

CMP: ₹ 1237

Target: ₹ 1450 (17%)

Target Period: 12 months

BUY

July 29, 2025

Gradual revival across parameters; Normalization likely in 2H

About the stock: CreditAccess Grameen is one of the largest microfinance companies in India, having over 3 decades of experience, over ₹ 26,055 crore AUM and a strong distribution channel to provide financial aid to low-income households.

- It operates in over 16 states and 1 UT with 2,114 branches, having a growing employee base of 21,333

Q1FY26 performance: CreditAccess Grameen reported gradual revival across parameters with gross loan increasing 0.4% QoQ to ₹26,055 crore, despite accelerated write-offs of ₹693 crore. Disbursements increased 21.9% YoY, with borrowers' base at 45.6 lakh, indicating selective approach. Asset quality improved with PAR 0+ at 5.9% (vs 6.9%), PAR 30+ at 4.9% (vs 5.5%) and PAR 60+ at 4.1% (vs 4.3%), though Karnataka PAR rose to 9.2%, keeping regional stress a concern. NIM improved to 12.8%, while PPOP rose to ₹653 crore and PAT came at ₹60 crore. Credit cost continued to moderate sequentially to ₹572 crore.

Investment Rationale

- Improving collections and margin to drive performance:** Overall collection efficiency improved to 93.2% in 1QFY26 from 92% in 4QFY25, supported by lower stress flows and 100 bps improvement in 0+ pool to 5.9%. Management expects AUM growth to remain soft in the first half and accelerate growth in second half as asset quality stabilizes. For FY26, AUM is guided to grow at 14–18%, driven by 8–12% growth in MFI and support from disbursement in retail finance. While accrual of cost benefit is expected to remain gradual, lower delinquencies in 2HFY26 is seen to keep margins at ~12.8%.
- Moderation in forward flows to aid RoA; Karnataka remains monitorable:** Fresh PAR accretion trends are improving, with PAR 0+ moderating to 5.9% from 6.9% and fresh PAR 15+ accretion down to 1.9% from 2.8%, with further moderation expected. Karnataka remains the key state to watch, though fresh PAR 15+ accretion has steadily improved to 0.58% in June from 1.17% in May. With reduced customer over-leverage and prudent buffers, credit cost is set to improve gradually while management guides for 5.5–6% for FY26E, including 1–1.25% of provision related to Karnataka and 1–1.25% related to write-offs of existing delinquencies.

Rating and Target Price

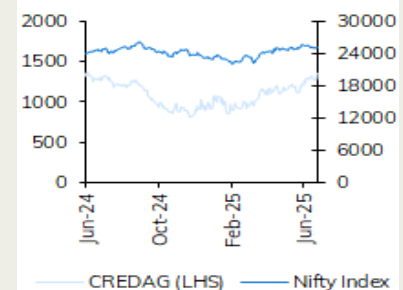
- Signs of continued revival in performance and visibility on pick-up in business growth as well as subsiding of stress bodes well for earnings. While reiteration of earlier guidance induce confidence, regional collection trend remains watchful.
- Anticipating further revival in 2HFY26, we value the stock at 2.4x FY27E BV assigning a target of ₹ 1,450. Recommend Buy rating on the stock.

**Particulars**

Particulars	Amount
Market Capitalisation	₹ 21,686 crore
52 week H/L	1396 / 750
Net Worth	₹ 7,004 crore
Face value	10.0
DII holding (%)	12.8
FII holding (%)	12.1

Shareholding pattern

(in %)	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	66.5	66.5	66.4	66.4
FII	10.8	9.8	11.4	12.1
DII	14.9	14.2	12.7	12.8
Others	7.8	9.6	9.5	8.7

Price Chart**Key risks**

- Moderation in AUM growth
- Delay in regional revival could impact delinquencies and thereby credit cost

