

23 July 2025

India | Equity Research | Results update

## CreditAccess Grameen

Financial Services

### Stress subsiding; RoE to improve >18% by H2FY26 driven by credit cost normalisation

CA Grameen (Grameen) continued to improve on asset quality metrics in Q1FY26: 1) monthly PAR 15+ accretion rate fell to 0.46% in Jun'25 vs. 0.84% in Mar'25 vs. 1.34% in Nov'24 and 2) credit cost fell for the straight third quarter with total provisions at INR 5.7bn in Q1FY26 vs INR 5.8bn in Q4FY25 vs INR 7.5bn in Q3FY25. The same reinforces our view that it would meet its full-year FY26 credit cost guidance of 5.5-6% with a significant improvement in H2 despite longer-than-expected stress in KTK. Similarly, we expect RoE to reach ~18% by Q4FY26E, largely driven by credit cost normalisation. With subsiding stress and improving visibility on earnings normalisation, we maintain **BUY** with a revised TP of INR 1,530 (INR 1,400 earlier), valuing the stock at 2.75x Sep'26E vs. 2.5x earlier.

### Likely to emerge stronger and maintain leadership position in MFI space; gained 70bps credit market share in FY25

CA Grameen, once again, emerged stronger and agile amid multiple headwinds in recent past, gaining 70bps credit market share in FY25. Its business resiliency and superior financial performance vs. the industry reflects in its full-year FY25 credit cost remaining at 8% vs. >10% for most players, and ~2% RoA even during challenging times. Its cross-cycle RoA at ~3.6% and RoE at ~14.4% over the past eight years is a testament to management's ability to pre-empt business cycle and remain ahead of the curve, in terms of implementing corrective measure to safeguard portfolio quality. While the industry is still likely to grapple with elevated credit cost in the near future, Grameen's GNPL at 3.3% with PCR at 63% and new monthly PAR 15+ accretion near normal (ex KTK) would enable it to achieve normalised RoE of 18%, much ahead of the industry.

### Gradually building non-MFI book

Management also highlighted that while MFI would continue to be Grameen's core business, the company is gradually building the retail finance book to diversify and de-risk balance sheet. In line with this, it scaled up non-MFI book to 6.8% by Jun'25 from 2.9% a year ago. Within non-MFI segments, unsecured business loans remain the largest portfolio at INR 13bn, followed by secured BL at INR 2.5bn and affordable HL at INR 1.3bn, as on Jun'25.

### Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Interest Income (NII)	31,677	35,992	39,939	46,445
PAT (Rs mn)	14,459	5,314	10,977	16,515
EPS (Rs)	90.9	33.3	68.7	103.4
% Chg YoY	73.1	(63.3)	106.3	50.5
P/E (x)	14.1	38.4	18.6	12.4
P/BV (x)	3.1	2.9	2.5	2.1
Gross Stage - 3 (%)	1.2	4.8	6.1	4.5
RoAA (%)	5.7	1.9	3.7	4.8
RoAE (%)	24.8	7.9	14.6	18.6

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#### Market Data

Market Cap (INR)	204bn
Market Cap (USD)	2,366mn
Bloomberg Code	CREDAG IN
Reuters Code	CRDE BO
52-week Range (INR)	1,355 /750
Free Float (%)	33.0
ADTV-3M (mn) (USD)	9.6

Price Performance (%)	3m	6m	12m
Absolute	11.7	33.3	1.0
Relative to Sensex	8.5	25.8	(1.1)

ESG Score	2023	2024	Change
ESG score	77.2	75.2	(2.0)
Environment	47.9	50.4	2.5
Social	81.4	78.5	(2.9)
Governance	83.4	81.5	(1.9)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
PAT	-	-

#### Previous Reports

06-07-2025: [NBFCs Q1FY26 preview](#)

17-05-2025: [Q4FY25 results review](#)

## Q1FY26 review: Operating performance continued to improve; credit cost remained elevated but is decelerating

CA Grameen sustained the improving trajectory in its core operating performance with declining provisions for a straight third quarter and strong traction in revenue. NII grew strong 6% QoQ driven by 10bps QoQ NIM expansion and higher DA income at INR 309mn during Q1FY26. Asset yield remained steady QoQ at 20.3% but down 70bps YoY largely due to interest reversal of INR 0.88bn during Q1FY26. Management highlighted that with lower write-offs Q3FY26 onwards, quantum of interest reversal would also be materially lower than Q1FY26 levels and the same should support yields going ahead. Incremental borrowing cost fell to 9.4% in Q1FY26 vs. 9.6% in Q4FY25 while overall borrowing cost remained at 9.7%. It highlighted that bulk of borrowings is linked to MCLR and reset is on annual basis, hence, it would take a couple of quarters for rate transmission and may show up in cost of borrowings.

With improving visibility on business normalcy (highest quarterly disbursement in Q1FY26), it started investing towards franchise build up as reflected in >50 new branch openings in Q1FY26 and ~2,000 employee additions in last six months. As a result, staff cost grew 26% QoQ while other opex saw a decline of 11% QoQ. Overall, cost-income ratio increased to 34% in Q1FY26 vs 32% QoQ. Management expects gradual productivity improvement with borrower per loan officer improving to ~450 from current level of 330.

Total provisions fell for straight third quarter with it moderating to INR 5.7bn in Q1FY26 vs INR 5.8bn in Q4FY25 and INR 7.5bn in Q3FY25 despite absorbing the impact of higher write-offs. It wrote-off INR 6.9bn in Q1FY26 vs INR 5.2bn in Q4FY25 vs INR 3.8bn in Q3FY25. The same clearly signals subsiding stress at portfolio level. Overall, GNPL stood at 4.7% while NNPL stood at 1.8% with PCR at 63% as on Jun'25. Lower provisions QoQ (on higher base) helped it in improving PAT marginally to INR 0.60bn vs of INR 0.47bn in Q4FY25 and translating into RoA/RoE of 0.9%/3.4%, respectively.

