

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

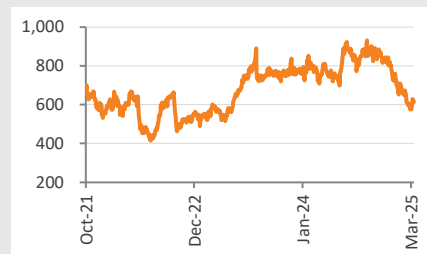
Company details

Market cap:	Rs. 8,140 cr
52-week high/low:	Rs. 951 / 559
NSE volume: (No of shares)	6.9 lakh
BSE code:	511196
NSE code:	CANFINHOME
Free float: (No of shares)	8.43 cr

Shareholding (%)

Promoters	30.0
FII	11.4
DII	28.1
Others	30.5

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-0.6	-24.4	-32.5	-19.4
Relative to Sensex	2.3	-15.5	-21.7	-19.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Can Fin Homes Ltd

Growth to improve in FY26

NBFC	Sharekhan code: CANFINHOME	
Reco/View: Buy	↔	CMP: Rs. 613 Price Target: Rs. 850 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade

Summary

- Can Fin Homes has retained its guidance of steady RoA of 2.1% and RoE of ~17-18%. It expects disbursements/ AUM growth at ~40%/ ~15% for FY2026E.
- E-registration situation in Karnataka is improving gradually but Telangana will take longer to resolve.
- NIMs are eyed at over >3.5% in the near term and long term guidance remains intact at 3.5%. Credit cost guidance is retained at 15 bps.
- At CMP, the stock trades 1.4x/1.2x its FY2026E/FY2027 BV. We reiterate our buy rating on Can Fin Homes with an unchanged PT of Rs. 850 given stable outlook and reasonable valuation.

In our interaction with the management, it reiterated its disbursement/AUM growth target for FY26E. It expects AUM growth to improve to ~15% for FY2026E (vs sub ~10% for FY25E) despite challenges in its key market Karnataka & Telangana. The northern, western and other southern states are growing at a healthy rate. The e-registration situation in Karnataka is improving gradually but Telangana will take longer time to resolve. Branch expansion remains on track. There will be net additions of 15 branches in Q4FY25. NIMs are expected to be >3.5% in near term and long-term guidance remains intact at 3.5%. Cost to income ratio is expected to be around 18%. Credit cost guidance is retained at 15 bps. Outlook on asset quality is stable. The company retained its guidance of steady state RoA at 2.1% and RoE at ~17-18%.

- Growth to improve in FY26:** Management reiterated its disbursement/AUM growth target for FY2026E. It expects AUM growth to improve to ~15% for FY2026E (versus sub ~10% for FY25E) despite challenges in its key market Karnataka & Telangana. North region, West region and other southern states are growing at a healthy rate. E-registration situation in Karnataka is improving gradually but Telangana will take longer time to resolve. Branch expansion continues to remain on track. There will be net additions of 15 branches in Q4FY25. It remains confident of clocking disbursements of Rs 2300-2400 crore in Q4FY25.
- NIMs to sustain at over ~3.5%:** NIMs are expected to be >3.5% in the near term and long-term guidance remains intact at 3.5%. There is enough lever to support yields by improving the share of SENP customers and by increasing the mix of LAP loans in the portfolio. The yields in the SENP and LAP book are higher by 50 bps versus Home Loans. On the liabilities front, the company has replaced its MCLR-linked bank borrowings (~35% of borrowings) with repo-linked/T-bill-linked bank borrowings. Additionally, the company has raised borrowings from the NHB (~Rs 2,000 crore) at a 30-35bps lower rate than bank borrowings.
- Asset quality outlook stable:** Credit costs are expected to be negligible in Q4FY2025E, while credit cost guidance is retained at 15 bps. On a steady state basis, the company expects GNPA to range at 0.8- 0.9%. Outlook on asset quality is stable.

