AXIS SECURITIES

Axis PUNCH

17th September, 2025

CreditAccess Grameen Ltd

BFSI - NBFCs

BUY

Target Price **1,461**

About the Company

CreditAccess Grameen (CAGrameen) is a rural-focused Microfinancier that caters mainly to women borrowers who lack access to the formal banking sector. CA Grameen is predominantly present in Karnataka, Maharashtra, and Tamil Nadu, which cumulatively contribute to 71% of its Gross Loan Portfolio (GLP) and 63% of its total borrower base as of Jun'25.

Investment Rationale

- **Asset Quality to Improve**: CAGrameen's Collection Efficiency (CE) improved to 93.2% in Q1FY26 (93.5% in Jun'25) vs 91.9% in Q4FY25, with improvement visible across all geographies (slightly delayed in KA). The management indicated that the collections (incl. KA) in Jul'25 have been stable and expects a similar strong trend to continue over Aug-Sep'25. CAGrameen has seen the PAR15+ accretion rate trend downwards to 0.46% in Jun'25 vs 0.84% in Mar'25, indicating lower incremental credit costs. The management expects new PAR accretion trends in KA to trend downwards in Q2, though with a lag compared to other geographies. With monthly trends PAR accretions indicating continued improvement across geographies, the management remains confident of credit costs tapering meaningfully in Q2 and further down in H2FY26. The management has maintained its credit costs guidance of 5.5-6% for FY26, and we expect them to trend meaningfully downwards from FY27E onwards.
- **Growth Momentum to Improve:** With the monthly PAR accretion on a continued downward trend, the focus will shift towards resuming growth from H2FY26 onwards. CAGrameen aims to maintain a monthly customer addition run-rate of 1 Lc customers, a stark improvement after a softer H1, which is primarily impacted by higher rejection rates due to the more stringent MFIN 2.0 guardrails and higher write-offs. The heavy lifting on GLP growth in FY26 would be done by the Retail Finance portfolio. Hereon, the company's focus will remain on pursuing balanced growth in the MFI portfolio while onboarding quality new-to-credit customers. CAGrameen expects MFI growth to settle at 13-15% on a steady state basis, with the retail finance portfolio being the key growth driver for overall AUM growth pegged at ~20-25% CAGR.
- **Strong NIM Profile to be Maintained**: CAGrameen expects NIMs to remain range-bound between 12.6-12.8% in FY26, with the impact of higher interest reversals being visible in H1. It continues to diversify its borrowing mix by improving the mix of foreign borrowings to 25-30% by FY28 vs ~22.4% currently. The impact of the repo rate cut will reflect in the CoF and would be more pronounced in Q4FY26 and early FY27, driving CoF downwards meaningfully. This is due to the majority of borrowings being linked to the MCLR, which resets annually, causing the impact of any rate cut to reflect with a delay. As the impact of interest reversals tapers from H2 onwards, we expect CAGrameen's margins to remain range-bound between 12.8-12.9% over FY26-28E.

Valuation & Recommendation:

CAGrameen has been successfully navigating the challenges of the recent MFI credit downcycle and exhibited resilience as it gradually inches closer to normalcy. We expect CAGrameen to revert to its RoA delivery of 4.5+% from FY27E, supported by (a) Strong GLP growth, (b) Steady Margin Profile, (c) Controlled Opex, and (d) Meaningfully lower credit costs. Resultantly, we factor in a strong GLP/NII/Earnings CAGR growth of 18/13/54% over FY25-28E, with RoA/RoE delivery of 4.5-4.6%/18-19% over the same period. **We recommend a BUY on the stock with a target price of Rs 1,461/share, implying an upside of 10% from the CMP**.

Financial Summary (Consolidated)

Y/E March	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	BV (Rs)	P/BV (x)	RoA (%)	NNPA (%)
FY25	3,599	2,638	531	33.3	435.5	3.1	1.9	1.7
FY26E	3,785	2,730	872	54.6	490.1	2.7	2.9	1.5
FY27E	4,449	3,222	1,648	103.2	593.3	2.2	4.6	1.1
FY28E	5,255	3,817	1,941	121.5	714.8	1.9	4.6	0.9

Source: Axis Securities; CMP as on 16th September, 2025

Duration: 3-6 Months

CMP (Rs)	1,328
Target Price (Rs)	1,461
Upside (%)	10%

| Why CreditAccess Grameen Ltd

- ✓ **Strong Play on the MFI Recovery Cycle; GLP Growth Recovery Improving**
- ✓ **Steady NIM Profile**
- ✓ **Improving Asset Quality Metrics**
- ✓ **Improving Return Ratios**

| Key Risks

- ✓ **Continued Asset Quality Stress, Especially In Key Geographies**
- ✓ **Slower-than-expected GLP Growth**

MARKET DATA

No. of Shares	16.0 Cr
Market Cap	21,228 Cr
52-week High / Low	1,425/750
BSE Code	541770
NSE Code	CREDITACC

Dnyanada Vaidya
Research Analyst
dnyanada.vaidya@axissecurities.in

About Axis PUNCH

| OBJECTIVE

Axis Punch is designed to generate solid returns in the short to medium term based on High Conviction Stock Ideas for both investors and traders. This fundamental medium-term product targets a return of 10% plus with an investment horizon of 3 to 6 months. Recommendations under Axis Punch are driven by various business and economic events, company valuations, market direction, or a mix of these factors.

| Axis PUNCH is a strong, research-based idea based on

Events-Based: Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyse changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
- **Sector Developments:** Material developments within sectors, including monthly production and sales numbers in industries like Auto, Cement, and Steel, as well as competitive landscape changes due to business actions or new entrants/exits, are considered.
- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

Strategic Insights: Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

Informed Decisions: Make well-informed investment decisions backed by the expertise of our dedicated research team.

Medium-term Horizon: Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

| Why to choose Axis PUNCH

These medium-term recommendations are crafted by the fundamental research team of Axis Securities, ensuring a rigorous analysis of developments around the company. Please note that Axis Punch recommendations may differ from our long-term company recommendations. Key investment rationale and risks are clearly highlighted in stock ideas.

Disclaimer

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a
Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
Corporate Agent with Insurance Regulatory and Development Authority of India
Point of Presence with Pension Fund Regulatory and Development Authority
Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE,MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

Disclaimer

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm’s length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock'sprice movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.