

**Muted performance**

**CMP: INR 706**

**Rating: Accumulate**

**Target Price: INR 797**

**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)	9277
52w H/L (INR)	951 / 650
Avg Yearly Vol (in 000')	752

**Shareholding Pattern %**

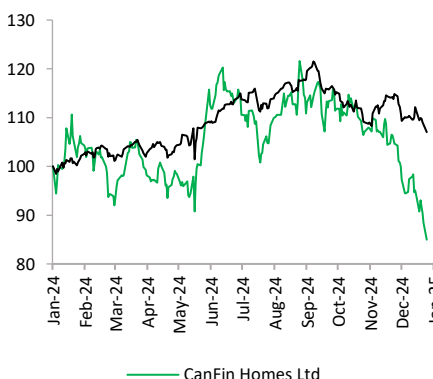
(As on December, 2024)

Promoters	29.9
Public & Others	70.1

**Stock Performance (%)**

	1m	6m	12m
CanFin Homes Ltd	-6.4	-17.2	-3.5
Nifty 50	-1.7	-5.4	9.2

**CanFin Homes Ltd Vs Nifty 50**



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CanFin Homes Ltd has posted a 5.97% YoY jump in net profit at INR 2.12 bn against INR 2.11 bn in Q2FY25 (up 0.28% QoQ). Provision for the quarter was at INR 0.22 bn vs. INR 0.14 bn in Q2FY25 (down 28.15% QoQ/ up 61.09% YoY). NII growth of the company was at 4.83% YoY at INR 3.45 bn, and was up sequentially by 1.46%. Asset quality saw slight deterioration as GNPA and NNPA ratios increased by 4 bps and 3 bps on a sequential basis to 0.92% and 0.5%, respectively.

**Decline in NIMs led by deterioration in NPA and increase in cost of funds:** NII growth for the quarter was at 4.83% YoY/ 1.46% QoQ to INR 3.45 bn. Further, the NIMs of the bank declined by 19bps YoY along with 2bps sequential decline at 3.73%, due to increase in cost of borrowing during the quarter. The yield on loan portfolio came at 10.19%, which increased by 28 bps YoY and 7 bps QoQ. Cost of funds of the bank increased by 16 bps YoY and decline marginally by 5 bps QoQ at 7.51%. The increase in cost of funds led to decline in NIMs.

**Asset Quality deterioration driven by increase in slippages:** Overall, loan book of the bank increased marginally by 1.54% QoQ and 9.11% YoY to INR 371.55 bn, whereas the GNPA during the quarter increased by 10.35% YoY and 6.56% QoQ, during the Q3FY25 at INR 3.41 bn (Q2FY25: INR 3.20 bn). The GNPA and NNPA ratios increased by 4 bps and 3 bps on a sequential basis to 0.92% and 0.5%, respectively. Further, NPA amount from restructured book stood at INR 0.94 bn v/s INR 0.96 bn YoY.

**Disbursement growth slowed down:** Disbursement registered a degrowth of 21.08% QoQ and 0.02% QoQ. The dip in Q3FY25 was primarily attributable to issues related to E-khata requirement which Karnataka government has come up leading to delays/ hurdles during registration. In Telangana, the new government has initiated demolition of properties deemed to have been built on government land, even though customers had originally obtained valid approved plans from the previous municipal corporation under the earlier government, negatively impacting sentiments on the ground. Karnataka and Telangana contribute nearly 50% of the total loan book. Going forward, the company expects the disbursement of INR 120 bn and an AUM growth of 15% in FY26.

**Valuation and View:** Can fin homes posted muted performance during the quarter, owing to slower growth in disbursements in key states of Karnataka and Telangana. Company's NIM declined due to the deterioration in NPA and increase in cost of funds. The company has set a target of INR 120 bn disbursement for the whole FY26. Asset quality deteriorated due to increase in slippages. We maintain our positive outlook on the company. We have a target price of INR 797 based on 1.5x FY27E ABV. We maintain our rating to ACCUMULATE on the stock.

