

## Retail Equity Research (South India Focus)

# CreditAccess Grameen Ltd

NBFC- MFI

BSE CODE : 541770

NSE CODE: CREDITACC

BLOOMBERG CODE: CREDAG:IN

SENSEX : 49,502

**BUY**

12M Investment Period

Rating as per Mid Cap

**CMP Rs. 605 TARGET Rs.767 RETURN 27%**

(Closing: 10-05-21)

**KEY CHANGES:**
**TARGET** ↓

**RATING** ↑

**EARNINGS** ↓

## Healthy quarter; Prudent asset quality management

CreditAccess Grameen Limited (CAGL) is one of the leading Microfinance NBFCs in India with high focus on Group lending and Retail finance with majority of its operations in South India.

- **Gross Loan Portfolio grew to Rs 13,587cr (13%YoY) supported by 15% growth in standalone entity and 7% growth in its subsidiary Madura microfinance.**
- **Disbursement for the quarter grew at 42% YoY and 3% QoQ to Rs 4726cr.**
- **Gradual pickup in collection is seen during the quarter, however, a decline on the same is expected in the coming quarter due to lockdown impact.**
- **Interest income grew by 19.2% QoQ to Rs 612cr whereas PAT was Rs 56.3cr impacted by higher provisioning.**
- **GNPA improved to 4.43% from 6.14% in Q3FY21(proforma) while NNPA remained at 0%.**
- **We upgrade our rating to Buy with a revised downward target price of Rs 767 based on 2.5x FY23E Adj. BVPS.**

### Strong disbursement aided growth in Gross Loan Portfolio

In Q4FY21, total disbursement grew by 42% YoY and 3% QoQ to Rs 4,726cr and resultant Gross Loan Portfolio (GLP) grew by 13% YoY and 10% QoQ. GLP of standalone entity grew by 15% YoY to Rs 11,341cr while MMFL grew by 7% to Rs 2,246cr. However, number of borrowers saw a reduction of 3.5% YoY to 39.12 lakh. During the quarter, interest income grew 19.2% QoQ while finance cost grew only by 6.1%. As a result, Net Interest Income grew 52.5% QoQ to Rs 304cr. Pre-provision profit was at Rs 329cr while PAT was Rs 56.3 cr due to high provisioning. Strong profitability in Q4FY21 was utilised to absorb accelerated write-offs and build additional provisioning buffer ahead of FY22.

### Company continuing its focus on maintaining asset quality

During the quarter, collections has witnessed gradual pickup with 94.8% customers making full payment and 3.3% customers making partial payment against 88.1% full payment and 6.8% partial payment in December 2020. Collection efficiency during March stands at 94% excluding arrears and 97% including arrears. However, with increasing virus spread and lockdown, we expect collection to show partial decline in the coming quarter. GNPA for the quarter stands at 4.43% against 6.14% in Q3FY21(proforma basis). Company continue to maintain its focus on early risk recognition and provisioning practice and therefore total provisioning stands at 5.01% against GNPA of 4.43%. During Q4FY21, Rs 278.7 cr were written off and additional covid buffer of Rs 103.4cr were created for FY22 by CAGL while MMFL written off Rs 39.2cr and created covid buffer of Rs 8.8cr.

### Margins, Return ratios & Capital Adequacy

During the quarter, reported yield stood at 18.6% against 16.3% in the previous quarter while cost of borrowing reduced to 8.9% against 9.3%. As a result NIM improved from 8.7% to 11.3%. Cost to income ratio has also shown a decline from 43.7% in Q3FY21 to 29.2% aiding to higher profitability. ROE for the quarter stood at 4.0% and ROA at 0.9%. Capital Adequacy ratio improved from 31.4% in Q3FY21 and 23.6% in Q4FY20 to 31.8% this quarter.

### Outlook and valuation

At CMP, the stock is trading at Adj P/BV of 2.3x & 2.0x respectively in FY22E and FY23E. Though we expect slow down in disbursement and rise in slippages due to impact of lockdown in the coming quarter, company's prudent measure of early recognition of slippages and provisioning will help in maintaining superior asset quality. We value the company at 2.5x on FY23E Adj BVPS and arrive at a target price of Rs 767 and upgrade our rating to BUY.

