

January 20, 2026

## Sustained growth & earnings to aid valuation

**About the stock:** CanFin Homes (CFHL) was promoted by Canara Bank in 1987, with ~30% stake as of Dec 2025. The HFC has a presence in 249 locations across 21 states and union territories (UTs).

- Housing loans comprise ~84% of book; of which ~68% is to salaried customers
- Average ticket size is ₹26 lakh for housing, ₹14 lakh for non-housing loans

**Q3FY26 performance:** Can Fin Homes reported healthy performance in Q3FY26. Strong disbursement at ₹2,727 crore (45.1% YoY), resulting in gradual pick-up in AUM growth at 9.5% YoY/ 2.6% QoQ to ₹40,693 crore. NII grew 22% YoY to ₹421 crore (up 4% QoQ), driven by 41 bps YoY/ 12 bps QoQ in margin to 4.1%, on the back of reduction in cost of borrowing. Opex remained elevated, keeping CI ratio at 18.53%, however, healthy top-line resulted in 24.8% YoY growth in earnings at ₹265 crore, with RoA at 2.55%.

### Investment Rationale

- Operating momentum and regional recovery drive growth outlook:** With ₹2,727 crore disbursed in Q3FY26, the company remains on track to achieve its disbursement guidance of ₹10,000–10,500 crore in FY26E, implying ~11–12% AUM growth, despite elevated prepayment trends acting as a near term drag. This is supported by broad based recoveries across geographies, with Karnataka and Telangana showing signs of stabilization. For FY27E, management guided ₹13,500 crore disbursements, implying ~15% growth in AUM, driven by branch expansion and scaling of in-house sales team. Portfolio mix shift towards non-home loans (16% to 20%) and self-employed segment (32% to 35%) by FY28E is expected to support yield.
- Earnings visibility supported by lower funding cost and stable asset quality:** NIMs expanded to 4.14%, driven by faster repricing of liabilities, even as the company passed on cumulative 50 bps rate cut to customers. ₹4,000 crore of bank sanction and ₹1,000 crore of NHB refinance (to be drawn in Q4) at a blended rate of ~6.3% should further support margins. For FY27E, management has guided for NIMs of 3.75–3.8% and spreads of 2.75–2.8%, credit cost of ~15 bps and CI ratio of 19.5% due to IT implementation. Thus, lower funding cost and benign asset on the back of disciplined risk management provides earnings visibility with RoA to sustain at 2.2–2.4%.

### Rating and Target Price

- Canfin Homes has been best in class HFC player with a robust business model & underwriting practice, which resulted in healthy earnings growth with GNPA <1% across cycles. Margin resilience coupled with strong asset quality is expected to sustain RoA at 2.2–2.4% in FY26–28E. Revival in business growth to act as trigger to boost valuation. Rolling on FY28E estimates, we value CanFin Homes at ~1.8x FY28E BV and revise target price to ₹1,100 (earlier ₹1,000). Maintain Buy rating.

### Key Financial Summary

₹ crore	FY23	FY24	FY25	2 year CAGR (FY23–FY25)	FY26E	FY27E	FY28E	3 year CAGR (FY25–28E)
NII	1015	1259	1354	15.5%	1590	1823	2107	15.9%
PPP	866	1036	1152	15.4%	1322	1520	1767	15.3%
PAT	621	751	856	17.4%	993	1130	1315	15.4%
ABV (₹)	268	315	367	17.2%	436	513	604	18.0%
P/E	19.7	16.3	14.3		12.3	10.8	9.3	
P/ABV	3.4	2.9	2.5		2.1	1.8	1.5	
RoA	2.0%	2.2%	2.2%		2.3%	2.3%	2.4%	
RoE	18.5%	18.8%	18.2%		17.9%	17.3%	17.1%	

