

Can Fin Homes Ltd.

BUY

Sector: NBFC

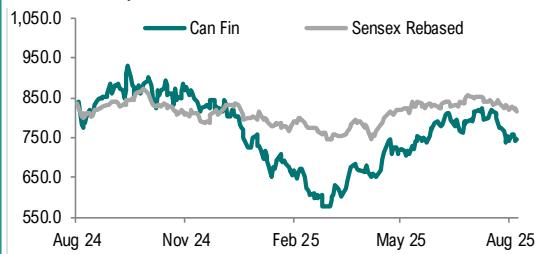
 11th August 2025

Key Changes:	Target	Rating	Earnings	Target	Rs.900		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.745
Small Cap	CANF:IN	79,858	CANFINHOME	511196	12 Months	Return	+21%

Data as of: 08-08-2025, 18:00 hrs

Company Data			
Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	30.0	30.0	30.0
FII's	11.4	12.1	12.1
MFs/Institutions	28.1	24.7	24.5
Public	30.5	33.2	33.4
Total	100.0	100.0	100.0
Promoter Pledge	-	-	-
Price Performance	3 Month	6 Month	1 Year
Absolute Return	4.6%	11.2%	-5.2%
Absolute Sensex	-0.6%	2.6%	1.2%
Relative Return	5.2%	8.7%	-6.5%

*over or under performance to benchmark index



Standalone (Rs. cr)	FY25A	FY26E	FY27E
NII	1,354	1,533	1,690
Growth (%)	7.6	13.2	10.2
NIM(%)	3.5	3.6	3.5
Provisions	76	101	112
Adj. PAT	857	939	1,044
Growth (%)	14.2	9.6	11.1
Adj. EPS	64.4	70.5	78.4
Growth (%)	14.2	9.6	11.1
BVPS	380.5	440.1	506.5
Adj BVPS	368.4	424.1	487.2
P/E	11.7	10.6	9.6
P/B	2.0	1.7	1.5
ROA (%)	2.2	2.2	2.1
ROE (%)	18.2	17.2	16.6

Turning the Tide

Can Fin Homes Ltd. (CANF) is the housing finance arm of Canara Bank. Predominantly active in South India, the company offers a wide range of financial products, including housing loans, composite loans, non-housing loans, mortgage loans, and commercial property loans, in addition to fixed and cumulative deposits.

- The loan book grew by 9.0% YoY to Rs. 38,773 cr. The client base now stands at 2.83 lakh.
- Net interest income grew by 12.9% YoY to Rs. 349 cr. The net interest margin (NIM) edged moderately lower to 3.6% compared to last quarter.
- The cost-to-income ratio in Q1FY26 inched up mainly due to a one-time actuarial impact from salary revisions and increased rent from new branches and zonal offices. It is expected to normalize to around 18% in FY26 and 19% in FY27 with IT costs factored in.
- PAT grew modestly by 12.1% YoY to Rs. 224 cr in Q1FY26, despite an uptick in provisions. The increase in provisioning was a deliberate and tactical move by the management, aimed at cleaning up sticky accounts early in the fiscal year.
- Asset quality experienced slight deterioration, with GNPA/NNPA rising to 0.98%/0.54% from 0.91%/0.49% in Q1FY25. The Provision Coverage Ratio (PCR) also declined to 45.2% from 46.5% in Q1FY25.

Outlook & Valuation

As the benefit of the rate cut is transmitted only after it has been experienced by the bank, the NIM is expected to remain stable. The bank has guided for a credit cost of 15 bps for FY26, anticipating that asset quality will remain within a stable range. ROA and ROE are projected to remain largely stable at 2.1% and 16.6%, respectively, over FY26–27. Therefore, we assign a **BUY** rating with a revised target price of Rs. 900, based on 1.8x FY27E BVPS.

