

Retain HOLD !!!

Can Fin Homes Q1FY25 numbers were soft - PAT came in at INR 200 cr, up by 8.8% yoy and down by 4.5% qoq. Loan book growth moderated to 9.4% yoy (1.6% qoq) to INR 35557 cr on the back of lower disbursements in the state of Andhra Pradesh & Telangana (as government change happened). **However, going forward, management aims to build loan growth of 15-16% for the FY25 on the back of assumption of fresh disbursements of ~INR 10500 cr and repayments & pre-payments of INR 5000-5500 cr.** Spreads contracted by 13 bps qoq to 2.54% due to rise in the cost of funds (6 bps qoq, 7.58%). For the full year, management aims to keep spreads at 2.5%+ in FY25 vs. 2.67% in FY24. Incremental slippages for the quarter were at INR 325 cr INR 286 cr qoq. GNPA / NNPA in % terms were at 0.9% / 0.5% vs. 0.8% / 0.4% qoq. Provisions stood at INR 24.5 cr in Q1 vs. INR 1.8cr in last quarter and INR 13.7 cr in Q1FY24.

FY25 Targets

- **Loan likely to grow by 15-16% on the back of disbursements growth of INR 10500 cr**
- **Credit cost will be at 12 bps**
- **Spreads is expected to be 2.5%+**

Valuations

For Can Fin Homes, PAT is likely to grow by 15% CAGR over FY24-26e. It is trading at 2.3x/1.9x FY25e/FY26e for ROA of 2.2%/ROE of 18%. In our view, growth is likely to revive back to 15% by FY25 end vs. 9% growth seen in Q1, despite this, growth will not be very outstanding though. Given the valuations are not cheap, we continue to maintain our HOLD rating on the stock with revised TP of INR 930, upside of 9% from current levels (discounting its FY26e ABV by 2.1x)

Financial Summary

(Rs.bn)	FY22	FY23	FY24e	FY25e	FY26e
NII (Rs)	816.2	1014.6	1258.5	1463.2	1720.4
PAT (Rs)	471.1	621.2	778.1	866.7	1020.0
EPS	35	47	58	65	77
ROE (%)	16.6	18.5	19.5	18.2	18.1
ROA (%)	1.9	2.0	2.2	2.2	2.2
P/E	24.0	18.2	14.5	13.1	11.1
P/ABV	3.8	3.2	2.7	2.3	1.9

Source: Company, Dalal & Broacha Research

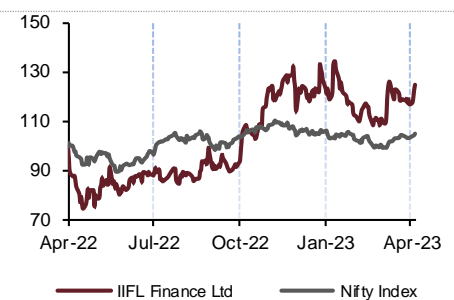
Rating	TP (Rs)	Up/Dn (%)
BUY	617	28

Market data

Current price	Rs	483
Market Cap (Rs.Bn)	(Rs Bn)	184
Market Cap (US\$ Mn)	(US\$ Mn)	2,249
Face Value	Rs	2
52 Weeks High/Low	Rs	538 / 283
Average Daily Volume	('000)	938
BSE Code		532636
Bloomberg		IIFL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	25	25
Public	75	75
Others		
Total	100	100

Source: Bloomberg

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Key Financial Highlights

- Can Fin Homes Q1FY25 numbers were soft - PAT came in at INR 200 cr, up by 8.8% yoy and down by 4.5% qoq. Growth is moderating - outstanding loan book grew by 9.4% yoy - one of the weakest growth seen in the last many quarters. Also, spreads declined due to rise in the borrowings costs
- NII / PPOP growth stood at 12.7% / 12.9% yoy which resulted in single digit PAT growth
- New approvals for the quarter stood at INR 1969 cr, down by 5% yoy and 24% qoq. Also fresh disbursements at INR 1853 cr was down by 5.7% yoy / 20% qoq. Bucket-wise break-up suggests nearly 37% of incremental disbursements is coming from >30 lakh segment, 29% from INR 20-30 lakh, 22% from INR 10-20 lakh and 12% from INR 0-10 lakh segment - implying relatively higher growth is coming from higher ticket size loans where the competition is stiff and banks are also actively present
- All this contributed to loan book falling below <10% i.e. at 9.4% - one the lowest growth seen in the last many quarters. And among the housing finance companies, Can Fin Homes growth is one of the slowest.
- 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 contracted by 13 bps qoq to 2.54% due to rise in the cost of funds (6 bps qoq, 7.58%). Average yield improved by 5 bps qoq to 10.12% levels in Q1.
- Incremental slippages for the quarter were at INR 325 cr INR 286 cr qoq. GNPA / NNPA in % terms were at 0.9% / 0.5% vs. 0.8% / 0.4% qoq. Provisions stood at INR 24.5 cr in Q1 vs. INR 1.8cr in last quarter and INR 13.7 cr in Q1FY24.

