



# CreditAccess Grameen Ltd (CRDE.NS)

**Company Research**  
22 October 2023 18:09 HK

## India | Banks

**BUY**

### Ticks all boxes | Guidance upgraded

**CRETAG continues to post strong numbers – a beat of ~10% to our PAT estimate; RoA/RoE of 5.6%/25%; AUM growth of 3% QoQ, 36% YoY; NIM expansion (10bps QoQ) and asset quality improvement (GNPA declined 10bps QoQ). Its business has further strengthened with continued geographic expansion (entered AP and TL) and liabilities diversification. It will be scaling new initiatives around secured MSME, 2W, gold and affordable housing which will further de-risk the business and provide scalability. H1 results show its cross-cycle RoA/RoE have improved structurally on better margin, leading to it upgrading its FY24E RoE guidance to 24%-25%. We upgrade PAT estimates by 3-5% and TP to Rs1600. BUY.**

- **Strong AUM & client growth:** AUM grew 36% YoY, aided by growing client base (up 21% YoY). QoQ AUM growth (+3%) was moderate due to seasonality. Client base grew 4% QoQ. Client acquisition remains strong 0.34mn for Q2.
- **Geographic diversification continuing:** The share of KN, MH and TN have decreased from 77.2% in Q2FY23 to 73.5% in Q2FY24. ~40% of new customer addition is outside of top 3 states. It entered TL and AP in contiguous districts.
- **NIM improvement behind:** NIMs expanded 10bps QoQ to 13.1%. Management guided for CoF peaking out at current level of 9.8%. However, it expects NIM to contract to 12.7-12.8% in the coming quarters due to higher leverage. We believe NIMs to remain at ~13% vs ~12% in spread cap era.
- **AQ remained best in class with GNPA declining 10bps QoQ to 0.8% and NNPA being at 0.2%. PAR0 increased 10bps QoQ to 1.3% however PAR30/60/90 declined 10bps QoQ. These numbers are the best in the industry in our view. It has strong controls in form of strong audit and risk teams.**
- **Liabilities diversification continues:** It has been diversifying liabilities by increasing share of a) foreign sources of funding and b) retail NCDs. This, we believe, is one of the key differentiations with other MFIs and key to scalability.
- **Upgrade estimates & TP:** We upgrade PAT ests by 3%-5% and TP to Rs 1600. It trades at 2.7x FY25E P/B. We see incremental returns to be linked to BVPS compounding which we expect at ~27% CAGR (FY23-FY26E). BUY

Price: INR1389.55  
Target: INR1600.00 (prev: INR1550.00)

Forecast Total Return: 15.1%

Market Cap: INR221bn  
Average daily volume: 283k

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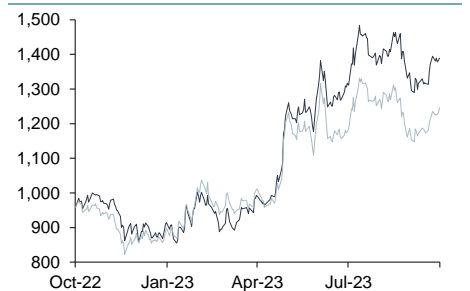
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### Financials and valuation

	Year end: 31 March				
	2022A	2023A	2024E	2025E	2026E
Net interest income	15,832	22,365	32,486	40,734	51,000
Total income	17,660	23,379	33,985	42,485	53,043
Pre provision profit	10,775	15,064	22,972	28,524	36,039
PBT (normalised) (INRm)	4,808	11,054	19,065	23,866	29,784
Profit after tax (INRm)	3,531	8,261	14,298	17,899	22,338
EPS (norm. cont.) - FD (INR)	22.3	52.0	90.0	112.6	140.6
BVPS (INR)	267.3	321.4	411.4	524.0	664.6
DPS (INR)	0.0	0.0	0.0	0.0	0.0
P/BVPS	5.2	4.3	3.4	2.7	2.1
ROA (%)	2.2	4.3	6.0	6.0	6.0
ROE (%)	9.7	19.4	26.3	25.4	24.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Investec Equities estimates

