

Can Fin Homes

Estimate changes

TP change

Rating change



Bloomberg	CANF IN
Equity Shares (m)	133
M.Cap.(INRb)/(USD\$)	94.3 / 1.1
52-Week Range (INR)	952 / 650
1, 6, 12 Rel. Per (%)	-4/-12/-16
12M Avg Val (INR M)	643

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
NII	13.6	14.7	16.8
PPP	11.6	12.4	14.1
PAT	8.5	9.2	10.5
EPS (INR)	64.0	68.8	78.9
EPS Gr (%)	14	7	15
BVPS (INR)	384	447	519

Ratios (%)

NIM	3.8	3.7	3.7
C/I ratio	16.8	18.2	18.2
RoAA	2.2	2.2	2.2
RoE	18.0	16.6	16.4
Payout	9.4	9.4	8.2

Valuation

P/E (x)	11.1	10.3	9.0
P/BV (x)	1.8	1.6	1.4
Div. Yield (%)	0.8	0.9	0.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	30.0	30.0	30.0
DII	28.1	27.5	28.5
FII	11.4	11.7	11.1
Others	30.5	30.8	30.5

FII Includes depository receipts

CMP: INR708
TP: INR775 (+9%)
Neutral

Disbursements weak; Karnataka's situation a key monitorable

NIM stable sequentially; opex to remain elevated in FY26E on tech. spends

- Can Fin Homes (CANF)'s 3QFY25 PAT grew ~6% YoY to ~INR2.1b (in line). NII rose 5% YoY to ~INR3.4b (in line). Other income was ~INR58m (PQ: INR74m) because of lower disbursements, translating into a lower fee income.
- Opex grew ~20% YoY to INR593m (in line). CANF's cost-to-income ratio was ~17% (PQ: ~17%, PY: ~15%). Its 3QFY25 RoA/RoE stood at ~2.25%/~17.6%.
- Management guided a loan growth of ~15% in FY26. The company expects disbursements in 4QFY25 to remain in line with levels recorded in 4QFY24. However, if the situation improves in Karnataka (KAR), then it could exceed the above guidance. Further, management guided FY26 disbursements of ~INR120b, if the prevailing e-Khata issues in KAR are resolved.
- We estimate an advances/PAT CAGR of ~12% each over FY24-27, with an RoA/ RoE of ~2.2%/~16.0% in FY27. CANF, in our view, is a robust franchise with strong moats on the liability side. However, we await: 1) execution on loan growth guidance considering the prevailing situation in KAR and 2) disruptions (if any) from the tech transformation that the company will embark on in the current calendar year before turning constructive on the stock. The stock's valuation of 1.4x FY27E P/BV suggests management's inability to deliver on its loan growth guidance because of recurring external events that impede strong business momentum. **We reiterate our Neutral rating with a TP of INR775 (premised on 1.6x Sep'26E P/BV).**

Disbursements weak due to disruption in KAR; advances rise ~9% YoY

- CANF's 3QFY25 disbursements were flat YoY and declined 21% QoQ to INR18.8b. The impact was mainly on account of issues pertaining to registration in KAR following the introduction of E-Khata.
- Advances grew ~9% YoY to ~INR372b. Annualized run-off in advances stood at ~14% (PQ: 15% and PY: ~14%).

Margin broadly steady QoQ; borrowing mix stable

- NIM (reported) was broadly stable QoQ at ~3.73%. Reported spreads expanded ~10bp QoQ from both an improvement in yields and a decline in the CoB. The improvement in SENP and LAP mix has contributed to the rise in yields. We model NIMs of ~3.7% each for FY26/FY27 (FY25E: ~3.8%).
- There was no change in the borrowing mix during the quarter. The company raised ~INR16b during the quarter from the NHB at a blended rate of ~7.6%, which was 30-35bp lower than the cost of its bank borrowings.

