

CreditAccess Grameen

Dream run continues; Buy

Recalibration of lending rates; provisions spike yet earnings intact

Despite continued improvement in operating systems, the flood impact in the key Tamil Nadu State (20% of loans) and downward repricing of lending rates of 50bp cut across products, Credit Access Grameen (CREDAG IN) PAT was in line with our expectations in Q3FY24 (reported INR 3.5bn vs our estimates of INR 3.6bn) based on strong core. This was led by robust growth on borrower addition (9MFY24 at 0.4mn closer to FY23 count), controlled cost at a steady 9.8% OoQ, and lower opex (218bp OoQ dip in the cost-income to 29.5%). Consequently, Q3 delivered a revised higher guidance in Q2, with ROA rising to 5.5% and ROE at 24%. CREDAG is set to deliver a 25% AUM CAGR and a 21% EPS CAGR during FY23-26E, with an EPS in the range of 5-8% during FY24-26E, with expansion into newer States (Andhra Pradesh & Telangana), industry-best cost metrics at a steady 31% cost-income, bolstered by improving productivity and superior asset quality (potential credit cost in the range of 1.6-1.8%) vs peers.

Strong operational metrics driving scale and growth

A 4.7mn borrower base with annual addition run-rate surpassing FY23 levels and improving GLP/borrower, up 2% OoQ to INR 49,800, coupled with increased expansion in outside the Top 3 States would lead to doubling of the book by FY26E. While the branch network strengthened in Q3, non-top three States formed 44% of incremental customer additions, offsetting concentration risks. Such superior operations continue to drive scale and growth, with CREDAG's loan run-rate at 31% YoY, led by steady traction in income generation loans, up 28% YoY and 3% OoQ, followed by traction in home improvement and retail loans on low base.

Flood-affected portfolio stress absorbed

In Q3, GNPA increased 20bp OoQ to 1.0% and PAR 90 to 80bp from 60bp in Q2, due to seasonality, the TN flood impact and higher PAR outside Karnataka. PAR 60 also increased 30bp OoQ to 1.0% in Q3 from 0.7% in Q2. Collection efficiency slightly declined to 98.3% OoQ. After factoring in challenges on new geographies and existing high provisions at a 70% PCR, we expect industry-best NPA at a mere 1.0-1.2% with credit costs settling in at 1.9% during FY24-26E.

Valuation: remains our Buy with higher TP of INR 1,986

We upgraded earnings estimates as CREDAG's growth story remains well fortified, underpinned by industry-best cost controls and asset quality metrics with steady business prospects backed by healthy customer acquisition levels. Given a rich return profile of 5% ROA and 22% ROE, commanding premium valuation, we raise our multiple to 3.9x (from 3.5x) P/ABV as we roll forward to September 2025E for a higher TP of INR 1,986 from INR 1,638. This places CREDAG at the top of the NBFC heap. It remains our Buy.

YE March (INR mn)	Q3FY24	Q2FY24	Q3FY23	YoY (%)	OoQ (%)	Q3FY24E	Var (%)
NII	8,029	7,635	5,406	48.5	5.1	7,785	3.1
Operating profit	6,018	5,626	3,795	58.6	7.0	5,745	4.8
PAT	3,533	3,470	2,158	63.8	1.8	3,614	(2.2)

Key financials											
YE March	NII (INR mn)	YoY (%)	PPoP (INR mn)	YoY (%)	PAT (INR mn)	YoY (%)	EPS (INR)	Core RoE (%)	ROA (%)	P/E (x)	P/ABV (x)
FY23	21,143	27.9	15,066	32.1	8,262	134.0	52.0	17.8	3.9	32.4	5.3
FY24E	31,028	46.8	23,097	53.3	13,975	69.1	87.8	24.0	5.2	19.1	4.1
FY25E	37,358	20.4	27,772	20.2	16,653	19.2	104.7	22.7	5.0	16.1	3.3
FY26E	47,644	27.5	34,437	24.0	20,591	23.6	129.4	22.4	5.0	13.0	2.6

Note: pricing as on 19 January 2024; Source: Company, Elara Securities Estimate

Rating: Buy

Target Price: INR 1,986

Upside: 19%

CMP: INR 1,675 (as on 19 January 2024)

