June 24, 2022 (Revised)

CreditAccess Grameen Limited: Ratings reaffirmed and outlook revised to Positive; rating withdrawn for Rs. 311.00-crore NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund Based – Term Loan	3,500.00	3,500.00	[ICRA]A+ (Positive); rating reaffirmed and outlook revised to Positive from Stable
Non-convertible Debentures	1,011.24	937.07	[ICRA]A+ (Positive); rating reaffirmed and outlook revised to Positive from Stable
	311.00	-	[ICRA]A+ (Positive); rating reaffirmed, outlook revised to Positive from Stable and rating withdrawn
Commercial Paper	500.00	500.00	[ICRA]A1+; reaffirmed
Principal Protected Market Linked Debentures (PP-MLD)	150.00	150.00	PP-MLD [ICRA]AA+(CE) (Stable); outstanding
Total	**5,472.24**	**5,087.07**	

**Instrument details are provided in Annexure-1; For the credit enhanced rating of the entity, refer to the rationales given under the structured finance section* here

The letters, PP-MLD, prefixed to a rating symbol stand for principal protected market linked debentures. According to the terms of the rated instrument, the amount invested, i.e. the principal, is protected against erosion while the returns on the investment could vary, being linked to movements in one or more variables, such as equity indices, commodity prices, and/or foreign exchange rates. The rating assigned expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with the variability in returns resulting from adverse movements in the variable(s) concerned

The revision in the outlook considers the improvement witnessed in CreditAccess Grameen Limited's (CA Grameen) asset quality and earnings performance in FY2022. The consolidated[1] portfolio grew by about 22% in FY2022 vis-à-vis 13% in the previous fiscal. The consolidated 0+days past due (dpd) and 90+dpd improved to 4.9% and 2.7%, respectively, as of March 2022 from 12.8% and 5.8%, respectively, as of September 2021 (6.8% and 3.3%, respectively, as of March 2021). ICRA notes that while the improvement was supported by a steady uptick in the collection efficiency, CA Grameen also undertook sizeable write-offs (5.1% of the consolidated opening portfolio) in FY2022, partly absorbed by the provisions built up following the onset of the Covid-19 pandemic. The consolidated provisions, as a proportion of the portfolio, had increased to 4.6% by March 2021 from 2.6% in March 2020 but the same moderated to 3.2% by March 2022. The consolidated net profitability (return on average managed assets; RoMA) improved to 2.0% in FY2022 from 0.9% in FY2021; the profitability improved steadily from Q3 FY2022 as the asset quality and growth trend revived post the impact of the second wave of the pandemic in Q1/Q2 FY2022. ICRA expects CA Grameen's financial risk profile to improve steadily going forward, as the impact of the disruptions caused by the pandemic has waned.

The ratings continue to factor in CA Grameen's established presence in the microfinance industry and its comfortable capital profile (consolidated managed gearing stood at 3.8 times as of March 2022). CA Grameen held a stake of 76.32% in Madura Micro Finance Limited (MMFL) as of March 31, 2022. ICRA notes that the amalgamation of MMFL with CA Grameen is currently underway, with the shareholders of both companies recently providing approval for the same. The approval for the scheme of

[1] *CA Grameen + Madura Micro Finance Limited (MMFL; rated [ICRA]A-% – On rating Watch with Positive Implications)*

amalgamation is pending from the National Company Law Tribunal (NCLT) and other regulatory bodies and the same is expected to be received in the near term.

The ratings also factor in the risks inherent in the microfinance business considering the modest borrower profile and the regionally concentrated portfolio with Karnataka accounting for 35.9% of the portfolio on a consolidated basis (42.5% of the standalone portfolio) as on March 31, 2022. CA Grameen has been steadily expanding its geographical presence in the recent past and it currently has operations in 14 states/Union Territories (UTs) on a standalone basis (15 states/UTs on a consolidated basis). ICRA takes note of the company's significant rural presence and its predominantly weekly/bi-weekly collection model, which aids better client engagement levels. The revised guidelines for the microfinance industry are expected to provide the players, including CA Grameen, with better pricing ability in view of the underlying risks. This has also broadened the target segment, though the entities would have to upgrade their systems and train their staff to meet the various operational requirements, including household-level income and debt obligation assessments.

