

Jan 21, 2025

RESULT REPORT Q3 FY25 | Sector: Financials

# CAN FIN Homes Limited

## An underwhelming quarter

### Weak trends in disbursement and asset quality

Can Fin's operational performance was meek in Q3 FY25, characterized by moderate disbursements and material increase in the delinquent pool. Earnings delivery and RoE was supported by expansion in portfolio spread on the back of reduction in funding cost and slight increase in portfolio yield.

Disbursements were 21% lower sequentially at Rs18.8bn owing to significantly slowed registration in home market of Karnataka (28%/33% AUM/Disb share) following the introduction of E-khata and weakened market sentiments in Telangana (19%/15% AUM/Disb share). Portfolio Yield continued inching-up on sustained shift in portfolio mix towards SENP HL and LAP, upward repricing of preferentially priced loans completing one year and pricing adjustments for likely weakened customer profiles. Funding cost declined marginally on substitution of relatively higher costing MCLR-linked bank loans, enabled by availment of NHB funding of Rs16bn. SMA 0 bucket rose sharply by 31% qoq and GNPLs increased by 7% qoq, underpinning higher credit cost of annualized 24 bps.

### Growth and asset quality commentary remains optimistic

With improvement seen in issuance of E-khata in Karnataka and other markets (NCR, TN, AP, MH, GJ & RJ) growing well, Management expects disbursements in Q4 FY25 to be around Rs24bn at the least. The co. targets business of Rs120bn in FY26, which would be supported by branch addition, augmentation of newly formed sales vertical, quick recovery in Karnataka volumes and stabilization of Telangana, and the opportunity for penetration in SE HL and LAP markets. Can Fin hopes to achieve the aspired disbursements notwithstanding the transient impact on operations from the planned upgradation of Tech platform (LOS & LMS). Company expects correction in SMA 0 bucket going ahead with >30% of the pool being accounts where just the cheque bounce charges remain unpaid. A Rs150-200mn GNPL reduction is expected in Q4 FY25 due to focused recovery efforts. Credit cost is expected to normalize hereafter.

### Material cuts in earnings; actual revival in growth and improvement in delinquent pool awaited

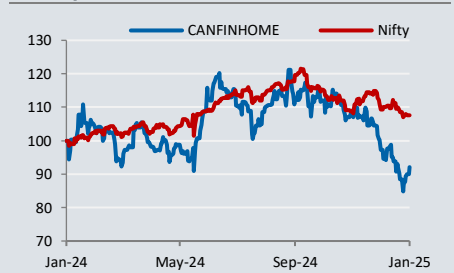
We have cut FY26/27 earnings estimates by 7-10% on moderating our growth assumptions and tweaking the opex and credit cost. Our loan growth estimate of 12-13% p.a. for the next two years is meaningfully below management's expectations, and we would eagerly await sustained recovery in disbursements volumes for raising our view. Even on the asset quality front, a durable reduction in the delinquent pool would offer comfort. Stock trades at 9.8x P/E and 1.4x P/BV on FY27 revised estimates and investor's moderated growth and RoE expectations would keep valuation under check. While we retain BUY recommendation, the 12m PT has been cut to Rs870.

Reco	: BUY
CMP	: Rs 708
Target Price	: Rs 870
Potential Return	: +23.0%

#### Stock data (as on Jan 20, 2025)

Nifty	23,345
52 Week h/l (Rs)	952 / 650
Market cap (Rs/USD mn)	91557 / 1060
Outstanding Shares (mn)	133
6m Avg t/o (Rs mn):	633
Div. yield (%):	0.9
Bloomberg code:	CANF IN
NSE code:	CANFINHOME

#### Stock performance



	1M	3M	1Y
Absolute return	-5.3%	-17.8%	-7.9%

#### Shareholding pattern

Promoter	30.0%
FII+DII	39.6%
Others	30.5%

#### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	870	1,050

#### Δ in earnings estimates

	FY25e	FY26e	FY27e
EPS (New)	63.3	66.7	72.2
EPS (Old)	65.1	71.8	80.8
% Change	-2.8%	-7.2%	-10.6%

#### Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Op. income	13,825	14,837	16,274
PPOP	11,507	11,961	12,938
Net profit	8,434	8,881	9,620
Growth (%)	12.4	5.3	8.3
EPS (Rs)	63.3	66.7	72.2
ABVPS (Rs)	371.3	432.3	498.4
P/E (x)	11.2	10.6	9.8
P/ABV (x)	1.9	1.6	1.4
ROE (%)	17.8	16.0	15.0
ROA (%)	2.2	2.1	2.0