Concall Highlights

- **Loan growth** during the quarter was subdued at 9.4% yoy (1.6% qoq) due to lower disbursements in the state of Andhra Pradesh & Telangana (as government changed there). **However, going forward, management aims to build loan growth of 15-16% for the FY25 on the back of assumption of fresh disbursements of ~INR 10500 cr and repayments & pre-payments of INR 5000-5500 cr.**
- Out of the total FY25 disbursements target of INR 10500 cr, Q2 expected number is INR 2500 cr, INR 2800 cr in Q3 and INR 3000-3200 cr in Q4.
- 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)
- In tomorrow budget, government is likely to announce more budgetary allocation to increase spending on affordable homes which will benefit NBFCs lending for affordable space like Can Fin Homes, PNB Housing, Home First, Aptus, Aavas Financiers etc.
- 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.
- It is likely to open 15 branches in Tier II towns to build affordable housing loans.

Valuations

For Can Fin Homes, PAT is likely to grow by 15% CAGR over FY24-26e. It is trading at 2.3x/1.9x FY25e/FY26e for ROA of 2.2%/ROE of 18%. In our view, growth is likely to revive back to 15% by FY25 end vs. 9% growth seen in Q1, despite this, growth will not be very outstanding though. Given the valuations are not cheap, we continue to maintain our HOLD rating on the stock with revised TP of INR 930, upside of 9% from current levels (discounting its FY26e ABV by 2.1x)

Quarterly Financials (Q1FY25)

Particulars (INR cr)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Interest Earned	606.5	652.2	704.6	752.1	818.1	865.2	894.8	911.7	924.2
Interest Expended	356.1	401.0	452.9	490.8	533.0	548.4	566.0	583.9	602.7
NII	250.4	251.2	251.7	261.3	285.1	316.8	328.8	327.8	321.4
<i>growth (yoy %)</i>	<i>38.2</i>	<i>31.0</i>	<i>22.2</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>
Other Income	5.1	5.4	5.1	12.2	6.0	5.8	7.1	15.9	7.0
Net Income	255.5	256.6	256.8	273.5	291.1	322.6	335.9	343.7	328.4
Opex	40.5	40.5	43.8	51.7	43.5	52.4	49.4	72.0	48.8
PPOP	215.0	216.1	212.9	221.8	247.6	270.2	286.5	271.8	279.6
<i>growth (yoy %)</i>	<i>40.9</i>	<i>32.7</i>	<i>23.8</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>
Provisions	-3.7	13.2	8.4	23.8	13.7	72.2	30.8	1.8	24.5
PBT	218.7	202.9	204.5	198.0	233.9	198.0	255.7	270.0	255.1
Tax	56.5	61.1	53.0	32.2	50.4	55.6	55.6	60.9	55.5
PAT	162.2	141.7	151.5	165.8	183.5	142.5	200.2	209.1	199.7
<i>growth (yoy %)</i>	<i>49.0</i>	<i>14.6</i>	<i>31.0</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>growth (qoq %)</i>	<i>32.0</i>	<i>-12.6</i>	<i>6.9</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>
Balance sheet (INR Cr)									
	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
New Approvals	1751	2348	2585	2769	2071	2123	2053	2586	1969
<i>growth (yoy %)</i>	<i>111.2</i>	<i>2.6</i>	<i>-6.4</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>growth (qoq %)</i>	<i>-42.0</i>	<i>34.1</i>	<i>10.1</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>
Disbursements	1722	2245	2444	2538	1966	2019	1879	2314	1853
<i>growth (yoy %)</i>	<i>92.6</i>	<i>1.7</i>	<i>-1.1</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>growth (qoq %)</i>	<i>-36.3</i>	<i>30.4</i>	<i>8.9</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>
Outstanding loan book	27538	28823	30115	31563	32505	33359	34053	34999	35557
<i>growth (yoy %)</i>	<i>23.9</i>	<i>22.2</i>	<i>20.0</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>growth (qoq %)</i>	<i>3.1</i>	<i>4.7</i>	<i>4.5</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>
Key Ratios (%)									
	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Gross NPAs (Rs)	180	179	181	174	205	254	309	286	325
Net NPAs (Rs)	82	101	89	83	110	142	167	147	174
GNPA (%)	0.7	0.6	0.6	0.6	0.63	0.76	0.91	0.82	0.91
NNPA (%)	0.3	0.3	0.3	0.3	0.34	0.43	0.49	0.42	0.49
PCR (%)	54.4	43.4	50.7	62.1	53.4	56.0	54.2	51.4	46.2
C/I Ratio (%)	15.8	15.8	17.1	18.9	14.9	16.2	14.7	20.9	14.9
ROA (%) (Reported)	2.4	2.1	2.2	2.3	2.2	1.8	2.3	2.5	2.2
ROE (%) (Reported)	20.0	16.8	17.3	17.0	19.2	16.0	19.4	19.3	17.6
EPS (Rs)	12.2	10.6	11.4	12.5	13.8	11.9	15.0	15.7	15.0
NIM (%) (Reported)	3.6	3.6	3.5	3.37	3.48	3.62	3.69	3.73	3.57
Yield (%) (Reported)	8.5	8.6	8.87	9.87	9.84	10.07	9.91	10.07	10.12
Cost (%) (Reported)	5.80	6.04	6.63	7.51	7.32	7.32	7.35	7.52	7.58
Spread (%) (Reported)	2.7	2.5	2.2	2.36	2.52	2.60	2.66	2.67	2.54
Avg. Business Per Branch	146.5	143.8	146.9	154.0	160.4	162.1	165.1	161.0	163.0
Avg. Business per Employee	30.8	31.5	32.7	32.4	33.9	34.2	33.2	33.0	33.0

