

Can Fin Homes

Estimate changes	
TP change	
Rating change	

Bloomberg	CANF IN
Equity Shares (m)	133
M.Cap.(INRb)/(USDb)	94.4 / 1.1
52-Week Range (INR)	952 / 559
1, 6, 12 Rel. Per (%)	1/-16/-13
12M Avg Val (INR M)	592

Financials Snapshot (INR b)			
Y/E March	FY25	FY26E	FY27E
NII	13.5	14.7	16.8
PPP	11.5	12.5	14.2
PAT	8.6	9.4	10.6
EPS (INR)	64.4	70.4	79.9
EPS Gr (%)	14	9	14
BVPS (INR)	381	438	504
Ratios (%)			
NIM	3.7	3.7	3.7
C/I ratio	17.1	17.3	18.0
RoAA	2.2	2.2	2.2
RoE	18.2	17.2	17.0
Payout	18.6	18.5	17.5
Valuation			
P/E (x)	11.0	10.1	8.9
P/BV (x)	1.9	1.6	1.4
Div. Yield (%)	1.7	1.8	2.0

Shareholding pattern (%)			
As On	Mar-25	Dec-24	Mar-24
Promoter	30.0	30.0	30.0
DII	24.7	28.1	27.9
FII	12.1	11.4	11.5
Others	33.2	30.5	30.6

FII Includes depository receipts

CMP: INR709

TP: INR770 (+9%)

Neutral

Disbursement momentum accelerates; earnings in line

Management overlay buildup a negative surprise

- Can Fin Homes (CANF)'s 4QFY25 PAT grew ~12% YoY to ~INR2.3b (in line). FY25 PAT grew ~14% YoY to INR8.6b. 4Q NII grew ~6% YoY to ~INR3.5b (in line). Fees and other income stood at ~INR168m (PY: INR159m).
- Opex declined ~2% YoY to INR707m (~6% higher than MOFSLe). The cost-income ratio stood at ~19.4% (PQ: 16.9%, PY: 20.9%). PPoP grew ~8% YoY to INR2.95b (in line). The effective tax rate for the quarter was lower at ~16% (PQ: ~21% and PY: ~23%) because of tax provision reversal from the prior years. CANF's 4QFY25 RoA/RoE stood at ~2.6%/~18.5%.
- Management guided a disbursement growth of ~20% and loan growth of ~15% in FY26. The company has begun witnessing signs of recovery in Karnataka, with disbursements picking up in Feb'25 and Mar'25, supported by a gradual improvement in e-Khata issuances. Additionally, the management indicated that disbursement volumes in Telangana have bottomed out and would only improve from hereon.
- We estimate an advances/PAT CAGR of ~13%/11% over FY25-27, with an RoA/RoE of ~2.2%/~17.0% in FY27. CANF, in our view, is a robust franchise with strong moats on the liability side. However, we await: 1) execution on loan growth guidance and 2) disruptions (if any) from the tech transformation that the company will embark on in the current calendar year, before turning constructive on the stock. The stock's valuation of 1.4x FY27E P/BV suggests management's inability to deliver on its loan growth guidance because of recurring external events that impede business momentum. **We reiterate our Neutral rating with a TP of INR770 (premised on 1.5x Mar'27E P/BV).**

Disbursement momentum picks up; advances rise ~9% YoY

- CANF's 4QFY25 disbursements grew ~6% YoY and ~30% QoQ to INR24.5b. Disbursements clocked healthy momentum during the quarter.
- Advances grew ~9% YoY to ~INR382b. Annualized run-off in advances stood at ~15% (PQ: 14% and PY: ~16%).

Reported NIM dips ~10bp QoQ; debt market borrowings pickup

- NIM (reported) dipped ~10bp QoQ to ~3.64%. Reported spreads declined ~13bp QoQ due to a decline in yields and an increase in CoB. We model largely stable NIMs of ~3.7% each in FY26-FY27.
- The bank term loans declined to ~52% in the borrowing mix (PQ: 60%). The majority of the borrowings were through NCDs during the quarter.
- The company expects the repo rate cut of ~25bp in Feb'24 to translate into ~10bp decline in its CoB. The company will, in its next ALCO meeting, decide how much of this benefit in CoB it will pass on to the customers.