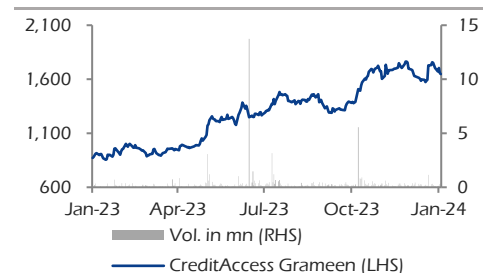
Key data

Bloomberg /Reuters Code	CREDAG IN/CRDE.BO
Current /Dil Shares O/S (mn)	159/159
Mkt Cap (INR bn/USD mn)	267/3,212
Daily Volume (3M NSE Avg)	340,347
Face Value (INR)	10

1 USD = INR 83.1

Note: as on 19 January 2024; Source: Bloomberg

Price & Volume



Source: Bloomberg

Shareholding (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Promoter	73.7	66.8	66.7	66.7
Institutional Investor	22.0	21.5	27.2	27.8
Other Investor	0.6	7.2	1.0	0.8
General Public	3.7	4.6	5.1	4.8

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	10.2	9.0	19.4
CreditAccess Grameen	21.0	28.2	83.9

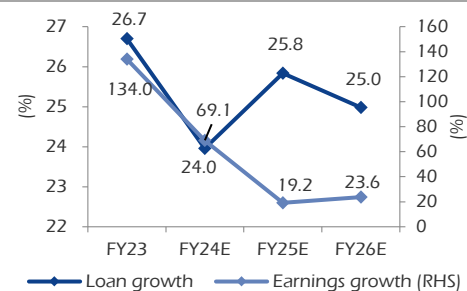
Source: Bloomberg

Financials (YE March)

Income statement (INR mn)	FY23P	FY24E	FY25E	FY26E
NII	21,143	31,028	37,358	47,644
Other income	2,236	2,353	2,943	3,714
Gross Income	23,379	33,380	40,301	51,358
Operating expenses	8,313	10,283	12,529	16,920
PPOP	15,066	23,097	27,772	34,437
Provisions	4,010	4,310	5,374	6,743
PBT	11,056	18,787	22,398	27,695
Tax	2,794	4,811	5,745	7,104
PAT	8,262	13,975	16,653	20,591
Balance Sheet (INR bn)	FY23P	FY24E	FY25E	FY26E
Capital	1,589	1,591	1,591	1,591
Reserves and Surplus	49,481	63,580	80,233	100,823
Net worth	51,070	65,171	81,824	102,415
Borrowings	163,123	204,836	253,556	310,856
Other liabilities	4,389	5,010	5,824	6,880
Total Liabilities	218,581	275,017	341,204	420,151
Fixed assets	6,030	3,165	6,070	7,786
Loans	190,433	238,549	298,534	373,106
Net Current Assets	16,763	32,245	35,274	37,603
Other assets	5,355	1,059	1,326	1,657
Total Assets	218,581	275,017	341,204	420,151
Per Share data & Valuation Ratios	FY23P	FY24E	FY25E	FY26E
EPS- (INR)	52.0	87.8	104.7	129.4
BV (INR)	321.4	409.6	514.3	643.7
ABV- (INR)	317.5	406.5	508.9	636.8
P/E- (x)	32.4	19.1	16.1	13.0
P/ABV-(x)	5.3	4.1	3.3	2.6
Yield and Cost (%)				
Yield on advances	11.2	13.2	12.7	12.9
Interest Income/ Avg. assets	10.0	11.7	11.2	11.5
Net Interest Margin (%)	11.4	13.3	12.7	12.9
Asset Quality (%)				
Gross NPA	1.2	1.0	1.2	1.2
Net NPA	0.4	0.3	0.4	0.4
% coverage of NPA	65.7	70.0	67.0	67.0
credit cost (calc)	1.9	1.6	1.6	1.6
Capital Adequacy (%)				
Tier 1	20.0	20.4	20.9	21.4
CAR	20.9	21.3	21.8	22.3
Growth Rates (%)				
Loan growth	26.7	24.0	25.8	25.0
Earnings growth	134.0	69.1	19.2	23.6
Business Ratios				
RoAA (%)	3.9	5.2	5.0	5.0
Core RoE (%)	17.8	24.0	22.7	22.4
Leverage (x)	4.2	4.2	4.2	4.1

