	3,688	(21.5)	2,165	33.8
Provisions	(1,009)	(1,510)	(33.2)	(1,879)	(46.3)
PBT	1,888	2,178	(13.3)	286	560.2
Tax	(493)	(577)	(14.6)	(83)	495.5
PAT	1,396	1,601	(12.8)	203	586.5

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,040
Target Price	: Rs 1,300
Potential Return	: 25.0%

### Stock data (as on Aug 01, 2022)

Nifty	17,340
52 Week h/l (Rs)	1154 / 495
Market cap (Rs/USD mn)	162136 / 2052
Outstanding Shares (mn)	156
6m Avg t/o (Rs mn):	229
Div yield (%):	-
Bloomberg code:	CRETAG IN
NSE code:	CREDITACC

### Stock performance



	1M	3M	1Y
Absolute return	2.2%	0.3%	56.3%

### Shareholding pattern

Promoter	73.8%
FII+DII	19.4%
Others	6.8%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,300	1,300

### Δ in earnings estimates

	FY22	FY23e	FY24e
EPS (New)	22.9	55.1	80.0
EPS (Old)	22.9	55.1	80.0
% Change	-	-	-

### Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Op. income	17,660	23,062	29,758
PPOP	10,775	14,663	19,847
Net profit	3,571	8,594	12,463
Growth (%)	171.8	140.7	45.0
EPS (Rs)	22.9	55.1	80.0
ABVPS (Rs)	234.8	289.9	369.9
P/E (x)	45.4	18.9	13.0
P/ABV (x)	4.4	3.6	2.8
ROE (%)	11.2	19.5	22.8
ROA (%)	2.8	4.4	5.2

**RAJIV MEHTA**  
 Lead Analyst

rajiv.mehta@ysil.in  
 +91 22 6885 0521



**MANUJ OBEROI**, Associate

## Exhibit 2: State-wise GLP mix

(%)	Q1 FY23	Q4 FY22	chg qoq	Q1 FY22	chg yoy
Karnataka	35.8	35.9	(0.1)	38.2	(2.4)
Maharashtra	21.2	21.5	(0.3)	23.7	(2.5)
Tamil Nadu	20.9	20.8	0.1	18.9	2.0
Madhya Pradesh	7.1	7.4	(0.3)	8.0	(0.9)
Others	15.0	14.4	0.6	11.2	3.8

Source: Company, YES Sec

## Exhibit 3: Consolidated highlights

Rs mn	Q1 FY23	Q4 FY22	% qoq	Q1 FY22	% yoy
GLP (Rs mn)	156,150	165,990	(5.9)	126,640	23.3
Total equity (Rs mn)	42,460	40,760	4.2	38,180	11.2
Active borrowers (lacs)	36.9	38.2	(3.4)	37.9	(2.5)
Branches	1,681	1,635	2.8	1,424	18.0
Employees	15,642	15,667	(0.2)	14,357	9.0
RoA (%)	3.1	3.7	(0.6)	0.5	2.6
RoE (%)	13.4	15.9	(2.5)	2.1	11.3
GNPA (%)	3.1	3.6	(0.5)	7.6	(4.5)
Provisioning (%)	3.0	3.4	(0.4)	6.3	(3.3)
D/E (x)	2.8	3.2	(0.4)	2.6	0.2

Source: Company, YES Sec

## Exhibit 4: CAGL Standalone – Key ratios

(%)	Q1 FY23	Q4 FY22	chg qoq	Q1 FY22	chg yoy
NIM	11.2	11.5	(0.3)	10.5	0.7
C/I	37.9	30.4	7.5	37.4	0.5
Opex/GLP	4.5	4.5	-	4.3	0.2
GNPL	2.5	3.1	(0.6)	8.1	(5.6)
RoA	3.4	4.1	(0.7)	0.9	2.5
RoE	13.2	15.6	(2.4)	3.2	10.0