ICRA has reaffirmed the [ICRA]A+ rating while revising the outlook to Positive and has subsequently withdrawn the rating on the Rs. 311.0-crore non-convertible debenture (NCD) programme, as the instrument has been fully redeemed and there is no amount outstanding against the same. The rating was withdrawn as per ICRA's policy on the withdrawal and suspension of credit ratings.

Key rating drivers and their description

Credit strengths

Largest NBFC-MFI, having an established track record – CA Grameen is an established player in the microfinance industry with a track record of over 20 years. The company's seven-member board of directors comprises the Managing Director (MD) and the Chief Executive Officer (CEO), two representatives from CreditAccess India (CAI) and four independent directors, with experience in the areas of banking, microcredit and financial services. Its senior management team comprises professionals with good functional expertise.

With a consolidated portfolio of Rs. 16,599 crore as on March 31, 2022 (standalone portfolio of Rs. 13,732 crore as on March 31, 2022), CA Grameen is the largest non-banking financial company – microfinance institution (NBFC-MFI) offering loans for income generation, family welfare, emergency loans, home improvement and other retail finance requirements. Built on the Grameen Model of microfinance, the company has a predominantly rural presence with rural borrowers (on a consolidated basis) accounting for almost 85% of its total borrower base. Further, its predominantly weekly/bi-weekly collection model enables closer engagement levels with its borrower base.

Comfortable capitalisation profile – CA Grameen's standalone managed[2] gearing stood at 3.0 times as on March 31, 2022 (2.7 times as on March 31, 2021) vis-à-vis 3.1 times as on March 31, 2020. The company had raised Rs. 800-crore equity in October 2020, which supported its gearing levels in the recent past, when its internal generation/earnings profile was impacted by the pandemic. At the consolidated level, the managed gearing[3] stood at 3.8 times as of March 2022 (3.5 times as of March 2021). The company is expected to raise equity capital in the next few quarters, which should support its medium-term growth requirements, while keeping the capital profile under control. ICRA expects CA Grameen to keep its consolidated managed gearing below 4.5 times going forward.

Asset quality recovered from the lows witnessed in H1 FY2022 – CA Grameen's (consolidated) 0+dpd and 90+dpd improved to 4.9% and 2.7%, respectively, as of March 2022 from 12.8% and 5.8%, respectively, as of September 2021 (6.8% and 3.3%,

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[2] *Considering off-B/s direct assignment book as debt*
[3] *Adjusted for goodwill*

respectively, as of March 2021). On a standalone basis, the 0+dpd and 90+dpd improved to 3.6% and 2.3%, respectively, as on March 31, 2022 from 11.5% and 5.4%, respectively, as on September 30, 2021 and 30.6% and 3.8%, respectively, as on June 30, 2021 (5.2% and 2.9%, respectively, as on March 31, 2021); the 90+dpd peaked at 5.6% in November 2021. The improvement in the asset quality was also supported by the write-offs undertaken by the company. CA Grameen wrote off 5.1% of its consolidated opening loan portfolio and 4.2% of its standalone opening loan portfolio in FY2022; on a consolidated basis, write-offs stood at 3.8% of the opening portfolio in FY2021.

For MMFL, the 0+dpd and 90+dpd improved to 11.1% and 4.9%, respectively, as of March 2022 from 19.7% and 7.9%, respectively, as of September 2021 (14.1% and 4.7%, respectively, as of March 2021). With the forward movement of delinquencies into harder buckets in subsequent quarters (90+dpd peaked at 9.3% in November 2021), MMFL undertook sizeable write-offs of Rs. 106.1 crore in H2 FY2022.

CA Grameen's restructured portfolio stood at 1.0% of the loan portfolio as of March 2022. ICRA takes note of the expected credit loss (ECL) provisions (3.2% of the consolidated portfolio as of March 2022) and the available capital buffer at present, which supports the company's risk profile.

