

June 11, 2024

CreditAccess Grameen Limited: [ICRA]AA- (Stable) assigned to fresh NCDs; Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based – Term loan	6,080.00	6,080.00	[ICRA]AA- (Stable); reaffirmed
Non-convertible debentures	145.00	0.00	[ICRA]AA- (Stable); reaffirmed and withdrawn
Non-convertible debentures (public issuances)	-	2,000.00	[ICRA]AA- (Stable); assigned
Commercial paper	500.00	500.00	[ICRA]A1+; reaffirmed
Total	6,725.00	8,580.00	

*Instrument details are provided in Annexure I

Rationale

The rating action factors in CreditAccess Grameen Limited's (CA Grameen) established track record and market position, its healthy asset quality and earnings, and comfortable capitalisation profile. The company's portfolio of Rs. 26,714 crore, as of March 2024, is the highest in the non-banking financial company – microfinance institution (NBFC-MFI) industry. It grew by 27% year-on-year (YoY) in FY2024. CA Grameen's portfolio delinquencies were largely stable with the 0+ and 90+ days past due (dpd) at 1.7% and 0.9%, respectively, as of March 2024, (1.5% and 1.0%, respectively, as of March 2023), supported by the healthy collection efficiency. Accordingly, its credit cost¹ remained stable at 1.5% in FY2024 vis-à-vis 1.6% in FY2023. Coupled with controlled operating costs and improved yields, the profitability (return on average managed assets; RoMA) increased to 5.3% in FY2024 from 3.8% in FY2023.

CA Grameen's managed gearing stood at 3.8 times as of March 2024 (3.9 times as of March 2023). The portfolio is expected to grow by 20-25% per annum over the medium term with the managed gearing remaining below 4.5 times. Unsecured microfinance loans are expected to comprise ~90% of the portfolio over the medium term with the retail portfolio accounting for the balance (~10%).

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 31.8% of the portfolio as of March 2024 (33.2% as of March 2023). CA Grameen has been steadily expanding its geographical presence in the recent past and had operations in 17 states/Union Territories (UTs), spread across 383 districts and 1,967 branches. ICRA takes note of the company's significant rural presence and its predominantly weekly/biweekly collection model, which leads to better client engagement levels.

The Stable outlook reflects the company's healthy asset quality and earnings profile, comfortable capitalisation profile and the expectation of sustained performance in the near to medium term.

ICRA has reaffirmed and simultaneously withdrawn the long-term rating of [ICRA]AA- with a Stable outlook on the Rs. 145.0-crore non-convertible debenture (NCD) programme as the instrument has been fully redeemed with no amount outstanding against the same. The rating has been withdrawn as per ICRA's policy on the withdrawal of credit ratings.

¹ As a percentage of average managed assets

Key rating drivers and their description

Credit strengths

Largest NBFC-MFI with an established track record – CA Grameen is an established player in the microfinance industry with a track record of over two decades. Built on the Grameen model of microfinance, the company primarily has a rural presence with rural borrowers (on a consolidated basis) accounting for almost 84% of its total borrower base. Further, its predominantly weekly/biweekly collection model enables closer engagement levels with its borrower base. With a portfolio of Rs. 26,714 crore as of March 2024, it is the largest NBFC-MFI in the country. The company's eight-member board of directors comprises the Managing Director (MD), three representatives from the parent company – 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.

As of March 2024, CA Grameen had a borrower base of 49.2 lakh (15.3% YoY growth) with ~28% borrowers unique to the company only. CA Grameen's established loan products (income generation, family welfare, emergency loans, home improvement and retail loans) are diversified to complement the requirements of its borrowers while adhering to hygiene factors such as borrowers' vintage with the company, their loan repayment history and creditworthiness. The company would also be steadily diversifying into retail finance products such as individual unsecured loans, mortgage-backed secured business loans and two-wheeler loans. ICRA notes that the company will be launching the new product segments through its existing customer base using its existing branch and field staff network.

Comfortable capitalisation profile – CA Grameen's managed gearing stood at 3.8 times as of March 2024 vis-à-vis 3.9 times as of March 2023. Its capitalisation profile was supported by strong internal accruals in the past. The adjusted net worth and capital-to-risk weighted assets ratio (CRAR) stood at Rs. 6,077.7 crore and 23.1%, respectively, as of March 2024 (Rs. 4,600.8 crore and 23.6%, respectively, as of March 2023). Sustained internal capital generation, supported by the improvement in margins and controlled operating and credit costs, is expected to aid the company's near-to-medium-term growth requirements. CA Grameen's portfolio is expected to grow by 20-25% per annum over the medium term while the managed gearing is likely to be maintained below 4.5 times.