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Key Financial Summary

₹ crore	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	3 Year CAGR (FY25-27E)
NII	2,114	3,168	3,599	30%	3,944	4,532	12%
PPP	1,506	2,391	2,638	32%	2,903	3,336	12%
PAT	826	1,446	532	-20%	971	1,614	74%
ABV (₹)	316.4	407.0	407.5		468.6	573.7	
P/E	26.0	14.9	40.6		22.2	13.4	
P/ABV	4.3	3.3	3.3		2.9	2.4	
RoE (%)	17.8	24.8	7.9		13.0	18.5	
RoA (%)	4.2	5.7	1.9		3.3	4.8	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Business Segment Performance

- Retail Finance Book (as of Jun-25): Unsecured Business Loans: ₹ 1,300 crore (~75% of retail book), average tenure 3 years, offered in Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh.
- Mortgage Loans at ₹ 250 crore and affordable Housing Loans at ₹ 134 crore.
- 2.6 lakh New Borrower were added in Q1FY26, of which 43% are new-to-credit.
- Borrower base - 33% unique to CA Grameen vs 26% in Aug-24.
- 54 new branches were added in Q1FY26 (front-loaded); total retail finance branches grew from ~400–500 last year to 735 branches now.
- Employee base increased from 20,970 (Q4FY25) to 21,333 (Q1FY26); attrition low at 27.1% annualized.

Margins & Costs

- Majority of borrowings are MCLR-linked with annual reset. 100 bps repo cut to effect in over 2 quarters. 8 bps benefit already seen in Q1FY26; larger impact by Q4FY26 and Q1FY27.
- Cost of funds is expected to improve gradually as reset cycles catch up.
- Q1FY26 opex was elevated due to annual bonus revisions and continued hiring in Q4 & Q1. Expected to moderate below 5% as growth picks up.

Asset Quality

- Karnataka new PAR 15+ accretion is showing marginal signs of improvement; however, normalization is expected in Q3FY26.
- Bihar witnessed a de-growth owing to increase in slippages and shortage of employees which has been resolved.
- July collections stable; revival expected for August and September.
- Digital collections stand at ~16% of overall collection.
- Even with post-9 am meeting attendance dips, repayments remain unaffected due to strong early-morning attendance.
- PAR 30 (Unsecured BL) rose to ~2%, up ~75–80 bps QoQ, mainly Karnataka stress. 41% of borrowers in PAR 1–60 and 9% in PAR 60+ making partial payments and ~35% of PAR 15+ borrowers have exposure to >3 lenders.
- Write-offs were at ₹ 690 crore in Q1FY26, total write-offs (incl. ₹ 600 crore accelerated), leading to ₹ 193 crore extra credit cost.

Guidance reiterated

- AUM Guidance: Target 14–18% growth in FY26. In this MFI book to grow 8–12%. Retail Finance to be the key driver.
- Q2FY26 AUM to remain stable due to accelerated write-offs, expected to grow with disbursements in H2.
- Mix Guidance: Expected to rebalance to 50:50 (Unsecured: Mortgage) over medium term as mortgages ramp up.
- Active borrower base growth guidance at ~5–7% over next 6 months (~1 lakh/month).
- Capital Sanctions: ₹ 3,090 crore already sanctioned; ₹ 6,500 crore in pipeline (mostly for MFI). Strong liquidity on books at ₹ 2,030 crore.
- Credit costs guidance elevated at 5.5–6% in FY26; 3–3.5% related to MFI, 1–1.25% related to delinquencies in Karnataka and 1–1.25% on account of write-offs.
- Collections & Approvals: Rejection rates currently up 5–10%, but approval rates expected to improve post-Q2FY26 as borrower leverage declines.

