

Jan 20, 2024

RESULT REPORT Q3 FY24 | Sector: Financials

# CreditAccess Grameen Limited

## A Sturdy Show

### Performance remains strong

CRE DAG's performance remained strong in Q3 FY24 with AUM/NII growth in-line with expectations and PPOP being 4% higher than our estimate reflecting further productivity gains. There was some PAR and credit cost increase which is transient, as were largely driven by delinquencies from TN floods in Dec which have significantly normalized in January. Disbursements were impacted in November on account of CBS upgrade, but business/customer acquisition has markedly improved from Dec. AUM growth stood 4% qoq/31.5% yoy and NIM/RoA/RoE were sustained at higher levels of 13.1%/5.5%/24%. Co. has cut lending rates by 50 bps in Dec-Jan in view of improving opex metric, peaking of funding cost and normalization of credit cost, and hence the Management does not expect any impact on NIM and RoE. The enhanced pricing advantage would aid in sustenance of growth and portfolio quality.

### Retain BUY with raised 12m PT of Rs1950

Our FY24/25 estimates are largely unchanged. Q4 FY24 would be a robust quarter on growth, asset quality and earnings. Notwithstanding the strong performance of the stock in recent months, we see room for further valuation re-rating in the absence of RoE risks at this point. The stock has traded at 3.5-4x 1-yr fwd. P/ABV before Covid with 16-18% RoE delivery. Currently CRE DAG's RoE is far superior, and it would not require equity raise for 23-25% pa GLP growth. Franchise attributes like high customer retention/borrower vintage, lower field attrition, industry-best loan processes & policies, lowest pricing, stronger quality control & audit mechanisms, etc. underpin company's sturdier growth and profitability. We estimate a CAGR of 25% in GLP, 39% in PPOP and 47% in earnings over FY23-25 barring any external shocks.

### Granular and diversified growth momentum

Portfolio growth remains guided by strong customer addition, prudent ticket/tenor policies, regional portfolio diversification, improving distribution productivity and sturdy asset quality. CRE DAG added 2.7 lac customers in Q3 FY24 and 15 lac borrowers in past 12m with more than 40% of them outside the Top 3 states. With the acceleration in new customer addition, the vintage profile of borrower base has been shifting, resulting in stable avg o/s per borrower. More than 85% customers are retained by the co. for the next cycle loan. There was attrition of 0.6mn customers in the past 12m on the opening base of 3.9mn. Contribution of 3-year loans increased to 31% of the book, which are offered to high-vintage customers seeking >Rs75000 loan.

### NIM steady; PAR/Credit Cost increase marginally due to TN floods

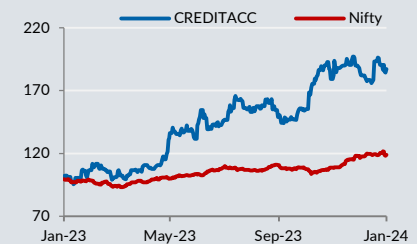
NIM was stable at 13.1% with steady Portfolio Yield and CoB. Disbursement Yield was 20 bps lower qoq, on account of lending rate reduction from Dec and risk profile of the customers onboarded. Incremental CoB has been stable for the past three quarters and seems to have peaked out. Despite 50 bps lending rate cut, the co. expects to maintain NIM in future. PAR 0/Stage-3 increased by 50/20 bps on account of TN floods in Dec, driving increased credit cost of 2.2% for the quarter. However, a substantial portion of the flood delinquencies have normalized in Jan, and thus Management expects moderation in credit cost in Q4 FY24. Write-offs continue to be moderate at Rs0.6bn and recovery of bad debts has been consistent at around Rs110mn per quarter.

