

**Disbursement growth impacted**

**CMP: INR 831**

**Rating: Accumulate**

**Target Price: INR 935**

**Stock Info**

BSE	511196
NSE	CANFINHOME
Bloomberg	CANF IN
Reuters	CNFH.NS
Sector	BFSI
Face Value (INR)	2
Equity Capital (INR Cr)	267
Mkt Cap (INR Cr)	11,426
52w H/L (INR)	937 / 680
Avg Yearly Vol (in 000')	879

**Shareholding Pattern %**

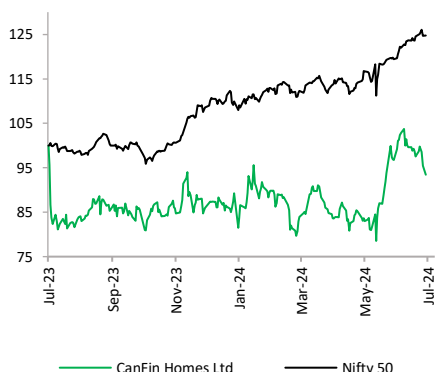
(As on June, 2024)

Promoters	29.9
Public & Others	70.1

**Stock Performance (%)**

	1m	6m	12m
CanFin Homes Ltd	-5.8	14.61	-6.58
Nifty 50	4.31	15.6	24.81

**CanFin Homes Ltd Vs Nifty 50**



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CanFin Homes Ltd has posted a 8.82% YoY jump in net profit at INR 2.00 bn against INR 2.09 bn in Q4FY24 (down 4.49% QoQ). Provision for the quarter was at INR 0.24 bn vs. INR 0.02 bn in Q4FY24 (up 1271% QoQ/ up 78.57% YoY). NII growth of the company was strong at 12.75% YoY at INR 3.21 bn, though it declined sequentially by 1.94%. Asset quality saw some deterioration as GNPA and NNPA ratios increased by 9 bps and 7 bps on a sequential basis to 0.91% and 0.49%, respectively. Although, this deterioration is cyclical in nature.

**Decline in NIMs led by increase in NPA and increasing cost of funds:** NII growth for the quarter was at 12.75% YoY/ -1.94% QoQ to INR 3.21 bn. Further, the NIMs of the bank improved by 9bps YoY but declined by 39bps sequentially at 3.57%, due to incremental cost of borrowing during the quarter. The yield on loan portfolio came at 10.12% v/s 10.07% in Q4FY24 (+28 bps YoY, +5bps QoQ). Cost of funds of the bank increased sequentially at 7.58% (+26 bps YoY, +18 bps QoQ). The increase in cost of funds were higher than increase in yields, which led to decline in NIMs.

**Asset Quality deterioration led by increasing slippages:** Overall, loan book of the bank increased marginally by 2% QoQ and 9% YoY to INR 355.57 bn, whereas the GNPA during the quarter increased by 58.5% YoY and 13.6% QoQ, during the Q1FY25 at INR 3.25 bn (Q4FY24: INR 2.86 bn). The GNPA increased at a higher rate as compared to the loan book growth. This has led to asset quality deterioration as GNPA and NNPA ratios increased by 9 bps and 7 bps on a sequential basis to 0.91% and 0.49%, respectively. Although, this deterioration is cyclical in nature. Further, NPA amount from restructured book stood at INR 1.06 bn v/s INR 0.93 bn QoQ. No further slippages from restructured book is expected going forward.

**Disbursement growth was impacted during the quarter, due to elections:** Disbursement saw a dip of 6% YoY and 29% QoQ. The dip is primarily attributable to election throughout the country especially in Andhra Pradesh and Telangana. In June 24, disbursements were back to normal levels. Going forward, the company expects the disbursal growth to pickup and has guided a disbursement of INR 105bn for the whole FY25.

**Valuation and View:** Company's NIM declined due to the increase in cost of funds. Going forward, company expects to raise money via NHB, which will help them to control their cost of funds. Further, their disbursement growth was impacted in Q1FY25, due to the elections, but the company remains optimistic on the disbursement growth going forward. The company has set a target of INR 105 bn disbursement for the whole FY25. Asset quality degraded due to increase in slippages in restructured book. No further slippages from restructured book is expected going forward. We maintain our positive outlook on the company. We have a target price of INR 935 based on 1.76x FY27E ABV. We maintain our rating to ACCUMULATE on the stock.

