

Strong FY27 Guidance Upgrade, But Drought Risk Warrants Caution

Changes in Estimates post Q2FY27

FY27E/FY28E/FY29E (in %): NII: 5.3/4.2/3.8; PPOP: 7.9/4.8/2.6; PAT: 8.3/6.3/4.0

Recommendation Rationale

- **Drought Conditions in Certain Maharashtra Districts; Collections and Credit Costs Under Watch:** CAGrameen's key near-term risk remains the emergence of drought-related repayment stress in certain pockets of Central Maharashtra (MH). The management indicated that select borrowers in the affected districts have started seeking additional time for repayments, including restructuring options, although the situation remains at an early stage. Accordingly, **CAGrameen has recalibrated its approach in the affected pockets by prioritising existing customers over new sourcing and intensifying collection efforts.** Encouragingly, CAGrameen has not observed comparable on-ground stress in any other geographies, with collections normalising in the flood-affected northern states and expectations of a normal northeast monsoon providing some comfort. However, **the management has guided for an inch-up in Q3 credit costs, factoring in the potential impact of drought and seasonal factors such as festivals. Nevertheless, it remains confident of containing full-year credit costs within the guided range of 3.0-4.0%.**
- **Barring Droughts, Asset Quality Trends Steady:** CAGrameen reported a further improvement in asset quality, its best performance in the last 10 quarters. X bucket CE stood at 99.71%, steady QoQ. The temporary deterioration in PAR accretion during Aug/Sep'26 was primarily attributable to excessive rainfall and flooding in parts of certain operational geographies, alongside seasonal festivities, rather than weakening in borrower behaviour. **Encouragingly, the management indicated that collection trends in these geographies had largely normalised by Oct'26.** In Q2, CAGrameen strengthened its provisioning coverage with an additional buffer of 45bps, taking ECL provisioning to 3.31%.
- **Customer Acquisition to Accelerate in H2 as Write-offs Normalise:** CAGrameen's customer addition in H1 remained soft, mainly marred by accelerated write-offs as it recovered from an adverse credit cycle and the company's endeavour to graduate quality customers to Retail Finance (RF). This resulted in customer retention improving to 88% in Sep'26 vs 85% in Mar'26. **Having largely worked through the elevated write-off phase, CAGrameen expects customer additions to improve meaningfully in H2, as it targets a monthly run rate of over 1 Lc new customers vs. the current run rate of 80,000 customers.**

Sector Outlook: Positive

Company Outlook & Guidance: Following a strong H1 performance, the company has revised its FY27 guidance upwards across most operational parameters. NIM guidance has been revised meaningfully upwards to 14.4-14.7% vs earlier guidance of 12.8-13.2%. C-I Ratio guidance has been revised downwards to 29-30% vs 33-35% earlier. Credit costs guidance has been retained at 3-4%, despite expectations of higher credit costs in Q3. RoA/RoE guidance has been revised upwards to 5.2-5.8%/21-24% vs 4-4.8%/16-20% earlier. CAGrameen's improving outlook on customer addition and increasing contribution from the RF portfolio supports a healthy growth trajectory over the medium term. However, emerging drought-related concerns in certain districts pose a key near-term risk, with potentially higher credit costs weighing on profitability and possibly dampening growth. The management has levers to defend RoA (aspiration to deliver a steady-state RoA of 4.5-5%) through calibrated pricing actions; the effectiveness of the same remains to be tested if stress persists for longer. With valuations having corrected sharply to 1.5x/1.2x FY28/29E ABV for a potential RoA delivery of 4.7-4.9% over FY28-29E, the risk-reward appears favourable; however, the credit cost trajectory and its likely dent on RoA remain keenly eyed.

Current Valuation: 1.7x Sep'28E BV Earlier Valuation: 2.6x FY28E BV

Current TP: Rs 1,405/share; Earlier TP: Rs 1,900/share

Recommendation: We maintain our **BUY** recommendation on the stock.