Source: Company, Dalal & Broacha Research

Financials

Profit & Loss Account

P&L (Rs cr)	FY22	FY23	FY24e	FY25e	FY26e
Interest income	1969.7	2715.4	3489.9	3881.0	4458.7
Interest expense	1153.5	1700.8	2231.4	2417.8	2738.3
NII	816.2	1014.6	1258.5	1463.2	1720.4
Non-interest income	18.8	27.7	34.8	37.3	43.3
Net revenues	835.0	1042.3	1293.3	1500.5	1763.7
Operating expenses	153.0	176.5	229.6	269.4	316.3
PPOP	682.0	865.8	1063.7	1231.1	1447.4
Provisions	46.9	41.8	78.8	93.7	108.8
PBT	635.1	824.0	984.9	1137.4	1338.6
Tax	164.0	202.8	206.8	270.7	318.6
PAT	471.1	621.2	778.1	866.7	1020.0
growth (% yoy)	3.2	31.9	25.3	11.4	17.7

Balance Sheet

Balance sheet (Rs.cr)	FY22	FY23	FY24e	FY25e	FY26e
Share capital	27	27	27	27	27
Reserves & surplus	3040	3621	4317	5137	6111
Net worth	3067	3647	4344	5164	6137
Borrowings	24545	28965	31760	36348	41890
Other liability	333	458	498	901	1013
Total liabilities	27944	33070	36601	42413	49040
Cash	324	309	457	502	441
Investments	1126	1459	1459	1678	1930
Loans	26378	31193	34553	40082	46495
Fixed assets	48	45	53	58	64
Other assets	69	63	78	93	111
Total assets	27944	33070	36601	42413	49040

Ratios

Ratios	FY22	FY23	FY24e	FY25e	FY26e
Growth (%)					
NII	2.3	24.3	24.0	16.3	17.6
PPOP	-0.6	26.9	22.9	15.7	17.6
PAT	3.2	31.9	25.3	11.4	17.7
Advances	20.5	18.3	10.8	16.0	16.0
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	18.1
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	461
ABV	224	268	315	374	440
Valuation (x)					
P/E	24	18	15	13	11
P/BV	3.7	3.1	2.6	2.2	1.8
P/ABV	3.8	3.2	2.7	2.3	1.9
Cost/Income ratio	18.3	16.9	17.8	18.0	17.9
CD ratio	107.5	107.7	108.8	110.3	111.0

Source: Dalal & Broacha Research, Company

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