

## Can Fin Homes Ltd.

2<sup>nd</sup> May 2024

## Subdued earning expectations due to a rise in cost and normalization of NIM

During Q4FY24, Can Fin Homes Ltd (CFHL) registered a lower growth in its loan book, which grew by 3% on a QoQ and 11% on a YoY basis. The NII remained flat sequentially and grew 28% on a YoY basis. Due to the decline in provisions by 94% on a QoQ and 93% on a YoY basis, the PAT increased by 4% on a QoQ basis and 26% on a YoY basis. The GNPA and NNPA improved by 9 bps and 7 bps sequentially at 0.82% and 0.42%, respectively. In line with the management guidance, the NIM improved by 4 bps on a QoQ basis to 4.0%. In FY24, the management has expected NIM to remain at 3.7-3.8%. During the quarter, the cost-to-income ratio increased due to multiple one-offs, such as GST-related expenses, IT expenses, and CSR expenses. This will be maintained at 18.0-18.5% in FY25 as the Company continues its investment in IT transformation.

## Loan growth to pick up in FY25

CFHL reported a lower QoQ growth of 3% and a YoY growth of 11% in Q4FY24 on its loan book. During the quarter, the Company witnessed a strong disbursement of 23% on a QoQ basis, and it expects the trend to continue in FY25. Further, the Company aims to achieve a 15% growth in its loan book for FY25.

## Asset quality improved

During the quarter, the Company's asset quality has improved, led by a strong recovery in the portfolio. GNPA for the quarter improved from 0.96% in Q3FY24 to 0.82% in Q4FY24. Going forward, the Company expects further improvement in asset quality as it is not anticipating any defaults arising from its restructured portfolio.

## NIM to normalized

During the quarter, the Company's NIM has improved from 3.9% in Q3FY24 to 4.0% in Q4FY24. The increase in NIM was due to the repricing of the last tranche of loans. The Company expects NIM to maintain at 3.5% in FY25.

## View &amp; Valuation

We have revised our estimates and maintained our view on Can Fin Homes Ltd. with a NEUTRAL rating and a target price of Rs. 809.5 (2.2x FY25E Adj. book value), suggesting a ~6% upside. We believe that CFHL will grow its loan book at 15% in FY25 and maintain its NIM at 3.5%.

## NEUTRAL

CMP Rs. 763

TARGET Rs. 809.5 (6.1%)

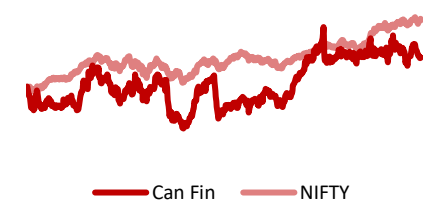
## Company Data

Bloomberg Code	CANF IN
MCAP (Rs. Mn)	1,01,483
O/S Shares (Mn)	133
52w High/Low	905 / 617
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	552

## Shareholding Pattern %

	Mar 24	Dec 23	Sep 23
Promoters	30.0	30.0	30.0
FIIIs	11.5	11.1	11.4
DIIIs	27.9	28.5	27.4
Non-Institutional	30.6	30.5	31.2

## CFHL vs Nifty



Apr, 21      Apr, 22      Apr, 23      Apr, 24

Source: Company, Keynote Capitals Ltd.

## Key Financial Data

(Rs Bn)	FY23	FY24	FY25E
NII	10	13	13
PPOP	9	10	11
Net Profit	6	7	7
Networth	36	43	50
ROA (%)	1.9%	2.0%	1.8%
ROE (%)	17.0%	16.6%	14.9%

Source: Company, Keynote Capitals Ltd.

Devin Joshi, Research Analyst  
Devin@keynoteindia.net

## Q4FY24 Result Update

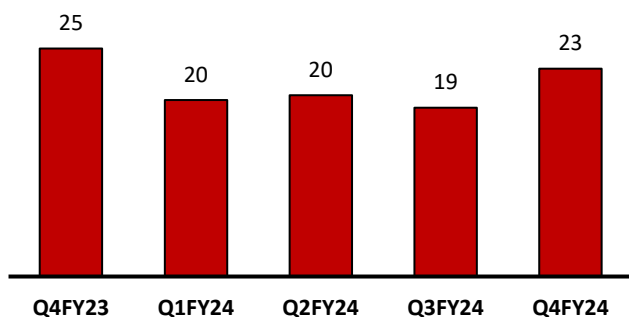
### Result Highlights (Rs. Mn)

Profit & Loss	Q4FY24	Q4FY23	Change (%) YoY	Q3FY24	Change (%) QoQ	FY24	FY23	Change (%) YoY
Net Interest Income	3,350	2,619	27.9%	3,291	2%	12,643	10,091	25.3%
Other Income	8	5	55.9%	7	18.0%	16	11	44.5%
Net Income	3,358	2,624	28.0%	3,298	1.8%	12,659	10,103	25.3%
Operating Expenses	640	406	57.8%	433	47.9%	2,296	1,445	58.9%
Pre-Provision Operating Profit	2,717	2,218	22.5%	2,865	-5.2%	10,363	8,658	19.7%
Provisions	18	238	-92.5%	308	-94.2%	788	418	88.7%
Profit Before Tax	2,700	1,980	36.3%	2,557	5.6%	9,575	8,240	16.2%
Tax	609	322	89.3%	556	9.7%	2,068	2,028	2.0%
Profit After Tax	2,090	1,658	26.1%	2,001	4.4%	7,507	6,212	20.8%
EPS (Rs.)	16	12		15		56	47	

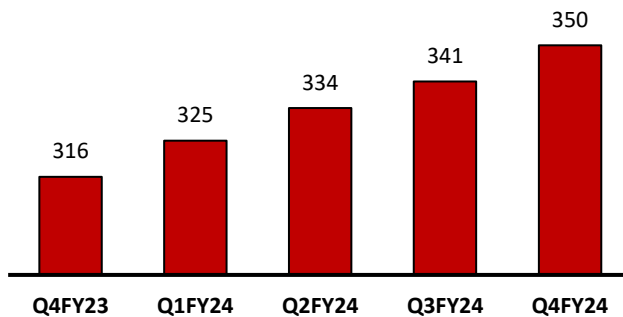
Source: Company, Keynote Capitals Ltd.

## Quarterly Business Progression

### Disbursement (Rs. Bn)

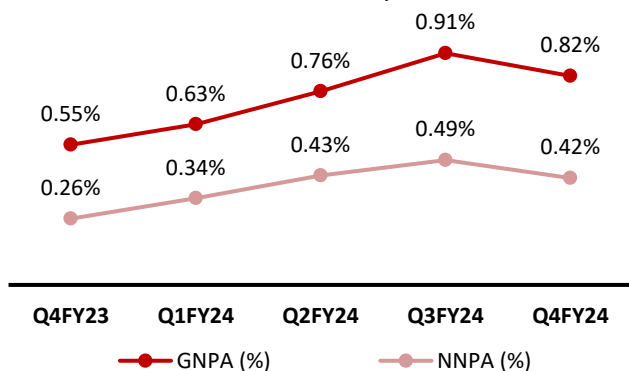


### Outstanding Loan Book (Rs. Bn)

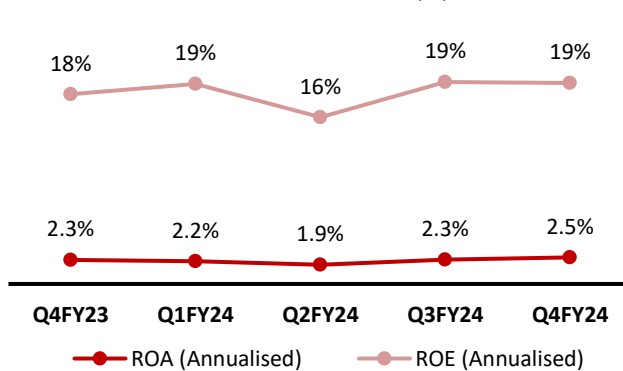


Source: Company, Keynote Capitals Ltd.

