

May 08, 2024

RESULT REPORT Q4 FY24 | Sector: Financials

CreditAccess Grameen Limited

Sustaining Growth & RoE

A steady and strong performance

CRETAG delivered a 3%/2% NII/PPOP beat on stronger than expected disbursements (4% above estimate) and AUM growth (up 14% qoq/27% yoy). The PPOP beat was after adjusting for the Rs260mn provisions made towards long-term incentives and one-time special bonus for employees celebrating 25th year of operations. Portfolio spread was stable at 11.2% despite reduction in lending rates by 50 bps from Dec. The funding cost stabilized with marginal cost coming down. While write-off was modest at Rs0.6bn (1% of AUM) in the quarter, there was further increase in credit cost (2.4% v/s 2.2% in Q3 and 1.7% in Q2) driven by marginal increase in PAR 30 and stronger AUM growth. The 50-bps increase in PAR 30 over the past two quarters was mainly driven by newer markets and floods in TN. Notwithstanding the increase in credit cost and the one-time employee bonus/incentive provisions, the co. delivered 5.7% RoA and 25% RoE in Q4 FY24.

Prudent growth; increase in PAR/credit cost on account of diversification

AUM growth continues to be anchored on 1) strong customer addition (added 1.4mn in FY24 with the base growing 15% yoy), 2) high customer retention (~88% migrate to subsequent cycles and 32% of AUM represents 3-yr loan to most vintage borrowers), 3) prudent ticket/tenor policies (8-9% yoy increase in GLP/Borrower), 4) regional portfolio diversification (share of Top 3 states down ~200 bps yoy and 44% of new borrower addition in FY24 was outside these states), 5) improving distribution productivity (GLP per Branch/LO up 10%+ yoy) and sturdy asset quality (collection efficiency ex-arrears at 98.5% in FY24).

Bulk of the branch addition has been happening outside the Top 3 states (KTK, MH and TN) to diversify AUM and improve long-term growth. The PAR creation in the newer markets while being normal is slightly higher than a vintage state like Karnataka. The co. has relatively higher ECL provisioning policy for the newer markets/districts, and the portfolio growth in these geographies has been much faster. However, the higher BAU credit cost in newer markets/districts is adequately priced in the lending rate (due to risk-based pricing) and hence the profitability is well insulated.

Healthy guidance for FY25

Management has guided for 23-24% GLP growth in FY25 which will be essentially led by customer addition and portfolio diversification. Credit cost has been guided at 2.2-2.4%, which is in-line with the trends witnessed in H2 FY24. RoA/RoE is expected to be steady at 5.4-5.5%/23-23.5%. Co. does not expect funding cost to further increase.

Retain BUY with unchanged 12m PT of Rs1950

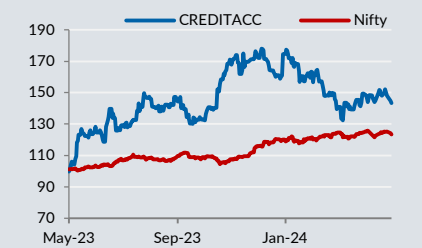
We continue to expect 23-25% AUM/Earnings growth over FY24-26 with avg. RoE delivery of 23.5% (no change in BS leverage). In the absence of any risk built-up on asset quality, we see room for material valuation re-rating. CREDITAG is delivering far superior RoE than the industry and relative to its own history, and the lowest lending rates make it more sustainable in a stable operating environment.

