



# CreditAccess Grameen Limited



## CreditAccess Grameen Ltd.

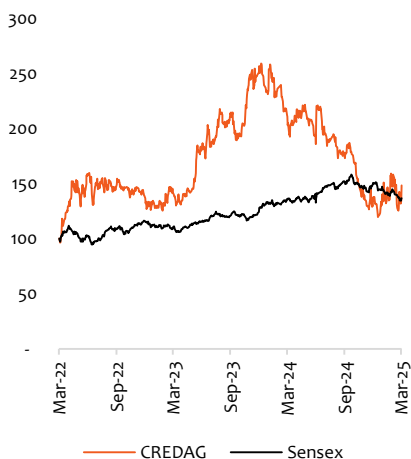
### Sustained loan portfolio growth despite some regional slowdowns

CMP INR 985*	Target INR 1,086	Potential Upside 10.3%	Market Cap (INR Mn) 1,56,383	Recommendation <b>ACCUMULATE</b>	Sector <b>Financial Services</b>
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#### MARKET DATA

Shares outs (Mn)	160
Mkt Cap (INR Mn)	1,56,383
52 Wk H/L (INR)	1,552/ 750
Volume Avg (3m K)	2,715
Face Value (INR)	10.0
Bloomberg Code	CREDAG

#### SHARE PRICE PERFORMANCE



#### MARKET INFO

SENSEX	74,340
NIFTY	22,545

#### SHAREHOLDING PATTERN (%)

Particulars	Dec-24	Sep-24	Jun-24
Promoters	66.5	66.5	66.6
FIIIs	9.8	10.8	10.9
DIIIs	14.2	14.9	16.3
Others	9.5	7.9	6.2
Total	100.0	100.0	100.0

\*Based on the today's closing

\*Note: All the market data is as of today's closing.

- CreditAccess Grameen Limited (CREDAG), in its interim business update, reported a healthy recovery in its loan portfolio growth, with its Gross Loan Portfolio (GLP) increasing by 2.36%, reaching INR 253,950 Mn in February 2025, compared to INR 248,100 Mn in December 2024.
- The expansion was driven by borrower additions of over 0.15 Mn onboarded in January and February 2025.
- While most geographies exhibited stable growth, Karnataka saw relatively muted expansion due to regulatory uncertainties, impacting loan disbursements and collections in the region.
- Despite short-term pressures, asset quality showed signs of stability across most operating geographies, except for Karnataka, which experienced a sharp increase in delinquencies.
- The company's Portfolio at Risk (PAR 0+) rose to 7.5% in February 2025 from 6.8% in December 2024, largely due to stress in Karnataka, where PAR 0+ surged from 4.3% to 7.9%. Other states like Tamil Nadu witnessed a marginal deterioration in asset quality, with PAR 0+ rising from 8.9% to 9.3%, primarily due to the lagged impact of heavy rains and cyclones in late 2024.
- The implementation of the Karnataka Ordinance in February 2025 disrupted collection activities, causing temporary stress in asset quality. The ordinance, which primarily targeted unregistered and unregulated lenders, led to temporary operational challenges for regulated entities like CREDAG, as on-the-ground borrowers faced confusion regarding their repayment obligations.
- However, after industry-wide discussions, it became clear that RBI-regulated MFIs were exempt from the ordinance's provisions, allowing CREDAG to resume its collection efforts beyond center meetings. The situation has since shown signs of stabilization, with weekly PAR accretion trends moderating post-February 12, 2025.
- **We maintain a positive long-term outlook on CREDAG, supported by sustained loan growth, strong collection efficiency, and improving asset quality across key operating geographies. The faster-than-expected recovery in other states apart from Karnataka and continued business expansion reinforce confidence in the company's growth trajectory. Given these factors, we revise our P/ABV multiple to 1.7x (earlier 1.5x FY27E) on the FY27E adjusted book value of INR 658.4 per share, leading to a revised target price of INR 1,086 (previously INR 988). This revision accounts for faster-than-expected asset quality stabilization, sustainable loan portfolio expansion, and the recent stock price uptrend. This implies a potential upside of 10.3% from the current market price. Accordingly, we reiterate our ACCUMULATE rating, as we see a favorable risk-reward balance with upside potential in the long term.**

#### KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
NII	21,143	31,677	35,953	41,099	49,360
PPOP	15,065	23,909	26,847	31,064	36,565
PAT	8,261	14,459	7,242	14,785	19,613
EPS (INR)	52.0	91.0	45.4	92.7	123.0
BVPS (INR)	321.4	413.4	459.0	552.1	675.5
ABVPS (INR)	322.7	406.7	438.5	531.1	658.4

Source: Company, DevenChoksey Research

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## CreditAccess Grameen Ltd.

### Business Momentum & Growth Trends:

- The company exhibited positive business momentum, with healthy loan portfolio growth across all geographies except Karnataka, where growth was lower.
- 0.15 Mn new borrowers were added in January and February 2025.
- Gross Loan Portfolio (GLP) grew from INR 248,100 Mn in Dec-24 to INR 253,950 Mn in Feb-25.
- Karnataka's GLP increased marginally from INR 79,270 Mn to INR 80,100 Mn. Other states' GLP expanded from INR 168,830 Mn to INR 173,840 Mn.

### Asset quality stabilizing despite regional variations:

- Asset quality stabilized with a declining PAR accretion rate across most states but higher accretion in Karnataka due to regulatory disruptions.
- X-Bucket Collection Efficiency (Excl. Karnataka) remained strong at >99.5% in Feb-25.
- Karnataka's Collection Efficiency dropped from 99.4% in Dec-24 to 95.1% in early Feb-25 before recovering to 98.0% by the last week of February.
- Recognizing the asset quality challenges posed by the regulatory changes and regional stress, CREDAG undertook accelerated write-offs totaling INR 2,930 Mn in January and February 2025. Despite short-term asset quality stress, the NBFC is positioning itself for a stronger credit portfolio.

### Portfolio at Risk (PAR) Breakdown:

- Overall PAR 0+ increased from 6.8% in Dec-24 to 7.5% in Feb-25.
- Karnataka saw the sharpest increase, with PAR 0+ rising from 4.3% to 7.9% and PAR 90+ from 1.2% to 2.1%.
- Maharashtra, Tamil Nadu, Madhya Pradesh, and Bihar showed mixed trends:
  - Bihar had the highest risk exposure, with PAR 0+ at 14.0% and PAR 90+ at 7.6%.
  - Maharashtra and Madhya Pradesh saw marginal PAR improvements.
  - Tamil Nadu's PAR rose slightly due to lagged impact of heavy rains/cyclones in late 2024.

### Transient impact of Karnataka ordinance on delinquencies:

- The ordinance caused temporary increase in delinquencies and collection disruptions in Karnataka.
- Borrowers delayed payments due to operational ambiguities and fear of new lending regulations.
- The situation stabilized post-ordinance clarification, as it was aimed at unlicensed lenders, not RBI-regulated institutions.
- Karnataka's PAR 0+ accretion rate started declining post-Feb 12, signaling normalization. The NBFC anticipates full normalization over the next 1-2 months.

### Operational strength and employee growth:

- The company maintained strong control over employee attrition. To support its growing borrower base and improve operational efficiency, CREDAG significantly expanded its workforce, increasing its employee count from 19,333 in December 2024 to 20,265 in February 2025.

