

CredAG continues to report strong GLP growth at 32% YoY/14% QoQ. This, coupled with stable margins and higher other income and partially offset by higher LLP and staff costs (due to one-off provision of Rs260mn towards bonus and ex-gratia), led to an almost in-line PAT at Rs4bn/RoA @5.7% (Emkay PAT: Rs3.9bn). Company attributes the slight uptick in GNPA ratio (up by 21bps QoQ) to 1.2% mainly to the impact of floods in TN and expansion into new geographies – where credit experience initially is bound to be different vs its home state. For FY25-28, Company has upgraded its RoA guidance to 5.4-5.5% on the back of a better margin trajectory (12.7-12.9%) and cost ratios, partly offset by increase in credit cost (2.2-2.4%) factoring-in the normalization in asset quality. However, we conservatively build-in the higher credit cost, given the need to build-in contingent provision buffers for absorbing any initial asset quality shock and, thus, expect CredAG to report RoA @4.8-5.4%/RoE @20-23% over FY25-27E. We retain BUY with TP of Rs2,000/sh, rolling fwd on 3x FY26E ABV. CredAG remains our preferred pick in the MFI space, given its superior return ratios and well placed management succession, unlike peers.

CreditAccess Grameen: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net profit	8,260	14,459	17,772	20,605	23,942
Loan growth (%)	22.2	26.7	27.0	24.0	23.0
NII growth (%)	33.5	54.2	24.6	20.3	20.7
NIM (%)	11.4	13.4	12.9	12.3	12.1
PPOP growth (%)	39.8	58.7	27.4	20.5	20.2
Adj. EPS (Rs)	52.5	90.9	111.5	129.3	150.2
Adj. EPS growth (%)	131.5	73.1	22.7	15.9	16.2
Adj. BV (INR)	319.4	416.3	536.8	674.9	833.4
Adj. BVPS growth (%)	21.3	30.0	29.1	26.1	23.9
RoA (%)	4.2	5.7	5.4	5.0	4.8
RoE (%)	17.8	24.5	23.1	21.0	19.5
P/E (x)	27.1	15.7	12.8	11.0	9.5
P/ABV (x)	4.5	3.4	2.7	2.1	1.7

Source: Company, Emkay Research

Strong growth, strong margins

CredAG posted an impressive GLP growth of 32% YoY/14% QoQ, driven by 15% YoY/5% QoQ surge in the borrower base and balance due to higher ticket-size, as the share of high vintage customers increases. This coupled with better CoF led to nearly stable and healthy margins at 13.1%, despite the rate cuts nudged by the RBI in the recent past. The company guides to some moderation in GLP growth to 23-24% in FY25 and 20-25% over FY25-28, while maintaining its focus on diversifying geographically as well as improving its product mix (aims to expand its retail finance book to 10-15% by FY28 vs current levels of 3%). The company also guides to NIM marginally moderating, albeit remaining healthy at 12.8-12.9% in FY25 and at 12.7-12.9% over FY25-28E.

NPAs inch-up and so does the credit cost, due to asset-quality normalization given the benign environment in the last 2 years

CredAG's NPAs increased by 21bps QoQ to 1.2%, mainly due to some residual impact of the floods being factored into Q4 numbers in select pockets of TN and asset quality normalization after a prolonged benign environment over FY23-24. However, the PAR 0+ softened by 10bps QoQ to 1.7% (vs 1.8% in Q3). Additionally, the management believes that delinquencies outside the state of Karnataka (non-core states) are slightly higher. This too has some effect on the overall NPA ratios, triggering a revision in the Company's overall credit cost guidance to 2.2-2.4% for FY25 (vs 1.6-1.8% earlier); this in turn should keep LLP elevated.

We reiterate BUY, with an unchanged TP of Rs2,000/share

We conservatively build in relatively higher credit cost, accounting for the need to build in contingent provision buffers for absorbing any initial asset-quality shock; thus, we expect CredAG to report RoA @4.8-5.4%/RoE @20-23% over FY25-27E. We retain BUY on CredAG with TP of Rs2,000/sh, rolling fwd on 3.0x FY26E ABV. CredAG remains our preferred pick in the MFI space, given its superior return ratios and well-placed management succession, unlike peers. Key risks: Asset-quality deterioration in MFI (mainly in non-South markets), and unseasonal non-MFI portfolio.

