CareEdge Global assigns 'CareEdge BB-/Stable' rating to dollar bonds of CreditAccess Grameen Limited

USD 40 million External Commercial Borrowings	**CareEdge BB-/Stable**

CareEdge Global has assigned **'CareEdge BB-/Stable'** rating to USD 40 million external commercial borrowing program of CreditAccess Grameen Limited (CAGL).

Rationale

The rating is driven by CAGL's strong market position as India's largest NBFC-MFI, a strong operational track record, low borrowing costs, comfortable capitalisation, adequate leverage, and a seasoned management team with robust risk management policies which helps the company navigate business and operational challenges arising due to nature of the underlying loans. However, the loans are exposed to inherent risks associated with an unsecured asset class, the cyclical and volatile nature of the microfinance sector, high geographic concentration in select regions, and elevated credit costs following accelerated write-offs in FY25. As CAGL services borrowers from the bottom of the pyramid, their profile remains vulnerable with uncertain and volatile incomes coupled with constrained access to formal form of financing.

CAGL's Asset Under Management (AUM) stood at Rs 25,904 crore (USD 2,885 million[1]) as of September 30, 2025, supported by a wide network of 2,200+ branches across 16 states and 1 UT. Despite gradual diversification across states over the last few years, the concentration in CAGL's loan portfolio remains high – with top 3 states accounting for over 71% of the AUM as on September 30, 2025. The share of Karnataka, which is the largest state in terms of concentration, has reduced to 31% as of March 31, 2025, from 70% a decade ago. The company continues to follow the Joint Liability Group (JLG) lending model, though it is gradually diversifying into retail finance (housing, business loans, two-wheelers etc.).

CAGL's asset quality, on a sustained basis, remains commensurate with the rating, and deterioration in asset quality trend in FY25-FY26 was affected by industry wide factors and is being treated as an exception. It reported a gross non-performing assets (GNPA; measured at 60+ dpd for microfinance loans as against industry practice of 90+ dpd) of 3.6% as of September 30, 2025, as compared to 4.7% as of March 31, 2025 (1.1% as of March 31, 2024). The increase in the GNPA% in FY25 was due to various industry wide challenges -

[1] Conversion rate used in this document: 1 USD = 89.8 INR

subdued agri-income due to deficient rainfalls in 2023-24, stagnating rural incomes, over-leveraging in certain customer segments, tightening of funding in FY26 post implementation of industry guardrails, and impact of Karnataka state ordinance in FY26. The cycle is complete, with normalisation expected in the second half of fiscal year 2026.

The credit cost increased to 8.1% (annualized) as of September 30, 2025, from 7.0% as of March 31, 2025 (1.8% as of March 31, 2024), driven by elevated delinquencies trend and accelerated write-offs.

Outlook: Stable

The stable outlook reflects CareEdge Global's expectation that CAGL will maintain portfolio growth, comfortable capitalisation, and adequate leverage while gradually normalising credit costs following the accelerated clean-up. Growth will continue to be supported by internal accruals and access to competitive funding.

Rating Sensitivities

Upward factors

- Consistent growth in the AUM while maintaining asset quality and credit costs
- Higher geographic and product diversification results in mitigating the risk associated with unsecured lending
- Improvement and growth in the overall NBFC-MFI industry and the business environment in India

Downward factors

- Weakening of capital structure with either leverage going beyond 4x or capitalisation (CRAR) going below 20%
- Increase in credit costs or operating expenses resulting in adverse impact on RoA on a sustained basis
- Worsening of the business environment in key states of operations

Analytical Approach

CareEdge Global has analysed CAGL's business and financial risk profiles on a consolidated basis.

Key rating drivers

Strengths

Dominant market position as the largest NBFC-MFI in India

CAGL continues to retain its position as India's largest NBFC-MFI, with an AUM of Rs 25,904 crore (USD 2,885 million) as of September 30, 2025, significantly higher than most peers.

CAGL's AUM constitutes ~7% of the MFI Industry's market share or ~20% of the NBFC-MFI industry's market share as of September 30, 2025.