Our Call

Valuation – Maintain Buy with an unchanged PT of Rs. 850: AUM growth is set to improve to ~15% for FY2026E (vs sub ~10% for FY25E) despite challenges in its key market Karnataka & Telangana driven by healthy disbursements growth of 40%. Investment in Tech and IT process would improve overall efficiency in the long run. Stock price is down more than 30% over the past five months which could see reversal trend driven by pick up in growth, steady NIMs, stable asset quality, strong RoE and reasonable valuation. Hence, we maintain our Buy rating with a PT of Rs. 850. At the CMP, the stock trades 1.4x/1.2x its FY2026E/FY2027 BV.

Key Risks

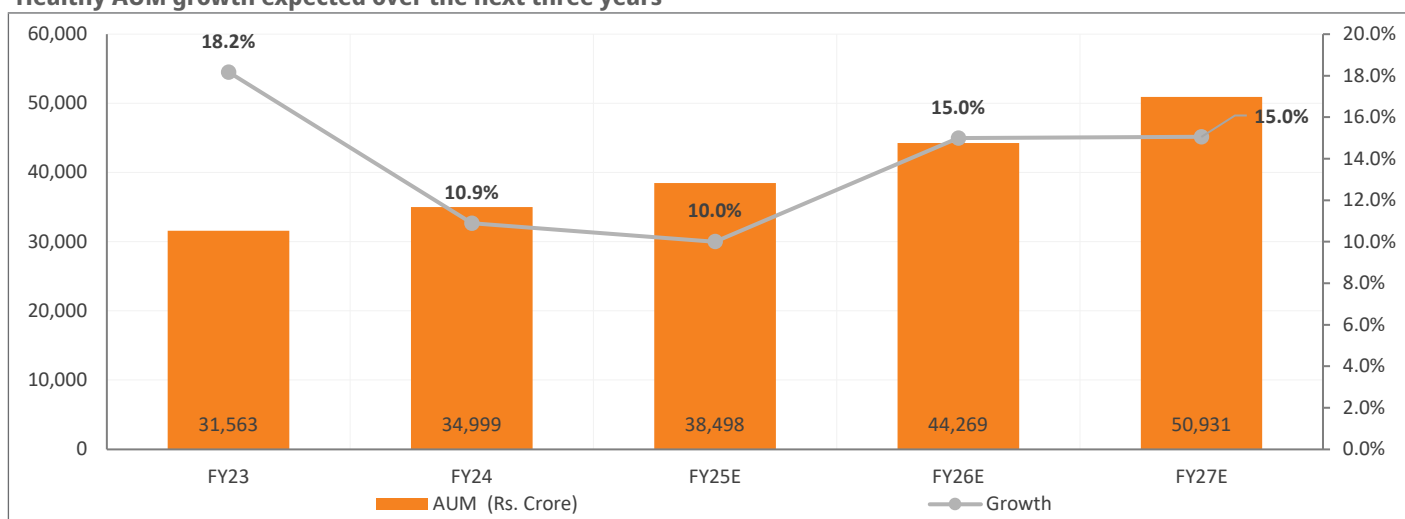
Slower-than-expected growth due to high competition and economic slowdown, deterioration of asset quality, margin pressure due to increase in competitive landscape.

Valuation

	Rs cr				
Particulars	FY23	FY24	FY25E	FY26E	FY27E
Net Interest Income	1,015	1,259	1,332	1,492	1,725
Net profit	621	751	849	949	1,079
EPS (Rs.)	46.7	56.4	63.8	71.2	81.0
P/E (x)	13.1	10.8	9.6	8.6	7.5
P/BV (x)	2.2	1.9	1.6	1.4	1.2
RoA (%)	2.0	2.2	2.2	2.2	2.2
RoE (%)	18.5	18.7	18.0	17.3	16.8