Financial Performance:

- **Operational Performance:** CAGrameen added 2.3 Lc customers during Q2 vs 2.2/2.5 Lc customers YoY/QoQ, of which 35% are NTC. Disbursements grew by +19/4% YoY/QoQ, driving improved AUM growth of +19/2% YoY/QoQ. AUM growth was driven by strong traction in Retail Finance (RF), which grew by +151/15% YoY/QoQ. The mix of the RF portfolio improved to 23.3% vs 11.1/20.6% YoY/QoQ.
- **Financial Performance:** NII growth was better than our expectations and grew by 33/7% YoY/QoQ, driven by a sharp margin improvement of 70bps QoQ. NIMs stood at 15.1% vs 14.4% QoQ. Yields improved by 50bps QoQ, while CoF declined by 10bps QoQ, aiding margin expansion. Non-interest income grew by 10/48% YoY/QoQ. Opex growth was modest at 14/5% YoY/QoQ. C-I Ratio improved to 28.3% vs 29.3% QoQ. PPOP grew by 39/11% YoY/QoQ. Credit costs (calc.) stood at 3.91% vs 2.84% QoQ. PAT grew by 298/1% YoY/QoQ.
- **Asset Quality** is back to pre-crisis levels, best since the last 10 quarters. GNPA/NNPA improved to 1.79/0.59% vs 2.18/0.76% QoQ.

Key Financials (Consolidated)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	1,246	7.1	33.4	1,203	3.6
PPOP	969	11.0	39.5	908	6.7
Net Profit	500	1.4	297.8	501	-0.2
NNPA (%)	0.6	-17 bps	-67 bps	0.8	-19 bps
RoA (%)	5.9	-14 bps	403 bps	5.9	-4 bps

Source: Company, Axis Securities Research

(CMP as of 22nd October, 2026)

CMP (Rs)	1,089
Upside /Downside (%)	29%
High/Low (Rs)	1,634/1,061
Market cap (Cr)	17,475
Avg. daily vol. (6m) Shrs.	4,60,255
No. of shares (Cr)	16.1

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	66.3	66.3	63.8
FII's	11.7	11.7	11.1
MFs / UTI	10.7	10.7	14.4
Others	11.3	11.3	10.7s

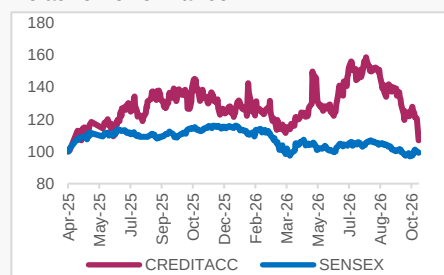
Financial & Valuations

Y/E Mar (Rs Cr)	FY27E	FY28E	FY29E
NII	5,036	5,898	7,048
PPOP	3,767	4,322	5,091
Net Profit	1,932	2,197	2,547
EPS (Rs)	120.6	137.1	159.0
BV (Rs)	610.1	730.3	885.4
P/BV (x)	1.8	1.5	1.2
RoA (%)	5.3	4.9	4.7
NNPA (%)	0.6	0.7	0.7

Change in Estimates (%)

Y/E Mar	FY27E	FY28E	FY29E
NII	5.3	4.2	3.8
PPOP	7.9	4.8	2.6
PAT	8.3	6.3	4.0

Relative Performance



Source: AceEquity, Axis Securities Research

Results Gallery

[Q1FY27](#)

[Q4FY26](#)

[Q3FY26](#)

[Q2FY26](#)

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Key Highlights

- **RF Scaling-Up Through Customer Graduation Strategy; Remains Key Growth Driver:** The management expects MFI group loan growth to resume from H2 onwards, supported by seasonally stronger disbursements and a recovery in new customer acquisition. However, **MFI growth will remain measured at 10-12%, with the heavy lifting on growth being done by the RF portfolio. The management has retained its FY27 AUM growth guidance of 20-25%, with the overall growth mix increasingly diversified towards retail finance.** Within the RF portfolio, expansion of the mortgage business across additional branches and deeper penetration of existing customers should support this transition. **We factor in 22% CAGR growth over FY26-29E, with challenges owing to drought in select geographies posing headwinds to growth.**
- **NIMs Expand in Q2; 50bps Rate Cut to Reflect over 4-6 Quarters:** CAGrameen's impressive NIM delivery continued, with **NIM of 15.1% vs 14.4%** in Q1 (+70bps QoQ), supported by higher portfolio yields, lower interest reversals, and a marginal decline in CoF. **Resultantly, the management has revised its margin guidance for FY27 upwards to 14.4-14.7% vs 12.8-13.2% earlier.** However, the company has begun passing on the benefit of its improved operating performance to customers through a 50bps lending-rate reduction effective from Oct'26, applicable across products except mortgages and 2-wheeler loans. **The reduction will flow through gradually over 4-6 quarters, limiting the immediate impact on reported yields. The management has indicated that yields have peaked in Q2 and will moderate gradually as the impact of the pricing cut flows through.**

