

Can Fin Homes reported strong set of numbers – PAT came in at INR 204 cr, up by 43.4% yoy / 2.3% qoq. Q2FY24 PAT was on the lower end due to higher provisioning that quarter amounting to INR 72 cr. Key highlight for the results were strong disbursements growth (17.9% yoy) and new approvals growth (23.3% yoy) – wherein the run-rate of growth is near 10 quarter high levels. Outstanding loan book grew by 9.7% yoy / 2.9% qoq to INR 36591 cr – relative asset growth is better than last quarters. Spreads largely remained stable at 2.56% levels similar to Q1 levels as both advances yields and cost of funds also largely remained unchanged. Upgrade rating from HOLD to ACCUMULATE with revised TP of INR 1015, upside of 17% from current levels.

FY25 Outlook

- Loan likely to grow by 13-14% on the back of disbursements growth of INR 10500 cr. While in the medium term, loan growth is expected to be 15-17%
- Credit cost will be at 12 bps for FY25
- Spreads is expected to improve in FY26 from current 2.56% levels which will be driven by reduction in cost of funds.
- It plans to add 15-20 branches each year over the next 3-4 years taking total count to 300 by FY28 from current 186

Financial Summary

(Rs.bn)	FY22	FY23	FY24	FY25e	FY26e
NII (Rs)	816.2	1014.6	1258.5	1463.2	1736.3
PAT (Rs)	471.1	621.2	778.1	866.7	1031.7
EPS	35	47	58	65	77
ROE (%)	16.6	18.5	19.5	18.2	18.2
ROA (%)	1.9	2.0	2.2	2.2	2.2
P/E	24.5	18.6	14.8	13.3	11.2
P/ABV	3.9	3.2	2.8	2.3	2.0

Source: Company, Dalal & Broacha Research

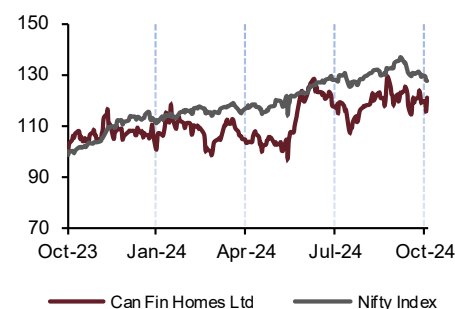
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	1,015	16

Market data

Current price	Rs	871
Market Cap (Rs.Bn)	(Rs Bn)	116
Market Cap (US\$ Mn)	(US\$ Mn)	1,380
Face Value	Rs	2
52 Weeks High/Low	Rs	951.75 / 680
Average Daily Volume	('000)	351
BSE Code		511196
Bloomberg		CANF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	30	30
Public	70	70
Total	100	100

Source: Bloomberg

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Valuations

Can Fin Homes is poised for healthy growth, projecting a 15.5% CAGR in PAT over the next two years. Key drivers include healthy loan growth and improved margins, alongside strategic branch expansion into non-South regions to tap into new markets. Additionally, ongoing IT upgrades will enhance customer experience, positioning the company well for future success. If these initiatives are executed effectively, Can Fin Homes could significantly strengthen its market position.

It is trading at 2.3x/2.0x FY25e/FY26e for ROA of 2.2%/ROE of 18%. We are upgrading our rating on the stock from HOLD to ACCUMULATE and revising our TP to INR 1015 (discounting FY26e ABV by 2.3x) – giving us upside of 17% from the current levels.

