

Moderated profitability growth for next 2 yrs !!!

January 20, 2026

Reported PAT came in INR 265 cr, up by 24.8% yoy & 5.3% qoq led by moderated asset growth, margin expansion & stable asset quality. New approvals/disbursements is up by 7.7%/7.2% on qoq basis. Loans grew by 9.5% yoy / 2.6% qoq to INR 40693 cr with issues pertaining to Karnataka/Telangana getting resolved now and AUM growth picking up in these states. Housing loans, which have 86% share in total loans, grew by 7% rate on yoy basis. Reported spreads and margins improved by 2 bps and 12 bps on a qoq basis to 2.93% and 4.14%, respectively, driven by a decline in the cost of funds. NII grew by 22% yoy to INR 421 cr largely led by margin expansion on yoy basis. This resulted in PPoP growth at 20.5% yoy to INR 351 cr. Cost/Income ratio was higher at 18.5% in Q2 vs. ~17% seen few quarters back. Asset quality was stable – GNPA/NNPA, in absolute terms were at INR 373 cr/INR 199 cr as on Q3FY26 vs. INR 373 cr/191 cr in Q2FY26. In % terms, GNPA/NNPA stood at 0.92%/0.49% in Q3FY26 vs. 0.94%/0.48% in Q2FY26.

In our view, stock can go for prolonged time correction due to moderated profitability growth expected over next 2 yrs before witnessing a decent upside. We are introducing FY28 estimates and rolling forward our TP calculations based on FY28 numbers. We are retaining an ACCUMULATE rating on the stock with a revised target price of INR 1029, implying an upside potential of 13% from current levels (valuing FY28e adjusted book value at a 1.8x multiple)

Management Outlook for FY26/FY27

- FY27 loan growth estimated to be ~15% with disbursements of ~13500 cr
- C/I ratio is expected to be at 19.5%
- Credit cost will be ~15 bps for FY27

Financial Summary

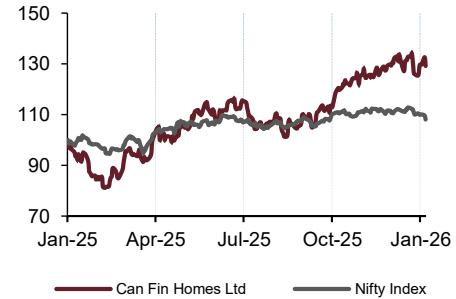
(Rs.bn)	FY24	FY25e	FY26e	FY27e	FY28e
NII (Rs)	1258.5	1354.4	1553.4	1726.2	1970.5
PAT (Rs)	750.1	857.2	995.0	1074.3	1200.3
EPS	56	64	75	81	90
ROE (%)	18.8	18.2	18.0	16.5	15.8
ROA (%)	2.1	2.2	2.3	2.2	2.1
P/E	16.2	14.2	12.2	11.3	10.1
P/ABV	2.9	2.5	2.1	1.8	1.6

Source: Dalal & Broacha Research, Company

Rating	TP (Rs)	Up/Dn %
ACCUMULATE	1,029	12
Market data		
Current price	Rs	915
Market Cap (Rs.Bn)	(Rs Bn)	122
Market Cap (US \$ Mn)	(US \$ Mn)	1,340
Face Value	Rs	2
52 Weeks High/Low	Rs	971.5 / 558.5
Average Daily Volume	('000)	601
BSE Code		511196
Bloomberg		CANF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-25	Sep-25
Promoters	30	30
Public	70	70
Total	100	100

Source: BSE

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Valuations

Management has guided for C/I ratio of 19.5% for FY27 given It transformation, spreads contraction of ~15 bps to 2.75% (from 2.9% currently) on the backdrop of lending rate cuts, benign credit cost estimate of 15 bps. We have revised the numbers based on management guidance and based on our estimate, PAT is likely to grow at moderated pace; at a CAGR of 9.8% over FY26-28e because of reasons listed above.

The NBFC currently trades at 2.1x/1.8x/1.6x on FY26e/FY27e/FY28e ABV respectively, with ROE and ROA of approximately 16% and 2.1-2.2%.