Profitability improved in H2 FY2022; expected to remain healthy, going forward – On a standalone basis, CA Grameen reported a net profit of Rs. 382.1 crore for FY2022, translating into a RoMA of 2.5% and a return on average net worth (RoNW) of 10.1% (1.5% and 5.5%, respectively, in H1 FY2022; annualised). The consolidated RoMA and RoNW improved to 2.0% and 9.9%, respectively, in FY2022 from 1.0% and 4.5%, respectively (annualised), in H1 FY2022. While CA Grameen's profitability in FY2021 and H1 FY2022 was impacted by the weakening in the asset quality, leading to elevated credit costs, the improvement in the asset quality as well as higher disbursements in H2 FY2022 supported the overall profitability for FY2022. At the consolidated level, credit costs stood at 2.9% of the average managed assets in FY2022 compared to 4.1% in H1 FY2022 and 4.9% in FY2021 (2.2% in FY2020).

CA Grameen's portfolio is expected to grow ~25% on a year-on-year (YoY) basis in FY2023. This, which along with the expected improvement in the lending yields, post the implementation of the revised regulatory framework for microfinance, is expected to support the earnings profile.

Credit challenges

Regionally concentrated portfolio profile – As on March 31, 2022, CA Grameen had a presence in 14 states/UTs on a standalone basis, namely Karnataka, Maharashtra, Madhya Pradesh, Tamil Nadu, Chhattisgarh, Odisha, Goa, Kerala, Puducherry, Jharkhand, Bihar, Gujarat, Rajasthan and Uttar Pradesh with Karnataka accounting for 42.5% of its loan portfolio (35.9% on a consolidated basis). While this exposes the company to the risks associated with significant regional concentration, ICRA notes that CAGL' concentration in Karnataka has been reducing over the years (70% as on March 31, 2015; around 80% as on March 31, 2013). Karnataka, Maharashtra and Tamil Nadu accounted for 79.7% of the standalone loan portfolio (78.2% of the consolidated loan portfolio) as on March 31, 2022. Within Karnataka, the company's portfolio is spread across 31 districts. CA Grameen's (standalone) exposure in the top 10 districts (all in Karnataka and Maharashtra) accounted for around 25% of its portfolio as on March 31, 2022. However, no single district had an exposure beyond 4% of the total portfolio. About 97% of the total 301 districts, in which the company has operations, has per district portfolio of less than 2% (of the total loan book); these districts together accounted for 78% of the total loan book and, the balance 3% have per district portfolio of 2-4% (of the total loan book).

ICRA takes note of CA Grameen's significant rural presence and its predominantly weekly/bi-weekly collection model, which aids better client engagement levels. This, along with the prudent customer onboarding and monitoring process, provides comfort to an extent. During the last three years, the company also forayed into contiguous districts in other states with a relatively smaller presence, which is expected to help steadily reduce the concentration in Karnataka over the medium term.

Risks associated with microfinance business – The ratings factor in the risks associated with the marginal borrower profile, unsecured lending, business and political risks, along with the challenges associated with a high pace of growth and attrition.

CA Grameen's ability to manage such risks while expanding across new geographies would be crucial. Additionally, in line with the industry, the company's ability to onboard borrowers with a good credit history and recruit and retain employees would be a key monitorable. The revised guidelines for the microfinance industry are expected to provide the players, including CA Grameen, with better pricing ability in view of the underlying risks. This has also broadened the target segment, though the entities would have to upgrade their systems and train their staff to meet the various operational requirements, including household-level income and debt obligation assessments.

Liquidity position: Strong

CA Grameen, on a standalone basis, had cash and liquid investments of Rs. 1,299 crore and unutilised sanctions of Rs. 2,414 crore as on April 30, 2022 (cash and liquid investments on a consolidated basis stood at Rs. 1,467 crore as on April 30, 2022). On a standalone basis, debt repayments (including interest payment), during May-October 2022, stood at Rs. 3,340 crore (Rs. 4,200 crore on a consolidated basis). The company's liquidity profile is further supported by the healthy monthly collections witnessed in the last few months/quarters.