### Company Data

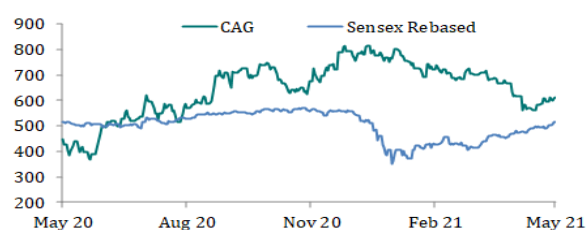
Market Cap (Rs cr)	9,416
Outstanding Shares (cr)	15.6
Free Float(%)	26
Dividend Yield(%)	0
52 week high (Rs)	839
52 week low (Rs)	359
6m average volume (lakh)	1.5
Beta	1.24
Face value (Rs)	10

Shareholding (%)	Q2FY21	Q3FY21	Q4FY21
Promoters	79.9	74.0	74.0
FII's	5.4	9.5	10.1
MFs	6.6	6.8	6.5
Public/Others	8.1	9.7	9.4
Total	100	100	100
Promoter pledge	0	0	0

### Price Performance

	3 month	6 month	1 year
Absolute Return	-14.9%	-9.4%	37.2%
Absolute Sensex	-3.0%	17.5%	56.5%
Relative Return*	-11.9%	-26.9%	-19.3%

\*over or under performance to benchmark index



### Consolidated (Rs Cr)

	FY21A	FY22E	FY23E
NII	1,361	1,527	1,767
Growth	29.2%	12.2%	15.7%
NIM(%)	11.60	11.92	12.43
Provisions	771	465	225
Adj. PAT	134	385	693
Growth	-59.8%	187.3%	79.9%
Adj. EPS	8.9	24.7	44.5
Growth	-61.6%	178.1%	79.9%
BVPS	237	262	307
Adj BVPS	237	262	307
P/E	68.9	24.8	13.8
P/B	2.59	2.34	2.00
Adj. P/B	2.59	2.34	2.00
ROE (%)	4.17	9.91	15.66

## Quarterly Financials

(Rs Cr)	Q4FY21	Q3FY21	QoQ Growth (%)	Q4FY20	YoY Growth (%)	FY21	FY20	YoY Growth (%)
Interest Income	612	513	19%	471	30%	2,290	1,633	40.2%
Interest Expense	237	225	5%	175	36%	929	580	60.1%
Net Interest Income (NII)	375	288	30%	296	27%	1,361	1,053	29.2%
Fee and Other Income	114	30	284%	12	889%	176	72	144.2%
Total Income	489	318	54%	307	59%	1,537	1,126	36.6%
Expenditure	158	148	7%	128	24%	586	427	37.3%
Pre-Provision Profit	331	170	94%	179	84%	952	699	36.2%
Provision	250	276	-9%	139	80%	771	237	225.1%
PBT	81	-105	-176%	41	99%	180	462	-61%
Tax	22	-26	-185%	10	129%	49	126	-61%
Reported PAT	58	-79	-174%	31	89%	131	335	-61%
Adjustment	-21	-2	-	2	-	-3	2	-
Adj. PAT	79	-77	-202%	31	156%	134	334	-60%
Diluted EPS (Rs)	3.59	-5.12	-170%	1.99	80%	8.90	23.17	-62%

## Change in Estimates

Year / Rs cr	Old estimates		Change %			
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Net Interest Income (NII)	1,896	-	1,527	1,767	-19.5%	-
Net Interest Margin (%)	13.6	-	11.9	12.4	-12.3%	-
Pre-Provision Profit	1,309	-	985	1,162	-24.7%	-
Adj. PAT	745	-	385	693	-48.3%	-
Diluted EPS (Rs)	50.8	-	24.7	44.5	-51.3%	-

**PROFIT & LOSS**

Y.E March (Rs cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Interest Income	1,218	1,633	2,290	2,536	2,871
Interest Expense	417	580	929	1,009	1,104
<b>Net Int. Income</b>	<b>802</b>	<b>1,053</b>	<b>1,361</b>	<b>1,527</b>	<b>1,767</b>
<i>Change</i>	<i>58.4%</i>	<i>31.4%</i>	<i>29.2%</i>	<i>12.2%</i>	<i>15.7%</i>
Non Int. Income	65	72	176	127	144
Operating Income	867	1,126	1,537	1,654	1,910
<i>Change</i>	<i>294</i>	<i>427</i>	<i>586</i>	<i>668</i>	<i>749</i>
Operating Exp.	<b>573</b>	<b>699</b>	<b>952</b>	<b>985</b>	<b>1,162</b>
<b>Pre Prov. Profit</b>	<i>81.9%</i>	<i>22.1%</i>	<i>36.2%</i>	<i>3.5%</i>	<i>17.9%</i>
Prov. & Conting.	75	237	771	465	225
<b>PBT</b>	<b>498</b>	<b>462</b>	<b>180</b>	<b>520</b>	<b>936</b>
<i>Change</i>	<i>51.6%</i>	<i>-7.3%</i>	<i>-60.9%</i>	<i>188.4%</i>	<i>79.9%</i>
Tax	176	126	49	135	243
Tax Rate (%)	35%	27%	27%	26%	26%
Reported PAT	322	335	131	385	693
Adjustment	0	2	-3	0	0
<b>Adj. PAT</b>	<b>322</b>	<b>334</b>	<b>134</b>	<b>385</b>	<b>693</b>
<i>Change</i>	<i>51.4%</i>	<i>3.7%</i>	<i>-59.8%</i>	<i>187.3%</i>	<i>79.9%</i>
No. of shares (Cr)	14.4	14.4	15.6	15.6	15.6
EPS (Rs)	23.1	23.2	8.9	24.7	44.5
<i>Change</i>	<i>12.1%</i>	<i>0.1%</i>	<i>-61.6%</i>	<i>178.1%</i>	<i>79.9%</i>
DPS (Rs)	0.0	0.0	0.0	0.0	0.0

