CreditAccess Grameen

BSE SENSEX	S&P CNX
83,410	25,453

Bloomberg	CREDAG IN
Equity Shares (m)	160
M.Cap.(INRb)/(USDb)	202.6 / 2.4
52-Week Range (INR)	1400 / 750
1,6,12 Rel. Per (%)	7/28/-11
12M Avg Val (INR M)	1167

Financials &Valuations (INR b)

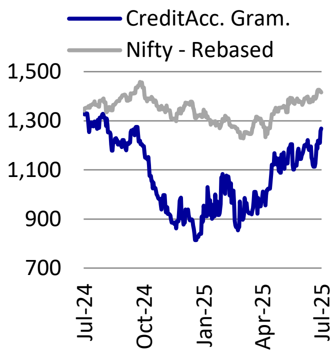
Y/E March	FY25	FY26E	FY27E
NII	36.0	37.4	43.8
Total Income	38.1	40.1	47.1
PPoP	26.4	26.9	32.1
PAT	5.3	8.7	16.5
EPS (INR)	33	55	103
EPS Gr. (%)	-63	64	89
BV (INR)	436	490	594
Ratios (%)			
NIM	14.6	14.5	14.5
C/I ratio	30.7	32.8	31.8
Credit cost	7.5	5.6	3.2
RoA	1.9	3.0	4.9
RoE	7.9	11.8	19.1
Valuations			
P/E (x)	38.0	23.1	12.2
P/BV (x)	2.9	2.6	2.1

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	66.4	66.5	66.6
DII	12.7	14.2	15.8
FII	11.4	9.8	11.7
Others	9.5	9.6	6.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,268 TP: INR1,485 (+17%) Buy

Pivoting from stress to stability

Operational resilience driving recovery; diversification in progress

We met with the management of CreditAccess Grameen (CREDAG) to gain insights into evolving trends in the microfinance industry, the company's approach to addressing challenges, and its strategy to sustain growth while managing credit costs through this fiscal year.

- CREDAG has effectively navigated a challenging operating environment, supported by strong operational discipline and proactive risk management. Its robust execution is expected to drive a steady recovery as the company shifts its focus toward expanding and diversifying its loan portfolio.
- While credit costs are expected to remain slightly elevated in 1HFY26 due to provisioning for legacy stress pools—including the impact of the Karnataka ordinance—fresh slippages have largely normalized. Loans disbursed in the past three months (3 MOB) are performing in line with expectations, and the Karnataka originated portfolio has shown a marked improvement since Mar'25, indicating that the worst of the asset quality cycle may be behind.
- Unlike many of its peers that faced high attrition due to aggressive incentive structures, CREDAG has maintained workforce stability through a fixed-heavy compensation model complemented by employee wellness initiatives.
- CREDAG is proactively diversifying its portfolio by leveraging its existing customer base. The company views the introduction of the 60% qualifying asset criteria (QAC) for MFIs as a structural positive, encouraging players to build broader and more resilient retail lending franchises. Importantly, the company aims to execute this diversification strategy without compromising on yields and margins.
- *A trend reversal is on the horizon in the MFI sector and is expected to play out over the next couple of quarters, with the sector likely nearing normalization by 2HFY26. That said, we strongly believe that the upcoming three months present an opportunity to separate high-quality franchises from weaker ones, with performance divergence across the MFI sector expected to be increasingly evident.*
- Backed by a strong capital position (Tier-1 of ~24%), CREDAG is well-placed to embark on a healthy loan growth trajectory as delinquency trends show further signs of normalization. CREDAG trades at 2.0x FY27E P/BV, and its premium valuation over MFI peers is likely to sustain, driven by stronger confidence in its ability to return to normalcy ahead of its peers. **Reiterate BUY with a TP of INR1,485 (based on 2.5x Mar'27E P/BV).**

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Industry overview: Crisis triggers and current trends

- Over the past year, the MFI industry has undergone a cycle of stress, triggered by borrower overleveraging and rising delinquencies. After two years of COVID-induced losses, lenders entered an aggressive credit expansion phase to recover losses. This resulted in an oversupply of loans, particularly through MFIs and unsecured personal loans, with several borrowers taking on excessive debt. Defaults began surfacing around Nov-Dec'23 and became more widespread in the following months.
- MFIs bore the brunt of the crisis due to their monoline exposure, unlike diversified NBFCs and banks. In the latter part of the credit cycle, region-specific regulatory challenges also added to the pressure, such as the Karnataka ordinance, which temporarily disrupted operations and led to additional provisioning. In contrast, the Tamil Nadu microfinance bill has had no material impact at the ground level. While issues such as duplicate KYC entries, including voter IDs, were present, they were not significant contributors to asset quality deterioration, especially for CREDAG, which maintains robust verification systems.