Exhibit 1: Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
NII	906	927	-2.3	876	3.4	Sequential growth in NII in-line with AUM trend
NIM (%)	12.8	13.0	-20 bps	12.7	10 bps	
Other Income	75	75	0.1	75	0.0	
Net Total Income	981	1,002	-2.1	952	3.1	
Staff cost	221	188	17.8	175	26.1	Employee cost up as headcount rose to 21,333
Other Operating Expenses	107	105	2.0	121	-11.0	
PPP	653	709	-7.9	656	-0.5	
Provision	572	175	227.5	583	-1.9	Credit cost continued to remain elevated at 2.23% (annualised)
PBT	81	535	-84.8	73	11.0	
Tax Outgo	21	137	-84.7	4	440.8	
PAT	60	398	-84.9	69	-13.1	Higher provision impacted earnings
Key Metrics						
Gross loans (₹ crore)	26,055	26,304	-0.9	25,948	0.4	Pace of customer accretion moderate
Borrowers (nos '000)	4,562	4,984	-8.5	4,694	-2.8	
GNPA (%)	4.70	1.46	324 bps	4.76	-6 bps	Collection efficiency at 93.2%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Interest Earned	4,900	5,547	6,011	6,836
Interest Expended	1,732	1,948	2,067	2,304
Net Interest Income	3,168	3,599	3,944	4,532
% growth	49.8	13.6	9.6	14.9
Non Interest Income	273	209	340	366
Net Income	3,440	3,809	4,283	4,898
Employee cost	669	730	815	933
Other operating Exp.	380	440	565	629
Operating Profit	2,391	2,638	2,903	3,336
Provisions	452	1,930	1,609	1,184
PBT	1,939	709	1,294	2,152
Taxes	493	177	324	538
Net Profit	1,446	532	971	1,614
% growth	75.0	(63.2)	82.6	66.3
EPS (₹)	90.7	33.3	60.8	101.1

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Valuation				
No. of Equity Shares	15.9	16.0	16.0	16.0
EPS (₹)	90.7	33.3	60.8	101.1
BV (₹)	412.2	435.5	496.3	597.4
ABV (₹)	407.0	407.5	468.6	573.7
P/E	13.6	37.2	20.4	12.2
P/BV	3.0	2.8	2.5	2.1
P/adj.BV	3.0	3.0	2.6	2.2
Yields & Margins (%)				
Yield on Advances	18.3%	21.4%	21.8%	21.7%
Avg. cost on funds	7.9%	9.5%	9.0%	8.8%
Net Interest Margins	13.3%	13.7%	14.3%	14.4%
Spreads	10.4%	11.9%	12.8%	12.9%
Quality and Efficiency				
Cost / Total net income	30.5%	30.7%	32.2%	31.9%
GNPA%	1.2%	4.8%	5.5%	4.5%
NNPA%	0.4%	1.7%	1.6%	1.2%
RoE (%)	24.8%	7.9%	13.0%	18.5%
RoA (%)	5.7%	1.9%	3.3%	4.8%

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Sources of Funds				
Capital	159	160	160	160
Reserves and Surplus	6,411	6,796	7,767	9,381
Networth	6,570	6,956	7,927	9,541
Borrowings	21,841	20,446	22,899	26,105
Other Liabilities & Provisions	435	401	715	580
Total	28,846	27,802	31,541	36,226
Applications of Funds				
Fixed Assets	32	44	47	50
Investments	1,500	994	1,094	1,203
Advances	25,298	24,663	27,887	32,176
Other Assets	2,041	2,102	2,514	2,798
Total	28,871	27,802	31,541	36,226

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Total assets	32.1%	-3.7%	13.4%	14.9%
Advances	32.8%	-2.5%	13.1%	15.4%
Borrowings	34.7%	-6.4%	12.0%	14.0%
Total Income	47.2%	10.7%	12.5%	14.4%
Net interest income	49.8%	13.6%	9.6%	14.9%
Operating expenses	26.2%	11.5%	17.9%	13.2%
Operating profit	58.7%	10.3%	10.0%	14.9%
Net profit	75.0%	-63.2%	82.6%	66.3%
Book value	28.3%	5.7%	14.0%	20.4%
EPS	74.5%	-63.3%	82.6%	66.3%

Source: Company, ICICI Direct Research

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Buy: >15%

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Reduce: -15% to -5%;

Sell: <-15%



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