Minor deterioration in asset quality; GS3 rises ~5bp QoQ

- Asset quality exhibited minor deterioration, with GS3 rising ~5bp QoQ to ~0.92% and NS3 rising ~3bp QoQ to ~0.5%. PCR on stage 3 loans dipped ~80bp QoQ to ~45.2% during the quarter.
- Provisions stood at INR220m (vs. MOFSLe of INR121m) resulting in annualized credit costs of ~25bp (PQ: ~15bp and PY: ~35bp).
- The company expects improvements in its SMA0 book in 4QFY25. Further, the company expects NPAs to improve and guided for credit costs of ~15bp in FY25 as well as FY26. We model credit costs of ~17bp/15bp for FY26/FY27.

Highlights from the management commentary

- CANF faced a setback in KAR, losing ~INR4b in disbursements due to delays in property registrations following the introduction of the e-Khata system.
- All bank term loans have been moved to Repo Rate/T-Bill-linked loans, with no bank loans now linked to MCLR. Additionally, the company has also been able to negotiate with the banks for a better rate.
- CANF guided for disbursements of INR120b and loan growth of ~15% in FY26. Management further guided that the cost-to-income ratio will increase to ~18.0-18.5% in FY26, following the implementation of its technology transformation.

Valuation and view

- CANF has successfully demonstrated its ability to maintain its pristine asset quality for several years, and we expect the same to continue. However, CANF will have to accelerate its disbursements over the next few quarters to deliver on its guided loan growth. We estimate a CAGR of 10%/9%/12% in NII/PPOP/PAT over FY24-27, with an RoA of 2.2% and RoE of ~16% in FY27.
- **Reiterate Neutral with a TP of INR775 (premised on 1.6x Sep'26E P/BV).**