Key Financial Highlights

- Can Fin Homes posted good set of numbers for Q2FY25 - PAT came in at INR 204 cr, up by 43.4% yoy / 2.3% qoq. Q2FY24 PAT was lower due to higher provisions
- Key highlight for the results were disbursements (17.9% yoy) / new approvals (23.3% yoy) growth is picking up – which is near 10 quarter high levels
- NII / PPOP growth stood at 7.3 yoy / 3.9% yoy
- Outstanding loan book grew by 9.7% yoy / 2.9% qoq to INR 36591 cr – relative asset growth is better than last quarters
- Also, product-wise AUM suggests 78% of the loans are housing loans, 10% housing CRE, 5% LAP & mortgages, 2% Top ups and 5% others. Also, currently, nearly, 60% of branches and 72% of the loans
- Spreads largely remained stable at 2.56% levels similar to Q1 levels as both advances yields and cost of funds also largely remained unchanged qoq at 10.12% and 7.56% levels respectively. Incremental margins is also being supported by higher disbursements in the self-employed segment which draw 0.5% higher yield than salaried segment
- GNPA / NNPA in % terms were at 0.88% / 0.5% vs. 0.91% / 0.5% qoq. Provisions stood at INR 13.7 cr in Q2 vs. INR 24.5 cr in Q1FY25 and INR 72.4 cr in Q2FY24

Concall Highlights

- **Loan growth** during the quarter was better than previous quarters 9.7% yoy (2.9% qoq) due to higher disbursements and new approvals. In the previous quarters loan growth was impacted due to government change in Telangana and also discomfort among the builder segment due to demolition. However, if the situation normalises, it is likely to help the company to improve loan growth
- **Going forward, management expects loan growth of ~13-14% for the FY25 on the back of assumption of fresh disbursements of ~INR 10500 cr and repayments & pre-payments of INR 5000-5500 cr. In the medium term, the loan growth is expected improve further to 15-17% levels.**
- **Branch expansion plans** - It aims to open 15-20 branches in FY25 and similar trend will continue in the next 3-4 years time. Incremental branches are being opened in North & West region where it has presence already but planning to grow more deeper into these geographies. Current branch network of 186 is likely to increase to 300 by FY28 end.
- Currently, 60% of the branches are in South, 4% in Central, 5% in East, 14% in North and 16% in the West region.
- **Margins to improve in FY26 period** - Management expects margins which have stabilised at 2.56% levels is likely to improve in FY26 period as declining interest rate scenario will benefit them in reducing cost of funds. Currently, 45% of the loans are linked to repo rate, 35% to MCLR rate and balance are T-Bill & short term rate linked loans. Additionally, loans which used to get reset annually have moved to quarterly reset. Also, NHB drawdowns which is currently at 14% can increase further - it is likely draw ~INR 1500 cr from NHB (which is for FY24 period not availed so far).
- BT out rates are ~15% for the entire year; of this, 4-4.5% is BT out rate and balance is prepayments, repayments or part closures.
- Current mix of the loans between salaried / self-employed is 70:30 which the NBFC is comfortable to increase the share of self-employed and make it to 65:35 respectively
- For the full year FY25, credit cost is expected to be 12 bps and gross NPAs at 0.8%.

- IT transformation is under evaluations stage for the company. It is likely to award the project to which will take next 9-12 months time and expected cost of ~INR 700 cr (including capex + opex) translating into average run-rate of yearly cost of INR 100 cr and INR 25 cr per quarter. This is likely to result in escalated C/I ratio which is currently at ~16% to surge to ~18% in the near term.
- Also, during the quarter, spreads were impacted due to rise in cost of funds as NHB drawdowns for the quarter was nil. Cost of funds for the next coming quarters is likely to come down as expected CP repricing will be at 30-40 bps lower and it is likely draw ~INR 1500 cr from NHB (which is for FY24 period not availed so far)
- For current FY25 year, ROA is expected to be ~2.1% and ROE of ~17%.
- For the full year FY25, credit cost is expected to be 12 bps and gross NPAs at 0.8%. Elevated slippages of INR 39 cr seen in Q1 is likely to settle down in coming quarters.

Valuations

Can Fin Homes is poised for healthy growth, projecting a 15.5% CAGR in PAT over the next two years. Key drivers include strong loan growth and improved margins, alongside strategic branch expansion into non-South regions to tap into new markets. Additionally, ongoing IT upgrades will enhance customer experience, positioning the company well for future success. If these initiatives are executed effectively, Can Fin Homes could significantly strengthen its market position.