The company serves ~4.7 million women borrowers, with operations across 16 states and 1 UT, supported by a deep rural footprint of 2,200+ branches, reinforcing its franchise strength and brand recall ("Grameen Koota"). Its scale advantage provides operating leverage, access to capital, and pricing power, enabling it to withstand sectoral volatility better than smaller MFIs.

Established vintage and experienced leadership with a strong governance culture
With 25+ years of operational history, CAGL is among the oldest formal microfinance institutions in India. It has successfully navigated adverse economic cycles, sectoral credit stress, and challenges associated with the evolving regulatory landscape on multiple occasions over these years. It has exhibited calibrated growth, profitable operations even during down cycles, and a resilient balance sheet, which underscores its key credit strength.

CAGL has also demonstrated resilience through adverse socio-political events in its geography of operations such as various 'farm loan waiver' announcement in poll-bound states, the Andra Pradesh (AP) crisis (2010-12), demonetisation (2016), floods and state-specific disturbances (2018-19), Covid-19 (2020-21), and ordinances in Karnataka & Tamil Nadu about financing and collection. Across these events, the company maintained its branch productivity, collection efficiency, and capital buffers, reflecting the strength of its field discipline, risk culture and prudent management of resources and balance sheet. This indicates the strength of its board and management in devising and successfully executing the business strategies.

The company benefits from a seasoned senior management team with extensive experience across microfinance, retail lending, risk management, and banking. This is also reflected in its robust risk management policies, which require CAGL to maintain a 20% CRAR (versus the regulatory requirement of 15%), an adequate leverage (debt/equity) of ~3.5 times, and liquidity of 7-8% of AUM. Furthermore, CAGL receives strategic support and guidance from its promoter, CreditAccess India B.V., which also has extensive experience in the microfinance industry across the Asia-Pacific region.

Comfortable capitalisation and adequate leverage
CAGL's capital adequacy remains well above regulatory requirements, with a CRAR% of 25.4% in FY25 against the mandated 15%. The capital structure also benefits from sustained investor confidence, as reflected in the company's track record of accessing equity markets (IPO of Rs 1,131 crore [USD 126 million] and QIPs of Rs 800 crore [USD 89 million]). The company's tangible net worth stands at Rs 6,403 crore (USD 713 million) as of September 30, 2025, compared to Rs 6,124 crore (USD 682 million) as of FY25 (FY24: Rs 5,941 crore).

Leverage is adequate with debt-to-equity at 3.2x as of September 30, 2025, compared to 3.4x in FY25 (FY24: 3.7x), sitting comfortably within internal thresholds of ≤3.5x. The capital position provides ample loss-absorption capacity, which helped absorb the accelerated write-offs in FY25.

Strong liability franchise with a competitive rate of borrowings

The company maintains competitive borrowing costs in the NBFC-MFI sector, with weighted average cost of borrowing reported at 9.8% in FY25 and an average of 9.5% over the last five fiscal years, underscoring lenders' confidence in the company's operations and management. This is also supported by strong relationships with public- and private-sector banks, foreign banks, and DFIs.

CAGL benefits from its long-standing position as the largest NBFC-MFI and maintains high credibility with lenders due to a track record of zero delays, zero restructurings, and consistent covenant compliance.

The company's debt profile consists mainly of term loans, accounting for ~70% of the total debt outstanding as of March 31, 2025, and ~65% as of September 30, 2025. The domestic bank borrowings are diversified across forty-two lenders. In addition, CAGL has borrowings in the form of term loans from NBFCs, domestic DFIs, NCDs as well as foreign sources under ECB.

Downward factors

Exposed to weak borrower profiles and the vagaries of the microfinance industry

CAGL’s portfolio is unsecured, owing to the joint Liability Group (JLG) microfinance model. Borrowers are predominantly from low-income households, typically vulnerable to income shocks from external factors like rainfall variability, crop cycles, market disruptions, and internal factors like health emergencies, loss of life / livestock, migration etc. Thus, servicing this borrower segment requires strong field discipline, frequent customer interactions, continuous monitoring of customer indebtedness and dynamic, regional-level, customer-level rule calibrations. Although CAGL’s credit behaviour is better than the sector average, the structural risk of unsecured lending to a vulnerable borrower profile remains a key limiting factor on the rating.

