Result Update

24th July, 2023

CreditAccess Grameen Ltd.

BFSI - NBFC Microfinance



Stellar Quarter; Strong Performance to Continue!

Est. Vs. Actual for Q1FY24: NII - BEAT; PPOP - BEAT; PAT - BEAT; NIMs - BEAT

Changes in Estimates post Q1FY24

FY24E/FY25E: NII: 5.9%/5.3%; **PPOP:** 8.6%/8.2%; **PAT:** 10.8%/10.1%

Recommendation Rationale

- GLP growth to remain buoyant: CAGrameen is eyeing GLP growth of 24%-25% in FY24, which it expects to be led by continuing strong momentum in customer addition and newer geographies contributing healthily to overall growth. CAGrameen will also look to gradually scale up its non-MFI (retail finance book). Currently, it is scaling up the individual unsecured book, 2-wheelers and LAP portfolio and will also continue its pilot on Gold Loans and Affordable housing during the year. In the near term, CAGrameen looks to achieve a milestone of clocking GLP of Rs 25,000 Cr and double its book over the next 4-5 years. We factor in GLP growth of ~24% CAGR over FY23-25E.
- Well-Poised to deliver RoA of ~5% over the medium term: The management expects the company's CoF to inch up by 20-40bps in the coming quarters. That said, ~16% of the portfolio, which originated before Apr'22, is eligible to be re-priced. This will provide some cushion to margins. While the management has retained its margins guidance of 12%-12.2%, we expect the company's NIMs to improve meaningfully to ~12.5% in FY24 and remain largely stable in FY25E. Opex growth will be driven by branch expansion, investment in tech and fresh hiring. With asset quality headwinds now behind, credit costs are expected to remain steady. Thus, CAGrameen remains well positioned to deliver superior earnings growth of ~37% CAGR over FY24-25E and an RoA/RoE of 5-5.1%/21-22% over the same period.

Sector Outlook: Positive

Company Guidance: Despite strong performance across metrics in Q1FY24, CAGrameen has retained its earlier guidance of growing GLP in the range of 24%-25%. The company will look to maintain NIMs at 12%-12.2% in FY24. The company's Cost-Income ratio is expected to remain steady at ~34-35%. Moreover, backed by strong asset quality, its credit costs should range between 1.6%-1.8%, thereby collectively enabling the company to deliver a healthy RoA of 4.7%-4.9% and RoE of 20%-21% in FY24. However, the management will monitor the performance over the next couple of quarters before revising its guidance for FY24. Taking a cue from Q1FY24 performance, we expect some upwards revision in the management's guidance across most parameters.

Current Valuation: 3.2x FY25E BV Earlier Valuation: 3.0x Sep'24E BV

Current TP: Rs 1,600/share Earlier TP: Rs 1,315/share

Recommendation: We maintain our BUY recommendation on the stock.

Financial Performance:

- CAGrameen added ~3.3 Lc borrowers in Q1FY24, with ~47% coming from other than Top-3 states. Disbursements de-grew by ~33% QoQ owing to seasonality, while YoY growth was strong at 122%. GLP growth was in line with our expectations of 40%/4% YoY/QoQ.
- NII growth stood at 58%/16% YoY, driven by strong GLP growth and a sharp improvement in margins. Yields expanded by 230/100bps YoY/QoQ with the portfolio re-pricing, while CoF remained stable QoQ at 9.6% vs. 9.5% in Q4FY23. NIMs stood at 13% vs. 11.2%/12.2% (+180/80 bps YoY/QoQ). PPOP growth was robust at 88/8% YoY/QoQ. Provisions tapered by 24%/27% YoY/QoQ, aiding earnings growth of 153%/17% YoY/QoQ. RoA/RoE stood at 5.8%/26.4%.
- Collection Efficiency (CE), excl-arrears, stood at normalized levels of ~98.7%. Asset quality improved further with GNPA at 0.89% vs. 3.1/1.2% YoY/QoQ.