Quarterly performance

INR m

Y/E March	FY24				FY25E				FY24	FY25E	3QFY25E	Act vs est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Interest Income	8,181	8,652	8,948	9,117	9,242	9,553	9,803	9,932	34,899	38,529	9,772	0
Interest Expenses	5,330	5,484	5,660	5,839	6,027	6,155	6,356	6,418	22,314	24,956	6,315	1
Net Interest Income	2,851	3,168	3,288	3,278	3,214	3,398	3,447	3,514	12,585	13,573	3,457	0
YoY Growth (%)	13.9	26.1	30.6	25.5	12.7	7.3	4.8	7.2	24.0	7.8	5.1	
Other income	60	58	71	159	70	74	58	131	348	333	73	-20
Total Income	2,911	3,226	3,359	3,437	3,284	3,472	3,506	3,644	12,933	13,906	3,530	-1
YoY Growth (%)	13.9	25.7	30.8	25.7	12.8	7.6	4.4	6.0	24.1	7.5	5.1	
Operating Expenses	435	524	494	720	488	594	593	659	2,173	2,333	592	0
YoY Growth (%)	7.4	29.5	12.7	39.3	12.3	13.3	20.0	-8.5	23.1	7.4	19.8	
Operating Profits	2,476	2,702	2,865	2,717	2,796	2,878	2,913	2,986	10,760	11,573	2,938	-1
YoY Growth (%)	15.2	25.0	34.6	22.5	12.9	6.5	1.7	9.9	24.3	7.6	2.6	
Provisions	137	722	308	18	245	137	221	36	1,185	640	100	121
Profit before Tax	2,339	1,980	2,557	2,700	2,551	2,741	2,691	2,949	9,575	10,933	2,838	-5
Tax Provisions	504	399	556	609	555	626	570	655	2,068	2,405	624	-9
Profit after tax	1,835	1,581	2,001	2,090	1,996	2,115	2,121	2,295	7,507	8,527	2,214	-4
YoY Growth (%)	13.1	11.5	32.1	26.1	8.8	33.8	6.0	9.8	20.8	13.6	10.6	
Key Parameters (%)												
Yield on loans	10.2	10.5	10.6	10.6	10.5	10.6	10.6					
Cost of funds	7.3	7.3	7.3	7.4	7.5	7.4	7.6					
Spread	3.0	3.2	3.3	3.2	3.0	3.2	3.1					
NIM	3.6	3.8	3.9	3.8	3.6	3.8	3.7					
Credit cost	0.17	0.88	0.37	0.0	0.28	0.15	0.24					
Cost to Income Ratio (%)	14.9	16.2	14.7	20.9	14.9	17.1	16.9					
Tax Rate (%)	21.6	20.2	21.7	22.6	21.7	22.8	21.2					
Balance Sheet Parameters												
Loans (INR B)	325.1	333.6	340.5	350.0	355.6	365.9	371.6					
Growth (%)	18.0	15.7	13.1	10.9	9.4	9.7	9.1					
AUM mix (%)												
Home loans	89.1	89.1	89.1	88.9	88.9	88.5	88.3					
Non-housing loans	10.9	10.9	10.9	11.1	11.1	11.5	11.7					
Salaried customers	72.7	72.4	72.1	71.9	71.7	70.9	70.9					
Self-employed customers	27.2	27.5	27.8	28.0	28.3	29.1	29.0					
Disbursements (INR B)	19.7	20.2	18.8	23.1	18.5	23.8	18.8					
Change YoY (%)	14.2	-10.1	-23.1	-8.8	-5.7	17.9	0.0					
Borrowing mix (%)												
Banks	54.0	57.0	60.0	59.0	56.0	60.0	60.0					
NHB	22.0	19.0	19.0	16.0	16.0	14.0	14.0					
Market borrowings	23.0	23.0	20.0	24.0	27.0	25.0	25.0					
Deposits	1.0	1.0	1.0	1.0	1.0	1.0	1.0					
Asset Quality												
GNPL (INR m)	2,052	2,540	3,088	2,860	3,250	3,200	3,410					
NNPL (INR m)	1,096	1,420	1,674	1,470	1,740	1,720	1,870					
GNPL ratio %	0.63	0.76	0.91	0.82	0.91	0.88	0.92					
NNPL ratio %	0.34	0.43	0.49	0.42	0.49	0.47	0.50					
PCR %	46.6	44.1	45.8	48.6	47.0	46.0	45.2					
Return Ratios (%)												
ROA (Rep)	2.2	1.9	2.3	2.5	2.2	2.3	2.3					
ROE (Rep)	19.2	16.0	19.4	19.3	17.6	18.0	17.6					

E: MOFSL Estimates



Highlights from the management commentary

Guidance

- Management expects recoveries to improve in 4Q - Provisioning in 4Q will be very marginal and guided for credit costs of ~15bp in FY25. It also expects GNPA to decline to ~0.8% by Mar'25.
- Expects disbursements in 4QFY25 to be in the same range as in 4QFY24 (flat YoY). If things improve in KAR, then it could be even higher.
- Guidance of normalized spreads of 2.5% and NIM of 3.5%
- If issues in KAR are resolved, it guided for disbursements of ~INR120b and loan growth of ~15% in FY26
- Guided for credit costs of ~15bp and IT transformation costs of INR2.5-3.0b resulting in CIR of 18.0-18.5% for FY26.

Status of KAR e-Khata issuances

- Slight set-back in the state of KAR where it lost ~INR4b of disbursements because registrations have not been happening in KAR since the introduction of e-Khata
- Going forward, registrations in KAR are improving; there is also some movement on the e-Khata. This will be a key monitorable for the disbursement and AUM growth.
- The Govt. of Karnataka had announced that they are looking to deploy an additional 300 employees and accelerate the issuance of E-Khata. A resolution will not take very long since it is just an operational issue.

Issues in Telangana

- In Telangana, ever since the new Congress government came to power in Feb'24, it has formed a body known as Hydra, which has demolished various properties where the approvals were given by the previous government.
- Disbursements in Telangana are down 33% YTD, because of weak sentiment towards property transactions in Telangana.