### Price Performance



Price

Source: FactSet

Figure 1: Highlights for the quarter

Particulars	Comments
Profit	CREDAG reported PAT of Rs 3.5bn (up 97% YoY, up 0% QoQ), a beat of 11% on our estimates PPOP increased 68% YoY (up 4% QoQ), a beat of 11% on our estimates
Growth	Disbursements grew 14% YoY (up 4% QoQ) to Rs 49.7bn AUM was up 36% YoY, up 3% QoQ to Rs 224.9bn
Margins	NII increased 50% YoY (up 1% QoQ), a beat of 2% on our estimates Yield was up 40bps QoQ to 21.1%, CoF increased by 20bps QoQ to 9.8% Spread improved by 20bps QoQ to 11.3%
Operating expenses	Opex rose 26%YoY up 7 %QoQ Opex/Avg AUM declined 43bps YoY, (up 16bps QoQ) to 4.7%
Asset quality	GNPA declined 12bps QoQ to 0.8%, NNPA declined 3bps QoQ to 0.2% Credit Cost increased 30 bps QoQ to 1.7% PAR0 increased 10bos QoQ to 1.3% and PAR 30declined 10bps QoQ to 0.9%
Return Ratios & Capital Adequacy	RoA and RoE stood at 5.6% and 24.7% CRAR stood at 25%
Valuations	CREDAG trades at 2.8x FY25E P/B and 12x FY25E P/E

Source: Investec Securities estimates

Figure 2: Quarterly results summary

P&L (Consol, Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ
<b>Interest Income</b>	<b>7,890</b>	<b>8,816</b>	<b>10,364</b>	<b>11,490</b>	<b>11,961</b>	<b>52%</b>	<b>4%</b>
Interest Expense	2,732	3,142	3,456	3,849	4,239	55%	10%
<b>Net Interest Income</b>	<b>5,158</b>	<b>5,674</b>	<b>6,908</b>	<b>7,641</b>	<b>7,722</b>	<b>50%</b>	<b>1%</b>
Total Income	5,411	5,955	7,206	7,858	8,237	52%	5%
Employee Cost	1,297	1,271	1,345	1,563	1,618	25%	3%
Other Operating expenses	642	763	707	758	871	36%	15%
Depreciation	128	126	125	121	123	-4%	2%
<b>Total Expenses</b>	<b>2,067</b>	<b>2,160</b>	<b>2,177</b>	<b>2,442</b>	<b>2,611</b>	<b>26%</b>	<b>7%</b>
<b>Operating Profit</b>	<b>3,344</b>	<b>3,795</b>	<b>5,029</b>	<b>5,416</b>	<b>5,626</b>	<b>68%</b>	<b>4%</b>
Provisions	1,054	894	1,053	764	959	-9%	25%
<b>PBT</b>	<b>2,290</b>	<b>2,900</b>	<b>3,975</b>	<b>4,652</b>	<b>4,668</b>	<b>104%</b>	<b>0%</b>
Tax	529	743	1,010	1,189	1,197	126%	1%
<b>PAT</b>	<b>1,761</b>	<b>2,158</b>	<b>2,966</b>	<b>3,463</b>	<b>3,470</b>	<b>97%</b>	<b>0%</b>

Key Assets (Consol, Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ
<b>Gross Loan Portfolio</b>	<b>165,390</b>	<b>177,860</b>	<b>210,310</b>	<b>218,140</b>	<b>224,880</b>	<b>36%</b>	<b>3%</b>
Disbursement	43,750	48,470	71,710	47,710	49,660	14%	4%