## Credit cost moderating but is still elevated; co expects sharp improvement in H2FY26

CA Grameen's conservative stress recognition policy (stage 2 recognition on 15-60 days and 55% coverage) ensures it remains ahead of peers in building adequate provisions on stress pool. As a result, despite it accelerating write-offs from the past two quarters, total provisions continued to fall on sequential basis. Annualised credit cost in Q1FY26 moderated to 9.4% vs 9.8% in Q4FY25 and 12.9% in Q3FY25. Further, credit cost break-up clearly suggests subsiding stress – credit cost linked to new PAR accretion fell to INR 3.5bn in Q1FY26 from INR 4.2bn in Q4FY25 vs INR 6.3bn in Q3FY25. Incremental provisions were largely driven by higher write-offs as reflected in provisions due to write-offs increasing to INR 2.2bn in Q1FY26 vs INR 1.6bn in Q4FY25 vs INR 1.2bn in Q3FY25.

In terms of provisioning, it continues to hold ~133bps higher provisions over PAR 90+, ~323bps higher provisions compared to IRAC prudential norms, and INR 0.74bn higher provisions compared to NBFC provisioning norms. Total write-offs in Q1FY26 were INR 6.9bn which include INR 6.0bn of accelerated write-offs which resulted in additional credit cost of 0.75% (not annualised). Overall, it guides for FY26 credit cost in 5.5–6% range, with the bulk of credit cost being front loaded in H1FY26, which would factor in the impact of the KTK ordinance and accelerated write-offs.

## Fresh PAR accretion continues to trend downwards except KTK, suggesting that forward flows may moderate

The rising delinquency trend in the microfinance industry, which began in Aug'24, peaked in Nov'24, and since then, CA Grameen witnessed steady moderation in fresh PAR accretion. PAR 0+ moderated to 5.9% in Q1FY26 vs 6.9% in Q4FY25 vs 6.8% in Q3FY25. Fresh PAR 15+ accretion during Q1FY26 moderated to 1.9% from 2.8% in Q4FY25 and extrapolating Jun'25 run-rate likely PAR 15+ accretion would further moderate to 1.4% in Q2FY26. While fresh PAR 15+ accretion in most states is closer to normalised level, Karnataka is still lagging in terms of normalisation.

Though collection efficiency remains low in KTK, the same is steadily improving as reflected in fresh PAR 15+ accretion moderating to 0.58% in Jun'25 vs 1.17% in May'25 vs 1.48% in Apr'25 and peak high of 2.02% in Feb'25

Grameen has also seen remarkable improvement in reducing over-leverage among its customers, wherein GLP % of borrowers with >3 lenders declined from 25.3% in Aug'24 to 11.1% in Jun'25. Borrowers with >3 lenders account for ~35% of overall PAR 15+ as on Jun'25.

## Maintained FY26 loan growth, RoA and RoE guidance

The company had earlier shared its FY26 guidance post its Q3FY25 earnings in Jan'25. However, due to the Karnataka (KTK) ordinance, Grameen has revised its FY26 guidance post Q4FY25 earnings. It guided for 14-18% AUM growth, 12.6-12.8% NIM, 32-34% cost-income ratio, 5.5-6% credit cost, RoA of 2.9-3.4% and RoE at 11.8-13.3% in FY26. Notably, despite longer-than-expected stress in KTK, it maintained FY26 guidance and highlighted business normalcy in H2FY26.

Grameen expects MFI growth to be flat in H1FY26, primarily due to write-offs and catch up in growth in H2FY26, thereby, ending FY26 with 8-12% MFI growth. On asset quality, it expects credit cost to settle in the range of 5.5-6% with front-loading of credit cost in H1FY26 due to elevated delinquencies in KTK and higher write-offs.

Overall, Grameen has given RoE guidance of 11.8-13.3% with RoA at 2.9-3.4% for FY26. This is largely factoring in elevated credit cost in H1FY26 and normal profitability resuming only in H2FY26.

**Key risks:** Higher than anticipated credit cost, and AUM growth deceleration.

## Q1FY26 conference call takeaways

### FY26 guidance unchanged

- Impact of Mfin guardrails 2.0 – implemented in Feb'25; rejection rate has gone up to 10-15% and from Q3FY26 it should see better approval rate.
- AUM mix – non-MFI share at FY28 12-15% - unsecured BL will grow faster and mortgage book scale up will be gradual. It has 1,000 people in this vertical.
- RoE of 11.8-13.3% for FY26.
- RoA of 2.9-3.4% for FY26.
- **14-18% gross loan portfolio growth** - group lending growth of 8-12% and strong growth in retail finance.
- Larger portion of MFI write-off will happen in H1FY26, and hence, H1FY26 growth would be slow for MFI, post which it should pick up.
- NIM of 12.6-12.8% **for FY26.**
- **Credit cost of 5.5-6% for FY26.**
- Overall, it is well poised for FY26 on the back of stabilising asset quality and improving growth momentum.
- On a steady-state basis (in a normalised scenario), it is aiming at 12-15% growth for MFI, and including retail finance, it will rise to 18-20%.
- Retail finance comprises mostly three products: Unsecured BL, secured BL and affordable HL. As on Jun'25, unsecured BL was INR 13bn towards graduated MFI customer base. Secured BL was INR 2.5bn and INR 1.34bn HL. Unsecured BL has 3-year tenure.
- 3-year loans: 43.3% of GLP (Group Loans) vs. 33.3% in Q1FY25.
- Borrower per LO currently is 330, by FY26-end it will touch historical average of ~450 and the same will drive operational efficiency.
- **Credit cost should see improvement in Q2FY26; it should settle at 1.5% (non-annualised) vs 2% in Q1FY26 and then in Q3-Q4 credit cost should see significant improvement (should be <1%).**

### MFI industry

- FY26 is showing signs of improvement and good monsoon will ensure improving trend will sustain going forward.
- It gained 75bps credit market share in FY25.
- Incrementally, players will experiment in adjustment secured product classes like small ticket mortgage loans. But it will be in a phased manner and players will look to build 12-15% of retail AUM over the next 2-3 years.