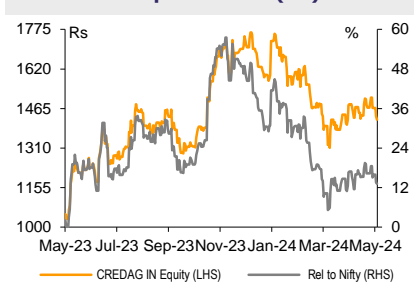
Target Price – 12M	Mar-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	40.8
CMP (07-May-24) (Rs)	1,420.8

Stock Data	Ticker
52-week High (Rs)	1,796
52-week Low (Rs)	982
Shares outstanding (mn)	159.4
Market-cap (Rs bn)	226
Market-cap (USD mn)	2,711
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	374.1
ADTV-3M (USD mn)	4.5
Free float (%)	33.0
Nifty-50	22,303
INR/USD	83.5
Shareholding, Mar-24	
Promoters (%)	66.6
FPIs/MFs (%)	11.7/15.8

Price Performance

(%)	1M	3M	12M
Absolute	(4.1)	(12.1)	43.3
Rel. to Nifty	(3.2)	(13.6)	16.1

1-Year share price trend (Rs)



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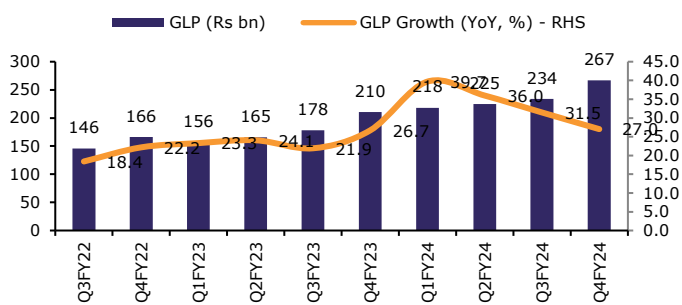
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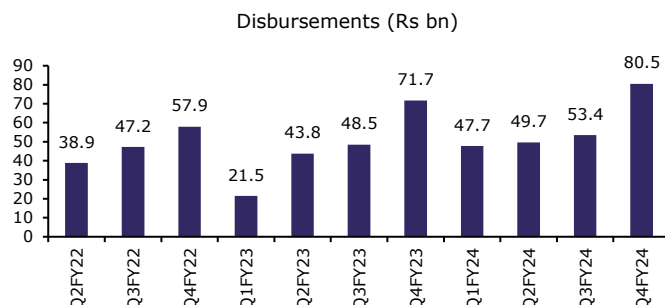
Story in charts

Exhibit 1: GLP growth remains robust...



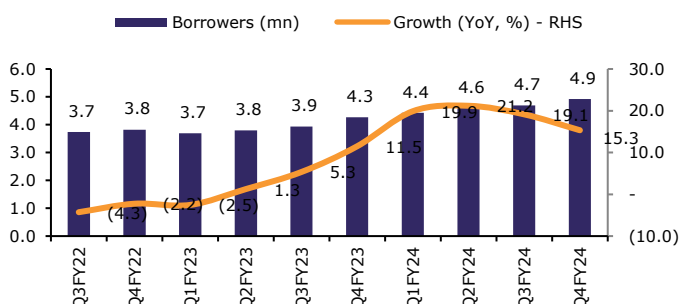
Source: Company, Emkay Research

Exhibit 2: ...as do disbursements



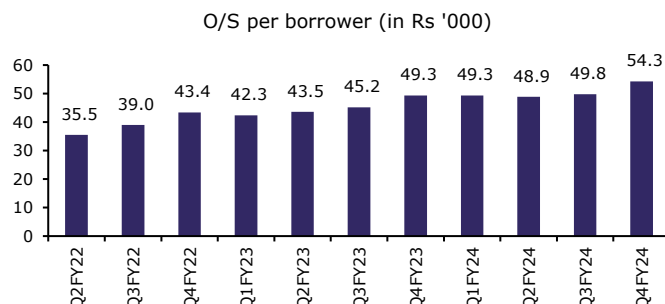
Source: Company, Emkay Research

Exhibit 3: Borrower growth moderates a bit, but remains healthy at 15% YoY...



