

Can Fin Homes Q3FY25 numbers were not encouraging – PAT came in at INR 212 cr, up by 6% yoy. New approvals declined by 20.7% qoq (1% yoy) to INR 2075 cr. In addition this, disbursements too declined by 21% qoq to INR 1879 cr mainly due to issues pertaining in state of Karnataka (new property registrations were impacted) & Telangana (change in government). Overall this resulted in loan book growth slowing down to 9.1% yoy to INR 37155 cr. However, management is confident of 15% loan growth in FY26 which will be led by incremental disbursements target of INR 12500 cr. Reported spreads improved to 2.68% in Q3 vs. 2.56% in Q2 as high-yielding assets like LAP & self-employed housing loans is gaining traction. On the asset quality side, there was rise in the SMA 0 accounts from INR 1560 cr to INR 2593 cr on qoq basis which included INR 770 cr portfolio are such cases where some cheque bouncing charges or some minimal charges are pending while principal & EMIs have been paid by them. GNPA / NNPA in % terms stood at 0.92% / 0.5% in Q3 vs. 0.88% / 0.47% in Q2. Given better outlook & relatively lower valuations, we upgrade our rating on the stock to BUY with revised TP of INR 883, giving us upside of 25% from current levels.

FY25 Outlook

- **Loan likely to grow by ~15% in FY26e**
- **Incremental disbursements is likely to be ~INR 12500 in FY26**
- **Credit cost will be at 15 bps for FY25**
- **It plans to add 15-20 branches each year over the next 3-4 years taking total count to 300 by FY28 from current 201**

Financial Summary

(Rs.bn)	FY23	FY24	FY25e	FY26e	FY27e
NII (Rs)	1,015	1,258	1,463	1,736	2,087
PAT (Rs)	621	778	867	1,032	1,248
EPS	47	58	65	77	94
ROE (%)	18.5	19.5	18.2	18.2	18.5
ROA (%)	2.0	2.2	2.2	2.2	2.3
P/E	15.2	12.1	10.9	9.1	7.6
P/ABV	2.6	2.2	1.9	1.6	1.4

Source: Company, Dalal & Broacha Research

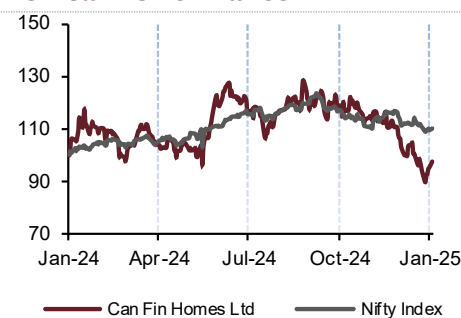
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	883	25

Market data

Current price	Rs	708
Market Cap (Rs.Bn)	(Rs Bn)	94
Market Cap (US\$ Mn)	(US\$ Mn)	1,088
Face Value	Rs	2
52 Weeks High/Low	Rs	951.75 / 649.8
Average Daily Volume	('000)	1,075
BSE Code		511196
Bloomberg		CANF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

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

Source BSE

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Valuations

Valuations of stock has corrected from 2.1x/1.8x FY26e/FY27e P/ABV to 1.6x/1.4x for the same period over the last 6 months. The near term AUM growth will be impacted till the time issues in the state of Karnataka & Telangana gets resolved. However, management has maintained FY26e loan growth target of 15% and disbursements growth of INR 12500 cr. Given valuations have corrected and outlook remains upbeat, we upgrade our rating on the stock from **ACCUMULATE to BUY with revised TP of INR 883** (discounting its FY27e ABV by 1.7x) giving us upside of 25% from current levels.