### Asset quality

- **GLP % of borrowers with > 3 lenders declined from 25.3% in Aug'24 to 11.3% in Jun'25.**
- PAR 15+ accretion normalised across states except KTK. KTK is gradually stabilising but it will take some time. It is consistently improving in KTK and by end of Q2FY26 / Q3FY26 KTK should see normalisation. >40% is partially paying for new PAR accretion customer in KTK which is a good sign.
- **Apr'25 was a little aberration (for PAR) due to holidays and employee holidays, but PAR is now moving back to normalcy. However, for 1-14 May'25, PAR portfolio displayed further improvement and better than Apr'25 first half, but consistently reaching towards normalcy. Only KTK is still going through transition.**
- **Collection efficiency ex arrears stood at 93.2% during Q1FY26 and better at 93.5% in Jun'25. Jul'25 CE is stable and should improve in Aug-Sep'25.**

- **Centre attendance is still lower than historical rate but the recent experience is reducing linkage between repayment rate and centre attendance. Centre attendance is higher for early morning centres (before 9 am).**
- It continues to hold ~133bps higher provisions over PAR 90+, ~323bps higher provisions compared to IRAC prudential norms, and INR 0.74bn higher provisions compared to NBFC provisioning norms.
- GLP % of borrowers with > 3 lenders reduced to 11.4% by Jun'25 vs 25.3% in Aug-24 and similarly GLP % of borrowers with >INR 2 Lakh unsecured indebtedness to 9.5% in Jun'25 vs 19.1% in Aug'24.
- By Q2FY26 end, a large part of write-off will be done and hence new customer addition will pick up pace in H2FY26.
- Total write-off stood at INR 6.9bn in Q1FY26, including INR 6bn of accelerated write-off, which resulted in an additional credit cost of INR 2bn. Total customer base write-off was INR 12.8 lakhs.
- Continued collections in PAR buckets, with 41% of borrowers in PAR 1-60 and 9% of borrowers in PAR 60+ making partial payments.

### Margins

- Average cost of borrowings improved by 10bps to 9.7% vs 9.8% QoQ.
- **INR 0.88bn interest reversal in Q1FY26 and Q3FY26 onwards the amount of interest reversal will be much lower.**
- 25-30% foreign borrowing by FY28, it remained committed to diversify borrowing mix, currently it is 22%.
- Q1FY26 margins at 12.8% vs 12.7% and 12.9% for FY25 was in line with company's revised guidance.
- **Incremental borrowing cost at 9.4% (9.6% in Q4FY25) vs. overall borrowing cost at 9.7%. Borrowings are linked to MCLR and reset is on annual basis. It will take 2 quarters for transmission so it will begin Q4FY26 onwards.**

### Miscellaneous

- Strong control on annualised employee attrition at 27.1% in Q1FY26, with employee base increasing from 20,970 in Mar'25 to 21,333 in Jun'25. Marginally higher attrition in TN while in rest of India it was stable.
- Capital adequacy remains comfortable at ~25%.

## **Q4FY25 conference call takeaways**

### FY26 guidance (RoE, RoA and growth guidance revised lower vs. the one given in Q3FY25)

- **RoE of 11.8-13.3% (revised lower from 17-19% given in Q3FY25)**
- **RoA 2.9-3.4% (revised lower from 4.2-4.5% given in Q3FY25)**
- **14-18% gross loan portfolio growth (revised lower from 18-20 given in Q3FY25)**
- **Larger portion of MFI write-up shall happen in H1FY26; hence, H1FY26 growth would be slow for MFI, post which it should pick-up**
- Group lending growth of 8-12% and strong growth in retail finance
- 12.6-12.8% NIM
- 5.5-6% credit cost
- **Overall, it is well-positioned for FY26 on the back of stabilising asset quality and improving growth momentum**
- **On a steady-state basis (in a normalised scenario), it is aiming at 12-15% growth for MFI; including retail finance, it would rise to 18-20%**

### MFI industry

- FY25 saw multiple challenges for MFI sector
- **MFIN pro-actively engaged with the Karnataka's government, RBI, regulator etc. to ensure Karnataka issue is resolved**
- Despite tough conditions in Karnataka, majority of borrowers continued to repay. It added ~269k borrowers in Q4, despite challenge in Karnataka

### Asset quality

- **GLP % of borrowers with >3 lenders declined from 25.3% in Aug'24 to 14.7% in Mar'25**
- **It made INR 1.5bn additional provisions in Q4FY25, due to elevated delinquencies in Karnataka**
- **Apr'25 was a slight aberration (for PAR) due to holidays and employee holidays, but PAR is now moving back to normalcy. However, for 1–14 May'25, PAR portfolio has shown further improvement and is better than Apr'25-first half.**
- **X bucket CE needs to surpass 99.5% for calling it out to be near normal**
- It continues to hold ~179bps higher provisions over PAR 90+, ~370bps higher provisions compared to IRAC prudential norms, and INR 0.98bn higher provisions compared to NBFC provisioning norms
- For Stage-3 borrowers, who are paying more than 50% EMI, Grameen has taken relatively lesser provisions
- The company is seeing an improvement in centre meeting attendance across most of the geographies
- Bihar saw decline in portfolio, due to write-offs and it also had employee shortage, which has now been resolved.
- Large number of customers would fall within the 0–4-year vintage in Bihar. As a result, if the borrowers have more than 3 lenders exposure, then PAR would be higher in Bihar as well.
- It has a higher proportion of unique customers in its core market.
- **~40% PAR is due to over leveraging and ~60% is due to other factors namely income variation, heat wave, elections etc.**
- **Does not anticipate heightened delinquency trend due to TN ordinance**
- TN has some natural events in Dec'24, which led to higher forward flows in Q4

### Non-MFI AUM profile

- Unsecured retail finance ATS is ~170k and PAR 30 is 1.97%, from 1% QoQ, due to KTK. It is present in ~760 out of the total 2,063 branches
- Secured business loan ATS is ~580k and PAR 30+ is 89bps and AUM of INR 2.4bn
- It would launch the above business in higher penetrated geographies
- As of now, it is present in Maharashtra, Tamil Nadu, Karnataka and Madhya Pradesh
- Most of the loans in non-MFI segment are also relatively high yielding
- Does not anticipate major NIM implication due to change in loan mix, while it will likely have an advantage on lower acquisition cost, as it would do most of the business with existing customers
- It would also try to optimise yields in order to be competitive amongst peers
- Secured business and affordable has 60% existing customers

### Margins

- Average cost of borrowings has remained stable QoQ at 9.8%
- Q4 margins at 12.7% and 12.9% for FY25 was in-line with the company's revised guidance
- Incremental borrowing cost at 9.6% vs. overall borrowing cost at 9.8%

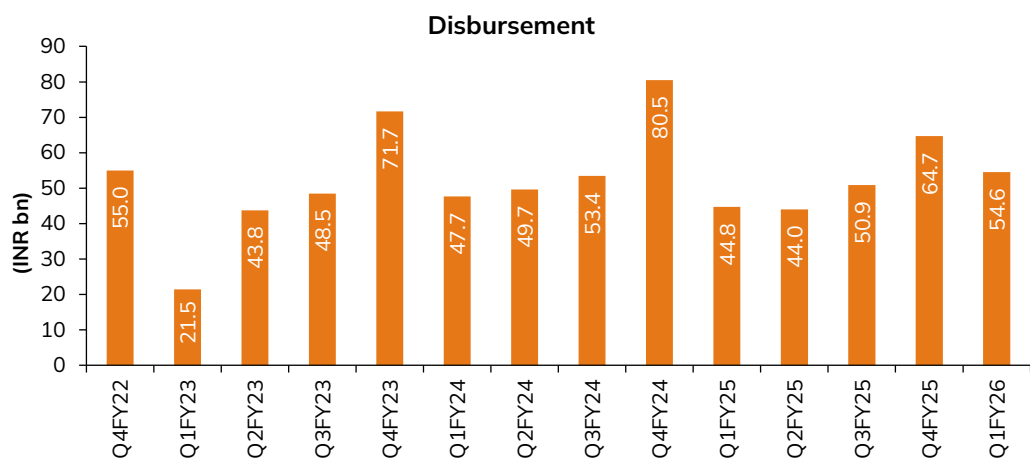
### Miscellaneous

- It has seen higher attrition in TN as compared to Q3
- Capital adequacy remains comfortable at ~25%
- Cross cycle RoA at 3.6% and RoE of 14.4% is testament to disciplined execution