Asset quality

- GNPA stood at 0.92%.
- SMA0 will decline in 4QFY25. In 4Q, it expects the NPAs to also improve. It does not expect any deterioration in asset quality.
- There has been a slight increase of ~15bp in SMA0. CANF has a portfolio of ~INR7.7b where the total outstanding in each of the individual loan accounts is <INR850, which are cheque bounce charges and/or some other charges.
- Cheque bounce ratios (NACH) in the last four quarters have remained largely similar and there has been no change as such.

Liabilities

- All bank term loans have been moved to Repo Rate/T-Bill-linked loans, with no bank loans now linked to MCLR. Additionally, the company has also been able to negotiate with the banks for a better rate.
- The company raised ~INR16b during the quarter from the NHB at 7.6%. NHB lends in the ratio of 1:3. CANF has borrowed INR4b from the AHF fund and

~INR12b from the regular re-finance window. NHB borrowing was at a blended rate of 7.6%, which was 30-35bp lower than the blended cost of its bank borrowings.

Yields

- LAP proportion has increased to ~6% (v/s 5% earlier). Opened SENP a little bit and the salaried proportion has declined to 70% (v/s 72% earlier). SENP and LAP mix has improved which has helped in the improvement of yields.
- CANF charges ~50bp higher to SENP customers and LAP customers. If the customer profile deteriorates at the end of the year, then the rate is increased.

Opex

- Not much of a change in the opex; CIR has marginally come down in 3Q and there is no major cost factor in 4Q. The company has embarked on a major IT transformation project. Concluded the RFP process and it has finalized the vendor as IBM. Expected to be implemented by 3QFY26.
- Capex for the IT transformation will be amortized over the term of 7 years and annual operating costs will be INR300-350m

Loan growth

- North, Rajasthan, Gujarat, and TN did well in 3QFY25 as well. Other than KAR and Telangana, CANF is doing quite well in the rest of the places.
- Dec'24 was slightly weak but January is looking good in the first 15 days.

Branches

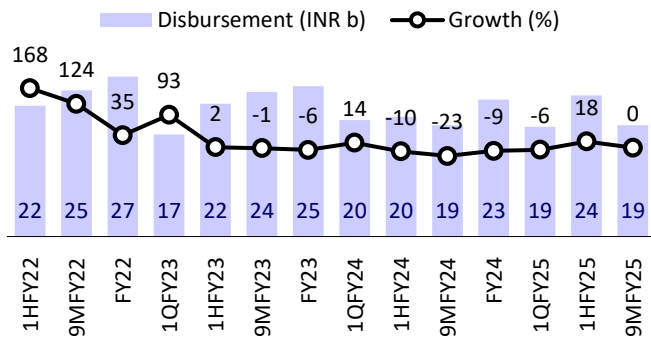
- Closed and merged 10 existing branches and 10 additional branches have been opened. 15 branches are in the pipeline. 11 branches are in advanced stages of opening. There will be net additions of 15 branches in 4QFY25.
- Branches that were opened last year (in 3Q and 4QFY24) have already reached a level where they are doing INR7.5m per month per branch. CANF has 34 people in the Marketing team which is contributing 3.0-3.5% to the sourcing mix.

Others

- Average ticket size (ATS) has marginally come down to INR2.3m (PQ: INR2.5m)
- FY25 RoA of 2.1% and RoE of 17%+
- With regards to the RBI draft circular prohibiting the Bank and its subsidiary/ group companies from being present in the same lines of business - Parent Bank Canara Bank and other Banks have given their feedback to the RBI. RBI will now consider the feedback given and come out with final guidelines. However, there could be some extension of timelines and some exceptions when the final guidelines eventually come out.
- KAR contributes ~34% and Telangana contributes ~15% to the disbursement mix.
- Composition of the loan book: KAR stood at ~INR105b (28%) and Telangana stood at ~INR70b (19%).

