



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Akshay Ashok 022 67141486

Result update@ Dalal & Broacha

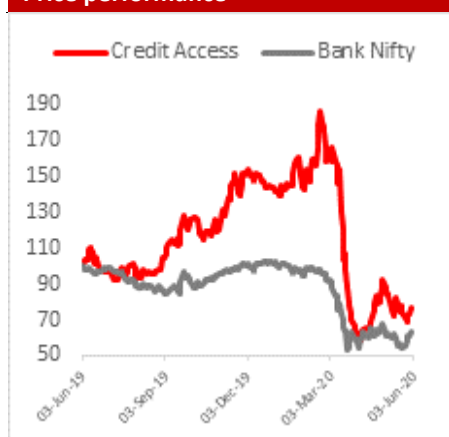
BUY

Current Price (Rs)	409
52 Week Range	305/1000
Target Price (Rs)	650
Upside (%)	59%

Key Share Data

Market Cap (Rs.bn)	59.15
Market Cap (US\$ mn)	780.97
No of o/s shares (mn)	143.99
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos'000	156.89
BSE Code	532174
NSE Code	CREDITACC
Bloomberg	CREGAG:IN

Price performance



% Shareholding	Mar-20	Dec-19
Promoters	79.94	80.01
Public	20.06	19.99
Others	0.00	0.00
Total	100	100

Credit Access Grameen Ltd (CreditAcc) has reported strong set of numbers for the quarter ended March 31, 2020. While the company's profitability has been impacted by higher COVID related provision, it registered very strong GLP **(38% YoY to Rs 98.96bn and 12% QoQ) growth**. Together with Madura total GLP stands at Rs 119.96 bn making it the biggest microfinance player in the country. Company made Covid related provision of Rs .83 bn, and Rs .21 bn due to impact of external interference in two districts in coastal Karnataka in Q3 FY20, and floods in south Maharashtra and north Karnataka in Q2 FY20. Majority of their customers are in rural areas (CreditAcc- 82%, Madura- 96%) who have not been severely impacted by Covid and 70% of combined portfolio lie in Green and Orange Zone where economic activities have begun in May. > 80% of customers are engaged in essential activities which were happening even in March/April, we expect company to recover strongly and continue on the growth trajectory. Stock price correction from the peak provides a very good opportunity to buy the stock at these levels.

Operating Performance; PPOP up by 23% YoY

- Company's NII came at Rs 2.87 Bn, +26% YoY / -5% QoQ and 16% above our est.driven by very strong AUM growth of (38% YoY to Rs 98.96bn and 12% QoQ).
- PPOP stood at Rs 1.85 Bn and 22% above our estimates (excluding merger transaction costs of Rs .15bn), up by 23% YoY/-8% QoQ.
- Company's cost management improved, with OPEX/GLP ratio stood at 4.6% (-40 bps YoY), Net profit stood at Rs .23 Bn (-70% YoY/-79% QoQ) and below our estimates as Rs .83Bn extra provisioning taken for Covid.

Asset quality slightly deteriorates; GNPA at 1.57%; NNPA at +0.0%. High Provisioning for Covid

- Asset quality slightly dropped during the quarter, with GNPA stood at 1.57% Vs 0.85% QoQ, while NNPA remained at 0.0%. Provisioning (%) stood at 2.86% (+125 bps QoQ).
- GNPA rise in Q4 due to issues in coastal Karnataka (Q3) and floods that happened in Q2. Complete provisioning has been done and there was a hit of 85-90 crores. Around 39 crores is overdue from these regions and company is confident of recovering the money.
- Provisions came in at Rs 1.4 Bn (Additional Rs .83 Bn Covid Related provisioning), 315% YoY / 157% QoQ. Credit costs movement going forward will depend on how collections will pan out.

Update on Moratorium.

- Company had offered Moratorium1.0 to all its customers from March to May.
- Over 70% of customers are positive about not opting for further moratorium, and about 20% of them wanted a few more weeks to start the transactions. This leaves close to 10% of borrowers who might opt for further moratorium. Similar percentage distribution for Madura customers.
- Collections as well as disbursements have started from June1. Collection efficiency was high 98% in Q4.
- 60-65% of their lenders have given them moratorium. Company continues to service all their interest payments. In some cases where moratorium is not being given lenders are willing to loan them more money for their operations.

Outlook

We like the company as it has consistently shown strong operating performance. Company's focus on rural areas will insulate it from delinquencies as we can see green shoots in rural areas. Their large GLP (with Madura) of Rs119.96bn and a borrower base of over 4.0Mn will help them drive growth going forward. Thus, we have maintained a 'Buy' 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	190	2.2
FY21e	15.5	10.0	4.0	26.5	217	1.9
FY22e	19.4	12.2	6.3	43.0	260	1.6



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Akshay Ashok 022 67141486

Result update@ Dalal & Broacha

Highlights of the Conference Call

- ~ 98% of the branches are functional and over 90% of staff are working.
- Company has completed 76.08% acquisition of Madura for Rs 661.2 crores. Total GLP of Rs 119.96bn, Total borrower count > 4.0Mn, 64,865 common borrowers.
- Collection efficiency was a high 98% in Q4'20.

Overall level of moratorium

- Company had offered moratorium to all its customers from March to May.
- Over 70% of customers are positive about not opting for further moratorium, and about 20% of them wanted a few more weeks to start the transactions. This leaves close to 10% of borrowers who might opt for further moratorium.
- Clear communication has been given to their customers.
- Accrued Interest in moratorium period will be collected first along with June instalment.