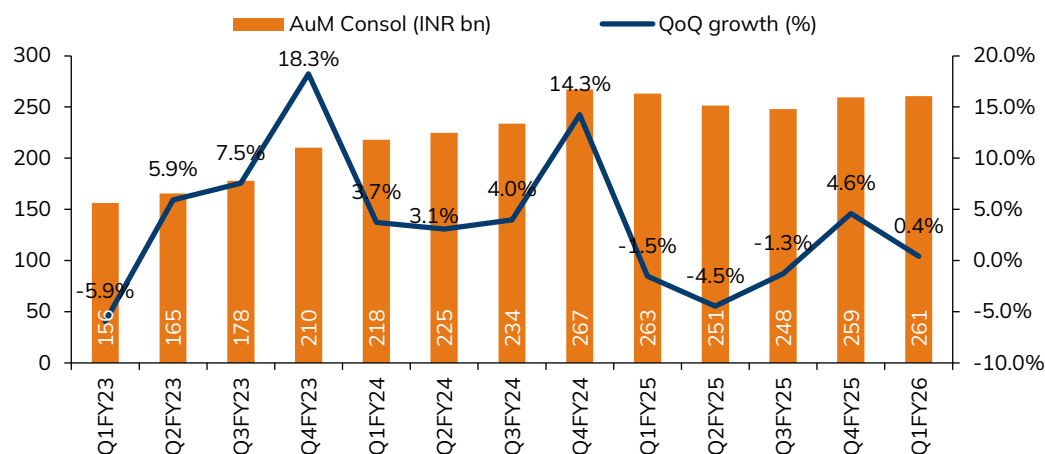
### Exhibit 1: Q1FY26 result review

(INR mn)	FY24	FY25	% YoY (Consol)	Q1FY26	Q1FY25	% YoY (Consol)	Q4FY25	% QoQ
<b>Profit and loss</b>								
Interest income	49,001	55,468	13%	14,629	15,121	-3%	14,066	4%
Interest expenses	17,324	19,476	12%	4,822	5,103	-6%	4,778	1%
<b>Net interest income</b>	<b>31,677</b>	<b>35,992</b>	<b>14%</b>	<b>9,807</b>	<b>10,018</b>	<b>-2%</b>	<b>9,289</b>	<b>6%</b>
Non-interest income	2,725	2,094	-23%	7	6	35%	11	-31%
<b>Total net income</b>	<b>34,402</b>	<b>38,086</b>	<b>11%</b>	<b>9,815</b>	<b>10,023</b>	<b>-2%</b>	<b>9,299</b>	<b>6%</b>
Employee expense	6,694	7,304	9%	2,212	1,878	18%	1,754	26%
Other operating expenses	3,798	4,398	16%	1,073	1,052	2%	1,206	-11%
<b>Total operating expenses</b>	<b>10,493</b>	<b>11,702</b>	<b>12%</b>	<b>3,285</b>	<b>2,929</b>	<b>12%</b>	<b>2,959</b>	<b>11%</b>
<b>Pre provisioning profits</b>	<b>23,910</b>	<b>26,384</b>	<b>10%</b>	<b>6,530</b>	<b>7,094</b>	<b>-8%</b>	<b>6,340</b>	<b>3%</b>
Provisions & Write offs	4,518	19,295	327%	5,719	1,746	228%	5,829	-2%
<b>Profit/Loss before Tax</b>	<b>19,392</b>	<b>7,089</b>	<b>-63%</b>	<b>811</b>	<b>5,348</b>	<b>-85%</b>	<b>511</b>	<b>59%</b>
Tax Expense	4,933	1,775	-64%	209	1,371	-85%	39	441%
<b>Profit/Loss after Tax</b>	<b>14,459</b>	<b>5,314</b>	<b>-63%</b>	<b>602</b>	<b>3,977</b>	<b>-85%</b>	<b>472</b>	<b>27%</b>
<b>Other key parameters (INR mn)</b>								
Disbursements for the period	2,31,340	2,04,370	-12%	54,580	44,760	22%	64,720	-16%
Gross loan portfolio O/S	2,67,140	2,59,480	-3%	2,60,550	2,63,040	-1%	2,59,480	0%
Borrowings	2,18,659	2,05,538	-6%	2,00,762	2,02,666	-1%	2,04,458	-2%
Cash & Other liquid balances	13,139	14,430	10%	11,951	8,877	35%	14,430	-17%
<b>Key metrics</b>								
Active borrowers ('000)	4,918	4,694	-5%	4,562	4,984	-8%	4,694	-3%
Average ticket size (INR)	52,879	51,992	-2%	53,203	51,248	4%	51,992	2%
Branches (nos)	1,967	2,063	5%	2,114	1,976	7%	2,063	2%
Stage 3 %	1.18%	4.76%	358 bps	4.7%	1.5%	324 bps	4.8%	-6 bps
NNPA %	0.35%	1.73%	138 bps	1.8%	0.5%	133 bps	1.7%	5 bps
<b>ROA tree (reported) - on AUM</b>								
Portfolio Yield	19.33%	19.58%	25 bps	20.30%	21.00%	-70 bps	20.40%	-10 bps
Finance Cost	9.07%	9.18%	11 bps	9.70%	9.80%	-10 bps	9.80%	-10 bps
<b>NII</b>	<b>13.55%</b>	<b>13.43%</b>	<b>-12 bps</b>	<b>12.80%</b>	<b>13.10%</b>	<b>-30 bps</b>	<b>12.70%</b>	<b>10 bps</b>
Operating Cost	4.14%	4.13%	-1 bps	5.10%	4.70%	40 bps	4.70%	40 bps
Impairment on Financial Instruments	1.89%	7.33%	543 bps	8.80%	2.63%	616 bps	9.19%	-39 bps
<b>RoA</b>	<b>5.70%</b>	<b>1.88%</b>	<b>-383 bps</b>	<b>0.90%</b>	<b>5.40%</b>	<b>-450 bps</b>	<b>0.70%</b>	<b>20 bps</b>