Reco	: BUY
CMP	: Rs 1,675
Target Price	: Rs 1,950
Potential Return	: 16.4%

#### Stock data (as on Jan 19, 2024)

Nifty	21,622
52 Week h/l (Rs)	1796 / 834
Market cap (Rs/USD mn)	262480 / 3161
Outstanding Shares (mn)	159
6m Avg t/o (Rs mn):	541
Div. yield (%):	-
Bloomberg code:	CRE DAG IN
NSE code:	CREDITACC

#### Stock performance



	1M	3M	1Y
Absolute return	-0.4%	21.0%	83.9%

#### Shareholding pattern

Promoter	66.7%
FII+DII	27.8%
Others	5.6%

#### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,950	1,825

#### Δ in earnings estimates

	FY24e	FY25e	FY26e
EPS (New)	91.4	112.8	140.9
EPS (Old)	91.0	112.6	140.3
% Change	0.5%	0.2%	0.4%

#### Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Op. income	33,940	41,940	52,164
PPOP	23,546	29,157	36,440
Net profit	14,530	17,930	22,389
Growth (%)	75.9	23.4	24.9
EPS (Rs)	91.4	112.8	140.9
ABVPS (Rs)	392.8	505.7	646.5
P/E (x)	18.3	14.8	11.9
P/ABV (x)	4.3	3.3	2.6
ROE (%)	24.9	24.0	23.6
ROA (%)	5.9	5.7	5.7

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## Exhibit 1: Result table

(Rs mn)	Q3 FY24	Q2 FY24	% qoq	Q3 FY23	% yoy
Total Operating Income	12,922	12,469	3.6	9,079	42.3
Interest expended	(4,415)	(4,239)	4.2	(3,142)	40.5
Net Interest Income	8,507	8,231	3.4	5,937	43.3
Other Income	30	7	366.2	18	66.5
Total Income	8,537	8,237	3.6	5,955	43.4
Operating expenses	(2,520)	(2,611)	(3.5)	(2,160)	16.6
PPOP	6,018	5,626	7.0	3,795	58.6
Provisions	(1,262)	(959)	31.7	(894)	41.1
PBT	4,756	4,668	1.9	2,900	64.0
Tax	(1,222)	(1,197)	2.1	(743)	64.6
PAT	3,533	3,470	1.8	2,158	63.8

Source: Company, YES Sec

## Exhibit 2: State-wise GLP mix

(%)	Q3 FY24	Q2 FY24	chg qoq	Q3 FY23	chg yoy
Karnataka	32.2	32.9	(0.7)	34.7	(2.5)
Maharashtra	20.7	20.6	0.1	21.0	(0.3)
Tamil Nadu	20.4	20.0	0.4	20.8	(0.4)
Madhya Pradesh	6.2	6.3	(0.1)	6.6	(0.4)
Others	20.5	20.2	0.3	16.9	3.6

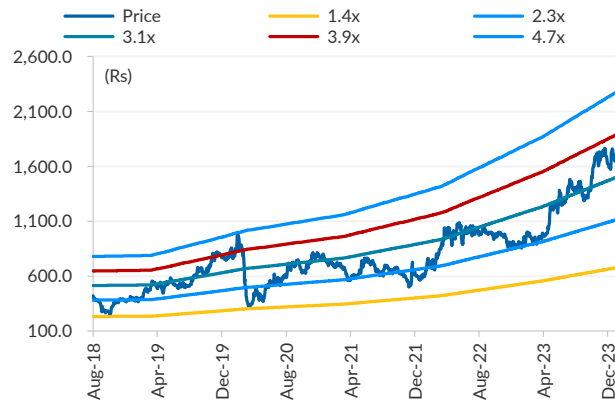
Source: Company, YES Sec

## Exhibit 3: Consolidated highlights

Rs mn	Q3 FY24	Q2 FY24	% qoq	Q3 FY23	% yoy
GLP (Rs mn)	2,33,820	2,24,880	4.0	1,77,860	31.5
Total equity (Rs mn)	61,690	57,980	6.4	47,950	28.7
Active borrowers (lacs)	46.9	46.0	2.0	39.4	19.1
Branches	1,894	1,877	0.9	1,727	9.7
Employees	19,041	19,241	(1.0)	16,807	13.3
RoA (%)	5.5	5.6	(0.1)	4.5	1.0
RoE (%)	23.6	24.7	(1.1)	18.4	5.2
GNPA (%)	1.0	0.8	0.2	1.7	(0.7)
Provisioning (%)	1.8	1.6	0.2	2.0	(0.2)
D/E (x)	3.1	3.0	0.1	2.8	0.3