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Quarterly Financials (Q2FY25)

Particulars (INR cr)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Interest Earned	752.1	818.1	865.2	894.8	911.7	924.2	955.3
Interest Expended	490.8	533.0	548.4	566.0	583.9	602.7	615.5
NII	261.3	285.1	316.8	328.8	327.8	321.4	339.8
<i>growth (yoy %)</i>	<i>10.1</i>	<i>13.9</i>	<i>26.1</i>	<i>30.6</i>	<i>25.5</i>	<i>12.7</i>	<i>7.3</i>
Other Income	12.2	6.0	5.8	7.1	15.9	7.0	0.2
Net Income	273.5	291.1	322.6	335.9	343.7	328.4	340.0
Opex	51.7	43.5	52.4	49.4	72.0	48.8	59.4
PPOP	221.8	247.6	270.2	286.5	271.8	279.6	280.6
<i>growth (yoy %)</i>	<i>14.0</i>	<i>15.2</i>	<i>25.0</i>	<i>34.6</i>	<i>22.5</i>	<i>12.9</i>	<i>3.9</i>
Provisions	23.8	13.7	72.2	30.8	1.8	24.5	13.7
PBT	198.0	233.9	198.0	255.7	270.0	255.1	266.9
Tax	32.2	50.4	55.6	55.6	60.9	55.5	62.6
PAT	165.8	183.5	142.5	200.2	209.1	199.7	204.3
<i>growth (yoy %)</i>	<i>34.9</i>	<i>13.1</i>	<i>0.5</i>	<i>32.1</i>	<i>26.1</i>	<i>8.8</i>	<i>43.4</i>
<i>growth (qoq %)</i>	<i>9.4</i>	<i>10.6</i>	<i>-22.3</i>	<i>40.5</i>	<i>4.4</i>	<i>-4.5</i>	<i>2.3</i>
Balance sheet (INR Cr)							
	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
New Approvals	2769	2071	2123	2053	2586	1969	2617
<i>growth (yoy %)</i>	<i>-8.3</i>	<i>18.3</i>	<i>-9.6</i>	<i>-20.6</i>	<i>-6.6</i>	<i>-4.9</i>	<i>23.3</i>
<i>growth (qoq %)</i>	<i>7.1</i>	<i>-25.2</i>	<i>2.5</i>	<i>-3.3</i>	<i>26.0</i>	<i>-23.9</i>	<i>32.9</i>
Disbursements	2538	1966	2019	1879	2314	1853	2381
<i>growth (yoy %)</i>	<i>-6.2</i>	<i>14.2</i>	<i>-10.1</i>	<i>-23.1</i>	<i>-8.8</i>	<i>-5.7</i>	<i>17.9</i>
<i>growth (qoq %)</i>	<i>3.8</i>	<i>-22.5</i>	<i>2.7</i>	<i>-6.9</i>	<i>23.1</i>	<i>-19.9</i>	<i>28.5</i>
Outstanding loan book	31563	32505	33359	34053	34999	35557	36591
<i>growth (yoy %)</i>	<i>18.2</i>	<i>18.0</i>	<i>15.7</i>	<i>13.1</i>	<i>10.9</i>	<i>9.4</i>	<i>9.7</i>
<i>growth (qoq %)</i>	<i>4.8</i>	<i>3.0</i>	<i>2.6</i>	<i>2.1</i>	<i>2.8</i>	<i>1.6</i>	<i>2.9</i>
Key Ratios (%)							
	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Gross NPAs (Rs)	174	205	254	309	286	325	320
Net NPAs (Rs)	83	110	142	167	147	174	172
GNPA (%)	0.6	0.63	0.76	0.91	0.82	0.91	0.88
NNPA (%)	0.3	0.34	0.43	0.49	0.42	0.49	0.47
PCR (%)	62.1	53.4	56.0	54.2	51.4	46.2	46.6
C/I Ratio (%)	18.9	14.9	16.2	14.7	20.9	14.9	17.5
ROA (%) (Reported)	2.3	2.2	1.8	2.3	2.5	2.2	2.3
ROE (%) (Reported)	17.0	19.2	16.0	19.4	19.3	17.6	18.0
EPS (Rs)	12.5	13.8	11.9	15.0	15.7	15.0	15.9
NIM (%) (Reported)	3.37	3.48	3.62	3.69	3.73	3.57	3.75
Yield (%) (Reported)	9.87	9.84	10.07	9.91	10.07	10.12	10.1
Cost (%) (Reported)	7.51	7.32	7.32	7.35	7.52	7.58	7.6
Spread (%) (Reported)	2.36	2.52	2.60	2.66	2.67	2.54	2.6
Avg. Business Per Branch	154.0	160.4	162.1	165.1	161.0	163.0	167.0
Avg. Business per Employee	32.4	33.9	34.2	33.2	33.0	33.0	32.0

