March 31, 2025

CreditAccess Grameen Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	5,800.00	6,300.00	[ICRA]AA- (Stable); reaffirmed/assigned for enhanced amount
Non-convertible debentures (public issuances)	2,000.00	2,000.00	[ICRA]AA- (Stable); reaffirmed
Commercial paper	500.00	500.00	[ICRA]A1+; reaffirmed
Total	**8,300.00**	**8,800.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating action factors in CreditAccess Grameen Limited's (CAGL) established track record and market position as well as its comfortable capitalisation profile. ICRA notes that CAGL's asset quality performance weakened in FY2025 due to various factors in the microfinance sector, including borrower overleveraging, socio-political disruptions and operational challenges largely related to the attrition of field employees. The company's 0+ and 90+ days past due (dpd) increased to 6.8% and 2.6%, respectively, as of December 2024 (7.5% and 3.4%, respectively, in February 2025) from 1.7% and 0.9%, respectively, as of March 2024 (1.5% and 1.0%, respectively, as of March 2023). Further, it undertook write-offs of 2.3% {of the opening assets under management (AUM)} in 9M FY2025. CAGL's credit costs[1] increased to 5.9% in 9M FY2025 from 1.5% in FY2024, resulting in lower profitability (return on average managed assets; RoMA) of 2.2% in 9M FY2025 compared to 5.3% in FY2024 (3.8% in FY2023).

The company's portfolio stood at Rs. 24,810 crore as of December 2024. It declined by 7% in 9M FY2025 as CAGL consciously slowed down its disbursements in response to the moderation in the asset quality. Consequently, the managed gearing improved and stood at 3.2 times as of December 2024 (3.8 times as of March 2024). CAGL's managed gearing is expected to remain below 4.5 times in the medium term.

The ratings also consider the ongoing risks inherent in the microfinance business, considering the modest borrower profile and the regionally concentrated portfolio with Karnataka accounting for 32.0% of the portfolio as of December 2024 (31.8% as of March 2024). Operations in Karnataka were impacted recently as the Government of Karnataka brought in an ordinance to restrict malpractices in the microfinance industry. This led to higher delinquencies in the state in Q4 FY2025. Stabilisation of the performance in Karnataka, given CAGL's high portfolio concentration, would be a key monitorable. Nevertheless, ICRA notes that the company has been steadily expanding its geographical presence in the recent past and had operations in 17 states/Union Territories (UTs), spread across 422 districts and 2,059 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 CAGL's longstanding track record in the microfinance industry and its comfortable capitalisation profile, which provides support against the near-term pressure on its asset quality and earnings profile.

[1] As a percentage of average managed assets

Key rating drivers and their description

Credit strengths

Largest NBFC-MFI with an established track record – CAGL 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 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. 24,810 crore as of December 2024, it is the largest non-banking financial company-microfinance institution (NBFC-MFI) in the country. The company's eight-member board of directors comprises the Managing Director (MD), two representatives from the parent company – CreditAccess India (CAI), one non-executive director 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 December 2024, CAGL had a borrower base of 48.1 lakh (2.4% YoY growth) with ~30% being unique to the company. Its 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 the borrower's vintage with the company, loan repayment history and creditworthiness. CAGL would also be steadily diversifying into retail finance products (5% of the AUM as of December 2024) 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 – CAGL's managed gearing improved and stood at 3.2 times as of December 2024 vis-à-vis 3.8 times as of March 2024 (3.9 times as of March 2023). This was on account of the scale-down of the AUM in 9M FY2025. The adjusted[2] net worth and capital-to-risk weighted assets ratio (CRAR) stood at Rs. 6,426.5 crore and 25.9%, respectively, as of December 2024 (Rs. 6,077.7 crore and 23.1%, respectively, as of March 2024). Its capitalisation profile was supported by strong internal accruals in the past. Although internal accruals moderated in 9M FY2025, they are expected to improve gradually in the near term and aid the company's near-to-medium-term growth requirements. CAGL is expected to keep its managed gearing below 4.5 times.