Key Ratios (Consol)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ
Yield on Loans (%)	19.0%	19.6%	19.7%	20.7%	21.1%	210	40
Cost of Funds (%)	9.2%	9.6%	9.5%	9.6%	9.8%	60	20
Spread	9.8%	10.0%	10.2%	11.1%	11.3%	150	20
NIM (%)	12.0%	11.9%	12.2%	13.0%	13.1%	110	10
Opex/AUM	5.1%	5.0%	4.5%	4.6%	4.7%	(43)	16
Credit Cost	2.6%	2.1%	2.2%	1.4%	1.7%	(89)	30
RoA	4.0%	4.5%	5.5%	5.8%	5.6%	160	(20)
<b>RoE</b>	<b>16.1%</b>	<b>18.4%</b>	<b>24.0%</b>	<b>26.4%</b>	<b>24.7%</b>	<b>860</b>	<b>(170)</b>
<b>Gross NPL (%)</b>	<b>2.2%</b>	<b>1.7%</b>	<b>1.2%</b>	<b>0.9%</b>	<b>0.8%</b>	<b>(140)</b>	<b>(12)</b>
Provisioning	2.5%	2.0%	1.8%	0.6%	0.5%	(193)	(9)
Net NPL (%)	0.8%	0.6%	0.4%	0.3%	0.2%	(52)	(3)
CAR (%)	25.0%	24.9%	23.6%	24.4%	25.0%	-	60
Tier-1 (%)	24.3%	24.0%	22.7%	23.5%	24.1%	(20)	60

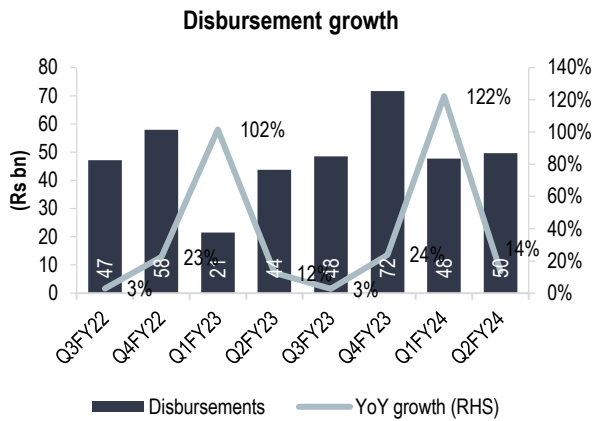
  

Key Datapoints (Consol)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ
Employees	16,018	16,807	16,759	17,391	19,241	20%	11%
Branches	1,684	1,727	1,786	1,826	1,877	11%	3%
No. of active clients (mn)	3.8	3.9	4.3	4.4	4.6	21%	4%
Outstanding/client (Rs)	43,547	45,154	49,322	49,319	48,855	12%	-1%

Source: Company, Investec Securities estimates  
Note: Data represent calculated ratios

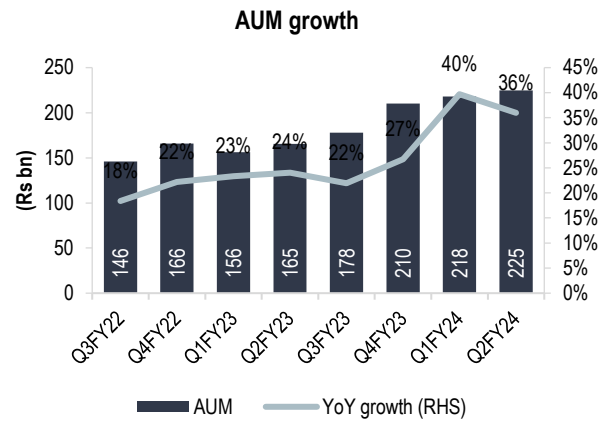
## Key Charts

Figure 3: Healthy disbursement on YoY basis



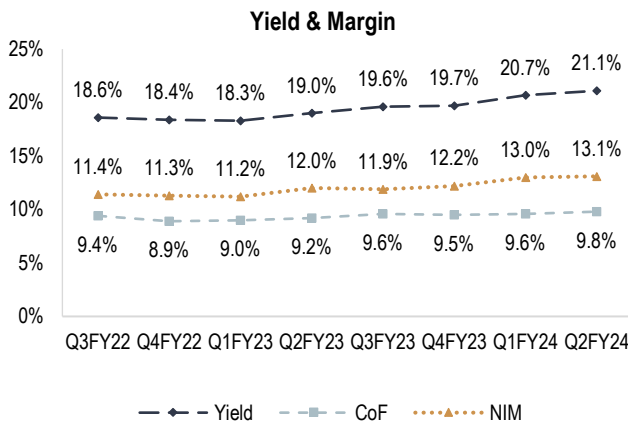
Source: Company, Investec Securities estimates