Healthy asset quality and earnings profile –CA Grameen's collections mostly remained healthy (barring a few locations impacted by floods) in FY2024. Accordingly, its 0+ and 90+dpd were healthy at 1.7% and 0.9%, respectively, as of March 2024, (1.5% and 1.0%, respectively, as of March 2023). The collection efficiency (including overdue collections) stood at 98.2% as of March 2024. The company's repayment model (62.3% of the portfolio had a weekly repayment frequency and 34.1% had a biweekly repayment frequency as of March 2024) enables frequent connect of the borrowers with the field officers.

The improvement in the portfolio yields, along with the tightly managed operating and credit costs, supported the company's overall profitability in the recent past. Credit costs, as a percentage of average managed assets, remained stable at 1.5% in FY2024 vis-à-vis 1.6% in FY2023 (significantly lower than 2.9% in FY2022 and 4.9% in FY2021 due to the Covid-19 pandemic). Further, the operating cost remained range-bound at 3.8-4.0% during FY2020-FY2024. Consequently, RoMA and the return on net worth (RoNW)² improved to 5.3% and 27.1%, respectively, in FY2024 from 3.8% and 20.0%, respectively, in FY2023 (2.0% and 10.1%, respectively, in FY2022). Going forward, ICRA expects the profitability to remain healthy, supported by favourable interest margins with operating and credit costs remaining under control.

² Net worth adjusted for goodwill and intangible assets

Credit challenges

Regionally concentrated portfolio – As of March 2024, CA Grameen had a presence in 17 states/UTs on a consolidated basis. Karnataka accounted for 31.8% of the loan portfolio (33.2% as of March 2023). Further, the top 3 states (Karnataka, Maharashtra and Tamil Nadu) accounted for 72.5% of CA Grameen's loan portfolio as of March 2024 (74.3% as of March 2023). While this exposes the company to the risks associated with significant regional concentration, ICRA notes that CA Grameen's concentration in Karnataka has been reducing over the years (70% as on March 31, 2015 and ~80% as on March 31, 2013). The strategic acquisition of Madura Microfinance Limited also helped in reducing the concentration in Karnataka and Maharashtra to a certain extent. Within Karnataka, the company's portfolio is spread across 33 districts. The share of Karnataka, Maharashtra and Tamil Nadu is expected to reduce further to 55-60% in the next five years as the company shall expand and diversify its portfolio to states like Gujarat, Rajasthan, Uttar Pradesh (UP), Bihar, Andhra Pradesh, Telangana, and Jharkhand. It is also looking to expand to newer states like Haryana, Himachal Pradesh, and Uttarakhand in the future.

CA Grameen follows a contiguous district-based approach along with a prudent customer onboarding and monitoring process, which provides some comfort. Its consolidated exposure in the top 10 districts (all in Karnataka and Maharashtra) accounted for 17.1% of its portfolio as of March 2024. However, no single district had an exposure beyond 3% of the total portfolio. About 99% of the total 383 districts, in which the company has operations, has a per district portfolio of less than 2% (of the total loan book). These districts together accounted for 94.4% of the total loan book and the balance ~1% had a per district portfolio of 2-3% (of the total loan book).

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 in new geographies would be crucial. The company's ability to onboard borrowers with a good credit history, recruit and retain employees and maintain a geographically diversified portfolio would be key for managing high growth rates. While credit bureau checks and the regulatory ceiling on the borrower's fixed obligation to income ratio reduce concerns on overleveraging, issues related to the policy of MFIs, regarding their underwriting practices, borrowers' income and leverage assessment, multiple identity proof as well as gaps in the information available with the bureaus remain.

Environmental and social risks

Environmental risks: Given the service-oriented business of CA Grameen, its direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material. While lending institutions can be exposed to environmental risks indirectly through their portfolio of assets, the company's exposure to environmentally sensitive segments remains moderate. However, most of its borrowers are in small businesses, with the majority engaged in essential commodity related activities, primarily dependent on local demand-supply forces. If such borrowers face livelihood disruptions because of physical climate adversities, the same could translate into credit risks for entities such as CA Grameen. CA Grameen has a predominantly weekly/biweekly meeting model, which helps in maintaining strong customer relationships, better control and early risk identification. Also, its contiguous district-based expansion strategy helps in better understanding and mitigation of risks on account of socio-political factors, overleveraging, competition, etc.