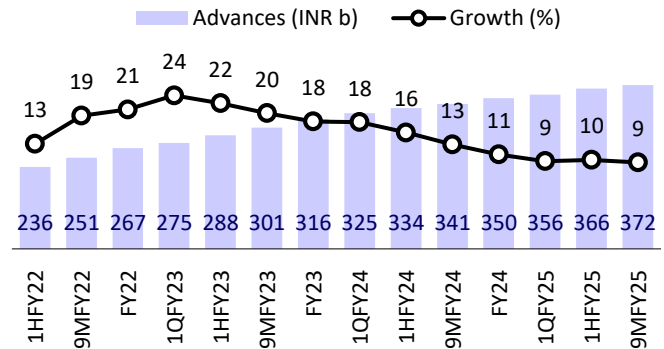
Key exhibits

Exhibit 1: Disbursements were flat YoY



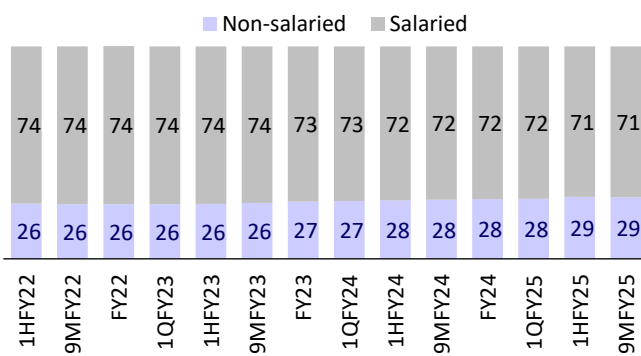
Sources: MOFSL, Company reports

Exhibit 2: Advances grew 9% YoY



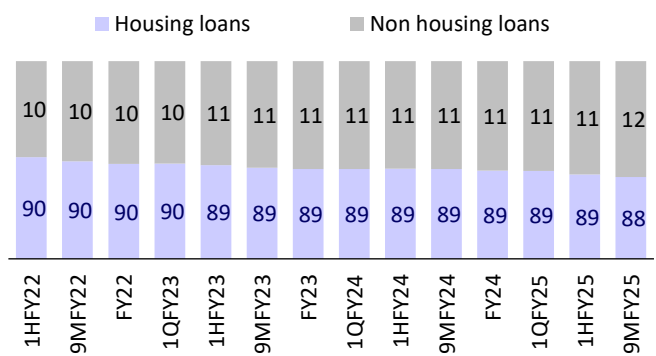
Sources: MOFSL, Company reports

Exhibit 3: Share of salaried customers was stable at ~71%



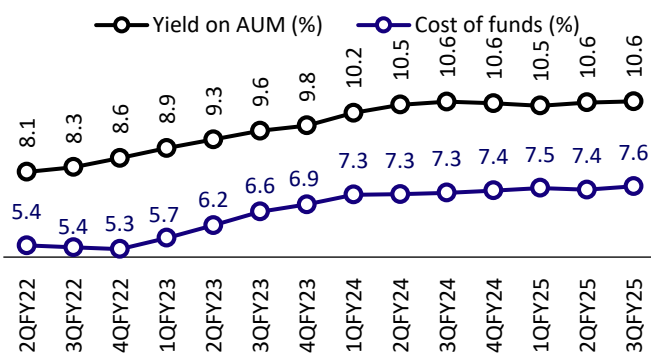
Sources: MOFSL, company reports

Exhibit 4: Share of housing loans stood at ~88%



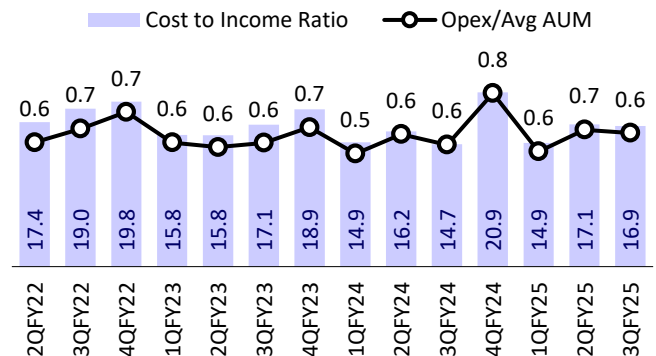
Sources: MOFSL, company reports

Exhibit 5: Calculated spreads declined ~10bp QoQ (%)