Historically, volatile credit behaviour in the microfinance segment has been driven by socio-political events (such as the “announcement” of farm loan waivers) and by the segment's sensitivity to the borrower class. The materialisation of such instances across multiple states/geography, coupled with the sector’s cyclical nature, has exerted pressure on MFIs' asset quality and impaired their credit profiles. Similarly, a lack of understanding & awareness has led to misinterpretation of certain ordinances in CY2025 by borrowers in Karnataka and Tamil Nadu, resulting in deterioration in loan repayment behaviour for non-financial reasons.

Additionally, environmental factors such as floods, drought/heat waves can affect borrowers' income levels and ability to repay, impacting asset quality. Since this segment is highly susceptible to economic downturns, maintaining strong asset quality while scaling operations will remain a key monitorable. CareEdge Global expects asset quality issues to continue in the near term, particularly with CAGL's borrower segment and asset class.

Geographic and product concentration risk

CAGL continues to exhibit meaningful concentration risks arising from both its geographic footprint and product mix. Despite a presence across 16 states and 1 UT, the loan book remains heavily skewed toward Karnataka, Maharashtra, and Tamil Nadu, which together account for ~70% of total AUM. This disproportionately exposes the company to state-specific socio-political events, climatic disruptions, administrative interventions, and shifts in local repayment culture, any of which can materially affect portfolio performance, as seen in recent delinquency spikes in Karnataka and Tamil Nadu.

The company has taken various efforts to build 11% retail finance book, consisting of individual business loans, two-wheeler loans, mortgage loans, home loans etc. However, the credit risk is susceptible to product concentration, with ~89% of the portfolio consisting of unsecured JLG income-generation loans. The company's asset quality and growth performance will remain sensitive to concentrated exposures in its core microfinance markets, partially offset by growing diversification in retail finance over coming years.

Elevated credit costs and asset quality pressure during FY25-FY26

CAGL's asset quality trend in FY25-FY26 was affected by multiple factors like subdued agri sentiments due to deficient rainfalls in FY24 followed by heat waves in early FY25, stagnating rural incomes post COVID crisis, over-leveraging in certain customer segments, tightening of funding in FY26 post implementation of industry guardrails, and impact of Karnataka state ordinance in FY26. Since CAGL had around 30% of its portfolio within Karnataka state, this led to impact on company's portfolio quality during that quarter. Apart from these challenges, the sector also witnessed significant increase in field force attrition thus impacting the operating conditions.

The company, however, took several proactive steps for controlling delinquencies. The result of the same was visible towards second half of Q1 and Q2 of FY26. Especially, the Karnataka state demonstrated strong pull-back after witnessing disruption in Feb-Mar 2025 due to state ordinance announcement. The flow rates on monthly basis (PAR 15+ accretion) which had peak level of 1.9% in March 2025 in Karnataka, steadily reduced to 0.5-0.6% towards of end of Q2 fiscal 2026. As far as reported metrics are concerned, CAGL's GNPA / NNPA (measured at 60+ dpd for MFI loans) improved to 3.65% / 1.26% (as per Ind-AS) as on September 30, 2025, respectively as against 4.76% / 1.73%, respectively in March 2025.

CAGL's profitability while has remained adequate, the consequent impact of lack of growth and higher credit cost (due to elevated delinquencies, conservative provisioning and accelerated write-offs) was visible on the same. The ROA and ROE were impacted in FY25 and H1 FY26 primarily due to elevated credit costs as mentioned above. Nevertheless, CAGL's return metrices still remained much better than industry average as many MFIs reported lower profits or losses during FY25 and H1 FY26. With the accelerated write-off journey largely complete in H1 FY26 and stabilising asset quality trends, the management expects the profitability trend to improve in H2 FY26.

Liquidity

CAGL has liquidity of Rs 2,000 crore (USD 223 million) in cash and equivalents as of September 30, 2025. As a policy, it maintains a liquidity buffer of 7–8% of total AUM in cash. The company's liquidity coverage ratio (LCR) was 160% as of September 30, 2025. Based on ALM statement dated September 30, 2025 – there were no negative cumulative mismatches in any time in short term and long-term buckets. Company has dynamic liability profile and diverse lenders' base with 42 Commercial Banks, 3 Financial Institutions, 23 Foreign Lenders and 6 NBFCs.

While the company has historically maintained strong relationships with banks and has not faced funding challenges, maintaining higher near-term liquidity buffers and extending liability maturities would strengthen liquidity resilience, particularly during volatile microfinance cycles.

Environmental, Social and Governance (ESG) considerations

CAGL demonstrates a structured and evolving environmental strategy aligned with the National Guidelines for Responsible Business Conduct (NGRBC), as formalised in its revised Environmental, Social & Governance Policy (2025). The company has undertaken multiple initiatives to reduce its operational environmental footprint.

The social pillar remains the strongest component of CAGL's ESG profile, deeply intertwined with its core business model of women-centric microfinance. With over 4.4 million customers, 99.97% of whom are women, the company plays a significant role in enhancing financial inclusion, income generation, and economic independence in rural and semi-urban India. Its operations span 447 districts, where it delivers not only credit but also credit-plus interventions, including health camps, financial literacy programs, disaster relief support, and education-focused initiatives.

CAGL maintains a comprehensive governance framework guided by principles of ethics, transparency, and accountability, aligned with the NGRBC's nine pillars. Its ESG policy outlines detailed commitments across ethics, stakeholder engagement, human rights, and responsible lending practices. The company's governance processes are overseen by a seasoned Board, including multiple independent directors, and supported by committees covering risk management, audit, nomination, IT, and ESG oversight.