Source: Company, ICICI Direct Research



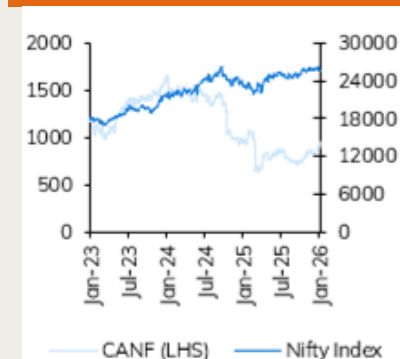
#### Particulars

Particulars	Amount
Market Capitalisation	₹ 12,505 crore
52 week H/L	972 / 558
Net worth	₹ 5067 Crore
Face Value	2.0
DII Holding (%)	24.7
FII Holding (%)	13.2

#### Shareholding pattern

Holding (%)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	30.0	30.0	30.0	30.0
FII	12.1	12.1	12.5	13.2
DII	24.7	24.5	23.9	24.7
Public	33.2	33.4	33.6	32.1

#### Price Chart



#### Key risks

- Slower rate transmission on liabilities or elevated BT may pressure margins
- Continued elevated prepayment

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## Concall highlights and outlook:

### Operational Performance

- AUM growth improved to ~9.5–10% YoY, up from 8.4% in Q2FY26, though still moderated by elevated prepayments. Prepayments and loan closures remained elevated at ₹1,691 crore in Q3 (vs ₹1,661 crore in Q2), impacting AUM growth by ~₹400 crore.
- Prepayments remained elevated, with 80% coming from annual reset customers (~54% of book), while quarterly reset loans at 46% are being accelerated via proactive migration to reach 80-85% level by Q4FY26 to curb pricing lag and BT out.
- Management clarified that normal quarterly amortisation historically averaged ₹1,350–1,400 crore, while the recent run-rate of ₹1,650–1,700 crore reflects temporary pressure from BT-outs rather than weak demand. Excluding impact of elevated prepayments, AUM would have been ~₹41,100–41,200 crore by Q3-end, implying ~1% higher growth.
- Disbursements hit a record ₹2,727 crore, up 45% YoY (base effect due to e-Khata disruption in Q3FY25) and ~7% QoQ, YTD disbursements remain on track to meet FY26 guidance of ₹10,500 crore, with Q4FY26 disbursement guided at ₹3,200–3,300 crore (H2 contribution ~55%).
- Karnataka disbursements rebounded to ~₹250 crore/month; Q3 disbursements at ~₹740 crore, taking YTD growth to +3% (vs -10% earlier). Telangana posted ~30% YoY growth in Q3FY26, with all three months clocking ₹100+ crore disbursements; management expects YTD to turn positive by FY-end. North & West zones delivered ~15% AUM growth, AP and East ~11%, Karnataka ~8%, Tamil Nadu ~15%+, while Telangana AUM remained flattish.
- Non-housing loans at ~16% of AUM, targeted to rise to ~20% by FY28E, supporting margin resilience.
- Branch network stood at 249, with plans to reach ~300 branches by FY28E; ~25 branches per year planned, largely in North, West, Tamil Nadu and Andhra Pradesh.
- Salaried: SENP mix stood at 68:32, with management targeting a mix of 65:35 by FY28E to enhance yields while maintaining GNPA below 1%
- Salaried GNPA has been range bound at ~0.5-0.6% while self-employed report higher at ~1.5-1.7%
- Marketing executives' strength stands at 90, up from 37 in Q1FY26, and is planned to be scaled up to 250 in next 1-2 years. Productivity improved sharply, with sourcing rising from ₹101 crore in Q1FY26 to ₹185 crore in Q2FY26 and ₹250+ crore in Q3FY26. Per executive sourcing averaged at ₹80-90 lakh per month in Q3FY26.
- DSA contribution in Q3FY26 stood at 79%, with management reiterating its strategy to gradually reduce it to 60% by FY28E by scaling up in-house sales force and fully digital sourcing enabled post IT implementation.

