

CreditAccess Grameen

Well placed on most fronts

CRETAG's earnings were in line with estimates due to lower-than-expected provisions, even as the operating performance was worse than expected. Consolidated collection efficiency continued to improve—a trend seen across most categories of lenders this quarter. CREDITAG also witnessed an uptick in disbursements and the management expects the company to register 'low double-digit' AUM growth in FY21E. We have increased our earnings estimates as we factor in lower provisions and the equity raise. We maintain our ADD rating with a target price of Rs 793.

- Asset quality and collection trends:** Reported GNPA's came in at 1.77%, adjusted for the impact of the recent SC order. Standalone collection efficiency improved to 89% in October (vs. 88% in September and 74% in June) and MMFL registered an improvement to 85% (vs. 83% in September and 54% in June). The pace of improvement between September and October slowed due to disruptions in parts of KA and MH due to heavy unseasonal rainfall and festivities as well as intermittent lockdowns in CG. Despite the sharp improvement in collection efficiency, we conservatively factor in elevated GNPA's in FY21E at 4.4%.
- Provisioning:** CREDITAG's/MMFL's total provisions amount to ~5.4/4.3% of total gross AUM. The management expects the total credit impact of COVID-19 to be limited to 4.0%. We have reduced our LLP estimates to 5.2% in FY21E, and remain conservative.
- Funding and liquidity trends:** CREDITAG is well-placed on both these fronts. CRAR (standalone) at 26.4% stands to be boosted by the recent book-accretive fund-raise (Rs 8bn). Said fund-raise contributed to a 16.4% increase in our FY21E ABV estimates. On the borrowings front, too, the company is well-placed, as outstanding debt securities grew 249/59%. However, oddly, the CoF rose slightly QoQ to 9.6%. Liquid assets constitute 15.1/11.6% of CREDITAG's/MMFL's total assets.

Financial summary

YEMar (Rs mn)	2Q FY21	2Q FY20	YoY (%)	1Q FY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
NII	3,377	2,560	31.9%	3,859	-12.5%	10,534	15,519	18,240	22,520
PPOP	1,969	1,547	27.3%	2,556	-23.0%	6,989	10,594	11,963	14,728
PAT	670	968	-30.8%	833	-19.5%	3,355	2,932	5,342	8,389
EPS (Rs)	5.7	7.0	-21.4%	5	6.5%	23.2	18.6	33.8	53.1
ROAE (%)						13.1	8.7	12.4	16.8
ROAA (%)						3.34	2.12	3.20	4.09
ABVPS (Rs)						187.7	251.4	285.2	338.3
P/ABV (x)						3.61	2.69	2.38	2.00
P/E (x)						29.2	36.5	20.0	12.8

Change in estimates

Rs bn	FY21E			FY22E			FY23E		
	Old	New	Change	Old	New	Change	Old	New	Change
Loan	124.9	124.9	0.0%	153.6	153.6	0.0%	192.4	192.4	0.0%
NIM (%)	12.2	12.2	1 bps	12.1	12.1	6 bps	12.0	12.1	4 bps
NII	15.5	15.5	0.1%	18.2	18.2	0.5%	22.4	22.5	0.4%
PPOP	11.0	10.6	-3.4%	12.3	12.0	-2.5%	15.3	14.7	-3.8%
PAT	2.7	2.9	8.4%	5.0	5.3	6.5%	8.1	8.4	3.1%
Adj. BVPS (Rs)	214.7	251.4	17.1%	248.9	285	14.6%	304.4	338	11.1%

Source: Bank, HSIE Research

ADD

CMP (as on 06 Nov 2020)	Rs 679
Target Price	Rs 793
NIFTY	12,264

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 797	Rs 793
	FY21E	FY22E
EPS %	0.6%	-1.1%

KEY STOCK DATA

Bloomberg code	CRETAG IN
No. of Shares (mn)	155
MCap (Rs bn) / (\$ mn)	106/1,423
6m avg traded value (Rs mn)	78
52 Week high / low	Rs 1,001/305

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	15.9	50.1	(2.3)
Relative (%)	5.7	17.9	(5.8)

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	79.9	79.9
FIs & Local MFs	9.6	10.1
FPIs	5.6	5.4
Public & Others	4.6	3.8

Pledged Shares

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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