Robust collection processes and due diligence to drive faster normalization

- CREDAG maintains a strong focus on operational discipline, with over 90% of collections driven by center meetings, reflecting consistent borrower engagement and timely repayments. Doorstep collections remain minimal at 2-3%, with stable daily collection trends. Key processes, including average attendance at center meetings, are closely monitored at the Board level to ensure consistency and control.
- Additionally, a regulatory change effective Jan'25—reducing credit bureau reporting frequency from monthly to every 15 days—is expected to significantly strengthen credit discipline by limiting borrowers' ability to avail multiple loans from different lenders within a short span.

Effective employee management backed by stronger incentive structure

- Unlike some MFI lenders that witnessed high employee attrition due to aggressive incentive structures tied to disbursements and collections, CREDAG has maintained a relatively lower employee attrition. *Its employees receive a significantly higher fixed salary compared to peers, with incentives accounting for less than 10% of their overall salary. These incentives are linked to new customer acquisition and audit ratings rather than disbursement volumes or collection efficiency*, making *payouts less sensitive to market stresses.*
- At CREDAG, employee attrition was primarily limited to Tamil Nadu and parts of Bihar (where it had previously undertaken some lateral hiring). Notably, ~2k former employees expressed interest in re-joining, and CREDAG has rehired ~1k experienced personnel.

Strategic diversification and cross-sell opportunities

- CREDAG is proactively diversifying its portfolio by leveraging its existing customer base. The company views the introduction of the 60% qualifying asset criteria (QAC) for MFIs as a structural positive, encouraging players to build broader and more resilient retail lending franchises.
- With ~10% of its current customer base already holding non-MFI retail loans, CREDAG is focused on cross-selling housing loans/LAP where the ATS is less than INR300k. For higher vintage customers (with at least three years of history with CREDAG) holding a strong credit track record, the company is also offering unsecured business loans and other products.

Building non-MFI business without compromising on NIMs

- Even in the secured business loan segment, CREDAG aims to maintain strong yields. With interest rates of ~21%, these loans are broadly in line with its MFI lending rates, indicating that the company is building its non-MFI business without compromising on blended yields.
- Going forward, as CREDAG's loan book becomes more diversified, it may explore dedicated funding avenues for housing loans or pursue co-lending arrangements with banks. This diversification will help balance its high-risk microfinance business with more secure offerings.

Valuation and view: Driving normalization; building resilience

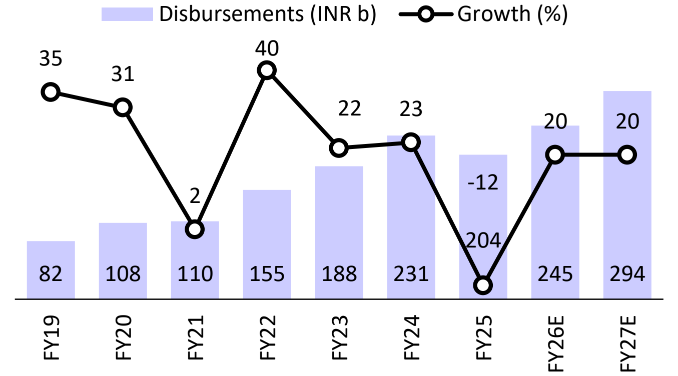
- CREDAG has successfully navigated a period of industry-wide challenges, demonstrating remarkable resilience and a return to normal operational efficiency. New stress formation (ex-Karnataka) has largely normalized, supported by robust internal processes such as rigorous daily collection monitoring, detailed audit reports, and consistent tracking of center attendance. While some residual stress from recent headwinds is still being managed, the core business is now operating as expected, reinforcing confidence in the company's fundamental strength.
- The updated regulatory framework, particularly the revised qualifying asset criteria, offers a clear opportunity for CREDAG to invest in and expand its non-qualifying asset portfolio. This will enable the company to strengthen its microfinance foundation while building a more resilient and diversified balance sheet, paving the way for long-term value creation.
- The upcoming three months present an opportunity to separate high-quality franchises from weaker ones, with performance divergence across the MFI sector expected to be increasingly evident. **We expect CREDAG to deliver AUM/PAT CAGR of ~18%/75% over FY25-FY27 and RoA/RoE of 4.9%/19% in FY27. Reiterate our BUY rating on the stock with a TP of INR1,485 (based on 2.5x Mar'27E P/BV).**

