CreditAccess Grameen Ltd (CREGRA)

ICICI Direct

CMP: ₹ 1391 | Target: ₹ 1600 (15%) | Target Period: 12 months | BUY

October 29, 2025

Result Update

Gradual moderation in stress; H2 remains key for growth...

About the stock: CreditAccess Grameen is one of the largest microfinance companies in India, having over 3 decades of experience, over ₹ 25,904 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 2,209 branches, having a growing employee base of 21,701

Q2FY26 performance: CreditAccess Grameen reported a sequential recovery in Q2FY26, driven by margin expansion and lower credit cost. AUM was flat QoQ (3.1% YoY) as disbursements fell 2% QoQ amid weather disruptions and slower recovery in Karnataka. NIM rose 50 bps QoQ to 13.3% on higher yields (20.7%) and lower CoF (9.6%), supporting stronger profitability. Credit cost moderated to 8.3%, aiding RoA improvement to 1.8%, while asset quality strengthened with PAR 0+ at 4.7% and PAR 90+ at 2.5%. The non-MFI portfolio expanded to 11% of AUM, led by growth in unsecured business loans and wider branch reach.

Investment Rationale

- **Growth to revive in H2; resilience on margins anticipated:** Management reaffirmed its FY26 AUM growth guidance of 14–18%, expecting to achieve the lower end of the range, supported by stronger H2 disbursement momentum, steady customer addition, and continued investment in branch expansion and manpower. The non-MFI portfolio was strategically scaled up to 11.1% of AUM (vs. 6.8% in Q1FY26), including ₹285 crore of reclassified loans, with management targeting ~15% share in near term to drive portfolio diversification. We build in a more measured ~15% CAGR over FY26–27E, with management remaining optimistic about FY27E.
- **RoA at 4-4.5%, despite 70-100 bps ECL impact:** Management guided that 70–100 bps ECL impact expected in FY27E, due to as FY26 data with higher delinquencies will get captured in ECL framework, will be largely offset by 60–70 bps NIM expansion and 30–40 bps improvement in operating efficiency, enabling RoA to remain steady at 4–4.5%. Asset quality trends continue to strengthen, with PAR 0+ improving to 4.7% (from 5.9% in Q1) and PAR 90+ to 2.5% (from 3.3%), while collection efficiency remains stable at ~94.5%, though temporary stress persisted in Karnataka, Maharashtra, and MP due to heavy rains management expects recovery by Nov–Dec.

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 in H2FY26 remains well for earnings outlook.
- We continue to value the stock at 2.8x FY27E BV, maintaining Buy rating on stock with target price also maintained at ₹1600.

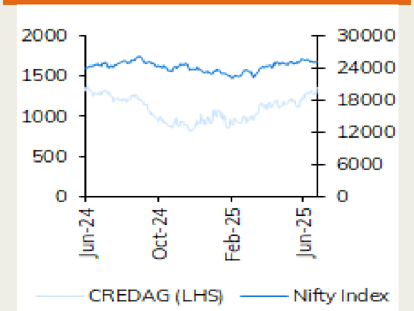
Particulars

Particulars	Amount
Market Capitalisation	₹ 22,564 crore
52 week H/L	1,490 / 750
Net Worth	₹ 7,164 crore
Face value	10.0
DII holding (%)	13.3
FII holding (%)	12.3

Shareholding pattern

(in %)	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	66.5	66.4	66.4	66.4
FII	9.8	11.4	12.1	12.3
DII	14.2	12.7	12.8	13.3
Others	9.6	9.5	8.7	8.0

Price Chart



Key risks

(i) Lower than expected AUM growth

(ii) Delay in regional revival could impact delinquencies and higher ECL credit cost impact

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Parth Chintkindi
parth.chintkindi@icicisecurities.com

Key Financial Summary

₹ crore	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
NII	2,114	3,168	3,599	30%	3,820	4,496	11.76%
PPP	1,506	2,391	2,638	32%	2,778	3,290	11.67%
PAT	826	1,446	532	-20%	811	1,428	63.87%
ABV (₹)	316.4	407.0	407.5		458.6	552.0	16.39%
P/E	26.8	15.3	41.8		27.4	15.6	-38.97%
P/ABV	4.4	3.4	3.4		3.0	2.5	
RoE (%)	17.8	24.8	7.9		11.0	16.8	
RoA (%)	4.2	5.7	1.9		2.7	4.2	

Source: Company, ICICI Direct Research

ICICI Securities – Retail Equity Research

Concall highlights and outlook

Business Performance

- Management reaffirmed FY26 AUM growth guidance of 14–18%, emphasizing on meeting lower end of the range, on the back of anticipated stronger momentum in H2 as disbursements accelerate and write-offs normalize.
- Disbursements rose 32.9% YoY to ₹5,322 crore, with 2.2 lakh new borrowers added in Q2 (4.4 lakh in H1FY26), of which 39% were new-to-credit.
- The Retail Finance (RF) portfolio rose to 11.1% of AUM (vs 6.8% in Q1), supported by disciplined underwriting and migration of vintage group borrowers into individual loans.
- Management targets RF share at 15% in the near term, with expansion from 800 to 1,000+ branches by FY26-end
- Within RF, unsecured business loans exceed ₹2,000 crore, with plans to gradually scale secured (mortgage) products

Margins & Costs

- NIM improved 50 bps QoQ to 13.3%, led by higher asset yields (up 40 bps to 20.7%) and lower CoF (down 11 bps to 9.6%).
- Opex-to-assets expected to improve by ~20 bps to 4.6–4.7% as portfolio growth resumes and new branches stabilize.
- Management expects 60–70 bps NIM and 30–40 bps opex improvement in FY27E, offsetting higher credit cost and sustaining RoA at 4–4.5% (including anticipated higher ECL provisions).
- Raised ₹3,519 crore of borrowing in Q2 at 8.9% marginal cost; foreign borrowings at 23.7% of total borrowings, targeting 25–30% by FY28E.
- Liquidity remained comfortable at ₹2,176 crore (7.9% of total assets); sanctioned lines of ₹3,455 crore and ₹6,260 crore in pipeline.
- Cost-to-income ratio stood at 32.5%.