Key Financial Highlights

- Can Fin Homes posted poor set of numbers for Q3FY25 - PAT came in at INR 212 cr, up by 6% yoy / 0.3% qoq largely due to lower disbursements growth
- **Disbursements growth down 21% qoq** – New approvals declined by 20.7% qoq (1% yoy) to INR 2075 cr. In addition this, disbursements too declined by 21% qoq to INR 1879 cr mainly due to issues pertaining in state of Karnataka & Telangana.
- This resulted in overall loan growth slowing down to 9.1% yoy growth (1.5% qoq) to INR 37155 cr. However, management has retained loan growth outlook of 15% for FY26e and disbursements growth of INR 12500 cr.
- NII/PPoP growth rate slowdown to 4.8% yoy/1.7% yoy respectively due to lower loan growth.
- Also, product-wise AUM suggests 77% of the loans are housing loans, 10% housing CRE, 6% LAP & mortgages, 2% Top ups and 5% others. AUM bifurcation based on purpose-wise is – construction is 63%, flat purchase – 8%, resale – 4%, renovation – 2%, mortgages + LAP + Top Up – 8% and others – 15% (which includes Site loan, Loan against rent receivables, Loans for commercial property, Loans for children education, Personal loans, Commercial housing loans, Isecure loan).
- Spreads (reported) improved marginally to 2.68% in Q3 vs. 2.56% levels seen led by both improvement in advances yields and decline in cost of funds. Advances yields improved as incremental high-yielding assets like LAP & self-employed housing loans is gaining traction which draw 0.5% higher yields. Also, during the quarter, the HFC shifted its some its borrowings from MCLR based to repo rate / T-Bills ones which helped in reducing borrowings costs.
- Asset quality stable but rise in SMA 0 accounts – SMA 0 / SMA 1 / SMA 2 / SMA 3 increased to INR 2593 cr / INR 1045 cr / 907 cr / 341 cr in Q3 vs. INR 1560 cr / 916 cr / INR 873 cr / INR 325 cr in Q2 last quarter. GNPA / NNPA in % terms stood at 0.92% / 0.5% in Q3 vs. 0.88% / 0.47% in Q2. There was rise in the SMA 0 accounts from INR 1560 cr to INR 2593 cr on qoq basis which included INR 770 cr portfolio are such cases where some cheque bouncing charges or some minimal charges are pending while principal & EMIs have been paid by them. Barring this, rise in NPAs was not very large. Credit cost for the full year FY25 is expected to be ~15 bps with minimal provisioning in Q4.

Concall Highlights

AUM Growth

- Overall AUM growth impacted during the quarter to due ekatha registration issues in Karnataka and new government coming in the state of Telangana. Disbursements foregone in these states were - INR 300-350 cr in Karnataka & Telangana INR 432 cr
- Q4FY25 disbursements is expected to be ~INR 2300-2400 cr and this number will improve if issues in Karnataka improve. While for FY26, management expects disbursements of INR 12500 cr
- Contribution of other states barring two mentioned above is witnessing improving trends.
- During the quarter, avg. ATS has come down from INR 25 lacs to INR 23 lacs.
- HFC highlighted that overall demand environment is good - the month of January is seeing decent pickup in the disbursements
- AUM growth could be to the tune of 15% for FY26 led by 1) demand continues to remain good 2) over the next 3-6 months time, issues with the Karnataka & Telangana is likely to get resolved 3) branch expansion and tapping to newer geographies will aid growth. The only challenge which can potentially disrupt AUM growth of HFC is ongoing IT transformation which can slowdown the overall pace of growth.

Borrowing Strategy

Cost of Borrowings

- Shift in Borrowing Strategy: The bank has transitioned from MCLR to repo rates or T-Bills, resulting in lower borrowing costs.
- Recent Fundraising: Raised NHB INR 1,600 crore from NHB at rates which definitely comes at lower rates than traditional bank borrowings

Margins

- Reported margins for the quarter improved to 2.68% in Q3 vs. 2.56% in Q2 due to shift in the borrowings strategy of the HFC and incremental more focus on high-yielding assets like LAP loans and self-employed loans which draw 0.5% higher yield than salaried segment
- Projected Spreads and Margins: Expected spread of 2.5% and margins of 3.5% for the full fiscal year FY25

Operational Changes

Opex Management

- **IT transformation** - The company has embarked on new IT transformation project for which it is working with IBM on the same to revamp sales, infra, security, HRMS and all the modules of the HFC. Total estimated cost for the same is INR 250-300 cr over the next 6-7 years and per annum cost is estimated to be 35 cr. This will escalate Cost/Income ratio to 18-18.5% levels vs. 17% currently

- **Branch expansion plans** – During the quarter, it closed ~10 branches and added 10 new branches at different locations keeping the total number of branches same at 201 on qoq basis. It is likely to add 15 more branches in Q4. And similar trend of adding 15-20 branches each year will continue over the medium 3-4 years time. Current branch network of 201 is likely to grow to 300 by FY28e end.
- **Future IT Costs:** IT spending is expected to rise from INR 15 cr per annum currently to INR 35 cr as part of the transformation initiative.

