

Industry  
Bloomberg  
BSE CODE

Financial  
CREDAG IN  
541770

## Healthy Growth but Higher Provisioning drags Profitability

RATING	BUY
CMP	416
Price Target	550
Potential Upside	32%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	1000/306
Mkt Capital (Rs Cr)	6,210
Free float (%)	20%
Avg. Vol 1M (,000)	7
No. of Shares (Cr)	14
Promoters Pledged %	

Fig in Rs Cr

FINANCIAL	FY18	FY19	FY20
NII	506	802	1045
PPP	315	573	689
PAT	213	322	327
NIM %	12.6	13.2	12.2
EPS (Rs)	17	22	23
EPS growth (%)	88.5	35.4	1.3
ROE (%)	20.0	16.9	13.0
ROA (%)	4.9	5.2	3.6
BV	112	165	186
P/B (X)	-	3.0	2.2
P/E (x)	-	22.4	18.1

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### 4QFY20 Result update

- NII has grown at 38% on the back of healthy AUM growth of 38% YoY. Other income has declined on the back of lower securitization income. PAT income has declined on the back of higher provisioning.
- AUM has grown at 38% YoY on the back of 39% YoY growth in the group loan segment. The share of JLG loans, non-income loans, and retail finance stood at 85%, 10% & 5% as at 4QFY20.
- The consolidated AUM including Madura portfolio stood at Rs 11996 Cr while the borrower stands at 4055. Branch network grew by 107.9% YoY from 670 branches to 1,393 branches & loan officers grew by 68.0% YoY from 5,768 loan officers to 9,688 loan officers
- Total provision as at 4QFY20 stood at Rs 128 Cr with COVID related provision standing at Rs 83 Cr while Rs 21 Cr is provided for coastal Karnataka & Maharashtra flood. CRAR as at 4QFY20 stood at 23.6%, with GNPA at 1.57%, NNPA at 0.00% backed by conservative provisioning of 2.86%
- CAGL has commenced 98% of the branch operations while branches opened with 1/3rd of the branch staff. 22% of the CAGL branches are in the red zone while 68% of Madura is now in the red zone, both consolidating to 30% of the total branches.
- The company has completed the first step of the merger with Madura Micro Finance Limited. The company has completed the purchase of a 76.08% stake in MMFL by paying Rs 661.2 Cr.
- More than 80% of customers engaged in essential activities, facing the limited impact of lockdown
- 97% of the consolidated portfolio has less than 2% exposure in the district. The share of rural borrowers increased from 82% to 86%.
- 98% of our branches are operational with over 90% staff as on date, management plans to resume collections & disbursements from 1st June onwards. Over 70% of customers are positive about not opting for further moratorium, and about 20% of them wanted a few more weeks to start the transactions. This leaves close to 10% of borrowers might opt for further moratorium.

### View and Valuation

CREDITACC has shown resilient growth on the back of its strong rural presence. The growth has been mainly driven by the group loan segment. The margins have remained steady but there has been a spike in the GNPL levels. Management has commenced operations in 98% branches, Management remains optimistic about repayments from 70% of the customers. For moratorium 2.0 management envisage only 10% of the customers to be opting out. We expect higher credit costs going ahead as 30% of the customer are in red zones, however as the group meeting has been commenced with 1/4th of the attendance it will improve collections going ahead. CREDITACC is currently trading at 2x P/B at FY21e. We maintain BUY with a Target price of Rs 550.

### Key Risks to our rating and target

- The delinquency level going ahead.
- Share of customers availing moratorium 2.0

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## Strong Growth

### 4QFY20 Results Below Our Expectations

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY %
Interest Inc.	312	364	381	417	456	46.1%	9.5%	702	860	22.5%
Interest Exp.	103	124	136	146	168	63.2%	14.9%	324	354	9.0%
NII	210	241	246	271	289	37.7%	6.6%	377	506	34.1%
Other Income	24	12	10	37	1	-94.2%	-96.3%	8	12	57.5%
Total Income	234	253	256	308	293	25.5%	-4.7%	385	518	34.5%
Ope Exp.	82	89	102	107	123	49.5%	14.8%	160	203	27.1%
PPP	151	164	154	201	170	12.6%	-15.1%	225	315	39.8%
Provisions	34	15	28	55	141	3.1523	1.5718	109	(13)	-1.124
PBT	117	148	126	146	30	-74.7%	-79.6%	117	328	181.6%
Tax	41	52	26	38	7	-83%	-81.5%	41	116	180.0%
Net Profit	76	96	100	108	23	-70.2%	-79.0%	322	327	2%

### Madura Background

- The employees were continuously in touch with customers during the moratorium period.
- 90% of customers are in non-urban areas thus are in economic positive zones where the activities have started for the last 3-4 weeks for turnaround. Next moratorium will be provided on a need basis.
- Out of the total customers, 70% of the customer is in a good state, 20% will take a few more weeks while 10% (urban) may take an extended moratorium.
- 98% of branches are operational with regular collection and disbursement starting from today.
- Management has raised Rs 2200 Cr in 4QFY20 at 9% interest rate, further in the month of MAY, management has drawn Rs 395 Cr at 8%, it has further Rs 256 Cr sanction line, Rs 1475 Cr from domestic lenders & Rs 457 Cr from foreign lenders for 1QFY21 disbursement.
- Management expects recovery of interest accrued amounting to Rs 745 Cr in the month of June. It includes Rs 144 Cr Interest accrued of June month while Rs 600 Cr of interest accrued of the moratorium period. 70% of the customer is expected to pay their dues.
- A migrant worker is not a concern as CREDITACC has a less urban presence.
- Conducting a center meeting is done by gathering only 4-5 members of a total of 20 people group. The collection will happen in the center meeting. A representative of the group generally does the collection. ¼ of the group is expected to come along with the central leader.
- Out of the customer, 55% of the customer pays weekly, 37% pay fortnightly while only 8% monthly.
- The 30 dpd bucket has remained the same at 1.67 to 1.7 whereas GNPA has increased from 85 bps to 1.4%.
- Madura has 70% of its presence in TamilNadu & Maharashtra which have a higher share of red zones. Madura expects to trend in a higher moratorium range.
- 60% of the borrowers have agreed for a moratorium. Eventually, management wants to decline the bank share to less than 50%.
- Management guides to remain conservative for provision recognition.
- Coastal Karnataka overdue stood at Rs 85-90 Cr while Maharashtra overdue stood at Rs 39 Cr.

## Profitability Matrix

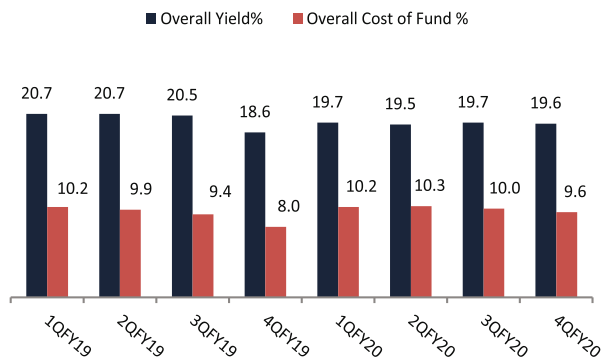
	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	YoY (+/-)
C/I Ratio %	35.7	31.9	35.2	35.4	40.0	34.8	41.9	6.70	7.11
Empl. Cost/ Tot. Exp. %	64.2	63.9	60.8	65.5	63.9	63.0	55.5	-5.30	-7.52
Other Exp/Tot. Exp.%	32.9	33.5	36.7	30.8	30.1	32.3	40.4	3.67	8.15
Provision/PPP %	12.9	6.3	22.4	9.5	18.0	27.3	82.6	60.18	55.30
Tax Rate %	35.6	35.0	35.0	35.0	35.0	26.0	23.7	-11.33	-2.32
Int Exp./Int Inc. (%)	35.4	34.4	32.9	33.9	35.5	35.0	36.7	3.85	1.73
Other Inc./NII %	2.9	9.7	7.7	3.4	2.9	8.8	8.1	0.40	-0.77
PPP/ Net Income %	64.3	68.1	64.8	64.6	60.0	65.2	58.1	-6.70	-7.11
PAT/ Net Income %	36.1	41.4	32.6	37.9	39.0	35.1	7.7	-24.89	-27.37
NII Growth % (YoY)	57.6	69.9	27.5	29.1	26.3	29.3	37.7	10.15	8.41
PPP Growth YoY %	65.6	106.0	39.6	29.6	17.4	22.3	12.6	-27.01	-9.79
PAT Growth %	20.5	54.9	6.2	32.7	35.8	8.3	(70.2)	-76.49	-78.53