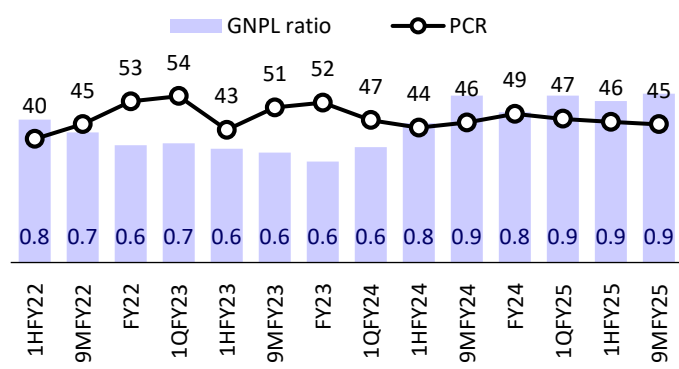
Sources: MOFSL, company reports

Exhibit 6: C/I ratio declined ~20bp QoQ to ~16.9%



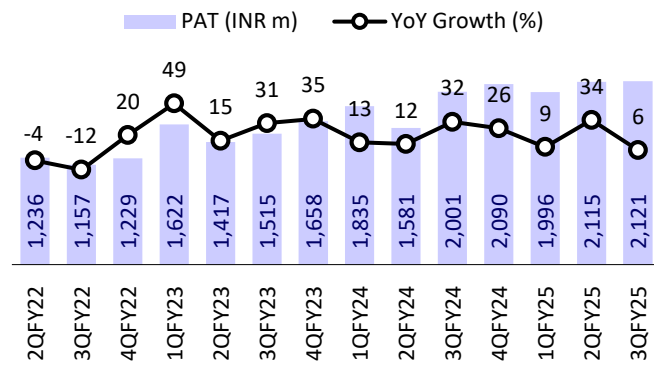
Sources: MOFSL, company reports

Exhibit 7: GNPA rose ~5bp QoQ (%)



Sources: MOFSL, company reports

Exhibit 8: PAT grew ~6% YoY to INR2.1b



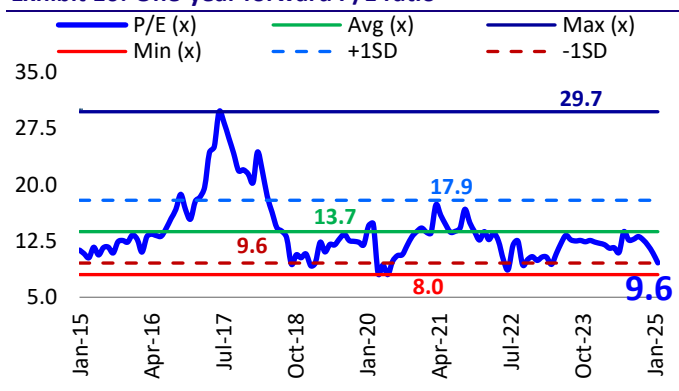
Sources: MOFSL, company reports

Exhibit 9: We cut our FY26/FY27 EPS estimates by ~3%/4% to factor in lower loan growth and higher opex