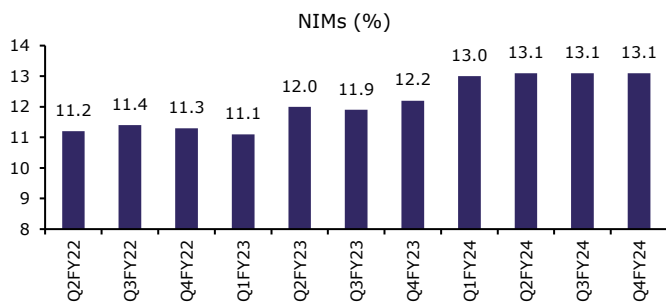
Source: Company, Emkay Research

Exhibit 4: ...leading to higher O/S per borrower



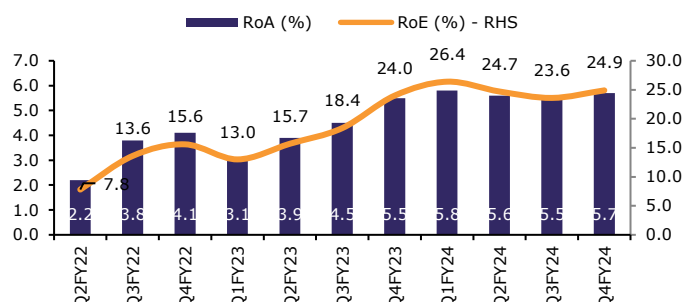
Source: Company, Emkay Research

Exhibit 5: NIMs remain stable yet again, due to unchanged loan yields and CoBs...



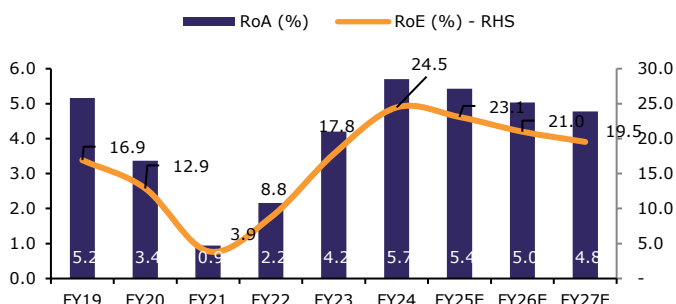
Source: Company, Emkay Research

Exhibit 6: ...but healthy return ratios persist owing to lower opex



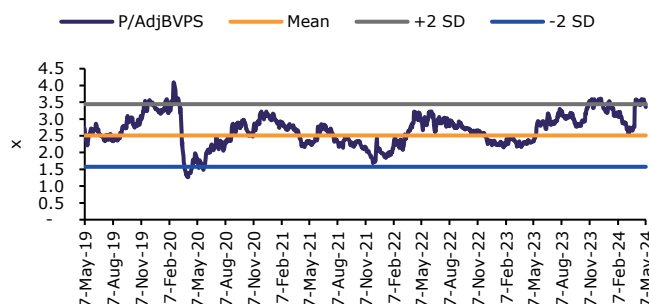
Source: Company, Emkay Research

Exhibit 7: Expect healthy return ratios, led by better margins/lower cost-income ratio, and partly offset by higher LLP



Source: Company, Emkay Research

Exhibit 8: The stock trades at 3.0x its one-year forward P/ABV



Source: Bloomberg, Emkay Research

Exhibit 9: Actuals vs Estimates (Q4FY24)

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	9,770	9,257	NA	6%	NA	Higher NII led to a beat
PPOP	6,827	6,515	6,570	5%	4%	Higher Net income led to a beat
PAT	3,970	3,942	3,891	1%	2%	Higher PPOP partially offset by higher LLP led to a slight beat

