

# CreditAccess Grameen Ltd.

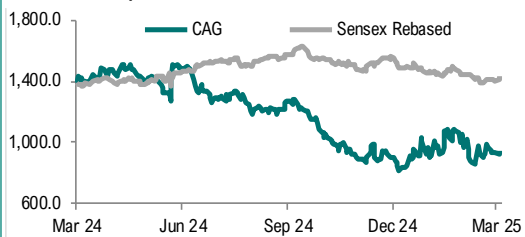
## BUY

Sector: NBFC– MFI

19<sup>th</sup> March 2025

<b>Key Changes:</b>	<b>Target</b> ▲	<b>Rating</b> ▲	<b>Earnings</b> ▼	<b>Target</b>	<b>Rs.1,130</b>		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs.934</b>
Small Cap	CREDAG:IN	75,301	CREDITACC	541770	12 Months	<b>Return</b>	<b>+21%</b>

Data as of: 18-03- 2025

Company Data			
Market Cap (Rs. cr)	15,194.6		
52 Week High — Low (Rs.)	1,553-750		
Outstanding Shares (Rs cr)	16.0		
Free Float (%)	33.3		
Dividend Yield (%)	1.1		
6m average volume (million)	2.5		
Beta	1.3		
Face value (Rs.)	10.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	66.6	66.5	66.5
FII's	10.9	10.8	9.8
MFs/Institutions	16.2	14.9	14.2
Public	6.3	7.8	9.5
Total	100.0	100.0	100.0
Promoter Pledge	-	-	-
Price Performance	3 Month	6 Month	1 Year
Absolute Return	8.6%	-24.7%	-33.2%
Absolute Sensex	-6.1%	-9.2%	3.5%
Relative Return	14.6%	-15.4%	-36.7%
<b>*over or under performance to benchmark index</b>			
			
Y.E March (cr)	FY25E	FY26E	FY27E
NII	3,703	4,079	4,891
Growth(%)	16.9	10.2	19.9
NIM(%)	12.7	12.5	12.5
Provisions	1,850	1,345	1,210
Adj. PAT	615	1,214	1,805
Growth(%)	-57.5	97.4	48.6
Adj. EPS	38.6	76.1	113.2
Growth(%)	-57.6	97.4	48.6
BVPS	440.6	516.7	629.9
Adj BVPS	431.7	508.3	619.8
P/E	24.2	12.3	8.3
P/B	2.1	1.8	1.5
ROA(%)	2.1	3.6	4.5
ROE(%)	9.0	15.9	19.7

## Early signs of stabilizing asset quality...

**CreditAccess Grameen Ltd. (CAGL) is one of the leading microfinance NBFCs in India with a strong focus on group lending and retail finance. The majority of its operations are in South India.**

- The Net Loan portfolio grew at a subdued rate of 4.4% YoY, the lowest in the past 14 quarters, reaching Rs.23,071cr. The loan portfolio has been declining for the last 3 consecutive quarters. Additionally, disbursements decreased by 4.9% YoY to Rs.5,085cr.
- After 8 months of contraction, AUM growth resumed in December 2024. The monthly disbursement rate, which was at 50-60% of the normal trend from July to November, crossed 80% in December 2024 and 90% in January 2025.
- Net Interest Income (NII) growth decelerated to 7.5% YoY from 48.5% in Q3FY24, reaching Rs. 863 cr. The Net Interest Margin (NIM) has fallen by 100 bps, bringing it down to 12.5% compared to Q3FY24.
- With operating expenses growing at 12.8% YoY to Rs.297.2cr and a reduction in fee and other income, the cost-to-income ratio increased to 31.3% from 29.5% in Q3FY24. The company reported a quarterly loss of Rs. 99.52 cr, as provisions have increased by 495.8% YoY, as the company focuses on accelerated write-offs to address delinquent accounts.
- The GNPA and NNPA increased to 3.99% and 1.28%, respectively, from 0.97% and 0.29% in Q3FY24, indicating significant deterioration across all PAR buckets. Although collection efficiency declined in Q3FY25, it was over 99.2% in December 2024 and has been improving in CY25.

## Outlook & Valuation

Although the management has reduced the growth guidance for FY25, there are early signs of stabilization in asset quality deterioration across most states, except Karnataka and Tamil Nadu. The implementation of the Karnataka Ordinance in February 2025 initially disrupted collection efficiency. However, it was later clarified that RBI-regulated MFIs were exempt from the ordinance provisions. **With the business ramping up to its previous growth trajectory, we remain optimistic about the company's future prospects. Therefore, we are upgrading our rating to Buy with a target price of Rs. 1,130, based on 1.8x FY26E BVPS.**

## Quarterly Financials (Consolidated)

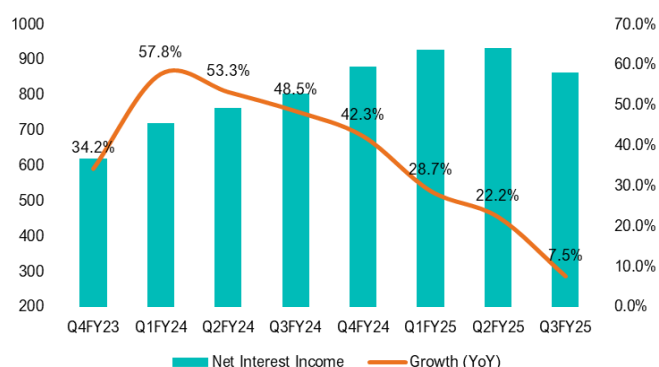
Rs. cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net Interest	863	803	7.5	933	-7.5	2,723	2,287	19.1
Total Income	907	854	6.2	969	-6.4	2,879	2,463	16.9
Expenditure	284	252	12.8	297	-4.4	874	755	15.8
PPoP	623	602	3.5	672	-7.3	2,004	1,708	17.3
Provision	752	126	495.8	420	79.0	1,347	298	351.2
PBT	-129	476	-127.1	252	-151.2	658	1,410	-53.3
Rep. PAT	-100	353	-128.2	186	-153.5	484	1,049	-53.8
Adj. PAT	-100	353	-128.2	186	-153.5	484	1,049	-53.8
Diluted EPS (Rs)	-6	22	-128.1	12	-153.5	30	66	-53.9



## Key Highlights

- The management took accelerated write-offs on loan accounts with 180+ days past due (DPD) and no repayments for a minimum of 90 days, resulting in an additional credit cost of Rs.73cr for Q3 FY25. The total write-off for Q3 FY25 was Rs. 376cr, and for the first nine months of FY25, it amounted to Rs.606cr. The company continues to hold Rs.134cr higher provisions compared to the NBFC industry. The management expects the credit cost to normalize over the coming months as delinquency trends improve, projecting a credit cost of 3%-3.5% for FY26.
- The company introduced two new applications, Grameen Maitri for employees and MAHI for customers, to streamline operations and enhance customer experience. These apps are expected to support growth by improving operational efficiency and customer engagement.
- The overall attrition rate, particularly at the branch manager level, remained stable at around 30%. There was no significant increase in attrition during the period of elevated stress.
- The management provided an AUM growth guidance of 7%-8% for FY25 and 18%-20% for FY26. They expect the growth rate to normalize with an estimated ROA of 2.3%-2.4% and an ROE of 9.5%-10.0% for FY25. The preliminary outlook for FY26 projects an ROA of 4.2%-4.5% and an ROE of 17%-19%.

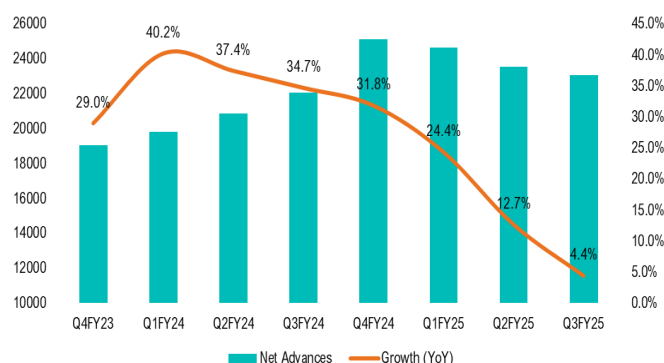
### Net Interest Income



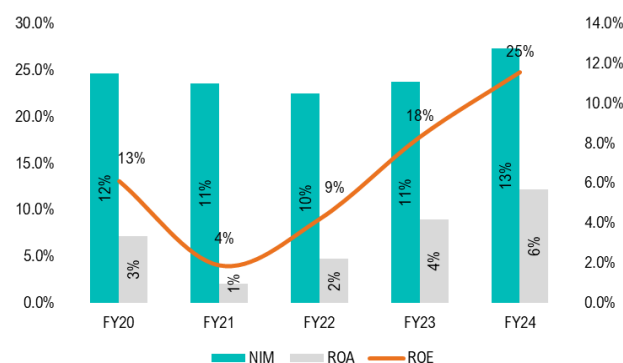
### PAT



### Net Advances



### Other Metrics



## Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change(%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Net Interest Income (NII)	3,683	4,266	3,703	4,079	4,891	0.5	-4.4
Net Interest Margin (%)	12.6	12.7	12.7	12.5	12.5	13bps	-24bps
Pre-Provision Profit	2,697	3,194	2,682	2,986	3,649	-0.6	-6.5
Adj. PAT	1,045	1,515	615	1,214	1,805	-41.1	-19.9
Diluted EPS (Rs)	65.5	95	38.6	76.1	113.2	-41.1	-19.9