On a standalone basis, CA Grameen had borrowing relationships with 37 banks (including foreign banks) and 15 financial institutions (including development financial institutions) as on March 31, 2022. It had outstanding borrowings of Rs. 11,644 crore as on March 31, 2022, comprising bank term loans (59%), loans availed from NBFCs and other financial institutions (17.3%), NCDs (10.2%) and external commercial borrowings (ECBs), covered bonds and direct assignment (13.5%).

Rating sensitivities

Positive factors – ICRA could upgrade CA Grameen's rating if the company demonstrates a steady improvement in its scale and geographical diversification, with a reduction in the state-level concentration, while maintaining good asset quality and reporting a healthy liquidity and earnings profile.

Negative factors – Pressure on CA Grameen's ratings or outlook could arise if there is a deterioration in the asset quality, leading to the RoMA falling below 3%, or if the managed gearing exceeds 4.5 times for a prolonged period or if there is sustained weakening in the liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Methodology for Consolidation and Rating Approach ICRA's Policy on Withdrawal of Credit Ratings
Parent/Group Support	Not Applicable
Consolidation/Standalone	Consolidated financial profile of CA Grameen and its subsidiary, MMFL

About the company

CreditAccess Grameen Limited (CA Grameen) commenced microfinance operations under the leadership of Mrs. Vinatha M Reddy in 1999 as a division under T. Muniswamappa Trust (TMT), a registered public charitable trust/non-governmental organisation (NGO). This microfinance programme was transferred and transformed into an NBFC in 2007-08. CreditAccess India acquired a majority stake in the company in FY2014 and currently owns about 74%. CA Grameen got listed in FY2019 and it acquired 76% in MMFL in FY2020.

CA Grameen is engaged in microlending activities mainly in Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh, Chhattisgarh, etc. As on March 31, 2022, the company had a portfolio of Rs. 16,599 crore (consolidated) serving borrowers across 319 districts. On a standalone basis, the portfolio in Karnataka stood at 42.5% as on March 31, 2022 compared to 58.1% as on March 31, 2018 (70% as on March 31, 2015).

Key financial indicators (audited)

CreditAccess Grameen Limited	FY2020 (Ind-AS)	FY2021 (Ind-AS)	FY2022 (Ind-AS)
Total Income excluding Securitisation Income	1,638	1,907	2,156
Profit after Tax	328	142	382
Net Worth	2,669	3,635	3,940
Total Managed Portfolio	9,893	11,195	13,618
Total Managed Assets	11,382	14,173	16,361
Return on Managed Assets	3.4%	1.1%	2.5%
Return on Net Worth	13.0%	4.5%	10.1%
Gearing (times)	3.1	2.7	3.0
*Gross NPA	1.6%	4.4%	3.1%
Net NPA	0.0%**	1.3%	0.9%
Net NPA / Net Worth	0.00%	3.8%	2.9%
CRAR	23.6%	31.8%	26.5%

Source: *Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore*

*GNPA is considered at 60+dpd for group loans and 90+dpd for retail loans; ** As per Ind-AS financials and CA Grameen's investor presentation*

Key financial indicators (consolidated)

CreditAccess Grameen Limited + Madura Micro Finance Limited	FY2020 (Ind-AS)	FY2021 (Ind-AS)	FY2022 (Ind-AS)
Total Income excluding Securitisation Income	1,659	2,324	2,605.4
Profit after Tax	335	131	357.1
Net Worth*	2,526	3,479	3,758
Total Managed Portfolio	11,996	13,462	16,490
Total Managed Assets	13,487	16,801	19,119
Return on Managed Assets	3.1%	0.9%	2.0%
Return on Net Worth (including minority interest and adjusted for goodwill)	13.7%	4.4%	9.9%
Gearing (times)	4.0	3.5	3.8
CRAR	-	26.8%	22.8%