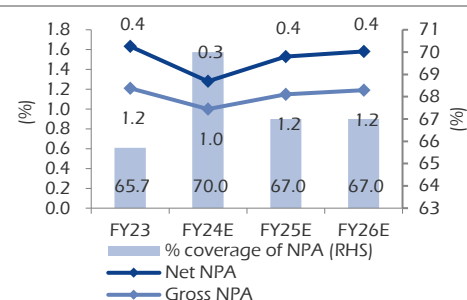
Note: pricing as on 19 January 2024; Source: Company, Elara Securities Estimate

Loans & earnings growth trend



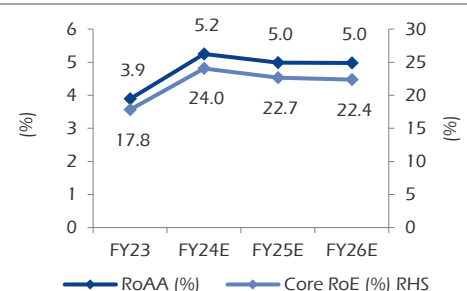
Source: Company, Elara Securities Estimate

Gross and net NPA



Source: Company, Elara Securities Estimate

Return ratios



Source: Company, Elara Securities Estimate

Exhibit 1: CRETAG Q3FY24 performance snapshot

(INR mn)	Q3FY24	Q3FY23	YoY (%/bp)	Q2FY24	QoQ (%/bp)	Quick comments
Interest Income	12,444	8,548	45.6	11,874	4.8	
Interest Expenses	4,415	3,142	40.5	4,239	4.2	
Net Interest Income	8,029	5,406	48.5	7,635	5.1	<u>NII ahead of our estimates of INR 7,785mn, led by steady-state weighted average cost of funds, resulting in stable NIM</u>
Other Income	509	549	(7.4)	602	(15.5)	Other income declined QoQ but was slightly weak QoQ due to the base effect
Total Income	8,537	5,955	43.4	8,237	3.6	
Total Operating Expenses	2,520	2,160	16.6	2,611	(3.5)	
Operating Profit (PPOP)	6,018	3,795	58.6	5,626	7.0	<u>PPoP was ahead of our estimates, due to higher NII and lower opex</u>
Provisions & Write Offs	1,262	894	41.1	959	31.7	Provision was ahead of our estimates of INR 883mn, led by higher provisioning in other States on the back of higher growth and the Tamil Nadu flood impact
PBT	4,756	2,900	64.0	4,668	1.9	
Tax	1,222	743	64.6	1,197	2.1	
Reported Profit	3,533	2,158	63.8	3,470	1.8	<u>PAT was slightly lower than our estimates at INR 3,614mn, due to higher than expected provisioning</u>

Balance sheet

Disbursement	53,440	48,470	10.3	49,660	7.6	
Loan book	233,820	177,860	31.5	224,880	4.0	AUM was in line with our estimates of INR 236bn, with healthy growth driven by robust customer additions

Asset quality

Gross NPA	2,197	2,887	(23.9)	1,657	32.6	
Gross NPA (%)	1.0	1.7	(74) bp	0.8	20 bp	GNPA was ahead of our estimates of 0.8% on account of seasonality and the TN flood impact
ROE (%)	23.6	18.8	480 bp	24.7	(110) bp	Overall profitability improved
ROA (%)	5.5	4.6	90 bp	5.6	(10) bp	
Credit cost	2.2	1.7	47 bp	2.1	12 bp	

NIM - calc (%)	13.7	12.6	111 bp	13.7	(3) bp	COF has peaked, and with the pass through of benefits to end-customers, NIM is expected to remain steady
Cost-Income ratio (%)	29.5	36.3	(677) bp	31.7	(218) bp	The cost-income ratio improved sequentially where CBS upgrade and enhanced functional flexibilities, enabling operating efficiency

Loan mix (%)

Income Generation Loan (IGL)	93.2	95.9	(265) bp	93.8	(61) bp	
Family Welfare	0.4	0.7	(27) bp	0.7	(23) bp	
Home Improvement	4.2	2.7	148 bp	3.9	32 bp	
Emergency	0.0	0.1	(4) bp	0.0	(3) bp	
Retail Finance	2.1	0.6	147 bp	1.6	55 bp	

Source: Company, Elara Securities Research

Conference call key takeaways

Business highlights and guidance

- Customer acquisition was affected in November 2023 due to the core banking solution (CBS) upgrade led to a slight decline in overall customer addition.
- The company will be able to deliver a full-year growth rate
- Retail books contribute 2.1% of book; majority of which is unsecured i.e, 80% and graduated portfolio.
- Retail finance: Loan against property average ticket size (ATS) was at INR >0.5mn, and average retail finance will move up as the ticket size is higher
- The retail finance share is set to move up to 15% by FY27-28E
- The company has successfully upgraded its core banking solutions

Asset quality

- The collection efficiency stood at 98.3% where Q1-Q2 saw better-than-expected results, but Q4 will see normalcy
- Fresh PAR accretion was due to seasonality factors, the impact of Tamil Nadu floods where strong recoveries are already flowing in.
- The ECL provisioning rates for standard and delinquent loans are higher in other States vs Karnataka
- PAR 30 is higher QoQ due to seasonality and flood impact

Growth trajectory

- 9MFY24 opex-AUM ratio stood at 4.5% and is likely to sustain in the range of 4.5-4.6%
- The cost-income ratio is expected in the range of 31-32%, aided by likely low borrowings cost and further improvement in efficiency
- Q4FY24 credit cost is set to remain in the guided range
- The opex-AUM ratio is expected in the range of 4.4-4.5% for Q4FY24
- The company is set to grow at 25% in FY24
- Management expects a cost-income ratio in the range of 30-32% for the next two years
- NIM is set to sustain at the guidance levels

Yield and spread

- The cost of borrowing should remain stable and coming off sequentially.
- The company has strong control on cost of borrowing on the back of a diversified liability profile, continued access to PSL-linked funds, improved credit ratings, and well-capitalized balance sheet
- The company has reduced lending rates by 50bp across microfinance and retail finance businesses during December 2023 and January 2024; the full impact of revised pricing on the portfolio yield will be gradually realized in the next 18-20 months
- Average maturity for assets stood at 18.7months and liabilities at 24 months
- The bank borrowing increased sequentially on an absolute basis as overall borrowings were up; In Q4FY24 it is expected to increase further as its planning to borrow from bank due to lot of available sanctions.
- The marginal cost of borrowing of banks stood at 9.4-9.5%, international banks at 8.9%, Development financial institution (DFI) at 9.5-9.6%, and Non-convertible debentures (NCD) at 9.4%

Operational highlights

- The business momentum was temporarily affected for 2-3 weeks in November due to CBS upgradation processes
- It opened 17 new branches during the quarter
- CBS upgradation would have a positive effect across processes
- The sequential decline in opex also was due to seasonality and an aberration due to employee cost reversal of INR 10mn in Q3
- Most expansion was in newer geographies, largely in other States in contiguous districts only
- Top 4 States have seen split in branches
- The number of customer addition in Q3FY24 stood at 0.27mn, with Q2FY24 at 0.33mn and 33% of customers are unique to CREDAG
- Madhya Pradesh: It was vulnerable in some districts, but it was temporary and the issues have been addressed
- Karnataka is high single-digit growth only as diversification is the focus

- Maharashtra is stable based on average ticket size; each state has its own features, but largely vintage and income of the client determines the loan size.
- New credit customers added were 33% in Q3FY24

Other highlights

- Reduction in rates is due to consistent reviews. Regulator expects to continue to review and advise lenders
- There is no meaningful change in exposure across States. It has been careful in Gujarat and Rajasthan but there was no significant variation
- Leverage stood at 4.4x, with a ROE of 24% and a ROA of 5.5%; it will maintain CAR of 20%, which is currently stood at 24%; hence, there is no capital raise for the next 2-3 years

- ROA is set to sustain at the current levels
- Customer attrition at 15% is range-bound with an 85% retention rate, which has been sustained; focus is on higher differentiated products to retain customers; 8% of the attrition is due rejection by CREDAG.
- Credit rating upgrade by CRISIL from A+ to AA- stable on 30 November 2023, the highest rating in MFI industry
- Around 44% of customers were added in the past 12 months are from other than the Top 3 States
- The opex cost had an impact on one-time employee cost reversal of INR 50m.
- Most of the branch expansion is in newer States