### IT Transformation

- Core modules (HRMS, DMS, Aadhaar Data Vault) are live; deposit module to go live by January 26, while LOS/LMS rollout deferred to Q1FY27. No impact of IT transformation is expected in Q4FY26.
- Implementation expected to cause 3–4 days of downtime and ~1–2 weeks of stabilization, with a one-time business impact of ₹250–300 crore in the transition quarter.
- New platform will enable end-to-end digital onboarding, process automation, better cybersecurity and scalability post rollout resulting in 20% improvement in productivity and reduction in TAT.

### Margins

- Overall cost of borrowing at the end of Q3FY26 was 7.14%. ~62% of borrowings are from banks, with ~80% linked to repo, ensuring faster transmission of rate cuts. Incremental bank borrowing cost stands at ~6.8–6.9%, with long-term loans at ~6.92%. Around 65–70% of liabilities reprice within one month, supporting quicker margin normalization. PLR rate cut (effective July) will benefit floating-rate borrowings over the next quarter. ₹4,000 crore of bank sanction limits still undisbursed and unutilised.
- NHB refinance is split into 50% fixed and 50% floating (annual reset), with benefits from rate cuts expected to flow through in coming quarters. Company received NHB refinance at a blended rate of ~6.3%, supporting lower overall funding cost. ~ ₹1,000 crore sanction is expected to be taken in Q4FY26.
- Management has passed on cumulative 50 bps rate cuts after receiving lower borrowing cost benefit. Despite this, spreads improved from 2.55% in Q1FY26 to ~2.89% in Q3FY26 due to time gap and faster repricing of borrowings. Management

reiterated it will protect spreads (~2.75-2.8%) and avoid aggressive price cuts beyond this level.

- The proportion of customers on annual resets continues to decline, from 67% in Q1FY26 to 54% in Q3FY26. The company expects to maintain spreads and margins despite the shift to quarterly resets, supported by lower incremental borrowing costs.
- NIMs improved to 4.14% in Q3FY26 (vs 4.02 in Q2FY26), with spreads grew to 2.93%. Management guides for a steady NIM of 3.75% and spread of 2.75% going forward.

### Asset quality

- Delinquencies declined for the fourth consecutive quarter, falling below management's target of ₹3,750 crore, with improvement across SMA-0, SMA-1 and SMA-2 buckets. Improvement in delinquency trend was observed across Telangana and other geographies.
- GNPA levels remained stable QoQ at 0.92%, while provisions stood at ₹10 crore, largely for portfolio growth rather than fresh stress. No further provision expected at Q4FY26.
- Management expects further improvement in Q4FY26, with potential write-backs, and indicated no fresh stress across geographies.

### Guidance

- FY26 disbursement guidance of ₹10,500 crore reiterated; AUM growth expected at ~11-12% in FY26E, moderated by prepayments. FY27E disbursement guided at ₹13,500 crore, which should support ~15% AUM growth.
- Maintained guidance on spreads at 2.75% and NIM of 3.75%.
- Management reiterated CI ratio guidance of 19-19.5% for FY27 due to IT project cost.
- Credit cost guidance maintained at ~15 bps for FY26.

### Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Net Interest Inc	421	345	22.1	405	4.0	NII aided by margin expansion
Reported NIM %	4.1%	3.7%	41 bps	4.0%	12 bps	Decrease in cost of funds aided margins
Other Income	10.0	5.8	71.9	6.3	59.4	
Net Total Income	431	351	22.9	411	4.9	
Employee Benefit expense	45	29	54.7	43	4.2	
Other Operating Expenses	35	30	15.4	33	5.5	
PPP	351	291	20.5	335	4.9	
Provision	10	22	-56.0	3	217.0	Credit cost continued to be lower than guidance
PBT	341	269	26.8	332	3.0	
Provision for Tax	77	57	34.4	80	-4.4	
PAT	265	212	24.8	251	5.3	
Key Metrics						
GNPA	373	341	9.4	373	0.0	Asset quality continues to remain steady
NNPA	199	187	6.4	191	4.2	
Total Loan Book	40693	37155	9.5	39657	2.6	Continued focus on non-home segment
Borrowings	36915	33454	10.3	36107	2.2	