#### RAJIV MEHTA

Lead Analyst

+91 22 6992 2934 / 35 / 36



MANUJ OBEROI, Associate

## Exhibit 1: Result table

(Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Operating Income	9,861	9,625	2.5	9,012	9.4
Interest expended	(6,356)	(6,155)	3.3	(5,660)	12.3
Net Interest Income	3,505	3,470	1.0	3,352	4.6
Other Income	0.3	2.1	(84.5)	6.9	(95.2)
Total Income	3,506	3,472	1.0	3,359	4.4
Operating expenses	(593)	(594)	(0.1)	(494)	20.0
PPOP	2,913	2,878	1.2	2,865	1.7
Provisions	(221)	(137)	61.1	(308)	(28.1)
PBT	2,691	2,741	(1.8)	2,557	5.3
Tax	(570)	(626)	(8.9)	(556)	2.6
Reported PAT	2,121	2,115	0.3	2,001	6.0

Source: Company, YES Sec

## Exhibit 2: Business Data

(Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Loan Book	3,71,550	3,65,910	1.5	3,40,530	9.1
Salaried	2,63,590	2,59,300	1.7	2,45,620	7.3
Housing	2,39,500	2,36,070	1.5	2,24,420	6.7
Top-up Personal	11,550	11,210	3.0	10,400	11.1
Mortgage/Flex LAP	9,960	9,500	4.8	8,520	16.9
Loans for sites	2,140	2,130	0.5	1,880	13.8
Others	440	390	12.8	400	10.0
Non-Salaried	1,07,710	1,06,380	1.3	94,690	13.8
Housing	88,430	87,860	0.6	78,990	12.0
Top-up Personal	5,670	5,480	3.5	4,590	23.5
Mortgage/Flex LAP	12,030	11,440	5.2	9,670	24.4
Loans for sites	1,090	1,090	-	930	17.2
Others	490	510	(3.9)	510	(3.9)
Staff Loans	250	230	8.7	220	13.6

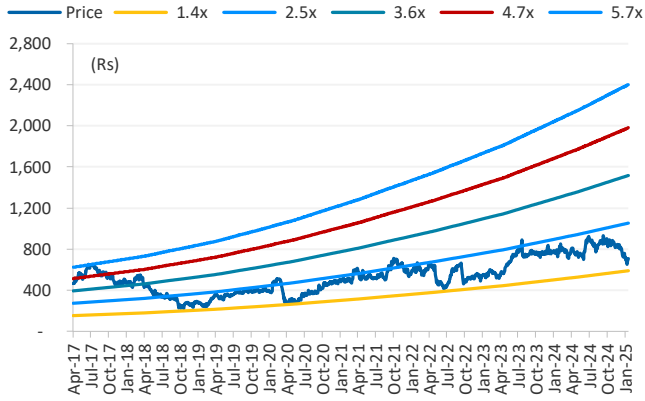
Source: Company, YES Sec

## Exhibit 3: Key Ratios

(%)	Q3 FY25	Q2 FY25	chg qoq	Q3 FY24	chg yoy
NIM	3.7	3.8	(0.0)	3.9	(0.2)
Yield	10.2	10.1	0.1	9.9	0.3
Cost of Funds	7.5	7.6	(0.0)	7.4	0.2
Spread	2.7	2.6	0.12	2.6	0.1
Cost to Income*	16.9	17.1	(0.2)	14.7	2.2
Gross NPA	0.9	0.9	0.04	0.9	0.0
Net NPA	0.5	0.5	0.03	0.5	0.0
PCR*	45.2	46.3	(1.1)	45.8	(0.7)
RoA	2.3	2.3	(0.0)	2.3	(0.1)
RoE	17.6	18.0	(0.4)	19.4	(1.9)

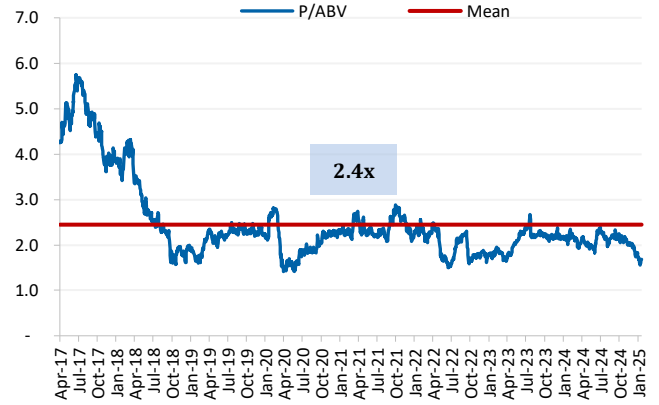
Source: Company, YES Sec; \*Calculated.

**Exhibit 4: 1-yr rolling P/ABV band**



Source: Company, YES Sec

**Exhibit 5: 1-year rolling P/ABV vis-a-vis the mean**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 6: Balance Sheet

Y/e 31 Mar (Rs m)	FY23	FY24	FY25E	FY26E	FY27E
<b>Equity and Liabilities</b>					
Equity Capital	266	266	266	266	266
Other Equity	36,206	43,172	50,983	59,241	68,238
<b>Shareholder's funds</b>	<b>36,473</b>	<b>43,439</b>	<b>51,249</b>	<b>59,507</b>	<b>68,504</b>
<b>Financial Liabilities</b>	<b>2,93,665</b>	<b>3,21,639</b>	<b>3,48,974</b>	<b>3,89,100</b>	<b>4,41,622</b>
Trade payables	80	48	48	48	48
Debt Securities	63,110	75,751	82,190	91,642	1,04,014
Borrowings (excl. debt securities)	2,22,191	2,39,671	2,60,043	2,89,948	3,29,091
Deposits	4,352	2,178	2,363	2,635	2,991
Other Financial Liabilities	3,932	3,990	4,329	4,827	5,479
<b>Non-Financial Liabilities</b>	<b>567</b>	<b>938</b>	<b>1,032</b>	<b>1,136</b>	<b>1,249</b>
Provisions	339	587	646	711	782
Other non-financial liabilities	228	351	386	425	467
<b>Total Liabilities + Equity</b>	<b>3,30,705</b>	<b>3,66,015</b>	<b>4,01,255</b>	<b>4,49,742</b>	<b>5,11,375</b>
<b>Assets</b>					
<b>Financial Assets</b>	<b>3,29,729</b>	<b>3,64,782</b>	<b>3,99,963</b>	<b>4,48,388</b>	<b>5,09,955</b>
Cash and Cash Equivalents	19	8	7,558	9,561	11,884
Bank balances	3,066	4,567	500	500	500
Receivables	11	9	9	9	9
Loans	3,11,933	3,45,531	3,75,469	4,19,922	4,76,960
Investments	14,590	14,590	16,341	18,302	20,498
Other Financial Assets	110	78	86	94	104
<b>Non- Financial Assets</b>	<b>976</b>	<b>1,233</b>	<b>1,293</b>	<b>1,355</b>	<b>1,420</b>
Current tax assets (Net)	0	0	0	0	0
Deferred tax assets (Net)	484	659	692	726	762
Property, Plant and Equipment	454	526	552	580	609
Other Non-Financial Assets	37	48	48	48	48
<b>Total Assets</b>	<b>3,30,705</b>	<b>3,66,015</b>	<b>4,01,255</b>	<b>4,49,742</b>	<b>5,11,375</b>

Source: Company, YES Sec

## Exhibit 7: Income statement

Y/e 31 Mar (Rs m)	FY23	FY24	FY25E	FY26E	FY27E
Income from Operations	27,420	35,231	38,937	40,975	42,822
Interest expense	(17,009)	(22,314)	(25,117)	(26,144)	(26,555)
<b>Net interest income</b>	<b>10,411</b>	<b>12,917</b>	<b>13,820</b>	<b>14,831</b>	<b>16,267</b>
Non-interest income	11	16	5	6	7
Total op income	10,423	12,933	13,825	14,837	16,274
Total op expenses	(1,765)	(2,173)	(2,318)	(2,877)	(3,336)
<b>PPoP</b>	<b>8,658</b>	<b>10,760</b>	<b>11,507</b>	<b>11,961</b>	<b>12,938</b>
Provisions	(418)	(1,185)	(694)	(604)	(636)
Profit before tax	8,240	9,575	10,813	11,356	12,302
Taxes	(2,028)	(2,068)	(2,379)	(2,476)	(2,682)
<b>Net profit</b>	<b>6,212</b>	<b>7,507</b>	<b>8,434</b>	<b>8,881</b>	<b>9,620</b>

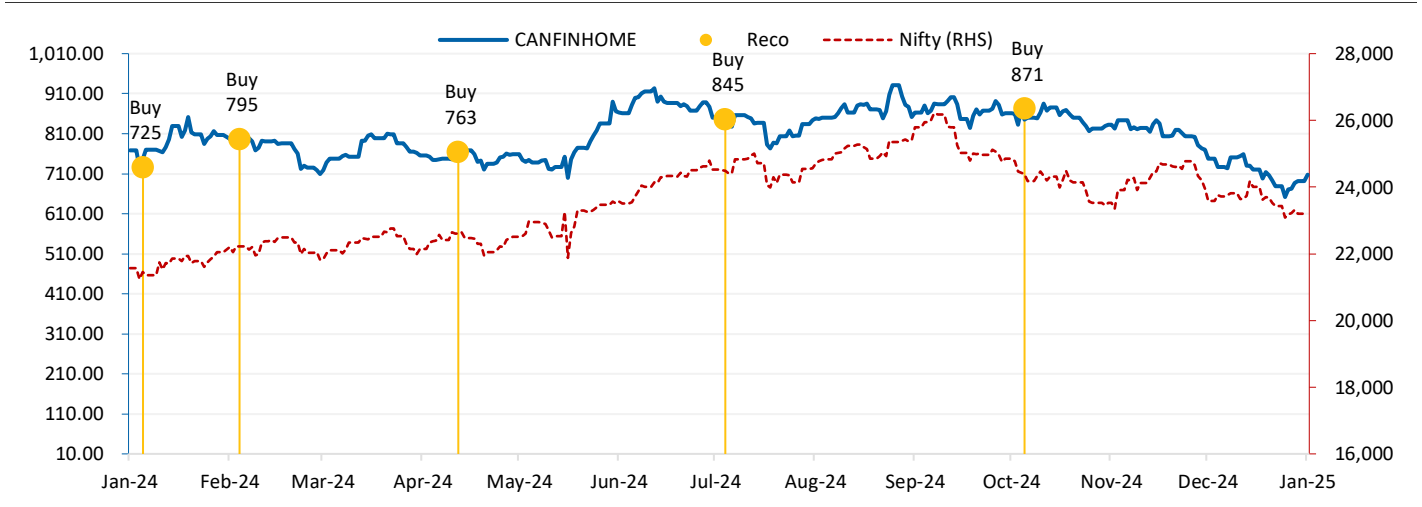
Source: Company, YES Sec

## Exhibit 8: Growth and Ratio matrix

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>					
Net interest income	24.8	24.1	7.0	7.3	9.7
Total op income	24.8	24.1	6.9	7.3	9.7
Op profit (pre-provision)	26.9	24.3	6.9	3.9	8.2
Net profit	31.9	20.8	12.4	5.3	8.3
Loans	18.3	10.8	8.7	11.8	13.6
Borrowings + Debt	23.6	7.9	8.5	11.5	13.5
Total assets	18.3	10.7	9.6	12.1	13.7
<b>Profitability Ratios (%)</b>					
NIM	3.6	3.9	3.8	3.7	3.6
Return on Avg. Equity	18.5	18.8	17.8	16.0	15.0
Return on Avg. Assets	2.0	2.2	2.2	2.1	2.0
<b>Per share ratios (Rs)</b>					
EPS	46.6	56.4	63.3	66.7	72.2
Adj. BVPS	267.7	315.2	371.3	432.3	498.4
DPS	2.0	4.0	4.0	4.0	4.0
<b>Other key ratios (%)</b>					
Loans/Borrowings	107.7	108.8	109.0	109.3	109.4
Cost/Income	16.9	16.8	16.8	19.4	20.5
Gross NPLs/Loans	0.6	0.8	0.9	0.8	0.8
Credit Cost	0.1	0.4	0.2	0.2	0.1
Net NPLs/Net loans	0.3	0.4	0.5	0.5	0.4
Tax rate	24.6	21.6	22.0	21.8	21.8
Dividend yield	0.3	0.6	0.6	0.6	0.6

Source: Company, YES Sec

## Recommendation Tracker



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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

Analyst signature

Analyst signature

## ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSIL") is a wholly owned subsidiary of YES BANK LIMITED. YSIL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSIL is also a SEBI-registered Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL.