

Consolidation Phase Ending; Growth Outlook Turning Constructive!

Est. Vs. Actual for Q2FY26: NII – **BEAT**; PPOP – **BEAT**; PAT – **BEAT**

Changes in Estimates post Q2FY26

FY26E/FY27E/FY28E (%): NII +5.4/+4.1/+4.3; PPOP +4.7/+2.9/+3.8; PAT +4.0/+1.2/+2.2

Recommendation Rationale

- **Key States Showing Signs of Recovery:** CANF's key states – Karnataka (KA, owing to e-Khata issue) and Telangana (TL) have reported muted growth. However, the company is seeing signs of revival, particularly in KA. The management has indicated that the KA government has announced certain measures regarding eKhata, which are directionally positive and should support growth revival in the state. Thus, the management expects the monthly disbursement run-rate in KA to improve from Q3 onwards and scale up to a Rs 300 Cr/month disbursement run-rate in Q4 vs the current monthly run-rate of Rs 260 Cr. On the other hand, TL normalisation will take another couple of quarters (expected to normalise from Q4). On the brighter side, the pace of negative growth in the TL portfolio is on a declining trend. CANF is also adopting a cautious approach in TL and not looking to accelerate growth momentum, citing higher delinquencies in the state. The current disbursement run-rate in TL currently stands at Rs 100 Cr/month and is expected to improve to Rs 120 Cr/month by Q4.
- **Growth Momentum on an Upward Trajectory:** Beyond the key geographies, CANF continues to see strong growth in the Eastern and Northern States at upwards of 30%, while TN and Western states have been delivering strong growth of 25%. CANF expects to improve the share of non-South states to 40% by FY28 vs 68% currently. A bulk of the network additions is in the West and North region. With the IT transformation underway, the management expects Q3 disbursement to be soft at ~Rs 2,500 Cr vs its earlier expectations of ~Rs 2,800 Cr. However, CANF remains confident of recouping growth in Q4 and has maintained its disbursement guidance of Rs 10,500 Cr for FY26. This should translate into AUM growth of 12-13%. **With the company investing in feet on street to boost direct sourcing, along with continued branch network expansion and IT transformation boosting efficiency, CANF expects to accelerate AUM growth to 15% over FY27/28E.**
- **Asset Quality Pristine; Credit Costs Under Control:** In Q2, total delinquencies continued to decline QoQ. The company expects delinquencies to trend downwards going into Q3FY26. Thus, credit costs are expected to remain benign in the near term. **The management expects CANF to contain its FY26 credit costs at ~15 bps (+/-5bps) or marginally lower, within its guided range.**

Sector Outlook: Positive

Company Outlook: With challenges in the core states of KA and TL gradually waning, the visibility on growth has improved. The branch additions and strengthening of its sales team should provide further impetus to growth through the direct sourcing channel. CANF has spelt out its growth path for FY28, with the company looking to improve the mix of non-home loans in the product mix to 20% vs 15% currently. Similarly, the mix of SENP customers is expected to improve to 35% vs 30% currently. We expect this could help CANF support NIMs, given the yields in the SENP portfolio are higher vs salaried. We believe CANF remains well-positioned to resume its growth trajectory from Q4 onwards. We expect RoA/RoE delivery of 2.2-2.3%/16-18% over FY27-28E, driven by (i) Improved growth visibility, (ii) Healthy NIM profile and (iii) Controlled credit costs backed by stable Asset quality.

Current Valuation: 1.9x FY27E BV; Earlier Valuation: 1.8x FY27E BV

Current TP: Rs 985/share; Earlier TP: Rs 925/share

Recommendation: We maintain our **BUY** recommendation on the stock

Financial Performance:

Operational Performance: CANF's disbursements growth improved QoQ, growing at 26% sequentially, though it remained muted YoY (-2% YoY). AUM growth was marginally lower than our expectations at 8/2% YoY/QoQ. AUM growth was mainly driven by the SENP segment, which grew by 13/5% YoY/QoQ (in-line with management guidance of growing the SENP segment to support yields/NIMs), while the salaried segment grew by 6/1% YoY/QoQ. The share of Salaried to SENP borrowers stood at 70:30, flat QoQ.

Key Financials (Standalone)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	405	+11.5	+19.1	378	+7.0
PPOP	335	+10.1	+16.3	318	+5.0
Net Profit	251	+12.3	+17.2	241	+4.5
NNPA (%)	0.5	-6 bps	+1 bps	0.5	-2 bps
RoA (%)	2.4	+22 bps	+12 bps	2.3	+13 bps

Source: Company, Axis Securities Research

(CMP as of 21st October, 2025)

CMP (Rs)	846
Upside /Downside (%)	16%
High/Low (Rs)	898/559
Market cap (Cr)	11,261
Avg. daily vol. (6m) Shrs.	2,87,089
No. of shares (Cr)	13.3

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	30.0	30.0	30.0
FII's	12.1	12.1	12.5
MFs / UTI	15.1	15.6	14.7
Others	42.8	42.3	42.8

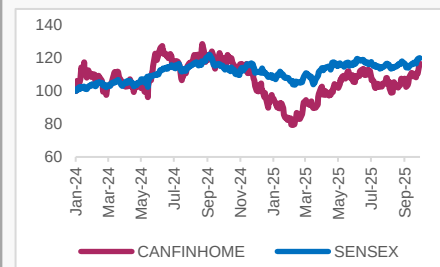
Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
NII	1,579	1,739	2,004
PPOP	1,323	1,442	1,679
Net Profit	977	1,053	1,220
EPS (Rs)	73.4	79.1	91.8
BV (Rs)	446.6	517.7	600.3
P/BV (x)	1.9	1.6	1.4
RoA (%)	2.3	2.2	2.2
NNPA (%)	0.5	0.5	0.5

Change in Estimates (%)

Y/E Mar	FY26E	FY27E	FY28E
NII	5.4	4.1	4.3
PPOP	4.7	2.9	3.8
PAT	4.0	1.2	2.2

Relative Performance



Source: AceEquity, Axis Securities Research

Results Gallery

[Q1FY26](#)

[Q4FY25](#)

[Q3FY25](#)

[Q2FY25](#)

Dnyanada Vaidya

Research Analyst

Email: dnyanada.vaidya@axissecurities.in

Abhishek Pandya

Research Associate

Email: abhishek.pandya@axissecurities.in

Financial Performance(Cont'd):

- **Financial Performance:** NII growth was strong at 19/12% YoY/QoQ, mainly driven by a sharp NIM improvement. NIMs (reported) stood at 4.02% vs 3.64% QoQ. Non-interest income growth was weak and decreased by 16/33% YoY/QoQ. Opex growth was higher, growing at 28/12% YoY/QoQ. Employee expenses grew by 50/4% YoY/QoQ, while other opex was up 8/24% YoY/QoQ. C-I Ratio stood at 18.6% vs 18.3% QoQ, despite higher opex growth. PPOP growth was at 16/10% YoY/QoQ. Provisions tapered meaningfully and came in lower than expected at Rs 3.1 Cr (credit costs stood at ~3 bps vs 15/27 bps YoY/QoQ). PAT grew by 17/12% YoY/QoQ. RoA/RoE stood at 2.4/18.7% QoQ.
- **Asset Quality:** GNPA/NNPA improved marginally and stood at 0.94/0.5% vs 0.98/0.54% QoQ.

Key Takeaways

- **Margin Guidance Revised Upwards:** CANF's margins surprised in Q2FY26, expanding 38 bps QoQ, driven by a sharp improvement in CoF, while yields remained steady. The company has been able to manage CoF better owing to its transition from MCLR-linked loans to EBLR-linked loans. CANF is also expected to benefit from the NHB refinance sanction of Rs 1500 Cr at a lower rate of 6.8%. The management highlighted that the incremental CoF is at 7.15% for longer-term borrowings, while for the shorter term borrowings, rates are <7%. However, a bulk of the repo rate cuts have reflected in the cost of bank borrowings and the management does not expect any improvement in NIMs from hereon. In Q2, ~8% of the portfolio transitioned from annual reset to quarterly reset and the management expects another 8-10% to transition in Q3. Thus, NIMs could be impacted due to this transition. While the company has already cut its lending rates, in contrast to most of its peers, **it does not intend to tinker with the rates and could consider a 10 bps reduction contingent to another 25 bps repo rate cut. CANF has guided for Spreads/NIMs 2.75/3.75% for FY26. We expect NIMs to settle at ~3.8% (+/-5 bps) over FY26-28E.**

Outlook

Backed by strong margin performance in H1FY26, the company's focus better-yielding SENP segment over the medium term and considering some dilution due to focus on the larger ticket size customers, we revise our NII estimates upwards by 4-5% over FY26-28E. Higher Opex towards employees and IT transformation process would be offset by benign credit costs. We raise our EPS estimates by 1-4% over FY26-28E. We expect CANF to deliver a healthy AUM/NII/Earnings growth of 15/13/12% CAGR over FY26-28E.

Valuation & Recommendation

CANF currently trades at 1.7x FY27E BV and we value the stock at 1.9x FY27E BV to arrive at a TP of Rs 985/share, implying an upside of 16% from the CMP. **We find current valuations appealing given the company's improved growth visibility, pristine asset quality, and strong return ratios. We maintain our BUY recommendation.**

Key Risks to Our Estimates and TP

- The key risk to our estimates remains a slowdown in overall credit momentum which could potentially derail earnings momentum for the company.

Change in Estimates

	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
NII	1,579	1,739	2,004	1,498	1,671	1,920	5.4	4.1	4.3
PBP	1,323	1,442	1,679	1,264	1,402	1,617	4.7	2.9	3.8
Provisions	54	74	93	74	84	104	-27.5	-11.9	-10.9
PAT	977	1,053	1,220	940	1,041	1,196	4.0	1.2	2.2

Source: Company, Axis Securities Research

Results Review (Standalone)

Rs Cr	Q2FY26	Q2FY25	% YoY	Q1FY26	% QoQ	H1FY26	H1FY25	YoY %
Net Interest Income	405	340	19.1	363	11.5	767	661	16.1
Non-Interest Income	6	7	-15.5	9	-32.7	16	14	8.4
Operating expenses	76	59	28.4	68	11.8	144	108	33.5
Staff Cost	43	29	49.9	42	3.8	85	53	60.9
Pre provision profits	335	288	16.3	304	10.1	639	567	12.5
Provisions and contingencies	3	14	-77.7	26	-88.3	29	38	-23.3
PBT	332	274	21.0	278	19.4	609	529	15.1
Provision for Tax	80	60	34.5	54	49.1	134	115	16.4
PAT	251	215	17.2	224	12.3	475	414	14.8
Business Update								
Gross AUM	39,657	36,591	8.4	38,773	2.3	39,657	36,591	8.4
Disbursements	2,545	2,617	-2.8	2,015	26.3	4,560	4,470	2.0
Operating Metrics								
NIM (%)	18.6	17.1	145bps	18.3	22bps	18.4	16.0	246bps
Cost-Income ratio (%)								
Asset Quality								
Gross NPA (%)	0.9	0.9	6bps	1.0	-4bps	0.9	0.9	6bps
Net NPA (%)	0.5	0.5	1bps	0.5	-6bps	0.5	0.5	1bps
PCR (%)	48.8	46.3	254bps	45.0	382bps	48.8	46.3	254bps
	405	340	19.1	363	11.5	767	661	16.1

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Interest Income	1,354	1,579	1,739	2,004
Other Income	37	43	48	56
Total Income	1,391	1,622	1,788	2,059
Total Operating Exp	238	299	345	380
PPOP	1,153	1,323	1,442	1,679
Provisions & Contingencies	76	54	74	94
PBT	1,077	1,269	1,368	1,585
Provision for Tax	220	292	315	365
PAT	857	977	1,053	1,220

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS				
Share Capital	27	27	27	27
Reserves	5,041	5,920	6,868	7,968
Shareholder's Funds	5,067	5,947	6,895	7,994
Borrowings	35,051	38,388	43,937	50,540
Other Liabilities & Provisions	849	892	1,022	1,177
Total Liabilities	40,967	45,226	51,854	59,712
APPLICATION OF FUNDS				
Cash & Bank Balance	308	521	597	687
Investments	2,374	2,267	2,599	2,993
Advances	37,696	41,879	48,016	55,292
Fixed Assets & Other Assets	589	560	642	739
Total Assets	40,967	45,226	51,854	59,712

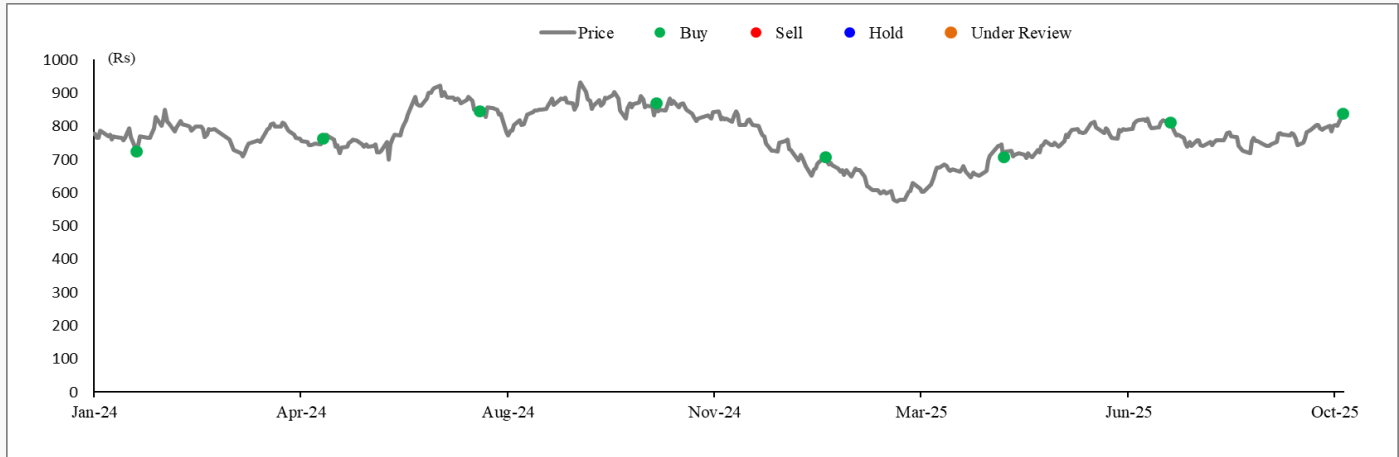
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	64.4	73.4	79.1	91.8
Earnings Growth (%)	14.3	14.0	7.8	16.0
BVPS	380.5	446.6	517.7	600.3
Adj. BVPS	367.5	432.3	501.3	581.4
ROAA (%)	2.2	2.3	2.2	2.2
ROAE (%)	18.2	17.7	16.4	16.4
P/E (x)	13.0	11.4	10.6	9.1
P/BV (x)	2.2	1.9	1.6	1.4
PROFITABILITY				
NIM (%)	3.6	3.8	3.7	3.8
Cost-Income Ratio	17.1	18.5	19.3	18.5
ASSET QUALITY				
Gross NPLs (%)	0.9	0.9	0.9	0.9
Net NPLs (%)	0.5	0.5	0.5	0.5
Coverage Ratio (%)	47.1	50.1	50.1	50.1
Credit Costs (%)	0.2	0.1	0.2	0.2
ROAA TREE				
Net Interest Income	3.5	3.7	3.6	3.7
Non-Interest Income	0.1	0.1	0.1	0.1
Operating Cost	0.6	0.7	0.7	0.7
Provisions	0.2	0.1	0.2	0.2
ROAA	2.0	2.2	2.1	2.1
Leverage (x)	8.3	7.8	7.6	7.5
ROAE	16.9	17.0	15.7	15.7

Source: Company, Axis Securities Research

Can Fin Homes Price Chart and Recommendation History



Date	Reco	TP	Research
29-Jan-24	BUY	885	Result Update
02-May-24	BUY	840	Result Update
23-Jul-24	BUY	950	Result Update
24-Oct-24	BUY	1,000	Result Update
21-Jan-25	BUY	840	Result Update
25-Apr-25	BUY	830	Result Update
22-Jul-25	BUY	925	Result Update
23-Oct-25	BUY	985	Result Update

Source: Axis Securities Research

Disclaimer

Axis Direct is the brand under Axis Securities Limited, which is a 100% subsidiary of Axis Bank Limited. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks, and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited is registered as a

Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with the Securities and Exchange Board of India
Corporate Agent with Insurance Regulatory and Development Authority of India

- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances, please call us at 022-40508080 or write to us at helpdesk@axisdirect.in.

We hereby declare that our activities have neither been suspended nor have we defaulted with any stock exchange authority with whom we are registered in the last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories, etc. have conducted the routine inspection and based on their observations have issued advice/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in the normal course of business, as a Stock Broker/Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange/SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point in time.

Investments in the securities market are subject to market risks. Read all the related documents carefully before investing.

By referring to any particular sector, Axis Securities does not provide any promise or assurance of a favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and/or the USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been clients during the twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without notice. The report and information contained herein are strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis for any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors, including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that the rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made, nor is its accuracy or completeness guaranteed. This report and information herein are solely for informational purposes and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and/or tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and the needs of the specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see the Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed a public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant

banking, or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimise conflict in the preparation of research reports. Axis Securities or its associates, or its analysts, did not receive any compensation or other benefits from the companies mentioned in the report or a third party in connection with the preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and/or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance from the Research team, and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of the subject company(ies). Axis Securities or Research Analysts, or their relatives, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one per cent or more or other material conflicts of interest in various companies, including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusions from the information presented in this report. Certain transactions-including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centre on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender/borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short positions in the above-mentioned scrip(s) and therefore may be considered as interested. This should not be construed as an invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independently of the PCG research, and accordingly, PMS may have positions contrary to the PCG research recommendation.

This research report is issued in India by Axis Securities Limited in accordance with the Securities and Exchange Board of India (Research Analysts) Regulations, 2014. It is intended solely for persons residing in India. The report is not directed at or intended for distribution to, or use by, any person or entity resident in the United States of America, Canada, or in any jurisdiction where such distribution, publication, availability, or use would be contrary to applicable securities laws, including the U.S. Securities Exchange Act of 1934, regulations of the U.S. Securities and Exchange Commission (SEC), and regulations of the Canadian Securities Administrators (CSA).

RATING SCALE: Definitions of ratings

Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.