



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Akshay Ashok 022 67141486

Result update@ Dalal & Broacha

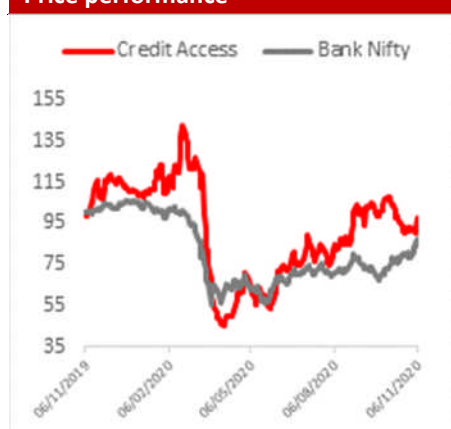
HOLD

Current Price (Rs)	677
52 Week Range	306/1000
Target Price (Rs)	650
Upside (%)	-4%

Key Share Data

Market Cap (Rs.bn)	105
Market Cap (US\$ mn)	1423
No of o/s shares (mn)	144
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos'000	91
BSE Code	532174
NSE Code	CREDITACC
Bloomberg	CREDAG:IN

Price performance



% Shareholding	8-Oct-20	Mar-20
Promoters	74.06	79.87
Public	25.94	20.13
Others	0.00	0.00
Total	100	100

Credit Access Grameen Ltd (CreditAcc) has reported a good set of numbers in a challenging environment for the quarter ended September 30, 2020 and was in line with our estimates. While the company's profitability has been impacted by higher COVID related provision, it registered strong GLP **(41% YoY to Rs 111.8bn) growth**. Total ECL provisions including additional Covid provisions (Rs 2.46bn) were Rs 5.61bn (5.17% of loan portfolio). Collection efficiencies have improved and stands at 89% as on October'20 for Credit Access and 85% for Madura Microfinance. **Stock price has rallied significantly post our initiation at Rs 408 and has achieved our target price, we now change our stance from "Buy" to "Hold", maintain our target price and wait for collection efficiency to reach pre-covid levels.**

Strong Operating Performance; PPOP up by 27% YoY

- Company's NII came at Rs 3.4 bn, +35% YoY / -12% QoQ and below our estimates of Rs 3.5bn. Company recorded GLP growth of (41% YoY to Rs 111.83bn and -5% QoQ). **Quarterly drop in Gross Loan Portfolio as disbursements were done only to existing customers from Kendras paying 100% on-time instalments.** Disbursements have picked up in October and for the month are higher on a YoY basis
- PPOP stood at Rs 1.9 bn and below our estimates of Rs 2.5bn up by 27% YoY/-23% QoQ.
- Net profit stood at Rs .8 bn (-21% YoY/+7% QoQ) in line with our estimates of Rs.83bn.

Asset quality stable; GNPA at 1.58%; NNPA at +0.0%. Sufficient Provisioning for Covid

- Asset quality remained stable during the quarter, with GNPA stood at 1.58% Vs 1.62% QoQ, while NNPA remained at 0.0% which is very credible. Provisioning (%) stood at 5.17%.**
- Provisions came in at Rs .9 bn , 225% YoY / -42% QoQ. .The total COVID-19 related provisioning buffer stands at Rs 2.46 bn. Lowering of provisions on a QoQ basis due to improved collection efficiencies.

Update on Moratorium and Collection Efficiencies.