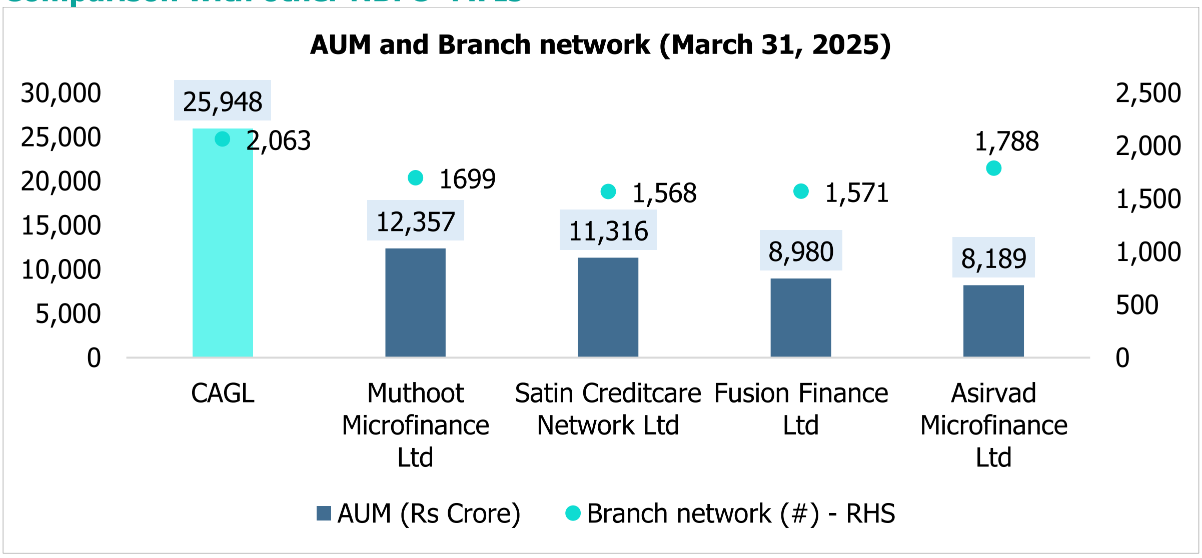
About the company

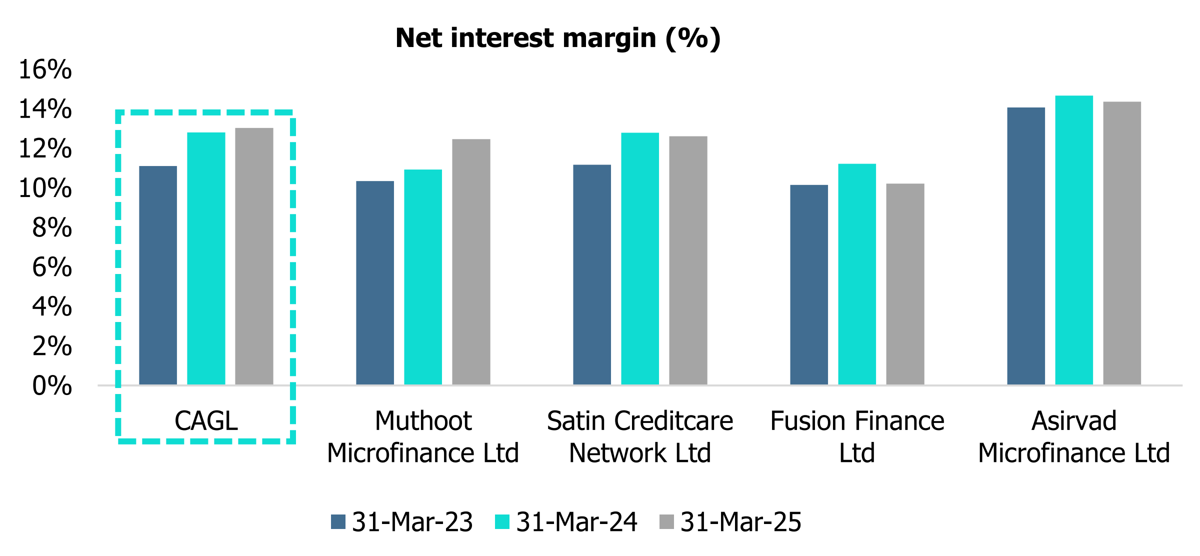
CreditAccess Grameen Limited (CAGL) is a Bengaluru-based NBFC-MFI and India's largest microfinance institution, providing collateral-free loans to low-income women borrowers across rural and semi-urban regions. The company began operations in 1999 as a programme under the name "Grameen Koota" within T. Muniswamappa Trust (TMT) and continues to use the name as its brand identity today. At present, it operates in 16 states and 1 Union Territory, covering 447 districts through a network of over 2,200 branches.

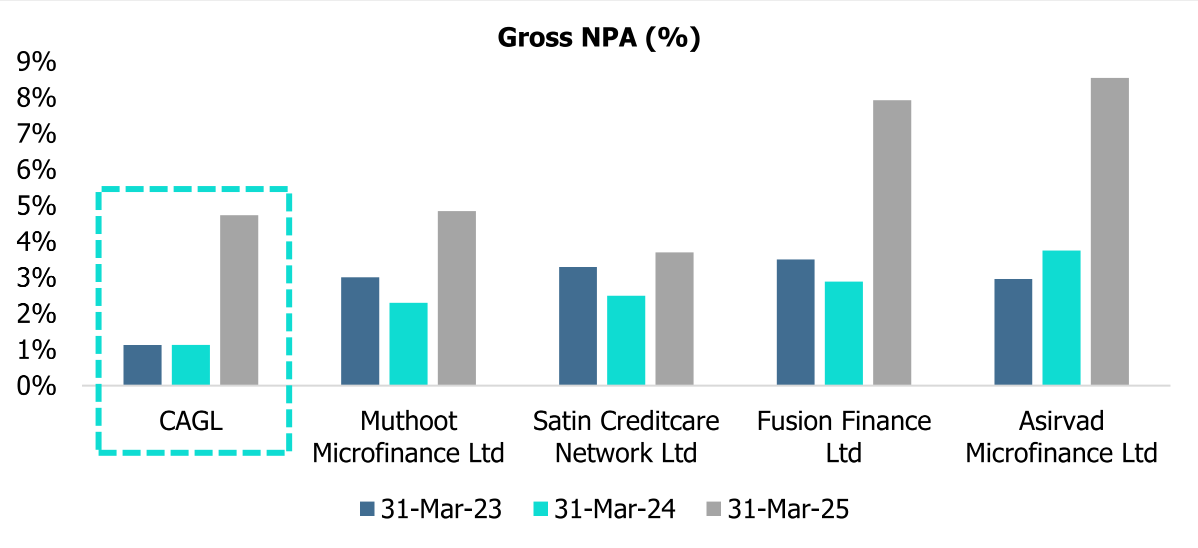
CAGL was listed on India's stock exchanges (namely the BSE and NSE) in August 2018 following a Rs 1,131 crore (USD 126 million) IPO, comprising both a fresh issuance and an offer for sale by its promoter, CreditAccess Asia B.V. The proceeds were used to strengthen its capital base and expand operations in existing and new geographies. Subsequently, in March 2020, CAGL acquired a majority stake (76.1%) in Madura Micro Finance Limited (MMFL) for Rs 661 crore (USD 74 million) and later merged the acquired entity with itself in February 2023.