Activity of Customers

- Predominant customers in rural areas (CreditAcc- 82%, Madura- 96%).
- 70% of combined portfolio in Green and Orange Zone where economic activities have begun in May
- > 80% of customers engaged in essential activities which were happening even in March and April.
- Exposure to migrant workers in urban portfolio is nil.

Centre Meetings

- Weekly centre meeting will start from June1st.
- Group leader will bring in the collections, number of members attending the meeting will be limited.
- If a group has 20 members, they will be split into 4 groups and each week different set of 5 members will attend the meeting every week which will help in maintaining social distancing.

Moratorium on Borrowings

- 60-65% of their lenders have given the company moratorium.
- Company continues to service all their interest payments.
- In some cases where moratorium is not being given lenders are willing to loan them money.

Liquidity position and plans of capital raise

- No major capital raise planned and are happy to have a CRAR of 23.6%, could raise if situation becomes more favorable
- Looking to mainly concentrate on foreign borrowings as rates are better, have set up an office in Amsterdam in FY20.
- Rs 395 crores funds drawn in May (Rs 125 crore from SIDBI, Rs 230 crores from NABARD).
- Have undrawn sanctioned lines worth Rs 256 crores and fresh domestic as well as foreign sanctions or application in progress worth Rs 1,475 crores and Rs 475 crores respectively.

GNPA and Provisioning

- Provisioning can come down if collections go as per plan, NPA will not rise as all assets are standard at least till August.
- GNPA rise in Q4 due to issues in coastal Karnataka and floods that happened in Q2. Complete provisioning has been done, there was a hit of 85-90 crores. Around 39 crores is overdue from these regions and company is confident of recovering the money.
- Increase in GNPA could also be because company follows conservative policy of >60 days dpd as Stage 3 whereas norms warrant only >90days dpd to be classified as Stage 3.

Going ahead, the company will continue to maintain good relationship with their customers (85% retention rate with 75% of customers who have been with them for more than a year) tap on synergies from Madura acquisition like technology advances to move forward.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Akshay Ashok 022 67141486

Result update@ Dalal & Broacha

Risks to Rating and Price Target

Spoiling of credit discipline amongst their borrowers due to moratorium can affect their loan book quality. Spreading of Covid to rural areas can also hamper their collection efficiency. We have taken a high provisioning of 3.9% of advances in Fy21 and the situation should not become as bad as operations are in rural areas and company is confident of strong collection efficiencies. 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.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Akshay Ashok 022 67141486

Result update@ Dalal & Broacha

P&L Rs Bn	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Interest Earned	2.8	3.0	3.5	3.3	3.7	3.9	4.4	4.5
Interest Expended	1.0	1.0	1.1	1.0	1.2	1.4	1.4	1.7
NII	1.9	2.0	2.3	2.3	2.5	2.5	3.0	2.8
Other Income	1.0	1.1	1.2	1.0	1.3	1.4	1.5	.06
Net Income	2.9	3.1	3.5	3.3	3.8	3.9	4.5	4.6
Opex	.6	.7	.7	.8	.9	1.0	1.1	1.2
PPOP	1.2	1.3	1.6	1.5	1.6	1.6	2.0	1.9
Provisions	.1	.2	.1	.3	.1	.3	.5	1.4
PBT	1.1	1.1	1.5	1.1	1.5	1.2	1.5	.3
Tax	.4	.4	.5	.4	.5	.2	.3	.0
PAT	.7	.7	1	.7	1	1	1.1	.2
Loan Portfolio Rs Bn								
Gross Loan Portfolio	55	58	60	72	76	79	89	99
IGL	43	45	47	61	65	67	75	84
Retail Loans	.97	1.6	2	3.2	3.7	4.3	4.6	5
Ratios (%)								
GNPA	0.8	1.0	1.1	0.6	0.5	0.5	0.8	1.5
NNPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAR	27.8	40.4	41.2	35.7	34.6	34.2	32.4	23.6
Cost/Income	33.1	35.7	31.9	35.2	35.4	39.8	34.8	36.6
Portfolio Yield	20.7	20.5	20.9	18.6	19.7	19.5	19.7	19.6
Cost of Borrowing	10.5	10.5	10.7	9.9	10.2	10.3	10.0	9.6
Spread	10.2	10.0	10.2	8.7	9.5	9.2	9.7	10
NIM	13.2	12.9	13.2	12.0	12.6	12.1	12.4	12.1
ROA	5.3	4.9	6.0	4.1	4.8	4.8	4.6	3.6
ROE	19.4	15.7	17.7	13.1	15.9	16.1	16.5	12.9



P&L (Rs Bn)	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

BS (Rs Bn)	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

Ratios (%)	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

Ratios (%)	FY19	FY20	FY21	FY22
Asset quality				
GNPA	0.6	1.5	2.7	1.4
NNPA	0.0	0.0	0.4	0.0
Per share (Rs)				
EPS	22.4	23.2	26.5	43.0
BVPS	165	190	217	260
P/E	18	18	16	10
P/BVPS	2.5	2.2	1.9	1.6



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Akshay Ashok 022 67141486

Result update@ Dalal & Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt. Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or	No



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Akshay Ashok 022 67141486

Result update@ Dalal & Broacha

merchant banking or brokerage services from the subject company in the past twelve months	
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141412	I.T.
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Akshay Ashok	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 617 Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com