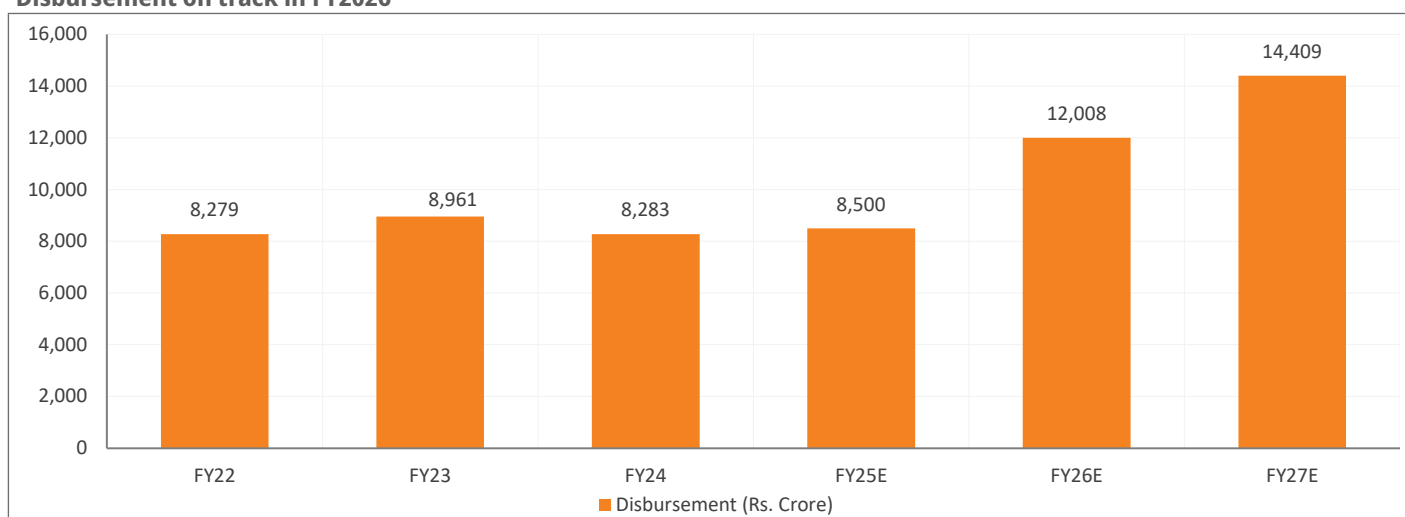
Source: Company; Mirae Asset Sharekhan estimates

Healthy AUM growth expected over the next three years



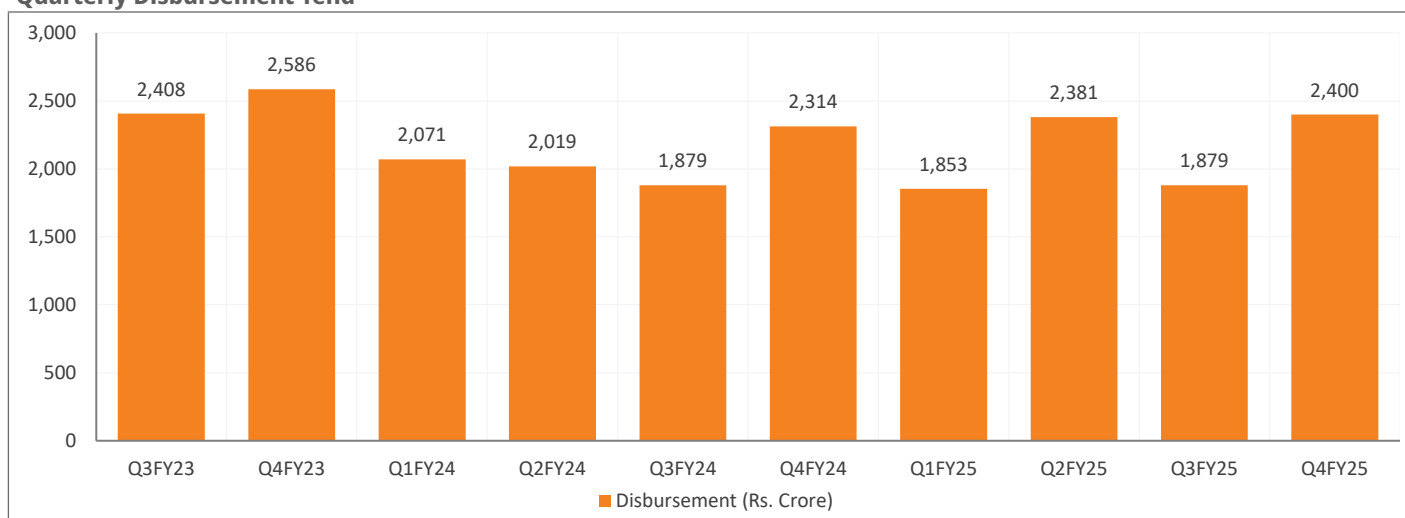
Source: Company; Mirae Asset Sharekhan Research