Reco	: BUY
CMP	: Rs 1,421
Target Price	: Rs 1,950
Potential Return	: +37.2%

Stock data (as on May 07, 2024)

Nifty	22,303
52 Week h/l (Rs)	1796 / 982
Market cap (Rs/USD mn)	228634 / 2739
Outstanding Shares (mn)	159
6m Avg t/o (Rs mn):	421
Div. yield (%):	-
Bloomberg code:	CRETAG IN
NSE code:	CREDITACC

Stock performance



	1M	3M	1Y
Absolute return	-4.1%	-12.1%	43.3%

Shareholding pattern (As of Mar-24)

Promoter	66.6%
FII+DII	27.4%
Others	6.0%

Δ in stance

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

Δ in earnings estimates

	FY24	FY25e	FY26e
EPS (New)	90.7	111.2	136.8
EPS (Old)	91.4	112.8	140.9
% Change	-0.7%	-1.5%	-2.9%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Op. income	34,402	43,019	52,908
PPOP	23,910	30,113	37,163
Net profit	14,459	17,715	21,801
Growth (%)	75.0	22.5	23.1
EPS (Rs)	90.7	111.2	136.8
ABVPS (Rs)	392.3	503.4	640.2
P/E (x)	15.7	12.8	10.4
P/ABV (x)	3.6	2.8	2.2
ROE (%)	24.8	23.8	23.1
ROA (%)	5.7	5.5	5.4

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Exhibit 1: Result table

(Rs mn)	Q4 FY24	Q3 FY24	% qoq	Q4 FY23	% yoy
Total Operating Income	14,575	12,922	12.8	10,654	36.8
Interest expended	(4,822)	(4,415)	9.2	(3,456)	39.5
Net Interest Income	9,753	8,507	14.7	7,198	35.5
Other Income	16	30	(46.9)	8	94.0
Total Income	9,770	8,537	14.4	7,206	35.6
Operating expenses	(2,942)	(2,520)	16.8	(2,177)	35.1
PPOP	6,828	6,018	13.5	5,029	35.8
Provisions	(1,533)	(1,262)	21.5	(1,053)	45.6
PBT	5,295	4,756	11.3	3,976	33.2
Tax	(1,324)	(1,222)	8.3	(1,010)	31.1
PAT	3,971	3,533	12.4	2,966	33.9
Minority Interest / OCI	(95)	111	(185.9)	107	(188.9)
Adjusted PAT	3,876	3,644	6.4	3,073	26.1

Source: Company, YES Sec

Exhibit 2: State-wise GLP mix

(%)	Q4 FY24	Q3 FY24	chg qoq	Q4 FY23	chg yoy
Karnataka	31.8	32.2	(0.4)	33.2	(1.4)
Maharashtra	20.6	20.7	(0.1)	20.9	(0.3)
Tamil Nadu	20.1	20.4	(0.3)	20.2	(0.1)
Madhya Pradesh	6.3	6.2	0.1	6.7	(0.4)
Others	21.2	20.5	0.7	19.0	2.2

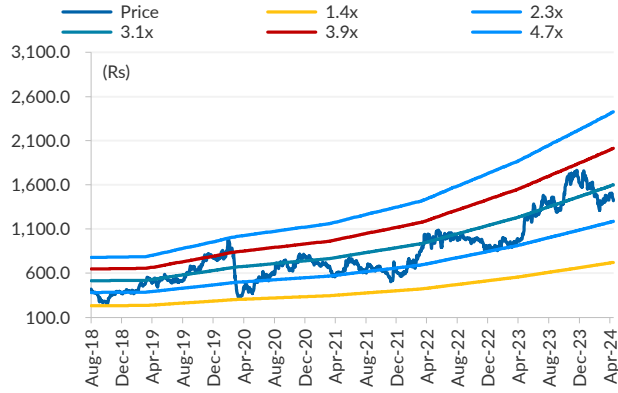
Source: Company, YES Sec

Exhibit 3: Consolidated highlights

Rs mn	Q4 FY24	Q3 FY24	% qoq	Q4 FY23	% yoy
GLP (Rs mn)	2,67,140	2,33,820	14.3	2,10,310	27.0
Total equity (Rs mn)	65,700	61,690	6.5	51,070	28.6
Active borrowers (lacs)	49.2	46.9	4.8	42.6	15.3
Branches	1,967	1,894	3.9	1,786	10.1
Employees	19,395	19,041	1.9	16,759	15.7
RoA (%)	5.7	5.5	0.2	5.5	0.2
RoE (%)	24.9	23.6	1.3	24.0	0.9
GNPA (%)	1.2	1.0	0.2	1.2	(0.0)
Provisioning (%)	2.0	1.8	0.1	1.8	0.2
D/E (x)	3.3	3.1	0.2	3.2	0.1