### Asset Quality

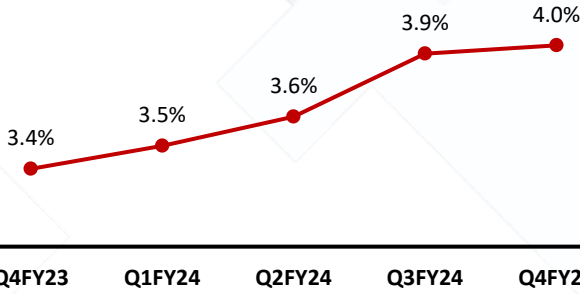


### Return Ratios (%)



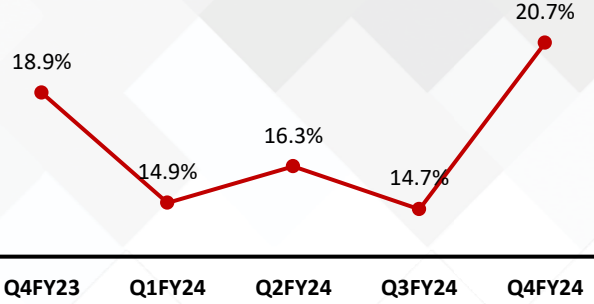
Source: Company, Keynote Capitals Ltd.

NIM (%)

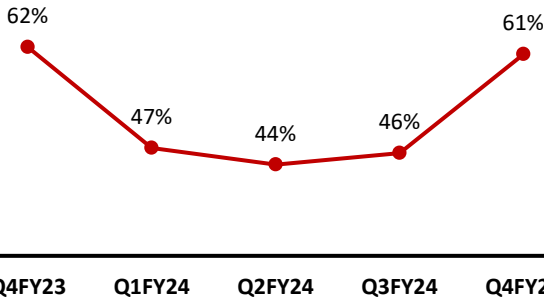


Source: Company, Keynote Capitals Ltd.

Cost to Income Ratio (%)

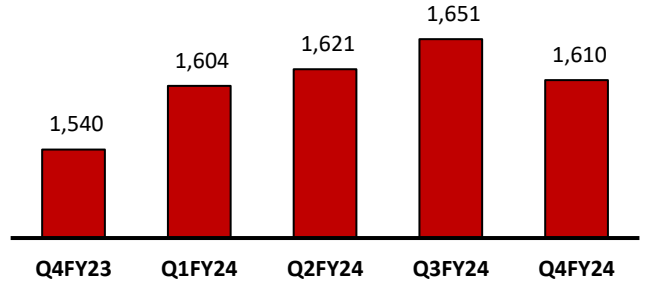


PCR (%)

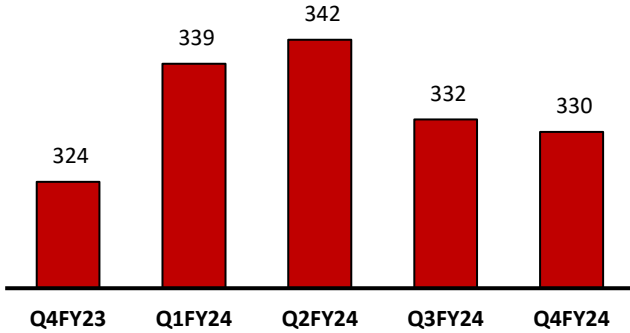


Source: Company, Keynote Capitals Ltd.

Average Business Per Branch (Rs. Mn)

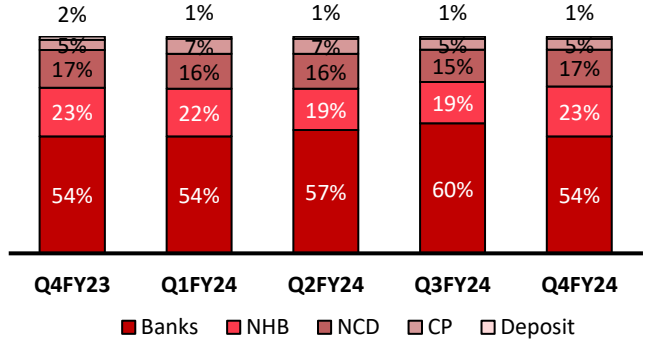


Average Business Per Employee (Rs. Mn)

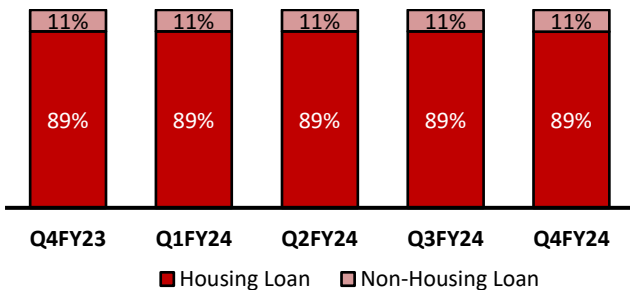


Source: Company, Keynote Capitals Ltd.

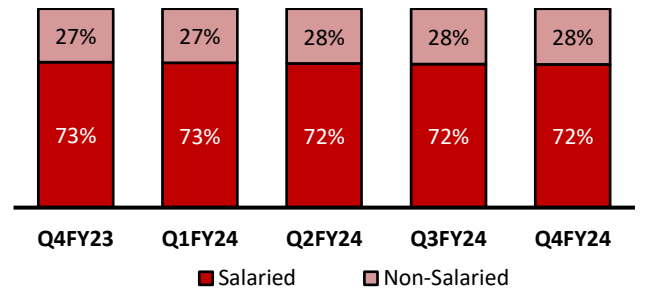
Funding Basket (%)



Percentage of home loans in the total book



Percentage of the book lent to salaried borrowers



Source: Company, Keynote Capitals Ltd.

## Q4FY24 Conference Call Takeaways

### General highlight

- The Company witnessed a strong growth of 23% in disbursement on a QoQ basis, while on a YoY basis it degrew by 9% due to the tightening of the processes and risk management initiated by the Company to centralize the disbursement and reconciliation of the loan book at the head office level after the Ambala branch incident.
- The Company has experienced a robust recovery in its portfolio, leading to enhanced asset quality.
- The Company does not anticipate any defaults arising from its restructured portfolio.
- Throughout the year, the Company experienced a consistent enhancement in its NIM, attributed to the repricing effects on the portfolio that emerged.
- In the future, any changes in borrowing costs, whether an increase or decrease, will be passed on to the customer within the quarter. This strategy is expected to strengthen the Company's ALM significantly.
- During the quarter, the Company invested Rs. 50 Mn in technology and IT enhancements. Out of this, ~Rs. 30 Mn of this expenditure is expected to recur in subsequent periods, whereas Rs. 20 Mn represents a one-time expense that will not recur.
- Due to investments in IT infrastructure, management expected a 10-15% improvement in per-branch efficiency. However, this target was not met primarily because a significant portion of the business is conducted through the DSA route, and the Company is not prepared to offer builder loans.
- The Company has been actively working to decrease its reliance on DSAs for loan sourcing. Over the past year, the Company strategically positioned one employee from each of its 51 branches to focus on marketing efforts. This initiative successfully reduced the proportion of loans sourced through DSAs from 85% in Q1FY24 to 80% by Q4FY24. The Company plans to continue this trend in the future.
- The Company has decided not to hire additional outsourced personnel for marketing roles. Instead, it is conducting a pilot program in which marketing duties are assigned to existing team members.
- At the branch level, the Company has introduced an extra layer of scrutiny through the credit review monitoring department, which evaluates every case approved by the branch.
- The Company's operational expenses included one-time costs totalling Rs. 120 Mn, comprising Rs. 65 Mn for GST and Rs. 30 Mn for IT-related expenditures, and others.