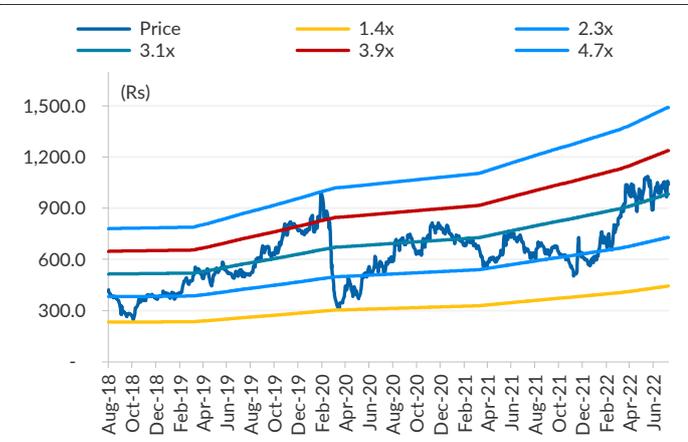
Source: Company, YES Sec

## Exhibit 5: MMFL Standalone – Key ratios

(%)	Q1 FY23	Q4 FY22	chg qoq	Q1 FY22	chg yoy
NIM	9.9	10.0	(0.1)	8.9	1.0
C/I	43.4	43.6	(0.2)	56.4	(13.0)
Opex/GLP	5.4	5.3	0.1	5.7	(0.3)
GNPL	5.8	5.8	0.0	4.8	1.1
RoA	1.4	2.2	(0.8)	(1.0)	2.4
RoE	10.3	16.0	(5.7)	(6.2)	16.5

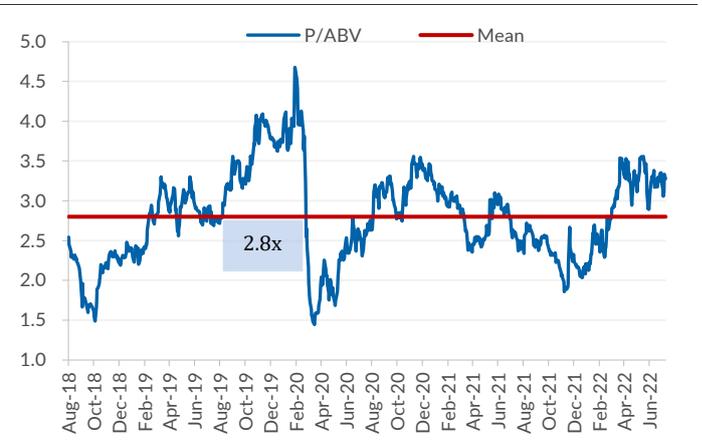
Source: Company, YES Sec

**Exhibit 6: 1-yr rolling P/ABV band**



Source: Company, YES Sec

**Exhibit 7: 1-year rolling P/ABV vis-a-vis the mean**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 8: Balance Sheet