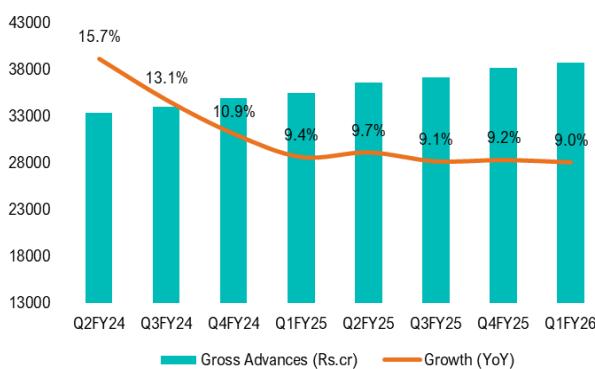
Quarterly Financials (Standalone)

Rs cr	Q1FY26	Q1FY25	YoY(%)	Q4FY25	QoQ(%)
Net Interest Income (NII)	363	321	12.9	349	4.1
Total Income	372	328	13.3	365	1.9
Expenditure	68	49	39.7	71	-3.6
Pre-Provision Profit	304	280	8.7	295	3.2
Provision	26	24	7.3	15	70.2
PBT	278	255	8.8	279	-0.5
Reported PAT	224	200	12.1	234	-4.3
Adj. PAT	224	200	12.1	234	-4.3
Diluted EPS (Rs)	17	15	12.1	18	-4.3

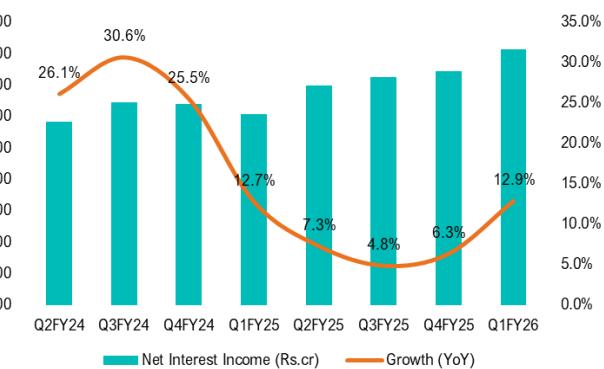
Key Highlights

- Mr. Abhishek Mishra was appointed as the new Chief Financial Officer of Can Fin Homes Limited, effective June 30, 2025, following the resignation of the previous CFO.
- Can Fin Homes achieved a historic milestone in Q1 FY26 by surpassing Rs.2,000 cr in disbursements for the first time in a single quarter, reflecting a 9% YoY growth.
- Can Fin Homes has proactively transmitted the recent repo rate cuts to its customers, implementing a total reduction of 25 bps, with 10 bps in May and an additional 15 bps in July. However, the impact of this rate cut is staggered due to customer reset cycles. As of Q1FY26, approximately 67% of the loan portfolio remains on an annual reset plan, down from 72% in March, while the remaining customers are on quarterly resets.
- The affordable housing segment is witnessing a slowdown due to reduced developer incentives and limited impact of PMAY 2.0. The scheme has stricter eligibility and fewer covered cities, resulting in high rejection rates.
- The company expects Rs.10,500 cr. in disbursements for FY26, with Rs.2,500-2,600 cr targeted in Q2. Key financial metrics are guided at 3.5% NIM, 2.5% spread, 2.2% ROA, and 17.0% ROE.

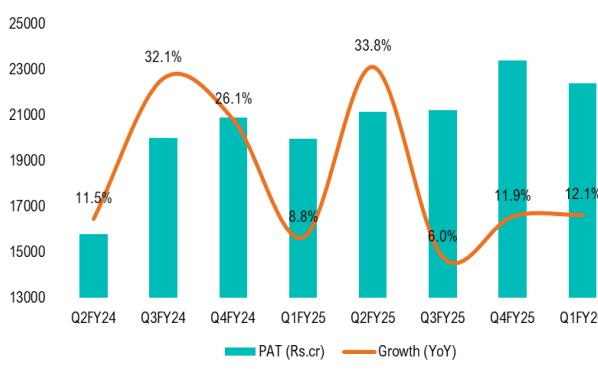
Gross Advances



Net Interest Income



PAT



Other Metrics



Change in Estimates

Year / Rs cr	Old Estimates		New Estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income	1,502	1,711	1,533	1,690	2.1	-1.3
Net Interest Margin	3.5	3.5	3.5	3.5	3bps	-1bps
Pre-Provision Profit	1,306	1,488	1,301	1,445	-0.4	-2.9
Net Profit	945	1,076	939	1,044	-0.6	-3.0
Diluted EPS (Rs)	70.9	80.8	70.5	78.4	-0.5	-3.0