Social risks: With regard to social risks, data security, customer privacy, adherence to fair practices and grievance redressal are among the key sources of vulnerability for MFIs, as any material lapse could be detrimental to their reputation and invite regulatory censure. CA Grameen has not faced such lapses over the years, which highlights its sensitivity to such risks. Its grievance redressal channels enable its ability to address borrowers' complaints in a timely manner. While the company contributes to promoting financial inclusion by lending to underserved women borrowers largely in rural areas, its lending practices remain prudent as reflected in the asset quality numbers in this segment compared with its peers.

Liquidity position: Strong

CA Grameen's cash and liquid investments stood at Rs. 2,484.7 crore as on March 31, 2024. Debt repayments (including interest payments) during April 2024-September 2024 stood at Rs. 5,884.2 crore. The company had undrawn sanctions of Rs. 3,530.0 crore as on March 31, 2024. Further, it had pipeline sanctions of Rs. 5,200.0 crore. CA Grameen did not have any negative cumulative mismatches in any of the buckets as on March 31, 2024.

The company has been diversifying its liability profile; the share of funds raised through external commercial borrowings (ECBs) increased to 15.9% as of March 2024 from 8.8% as of March 2023. As of March 2024, the funding profile comprised bank borrowings (57.2%), ECBs (15.9%), borrowings from NBFCs/financial institutions (FIs; 13.4%), NCDs (8.7%), direct assignment and securitisation (4.4%), and subordinated debt (0.4%). CA Grameen had a diverse lender base comprising funding relationships with 44 commercial banks, 15 foreign lenders and 9 NBFCs & FIs as of March 2024.

Rating sensitivities

Positive factors – Steady improvement in the 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 would be a positive.

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% on a sustained basis, or if the managed gearing exceeds 4.5 times for a prolonged period.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone financials of CA Grameen ³

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 66.6%.

CA Grameen got listed in FY2019 and it acquired 76% in Madura Microfinance Limited (MMFL) in FY2020. MMFL was amalgamated with CA Grameen effective February 15, 2023. CA Grameen is primarily engaged in microlending activities mainly in Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh, Chhattisgarh, etc. As on March 31, 2024, it had a portfolio of Rs. 26,714 crore spread across 383 districts.

³ MMFL was amalgamated with CA Grameen with effect from February 15, 2023; until the amalgamation, the consolidated financials of CA Grameen and MMFL have been considered

Key financial indicators (audited)

CreditAccess Grameen Limited	FY2022	FY2023	FY2024
	(Ind-AS)	(Ind-AS)	(Ind-AS)
Total income	2,676.0	3,492.7	5,125.0
Profit after tax	357.1	826.0	1,445.9
Total managed assets	19,206.2	23,740.0	30,326.2
Return on managed assets	2.0%	3.8%	5.3%
Managed gearing (times)	3.9	3.9	3.8
Gross stage 3	3.7%	1.2%	1.2%
CRAR	22.8%	23.6%	23.1%

Amount in Rs. crore; Ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	
					Jun-11-2024	May-14-2024		Mar-28-2023	Jun-24-2022	Dec-24-2021	Aug-10-2021
1	NCD	LT	145.00	145.00	[ICRA]AA-(Stable); withdrawn	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
2	NCD – Public issuance	LT	2,000.00	2,000.00	[ICRA]AA-(Stable)	-	-	-	-	-	-
3	Long-term fund based – Term loan	LT	6,080.00	6,080.00	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
4	CP	ST	500.00	500.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Subordinated debt	LT	0.00	0.00	-	[ICRA]AA-(Stable); withdrawn	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-	-	-

Source: Company; LT – Long term; ST – Short term; CP – Commercial paper

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	Simple
NCD public issuance	Simple
CP	Very Simple
Long-term fund based – Term loan	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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term fund based – Term loan	Jul-31-2021 To Apr-15-2024	NA	Jun-29-2024 To Mar-31-2027	5,804.95	[ICRA]AA- (Stable)
NA	Long-term fund based – Term loan (proposed)	NA	NA	NA	275.05	[ICRA]AA- (Stable)
NA	NCD-Public issuance (proposed)	NA	NA	NA	2000.00	[ICRA]AA- (Stable)
INE741K07405	NCD	Mar-31-21	9.85%	Mar-31-26	145.00	[ICRA]AA- (Stable); withdrawn
NA	CP (proposed)	-	-	-	500.0	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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