

CREDITACCESS GRAMEEN LTD

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IPO Details

Issue Date	08 th Aug-10 th Aug 2018
Price Band	418-422/Share
Bid Lot	35 & in multiple thereof
Face Value	Rs 10/Share
Listing	BSE, NSE
Offer For Sale	11,876,485 Eq Shares
Fresh Issue	Rs 630 Cr
Pre Issue Eq Shares	12.84 Cr Eq Shares
BRLM	ICICI Securities Ltd, Credit Suisse Securities Ltd , IIFL Holdings Ltd Kotak Mahindra Capital Co Ltd,
Registrar	Karvy Computershare Private Ltd

Research Analyst : Astha Jain

Co is a leading Indian micro-finance institution headquartered in Bangalore, focused on providing micro-loans to women customers predominantly in Rural Areas in India. Co's focus customer segment is women having an annual household income of ₹160,000 or less in Urban Areas and ₹100,000 or less in Rural Areas. Co's Promoter is CreditAccess Asia N.V., a multinational company specializing in MSE financing (micro and small enterprise financing), which is backed by institutional investors and has micro-lending experience through its subsidiaries in four countries in Asia.

Strong growth in financials: Co has shown strong CAGR growth in its financials with topline of company registering at whopping CAGR of 57% from FY14 to FY18 while bottomline of company has risen by CAGR of 65% during the same years. Co's Gross AUM during the same period has increased by CAGR of 57% & disbursements of company has registered CAGR of 55% from FY14 to FY18.

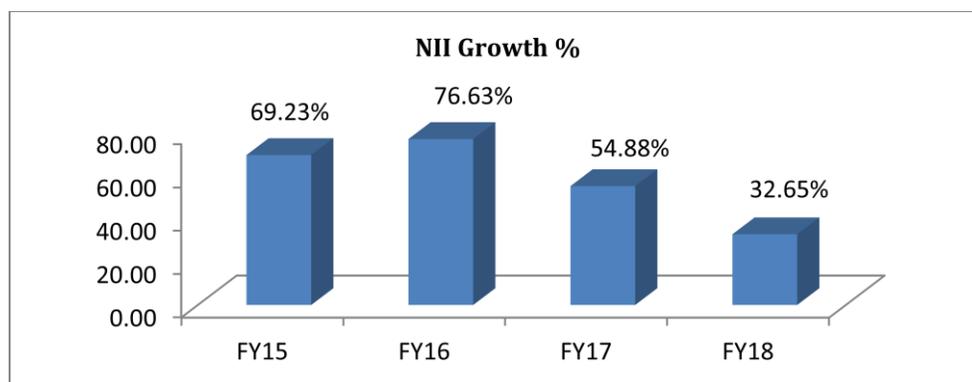
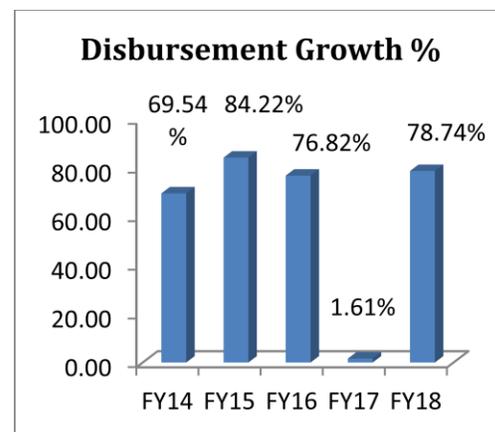
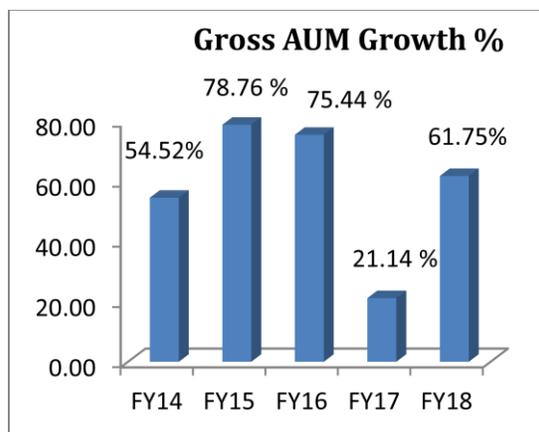
One of the best industry ratios : Co had a high Active Customer Retention Rate of 90% (annualized) for the six months ended September 30, 2017, as compared with the median Active Customer Retention Rate of 15 leading micro-finance players which stood at 78% for the six months ended September 30, 2017. Based on the data as per MFIN, CreditAccess Grameen Limited has the second lowest average interest rates with 22% as of Q2FY18 & had the lowest opex ratio amongst top 8 NBFC-MFIs and SFBs. Company's cost to income ratio at 38.35% in FY18 is very attractive which has declined significantly from 59.61% in FY14. Also , CreditAccess Grameen Limited had the lowest average ticket size of ₹ 10,887, which is much below the industry average of ₹ 20,034, as of March 31, 2017. The lower ticket size can be attributed to its high focus on rural areas with 82% of branches being located in rural areas.

