CreditAccess Grameen Ltd (CREGRA)

CMP: ₹1027 | Target ₹ 1400 (36%) | Target Period: 12 months | BUY

October 25, 2026

Improving asset quality supports profitability outlook...

About the stock: CreditAccess Grameen is one of the largest microfinance companies in India, having over 3 decades of experience, over ₹ 30,946 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 2,326 branches, having a growing employee base of 21,981

Q2FY27 performance: CreditAccess Grameen reported a strong Q2FY27 performance, driven by healthy business growth, continued improvement in asset quality and robust profitability. AUM grew 19.5% YoY (2.1% QoQ) to ₹30,946 crore, while disbursements increased 19.4% YoY to ₹6,355 crore. Lower interest reversals and stable funding cost supported a 70 bps QoQ expansion in NIM to 15.1%. Credit cost stood at 0.99%, while RoA stood at 5.8%, and asset quality strengthened with PAR90+ declining to 1.11% and monthly PAR15+ accretion at 26 bps in September. Retail Finance continued to scale up, with its share increasing to 23.3% of AUM.

Investment Rationale:

- **Borrower acquisition and customer graduation to sustain growth:** CreditAccess Grameen remains well positioned to sustain 20–25% AUM growth, supported by healthy borrower acquisition, increasing customer graduation and continued scale-up in Retail Finance. RF mix increased to 23.3% of AUM from 20.6% in Q1FY27, with secured lending and two-wheeler finance gaining traction, while management targets borrower additions of >1 lakh per month from H2FY27. Retail-exposed customers have also demonstrated better credit performance than pure MFI customers, supporting the graduation-led strategy. Continued branch expansion, improving retention and execution under Project Shakti should deepen customer relationships and support management's indication of sustaining 20–25% growth in AUM in FY28.
- **Sustainable margin resilience and lower credit cost to sustain returns:** Continued normalization in asset quality, improving portfolio mix and operating leverage have strengthened the earnings outlook, with management raising FY27 RoA guidance to 5.2–5.8% from 4–4.8% in Q1FY27, despite implementing a 50-bps lending-rate cut from October 2026. NIM improved to 15.1%, while FY27 NIM guidance was raised to 14.4–14.7% and cost-to-income guidance improved to 29–30%, reflecting stronger underlying profitability. Improving PAR90+ and contained incremental stress should keep credit cost within the guided 3–4% range. With rate cuts expected to flow through gradually and further pricing actions linked to credit and borrowing cost, management continues to target ~10% risk-adjusted NIM and ~4.5–5% steady-state RoA,

Rating and Target Price

- Healthy borrower acquisition, rising contribution from Retail Finance and continued execution of Project Shakti provide visibility on sustained growth over the medium term. Upward revision in FY27 NIM, cost-to-income, RoA and RoE guidance reflects stronger operating leverage and profitability. However, factoring change in rate cycle and asset quality risk amid drought and floods across geographies, we revise our multiple to ~1.9x Fy28E BV, thus assigning target of ₹1400 (earlier ₹1800). Maintain BUY.

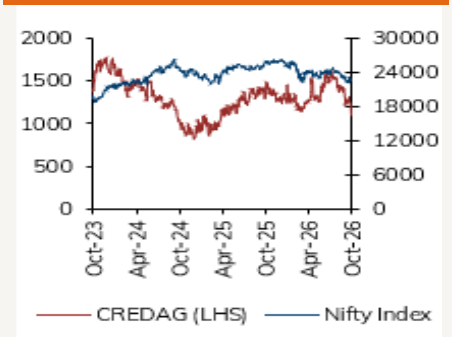
Particulars

Particulars	Amount
Market Capitalisation	₹ 16,495 crore
Networth	₹ 8919 crore
52-week H/L	1634 / 1013
Face Value	₹ 10

Shareholding pattern

	Dec 25	Mar 26	Jun 26	Sep 26
Promoter	66.3	66.2	66.2	63.8
FII	11.7	12.9	13.5	14.7
DII	13.2	12.6	12.7	13.7
Others	8.8	8.2	7.6	7.7

Price Chart



Key risks

(i) Lower than expected AUM growth amid macro or climatic uncertainty

(ii) Volatility in delinquencies could result in higher credit cost and thus cap RoA expansion

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Key Financial Summary

₹ crore	FY25	FY26	3 Year CAGR (FY23-FY26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
NII	3,599	3,864	22%	4,837	5,799	22.52%
PPP	2,638	2,809	23%	3,640	4,350	24.46%
PAT	532	777	-2%	1,944	2,233	69.58%
ABV (₹)	407.5	470.1		590.0	725.2	
P/E	46.7	32.1		8.5	7.4	
P/ABV	3.8	3.3		1.7	1.4	
RoE (%)	7.9	10.5		22.1	20.5	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Concall highlights and outlook

Operational Performance

- AUM grew 19.5% YoY and 2.1% QoQ to ₹30,946 crore despite H1FY27 write-offs of ₹614 crore, supported by robust growth in Retail Finance. The GL book declined 2% YTD to ₹23,746 crore on account of write-offs and customer graduation. Management expects GL growth to revert to guided levels in a seasonally stronger H2.
- Disbursement stood at ₹6,355 crore (+19.4% YoY). The company added 2.3 lakh new borrowers (35% new-to-credit), taking H1FY27 addition to 4.9 lakh. The current run-rate is ~80,000 borrowers per month, and management targets >1 lakh per month from H2FY27.
- Retail Finance (RF) share increased to 23.3% of AUM (₹7,200 crore) from 20.6% in Q1FY27, driven by graduation of high-vintage MFI customers. The secured book grew 60.9% YoY to ₹695 crore, while the two-wheeler book crossed ₹60 crore from ₹20 crore in Q1FY27.
- Average customer vintage/credit score stood at 7.7 years/732 for Unnati loans and 6.2 years/714 for mortgages. Retail-exposed customers have demonstrated better credit performance than pure microfinance customers over the past 12–14 months, supporting the graduation-led strategy.
- Customers with only CA Grameen as their MFI lender stood at 45%, while those with CA Grameen plus two lenders stood at 15%. Borrower retention improved to 88% in H1FY27 from 85% in FY26.
- Grameen Mahi active registrations rose to 17.1 lakh (38.1% of borrowers) from 15.4 lakh in Q1FY27. Digital collection increased to 26.3% from 24.2% in Q1FY27.
- The company opened 60 new branches during the quarter, taking the network to 2,326 branches across 460 districts. Employee strength increased to 22,677, including a dedicated collection team of 500+ employees.
- Mortgages are now offered across 300 GL and 128 RF branches. Management considers mortgage delinquencies within tolerable levels and budgets ~2% credit cost for the book.
- Management highlighted early drought-related stress in October in ~6 districts of central Maharashtra, where borrowers are seeking additional time and restructuring. New customer sourcing has been paused in these districts, while collection resources have been strengthened. No impact has been observed in other geographies.

Margins

- NIM improved to 15.1% from 14.4% in Q1FY27, supported by lower interest reversals, a higher-yielding individual loan book, stable cost of borrowing and a higher capital position.
- A ~50 bps lending rate cut was implemented from October 2026 across products except mortgage and two-wheeler loans, with full flow-through expected over at least four quarters. While management had earlier indicated cumulative cuts of 100–150 bps, subsequent cuts remain conditional on credit and borrowing cost. Management intends to preserve ~10% risk-adjusted NIM and ~4.5–5% steady-state RoA.
- Weighted average cost of borrowing eased to 9.1% from 9.2%, while marginal cost rose to 9.1% from 8.8% on longer-tenor NCDs. Management expects cost of borrowing at 9.2–9.3% till March.

- The company signed a USD 175 million ECB in October, replacing a maturing USD 200 million ECB at a lower rate, and raised ₹940 crore through NCDs YTD. Foreign borrowings constituted 23.4% of the funding mix.
- Liquidity remained strong, with cash and cash equivalents of ₹3,502 crore, undrawn sanctions of ₹6,759 crore and a funding pipeline of ₹5,925 crore.
- Cost-to-income improved to 28.2% from 29.3% in Q1FY27, and FY27 guidance was revised to 29–30% from 33–35%.
- Management expects a modest profitability impact from the proposed insurance commission regulations, though final regulations are awaited.

Asset Quality

- Monthly PAR 15+ accretion rose to 26 bps in September from 16 bps in June, driven by floods in Bihar, UP, Chhattisgarh and Madhya Pradesh along with festivities. Management indicated accretion normalised in October outside Maharashtra. X-bucket collection efficiency stood at 99.71%.
- GNPA declined to 1.79% from 2.18%, NNPA improved to 0.59% from 0.76% and PAR 90+ reduced to 1.11% from 1.46%, the best levels in 10 quarters.
- Credit cost stood at ₹299 crore, or 0.99% non-annualized, ~0.77% from new PAR and 0.22% from higher ECL provisioning rate. Total ECL rose to 3.31%, including a 45 bps (₹137 crore) macro-prudential buffer. Management expects credit cost to inch up in Q3 and currently sees FY27 credit cost at ~3.5–4%, within its retained 3–4% guidance.
- Stage 1 ECL stood at 1.88% and is expected to rise ~5–6 bps per quarter in H2FY27.
- The company has applied for CGFMU cover for microfinance, with management looking to initially insure a few thousand crore and scale based on experience.

Guidance

- FY27 guidance was revised upward, factoring in the 50 bps rate cut. AUM growth (20–25%) and credit cost (3–4%) were retained. NIM was raised to 14.4–14.7% (from 12.8–13.2%), cost-to-income to 29–30% (from 33–35%), RoA to 5.2–5.8% (from 4–4.8%) and RoE to 21–24% (from 16–20%).
- GL growth is guided at 10–12%, while ~6–8% of customers are expected to graduate annually into individual secured and unsecured products, supporting faster RF growth.
- Management indicated FY28 AUM growth could remain at 20–25%, driven by a combination of microfinance and faster RF growth, including continued expansion of mortgage across more branches, with formal guidance likely in Q4FY27.
- Management reiterated Project Shakti's long-term target of 20–25% AUM CAGR, 8–10% customer CAGR, RoA of 4–4.5% and RoE of 18–20%.
- Management indicated that promoters remain in active discussions with a strategic investor at the group/holding-company level, with some progress expected over the next couple of quarters.

Variance Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
NII	1,248	935	33.5	1,164	7.2	Strong loan growth and higher yields supported NII growth
NIM (%)	15.1	13.3	180 bps	14.4	70 bps	Higher yields (lower interest reversals) and stable cost of borrowings aided margins
Other Income	104	95	9.8	70	48.2	
Net Total Income	1,352	1,030	31.3	1,234	9.5	
Staff cost	254	219	16.0	242	5.1	Led by branch expansion and employee additions
Other Operating Expenses	127	115	10.2	120	6.1	
PPP	970	695	39.6	873	11.2	
Provision	299	526	-43.1	213	40.8	Lower PAR accretion and normalised credit cost reduced provisions despite write-offs
PBT	671	169	296.6	660	1.7	
Tax Outgo	169	43	290.7	167	1.6	
PAT	502	126	298.7	493	1.7	AUM growth, higher NIM and credit cost normalisation drove earnings
Key Metrics						
Gross loans (₹ crore)	30,946	25,904	19.5	30,319	2.1	2.3 lakh customers added in Q2FY27
Borrowers (nos '000)	4,498	4,440	1.3	4,451	1.1	
GNPA (%)	1.79	3.65	-186 bps	2.18	-39 bps	Collection efficiency at 98%

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	5,547	5,763	7,121	8,632
Interest Expended	1,948	1,899	2,284	2,832
Net Interest Income	3,599	3,864	4,837	5,799
% growth	13.6	7.3	25.2	19.9
Non Interest Income	209	300	367	409
Net Income	3,809	4,163	5,204	6,208
Employee cost	730	879	1,035	1,268
Other operating Exp.	440	476	530	590
Operating Profit	2,638	2,809	3,640	4,350
Provisions	1,930	1,775	1,047	1,372
PBT	709	1,033	2,592	2,978
Taxes	177	257	648	744
Net Profit	532	777	1,944	2,233
% growth	(63.2)	46.1	150.3	14.9
EPS (₹)	33.3	48.5	121.4	139.4

Source: Company, ICICI Research

Exhibit 2: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of Equity Shares	16.0	16.0	16.0	16.0
EPS (₹)	33.3	48.5	121.4	139.4
BV (₹)	435.5	489.5	610.9	750.3
ABV (₹)	407.5	470.1	590.0	725.2
P/E	46.7	32.1	8.5	7.4
P/BV	3.6	3.2	1.7	1.4
P/ABV	3.8	3.3	1.7	1.4
Yields & Margins (%)				
Yield on Advances	21.4%	19.5%	21.7%	21.5%
Avg. cost on funds	9.5%	8.0%	8.0%	8.2%
Net Interest Margins	13.7%	13.9%	14.7%	14.4%
Spreads	11.9%	11.4%	13.7%	13.3%
Quality and Efficiency				
Cost / Total net income	30.7%	32.5%	30.1%	29.9%
GNPA%	4.8%	3.2%	1.7%	1.5%
NNPA%	1.7%	1.1%	1.0%	1.0%
RoE (%)	7.9%	10.5%	22.1%	20.5%
RoA (%)	1.9%	2.6%	5.5%	5.2%

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	160	160	160	160
Reserves and Surplus	6,796	7,682	9,626	11,860
Networth	6,956	7,842	9,786	12,020
Borrowings	20,446	23,641	28,606	34,613
Other Liabilities & Provisions	401	447	254	307
Total	**27,802**	**31,930**	**38,646**	**46,940**
Applications of Funds				
Fixed Assets	44	44	47	50
Investments	994	1,645	1,809	1,990
Advances	24,663	28,252	34,410	42,107
Other Assets	2,102	1,990	2,380	2,793
Total	**27,802**	**31,930**	**38,646**	**46,940**

Source: Company, ICICI Research

Exhibit 4: Growth ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	-3.7%	14.8%	21.0%	21.5%
Advances	-2.5%	14.6%	21.8%	22.4%
Borrowings	-6.4%	15.6%	21.0%	21.0%
Total Income	10.7%	9.3%	25.0%	19.3%
Net interest income	13.6%	7.3%	25.2%	19.9%
Operating expenses	11.5%	15.8%	15.5%	18.8%
Operating profit	10.3%	6.5%	29.6%	19.5%
Net profit	-63.2%	46.1%	150.3%	14.9%
Book value	5.7%	12.4%	24.8%	22.8%
EPS	-63.3%	45.6%	150.3%	14.9%

Source: Company, ICICI Research

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