Figure 4: AUM growth remains strong



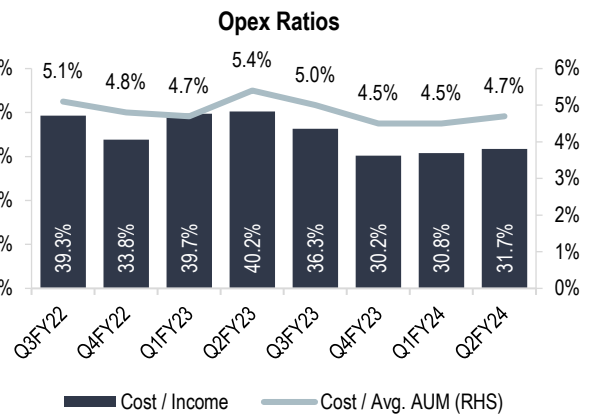
Source: Company, Investec Securities estimates

Figure 5: NIM improved in Q2FY24.



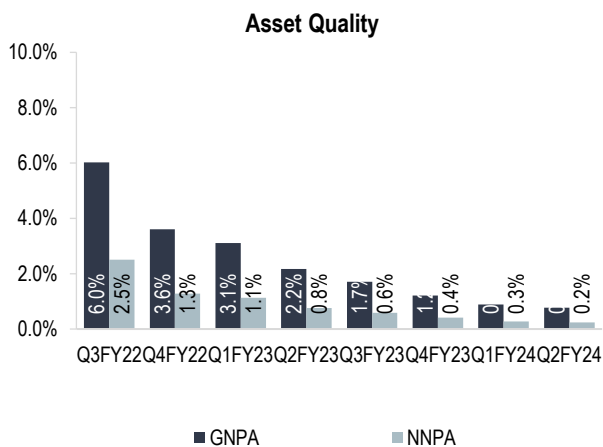
Source: Company, Investec Securities estimates

Figure 6: Opex/AUM increased due to seasonality



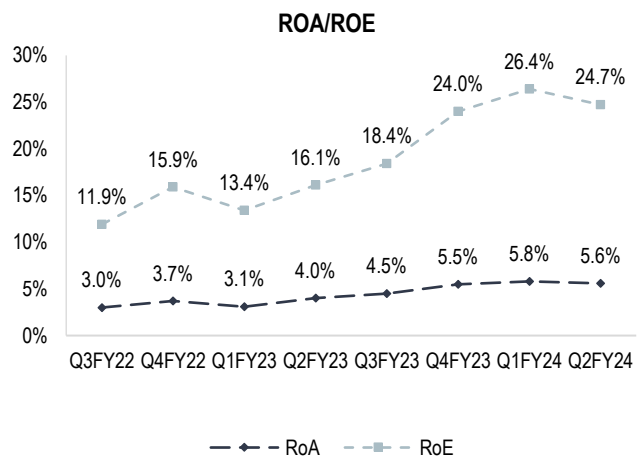
Source: Company, Investec Securities estimates

Figure 7: GNPA and NNPA improved further in Q2FY24.



