

July 21, 2024

RESULT REPORT Q1 FY25 | Sector: Financials

CreditAccess Grameen Limited

Resilient Show

Performance better than expectations; PAR/credit cost increase largely on expected lines

Notwithstanding softer-than-estimated disbursements/growth, CREDAG's NII/PPOP/PAT were 2%/3%/5% ahead of our expectations aided by stable spreads, higher insurance income and lesser-than-forecasted credit cost. Asset quality movement was largely on expected lines with 50 bps decline in collection efficiency, 120 bps of PAR accretion and 20 bps increase in PAR 90 (after usual write-off of 40 bps). Credit cost was expectedly elevated at 2.7% on PAR increase, and coverage across loan stages was maintained. Post absorbing a higher credit cost, CREDAG delivered RoA/RoE of 5.4%/23.5%.

Maintains growth, credit cost and profitability guidance for FY25

Notably, despite the trends witnessed in PAR and credit cost in Q1 FY25, the management has retained GLP growth (23-24%), Credit Cost (2.2-2.4%) and RoE (23-23.5%) guidance for the year. Factors beneath such expectations are 1) stabilization of new PAR addition in June and July, and expectations of gradual improvement in coming months, 2) structural challenges with regards to customer leverage, customer migration, rejections increase, etc. only confined to few pockets/districts of some states, 3) customer addition and GLP growth to substantially pick-up in H2 (like seen in FY24/23) and 4) stability of funding cost and implementation of district and customer level pricing likely supporting portfolio spread.

Co. has taken measures to control fresh PAR accretion and mitigate delinquency flow rates such as a) tightening filters while onboarding new customers and while extending new loans to existing customers and b) deploying senior field staff and business support teams to stem the PAR increase. The recently announced MFIN guardrails would have an impact on ~8% of CREDAG's customer base, but co. is confident of mitigating this by stronger customer addition.

Trim estimates/target to factor potential industry risks; retain BUY on reasonable valuation and profitability resilience

We tweak estimates for growth and credit cost and hence revise earnings lower by 3-4%, factoring the possibility of further PAR increase amidst current chaos and uncertainty. We are just taking a conservative stance even though CREDAG remains reasonably confident about delivering on its growth and profitability guidance. On the positive side, the risk of a deeper/longer credit cost cycle looks remote if one goes by Q1 FY25 performance and commentary of the management. We estimate 23%/21% CAGR in GLP/PAT over FY24-26 with an average RoE delivery of 23%. We retain BUY on CREDAG with 12m PT marginally lowered to Rs1800. Current valuation is attractive if the PAR cycle plays out as per expectations of the management. Key monitorable would be collection trends in the current quarter.

Exhibit 1: Result table

(Rs mn)	Q1 FY25	Q4 FY24	% qoq	Q1 FY24	% yoy
Total Operating Income	15,120	14,575	3.7	11,700	29.2
Interest expended	(5,103)	(4,822)	5.8	(3,849)	32.6
Net Interest Income	10,017	9,753	2.7	7,851	27.6
Operating expenses	(2,929)	(3,182)	(7.9)	(2,420)	21.0
PPOP	7,093	6,588	7.7	5,438	30.4
Provisions	(1,746)	(1,533)	13.9	(764)	128.5
PBT	5,347	5,055	5.8	4,674	14.4
Tax	(1,371)	(1,324)	3.6	(1,189)	15.3
PAT	3,977	3,731	6.6	3,485	14.1
Minority Interest / OCI	(145)	(95)	52.7	(112)	29.2
Adjusted PAT	3,831	3,636	5.4	3,372	13.6

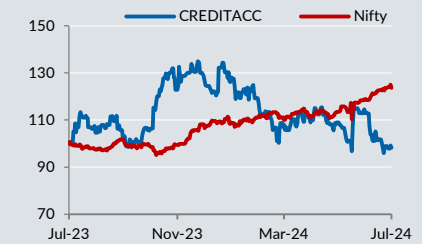
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,285
Target Price	: Rs 1,800
Potential Return	: +40.1%

Stock data (as on July 19, 2024)

Nifty	24,531
52 Week h/l (Rs)	1796 / 1190
Market cap (Rs/USD mn)	203737 / 2434
Outstanding Shares (mn)	159
6m Avg t/o (Rs mn):	425
Div. yield (%):	-
Bloomberg code:	CREDAG IN
NSE code:	CREDITACC

Stock performance



	1M	3M	1Y
Absolute return	-13.3%	-10.6%	-2.4%

Shareholding pattern

Promoter	66.6%
FII+DII	27.4%
Others	6.0%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,800	1,950

Δ in earnings estimates

	FY24	FY25e	FY26e
EPS (New)	90.7	107.0	133.5
EPS (Old)	90.7	111.2	136.8
% Change	-	-3.8%	-2.4%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Op. income	34,402	42,574	51,795
PPOP	23,910	29,877	36,306
Net profit	14,459	17,052	21,275
Growth (%)	75.0	17.9	24.8
EPS (Rs)	90.7	107.0	133.5
ABVPS (Rs)	392.3	499.3	632.8
P/E (x)	14.2	12.0	9.6
P/ABV (x)	3.3	2.6	2.0
ROE (%)	24.8	23.0	22.8
ROA (%)	5.7	5.3	5.3

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Exhibit 2: State-wise GLP mix

(%)	Q1 FY25	Q4 FY24	chg qoq	Q1 FY24	chg yoy
Karnataka	31.7	31.8	(0.1)	33.0	(1.3)
Maharashtra	20.7	20.6	0.1	20.6	0.1
Tamil Nadu	19.9	20.1	(0.2)	19.9	-
Madhya Pradesh	6.5	6.3	0.2	6.5	-
Others	21.2	21.2	-	20.0	1.2

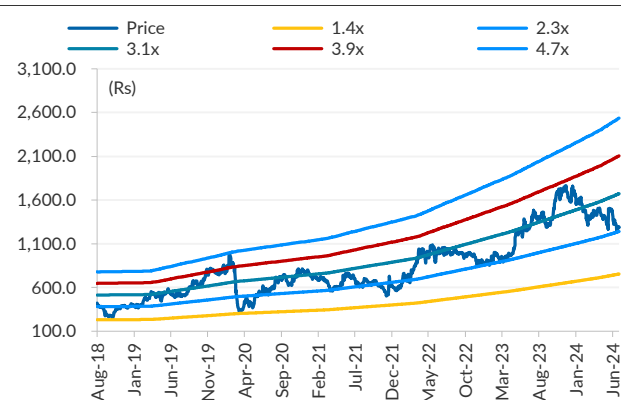
Source: Company, YES Sec

Exhibit 3: Consolidated highlights

Rs mn	Q1 FY25	Q4 FY24	% qoq	Q1 FY24	% yoy
GLP (Rs mn)	2,63,040	2,67,140	(1.5)	2,18,140	20.6
Total equity (Rs mn)	69,610	65,700	6.0	54,490	27.7
Active borrowers (lacs)	49.8	49.2	1.3	44.2	12.7
Branches	1,976	1,967	0.5	1,826	8.2
Employees	19,659	19,395	1.4	17,391	13.0
RoA (%)	5.4	5.7	(0.3)	5.8	(0.4)
RoE (%)	23.5	24.9	(1.4)	26.4	(2.9)
GNPA (%)	1.5	1.2	0.3	0.9	0.6
Provisioning (%)	2.3	2.0	0.3	1.6	0.7
D/E (x)	2.9	3.3	(0.4)	3.1	(0.2)

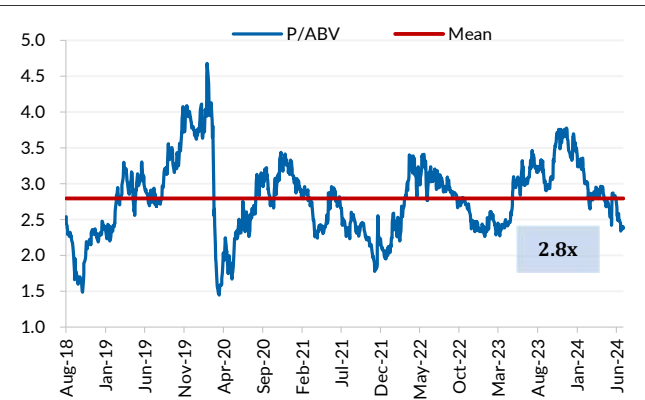
Source: Company, YES Sec

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	81,158	1,02,433
Share-holders fund	41,669	51,070	65,700	82,752	1,04,027
Non-controlling Interest	-	-	-	-	-
Financial Liabilities	1,32,688	1,66,948	2,22,039	2,72,902	3,34,084
Trade payables	2,590	3,037	2,564	2,948	3,390
Debt Securities	14,181	16,724	20,421	25,118	30,770
Borrowings (Excl. Debt Sec.)	1,14,249	1,45,620	1,97,737	2,43,216	2,97,939
Subordinated Liabilities	777	779	252	310	380
Other Financial Liabilities	874	789	1,065	1,310	1,605
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	3,56,496	4,39,102
Assets					
Financial Assets	1,66,457	2,11,155	2,80,157	3,47,437	4,29,089
Cash and Cash Equivalents	15,806	13,414	11,073	15,517	20,057
Bank balances	1,808	950	2,066	2,479	2,975
Receivables	-	-	-	-	-
Loans	1,47,653	1,90,433	2,51,050	3,09,596	3,81,373
Investments	5	4,545	14,389	17,986	22,483
Other Financial Assets	1,185	1,496	1,214	1,493	1,837
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	3,56,496	4,39,102

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	65,137	77,992
Interest expense	(9,841)	(12,129)	(17,324)	(22,606)	(26,241)
Net interest income	17,587	23,322	34,342	42,532	51,751
Non-interest income	73	57	60	42	44
Total op income	17,660	23,379	34,402	42,574	51,795
Total op expenses	(6,885)	(8,315)	(10,493)	(12,696)	(15,489)
PPoP	10,775	15,064	23,910	29,877	36,306
Provisions	(5,967)	(4,010)	(4,518)	(7,008)	(7,773)
Profit before tax	4,808	11,054	19,392	22,869	28,533
Taxes	(1,277)	(2,794)	(4,933)	(5,817)	(7,258)
Net profit	3,531	8,261	14,459	17,052	21,275

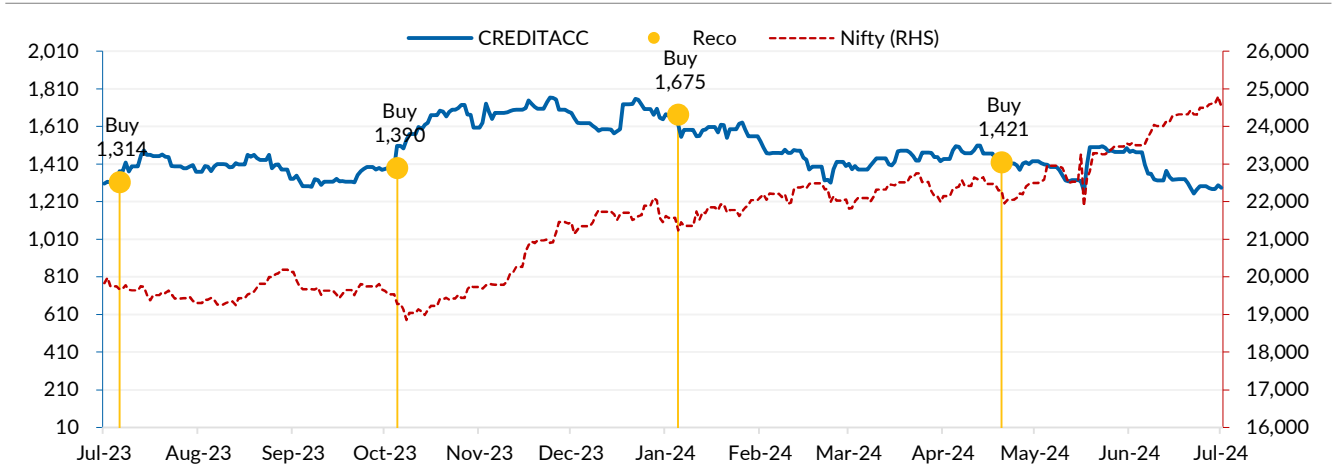
Source: Company, YES Sec

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	23.8	21.7
Total op income	14.9	32.4	47.1	23.8	21.7
Op profit (pre-provision)	13.2	39.8	58.7	25.0	21.5
Net profit	168.7	134.0	75.0	17.9	24.8
Loans	26.0	29.0	31.8	23.3	23.2
Borrowings + Debt	18.1	26.2	33.9	23.0	22.5
Total assets	16.1	25.0	32.0	23.6	23.2
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	23.0	22.8
Return on Avg. Assets	2.2	4.2	5.7	5.3	5.3
Per share ratios (Rs)					
EPS	22.7	52.0	90.7	107.0	133.5
Adj. BVPS	247.0	301.4	392.3	499.3	632.8
Other key ratios (%)					
Loans/Borrowings	114.3	116.7	114.9	115.2	115.9
Cost/Income	39.0	35.6	30.5	29.8	29.9
Credit cost	4.5	2.4	2.0	2.5	2.3
Tax rate	26.6	25.3	25.4	25.4	25.4

Source: Company, YES Sec

Recommendation Tracker



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