

Growth Momentum to Improve from FY26 Onwards!
Est. Vs. Actual for Q1FY26: NII – **BEAT**; PPOP – **INLINE**; PAT – **BEAT**
Changes in Estimates post Q1FY26
FY26E/FY27E (%): NII -0.7/-2.7; PPOP -1.7/-2.8; PAT -1.9/-3.1

Recommendation Rationale

- **Key States Yet to Recover; Improvement Signs Visible:** CANF's key states – Karnataka (KA, owing to e-Khata issue) and Telangana (TL) continue to remain impacted, keeping growth muted. On the other hand, the North (+40% YoY), West (+15% YoY), and Tamil Nadu (+35% YoY) continued to drive disbursement growth for the company in Q1. The management expects some respite in the key states and growth momentum to resume from Q2 onwards. With growth visibility improvement in sight, CANF will aim at clocking disbursements of Rs 2,500+ Cr in Q2 and Rs 10,500 Cr in FY26. This should translate into AUM growth of 13% in FY26. **With (a) Challenges in key states waning, (b) New branches and the strengthened sales team contributing incrementally to the business, and (c) Gradual increase in ticket size should help the company accelerate the AUM growth to 15% by FY27E. We expect CANF to deliver a steady AUM growth of ~14% CAGR over FY25-28E.**
- **Confident of Maintaining NIMs at 3.5%:** CANF's margins should find support from the shift towards non-housing loans (LAP), where yields are higher by ~100bps vs Housing loans, alongside its focus on the better-yielding SENP customers. The company aims at improving the share of non-housing loans to 20% by FY28E vs ~14% in Jun'25. Moreover, CANF has seen a pass-through of the repo rate cut in its CoF, with incremental CoF expected at ~7.25-7.3% with bank borrowings repricing downwards. Moreover, the company is yet to realise the benefit of the rate cuts on NHB borrowings (60% floating where benefit could accrue, if any). **The management has indicated that CANF would pass on the rate cut benefit to its customers once it is realised in the CoF.** Under the decline in CoF, the company has taken a rate cut on existing and new loans of 10bps in May'25 and another 15bps in Jul'25, the impact of which would be visible on yields in the forthcoming quarters (availed by 1/3rd of the customer base). However, ~67% of the portfolio is reset annually and hence, the impact of the lending rate cut would reflect with a lag. **Thus, the management is confident of maintaining Spreads/NIMs at 2.5/3.5% respectively. We expect NIMs to remain steady between 3.5-3.6% over FY26-28E.**

Sector Outlook: Positive

Company Guidance: With challenges in the core states of KA and TL gradually bottoming out, the visibility on growth has improved. The branch additions and strengthening of its sales team should provide further impetus to growth through the direct channel. CANF's focus on the better yielding portfolios (LAP) and customer segment (SENP) should enable to company to minimise the impact of the rate cuts, while defending its margins at ~3.5% (+/-5bps). Asset quality is likely to improve throughout FY26, keeping credit costs steady and controlled below 15bps in FY26. Thus, healthy RoA/RoE delivery of 2.1-2.2%/16-17% over FY26-28E is likely to continue. **With early signs of growth resuming, we believe delivery and sustenance of growth trends remain key re-rating levers.**

Current Valuation: 1.8x FY27E BV; **Earlier Valuation:** 1.6x Sep'26E BV

Current TP: Rs 925/share; **Earlier TP:** Rs 830/share

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

Financial Performance:

- **Operational Performance:** CANF's disbursements growth improved YoY, growing at ~9% YoY, though decelerated sequentially (seasonality) by ~18% QoQ. AUM growth was in line with our expectations at 9/1% YoY/QoQ. AUM growth was mainly driven by the SENP segment, which grew by 14/2% YoY/QoQ (in line with management guidance of growing the SENP segment to support yields/NIMs), while the salaried segment grew by 7/1% YoY/QoQ. The share of Salaried to SENP borrowers stood at 70:30, flat QoQ.
- **Financial Performance:** NII grew by 13/4% YoY/QoQ. NIMs (reported) were lower QoQ at 3.64% vs 3.82% QoQ. Yields declined by 2bps QoQ, while CoF declined by 9bps QoQ. Spreads improved by 7bps QoQ and stood at 2.62%. NII grew by 13/4% YoY/QoQ. NIMs (reported) were lower QoQ at 3.64% vs 3.82% QoQ. Yields declined by 2bps QoQ, while CoF declined by 9bps QoQ. Spreads improved by 7bps QoQ and stood at 2.62%. Provisions came in marginally higher than expected at Rs 26 Cr (credit costs stood at ~27bps vs 28/16 bps YoY/QoQ). PAT grew by 12/-4% YoY/QoQ
- **Asset Quality:** GNPA/NNPA deteriorated (owing to seasonal weakness) and stood at 0.98/0.54% vs 0.87/0.46% QoQ.

Key Financials (Standalone)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	363	+4.1	+12.9	354	+2.5
PPOP	304	+3.2	+8.7	303	+0.4
Net Profit	224	-4.3	+12.1	219	+2.0
NNPA (%)	0.5	+8 bps	+5 bps	0.5	+4 bps
RoA (%)	2.2	-40 bps	+2 bps	2.1	+6 bps

Source: Company, Axis Securities Research

 (CMP as of 21st July, 2025)

CMP (Rs)	813
Upside /Downside (%)	14%
High/Low (Rs)	951/559
Market cap (Cr)	9,916
Avg. daily vol. (6m) Shrs.	4,53,763
No. of shares (Cr)	13.3

Shareholding (%)

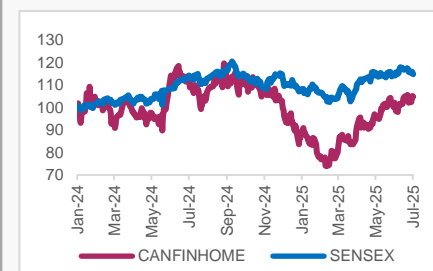
	Dec-24	Mar-25	Jun-25
Promoter	30.0	30.0	30.0
FII's	11.4	12.1	12.1
MF's / UTI	20.1	15.1	15.6
Others	38.5	42.8	42.3

Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
NII	1,498	1,671	1,920
PPOP	1,264	1,402	1,617
Net Profit	940	1,041	1,195
EPS (Rs)	70.6	78.2	89.8
BV (Rs)	444.1	514.4	595.2
P/BV (x)	1.8	1.6	1.4
RoA (%)	2.2	2.1	2.1
NNPA (%)	0.4	0.4	0.4

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
NII	-0.7	-2.7
PPOP	-1.7	-2.8
PAT	-1.9	-3.1

Relative Performance


Source: AceEquity, Axis Securities Research

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Key Takeaways

- **Asset Quality to remain stable; credit costs under control.** In Q1FY26, total delinquencies declined QoQ. The company has also identified 13 sticky accounts (worth Rs 13.9 Cr), which have moved into NPA, driving higher NPA during the quarter. **The management expects delinquency levels to be on a declining trend, keeping credit costs under control. The management has guided for 15bps of credit costs for FY26.**
- **Opex Ratios to inch-up:** The company plans to add 15 branches in FY26, with branch addition being front-ended (likely to be completed by Sep'25). Over the next couple of years, CANF plans to grow its branch network to 300 branches by FY28 vs an estimates branch count of 240 by the end of FY26. Moreover, to further improve the share of direct distribution, the company will continue to strengthen its sales teams. The IT platform upgradation process continues to progress as planned and will be rolled out in a phased manner. **Thus, given higher expenses towards team strengthening and IT transformation, the management has guided for C-I Ratio to range between 18-19% over FY26-28E.**

Outlook

Following a muted performance in FY25, the company remains confident of resuming its growth trajectory from FY26 onwards. We have tweaked our growth estimates marginally, resulting in a 1-3% cut on NII over FY26-27E. Higher Opex towards employees and IT transformation process has resulted in an earnings cut of 2-3% over FY26-27E. We expect steady margins at 3.5% and steady credit costs should enable CANF to deliver RoA/RoE of 2.1-2.2%/16-17% over FY26-28E.

Valuation & Recommendation

CANF currently trades at 1.6x FY27E BV, and we value the stock at 1.8x FY27E BV to arrive at a target price of Rs 925/share, implying an upside of 14% from the CMP. **We believe resumption of growth and the trend sustaining remain key re-rating levers for the stock. We maintain our BUY recommendation on the stock.**

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		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
NII	1,498	1,671	1,920	1,509	1,717	-	-0.7	-2.7	-
PBP	1,264	1,402	1,617	1,285	1,443	-	-1.7	-2.8	-
Provisions	74	84	104	72	82	-	2.7	2.0	-
PAT	940	1,041	1,195	958	1,075	-	-1.9	-3.1	-

Source: Company, Axis Securities Research

Results Review (Standalone)

	Q1FY26	Q1FY25	% YoY	Q4FY25	% QoQ
Net Interest Income	363	321	12.9	349	4.1
Non-Interest Income	9	7	34.0	17	-44.4
Operating expenses	68	49	39.7	71	-3.6
Staff Cost	42	24	74.2	31	35.6
Pre-provision profits	304	280	8.7	295	3.2
Provisions and contingencies	26	24	7.3	15	70.2
PBT	278	255	8.8	279	-0.5
Provision for Tax	54	55	-3.1	45	18.8
PAT	224	200	12.1	234	-4.3

Business Update

Gross AUM	38,773	35,557	9.0	38,217	1.5
Disbursements	2,015	1,853	8.7	2,455	-17.9
NIM (%)	3.6	3.6	7bps	3.8	-18bps
Cost-Income ratio (%)	18.3	14.9	346bps	19.4	-103bps

Asset Quality

Gross NPA (%)	0.98%	0.91%	7bps	0.87%	11bps
Net NPA (%)	0.54%	0.49%	5bps	0.46%	8bps
PCR (%)	45.0%	46.5%	-149bps	47.7%	-277bps

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Interest Income	1,354	1,498	1,671	1,920
Other Income	37	43	49	56
Total Income	1,391	1,541	1,720	1,976
Total Operating Exp	238	277	319	359
PPOP	1,153	1,264	1,402	1,617
Provisions & Contingencies	77	74	84	104
PBT	1,076	1,190	1,317	1,513
Provision for Tax	220	250	277	318
PAT	856	940	1,041	1,195

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	5,887	6,823	7,899
Shareholder's Funds	5,067	5,913	6,850	7,926
Borrowings	35,051	39,203	44,829	51,450
Other Liabilities & Provisions	849	907	1,039	1,194
Total Liabilities	40,967	46,024	52,718	60,570
APPLICATION OF FUNDS				
Cash & Bank Balance	308	668	765	879
Investments	2,374	2,307	2,642	3,036
Advances	37,696	42,388	48,553	55,784
Fixed Assets & Other Assets	589	662	758	871
Total Assets	40,967	46,024	52,718	60,570

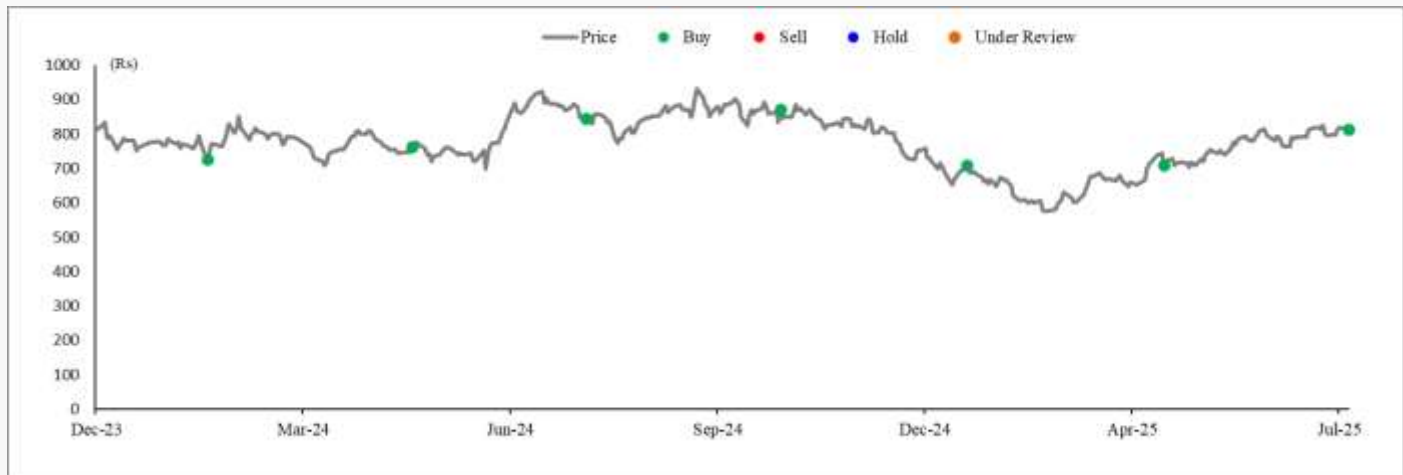
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	64.4	70.6	78.2	89.8
Earnings Growth (%)	14.4	9.5	10.7	14.9
BVPS	380.5	444.1	514.4	595.2
Adj. BVPS	367.5	429.8	498.5	577.5
ROAA (%)	2.2	2.2	2.1	2.1
ROAE (%)	18.2	17.1	16.3	16.2
P/E (x)	12.6	11.5	10.4	9.1
P/BV (x)	2.1	1.8	1.6	1.4
PROFITABILITY				
NIM (%)	3.6	3.6	3.5	3.6
Cost-Income Ratio	17.1	18.0	18.5	18.2
ASSET QUALITY				
Gross NPLs (%)	0.9	0.9	0.8	0.8
Net NPLs (%)	0.5	0.4	0.4	0.4
Coverage Ratio (%)	47.1	48.0	48.0	48.0
Credit Costs (%)	0.2	0.2	0.2	0.2
ROAA TREE (% of Total Assets)				
Net Interest Income	3.5	3.4	3.4	3.4
Non-Interest Income	0.1	0.1	0.1	0.1
Operating Cost	0.6	0.6	0.6	0.6
Provisions	0.2	0.2	0.2	0.2
ROAA	2.0	2.0	2.0	2.0
Leverage (x)	8.3	7.9	7.7	7.7
ROAE	16.9	16.0	15.2	15.1

Source: Company, Axis Securities Research

Can Fin Homes Price Chart and Recommendation History



Date	Reco	TP	Research
23-Jan-23	BUY	650	Result Update
28-Apr-23	BUY	675	Result Update
21-Jul-23	BUY	930	Result Update
19-Oct-23	BUY	925	Result Update
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

Source: Axis Securities Research

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