

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. 9,600 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	12.1
DII	24.7
Others	33.2

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	6.3	7.3	-14.4	-6.2
Relative to Sensex	4.8	2.2	-14.2	-12.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Can Fin Homes Ltd

Steady rebound in Q4, outlook improving

NBFC	Sharekhan code: CANFINHOME		
Reco/View: Buy	↔	CMP: Rs. 723	Price Target: Rs. 850 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Q4 saw a pick-up in business momentum, as disbursements grew by 6.1% y-o-y/30.7% (y-o-y/q-o-q).
- AUM grew by 9.2%/2.9% (y-o-y/q-o-q). Asset quality remained broadly stable. Earnings were marginally higher than estimates driven by a lower effective tax rate.
- The management has guided for a disbursement growth of ~20% and loan growth of ~15% in FY26 as the e-khata issue is gradually resolving in Karnataka and the Telangana issue seems to be bottoming out as well.
- At CMP, the stock trades at 1.6x/1.4X its FY2026E/FY2027 BV. We maintain buy rating with an unchanged PT of Rs. 850 on the back of improving growth outlook. Valuations are reasonable.

Net earnings slightly beat estimates by 3.6% to Rs. 234 crore in Q4FY2025. NII was slightly below estimates by 0.8% (up 6.3% y-o-y and 1.1% q-o-q) at Rs. 349 crore due to a higher cost of borrowings. NIMs were almost in line with estimates at 3.65% (as a percentage of AUM), however, dropped by 9 bps/6 bps (y-o-y/q-o-q). Opex was above estimates by 13%, rising 19.3% q-o-q to Rs. 71 crore due to higher other opex. Cost-to-income ratio is expected to be higher at 18% in FY27 from 17% in FY25 due to IT transformation in the organisation. PPoP almost in line with estimates at Rs. 295 crore, growing by 8.3%/1.1% (y-o-y/q-o-q). Credit cost above estimates by 11 bps at 0.16% of AUM due to creating provisions of Rs. 25 crore for management overlays. If not, then it would have been 13 bps. It also made a reversal of provisions of Rs. 10 crore due to write offs. Overall, provisions rose to Rs. 15 crore from 2 crore in Q4FY24, however dropped from Rs. 22 crore in Q3FY25. Net profit was slightly above estimates by 3.6% to Rs. 234 crore, growing by 11.8%/ 10.3% (y-o-y/q-o-q) due to a reversal of tax provisions from the prior years. AUM grew by 9.2%/2.9% (y-o-y/q-o-q) to Rs. 38,217 crore. Disbursements grew strongly by 6.1%/30.7% (y-o-y/q-o-q) to Rs. 2,455 crore driven by growth in North and South regions, also e-khata issue in Karnataka has been almost resolved, driving strong growth. Asset quality slightly improved on a sequential basis, GNPA/NNPAs decreased by 5/4 bps q-o-q at 0.87%/0.46% as of March 2025 (GNPA up by 5 bps y-o-y). SMA-0 reduced to Rs. 1,829 crore from Rs. 2,593 crore due to regulatory changes.

Key positives

- Disbursement growth surged q-o-q by 30.7% led by receding geographical headwinds and seasonality.

Key negatives

- Cost-to-AUM ratio rose to 0.74% vs 0.64% q-o-q.

Management Commentary

- AUM growth is seen at ~15% for FY2026 and disbursement growth at 20% in FY2026. Management expects e-Khata issue to fully resolve by Q1FY2026 and Telangana issue has been almost bottomed out, both developments are expected to add up to growth. The company is expected to open 15 branches in FY2026.
- Of bank borrowings (52% share), 80% are repo-linked and 20% are linked to T-bills. The first rate cut of 25bps to have 10 bps benefit and second rate cut of 25 bps will also have benefit from July 2025. No impact on spreads as benefit on CoFs will be passed only once the company experiences the same on the liability side. Continues to guide for spreads at over ~2.5% and NIMs at over ~3.5%.
- RoE is expected at over 17%, while RoA is expected at over 2.1-2.2% for FY2026.
- Contribution of the housing portfolio stands at 85% which is likely to come down to 80% over the next couple of years. The self-employed portfolio is expected to go up from 28% to 35% over the next two to three years. These developments are likely to enhance the NIM.
- Management expects below 15 bps credit cost for FY2026.

Our Call

Valuation – We maintain a Buy with an unchanged PT of Rs. 850: The company reported a strong pick-up in disbursement growth, led by receding geographical headwinds. The e-khata issue is gradually resolving in the state of Karnataka and Telangana issue seems to be bottoming out. Hence, the management expects a 20% disbursement growth and ~15% AUM growth in FY26 is achievable. Asset quality outlook is stable. The management continues to guide for spreads of 2.5%+ and NIM of 3.5% across cycles. At the CMP, the stock trades at 1.6x/1.4X its FY2026E/FY2027 BV. RoE trajectory is expected be healthy at 16-17% over FY25-27E. Improving growth outlook and reasonable valuation drives our Buy rating.