Minor improvement in asset quality; GS3 declines ~5bp QoQ

- Asset quality improved slightly, with GS3 declining ~5bp QoQ to ~0.87% and NS3 declining ~4bp QoQ to ~0.45%. PCR on stage 3 loans rose ~260bp QoQ to ~48%.
- Credit costs stood at INR154m (vs. est. INR69m), resulting in annualized credit costs of ~16bp (PQ: ~24bp and PY: ~2bp).
- While there was a minor decline in PCR on standard loans, CANF increased the management overlay provisions to INR590m (PQ: ~INR340m). In 4QFY25, the company recorded provision write-backs of INR100m, while simultaneously creating an additional INR250m in management overlay. Management highlighted that the increase in overlay reflects a prudent approach and clarified that it is not driven by any specific concerns or emerging risks.
- CANF guided for credit costs of ~15bp in FY26 but suggested that it could be lower than that. We model credit costs of ~15bp each for FY26/FY27.

Highlights from the management commentary

- Karnataka disbursements, which stood at INR4.5b-4.75b in 3QFY25, increased to ~INR7b in 4QFY25. CANF disbursed ~INR2b, INR2b, and INR3b in each of Jan'25, Feb'25, and Mar'25 in the State of Karnataka.
- Management guided a cost-to-income ratio of ~17% in FY26, which will increase to ~18% in FY27. This increase will be driven by IT transformation expenses, which are set to commence from Apr'26 and will begin impacting operating expenses from FY27 onwards.
- Bank borrowings, which constitute 52% of the company's liability mix, are linked to the repo rate and are expected to benefit from the anticipated decline in interest rates. However, the impact of the Apr'25 Repo rate cut on CANF's cost of borrowings will reflect only towards the end of Jun'25.

Valuation and View

- CANF reported a decent quarter as earnings were in line with estimates, driven by a lower effective tax rate. Disbursements saw strong sequential momentum, asset quality improved marginally, while NIMs contracted by ~10bp QoQ.
- CANF has successfully demonstrated its ability to maintain its pristine asset quality for several years, and we expect the same to continue. However, CANF will have to accelerate its disbursements in the next year to deliver on its guided loan growth. We estimate a CAGR of 11% each in NII/PPOP/PAT over FY25-27, with an RoA of 2.2% and RoE of ~17% in FY27. **Reiterate Neutral with a TP of INR770 (premised on 1.5x Mar'27E P/BV).**