## Can Fin Homes Ltd. | Quarterly Update

---

### Management guidance

- The Company has guided to grow its AUM by 15% in FY25.
- The Company has guided a NIM of 3.5% in FY25.
- The Company aims to maintain a cost-to-income ratio of 18% in FY25, as it plans to continue investing in IT enhancements.
- The Company is expecting a 2.2% ROA in FY25.

Financial Statement Analysis

Profit & Loss

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Net Interest Income	8,280	10,092	12,643	13,001	14,951
Other Income	70	11	70	70	50
Net Income	8,350	10,103	12,713	13,071	15,001
Operating Expenses	1,530	1,445	2,296	2,340	2,542
<b>Pre-Provision Operating Profit</b>	<b>6,820</b>	<b>8,658</b>	<b>10,417</b>	<b>10,730</b>	<b>12,459</b>
Provisions	460	418	788	743	769
<b>Profit Before Tax</b>	<b>6,360</b>	<b>8,240</b>	<b>9,629</b>	<b>9,988</b>	<b>11,690</b>
Tax	1,621	2,028	2,407	2,497	2,923
<b>Profit After Tax</b>	<b>4,739</b>	<b>6,212</b>	<b>7,222</b>	<b>7,491</b>	<b>8,768</b>
<b>EPS (Rs.)</b>	<b>35.6</b>	<b>46.7</b>	<b>55.0</b>	<b>61.1</b>	<b>71.4</b>

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Share Capital	266	266	266	266	266
Reserves & Surplus	30,400	36,207	43,172	50,064	58,130
<b>Networth</b>	<b>30,666</b>	<b>36,473</b>	<b>43,439</b>	<b>50,330</b>	<b>58,396</b>
Borrowings	2,46,477	2,90,681	3,18,629	3,67,927	4,21,554
Other Liabilities & Provisions	2,301	3,551	3,948	3,996	4,185
<b>Total Liabilities</b>	<b>2,79,444</b>	<b>3,30,705</b>	<b>3,66,016</b>	<b>4,22,253</b>	<b>4,84,136</b>
<b>ASSETS</b>					
Cash and Balance	14,501	17,675	19,165	23,421	25,614
Advances	2,63,781	3,11,933	3,45,531	3,97,361	4,56,965
Fixed Assets & Others	1,162	1,087	1,310	1,471	1,556
<b>Total Assets</b>	<b>2,79,443</b>	<b>3,30,705</b>	<b>3,66,016</b>	<b>4,22,253</b>	<b>4,84,136</b>

Ratios

	FY22	FY23	FY24	FY25E	FY26E
<b>Growth YoY (%)</b>					
Advance Growth (%)	20.5%	18.3%	10.8%	15.0%	15.0%
Borrowing Growth (%)	27.8%	17.9%	9.6%	15.5%	14.6%
NII Growth (%)	2.6%	21.9%	25.3%	2.8%	15.0%
PPOP Growth (%)	-0.7%	26.9%	20.3%	3.0%	16.1%
<b>Ratios</b>					
NIM (%)	3.4%	3.5%	3.8%	3.5%	3.5%
Cost to Income Ratio	18.3%	14.3%	18.1%	17.9%	16.9%
C/D Ratio	107.0%	107.3%	108.4%	108.0%	108.4%
Capital Adequacy Ratio (%)	23.2%	23.0%	22.0%	22.0%	22.0%
ROE (%)	15.5%	17.0%	16.6%	14.9%	15.0%
ROA (%)	1.7%	1.9%	2.0%	1.8%	1.8%
<b>Asset Quality</b>					
GNPA	0.6%	0.6%	0.8%	0.7%	0.6%
NNPA	0.3%	0.3%	0.4%	0.4%	0.3%
PCR (%)	52.7%	52.7%	48.8%	48.5%	51.6%
Credit Cost (%)	0.2%	0.1%	0.2%	0.2%	0.2%
<b>Valuation</b>					
Book Value Per Share		274.2	326.6	378.4	439.1
Adjusted Book Value Per Share		268.1	315.7	368.0	428.8
P/BV (x)		3.0	2.3	2.0	1.7
Price-ABV (x)		3.1	2.4	2.1	1.8

Source: Company, Keynote Capitals Ltd.

