

CreditAccess Grameen

Steady progress; retail pivot offers interesting trade-offs

CreditAccess Grameen (CREDAG) delivered steady in-line outcomes, as AUM growth began normalising, albeit the retail finance business grew sharply on a low base. AUM growth clocked in at 36% YoY (+3% QoQ), led predominantly by new customer additions and a modest rise in average ticket size. Asset quality continued to be impressive with PAR-0/GNPA at 1.3%/0.8%, resulting in benign credit costs. Asset yields continued to reflate (+40bps QoQ), and concomitant with benign credit costs, drove RoA/RoE of 5.6%/24.7%. While the company could witness incremental pressure on NIMs (higher cost of funds and changing loan mix), CREDAG is poised to sustain its strong earnings on the back of operating leverage and low credit costs. We raise our FY24E/FY25E earnings estimates by 15%/13% for sustained improvement in operating metrics; maintain BUY, with a revised TP of INR1,650 (3.0x Sep-25 ABVPS).

- **Steady operating performance, management increases FY24 guidance:** P&L outcomes were steady as NII and PPOP began normalising (+6%/+4% QoQ) on the back of modest AUM growth (+3% QoQ) and a moderate 10bps QoQ reflation in NIMs (13.1%). AUM growth was driven by volume elasticity (borrower count up 21% YoY) compared to ticket sizes (+12% YoY). GNPA/NNPA improved further to 0.8%/0.3% with PAR-0, marginally inching up to 1.3% (+10bps QoQ). The management has revised their FY24 guidance upwards to RoA/RoE of 5.4-5.6%/24-25% on the back of sustained higher NIMs and operating efficiency (C/I ratio of 31%).
- **Retail pivot offers interesting trade-offs:** With ~44% of the new borrowers coming from outside the top three states, CREDAG is gradually upping its vintage curve with ~30% of its AUM having a three-year maturity, translating into lower EMIs and lower risk. The average borrower-level exposure (INR49k) has been moderating over the past couple of quarters. The company's recent pivot towards retail finance and higher tenor loans offers interesting trade-offs in terms of duration of the loan book, repayment run rate, opex intensity and asset quality, all of which are key monitorable.

Financial summary

(INR bn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
NII	7.6	5.0	53.3	7.2	6.0	21.1	29.7	37.1	46.5
PPOP	5.6	3.3	68.9	5.4	3.8	15.1	22.1	27.2	34.0
PAT	3.5	1.8	98.1	3.5	0.2	8.3	13.8	17.0	21.0
EPS (INR)	22.0	11.0	100.1	21.8	0.7	52.0	86.9	106.9	132.1
ROAE (%)						17.9	23.8	23.2	22.8
ROAA (%)						4.2	5.5	5.3	5.2
ABVPS (INR)						293.5	375.6	482.4	611.5
P/ABV (x)						4.7	3.7	2.9	2.3
P/E (x)						26.7	16.0	13.0	10.5

Source: Company, HSIE Research

Change in estimates

INR bn	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
AUM	270.7	264.4	-2.3%	343.6	332.6	-3.2%
NIM (%)	11.5	12.5	99 bps	11.5	12.4	87 bps
NII	27.8	29.7	7.1%	35.5	37.1	4.5%
PPOP	19.8	22.1	11.2%	25.2	27.2	8.1%
PAT	12.0	13.8	15.1%	15.0	17.0	13.1%
ABVPS (INR)	364.8	375.6	3.0%	453.7	482.4	6.3%

Source: Company, HSIE Research

BUY

CMP (as on 20 Oct 2023) INR 1,390

Target Price INR 1,650

NIFTY 19,543

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1470	INR 1650
EPS %	FY24E	FY25E
	15.1%	13.1%

KEY STOCK DATA

Bloomberg code	CREDAG IN
No. of Shares (mn)	159
MCap (INR bn) / (\$ mn)	221/2,704
6m avg traded value (INR mn)	531
52 Week high / low	INR 1,502/834

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.6	40.0	42.9
Relative (%)	8.8	30.4	32.4

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	66.8	66.7
FIs & Local MFs	11.9	15.8
FPIs	9.7	11.4
Public & Others	11.8	6.1
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

Krishnan ASV

venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Deepak Shinde

deepak.shinde@hdfcsec.com
+91-22-6171-7323

Neelam Bhatia

neelam.bhatia@hdfcsec.com
+91-22-6171-7341

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC securities
Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com