Source: Company, Emkay Research

Exhibit 10: Quarterly Summary

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY23A	FY24A	YoY (%)
Interest Earned	10,364	11,490	11,961	12,444	14,041	35	13	33,271	49,931	50
Interest Exp	3,456	3,849	4,239	4,415	4,822	39	9	12,129	17,324	43
Net Interest Income	6,908	7,641	7,722	8,029	9,219	33	15	21,142	32,606	54
Global NIMs (reported)	12.20	13.00	13.10	13.10	13.10	90bps	0bps	11.37	13.41	204bps
Non-interest Income	298	218	515	509	550	85	7	2,236	1,796	-20
Operating Expenses	2,177	2,442	2,589	2,519	2,943	35	17	8,315	10,493	26
Pre Provisioning Profit	5,028	5,416	5,648	6,019	6,827	36	13	15,064	23,909	59
Provision & Contingencies	1,053	764	959	1,262	1,533	46	21	4,010	4,518	13
PBT	3,975	4,652	4,689	4,757	5,294	33	11	11,054	19,392	75
Income Tax Expense (Gain)	1,010	1,189	1,197	1,222	1,324	31	8	2,794	4,933	77
Net Profit/(Loss)	2,965	3,463	3,492	3,535	3,970	34	12	8,260	14,459	75
Gross NPA (%)	1.21	0.89	0.77	0.97	1.18	-3bps	21bps	1.23	1.24	2bps
Net NPA (%)	0.42	0.27	0.24	0.29	0.35	-7bps	6bps	0.42	0.35	-7bps
Net Advances (Rs bn)	190	198	209	221	251	32	14	190	251	32

Source: Company, Emkay Research

Exhibit 11: Revision in Estimates

Y/E Mar (Rs mn)	FY25E			FY26E		
	Earlier	Revised	Change	Earlier	Revised	Change
Net income	34,402	-1.2%	43,135	43,097	-0.1%	52,194
PPOP	23,909	-0.6%	29,402	30,460	3.6%	35,194
PAT	14,459	-2.9%	17,825	17,772	-0.3%	20,392
EPS (Rs)	90.9	-3.0%	112.2	111.5	-0.6%	128.3
BV (Rs)	421.8	1.6%	527.2	544.7	3.3%	655.5

Source: Emkay Research

Exhibit 12: Key Assumptions

(%)	FY24A	FY25E	FY26E	FY27E
Loan Growth	31.8	25.4	24.0	22.7
Borrowing Growth	49.2	25.0	22.0	21.0
NIM	13.4	12.9	12.3	12.1
GNPA	1.2	1.4	1.7	2.1
Credit Cost	2.0	2.3	2.6	2.7

Source: Emkay Research

Exhibit 13: Key Ratios and Trends

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Loans (Rs mn)	147,653	141,376	151,959	164,023	190,433	198,202	208,801	220,892	251,050
Balance Sheet									
Loans (Rs bn)	148	141	152	164	190	198	209	221	251
- growth (YoY)	26.0	30.6	29.0	22.6	29.0	40.2	37.4	34.7	31.8
- growth (QoQ)	10.4	-4.3	7.5	7.9	16.1	4.1	5.3	5.8	13.7
Loan composition (%)									
- IGL	96.1	95.7	95.5	95.9	95.5	94.8	93.8	93.2	92.6
- Family Welfare	0.2	0.8	1.1	0.7	0.3	0.7	0.7	0.4	0.0
- Home Improvement	2.5	2.6	2.6	2.7	3.3	3.6	3.9	4.2	0.3
- Emergency	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	4.4
- Retail Finance	1.2	0.9	0.7	0.6	0.8	1.0	1.6	2.1	2.7
Asset Quality									
GNPA (%)	3.6	3.1	2.2	1.7	1.2	0.9	0.8	1.0	1.2
NNPA (%)	1.3	1.2	0.8	0.6	0.4	0.3	0.2	0.3	0.4
PCR (%)	64.4	63.6	65.1	65.9	65.7	72.4	71.1	71.8	72.1
ROE Decomposition (%)									
NII	12.5	10.9	12.2	12.7	13.6	13.7	13.2	13.0	13.6
Other Income	0.9	0.4	0.6	0.6	0.6	0.4	0.9	0.8	0.8
Treasury	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Opex	4.5	4.5	4.9	4.8	4.3	4.4	4.4	4.1	4.3
PPOP	8.9	6.8	7.9	8.5	9.9	9.7	9.7	9.7	10.0
Provisioning Cost	3.6	2.4	2.5	2.0	2.1	1.4	1.6	2.0	2.3
PBT	5.2	4.5	5.4	6.5	7.8	8.3	8.0	7.7	7.8
Tax	1.4	1.2	1.3	1.7	2.0	2.1	2.0	2.0	1.9
ROA	3.8	3.3	4.2	4.8	5.9	6.2	6.0	5.7	5.8
Leverage (x)	4.1	4.0	3.7	3.8	4.0	4.1	4.0	4.0	4.1
ROE	15.6	13.2	15.7	18.3	23.2	25.4	24.1	22.9	24.2