Key Financial Parameters	Dec-24	Feb-25
GLP (INR Mn)	248,100	253,950
Karnataka	79,270	80,100
Other States	168,830	173,840
Par 0+	6.8%	7.5%
Par 0+ (Excl. Karnataka)	8.0%	7.3%
Par 30+	5.1%	5.4%
Par 60+	3.8%	4.3%
Par 90+	2.6%	3.4%

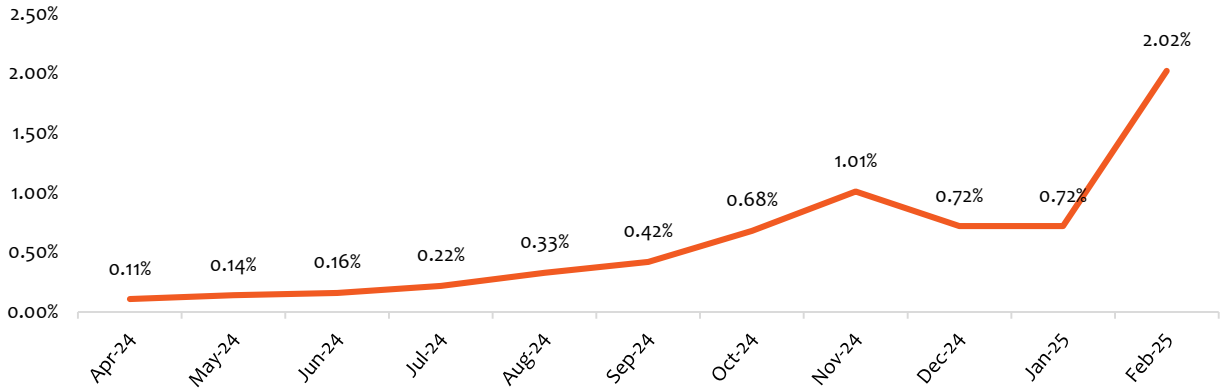
Source: Company, DevenChoksey Research

PAR Trend	Dec-24		Feb-25	
Top 5 States	PAR 0+	PAR 90+	PAR 0+	PAR 90+
Karnataka	4.3%	1.2%	7.9%	2.1%
Maharashtra	5.0%	2.3%	4.1%	2.4%
Tamil Nadu	8.9%	3.2%	9.3%	4.5%
Madhya Pradesh	5.3%	2.4%	4.5%	2.3%
Bihar	14.8%	5.3%	14.0%	7.6%
Others	10.1%	4.5%	8.5%	4.9%
Total	6.8%	2.6%	7.5%	3.4%
Total (Excl. Karnataka)	8.0%	3.3%	7.3%	3.9%

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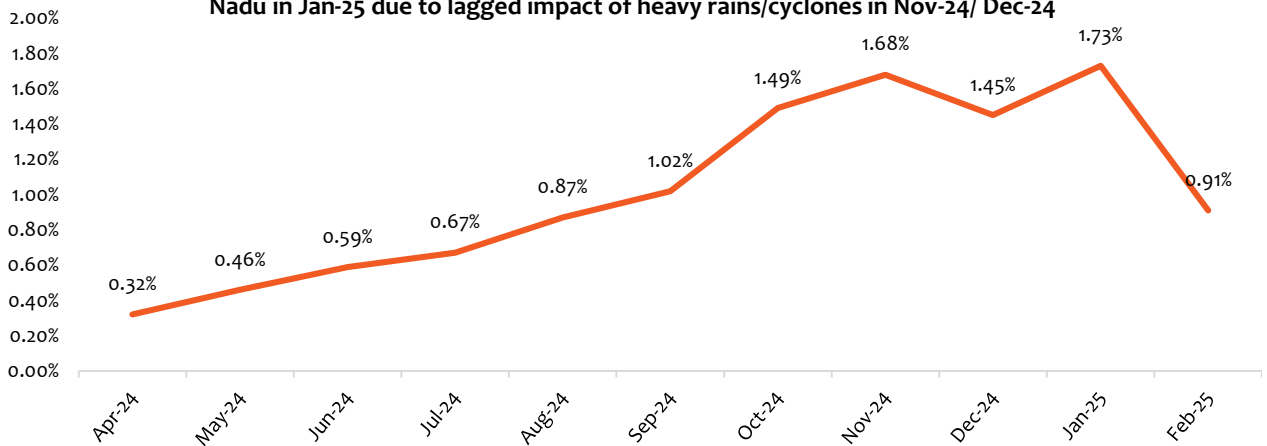
### Transient impact of Karnataka ordinance on asset quality

