

Decent quarter

Reported PAT came in INR 234 cr, up by 11.9% yoy & 10.3% qoq led by higher disbursements qoq and stable asset quality. Disbursements grew at decent pace of 30.7% qoq (6.1% yoy) to INR 2455 cr. This resulted in outstanding loan growth 9.2% yoy to INR 38217 cr. Overall, in FY25, growth in LAP loans (7% share) was much higher at 23.9% yoy vs. 7.8% yoy in housing loans (88% share); while the former has better yields as well. Incremental spreads were lower during the quarter at 2.55% vs. 2.68% in Q3 mainly due to marginal dip in the yields (8 bps qoq to 10.11%) & increase in the cost of funds (5 bps qoq to 7.56%). However, management expects spreads & margins in FY26 will be maintained at 2.5%/3.5% respectively. Asset quality was stable - In % terms, GNPA/NNPA stood at 0.87%/0.46% vs. 0.92%/0.5% in Q3 respectively. We retain BUY rating with TP of INR 883, giving upside of 22% from the current levels

Management Outlook for FY26

- Loan likely to grow by ~15% in FY26e
- Disbursements are likely to grow by 20%
- Credit cost will be at 15 bps for FY26
- It plans to add 15-20 branches each year over the next 3-4 years taking total count to 300 by FY28 from current 201

Financial Summary

(Rs.bn)	FY24	FY25e	FY26e	FY27e
NII (Rs)	1258.5	1354.4	1493.1	1740.8
PAT (Rs)	750.7	857.2	928.9	1084.3
EPS	56	64	70	81
ROE (%)	18.8	18.2	16.9	16.8
ROA (%)	2.1	2.2	2.1	2.1
P/E	12.8	11.2	10.4	8.9
P/ABV	2.3	2.0	1.7	1.4

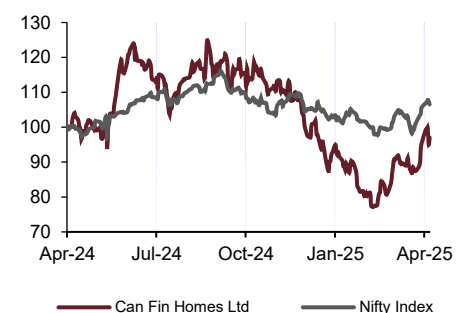


Rating	TP (Rs)	Up/Dn (%)
BUY	883	22

Market data

Current price	Rs	723
Market Cap (Rs.Bn)	(Rs Bn)	96
Market Cap (US\$ Mn)	(US\$ Mn)	1,129
Face Value	Rs	2
52 Weeks High/Low	Rs	952/559
Average Daily Volume	('000)	1,283
BSE Code		511196
Bloomberg		CANF.IN

One Year Performance



Source: Bloomberg

% Shareholding	Mar-25	Dec-24
Promoters	30	30
Public	70	70
Total	100	100

Source: BSE

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Valuations

Valuations of stock has corrected from 2.1x/1.8x FY26e/FY27e P/ABV to 1.7x/1.4x resp. for the same period over the last 6 months. However, management has maintained FY26e loan growth target of 15% led by disbursements growth of 20% while maintaining margin outlook. In our view, going forward, the most important thing to watch out for will be IT tech transformation cost which might escalate overall costs and also to some extent impact loan growth as well.

Given valuations have corrected, we maintain our BUY rating on the stock with same TP of INR 883 (discounting its FY27e ABV by 1.75x) giving us upside of 22% from current levels.

