Can Fin Homes

Q2FY26 Result Update | BFSI

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

Retain positive view !!!

October 23, 2025

Reported PAT came in INR 252 cr, up by 19% yoy & 27% qoq led by moderated asset growth and spreads expansion. New approvals/disbursements is up by 30%/26% on qoq basis. Loans grew by 8.4% to INR 39657 cr with issues pertaining to Karnataka/Telangana getting resolved now and AUM growth picking up in these states. Housing loans, which have 87% share in total loans, grew by 6.4% rate on yoy basis. Reported spreads and margins improved by 17 bps and 19 bps on a qoq basis to 2.79% and 3.83%, respectively, driven by a decline in the cost of funds. NII grew by 19.1% yoy to INR 405 cr largely led by margin expansion on sequential basis. This resulted in PPoP growth at 16.3% yoy to INR 335 cr. Cost/Income ratio was higher at 18.5% in Q2 vs. 17.1% in Q1. Asset quality was stable – GNPA/NNPA, in absolute terms were at INR 373 cr/INR 191 cr as on Q2FY26 vs. INR 378 cr/208 cr in Q1FY26. In % terms, GNPA/NNPA stood at 0.94%/0.48% in Q2FY26 vs. 0.98%/0.54% in Q1FY26.

We are retaining an ACCUMULATE rating on the stock with a revised target price of INR 997, implying an upside potential of 17% from current levels (valuing FY27e adjusted book value at a 2.0x multiple).

Management Outlook for FY26

- Loan likely to grow by ~12-13% in FY26e vs. 15% estimated earlier. FY27 loan growth estimated to be ~15%
- Disbursements are likely to grow by 20%
- Credit cost will be <15 bps for FY26

Financial Summary

(Rs.bn)	FY23	FY24	FY25e	FY26e	FY27e
NII (Rs)	1014.6	1258.5	1354.4	1493.1	1740.8
PAT (Rs)	621.2	750.1	857.2	928.9	1084.3
EPS	47	56	64	70	81
ROE (%)	18.5	18.8	18.2	16.9	16.8
ROA (%)	2.0	2.1	2.2	2.1	2.1
P/E	18.2	15.1	13.2	12.2	10.4
P/ABV	3.2	2.7	2.3	2.0	1.7

Source: : Dalal & Broacha Research, Company

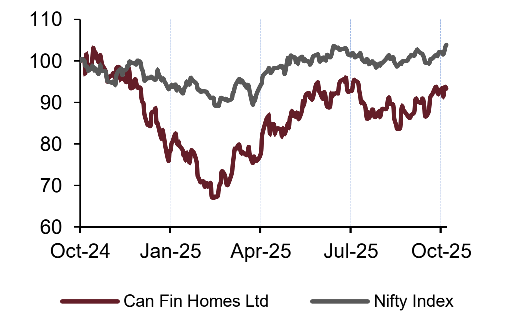
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	997	17

Market data

Current price	Rs	853
Market Cap (Rs.Bn)	(Rs Bn)	107
Market Cap (US$ Mn)	(US$ Mn)	1,214
Face Value	Rs	2
52 Weeks High/Low	Rs	898 / 558.5
Average Daily Volume	('000)	174
BSE Code		511196
Bloomberg		CANF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-25	Jun-25
Promoters	30	30
Public	70	70
Total	**100**	**100**

Source: BSE

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Valuations

With issues in Karnataka and Telangana now resolved, AUM growth momentum is expected to accelerate, with management projecting loan book growth of 13% in FY26 and approximately 15% in FY27. Enhanced technology platforms are also anticipated to drive further growth. Can Fin Homes has been a consistent performer and is one of the most profitable players in the housing finance sector.

The NBFC currently trades at 2.0x and 1.7x FY26e and FY27e adjusted book value respectively, with ROE and ROA of approximately 17% and 2.1%. Positioned advantageously amid a declining interest rate environment, the company has demonstrated improvements in margins and spreads. We are retaining an ACCUMULATE rating on the stock with a revised target price of INR 997, implying an upside potential of 17% from current levels (valuing FY27e adjusted book value at a 2.0x multiple)