In our view, stock can go for prolonged time correction due to moderated profitability growth expected over next 2 yrs before witnessing a decent upside. We are introducing FY28 estimates and rolling forward our TP calculations based on FY28 numbers. We are retaining an ACCUMULATE rating on the stock with a revised target price of INR 1029, implying an upside potential of 13% from current levels (valuing FY28e adjusted book value at a 1.8x multiple)

Results Highlights Q3FY26

- PAT came in at INR 265 cr, up by 24.8% yoy & 5.3% qoq led by relatively higher asset growth, improvement in spreads/margins & stable asset quality
- NII grew by 22.1% yoy to INR 421 cr. This resulted in PPoP growth at 20.5% yoy to INR 351 cr.
- **Incremental new approvals & disbursements growth picked up** – There was a significant pick-up in incremental new approvals and disbursements, growing 39.1% and 45.1% yoy to INR 2886 cr and INR 2727 cr respectively. Q4FY26 disbursements guided at INR 3000-3300 Cr, taking full-year disbursements to INR 10200-10500 cr for FY26.
- Total outstanding loan book grew by 9.5% yoy / 2.6% qoq to INR 40693 cr in Q3FY26. Housing loans (86% share) grew by 7% 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 recorded growth of 28.4% yoy in Q3FY26 (all put together forming balance 14% share).
- Product Shift: While housing loans (including CRE) comprise 86% of the book, management's roadmap 2028 aims for a gradual increase in non-housing loans (NHL) from 16% currently to 20% by 2028.
- Run-down ratio 4.26% in Q3FY26
- Incremental avg. ticket size for housing loans is INR 26 lakhs and for non-housing loans is INR 14 lakhs.

Spreads and Margins

- Reported margins significantly expanded to 4.14% (up from 3.73% yoy & 4.02% qoq), benefiting from a sharp reduction in the cost of borrowing, which fell to 7.14% from 7.51% yoy.
- Reported spreads too expanded to 2.93% vs. 2.68%, an improvement of 25 bps on yoy basis. However, going forward, management is aiming to keep spreads at 2.75% & margins at 3.75% for FY27 period. The company has passed on a cumulative 50 bps lending rate cut to customers. To manage prepayment pressure, they are aggressively moving customers from an annual reset to a quarterly reset.

Asset Quality (GNPA/NNPA)

- **Asset quality stable** – GNPA/NNPA, in absolute terms were at INR 373 cr/INR 199 cr as on Q3FY26 vs. INR 341 cr/187 cr in Q2FY26. In % terms, GNPA/NNPA stood at 0.92%/0.49% in Q3FY26 vs. 0.92%/0.5% in Q2FY26. SMA 0 assets declined to INR 1214 cr vs. INR 1402 in Q2FY26 & 1829 cr in Q1FY26. While SMA 1/SMA 2 declined to INR 1131 cr/ INR 900 cr vs. INR 1163 cr / INR 912 cr in Q2.
- Provisioning Buffer: The company holds total provisions of INR 505 cr, including a management overlay of INR 59 cr. The Provision Coverage Ratio (PCR) including ECL provisions + management overlay stood at 65% vs. 55% in Q3FY25.
- With improved asset quality across all stages, incremental provisioning for the quarter stood at INR 9.7 cr in Q3FY26 vs. INR 3.1 cr in Q2FY26

Branch Expansion and Operational Efficiency

- Run-rate of the operating expenses is increasing; which grew by 34.8% yoy due to IT project transformation being implemented by the company. 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 expected to ~19.5% from current 18.5% levels, with ongoing investments in sales and IT transformation expected to support growth while improving productivity.**
- Network Footprint: The company operates 249 branches and offices as of December 2025, spread across 21 States and Union Territories.
- The company is aiming to take total number of branches to 300 by FY28 end from current 249; i.e. it is likely to add 25 branches each year over the next 2 years time

Strategic Outlook (Roadmap 2028)

- Geographic Diversification: CFHL is proactively reducing its reliance on South India for incremental disbursements, targeting a reduction from 78% (March 2023) to 60% by 2028.
- IT Transformation: Projects like the Loan Origination System (LOS) and Loan Management System (LMS) are slated to go-live in Q4FY26, which is expected to further enhance sourcing and processing efficiency.

