CreditAccess Grameen Ltd (CREGRA)

CMP: ₹ 1352 | Target: ₹ 1600 (18%) | Target Period: 12 months | BUY

January 21, 2026

Recovery seems visible; sustained trajectory to aid valuation

About the stock: CreditAccess Grameen is one of the largest microfinance companies in India, having over 3 decades of experience, over ₹ 26,566 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

Q3FY26 performance: CreditAccess Grameen reported a strong sequential recovery in Q3FY26, driven by margin expansion and lower credit cost. AUM grew 2.6% QoQ (7.1% YoY) as disbursements rose 13.4% YoY to ₹5767 crore with notable recovery in Karnataka. Lower slippages and reduction in cost of funds aided 60 bps QoQ recovery in margins QoQ to 13.9%. Credit cost moderated by 54.4% YoY aiding RoA improvement to 3.5%, while asset quality strengthened with PAR 0+ at 4.4% and PAR 90+ at 2.9%. The non-MFI portfolio expanded to 14% of AUM, led by growth in unsecured business loans and wider branch reach.

Investment Rationale

- **Growth momentum strengthens, portfolio mix improving:** With asset quality normalising, management has renewed focus on growth while benefiting from margin resilience. Disbursement momentum is seen picking up driven by customer accretion and branch expansion. Retail segment scaled up to 14.1% of AUM (vs 11.1% in Q2), driven by graduation of quality customers, reinforcing diversification. Management reiterated medium-term growth target of ~20%, with MFI growth in early teens and retail driving incremental growth.
- **RoA at 4-4.5%, lower credit cost key lever:** Management expects RoA to improve from 3.5% in Q3 towards ~4% over the medium term. Margin tailwinds from lower cost of funds are expected to support earnings, though yields may be trimmed as growth accelerates. Operating leverage is likely to remain limited given elevated rejection rates, focus on retail expansion and continued investment in distribution. Asset quality trends provide comfort, with collection efficiency at 99.7% in December and sharp moderation in monthly PAR15 accretion to 18 bps (vs 47 bps in September). Thus, improvement in RoA is expected to be driven by moderation in credit cost guided at 4–4.5% for FY27E, with sustained easing in early delinquencies driving upside, albeit partly offset by higher ECL provisioning.

Rating and Target Price

- Revival in growth momentum, improving margins, stable asset quality and rising contribution from retail finance provide visibility on earnings recovery and medium-term growth.
- Rolling to FY28E, we value the stock at 2.4x FY28E BV, maintaining our target at ₹1,600. Maintaining Buy rating on stock.

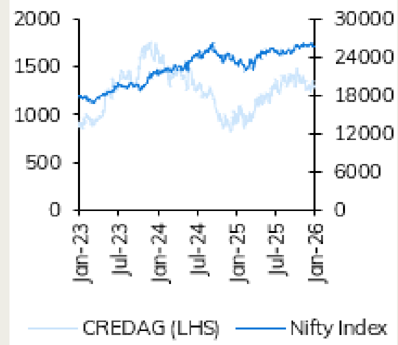
Particulars

Particulars	Amount
Market Capitalisation	₹ 21,644 crore
52 week H/L	1,490 / 750
Net Worth	₹ 7,413 crore
Face value	10.0
DII holding (%)	13.23
FII holding (%)	11.68

Shareholding pattern

(in %)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	66.4	66.4	66.4	66.3
FII	11.4	12.1	12.3	11.7
DII	12.7	12.8	13.3	13.2
Others	9.5	8.7	8.0	8.8

Price Chart



Key risks

(i) Lower than expected AUM growth

(ii) Higher delinquencies or delay in stabilization could cap RoA expansion

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Nivedita Choudhary
nivedita.choudhary@icicisecurities.com

Key Financial Summary

₹ crore	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
NII	2,114	3,168	3,599	30%	3,803	4,466	5,246	13.38%
PPP	1,506	2,391	2,638	32%	2,711	3,213	3,798	12.91%
PAT	826	1,446	532	-20%	760	1,362	1,621	45.02%
ABV (₹)	316.4	407.0	407.5		455.5	542.6	646.7	16.65%
P/E	25.7	14.7	40.2		28.1	15.7	13.2	-31.04%
P/ABV	4.2	3.3	3.3		2.9	2.5	2.1	
RoE (%)	17.8	24.8	7.9		10.4	16.2	16.4	
RoA (%)	4.2	5.7	1.9		2.6	4.0	4.1	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Concall highlights and outlook

