

CreditAccess Grameen Ltd

CreditAccess Grameen Ltd (CAGL) is a Bangalore based NBFC, which is promoted by CreditAccess Asia N.V. ("CAA"). It is focused on providing micro-loans to women customers, predominantly in Indian rural areas. Their primary focus is to provide income generation loans to their customers, which comprised 87.02% of their total joint lending group (JLG) loan portfolio, as of March 31, 2018. Company's AUM has grown at healthy 65% CAGR over FY2014-18 with strong asset quality (GNPA -1.97%, NNPA- NIL).

Fairly strong AUM growth at 65% CAGR over FY2014-18: Focused approach towards micro loans to unbanked women in deep rural areas, has helped the company to achieve a strong 65% CAGR in AUM over FY2014-18. Further, 86% of the AUM has been lent for income generation activity.

Calibrate approach of branch expansion to propel business: CAGL's expansion strategy, whereby they aim to expand to the next (typically adjoining) district and ensure deep penetration in a particular district within 3 years of commencement of operations in the district has reaped huge benefits. As of March 31, 2018, CAGL had 516 branches and 4,544 loan officers, with its operations being well-diversified at the district level, with no single district contributing more than 5% to their gross AUM.

Strong asset quality, high CAR to support growth: Robust credit assessment process and understanding of targeted market has helped CAGL to maintain superior asset quality (GNP 0.08% in FY17). However, due to demonetisation, asset quality has deteriorated marginally to 1.97% (GNPA), for which 100% provision has been accounted. As on FY18, CAR was 29% and post IPO it would increase further. Given the strong internal capital generation ability, high CAR and IPO proceeds, CAGL would not require equity dilution in the near term.

Outlook & Valuation: At upper end of the IPO price band, CAGL is valued at 3.8x FY18 book value (pre-IPO) and on post dilution basis at 2.9x of BV. The strong sponsorship of CreditAccess Asia, along with a well capitalised balance sheet and an experienced and focused management provides an excellent base for the next level of growth. **Based on the above positive factors we assign SUBSCRIBE rating to the issue.**

Key Financials

Y/E March (₹ cr)	FY14	FY15	FY16	FY17	FY18
NII	53	110	204	344	441
YoY Growth (%)	-	107	85	69	28
PAT	17	49	83	80	125
YoY Growth (%)	-	193	71	(4)	55
EPS	1	4	6	6	10
Book Value	16	29	36	54	111
P/E	326	111	65	67	43
P/BV	26	14	12	8	4
ROE (%)	8	17	20	14	12
ROA (%)	2	3	4	3	3

Source: RHP, Angel Research; Note: Valuation ratios based on pre-issue outstanding shares and at upper end of the price band

SUBSCRIBE

Issue Open: Aug 08, 2018
 Issue Close: Aug 10, 2018

Issue Details

Face Value: ₹10
Present Eq. Paid up Capital: ₹128cr
Offer for Sale: **1.19cr Shares
Fresh issue: ₹630cr
Post Eq. Paid up Capital: ₹143cr
Issue size (amount): *₹1,126.4 cr - **1,131.2 cr
Price Band: ₹418 - ₹422
Lot Size: 35 shares and in multiple thereafter
Post-issue implied mkt. cap: *₹5,992cr - **₹6,049cr
Promoters holding Pre-Issue: 98.9%
Promoters holding Post-Issue: 80.3%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	80.3%
Others	19.7%

Jaikishan J Parmar

Research Analyst

+022 39357600, Extn: 6810

Jaikishan.parmar@angelbroking.com

Company Background

CreditAccess Grameen Ltd (CAGL) is a Bangalore based NBFC, which is promoted by CreditAccess Asia N.V. ("CAA"). It is focused on providing micro-loans to women customers, predominantly in Indian rural areas. Their primary focus is to provide income generation loans to their customers, which comprised 87.02% of their total joint lending group (JLG) loan portfolio, as of March 31, 2018. Company's AUM has grown at healthy 65% CAGR over FY2014-18 with strong asset quality (GNPA -1.97%, NNPA- NIL).

CAGL has adopted the strategy of joint liability group model and equal geographical distribution, which reduces risk of NPAs. It is present across 132 districts in 8 states and 1 union territory (Pondicherry) via 516 branches. None of these locations contributes more than 5% of the gross AUM, ensuring well-diversified distribution and lower risk

Exhibit 1: Details of the Gross AUM & Productivity ratio

Particulars (₹ cr)	FY14	FY15	FY16	FY17	FY18
	AUM	AUM	AUM	AUM	AUM
Income Generation Products	716	1,256	2,243	2,697	4,284
Family Welfare Products	17	32	66	119	117
Home Improvement Products	63	138	212	247	520
Emergency Loan Product	13	21	18	12	2
Individual Retail Finance	-	-	-	1	51
Loan Products	-	-	-	-	-
Micro Insurance Products	-	-	-	-	-
Pension Products	-	-	-	-	-
Total AUM	809	1,447	2,539	3,075	4,974
Number of branches (Nos.)	176	238	298	393	516
Gross AUM per branch (₹ Cr)	4.6	6.1	8.5	7.8	9.6
Gross AUM per employee (₹ Cr)	0.52	0.54	0.66	0.62	0.79
Average ticket size(₹)	6,086	6,660	8,201	10,887	19,671

Source: RHP

Key Management Personnel:

Udaya Kumar Hebbar is the **MD & CEO** of the company. He has served as the head, commercial and banking operations at Barclays Bank PLC, Mumbai for 3 years. He also served at Corporation Bank for a period of over 10 years. He was also associated with ICICI Bank for over 11 years.