Results Highlights Q2FY26

- PAT came in at INR 252 cr, up by 19% yoy & 27% qoq led by margin improvement & incremental higher asset growth & stable asset quality
- **Incremental new approvals & disbursements growth picked up** – There was a significant pick-up in incremental new approvals and disbursements, growing 30.2% and 26.3% quarter-on-quarter to INR 26.8 billion and INR 25.5 billion respectively. Management highlighted improved disbursement rates in Karnataka, where issues are being resolved with NBFC monthly disbursements rising to around INR 260-270 crore. In Telangana, incremental disbursements have increased to INR 100 crore per month and are expected to grow further to INR 110-120 crore. This reflects a strong recovery momentum in these key states.
- Total outstanding loan book grew by 8.4% yoy / 2.3% qoq to INR 396.6 bn in Q2FY26. Housing loans (87% share) grew by 6.4% rate on yoy basis vs. previous quarters avg. run-rate growth of 8-9%. Other loans including personal loans, mortgage loans, loans for sites, builder loans & staff loans are growing at higher rate of 14-30% on yoy basis (all put together forming balance 13% share).
- **Reported spreads and margins improved by 17 bps and 19 bps on a QoQ basis to 2.79% and 3.83%,** respectively, driven by a decline in the cost of funds. The reported cost of funds declined by 18 bps QoQ to 7.29%, as the cost of bank borrowings (which account for 57% of total borrowings) decreased following lending rate cuts by banks—benefiting most NBFCs. The NBFC also mentioned that all its bank borrowings have transitioned from the MCLR benchmark, which reprices at a slower pace, to repo rate–linked borrowings that reprice more quickly. Management stated that much of the downward repricing in funding costs has already occurred; hence, margins and spreads are expected to be maintained at 3.75% and 2.75%, respectively. Additionally, in Q3FY26, the company is likely to receive NHB refinancing of approximately INR 1,500 crore.
- NII grew by 19.1% yoy to INR 405 cr led by relatively moderated asset growth and margin expansion on sequential basis. This resulted in PPoP growth at 16.3% yoy to INR 335 cr.
- Cost/Income ratio was higher at 18.5% in Q2 vs. 17.1% in Q1 on yoy basis.

- **Asset quality stable** – GNPA/NNPA, in absolute terms were at INR 373 cr/INR 191 cr as on Q2FY26 vs. INR 378 cr/208 cr in Q1FY26. In % terms, GNPA/NNPA stood at 0.94%/0.48% in Q2FY26 vs. 0.98%/0.54% in Q1FY26. SMA 0 assets showed substantial decline to INR 1402 in Q2 vs. 1829 cr qoq. While SMA 1/SMA 2 declined to INR 1163 cr / INR 912 cr from INR 1134/INR 970 cr qoq.
- With improved asset quality across all stages, incremental provisioning for the quarter was at hardly at INR 3.1 cr in Q2 vs. INR 26.3 cr in Q1

Concall Highlights – Q4FY25

AUM and Growth

- AUM growth guidance for FY26 is 12–13%, with expectations to accelerate to 15%+ from FY27 onward due to IT transformation and branch expansion benefits.
- Telangana and Karnataka remain focus states with improving disbursement momentum.
- The company opened 29 new branches in the past 6–9 months, strengthening distribution.

Margins and Spreads

- Reported net interest margin (NIM) improved to 4.0% in Q2FY26 from 3.64% in Q1, driven by lower borrowing costs (down 30 bps QoQ) due to repo rate linked repricing of bank borrowings.
- Spreads / margin guidance is 2.75% / 3.75% for FY26 period
- NHB refinancing of INR 1,500 crore at 6.8% will enhance funding cost efficiency in Q3FY26.
- The shift from annual to quarterly loan reset (~8% of book) helps quicker rate transmission, stabilizing margins despite lower yields in Q2

Asset Quality and Credit Cost

- Gross non-performing assets (GNPA) stood at 0.94%, down 2 bps QoQ, and net NPA at 0.48%, down 6 bps QoQ.
- SMA 1, 2, and 3 categories have declined significantly, with nil provisioning currently on delinquencies.
- Credit cost is expected to drop further, likely below 15 bps for the full year FY26, supported by stable collection efficiencies and prepayment trends.
- Prepayment penalties were revised to encourage conscious customer decision-making.

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 35-40 cr. **Cost-to-income ratio (C/I) is around 18.6–19.5%, with ongoing investments in sales and IT transformation expected to support growth while improving productivity.**

- **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

With issues in Karnataka and Telangana now resolved, AUM growth momentum is expected to accelerate, with management projecting loan book growth of 13% in FY26 and approximately 15% in FY27. Enhanced technology platforms are also anticipated to drive further growth. Can Fin Homes has been a consistent performer and is one of the most profitable players in the housing finance sector.

The NBFC currently trades at 2.0x and 1.7x FY26e and FY27e adjusted book value respectively, with ROE and ROA of approximately 17% and 2.1%. Positioned advantageously amid a declining interest rate environment, the company has demonstrated improvements in margins and spreads**. We are retaining an ACCUMULATE rating on the stock with a revised target price of INR 997, implying an upside potential of 17% from current levels (valuing FY27e adjusted book value at a 2.0x multiple)**

