

Can Fin Homes

Estimate changes	
TP change	
Rating change	
Bloomberg	CANF IN
Equity Shares (m)	133
M.Cap.(INRb)/(USDb)	108.3 / 1.3
52-Week Range (INR)	952 / 559
1, 6, 12 Rel. Per (%)	6/9/-7
12M Avg Val (INR M)	469

Financials Snapshot (INR b)			
Y/E March	FY25	FY26E	FY27E
NII	13.5	15.1	16.6
PPP	11.5	12.7	13.8
PAT	8.6	9.5	10.3
EPS (INR)	64.4	71.1	77.5
EPS Gr (%)	14	10	9
BVPS (INR)	381	439	502
Ratios (%)			
NIM	3.75	3.77	3.68
C/I ratio	17.1	18.1	19.2
RoAA	2.2	2.2	2.1
RoE	18.2	17.4	16.5
Payout	18.6	18.3	18.1
Valuation			
P/E (x)	12.7	11.5	10.5
P/BV (x)	2.1	1.9	1.6
Div. Yield (%)	1.5	1.6	1.7

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: INR813

TP: INR900 (+11%)

Neutral

Execution on loan growth remains a key monitorable

NIM expansion aided by transitory lag in pass-through to customers

- Can Fin Homes' (CANF) PAT for 1QFY26 grew ~12% YoY to ~INR2.24b (in line). NII grew 13% YoY to ~INR3.6b (in line). Fees and other income stood at ~INR93m (PY: INR70m) for the quarter.
- Opex rose ~40% YoY to INR682m (~15% higher than MOFSLe). The cost-to-income ratio stood at ~18.3% (PY: 14.9%). The increase in the cost-to-income ratio on a YoY basis was due to salary revisions to align with market compensation and an increase in rent and taxes for 32 additional offices (25 branches, 6 zonal offices, and an extension of the Head Office).
- PPoP grew ~9% YoY to INR3.04b. The effective tax rate for the quarter was ~19.4% (PQ: 16% and PY: ~22%). CANF's RoA/RoE for 1QFY26 stood at ~2.2%/~17%.
- CANF guided for disbursements of INR25b for 2QFY26 and INR105b in FY26. While overall growth momentum is picking up, regional challenges persist. In Karnataka, disbursements remained flat in 1QFY26 due to ongoing issues with E-Khata, which affected both loan growth and resolutions under SARFAESI. In Telangana, disbursement trends remained weak; however, early signs of improvement are visible following the State government's withdrawal of property demolition threats under Project Hydra.
- CANF guided for a minor increase in spreads going forward (in the near-term), as PLR benefits are being passed on to customers with a lag (since ~67% customers are still on an annual reset as of Jun'25).
- We estimate an advances/PAT CAGR of ~13%/10% over FY25-28, with an RoA/RoE of ~2.1%/~16.5% 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 1.6x 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 INR900 (premised on 1.8x Mar'27E P/BV).**

Disbursement up ~9% YoY, driving similar YoY growth in advances

- CANF's 1QFY26 disbursements grew ~9% YoY to INR20.2b.
- Advances grew ~9% YoY and ~1.5% QoQ to ~INR388b. The annualized run-off in advances stood at ~15.3% (PQ: 15.0% and PY: ~14.8%), suggesting a mild rise in BT-OUTs.

Reported NIM expands ~7bp QoQ; bank borrowings rise QoQ

- NIM (reported) expanded ~7bp YoY to ~3.64. Management continued to guide for spreads of 2.5% and NIMs of 3.5% in FY26. We model largely stable NIMs of ~3.75%/3.7% in FY26-FY27.
- Reported spreads rose ~7bp QoQ, mainly due to ~10bp QoQ dip in CoB to 7.47%.
- Bank borrowings rose to 53% of the total borrowings (PQ: 52%).

Seasonal deterioration in asset quality; GS3 rises ~10bp QoQ

- Asset quality exhibited minor seasonal deterioration, with GS3 increasing ~10bp QoQ to ~0.98% and NS3 rising ~8bp QoQ to ~0.54%. PCR on stage 3 loans declined ~280bp QoQ to ~45.2%.
- Credit costs stood at INR263m (vs. MOFSLe of INR240m), resulting in annualized credit costs of ~27bp (PQ: ~16bp and PY: ~28bp).
- CANF conservatively guided for credit costs of ~15bp in FY26. We model credit costs of ~15bp each for FY26/FY27.