Valuation matrix of CREDAG and MFI peers

Val summary	Rating	CMP (INR)	Mkt. Cap (INRb)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
CreditAccess	**Buy**	**1,268**	**200**	**54.7**	**103.3**	**490**	**594**	**3.0**	**4.9**	**11.8**	**19.1**	**23.2**	**12.3**	**2.6**	**2.1**
Fusion Finance	Neutral	194	32	13.2	25.5	137	187	2.0	4.0	9.0	15.7	14.7	7.6	1.4	1.0
Spandana Sphoorty	Buy	277	20	-21.0	28.5	348	377	-1.7	2.0	-5.9	7.9	-13.2	9.7	0.8	0.7

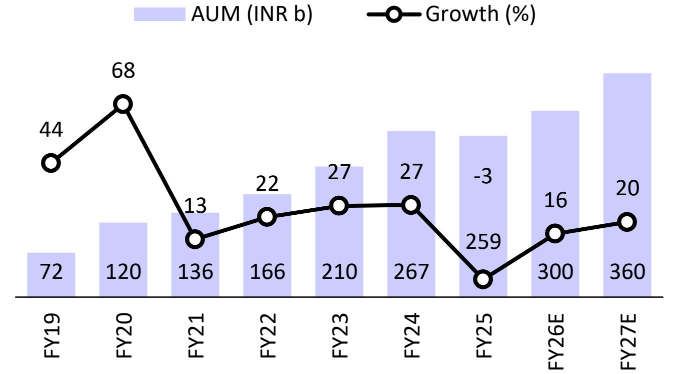
Story in charts

Exhibit 1: Disbursements CAGR of ~20% over FY25-27E



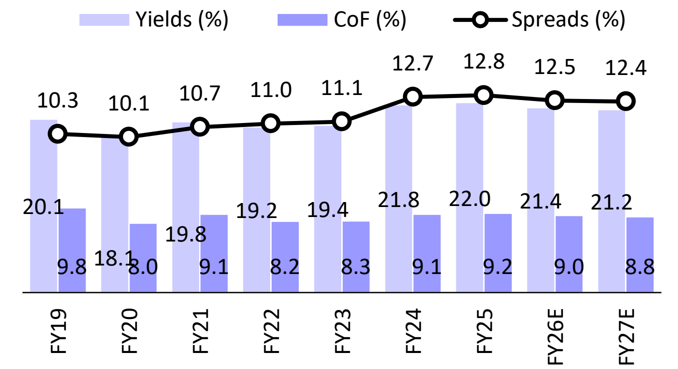
Sources: MOFSL, Company reports

Exhibit 2: AUM CAGR of ~18% over the same period