Outlook:

We prefer CAGrameen amongst the microfinanciers, despite its rich valuations. We believe the company remains well poised to deliver superior performance over the medium to long term, which will be supported by (a) Strong rural presence and focus, (b) Customer-centric approach, (c) Robust technology infrastructure, (d) Strong Risk Management Framework and (e) Adequate capitalization. We raise our NII and PAT estimates upwards by 5%-6% and 10%-11% over FY24/25E. We expect the company to deliver a robust NII/Earnings growth of 30/37% CAGR over FY23-25F

Valuation & Recommendation

Despite the sharp run-up in the stock (+33% in the last 3 months), we believe current valuations of 2.7x FY25E BV reflect the strong performance delivery potential and thus justify premium valuations. We value CAGrameen at 3.2x FY25E BV to arrive at a revised target price of Rs 1,600/share, implying an upside of 22% from the CMP.

Key Financials (Consolidated)

rtoy i manolalo (oonoonaa	iiou,				
(Rs Cr)	Q1FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	720	+16.3	+57.8	670	+7.5
PPOP	544	+8.1	+87.7	446	+21.9
Net Profit	348	+17.5	+152.7	261	+33.6
NNPA (%)	0.3	-15 bps	-88 bps	0.4	-15 bps
RoA (%)	5.8	+30 bps	+270 bps	-	-

Source: Company, Axis Research

	(CMP as of 21 July, 2023)
CMP (Rs)	1,312
Upside /Downside (%)	22%
High/Low (Rs)	1,398/834
Market cap (Cr)	20,862
Avg. daily vol. (6m) Shrs	3,56,632
No. of shares (Cr)	15.9

Shareholding (%)

	Dec-22	Mar-23	Jun-23
Promoter	73.7	73.7	66.8
FIIs	9.6	9.7	9.6
MFs / UTI	10.2	10.2	10.3
Others	6.5	6.5	13.3

Financial & Valuations

Y/E Mar (Rs Cr)	FY23	FY24E	FY25E
NII	2,114	2,887	3,569
PPOP	1,506	2,072	2,550
Net Profit	826	1,272	1,561
EPS (Rs)	52.0	80.1	98.2
BV (Rs)	321.4	401.4	499.6
P/BV (x)	4.1	3.3	2.6
RoA (%)	4.2	5.2	5.1
NNPA (%)	0.4	0.4	0.4

Change in Estimates (%)

Y/E Mar	FY24E	FY25E
NII	5.9	5.3
PPOP	8.6	8.2
PAT	10.8	10.1

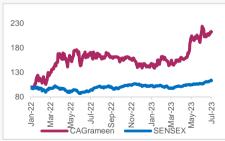
ESG disclosure Score**

Environmental Disclosure	N.A
Social Disclosure Score	N.A
Governance Disclosure Score	N.A
Total ESG Disclosure Score	N.A
Sector Average	37.3

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: AceEquity, Axis Securities

Dnyanada Vaidya

Research Analyst
Email: dnyanada.vaidya@axissecurities.in

CA Bhavya Shah

Research Associate

Email: bhavya1.shah@axissecurities.in



Key Takeaways

- Diversification efforts progressing well The company remains focused on diversifying its geographical footprint and will look to gain substantial market share in states other than the Top-3. It has identified the markets of Bihar, Rajasthan, Gujarat and Jharkhand. CAGrameen expects growth in the core states of Maharashtra, Karnataka, Tamil Nadu and Madhya Pradesh to remain in the high single-digit to low double-digit, while the new geographies are expected to remain buoyant on a smaller base. The company will remain watchful in terms of scaling up business in Andhra Pradesh and Telangana, wherein it will add a few branches before taking a cautious call of scaling the book.
- Negligible Impact of Elections The management believes there is adequate customer awareness around
 election-related announcements of loan waivers. Hence, they expect the impact of elections to be minimal. The
 management believes that during the election months, growth could be marginally slower for 1-2 months, but they
 do not expect any major disruption.

Key Risks to our Estimates and TP

- The key risk to our estimates remains a slowdown in overall disbursement and AUM growth which could potentially derail our earnings estimates.
- Slowdown in growth momentum in newer geographies or inability to scale up business in new geographies

Change in Estimates

(Rs Cr)	Rev	Revised		Old		% Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	
NII	2,887	3,569	2,726	3,390	5.9	5.3	
PBP	2,072	2,550	1,909	2,356	8.6	8.2	
Provisions	370	461	374	460	-1.2	0.3	
PAT	1,272	1,561	1,147	1,418	10.8	10.1	

Source: Axis Securities



Results Review (Consolidated)