Highlights from the management commentary

- The company indicated that a 10bp rate cut was passed on to both existing and new customers in May'25, followed by an additional 15bp reduction in lending rates effective Jul'25.
- Management guided for a cost-to-income ratio of ~18% in FY26, factoring in the anticipated increase in employee expenses. This is expected to rise to ~19% in FY27, driven by IT transformation-related costs.
- Total delinquencies declined from March levels, marking the lowest delinquency ratio in the last five quarters. However, a marginal rise in GNPA was observed, driven by seasonal weakness in the first quarter of the fiscal year.

Valuation and view

- CANF reported in-line earnings; however, loan growth remained subdued, with advances growing only 9% YoY. The company saw a seasonal deterioration in asset quality, resulting in sequentially elevated credit costs. Furthermore, the company expressed confidence in sustaining margins at current levels, which we view as a key positive, especially in the backdrop of a declining interest rate environment.
- 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 to deliver on its guided loan growth. We estimate a CAGR of 11%/9%/10% in NII/PPOP/PAT over FY25-27, with an RoA of 2.1% and RoE of ~16.5% in FY27. **Reiterate Neutral with a TP of INR900 (premised on 1.8x Mar'27E P/BV).**

Quarterly performance

Y/E March									INR m			
	FY25				FY26E				FY25	FY26E	1Q FY26E	Act vs est. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Interest Income	9,242	9,553	9,803	9,829	10,111	10,232	10,406	10,660	38,426	41,408	9,951	2
Interest Expenses	6,027	6,155	6,356	6,343	6,483	6,509	6,607	6,757	24,882	26,356	6,439	1
Net Interest Income	3,214	3,398	3,447	3,485	3,628	3,723	3,799	3,902	13,544	15,052	3,513	3
YoY Growth (%)	12.7	7.3	4.8	6.3	12.9	9.6	10.2	12.0	7.6	11.1	9.3	
Other income	70	74	58	168	93	90	82	160	370	425	77	22
Total Income	3,284	3,472	3,506	3,653	3,721	3,813	3,881	4,063	13,915	15,477	3,590	4
YoY Growth (%)	12.8	7.6	4.4	6.3	13.3	9.8	10.7	11.2	7.6	11.2	9.3	
Operating Expenses	488	594	593	707	682	663	702	762	2,382	2,809	595	15
YoY Growth (%)	12.3	13.3	20.0	-1.7	39.7	11.7	18.3	7.7	9.6	17.9	21.9	
Operating Profits	2,796	2,878	2,913	2,946	3,039	3,149	3,179	3,301	11,532	12,668	2,995	1
YoY Growth (%)	12.9	6.5	1.7	8.4	8.7	9.4	9.2	12.1	7.2	9.9	7.1	
Provisions	245	137	221	154	263	160	125	71	758	619	240	9
Profit before Tax	2,551	2,741	2,691	2,792	2,776	2,989	3,054	3,230	10,775	12,050	2,755	1
Tax Provisions	555	626	570	452	538	640	660	742	2,203	2,579	592	-9
Profit after tax	1,996	2,115	2,121	2,339	2,239	2,350	2,394	2,488	8,572	9,471	2,162	4
YoY Growth (%)	8.8	33.8	6.0	11.9	12.1	11.1	12.9	6.4	14.2	10.5	8.3	
Key Parameters (%)												
Yield on loans	10.5	10.6	10.6	10.4	10.5							
Cost of funds	7.5	7.4	7.6	7.4	7.3							
Spread	3.0	3.2	3.1	3.05	3.18							
NIM	3.64	3.8	3.7	3.70	3.77							
Credit cost	0.28	0.15	0.24	0.16	0.27							
Cost to Income Ratio (%)	14.9	17.1	16.9	19.4	18.3							
Tax Rate (%)	21.7	22.8	21.2	16.2	19.4							
Balance Sheet Parameters												
Loans (INR B)	355.6	365.9	371.6	382.2	387.7							
Growth (%)	9.4	9.7	9.1	9.2	9.0							
AUM mix (%)												
Home loans	88.9	88.5	88.3	87.8	87.5							
Non-housing loans	11.1	11.5	11.7	12.2	12.5							
Salaried customers	71.7	70.9	70.9	70.4	70.3							
Self-employed customers	28.3	29.1	29.0	29.5	29.6							
Disbursements (INR B)	18.5	23.8	18.8	24.6	20.2							
Change YoY (%)	-5.7	17.9	0.0	6.1	8.7							
Borrowing mix (%)												
Banks	56.0	60.0	60.0	52.0	53.0							
NHB	16.0	14.0	14.0	17.0	17.0							
Market borrowings	27.0	25.0	25.0	30.0	29.0							
Deposits	1.0	1.0	1.0	1.0	1.0							
Asset Quality												
GNPL (INR m)	3,250	3,200	3,410	3,330	3,780							
NNPL (INR m)	1,740	1,720	1,870	1,740	2,080							
GNPL ratio %	0.91	0.88	0.92	0.87	0.98							
NNPL ratio %	0.49	0.47	0.50	0.46	0.54							
PCR %	47.0	46.0	45.2	47.7	45.0							
Return Ratios (%)												
ROA (Rep)	2.2	2.3	2.3	2.6	2.2							
ROE (Rep)	17.6	18.0	17.6	18.5	17.4							

