DALAL & BROACHA
STOCK BROKING PVT. LTD.

Equity Research Desk

July 22, 2025

Retain positive view !!!

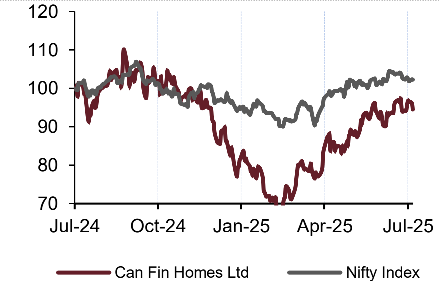
Reported PAT came in INR 224 cr, up by 12.1% yoy & -4.3% qoq led by moderated asset growth and spreads expansion. New approvals/disbursements is up by 4.6%/8.7% on yoy basis. Loan growth is lower at 9% to INR 38773 cr mainly due to issues pertaining to Telangana & Karnataka state. Within total loan book, housing loans (incl. both salaried & self-employed) is up by 7.3% yoy. Reported spreads improved by 7 bps qoq to 2.62% led by decline in funding cost by 9 bps qoq (7.47%). NII grew by 12.9% yoy to INR 363 cr. The reported cost-to-income ratio stood at 18.3% in Q1FY26 vs. 14.9% yoy, primarily due to hike in staff salaries, expansion of the branch network (25 new branches in FY25), increased rent/taxes, new zonal offices, IT transformation investments. Going forward, management expects Cost/Income ratio of 18% in FY26 & ~19% in FY27. On the asset quality side, SMA 0/ SMA 1 / SMA 2 were lower at INR 1506 cr / INR 1127 cr / INR 968 cr in Q1FY26 vs. INR 1829 cr / INR 1134 cr / INR 970 cr. However, incremental slippages were higher at INR 378 cr vs. INR 333 cr qoq. In % terms, GNPA/NNPA stood at 0.98%/0.54% vs. 0.87%/0.46% qoq. We are revising our rating to ACCUMULATE with TP of INR 947, giving upside of 19% from the current levels

Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	947	19

Market data		
Current price	Rs	799
Market Cap (Rs.Bn)	(Rs Bn)	106
Market Cap (US$ Mn)	(US$ Mn)	1,233
Face Value	Rs	2
52 Weeks High/Low	Rs	951.75 / 558.5
Average Daily Volume	('000)	149
BSE Code		511196
Bloomberg		CANF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

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

Source: BSE

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 25 branches in FY26; current branch count of 216 will be taken to 300 by FY28 end.
- C/I ratio of 18% in FY26 & 19% in FY27

Financial Summary

(Rs.bn)	FY24	FY25e	FY26e	FY27e
NII (Rs)	1,258.5	1,354.4	1,493.1	1,740.8
PAT (Rs)	750.7	857.2	928.9	1,084.3
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	14.2	12.4	11.4	9.8
P/ABV	2.5	2.2	1.9	1.6

Source: : Dalal & Broacha Research, Company

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Valuations

We expect loan growth to improve with issues pertaining in the state of Karnataka & Telangana likely to resolved soon. Also, pick in growth is expected once IT platforms transformation is completed. Can Fin Homes, with strong management in place, is one of most consistent & profitable player in housing finance space.

The stock has seen good run-up of ~45% from its 6-month low pricing. It currently trades at 1.9x/1.6x FY26e/FY27e ABV. Given decent appreciation, **we are revising our rating from BUY to ACCUMULATE with revised TP of INR 947, giving us upside of 19% from current levels (discounting its FY27e ABV by 1.9x).**

Results Highlights Q4FY25

- PAT came in INR 224 cr, up by 12.1% yoy (-4.3% qoq) led by moderated asset growth and improved spreads. There was marginal uptick in the NPLs and opex cost was on higher side.
- **New approvals & disbursements growth was moderated** – New approvals growth moderated at 4.6% yoy (-22% qoq) to INR 2059 cr. At the same time, disbursements too growth was at lower end at 8.7% yoy to INR 2015 cr which impacted due to issues pertaining in state of Telangana & Karnataka. While the management is expecting issues to get resolved by Jul/Aug 2025.
- Total outstanding loan book grew by 9% yoy (-18% qoq) to INR 38773 cr – growth has been slowing down since last 2 years i.e. ~18% growth in FY23 to ~9% now in FY25. Housing loans (87.5% share) has reported growth of 7.3% yoy while other loans (incl. mortgages, loans for sites, top-up PL) are growing at higher rates.
- Reported incremental spreads improved to 2.62% vs. 2.55% qoq mainly due to decline in the cost of funds (from 7.56% to 7.47% qoq) Going forward, management expects spreads & margins in FY26 will be maintained at 2.5%/3.5% respectively.
- NII grew by 12.9% yoy to INR 363 cr led by relatively moderated asset growth and margin expansion on sequential basis. This resulted in PPoP growth at 8.7% yoy to INR 304 cr.
- Cost/Income ratio was higher at 18.3% in Q1 vs. 14.9% yoy
- **Asset quality stable** – GNPA/NNPA, in absoluter 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 26.3 cr vs. INR 15.4 cr in Q4FY25

Concall Highlights – Q4FY25

- **Business Growth and Operational Highlights** - As of Q1FY26, the company's loan book reached INR 38,773 crore, reflecting 9% yoy growth and a client base of 2.83 lakh. Disbursements for the quarter stood at INR 2,015 crore, with particularly strong YoY increases in the north (40%), east (40%), and Tamil Nadu (35%); the west saw a 15% increase, while Telangana continued to show negative growth. Karnataka's growth remains subdued due to Ekatha property registration issues, but resolution is expected by July/Aug 2025. For the full year, 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.
- **New approvals/disbursements** is up by 4.6%/8.7% on yoy basis. Loan growth is lower at 9% to INR 38773 cr mainly due to issues pertaining to Telangana & Karnataka state. Within total loan book, housing loans (incl. both salaried & self-employed) is up by 7.3% yoy while other loans (top-up PL, mortgage loans, loan for sites & others) are growing at faster pace
- Asset Quality and Risk - GNPA/NNPA stood at 0.98%/0.54% vs. 0.87%/0.46% qoq. SMA 0/ SMA 1 / SMA 2 were lower at INR 1506 cr / INR 1127 cr / INR 968 cr in Q1FY26 vs. INR 1829 cr / INR 1134 cr / INR 970 cr. However, incremental slippages were higher at INR 378 cr vs. INR 333 cr qoq. There are 96 "sticky" accounts with an exposure of INR 30.9 cr under SARFAESI.
- Geographic and Branch Expansion - Can Fin Homes operates across 21 states/UTs with 216 branches and 18 affordable housing loan centres as of June 2025; there were no branch addition in Q1. The strategic plan is to open 15 more branches focused on the west and south by September 2025, targeting a network of 300 branches by FY28 for enhanced reach and market share.
- Cost Structure and Investments - The reported cost-to-income ratio stood at 18.3% in Q1FY26 vs. 14.9% yoy, primarily due to hike in staff salaries, expansion of the branch network (25 new branches in FY25), increased rent/taxes, new zonal offices, IT transformation investments, and a staff count increase of 16.5%. Going forward, management expects Cost/Income ratio of 18% in FY26 & ~19% in FY27.

Margins/Spreads

- Reported spreads improved by 7 bps qoq to 2.62% led by decline in funding cost by 9 bps qoq (7.47%).
- Incremental lower borrowing cost is passed onto customers – it has declined lending rates by ~25 bps for both new & old customers (nearly 1/3rd of customers have quarterly reset wherein new lower rates will get applicable, while 2/3rd are still have annual reset).
- Management said incremental borrowing cost has come down from bank borrowings, NCDs, CPs and also it is expected from NHB. It aims that any funding cost benefit in future will be passed to the customers and margins/spreads of 3.5%/2.5% will be maintained going ahead

- **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.
- **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

We expect loan growth to improve with issues pertaining in the state of Karnataka & Telangana likely to resolved soon. Also, pick in growth is expected once IT platforms transformation is completed. Can Fin Homes, with strong management in place, is one of most consistent & profitable player in housing finance space.

The stock has seen good run-up of ~45% from its 6-month low pricing. It currently trades at 1.9x/1.6x FY26e/FY27e ABV. Given decent appreciation, we are revising our rating from **BUY to ACCUMULATE** with revised TP of INR 947, giving us upside of 19% from current levels (discounting its FY27e ABV by 1.9x).