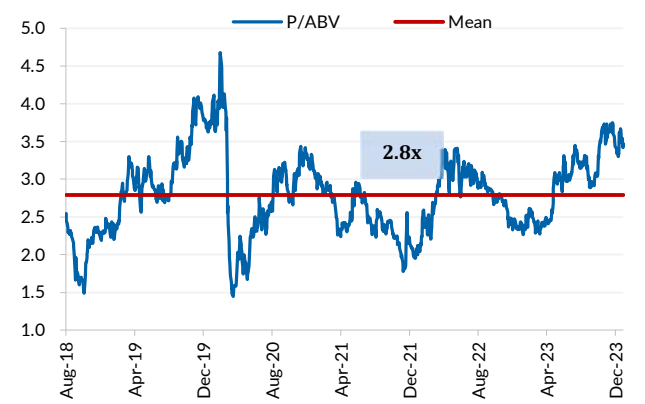
Source: Company, YES Sec

**Exhibit 4: 1-yr rolling P/ABV band**



Source: Company, YES Sec

**Exhibit 5: 1-year rolling P/ABV vis-a-vis the mean**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 6: Balance Sheet

Y/e 31 Mar (Rs m)	FY22	FY23	FY24E	FY25E	FY26E
<b>Equity and Liabilities</b>					
Equity Share Capital	1,559	1,589	1,589	1,589	1,589
Other Equity	40,110	49,481	64,011	81,940	1,04,330
<b>Share-holders fund</b>	<b>41,669</b>	<b>51,070</b>	<b>65,600</b>	<b>83,530</b>	<b>1,05,919</b>
Non-controlling Interest	-	-	-	-	-
<b>Financial Liabilities</b>	<b>1,32,688</b>	<b>1,66,948</b>	<b>2,11,660</b>	<b>2,63,185</b>	<b>3,27,284</b>
Trade payables	2,590	3,037	3,493	4,016	4,619
Debt Securities	14,181	16,724	21,239	26,442	32,921
Borrowings (Excl. Debt Sec.)	1,14,249	1,45,620	1,84,937	2,30,247	2,86,658
Subordinated Liabilities	777	779	989	1,232	1,534
Other Financial Liabilities	874	789	1,002	1,247	1,553
<b>Non-Financial Liabilities</b>	<b>462</b>	<b>563</b>	<b>655</b>	<b>770</b>	<b>914</b>
Provisions	313	366	458	572	715
Deferred tax liabilities (net)	135	191	191	191	191
<b>Total Liabilities &amp; Equity</b>	<b>1,74,820</b>	<b>2,18,581</b>	<b>2,77,915</b>	<b>3,47,485</b>	<b>4,34,116</b>
<b>Assets</b>					
<b>Financial Assets</b>	<b>1,66,457</b>	<b>2,11,155</b>	<b>2,69,980</b>	<b>3,38,910</b>	<b>4,24,737</b>
Cash and Cash Equivalents	15,806	13,414	20,132	25,544	31,745
Bank balances	1,808	950	1,140	1,368	1,642
Receivables	0	0	0	0	0
Loans	1,47,653	1,90,433	2,40,613	3,01,959	3,78,880
Investments	5	4,545	5,909	7,386	9,232
Other Financial Assets	1,185	1,496	1,870	2,337	2,922
<b>Non- Financial Assets</b>	<b>8,362</b>	<b>7,426</b>	<b>7,935</b>	<b>8,574</b>	<b>9,379</b>
Current tax assets (Net)	385	396	514	668	869
Deferred tax assets (Net)	1,554	809	1,052	1,368	1,778
Property, Plant and Equipment	318	321	385	462	554
Intangible assets	31	39	39	39	39
Goodwill	5,223	5,022	5,022	5,022	5,022
Other Non-Financial Assets	852	839	923	1,015	1,116
<b>Total Assets</b>	<b>1,74,820</b>	<b>2,18,581</b>	<b>2,77,915</b>	<b>3,47,485</b>	<b>4,34,116</b>

Source: Company, YES Sec

## Exhibit 7: Income statement

Y/e 31 Mar (Rs m)	FY22	FY23	FY24E	FY25E	FY26E
Operating Income	27,428	35,451	51,267	63,484	79,000
Interest expense	(9,841)	(12,129)	(17,397)	(21,617)	(26,913)
<b>Net interest income</b>	<b>17,587</b>	<b>23,322</b>	<b>33,870</b>	<b>41,867</b>	<b>52,087</b>
Non-interest income	73	57	70	74	77
Total op income	17,660	23,379	33,940	41,940	52,164
Total op expenses	(6,885)	(8,315)	(10,393)	(12,784)	(15,724)
<b>PPoP</b>	<b>10,775</b>	<b>15,064</b>	<b>23,546</b>	<b>29,157</b>	<b>36,440</b>
Provisions	(5,967)	(4,010)	(4,095)	(5,154)	(6,468)
Profit before tax	4,808	11,054	19,452	24,002	29,972
Taxes	(1,277)	(2,794)	(4,921)	(6,073)	(7,583)
<b>Net profit</b>	<b>3,531</b>	<b>8,261</b>	<b>14,530</b>	<b>17,930</b>	<b>22,389</b>

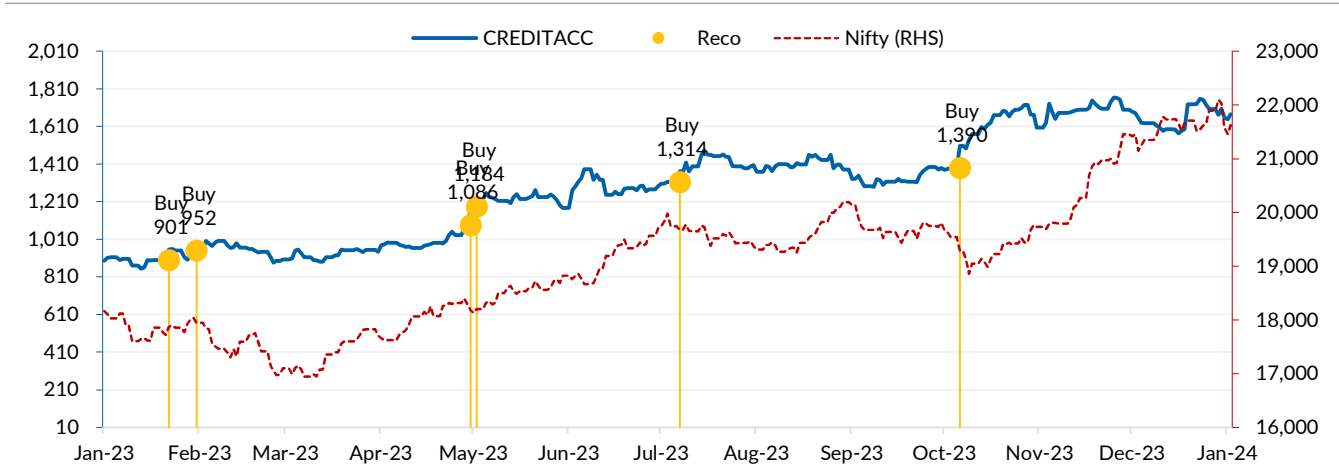
Source: Company, YES Sec

## Exhibit 8: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth matrix (%)</b>					
Net interest income	14.8	32.6	45.2	23.6	24.4
Total op income	14.9	32.4	45.2	23.6	24.4
Op profit (pre-provision)	13.2	39.8	56.3	23.8	25.0
Net profit	168.7	134.0	75.9	23.4	24.9
Loans	26.0	29.0	26.4	25.5	25.5
Borrowings + Debt	18.1	26.2	27.0	24.5	24.5
Total assets	16.1	25.0	27.1	25.0	24.9
<b>Profitability Ratios (%)</b>					
NIM	11.7	12.4	14.3	14.1	14.0
Non-interest income /Total income	0.4	0.2	0.2	0.2	0.1
Return on Avg. Equity	9.0	17.8	24.9	24.0	23.6
Return on Avg. Assets	2.2	4.2	5.9	5.7	5.7
<b>Per share ratios (Rs)</b>					
EPS	22.7	52.0	91.4	112.8	140.9
Adj. BVPS	247.0	301.4	392.8	505.7	646.5
<b>Other key ratios (%)</b>					
Loans/Borrowings	114.3	116.7	116.1	117.1	118.0
Cost/Income	39.0	35.6	30.6	30.5	30.1
Credit cost	4.5	2.4	1.9	1.9	1.9
Tax rate	25.2	25.2	25.3	25.3	25.3

Source: Company, YES Sec

## Recommendation Tracker



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**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

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