Y/e 31 Mar (Rs m)	FY20	FY21	FY22	FY23E	FY24E
<b>Equity and Liabilities</b>					
Equity Share Capital	1,440	1,556	1,559	1,559	1,559
Other Equity	25,902	35,360	38,218	46,812	59,275
<b>Shareholders fund</b>	<b>27,342</b>	<b>36,916</b>	<b>39,777</b>	<b>48,370</b>	<b>60,834</b>
Non-controlling Interest	1,090	1,048	984	984	984
<b>Financial Liabilities</b>	<b>97,155</b>	<b>112,260</b>	<b>132,688</b>	<b>163,780</b>	<b>206,981</b>
Trade payables	1,087	2,017	2,590	3,108	3,730
Debt Securities	7,926	16,750	14,181	17,514	22,155
Borrowings (Excl. Debt Sec.)	86,441	91,637	114,249	141,097	178,488
Subordinated Liabilities	1,030	1,027	777	960	1,215
Other Financial Liabilities	672	829	874	1,080	1,366
<b>Non-Financial Liabilities</b>	<b>315</b>	<b>379</b>	<b>499</b>	<b>582</b>	<b>685</b>
Provisions	203	255	313	391	488
Deferred tax liabilities (net)	112	114	135	135	135
<b>Total Liabilities &amp; Equity</b>	<b>125,902</b>	<b>150,602</b>	<b>173,948</b>	<b>213,717</b>	<b>269,484</b>
<b>Assets</b>					
<b>Financial Assets</b>	<b>119,207</b>	<b>143,379</b>	<b>166,460</b>	<b>205,984</b>	<b>261,456</b>
Cash and Cash Equivalents	6,449	23,601	15,806	16,041	19,085
Bank balances	728	1,243	1,808	2,170	2,604
Receivables	2	0	0	0	0
Loans	110,989	117,205	147,653	186,401	238,189
Investments	456	5	5	6	7
Other Financial Assets	584	1,325	1,188	1,366	1,570
<b>Non- Financial Assets</b>	<b>6,695</b>	<b>7,224</b>	<b>7,487</b>	<b>7,733</b>	<b>8,028</b>
Current tax assets (Net)	221	318	323	419	545
Deferred tax assets (Net)	574	1,041	1,325	1,325	1,325
Property, Plant and Equipment	317	242	318	382	458
Intangible assets	28	6	31	31	31
Goodwill	4,902	4,811	4,642	4,642	4,642
Other Non-Financial Assets	652	806	849	934	1,027
<b>Total Assets</b>	<b>125,902</b>	<b>150,602</b>	<b>173,948</b>	<b>213,717</b>	<b>269,484</b>

Source: Company, YES Sec

## Exhibit 9: Income statement

Y/e 31 Mar (Rs m)	FY20	FY21	FY22	FY23E	FY24E
Operating Income	17,043	24,610	27,428	35,203	46,054
Interest expense	(5,783)	(9,287)	(9,841)	(12,196)	(16,356)
<b>Net interest income</b>	<b>11,260</b>	<b>15,323</b>	<b>17,587</b>	<b>23,007</b>	<b>29,697</b>
Non-interest income	12	51	73	55	60
Total op income	11,271	15,374	17,660	23,062	29,758
Total op expenses	(4,283)	(5,856)	(6,885)	(8,399)	(9,911)
<b>PPoP</b>	<b>6,989</b>	<b>9,518</b>	<b>10,775</b>	<b>14,663</b>	<b>19,847</b>
Provisions	(2,373)	(7,714)	(5,967)	(3,174)	(3,184)
Profit before tax	4,616	1,804	4,808	11,489	16,662
Taxes	(1,261)	(490)	(1,237)	(2,895)	(4,199)
<b>Net profit</b>	<b>3,355</b>	<b>1,314</b>	<b>3,571</b>	<b>8,594</b>	<b>12,463</b>