Asset Quality

- Over-leveraging has reduced sharply — borrowers with >3 lenders declined to 6.9% (25.3% in Aug'24), and those with >₹2 lakh unsecured indebtedness to 7.2% (19.1% in Aug'24).
- FY26 credit cost to rise 70–100 bps due to as FY26 data with higher delinquencies will get captured in ECL framework
- RoA guidance at 4–4.5% for FY27E, including ~70–80 bps one-time ECL refresh impact.
- Management highlighted that accelerated write-off phase is largely complete; credit cost will normalize in H2FY26.
- Temporary stress persisted in Karnataka, Maharashtra, and MP due to heavy rains; recovery expected by November–December.
- Bihar portfolio stabilizing post internal corrective actions; growth expected to resume post-Q3.
- Sequential write-offs (~₹680 cr in Q2) are expected to decline sharply in H2FY26, as the accelerated clean-up phase concludes.

Other updates

- Mr. Manoj Kumar appointed as Chairman & Independent Director (on board since 2019), bringing over two decades of experience across banking, fintech, and social impact ventures.
- GNPA 3.65% / NNPA 1.26% (60+ DPD); PAR 90 at 2.5% and collection efficiency (ex-arrears) at 94.5%.
- Capital adequacy at 26.1%; ROA 1.8%, ROE 7.1% for the quarter.

Exhibit 1: Variance Analysis

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
NII	935	933	0.2	906	3.2	Sequential growth in NII in-line with margin trend
NIM (%)	13.3	13.5	-20 bps	12.8	50 bps	Decline in stress accretion aid yields and margins
Other Income	170	112	52.7	75	125.7	
Net Total Income	1,105	1,045	5.8	981	12.6	
Staff cost	219	189	16.1	221	-0.9	Employee cost up as headcount rose to 21,701
Other Operating Expenses	115	108	6.5	107	7.5	
PPP	695	672	3.4	653	6.4	
Provision	526	420	25.1	572	-8.1	Sequential improvement seen in credit cost despite accelerated write-off
PBT	169	252	-32.8	81	108.5	
Tax Outgo	43	66	-34.2	21	107.1	
PAT	126	186	-32.3	60	109.0	Lower credit cost aid sequential earnings trend
Key Metrics						
Gross loans (₹ crore)	25,904	25,133	3.1	26,055	-0.6	2.2 lakh customers added in Q2FY26
Borrowers (nos '000)	4,440	4,933	-10.0	4,562	-2.7	
GNPA (%)	3.65	2.44	121 bps	4.70	-105 bps	Collection efficiency at 94.5% (excl arrears)

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	5,790	6,741
Interest Expended	1,732	1,948	1,970	2,245
Net Interest Income	3,168	3,599	3,820	4,496
% growth	49.8	13.6	6.1	17.7
Non Interest Income	273	209	310	336
Net Income	3,440	3,809	4,130	4,832
Employee cost	669	730	862	996
Other operating Exp.	380	440	490	547
Operating Profit	2,391	2,638	2,778	3,290
Provisions	452	1,930	1,697	1,386
PBT	1,939	709	1,081	1,903
Taxes	493	177	270	476
Net Profit	1,446	532	811	1,428
% growth	75.0	(63.2)	52.5	76.0
EPS (₹)	90.7	33.3	50.8	89.4

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	50.8	89.4
BV (₹)	412.2	435.5	486.3	575.7
ABV (₹)	407.0	407.5	458.6	552.0
P/E	15.3	41.8	27.4	15.6
P/BV	3.4	3.2	2.9	2.4
P/ABV	3.4	3.4	3.0	2.5
Yields & Margins (%)				
Yield on Advances	18.3%	21.4%	21.0%	21.4%
Avg. cost on funds	7.9%	9.5%	8.5%	8.5%
Net Interest Margins	13.3%	13.7%	13.8%	14.3%
Spreads	10.4%	11.9%	12.5%	12.9%
Quality and Efficiency				
Cost / Total net income	30.5%	30.7%	32.7%	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%	11.0%	16.8%
RoA (%)	5.7%	1.9%	2.7%	4.2%

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	7,607	9,035
Networth	6,570	6,956	7,767	9,195
Borrowings	21,841	20,446	23,104	26,338
Other Liabilities & Provisions	435	401	670	693
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%	13.0%	14.0%
Total Income	47.2%	10.7%	8.4%	17.0%
Net interest income	49.8%	13.6%	6.1%	17.7%
Operating expenses	26.2%	11.5%	15.5%	14.1%
Operating profit	58.7%	10.3%	5.3%	18.4%
Net profit	75.0%	-63.2%	52.5%	76.0%
Book value	28.3%	5.7%	11.7%	18.4%
EPS	74.5%	-63.3%	52.5%	76.0%

Source: Company, ICICI Direct Research

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Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jarwani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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