INR b	Old Est.			New Est.			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
NII	13.6	14.9	17.2	13.6	14.7	16.8	-0.3	-1.5	-2.4
Other Income	0.4	0.4	0.5	0.3	0.4	0.4	-9.5	-9.3	-9.2
Total Income	14.0	15.4	17.7	13.9	15.1	17.2	-0.6	-1.7	-2.6
Operating Expenses	2.3	2.6	2.9	2.3	2.7	3.1	0.9	5.0	7.4
Operating Profits	11.7	12.7	14.8	11.6	12.4	14.1	-0.8	-3.1	-4.6
Provisions	0.5	0.7	0.7	0.6	0.7	0.7	17.9	1.6	-8.5
PBT	11.1	12.1	14.0	10.9	11.7	13.4	-1.8	-3.3	-4.4
Tax	2.4	2.6	3.0	2.4	2.5	2.9	-1.8	-3.3	-4.4
PAT	8.7	9.5	11.0	8.5	9.2	10.5	-1.8	-3.3	-4.4
AUM	383	437	504	381	429	492	-0.5	-1.9	-2.5
Borrowings	347	394	454	344	386	441	-0.9	-2.1	-2.9
NIM (%)	3.8	3.7	3.7	3.8	3.7	3.7			
ROA (%)	2.3	2.2	2.2	2.2	2.2	2.2			
RoE (%)	18.3	17.0	16.9	18.0	16.6	16.4			

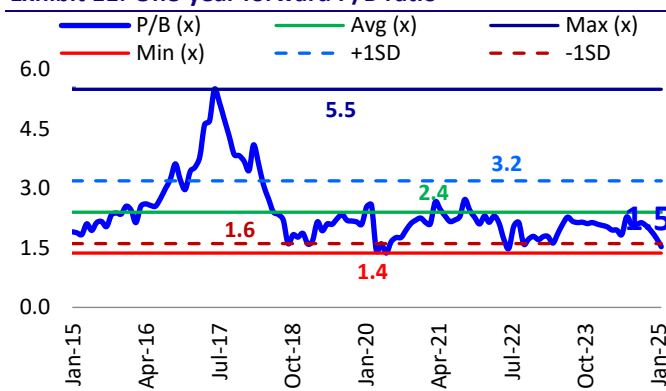
Sources: MOFSL, company reports

Exhibit 10: One-year forward P/E ratio



Sources: MOFSL, company reports

Exhibit 11: One-year forward P/B ratio



Sources: MOFSL, company reports

Financials and Valuation

Income statement									INR m
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	17,134	20,189	20,064	19,697	27,154	34,899	38,529	41,338	46,542
Interest Expended	11,693	13,442	12,083	11,535	17,009	22,314	24,956	26,622	29,753
Net Interest Income	5,441	6,747	7,980	8,162	10,146	12,585	13,573	14,717	16,790
Change (%)	6.8	24.0	18.3	2.3	24.3	24.0	7.8	8.4	14.1
Other Income	179	115	121	188	277	348	333	381	437
Net Income	5,621	6,862	8,101	8,350	10,423	12,933	13,906	15,098	17,227
Change (%)	3.9	22.1	18.0	3.1	24.8	24.1	7.5	8.6	14.1
Operating Expenses	915	1,076	1,240	1,530	1,765	2,173	2,333	2,744	3,143
Operating Income	4,706	5,786	6,861	6,820	8,658	10,760	11,573	12,354	14,084
Change (%)	3.8	23.0	18.6	-0.6	26.9	24.3	7.6	6.8	14.0
Provisions/write offs	11	603	685	469	418	1,185	640	670	674
PBT	4,695	5,183	6,176	6,351	8,240	9,575	10,933	11,685	13,410
Tax	1,728	1,422	1,615	1,640	2,028	2,068	2,405	2,524	2,896
Tax Rate (%)	36.8	27.4	26.2	25.8	24.6	21.6	22.0	21.6	21.6
Reported PAT	2,967	3,761	4,561	4,711	6,212	7,507	8,527	9,161	10,513
Change (%)	4	27	21	3	32	21	14	7	15
Proposed Dividend (incl. tax)	321	321	266	399	466	799	799	866	866

Balance sheet									
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Capital	266	266	266	266	266	266	266	266	266
Reserves & Surplus	17,556	21,234	25,832	30,400	36,206	43,172	50,901	59,196	68,843
Net Worth	17,822	21,501	26,098	30,666	36,473	43,439	51,167	59,462	69,110
Borrowings	1,67,974	1,87,484	1,92,929	2,46,477	2,90,681	3,18,629	3,43,519	3,85,840	4,40,627
Change (%)	20.7	11.6	2.9	27.8	17.9	9.6	7.8	12.3	14.2
Other liabilities	1,500	1,451	1,710	2,300	3,551	3,948	4,737	5,685	6,821
Total Liabilities	1,87,295	2,10,436	2,20,737	2,79,443	3,30,705	3,66,015	3,99,423	4,50,986	5,16,558
Loans	1,82,342	2,05,257	2,18,915	2,63,781	3,11,933	3,45,531	3,76,665	4,24,466	4,86,343
Change (%)	16.6	12.6	6.7	20.5	18.3	10.8	9.0	12.7	14.6
Investments	163	243	496	11,260	14,590	14,590	16,779	19,296	22,190
Change (%)	1.9	49.1	104.1	2,169.9	29.6	0.0	15.0	15.0	15.0
Net Fixed Assets	99	379	378	346	454	526	610	707	819
Other assets	4,692	4,557	948	4,057	3,727	5,368	5,369	6,518	7,206
Total Assets	1,87,295	2,10,436	2,20,737	2,79,443	3,30,705	3,66,015	3,99,423	4,50,986	5,16,558

E: MOFSL Estimates

Financials and Valuation

Ratios	(%)								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Yield on loans	10.1	10.4	9.44	8.14	9.4	10.6	10.7	10.3	10.2
Cost of funds	7.6	7.6	6.35	5.25	6.3	7.3	7.5	7.3	7.2
Spread	2.5	2.8	3.1	2.9	3.1	3.3	3.1	3.0	3.0
Net Interest Margin	3.2	3.5	3.8	3.4	3.5	3.8	3.8	3.7	3.7
Profitability Ratios (%)									
RoE	18.2	19.1	19.2	16.6	18.5	18.8	18.0	16.6	16.4
RoA	1.7	1.9	2.1	1.9	2.0	2.2	2.2	2.2	2.2
C/I ratio	16.3	15.7	15.3	18.3	16.9	16.8	16.8	18.2	18.2
Asset Quality (%)									
Gross NPAs	1,135	1,571	2,019	1,706	1,738	2,860	3,232	3,738	4,187
Gross NPAs to Adv.	0.6	0.8	0.9	0.6	0.6	0.8	0.8	0.9	0.9
Net NPAs	795	1,118	1,343	807	829	1,468	1,713	1,944	2,177
Net NPAs to Adv.	0.4	0.5	0.6	0.3	0.3	0.4	0.5	0.5	0.4
PCR	30.0	28.8	33.5	52.7	52.3	48.7	47.0	48.0	48.0
VALUATION									
Book Value (INR)	134	161	196	230	274	326	384	447	519
Price-BV (x)	5.3	4.4	3.6	3.1	2.6	2.2	1.8	1.6	1.4
EPS (INR)	22.3	28.2	34.2	35.4	46.7	56.4	64.0	68.8	78.9
EPS Growth YoY	3.7	26.8	21.3	3.3	31.9	20.8	13.6	7.4	14.8
Price-Earnings (x)	31.8	25.1	20.7	20.0	15.2	12.6	11.1	10.3	9.0
Dividend per share (INR)	2.0	2.0	2.0	3.0	3.5	6.0	6.0	6.5	6.5
Dividend yield (%)	0.3	0.3	0.3	0.4	0.5	0.8	0.8	0.9	0.9
E: MOFSL Estimates									

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