Concall Highlights – Q3FY26

AUM & Disbursements

- Q4FY26 disbursements guided at INR 3000-3300 Cr, taking full-year disbursements to INR 10200-10500 cr for FY26.
- Revised Guidance: Loan growth for FY26 is expected to settle at 11–12%, down from the previous estimate of 15%. However, the guidance for FY27 remains at 15% with targeted disbursements of INR 13,500 crore.
- FY27 AUM growth guidance at 15% with disbursements of 13500 cr.
- Regional Performance: Most geographies are seeing 25%+ growth, though Karnataka and Telangana have experienced slower growth.
- Annual prepayments higher due to annual reset structure; shifting to quarterly reset to reduce this.
- Structural shift towards self-employed segment (target ratio at 65:35 for Salaried : Self-employed segment) for higher yields amid rate cuts.
- Non-housing loans growing at 28% yoy (Q3FY26), its overall share is anticipated to be at 20% of the total loans vs. 13.8% share currently.
- Prepayments annualized at INR ~7000 cr

Margins and Spreads

- **Current Metrics:** Net Interest Margins (NIMs) reached 4.1% due to timing differences, while spreads improved to 2.93% (up from 2.68% yoy).
- **Future Guidance:** For FY27, management expects spreads to stabilize at 2.75% and margins at 3.75%.
- **Rate Transmission:** The company has passed on a cumulative 50 bps lending rate cut to customers. To manage prepayment pressure, they are aggressively moving customers from an annual reset to a quarterly reset.
- **Yield Management:** To protect yields in a declining interest rate environment, the company is consciously increasing its exposure to the high-yielding self-employed segment, targeting a 65:35 ratio between salaried and self-employed borrowers.

Asset Quality

- **GNPA Levels:** The company reports a blended Gross Non-Performing Asset (GNPA) target of less than 1% (currently at 0.92%).
- Salaried segment GNPA is at 0.5–0.6%.
- Self-employed segment GNPA is at 1.6%.
- **Credit Costs:** Guidance for FY27 credit costs is set at 15 bps, as management does not currently see significant stress.
- **Outlook:** Management expects improvement in SMA1 and SMA2 numbers and a reduction in delinquencies during Q4.
- **Branch Expansion and Sales Team**

- Network Goals: Can Fin Homes aims to reach 300 branches by FY28 from current 249 branches
- Expansion Pace: The plan involves opening 25 branches per year over the next two years.
- Geographic Focus: Most new expansion will target the North and West regions, while maintaining growth in AP, Karnataka, and the South.
- Manpower: The company is significantly scaling its sales force, adding 250 people to the existing team of 90 marketing executives.
- **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 expected to ~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

Management has guided for C/I ratio of 19.5% for FY27 given It transformation, spreads contraction of ~15 bps to 2.75% (from 2.9% currently) on the backdrop of lending rate cuts, benign credit cost estimate of 15 bps. We have revised the numbers based on management guidance and based on our estimate, PAT is likely to grow at moderated pace; at a CAGR of 9.8% over FY26-28e because of reasons listed above.

The NBFC currently trades at 2.1x/1.8x/1.6x on FY26e/FY27e/FY28e ABV respectively, with ROE and ROA of approximately 16% and 2.1-2.2%.

In our view, stock can go for prolonged time correction due to moderated profitability growth expected over next 2 yrs before witnessing a decent upside. We are introducing FY28 estimates and rolling forward our TP calculations based on FY28 numbers. We are retaining an ACCUMULATE rating on the stock with a revised target price of INR 1,029, implying an upside potential of 13% from current levels (valuing FY28e adjusted book value at a 1.8x multiple)