Results Highlights Q4FY25

- PAT came in INR 234 cr, up by 11.9% yoy & 10.3% qoq led by higher disbursements qoq and stable asset quality
- **New approvals & disbursements growth improved** – New approvals recorded healthy growth at 27.7% qoq (2.5% yoy) to INR 2650 cr. At the same time, disbursements too grew at decent pace of 30.7% qoq (6.1% yoy) to INR 2455 cr. On yoy basis, growth looks still soft due to issues of e-Katha in Karnataka state pertained for the first nine months of FY25 (state contributes ~35% share in the overall loan book). However, management highlighted that issues have started to resolve in Karnataka as seen in Q4FY25
- Total outstanding loan book grew by 9.2% yoy (2.9% qoq) to INR 38217 cr – growth has been slowing down since last 2 years i.e. ~18% growth in FY23 to ~9% now in FY25. Overall, in FY25, growth in LAP loans (7% share) was much higher at 23.9% yoy vs. 7.8% yoy in housing loans (88% share); while the former has better yields as well.
- Incremental spreads were lower during the quarter at 2.55% vs. 2.68% in Q3 mainly due to marginal dip in the yields (8 bps qoq to 10.11%) & increase in the cost of funds (5 bps qoq to 7.56%). However, management expects spreads & margins in FY26 will be maintained at 2.5%/3.5% respectively.
- NII growth too was at lower end at 6.3% yoy to INR 983 cr led by relatively slower asset growth and margin contraction on sequential basis. This resulted in PPOP growth at 8.4% yoy to INR 295 cr.
- Cost/Income ratio was higher at 19.4% in Q4 vs. 16.9% in Q3FY25 and
- **Asset quality stable** – GNPA/NNPA, in absolute terms were at INR 333 cr/INR 174 cr as on Q4 vs. INR 341 cr/187 cr in Q3. In % terms, GNPA/NNPA stood at 0.87%/0.46% vs. 0.92%/0.5% in Q3 respectively. SMA 0 assets showed substantial decline from INR 2593 cr to INR 1829 cr qoq. While SMA 1/SMA 2 showed marginal increase from INR 1045 cr/INR 907 cr to INR 1134/INR 970 cr qoq.
- Incremental provisioning for the quarter was at INR 15.4 cr vs. INR 22.1 cr in Q3.

Concall Highlights – Q4FY25

- **Management expects 20% growth in disbursements in FY26 (that will result in ~15% loan growth)** which is likely to be led by a) further resolving of issues of e-katha in Karnataka b) improvement in the volumes with the newly establish sales team c) pick-up of the business in the newly added branches d) resurgence in the Telangana business as well.
- It added 15 branches in Q4 and total 30 branches in FY25 taking total count of the branches to 216 (of this 18 branches are affordable housing loan centers). **It plans to add another 16 branches in FY26.** It has pan-India presence spread across 21 states/union territories. It is likely to add nearly 15-20 branches each year to take total count to 300 by FY28 from current 216
- **Management expects spreads & margins will be maintained at 2.5% and 3.5% respectively** in FY26 – Management expects incremental cost of funds to be lower by 10 bps in Q1FY26 and borrowing cost could further reduce with expected repo rate cuts. The banks have so far not done any lending rate cuts for the new borrowers of housing loans over the last 3-4 months of 50 bps repo rate cut. Following this, there has been no lending rate cut by HFCs as well. Further transmission of lending rate will depend upon the competition in the market.

There has been shift in the borrowings strategy – the NBFC has transitioned from MCLR to repo linked/T-Bills linked borrowings which comprise of 80% of the total borrowings now. Hence, there is potential of faster repricing of the borrowings in the expected declining interest rate scenario. Hence, the management expects spreads & margins will be maintained at 2.5% & 3.5% respectively in FY26.

- **IT transformation** - The company has embarked on new IT transformation project for which it is working with IBM on the same to revamp sales, infra, security, HRMS and all the modules of the HFC. Total estimated cost for the same is INR 250-300 cr over the next 6-7 years and per annum cost is estimated to be 35 cr. This will escalate Cost/Income ratio to 18-18.5% levels vs. 17% currently
- **Future IT Costs:** IT spending is expected to rise from INR 15 cr per annum currently to INR 35 cr as part of the transformation initiative.
- **Credit cost is anticipated to be ~15 bps in FY26**
- Dividend payout ratio is expected to be ~18-20% levels
- Return ratios expectations – ROE of 17-18% and ROA of 2%+

Valuations

Valuations of stock has corrected from 2.1x/1.8x FY26e/FY27e P/ABV to 1.7x/1.4x resp. for the same period over the last 6 months. However, management has maintained FY26e loan growth target of 15% led by disbursements growth of 20% while maintaining margin outlook. In our view, going forward, the most important thing to watch out for will be IT tech transformation cost which might escalate overall costs and also to some extent impact loan growth as well.

Given valuations have corrected, we maintain our BUY rating on the stock with same TP of INR 883 (discounting its FY27e ABV by 1.75x) giving us upside of 22% from current levels.