Source: Company, Emkay Research

CreditAccess Grameen: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	33,271	49,931	62,574	76,158	91,459
Interest Expense	12,129	17,324	21,931	27,271	32,431
Net interest income	21,142	32,606	40,643	48,886	59,028
NII growth (%)	33.5	54.2	24.6	20.3	20.7
Other income	2,236	1,796	2,454	3,097	3,597
Total Income	23,379	34,402	43,097	51,983	62,625
Operating expenses	8,315	10,493	12,637	15,271	18,485
PPOP	15,064	23,909	30,460	36,712	44,140
PPOP growth (%)	39.8	58.7	27.4	20.5	20.2
Core PPOP	15,064	23,909	30,460	36,712	44,140
Provisions & contingencies	4,010	4,518	6,669	9,129	12,090
PBT	11,054	19,392	23,791	27,584	32,050
Extraordinary items	0	0	0	0	0
Tax expense	2,794	4,933	6,019	6,979	8,109
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	8,260	14,459	17,772	20,605	23,942
PAT growth (%)	134.0	75.0	22.9	15.9	16.2
Adjusted PAT	8,260	14,459	17,772	20,605	23,942
Diluted EPS (Rs)	52.3	90.5	111.1	128.8	149.6
Diluted EPS growth (%)	125.1	73.1	22.7	15.9	16.2
DPS (Rs)	0.0	10.0	12.0	13.0	14.0
Dividend payout (%)	0.0	11.1	10.8	10.1	9.4
Effective tax rate (%)	25.3	25.4	25.3	25.3	25.3
Net interest margins (%)	11.4	13.4	12.9	12.3	12.1
Cost-income ratio (%)	35.6	30.5	29.3	29.4	29.5
Shares outstanding (mn)	158.9	159.4	159.4	159.4	159.4

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,589	1,594	1,594	1,594	1,594
Reserves & surplus	49,480	64,106	83,790	106,467	132,640
Net worth	51,069	65,700	85,384	108,061	134,234
Deposits	0	0	0	0	0
Borrowings	146,399	218,410	272,987	333,024	402,939
Interest bearing liab.	146,399	218,410	272,987	333,024	402,939
Other liabilities & prov.	21,112	4,351	8,411	10,395	13,512
Total liabilities & equity	218,581	288,460	366,783	451,480	550,685
Net advances	190,433	251,050	314,772	390,280	478,818
Investments	4,545	14,389	16,645	19,333	22,430
Cash, other balances	14,364	13,138	24,569	29,972	36,265
Interest earning assets	209,343	278,577	355,987	439,585	537,512
Fixed assets	6,030	6,136	6,401	6,718	7,051
Other assets	3,208	3,747	4,395	5,177	6,121
Total assets	218,581	288,460	366,783	451,480	550,685
BVPS (Rs)	324.5	421.8	544.7	687.0	851.2
Adj. BVPS (INR)	319.4	416.3	536.8	674.9	833.4
Gross advances	210,310	267,140	331,254	407,442	501,154
Credit to borrowing (%)	130.1	114.9	115.3	117.2	118.8
CASA ratio (%)	10.6	9.0	10.3	12.4	11.7
Cost of deposits (%)	NA	NA	NA	NA	NA
Loans-to-Assets (%)	87.1	87.0	85.8	86.4	86.9
Net advances growth (%)	22.2	26.7	27.0	24.0	23.0
Deposit growth (%)	NA	NA	NA	NA	NA
Book value growth (%)	21.3	30.0	29.1	26.1	23.9