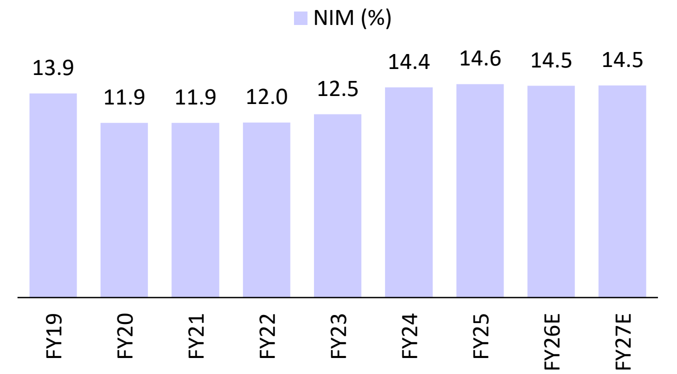
Sources: MOFSL, Company reports

Exhibit 3: Expect spreads to moderate in FY26/FY27



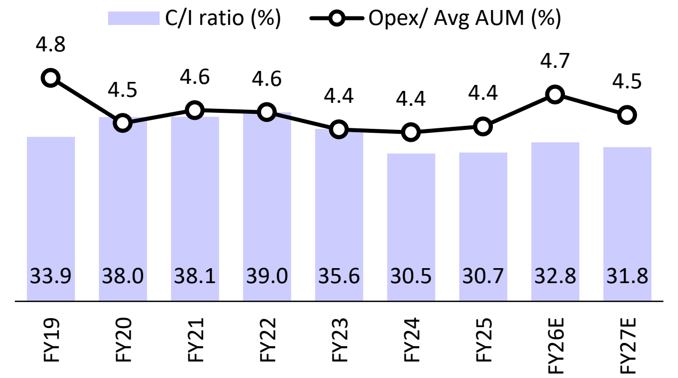
Sources: MOFSL, company reports

Exhibit 4: NIM to remain stable over the next two years



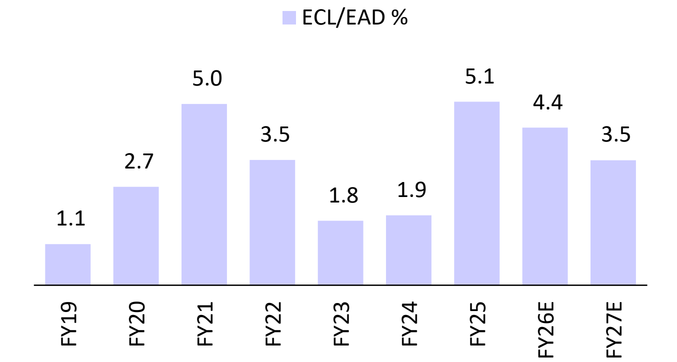
Sources: MOFSL, company reports

Exhibit 5: Opex/avg. AUM to remain elevated in FY26



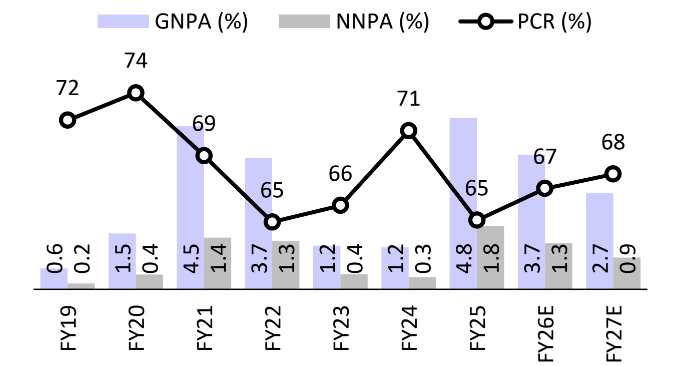
Sources: MOFSL, company reports

Exhibit 6: ECL/EAD has peaked; decline expected thereafter



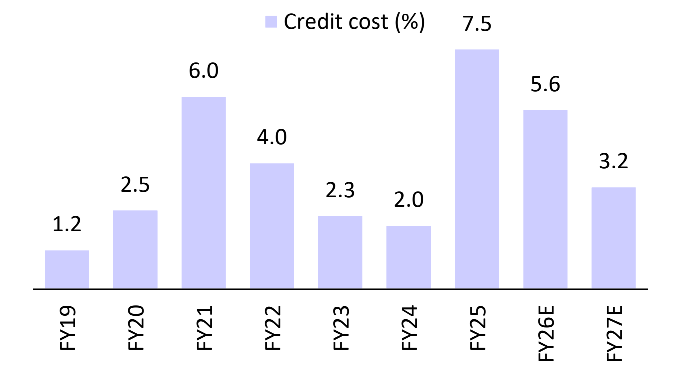
Sources: MOFSL, company reports

Exhibit 7: Asset quality to gradually improve