Quarterly Comparison

Particulars (INR cr)	Q2FY25	Q1FY26	Q2FY26	YoY	QoQ
Interest Earned	**955.3**	**1011.1**	**1043.2**	*9.2*	*3.2*
Interest Expended	615.5	648.3	638.6	*3.7*	*-1.5*
NII	**339.8**	**362.8**	**404.6**	*19.1*	*11.5*
growth (yoy %)	*7.3*	*12.9*	*19.1*		
Other Income	7.4	9.3	6.4	*-14.4*	*-31.9*
Net Income	**347.2**	**372.1**	**410.9**	*18.4*	*10.4*
Opex	59.4	68.2	76.2	*28.4*	*11.8*
growth (yoy %)	*13.3*	*39.7*	*28.4*		
Employee Expenses	**28.9**	**41.7**	**43.3**	*49.9*	*3.8*
Depreciation	**2.8**	**3.5**	**4.0**	*42.1*	*14.2*
Other Expenses	**19.7**	**22.6**	**26.0**	*31.6*	*15.0*
Fees & Commission Expense	**8.0**	**0.5**	**3.0**	*-62.2*	*542.8*
PPOP	**287.8**	**303.9**	**334.7**	*16.3*	*10.1*
growth (yoy %)	*6.5*	*8.7*	*16.3*		
Provisions	13.7	26.3	3.1	*-77.7*	*-88.3*
PBT	**274.1**	**277.6**	**331.7**	*21.0*	*19.5*
Tax	62.6	80.1	80.1	*28.0*	*0.0*
PAT	**211.5**	**197.5**	**251.5**	*18.9*	*27.4*
growth (yoy %)	*48.4*	*-1.1*	*18.9*		
growth (qoq %)	*5.9*	*-15.6*	*27.4*		
Balance Sheet	**Q2FY25**	**Q1FY26**	**Q2FY26**		
New Approvals	2617	2059	2680	*2.4*	*30.2*
growth (yoy %)	*23.3*	*4.6*	*2.4*		
growth (qoq %)	*32.9*	*-22.3*	*30.2*		
Disbursements	2381	2015	2545	*6.9*	*26.3*
growth (yoy %)	*17.9*	*8.7*	*6.9*		
growth (qoq %)	*28.5*	*-17.9*	*26.3*		
Outstanding loan book	36591	38773	39657	*8.4*	*2.3*
growth (yoy %)	*9.7*	*9.0*	*8.4*		
growth (qoq %)	*2.9*	*1.5*	*2.3*		
Key Ratios (%)	**Q2FY25**	**Q1FY26**	**Q2FY26**		
Gross NPAs (Rs)	320	378	373		
Net NPAs (Rs)	172	208	191		
GNPA (%)	**0.88**	**0.98**	**0.94**		
NNPA (%)	**0.47**	**0.54**	**0.48**		
PCR (%)	46.6	44.9	48.9		
C/I Ratio (%)	17.1	18.3	18.5		
ROA (%) (Reported)	**2.3**	**2.2**	**2.5**		
ROE (%) (Reported)	**18.0**	**16.9**	**18.4**		
EPS (Rs)	15.9	16.8	18.9		
NIM (%) (Reported)	**3.75**	**3.64**	**4.02**		
Yield (%) (Reported)	**10.12**	**10.09**	**10.1**		
Cost (%) (Reported)	**7.6**	**7.47**	**7.2**		
Spread (%) (Reported)	**2.6**	**2.62**	**2.9**		
Avg. Business Per Branch	167.0	167.0	160.0		
Avg. Business per Employee	32.0	31.0	30.0		

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs cr)	FY23	FY24	FY25e	FY26e	FY27e
Interest income	2715.4	3489.9	3842.6	4216.8	4735.1
Interest expense	1700.8	2231.4	2488.2	2723.7	2994.2
NII	**1014.6**	**1258.5**	**1354.4**	**1493.1**	**1740.8**
Non-interest income	27.7	34.8	37.0	40.9	47.8
Net revenues	**1042.3**	**1293.3**	**1391.5**	**1534.1**	**1788.7**
Operating expenses	176.5	257.6	238.2	275.9	319.9
PPOP	**865.8**	**1035.7**	**1153.3**	**1258.1**	**1468.8**
Provisions	41.8	78.8	75.8	82.3	96.2
PBT	**824.0**	**956.9**	**1077.5**	**1175.9**	**1372.6**
Tax	202.8	206.8	220.3	246.9	288.2
PAT	**621.2**	**750.1**	**857.2**	**928.9**	**1084.3**

Balance sheet (Rs.cr)	FY23	FY24	FY25e	FY26e	FY27e
Share capital	27	27	27	27	27
Reserves & surplus	3621	4317	5041	5923	6961
Net worth	**3647**	**4344**	**5067**	**5950**	**6988**
Borrowings	28965	31760	35051	40084	46706
Other liability	458	910	849	1399	1568
Total liabilities	**33070**	**37014**	**40967**	**47433**	**55261**
Cash	309	458	309	364	465
Investments	1459	1459	2374	2730	3140
Loans	31193	34553	37696	44183	51476
Fixed assets	45	53	50	55	61
Other assets	63	491	538	101	120
Total assets	**33070**	**37014**	**40967**	**47433**	**55261**

Ratios

Ratios	FY23	FY24	FY25e	FY26e	FY27e
Growth (%)					
NII	24.3	24.0	7.6	10.2	16.6
PPOP	26.9	19.6	11.3	9.1	16.7
PAT	31.9	20.7	14.3	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	18	15	13	12	10
P/BV	3.1	2.6	2.2	1.9	1.6
P/ABV	3.2	2.7	2.3	2.0	1.7
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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