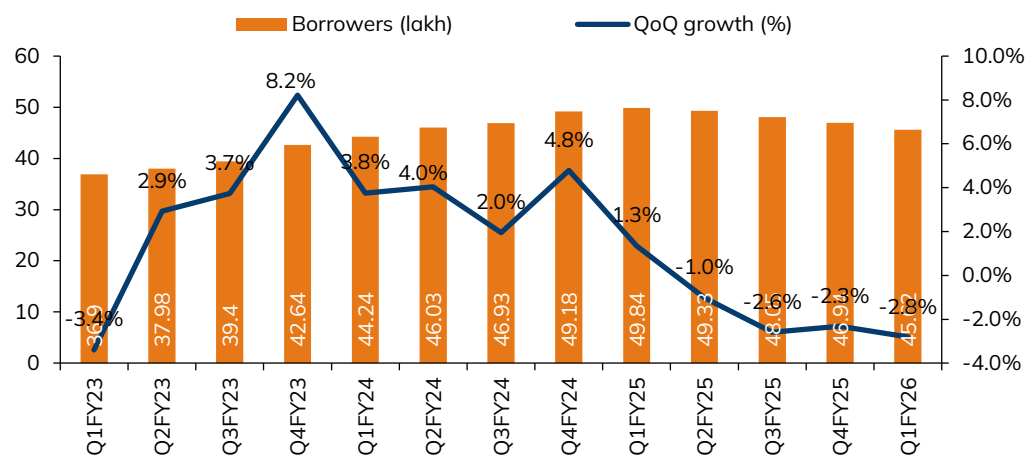
Source: Company data, I-Sec research

**Exhibit 2: Disbursements lower than Q4FY25 due to seasonality effect**

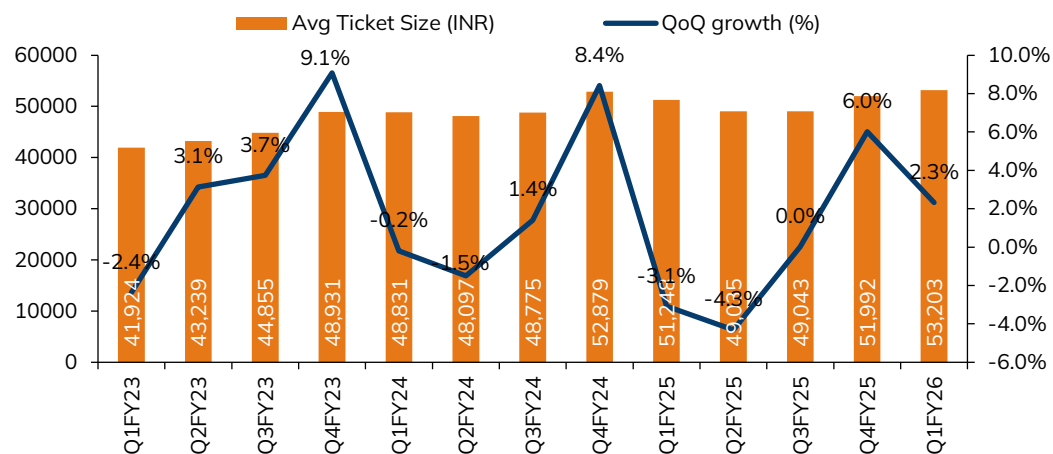
Source: Company data, I-Sec research

**Exhibit 3: AUM remained flat QoQ; growth guidance of 14-18% maintained for FY26**

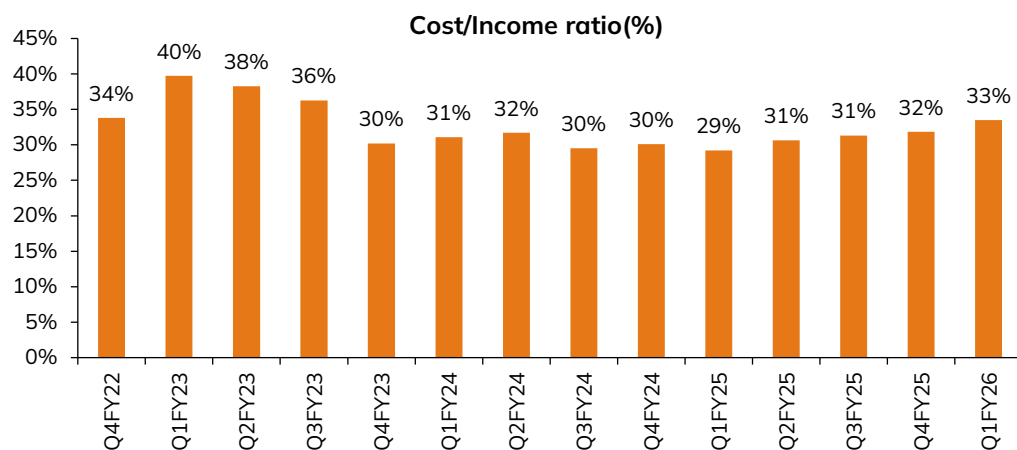
Source: Company data, I-Sec research

**Exhibit 4: Total borrower base contracts for 4<sup>th</sup> consecutive quarter**

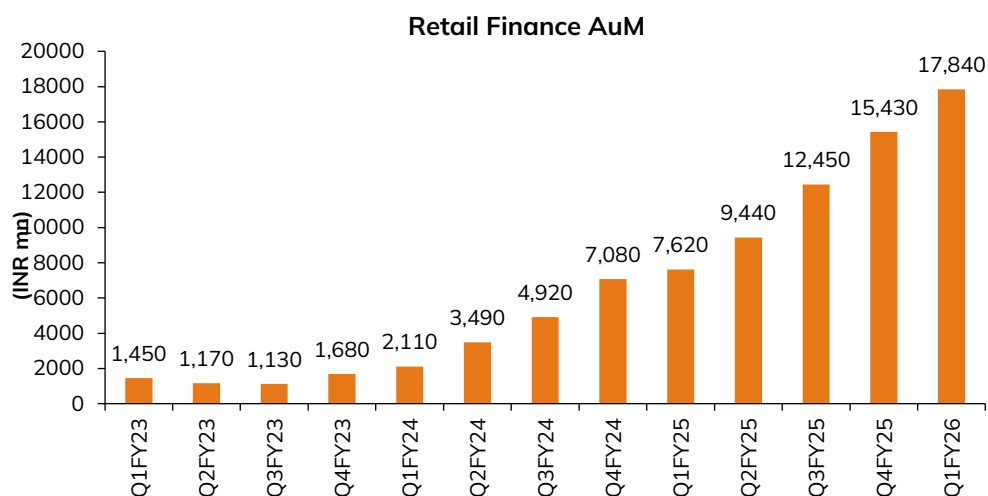
Source: Company data, I-Sec research

**Exhibit 5: Average ticket size up 2% QoQ after high growth in Q4FY25**

Source: Company data, I-Sec research

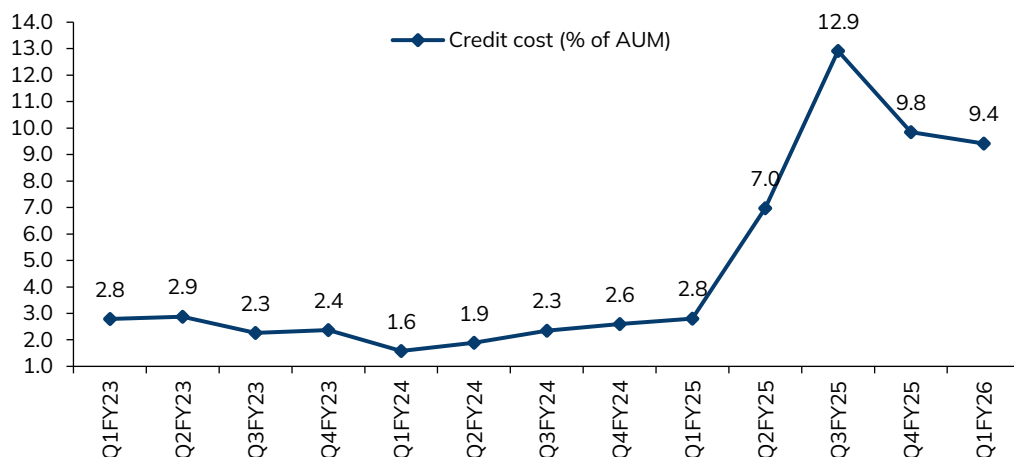
**Exhibit 6: Cost to income ratio inches up, due to pick up in business activity**