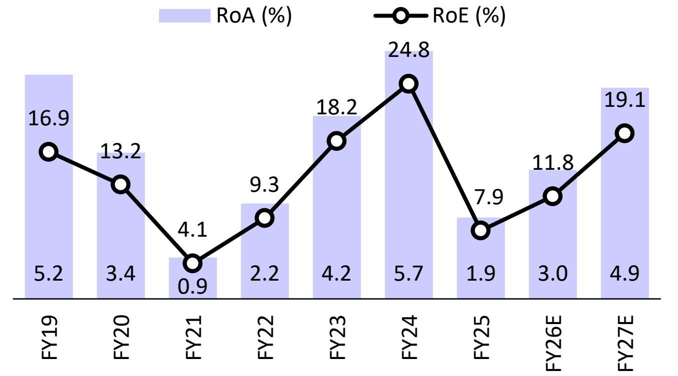
Sources: MOFSL, company reports

Exhibit 8: Expect credit costs to decline in FY26/FY27



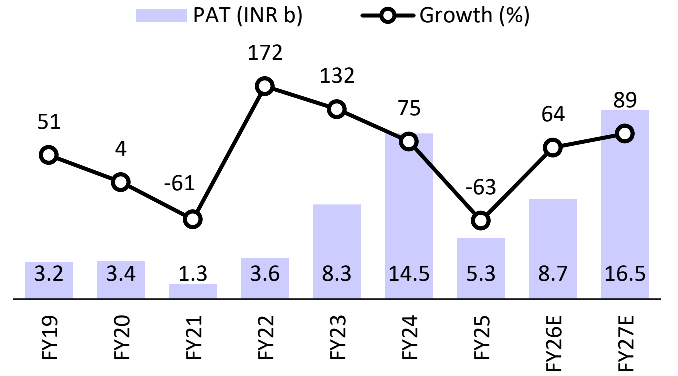
Sources: MOFSL, company reports

Exhibit 9: RoA/RoE at ~4.9%/19% in FY27



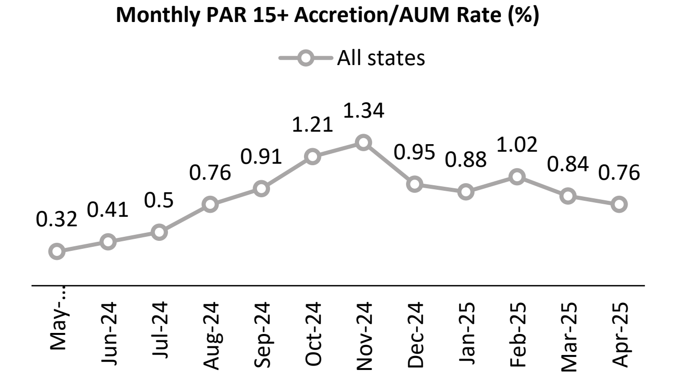
Sources: MOFSL, company reports

Exhibit 10: Expect PAT CAGR of ~75% over FY25-FY27



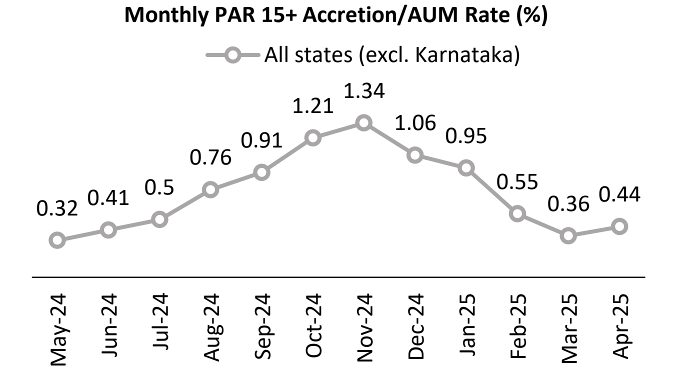
Sources: MOFSL, company reports

Exhibit 11: Monthly PAR 15+ Accretion/AUM rate for all states



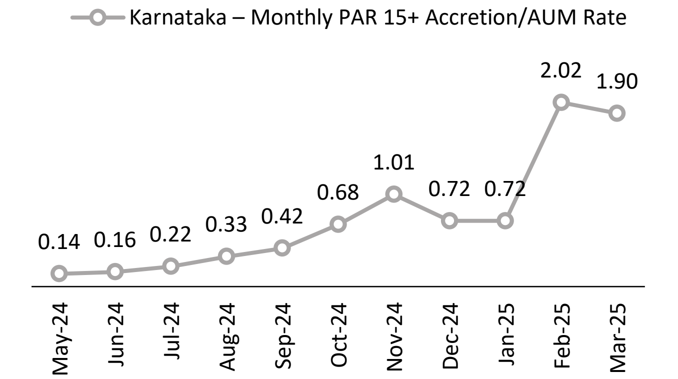
Sources: MOFSL, company reports

Exhibit 12: Monthly PAR 15+ Accretion/AUM rate for all states (ex-Karnataka)