Valuation:

The company is bringing the issue at p/b multiple of 2.94 on post issue book value at higher end of price band of Rs 418-422/share. Although co has shown strong growth with CAGR of more than 50% from FY14 to FY18 in its financials added by solid fundamentals as some of the co's ratios are one of the best in industry but low ROE which will dilute post listing is a concern . Hence, we rated issue a **"Subscribe"** one with limited upside potential.

Company Overview

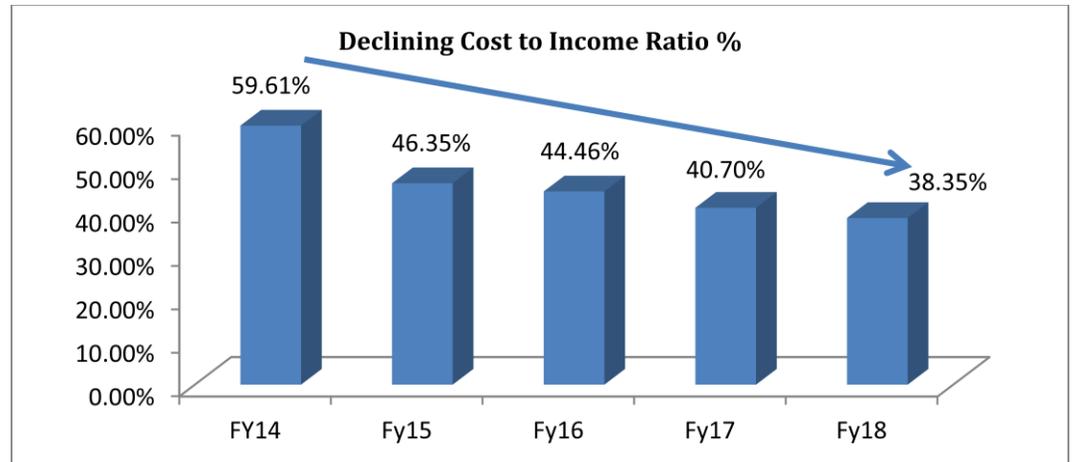
Co is a leading Indian micro-finance institution headquartered in Bangalore, focused on providing micro-loans to women customers predominantly in Rural Areas in India. According to CRISIL, co was the third largest NBFC-MFI in India in terms of gross loan portfolio as of March 31, 2017. Co's wide range of lending products addresses the critical needs of co's customers throughout their life cycle and includes income generation, family welfare, home improvement and emergency loans. Co's focus customer segment is women having an annual household income of ₹160,000 or less in Urban Areas and ₹100,000 or less in Rural Areas. Co provide loans primarily under the joint liability group ("JLG") model. Co's primary focus is to provide income generation loans to its Customers, which comprised 87.02% of co's total JLG loan portfolio, as of March 31, 2018. As of March 31, 2018, co cover 132 districts in the eight states (Karnataka, Maharashtra, Tamil Nadu, Chhattisgarh, Madhya Pradesh, Odisha, Kerala, Goa) and one union territory (Puducherry) in India through 516 branches and 4,544 loan officers. Co's operations are well-diversified at the district level, with no single district contributing more than 5% to its Gross AUM (apart from one which contributed less than 6% to co's Gross AUM) as of March 31, 2018. Further, out of a total of 132 districts where co had branches as of March 31, 2018, more than 75% of each of these districts individually represents less than 1% of its gross AUM. Co's customer base increased from 0.50 million Active Customers as of March 31, 2014 to 1.85 million Active Customers as of March 31, 2018. Co is a customer-centric organization and had a high Active Customer Retention Rate of 90% (annualized) for the six months ended September 30, 2017.