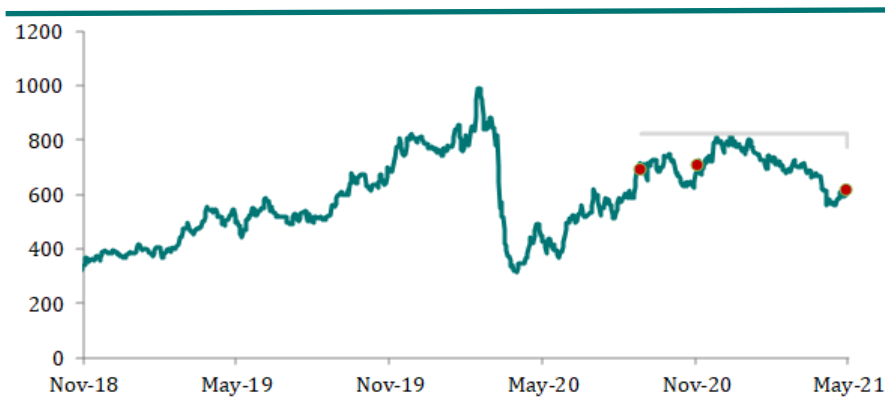
**BALANCE SHEET**

Y.E March (Rs cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	616	718	2,484	1,962	1,730
Loans & Advances	6,603	11,099	11,720	12,357	13,979
Investments	0	46	1	53	53
Gross Fixed Assets	34	50	69	91	116
Net Fixed Assets	19	32	24	39	48
CWIP	0	0	0	0	0
Intangible Assets	8	175	164	347	528
Def. Tax (Net)	43	57	104	60	60
Other Assets	69	463	561	861	654
<b>Total Assets</b>	<b>7,357</b>	<b>12,590</b>	<b>15,059</b>	<b>15,679</b>	<b>17,053</b>
Deposits	0	0	0	0	0
Debt Funds	4,867	9,540	10,927	11,042	11,804
Other Liabilities	114	295	386	371	210
Provisions	12	20	26	31	112
Equity Capital	144	144	156	156	156
Reserves & Surplus	2,222	2,590	3,536	3,921	4,614
Shareholder's Funds	2,365	2,734	3,692	4,077	4,769
<b>Total Liabilities</b>	<b>7,357</b>	<b>12,590</b>	<b>15,045</b>	<b>15,679</b>	<b>17,053</b>
<b>BVPS (Rs)</b>	<b>164.8</b>	<b>189.9</b>	<b>237.3</b>	<b>262.0</b>	<b>306.6</b>
<i>Change</i>	<i>47.2%</i>	<i>15.3%</i>	<i>24.9%</i>	<i>10.4%</i>	<i>17.0%</i>
Adj. BVPS (Rs)	164.8	189.9	237.3	262.0	306.6
<i>Change</i>	<i>47.2%</i>	<i>15.3%</i>	<i>24.9%</i>	<i>10.4%</i>	<i>17.0%</i>

**RATIOS**

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Profitab. &amp; Return</b>					
Interest yield (%)	20.1	17.8	19.6	19.8	20.2
Cost of funds (%)	9.8	8.1	9.4	9.4	9.6
Spread(%)	10.3	9.8	10.2	10.4	10.6
NIM (%)	13.2	11.5	11.6	11.9	12.4
ROE (%)	16.9	13.1	4.2	9.9	15.7
ROA(%)	5.2	3.3	1.0	2.5	4.2
<b>Business Growth</b>					
Loans & Advances (%)	34.9	68.1	3.5	7.6	13.1
Borrowings (%)	34.3	96.0	8.4	7.6	6.8
<b>Operating Ratios</b>					
Cost to Income (%)	33.9	37.9	38.1	40.4	39.2
<b>Capital Adequacy</b>					
CAR (%)	35.3	23.6	26.3	27.9	33.8
<b>Asset Quality</b>					
GNPA (%)	0.61	1.58	4.43	2.87	2.04
NNPA (%)	0.00	0.00	0.00	0.00	0.00
<b>Valuation</b>					
P/E (x)	26.5	26.5	68.9	24.8	13.8
P/B (x)	3.7	3.2	2.6	2.3	2.0
Adj. P/B (x)	3.7	3.2	2.6	2.3	2.0

## Recommendation Summary



Dates	Rating	Target
14 September 20	Buy	824
10 November 20	Accumulate	824
10 May 21	Buy	767

Source: Bloomberg, Geojit Research.

## Investment 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	-	-	-

### 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 :** The analyst has no investment opinion on the stock.

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

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