

Oct 21, 2023

RESULT REPORT Q2 FY24 | Sector: Financials

CreditAccess Grameen Limited

Higher resetting of RoA/RoE

Strong performance was on expected lines; RoE guidance upgraded to a higher normal

CRETAG's AUM and NII growth were ahead of expectations while PAT came in-line on account of marginally higher opex and credit cost. For third quarter in a row, the co. delivered RoA/RoE of 5.5%/24%+. Key reasons behind CREDITACC's stronger-than-peer profitability despite lower lending rates are 1) better customer retention/engagement (naturally leading to higher avg o/s per borrower), 2) deft opex/productivity management and 3) firm asset quality control (reflected in Collection Rate and PAR buckets). While maintaining AUM growth guidance of 24-25% for the year, the management has materially upgraded RoA/RoE guidance to 5.4-5.6%/24-25% respectively (earlier 4.7-4.9%/20-21%). The increase in profitability guidance was underpinned by strong performance and outlook on NIM and Cost/Income ratio.

Steady growth momentum; building diversification with constructive changes in portfolio profile

Portfolio/disbursements growth of 36%/14% remains guided by strong customer addition, prudent ticket/tenor policies, regional portfolio diversification, improving distribution productivity and strengthening asset quality. CREDITACC added 3.36 lac customers (15.2 lac in past 12m) with 40% of them being outside the Top 3 states. With the acceleration in new customer addition, the vintage profile of borrower base has shifted towards <3 years vintage customers, which has also resulted 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 0.5mn customers in the past 12m on the opening base of 3.8mn. Contribution of 3-year loans remain at 29% of the book, which are offered to high-vintage customers seeking >Rs75000 loan. This has been aiding portfolio growth.

Improvement in NIM and normalized asset quality

NIM improved by 10 bps qoq/110 bps yoy on the back of 40 bps increase in portfolio yield which subsumed the 20-bps increase in CoF. While CoF could further moderately increase due to bank loan repricing, the lending spread can still improve further on account of incremental portfolio repricing towards the higher disbursement yield. There was a slight uptick in opex/avg AUM ratio as there was significant increase in employee base and there has been consistent addition of branches. With collection efficiency sustaining at 98.7% excluding arrears, delinquency creation, delinquency flow, and write-offs remain moderate. This has led to regularization of credit cost at annualized 1.6% in H1 FY24. ECL coverage is healthy on Stage 2/3 assets at 54%/69%. Recovery of bad debts has been consistent around Rs120mn per quarter.

Earnings upgraded by 7-9%; retain BUY with raised 12m PT of Rs1825

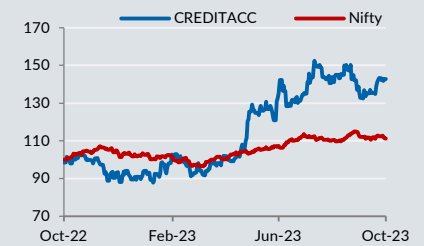
We upgrade earnings estimates by 7-9% for second consecutive quarter with profitability sustaining at higher levels. We estimate a CAGR of 25% in GLP, 39% in PPOP and 47% in earnings over FY23-25 barring any external shocks. Attributes like high customer retention/borrower vintage, lower field attrition, industry-best loan processes, policies and pricing, stronger quality control and audit mechanisms, etc. drive company's sturdier growth and profitability. The stock has traded at 3.5-4x 1-yr fwd. P/ABV before Covid with 16-18% RoE delivery. In the current cycle, CREDITACC's RoE will be far superior at 24-25% due to scale and pricing benefits. With such high RoE generation, the co. would not require equity raise for 25% pa GLP growth.

Reco	: BUY
CMP	: Rs 1,390
Target Price	: Rs 1,825
Potential Return	: 31.3%

Stock data (as on Oct 20, 2023)

Nifty	19,543
52 Week h/l (Rs)	1502 / 834
Market cap (Rs/USD mn)	220286 / 2649
Outstanding Shares (mn)	159
6m Avg t/o (Rs mn):	395
Div. yield (%):	-
Bloomberg code:	CRETAG IN
NSE code:	CREDITACC

Stock performance



	1M	3M	1Y
Absolute return	5.4%	5.8%	45.1%

Shareholding pattern

Promoter	66.8%
FII+DII	21.5%
Others	11.8%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,825	1,715

Δ in earnings estimates

	FY24e	FY25e	FY26e
EPS (New)	91.0	112.6	140.3
EPS (Old)	83.8	105.5	-
% Change	8.6%	6.8%	-

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Op. income	33,458	42,146	52,599
PPOP	22,981	29,050	36,229
Net profit	14,459	17,899	22,293
Growth (%)	75.0	23.8	24.5
EPS (Rs)	91.0	112.6	140.3
ABVPS (Rs)	392.4	505.0	645.3
P/E (x)	15.3	12.3	9.9
P/ABV (x)	3.5	2.8	2.2
ROE (%)	24.8	24.0	23.6
ROA (%)	5.8	5.8	5.8