Source: Company data, I-Sec research

**Exhibit 7: Retail finance book is growing at a healthy pace, supporting growth in overall AUM**

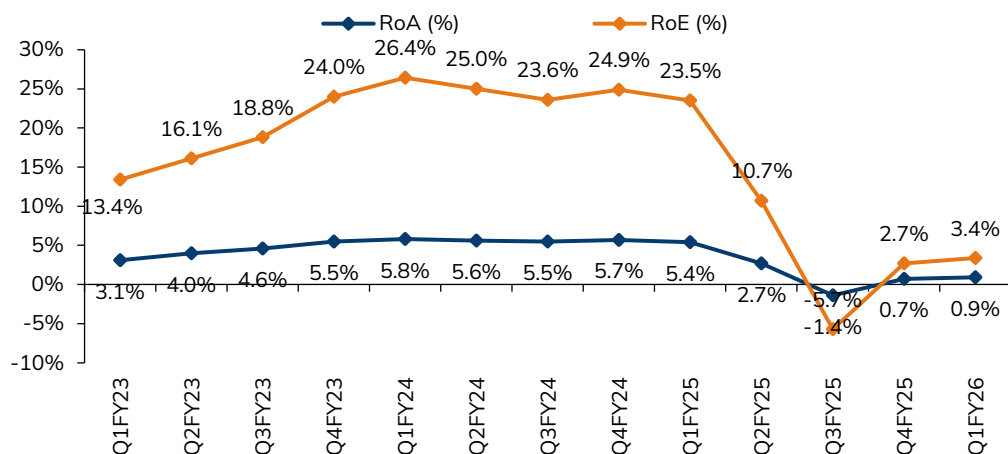
Source: Company data, I-Sec research

**Exhibit 8: Credit costs remain elevated at ~9% on annualised basis, despite being lower QoQ**



Source: Company data, I-Sec research

**Exhibit 9: RoA and RoE are gradually improving from lower base**



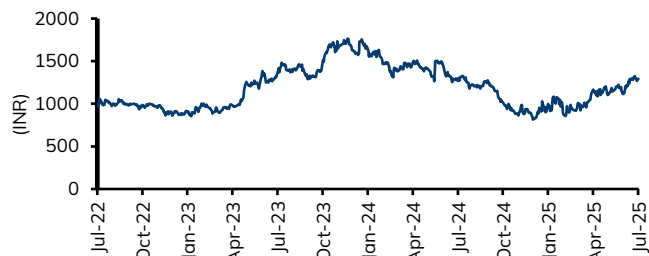
Source: Company data, I-Sec research

**Exhibit 10: Shareholding pattern**

%	Dec'24	Mar'25	Jun'25
Promoters	66.5	66.4	66.4
Institutional investors	23.9	24.1	24.9
MFs and others	12.0	10.6	10.5
Insurance	2.2	2.0	1.8
FIIIs	9.8	11.4	12.6
Others	9.6	9.5	8.7

Source: Bloomberg, I-Sec research

**Exhibit 11: Price chart**



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Interest Income	49,001	55,468	59,711	68,718
Interest Expenses	(17,324)	(19,476)	(19,773)	(22,273)
Net Interest Income (NII)	31,677	35,992	39,939	46,445
<b>Other Income</b>	<b>2,725</b>	<b>2,094</b>	<b>2,766</b>	<b>3,220</b>
Total Income (net of interest expenses)	34,402	38,086	42,704	49,665
<b>Employee benefit expenses</b>	<b>(6,694)</b>	<b>(7,304)</b>	<b>(8,399)</b>	<b>(9,911)</b>
Depreciation and amortization	(551)	(622)	(708)	(826)
Other operating expenses	(3,248)	(3,776)	(4,161)	(4,799)
Total Operating Expense	(10,493)	(11,702)	(13,268)	(15,536)
Pre Provisioning Profits (PPoP)	23,910	26,384	29,436	34,129
<b>Provisions and write offs</b>	<b>(4,518)</b>	<b>(19,295)</b>	<b>(14,767)</b>	<b>(12,058)</b>
<b>Profit before tax (PBT)</b>	<b>19,392</b>	<b>7,089</b>	<b>14,669</b>	<b>22,070</b>
Total tax expenses	(4,933)	(1,775)	(3,692)	(5,555)
<b>Profit after tax (PAT)</b>	<b>14,459</b>	<b>5,314</b>	<b>10,977</b>	<b>16,515</b>

Source Company data, I-Sec research

### Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Share capital	1,594	1,597	1,597	1,597
Reserves & surplus	64,106	67,963	78,939	95,455
<b>Shareholders' funds</b>	<b>65,700</b>	<b>69,560</b>	<b>80,537</b>	<b>97,052</b>
Borrowings	218,659	205,538	233,491	269,219
Provisions & Other Liabilities	4,103	2,927	4,782	5,578
Total Liabilities and Stakeholder's Equity	288,462	278,025	318,810	371,849
Cash and balance with RBI	13,139	14,430	15,941	18,592
<b>Fixed assets</b>	<b>321</b>	<b>436</b>	<b>458</b>	<b>480</b>
Loans	251,050	242,745	277,616	323,855
Deferred tax assets (net)	1,166	3,553	4,074	4,751
<b>Other Assets</b>	<b>22,786</b>	<b>16,862</b>	<b>20,723</b>	<b>24,170</b>
Total Assets	288,462	278,025	318,810	371,849