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Asset quality					
Gross NPLs	2,355.5	3,152.0	4,487.6	6,858.9	10,140.2
Net NPLs	799.5	878.6	1,256.5	1,920.5	2,839.3
GNPA ratio (%)	1.2	1.2	1.4	1.7	2.1
NNPA ratio (%)	0.4	0.3	0.4	0.5	0.6
Provision coverage (%)	66.1	72.1	72.0	72.0	72.0
Gross slippages	3,620.0	7,965.0	11,130.1	15,808.7	21,875.4
Gross slippage ratio (%)	1.9	3.1	3.5	4.0	4.5
LLP ratio (%)	2.3	2.0	2.3	2.6	2.7
NNPA to networth (%)	1.6	1.3	1.4	1.7	2.0
Capital adequacy					
Total CAR (%)	23.6	23.1	23.9	25.3	26.3
Tier-1 (%)	22.7	22.2	23.2	24.7	25.9
CET-1 (%)	22.7	22.2	23.2	24.7	25.9
RWA-to-Total Assets (%)	82.0	82.0	85.0	85.0	85.0
Miscellaneous					
Total income growth (%)	29.1	45.7	25.7	21.9	19.9
Opex growth (%)	20.8	26.2	20.4	20.8	21.0
Core PPOP growth (%)	39.8	58.7	27.4	20.5	20.2
PPOP margin (%)	7.7	9.4	9.3	9.0	8.8
PAT/PPOP (%)	54.8	60.5	58.3	56.1	54.2
LLP-to-Core PPOP (%)	26.6	18.9	21.9	24.9	27.4
Yield on advances (%)	19.5	21.9	21.7	21.1	20.6
Cost of funds (%)	9.3	9.5	8.9	9.0	8.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	27.1	15.7	12.8	11.0	9.5
P/B (x)	4.4	3.4	2.6	2.1	1.7
P/ABV (x)	4.5	3.4	2.7	2.1	1.7
P/PPOP (x)	15.0	9.5	7.5	6.2	5.1
Dividend yield (%)	0.0	0.7	0.8	0.9	1.0
DuPont-RoE split (%)					
NII/avg assets	10.7	12.9	12.4	11.9	11.8
Other income	1.1	0.7	0.7	0.8	0.7
Fee income	0.8	0.5	0.6	0.6	0.6
Opex	4.2	4.1	3.9	3.7	3.7
PPOP	7.7	9.4	9.3	9.0	8.8
Core PPOP	7.7	9.4	9.3	9.0	8.8
Provisions	2.0	1.8	2.0	2.2	2.4
Tax expense	1.4	1.9	1.8	1.7	1.6
RoA (%)	4.2	5.7	5.4	5.0	4.8
Leverage ratio (x)	4.2	4.3	4.3	4.2	4.1
RoE (%)	17.8	24.5	23.1	21.0	19.5
Quarterly data					
Rs mn, Y/E Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
NII	6,908	7,641	7,722	8,024	9,219
NIM(%)	12.2	13.0	13.1	13.1	13.1
PPOP	5,028	5,416	5,648	6,018	6,827
PAT	2,965	3,463	3,492	3,534	3,970
EPS (Rs)	19.02	22.22	22.40	22.67	25.47

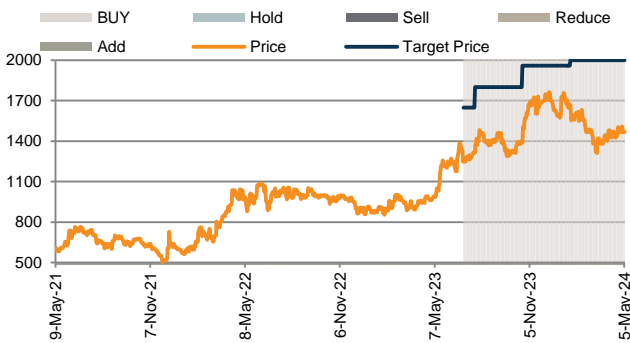
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
22-Jan-24	1,667	2,000	Buy	Anand Dama
30-Nov-23	1,697	1,960	Buy	Anand Dama
27-Oct-23	1,571	1,960	Buy	Anand Dama
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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