

# Can Fin Homes Ltd.

## Accumulate

Sector: NBFC

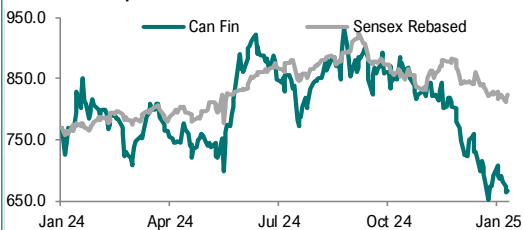
30<sup>th</sup> January 2025

<b>Key Changes:</b>	<b>Target</b> ▼	<b>Rating</b> ●	<b>Earnings</b> ▼	<b>Target</b>	<b>Rs.767</b>
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	CANF:IN	76,760	CANFINHOME	511196	12 Months
				<b>CMP</b>	<b>Rs.653</b>
				<b>Return</b>	<b>+17%</b>

Data as of: 30-01-2025

Company Data			
Market Cap (Rs. cr)	8,695.0		
52 Week High — Low (Rs.)	951-650		
Outstanding Shares (Rs cr)	13.3		
Free Float (%)	63.0		
Dividend Yield (%)	1.5		
6m average volume (million)	0.8		
Beta	1.5		
Face value (Rs.)	2.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	30.0	30.0	30.0
FII's	11.5	11.7	11.4
MFs/Institutions	27.8	27.5	28.1
Public	30.7	30.8	30.5
Total	100.0	100.0	100.0
Promoter Pledge	-	-	-
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-22.7%	-22.0%	-13.0%
Absolute Sensex	-4.8%	-5.9%	6.4%
Relative Return	-17.9%	-16.1%	-19.4%

\*over or under performance to benchmark index



Standalone (Rs cr)	FY25E	FY26E	FY27E
NII	1,366	1,517	1,719
Growth (%)	8.5	11.1	13.3
NIM(%)	3.5	3.5	3.5
Provisions	98	101	114
Adj. PAT	839	954	1,081
Growth (%)	11.8	13.7	13.3
Adj. EPS	63.0	71.6	81.2
Growth (%)	11.8	13.7	13.3
BVPS	384.2	449.8	525.0
Adj BVPS	370.3	433.0	504.7
P/E	10.4	9.1	8.1
P/B	1.7	1.5	1.2
ROA (%)	2.1	2.2	2.2
ROE (%)	17.7	17.2	16.7

## Business turnaround on the horizon

**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% YoY to Rs.37,155cr. The client base now stands at 2.73 lakh. Disbursements slowed to Rs.1,879cr, a decline of 21% QoQ, attributed to weak disbursements in the Karnataka following the introduction of e-khata.
- Net Interest Income grew by 4.8% YoY to Rs. 345cr. The Net Interest Margin (NIM) stayed flat at 3.73%.
- The cost-to-income ratio improved to 16.92%, but it is expected to increase due to reforms in IT transformations.
- PAT grew marginally by 6% YoY to Rs. 212cr due to a 61% QoQ increase in provisions, attributed to a slight deterioration in asset quality.
- Asset quality experienced slight deterioration, with GNPA/NNPA at 0.92%/0.50% compared to 0.88%/0.47% in Q2FY25. The Provision Coverage Ratio (PCR) on stage 3 assets decreased to 45% from 47% sequentially.

## Outlook & Valuation

CANF reported weak operational performance, primarily due to a slowdown in property registrations in Karnataka caused by technical glitches in the state registration system. As the process gets streamlined, business is expected to improve going forward. Although management has reduced its FY25 guidance on disbursements and AUM, they have maintained their guidance for FY26. We expect the ROA/ROE to remain largely stable at 2.2% for FY26-27. **Therefore, we reiterate our Accumulate rating with a revised target price of Rs. 767, based on 1.5x FY27E BVPS.**