Source: Company, Investec Securities estimates

Figure 8: RoE improved structurally



Source: Company, Investec Securities estimates

Figure 9: Du Pont - Expect RoE to remain in 24-25% in the medium term

Du Pont - AUM	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	20.8%	17.1%	18.8%	17.0%	18.3%	21.0%	21.1%	21.1%
Interest Costs	6.9%	6.1%	7.3%	6.5%	6.4%	7.3%	7.4%	7.4%
<b>Net Interest Income</b>	<b>14.0%</b>	<b>11.0%</b>	<b>11.5%</b>	<b>10.5%</b>	<b>11.9%</b>	<b>13.7%</b>	<b>13.7%</b>	<b>13.7%</b>
Fee Income and Others	0.3%	0.8%	0.5%	1.2%	0.5%	0.6%	0.6%	0.5%
<b>Total Income</b>	<b>14.3%</b>	<b>11.8%</b>	<b>12.0%</b>	<b>11.7%</b>	<b>12.4%</b>	<b>14.3%</b>	<b>14.2%</b>	<b>14.3%</b>
Employee Costs	3.1%	2.7%	3.0%	2.9%	2.7%	2.8%	2.9%	2.8%
Other Opex	1.8%	1.7%	1.6%	1.7%	1.7%	1.8%	1.8%	1.7%
Total Opex	4.8%	4.5%	4.6%	4.6%	4.4%	4.6%	4.7%	4.6%
<b>PPOP</b>	<b>9.4%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>7.1%</b>	<b>8.0%</b>	<b>9.7%</b>	<b>9.6%</b>	<b>9.7%</b>
Credit costs	1.2%	2.5%	6.0%	4.0%	2.1%	1.6%	1.6%	1.7%
<b>PBT</b>	<b>8.2%</b>	<b>4.8%</b>	<b>1.4%</b>	<b>3.2%</b>	<b>5.9%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>
Tax Rate	35%	27%	27%	27%	25%	25%	25%	25%
<b>PAT</b>	<b>5.3%</b>	<b>3.5%</b>	<b>1.0%</b>	<b>2.3%</b>	<b>4.4%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>
Leverage	3.2	4.0	4.3	4.1	4.4	4.4	4.2	4.1
<b>RoE</b>	<b>16.9%</b>	<b>14.0%</b>	<b>4.4%</b>	<b>9.7%</b>	<b>19.4%</b>	<b>26.3%</b>	<b>25.4%</b>	<b>24.6%</b>

Source: Investec Securities estimates

Figure 10: Change in our PAT estimates

Rs mn	Old			New			% Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Loan Book (AUM )	269,122	337,738	417,018	264,889	331,685	412,171	-2%	-2%	-1%
Net Interest Income	32,289	40,809	50,957	32,486	40,734	51,000	1%	0%	0%
Total Income	32,787	41,369	51,585	33,985	42,485	53,043	4%	3%	3%
Operating expenses	10,868	13,715	16,461	11,013	13,961	17,004	1%	2%	3%
Operating Profit	21,919	27,654	35,124	22,972	28,524	36,039	5%	3%	3%
Provisions & write-offs	3,777	4,754	6,297	3,907	4,659	6,254	3%	-2%	-1%
<b>PAT</b>	<b>13,607</b>	<b>17,175</b>	<b>21,620</b>	<b>14,298</b>	<b>17,899</b>	<b>22,338</b>	<b>5%</b>	<b>4%</b>	<b>3%</b>
EPS	86	108	136	90	113	141	5%	4%	3%
BVPS	383	491	627	388	500	641	1%	2%	2%