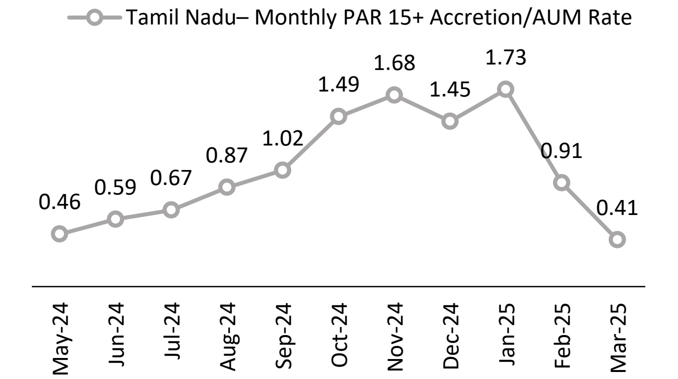
Sources: MOFSL, company reports

Exhibit 13: PAR accretion declined in Mar'25 in Karnataka



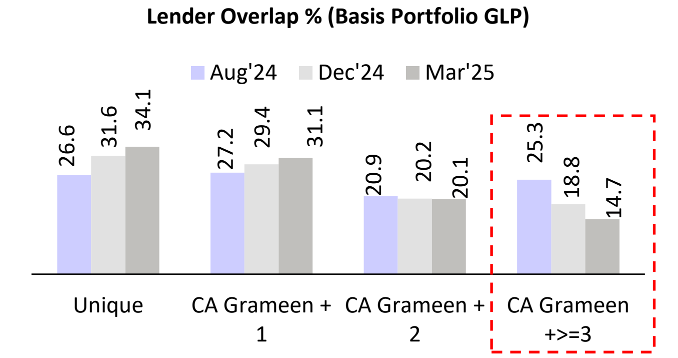
Sources: MOFSL, company reports

Exhibit 14: PAR accretion continues to decline in TN



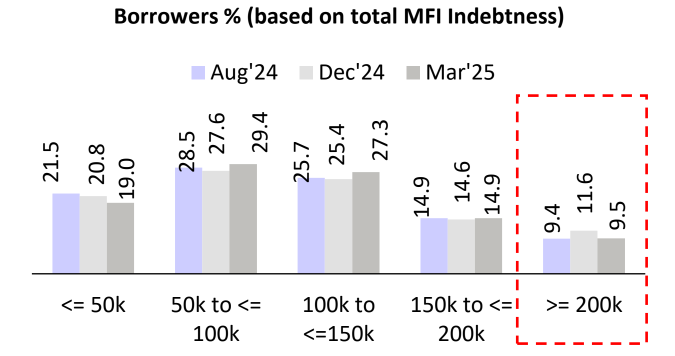
Sources: MOFSL, company reports

Exhibit 15: ~14.7% of CREDAG's borrowers had loans from CREDAG + >=3 lenders as of Mar'25



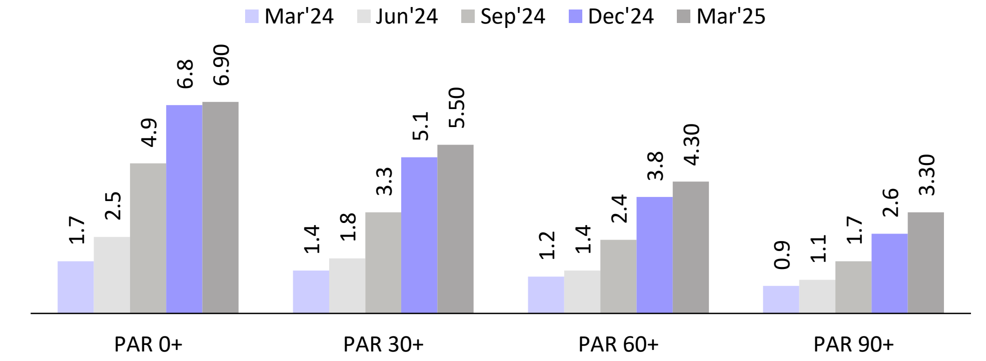
Sources: MOFSL, company reports

Exhibit 16: ~9.5% of CREDAG's borrowers had total MFI indebtedness of over INR200k as of Mar'25



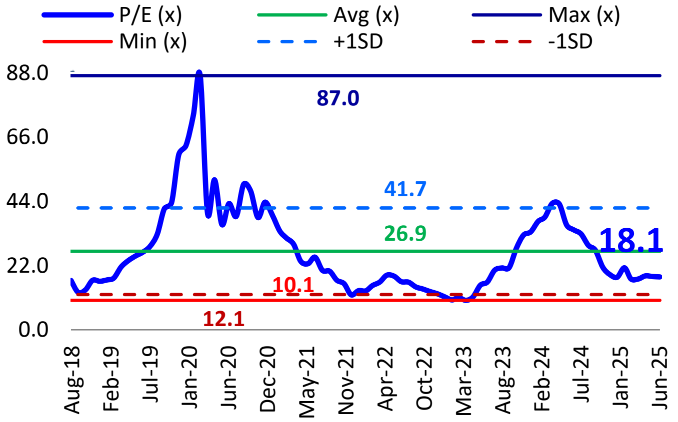
Sources: MOFSL, company reports

Exhibit 17: Trends in PAR rates (%)