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
23 <sup>rd</sup> Nov 2022	BUY	526	+27%
20 <sup>th</sup> Jan 2023	BUY	521	+17%
28 <sup>th</sup> April 2023	BUY	651	+13%
21 <sup>st</sup> July 2023	NEUTRAL	833	+2.4%
19 <sup>th</sup> Oct 2023	NEUTRAL	765	+5.8%
25 <sup>th</sup> Jan 2024	NEUTRAL	770	+5.8%
2 <sup>nd</sup> May 2024	NEUTRAL	763	+6.0%

Source: Company, Keynote Capitals Ltd.

## Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

## Disclosures and Disclaimers

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Keynote Capitals Ltd. (KCL) is a SEBI Registered Research Analyst having registration no. INH000007997. KCL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. Details of associate entities of Keynote Capitals Limited are available on the website at <https://www.keynotecapitals.com/associate-entities/>

KCL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

KCL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that KCL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Details of pending Enquiry Proceedings of KCL are available on the website at <https://www.keynotecapitals.com/pending-enquiry-proceedings/>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of KCL or its associates maintains arm's length distance with Research Team as all the activities are segregated from KCL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL & its group companies to registration or licensing requirements within such jurisdictions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

### Specific Disclosure of Interest statement for subjected Scrip in this document:

Financial Interest of Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Any other material conflict of interest at the time of publishing the research report by Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Receipt of compensation by KCL or its Associate Companies from the subject company covered for in the last twelve months; Managing/co-managing public offering of securities in the last twelve months; Receipt of compensation towards Investment banking/merchant banking/brokerage services in the last twelve months; Products or services other than those above in connection with research report in the last twelve months; Compensation or other benefits from the subject company or third party in connection with the research report in the last twelve months.	NO
Whether covering analyst has served as an officer, director or employee of the subject company covered	NO
Whether the KCL and its associates has been engaged in market making activity of the Subject Company	NO
Whether the Research Entity [KCL] and its associates; Research Analyst and its Relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.	NO

**The associates of KCL may have:**

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however, the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of KCL has not received any compensation or other benefits from third party in connection with the research report.

Above disclosures includes beneficial holdings lying in demat account of KCL which are opened for proprietary investments only. While calculating beneficial holdings, it does not consider demat accounts which are opened in name of KCL for other purposes (i.e. holding client securities, collaterals, error trades etc.). KCL also earns DP income from clients which are not considered in above disclosures.

**Analyst Certification**

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

**Terms & Conditions:**

This report has been prepared by KCL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KCL. The report is based on the facts, figures and information that are believed to be true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KCL will not treat recipients as customers by virtue of their receiving this report

**Disclaimer:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. KCL, its associates, their directors and the employees may from time to time, effect or have affected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. KCL, its associates, their directors and the employees may from time to time invest in any discretionary PMS/AIF Fund and those respective PMS/AIF Funds may affect or have effected any transaction in for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of KCL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL to any registration or licensing requirement within such jurisdiction.



The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt KCL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold KCL or any of its affiliates or employees responsible for any such misuse and further agrees to hold KCL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

**Keynote Capitals Limited (CIN: U67120MH1995PLC088172)**

Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD): INZ000241530; DP: CDSL- IN-DP-238-2016; Research Analyst: INH000007997

For any complaints email at [kcl@keynoteindia.net](mailto:kcl@keynoteindia.net)

General Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on [www.keynotecapitals.com](http://www.keynotecapitals.com); Investment in securities market are subject to market risks, read all the related documents carefully before investing.