Standalone Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	2,715	3,490	3,843	4,187	4,626
Interest Expense	1,701	2,231	2,488	2,655	2,937
Net Int. Income	1,015	1,258	1,354	1,533	1,690
% Change	24.3%	24.0%	7.6%	13.2%	10.2%
Non Int. Income	28	35	37	32	44
Total Income	1,042	1,293	1,391	1,565	1,734
Operating Expenses	176	217	238	264	288
Pre Prov. Profit	866	1,076	1,153	1,301	1,445
% Change	26.9%	24.3%	7.2%	12.8%	11.1%
Prov. & Conting.	42	118	76	101	112
PBT	824	958	1,077	1,200	1,333
% Change	29.8%	16.2%	12.5%	11.3%	11.1%
Tax	203	207	220	260	289
Tax Rate	25%	22%	20%	22%	22%
Reported PAT	621	751	857	939	1,044
Adj*	-	-	-	-	-
Adj. PAT	621	751	857	939	1,044
% Change	31.9%	20.8%	14.2%	9.6%	11.1%
No. of shares (cr)	13.3	13.3	13.3	13.3	13.3
EPS (Rs)	46.7	56.4	64.4	70.5	78.4
% Change	31.9%	20.8%	14.2%	9.6%	11.1%
DPS (Rs)	3.0	4.0	10.0	11.0	12.0

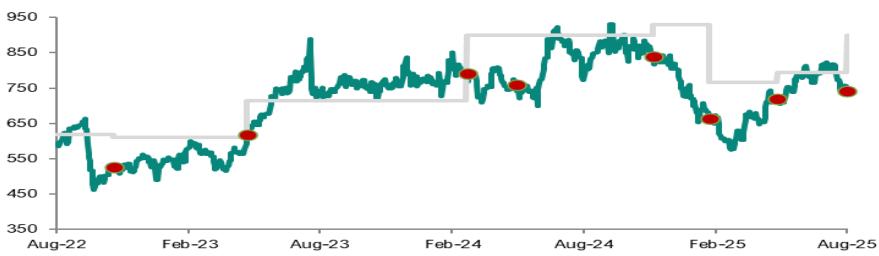
Balance Sheet

Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	2	1	1	2	2
Loans & Advances	31,193	34,553	37,696	42,275	48,021
Investments	1,459	1,459	2,374	2,657	3,019
Net Fixed Assets	45	53	50	67	75
Def. Tax (Net)	48	66	69	52	43
Other Assets	322	882	776	854	975
Total Assets	33,070	37,014	40,967	45,907	52,135
Deposits	435	218	187	256	286
Debt Funds	28,633	31,645	34,864	38,829	44,033
Other Liabilities	321	748	792	897	1,004
Provisions	34	59	57	65	67
Equity Capital	27	27	27	27	27
Reserves & Surplus	3,621	4,317	5,041	5,834	6,718
Shareholder's Funds	3,647	4,344	5,067	5,860	6,744
Total Liabilities	33,070	37,014	40,967	45,907	52,135
BVPS (Rs)	274	326	381	440	506
% Change	18.9%	19.1%	16.7%	15.6%	15.1%
Adj. BVPS (Rs)	266.3	315.8	368.4	424.1	487.2
% Change	19.1%	18.6%	16.7%	15.1%	14.9%

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
Interest yield (%)	8.9	10.0	10.0	9.7	9.6
Cost of funds (%)	6.3	7.3	7.4	7.2	7.0
Spread(%)	2.6	2.7	2.5	2.5	2.5
NIM (%)	3.3	3.6	3.5	3.5	3.5
ROE (%)	18.5	18.8	18.2	17.2	16.6
ROA(%)	2.0	2.1	2.2	2.2	2.1
Business Growth					
Loans & Advances (%)	18.1	10.9	9.2	11.7	13.6
Borrowings (%)	18.5	10.5	10.2	11.4	13.4
Operating Ratios					
Cost to Income (%)	16.9	16.8	17.1	16.9	16.6
Capital Adequacy					
CAR (%)	22.3	33.4	34.4	28.9	28.7
Asset Quality					
GNPA (%)	0.6	0.8	0.9	0.9	1.0
NNPA (%)	0.3	0.4	0.4	0.5	0.5
Valuation					
P/E (x)	16.0	13.3	11.6	10.6	9.5
P/B (x)	2.7	2.3	2.0	1.7	1.5
Adj. P/B (x)	2.8	2.4	2.0	1.8	1.5

Recommendation Summary (last 3 years)



Dates	Rating	Target
25.Oct.22	Accumulate	611
28.Apr.23	Accumulate	714
27.Feb.24	Accumulate	900
06.May.24	Buy	900
11.Nov.24	Accumulate	929
30.Jan.25	Accumulate	767
12.May.25	Accumulate	794
11.Aug.25	Buy	900

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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