Source: Company, Dalal & Broacha Research

Financials

Profit & Loss Account

P&L (Rs cr)	FY22	FY23	FY24	FY25e	FY26e
Interest income	1,970	2,715	3,490	3,881	4,500
Interest expense	1,153	1,701	2,231	2,418	2,764
NII	816	1,015	1,258	1,463	1,736
Non-interest income	19	28	35	37	44
Net revenues	835	1,042	1,293	1,500	1,780
Operating expenses	153	176	230	269	316
PPOP	682	866	1,064	1,231	1,464
Provisions	47	42	79	94	110
PBT	635	824	985	1,137	1,354
Tax	164	203	207	271	322
PAT	471.1	621.2	778.1	866.7	1031.7
growth (% yoy)	3.2	31.9	25.3	11.4	19.0

Balance Sheet

Balance sheet (Rs.cr)	FY22	FY23	FY24	FY25e	FY26e
Share capital	27	27	27	27	27
Reserves & surplus	3,040	3,621	4,317	5,137	6,122
Net worth	3,067	3,647	4,344	5,164	6,149
Borrowings	24,545	28,965	31,760	36,348	42,614
Other liability	333	458	498	901	1,013
Total liabilities	27944	33070	36601	42413	49777
Cash	324	309	457	502	376
Investments	1,126	1,459	1,459	1,678	1,930
Loans	26,378	31,193	34,553	40,082	47,296
Fixed assets	48	45	53	58	64
Other assets	69	63	78	93	111
Total assets	27,944	33,070	36,601	42,413	49,777

Ratios

Ratios	FY22	FY23	FY24	FY25e	FY26e
Growth (%)					
NII	2.3	24.3	24.0	16.3	18.7
PPOP	-0.6	26.9	22.9	15.7	18.9
PAT	3.2	31.9	25.3	11.4	19.0
Advances	20.5	18.3	10.8	16.0	18.0
Spread (%)					
Yield on Funds	8.0	9.0	10.2	10.0	9.9
Cost of Funds	5.3	6.4	7.3	7.1	7.0
Spread	2.7	2.7	2.8	2.9	2.9
NIM	3.3	3.3	3.6	3.7	3.8
Asset quality (%)					
Gross NPAs	0.6	0.6	0.8	1.0	1.1
Net NPAs	0.3	0.3	0.4	0.5	0.6
Provisions	53	52	49	51	49
Return ratios (%)					
RoE	16.6	18.5	19.5	18.2	18.2
RoA	1.9	2.0	2.2	2.2	2.2
Per share (Rs)					
DPS	3.0	3.5	6.0	7.0	8.0
EPS	35	47	58	65	77
BV	230	274	326	388	462
ABV	224	268	315	374	441
Valuation (x)					
P/E	25	19	15	13	11
P/BV	3.8	3.2	2.7	2.2	1.9
P/ABV	3.9	3.2	2.8	2.3	2.0
Cost/Income ratio	18.3	16.9	17.8	18.0	17.8
CD ratio	107.5	107.7	108.8	110.3	111.0

Source: Dalal & Broacha Research, Company

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