

Healthy disbursement | Improvement in asset quality

CMP: INR 716

Rating: BUY

Target Price: INR 884

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)	9529
52w H/L (INR)	951 / 558
Avg Yearly Vol (in 000')	717

Shareholding Pattern %

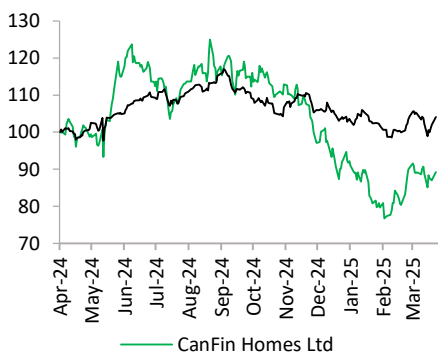
(As on December, 2024)

Promoters	29.9
Public & Others	70.1

Stock Performance (%)

	1m	6m	12m
CanFin Homes Ltd	4.52	-15.3	-3.7
Nifty 50	2.5	-0.6	8.3

CanFin Homes Ltd Vs Nifty 50



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CanFin Homes Ltd has posted a 11.91% YoY jump in net profit at INR 2.34 bn against INR 2.12 bn in Q3FY25 (up 10.27% QoQ). Provision for the quarter was at INR 0.15 bn vs. INR 0.22 bn in Q3FY25 (down 30.30% QoQ/ up 764.42% YoY). NII growth of the company was at 6.32% YoY at INR 3.49 bn, and was up sequentially by 1.10%. Asset quality saw improvement sequentially as GNPA and NNPA ratios declined by 5 bps and 4 bps on a sequential basis to 0.87% and 0.46%, respectively.

Decline in NIMs led by increase in cost of funds: NII growth for the quarter was at 6.32% YoY/ 1.10% QoQ to INR 3.49 bn. Further, the NIMs of the bank declined by 14bps YoY along with 9bps sequential increase at 3.82%, due to increase in cost of borrowing during the quarter. The yield on loan portfolio came at 10.11%, which increased by 4 bps YoY and -8 bps QoQ. Cost of funds of the bank increased by 16 bps YoY and by 5 bps QoQ at 7.56%. The increase in cost of funds led to decline in NIMs.

Asset Quality improvement driven by decline in slippages: Overall, loan book of the bank increased marginally by 2.86% QoQ and 9.19% YoY to INR 382.17 bn, whereas the GNPA during the quarter declined by 2% QoQ and up 16% YoY, during the Q4FY25 at INR 3.33 bn (Q3FY25: INR 3.41 bn). The asset quality ratios improved sequentially as GNPA and NNPA ratios declined by 5 bps and 4 bps on a sequential basis to 0.87% and 0.46%, respectively.

Disbursement growth picked up: Disbursement registered a growth of 30.7% QoQ and 6.1% QoQ. The increase in Q4FY25 was primarily attributable to improvement of situation in Karnataka and Telangana in terms of business growth. Karnataka and Telangana contribute nearly 50% of the total loan book. Going forward, the company expects the disbursement to grow by 20% along with Karnataka region also showing a growth of 20%.

Valuation and View: Can Fin Homes reported modest overall loan book growth for the quarter. However, the business outlook in its core market of Karnataka is showing signs of improvement. Disbursements grew at a healthy pace sequentially, indicating a pickup in operational momentum. Asset quality saw an improvement with a sequential decline in NPA ratios, reflecting better underwriting and recovery efforts. Going forward, we expect better loan growth trajectory and steady levels of return ratios. We maintain our positive outlook on the company. We have a target price of INR 884 based on 1.7x FY27E ABV. We upgrade our rating to BUY on the stock.

Exhibit 1: Financial Performance

Y/E Mar (Rs Bn)	FY22	FY23	FY24E	FY25E	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)	19.8	15.0	12.4	10.9	9.7	9.1
P/Adj BV (x)	3.1	2.6	2.2	1.9	1.6	1.3
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

Q4FY25 - Quarterly Performance

(In INR Bn)

Particulars	Q4FY25	Q3FY25	Q4FY24	YoY	QoQ
Interest Income	9.83	9.80	9.12	7.80%	0.26%
Interest Expenditure	6.34	6.36	5.84	8.63%	-0.20%
Net Interest Income	3.49	3.45	3.28	6.32%	1.10%
Fees & Other Income	0.17	0.06	0.16	5.51%	187.98%
Net Income	3.65	3.51	3.44	6.28%	4.21%
Other Expenditure	0.71	0.59	0.72	-1.73%	19.27%
Pre-Provision Operating Profit (PPOP)	2.95	2.91	2.72	8.41%	1.14%
Provision for SA & NPA	0.15	0.22	0.02	764.42%	-30.30%
Profit Before Tax	2.79	2.69	2.70	3.41%	3.73%
Provision for Taxation & DTL	0.45	0.57	0.61	-25.74%	-20.64%
Tax / PBT (%)	0.26	0.25	0.25	3.41%	3.73%
Profit After Tax	2.34	2.12	2.09	11.91%	10.27%