- Moratorium levels of Credit Access @ 12% of loan book as on 30th September, 2020 and 11% of loan book as on 31st October, 2020 compared to 26% in June. Moratorium levels of Madura Microfinance @ 17% of loan book as on 30th September, 2020 and 15% of loan book as on 31st October, 2020 compared to 46% in June.
- Credit Access recorded collection efficiency of 88% in September / 89% in October, Madura Micro Finance recorded collection efficiency of 83% in September / 85% in October. **One of the strong points is in Credit Access 92% of customers have made full/partial payments in September and in Madura Microfinance 93% of customers have made full/partial payments in September.**

Outlook

We continue like the company as it has consistently shown strong operating performance. Pick up in collection efficiencies for Madura is a huge positive as it was lagging behind Credit Access, **but we would have liked at least a 90% collection efficiency as a whole and although management has told in the conference call that efficiency will reach pre-covid levels by December we do not want to change the estimates before we actually see it pan out. Thus, we have changed our rating from 'Buy' to 'Hold' rating on CreditAcc with a price target of Rs 650, valuing the stock at 3.0x FY21E P/BV.**

Key Financials (Rs Bn)

Year	NII	PPOP	PAT	EPS	BVPS	P/BV
FY20	10.5	7.0	3.3	23.2	186	3.6
FY21e	15.5	10.0	4.0	26.5	217	3.1
FY22e	19.4	12.2	6.3	43.0	260	2.6



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Highlights of the Conference Call

- Covid situation has been very challenging for the industry.
- Have adapted but localized lockdowns marginally affecting collections.
- Have reassigned some work force from another districts to districts where there is stress.
- New disbursements are made only to borrowers making on-time payments.
- New customer additions commenced in October, indicating normal business growth going forward

Disbursements and growth prospects

- Disbursements started in last week of June, disbursements only being made to borrowers making on time payment, disbursement made by company in October'20 higher than disbursement of October'19 showing positive momentum.
- Except disbursements to pick up in the coming months, **60% of yearly growth in business normally comes in 2nd half of the year can achieve low double digit GLP growth for the year**

Moratorium levels

- Moratorium from 24% of book in July, has come down to 11% of book in October for Credit Access. 92% have fully/partially paid and 8% have made no payments. **Collections temporarily slowed in 2nd half of October due to i) cyclonic floods in certain parts of Maharashtra and Karnataka, ii) intermittent lockdown imposed in Chhattisgarh, and iii) brief period of festivities in 2nd half of October. The situation is expected to improve in November and December.**
- Moratorium levels of Madura Microfinance @ 17% of loan book as on 30th September, 2020 and 15% of loan book as on 31st October, 2020 compared to 46% in June. Strong improvement in collection efficiencies of Madura
- EMI due per month for a customer has not changed, tenure of loan has been extended to make the process smooth, customers showing positive response and are proactively paying back. **Customer Activation has increased 24% of customers who didn't pay in September, have paid in October.**
- Moratorium levels can drop to single digit levels by December.

Geography

- Localized lockdowns in certain parts of Maharashtra have affected collections, Maharashtra recorded lowest collection efficiency among all states with collection efficiency of 81%, leaving out Maharashtra collection efficiency would have been higher than 90%.

Madura Operations and employee expenses

- No delay in integration with Madura, technical integration to be done by end of financial year, providing all support needed and expertise to their management.
- Have given bonuses, incentives to the employees, not much of new recruitment is required, enough number of branches and employees present to drive growth.

Capital raise via QIP

- Base amount to be raised to comply with MPS(Minimum public shareholding) norm - INR 675 Cr • Actual amount raised - INR 800 Cr as against investor demand of INR 944 Cr (1.2x subscription on actual amount and 1.4x subscription on base amount)
- **Promoter shareholding reduced from 79.9% pre-issue to 74.1% post issue (comfortably within the 75% threshold)**

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Risks to Rating and Price Target

Risk of second strong wave of Corona and spreading of pandemic in rural areas can affect prospects of the company. Collection efficiency not able to hit pre-covid levels due to lockdowns. There is a small risk of competition increasing from banks, small finance banks as they may look to enter the microfinance space aggressively as it is a high growth market.