Exhibit 1: Financial Performance

Y/E Mar (Rs Bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII	8.16	10.15	12.58	14.02	16.57	18.77
PAT	4.71	6.21	7.51	8.17	9.78	11.11
Networth	30.67	36.47	43.44	51.29	60.75	71.54
EPS (Rs)	35	47	56	61	73	83
P/E (x)	23.5	17.8	14.7	13.5	11.3	10.0
P/Adj BV (x)	3.7	3.1	2.6	2.2	1.8	1.6
RoA (%)	1.9	2.0	2.2	2.0	1.9	1.7
RoE (%)	16.6	18.5	18.8	17.2	17.5	16.8

## Q1FY25 - Quarterly Performance

(In INR Bn)

Particulars	Q1FY25	Q1FY24	Q4FY24	YoY	QoQ
Interest Income	9.24	8.18	9.12	12.97%	1.36%
Interest Expenditure	6.03	5.33	5.84	13.08%	3.22%
<b>Net Interest Income</b>	<b>3.21</b>	<b>2.85</b>	<b>3.28</b>	<b>12.75%</b>	<b>-1.94%</b>
Fees & Other Income	0.07	0.06	0.16	16.09%	-56.18%
<b>Net Income</b>	<b>3.28</b>	<b>2.91</b>	<b>3.44</b>	<b>12.82%</b>	<b>-4.45%</b>
Other Expenditure	0.49	0.43	0.72	12.27%	-32.16%
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>2.80</b>	<b>2.48</b>	<b>2.72</b>	<b>12.91%</b>	<b>2.88%</b>
Provision for SA & NPA	0.24	0.14	0.02	78.57%	1271.33%
<b>Profit Before Tax</b>	<b>2.55</b>	<b>2.34</b>	<b>2.70</b>	<b>9.07%</b>	<b>-5.50%</b>
Provision for Taxation & DTL	0.55	0.50	0.61	9.95%	-8.97%
Tax / PBT (%)	0.24	0.22	0.25	9.07%	-5.50%
<b>Profit After Tax</b>	<b>2.00</b>	<b>1.83</b>	<b>2.09</b>	<b>8.82%</b>	<b>-4.49%</b>

## Balance Sheet

Particulars	Q1FY25	Q1FY24	Q4FY24	YoY	QoQ
New Approvals	19.69	20.71	25.68	-5%	-23%
Disbursements	18.53	19.66	23.14	-6%	-20%
Outstanding Loan Book	355.57	325.05	349.99	9%	2%

## Key Ratios

Particulars	Q1FY25	Q1FY24	Q4FY24	YoY	QoQ
Return on Avg Assets (Annualised)	2.17	2.19	2.54	-2bps	-37bps
Return on Avg Equity (Annualised)	17.57	19.16	19.25	-159bps	-168bps
Earning Per Share (INR)	14.99	13.78	15.70	9%	-5%
Net Interest Margin (%)	3.57	3.48	3.96	9bps	-39bps
Yield (%)	10.12	9.84	10.07	28bps	5bps
Cost (%)	7.58	7.32	7.40	26bps	18bps
Spread (%)	2.54	2.52	2.52	2bps	2bps
Avg. Business Per Branch (INR in Bn)	1.63	1.60	1.61	2%	1%
Avg. Business per Employee (INR in Bn)	0.33	0.34	0.33	-3%	0%
Cost Income Ratio (%)	14.87	14.94	20.70	-7bps	-583bps
DER	7.14	7.81	7.34	-67bps	-20bps

Source: Arianth Research, Company Filings

## Concall Highlights:

### Guidance for FY25

- Management has given a loan disbursement target of INR 105 bn for the whole FY25, with a target of INR 25 bn in Q2FY25.
- Company is expecting AUM to be in the range of INR 400 – INR 410 bn and a growth of 15%.
- They expect the NIM to be around 3.5% for FY25, with spreads of 2.5%.
- Cost to Income ratio is guided to be around 18% for FY25.
- The company expects to add around 15 branches in FY25, which will be in Tier II cities.

### Highlights

- During the quarter, the NIM for the company increased by 9 bps YoY. However, it declined by 39 bps sequentially.
- In Q1FY25, operating expenses had increased mainly due to CSR (corporate social responsibility) and IT upgradation cost.
- During the quarter, asset quality saw some deterioration as GNPA and NNPA ratios increased by 9 bps and 7 bps on a sequential basis to 0.91% and 0.49%, respectively. Although, this deterioration is cyclical in nature.
- NPA amount from restructured book stood at INR 1.06 bn v/s INR 0.93 bn QoQ. No further slippages from restructured book is expected going forward.
- Housing loans formed 78% of the loan book and the rest 22% came from non - housing loans.
- The overall AUM of the company was impacted due to low disbursements.
- Disbursement for the quarter was hampered due to election throughout the country especially in Andhra Pradesh and Telangana. Although, in June 24 disbursements were back to normal levels. Going forward, the company expects a reversal of this situation in the coming months.
- Banks contributed to 56% of total funding mix while National housing bank and Non - convertible debenture contributed to 16% and 20% respectively, and the rest of the contribution was from commercial papers & other sources.
- Cost of borrowings increased because they took funds mainly from Banks and NCD and did not opt for National housing Bank loans which are a cheap source of capital. The NHB fund comes from budgetary allocation which was low as compared to the previous year. The company is hopeful that in the current year they may raise some funds from NHB.
- In Q1FY25, the company has sourced 80% of total business via DSA (Direct selling agent) and share of top 20 DSA stood at 13%.
- In order to grow, the company is focusing on alternative channels other than DSA.
- The company had moved to quarterly reset of interest rates.
- It is anticipated that government schemes like CLSS (Credit Linked Subsidy Scheme) and AHF (Affordable Housing Scheme) to boost demand.

## Key Financials

P&L (INR Bn)	FY22	FY23	FY24	FY25e	FY26E	FY27E
Interest income	19.70	27.15	34.90	40.00	48.44	58.68
Interest expense	11.54	17.01	22.31	25.99	31.87	39.91
<b>NII</b>	<b>8.16</b>	<b>10.15</b>	<b>12.58</b>	<b>14.02</b>	<b>16.57</b>	<b>18.77</b>
Non-interest income	0.19	0.28	0.35	0.65	0.77	0.92
<b>Net revenues</b>	<b>8.35</b>	<b>10.43</b>	<b>12.93</b>	<b>14.67</b>	<b>17.35</b>	<b>19.69</b>
Operating expenses	1.53	1.76	2.57	2.85	3.16	3.50
<b>PPOP</b>	<b>6.82</b>	<b>8.66</b>	<b>10.36</b>	<b>11.82</b>	<b>14.19</b>	<b>16.19</b>
Provisions	0.47	0.42	0.79	0.90	1.11	1.34
<b>PBT</b>	<b>6.35</b>	<b>8.24</b>	<b>9.58</b>	<b>10.92</b>	<b>13.08</b>	<b>14.85</b>
Tax	1.64	2.03	2.07	2.75	3.30	3.74
<b>PAT</b>	<b>4.71</b>	<b>6.21</b>	<b>7.51</b>	<b>8.17</b>	<b>9.78</b>	<b>11.11</b>
<b>Balance sheet</b>						
<b>Balance sheet</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25e</b>	<b>FY26E</b>	<b>FY27E</b>
Share capital	0.3	0.3	0.3	0.3	0.3	0.3
Reserves & surplus	30.4	36.2	43.2	51.0	60.5	71.3
<b>Net worth</b>	<b>30.7</b>	<b>36.5</b>	<b>43.4</b>	<b>51.3</b>	<b>60.8</b>	<b>71.5</b>
Borrowings	246.5	290.7	318.6	413.0	506.4	634.1
Other liability	2.3	3.5	3.9	4.2	4.6	5.0
<b>Total liabilities</b>	<b>279.4</b>	<b>330.7</b>	<b>366.0</b>	<b>468.5</b>	<b>571.7</b>	<b>710.7</b>
<b>Fixed assets</b>						
Fixed assets	0.5	0.5	0.5	0.6	0.6	0.6
Investments	11.3	14.6	14.6	15.3	16.1	16.9
Loans	263.8	311.9	345.5	450.3	541.2	650.3
Cash	3.2	3.1	4.6	1.5	13.1	42.1
Other assets	0.7	0.6	0.7	0.8	0.8	0.8
<b>Total assets</b>	<b>279.4</b>	<b>330.7</b>	<b>366.0</b>	<b>468.5</b>	<b>571.7</b>	<b>710.7</b>

Source: Arihant Research, Company Filings

## Key Ratios

Ratios	FY21	FY22	FY23	FY24	FY25e	FY26E	FY27E
<b>Growth (%)</b>							
NII	18	2	24	24	11	18	13
PPOP	19	-1	27	20	14	20	14
PAT	22	3	32	21	9	20	14
Advances	7	20	18	11	30	20	20
<b>Spread (%)</b>							
Yield on Funds	9.4	8.0	9.0	10.2	9.7	9.5	9.6
Cost of Funds	6.4	5.3	6.4	7.3	7.1	6.9	7.0
Spread	3.1	2.7	2.7	2.8	2.6	2.5	2.6
NIM	3.7	3.3	3.3	3.6	3.4	3.2	2.9
<b>Asset quality (%)</b>							
Gross NPAs	0.9	0.6	0.6	0.5	0.4	0.3	0.3
Net NPAs	0.6	0.3	0.3	0.2	0.1	0.1	0.1
Provisions	33	53	62	62	62	62	62
<b>Return ratios (%)</b>							
RoE	19.2	16.6	18.5	18.8	17.2	17.5	16.8
RoA	2.1	1.9	2.0	2.2	2.0	1.9	1.7
<b>Per share (Rs)</b>							
EPS	34	35	47	56	61	73	83
BV	196	230	274	326	385	456	537
ABV	186	224	268	322	381	452	531
<b>Valuation (x)</b>							
P/E	24	23	18	15	14	11	10
P/BV	4.2	3.6	3.0	2.5	2.2	1.8	1.5
P/ABV	4.5	3.7	3.1	2.6	2.2	1.8	1.6

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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