The management had previously indicated the possibility of further pricing reductions (50bps in Q3 and another 50bps in Q4); however, subsequent decisions will depend on the trajectory of CoF and credit costs. In the event of a significant increase in credit costs, CAGrameen retains the flexibility to defer additional rate cuts while protecting its RoA. **The management believes its current risk-adjusted margins provide sufficient headroom to absorb credit costs of upto 4.5-5%.**

- **Diversified Borrowing Mix and Longer Tenor Borrowing Support CoF Stability:** In Q2, CAGrameen's CoF declined 10bps QoQ, while Marginal CoB inched up meaningfully by ~30bps QoQ. The management, however, remains confident of containing CoF within 9.2-9.3% in FY27. The company's diversified borrowing profile enables it to exercise better control over CoF. The company has diversified its liabilities through a \$175 Mn ECB transaction in Oct'26, which will replace \$200 Mn NCDs maturing in the same month and carries a lower CoF vs the maturing NCD, providing some cushion to CoF. At present, CAGrameen's ~30% liabilities are fixed, 45% are MCLR-linked, and the balance is repo-linked with varying maturities, thus limiting the pass-through from repo rate hike.
- **Insurance Commission Regulations are a Potential 25-30 bps RoA Headwind:** Potential changes to insurance commission regulations represent a 25-30bps risk to CAGrameen's RoA. CAGrameen believes it is relatively well positioned to absorb the impact through product pricing, supported by its current margin profile and the ability to review lending rates periodically.
- **Promoter Selling – Strategic Investor Discussions at Holding-Company Level Continue:** The management clarified that the promoters are in active discussions with a potential strategic investor at the holding-company level and not at CAGrameen. The company expects some progress over the next couple of quarters.

Outlook

Given strong performance on NIMs, we revise our NII estimates higher by 4-6% over FY27-29E. Controlled Opex growth and strong NIMs, though with moderation over the medium term, have resulted in earnings growth improving, leading to an upward revision of 4-8% in FY27-29E. We expect superior RoA/RoE delivery of 4.7-5.3%/19-22% to continue over the medium term, with CAGrameen delivering a strong AUM/NII/Earnings growth of 22/22/49% CAGR over FY26-29E. The impact of drought and its potential dent on credit costs and profitability remains a key monitorable

Valuation & Recommendation

We value CAGrameen at 1.7x Sep'28E BV vs. its current valuation of 1.4x Sep'28E BV, to arrive at a revised target price of Rs 1,405/share, implying an upside of 29% from the CMP. **We maintain our BUY recommendation on the stock.**

Key Risks to Our Estimates and TP

- The key risk to our estimates remains a slowdown in overall disbursement and AUM growth, which could potentially derail our earnings estimates.
- Slowdown in growth momentum in newer geographies or inability to scale up business in new geographies.
- Continued Asset Quality concerns could impact credit costs and thereby weigh on earnings growth.

Change in Estimates

	Revised			Old			% Change		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
NII	5,036	5,898	7,048	4,783	5,662	6,791	5.3	4.2	3.8
PBP	3,767	4,322	5,091	3,491	4,125	4,960	7.9	4.8	2.6
Provisions	1,181	1,381	1,682	1,106	1,363	1,686	6.8	1.3	-0.2
PAT	1,932	2,197	2,547	1,784	2,066	2,450	8.3	6.3	4.0

Source: Axis Securities Research

Results Review (Consolidated)