Source: Investec Securities estimates

## Summary Financials (INRm)

Year end: 31 March

P&L Summary	2022	2023	2024E	2025E	2026E
Net interest income	15,832	22,365	32,486	40,734	51,000
Non interest income	1,828	1,014	1,498	1,751	2,043
<b>Total income</b>	<b>17,660</b>	<b>23,379</b>	<b>33,985</b>	<b>42,485</b>	<b>53,043</b>
Wage costs	4,377	5,152	6,720	8,678	10,547
Other costs	2,508	3,162	4,293	5,283	6,457
Operating expenses	6,885	8,315	11,013	13,961	17,004
Pre provision profit	10,775	15,064	22,972	28,524	36,039
Provisions	5,967	4,010	3,907	4,659	6,254
<b>Profit before tax</b>	<b>4,808</b>	<b>11,054</b>	<b>19,065</b>	<b>23,866</b>	<b>29,784</b>
Income tax expense	1,277	2,794	4,766	5,966	7,446
Profit after tax (INRm)	3,531	8,261	14,298	17,899	22,338
Normalised net income					
Total number of shares in issue (m)	156	159	159	159	159
EPS (reported)	22.3	52.0	90.0	112.6	140.6
DPS (INR)	0.0	0.0	0.0	0.0	0.0
Balance Sheet Summary	2022	2023	2024E	2025E	2026E
Equity	1,559	1,589	1,589	1,589	1,589
Reserves & Surplus	40,110	49,481	63,779	81,678	104,016
Networth	41,669	51,070	65,368	83,267	105,606
Minority interest	0	0	0	0	0
Borrowing	129,205	163,123	200,691	249,755	308,267
<b>Total Liabilities</b>	<b>170,874</b>	<b>214,192</b>	<b>266,059</b>	<b>333,022</b>	<b>413,872</b>
Fixed assets	2,563	2,273	2,500	2,750	3,025
Investments	5	4,545	5,909	6,500	7,150
Advances	147,653	190,433	237,642	299,729	374,777
Other assets	5,311	4,566	4,566	4,566	4,566
Net current assets	15,342	12,375	15,442	19,477	24,354
<b>Total Assets</b>	<b>170,874</b>	<b>214,192</b>	<b>266,059</b>	<b>333,022</b>	<b>413,872</b>
Asset under management	165,990	210,310	264,889	331,685	412,171
Disbursements	154,660	185,390	235,445	291,952	359,101
Key ratios	2022	2023	2024E	2025E	2026E
Yields	19.4	19.7	22.6	22.7	22.6
Cost of funds	8.2	8.3	9.6	9.8	9.8
Spread	11.1	11.4	13.0	12.9	12.8
NIM	10.5	11.9	13.7	13.7	13.7
<b>Asset quality</b>					
Gross NPAs (%)	3.6	1.2	0.6	1.0	0.0
Net NPAs	1.3	0.4	0.4	0.4	0.4
Provision coverage ratio	64.4	65.7	36.0	62.8	
<b>Efficiency ratios</b>					
Cost to Income	39.0	35.6	32.4	32.9	32.1
Wage costs/Total operating costs	63.6	62.0	61.0	62.2	62.0
Operating cost / Avg advances	1.3	1.4	1.6	1.6	1.5
<b>Capital ratios</b>					
Tier-1 capital	21.8	21.1	22.0	22.6	23.1
Tier-2 capital	1.0	1.0	1.0	1.0	1.0
Capital adequacy ratio	22.8	22.1	23.0	23.6	24.1
<b>Dupont (as % of Avg assets)</b>					
NII	9.9	11.6	13.5	13.6	13.7
Other income	0.7	0.2	0.5	0.4	0.4
Total income	10.6	11.8	14.0	14.0	14.1
Employee exp	2.7	2.7	2.8	2.9	2.8
Non-employee exp	1.6	1.6	1.8	1.8	1.7
Operating profit	6.3	7.5	9.4	9.4	9.5
Provisions	3.7	2.1	1.6	1.6	1.7
PBT	2.5	5.4	7.8	7.8	7.8
(1-tax rate)	0.3	1.1	1.8	1.8	1.9
<b>Return on assets</b>	<b>2.2</b>	<b>4.3</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>
Leverage (x)	4.4	4.5	4.4	4.2	4.1
<b>Return on equity</b>	<b>9.7</b>	<b>19.4</b>	<b>26.3</b>	<b>25.4</b>	<b>24.6</b>

Source: Company accounts, Investec Equities estimates

## Calendarised Valuation

Year end: 31 March

Valuation metrics	2022	2023	2024E	2025E	2026E
PE (x)	62.3	26.7	15.4	12.3	9.9
P/BV (x)	5.2	4.3	3.4	2.7	2.1
ROE (%)	9.7	19.4	26.3	25.4	24.6
ROA (%)	2.2	4.3	6.0	6.0	6.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
BVPS (INR)	267.3	321.4	411.4	524.0	664.6
EPS (norm. cont.) – FD (INR)	22.3	52.0	90.0	112.6	140.6
DPS (INR)	0.0	0.0	0.0	0.0	0.0
Dividend pay-out ratio	0	0	0	0	0