## Consolidated Financials

### Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Interest Income	3,327	4,900	5,874	6,479	7,602
Interest Expense	1,213	1,732	2,172	2,401	2,711
Net Int. Income	<b>2,114</b>	<b>3,168</b>	<b>3,703</b>	<b>4,079</b>	<b>4,891</b>
% Change	33.5	49.8	16.9	10.2	19.9
Non Int. Income	224	273	206	259	342
Total Income	2,338	3,440	3,908	4,338	5,233
Operating Expenses	831	1,049	1,227	1,352	1,584
<b>Pre Prov. Profit</b>	<b>1,506</b>	<b>2,391</b>	<b>2,682</b>	<b>2,986</b>	<b>3,649</b>
% Change	40	59	12	11	22
Prov. & Conting.	401	452	1850	1345	1210
PBT	1,105	1,939	831	1,641	2,439
% Change	129.9	75.4	-57.1	97.4	48.6
Tax	279	493	216	427	634
Tax Rate (%)	25.3	25.4	26.0	26.0	26.0
Reported PAT	826	1,446	615	1,214	1,805
Minority Interest	0	0	0	0	0
<b>Adj. PAT</b>	<b>826</b>	<b>1,446</b>	<b>615</b>	<b>1,214</b>	<b>1,805</b>
% Change	127.5	75.0	-57.5	97.4	48.6
No. of shares (Cr)	16	16	16	16	16
<b>EPS (Rs)</b>	<b>52.0</b>	<b>90.9</b>	<b>38.6</b>	<b>76.1</b>	<b>113.2</b>
% Change	123	75	-58	97	49
DPS (Rs)	0.0	0.0	10.0	0.0	0.0

### Balance Sheet

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash & bank balances	1,436	1,314	1,051	1,276	1,839
Loans & Advances	19,043	25,105	26,759	31,602	37,922
Investments	455	1,439	1,540	1,821	2,189
Gross Fixed Assets	76	100	113	140	173
Net Fixed Assets	32	32	37	43	50
Intangible Assets	130	117	104	88	70
Def. Tax (Net)	81	137	156	196	196
Other Assets	680	703	906	1002	1127
<b>Total Assets</b>	<b>21,858</b>	<b>28,846</b>	<b>30,553</b>	<b>36,029</b>	<b>43,393</b>
Debt Funds	16,312	21,841	22,933	27,083	32,499
Other Liabilities	439	435	594	706	849
Equity Capital	159	159	159	159	159
Reserves & Surplus	4,948	6,411	6,866	8,080	9,885
Shareholder's Funds	5107	6570	7026	8240	10044
<b>Total Liabilities</b>	<b>21,858</b>	<b>28,846</b>	<b>30,553</b>	<b>36,029</b>	<b>43,393</b>
<b>BVPS (Rs)</b>	<b>321</b>	<b>412</b>	<b>441</b>	<b>517</b>	<b>630</b>
% Change	20.1	28.3	6.9	17.3	21.9
Adj. BVPS (Rs)	315	406	432	508	620
% Change	24.1	29.1	6.2	17.8	21.9

### Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
Interest yield (%)	18.4	19.9	20.2	19.8	19.5
Cost of funds (%)	8.3	9.1	9.7	9.6	9.1
Spread(%)	10.1	10.8	10.5	10.2	10.4
NIM (%)	11.1	12.8	12.7	12.5	12.5
ROE (%)	17.8	24.8	9.0	15.9	19.7
ROA(%)	4.2	5.7	2.1	3.6	4.5
<b>Business Growth</b>					
Loans & Advances (%)	29.0	31.8	6.6	18.1	20.0
Borrowings (%)	26.2	33.9	5.0	18.1	20.0
<b>Operating Ratios</b>					
Cost to Income (%)	35.6	30.5	31.4	31.2	30.3
<b>Capital Adequacy</b>					
CAR (%)	23.6	24.9	23.5	23.3	23.7
<b>Asset Quality</b>					
GNPA (%)	1.2	1.2	1.5	1.1	1.1
<b>Valuation</b>					
P/E (x)	18.0	10.3	24.2	12.3	8.3
P/B (x)	2.9	2.3	2.1	1.8	1.5
Adj. P/B (x)	3.0	2.3	2.2	1.8	1.5



## Recommendation Summary (last 3 years)



Dates	Rating	Target
10.Feb.22	Accumulate	850
02.Jun.22	Hold	1,158
16.Aug.23	Accumulate	1,615
11.Mar.24	Buy	1,560
23.May.24	Buy	1,628
30.Jul.24	Buy	1,565
31.Jul.24	Buy	1,566
19.Nov.24	Accumulate	976
19.Mar.25	Buy	1,130

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

**Symbols definition:** ▲ Upgrade ● No Change ▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

## DISCLAIMER & DISCLOSURES

**Certification:** I, Arun Kailasan, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

**For General disclosures and disclaimer:** Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd( P2P lending ) Geojit IFSC Ltd ( a company incorporated under IFSC Regulations, Qorum Business Group Geojit Securities LLC ( a joint venture in Oman engaged in Financial Services ), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services ). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

### 1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Arun Kailasan, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: [compliance@geojit.com](mailto:compliance@geojit.com). **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: [grievances@geojit.com](mailto:grievances@geojit.com). Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