Quarterly Comparison

Particulars (INR cr)	Q3FY25	Q2FY26	Q3FY26	YoY	QoQ
Interest Earned	980.3	1043.2	1063.1	8.4	1.9
Interest Expended	635.6	638.6	642.2	1.0	0.6
NII	344.7	404.6	421.0	22.1	4.0
<i>growth (yoY %)</i>	<i>4.8</i>	<i>19.1</i>	<i>22.1</i>		
Other Income	5.8	6.4	10.0	71.9	57.4
Net Income	350.5	410.9	431.0	22.9	4.9
Opex	59.3	76.2	79.9	34.8	4.8
<i>growth (yoY %)</i>	<i>20.0</i>	<i>28.4</i>	<i>34.8</i>		
PPOP	291.3	334.7	351.1	20.5	4.9
<i>growth (yoY %)</i>	<i>1.7</i>	<i>16.3</i>	<i>20.5</i>		
Provisions	22.1	3.1	9.7	-56.0	216.9
PBT	269.1	331.7	341.4	26.8	2.9
Tax	57.0	80.1	76.6	34.4	-4.4
PAT	212.1	251.5	264.8	24.8	5.3
Balance Sheet	Q3FY25	Q2FY26	Q3FY26		
New Approvals	2075	2680	2886	39.1	7.7
Disbursements	1879	2545	2727	45.1	7.2
Outstanding loan book	37155	39657	40693	9.5	2.6
Key Ratios (%)	Q3FY25	Q2FY26	Q3FY26		
Gross NPAs (Rs)	341	373	373		
Net NPAs (Rs)	187	191	199		
GNPA (%)	0.92	0.94	0.92		
NNPA (%)	0.50	0.48	0.49		
PCR (%)	45.7	48.9	46.7		
C/I Ratio (%)	16.9	18.5	18.5		
ROA (%) (Reported)	2.3	2.5	2.6		
ROE (%) (Reported)	17.6	18.4	18.8		
EPS (Rs)	15.9	18.9	19.9		
NIM (%) (Reported)	3.73	4.02	4.14		
Yield (%) (Reported)	10.19	10.1	10.1		
Cost (%) (Reported)	7.5	7.2	7.1		
Spread (%) (Reported)	2.68	2.9	2.9		
Avg. Business Per Branch	170.0	160.0	163.0		
Avg. Business per Employee	32.0	30.0	30.0		

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs cr)	FY24	FY25e	FY26e	FY27e	FY28e
Interest income	3489.9	3842.6	4205.2	4542.1	5187.2
Interest expense	2231.4	2488.2	2651.8	2815.9	3216.7
NII	1258.5	1354.4	1553.4	1726.2	1970.5
Non-interest income	34.8	37.0	40.0	45.4	51.9
Net revenues	1293.3	1391.5	1593.5	1771.6	2022.3
Operating expenses	257.6	238.2	285.7	343.2	398.6
PPOP	1035.7	1153.3	1307.8	1428.4	1623.8
Provisions	78.8	75.8	48.3	68.5	104.4
PBT	956.9	1077.5	1259.5	1359.8	1519.4
Tax	206.8	220.3	264.5	285.6	319.1
PAT	750.1	857.2	995.0	1074.3	1200.3
growth (% yoy)	20.7	14.3_a	16.1	8.0	11.7
Balance sheet (Rs.cr)	FY24	FY25e	FY26e	FY27e	FY28e
Share capital	27	27	27	27	27
Reserves & surplus	4317	5041	5989	7017	8171
Net worth	4344	5067	6016	7044	8197
Borrowings	31760	35051	38101	43519	49719
Other liability	910	849	1399	1568	1632
Total liabilities	37014	40967	45516	52130	59548
Cash	458	309	227	371	423
Investments	1459	2374	2730	3140	3611
Loans	34553	37696	42402	48439	55305
Fixed assets	53	50	55	61	67
Other assets	491	538	101	120	143
Total assets	37014	40967	45516	52131	59548

Ratios

Ratios	FY24	FY25e	FY26e	FY27e	FY28e
Growth (%)					
NII	24.0	7.6	14.7	11.1	14.2
PPOP	19.6	11.3	13.4	9.2	13.7
PAT	20.7	14.3	16.1	8.0	11.7
Advances	10.8	9.1	12.5	14.2	14.2
Spread (%)					
Yield on Funds	10.2	10.1	9.9	9.4	9.4
Cost of Funds	7.3	7.4	7.3	6.9	6.9
Spread	2.8	2.7	2.6	2.5	2.5
NIM	3.6	3.5	3.6	3.5	3.5
Asset quality (%)					
Gross NPAs	0.8	0.9	1.1	1.3	1.7
Net NPAs	0.4	0.5	0.5	0.7	1.1
Provisions	49	51	50	47	36
Return ratios (%)					
RoE	18.8	18.2	18.0	16.5	15.8
RoA	2.1	2.2	2.3	2.2	2.1
Per share (Rs)					
DPS	6.0	7.0	8.0	3.5	3.5
EPS	56	64	75	81	90
BV	326	381	452	529	616
ABV	315	367	435	504	572
Valuation (x)					
P/E	16	14	12	11	10
P/BV	2.8	2.4	2.0	1.7	1.5
P/ABV	2.9	2.5	2.1	1.8	1.6
Cost/Income ratio	19.9	17.1	17.9	19.4	19.7
CD ratio	108.8	107.5	111.3	111.3	111.2

Source: Dalal & Broacha Research, Company

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