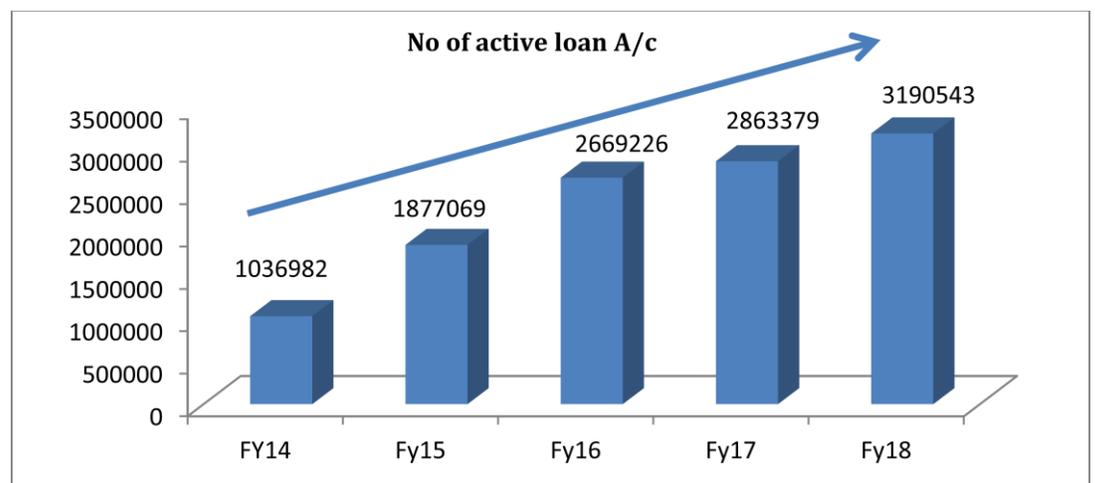


Investment Rationale

Strong growth in Financials: Co has shown strong CAGR growth in its financials with topline of company registering at whopping CAGR of 57% from FY14 to FY18 while bottomline of company has risen by CAGR of 65% during the same years. Co's Gross AUM during the same period has increased by CAGR of 57% & disbursements of company has registered CAGR of 55% from FY14 to FY18. Also, declining cost to income ratio of company is the indicator of co's sound financial health.



Customer-centric business model resulting in high customer retention: As of March 31, 2018, co served over 1.85 million Active Customers out of a total Customer base of 2.19 million. Co's customer-centric business model helps it to retain a high proportion of existing customers and to attract new customers. For the six months ended September 30, 2017, co had an Active Customer Retention Rate of 90% (annualised), as compared with the median Active Customer Retention Rate of 15 leading micro-finance players which stood at 78% as of September 30, 2017. Co's Active Customer Retention Rate for the year ended March 31, 2018 was 84%.





Risk Factor

As of March 31, 2018 co conducted its operations through 516 branches in India, of which 191 branches were located in Karnataka and 144 branches were located in Maharashtra. As of March 31, 2018, 58.08% of co's Gross AUM originated in Karnataka and 26.73% of co's Gross AUM originated in Maharashtra. In the event of a regional slowdown in the economic activity in these states, or any other developments including political unrest, disruption or sustained economic downturn that make co's products in these states less beneficial, co may experience an adverse impact on its financial condition and results of operations, which are largely dependent on the performance and other prevailing conditions affecting the economies of these states

Objects of Offer

Company proposes to utilise the Net Proceeds from the Fresh Issue towards augmenting its capital base to meet future capital requirements while Company will not receive any proceeds from the Offer for Sale.

Financial Statements

Rs Cr

Particulars	FY16	FY17	FY18
Total Income	258.47	392.72	520.64
Total Op Exp	114.91	159.82	199.66
Pre Prov Profit	143.56	232.90	320.97
Provisions	14.02	108.60	128.12
PBT	129.54	124.30	192.86
Exceptional	0.00	0.00	0.00
PBT after Excep	129.54	124.30	192.86
Tax	46.30	44.00	68.22
PAT	83.24	80.30	124.64
Eq Cap	72.86	85.88	128.43
Reserves	3586.92	605.12	1299.46
Net Worth	459.79	691.00	1427.89
Eq Shares (No)	7.29	8.59	12.84
EPS	11.42	9.35	9.71
Book Value	63.10	80.46	111.18
NIM %	12.48	13.72	12.70
CRAR %	21.48	29.71	28.94
GNPA %	0.08	0.08	1.97
NNPA %	--	--	--

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GROUP COMPANIES

HEM FINLEASE PRIVATE LIMITED

MEMBER-NSE

HEM MULTI COMMODITIES PRIVATE LIMITED

MEMBER-NCDEX, MCX

HEM FINANCIAL SERVICES LIMITED

NBFC REGISTERED WITH RBI

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