

**Disbursement impacted | Deterioration in asset quality**

**CMP: INR 812**

**Rating: ACCUMULATE**

**Target Price: INR 936**

**Stock Info**

BSE	511196
NSE	CANFINHOME
Bloomberg	CANF IN
Reuters	CNFH.NS
Sector	BFSI
Face Value (INR)	2
Equity Capital (INR Cr)	267
Mkt Cap (INR Cr)	10824
52w H/L (INR)	559 / 952
Avg Yearly Vol (in 000')	577

**Shareholding Pattern %**

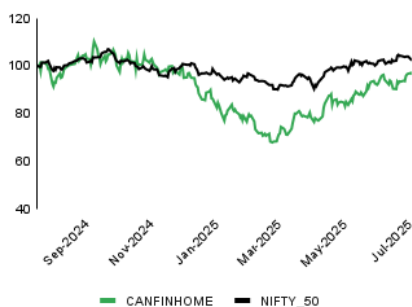
(As on June, 2025)

Promoters	29.9
Public & Others	70.1

**Stock Performance (%)**

	1m	6m	12m
CanFin Homes Ltd	6.5	17.5	-3.8
Nifty 50	0.5	8.9	2.4

**CanFin Homes Ltd Vs Nifty 50**



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CanFin Homes Ltd has posted a 12.14% YoY jump in net profit at INR 2.24 bn against INR 2.34 bn in Q4FY25 (down 4.29% QoQ). Provision for the quarter was at INR 0.26 bn vs. INR 0.15 bn in Q4FY25 (up 70.17% QoQ/ up 7.26% YoY). NII growth of the company was at 12.86% YoY at INR 3.63 bn, and was up sequentially by 4.08%. Asset quality deteriorated sequentially as GNPA and NNPA ratios increased by 11 bps and 8 bps on a sequential basis to 0.98% and 0.54%, respectively.

**NIMs improved sequentially led by decline in cost of funds:** NII growth for the quarter was at 12.86% YoY/ 4.08% QoQ to INR 3.63 bn. Further, the NIMs of the bank improved by 7bps YoY, due to decline in cost of borrowing during the quarter. The yield on loan portfolio came at 10.09%, which declined by 2 bps QoQ and -3 bps YoY. Cost of funds of the bank decreased by 11 bps YoY and by 9 bps QoQ at 7.47%. The decline in cost of funds led to improvement in NIMs.

**Asset Quality deteriorated driven by increase in slippages:** Overall, loan book of the bank increased marginally by 1.45% QoQ and 9.04% YoY to INR 387.73 bn, whereas the GNPA during the quarter increased by 14% QoQ and up 16% YoY, during the Q1FY26 at INR 3.78 bn (Q4FY25: INR 3.33 bn). The asset quality ratios deteriorated sequentially as GNPA and NNPA ratios increased by 11 bps and 8 bps on a sequential basis to 0.98% and 0.54%, respectively.

**De - growth in Disbursement:** Disbursement registered a degrowth of 17.92% QoQ but increased by 8.74% YoY. The decline in Q1FY26 was primarily attributable to situation in Karnataka and Telangana in terms of business growth. Karnataka region has shown flat business momentum while Telangana business has declined. Disbursement in Karnataka is INR 6 bn while in Telangana it is around INR 2.25 bn. Going forward, Disbursement for FY26 is guided at INR 105 bn.

**Valuation and View:** Can Fin Homes reported a steady performance in Q1 FY26, with NII registering a growth of 13% YoY, while PAT increased 12% YoY. The company witnessed improvement in margins and spreads on a YoY basis, though NIMs moderated sequentially. Cost-to-income ratio expanded YoY, primarily driven by employee cost pressures owing to salary revisions. On the asset quality front, GNPA/NNPA ratios deteriorated marginally on a sequential basis. However, we remain confident of a reversal in this trend, with expectations of moderation in NPAs in the coming quarters, supported by enhanced recovery efforts. We maintain our positive outlook on the company. We have a target price of INR 936 based on 1.8x FY27E ABV. We have an ACCUMULATE rating on the stock.

**Exhibit 1: Financial Performance**

Y/E Mar (Rs Bn)	FY22	FY23	FY24	FY25	FY26E	FY27E
NII	8.16	10.15	12.58	13.54	15.85	17.07
PAT	4.71	6.21	7.51	8.57	9.67	10.27
Networth	30.67	36.47	43.44	50.67	60.03	69.98
EPS (Rs)	35	47	56	64	73	77
P/E (x)	23.0	17.4	14.4	12.6	11.2	10.5
P/Adj BV (x)	3.6	3.0	2.5	2.2	1.8	1.6
RoA (%)	1.9	2.0	2.1	2.2	2.0	1.6
RoE (%)	16.6	18.5	18.8	18.2	17.5	15.8

## Q1FY26 - Quarterly Performance

(In INR Bn)

Particulars	Q1FY26	Q4FY25	Q1FY25	YoY	QoQ
Interest Income	10.11	9.83	9.24	9.40%	2.87%
Interest Expenditure	6.48	6.34	6.03	7.56%	2.20%
<b>Net Interest Income</b>	<b>3.63</b>	<b>3.49</b>	<b>3.21</b>	<b>12.86%</b>	<b>4.08%</b>
Fees & Other Income	0.09	0.17	0.07	34.01%	-44.35%
<b>Net Income</b>	<b>3.72</b>	<b>3.65</b>	<b>3.28</b>	<b>13.30%</b>	<b>1.86%</b>
Other Expenditure	0.68	0.71	0.49	39.69%	-3.56%
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>3.04</b>	<b>2.95</b>	<b>2.80</b>	<b>8.70%</b>	<b>3.16%</b>
Provision for SA & NPA	0.26	0.15	0.24	7.26%	70.17%
<b>Profit Before Tax</b>	<b>2.78</b>	<b>2.79</b>	<b>2.55</b>	<b>8.83%</b>	<b>-0.54%</b>
Provision for Taxation & DTL	0.54	0.45	0.55	-3.06%	18.84%
Tax / PBT (%)	0.26	0.26	0.24	8.83%	-0.54%
<b>Profit After Tax</b>	<b>2.24</b>	<b>2.34</b>	<b>2.00</b>	<b>12.14%</b>	<b>-4.29%</b>

## Balance Sheet

Particulars	Q1FY26	Q4FY25	Q1FY25	YoY	QoQ
New Approvals	20.59	26.50	19.69	4.57%	-22.30%
Disbursements	20.15	24.55	18.53	8.74%	-17.92%
Outstanding Loan Book	387.73	382.17	355.57	9.04%	1.45%

## Key Ratios

Particulars	Q1FY26	Q4FY25	Q1FY25	YoY	QoQ
Return on Avg Assets (Annualised)	2.19	2.59	2.17	2bps	-40bps
Return on Avg Equity (Annualised)	16.93	18.47	17.57	-64bps	-154bps
Earning Per Share (INR)	16.81	15.70	14.99	12%	7%
Net Interest Margin (%)	3.64	3.82	3.57	7bps	-18bps
Yield (%)	10.09	10.11	10.12	-3bps	-2bps
Cost (%)	7.47	7.56	7.58	-11bps	-9bps
Spread (%)	2.62	2.55	2.54	8bps	7bps
Avg. Business Per Branch (INR in Bn)	1.67	1.64	1.63	2%	2%
Avg. Business per Employee (INR in Bn)	0.31	0.32	0.33	-6%	-3%
Cost Income Ratio (%)	18.33	19.36	14.87	346bps	-103bps
DER	6.71	6.96	7.14	-43bps	-25bps

Source: Arianth Research, Company Filings

## Concall Highlights:

### Guidance for FY26

- The management expects AUM growth to be around 12%-13% mark for FY26 and ~15% levels for FY27.
- Disbursement for FY26 is guided at INR 105 bn.
- NIM is guided to be around 3.5% mark while spreads are expected to be ~2.5%.
- Cost of borrowing is expected to decline going ahead.
- Credit cost is projected to be around 15 bps for FY26.
- The company expects Cost-to-income ratio of 18% by end of FY26 and around 19% for FY27 due to IT related cost.
- The company looks to have ROA of ~2.2% and ROE of ~17% for FY26.
- Can Fin will add 16 branches in FY26 and take total branch count to 300 by FY28

### Highlights

- Net interest income posted decent growth of 13% YoY aided by margin expansion.
- Net interest margin (NIM) was up 7 bps YoY but down 18 bps QoQ to 3.64% while spreads improved by 8 bps YoY and 7 bps QoQ to 2.62%.
- Cost-to-income ratio increased on YoY basis by 346 bps to 18.3%, this was mainly due to salary revision to align with market compensation and increase in rent and taxes for additional offices.
- Loan book for the quarter was up 9.0% YoY and 1.5% sequentially to INR 387.73 bn and disbursements were up 8.7% YoY.
- Karnataka region has shown flat business momentum while Telangana business has declined.
- Disbursement in Karnataka is INR 6 bn while in Telangana it is around INR 2.25 bn.
- Share of SENP (self-employed non-professionals) has increased to 30% from 28% YoY as the lender focuses on growing this segment.
- Of the total Bank borrowings ~80% is linked to repo rate while 20% is linked to Treasury-bills.
- The lender has passed 25 bps rate cut to its existing and new customers.
- 80% of the customers of the lender have CIBIL score of over 700 and 9% are new to credit.
- Average Ticket Size in home loan is INR 24 lakh while for non-home loan it is INR 14 lakh.
- 67% of the loans are based on annual reset of lending rate.
- Balance transfer out rate for the company is around Incremental cost of NCD was 7.24% for the quarter.