Balance Sheet

Particulars	Q4FY25	Q3FY25	Q4FY24	YoY	QoQ
New Approvals	26.50	20.75	25.68	3.19%	27.71%
Disbursements	24.55	18.79	23.14	6.09%	30.65%
Outstanding Loan Book	382.17	371.55	349.99	9.19%	2.86%

Key Ratios

Particulars	Q4FY25	Q3FY25	Q4FY24	YoY	QoQ
Return on Avg Assets (Annualised)	2.59	2.25	2.54	5bps	34bps
Return on Avg Equity (Annualised)	18.47	17.55	19.25	-78bps	92bps
Earning Per Share (INR)	15.70	15.93	15.70	0%	-1%
Net Interest Margin (%)	3.82	3.73	3.96	-14bps	9bps
Yield (%)	10.11	10.19	10.07	4bps	-8bps
Cost (%)	7.56	7.51	7.40	16bps	5bps
Spread (%)	2.55	2.68	2.52	3bps	-13bps
Avg. Business Per Branch (INR in Bn)	1.64	1.70	1.61	2%	-4%
Avg. Business per Employee (INR in Bn)	0.32	0.32	0.33	-3%	0%
Cost Income Ratio (%)	19.36	16.92	20.70	-134bps	244bps
DER	6.96	7.08	7.34	-38bps	-12bps

Source: Arianth Research, Company Filings

Concall Highlights:

Guidance for FY26

- The management expects 20% growth in disbursements in FY26 and Karnataka region should also show ~20% growth.
- The company looks to have Salaried mix at 65% and Self - employed segment at 35% in next few years.
- Can Fin Home looks to add 15 branches in FY26.
- NIM guidance is over 3.5% mark while spreads are guided to be above 2.5% going ahead.
- IT transformation cost to be at INR 0.55 bn, going forward.
- Credit cost is anticipated to be below 15 bps for FY26.
- GNPA is expected to be around 0.9% mark going ahead.
- The management expects ROE to be at ~17% mark while ROA to be around 2.1%-2.2% level.

Highlights

- NIMs declined by 14 bps YoY to 3.82%, and sequentially it was up 9 bps. Spreads declined QoQ by 13 bps to 2.55%.
- Cost to income ratio was up 244 bps QoQ while on YoY basis it was down 134 bps to 19.4%.
- Provisions for the quarter stood at INR 0.15 bn versus INR 0.02 bn YoY. Net profit for the quarter was up 11.9% YoY.
- Loan book for the quarter increased by 9.2% YoY and 2.9% QoQ to INR 382.17 bn.
- Disbursements were up 30.7% on sequential basis at INR 24.55 bn.
- New loan approvals increased by 27.7% on sequential basis to INR 26.50 bn.
- Housing loans increased 7.8% YoY, while top-up personal loans were up 15.5% YoY. Withing the housing space salaried segment home loan growth stood at 6.1% YoY and non-salaried segment were up 12.6% YoY.
- Total housing loans formed 88% of overall loan book while top-up personal and flexi-LAP loans formed 5% and 6% of loans respectively.
- Salaried segment forms 70.4% of total outstanding loan book as on March 2025.
- The company has sourced 82% of total business via DSA (Direct selling agent) v/s 76% in the previous quarter and share of top 20 DSA stood at 9% for the quarter.
- Situation in Karnataka and Telangana is improving in terms of business growth.
- Bank funding forms 52% of total funding mix for the company while NHB (National Housing Bank) NCDs and Commercial Papers formed 17%, 23% and 7% respectively.
- 80% of bank borrowing was repo linked as on 31st March 2025.
- During the quarter, improved on sequential basis as GNPA and NNPA ratios declined 5 bps and 4 bps to 0.87% and 0.46% asset quality respectively.
- The management took additional provision worth INR 0.25 bn in Q4 FY25 taking the total management overlay provisions to INR 0.59 bn, while provision on restructured accounts stand at INR 0.49 bn.

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
NII	8.16	10.15	12.58	13.54	15.85	17.07
Non-interest income	0.19	0.28	0.35	0.37	0.78	0.92
Net revenues	8.35	10.43	12.93	13.91	16.62	17.99
Operating expenses	1.53	1.76	2.58	2.38	2.64	2.92
PPOP	6.82	8.66	10.36	11.53	13.99	15.07
Provisions	0.47	0.42	0.78	0.76	1.06	1.34
PBT	6.35	8.24	9.58	10.77	12.93	13.73
Tax	1.64	2.03	2.07	2.20	3.26	3.46
PAT	4.71	6.21	7.51	8.57	9.67	10.27

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
Net worth	30.7	36.5	43.4	50.7	60.0	70.0
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
Total liabilities	279.4	330.7	370.1	409.7	569.4	707.3

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
Total assets	279.4	330.7	370.1	409.7	569.4	707.3

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	20	20	15	12	11	10	9
P/BV	3.6	3.0	2.6	2.1	1.8	1.6	1.3
P/ABV	3.8	3.1	2.6	2.2	1.9	1.6	1.3

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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