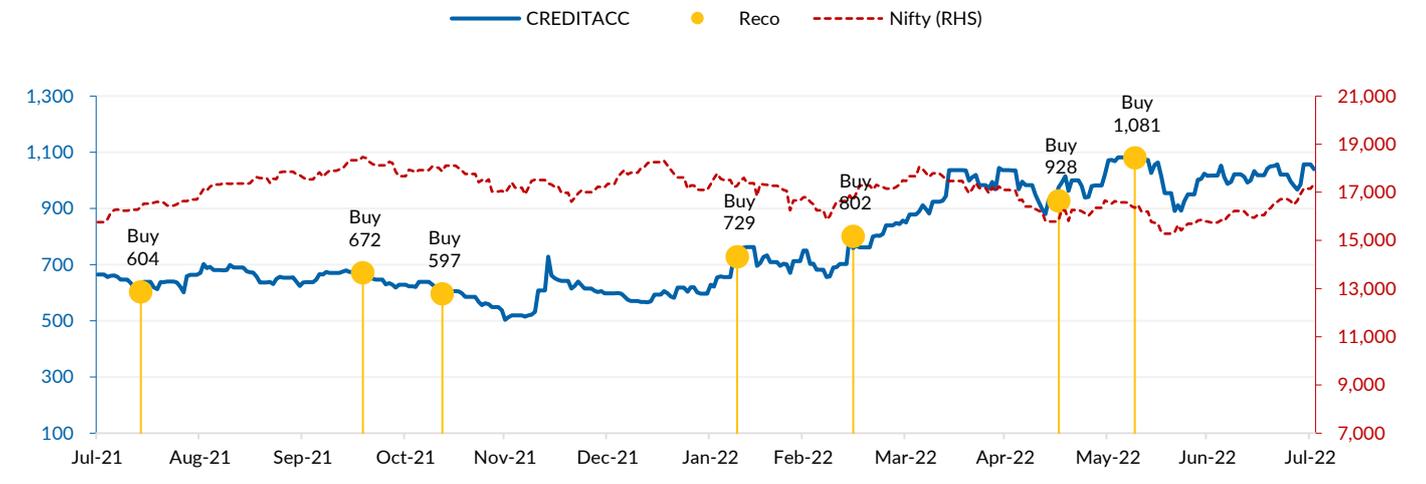
Source: Company, YES Sec

## Exhibit 10: Growth and Ratio matrix

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
<b>Growth matrix (%)</b>					
Net interest income	30.2	36.1	14.8	30.8	29.1
Total op income	30.1	36.4	14.9	30.6	29.0
Op profit (pre-provision)	22.1	36.2	13.2	36.1	35.4
Net profit	4.3	(60.8)	171.8	140.7	45.0
Loans	68.1	5.6	26.0	26.2	27.8
Borrowings + Debt	96.0	14.7	18.1	23.5	26.5
Total assets	71.1	19.6	15.5	22.9	26.1
<b>Profitability Ratios (%)</b>					
NIM	13.2	12.0	11.7	12.3	12.6
Non-interest income /Total income	0.1	0.3	0.4	0.2	0.2
Return on Avg. Equity	13.3	4.9	11.2	19.5	22.8
Return on Avg. Assets	3.7	1.1	2.8	4.4	5.2
<b>Per share ratios (Rs)</b>					
EPS	23.3	8.4	22.9	55.1	80.0
Adj. BVPS	167.8	216.9	234.8	289.9	369.9
<b>Other key ratios (%)</b>					
Loans/Borrowings	116.3	107.1	114.3	116.8	118.0
Cost/Income	38.0	38.1	39.0	36.4	33.3
Credit cost	2.7	6.8	4.5	1.9	1.5
Tax rate	25.2	25.2	25.2	25.2	25.2

Source: Company, YES Sec

## Recommendation Tracker



## DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited (YSL) distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YSL analyst's truthful views about the subject securities and or issuers discussed herein. YSL is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

## DISCLOSURE OF INTEREST

Name of the Research Analyst : Rajiv Mehta, Manuj Oberoi

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.



### YES Securities (India) Limited

**Registered Address:** 2<sup>nd</sup> Floor, North Side, YES BANK House,  
Off Western Express Highway, Santacruz East,  
Mumbai - 400 055, Maharashtra, India.

**Correspondence Address:** 4<sup>th</sup> Floor, AFL House,  
Lok Bharti Complex, Marol Maroshi Road, Andheri East,  
Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in  
Website: www.yesinvest.in

**Registration Nos.:** CIN: U74992MH2013PLC240971 | SEBI Single  
Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member  
Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL:  
IN-DP-653-2021 | MERCHANT BANKER: INM000012227 | RESEARCH  
ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 |  
Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (CAT  
III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 |  
AMFI ARN Code - 94338.

**Details of Compliance Officer:** Name: Dhanraj Uchil,  
Email id: compliance@ysil.in, Contact No: +91-22- 6507 8122

## RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

## ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a SEBI registered stock broker holding membership of NSE, BSE, MCX & NCDEX. YSL is also a SEBI registered Category I Merchant Banker, Investment Adviser and a Research Analyst. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.