## Key Financials

P&L (Rs Bn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest income	19.70	27.15	34.90	38.43	47.72	56.98
Interest expense	11.54	17.01	22.31	24.88	31.87	39.91
<b>NII</b>	<b>8.16</b>	<b>10.15</b>	<b>12.58</b>	<b>13.54</b>	<b>15.85</b>	<b>17.07</b>
Non-interest income	0.19	0.28	0.35	0.37	0.78	0.92
<b>Net revenues</b>	<b>8.35</b>	<b>10.43</b>	<b>12.93</b>	<b>13.91</b>	<b>16.62</b>	<b>17.99</b>
Operating expenses	1.53	1.76	2.58	2.38	2.64	2.92
<b>PPOP</b>	<b>6.82</b>	<b>8.66</b>	<b>10.36</b>	<b>11.53</b>	<b>13.99</b>	<b>15.07</b>
Provisions	0.47	0.42	0.78	0.76	1.06	1.34
<b>PBT</b>	<b>6.35</b>	<b>8.24</b>	<b>9.58</b>	<b>10.77</b>	<b>12.93</b>	<b>13.73</b>
Tax	1.64	2.03	2.07	2.20	3.26	3.46
<b>PAT</b>	<b>4.71</b>	<b>6.21</b>	<b>7.51</b>	<b>8.57</b>	<b>9.67</b>	<b>10.27</b>

Balance sheet	FY22	FY23	FY24	FY25	FY26E	FY27E
Share capital	0.3	0.3	0.3	0.3	0.3	0.3
Reserves & surplus	30.4	36.2	43.2	50.4	59.8	69.7
<b>Net worth</b>	<b>30.7</b>	<b>36.5</b>	<b>43.4</b>	<b>50.7</b>	<b>60.0</b>	<b>70.0</b>
Borrowings	246.5	290.7	318.6	350.5	505.1	632.7
Other liability	2.3	3.5	8.1	8.5	4.2	4.6
<b>Total liabilities</b>	<b>279.4</b>	<b>330.7</b>	<b>370.1</b>	<b>409.7</b>	<b>569.4</b>	<b>707.3</b>

Fixed assets	0.5	0.5	0.5	0.5	0.5	0.6
Investments	11.3	14.6	14.6	23.7	24.9	26.2
Loans	263.8	311.9	345.5	377.0	541.2	650.3
Cash	3.2	3.1	8.8	7.6	1.8	29.4
Other assets	0.7	0.6	0.7	0.9	0.9	0.9
<b>Total assets</b>	<b>279.4</b>	<b>330.7</b>	<b>370.1</b>	<b>409.7</b>	<b>569.4</b>	<b>707.3</b>

Source: Arihant Research, Company Filings

## Key Ratios

Ratios	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Growth (%)							
NII	18	2	24	24	8	17	8
PPOP	19	-1	27	20	11	21	8
PAT	22	3	32	21	14	13	6
Advances	7	20	18	11	9	44	20
Spread (%)							
Yield on Funds	9.4	8.0	9.0	10.2	10.1	9.9	9.2
Cost of Funds	6.4	5.3	6.4	7.3	7.4	7.4	7.0
Spread	3.1	2.7	2.7	2.8	2.7	2.4	2.2
NIM	3.7	3.3	3.3	3.6	3.5	3.2	2.7
Asset quality (%)							
Gross NPAs	0.9	0.6	0.6	0.5	0.4	0.3	0.3
Net NPAs	0.6	0.3	0.3	0.2	0.1	0.1	0.1
Provisions	33	53	62	62	62	62	62
Return ratios (%)							
RoE	19.2	16.6	18.5	18.8	18.2	17.5	15.8
RoA	2.1	1.9	2.0	2.1	2.2	2.0	1.6
Per share (Rs)							
EPS	34	35	47	56	64	73	77
BV	196	230	274	326	381	451	526
ABV	186	224	268	322	377	447	520
Valuation (x)							
P/E	24	23	17	14	13	11	11
P/BV	4.1	3.5	3.0	2.5	2.1	1.8	1.5
P/ABV	4.4	3.6	3.0	2.5	2.2	1.8	1.6

Source: Arianth Research, Company Filings

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### Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

### Absolute Return

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