

BUY**CreditAccess Grameen****Superlative Q2 results fuel stock momentum****BFSI - Banks** ▶ Stock Update ▶ **October 27, 2023****TARGET PRICE (Rs): 1,960**

Post the strong Q2 results, CREDAG's stock should be largely retraced to 3M-ago levels post this week's 11%+ move. We believe the stock will see continued momentum, given 2H being seasonally strong for the MFI sector, and hence also for CREDAG. Additionally, the company has guided for the continued strong margin/RoA delivery, while building healthy contingent buffers to withstand any future asset-quality shocks. We believe south-dominant MFI players including CREDAG will be better-off than northern/central peers, who face rising risk of political interference, while its strategy to gradually de-risk its balance sheet via portfolio diversification should augur well in the long term. Overhang of promoter's/large shareholders' stake sale too is now over for CREDAG which we believe remains a persistent threat for most NBFC-MFI players. Based on this, we believe CREDAG's stock performance should largely track its superior financial performance and RoA/RoE delivery (at >5%/20%, respectively). We retain **BUY** on the stock, with target price of Rs1,960/share, valuing it at 3.3x Sep-25E ABV.

CreditAccess Grameen: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net profit	3,531	8,260	14,886	17,825	20,392
Loan growth (%)	22.2	26.7	30.0	25.0	23.0
NII growth (%)	6.7	33.5	55.8	23.8	20.7
NIM (%)	10.4	11.4	13.5	12.9	12.6
PPOP growth (%)	13.2	39.8	59.7	22.2	19.7
Adj. EPS (Rs)	22.7	52.5	93.7	112.2	128.3
Adj. EPS growth (%)	158.5	131.5	78.5	19.7	14.4
Adj. BV (INR)	259.2	321.1	413.1	523.7	649.3
Adj. BVPS growth (%)	3.2	21.3	27.9	27.0	24.3
RoA (%)	2.2	4.2	5.8	5.4	5.0
RoE (%)	8.8	17.8	25.4	23.8	21.7
P/E (x)	68.0	29.4	16.5	13.8	12.0
P/ABV (x)	5.5	4.4	3.4	2.7	2.2

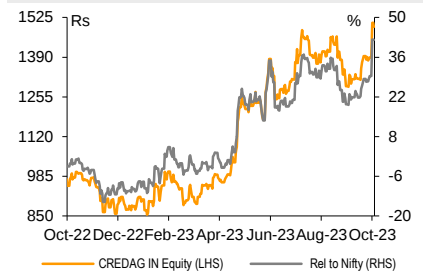
Source: Company, Emkay Research

Target Price – 12M	Sep-24
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	27.1
CMP (26-Oct-23) (Rs)	1,542.5

Stock Data	Ticker
52-week High (Rs)	1,562
52-week Low (Rs)	834
Shares outstanding (mn)	159.1
Market-cap (Rs bn)	245
Market-cap (USD mn)	2,949
Net-debt, FY24E (Rs mn)	NA
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	492.9
ADTV-3M (USD mn)	5.9
Free float (%)	26.0
Nifty-50	18,857
INR/USD	83.2
Shareholding, Sep-23	
Promoters (%)	66.7
FPIs/MFs (%)	11.5/15.8

Price Performance

(%)	1M	3M	12M
Absolute	16.0	8.8	58.0
Rel. to Nifty	20.9	14.1	47.9

1-Year share price trend (Rs)**Anand Dama**

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CreditAccess Grameen: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	25,673	33,271	51,390	64,382	76,291
Interest Expense	9,841	12,129	18,440	23,597	27,068
Net interest income	15,831	21,142	32,950	40,785	49,223
NII growth (%)	6.7	33.5	55.8	23.8	20.7
Other income	1,828	2,236	1,886	2,350	2,971
Total Income	17,659	23,379	34,836	43,135	52,194
Operating expenses	6,884	8,315	10,784	13,733	16,999
PPOP	10,775	15,064	24,051	29,402	35,194
PPOP growth (%)	13.2	39.8	59.7	22.2	19.7
Core PPOP	10,775	15,064	24,051	29,402	35,194
Provisions & contingencies	5,967	4,010	4,150	5,572	7,932
PBT	4,808	11,054	19,902	23,830	27,263
Extraordinary items	0	0	0	0	0
Tax expense	1,277	2,794	5,015	6,005	6,870
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	3,531	8,260	14,886	17,825	20,392
PAT growth (%)	168.7	134.0	80.2	19.7	14.4
Adjusted PAT	3,531	8,260	14,886	17,825	20,392
Diluted EPS (Rs)	23.2	52.3	93.3	111.7	127.8
Diluted EPS growth (%)	160.9	125.1	78.5	19.7	14.4
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	26.6	25.3	25.2	25.2	25.2
Net interest margins (%)	10.4	11.4	13.5	12.9	12.6
Cost-income ratio (%)	39.0	35.6	31.0	31.8	32.6
Shares outstanding (mn)	155.9	158.9	158.9	158.9	158.9