#### Karnataka – Monthly PAR 15+ Accretion/AUM Rate



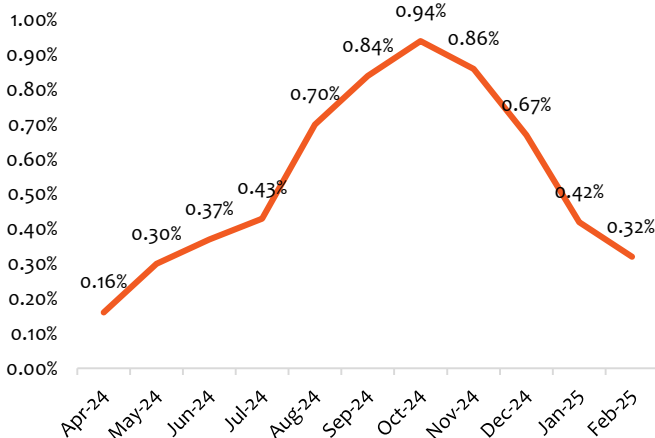
Source: Company, DevenChoksey Research

#### Tamil Nadu – Monthly PAR 15+ Accretion/AUM Rate: Transient increase in PAR 15+ in Tamil Nadu in Jan-25 due to lagged impact of heavy rains/cyclones in Nov-24/ Dec-24



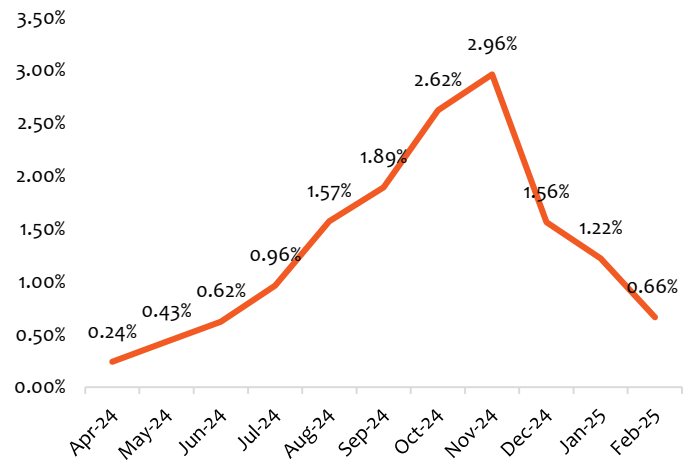
Source: Company, DevenChoksey Research

#### Maharashtra – Monthly PAR 15+ Accretion/AUM Rate



Source: Company, DevenChoksey Research

#### Bihar & UP – Monthly PAR 15+ Accretion/AUM Rate



## CreditAccess Grameen Ltd.

### Financials:

#### Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	33,271	49,001	57,220	64,626	77,013
Interest Expense	12,129	17,324	21,267	23,527	27,654
<b>Net Interest Income</b>	<b>21,143</b>	<b>31,677</b>	<b>35,953</b>	<b>41,099</b>	<b>49,360</b>
Non-interest income	2,237	2,725	2,044	2,289	2,518
Operating income	23,379	34,402	37,997	43,388	51,878
Operating Expense	8,314	10,493	11,150	12,324	15,313
<b>PPOP</b>	<b>15,065</b>	<b>23,909</b>	<b>26,847</b>	<b>31,064</b>	<b>36,565</b>
Provisions	4,010	4,518	17,126	11,219	10,239
PBT	<b>11,055</b>	<b>19,392</b>	<b>9,721</b>	<b>19,846</b>	<b>26,326</b>
Tax Expense	2,794	4,933	2,479	5,061	6,713
<b>PAT</b>	<b>8,261</b>	<b>14,459</b>	<b>7,242</b>	<b>14,785</b>	<b>19,613</b>
Diluted EPS (INR)	52.0	91.0	45.4	92.7	123.0

#### Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
<b>SOURCES OF FUNDS</b>					
Share capital	1,589	1,594	1,596	1,596	1,596
Reserves & surplus	49,481	64,106	71,348	86,133	105,746
Minority interest	0	0	0	0	0
<b>Shareholders' funds</b>	<b>51,070</b>	<b>65,700</b>	<b>72,944</b>	<b>87,729</b>	<b>107,341</b>
Borrowings	163,911	219,474	228,253	267,056	315,127
Trade Payables	3,037	2,564	2,692	2,961	3,701
Other liabilities & provisions	563	723	841	989	1,175
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>218,581</b>	<b>288,460</b>	<b>304,730</b>	<b>358,735</b>	<b>427,344</b>
<b>USES OF FUNDS</b>					
Cash and cash equivalent	14,364	13,138	16,422	18,064	19,871
Investments	4,545	14,389	17,267	21,584	25,900
Advances	190,433	251,050	267,594	316,016	379,219
Fixed & other assets	9,238	9,883	3,447	3,071	2,353
<b>TOTAL ASSETS</b>	<b>218,581</b>	<b>288,460</b>	<b>304,730</b>	<b>358,735</b>	<b>427,344</b>
GLP	210,310	267,140	283,168	339,802	421,355

#### Exhibit 3: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth rates</b>					
AUM (%)	26.7%	27.0%	6.0%	20.0%	24.0%
Borrowings (%)	26.0%	33.9%	4.0%	17.0%	18.0%
Total assets (%)	25.7%	32.0%	5.6%	17.7%	19.1%
NII (%)	27.9%	49.8%	13.5%	14.3%	20.1%
Pre-provisioning profit (%)	39.8%	58.7%	12.3%	15.7%	17.7%
PAT (%)	133.9%	75.0%	-49.9%	104.2%	32.7%
<b>Balance sheet ratios</b>					
Advances/Total assets (%)	87.1%	87.0%	87.8%	88.1%	88.7%
Leverage (x)	1.3x	1.3x	1.3x	1.3x	1.4x
<b>Operating efficiency</b>					
Cost/income (%)	35.6%	30.5%	29.3%	28.4%	29.5%
Opex/ average assets (%)	4.2%	4.1%	3.8%	3.7%	3.9%
Opex/GLP (%)	4.4%	4.2%	4.2%	3.9%	4.0%
<b>Profitability</b>					
NIM (%)	11.1%	12.6%	13.4%	13.0%	13.0%
ROAA (%)	4.2%	5.7%	2.4%	4.5%	5.0%
ROAE (%)	18.0%	24.8%	10.4%	18.4%	20.1%
<b>Asset quality</b>					
Gross NPA (%)	1.24%	1.21%	3.46%	2.93%	2.38%
Net NPA (%)	0.42%	0.35%	1.11%	0.94%	0.60%
<b>Per share data / Valuation</b>					
EPS (INR)	52.0	91.0	45.4	92.7	123.0
BV (INR)	321.4	413.4	459.0	552.1	675.5
ABV (INR)	322.7	406.7	438.5	531.1	658.4
P/E (x)	17.6x	15.9x	22.0x	10.8x	8.1x
P/BV (x)	2.8x	3.5x	2.2x	1.8x	1.5x
P/ABV (x)	2.8x	3.5x	2.3x	1.9x	1.5x

Source: Company, DevenChoksey Research

## CreditAccess Grameen Ltd.

CreditAccess Grameen Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
06-Mar-25	985	1,086	ACCUMULATE
27-Jan-25	924	988	ACCUMULATE
28-Oct-24	957	1,011	ACCUMULATE
23-Jul-24	1,267	1,630	BUY
13-May-24	1,402	1,850	BUY
23-Jan-24	1,667	1,960	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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