Credit challenges

Moderation in asset quality and earnings profile – Similar to the industry trend, CAGL's asset quality had moderated in 9M FY2025 due to various factors including borrower overleveraging, socio-political disruptions and operational challenges largely related to the attrition of field employees. Its collection efficiency (including arrear collections) had moderated across geographies in 9M FY2025, standing at 96.1% vis-à-vis 98.7% in FY2024. Accordingly, the 0+ and 90+ dpd increased to 6.8% and 2.6%, respectively, as of December 2024, from 1.7% and 0.9%, respectively, as of March 2024 (1.5% and 1.0%, respectively, as of March 2023). CAGL had also increased its overall expected credit loss (ECL) provision to 5.1% (as a percentage of the closing on-book AUM) as of December 2024 from 2.0% as of March 2024. Further, it had written off 2.5% (as a percentage of the closing on-book AUM) in 9M FY2025, including accelerated write-offs of 0.9%.

As a result, the RoMA and the return on net worth (RoNW)[3] had moderated to 2.2% and 10.3%, respectively, in 9M FY2025 from 5.3% and 27.1%, respectively, in FY2024 (3.8% and 20.0%, respectively, in FY2023), mainly due to higher credit costs. Credit costs, as a percentage of average managed assets (AMA), increased to 5.9% in 9M FY2025 from 1.5% in FY2024 (1.6% in FY2023 and 2.9% in FY2022), given the higher write-offs and ECL provisions. The company reported a loss of ~Rs. 100 crore

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[2] Net worth adjusted for goodwill and intangible assets

[3] Net worth adjusted for goodwill and intangible assets

in Q3 FY2025, including accelerated write-off impact of ~Rs. 73 crore. ICRA expects the profitability to improve gradually from the current levels, over the near to medium term, as the asset quality become better.

Regionally concentrated portfolio – As of December 2024, CAGL had a presence in 17 states/UTs with Karnataka accounting for 32.0% of the loan portfolio (31.8% as of March 2024). Further, the top 3 states (Karnataka, Maharashtra and Tamil Nadu) accounted for 72.2% of the loan portfolio as of March 2024 (72.5% as of March 2024). While this exposes the company to the risks associated with significant regional concentration, ICRA notes that the 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 reduce the concentration in Karnataka and Maharashtra to a certain extent. Within Karnataka, CAGL's portfolio is spread across 31 districts. The share of Karnataka, Maharashtra and Tamil Nadu is expected to reduce further over the medium term 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.

CAGL follows a contiguous district-based approach along with a prudent customer onboarding and monitoring process, which provides some comfort. Its exposure in the top 10 districts (all in Karnataka and Maharashtra) accounted for 18.5% of its portfolio as of December 2024 (17.1% as of March 2024). However, no single district had an exposure beyond 3% of the total portfolio. As of December 2024, ~99% of the total 422 districts, in which the company has operations, had a per district portfolio of less than 2% (of the total portfolio) and the balance ~1% had a per district portfolio of 2-3% (of the total portfolio). The districts with portfolio exposure of less than 2% accounted for 92.4% 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. CAGL's ability to manage such risks while expanding in new geographies would be crucial. These risks were evident in recent times as the company as well as the industry's asset quality witnessed moderation. Operations in Karnataka were impacted recently as the Government of Karnataka brought in an ordinance to restrict unregistered lenders in the microfinance space. This led to higher delinquencies in Karnataka in Q4 FY2025. 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 these risks.

Environmental and social risks

Environmental risks: Given the service-oriented nature of its business, CAGL's 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 and 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 CAGL. The company 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. CAGL 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.

Liquidity position: Strong

CAGL's cash and liquid investments stood at Rs. 3,410.2 crore as of December 2024. Debt repayments (including interest payments) over January 2025-June 2025 stood at Rs. 6,101.1 crore. The company had undrawn sanctions of Rs. 4,071.3 crore as of December 2024. Further, it had pipeline sanctions of Rs. 6,733.0 crore. CAGL did not have any negative cumulative mismatches across any of the buckets as per the asset-liability maturity (ALM) profile as of December 2024.

The company has been diversifying its liability profile. The share of funds raised through external commercial borrowings (ECBs) increased further to 17.9% as of December 2024 from 15.9% as of March 2024 (8.8% as of March 2023). As of December 2024, the funding profile comprised bank borrowings (61.9%), ECBs (17.9%), borrowings from NBFCs/financial institutions (FIs; 10.4%), NCDs (7.8%), direct assignment and securitisation (2.0%), and subordinated debt (0.1%). CAGL had a diverse lender base comprising funding relationships with 44 commercial banks, 16 foreign lenders and 9 NBCS & FIs as of December 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 CAGL'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
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone financials of CAGL[4]

About the company

CreditAccess Grameen Limited (CAGL) 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 66.5%.