Key Risks

Slower-than-expected growth due to high competition; and deterioration of asset quality.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net Interest Income	1,015	1,259	1,354	1,478	1,673
Net profit	621	751	857	947	1,064
EPS (Rs.)	46.7	56.5	64.4	71.1	79.9
P/E (x)	15.5	12.8	11.2	10.2	9.1
P/BV (x)	2.6	2.2	1.9	1.6	1.4
RoA (%)	2.0	2.2	2.2	2.2	2.2
RoE (%)	18.5	18.7	18.2	17.2	16.6

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

- ♦ **Margin outlook:** NII grew by 6.3% y-o-y and 1.1% q-o-q to Rs. 349 crore in Q4FY2025. NIMs were almost in line with estimates at 3.65% (as a percentage of AUM), however dropped by 9/6 bps (y-o-y/q-o-q) due to higher cost of borrowings. The management is confident of maintaining spreads/NIMs above 2.5%/3.5% for FY2025.
- ♦ **Loan growth outlook:** AUMs grew by ~9.2% y-o-y and 2.9% q-o-q in Q4FY2025. Disbursements witnessed a growth of 6.1%/30.7 (y-o-y/q-o-q). Management stated E-khata issue is almost resolved and will fully resolved by Q1FY26. Telangana issue seems bottomed out and likely to aid for growth. Overall, AUM growth is expected ~13-15% and disbursements growth at 20% in FY26. Asset mix for salaried class and professional stood at ~70% in Q4FY2025; however, it is likely to come down to 65% in the next couple of years due to higher focus on non-salaried class, as it offers high yield. The company is expected to open 15 branches in the northern and the western regions and management focuses Tier-2 cities and Tier-3 cities for growth.
- ♦ **Cost-to-income ratio:** Cost to Income ratio to remain in the range of ~17% in FY26 and it will increase to ~18% in FY27. IT transformation costs will kick in from April 26 and will impact opex only from FY27 onwards.
- ♦ **Asset quality improves:** Credit cost above estimates by 11 bps at 16 bps of AUM due to creation of provisions for management overlays of Rs. 25 crore, if not then it would have been 13 bps. Overall, provisions increased to Rs. 15 crore from 2 crore in Q4FY24, however dropped from Rs. 22 crore in Q3FY25. Asset quality slightly improved on sequential basis. Within this, gross NPAs decreased by 5 bps 0.87% as of March 31, 2025 (up by 5 bps y-o-y). SMA 0 improved from Q3FY25 levels. Overall, asset quality is expected to improve/stable from this level.

Results

Particulars	Q4FY25	Q4FY24	Q3FY25	y-o-y %	Rs cr q-o-q %
Interest Income	983	912	980	7.8%	0.3%
Interest Expenses	634	584	636	8.6%	-0.2%
NII	349	328	345	6.3%	1.1%
Other Income	17	16	6	5.5%	188.0%
Total Income	365	344	351	6.3%	4.2%
Opex	71	72	59	-1.4%	19.3%
PPOP	295	272	291	8.3%	1.1%
P&C	15	2	22	764.4%	-30.3%
PBT	279	270	269	3.3%	3.7%
Tax	45	61	57	-25.7%	-20.6%
PAT	233.9	209	212.1	11.8%	10.3%
AUM	38,217	34,999	37,155	9.2%	2.9%
Disbursements	2,455	2,314	1,879	6.1%	30.7%

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – 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/increasing, 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. RBI reduced repo rate by 50 bps in the last couple of months and we expect further reduction in FY26. Hence, lower interest rate which would help to improve the volume. Besides, banking system liquidity has also improved in H2FY25, benefiting the NBFCs for 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

Can Fin 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. Further, the management is taking initiatives for IT reforms which will improve the efficiency of the company. The management is also planning to open new branches in Tier-2 cities and is expanding in Tier-3 cities, which are high-margin regions as compared to Tier-1 cities.

■ Valuation – We maintain a Buy with an unchanged PT of Rs. 850

The company reported a strong pick-up in disbursement growth, led by receding geographical headwinds. The e-khata issue is gradually resolving in the state of Karnataka and Telangana issue seems to be bottoming out. Hence, the management expects a 20% disbursement growth and ~15% AUM growth in FY26 is achievable. Asset quality outlook is stable. The management continues to guide for spreads of 2.5%+ and NIM of 3.5% across cycles. At the CMP, the stock trades at 1.6x/1.4X its FY2026E/FY2027 BV. RoE trajectory is expected to be healthy at 16-17% over FY25-27E. Improving growth outlook and reasonable valuation drives our Buy rating.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Can Fin Homes	723	9,600	10.2	9.1	1.6	1.4	17.2	16.6	2.2	2.2
LIC Housing Finance	591	33,000	6.0	5.4	0.8	0.7	15.3	15.1	1.7	1.7

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 serve them. Increase in banking system liquidity, other policy tailwinds are expected to aid for volume growth in the short to medium terms. Construction of additional three crore houses is under the PMAY Scheme 2.0, which is potentially positive.

Key Risks

- ♦ Slower growth, and deterioration in asset quality.

Additional Data

Key management personnel

Name	Designation
Suresh Iyer	MD and CEO
Prashanth Joishy	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	3.44
5	The Vanguard Group Inc.	2.82
6	ICICI Prudential Asset Management	2.74
7	L&T Mutual Fund Trustee Ltd./India	2.58
8	Canara Robeco Asset Management Co.	1.57
9	3P INDIA EQUITY FUND	1.53
10	Sarda Energy & Minerals Ltd.	1.49

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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Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

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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