

About the Company

CreditAccess Grameen (CAGrameen) is a rural-focused microfinancier that caters mainly to women borrowers who lack access to the formal banking sector. CAGrameen is predominantly present in Karnataka, Maharashtra, and Tamil Nadu, which collectively contribute ~70.2% of its Gross Loan Portfolio (GLP) as of Dec'25.

Investment Rationale

- Growth Outlook Optimistic, Retail Finance to Lead Growth:** CAGrameen's rejection rates have inched up meaningfully with approval (55-60%) and renewal rates (45-50%) remain structurally lower post-guardrails (vs 65% earlier), implying the company's priority for better quality customers. With asset quality normalising across geographies, especially in KA, management is now comfortable re-engaging on growth, though in a calibrated manner. Management indicated that the group (GL) MFI growth will witness a gradual stabilisation phase rather than a sharp rebound and is expected to range between 10-12% in FY27. **In Q4, the company has seen a new customer addition run-rate revert back to 1 Lc customers/month with CAGrameen adding ~3.3 Lc customers (+27/57% YoY/QoQ). GLP growth improved to 14/11% YoY/QoQ in Q4FY26.**
- End of the Accelerated Write-Off Cycle; Lower PAR Accretion Sustenance Remains Key:** In Q3, CAGrameen has witnessed a normalisation in the asset quality trends across operating geographies, especially KA and TN, which have shown a sharp improvement in PAR accretion trends. KA has shown notable recovery, with asset quality reverting to its historical levels, supported by tighter credit oversight. While UP, BHR and MP are also showing signs of steady improvement, management highlighted that the non-core states continue to carry relatively higher credit costs compared to core states. **Asset quality completely normalised across all geographies, with overall X-Bucket CE of 99.84% in Mar'26. We expect credit costs to decline QoQ in Q4, aiding earnings growth.**
- NIMs to Remain Strong:** The company had taken a price hike in Q3 to reflect the elevated credit costs. However, pricing remains largely risk-linked, suggesting normalisation in credit costs could also result in recalibration of yields. The strategic focus remains on maintaining RoA in the 4-4.5% range, with NIMs being an outcome of the evolution of credit costs. Going forward, management expects NIMs to continue improving, with FY27 margins ranging ~14-14.5%, supported by a 10 bps sequential decline in cost of borrowings over the next 2-3 quarters. **We expect margin improvement to continue in Q4, with NIMs expanding by ~20 bps QoQ.**

Valuation & Recommendation:

We expect CAGRAMEEN to report a strong set of numbers, with highlights of the quarter being lower credit costs and a strong margin profile. The company has been successfully navigating the challenges of the recent MFI credit downcycle and has exhibited resilience as it readies for its next leg of growth. It is well-positioned to restart a strong growth cycle from FY27, as asset quality normalises across key geographies alongside expectations of lower PAR accretion, sustaining build. While MFI growth is expected to remain measured at 10-12%, the rapidly scaling retail finance portfolio and steady graduation of high-quality borrowers should drive ~20% GLP growth over the medium term. **We recommend a BUY on the stock with a TP of Rs 1,650/share, implying an upside of 10% from the CMP.**

Financial Summary (Standalone)

Y/E	NII	PPOP	PAT	EPS	ABV	P/ABV	RoA	NNPA
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(Rs)	(x)	(%)	(%)
FY25	3,599	2,638	531	33.3	409.2	2.9	1.9	1.7
FY26E	3,875	2,771	713	44.6	457.0	2.6	2.4	1.4
FY27E	4,648	3,315	1,516	94.9	552.2	2.1	4.3	1.1
FY28E	5,532	3,943	1,872	117.2	669.8	1.8	4.4	0.9

Source: Axis Securities; CMP as on 08th May, 2026

Duration: 3-6 Months

CMP (Rs)	1,498
Target Price (Rs)	1,650
Upside (%)	10%

| Why CreditAccess Grameen?

- ✓ **Strong Q4 Numbers Expected**
- ✓ **Asset Quality Stress Waning; Credit Costs to Moderate**
- ✓ **RoA Improvement in Sight**
- ✓ **NIMs Profile Healthy**

| Key Risks

- ✓ **MFI Asset Quality Challenges**
- ✓ **Weaker-than-expected Performance on Growth**

MARKET DATA

No. of Shares	16.0 Cr
Market Cap	23,992 Cr
52-week High / Low	1,566/1,074
BSE Code	541770
NSE Code	CREDITACC

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| Axis PUNCH is a strong, research-based idea based on



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- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

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Informed Decisions: Make well-informed investment decisions backed by the expertise of our dedicated research team.

Medium-term Horizon: Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

| Why to choose Axis PUNCH



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