Exhibit 2: Healthy loan growth; disbursements up 7.6% QoQ

(INR mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Total disbursements	47,200	57,920	21,460	43,750	48,470	71,710	47,710	49,660	53,440
YoY growth (%)	2.8	22.6	101.5	12.5	2.7	23.8	122.3	13.5	10.3
QoQ growth(%)	21.4	22.7	(62.9)	103.9	10.8	47.9	(33.5)	4.1	7.6
Gross loan portfolio (GLP)	145,860	166,000	156,150	165,390	177,860	210,320	218,140	224,880	233,820
YoY growth (%)	18.4	22.2	23.3	24.0	21.9	26.7	39.7	36.0	31.5
QoQ growth(%)	9.4	13.8	(5.9)	5.9	7.5	18.3	3.7	3.1	4.0

Source: Company, Elara Securities Research

Exhibit 3: IGL share declines 61bp QoQ; retail finance share increases 55bp QoQ

GLP composition (% mix)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
IGL (Incl. MMFL)	95.2	96.1	95.7	95.5	95.9	95.5	94.8	93.8	93.2
Family Welfare	0.4	0.2	0.8	1.1	0.7	0.3	0.7	0.7	0.4
Home Improvement	2.5	2.5	2.6	2.6	2.7	3.3	3.6	3.9	4.2
Emergency	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Retail Finance	1.8	1.2	0.9	0.7	0.6	0.8	1.0	1.6	2.1

Source: Company, Elara Securities Research

Exhibit 4: Yield remain steady at 21%, led by effective liability management

(%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Avg. New Disbursement Interest Rate	-	-	20.3	20.8	21.5	21.9	21.9	22.0	21.8
Portfolio Yield	18.6	18.5	18.4	19.1	19.6	19.7	20.7	21.1	21.0
Weighted Avg. Cost of Borrowing	9.4	8.9	9.1	9.2	9.6	9.5	9.6	9.8	9.8
Marginal Cost of Borrowing	8.2	8.4	8.7	8.9	10.2	9.4	9.7	9.6	9.7
NIM	11.4	11.3	11.1	12.0	11.9	12.2	13.0	13.1	13.1

Source: Company, Elara Securities Research

Exhibit 5: Employee and loan officer decline sequentially; branch expansion to continue

(No)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Total Branches	1,593	1,635	1,681	1,684	1,727	1,786	1,826	1,877	1,894
YoY growth (%)	14.7	14.8	18.0	9.0	8.4	9.2	8.6	11.5	9.7
QoQ growth(%)	3.1	2.6	2.8	0.2	2.6	3.4	2.2	2.8	0.9
Total Employees	15,483	15,667	15,642	16,018	16,807	16,759	17,391	19,241	19,041
YoY growth (%)	5.3	8.8	9.0	4.6	8.6	7.0	11.2	20.1	13.3
QoQ growth(%)	1.1	1.2	(0.2)	2.4	4.9	(0.3)	3.8	10.6	(1.0)
Total Borrowers ('000)	3,739	3,820	3,690	3,798	3,939	4,264	4,424	4,603	4,693
YoY growth (%)	(4.3)	(2.4)	(2.5)	1.3	5.3	11.6	19.9	21.2	19.1
QoQ growth(%)	(0.3)	2.2	(3.4)	2.9	3.7	8.3	3.8	4.0	2.0
Total Loan Officers	10,544	10,770	10,566	10,826	11,453	11,490	12,043	13,336	13,054
YoY growth (%)	6.5	(36.7)	(37.6)	(41.5)	8.6	6.7	14.0	23.2	14.0
QoQ growth(%)	(43.0)	2.1	(1.9)	2.5	5.8	0.3	4.8	10.7	(2.1)

Source: Company, Elara Securities Research

Exhibit 6: Customer addition run-rate declines sequentially

('000)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Incremental borrower addition	(12)	81	(130)	108	141	325	160	179	90
Borrower count increase YoY %	(4.3)	(2.4)	(2.5)	1.3	5.3	11.6	19.9	21.2	19.1
AUM growth YoY%	18.4	22.2	23.3	24.0	21.9	26.7	39.7	36.0	31.5

Source: Company, Elara Securities Research

Exhibit 7: Increased productivity – key enabler to loan growth

GLP per Branch (INR mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
GLP per Branch	91.6	101.5	92.9	98.2	103.0	117.8	119.5	120.0	123.0
<i>QoQ growth(%)</i>	<i>6.1</i>	<i>10.9</i>	<i>(8.5)</i>	<i>5.7</i>	<i>4.9</i>	<i>14.3</i>	<i>1.4</i>	<i>0.4</i>	<i>2.5</i>
<i>YoY growth (%)</i>	<i>3.2</i>	<i>6.4</i>	<i>4.5</i>	<i>13.8</i>	<i>12.5</i>	<i>16.0</i>	<i>28.6</i>	<i>22.2</i>	<i>19.4</i>
GLP per Loan Officer	13.8	15.4	14.8	15.3	15.5	18.3	18.1	16.9	17.9
<i>QoQ growth(%)</i>	<i>92.1</i>	<i>11.4</i>	<i>(4.1)</i>	<i>3.4</i>	<i>1.7</i>	<i>17.9</i>	<i>(1.0)</i>	<i>(6.9)</i>	<i>6.2</i>
<i>YoY growth (%)</i>	<i>11.2</i>	<i>93.0</i>	<i>97.6</i>	<i>112.1</i>	<i>12.3</i>	<i>18.8</i>	<i>22.6</i>	<i>10.4</i>	<i>15.3</i>
Borrowers per Branch (nos.)	2,347	2,336	2,195	2,255	2,281	2,387	2,423	2,452	2,478
<i>QoQ growth(%)</i>	<i>(3.3)</i>	<i>(0.5)</i>	<i>(6.0)</i>	<i>2.7</i>	<i>1.1</i>	<i>4.7</i>	<i>1.5</i>	<i>1.2</i>	<i>1.0</i>
<i>YoY growth (%)</i>	<i>(16.5)</i>	<i>(15.0)</i>	<i>(17.4)</i>	<i>(7.1)</i>	<i>(2.8)</i>	<i>2.2</i>	<i>10.4</i>	<i>8.7</i>	<i>8.6</i>
Borrowers per Loan Officer (nos.)	355	355	349	351	344	371	367	345	360
<i>QoQ growth(%)</i>	<i>75.0</i>	<i>0.0</i>	<i>(1.5)</i>	<i>0.5</i>	<i>(2.0)</i>	<i>7.9</i>	<i>(1.0)</i>	<i>(6.0)</i>	<i>4.2</i>
<i>YoY growth (%)</i>	<i>(10.1)</i>	<i>54.2</i>	<i>56.3</i>	<i>73.1</i>	<i>(3.0)</i>	<i>4.6</i>	<i>5.2</i>	<i>(1.6)</i>	<i>4.5</i>
GLP - Avg O/S per Loan (INR '000)	27.6	29.8	28.1	27.4	28.1	30.6	30.1	29.7	30.6
<i>QoQ growth(%)</i>	<i>10.0</i>	<i>8.0</i>	<i>(5.7)</i>	<i>(2.5)</i>	<i>2.6</i>	<i>8.9</i>	<i>(1.6)</i>	<i>(1.3)</i>	<i>3.0</i>
<i>YoY growth (%)</i>	<i>29.6</i>	<i>20.6</i>	<i>19.6</i>	<i>9.2</i>	<i>1.8</i>	<i>2.7</i>	<i>7.1</i>	<i>8.4</i>	<i>8.9</i>
GLP - Avg O/S per Borrower (INR '000)	39.0	43.4	42.3	43.5	45.2	49.3	49.3	48.9	49.8
<i>QoQ growth(%)</i>	<i>9.9</i>	<i>11.3</i>	<i>(2.5)</i>	<i>2.8</i>	<i>3.9</i>	<i>9.1</i>	<i>-</i>	<i>(0.8)</i>	<i>1.8</i>
<i>YoY growth (%)</i>	<i>22.6</i>	<i>25.1</i>	<i>26.6</i>	<i>22.5</i>	<i>15.9</i>	<i>13.6</i>	<i>16.5</i>	<i>12.4</i>	<i>10.2</i>

Source: Company, Elara Securities Research

Exhibit 8: Borrower share of Top 4 States raised; Branch and GLP share of Top 4 States continue to decline

