



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Akshay Ashok 022 67141486

Result update@ Dalal & Broacha

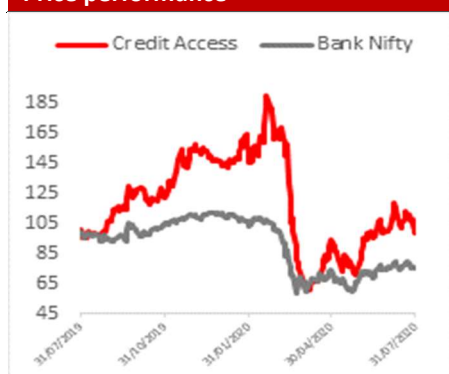
### BUY

Current Price (Rs)	539
52 Week Range	306/1001
Target Price (Rs)	650
Upside (%)	21%

### Key Share Data

Market Cap (Rs.bn)	77.79
Market Cap (US\$ mn)	1033.20
No of o/s shares (mn)	144.06
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos'000	99.37
BSE Code	532174
NSE Code	CREDITACC
Bloomberg	CREGAG:IN

### Price performance



% Shareholding	Jun-20	Mar-20
Promoters	79.91	79.94
Public	20.09	20.06
Others	0.00	0.00
Total	100	100

Credit Access Grameen Ltd (CreditAcc) has reported a very strong set of numbers in a challenging environment for the quarter ended June 30, 2020. While the company's profitability has been impacted by higher COVID related provision, it registered very strong GLP (**54% YoY to Rs 117.24bn**) growth. Company made Covid related provision of Rs 1.53 bn this quarter. The total COVID-19 related provisioning buffer stands at Rs 2.45 bn (2.08% of loan portfolio). **Collection efficiencies have significantly improved and stands at 74% as on July'20 for Credit Access and 64% for Madura Microfinance.** Stock price correction from the peak provides a very good opportunity to buy the stock at these levels.

#### Strong Operating Performance; PPOP up by 56% YoY

- Company's NII came at Rs 3.86 Bn, +53% YoY / +26% QoQ and 9% above our estimates driven by very strong AUM growth of (54% YoY to Rs 117.24bn and -2% QoQ). Quarterly drop in Gross Loan Portfolio as emphasis was given to collections in this quarter, disbursements have picked up in June and July.
- PPOP stood at Rs 2.55 Bn and 12% above our estimates up by 56% YoY/+42% QoQ.
- Net profit stood at Rs .75 Bn (-22% YoY/+142% QoQ) as Rs 1.53Bn extra provisioning taken for Covid this quarter.

#### Asset quality stable; GNPA at 1.62%; NNPA at +0.0%. Sufficient Provisioning for Covid

- Asset quality remained stable during the quarter, with GNPA stood at 1.62% Vs 1.57% QoQ, while NNPA remained at 0.0% which is very credible. Provisioning (%) stood at 4.21%.
- Provisions came in at Rs 1.55 Bn (Additional Rs 1.52 Bn Covid Related provisioning), 903% YoY / 12% QoQ. The total COVID-19 related provisioning buffer stands at Rs 2.45 bn (2.08% of loan portfolio)

#### Update on Moratorium and Collection Efficiencies.

- Company had offered Moratorium 1.0 to all its customers from March to May.
- Moratorium has come down to 24% of book in July for Credit Access from 100% in April and May. **64% of borrowers have made 100% payment in July including accrued interest of previous months, 12% of borrowers have made 50%-100% of payments, 7% of borrowers have made 0%-50% of payments and 17% have made no payments.**
- For Madura moratorium book as on July is higher at 36% and is improving by the month.
- Collection efficiency of 76% in the month of July for Credit Access (64% CE for Madura) with Madhya Pradesh showing highest collection efficiency of 88% and Maharashtra lowest at 65% (due to some localized lockdowns, situation is improving).

#### Outlook

We continue like the company as it has consistently shown strong operating performance with stable asset quality and conservative provisioning standards. Excellent disclosures related to collection efficiencies is very welcome and Covid can provide a good opportunity for the company to grow their portfolio in second half of the year. 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	186	2.9
FY21e	15.5	10.0	4.0	26.5	217	2.5
FY22e	19.4	12.2	6.3	43.0	260	2.1



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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 enabled digital payments for customers to repay dues and disbursements are 100% cashless
- Have reassigned some work force from another districts to districts where there is stress.
- Able to meet >98% centers with 100% employees back to work.
- New disbursements are made only to borrowers making on-time payments.

## Disbursements and growth prospects

- Disbursements started in last week of June cumulative disbursements of INR 573 crores in June and July, disbursements only being made to borrowers making on time payment.
- 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 double digit growth if they get 5 months of smooth operations.**

## Moratorium levels

- Moratorium from 100% of book in Morat 1, has come down to 24% of book in July for Credit Access. 64% of borrowers have made 100% payment in July including accrued interest of previous months, 12% of borrowers have made 50%-100% of payments, 7% of borrowers have made 0%-50% of payments and 17% have made no payments
- For Madura moratorium book as on July is higher at 36%. Difference in collection efficiencies between two companies due to monthly collection system of Madura compared to weekly in Credit Access, but the situation is still better than the industry average and collection efficiencies are improving.
- 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.
- Moratorium levels can drop to single digit levels by September.

## Geography

- Localized lockdowns in certain parts of Maharashtra, Karnataka and Tamil Nadu have affected collections, Maharashtra recorded lowest collection efficiency among all states with collection efficiency of 65%, leaving out Maharashtra collection efficiency would have been higher than 80%.
- As incremental loans are being given in other states, management expects concentration risk regarding geographies to come down significantly in the next 2-3 years.

## 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 and money raised via CP for 3 month period

- Have sufficient capital, but will continue to monitor situation. Have Rs 1,377.2 Cr cash / bank balance and liquid investments as on 30th June 2020, increased to Rs 1,636 Cr as on 30th July 2020.
- 200 crore raised via CP's as part of credit guarantee scheme not due to any emergency but was to introduce a new source of funding for the company and money was raised at an attractive rate. Mainly done to diversify source of funding.



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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. Although Madura's performance is good it has still not reached the level of Credit Access and we will be looking at it closely in the coming quarters 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	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Interest Earned	3.0	3.5	3.3	3.7	3.9	4.4	4.5	4.9
Interest Expended	1.0	1.1	1.0	1.2	1.4	1.4	1.7	1.9
<b>NII</b>	<b>2.0</b>	<b>2.3</b>	<b>2.3</b>	<b>2.5</b>	<b>2.5</b>	<b>3.0</b>	<b>2.8</b>	<b>3.0</b>
Other Income	1.1	1.2	1.0	1.3	1.4	1.5	.0	.25
<b>Net Income</b>	<b>3.1</b>	<b>3.5</b>	<b>3.3</b>	<b>3.8</b>	<b>3.9</b>	<b>4.5</b>	<b>2.9</b>	<b>3.2</b>
Opex	.7	.7	.8	.9	1.0	1.1	1.0	1.1
<b>PPOP</b>	<b>1.3</b>	<b>1.6</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>	<b>2.0</b>	<b>1.9</b>	<b>2.1</b>
Provisions	.2	.1	.3	.1	.3	.5	1.4	1.2
<b>PBT</b>	<b>1.1</b>	<b>1.5</b>	<b>1.1</b>	<b>1.5</b>	<b>1.2</b>	<b>1.5</b>	<b>.3</b>	<b>.8</b>
Tax	.4	.5	.4	.5	.2	.3	.0	.2
<b>PAT</b>	<b>.7</b>	<b>1</b>	<b>.7</b>	<b>1</b>	<b>1</b>	<b>1.1</b>	<b>.2</b>	<b>.6</b>
<b>Loan Portfolio Rs Bn</b>								
Gross Loan Portfolio	58	60	72	76	79	89	99	97
IGL	45	47	61	65	67	75	84	83
Retail Loans	1.6	2	3.2	3.7	4.3	4.6	5	5
<b>Ratios (%)</b>								
GNPA	1.0	1.1	0.6	0.5	0.5	0.8	1.5	1.6
NNPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAR	40.4	41.2	35.7	34.6	34.2	32.4	23.6	23.7
Cost/Income	35.7	31.9	35.2	35.4	39.8	34.8	36.6	31.0
Portfolio Yield	20.5	20.9	18.6	19.7	19.5	19.7	19.6	20.5
Cost of Borrowing	10.5	10.7	9.9	10.2	10.3	10.0	9.6	9.4
Spread	10.0	10.2	8.7	9.5	9.2	9.7	10	11
NIM	12.9	13.2	12.0	12.6	12.1	12.4	12.1	12.6
ROA	4.9	6.0	4.1	4.8	4.8	4.6	3.6	2.2
ROE	15.7	17.7	13.1	15.9	16.1	16.5	12.9	9.4



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

<b>BS (Rs Bn)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
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
<b>Total</b>	<b>73.6</b>	<b>125.9</b>	<b>150.7</b>	<b>190.9</b>
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
<b>Total</b>	<b>73.6</b>	<b>125.9</b>	<b>150.7</b>	<b>190.9</b>

<b>Ratios (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>Growth</b>				
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
<b>Returns</b>				
ROA	5.2	3.3	2.8	3.7
ROE	16.9	13.1	13.1	18.1

<b>Ratios (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>Asset quality</b>				
GNPA	0.6	1.5	2.7	1.4
NNPA	0.0	0.0	0.0	0.0
<b>Per share (Rs)</b>				
EPS	22.4	23.2	26.5	43.0
BVPS	165	190	217	260
P/E	24	22	20	13
P/BVPS	3.2	2.8	2.5	2.0



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