(Rs Cr)	Q1FY24	Q1FY23	% YoY	Q4FY23	% QoQ
Net Interest Income	720	456	57.8	619	16.3
Non-Interest Income	66	24	169.9	101	-35.4
Operating expenses	242	191	26.7	218	11.2
Staff Cost	156	124	26.2	135	16.2
Pre provision profits	544	290	87.7	503	8.1
Provisions and contingencies	76	101	-24.3	105	-27.5
PBT	467	189	147.5	398	17.6
Provision for Tax	119	49	141.4	101	17.8
PAT	348	138	152.7	297	17.5
Business Update					
Disbursements	4,771	2,146	122.3	7,171	-33.5
AUM	21,814	15,615	39.7	21,032	3.7
MFI	21,603	15,470	39.6	20,864	3.5
Retail Finance	211	145	45.5	168	25.6
Cost-Income ratio (%)	30.8	39.7	-893bps	30.2	59bps
Yields (%)	20.7	18.3	240bps	19.7	100bps
Cost of Funds (%)	9.6	9.0	60bps	9.5	10bps
NIMs (%)	13.0	11.2	180bps	12.2	80bps
Asset Quality					
Gross NPA (%)	0.9	3.1	-222bps	1.2	-32bps
Net NPA (%)	0.3	1.2	-88bps	0.4	-15bps
PCR (%)	69.7	63.0	664bps	65.3	437bps
Capital Adequacy					
CRAR	24.4	24.7	-30bps	23.6	80bps
Tier I	23.5	24.0	-50bps	22.7	80bps
Tier II	0.9	0.7	20bps	0.9	0bps

Source: Company, Axis Securities



Financials (Consolidated)

Profit & Loss	(Rs Cr)
---------------	---------

Y/E March	FY22	FY23	FY24E	FY25E
Net Interest Income	1,583	2,114	2,887	3,569
Non-Interest Income	183	224	244	270
Total Income	1,766	2,338	3,131	3,838
Operating Expenses	688	831	1,059	1,288
Pre-Provision Profits	1,078	1,506	2,072	2,550
Provisions	597	401	370	461
PBT	481	1,105	1,702	2,089
Tax	128	279	430	528
Profit After Tax	353	826	1,272	1,561

Source: Company, Axis Securities

Balance Sheet (Rs Cr)

Y/E March	FY22	FY23	FY24E	FY25E
Equity Share Capital	156	159	159	159
Reserves & Surplus	3,822	4,948	6,220	7,781
Net Worth	3,978	5,107	6,379	7,940
Borrowings	12,921	16,312	20,194	24,971
Other Liabilities	496	439	544	674
Total Liabilities	17,395	21,858	27,117	33,585
Cash & Bank balances	1,761	1,436	1,619	2,006
Investments	1	455	537	749
Goodwill	318	376	376	376
Loans	14,765	19,043	23,906	29,638
Fixed Assets & Others	550	548	680	818
Total Assets	17,395	21,858	27,117	33,585

Source: Company, Axis Securities



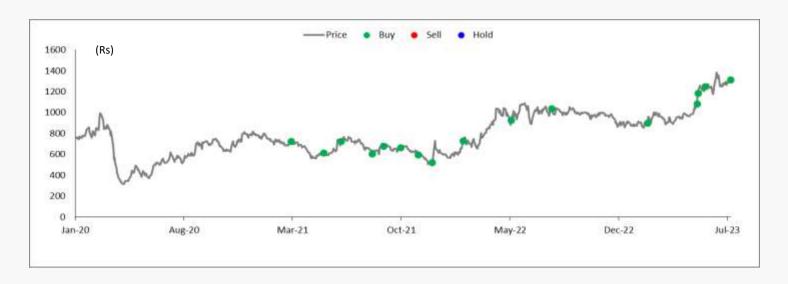
Ratio Analysis (%)

•				•
//E March	FY22	FY23	FY24E	FY25E
Asset Quality				
GNPA	560	237	307	395
NNPA	278	88	108	133
GNPA Ratio (%)	3.6	1.2	1.2	1.3
NNPA Ratio (%)	0.9	0.4	0.4	0.4
PCR (%)	50.3	62.7	64.7	66.2
Credit Costs (%)	4.5	2.4	1.7	1.7
Profitability & Efficiency Ratios				
Net Interest Margin (%) – (on. Avg on-book AUMs)	10.9	11.6	12.6	12.5
RoA	2.2	4.2	5.2	5.1
RoE	9.2	18.2	22.2	21.8
Cost to Assets	4.2	4.2	4.3	4.2
Cost to Income	39.0	35.6	33.8	33.6
CRAR (%)	26.5	23.6	21.8	20.7
Tier I (%)	25.9	22.7	20.9	19.9
Balance Sheet Structure Ratios (%)				
GLP Growth (%)	22.2	26.7	25.5	24.0
Borrowing Growth (%)	18.1	26.2	23.8	23.7
Equity/Assets (%)	22.9	23.4	23.5	23.6
Equity/Loans (%)	26.9	26.8	26.7	26.8
/aluation				
EPS (INR)	22.7	52.0	80.0	98.2
Change (%)	162.9	129.5	54.0	22.7
BV per share	255.2	321.4	401.4	499.6
Adj. BV per share	237.3	315.8	394.6	491.2
Price-Earnings (x)	57.9	25.2	16.4	13.4
Price-BV (x)	5.1	4.1	3.3	2.6
Price-ABV (x)	5.5	4.2	3.3	2.7
DuPont Analysis – RoE Tree (%)				
NII	9.8	10.8	11.8	11.8
Non-Interest Income	1.1	1.1	1.0	0.9
Opex	4.2	4.2	4.3	4.2
Provisions	3.7	2.0	1.5	1.5
Tax	0.8	1.4	1.8	1.7
RoA	2.2	4.2	5.2	5.1
Leverage	4.2	4.3	4.3	4.3
			1.0	1.0

Source: Company, Axis Securities



CreditAccess Grameen Price Chart and Recommendation History



Date	Reco	TP	Research
04-Mar-21	BUY	865	Initiating Coverage
07-May-21	BUY	750	Result Update
11-Jun-21	BUY	810	Company Update
11-Aug-21	BUY	745	Result Update
06-Sep-21	BUY	745	Company Update
07-Oct-21	BUY	745	Company Update
11-Nov-21	BUY	755	Result Update
09-Dec-21	BUY	715	AAA
08-Feb-22	BUY	825	Result Update
16-May-22	BUY	1,080	Result Update
02-Aug-22	BUY	1,210	Result Update
25-Oct-22	BUY	1,200	Result Update
08-Feb-23	BUY	1,215	Result Update
17-May-23	BUY	1,315	Result Update
19-May-23	BUY	1,315	Result Update
01-Jun-23	BUY	1,400	Top Picks
01-Jul-23	BUY	1,400	Top Picks
24-Jul-23	BUY	1,600	Result Update

Source: Axis Securities



About the Analyst



Analyst: Dnyanada Vaidya

Contact Details: dnyanada.vaidya@axissecurites.in

Sector: BFSI

Analyst Bio: Dnyanada Vaidya is MMS (Finance) with over 6 years of research experience in the

Banking/NBFC sector.

About the Analyst



Contact Details: bhavya1.shah@axissecurites.in

Sector: BFSI

Analyst Bio: Bhavya Shah is Chartered Accountant and CFA level 2 cleared with over 6 months of research

experience in the Banking/NBFC Industry

Contact Details: bhavya1.shah@axissecurites.in

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.

ASL has no material adverse disciplinary history as on the date of publication of this report.

I/We, Dnyanada Vaidya, MMS Finance, author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period. Any holding in stock – No

5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.

In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or; Managed or co-managed public offering of the securities from the subject company of this research report and / or; Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report; ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Terms & Conditions:

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.



DEFINITION OF RATINGS		
Ratings	Expected absolute returns over 12-18 months	
BUY	More than 10%	
HOLD	Between 10% and -10%	
SELL	Less than -10%	
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation	
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events	
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock	

Disclaimer:

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advice necessarily a guide to future performance. Investors are advice necessarily a guide to future performance. Investors are advice necessarily and the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The Research reports are also available & published on AxisDirect website.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. 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 ASL 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.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

Copyright in this document vests with Axis Securities Limited.

Axis Securities Limited, SEBI Single Reg. No.- NSE, BSE & MSEI – INZ000161633, ARN No. 64610, CDSL-IN-DP-CDSL-693-2013, SEBI-Research Analyst Reg. No. INH 000000297, SEBI Portfolio Manager Reg. No.- INP000000654, Main/Dealing off.- 1st Floor, I-Rise Building, Q Parc, Loma Park, Thane, Ghansoli, Navi Mumbai-400701, Regd. off.- Axis House,8th Floor, Wadia International Centre, PandurangBudhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-49212706