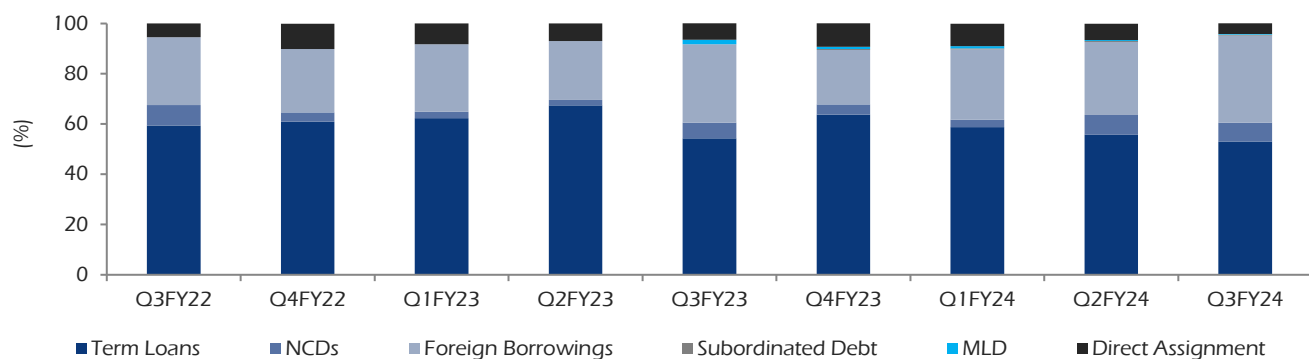
States	Q4FY23			Q1FY24			Q2FY24			Q3FY24		
	Branch share (%)	Borrower share (%)	GLP (%) share	Branch share (%)	Borrower share (%)	GLP (%) share	Branch share (%)	Borrower share (%)	GLP (%) share	Branch share (%)	Borrower share (%)	GLP (%) share
Karnataka	17.4	26.3	33.2	17.5	26.0	33.0	17.8	25.7	32.9	17.8	26.3	32.2
Maharashtra	16.9	21.6	20.9	16.8	20.7	20.6	16.5	20.8	20.6	16.4	21.1	20.7
Tamil Nadu	21.2	19.9	20.2	21.0	19.7	19.9	20.5	19.5	20.0	20.3	20.0	20.4
Madhya Pradesh	8.3	7.6	6.7	8.1	7.6	6.5	7.9	7.4	6.3	7.9	7.5	6.2
Other states & UT	36.3	24.6	19.0	36.7	25.9	21.0	37.3	26.6	20.2	37.6	25.1	20.6

Source: Company, Elara Securities Research

Exhibit 9: Tamil Nadu GLP increases 6% sequentially

States	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Karnataka	61,717	69,826	71,986	73,986	75,290
Maharashtra	37,351	43,957	44,937	46,325	48,401
Tamil Nadu	36,995	42,485	43,410	44,976	47,699
Madhya Pradesh	11,739	14,091	14,179	14,167	14,497
Other States & UT	30,058	39,961	45,809	45,426	48,167
Total	177,860	210,320	220,321	224,880	234,054

Source: Company, Elara Securities Research

Exhibit 10: Term loans share in the borrowing mix decreases 270bp QoQ; foreign borrowing share increases 550bp QoQ

Source: Company, Elara Securities Research

Exhibit 11: GNPA increases 20bp QoQ on account of seasonality

(INR mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Asset quality									
Gross NPAs	8,511	5,601	4,584	3,400	2,887	2,368	1,817	1,657	2,197
Gross NPA (%)	6.0	3.6	3.1	2.2	1.7	1.2	0.9	0.8	1.0
ROA (%)	3.0	3.7	3.1	4.0	4.6	5.5	5.8	5.6	5.5
ROE (%)	11.9	15.9	13.4	16.1	18.8	24.0	26.4	24.7	23.6
EAD									
- Stage 1	130,050	147,582	141,363	152,488	165,347	192,868	200,993	211,776	223,835
- Stage 2	2,876	1,873	1,518	926	609	437	444	674	959
- Stage 3	8,511	5,601	4,584	3,400	2,887	2,368	1,817	1,657	2,197
Total ECL provisioning (%)	4.7	3.4	3.0	2.5	2.0	1.8	1.6	1.6	1.8

Source: Company, Elara Securities Research

Exhibit 12: PAR trends declines due to the flood impact

(%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
PAR 0	3.1	2.2	1.5	1.2	1.3	1.8
PAR 30	2.4	1.8	1.2	1.0	0.9	1.2
PAR 60	2.0	1.6	1.1	0.8	0.7	1.0
PAR 90	1.7	1.3	1.0	0.7	0.6	0.8