**Exhibit 1: Financial Performance**

Y/E Mar (Rs Bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII	8.16	10.15	12.58	14.02	16.57	18.77
PAT	4.71	6.21	7.51	8.17	9.78	11.11
Networth	30.67	36.47	43.44	51.29	60.75	71.54
EPS (Rs)	35	47	56	61	73	83
P/E (x)	19.8	15.0	12.4	11.4	9.5	8.4
P/Adj BV (x)	3.1	2.6	2.2	1.8	1.6	1.3
RoA (%)	1.9	2.0	2.2	2.0	1.9	1.7
RoE (%)	16.6	18.5	18.8	17.2	17.5	16.8

## Q3FY25 - Quarterly Performance

(In INR Bn)

Particulars	Q3FY25	Q2FY25	Q3FY24	YoY	QoQ
Interest Income	9.80	9.55	8.95	9.55%	2.62%
Interest Expenditure	6.36	6.15	5.66	12.29%	3.27%
<b>Net Interest Income</b>	<b>3.45</b>	<b>3.40</b>	<b>3.29</b>	<b>4.83%</b>	<b>1.46%</b>
Fees & Other Income	0.06	0.07	0.07	-18.17%	-22.14%
<b>Net Income</b>	<b>3.51</b>	<b>3.47</b>	<b>3.36</b>	<b>4.35%</b>	<b>0.96%</b>
Other Expenditure	0.59	0.59	0.49	20.00%	-0.12%
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>2.91</b>	<b>2.88</b>	<b>2.86</b>	<b>1.65%</b>	<b>1.18%</b>
Provision for SA & NPA	0.22	0.14	0.31	-28.15%	61.09%
<b>Profit Before Tax</b>	<b>2.69</b>	<b>2.74</b>	<b>2.56</b>	<b>5.24%</b>	<b>-1.83%</b>
Provision for Taxation & DTL	0.57	0.63	0.56	2.61%	-8.95%
Tax / PBT (%)	0.25	0.25	0.24	5.24%	-1.83%
<b>Profit After Tax</b>	<b>2.12</b>	<b>2.11</b>	<b>2.00</b>	<b>5.97%</b>	<b>0.28%</b>

## Balance Sheet

Particulars	Q3FY25	Q2FY25	Q3FY23	YoY	QoQ
New Approvals	20.75	26.17	20.53	1.10%	-20.71%
Disbursements	18.79	23.81	18.79	-0.02%	-21.08%
Outstanding Loan Book	371.55	365.91	340.53	9.11%	1.54%

## Key Ratios

Particulars	Q3FY25	Q2FY25	Q3FY23	YoY	QoQ
Return on Avg Assets (Annualised)	2.25	2.29	2.33	-8bps	-4bps
Return on Avg Equity (Annualised)	17.55	17.99	19.36	-181bps	-44bps
Earning Per Share (INR)	15.93	15.88	15.03	6%	0%
Net Interest Margin (%)	3.73	3.75	3.92	-19bps	-2bps
Yield (%)	10.19	10.12	9.91	28bps	7bps
Cost (%)	7.51	7.56	7.35	16bps	-5bps
Spread (%)	2.68	2.56	2.56	12bps	12bps
Avg. Business Per Branch (INR in Bn)	1.70	1.67	1.65	3%	2%
Avg. Business per Employee (INR in Bn)	0.32	0.32	0.33	-3%	0%
Cost Income Ratio (%)	16.92	17.10	14.71	221bps	-18bps
DER	7.08	7.19	7.55	-47bps	-11bps

Source: Arianth Research, Company Filings

**Concall Highlights:****Guidance for FY26**

- The management expects disbursements of INR 120 bn and an AUM growth of 15% in FY26.
- Management maintains 2.5% spread and 3.5% NIMs guidance.
- In FY26, the operating cost is expected to increase due to IT transformation implementation.
- Cost to income ratio is expected to be in the range of 18% - 18.5% in FY26.
- Credit cost is expected to be around 15 bps for FY25 and FY26, respectively.
- GNPA is anticipated to hover in the range of 0.8%-0.9%.
- ROE is expected to be over 17% while ROA is estimated to be over 2.1%.

**Highlights**

- Net profit for the quarter showed subdued growth of 6% YoY driven by lower top-line growth and higher opex on a YoY basis.
- Net interest income posted modest growth of 4.8% YoY owing to slower loan growth and margin contraction.
- Net interest margin was down by 2 bps QoQ and 19 bps YoY to 3.73%, while Spreads for the company were up by 12 bps YoY.
- Loan book for the quarter was up 9.1% YoY and 1.5% sequentially to INR 371.55 bn. While disbursements were down 21% sequentially and were flat on a YoY basis to INR 18.79 bn.
- Disbursements in the quarter impacted due to E-Khata issues in Karnataka to the tune of INR 4 bn and to the tune of INR 0.32 bn in Telengana.
- Karnataka and Telangana contribute nearly 50% of the total loan book for the lender.
- New loan approvals also declined by 20.7% QoQ to INR 20.75 bn. Approvals were lower as sanctions have a validity of only 15 days, and the E-Khata issue has resulted in existing sanctions being canceled.
- Can Fin has raised INR 16 bn from NHB (National Housing Bank) at a rate which is lower than bank borrowing by 30-35 bps.
- Bank borrowings have been entirely moved from MCLR to repo while also negotiating pricing lower.
- During the quarter, asset quality saw slight deterioration as GNPA and NNPA ratios increased by 4 bps and 3 bps on a sequential basis to 0.92% and 0.5%, respectively.
- The lender plans to open around 15 branches in next quarter.

