

Can Fin Homes Ltd.

BUY

Sector: NBFC

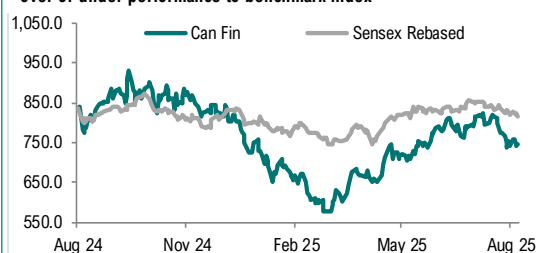
11th August 2025

| Key Changes: | | | | | | Target | Rs.900 |
|--------------|----------------|--------|------------|----------|------------|--------|--------|
| | | | | | | Target | Rs.900 |
| Stock Type | Bloomberg Code | Sensex | NSE Code | BSE Code | Time Frame | CMP | Rs.745 |
| Small Cap | CANF:IN | 79,858 | CANFINHOME | 511196 | 12 Months | Return | +21% |

Data as of: 08-08-2025, 18:00 hrs

| Company Data | | | |
|-----------------------------|---------|---------|--------|
| Market Cap (Rs. cr) | 9,995.9 | | |
| 52 Week High — Low (Rs.) | 951-559 | | |
| Outstanding Shares (Rs cr) | 13.3 | | |
| Free Float (%) | 63.3 | | |
| Dividend Yield (%) | 1.6 | | |
| 6m average volume (million) | 0.2 | | |
| Beta | 1.5 | | |
| Face value (Rs.) | 2.0 | | |
| Shareholding (%) | Q3FY25 | Q4FY25 | Q1FY26 |
| Promoters | 30.0 | 30.0 | 30.0 |
| FII's | 11.4 | 12.1 | 12.1 |
| MFs/Institutions | 28.1 | 24.7 | 24.5 |
| Public | 30.5 | 33.2 | 33.4 |
| Total | 100.0 | 100.0 | 100.0 |
| Promoter Pledge | - | - | - |
| Price Performance | 3 Month | 6 Month | 1 Year |
| Absolute Return | 4.6% | 11.2% | -5.2% |
| Absolute Sensex | -0.6% | 2.6% | 1.2% |
| Relative Return | 5.2% | 8.7% | -6.5% |

*over or under performance to benchmark index



| Standalone (Rs. cr) | FY25A | FY26E | FY27E |
|---------------------|-------|-------|-------|
| NII | 1,354 | 1,533 | 1,690 |
| Growth (%) | 7.6 | 13.2 | 10.2 |
| NIM(%) | 3.5 | 3.6 | 3.5 |
| Provisions | 76 | 101 | 112 |
| Adj. PAT | 857 | 939 | 1,044 |
| Growth (%) | 14.2 | 9.6 | 11.1 |
| Adj. EPS | 64.4 | 70.5 | 78.4 |
| Growth (%) | 14.2 | 9.6 | 11.1 |
| BVPS | 380.5 | 440.1 | 506.5 |
| Adj BVPS | 368.4 | 424.1 | 487.2 |
| P/E | 11.7 | 10.6 | 9.6 |
| P/B | 2.0 | 1.7 | 1.5 |
| ROA (%) | 2.2 | 2.2 | 2.1 |
| ROE (%) | 18.2 | 17.2 | 16.6 |

Turning the Tide

Can Fin Homes Ltd. (CANF) is the housing finance arm of Canara Bank. Predominantly active in South India, the company offers a wide range of financial products, including housing loans, composite loans, non-housing loans, mortgage loans, and commercial property loans, in addition to fixed and cumulative deposits.

- The loan book grew by 9.0% YoY to Rs. 38,773 cr. The client base now stands at 2.83 lakh.
- Net interest income grew by 12.9% YoY to Rs. 349 cr. The net interest margin (NIM) edged moderately lower to 3.6% compared to last quarter.
- The cost-to-income ratio in Q1FY26 inched up mainly due to a one-time actuarial impact from salary revisions and increased rent from new branches and zonal offices. It is expected to normalize to around 18% in FY26 and 19% in FY27 with IT costs factored in.
- PAT grew modestly by 12.1% YoY to Rs. 224 cr in Q1FY26, despite an uptick in provisions. The increase in provisioning was a deliberate and tactical move by the management, aimed at cleaning up sticky accounts early in the fiscal year.
- Asset quality experienced slight deterioration, with GNPA/NNPA rising to 0.98%/0.54% from 0.91%/0.49% in Q1FY25. The Provision Coverage Ratio (PCR) also declined to 45.2% from 46.5% in Q1FY25.

Outlook & Valuation

As the benefit of the rate cut is transmitted only after it has been experienced by the bank, the NIM is expected to remain stable. The bank has guided for a credit cost of 15 bps for FY26, anticipating that asset quality will remain within a stable range. ROA and ROE are projected to remain largely stable at 2.1% and 16.6%, respectively, over FY26–27. **Therefore, we assign a BUY rating with a revised target price of Rs. 900, based on 1.8x FY27E BVPS.**

Quarterly Financials (Standalone)

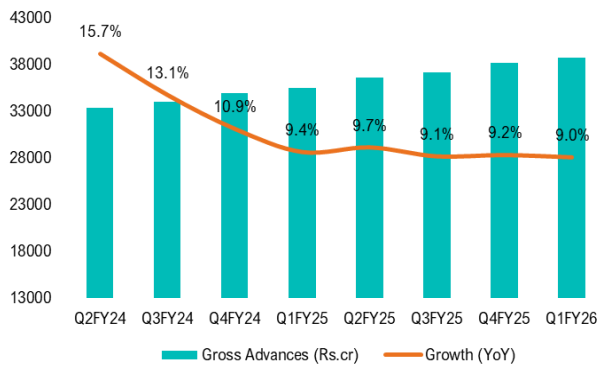
| Rs cr | Q1FY26 | Q1FY25 | YoY(%) | Q4FY25 | QoQ(%) |
|---------------------------|--------|--------|--------|--------|--------|
| Net Interest Income (NII) | 363 | 321 | 12.9 | 349 | 4.1 |
| Total Income | 372 | 328 | 13.3 | 365 | 1.9 |
| Expenditure | 68 | 49 | 39.7 | 71 | -3.6 |
| Pre-Provision Profit | 304 | 280 | 8.7 | 295 | 3.2 |
| Provision | 26 | 24 | 7.3 | 15 | 70.2 |
| PBT | 278 | 255 | 8.8 | 279 | -0.5 |
| Reported PAT | 224 | 200 | 12.1 | 234 | -4.3 |
| Adj. PAT | 224 | 200 | 12.1 | 234 | -4.3 |
| Diluted EPS (Rs) | 17 | 15 | 12.1 | 18 | -4.3 |



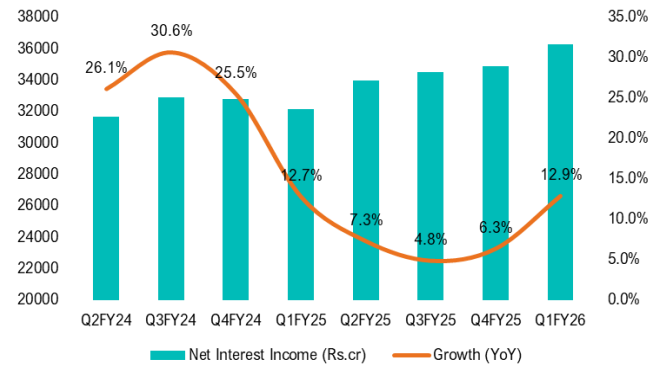
Key Highlights

- Mr. Abhishek Mishra was appointed as the new Chief Financial Officer of Can Fin Homes Limited, effective June 30, 2025, following the resignation of the previous CFO.
- Can Fin Homes achieved a historic milestone in Q1 FY26 by surpassing Rs.2,000 cr in disbursements for the first time in a single quarter, reflecting a 9% YoY growth.
- Can Fin Homes has proactively transmitted the recent repo rate cuts to its customers, implementing a total reduction of 25 bps, with 10 bps in May and an additional 15 bps in July. However, the impact of this rate cut is staggered due to customer reset cycles. As of Q1FY26, approximately 67% of the loan portfolio remains on an annual reset plan, down from 72% in March, while the remaining customers are on quarterly resets.
- The affordable housing segment is witnessing a slowdown due to reduced developer incentives and limited impact of PMAY 2.0. The scheme has stricter eligibility and fewer covered cities, resulting in high rejection rates.
- The company expects Rs.10,500 cr. in disbursements for FY26, with Rs.2,500-2,600 cr targeted in Q2. Key financial metrics are guided at 3.5% NIM, 2.5% spread, 2.2% ROA, and 17.0% ROE.

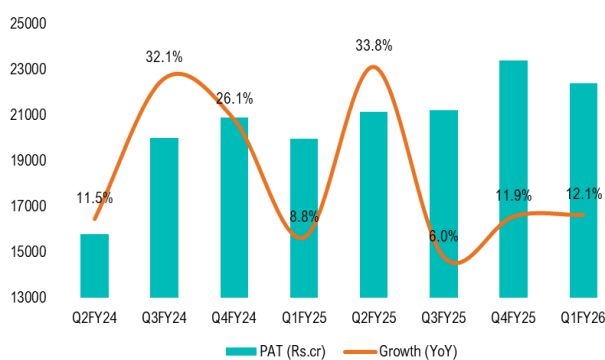
Gross Advances



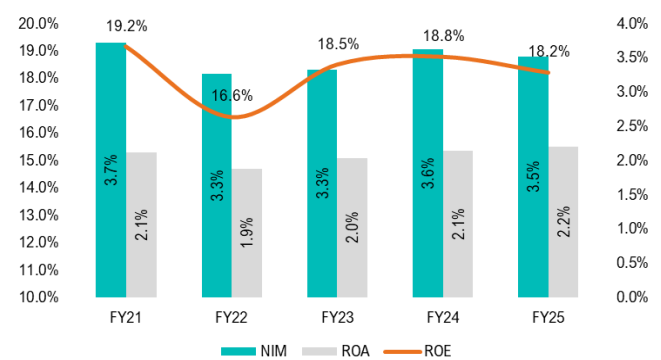
Net Interest Income



PAT



Other Metrics



Change in Estimates

| | Old Estimates | | New Estimates | | Change (%) | |
|----------------------|---------------|-------|---------------|-------|------------|-------|
| Year / Rs cr | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| Net Interest Income | 1,502 | 1,711 | 1,533 | 1,690 | 2.1 | -1.3 |
| Net Interest Margin | 3.5 | 3.5 | 3.5 | 3.5 | 3bps | -1bps |
| Pre-Provision Profit | 1,306 | 1,488 | 1,301 | 1,445 | -0.4 | -2.9 |
| Net Profit | 945 | 1,076 | 939 | 1,044 | -0.6 | -3.0 |
| Diluted EPS (Rs) | 70.9 | 80.8 | 70.5 | 78.4 | -0.5 | -3.0 |



Standalone Financials

Profit & Loss

| Y.E March (Rs cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|--------------------|--------------|--------------|--------------|--------------|--------------|
| Interest Income | 2,715 | 3,490 | 3,843 | 4,187 | 4,626 |
| Interest Expense | 1,701 | 2,231 | 2,488 | 2,655 | 2,937 |
| Net Int. Income | 1,015 | 1,258 | 1,354 | 1,533 | 1,690 |
| % Change | 24.3% | 24.0% | 7.6% | 13.2% | 10.2% |
| Non Int. Income | 28 | 35 | 37 | 32 | 44 |
| Total Income | 1,042 | 1,293 | 1,391 | 1,565 | 1,734 |
| Operating Expenses | 176 | 217 | 238 | 264 | 288 |
| Pre Prov. Profit | 866 | 1,076 | 1,153 | 1,301 | 1,445 |
| % Change | 26.9% | 24.3% | 7.2% | 12.8% | 11.1% |
| Prov. & Conting. | 42 | 118 | 76 | 101 | 112 |
| PBT | 824 | 958 | 1,077 | 1,200 | 1,333 |
| % Change | 29.8% | 16.2% | 12.5% | 11.3% | 11.1% |
| Tax | 203 | 207 | 220 | 260 | 289 |
| Tax Rate | 25% | 22% | 20% | 22% | 22% |
| Reported PAT | 621 | 751 | 857 | 939 | 1,044 |
| Adj* | - | - | - | - | - |
| Adj. PAT | 621 | 751 | 857 | 939 | 1,044 |
| % Change | 31.9% | 20.8% | 14.2% | 9.6% | 11.1% |
| No. of shares (cr) | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 |
| EPS (Rs) | 46.7 | 56.4 | 64.4 | 70.5 | 78.4 |
| % Change | 31.9% | 20.8% | 14.2% | 9.6% | 11.1% |
| DPS (Rs) | 3.0 | 4.0 | 10.0 | 11.0 | 12.0 |

Balance Sheet

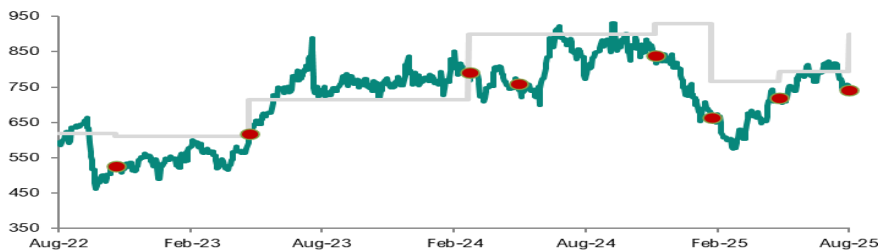
| Y.E March (Rs cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash | 2 | 1 | 1 | 2 | 2 |
| Loans & Advances | 31,193 | 34,553 | 37,696 | 42,275 | 48,021 |
| Investments | 1,459 | 1,459 | 2,374 | 2,657 | 3,019 |
| Net Fixed Assets | 45 | 53 | 50 | 67 | 75 |
| Def. Tax (Net) | 48 | 66 | 69 | 52 | 43 |
| Other Assets | 322 | 882 | 776 | 854 | 975 |
| Total Assets | 33,070 | 37,014 | 40,967 | 45,907 | 52,135 |
| Deposits | 435 | 218 | 187 | 256 | 286 |
| Debt Funds | 28,633 | 31,645 | 34,864 | 38,829 | 44,033 |
| Other Liabilities | 321 | 748 | 792 | 897 | 1,004 |
| Provisions | 34 | 59 | 57 | 65 | 67 |
| Equity Capital | 27 | 27 | 27 | 27 | 27 |
| Reserves & Surplus | 3,621 | 4,317 | 5,041 | 5,834 | 6,718 |
| Shareholder's Funds | 3,647 | 4,344 | 5,067 | 5,860 | 6,744 |
| Total Liabilities | 33,070 | 37,014 | 40,967 | 45,907 | 52,135 |
| BVPS (Rs) | 274 | 326 | 381 | 440 | 506 |
| % Change | 18.9% | 19.1% | 16.7% | 15.6% | 15.1% |
| Adj. BVPS (Rs) | 266.3 | 315.8 | 368.4 | 424.1 | 487.2 |
| % Change | 19.1% | 18.6% | 16.7% | 15.1% | 14.9% |

Ratios

| Y.E March | FY23A | FY24A | FY25A | FY26E | FY27E |
|-------------------------------|-------|-------|-------|-------|-------|
| Profitab. & Return | | | | | |
| Interest yield (%) | 8.9 | 10.0 | 10.0 | 9.7 | 9.6 |
| Cost of funds (%) | 6.3 | 7.3 | 7.4 | 7.2 | 7.0 |
| Spread(%) | 2.6 | 2.7 | 2.5 | 2.5 | 2.5 |
| NIM (%) | 3.3 | 3.6 | 3.5 | 3.5 | 3.5 |
| ROE (%) | 18.5 | 18.8 | 18.2 | 17.2 | 16.6 |
| ROA(%) | 2.0 | 2.1 | 2.2 | 2.2 | 2.1 |
| Business Growth | | | | | |
| Loans & Advances (%) | 18.1 | 10.9 | 9.2 | 11.7 | 13.6 |
| Borrowings (%) | 18.5 | 10.5 | 10.2 | 11.4 | 13.4 |
| Operating Ratios | | | | | |
| Cost to Income (%) | 16.9 | 16.8 | 17.1 | 16.9 | 16.6 |
| Capital Adequacy | | | | | |
| CAR (%) | 22.3 | 33.4 | 34.4 | 28.9 | 28.7 |
| Asset Quality | | | | | |
| GNPA (%) | 0.6 | 0.8 | 0.9 | 0.9 | 1.0 |
| NNPA (%) | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 |
| Valuation | | | | | |
| P/E (x) | 16.0 | 13.3 | 11.6 | 10.6 | 9.5 |
| P/B (x) | 2.7 | 2.3 | 2.0 | 1.7 | 1.5 |
| Adj. P/B (x) | 2.8 | 2.4 | 2.0 | 1.8 | 1.5 |



Recommendation Summary (last 3 years)



| Dates | Rating | Target |
|-----------|------------|--------|
| 25.Oct.22 | Accumulate | 611 |
| 28.Apr.23 | Accumulate | 714 |
| 27.Feb.24 | Accumulate | 900 |
| 06.May.24 | Buy | 900 |
| 11.Nov.24 | Accumulate | 929 |
| 30.Jan.25 | Accumulate | 767 |
| 12.May.25 | Accumulate | 794 |
| 11.Aug.25 | Buy | 900 |

Investment Rating Criteria

| Ratings | Large caps | Midcaps | Small Caps |
|--------------------|----------------------------|---------------------------|---------------------------|
| Buy | Upside is above 10% | Upside is above 15% | Upside is above 20% |
| Accumulate | - | Upside is between 10%-15% | Upside is between 10%-20% |
| Hold | Upside is between 0% - 10% | Upside is between 0%-10% | Upside is between 0%-10% |
| Reduce/sell | Downside is more than 0% | Downside is more than 0% | Downside is more than 0% |


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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