E: MOFSL Estimates



Highlights from the management commentary

Guidance

- CANF expects ~INR25b+ disbursements in 2QFY26 and INR105b in FY26.
- It has guided for cost-income-ratio of 18% in FY26 and 19% in FY27.
- Credit costs guidance for FY26 is ~15bp.
- It has guided for spreads and NIM of 2.5% and 3.5%, respectively.
- CANF plans to open 15 branches in FY26 and targets to reach 300 branches by FY28.
- It has guided for an RoA of 2.2% and RoE of 17% for FY26.
- The company aims to increase its non-housing share to 20% by FY28 (from 11% in FY23).
- The company is front-ending its branch expansions, with all 15 new branches expected to be operational by Sep'25.

Management changes

- Abhishek Mishra has been appointed as the new CFO of the company. He joined the company in Jun'25.

Disbursements trends and regional performance

- Overall disbursements exceeded INR20b in 1QFY26, up 9% YoY. Disbursements in April were below INR5b. However, June saw a sharp pick-up to INR8b.
- Zone-wise performance:
- North India delivered robust growth of 40% YoY; West delivered disbursements growth of 15% YoY.
- Tamil Nadu continued the strong momentum with 35% YoY growth.
- Eastern zone turned positive after prior weakness, with 35% YoY growth.
- Disbursements in Karnataka remained flat with INR2b monthly disbursements impacted by E-Khata and Panchayat-level challenges. However, the government has indicated some resolution in July.
- While inquiry levels remain healthy in Karnataka, limited conversions due to legal/registry issues are resulting in lower disbursements.
- SARFAESI proceedings were initiated in many cases but execution was stalled due to the unresolved E-Khata status.
- Disbursements in Telangana remained weak with no turnaround yet. However, early signs of improvement are visible post-state government's withdrawal of demolition threats under Project Hydra. Macro-level assessment and team-level changes have been implemented to revive growth.
- BT-OUTs have inched up. There is a definite increase in the number of customers opting for a rate cut.

Asset quality & delinquency trends

- There was reduction in total delinquency compared to March figures. Delinquency ratio is now at its lowest level since the past five quarters. However, GNPA rose slightly, attributed to the seasonal factors of 1Q.
- Delinquency trends were stable across all six operating zones.
- Telangana is expected to show improvement going forward, supported by improving sentiment and macro conditions.

- Management expects further improvement in delinquency metrics in 2Q. Credit costs for FY26 are expected to remain below 15bp.
- The company has significantly ramped up the sales team's strength from 39 employees to 100 as of July 1st. This is expected to support business growth and reduce dependence on DSAs.

Liabilities

- Within its bank borrowings, ~20% are linked to repo and ~80% are linked to T-bills.
- The company expects rate cut benefits of 50bp on its INR25-30b term loan portfolio, which will further reduce its cost of borrowings.
- Cost of borrowings declined from 7.55% to 7.3% in 1QFY26, aided by repo rate reductions.
- Incremental borrowings are currently at ~7.2-7.24%, with bank borrowings at ~7.25% or lower, while CPs are coming at slightly below 6%
- NCD amounting to INR7.5b matured in 1Q, though the overall impact was minimal.
- The company has passed on a 10bp rate cut in May to both existing and new customers. It has also announced a further 15bp cut in lending yields from July onwards.
- Except LICHF and CANF, which have passed on ~25bp to customers, other HFCs/NBFCs have not passed on similar rate cuts to customers.
- The regulator has not announced any rate cuts on NHB borrowings yet. Hence, no benefits have been realized. Once implemented, such rate cuts are expected to further reduce borrowing costs.
- As of Jun'25, around 67% of the total portfolio remained on annual reset, with the balance on a quarterly reset. ~99% of assets remained on floating rates, while only 1.3% were on fixed rates.
- CANF has guided for a minor increase in spreads going forward (in the near-term), as PLR benefits are being passed to customers with a lag (since many of them are still on an annual reset).
- More than 80% of customers have a CIBIL score of more than 700, and 9% of total customers are NTC.

Cost-to-income ratio

- The increase in the cost-to-income ratio on a YoY basis was due to salary revisions to align with market compensation and an increase in rent and taxes for 32 additional offices (25 branches, 6 zonal offices, and an extension of the Head Office).
- There was an INR45m impact from the actuarial calculation of employee expenses.
- The company expects the cost-to-income ratio to stabilize at ~18% in FY26 and 19% from FY27 due to IT transformation-related costs.
- Further, costs increased due to higher rent, taxes, CSR provisioning (~INR190m), and branch investments, with 29 new branches added over the past two years and additional corporate office space taken up in June.

Others

- The company remains focused on reducing DSA dependence, with DSA sourcing declining from 85% in FY23 to 79% as of Jun'25
- LAP yields start at 10.7%.
- CANF remains focused on increasing direct sourcing, supported by the expansion of its sales team.
- Strong inquiry flow from APF projects is expected to drive future conversions.
- The portfolio LTV stands at ~60%, based on the realizable value of the collateral.
- The number of monthly contracts was around 4k-4.5k, with a total of 48k-50k contracts for the entire year. Total contracts have remained flat and growth has been primarily from an increase in ticket size.

Tech & infrastructure enhancements

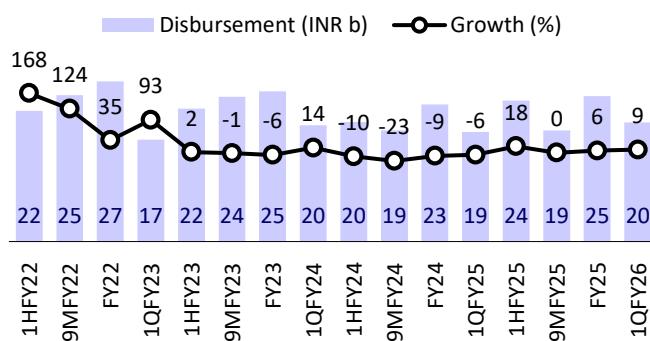
- ALM and related systems are expected to be transitioned by Sept-Oct 2025.
- Core LOS, LMS, DOS, and deposit modules are expected to be transformed by 3QFY26.

Policy & regulatory commentary

- PMAY 2.0 lacks the momentum of PMAY 1.0 due to tighter eligibility norms and fewer participating cities.
- Affordable housing supply under PMAY 2.0 remains limited, especially in key states (Gujarat, Maharashtra, Tamil Nadu, MP, Haryana).

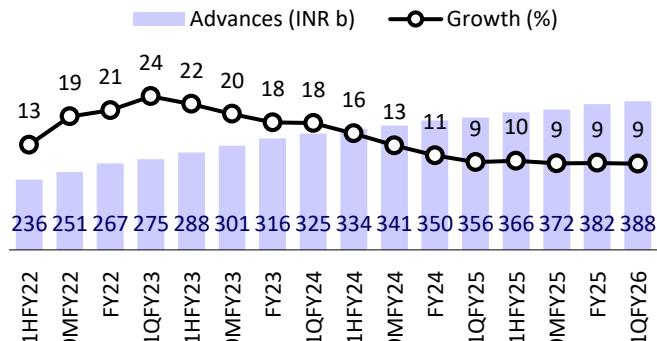
Key exhibits

Exhibit 1: Disbursements grew ~9% YoY



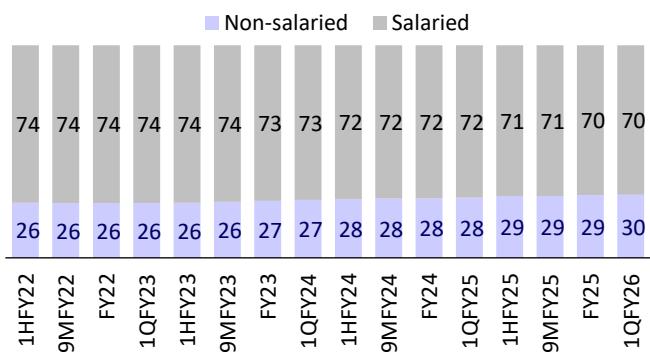
Sources: MOFSL, Company reports

Exhibit 2: Advances grew 9% YoY



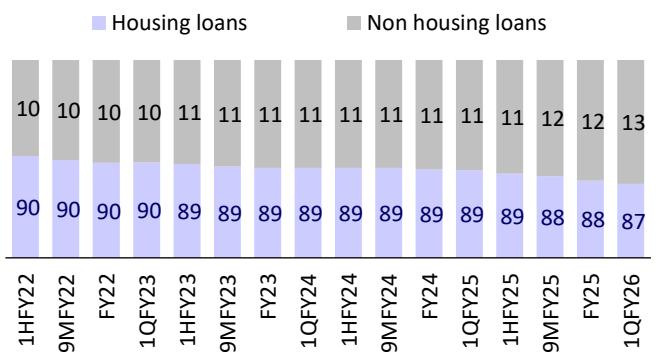
Sources: MOFSL, Company reports

Exhibit 3: Share of salaried customers was stable at ~70%



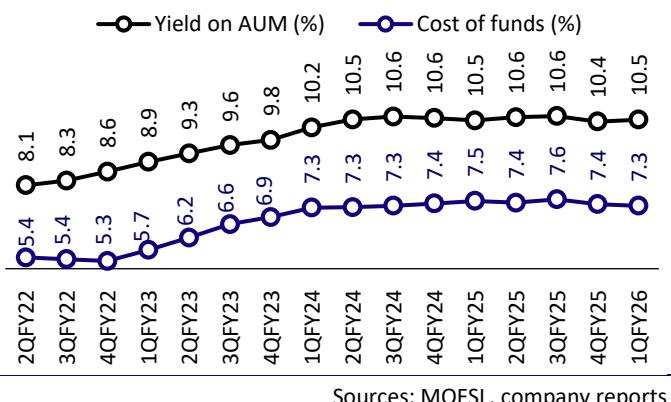
Sources: MOFSL, company reports

Exhibit 4: Share of housing loans stood at ~87%



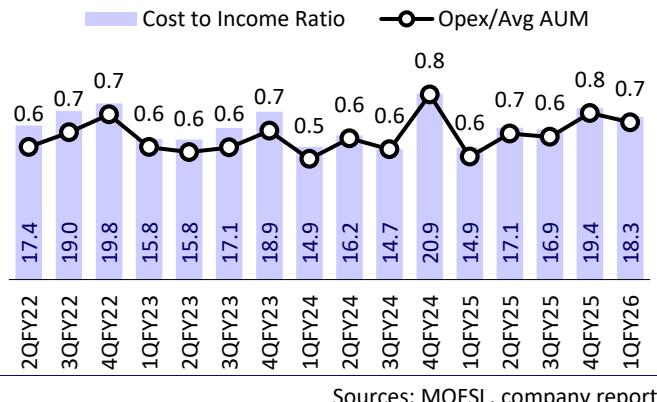
Sources: MOFSL, company reports

Exhibit 5: Calculated spreads rose ~10bp QoQ (%)



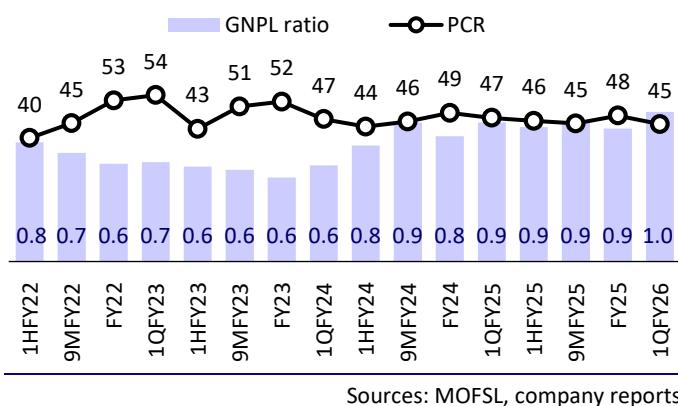
Sources: MOFSL, company reports

Exhibit 6: C/I ratio declined ~105bp QoQ to ~18.3%



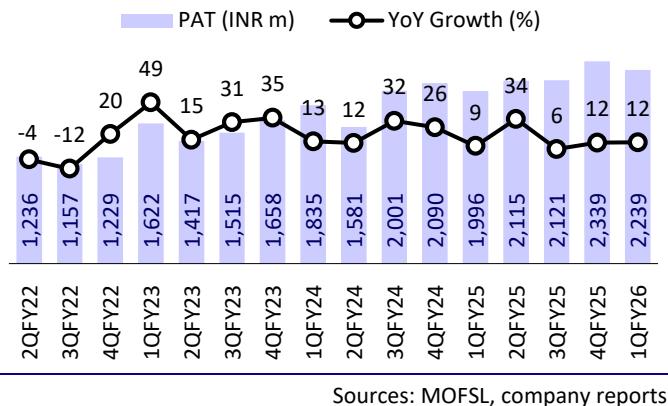
Sources: MOFSL, company reports

Exhibit 7: GNPA rose ~10bp QoQ (%)



Sources: MOFSL, company reports

Exhibit 8: PAT grew ~12% YoY to INR2.2b



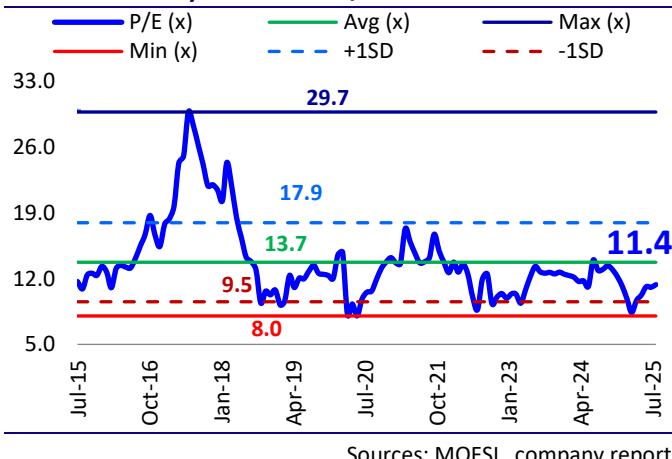
Sources: MOFSL, company reports

Exhibit 9: We slightly tweak our numbers, raising FY26 EPS by ~3% and cutting FY27 EPS estimates by ~2%.

INR b	Old Est.		New Est.		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
NII	14.6	16.7	15.1	16.6	3.4	-0.6
Other Income	0.4	0.5	0.4	0.5	0.0	0.0
Total Income	15.0	17.2	15.5	17.1	3.3	-0.6
Operating Expenses	2.7	3.2	2.8	3.3	5.4	3.7
Operating Profits	12.3	14.0	12.7	13.8	2.8	-1.6
Provisions	0.6	0.7	0.6	0.7	-0.3	2.0
PBT	11.7	13.4	12.0	13.1	3.0	-1.8
Tax	2.5	2.9	2.6	2.8	3.0	-1.8
PAT	9.2	10.5	9.5	10.3	3.0	-1.8
AUM	426	484	426	486	-0.1	0.4
Borrowings	391	443	391	445	-0.1	0.4
NIM (%)	3.6	3.7	3.8	3.7		
ROA (%)	2.1	2.1	2.2	2.1		
RoE (%)	16.9	16.8	17.4	16.5		

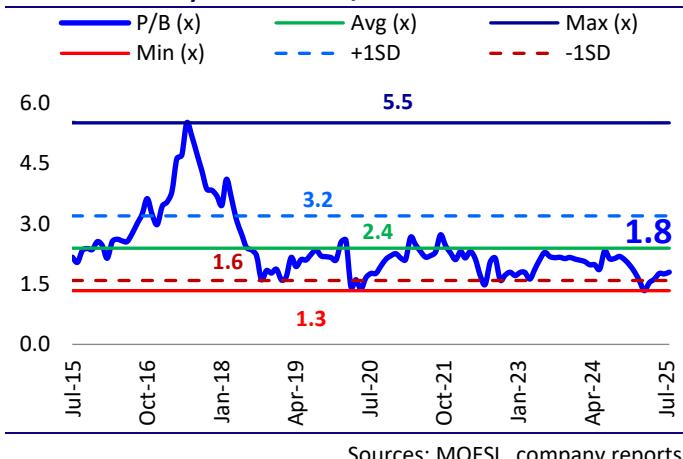
Sources: MOFSL, company reports

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	41,408	45,433
Interest Expended	11,693	13,442	12,083	11,535	17,009	22,314	24,882	26,356	28,825
Net Interest Income	5,441	6,747	7,980	8,162	10,146	12,585	13,544	15,052	16,608
Change (%)	6.8	24.0	18.3	2.3	24.3	24.0	7.6	11.1	10.3
Other Income	179	115	121	188	277	348	370	425	488
Net Income	5,621	6,862	8,101	8,350	10,423	12,933	13,915	15,477	17,096
Change (%)	3.9	22.1	18.0	3.1	24.8	24.1	7.6	11.2	10.5
Operating Expenses	915	1,076	1,240	1,530	1,765	2,173	2,382	2,809	3,282
Operating Income	4,706	5,786	6,861	6,820	8,658	10,760	11,532	12,668	13,814
Change (%)	3.8	23.0	18.6	-0.6	26.9	24.3	7.2	9.9	9.0
Provisions/write offs	11	603	685	469	418	1,185	758	619	679
PBT	4,695	5,183	6,176	6,351	8,240	9,575	10,775	12,050	13,135
Tax	1,728	1,422	1,615	1,640	2,028	2,068	2,203	2,579	2,811
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	9,471	10,324
Change (%)	4	27	21	3	32	21	14	10	9
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	58,148	66,608
Net Worth	17,822	21,501	26,098	30,666	36,473	43,439	50,675	58,415	66,874
Borrowings	1,67,974	1,87,484	1,92,929	2,46,477	2,90,681	3,18,629	3,50,512	3,90,874	4,44,642
Change (%)	20.7	11.6	2.9	27.8	17.9	9.6	10.0	11.5	13.8
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	4,59,472	5,23,736
Loans	1,82,342	2,05,257	2,18,915	2,63,781	3,11,933	3,45,531	3,76,964	4,21,654	4,80,694
Change (%)	16.6	12.6	6.7	20.5	18.3	10.8	9.1	11.9	14.0
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	10,035	11,185
Total Assets	1,87,295	2,10,436	2,20,737	2,79,443	3,30,705	3,70,137	4,09,673	4,59,472	5,23,736

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	10.1
Cost of funds	7.6	7.6	6.35	5.25	6.3	7.3	7.4	7.1	6.9
Spread	2.5	2.8	3.1	2.9	3.1	3.3	3.2	3.3	3.2
Net Interest Margin	3.2	3.5	3.8	3.4	3.5	3.8	3.75	3.77	3.68
Profitability Ratios (%)									
RoE	18.2	19.1	19.2	16.6	18.5	18.8	18.2	17.4	16.5
RoA	1.7	1.9	2.1	1.9	2.0	2.1	2.2	2.2	2.1
C/I ratio	16.3	15.7	15.3	18.3	16.9	16.8	17.1	18.1	19.2
Asset Quality (%)									
Gross NPAs	1,135	1,571	2,019	1,706	1,738	2,860	3,330	3,818	4,242
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	2,163
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	439	502
Price-BV (x)	6.1	5.1	4.2	3.5	3.0	2.5	2.1	1.9	1.6
EPS (INR)	22.3	28.2	34.2	35.4	46.7	56.4	64.4	71.1	77.5
EPS Growth YoY	3.7	26.8	21.3	3.3	31.9	20.8	14.2	10.5	9.0
Price-Earnings (x)	36.6	28.9	23.8	23.1	17.5	14.5	12.7	11.5	10.5
Dividend per share (INR)	2.0	2.0	2.0	3.0	3.5	6.0	12.0	13.0	14.0
Dividend yield (%)	0.2	0.2	0.2	0.4	0.4	0.7	1.5	1.6	1.7

E: MOFSL Estimates

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