Y/E March	Quarterly performance								INR m			
	FY24				FY25E				FY24	FY25	4Q FY25E	Act vs est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	8,181	8,652	8,948	9,117	9,242	9,553	9,803	9,829	34,899	38,426	9,911	-1
Interest Expenses	5,330	5,484	5,660	5,839	6,027	6,155	6,356	6,343	22,314	24,882	6,405	-1
Net Interest Income	2,851	3,168	3,288	3,278	3,214	3,398	3,447	3,485	12,585	13,544	3,506	-1
YoY Growth (%)	13.9	26.1	30.6	25.5	12.7	7.3	4.8	6.3	24.0	7.6	7.0	
Other income	60	58	71	159	70	74	58	168	348	370	98	72
Total Income	2,911	3,226	3,359	3,437	3,284	3,472	3,506	3,653	12,933	13,915	3,604	1
YoY Growth (%)	13.9	25.7	30.8	25.7	12.8	7.6	4.4	6.3	24.1	7.6	4.9	
Operating Expenses	435	524	494	720	488	594	593	707	2,173	2,382	669	6
YoY Growth (%)	7.4	29.5	12.7	39.3	12.3	13.3	20.0	-1.7	23.1	9.6	-7.0	
Operating Profits	2,476	2,702	2,865	2,717	2,796	2,878	2,913	2,946	10,760	11,532	2,935	0
YoY Growth (%)	15.2	25.0	34.6	22.5	12.9	6.5	1.7	8.4	24.3	7.2	8.0	
Provisions	137	722	308	18	245	137	221	154	1,185	758	69	123
Profit before Tax	2,339	1,980	2,557	2,700	2,551	2,741	2,691	2,792	9,575	10,775	2,866	-3
Tax Provisions	504	399	556	609	555	626	570	452	2,068	2,203	636	-29
Profit after tax	1,835	1,581	2,001	2,090	1,996	2,115	2,121	2,339	7,507	8,572	2,230	5
YoY Growth (%)	13.1	11.5	32.1	26.1	8.8	33.8	6.0	11.9	20.8	14.2	6.7	
Key Parameters (%)												
Yield on loans	10.2	10.5	10.6	10.6	10.5	10.6	10.6	10.4				
Cost of funds	7.3	7.3	7.3	7.4	7.5	7.4	7.6	7.1				
Spread	3.0	3.2	3.3	3.2	3.0	3.2	3.1	3.3				
NIM	3.6	3.8	3.9	3.80	3.6	3.8	3.7	3.70				
Credit cost	0.17	0.88	0.37	0.02	0.28	0.15	0.24	0.16				
Cost to Income Ratio (%)	14.9	16.2	14.7	20.9	14.9	17.1	16.9	19.4				
Tax Rate (%)	21.6	20.2	21.7	22.6	21.7	22.8	21.2	16.2				
Balance Sheet Parameters												
Loans (INR B)	325.1	333.6	340.5	350.0	355.6	365.9	371.6	382.2				
Growth (%)	18.0	15.7	13.1	10.9	9.4	9.7	9.1	9.2				
AUM mix (%)												
Home loans	89.1	89.1	89.1	88.9	88.9	88.5	88.3	87.8				
Non-housing loans	10.9	10.9	10.9	11.1	11.1	11.5	11.7	12.2				
Salaried customers	72.7	72.4	72.1	71.9	71.7	70.9	70.9	70.4				
Self-employed customers	27.2	27.5	27.8	28.0	28.3	29.1	29.0	29.5				
Disbursements (INR B)	19.7	20.2	18.8	23.1	18.5	23.8	18.8	24.6				
Change YoY (%)	14.2	-10.1	-23.1	-8.8	-5.7	17.9	0.0	6.1				
Borrowing mix (%)												
Banks	54.0	57.0	60.0	59.0	56.0	60.0	60.0	52.0				
NHB	22.0	19.0	19.0	16.0	16.0	14.0	14.0	17.0				
Market borrowings	23.0	23.0	20.0	24.0	27.0	25.0	25.0	30.0				
Deposits	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0				
Asset Quality												
GNPL (INR m)	2,052	2,540	3,088	2,860	3,250	3,200	3,410	3,330				
NNPL (INR m)	1,096	1,420	1,674	1,470	1,740	1,720	1,870	1,740				
GNPL ratio %	0.63	0.76	0.91	0.82	0.91	0.88	0.92	0.87				
NNPL ratio %	0.34	0.43	0.49	0.42	0.49	0.47	0.50	0.46				
PCR %	46.6	44.1	45.8	48.6	47.0	46.0	45.2	47.7				
Return Ratios (%)												
ROA (Rep)	2.2	1.9	2.3	2.5	2.2	2.3	2.3	2.6				
ROE (Rep)	19.2	16.0	19.4	19.3	17.6	18.0	17.6	18.5				

E: MOFSL Estimates



Highlights from the management commentary

Guidance

- Guided for disbursement growth of ~20% and loan growth of ~15% in FY26. Disbursements have bottomed out in AP/Telangana and it is confident that even Telangana disbursements will grow in FY26.
- Management expects the GNPA to remain at ~0.9%
- Guided for spreads of 2.5%+ and NIM of 3.5%+
- Credit costs guidance of ~15bp in FY26 but suggested that it could be lower than that.
- Cost to Income ratio to remain in the range of ~17% in FY26 and it will increase to ~18% in FY27. IT transformation costs will kick in from Apr'26 and will impact opex only from FY27 onwards.

E-khata

- At the municipality level, there has been an improvement in Karnataka. BDA and Panchayat level e-Khata issuances are still not happening. The government has been working on resolving this issue and expects it to be normalized in 1-2 months.

Karnataka business

- Seen some improvement in the disbursement position in Karnataka (KAR) as the e-Khata issuances have slowly resumed
- KAR disbursements had dropped to INR1.5b/month in 3Q (v/s INR2.75b per month in 1H). CANF has started pushing for LAP business in KAR because of slow e-Khata issuances
- Karnataka disbursements which stood at INR4.5b-4.75b in 3Q, increased to ~INR7b in 4QFY25. CANF disbursed ~INR2b, INR2b, and INR3b in each of Jan'25, Feb'25, and Mar'25 in the State of Karnataka.

Asset quality and credit costs

- SMA0 went up in 3QFY25 because of a small change in regulations. Whatever advance was there has been adjusted towards the principal and which could not be carried. SMA0 has come down by an equivalent of INR7b-7.5b in this quarter.
- During 4Q, there was a write-back in ECL provisions of INR100m and another INR250m of management overlay has been created.
- Excluding the management overlay, the credit costs stood at ~13bp in FY25
- Management shared that it will continue to maintain a PCR of 45-49% on its Stage 3 loans

Management overlay

- Restructured provisions that it is carrying is a regulatory requirement. Whenever these restructured accounts are closed, these restructured provisions can be reversed.
- Management overlay is a prudent stance and there are no concerns that have increased the management overlay. The management acknowledged that there is no sense in keeping the management overlay and it is purely a buffer and a strengthening of the balance sheet.

- Further, given that there were tax provision reversals from prior years in the quarter, the management thought it prudent to build a management overlay rather than report higher profits.
- Management overlay was also taken to effectively increase the PCR on the Stage 3 loans.

Liabilities

- CP was raised at 7.3%-7.4% and which has now declined to ~6.6-6.7%
- 55% of the liability mix is in bank borrowings which are linked to Repo and which will see a benefit from the decline in interest rates.
- It expects the Repo rate cut in Feb'24 to translate into ~10bp decline in the cost of borrowings and at the next ALCO meeting it would look to pass it on to the customers.
- The benefit of the April Repo rate will accrue to CANF's cost of borrowings only towards the end of Jun'25
- NCDs in the liability mix will increase to ~25%
- NHB is planning to raise more funds from the market and lend to the HFCs. NHB is looking to raise money on the back of mortgage-backed securities (debenture issuance) and it will be an additional source of funding for the HFCs.
- Total borrowings stood at INR352.89b (borrowings went up by INR34b in FY25)

Competitive landscape

- So far, CANF has not seen the incremental lending rates being changed by the HFCs or the private banks. Only a few private banks have reduced the home loan rates on new home loans.

Lower effective tax rate

- In October 2023, CANF started taking the benefit of Section 36 (1) (8). When it changed the calculation methodology in October 2023, there was a INR190m additional tax which was provided for in 1HFY24, which has now been reversed.
- Going forward, the effective tax rate would be ~21%

Product and customer mix

- Continue with shifting towards SENP and North/Western regions
- Housing (incl. CRE) has declined to 85% and in the next few years it would look to take it down to 80%
- 70% Salaried and 30% Self-employed and it would target to change the mix to 65%:35%

Branches

- The total branch count stood at 234 and the new branches opened in FY25 have also been able to contribute to the disbursements.
- Plans to add another 15 branches in FY26 - Predominantly in North/West and expects to end FY26 at 249 branches.

Restructured pool

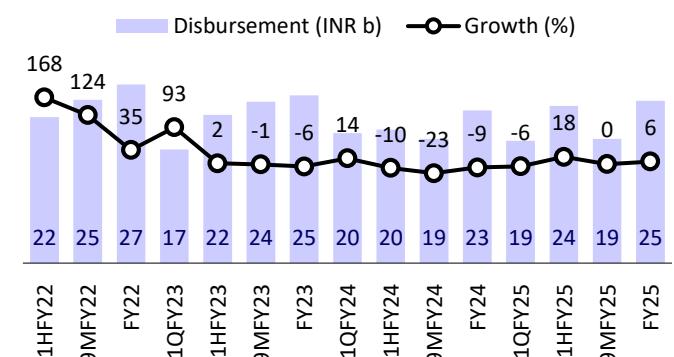
- The restructured pool has declined from INR7.2b to INR4.8b as of Mar'25. NPA in this pool has also declined from a peak of ~18% to ~17% now.
- Peaked out in terms of the delinquencies in AP as well

Others

- Increasing the number of staff in some of the branches where the SMA numbers are a little high. Initiating and following up with customers. Follow-up and collection processes have been improved.
- Started a marketing team with 30-35 people which contributed disbursements of ~INR1b in 4Q (v/s ~INR600m in 3Q). Endeavor will be to reduce the proportion of DSA in the sourcing mix.
- Tech Transformation is expected in 3Q (trying to work towards minimizing the impact of the tech transition)
- There could be some lagged impact on BT-OUT but CANF has not experienced this in Mar'25.
- The dividend payout ratio was healthy at ~19% in FY25. Going forward, it expects the dividend payout ratio to be in the range of 18-20%
- CANF did ~INR4b of additional investments for LCR purposes. LCR requirement has increased from ~70% to ~80%, effective from this Fiscal year.

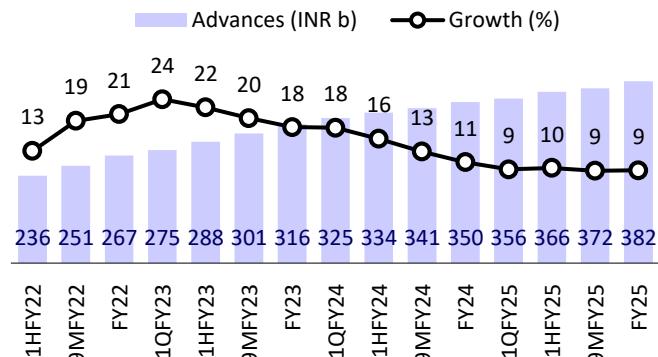
Key exhibits

Exhibit 1: Disbursements grew ~6% YoY



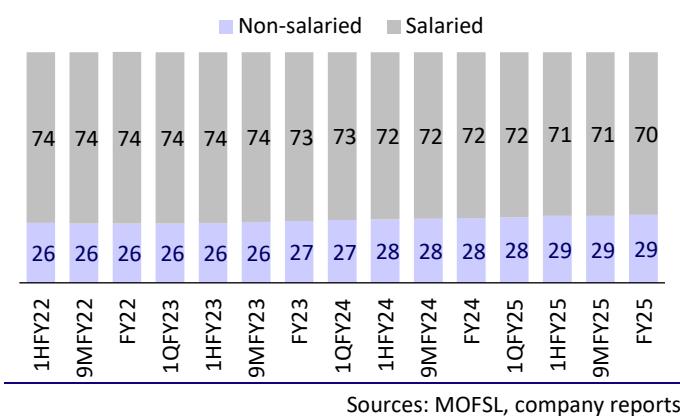
Sources: MOFSL, Company reports

Exhibit 2: Advances grew 9% YoY



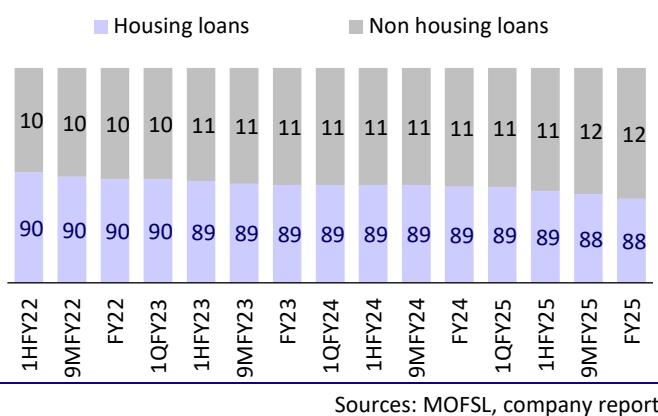
Sources: MOFSL, Company reports

Exhibit 3: Share of salaried customers declined to ~70%



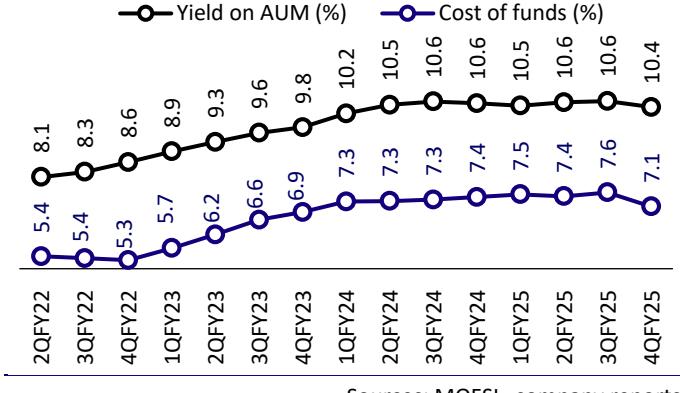
Sources: MOFSL, company reports

Exhibit 4: Share of housing loans stood at ~88%



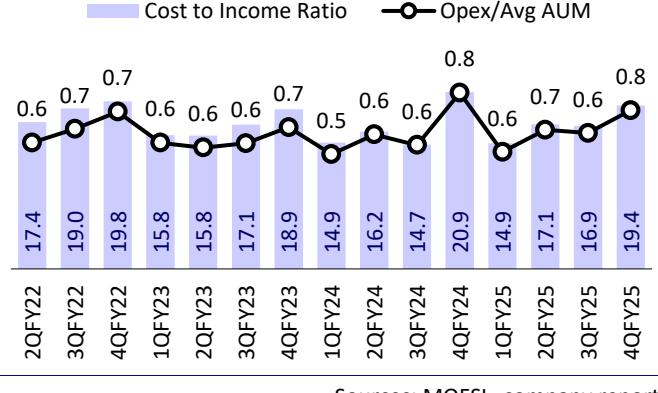
Sources: MOFSL, company reports

Exhibit 5: Calculated spreads rose ~25bp QoQ (%)



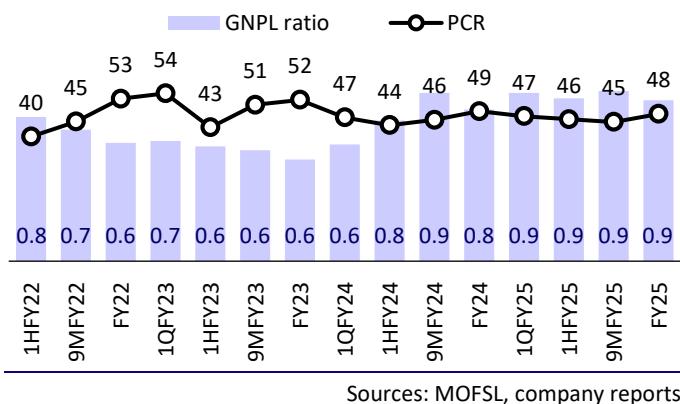
Sources: MOFSL, company reports

Exhibit 6: C/I ratio rose ~245bp QoQ to ~19.4%



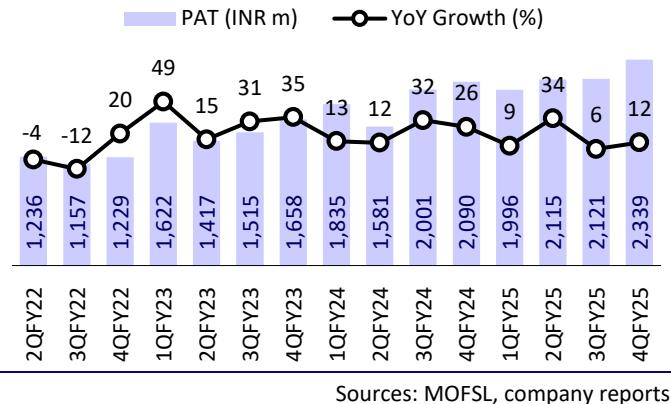
Sources: MOFSL, company reports

Exhibit 7: GNPA declined ~5bp QoQ (%)



Sources: MOFSL, company reports

Exhibit 8: PAT grew ~12% YoY to INR2.3b



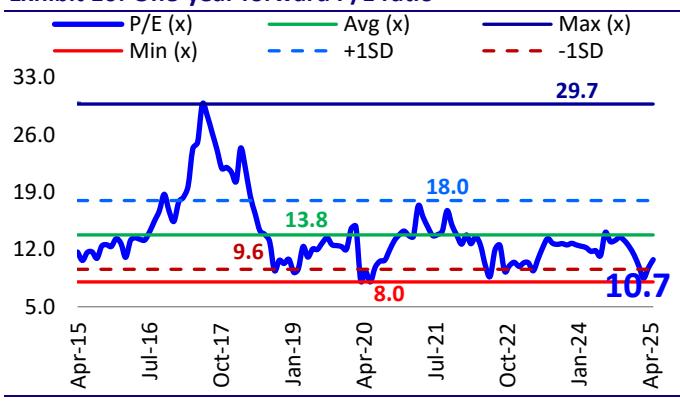
Sources: MOFSL, company reports

Exhibit 9: We raise our FY26/FY27 EPS estimates by ~3%/2% to factor in lower opex ratios and credit costs

INR b	Old Est.		New Est.		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
NII	14.7	16.8	14.7	16.8	0.3	0.3
Other Income	0.3	0.4	0.4	0.5	23.4	23.5
Total Income	15.0	17.2	15.2	17.3	0.8	0.8
Operating Expenses	2.8	3.2	2.6	3.1	-5.0	-1.4
Operating Profits	12.3	14.0	12.5	14.2	2.1	1.3
Provisions	0.7	0.7	0.6	0.7	-5.7	-0.3
PBT	11.6	13.3	11.9	13.5	2.5	1.4
Tax	2.5	2.9	2.6	2.9	1.6	0.5
PAT	9.1	10.5	9.4	10.6	2.8	1.7
AUM	429	491	427	485	-0.4	-1.4
Borrowings	386	440	384	434	-0.4	-1.4
NIM (%)	3.7	3.7	3.7	3.7		
ROA (%)	2.1	2.2	2.2	2.2		
RoE (%)	16.5	16.3	17.2	17.0		

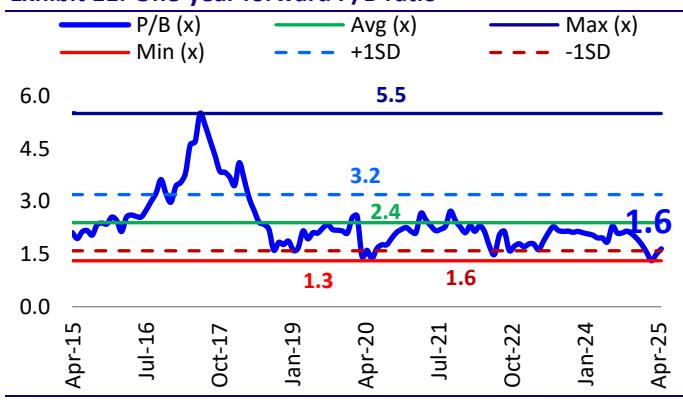
Sources: MOFSL, company reports

Exhibit 10: One-year forward P/E ratio



Sources: MOFSL, company reports

Exhibit 11: One-year forward P/B ratio



Sources: MOFSL, company reports

Financials and Valuation

Income statement									INR m
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	17,134	20,189	20,064	19,697	27,154	34,899	38,426	41,369	46,080
Interest Expended	11,693	13,442	12,083	11,535	17,009	22,314	24,882	26,626	29,253
Net Interest Income	5,441	6,747	7,980	8,162	10,146	12,585	13,544	14,743	16,827
Change (%)	6.8	24.0	18.3	2.3	24.3	24.0	7.6	8.9	14.1
Other Income	179	115	121	188	277	348	370	424	485
Net Income	5,621	6,862	8,101	8,350	10,423	12,933	13,915	15,167	17,312
Change (%)	3.9	22.1	18.0	3.1	24.8	24.1	7.6	9.0	14.1
Operating Expenses	915	1,076	1,240	1,530	1,765	2,173	2,382	2,621	3,113
Operating Income	4,706	5,786	6,861	6,820	8,658	10,760	11,532	12,546	14,199
Change (%)	3.8	23.0	18.6	-0.6	26.9	24.3	7.2	8.8	13.2
Provisions/write offs	11	603	685	469	418	1,185	758	624	666
PBT	4,695	5,183	6,176	6,351	8,240	9,575	10,775	11,922	13,533
Tax	1,728	1,422	1,615	1,640	2,028	2,068	2,203	2,551	2,896
Tax Rate (%)	36.8	27.4	26.2	25.8	24.6	21.6	20.4	21.4	21.4
Reported PAT	2,967	3,761	4,561	4,711	6,212	7,507	8,572	9,371	10,637
Change (%)	4	27	21	3	32	21	14	9	14
Proposed Dividend (incl. tax)	321	321	266	399	466	799	1,598	1,731	1,864

