

**CMP: INR 765**

**Rating: Accumulate**

**Target Price: INR 877**

**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)	10,100
52w H/L (INR)	910 / 617
Avg Yearly Vol (in 000')	850

**Shareholding Pattern %**

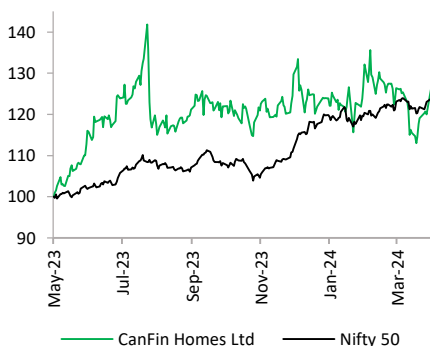
(As on March, 2024)

Promoters	29.9
Public & Others	70.1

**Stock Performance (%)**

	1m	6m	12m
CanFin Homes Ltd	-4.2	-0.58	21
Nifty 50	1.2	19.14	25.2

**CanFin Homes Ltd Vs Nifty 50**



Abhishek Jain

[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)

Anmol Das

[anmol.das@arihantcapital.com](mailto:anmol.das@arihantcapital.com)

Harshit Jain

[harshit.jain@arihantcapital.com](mailto:harshit.jain@arihantcapital.com)

CanFin Homes Ltd has posted a healthy 26.08% YoY jump in net profit at INR 2.09 bn against INR 2.00 bn in Q3FY24 (up 4.44% QoQ). Provision for the quarter was at INR 0.02 bn vs. INR 0.31 bn in Q3FY24 (down 94.21% QoQ/ down 92.% YoY). NII growth of the company was strong at 25.46% YoY at INR 3.28 bn, though it remained flat sequentially. Asset quality improved on sequential basis as GNPA/ NNPA ratios declined 9 bps/ 7 bps to 0.82%/ 0.42% respectively.

**Improvement in NIMs, despite the increase in cost of borrowings and decrease in yields. :** NII growth for the quarter was at 25.46% YoY/ - 0.31% QoQ to INR 3.28 bn. Further, the NIMs of the bank improved by 4bps QoQ/ 62bps YoY at 3.96%. The yield on loan portfolio came at 9.8% v/s 9.87% in Q4FY23. Cost of funds of the bank increased sequentially at 7.52% along with marginal increase of 1bps YoY. This led to decline spread by 8bps YoY and 28bps QoQ at 2.28%. NIMs expanded primarily due to re-pricing of loans at a faster pace than cost of funds.

**Asset Quality improved led by decline in NPA in restructured book:** Overall, loan book of the bank increased marginally by 3% QoQ and 11% YoY to INR 349.99 bn, whereas the GNPA during the quarter increased by 64% YoY for the whole FY24 at INR 2.86 bn (FY23: INR 1.73 bn). The GNPA increased at a higher rate as compared to the loan book growth. Despite that, asset quality improved on sequential basis as GNPA/ NNPA ratios declined 9 bps/ 7 bps to 0.82%/ 0.42% respectively. Further, the movement in NPA from restructured book reduced from INR 0.96 bn in Q3FY24 to 0.92 bn in Q4FY24.

**Pace of disbursement growth picked up:** Disbursement saw a dip of 9% YoY but was up by 23% QoQ. The dip is primarily attributable to the process changes that occurred during the Q3FY24. The company recognized that process changes and tightening of processes had impacted disbursement and recovery performance in Q3FY24 but the growth has picked up in Q4FY24. Management has given a disbursement guidance of INR 110 bn for the whole FY25. Management is confident that their disbursement will pickup during the FY25.

**Valuation and View:** Company's NIM improved during the quarter, despite the rising cost of funds. Further, their disbursement growth has picked up in Q4FY24 and the growth momentum is expected to continue in the coming quarters. The company has set a target of INR 110 bn disbursement for the whole FY25. Asset quality performance was respectable as GNPA and NNPA ratios improved sequentially. We maintain our positive outlook on the company. We have a target price of INR 877 based on 1.6x 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)	21.6	16.4	13.6	12.5	10.4	9.2
P/Adj BV (x)	3.4	2.9	2.4	2.0	1.7	1.4
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

## Q4FY24 - Quarterly Performance

(in INR Bn)

Particulars	Q4FY24	Q3FY24	Q4FY23	YoY	QoQ
Interest Income	9.12	8.95	7.52	21.22%	1.89%
Interest Expenditure	5.84	5.66	4.91	18.97%	3.16%
<b>Net Interest Income</b>	<b>3.28</b>	<b>3.29</b>	<b>2.61</b>	<b>25.46%</b>	<b>-0.31%</b>
Fees & Other Income	0.16	0.07	0.12	30.56%	124.63%
<b>Net Income</b>	<b>3.44</b>	<b>3.36</b>	<b>2.73</b>	<b>25.69%</b>	<b>2.32%</b>
Other Expenditure	0.72	0.49	0.52	39.27%	45.66%
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>2.72</b>	<b>2.86</b>	<b>2.22</b>	<b>22.52%</b>	<b>-5.15%</b>
Provision for SA & NPA	0.02	0.31	0.24	-92.50%	-94.21%
<b>Profit Before Tax</b>	<b>2.70</b>	<b>2.56</b>	<b>1.98</b>	<b>36.35%</b>	<b>5.58%</b>
Provision for Taxation & DTL	0.61	0.56	0.32	89.25%	9.67%
Tax / PBT (%)	0.25	0.24	0.16	53.08%	5.58%
<b>Profit After Tax</b>	<b>2.09</b>	<b>2.00</b>	<b>1.66</b>	<b>26.08%</b>	<b>4.44%</b>

## Balance Sheet

Particulars	Q3FY24	Q3FY23	Q2FY24	YoY	QoQ
New Approvals	25.68	20.53	27.69	-7%	25%
Disbursements	23.14	18.79	25.38	-9%	23%
Outstanding Loan Book	349.99	340.53	315.63	11%	3%

## Key Ratios

Particulars	Q3FY24	Q3FY23	Q2FY24	YoY	QoQ
Return on Avg Assets (Annualised)	2.54	2.33	2.32	22bps	21bps
Return on Avg Equity (Annualised)	19.25	19.36	18.18	107bps	-11bps
Earning Per Share (INR)	15.70	15.03	12.45	26%	4%
Net Interest Margin (%)	3.96	3.92	3.34	62.3bps	4bps
Yield (%)	9.80	9.91	9.87	-7bps	-11bps
Cost (%)	7.52	7.35	7.51	1bps	17bps
Spread (%)	2.28	2.56	2.36	-8bps	-28bps
Avg. Business Per Branch (INR in Bn)	1.61	1.65	1.54	5%	-3%
Avg. Business per Employee (INR in Bn)	0.33	0.33	0.32	2%	0%
Cost Income Ratio (%)	20.70	14.71	18.90	180bps	599bps
DER	7.34	7.55	7.97	-63bps	-21bps

Source: Arianth Research, Company Filings

**Concall Highlights:****Guidance**

- ROA target is envisaged to be around 2.2% mark in FY25.
- The management expects AUM growth to be at 15% for FY25.
- Disbursement target for FY25 is at INR 110 bn.
- NIMs are expected to be above 3.5% mark.
- Cost to income is guided at 18%.
- No slippages from restructured book is expected now.

**Highlights**

- NII growth stood at 25.5% YoY and was largely driven by loan growth and margin expansion.
- NIMs expanded by 4 bps QoQ/ 59 bps YoY to 3.96%, however, spreads declined 28 bps QoQ and 8 bps YoY to 2.28% as yields reduced marginally while cost of funds increased.
- Operating expenses 39.3% YoY/ 45.7% QoQ and as a result cost to income ratio increased by 204 bps YoY and 623 bps sequentially to 20.9%. The company had one time IT upgradation expense of around INR 0.05 bn during the quarter, that lead to higher opex in the quarter.
- Loan book increased by 10.9% YoY and 2.8% QoQ to inr 349.99 bn.
- Total housing loans formed 89% of overall loan book while top-up personal and flexi-LAP loans formed 4% and 5% of loans respectively.
- Average ticket size of incremental housing loans is INR 25 lakh and for non-housing loans it is at INR 8 lakh respectively. Average ticket size is expected to rise in FY25 to INR 27 lakh.
- During the quarter, asset quality improved on sequential basis as GNPA/ NNPA ratios declined 9 bps/ 7 bps to 0.82%/ 0.42% respectively.

## Key Financials

P&L (Rs 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	22	22	16	14	12	10	9
P/BV	3.9	3.3	2.8	2.3	2.0	1.7	1.4
P/ABV	4.1	3.4	2.9	2.4	2.0	1.7	1.4

Source: Arianth Research, Company Filings

**Arihant Research Desk**

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880