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Asset quality					
Gross NPLs	5,586.5	2,355.5	1,721.1	2,902.9	5,006.7
Net NPLs	1,973.5	799.5	481.9	841.8	1,502.0
GNPA ratio (%)	3.7	1.2	0.7	0.9	1.3
NNPA ratio (%)	1.3	0.4	0.2	0.3	0.4
Provision coverage (%)	64.7	66.1	72.0	71.0	70.0
Gross slippages	6,955.0	3,620.0	4,229.5	5,908.9	8,415.5
Gross slippage ratio (%)	4.6	1.9	1.7	1.9	2.2
LLP ratio (%)	4.4	2.3	1.8	2.0	2.3
NNPA to networth (%)	4.7	1.6	0.7	1.0	1.4
Capital adequacy					
Total CAR (%)	22.8	23.6	23.4	23.5	23.5
Tier-1 (%)	21.8	22.7	22.7	22.9	23.0
CET-1 (%)	1.0	0.9	0.7	0.6	0.5
RWA-to-Total Assets (%)	82.0	82.0	84.0	88.0	92.0
Miscellaneous					
Total income growth (%)	11.5	29.1	50.0	25.3	18.8
Opex growth (%)	17.6	20.8	29.7	27.3	23.8
Core PPOP growth (%)	13.2	39.8	59.7	22.2	19.7
PPOP margin (%)	6.6	7.7	9.4	9.0	8.7
PAT/PPOP (%)	32.8	54.8	61.9	60.6	57.9
LLP-to-Core PPOP (%)	55.4	26.6	17.3	19.0	22.5
Yield on advances (%)	19.4	19.5	22.2	21.8	21.1
Cost of funds (%)	8.8	9.3	10.1	9.8	9.4

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	1,559	1,589	1,589	1,589	1,589
Reserves & surplus	40,110	49,480	64,367	82,191	1,02,584
Net worth	41,669	51,069	65,956	83,781	1,04,173
Deposits	0	0	0	0	0
Borrowings	1,15,026	1,46,399	2,19,326	2,63,146	3,15,724
Interest bearing liab.	1,15,026	1,46,399	2,19,326	2,63,146	3,15,724
Other liabilities & prov.	18,124	21,112	5,990	17,617	23,620
Total liabilities & equity	1,74,819	2,18,581	2,91,271	3,64,544	4,43,516
Net advances	1,47,653	1,90,433	2,47,558	3,08,935	3,79,020
Investments	5	4,545	5,453	5,726	6,012
Cash, other balances	17,614	14,364	28,512	39,472	47,359
Interest earning assets	1,65,272	2,09,343	2,81,523	3,54,133	4,32,391
Fixed assets	6,320	6,030	6,138	6,440	6,758
Other assets	3,227	3,208	3,610	3,971	4,368
Total assets	1,74,819	2,18,581	2,91,271	3,64,544	4,43,516
BVPS (Rs)	267.6	324.5	415.1	527.2	655.5
Adj. BVPS (INR)	259.2	321.1	413.1	523.7	649.3
Gross advances	1,65,990	2,10,310	2,73,403	3,41,754	4,20,357
Credit to deposit (%)	128.4	130.1	112.9	117.4	120.0
CASA ratio (%)	10.6	9.0	12.4	13.2	12.7
Cost of deposits (%)	8.8	9.3	10.1	9.8	9.4
Loans-to-Assets (%)	84.5	87.1	85.0	84.7	85.5
Net advances growth (%)	22.2	26.7	30.0	25.0	23.0
Deposit growth (%)	5.1	27.3	49.8	20.0	20.0
Book value growth (%)	3.0	21.3	27.9	27.0	24.3

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	68.0	29.4	16.5	13.8	12.0
P/B (x)	6.0	4.8	3.7	2.9	2.4
P/ABV (x)	5.5	4.4	3.4	2.7	2.2
P/PPOP (x)	20.2	14.8	9.2	7.6	6.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
DuPont-RoE split (%)					
NII/avg assets	9.7	10.7	12.9	12.4	12.2
Other income	1.1	1.1	0.7	0.7	0.7
Fee income	0.7	0.8	0.5	0.5	0.6
Opex	4.2	4.2	4.2	4.2	4.2
PPOP	6.6	7.7	9.4	9.0	8.7
Core PPOP	6.6	7.7	9.4	9.0	8.7
Provisions	3.7	2.0	1.6	1.7	2.0
Tax expense	0.8	1.4	2.0	1.8	1.7
RoA (%)	2.2	4.2	5.8	5.4	5.0
Leverage ratio (x)	4.1	4.2	4.4	4.4	4.3
RoE (%)	8.8	17.8	25.4	23.8	21.7

Quarterly data					
Rs mn, Y/E Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
NII	5,158	5,674	6,908	7,641	7,722
NIM (%)	12.0	11.9	12.2	13.0	13.1
PPOP	3,344	3,795	5,028	5,416	5,648
PAT	1,761	2,158	2,965	3,463	3,492
EPS (Rs)	11.30	13.84	19.02	22.22	22.40

Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
22-Oct-23	1,390	1,960	Buy	Anand Dama
23-Jul-23	1,314	1,800	Buy	Anand Dama
01-Jul-23	1,248	1,650	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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