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Exhibit 1: Result table

(Rs mn)	Q2 FY24	Q1 FY24	% qoq	Q2 FY23	% yoy
Total Operating Income	12,469	11,700	6.6	8,122	53.5
Interest expended	(4,239)	(3,849)	10.1	(2,732)	55.1
Net Interest Income	8,231	7,851	4.8	5,390	52.7
Other Income	7	7	(5.8)	21	(68.9)
Total Income	8,237	7,858	4.8	5,411	52.2
Operating expenses	(2,611)	(2,420)	7.9	(2,067)	26.3
PPOP	5,626	5,438	3.5	3,344	68.3
Provisions	(959)	(764)	25.5	(1,054)	(9.0)
PBT	4,668	4,674	(0.1)	2,290	103.8
Tax	(1,197)	(1,189)	0.7	(529)	126.5
PAT	3,470	3,485	(0.4)	1,762	97.0

Source: Company, YES Sec

Exhibit 2: State-wise GLP mix

(%)	Q2 FY24	Q1 FY24	chg qoq	Q2 FY23	chg yoy
Karnataka	32.9	33.0	(0.1)	35.2	(2.3)
Maharashtra	20.6	20.6	-	21.1	(0.5)
Tamil Nadu	20.0	19.9	0.1	20.9	(0.9)
Madhya Pradesh	6.3	6.5	(0.2)	6.7	(0.4)
Others	20.2	20.0	0.2	16.1	4.1

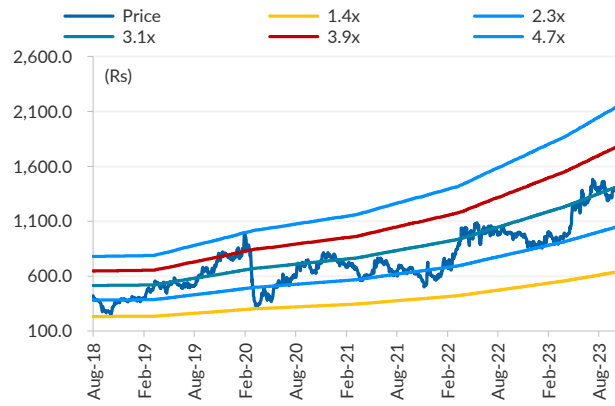
Source: Company, YES Sec

Exhibit 3: Consolidated highlights

Rs mn	Q2 FY24	Q1 FY24	% qoq	Q2 FY23	% yoy
GLP (Rs mn)	224,880	218,140	3.1	165,390	36.0
Total equity (Rs mn)	57,980	54,490	6.4	45,820	26.5
Active borrowers (lacs)	46.0	44.2	4.1	38.0	21.1
Branches	1,877	1,826	2.8	1,684	11.5
Employees	19,241	17,391	10.6	16,018	20.1
RoA (%)	5.6	5.8	(0.2)	3.9	1.7
RoE (%)	24.7	26.4	(1.7)	15.7	9.0
GNPA (%)	0.8	0.9	(0.1)	2.2	(1.4)
Provisioning (%)	1.6	1.6	0.0	2.5	(0.9)
D/E (x)	3.0	3.1	(0.1)	2.7	0.3

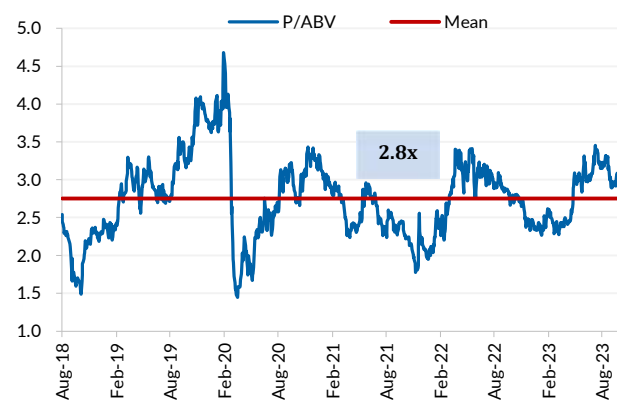
Source: Company, YES Sec

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
Equity and Liabilities					
Equity Share Capital	1,559	1,589	1,589	1,589	1,589
Other Equity	40,110	49,481	63,940	81,839	104,132
Share-holders fund	41,669	51,070	65,529	83,428	105,721
Non-controlling Interest	0	0	0	0	0
Financial Liabilities	132,688	166,948	210,840	261,128	323,437
Trade payables	2,590	3,037	3,493	4,016	4,619
Debt Securities	14,181	16,724	21,155	26,232	32,528
Borrowings (Excl. Debt Sec.)	114,249	145,620	184,209	228,420	283,240
Subordinated Liabilities	777	779	986	1,222	1,515
Other Financial Liabilities	874	789	998	1,237	1,534
Non-Financial Liabilities	462	563	655	770	914
Provisions	313	366	458	572	715
Deferred tax liabilities (net)	135	191	191	191	191
Total Liabilities & Equity	174,820	218,581	277,025	345,326	430,072
Assets					
Financial Assets	166,457	211,155	269,089	336,752	420,693
Cash and Cash Equivalents	15,806	13,414	20,819	25,357	30,166
Bank balances	1,808	950	1,140	1,368	1,642
Receivables	0	0	0	0	0
Loans	147,653	190,433	239,036	299,987	376,415
Investments	5	4,545	5,909	7,386	9,232
Other Financial Assets	1,185	1,496	1,870	2,337	2,922
Non- Financial Assets	8,362	7,426	7,935	8,574	9,379
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
Total Assets	174,820	218,581	277,025	345,326	430,072