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P&L Rs Bn	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Interest Earned	3.5	3.3	3.7	3.9	4.4	4.5	4.9	4.6
Interest Expended	1.1	1.0	1.2	1.4	1.4	1.7	1.9	1.9
NII	2.3	2.3	2.5	2.5	3.0	2.8	3.0	2.7
Other Income	1.2	1.0	1.3	1.4	1.5	.0	.25	.1
Net Income	3.5	3.3	3.8	3.9	4.5	2.9	3.2	2.8
Opex	.7	.8	.9	1.0	1.1	1.0	1.1	1.1
PPOP	1.6	1.5	1.6	1.6	2.0	1.9	2.1	1.7
Provisions	.1	.3	.1	.3	.5	1.4	1.2	.7
PBT	1.5	1.1	1.5	1.2	1.5	.3	.8	1.0
Tax	.5	.4	.5	.2	.3	.0	.2	.3
PAT	1	.7	1	1	1.1	.2	.6	.7
Loan Portfolio Rs Bn								
Gross Loan Portfolio	60	72	76	79	89	99	97	92
IGL	47	61	65	67	75	84	83	81
Retail Loans	2	3.2	3.7	4.3	4.6	5	5	4
Ratios (%)								
GNPA	1.1	0.6	0.5	0.5	0.8	1.5	1.6	1.6
NNPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAR	41.2	35.7	34.6	34.2	32.4	23.6	23.7	26.4
Cost/Income	31.9	35.2	35.4	39.8	34.8	36.6	31.0	39.2
Portfolio Yield	20.9	18.6	19.7	19.5	19.7	19.6	20.5	19.7
Cost of Borrowing	10.7	9.9	10.2	10.3	10.0	9.6	9.4	9.6
Spread	10.2	8.7	9.5	9.2	9.7	10	11	11.1
NIM	13.2	12.0	12.6	12.1	12.4	12.1	12.6	11.1
ROA	6.0	4.1	4.8	4.8	4.6	3.6	2.2	2.7
ROE	17.7	13.1	15.9	16.1	16.5	12.9	9.4	11.3



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<i>P&L (Rs Bn)</i>	FY19	FY20	FY21	FY22
Interest Earned	12.1	16.3	25.3	31.2
Interest Expended	4.1	5.8	9.8	11.8
NII	8.0	10.5	15.5	19.4
Other Income	0.6	0.7	1.3	1.7
Net Income	8.6	11.2	16.9	21.1
Opex	2.9	4.2	6.8	8.9
PPOP	5.7	6.9	10.0	12.2
Provisions	0.7	2.3	4.6	3.8
PBT	5.0	4.6	5.4	8.4
Tax	1.8	1.3	1.4	2.1
PAT	3.2	3.4	4.0	6.3

<i>BS (Rs Bn)</i>	FY19	FY20	FY21	FY22
Capital	1.4	1.4	1.4	1.4
Reserves	22.2	25.9	30.3	36.6
Minority Interest		1.1		
Borrowings	48.7	95.4	116.6	150.4
Other Liabilities	1.3	2.0	2.2	2.3
Total	73.6	125.9	150.7	190.9
Cash & Bank	6.1	7.2	7.4	3.9
Advances	66.0	110.9	136.4	179.8
Intangible Assets	0.0	4.9	4.4	4.4
Fixed Assets	0.2	0.3	0.3	0.4
Other Assets	1.1	2.5	2.2	2.4
Total	73.6	125.9	150.7	190.9

<i>Ratios (%)</i>	FY19	FY20	FY21	FY22
Growth				
NII	58.4	31.4	47.8	24.7
Operating profit	82.0	22.0	43.9	21.6
Net profit	51.6	3.6	16.4	62.6
Advances	34.9	68.1	22.9	31.8
Borrowings	34.3	96.0	22.3	29.0
Returns				
ROA	5.2	3.3	2.8	3.7
ROE	16.9	13.1	13.1	18.1

<i>Ratios (%)</i>	FY19	FY20	FY21	FY22
Asset quality				
GNPA	0.6	1.5	2.7	1.4
NNPA	0.0	0.0	0.0	0.0
Per share (Rs)				
EPS	22.4	23.2	26.5	43.0
BVPS	165	190	217	260
P/E	30	29	26	16
P/BVPS	4.1	3.6	3.1	2.6



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