Source: Company accounts, Investec Equities estimates

## Ratios and Metrics

Year end: 31 March

Source: Company accounts, Investec Equities estimates

## Target Price Basis

Excess return on equity

## Key Risks

Competition; Event Risk

## Disclosures

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#### Stock ratings for European/Hong Kong stocks

	Expected total return	Count	All stocks	Corporate stocks	
	12m performance		% of total	Count	% of total
Buy	greater than 10%	298	79%	111	37%
Hold	0% to 10%	59	16%	0	0%
Sell	less than 0%	18	5%	0	0%

Source: Investec Equities estimates

#### Stock ratings for Indian stocks

	Expected total return	Count	All stocks	Corporate stocks	
	12m performance		% of total	Count	% of total
Buy	greater than 15%	129	54%	1	1%
Hold	5% to 15%	75	31%	0	0%
Sell	less than 5%	36	15%	0	0%

Source: Investec Equities estimates

#### Stock ratings for African\* stocks

	Expected total return	Count	All stocks	Corporate stocks	
	12m performance		% of total	Count	% of total
Buy	greater than 15%	41	52%	13	32%
Hold	5% to 15%	18	23%	4	22%
Sell	less than 5%	20	25%	7	35%

Source: Investec Equities estimates

\*For African countries excluding South Africa, ratings are based on the 12m implied US dollar expected total return (ETR). This is derived from the expected local currency (LCY) ETR by making assumptions on the 12month forward exchange rates for the respective currencies. For South African stocks, ratings are based on the ETR in rand terms.

For European and Hong Kong stocks, within the Hold banding, an Add rating may be (optionally) applied if the analyst is positive on the stock and the ETR is greater than 5%; a Reduce rating may be (optionally) applied if the analyst is negative on the stock and the ETR is less than 5%.

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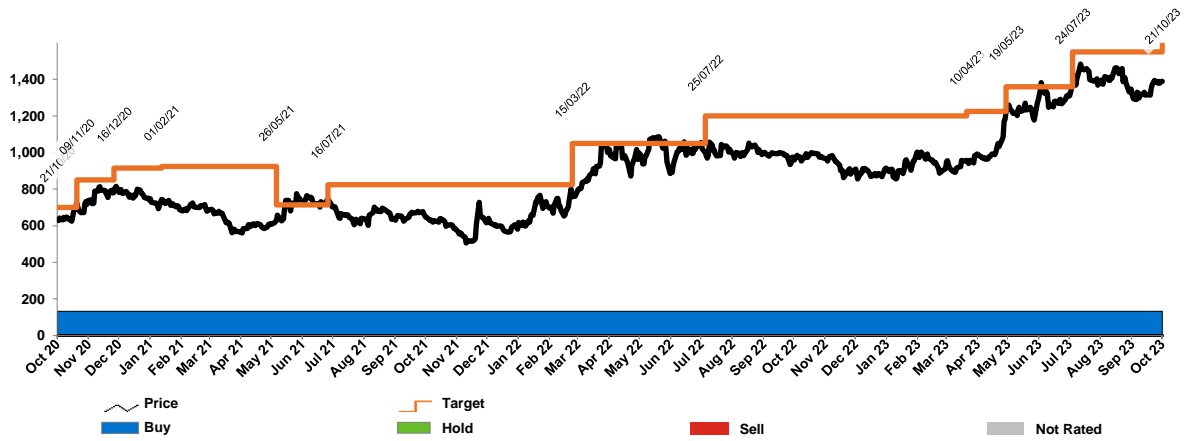
## Company disclosures

CreditAccess Grameen Ltd

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CreditAccess Grameen Ltd (CRDE.NS) – Rating Plotter as at 22 Oct 2023



Source: Investec Equities, FactSet

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