CAGL got listed in FY2019 and it acquired 76% in Madura Microfinance Limited (MMFL) in FY2020. MMFL was amalgamated with CAGL effective February 15, 2023. CAGL is primarily engaged in microlending activities mainly in Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh, Chhattisgarh, etc. As of December 2024, it had a portfolio of Rs. 24,810 crore spread across 422 districts.

[4] *MMFL was amalgamated with CAGL with effect from February 15, 2023; until the amalgamation, the consolidated financials of CAGL and MMFL have been considered*

Key financial indicators (audited)

CreditAccess Grameen Limited	FY2023 (Ind-AS)	FY2024 (Ind-AS)	9M FY2025* (Ind-AS)
Total income	3,492.7	5,125.0	4,327.9
Profit after tax	826.0	1,445.9	484.2
Total managed assets	23,740.0	30,462.4	29,199.3
Return on managed assets	3.8%	5.3%	2.2%
Managed gearing (times)	3.9	3.8	3.2
Gross stage 3	1.2%	1.2%	4.0%
CRAR	23.6%	23.1%	25.9%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)					Chronology of rating history for the past 3 years						
				FY2025		FY2024		FY2023		FY2022		
Instrument	Type	Amount rated (Rs. crore)	Mar-31-2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term fund based – Term loan	Long term	6,300.00	[ICRA]AA- (Stable)	May-14-2024	[ICRA]AA- (Stable)	Oct-19-2023	[ICRA]AA- (Stable)	Jun-24-2022	[ICRA]A+ (Positive)	Aug-10-2021	[ICRA]A+ (Stable)
				Jun-11-2024	[ICRA]AA- (Stable)	-	-	Mar-28-2023	[ICRA]AA- (Stable)	Dec-24-2021	[ICRA]A+ (Stable)
				Jul-25-2024	[ICRA]AA- (Stable)	-	-	-	-	-	-
NCD – Public issuance	Long term	2,000.00	[ICRA]AA- (Stable)	Jun-11-2024	[ICRA]AA- (Stable)	-	-	-	-	-	-
				Jul-25-2024	[ICRA]AA- (Stable)	-	-	-	-	-	-
Commercial paper	Short term	500.00	[ICRA]A1+	May-14-2024	[ICRA]A1+	Oct-19-2023	[ICRA]A1+	Jun-24-2022	[ICRA]A1+	Aug-10-2021	[ICRA]A1+
				Jun-11-2024	[ICRA]A1+	-	-	Mar-28-2023	[ICRA]A1+	Dec-24-2021	[ICRA]A1+
				Jul-25-2024	[ICRA]A1+	-	-	-	-	-	-
Subordinated debt	Long term	0.00	-	May-14-2024	[ICRA]AA- (Stable)	Oct-19-2023	[ICRA]AA- (Stable)	Mar-28-2023	[ICRA]A1+	-	-
NCD	Long term	0.00	-	May-14-2024	[ICRA]AA- (Stable)	Oct-19-2023	[ICRA]AA- (Stable)	Jun-24-2022	[ICRA]A+ (Positive)	Aug-10-2021	[ICRA]A+ (Stable)
				Jun-11-2024	[ICRA]AA- (Stable)	-	-	Mar-28-2023	[ICRA]AA- (Stable)	Dec-24-2021	[ICRA]A+ (Stable)

Source: Company

Complexity level of the rated instruments

Instrument	Complexity indicator
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	Date of Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long-term fund based – Term loan**	Aug-27-2021 To Jan-30-2025	NA	Mar-03-2025 To Dec-30-2027	4925.93	[ICRA]AA- (Stable)
NA	**Long-term fund based – Term loan (proposed)**	NA	NA	NA	1374.07	[ICRA]AA- (Stable)
NA	**NCD – Public issuance (proposed)**	NA	NA	NA	2,000.00	[ICRA]AA- (Stable)
NA	**CP (proposed)**	-	-	-	500.00	[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

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

R Srinivasan
+91 44 4596 4315
r.srinivasan@icraindia.com

Richardson Xavier J
+91 44 4596 4310
richardson.xavier@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches