

### Robust Business Growth, Unfortunately Covid Second Wave May Affect Collections In Near Term

**Credit Access Grameen has reported good performance in Q4'21. Gross loan Portfolio and disbursements have shown strong growth while collections in Maharashtra remains a stress point due to second wave of covid.**

**Gross Loan Portfolio (GLP) at INR 135.8 Bn (13.3% YoY/10% QoQ). Disbursements showed strong growth and grew by (42%YoY/3% QoQ) to INR 47.2 Bn which is a big positive.**

- **Net Interest Income came in at INR 4.64 Bn, 58.0% YoY/53%QoQ vs our expectation of INR 3.2 Bn.**
- **Other Income came in at INR .25 Bn, 61.3% YoY/ +71.6% QoQ**
- **PPOP came in at INR 3.29 Bn, 83.3%YoY/93.2% QoQ vs our expectation of INR 1.7 Bn.**
- **Provisions came in at INR 1.3 Bn, 146.0% YoY / (50.0)% QoQ**
- **Company reported a profit of INR .56 Bn, 82.8%YoY / 171.2% QoQ below our estimates of profit of INR .6 Bn mainly due to accelerated provisioning.**
- **EPS stood at INR 3.62 vs INR 2.0 / INR (5.12) in YoY / QoQ respectively.**

#### Financial and Operational Highlights

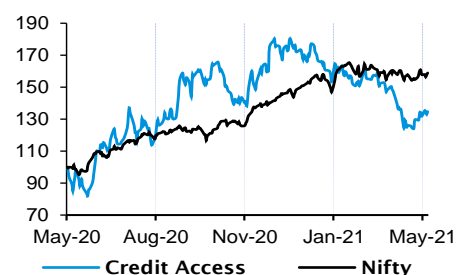
- **Gross Loan Portfolio (GLP) at INR 135.87 bn (13.3% YoY/10% QoQ). Disbursements showed good growth and grew by (42%YoY/3% QoQ) to INR 47.26bn which is a big positive.**
- **Asset Quality showed slight improvement with GNPA which came at 4.43% (-172bps QoQ). Write-off of INR 3.17 bn (incl. accelerated write-off of INR 2.73bn) in Q4 FY21.**
- **Extremely conservative provisioning of INR 1.3Bn. Total ECL provisions stands at INR 6.22Bn (5.01% of loan portfolio). Provisioning of INR 1.12 bn set aside for FY22 as covid affects collections.**

Rating	TP (Rs)	Up/Dn (%)
<b>HOLD</b>	<b>650</b>	<b>6</b>

#### Market data

<b>Current price</b>	<b>Rs</b>	<b>611</b>
Market Cap (Rs.Bn)	(Rs Bn)	96
Market Cap (US\$ Mn)	(US\$ Mn)	1299
Face Value	Rs	10
52 Weeks High/Low	Rs	839/359
Average Daily Volume	('000)	73
BSE Code		532174
Bloomberg		CREDAG:IN
Source: Bloomberg		

#### One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	73.99	74.03
Public	26.01	25.97
Others	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

#### Financial Summary

Y/E Mar(Rs Bn)	FY19	FY20	FY21	FY22E	FY23E
Nil	8	10	15	19	22
Operating Profit	6	7	10	12	15
Net Profit	3	3	1	6	8
Net Worth	24	27	37	43	51
EPS(Rs)	22	23	9	36	52
growth(%)	36.0	1.0	(39.0)	300.0	44.0
P/E(X)	27.0	26.0	67.0	17.0	12.0
P/BV(x)	4.2	3.7	3.1	2.2	1.9
ROA(%)	5.2	3.6	1.2	3.7	3.9
ROE(%)	16.9	13.0	5.0	15.0	17.0

Source: Dalal & Broacha Research

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- Credit Access recorded collection efficiency of 97% in March / 96% in February, Madura Micro Finance collection efficiency lags behind with 91% in March.
- In Credit Access 94.8%/3.3% of customers have made full/partial payments as of March.
- We would have liked customers who made full payments to have touched 97/98% at least but management is confident things will improve in next 2 quarters.
- Collection efficiency has once again dropped in second half of April.
- Operational efficiency improved as income rose, with standalone cost to income ratio stood at 29.2% (-1430 bps QoQ).
- Capital Adequacy remains strong with CRAR of 26.8%.
- Strong liquidity position cash/bank balance of INR 24.84Bn as on March'21.