Quarterly Comparison

Particulars (INR cr)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY
Interest Earned	818.1	865.2	894.8	911.7	924.2	955.3	980.3	982.9	7.8
Interest Expended	533.0	548.4	566.0	583.9	602.7	615.5	635.6	634.3	8.6
NII	285.1	316.8	328.8	327.8	321.4	339.8	344.7	348.5	6.3
<i>growth (yoy %)</i>	<i>13.9</i>	<i>26.1</i>	<i>30.6</i>	<i>25.5</i>	<i>12.7</i>	<i>7.3</i>	<i>4.8</i>	<i>6.3</i>	
Other Income	6.0	5.8	7.1	15.9	7.0	7.4	5.8	16.8	5.4
Net Income	291.1	322.6	335.9	343.7	328.4	347.2	350.5	365.3	6.3
Opex	43.5	52.4	49.4	72.0	48.8	59.4	59.3	70.7	-1.8
<i>growth (yoy %)</i>	<i>7.4</i>	<i>29.5</i>	<i>12.7</i>	<i>39.2</i>	<i>12.2</i>	<i>13.3</i>	<i>20.0</i>	<i>-1.8</i>	
PPOP	247.6	270.2	286.5	271.8	279.6	287.8	291.3	294.6	8.4
<i>growth (yoy %)</i>	<i>15.2</i>	<i>25.0</i>	<i>34.6</i>	<i>22.5</i>	<i>12.9</i>	<i>6.5</i>	<i>1.7</i>	<i>8.4</i>	
Provisions	13.7	72.2	30.8	1.8	24.5	13.7	22.1	15.4	766.3
PBT	233.9	198.0	255.7	270.0	255.1	274.1	269.1	279.2	3.4
Tax	50.4	55.6	55.6	60.9	55.5	62.6	57.0	45.2	-25.8
PAT	183.5	142.5	200.2	209.1	199.7	211.5	212.1	233.9	11.9
<i>growth (yoy %)</i>	<i>13.1</i>	<i>0.5</i>	<i>32.1</i>	<i>26.1</i>	<i>8.8</i>	<i>48.4</i>	<i>6.0</i>	<i>11.9</i>	
<i>growth (qoq %)</i>	<i>10.6</i>	<i>-22.3</i>	<i>40.5</i>	<i>4.4</i>	<i>-4.5</i>	<i>5.9</i>	<i>0.3</i>	<i>10.3</i>	
Balance sheet (INR Cr)									
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY
New Approvals	2071	2123	2053	2586	1969	2617	2075	2650	2.5
<i>growth (yoy %)</i>	<i>18.3</i>	<i>-9.6</i>	<i>-20.6</i>	<i>-6.6</i>	<i>-4.9</i>	<i>23.3</i>	<i>1.1</i>	<i>2.5</i>	
<i>growth (qoq %)</i>	<i>-25.2</i>	<i>2.5</i>	<i>-3.3</i>	<i>26.0</i>	<i>-23.9</i>	<i>32.9</i>	<i>-20.7</i>	<i>27.7</i>	
Disbursements	1966	2019	1879	2314	1853	2381	1879	2455	6.1
<i>growth (yoy %)</i>	<i>14.2</i>	<i>-10.1</i>	<i>-23.1</i>	<i>-8.8</i>	<i>-5.7</i>	<i>17.9</i>	<i>0.0</i>	<i>6.1</i>	
<i>growth (qoq %)</i>	<i>-22.5</i>	<i>2.7</i>	<i>-6.9</i>	<i>23.1</i>	<i>-19.9</i>	<i>28.5</i>	<i>-21.1</i>	<i>30.7</i>	
Outstanding loan book	32505	33359	34053	34999	35557	36591	37155	38217	9.2
<i>growth (yoy %)</i>	<i>18.0</i>	<i>15.7</i>	<i>13.1</i>	<i>10.9</i>	<i>9.4</i>	<i>9.7</i>	<i>9.1</i>	<i>9.2</i>	
<i>growth (qoq %)</i>	<i>3.0</i>	<i>2.6</i>	<i>2.1</i>	<i>2.8</i>	<i>1.6</i>	<i>2.9</i>	<i>1.5</i>	<i>2.9</i>	
Key Ratios (%)									
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	
Gross NPAs (Rs)	205	254	309	286	325	320	341	333.0	
Net NPAs (Rs)	110	142	167	147	174	172	187	174	
GNPA (%)	0.63	0.76	0.91	0.82	0.91	0.88	0.92	0.87	
NNPA (%)	0.34	0.43	0.49	0.42	0.49	0.47	0.50	0.46	
PCR (%)	53.4	56.0	54.2	51.4	46.2	46.6	45.7	47.1	
C/I Ratio (%)	14.9	16.2	14.7	20.9	14.9	17.1	16.9	19.4	
ROA (%) (Reported)	2.2	1.8	2.3	2.5	2.2	2.3	2.3	2.6	
ROE (%) (Reported)	19.2	16.0	19.4	19.3	17.6	18.0	17.6	18.5	
EPS (Rs)	13.8	11.9	15.0	15.7	15.0	15.9	15.9	15.7	
NIM (%) (Reported)	3.48	3.62	3.69	3.73	3.57	3.75	3.73	3.82	
Yield (%) (Reported)	9.84	10.07	9.91	10.07	10.12	10.12	10.19	10.1	
Cost (%) (Reported)	7.32	7.32	7.35	7.52	7.58	7.6	7.5	7.6	
Spread (%) (Reported)	2.52	2.60	2.66	2.67	2.54	2.6	2.68	2.55	
Avg. Business Per Brar	160.4	162.1	165.1	161.0	163.0	167.0	170.0	164.0	
Avg. Business per Emp	33.9	34.2	33.2	33.0	33.0	32.0	32.0	32.0	