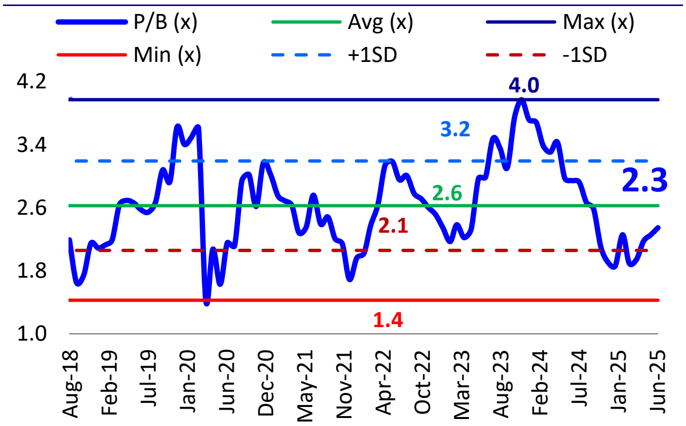
Source: MOFSL, Company

Exhibit 18: One-year forward P/E ratio



Sources: MOFSL, company reports

Exhibit 19: One-year forward P/B ratio



Sources: MOFSL, company reports

Financials and Valuation

Income Statement									(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Interest Income	12,183	16,334	22,900	25,673	33,271	49,001	55,468	56,775	65,684
Interest Expended	4,168	5,783	9,287	9,841	12,129	17,324	19,476	19,356	21,866
Net Interest Income	**8,016**	**10,551**	**13,613**	**15,832**	**21,143**	**31,677**	**35,992**	**37,419**	**43,818**
Change (%)	58.4	31.6	29.0	16.3	33.5	49.8	13.6	4.0	17.1
Other Income	650	721	1,760	1,825	2,237	2,725	2,094	2,673	3,248
Net Income	**8,666**	**11,271**	**15,373**	**17,657**	**23,379**	**34,402**	**38,086**	**40,092**	**47,066**
Change (%)	67.3	30.1	36.4	14.9	32.4	47.1	10.7	5.3	17.4
Operating Expenses	2,940	4,283	5,856	6,885	8,315	10,493	11,702	13,163	14,977
Operating Income	**5,726**	**6,989**	**9,517**	**10,772**	**15,064**	**23,910**	**26,384**	**26,929**	**32,090**
Change (%)	81.9	22.1	36.2	13.2	39.8	58.7	10.3	2.1	19.2
Provisions and W/Offs	749	2,373	7,714	5,968	4,010	4,518	19,295	15,275	10,092
PBT	**4,977**	**4,616**	**1,803**	**4,805**	**11,054**	**19,392**	**7,089**	**11,654**	**21,998**
Tax	1,760	1,261	490	1,237	2,794	4,933	1,775	2,914	5,499
Tax Rate (%)	35.4	27.3	27.2	25.7	25.3	25.4	25.0	25.0	25.0
PAT	**3,218**	**3,355**	**1,313**	**3,568**	**8,261**	**14,459**	**5,314**	**8,741**	**16,498**
Change (%)	51.4	4.3	-60.9	171.7	131.5	75.0	-63.2	64.5	88.8
Proposed Dividend (Incl Tax)	0	0	0	0	0	1,594	0	0	0

Balance Sheet									(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Equity Share Capital	1,436	1,440	1,556	1,559	1,589	1,594	1,597	1,597	1,597
Reserves & Surplus	22,215	25,902	35,360	38,218	49,481	64,106	67,963	76,703	93,202
Net Worth	**23,651**	**27,342**	**36,916**	**39,777**	**51,070**	**65,700**	**69,560**	**78,300**	**94,799**
Borrowings	**48,666**	**95,397**	**1,09,413**	**1,29,207**	**1,63,123**	**2,18,410**	**2,04,458**	**2,28,088**	**2,68,874**
Change (%)	34.3	96.0	14.7	18.1	26.2	33.9	-6.4	11.6	17.9
Other liabilities	1,257	3,163	4,264	4,964	4,389	4,352	4,007	4,237	4,481
Total Liabilities	**73,574**	**1,25,902**	**1,50,592**	**1,73,948**	**2,18,581**	**2,88,462**	**2,78,025**	**3,10,625**	**3,68,154**
Cash and bank balances	6,156	7,176	24,844	17,614	14,364	13,139	14,430	13,234	14,032
Loans and Advances	**66,028**	**1,10,989**	**1,17,205**	**1,47,653**	**1,90,433**	**2,51,050**	**2,42,745**	**2,75,136**	**3,30,312**
Change (%)	34.9	68.1	5.6	26.0	29.0	31.8	-3.3	13.3	20.1
Fixed Assets	187	5,793	5,734	5,739	968	1,214	1,307	1,438	1,653
Investments	2	456	5	5	4,545	14,389	8,930	9,377	9,845
Intangible Assets		0	0	4,673	5,061	4,923	4,764	4,764	4,764
Other Assets	1,200	1,488	2,804	2,937	3,208	3,747	5,850	6,677	7,547
Total Assets	**73,572**	**1,25,447**	**1,50,587**	**1,73,942**	**2,18,581**	**2,88,462**	**2,78,025**	**3,10,625**	**3,68,154**