Source: *Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore*

**Adjusted for goodwill*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument				Current Rating	Chronology of Rating History for the Past 3 Years								
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	FY2023	Date & Rating in FY2022		Date & Rating in FY2021					Date & Rating in FY2020	
					Jun-24-2022	Dec-24-2021	Aug-10-2021	Mar-30-2021	Jan-05-2021	Sep-04-2020	Jul-24-2020	May-18-2020	Dec-06-2019	Sep-30-2019
1	NCD	LT	937.07	937.07	**[ICRA]A+ (Positive)**	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
			311.00	0.00	**[ICRA]A+ (Positive); withdrawn**	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
2	Bank facilities	LT	3,500.00	3,500.00	**[ICRA]A+ (Positive)**	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
3	CP	ST	500.00	500.00	**[ICRA]A1+**	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Source: *Company; LT – Long term; ST – Short term*
For credit enhanced ratings of the entity, refer to the rationales given under the structured finance section here

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	Simple
NCD - Proposed	Simple
CP	Very Simple
Long-term Fund-based Term Loan	Simple
Long-term Fund-based Term Loan (proposed)	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loans	Oct-19 to Mar-22	-	Dec-22 to Mar-25	3,455.71	[ICRA]A+ (Positive)
-	Term Loans - Proposed	NA	-	NA	44.29	[ICRA]A+ (Positive)
INE741K07215	NCD	Jul-31-17	11.60%	Jul-29-22	100.00	[ICRA]A+ (Positive)
NE741K07199	NCD	May-31-17	10.34%	Jun-03-22	45.90	[ICRA]A+ (Positive)
INE741K07223	NCD	Sep-28 -17	11.47-11.68%	Sep-28-23	39.00	[ICRA]A+ (Positive)
INE741K07280	NCD	Jun-26-20	10.00%	Jun-26 -23	50.00	[ICRA]A+ (Positive)
INE741K07298	NCD	Jun-29-20	10.50%	Apr-21-23	72.50	[ICRA]A+ (Positive)
INE741K07306	NCD	Jun-26-20	10.05%	Jul-3-23	30.00	[ICRA]A+ (Positive)
INE741K07314	NCD	Jul-21-20	9.95%	Apr-21-23	100.00	[ICRA]A+ (Positive)
INE741K07322	NCD	Jul-28-20	9.81%	Jul-30-23	16.67	[ICRA]A+ (Positive)
INE741K07355	NCD	Sep-18-20	9.15%	Mar-22-22	50.00	[ICRA]A+ (Positive); withdrawn
INE741K07355	NCD	Sep-18-20	9.15%	Mar-22-22	50.00	[ICRA]A+ (Positive); withdrawn
INE741K07363	NCD	Oct-20-20	9.15%	Apr-20-22	100.00	[ICRA]A+ (Positive); withdrawn
INE741K07348	NCD	Aug-14-20	9.25%	Feb-14-22	36.00	[ICRA]A+ (Positive); withdrawn
INE741K07348	NCD	Aug-14-20	9.25%	Feb-14-22	50.00	[ICRA]A+ (Positive); withdrawn
INE741K07371	NCD	Nov-11-20	9.15%	May-11-22	25.00	[ICRA]A+ (Positive); withdrawn
INE741K07389	NCD	Dec-10-20	9.15%	Jun-10-22	25.00	[ICRA]A+ (Positive)
INE741K07405	NCD	Mar-31-21	9.85%	Mar-31-26	145.00	[ICRA]A+ (Positive)
-	NCD - Proposed	-	-	-	313.00	[ICRA]A+ (Positive)
Commercial Paper	CP	-	-	-	500.0*	[ICRA]A1+

Source: *Company; *Unutilised*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Madura Micro Finance Limited	76.32%	Full consolidation

Corrigendum

Document dated June 24, 2022 has been corrected with revision as detailed below:

Section where revision has been made:

Annexure 1- Instrument Details: Page 7

Revision made: Maturity date for ISIN No. INE741K07215 has been revised from July 31, 2023 to July 29, 2022.

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