Outlook on asset quality

- Credit cost for the full year FY25 is expected to be ~15 bps with minimal provisioning in Q4.
- There was rise in the SMA 0 accounts from INR 1560 cr to INR 2593 cr on qoq basis which included INR 770 cr portfolio are such cases where some cheque bouncing charges or some minimal charges are pending while principal & EMIs have been paid by them. Barring this, rise is not very large.
- Gross NPAs is expected to be 0.8% by FY25e end
- PCR for stage 3 assets is likely to continue at 46-47% levels

Return Ratio expectations

- ROE of 17% and ROA of 2%+

Valuations

Valuations of stock has corrected from 2.1x/1.8x FY26e/FY27e P/ABV to 1.6x/1.4x for the same period over the last 6 months. The near term AUM growth will be impacted till the time issues in the state of Karnataka & Telangana gets resolved. However, management has maintained FY26e loan growth target of 15% and disbursements growth of INR 12500 cr. Given valuations have corrected and outlook still remains upbeat, we upgrade our rating on the stock from ACCUMULATE to BUY with revised TP of INR 883 (discounting its FY27e ABV by 1.7x) giving us upside of 25% from current levels.

Quarterly Financials (Q3FY25)

Particulars (INR cr)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY	QoQ
Interest Earned	460.6	449.2	462.6	502.0	555.8	606.5	652.2	704.6	752.1	818.1	865.2	894.8	911.7	924.2	955.3	980.3	9.6	2.6
Interest Expended	274.8	268.0	270.8	296.1	318.5	356.1	401.0	452.9	490.8	533.0	548.4	566.0	583.9	602.7	615.5	635.6	12.3	3.3
NII	185.8	181.2	191.8	205.9	237.3	250.4	251.2	251.7	261.3	285.1	316.8	328.8	327.8	321.4	339.8	344.7	4.8	1.5
growth (yoy %)					27.7	38.2	31.0	22.2	10.1	13.9	26.1	30.6	25.5	12.7	7.3	4.8		
Other Income	6.8	1.6	5.3	6.4	5.5	5.1	5.4	5.1	12.2	6.0	5.8	7.1	15.9	7.0	7.4	5.8	-17.7	-21.6
Net Income	192.5	182.8	197.1	212.4	242.8	255.5	256.6	256.8	273.5	291.1	322.6	335.9	343.7	328.4	347.2	350.5	4.4	1.0
Opex	42.8	30.3	34.2	40.3	48.2	40.5	40.5	43.8	51.7	43.5	52.4	49.4	72.0	48.8	59.4	59.3	20.0	-0.1
Employee Expenses											25.0			23.3	28.9	29.1		1.0
Depreciation											2.8			2.6	2.8	3.3		19.4
Other Expenses											57.8			16.5	19.7	20.9		5.9
Fees & Commission Expenses											6.6			6.4	8.0	5.9		-25.9
PPOP	149.7	152.6	162.8	172.0	194.6	215.0	216.1	212.9	221.8	247.6	270.2	286.5	271.8	279.6	287.8	291.3	1.7	1.2
growth (yoy %)					30.0	40.9	32.7	23.8	14.0	15.2	25.0	34.6	22.5	12.9	6.5	1.7		
Provisions	7.7	6.5	-6.2	16.4	30.2	-3.7	13.2	8.4	23.8	13.7	72.2	30.8	1.8	24.5	13.7	22.1	-28.1	61.1
PBT	142.0	146.0	169.0	155.7	164.3	218.7	202.9	204.5	198.0	233.9	198.0	255.7	270.0	255.1	274.1	269.1	5.2	-1.8
Tax	39.4	37.2	45.4	40.0	41.4	56.5	61.1	53.0	32.2	50.4	55.6	55.6	60.9	55.5	62.6	57.0	2.6	-8.9
PAT	102.6	108.8	123.6	115.7	122.9	162.2	141.7	151.5	165.8	183.5	142.5	200.2	209.1	199.7	211.5	212.1	6.0	0.3