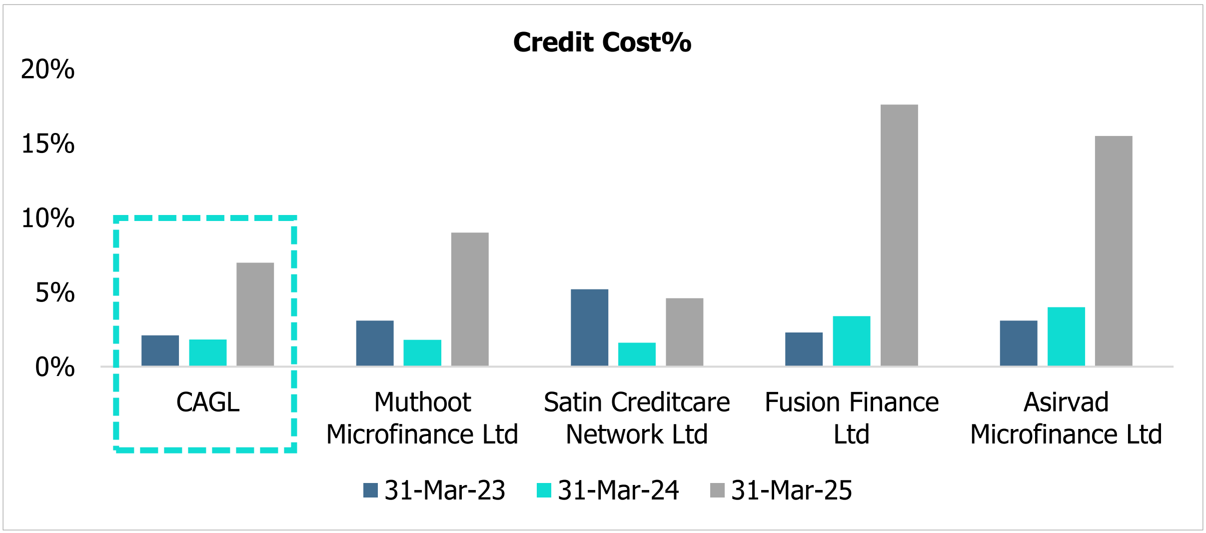
The company's business model is centred on the Joint Liability Group (JLG) structure, which enables the efficient delivery of small-ticket, short-tenor loans aimed at income generation, livelihood support, and household welfare. In addition to core microfinance loans, CAGL offers a range of credit-plus products, including family welfare, home improvement, education, emergency, and individual retail finance solutions for long-standing customers.