Business Performance

- Q3FY26 disbursements rose 13.4% YoY to ₹5,767 crore, with December exit run-rate crossing ₹2,200 crore. AUM grew 2.6% QoQ to ₹26,566 crore (3.3% QoQ adjusted for write-offs of ₹181 crore).
- Management highlighted normalization in asset quality trends across geographies, enabling renewed focus on growth, with expected collection efficiency (in X bucket) at 99.71% in Dec'25 and sharp decline in monthly PAR15 accretion to 18 bps vs 47 bps in Sep'25. Karnataka recovery attributed to strong franchise, dense branch network and early corrective actions.
- Added 90K new borrowers in December 25, 2.1 lakh borrowers in Q3FY26 (6.4 lakh in 9MFY26), with 50% additions from outside top three states. Customer acquisition is expected to pick up in Q4FY26.
- New-to-credit ratio remained healthy at 39%, while share of unique borrowers improved to 43.4% (Dec'25) vs 26.4% (Aug'24)
- Added 15 branches, taking total network to 2,222 branches
- Retail finance portfolio scaled 14.1% of AUM vs 11.1% in Q2FY26 to ₹3,780 crore, driven by migration of quality vintage borrowers to individual loans. Management expects 5-7% annual customer graduation from JLG to retail, supporting medium-term 20%+ growth ambition.
- Retail finance is led by unsecured Unnati loans (~₹1,700 crore, ATS ~1.7 lakh), which are higher ticket size loans for customers which clearly demonstrable income and unsecured Vishesh loans (~1,600 crore, ATS ~80,000) targeted at customers with high income, but unclear income visibility. PAR 30 remains well under 2%. Secured retail book stands at ₹500 crore, comprising of mortgage loans (~266 crore, ATS ₹6.5-7 lakh), Home loans (~200 crore) and two-wheeler loans (₹ 13 crore).
- MFI ticket size: disbursements range from 25K-35K for early vintage to up to ₹1.75 lakh for seasoned borrowers, with loans above ₹1 lakh forming less than 10% of portfolio.
- Average portfolio yield stood at 21%, with housing loans priced at 16.5%, mortgage loans at 21%, and similar yields for two-wheeler.
- Post MFI guardrails, rejection rates have increased, new borrower approval rate for at 55-60% and renewal rates are around 45-50% vs 65% before the guardrails, reflecting tighter underwriting.
- PAT increased to ₹252 crore (+153% YoY), excluding the one-time impact of ₹18 crore due to new labour codes, resulting in RoA of 3.5% and RoE of 13.8%.
- Liquidity remained strong at ₹2,397 crore (8.4% of assets). Sanctions in hand at ₹3,431 crore; pipeline at ₹5,781 crore.
- Grameen Mahi app crossed 100 crore downloads, enabling digital collections and targeted lead generation; digital collections reached 20% by Dec'25.

Margins

- Management highlighted no stress in bank funding, aided by diversified borrowing mix with <60% dependence on bank term loans. In Q3FY26, the company raised ₹3,917 crore at marginal cost of 8.9%, while average cost of borrowings declined 26 bps QoQ to 9.4%. Foreign borrowings at 24.3%, nearing medium-term target of 25–30% by FY28E.
- NIM expanded 60 bps QoQ to 13.9%, supported by 30 bps improvement in yield on account of lower interest reversal and cost of borrowing declining 20 bps QoQ.
- Cost-to-income ratio at 34.1% (32.3% adjusted) including one-time labour code impact of ₹18 crore. Higher rejection rate in MFI segment, investment in distribution and focus on retail segment is expected to limit improvement in CI ratio.

Asset Quality

- Karnataka portfolio showed strong recovery, with asset quality reverting to historical levels.
- De-leveraging trend sustained: borrowers with >3 lenders at 4.9% vs 25.3% (Aug'24). Borrowers with >₹2 lakh unsecured debt at 7.8% vs 19.5% (Aug'24)
- PAR15+ trends stabilized in last two months, indicating lower forward slippages. GNPA 4.04% / NNPA 1.36% (60+ DPD); PAR 90 at 2.94% and collection efficiency (ex-arrears) at 95.5%.
- Q3FY26 credit cost at ₹343 crore, including ₹59 crore, from accelerated write-offs, ₹37 crore, from higher ECL rates. Excluding one-offs, normalized credit cost at 96 bps, in-line with PAR accretion trends. Stage 1 ECL provisioning to inch up closer to 1.5% by Q4FY26.

Guidance

- FY27 growth guidance at ~20%, driven by early-teens MFI growth and faster retail expansion.
- Management guides FY27 NIM at ~14–14.5%, supported by declining borrowing costs and stable pricing discipline. Cost of borrowing is expected to drop 10 bps every quarter for next two to three quarters and then stabilize.
- Management reiterated FY27 credit cost guidance at 4–4.5%, but indicated potential downside if PAR trends remain benign, with guidance review expected in May.
- RoA could rise to 4-4.5% and RoE to 16-17% by FY27E, with guidance to be given post Q4FY26 earnings.

Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
NII	976	863	13.1	935	4.4	Sequential growth in NII in-line with margin trend
NIM (%)	13.9	12.5	140 bps	13.3	60 bps	Lower interest reversals and lower cost of borrowings aided yields and margins
Other Income	56	44	27.2	95	-40.6	
Net Total Income	1,032	907	13.8	1,030	0.2	
Staff cost	227	178	27.2	219	3.4	One-time impact of ₹18 crore incurred on acccount of new labour codes
Other Operating Expenses	125	106	17.8	115	8.0	
PPP	680	623	9.2	695	-2.1	
Provision	343	752	-54.4	526	-34.8	Sequential improvement seen in credit cost despite accelerated write-off
PBT	338	-129	-362.1	169	99.8	
Tax Outgo	86	-29	-391.9	43	98.0	
PAT	252	-100	-353.3	126	100.4	Lower credit cost aid sequential earnings trend
Key Metrics						
Gross loans (₹ crore)	26,566	25,133	5.7	25,904	2.6	2.1 lakh customers added in Q3FY26
Borrowers (nos '000)	4,401	4,933	-10.8	4,440	-0.9	
GNPA (%)	4.04	2.44	160 bps	3.65	39 bps	Collection efficiency at 95.5% (excl arrears)

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Interest Earned	5,547	5,790	6,771	7,983
Interest Expended	1,948	1,987	2,305	2,737
Net Interest Income	3,599	3,803	4,466	5,246
% growth	13.6	5.7	17.4	17.5
Non Interest Income	209	284	319	347
Net Income	3,809	4,086	4,784	5,593
Employee cost	730	905	1,045	1,208
Other operating Exp.	440	471	526	587
Operating Profit	2,638	2,711	3,213	3,798
Provisions	1,930	1,697	1,398	1,636
PBT	709	1,014	1,815	2,162
Taxes	177	253	454	540
Net Profit	532	760	1,362	1,621
% growth	(63.2)	43.0	79.0	19.1
EPS (₹)	33.3	47.6	85.2	101.5

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Valuation				
No. of Equity Shares	16.0	16.0	16.0	16.0
EPS (₹)	33.3	47.6	85.2	101.5
BV (₹)	435.5	483.1	568.4	669.9
ABV (₹)	407.5	455.5	542.6	646.7
P/E	40.2	28.1	15.7	13.2
P/BV	3.1	2.8	2.4	2.0
P/ABV	3.3	2.9	2.5	2.1
Yields & Margins (%)				
Yield on Advances	21.4%	21.0%	21.4%	21.6%
Avg. cost on funds	9.5%	8.5%	8.5%	8.7%
Net Interest Margins	13.7%	13.8%	14.1%	14.2%
Spreads	11.9%	12.5%	12.9%	12.9%
Quality and Efficiency				
Cost / Total net income	30.7%	33.7%	32.8%	32.1%
GNPA%	4.8%	5.5%	4.5%	4.0%
NNPA%	1.7%	1.6%	1.3%	1.0%
RoE (%)	7.9%	10.4%	16.2%	16.4%
RoA (%)	1.9%	2.6%	4.0%	4.1%

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Capital	160	160	160	160
Reserves and Surplus	6,796	7,557	8,918	10,540
Networth	6,956	7,716	9,078	10,699
Borrowings	20,446	23,308	27,037	31,363
Other Liabilities & Provisions	401	517	383	398
Total	**27,802**	**31,541**	**36,498**	**42,461**
	1.21	1.20	1.20	1.21
Applications of Funds				
Fixed Assets	44	47	50	53
Investments	994	1,094	1,203	1,323
Advances	24,663	27,887	32,437	37,896
Other Assets	2,102	2,514	2,809	3,188
Total	**27,802**	**31,541**	**36,498**	**42,461**

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total assets	-3.7%	13.4%	15.7%	16.3%
Advances	-2.5%	13.1%	16.3%	16.8%
Borrowings	-6.4%	14.0%	16.0%	16.0%
Total Income	10.7%	7.3%	17.1%	16.9%
Net interest income	13.6%	5.7%	17.4%	17.5%
Operating expenses	11.5%	17.6%	14.2%	14.3%
Operating profit	10.3%	2.7%	18.5%	18.2%
Net profit	-63.2%	43.0%	79.0%	19.1%
Book value	5.7%	10.9%	17.6%	17.9%
EPS	-63.3%	43.0%	79.0%	19.1%

Source: Company, ICICI Direct Research

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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 Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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