Balance sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Capital	266	266	266	266	266	266	266	266	266
Reserves & Surplus	17,556	21,234	25,832	30,400	36,206	43,172	50,409	58,048	66,821
Net Worth	17,822	21,501	26,098	30,666	36,473	43,439	50,675	58,315	67,087
Borrowings	1,67,974	1,87,484	1,92,929	2,46,477	2,90,681	3,18,629	3,50,512	3,83,998	4,34,258
Change (%)	20.7	11.6	2.9	27.8	17.9	9.6	10.0	9.6	13.1
Other liabilities	1,500	1,451	1,710	2,300	3,551	8,069	8,486	10,183	12,220
Total Liabilities	1,87,295	2,10,436	2,20,737	2,79,443	3,30,705	3,70,137	4,09,673	4,52,496	5,13,565
Loans	1,82,342	2,05,257	2,18,915	2,63,781	3,11,933	3,45,531	3,76,964	4,22,440	4,79,313
Change (%)	16.6	12.6	6.7	20.5	18.3	10.8	9.1	12.1	13.5
Investments	163	243	496	11,260	14,590	14,590	23,740	27,301	31,396
Change (%)	1.9	49.1	104.1	2,169.9	29.6	0.0	62.7	15.0	15.0
Net Fixed Assets	99	379	378	346	454	526	503	482	461
Other assets	4,692	4,557	948	4,057	3,727	9,489	8,466	2,273	2,395
Total Assets	1,87,295	2,10,436	2,20,737	2,79,443	3,30,705	3,70,137	4,09,673	4,52,496	5,13,565

E: MOFSL Estimates

Financials and Valuation

Ratios									
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Yield on loans	10.1	10.4	9.44	8.14	9.4	10.6	10.6	10.4	10.2
Cost of funds	7.6	7.6	6.35	5.25	6.3	7.3	7.4	7.3	7.2
Spread	2.5	2.8	3.1	2.9	3.1	3.3	3.2	3.1	3.1
Net Interest Margin	3.2	3.5	3.8	3.4	3.5	3.8	3.7	3.7	3.7
Profitability Ratios (%)									
RoE	18.2	19.1	19.2	16.6	18.5	18.8	18.2	17.2	17.0
RoA	1.7	1.9	2.1	1.9	2.0	2.1	2.2	2.2	2.2
C/I ratio	16.3	15.7	15.3	18.3	16.9	16.8	17.1	17.3	18.0
Asset Quality (%)									
Gross NPAs	1,135	1,571	2,019	1,706	1,738	2,860	3,330	3,818	4,244
Gross NPAs to Adv.	0.6	0.8	0.9	0.6	0.6	0.8	0.9	0.9	0.9
Net NPAs	795	1,118	1,343	807	829	1,468	1,740	1,986	2,164
Net NPAs to Adv.	0.4	0.5	0.6	0.3	0.3	0.4	0.5	0.5	0.5
PCR	30.0	28.8	33.5	52.7	52.3	48.7	47.7	48.0	49.0
VALUATION									
Book Value (INR)	134	161	196	230	274	326	381	438	504
Price-BV (x)	5.3	4.4	3.6	3.1	2.6	2.2	1.9	1.6	1.4
EPS (INR)	22.3	28.2	34.2	35.4	46.7	56.4	64.4	70.4	79.9
EPS Growth YoY	3.7	26.8	21.3	3.3	31.9	20.8	14.2	9.3	13.5
Price-Earnings (x)	31.8	25.1	20.7	20.0	15.2	12.6	11.0	10.1	8.9
Dividend per share (INR)	2.0	2.0	2.0	3.0	3.5	6.0	12.0	13.0	14.0
Dividend yield (%)	0.3	0.3	0.3	0.4	0.5	0.8	1.7	1.8	2.0

E: MOFSL Estimates

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UNDER REVIEW	Rating may undergo a change
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