## Margin Performance

Margin %	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	YoY (+/-)
Overall Yield (%)	20.7	20.5	18.6	19.7	19.5	19.7	19.6	1.00	-0.10
Cost of Funds (%)	9.9	9.4	8.0	10.2	10.3	10.0	9.6	1.64	-0.40
Spreads(Cal) (%)	10.8	11.1	10.6	9.5	9.2	9.7	10.0	-0.64	0.30
NIM Calc.(%)	15.3	15.0	13.7	14.4	13.7	13.7	12.3	-1.38	-1.43

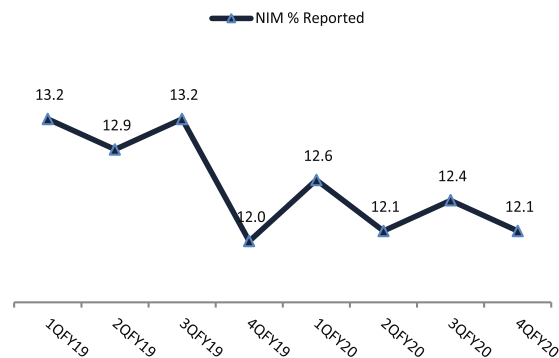
## Exhibit: Yield and Cost

Spreads has improved sequentially



## Exhibit: Net Interest Margin

NIM has declined QoQ



## Asset & Borrowings Growth Trend

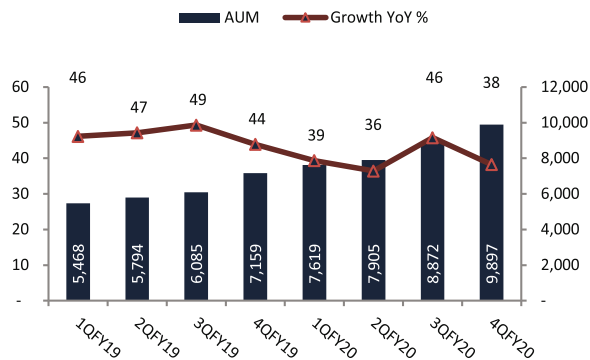
Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Disbursements	1616	1571	1762	3272	2310	2186	2977	2916
Growth YoY %	-4	31	36	71	43	39	69	-11
AUM	5468	5794	6085	7159	7619	7905	8872	9897
Growth YoY %	46	47	49	44	39	36	46	38
Borrowings	4090	3903	4260	4886	5100	5495	6407	7823
Growth YoY %	32	16	42	36	25	41	50	61

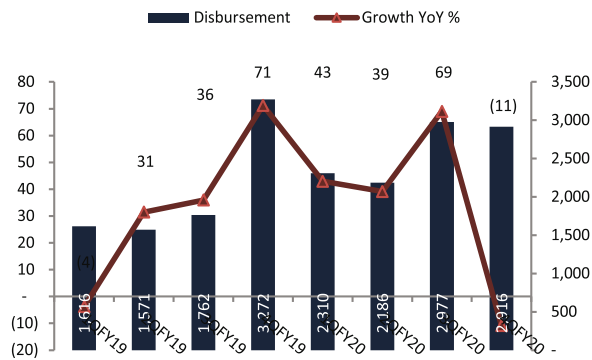
## Asset Composition

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
MFI Loans (%)	80	78	78	85	85	84	85	85
Non-Income Gen. (%)	18	19	19	10	10	10	10	10
Retail Finances (%)	2	3	3	5	5	5	5	5

## Exhibit: AUM Growth %



## Exhibit: Disbursement Growth %



## AUM Break up

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
IGL (%)	86	80	78	78	85	85	84	85	85
Family welfare (%)	2	7	7	4	1	3	4	3	2
Home Improve (%)	10	11	13	15	9	7	6	7	8
Emergency (%)	0	0	0	0	0	0	0	0	0
Retail Finance (%)	1	2	3	3	5	5	5	5	5
Total	100	100	100	100	100	100	100	100	100

## Asset Quality

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
GNPA Calc.	98	47	56	60	40	41	40	75	155
GNPA (%)	1.97	0.90	1.00	1.01	0.61	0.55	0.52	0.85	1.57
NNPA Calc.	-	3	3	-	-	-	-	-	-
NNPA (%)	-	0.05	0.05	-	-	-	-	-	-
PCR (%)	100	94	95	100	100	100	100	100	100

## Branch

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Group Loan	486	541	610	610	610	693	822	858	858
Rural Finance	30	32	46	49	60	60	65	70	71
Total	516	573	656	659	670	753	887	928	929
Kendras	130	134	143	157	164	169	175	185	196
District	132	146	156	156	157	170	213	230	248

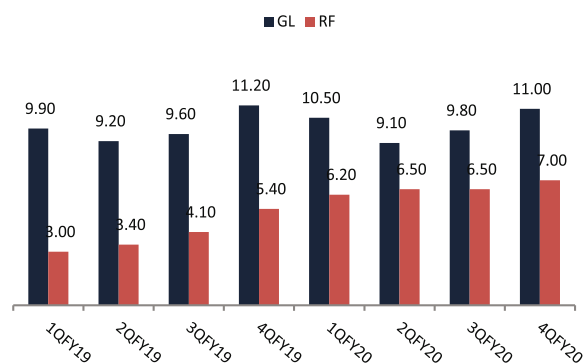
## Geography Concentration

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Karnataka (%)	58	-	57	54	53	52	51	49	40
Maharashtra (%)	27	-	26	26	26	26	26	27	24
Madhya Pradesh (%)	6	-	-	-	8	8	8	9	8
Tamil Nadu (%)	7	-	8	10	10	11	11	11	20
Others (%)	2	-	9	10	4	4	4	4	8

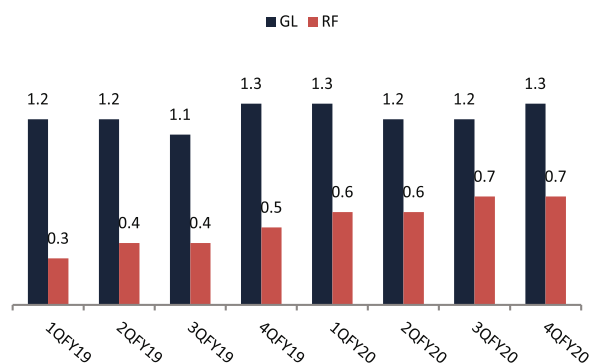
## Employees

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Employees	6306	6,575	7,355	7,798	8,064	8,641	9,817	10,465	10,824
Group Loan	-	6,043	6,673	7,008	7,135	7,647	8,764	9,361	9,654
Rural Finance	-	532	682	790	929	994	1,053	1,104	1,170

## Exhibit: GLP/Branch



## Exhibit: GLP/Loan Officer



## Exposure of Districts

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
< 0.5%	78	91	101	103	105	118	163	180	186
0.5%-1%	22	23	24	20	19	19	17	16	28
1%-3%	26	26	26	29	29	29	29	30	27
3%-5%	5	5	4	3	3	4	4	4	7
> 5%	1	1	1	1	1	-	-	-	-

## District in terms of portfolio

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Top 1 (%)	6	6	5	5	5	5	5	5	4
Top 3 (%)	15	14	14	13	13	13	13	12	10
Top 5 (%)	22	22	21	20	20	19	19	18	15
Top 10 (%)	36	35	34	32	32	31	31	30	24
Other (%)	64	65	66	68	68	69	60	70	76

## Contribution to overall growth %

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Top 1 (%)	6	5	3	(1)	5	3	3	3	2
Top 3 (%)	13	12	12	2	11	9	7	8	7
Top 5 (%)	21	20	11	1	16	14	10	13	11
Top 10 (%)	34	31	18	(4)	27	25	18	22	20
Other (%)	66	69	82	104	73	75	82	78	80

## Average O/S Per Customer

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
IGL	18,700	17,900	17,300	20,800	20,900	20,500	21,400	22,200
Family Welfare	8,200	7,400	5,000	2,900	7,600	7,200	4,800	3,000
Home Improvement	10,500	10,000	9,600	9,100	8,200	7,500	8,000	8,800
Emergency	600	600	600	700	600	600	600	600
Retail Finance	77,100	76,500	73,500	77,200	73,400	70,600	67,600	66,500
Average Ticket Size	15,900	15,100	14,200	17,300	17,800	16,800	17,300	17,900

## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
<b>Share Capital</b>	<b>40</b>	<b>53</b>	<b>73</b>	<b>73</b>	<b>86</b>	<b>128</b>	<b>144</b>	<b>144</b>
Equity Capital	40	53	73	73	86	128	144	144
Preference Capital	-	-	-	-	-	-	-	-
Reserves & Surplus	73	158	308	392	605	1309	2222	2525
<b>Networth</b>	<b>112</b>	<b>211</b>	<b>381</b>	<b>465</b>	<b>691</b>	<b>1437</b>	<b>2365</b>	<b>2669</b>
Change (%)	121	88	80	22	49	108	65	13
Total Borrowings	389	805	1291	2297	2668	3603	4867	7823
Change (%)	81	107	60	78	16	35	35	61
Provisions	6	9	15	31	148	7	12	16
Other Liabilities	38	37	45	20	57	67	114	153
<b>Total Liabilities</b>	<b>545</b>	<b>1062</b>	<b>1731</b>	<b>2813</b>	<b>3564</b>	<b>5114</b>	<b>7357</b>	<b>10662</b>
Investments	0	0	0	0	0	0	0	661
Loans	397	677	1353	2475	3089	4896	6603	9173
Change (%)	43	71	100	83	25	58	35	39
Fixed Assets	3	3	6	11	15	17	27	37
Other Assets	54	57	92	71	96	58	111	157
Cash Balances	91	325	280	255	364	143	616	580
<b>Total Assets</b>	<b>545</b>	<b>1062</b>	<b>1731</b>	<b>2813</b>	<b>3564</b>	<b>5114</b>	<b>7357</b>	<b>10661</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Interest income	87	142	268	457	702	860	1,218	1,617
Interest expended	40	69	128	207	324	354	417	573
Net Interest Income	46	73	140	250	377	506	802	1,045
Change (%)	59	57	92	78	51	34	58	30
Other Income	3	5	13	10	8	8	8	10
Change (%)	(5)	116	142	(26)	(23)	3	9	20
Total Net Income	49	78	154	259	385	518	867	1,111
Change (%)	53	60	96	69	48	35	67	28
Operating Expenses	36	45	71	115	160	203	294	422
Change (%)	1	27	57	63	39	27	45	43
Employee Expenses	22	29	43	71	105	130	186	260
Change (%)	3	30	49	63	48	25	43	40
Other Expenses	13	15	25	42	51	67	100	143
Pre-provisioning Profit	13	33	83	144	225	315	573	689
Change (%)	(525)	149	148	74	56	40	82	20
Provisions	4	6	7	14	109	(13)	75	239
Change (%)	(401)	31	19	105	675	(112)	(658)	219
PBT	9	28	76	130	117	328	498	450
Tax	1	9	27	47	41	116	176	123
Profit After Tax	8	19	49	84	75	213	322	327
Change (%)	(392)	119	167	69	(10)	182	51	2
Adjusted Profit After Tax	8	19	49	84	75	213	322	327
Change (%)	(392)	119	167	69	(10)	182	51	2

## Financial Details

### Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
<b>Balance Sheet Metrics</b>								
AUM	524	810	1447	2539	3075	4975	7159	9897
Off-Book AUM	0	0	0	0	0	0	0	0
AUM Growth (%)	N/A	54.5	78.8	75.4	21.1	61.8	43.9	38.2
Borrowing Growth (%)	80.5	107.1	60.3	78.0	16.2	35.0	35.1	60.7
Loan/Borrowing Ratio	1.0	0.8	1.0	1.1	1.2	1.4	1.4	1.2
Disbursement (Rs Cr)	606	1028	1894	3349	3403	1911	3272	10389
Disbursement Growth (%)	N/A	70	84	77	2	(44)	71	218
CRAR (%)	24	32	28	21	30	29	36	24
Tier 1 (%)	23.9	28.7	26.6	17.6	20.2	28.1	34.4	22.3
Tier 2 (%)	0.5	2.8	1.6	3.9	9.5	0.9	1.4	1.3
Debt/Equity (x)	3.5	3.8	3.4	4.9	3.9	2.5	2.1	2.9
<b>Assets Quality Metrics</b>								
Gross NPA (Rs)	-	0	0	2	3	98	44	155
Gross NPA (%)	-	0.0	0.0	0.1	0.1	2.0	0.6	1.6
Net NPA (Rs)	-	-	-	-	-	-	-	-
Net NPA (%)	-	-	-	-	-	-	-	-
Provision Coverage (%)	-	100	100	100	100	100	100	100
Provision/Average Advances (%)	1.0	0.9	0.6	0.7	3.9	(0.3)	1.2	2.8
<b>Margin Metrics</b>								
Yield On Advances (%)	19.2	21.3	23.8	22.9	25.0	21.4	20.1	19.0
Cost Of Funds (%)	7.7	9.4	10.8	11.1	13.0	11.3	9.8	9.0
Spread (%)	11.4	11.9	12.9	11.9	12.0	10.1	10.2	9.9
NIM on AUM (%)	10.3	10.9	12.4	12.5	13.4	12.6	13.2	12.2
<b>Profitability &amp; Efficiency Metrics</b>								
Int. Expended/Int.Earned (%)	46.5	48.8	47.7	45.4	46.2	41.1	34.2	35.4
Other Income/NII (%)	5.5	7.5	9.5	3.9	2.0	2.3	8.1	6.3
Operating Profit/ Net Income (%)	27.4	42.6	54.0	55.7	58.5	60.8	66.1	62.0
Net Profit/Net Income (%)	17.3	23.6	32.2	32.3	19.5	41.0	37.1	29.4
Cost to Income (%)	72.6	57.4	46.0	44.3	41.5	39.2	33.9	38.0
Employee Exp/ Net Income (%)	45.8	37.2	28.3	27.3	27.2	25.2	21.5	23.4
Cost on Average Assets (%)	6.8	5.6	4.9	4.5	5.2	4.1	4.1	4.3
Provisions/PPP (%)	32.5	17.2	8.2	9.7	48.2	(4.3)	13.1	34.7
Tax Rate (%)	6.4	33.1	35.0	35.7	35.5	35.3	35.4	27.4
<b>Valuation Ratio Metrics</b>								
EPS (Rs)	2	3	7	11	9	17	22	23
Change (%)	N/A	63.6	93.9	69.4	(23.5)	88.5	35.4	1.3
ROAE (%)	10.4	11.4	16.7	19.8	13.0	20.0	16.9	13.0
ROAA (%)	2.0	2.3	3.5	3.7	2.4	4.9	5.2	3.6
Dividend Payout (%)	-	-	-	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-	-	-	-
Dividend Per Share	-	-	-	-	-	-	-	-
Book Value (Rs)	28	40	52	64	81	112	165	186
Change (%)	N/A	40.5	31.0	22.1	26.5	38.8	47.2	12.6
P/B (X)	-	-	-	-	-	-	3.0	2.2
P/E (X)	-	-	-	-	-	-	22.4	18.1

## Financial Details

### Exhibit: DuPont Analysis

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Interest Income	20.1	17.7	19.2	20.1	22.0	19.8	19.5	18.0
Interest expended	9.3	8.6	9.2	9.1	10.2	8.1	6.7	6.4
<b>Net Interest Income</b>	<b>10.7</b>	<b>9.1</b>	<b>10.0</b>	<b>11.0</b>	<b>11.8</b>	<b>11.7</b>	<b>12.9</b>	<b>11.6</b>
Non-Fund Based Income	0.6	0.7	1.0	0.4	0.2	0.3	1.0	0.7
Total Income	11.3	9.8	11.0	11.4	12.1	11.9	13.9	12.3
<b>Total Operating Expenses</b>	<b>8.2</b>	<b>5.6</b>	<b>5.1</b>	<b>5.1</b>	<b>5.0</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>
Employee Expenses	5.2	3.6	3.1	3.1	3.3	3.0	3.0	2.9
Other Expenses	3.0	2.0	1.9	1.9	1.7	1.7	1.7	1.8
Operating Profit	3.1	4.2	5.9	6.4	7.1	7.3	9.2	7.6
Provisions	1.0	0.7	0.5	0.6	3.4	(0.3)	1.2	2.7
Others	-	-	-	-	-	-	-	-
PBT	2.1	3.4	5.4	5.7	3.7	7.6	8.0	5.0
Tax	0.1	1.1	1.9	2.1	1.3	2.7	2.8	1.4
<b>PAT/RoAA</b>	<b>2.0</b>	<b>2.3</b>	<b>3.5</b>	<b>3.7</b>	<b>2.4</b>	<b>4.9</b>	<b>5.2</b>	<b>3.6</b>
Equity Multiplier (x)	5.3	5.0	4.7	5.4	5.5	4.1	3.3	3.6
<b>ROAE</b>	<b>10.4</b>	<b>11.4</b>	<b>16.7</b>	<b>19.8</b>	<b>13.0</b>	<b>20.0</b>	<b>16.9</b>	<b>13.0</b>



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