growth (yoy %)					19.8	49.0	14.6	31.0	34.9	13.1	0.5	32.1	26.1	8.8	48.4	6.0		
growth (qoq %)		6.1	13.6	-6.4	6.3	32.0	-12.6	6.9	9.4	10.6	-22.3	40.5	4.4	-4.5	5.9	0.3		
Balance sheet (INR Cr)																		
	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY	QoQ
New Approvals	2,260.0	829.0	2,288.0	2,762.0	3,018.0	1,751.0	2,348.0	2,585.0	2,769.0	2,071.0	2,123.0	2,052.5	2,586.0	1,969.0	2,617.0	2,075.0	23.3	32.9
growth (yoy %)					33.5	111.2	2.6	-6.4	-8.3	18.3	-9.6	-20.6	-6.6	-4.9	23.3	1.1		
growth (qoq %)		-63.3	176.0	20.7	9.3	-42.0	34.1	10.1	7.1	-25.2	2.5	-3.3	26.0	-23.9	32.9	-20.7		
Disbursements	2,001.0	894.0	2,208.0	2,472.0	2,705.0	1,722.0	2,245.0	2,444.0	2,538.0	1,966.0	2,019.0	1,879.5	2,314.0	1,853.0	2,381.0	1,879.0	17.9	28.5
growth (yoy %)					35.2	92.6	1.7	-1.1	-6.2	14.2	-10.1	-23.1	-8.8	-5.7	17.9	0.0		
growth (qoq %)		-55.3	147.0	12.0	9.4	-36.3	30.4	8.9	3.8	-22.5	2.7	-6.9	23.1	-19.9	28.5	-21.1		
Outstanding loan book	22,105.0	22,221.0	23,584.0	25,091.0	26,711.0	27,538.0	28,823.0	30,115.0	31,563.0	32,505.0	33,359.0	34,053.4	34,999.0	35,557.0	36,591.0	37,155.0	9.7	2.9
growth (yoy %)					20.8	23.9	22.2	20.0	18.2	18.0	15.7	13.1	10.9	9.4	9.7	9.1		
growth (qoq %)		0.5	6.1	6.4	6.5	3.1	4.7	4.5	4.8	3.0	2.6	2.1	2.8	1.6	2.9	1.5		
Key Ratios (Reported) (%)																		
	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25		
Gross NPAs (Rs)	201.9	200.0	185.1	177.2	170.6	179.8	178.7	181.1	173.8	205.2	254.5	308.8	286.0	325.0	320.0	341.0		
Net NPAs (Rs)	134.3	126.5	110.3	97.0	80.7	81.9	101.2	89.3	82.9	109.6	142.4	167.4	147.0	174.0	172.0	187.0		
GNPA (%)	0.9	0.9	0.8	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.8	0.9	0.8	0.9	0.9	0.9		
NNPA (%)	0.6	0.6	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.5	0.4	0.5	0.5	0.5		
PCR (%)	33.5	36.8	40.4	45.2	52.7	54.4	43.4	50.7	62.1	53.4	56.0	54.2	51.4	46.2	46.6	45.7		
C/I Ratio (%)	22.4	16.5	17.4	19.0	19.8	15.8	15.8	17.1	18.9	14.9	16.2	14.7	20.9	14.9	17.1	16.9		
ROA (%) (Reported)	2.2	2.0	2.1	2.0	2.0	2.4	2.1	2.2	2.3	2.2	1.8	2.3	2.5	2.2	2.3	2.3		
ROE (%) (Reported)	17.5	16.0	16.4	15.8	16.0	20.0	16.8	17.3	17.0	19.2	16.0	19.4	19.3	17.6	18.0	17.6		
EPS (Rs)	34.3	8.2	17.5	8.7	9.2	12.2	10.6	11.4	12.5	13.8	11.9	15.0	15.7	15.0	15.9	15.9		
NIM (%) (Reported)	3.9	3.3	3.4	3.7	4.2	3.6	3.6	3.5	3.4	3.5	3.6	3.7	3.7	3.6	3.8	3.7		
Yield (%) (Reported)	9.5	8.1	8.0	8.1	8.1	8.5	8.6	8.9	9.9	9.8	10.1	9.9	10.1	10.1	10.1	10.2		
Cost (%) (Reported)	6.7	5.7	5.6	5.6	5.6	5.8	6.0	6.6	7.5	7.3	7.3	7.4	7.5	7.6	7.6	7.5		
Spread (%) (Reported)	2.8	2.4	2.4	2.5	2.6	2.7	2.5	2.2	2.4	2.5	2.6	2.7	2.7	2.5	2.6	2.7		
Avg. Business Per Branch	112.8	113.4	120.3	127.9	136.1	146.5	143.8	146.9	154.0	160.4	162.1	165.1	161.0	163.0	167.0	170.0		
Avg. Business per Employee	26.1	25.9	26.8	27.6	30.0	30.8	31.5	32.7	32.4	33.9	34.2	33.2	33.0	33.0	32.0	32.0		