Rs Cr	Q2FY27	Q2FY26	% YoY	Q1FY27	% QoQ	H1FY27	H1FY26	% YoY
Net Interest Income	1,246	935	33.4	1,164	7.1	2,410	1,841	31.0
Non-Interest Income	104	95	9.8	70	48.2	174	170	2.4
Operating expenses	382	335	14.0	362	5.5	743	663	12.1
Staff Cost	254	219	16.0	242	5.1	497	441	12.7
Pre-provision profits	969	695	39.5	873	11.0	1,841	1,348	36.6
Provisions and contingencies	299	526	-43.1	213	40.8	512	1,098	-53.4
PBT	670	169	295.9	660	1.5	1,330	250	431.3
Provision for Tax	169	43	290.7	167	1.6	336	64	422.7
PAT	500	126	297.8	493	1.4	994	186	434.3
Business Update								
Disbursements	6,355	5,322	19.4	6,107	4.1	12,462	10,780	15.6
AUM	30,946	25,904	19.5	30,319	2.1	30,946	25,904	19.5
MFI	23,746	23,035	3.1	24,061	-1.3	23,746	23,035	3.1
Retail Finance	7,200	2,869	151.0	6,258	15.1	7,200	2,869	151.0
Cost-Income ratio (%)	28.3	32.5	-425bps	29.3	-106bps	28.8	33.0	421bps
Yields (%)	22.3	20.7	160bps	21.8	50bps	18.9	18.3	-60bps
Cost of Funds (%)	9.1	9.6	-50bps	9.2	-10bps	9.4	9.3	-10bps
NIMs (%)	15.1	13.3	180bps	14.4	70bps	11.6	10.9	-70bps
Asset Quality								
Gross NPA (%)	1.8	3.7	-186bps	2.2	-39bps	1.8	3.7	-186bps
Net NPA (%)	0.6	1.3	-67bps	0.8	-17bps	0.6	1.3	-67bps
PCR (%)	67.0	65.5	156bps	65.1	190bps	67.0	65.5	156bps
Capital Adequacy								
CRAR	26.9	26.1	80bps	24.9	200bps	26.9	26.1	80bps
Tier I	26.2	25.2	100bps	24.2	200bps	26.2	25.2	100bps
Tier II	0.7	0.9	-20bps	0.7	0bps	0.7	0.9	-20bps

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY26	FY27E	FY28E	FY29E
Net Interest Income	3,864	5,036	5,898	7,048
Non-Interest Income	300	330	373	421
Total Income	4,163	5,366	6,271	7,469
Operating Expenses	1,355	1,598	1,949	2,378
Pre-Provision Profits	2,809	3,767	4,322	5,091
Provisions	1,775	1,181	1,381	1,682
PBT	1,033	2,586	2,941	3,410
Tax	256	654	744	863
Profit After Tax	778	1,932	2,197	2,547

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS				
Equity Share Capital	160	160	160	160
Reserves & Surplus	7,682	9,614	11,811	14,358
Net Worth	7,842	9,774	11,971	14,518
Borrowings	23,641	30,947	36,559	44,698
Other Liabilities	447	578	689	840
Total Liabilities	31,930	41,298	49,218	60,056
APPLICATION OF FUNDS				
Cash & Bank balances	1,327	1,840	2,193	2,676
Investments	1,075	2,465	2,445	2,983
Goodwill	376	376	376	376
Loans	27,923	34,214	41,402	50,674
Fixed Assets & Others	1,229	2,404	2,802	3,347
Total Assets	31,930	41,298	49,218	60,056

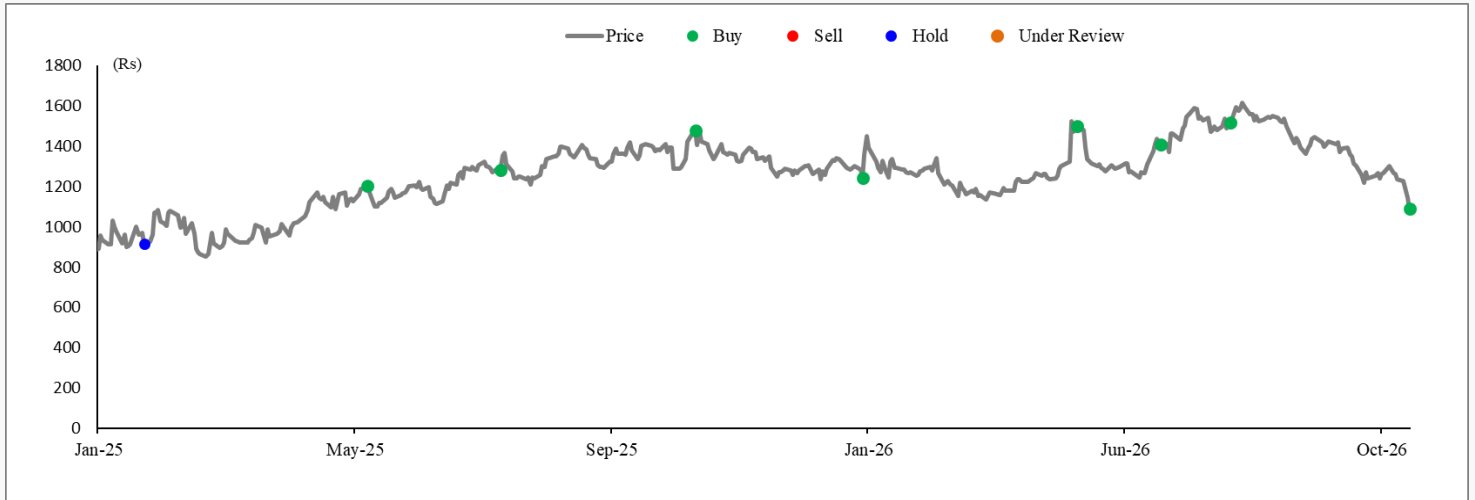
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY26	FY27E	FY28E	FY29E
Asset Quality				
GNPA Ratio (%)	3.2	1.8	1.8	1.8
NNPA Ratio (%)	1.1	0.6	0.7	0.7
PCR (%)	65.9	65.0	65.0	65.0
Credit Costs (%)	6.8	3.8	3.7	3.7
Profitability & Efficiency Ratios				
Net Interest Margin (%) – (on. Avg on-book AUMs)	13.4	14.4	13.8	13.6
RoA	2.6	5.3	4.9	4.7
RoE	10.4	22.0	20.2	19.3
Cost to Assets	4.5	4.4	4.3	4.4
Cost to Income	32.5	29.8	31.1	31.8
CRAR (%)	24.4	24.3	24.5	23.8
Tier I (%)	23.6	23.6	23.9	23.3
Balance Sheet Structure Ratios (%)				
GLP Growth (%)	14.0	22.1	21.0	22.4
Borrowing Growth (%)	15.6	30.9	18.1	22.3
Equity/Assets (%)	24.6	23.7	24.3	24.2
Equity/Loans (%)	28.1	28.6	28.9	28.6
Valuation				
EPS (INR)	48.5	120.6	137.1	159.0
Change (%)	45.9	148.4	13.7	15.9
BV per share	489.5	610.1	747.2	906.2
Adj. BV per share	469.8	596.4	730.3	885.4
Price-Earnings (x)	22.4	9.0	7.9	6.8
Price-BV (x)	2.2	1.8	1.5	1.2
Price-ABV (x)	2.3	1.8	1.5	1.2
DuPont Analysis – RoE Tree (%)				
NII	12.9	13.8	13.0	12.9
Non-Interest Income	1.0	0.9	0.8	0.8
Opex	4.5	4.4	4.3	4.4
Provisions	5.9	3.2	3.1	3.1
Tax	0.9	1.8	1.6	1.6
RoA	2.6	5.3	4.9	4.7
Leverage	4.0	4.2	4.2	4.1
RoE	10.4	22.0	20.2	19.3

Source: Company, Axis Securities Research

CreditAccess Grameen Price Chart and Recommendation History



Date	Reco	TP	Research
27-Jan-25	HOLD	975	Result Update
19-May-25	BUY	1,350	Result Update
23-Jul-25	BUY	1,485	Result Update
29-Oct-25	BUY	1,685	Result Update
21-Jan-26	BUY	1,585	Result Update
11-May-26	BUY	1,850	Result Update
23-Jun-26	BUY	1,840	AAA
27-Jul-26	BUY	1,900	Result Update
23-Oct-26	BUY	1,405	Result Update

Source: Axis Securities Research

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Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

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