## Key Financials

P&L (INR Bn)	FY22	FY23	FY24	FY25e	FY26E	FY27E
Interest income	19.70	27.15	34.90	40.00	48.44	58.68
Interest expense	11.54	17.01	22.31	25.99	31.87	39.91
<b>NII</b>	<b>8.16</b>	<b>10.15</b>	<b>12.58</b>	<b>14.02</b>	<b>16.57</b>	<b>18.77</b>
Non-interest income	0.19	0.28	0.35	0.65	0.77	0.92
<b>Net revenues</b>	<b>8.35</b>	<b>10.43</b>	<b>12.93</b>	<b>14.67</b>	<b>17.35</b>	<b>19.69</b>
Operating expenses	1.53	1.76	2.57	2.85	3.16	3.50
<b>PPOP</b>	<b>6.82</b>	<b>8.66</b>	<b>10.36</b>	<b>11.82</b>	<b>14.19</b>	<b>16.19</b>
Provisions	0.47	0.42	0.79	0.90	1.11	1.34
<b>PBT</b>	<b>6.35</b>	<b>8.24</b>	<b>9.58</b>	<b>10.92</b>	<b>13.08</b>	<b>14.85</b>
Tax	1.64	2.03	2.07	2.75	3.30	3.74
<b>PAT</b>	<b>4.71</b>	<b>6.21</b>	<b>7.51</b>	<b>8.17</b>	<b>9.78</b>	<b>11.11</b>

Balance sheet	FY22	FY23	FY24	FY25e	FY26E	FY27E
Share capital	0.3	0.3	0.3	0.3	0.3	0.3
Reserves & surplus	30.4	36.2	43.2	51.0	60.5	71.3
<b>Net worth</b>	<b>30.7</b>	<b>36.5</b>	<b>43.4</b>	<b>51.3</b>	<b>60.8</b>	<b>71.5</b>
Borrowings	246.5	290.7	318.6	413.0	506.4	634.1
Other liability	2.3	3.5	3.9	4.2	4.6	5.0
<b>Total liabilities</b>	<b>279.4</b>	<b>330.7</b>	<b>366.0</b>	<b>468.5</b>	<b>571.7</b>	<b>710.7</b>

Fixed assets	0.5	0.5	0.5	0.6	0.6	0.6
Investments	11.3	14.6	14.6	15.3	16.1	16.9
Loans	263.8	311.9	345.5	450.3	541.2	650.3
Cash	3.2	3.1	4.6	1.5	13.1	42.1
Other assets	0.7	0.6	0.7	0.8	0.8	0.8
<b>Total assets</b>	<b>279.4</b>	<b>330.7</b>	<b>366.0</b>	<b>468.5</b>	<b>571.7</b>	<b>710.7</b>

Source: Arihant Research, Company Filings

## Key Ratios

Ratios	FY21	FY22	FY23	FY24	FY25e	FY26E	FY27E
Growth (%)							
NII	18	2	24	24	11	18	13
PPOP	19	-1	27	20	14	20	14
PAT	22	3	32	21	9	20	14
Advances	7	20	18	11	30	20	20
Spread (%)							
Yield on Funds	9.4	8.0	9.0	10.2	9.7	9.5	9.6
Cost of Funds	6.4	5.3	6.4	7.3	7.1	6.9	7.0
Spread	3.1	2.7	2.7	2.8	2.6	2.5	2.6
NIM	3.7	3.3	3.3	3.6	3.4	3.2	2.9
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	17.2	17.5	16.8
RoA	2.1	1.9	2.0	2.2	2.0	1.9	1.7
Per share (Rs)							
EPS	34	35	47	56	61	73	83
BV	196	230	274	326	385	456	537
ABV	186	224	268	322	381	452	531
Valuation (x)							
P/E	20	20	15	12	11	10	8
P/BV	3.6	3.0	2.6	2.1	1.8	1.5	1.3
P/ABV	3.8	3.1	2.6	2.2	1.8	1.6	1.3

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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