Source: Company, Elara Securities Research

Exhibit 13: Collection efficiency falls slightly sequentially

(%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Collection efficiency – CREDAG	94.5	96.0	97.0	98.0	98.0	98.0	98.7	98.7	98.3
CE% (excl. arrears) – MMFL	88.0	92.0	93.0	94.0	95.0	97.0	NA	NA	NA
CE% (incl. arrears) – MMFL	90.0	94.0	94.0	96.0	96.0	97.0	NA	NA	NA

Source: Company, Elara Securities Research

Exhibit 14: Change in estimates

(INR mn)	Old			Revised			% Chg		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net interest income	30,445	36,204	44,178	31,028	37,358	47,644	1.9	3.2	7.8
PPOP	22,225	26,800	32,244	23,097	27,772	34,437	3.9	3.6	6.8
PAT	13,287	15,800	18,919	13,975	16,653	20,591	5.2	5.4	8.8
EPS (INR)	83.5	99.3	119.0	88	105	129	5.2	5.4	8.8
TP (INR)			1,638			1,986			21.2

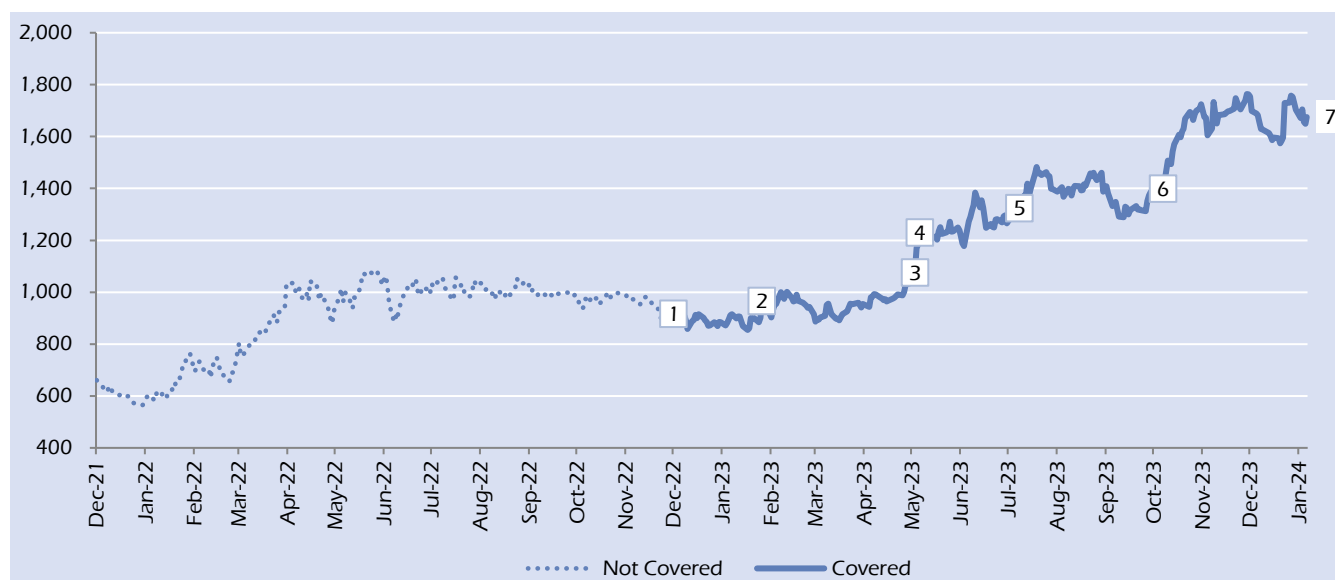
Source: Elara Securities Estimate

Exhibit 15: Valuation

Fair price - EVA (enterprise value method, INR)	2,382
Fair price - P/ABV (2-stage Gordon growth model, INR)	1,590
Target price - Average (INR)	1,986
Target P/ABV (x)	3.9
Target P/E (x)	20.6
CMP (INR)	1,675
Upside (%)	19.0
Dividend yield (%)	0.0
Total return (%)	18.0

Note: pricing as on 19 January 2024; Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
1	14-Dec-2022	Buy	INR 1,100	INR 907
2	8-Feb-2023	Buy	INR 1,155	INR 957
3	16-May-2023	Buy	INR 1,303	INR 1,086
4	19-May-2023	Buy	INR 1,474	INR 1,220
5	21-July-2023	Buy	INR 1,535	INR 1,312
6	20-Oct-2023	Buy	INR 1,638	INR 1,390
7	19-Jan-2024	Buy	INR 1,986	INR 1,675

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BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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