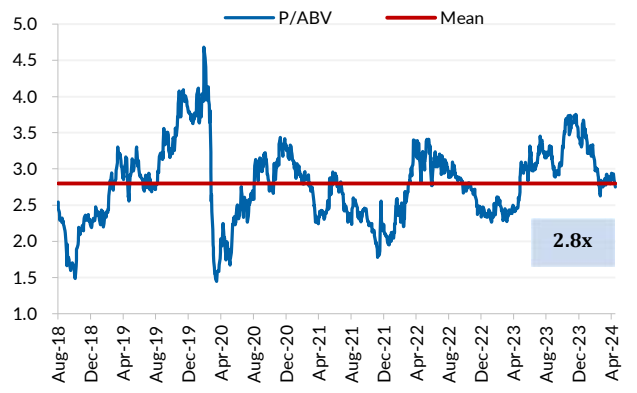
Source: Company, YES Sec

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	FY24	FY25E	FY26E
Equity and Liabilities					
Equity Share Capital	1,559	1,589	1,594	1,594	1,594
Other Equity	40,110	49,481	64,106	81,821	1,03,622
Share-holders fund	41,669	51,070	65,700	83,415	1,05,216
Non-controlling Interest	-	-	-	-	-
Financial Liabilities	1,32,688	1,66,948	2,22,039	2,76,195	3,42,216
Trade payables	2,590	3,037	2,564	2,948	3,390
Debt Securities	14,181	16,724	20,421	25,424	31,526
Borrowings (Excl. Debt Sec.)	1,14,249	1,45,620	1,97,737	2,46,182	3,05,266
Subordinated Liabilities	777	779	252	314	390
Other Financial Liabilities	874	789	1,065	1,326	1,644
Non-Financial Liabilities	462	563	723	842	990
Provisions	313	366	475	593	742
Deferred tax liabilities (net)	135	191	249	249	249
Total Liabilities & Equity	1,74,820	2,18,581	2,88,462	3,60,452	4,48,422
Assets					
Financial Assets	1,66,457	2,11,155	2,80,157	3,51,392	4,38,410
Cash and Cash Equivalents	15,806	13,414	11,073	14,427	19,792
Bank balances	1,808	950	2,066	2,479	2,975
Receivables	-	-	-	-	-
Loans	1,47,653	1,90,433	2,51,050	3,14,617	3,90,897
Investments	5	4,545	14,389	17,986	22,483
Other Financial Assets	1,185	1,496	1,214	1,517	1,897
Non- Financial Assets	8,362	7,426	8,304	9,060	10,012
Current tax assets (Net)	385	396	556	723	940
Deferred tax assets (Net)	1,554	809	1,369	1,780	2,314
Property, Plant and Equipment	318	321	321	385	462
Intangible assets	31	39	45	45	45
Goodwill	5,223	5,022	4,877	4,877	4,877
Other Non-Financial Assets	852	839	1,135	1,249	1,374
Total Assets	1,74,820	2,18,581	2,88,462	3,60,452	4,48,422

Source: Company, YES Sec

Exhibit 7: Income statement

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
Operating Income	27,428	35,451	51,667	65,221	78,970
Interest expense	(9,841)	(12,129)	(17,324)	(22,265)	(26,128)
Net interest income	17,587	23,322	34,342	42,956	52,842
Non-interest income	73	57	60	63	66
Total op income	17,660	23,379	34,402	43,019	52,908
Total op expenses	(6,885)	(8,315)	(10,493)	(12,906)	(15,745)
PPoP	10,775	15,064	23,910	30,113	37,163
Provisions	(5,967)	(4,010)	(4,518)	(6,354)	(7,925)
Profit before tax	4,808	11,054	19,392	23,759	29,238
Taxes	(1,277)	(2,794)	(4,933)	(6,043)	(7,437)
Net profit	3,531	8,261	14,459	17,715	21,801

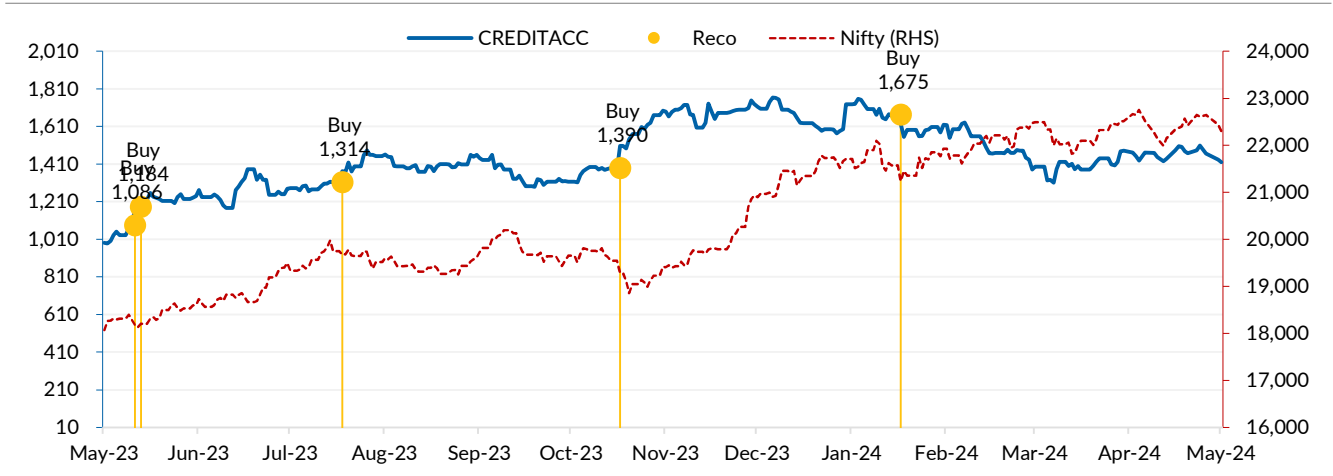
Source: Company, YES Sec

Exhibit 8: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)					
Net interest income	14.8	32.6	47.3	25.1	23.0
Total op income	14.9	32.4	47.1	25.0	23.0
Op profit (pre-provision)	13.2	39.8	58.7	25.9	23.4
Net profit	168.7	134.0	75.0	22.5	23.1
Loans	26.0	29.0	31.8	25.3	24.2
Borrowings + Debt	18.1	26.2	33.9	24.5	24.0
Total assets	16.1	25.0	32.0	25.0	24.4
Profitability Ratios (%)					
NIM	11.7	12.4	14.4	14.3	14.1
Non-interest income /Total income	0.4	0.2	0.2	0.1	0.1
Return on Avg. Equity	9.0	17.8	24.8	23.8	23.1
Return on Avg. Assets	2.2	4.2	5.7	5.5	5.4
Per share ratios (Rs)					
EPS	22.7	52.0	90.7	111.2	136.8
Adj. BVPS	247.0	301.4	392.3	503.4	640.2
Other key ratios (%)					
Loans/Borrowings	114.3	116.7	114.9	115.7	115.9
Cost/Income	39.0	35.6	30.5	30.0	29.8
Credit cost	4.5	2.4	2.0	2.2	2.2
Tax rate	26.6	25.3	25.4	25.4	25.4

Source: Company, YES Sec

Recommendation Tracker



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