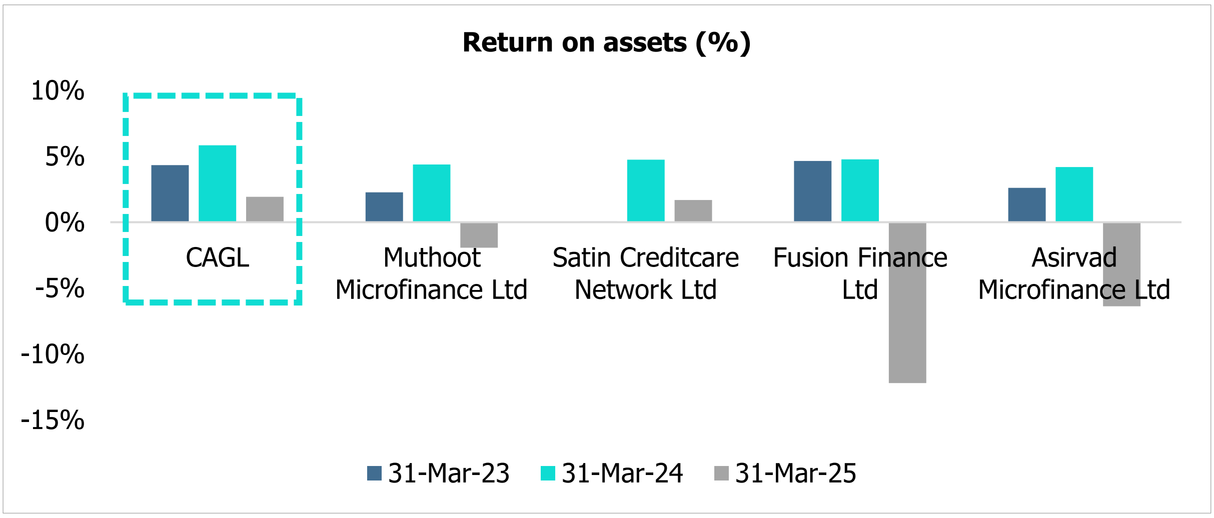
Comparison with other NBFC- MFIs




Net interest margin (%)
16%
14%
12%
10%
8%
6%
4%
2%
0%
CAGL
Muthoot Microfinance Ltd
Satin Creditcare Network Ltd
Fusion Finance Ltd
Asirvad Microfinance Ltd
31-Mar-23
31-Mar-24
31-Mar-25


Gross NPA (%)
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
CAGL
Muthoot Microfinance Ltd
Satin Creditcare Network Ltd
Fusion Finance Ltd
Asirvad Microfinance Ltd
31-Mar-23
31-Mar-24
31-Mar-25


Credit Cost%
20%
15%
10%
5%
0%
CAGL
Muthoot Microfinance Ltd
Satin Creditcare Network Ltd
Fusion Finance Ltd
Asirvad Microfinance Ltd
31-Mar-23
31-Mar-24
31-Mar-25



Recent updates and financial summary

The company posted a net profit of Rs 186 crore (USD 20.7 million) for the first half of the current fiscal year, down from Rs 584 crore (USD 65 million) in the same period of the previous fiscal year, a 68% reduction.

As of September 30, 2025, its AUM stood at Rs 25,904 crore (USD 2,885 million), down marginally from Rs 25,948 crore (USD 2,890 million) a year earlier. It posted GNPA and NNPA of 3.6% and 1.3%, respectively, as of September 30, 2025 (FY25: 4.7% and 1.7%, respectively). CAGL maintained a healthy CAR of 26.1% as of September 30, 2025, against the regulatory requirement of 15%.

Key summary financial metrics[2]

Particulars	Unit	March 31, 2023	March 31, 2024	March 31, 2025
AUM	Rs crore	21,031	26,714	25,948
Net Interest Margin	%	11.1	12.8	13.0
Cost to Income	%	35.6	30.5	30.7
GNPA[3]	%	1.1%	1.1%	4.7%
Return on Assets	%	4.3	5.8	1.9
CAR	%	23.6	23.1	25.4

Solicitation status

The rating is solicited. Management has provided information and held meetings with the CareEdge Global analytical team for the rating.

[2] The calculations are basis adjustments made my CareEdge Global for analysis
[3] GNPA measured at 60+ dpd for microfinance loans as against industry practice of 90+ dpd

Details of Instruments

Instrument	ISIN	Date of Issuance	Maturity Date	Issue Size	Rating
External Commercial Borrowings	INIFD2305016	December 24, 2025	December 24, 2030	USD 30 million	CareEdge BB-/Stable
External Commercial Borrowings (Proposed)	-	-	-	USD 10 million	CareEdge BB-/Stable

Rating History

Instrument	Type	Rating	Date
External Commercial Borrowings	Long-Term Foreign Currency	CareEdge BB-/Stable	January 13, 2026

Criteria Applied

CareEdge Global's Rating Methodology for Financial Institutions

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