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs cr)	FY23	FY24	FY25e	FY26e	FY27e
Interest income	2,715.4	3,489.9	3,842.6	4,216.8	4,735.1
Interest expense	1,700.8	2,231.4	2,488.2	2,723.7	2,994.2
NII	1,014.6	1,258.5	1,354.4	1,493.1	1,740.8
Non-interest income	27.7	34.8	37.0	40.9	47.8
Net revenues	1,042.3	1,293.3	1,391.5	1,534.1	1,788.7
Operating expenses	176.5	257.0	238.2	275.9	319.9
PPOP	865.8	1,036.3	1,153.3	1,258.1	1,468.8
Provisions	41.8	78.8	75.8	82.3	96.2
PBT	824.0	957.5	1,077.5	1,175.9	1,372.6
Tax	202.8	206.8	220.3	246.9	288.2
PAT	621.2	750.7	857.2	928.9	1084.3
growth (% yoy)	31.9	20.8	14.2	8.4	16.7
Balance sheet (Rs.cr)	FY23	FY24	FY25e	FY26e	FY27e
Share capital	27	27	27	27	27
Reserves & surplus	3,621	4,317	5,041	5,923	6,961
Net worth	3,647	4,344	5,067	5,950	6,988
Borrowings	28,965	31,760	35,051	40,084	46,706
Other liability	458	910	849	1,399	1,568
Total liabilities	33,070	37,014	40,967	47,433	55,261
Cash	309	458	309	353	451
Investments	1,459	1,459	2,374	2,730	3,140
Loans	31,193	34,553	37,696	44,183	51,476
Fixed assets	45	53	50	55	61
Other assets	63	78	85	113	134
Total assets	33,070	36,602	40,514	47,434	55,261

Ratios	FY23	FY24	FY25e	FY26e	FY27e
Growth (%)					
NII	24.3	24.0	7.6	10.2	16.6
PPOP	26.9	19.7	11.3	9.1	16.7
PAT	31.9	20.8	14.2	8.4	16.7
Advances	18.3	10.8	9.1	17.2	16.5
Spread (%)					
Yield on Funds	9.0	10.2	10.1	9.7	9.3
Cost of Funds	6.4	7.3	7.4	7.3	6.9
Spread	2.7	2.8	2.7	2.4	2.4
NIM	3.3	3.6	3.5	3.4	3.4
Asset quality (%)					
Gross NPAs	0.6	0.8	0.9	1.0	1.3
Net NPAs	0.3	0.4	0.5	0.5	0.7
Provisions	52	49	51	49	47
Return ratios (%)					
RoE	18.5	18.8	18.2	16.9	16.8
RoA	2.0	2.1	2.2	2.1	2.1
Per share (Rs)					
DPS	3.5	6.0	7.0	8.0	3.5
EPS	47	56	64	70	81
BV	274	326	381	447	525
ABV	268	315	367	429	499
Valuation (x)					
P/E	15	13	11	10	9
P/BV	2.6	2.2	1.9	1.6	1.4
P/ABV	2.7	2.3	2.0	1.7	1.4
Cost/Income ratio	16.9	19.9	17.1	18.0	17.9
CD ratio	107.7	108.8	107.5	110.2	110.2

Source: Dalal & Broacha Research, Company

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