E: MOFSL Estimates

Financials and Valuation

Ratios									(%)
AUM and Disbursements (INR m)	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
AUM	**71,590**	**1,19,960**	**1,35,870**	**1,65,990**	**2,10,320**	**2,67,140**	**2,59,480**	**2,99,735**	**3,60,234**
YoY growth (%)	43.9	67.6	13.3	22.2	26.7	27.0	-2.9	15.5	20.2
Disbursements	**82,212**	**1,08,040**	**1,10,104**	**1,54,670**	**1,88,090**	**2,31,340**	**2,04,370**	**2,45,244**	**2,94,293**
YoY growth (%)	35.2	31.4	1.9	40.5	21.6	23.0	-11.7	20.0	20.0

Ratios									(%)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Spreads Analysis (%)									
Yield on Portfolio	20.1	18.1	19.8	19.2	19.4	21.8	22.0	21.4	21.2
Cost of Borrowings	9.8	8.0	9.1	8.2	8.3	9.1	9.2	9.0	8.8
Interest Spread	10.3	10.1	10.7	11.0	11.1	12.7	12.8	12.5	12.4
Net Interest Margin	13.9	11.9	11.9	12.0	12.5	14.4	14.6	14.5	14.5
Profitability Ratios (%)									
RoE	16.9	13.2	4.1	9.3	18.2	24.8	7.9	11.8	19.1
RoA (on balance sheet)	5.2	3.4	0.9	2.2	4.2	5.7	1.9	3.0	4.9
Debt: Equity (x)	2.1	3.5	3.0	3.2	3.2	3.3	2.9	2.9	2.8
Leverage (x)	3.3	3.9	4.3	4.2	4.3	4.4	4.0	4.0	3.9
Efficiency Ratios (%)									
Int. Expended/Int.Earned	34.2	35.4	40.6	38.3	36.5	35.4	35.1	34.1	33.3
Op. Exps./Net Income	33.9	38.0	38.1	39.0	35.6	30.5	30.7	32.8	31.8
Empl. Cost/Op. Exps.	63.3	61.2	64.9	63.6	62.0	63.8	62.4	62.1	62.3
Other Income/Net Income	7.5	6.4	11.5	10.3	9.6	7.9	5.5	6.7	6.9
Asset quality									
GNPA	385	1,738	5,487	5,587	2,364	3,026	12,291	10,759	9,190
NNPA	109	458	1,686	1,974	808	877	4,326	3,550	2,941
GNPA %	0.6	1.5	4.5	3.7	1.2	1.2	4.8	3.7	2.7
NNPA %	0.2	0.4	1.4	1.3	0.4	0.3	1.8	1.3	0.9
PCR %	71.7	73.6	69.3	64.7	65.8	71.0	64.8	67.0	68.0

Valuation	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Book Value (INR)	165	190	237	255	321	412	436	490	594
BV Growth (%)	47.2	15.3	25.0	7.5	25.9	28.3	5.6	12.6	21.1
Price-BV (x)		**6.7**	**5.3**	**5.0**	**3.9**	**3.1**	**2.9**	**2.6**	**2.1**
EPS (INR)	22.4	23.3	8.4	22.9	52.0	90.7	33.3	54.7	103.3
EPS Growth (%)	35.5	3.9	-63.8	171.2	127.1	74.5	-63.3	64.5	88.8
Price-Earnings (x)		**54.4**	**150.2**	**55.4**	**24.4**	**14.0**	**38.1**	**23.2**	**12.3**
Dividend per share		0.0	0.0	0.0	0.0	10.0	0.0	0.0	0.0
Dividend Yield (%)		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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