



MSEARCH

IPO OFFERING

CREDITACCESS GRAMEEN LTD



Recommendation: Subscribe for long Only

CreditAccess Grameen Ltd (CAG Ltd) is a three decade old Bengaluru based leading Indian micro-finance institution. Promoted by CreditAccess Asia N.V. ("CAA"), a multinational company specializing in MSE financing (micro and small enterprise financing), which is backed by institutional investors and has micro-lending experience through its subsidiaries in 4 countries in Asia. CAA owns 99% of CAG and post listing the would reduce around 80%. CAG Ltd is focused on providing micro-loans to women customers predominantly in rural areas in India who largely lack access to the formal banking sector and present a latent opportunity for offering micro-loans. CAG Ltd is the third largest NBFC-MFI in India in terms of gross loan portfolio as of March 31, 2017. CAG Ltd also provides other categories of loans for family welfare, home improvement and emergency funds to their existing customers. The loans are provided primarily under the joint liability group ("JLG") model. Income generation loans comprise 87.02% the total JLG loan portfolio. CAG Ltd covers 132 districts in the eight states (Chhattisgarh, Goa, Karnataka, Kerala, Maharashtra, Madhya Pradesh, Odisha, Tamil Nadu,) and Puducherry. CAG Ltd has a network of 516 branches and 4,544 loan officers.

Price Band	: Rs. 418 to 422 per share
Face value	: Rs.10
Bid Lot size	: 35 Shares
Issue size	: Rs. 1,126 Cr – 1,131 Cr
Issue Opens	: August 8th 2018, Wednesday
Issue Closes	: August 10th 2018, Friday
Min App Amount	: Rs. 14,770/- at upper band

Msearch View:

We believe investors can tap this IPO offer as a next long term investment idea in microfinance space. Microfinance industry has exhibited impressive business growth over the past few years and company with a clear focus on rural customers whose access to the formal banking sector is limited would witness healthy growth going forward. Unlike other microfinance players with mix exposure to urban/rural markets, we found that CAG is a pure rural play with 82% of its branches catering to rural markets which act as the main catalyst for investment. On valuation perse post-IPO equity CAG is expecting a market cap Rs 6050 at higher price band, valued at 2.9x the book value, which is on the lower side of the average to its listened peers. Given the relatively lower valuation, higher quality of the loan assets, and majority rural focused business target the IPO looks suitable and hence SUBSCRIBE the issue for long only play as there would be limited (15-18%) listing gain possibility.

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