## Quarterly Financials (Standalone)

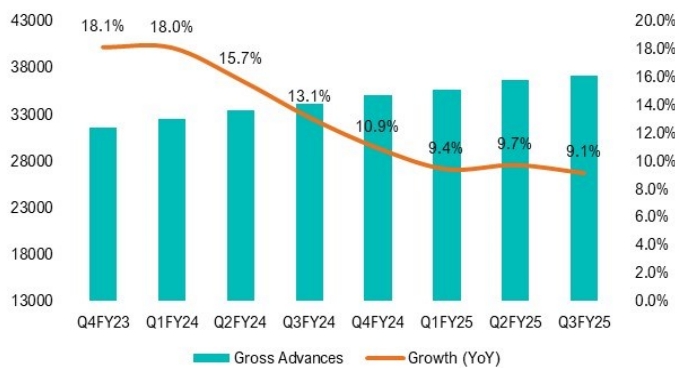
Rs cr	Q3FY25	Q2FY25	QoQ(%)	Q3FY24	YoY(%)	9MFY25	9MFY24	YoY(%)
Net Interest Income (NII)	345	329	4.8	340	1.5	1,006	931	8.1
Total Income	6	7	-17.7	7	-21.7	20	19	7.1
Expenditure	59	49	20.0	59	-0.1	167	145	15.3
Pre-Provision Profit	291	286	1.7	288	1.2	859	804	6.8
Provision	22	31	-28.1	14	61.1	60	117	-48.3
PBT	269	256	5.3	274	-1.8	798	688	16.1
Reported PAT	212	200	6.0	211	0.3	623	542	15.1
Adj. PAT	212	200	6.0	211	0.3	623	542	15.1
Diluted EPS (Rs)	16	15	6.0	16	0.3	47	41	15.0



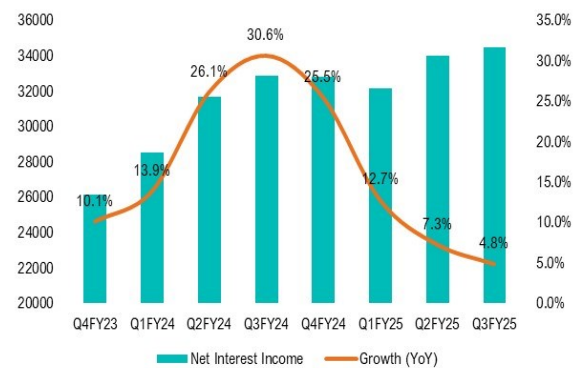
## Key Highlights

- Can Fin Homes Ltd. faced significant disbursement challenges in Karnataka and Telangana. In Karnataka, the issue was primarily due to delays in the issuance of 'e-khata's, which affected property registrations and led to a substantial drop in disbursements. This resulted in a loss of ~Rs.350-400cr in business for the quarter. Can Fin Homes Ltd. expects to achieve a disbursement target of Rs.12,000 cr for the FY26.
- The company is embarking on a major IT transformation project with IBM, expected to be implemented by Q3 of the next financial year, and plans to open 15 new branches, with 10 already opened and 15 more in the pipeline.
- The company is addressing the increase in SMA 0 accounts due to check bounce charges, but the SMA Stage 2 levels have remained stable and expects to bring it down. The company is also focusing on recovering older loans and strengthening internal processes to improve asset quality and manage provisioning better.
- The company aims to maintain a credit cost of about 15 bps for the current financial year. The company expects to close the year with an ROE of 17% and an ROA of 2.1%.

## Gross Advances



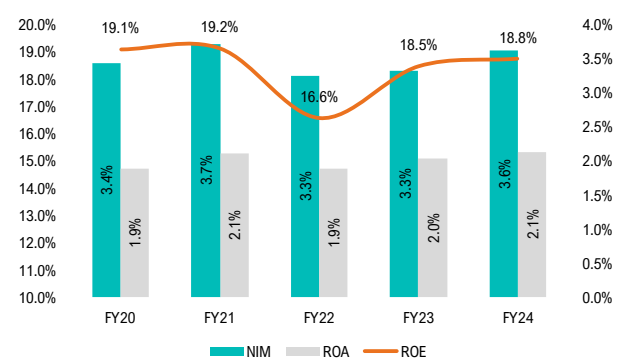
## Net Interest Income



## PAT



## Other Metrics



## Change in Estimates

Year / Rs cr	Old Estimates		New Estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Net Interest Income	1,406	1,606	1,366	1,517	1,719	-2.9	-5.5
Net Interest Margin	3.6	3.6	3.5	3.5	3.5	-7bps	-11bps
Pre-Provision Profit	1,203	1,387	1,169	1,319	1,495	-2.8	-4.9
Net Profit	847	990	839	954	1,081	-0.9	-3.6
Diluted EPS (Rs)	63.6	74.4	63.0	71.6	81.2	-0.9	-3.7



## Standalone Financials

### Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Interest Income	2,715	3,490	3,873	4,156	4,709
Interest Expense	1,701	2,231	2,508	2,639	2,989
<b>Net Int. Income</b>	<b>1,015</b>	<b>1,258</b>	<b>1,366</b>	<b>1,517</b>	<b>1,719</b>
% Change	24.3%	24.0%	8.5%	11.1%	13.3%
Non Int. Income	28	35	28	40	45
Total Income	1,042	1,293	1,394	1,557	1,764
Operating Expenses	176	217	225	238	270
<b>Pre Prov. Profit</b>	<b>866</b>	<b>1,076</b>	<b>1,169</b>	<b>1,319</b>	<b>1,495</b>
% Change	26.9%	24.3%	8.7%	12.8%	13.3%
Prov. & Conting.	42	118	98	101	114
<b>PBT</b>	<b>824</b>	<b>958</b>	<b>1,072</b>	<b>1,218</b>	<b>1,381</b>
% Change	29.8%	16.2%	11.9%	13.7%	13.3%
Tax	203	207	233	264	300
Tax Rate	25%	22%	22%	22%	22%
Reported PAT	621	751	839	954	1,081
Adj*	-	-	-	-	-
<b>Adj. PAT</b>	<b>621</b>	<b>751</b>	<b>839</b>	<b>954</b>	<b>1,081</b>
% Change	31.9%	20.8%	11.8%	13.7%	13.3%
No. of shares (cr)	13.3	13.3	13.3	13.3	13.3
EPS (Rs)	46.7	56.4	63.0	71.6	81.2
% Change	31.9%	20.8%	11.8%	13.7%	13.3%
DPS (Rs)	3.0	4.0	5.0	6.0	6.0

### Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
Interest yield (%)	8.9	10.0	10.0	9.5	9.5
Cost of funds (%)	6.3	7.3	7.4	7.0	7.0
Spread(%)	2.6	2.7	2.6	2.6	2.5
NIM (%)	3.3	3.6	3.5	3.5	3.5
ROE (%)	18.5	18.8	17.7	17.2	16.7
ROA(%)	2.0	2.1	2.1	2.2	2.2
<b>Business Growth</b>					
Loans & Advances (%)	18.1	10.9	12.5	12.6	15.0
Borrowings (%)	18.5	10.5	12.7	11.1	14.5
<b>Operating Ratios</b>					
Cost to Income (%)	16.9	16.8	16.1	15.3	15.3
<b>Capital Adequacy</b>					
CAR (%)	22.3	33.4	28.0	28.4	28.2
<b>Asset Quality</b>					
GNPA (%)	0.6	0.8	0.9	1.0	1.0
NNPA (%)	0.3	0.4	0.4	0.5	0.5
<b>Valuation</b>					
P/E (x)	14.3	11.8	10.6	9.3	8.2
P/B (x)	2.4	2.0	1.7	1.5	1.3
Adj. P/B (x)	2.5	2.1	1.8	1.5	1.3

### Balance Sheet

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	2	1	2	3	3
Loans & Advances	31,193	34,553	38,891	43,478	49,995
Investments	1,459	1,459	1,605	1,781	1,977
Net Fixed Assets	45	53	60	67	75
Def. Tax (Net)	48	66	60	66	75
Other Assets	322	882	984	1,108	1,274
<b>Total Assets</b>	<b>33,070</b>	<b>37,014</b>	<b>41,603</b>	<b>46,504</b>	<b>53,399</b>
Deposits	435	218	236	266	306
Debt Funds	28,633	31,645	35,673	39,650	45,415
Other Liabilities	321	748	518	531	610
Provisions	34	59	59	66	76
Equity Capital	27	27	27	27	27
Reserves & Surplus	3,621	4,317	5,090	5,964	6,965
Shareholder's Funds	3,647	4,344	5,116	5,990	6,992
<b>Total Liabilities</b>	<b>33,070</b>	<b>37,014</b>	<b>41,603</b>	<b>46,504</b>	<b>53,399</b>
<b>BVPS (Rs)</b>	<b>274</b>	<b>326</b>	<b>384</b>	<b>450</b>	<b>525</b>
% Change	18.9%	19.1%	17.8%	17.1%	16.7%
Adj. BVPS (Rs)	266.3	315.8	370.3	433.0	504.7
% Change	19.1%	18.6%	17.3%	16.9%	16.6%



## Recommendation Summary (last 3 years)



Dates	Rating	Target
02.Aug.21	Accumulate	626
04.Feb.22	Accumulate	729
27.Jul.22	Accumulate	619
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

## 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.

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