Disbursement on track in FY2026



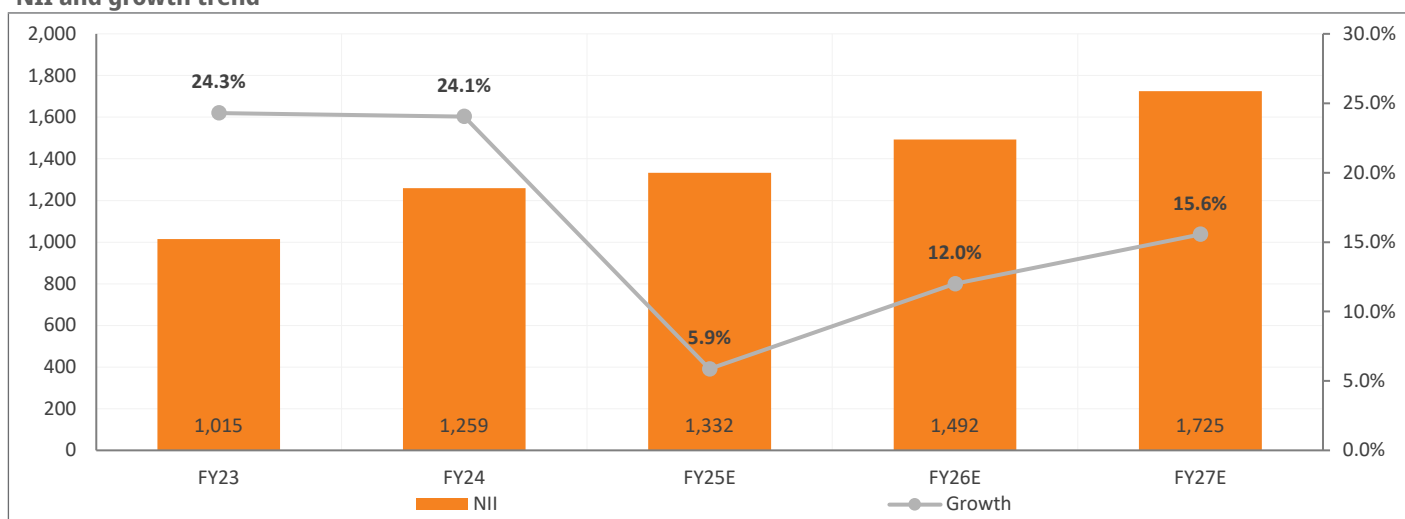
Source: Company; Mirae Asset Sharekhan Research

Quarterly Disbursement Trend



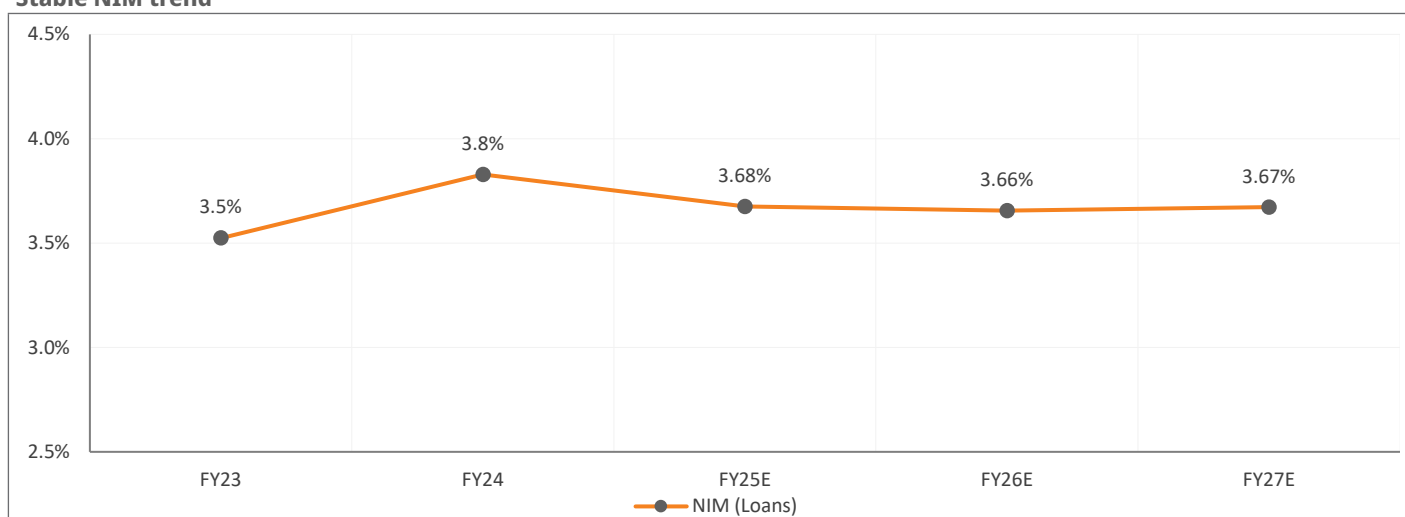
Source: Company; Mirae Asset Sharekhan Research

NII and growth trend



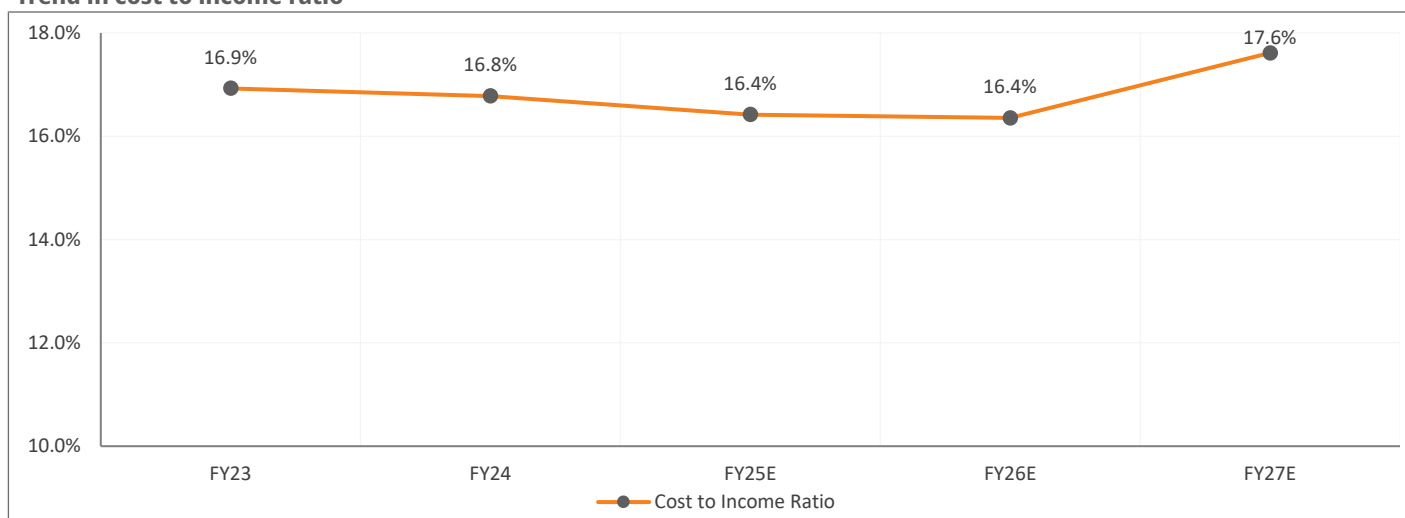
Source: Company; Mirae Asset Sharekhan Research

Stable NIM trend



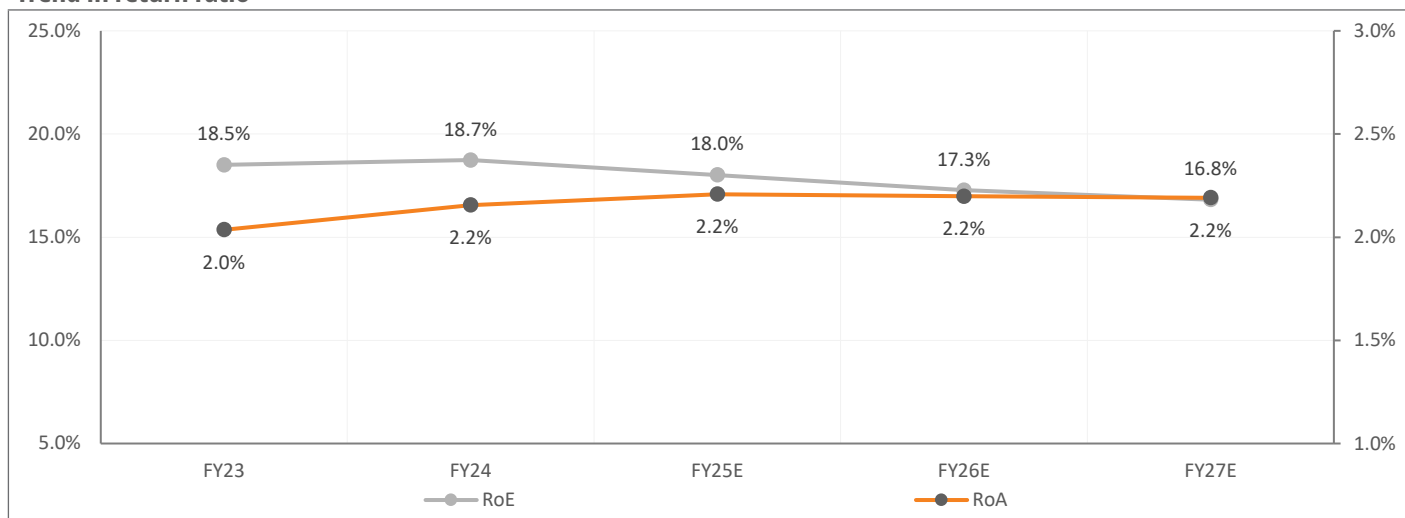
Source: Company; Mirae Asset Sharekhan Research

Trend in cost to income ratio



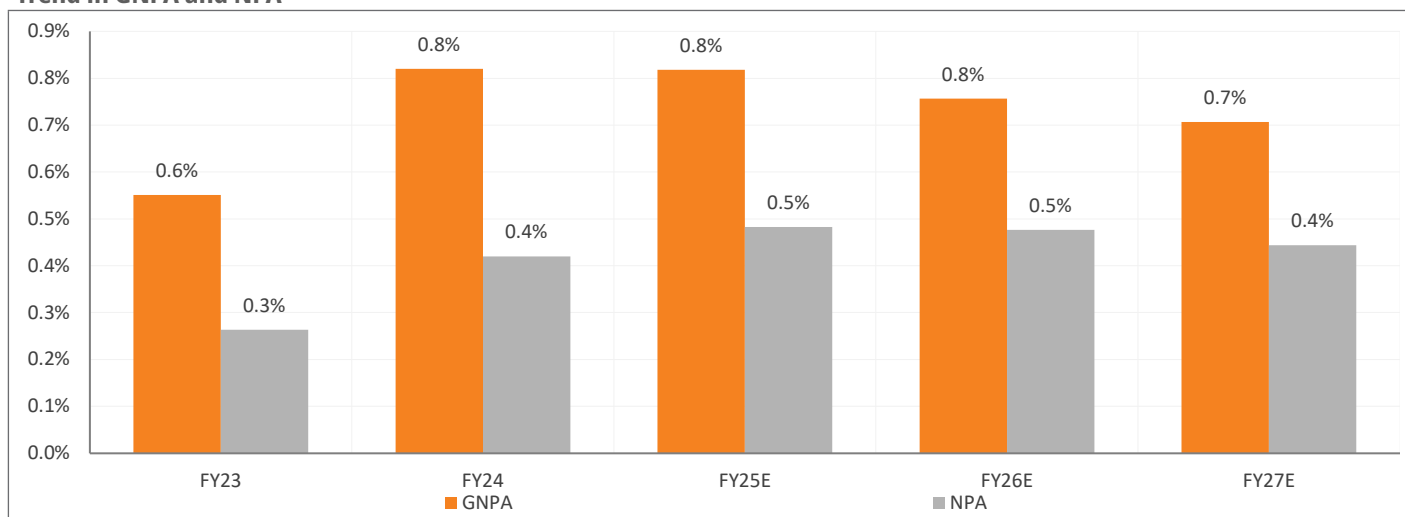
Source: Company; Mirae Asset Sharekhan Research

Trend in return ratio



Source: Company; Mirae Asset Sharekhan Research

Trend in GNPA and NPA



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector View - Housing demand to grow at a steady pace

Long-term structural drivers remain strong for mortgages in India. We have not seen any major signs of any slowdown in the real estate sector. With prices being stable, affordability remains strong. Hence, we remain assertive on real estate volumes for housing finance companies (HFCs) in salaried/prime markets. We expect steady mid-to-high-teen growth in this segment to continue. Smaller HFCs in the affordable space are delivering high growth by penetrating newer geographies. Moreover, we expect declining interest rate cycle, which would drive volume growth. Overall, asset quality trends are stable in the sector. Moreover, construction of additional three crore houses is under the PMAY scheme, which is potentially positive.

■ Company Outlook – Attractive franchise

The company has shown its ability to deliver superior return ratio metrics, has navigated stiff competition from the bank in the past, and its asset quality continues to be the best-in-class among peers. The company has strengthened its IT system; now management can focus on business development with enhanced centralised monitoring. Additionally, working on digitalisation and IT process to improve the organization efficiencies. The company is expanding mode and likely to increase the total branches to 300. The new branches are likely to come in Tier-2 cities and in Tier-3 cities, which are high-margin regions as compared to Tier-1 cities.

■ Valuation – Maintain Buy with an unchanged PT of Rs. 850

AUM growth is set to improve to ~15% for FY2026E (vs sub ~10% for FY25E) despite challenges in its key market Karnataka & Telangana driven by healthy disbursements growth of 40%. Investment in Tech and IT process would improve overall efficiency in the long run. Stock price is down more than 30% over the past five months which could see reversal trend driven by pick up in growth, steady NIMs, stable asset quality, strong RoE and reasonable valuation. Hence, we maintain our Buy rating with a PT of Rs. 850. At the CMP, the stock trades 1.4x/1.2x its FY2026E/FY2027 BV.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Can Fin Homes	613	8,140	9.6	8.6	1.6	1.4	18.0	17.3	2.2	2.2
LIC Housing Finance	534	29,362	5.5	5.6	0.8	0.7	16.5	14.9	1.8	1.6

Source: Company; Mirae Asset Sharekhan Research

About company

Can Fin Homes is a leading HFC promoted by Canara Bank. The company has a wide network across 21 states and Union Territories, along with a strong brand. The company offers housing loans at competitive interest rates, both to salaried and self-employed borrowers. The company focuses on housing loans to individuals with ~89% of the book constituting to retail home loans.

Investment theme

We remain assertive on real estate volumes for HFCs in the salaried and prime/mid segment. We expect steady mid-to-high-teen growth in this segment to continue. We believe HFCs stand to benefit from this housing sector's growth as they are well equipped with superior customer service and last-mile connect with potential informal sector customers that large banks are unable to service.

Key Risks

Slower-than-expected growth due to high competition and economic slowdown, deterioration of asset quality, margin pressure due to increase in competitive landscape.

Additional Data

Key management personnel

Name	Designation
Suresh Iyer	MD and CEO
Apurav Agarwal	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Canara Bank	29.99
2	Chhattisgarh Investments Ltd	6.27
3	SBI Life Insurance Co Ltd	4.15
4	Axis Asset Management Co Ltd/India	3.39
5	Vanguard Group Inc/The	2.78
6	Canara Robeco Asset Management Co	1.57
7	IDFC Mutual Fund/India	1.54
8	3P INDIA EQUITY FUND	1.53
9	Sarda Energy & Minerals Ltd	1.49
10	L&T Mutual Fund Trustee Ltd/India	1.39

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

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Chief Compliance Officer: Mr. Joby John Meledan; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

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