Source: Company, ICICI Direct Research

## Financial Summary

**Exhibit 2: Profit and loss statement**

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Interest Earned	3,842	4,160	4,709	5,348
Interest Expended	2,488	2,570	2,887	3,241
Net Interest Income	1,354	1,590	1,823	2,107
% growth	7.5	17.5	14.6	15.6
Non Interest Income	37	41	46	52
Net Income	1,390	1,631	1,868	2,159
Employee cost	112	173	189	206
Other operating Exp.	126	136	159	186
Operating Profit	1,152	1,322	1,520	1,767
Provisions	76	49	71	81
PBT	1,076	1,273	1,449	1,686
Taxes	220	280	319	371
Net Profit	856	993	1,130	1,315
% growth	14.0	16.0	13.9	16.4
EPS (₹)	64.3	74.5	84.9	98.8

Source: Company, ICICI Direct Research

**Exhibit 3: Key ratios**

(Year-end March)	FY25	FY26E	FY27E	FY28E
Valuation				
No. of Equity Shares	13.3	13.3	13.3	13.3
EPS (₹)	64.3	74.5	84.9	98.8
BV (₹)	380.5	450.8	530.6	623.5
ABV (₹)	367.5	435.9	513.4	603.6
P/E	14.3	12.3	10.8	9.3
P/BV	2.4	2.0	1.7	1.5
P/adj.BV	2.5	2.1	1.8	1.5
Yields & Margins (%)				
Yield on interest earning assets	9.9%	9.8%	9.8%	9.8%
Avg. cost on funds	7.4%	7.0%	7.0%	7.0%
Net Interest Margins	3.5%	3.7%	3.8%	3.8%
Spreads	2.4%	2.9%	2.8%	2.8%
Quality and Efficiency				
Cost / Total net income	17.8%	20.5%	19.9%	19.4%
GNPA%	0.9%	0.8%	0.8%	0.8%
NNPA%	0.5%	0.5%	0.5%	0.5%
RoE (%)	18.2%	17.9%	17.3%	17.1%
RoA (%)	2.2%	2.3%	2.3%	2.4%

Source: Company, ICICI Direct Research

**Exhibit 4: Balance sheet**

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Capital	27	27	27	27
Reserves and Surplus	5,041	5,977	7,039	8,276
Networth	5,067	6,003	7,066	8,302
Borrowings	35,051	38,907	43,576	49,023
Other Liabilities & Provisions	381	512	573	643
<b>Total</b>	<b>40,500</b>	<b>45,422</b>	<b>51,214</b>	<b>57,968</b>
	108%	108%	110%	111%
Applications of Funds				
Fixed Assets	50	53	56	58
Investments	2,374	2,627	2,647	2,749
Advances	37,696	42,082	47,813	54,629
Other Assets	379	661	699	532
<b>Total</b>	<b>40,500</b>	<b>45,422</b>	<b>51,214</b>	<b>57,968</b>

Source: Company, ICICI Direct Research

**Exhibit 5: Growth ratios**

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total assets	10.7%	11.8%	12.9%	13.7%
Advances	9.1%	11.6%	13.6%	14.3%
Borrowings	10.0%	11.0%	12.0%	12.5%
Total Income	7.5%	17.3%	14.6%	15.6%
Net interest income	7.5%	17.5%	14.6%	15.6%
Operating expenses	-7.3%	29.9%	12.5%	12.6%
Operating profit	11.2%	14.7%	15.1%	16.2%
Net profit	14.0%	16.0%	13.9%	16.4%
Book value	16.7%	18.5%	17.7%	17.5%
EPS	14.0%	16.0%	13.9%	16.4%

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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