Source: Company, Dalal & Broacha Research

Financials

Profit & Loss Account

P&L (Rs cr)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Interest income	1,970	2,715	3,490	3,881	4,500	5,273
Interest expense	1,153	1,701	2,231	2,418	2,764	3,187
NII	816	1,015	1,258	1,463	1,736	2,087
Non-interest income	19	28	35	37	44	51
Net revenues	835	1,042	1,293	1,500	1,780	2,138
Operating expenses	153	176	230	269	316	372
PPOP	682	866	1,064	1,231	1,464	1,766
Provisions	47	42	79	94	110	129
PBT	635	824	985	1,137	1,354	1,638
Tax	164	203	207	271	322	390
PAT	471	621	778	867	1,032	1,248
growth (% yoy)	3.2	31.9	25.3	11.4	19.0	20.9

Balance sheet (Rs.cr)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Share capital	27	27	27	27	27	27
Reserves & surplus	3,040	3,621	4,317	5,137	6,122	7,324
Net worth	3,067	3,647	4,344	5,164	6,149	7,350
Borrowings	24,545	28,965	31,760	36,348	42,614	49,757
Other liability	333	458	498	901	1,013	1,023
Total liabilities	27,944	33,070	36,601	42,413	49,777	58,130
Cash	324	309	457	502	376	608
Investments	1,126	1,459	1,459	1,678	1,930	2,219
Loans	26,378	31,193	34,553	40,082	47,296	55,100
Fixed assets	48	45	53	58	64	70
Other assets	69	63	78	93	111	133
Total assets	27,944	33,070	36,601	42,413	49,777	58,130

Ratios	FY22	FY23	FY24	FY25e	FY26e	FY27e
Growth (%)						
NII	2.3	24.3	24.0	16.3	18.7	20.2
PPOP	-0.6	26.9	22.9	15.7	18.9	20.7
PAT	3.2	31.9	25.3	11.4	19.0	20.9
Advances	20.5	18.3	10.8	16.0	18.0	16.5
Spread (%)						
Yield on Funds	8.0	9.0	10.2	10.0	9.9	9.9
Cost of Funds	5.3	6.4	7.3	7.1	7.0	6.9
Spread	2.7	2.7	2.8	2.9	2.9	3.0
NIM	3.3	3.3	3.6	3.7	3.8	3.9
Asset quality (%)						
Gross NPAs	0.6	0.6	0.8	1.0	1.1	1.4
Net NPAs	0.3	0.3	0.4	0.5	0.6	0.8
Provisions	53	52	49	51	49	44
Return ratios (%)						
RoE	16.6	18.5	19.5	18.2	18.2	18.5
RoA	1.9	2.0	2.2	2.2	2.2	2.3
Per share (Rs)						
DPS	3.0	3.5	6.0	7.0	8.0	3.5
EPS	35	47	58	65	77	94
BV	230	274	326	388	462	552
ABV	224	268	315	374	441	519
Valuation (x)						
P/E	20	15	12	11	9	8
P/BV	3.1	2.6	2.2	1.8	1.5	1.3
P/ABV	3.2	2.6	2.2	1.9	1.6	1.4
Cost/Income ratio	18.3	16.9	17.8	18.0	17.8	17.4
CD ratio	107.5	107.7	108.8	110.3	111.0	110.7

Source: Dalal & Broacha Research, Company

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