**We would have liked customers who made full payments to have touched 97% at least but management is confident things will improve.**

## Valuation and Outlook

Credit Access Grameen Ltd has reported stable numbers this quarter. GLP growth of 13.3% on a YoY basis and 10% QoQ in these challenging times with strong growth in disbursements is very credible. Situation in Maharashtra continues to remain a concern and company although have made conservative provisioning, we feel stress could persist leading into Q1 FY22 also as second wave of covid is raging across the country.

Low collection efficiencies for Madura is a negative and continues to lag behind Credit Access, collection efficiencies still have not reached levels which we would like with Maharashtra proving to be a stress point with increase in lockdowns across the country.

At current price of INR 611 stock trades at P/BV of 2.2x for Fy22 and we have a HOLD rating on the stock with target price of INR 650. **We are continuing to maintain our Target price of INR 650 and maintain our "HOLD" rating.**

## Highlights of the Conference Call

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### Collection Efficiency

- Gradual pick-up in monthly collections (excl. arrears/ incl. arrears).
- CAGL: 97% in March-21, MMFL: 91% in Mar-21.

### Portfolio At Risk

- PAR excluding Maharashtra is trending as per management anticipation – reaching near normalcy.
- PAR 0 at 5.2% as on March'21 reduced from 11.8% in December'20, excluding Maharashtra at 4.0%.
- Collections have dipped by 5-6% in 2<sup>nd</sup> half of April21 vs Mar'21

### Collection Issue in Maharashtra

- In Maharashtra, management expected recovery to be slower by 2-3 months. Current status is in line with management expectation.
- PAR in Maharashtra is expected to gradually reduce over coming two quarters.

### Full payment and Partial Payment Numbers

- Continued efforts to encourage customers to maintain/ improve the repayment trend
- Not able to conduct group meetings due to covid, a single person collecting group's payments and depositing in branch.
- Focus on roll-back of partially paying customers and activation of non-paying customers
- Write-off of INR 317.9 Cr (incl. accelerated write-off of INR 273.4 Cr) in Q4 FY21
- In Credit Access 94.8%/3.3% of customers have made full/partial payments as of March'21.

### Provisioning

- CAGL adopts conservative approach leading to early recognition of risk backed by accelerated provisioning coverage.
- Most of the additional provisioning due to second wave of covid and lockdowns.

### Disbursements

- Disbursements back to pre-covid levels. Disbursement of INR 1,577 crores in March'21 vs INR 1,064 in Jan'20.
- 10.9 Lakh GL borrowers have completed 3 years, with strong client retention. Book is seasoning well.

## Financials

P&L Rs Bn	Q2FY 20	Q3FY 20	Q4FY 20	Q1FY 21	Q2FY 21	Q3FY 21	Q4FY 21
Interest Earned	3.9	4.4	4.5	4.9	4.6	4.1	5
Interest Expended	1.4	1.4	1.7	1.9	1.9	1.8	1
<b>NII</b>	<b>2.5</b>	<b>3</b>	<b>2.8</b>	<b>3</b>	<b>2.7</b>	<b>2.5</b>	<b>4</b>
Other Income	1.4	1.5	0	0.25	0.1	0.1	0.1
<b>Net Income</b>	<b>3.9</b>	<b>4.5</b>	<b>2.9</b>	<b>3.2</b>	<b>2.8</b>	<b>2.6</b>	<b>4.2</b>
Opex	1	1	1	1	1	1	1
<b>PPOP</b>	<b>1.6</b>	<b>2.0</b>	<b>1.9</b>	<b>2.1</b>	<b>1.7</b>	<b>1.4</b>	<b>3.0</b>
Provisions	0	1	1	1	1	2	2
<b>PBT</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>(0.9)</b>	<b>1.0</b>
<b>Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0.2)</b>	<b>0.2</b>
<b>PAT</b>	<b>1.0</b>	<b>1.1</b>	<b>0.2</b>	<b>0.6</b>	<b>0.7</b>	<b>(0.7)</b>	<b>0.7</b>
<b>Loan Portfolio Rs Bn</b>							
Gross Loan Portfolio	79	89	99	97	92	102	113
IGL	67	75	84	83	81	98	105
Retail Loans	4	5	5	5	4	4	8
<b>Ratios(%)</b>							
GNPA	0.8	1.5	1.6	1.6	1.0	1.0	4.4
NNPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAR	32.4	23.6	23.7	26.4	31.4	31.4	31.8
Cost/Income	34.8	36.6	31.0	39.2	43.5	43.5	34.8
Portfolio Yield	19.7	19.6	20.5	19.7	16.3	16.3	18.6
Cost of Borrowing	10.0	9.6	9.4	9.6	9.4	9.4	8.9
Spread	9.7	10.0	11.0	11.1	6.9	6.9	9.7
NIM	12.4	12.1	12.6	11.1	8.7	8.7	11.3
ROA	4.6	3.6	2.2	2.7	(2.5)	(2.5)	1.2
ROE	16.5	12.9	9.4	11.3	(9.0)	(9.0)	4.6

Source: Dalal & Broacha Research, Company

## Exhibit 1:

P&L (Rs Bn)	FY 20	FY 21	FY 22	FY 23
Interest Earned	16.3	23	31.2	40.3
Interest Expended	5.8	9.2	11.8	17.8
<b>NII</b>	<b>10.5</b>	<b>14</b>	<b>19.4</b>	<b>22.5</b>
Other Income	0.7	1.3	1.7	3.3
<b>Net Income</b>	<b>11.2</b>	<b>15.3</b>	<b>21.1</b>	<b>25.8</b>
Opex	4.2	5.8	8.9	10.7
<b>PPOP</b>	<b>6.9</b>	<b>9.5</b>	<b>12.2</b>	<b>15.1</b>
Provisions	2.3	7.7	3.8	3.9
PBT	<b>4.6</b>	<b>1.8</b>	<b>8.4</b>	<b>11.3</b>
Tax	1.3	0.5	2.1	3.1
<b>PAT</b>	<b>3.4</b>	<b>1.3</b>	<b>6.3</b>	<b>8.2</b>

Source: Dalal &amp; Broacha Research, Company

## Exhibit 2:

BS (Rs Bn)	FY 20	FY 21	FY 22	FY 23
Capital	1.4	1.5	1.5	1.5
Reserves	25.9	35.4	36.6	41.3
Minority Interest	1.1			
Borrowings	95.4	112.0	150.4	161.2
Other Liabilities	2.0	2.2	2.3	2.3
<b>Total</b>	<b>125.9</b>	<b>150.5</b>	<b>190.9</b>	<b>206.3</b>
Cash & Bank	7.2	24.0	3.9	5.3
Advances	110.9	117.2	179.8	190.2
Intangible Assets	4.9	1.6	4.4	4.5
Fixed Assets	0.3	0.3	0.4	0.4
Other Assets	2.5	7.0	2.4	3.5
<b>Total</b>	<b>125.9</b>	<b>150.7</b>	<b>190.9</b>	<b>206.3</b>

Source: Dalal &amp; Broacha Research, Company

## Exhibit 3:

Ratios (%)	FY 20	FY 21	FY 22	FY 23
<b>Asset Quality</b>				
GNPA	1.5	4.4	2.0	1.6
NNPA	0.0	0.0	0.0	0.0
ROA	3.6	1.5	3.7	3.9
ROE	13.0	5.0	15.0	17.0
<b>Returns</b>				
EPS	23.0	9.0	36.0	52.0
BVPS	165.0	197.0	277.0	321.0
P/E	26.0	67.0	17.0	12.0
P/BVPS	3.7	3.1	2.2	1.9

Source: Dalal &amp; Broacha Research, Company

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