Source Company data, I-Sec research

## Exhibit 14: Key Ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>AUM and Disbursements (INR mn)</b>				
AUM	267,140	259,480	295,336	344,526
On-book Loans	251,050	242,745	277,616	323,855
Off-book Loans	16,090	16,736	17,720	20,672
Disbursements	236,740	212,720	234,056	267,042
Repayments	179,910	220,380	204,372	226,493
Growth (%):				
<b>Total AUM (%)</b>	<b>27.0</b>	<b>(2.9)</b>	<b>13.8</b>	<b>16.7</b>
Disbursements (%)	27.9	(10.1)	10.0	14.1
Repayments (%)	27.8	22.5	(7.3)	10.8
Loan book (on balance sheet) (%)	31.8	(3.3)	14.4	16.7
Total Assets (%)	32.0	(3.6)	14.7	16.6
Net Interest Income (NII) (%)	49.8	13.6	11.0	16.3
Non-interest income (%)	21.9	(23.2)	32.1	16.4
Total Income (net of interest expenses) (%)	47.1	10.7	12.1	16.3
Operating Expenses (%)	26.2	11.5	13.4	17.1
Employee Cost (%)	29.9	9.1	15.0	18.0
Non-Employee Cost (%)	22.7	16.3	10.2	15.3
Pre provisioning operating profits (PPoP) (%)	58.7	10.3	11.6	15.9
Provisions (%)	12.7	327.1	(23.5)	(18.3)
PBT (%)	75.4	(63.4)	106.9	50.5
PAT (%)	75.0	(63.2)	106.6	50.5
EPS (%)	73.1	(63.3)	106.3	50.5
<b>Yields, interest costs and spreads (%)</b>				
NIM on loan assets (%)	14.4	14.6	15.4	15.4
<b>NIM on IEA (%)</b>	<b>12.5</b>	<b>13.0</b>	<b>13.6</b>	<b>13.8</b>
NIM on AUM (%)	13.3	13.7	14.4	14.5
Yield on loan assets (%)	22.2	22.5	23.0	22.9
Yield on IEA (%)	19.4	20.0	20.4	20.4
Yield on AUM (%)	20.5	21.1	21.5	21.5
Cost of borrowings (%)	9.1	9.2	9.0	8.9
Interest Spreads (%)	13.1	13.3	13.9	14.0
Operating efficiencies				
Non interest income as % of total income	61.2	62.5	63.9	64.6
<b>Cost to income ratio</b>	<b>30.5</b>	<b>30.7</b>	<b>31.1</b>	<b>31.3</b>
Op.costs/avg assets (%)	4.1	4.1	4.4	4.5
Op.costs/avg AUM (%)	4.4	4.4	4.8	4.9
No of employees (estimate) (mn)	19,395	19,659	19,017	19,467
No of branches (x)	1,967	2,063	2,233	2,283
Salaries as % of non-interest costs (%)	63.8	62.4	63.3	63.8
NII /employee (Rs mn)	1.6	1.8	2.1	2.4
AUM/employee(Rs mn)	13.8	13.2	15.5	17.7
AUM/ branch (Rs mn)	135.8	125.8	132.3	150.9
<b>Capital Structure</b>				
Average gearing ratio (x)	3.3	3.0	2.9	2.8
<b>Leverage (x)</b>	<b>4.4</b>	<b>4.0</b>	<b>4.0</b>	<b>3.8</b>
CAR (%)	23.9	26.2	26.5	27.4
Tier 1 CAR (%)	23.9	26.2	26.5	27.4
RWA (estimate) - Rs mn	261,092	252,454	288,720	336,809
RWA as a % of loan assets	104.0	104.0	104.0	104.0

Source Company data, I-Sec research

	FY24A	FY25A	FY26E	FY27E
<b>Asset quality and provisioning</b>				
GNPA (%)	1.2	4.8	6.1	4.5
NNPA (%)	0.3	1.7	1.6	1.1
GNPA (INR mn)	4,727	13,683	16,819	14,581
NNPA (Rs mn)	1,402	4,973	4,431	3,696
Coverage ratio (%)	70.3	63.7	73.7	74.7
Credit Costs as a % of avg AUM (bps)	189	733	532	377
Credit Costs as a % of avg on book loans (bps)	205	782	568	401
<b>Return ratios</b>				
RoAA (%)	5.7	1.9	3.7	4.8
RoAE (%)	24.8	7.9	14.6	18.6
ROAAUM (%)	6.1	2.0	4.0	5.2
<b>Valuation Ratios</b>				
<b>No of shares</b>	<b>159</b>	<b>160</b>	<b>160</b>	<b>160</b>
No of shares (fully diluted)	159	160	160	160
EPS (Rs)	90.9	33.3	68.7	103.4
EPS fully diluted (Rs)	90.7	33.3	68.7	103.4
Price to Earnings (x)	14.1	38.4	18.6	12.4
Price to Earnings (fully diluted) (x)	14.1	38.5	18.6	12.4
Book Value (fully diluted)	412	436	504	608
Adjusted book value	406	412	484	591
Price to Book	3.1	2.9	2.5	2.1
Price to Adjusted Book	3.2	3.1	2.6	2.2

Source Company data, I-Sec research

## Exhibit 15: Key Metrics

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>DuPont Analysis</b>				
Average Assets (Rs mn)	253,521	283,243	298,417	345,330
Average Loans (Rs mn)	220,742	246,897	260,180	300,735
Average Equity (Rs mn)	58,385	67,630	75,048	88,794
Interest earned (%)	19.3	19.6	20.0	19.9
Interest expended (%)	6.8	6.9	6.6	6.4
Gross Interest Spread (%)	12.5	12.7	13.4	13.4
<b>Credit cost (%)</b>	<b>1.8</b>	<b>6.8</b>	<b>4.9</b>	<b>3.5</b>
Net Interest Spread (%)	10.7	5.9	8.4	10.0
<b>Operating cost (%)</b>	<b>4.1</b>	<b>4.1</b>	<b>4.4</b>	<b>4.5</b>
Lending spread (%)	6.6	1.8	4.0	5.5
<b>Non interest income (%)</b>	<b>1.1</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>
Operating Spread (%)	7.6	2.5	4.9	6.4
<b>Tax rate (%)</b>	<b>25.4</b>	<b>25.0</b>	<b>25.2</b>	<b>25.2</b>
ROAA (%)	5.7	1.9	3.7	4.8
<b>Effective leverage (AA/ AE)</b>	<b>4.3</b>	<b>4.2</b>	<b>4.0</b>	<b>3.9</b>
RoAE (%)	24.8	7.9	14.6	18.6

Source Company data, I-Sec research

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