

Can Fin Homes

It's a marathon, not a sprint

Can Fin Homes (CANF) reported a steady quarter as loan growth at ~18% YoY was in line with management guidance of ~18-20%, driven by moderate growth in disbursements (+14% YoY). Lagged asset repricing and a mild softening in the funding environment helped improve spreads/NIMs sequentially by 16/11bps and these are likely to sustain during FY24. CANF upped its efforts to reduce sourcing dependence on DSAs (~80%), by way of investing in alternate channels such as builders (APF), branches (15 to be added in FY24), and Tech for digital sourcing, which is likely to further augment loan growth in a highly competitive environment. Asset quality stayed steady with slippages from the restructured portfolio at sub-10%, within the guided range. We marginally tweak our FY24/FY25 earnings estimates and maintain BUY with a revised RI-based TP of INR 900 (implying 2.4x Mar-25 ABVPS). CANF remains our top pick among HFCs.

- **Steady operating performance:** NII/PPoP growth clocked in at 14%/15% YoY, driven by steady NIMs of 3.5%. Asset repricing is likely to completely play out by Q3FY24, offering an upside risk to NIMs despite competitive pressure. The funding mix remained broadly steady with the share of CP at ~7% — management commentary suggests that the share of CP is likely to remain relatively lower than historic trends.
- **Restructured book remains key monitorable:** Asset quality remained steady (GNPA/NNPA at 0.63%/0.34%) with a slight uptick in GNPA, largely driven by the restructured book. ~30% of the restructured portfolio is still under moratorium, while slippages from this pool were within the guided range.
- **Growth outlook remains buoyant:** CANF remains upbeat on its loan growth guidance of ~18-20%, despite the high competitive intensity. The newly-activated APF channel of sourcing is likely to contribute from Q2FY24 onwards, as also productivity gains from existing branches. Incremental loan growth is likely to be driven by higher ticket sizes (partly driven by the APF channel), branch additions and improved branch/employee productivity.

Financial summary

(INR bn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
NII	2.9	2.5	13.9	2.6	9.1	8.2	10.1	12.1	14.3
PPOP	2.5	2.1	15.2	2.2	11.6	6.8	8.7	10.2	12.1
PAT	1.8	1.6	13.1	1.7	10.7	4.7	6.2	7.2	8.6
EPS (INR)	13.8	12.2	13.1	12.5	10.7	35.4	46.7	54.1	64.8
ROAE (%)						16.6	18.5	18.0	18.2
ROAA (%)						1.9	2.0	2.0	2.0
ABVPS (INR)						224.2	267.7	316.7	372.3
P/ABV (x)						3.7	3.1	2.6	2.2
P/E (x)						23.5	17.9	15.4	12.9

Source: Company, HSIE Research

Change in estimates

INR bn	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
AUM	385	374	-2.8%	458	444	-3.0%
NIM (%)	3.2	3.3	11 bps	3.2	3.3	14 bps
NII	12.0	12.1	0.7%	14.1	14.3	1.3%
PPOP	10.2	10.2	-0.4%	12.1	12.1	-0.3%
PAT	7.2	7.2	0.7%	8.5	8.6	1.7%
ABVPS (INR)	310.6	316.7	2.0%	367.5	372.3	1.3%

Source: Company, HSIE Research

BUY

CMP (as on 20 Jul 2023)	INR 831
Target Price	INR 900
NIFTY	19,979

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 750	INR 900
	FY24E	FY25E
EPS %	0.7%	1.7%

KEY STOCK DATA

Bloomberg code	CANF IN
No. of Shares (mn)	133
MCap (INR bn) / (\$ mn)	111/1,353
6m avg traded value (INR mn)	478
52 Week high / low	INR 843/451

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	47.5	59.5	59.6
Relative (%)	34.2	48.0	37.6

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	30.0	30.0
FIs & Local MFs	25.0	28.0
FPIs	10.3	10.7
Public & Others	34.7	31.3

Pledged Shares

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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