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	49,860	62,671	78,056
Interest expense	(9,841)	(12,129)	(16,430)	(20,555)	(25,488)
Net interest income	17,587	23,322	33,429	42,116	52,568
Non-interest income	73	57	28	30	31
Total op income	17,660	23,379	33,458	42,146	52,599
Total op expenses	(6,885)	(8,315)	(10,477)	(13,096)	(16,370)
PPoP	10,775	15,064	22,981	29,050	36,229
Provisions	(5,967)	(4,010)	(3,650)	(5,121)	(6,426)
Profit before tax	4,808	11,054	19,331	23,929	29,803
Taxes	(1,277)	(2,794)	(4,871)	(6,030)	(7,510)
Net profit	3,531	8,261	14,459	17,899	22,293

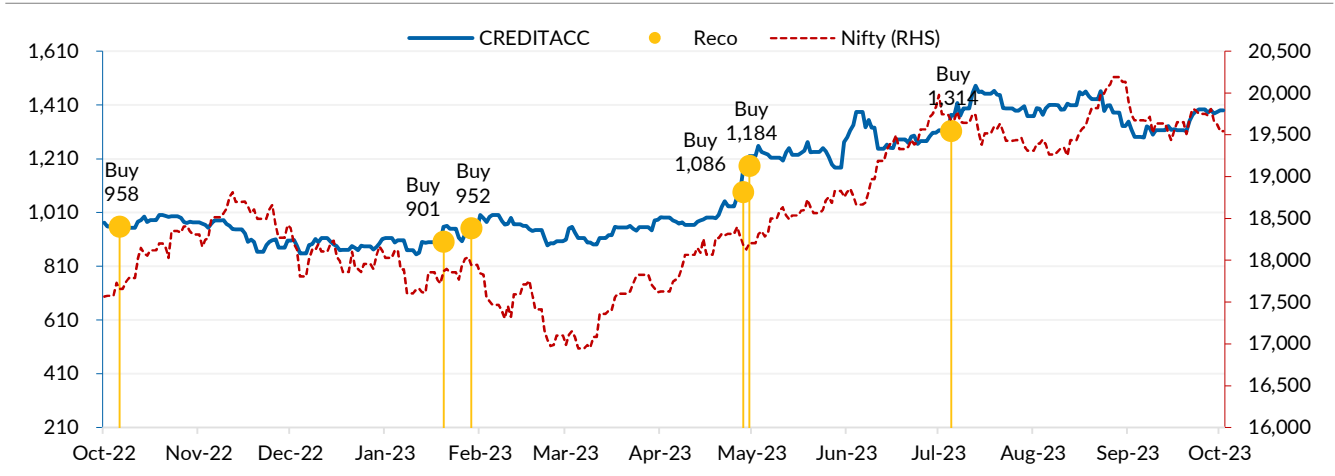
Source: Company, YES Sec

Exhibit 8: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Net interest income	14.8	32.6	43.3	26.0	24.8
Total op income	14.9	32.4	43.1	26.0	24.8
Op profit (pre-provision)	13.2	39.8	52.6	26.4	24.7
Net profit	168.7	134.0	75.0	23.8	24.5
Loans	26.0	29.0	25.5	25.5	25.5
Borrowings + Debt	18.1	26.2	26.5	24.0	24.0
Total assets	16.1	25.0	26.7	24.7	24.5
Profitability Ratios (%)					
NIM	11.7	12.4	14.1	14.2	14.2
Non-interest income /Total income	0.4	0.2	0.1	0.1	0.1
Return on Avg. Equity	9.0	17.8	24.8	24.0	23.6
Return on Avg. Assets	2.2	4.2	5.8	5.8	5.8
Per share ratios (Rs)					
EPS	22.7	52.0	91.0	112.6	140.3
Adj. BVPS	247.0	301.4	392.4	505.0	645.3
Other key ratios (%)					
Loans/Borrowings	114.3	116.7	115.8	117.2	118.6
Cost/Income	39.0	35.6	31.3	31.1	31.1
Credit cost	4.5	2.4	1.7	1.9	1.9
Tax rate	25.2	25.2	25.2	25.2	25.2

Source: Company, YES Sec

Recommendation Tracker



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