Diwakar B.R. is the **Chief Financial Officer** of the company. He has 20 years of experience in the financial services sector. Prior to joining the company, he worked with Small Industries Development Bank of India. He was served as Chief Manager at ICICI Bank Limited and as Commercial Supervisor at ACCION International.

Paolo Brichetti is a **Nominee Director of the Promoter, CAA**, in the company. He is also the founder, chief executive officer and sole executive director of CAA since March, 2017.

Issue details

This IPO is a mix of OFS and issue of fresh shares. The issue would constitute fresh issue worth ₹630cr and OFS worth ₹501cr. OFS largely would offer partial exit to investors, namely Credit access Asia N.V.

Exhibit 2: Pre and Post-IPO shareholding pattern

Particulars	No of shares (Pre-issue)	%	No of shares (Post-issue)	%
Promoter	12,69,85,513	99	11,51,09,028	80
Investor/Public	14,41,824	1	2,82,47,219	20
Total	12,84,27,337	100	14,33,56,247	100

Source: RHP Note: Calculated on upper price band

Objects of the offer

- To achieve benefits of listing equity shares on stock exchanges and to carry out the offer for sale. Listing of equity shares will enhance CAGL's brand name and provide liquidity to existing shareholders.
- To augment its Tier-I capital base to meet the future capital requirements.

Outlook & Valuation

At upper end of the IPO price band, CAGL is valued at 3.8x FY18 book value (pre-IPO) and on post dilution basis at 2.9x of BV. The strong sponsorship of CreditAccess Asia, along with a well capitalised balance sheet and an experienced and focused management provides an excellent base for the next level of growth. **Based on the above positive factors we assign SUBSCRIBE rating to the issue.**

Risks

1. The operations are concentrated in Karnataka and Maharashtra and any adverse sustained economic downturn and political unrest/disruption could change repayment behaviour of the borrowers.
2. Unsecured Portfolio - CAGL's operations involve transactions with relatively high risk borrowers (Unsecured Loan). Any default from the customers could adversely affect the business, operations and financial condition.

Income Statement

Y/E March (₹ cr)	FY14	FY15	FY16	FY17	FY18
Net Interest Income	53	110	204	344	441
- YoY Growth (%)		107	85	69	28
Other Income	22	42	54	48	80
- YoY Growth (%)		88	29	(11)	65
Operating Income	76	152	258	393	521
- YoY Growth (%)		102	70	52	33
Operating Expenses	45	71	115	160	200
- YoY Growth (%)		57	63	39	25
Pre - Provision Profit	31	82	144	233	321
- YoY Growth (%)		168	76	62	38
Prov. & Cont.	6	7	14	109	128
- YoY Growth (%)		19	105	675	18
Profit Before Tax	25	75	130	124	193
- YoY Growth (%)		202	73	(4)	55
Prov. for Taxation	8	26	46	44	68
- Tax Rate	33	35	36	35	35
PAT	16.6	48.7	83.2	80.3	124.6
- YoY Growth (%)		193	71	(4)	55

Source: Company

Balance Sheet

Y/E March (₹ cr)	FY14	FY15	FY16	FY17	FY18
Equity	53	73	73	86	128
Reserve & Surplus	154	303	387	605	1,299
Net worth	207	376	460	691	1,428
Borrowings	805	1,291	2,233	2,668	3,603
Other Liab. & Prov.	46	60	115	205	188
Total Liabilities	1,058	1,727	2,808	3,564	5,218
Cash Balances	325	280	255	364	138
Investments	0.20	0.20	0.20	0.20	0.20
Advances	669	1,340	2,465	3,075	4,975
- Growth (%)		100	84	25	62
Fixed Assets	3	6	11	15	17
Other Assets	58	95	65	61	53
Deffered Tax	3	6	11	48	36
Total Assets	1,058	1,727	2,808	3,564	5,218
- Growth (%)		63%	63%	27%	46%

Source: Company

Key Ratio

Y/E March (₹ cr)	FY14	FY15	FY16	FY17	FY18
Profitability ratios (%)					
NIMs	8.0	11.0	10.7	12.4	11.0
Cost to Income Ratio	59.6	46.3	44.5	40.7	38.3
RoA	1.6	3.5	3.7	2.5	2.8
RoE	8.0	16.7	19.9	14.0	11.8
B/S ratios (%)					
CAR	31.5	28.1	21.5	29.7	28.9
- Tier I	28.7	26.5	17.6	20.2	28.1
- Tier II	2.83	1.58	3.88	9.50	0.87
Asset Quality (%)					
Gross NPAs	0.01	0.04	0.08	0.08	1.97
Gross NPAs (₹ cr)	0.1	0.5	2.0	2.6	98.1
Net NPAs	-	-	-	-	-
Net NPAs (₹ cr)	-	-	-	-	-
Credit Cost on Advance	0.71	0.47	0.55	3.53	2.58
Provision Coverage	100%	100%	100%	100%	100%
Per Share Data (₹)					
EPS	1	4	6	6	10
BV	16	29	36	54	111
ABVPS (75% cover.)	16	29	36	54	111
DPS	-	-	-	-	-
Valuation Ratios					
PER (x)	326	111.2	65.1	67.5	43.5
P/BV (x)	26.1	14.4	11.8	7.8	3.8
P/ABVPS (x)	26.1	14.4	11.8	7.8	3.8
Dividend Yield (%)	-	-	-	-	-

Source: Company

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

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