Quarterly Comparison

Particulars (INR cr)	**Q1FY25**	**Q2FY25**	**Q3FY25**	**Q4FY25**	**Q1FY26**	**YoY**	**QoQ**
Interest Earned	**924.2**	**955.3**	**980.3**	**982.9**	**1011.1**	*9.4*	*2.9*
Interest Expended	602.7	615.5	635.6	634.3	648.3	*7.6*	*2.2*
NII	**321.4**	**339.8**	**344.7**	**348.5**	**362.8**	*12.9*	*4.1*
growth (yoy %)	***12.7***	***7.3***	***4.8***	***6.3***	***12.9***		
Other Income	7.0	7.4	5.8	16.8	9.3	***34.0***	***-44.3***
Net Income	**328.4**	**347.2**	**350.5**	**365.3**	**372.1**	*13.3*	*1.9*
Opex	48.8	59.4	59.3	70.7	68.2	*39.7*	*-3.6*
growth (yoy %)	***12.2***	***13.3***	***20.0***	***-1.8***	***39.7***		
PPOP	**279.6**	**287.8**	**291.3**	**294.6**	**303.9**	*8.7*	*3.2*
growth (yoy %)	***12.9***	***6.5***	***1.7***	***8.4***	***8.7***		
Provisions	24.5	13.7	22.1	15.4	26.3	*7.3*	*70.2*
PBT	**255.1**	**274.1**	**269.1**	**279.2**	**277.6**	*8.8*	*-0.5*
Tax	55.5	62.6	57.0	45.2	53.8	*-3.0*	*18.9*
PAT	**199.7**	**211.5**	**212.1**	**233.9**	**223.9**	*12.1*	*-4.3*
growth (yoy %)	***8.8***	***48.4***	***6.0***	***11.9***	***12.1***		
growth (qoq %)	***-4.5***	***5.9***	***0.3***	***10.3***	***-4.3***		
Balance Sheet	**Q1FY25**	**Q2FY25**	**Q3FY25**	**Q4FY25**	**Q1FY26**		
New Approvals	1969	2617	2075	2650	2059		
growth (yoy %)	***-4.9***	***23.3***	***1.1***	***2.5***	***4.6***		
growth (qoq %)	***-23.9***	***32.9***	***-20.7***	***27.7***	***-22.3***		
Disbursements	1853	2381	1879	2455	2015		
growth (yoy %)	***-5.7***	***17.9***	***0.0***	***6.1***	***8.7***		
growth (qoq %)	***-19.9***	***28.5***	***-21.1***	***30.7***	***-17.9***		
Outstanding loan book	35557	36591	37155	38217	38773		
growth (yoy %)	***9.4***	***9.7***	***9.1***	***9.2***	***9.0***		
growth (qoq %)	***1.6***	***2.9***	***1.5***	***2.9***	***1.5***		
Key Ratios (%)	**Q1FY25**	**Q2FY25**	**Q3FY25**	**Q4FY25**	**Q1FY26**		
Gross NPAs (Rs)	325	320	341	333.0	378		
Net NPAs (Rs)	174	172	187	174	208		
GNPA (%)	**0.91**	**0.88**	**0.92**	**0.87**	**0.98**		
NNPA (%)	**0.49**	**0.47**	**0.50**	**0.46**	**0.54**		
PCR (%)	46.2	46.6	45.7	47.1	44.9		
C/I Ratio (%)	14.9	17.1	16.9	19.4	18.3		
ROA (%) (Reported)	**2.2**	**2.3**	**2.3**	**2.6**	**2.2**		
ROE (%) (Reported)	**17.6**	**18.0**	**17.6**	**18.5**	**16.9**		
EPS (Rs)	15.0	15.9	15.9	15.7	16.8		
NIM (%) (Reported)	**3.57**	**3.75**	**3.73**	**3.82**	**3.64**		
Yield (%) (Reported)	**10.12**	**10.12**	**10.19**	**10.11**	**10.09**		
Cost (%) (Reported)	**7.58**	**7.6**	**7.5**	**7.56**	**7.47**		
Spread (%) (Reported)	**2.54**	**2.6**	**2.68**	**2.55**	**2.62**		
Avg. Business Per Branch	163.0	167.0	170.0	164.0	167.0		
Avg. Business per Employee	33.0	32.0	32.0	32.0	31.0		

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs cr)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Interest income	1,970	2,715	3,490	3,843	4,217	4,735
Interest expense	1,153	1,701	2,231	2,488	2,724	2,994
NII	**816**	**1,015**	**1,258**	**1,354**	**1,493**	**1,741**
Non-interest income	19	28	35	37	41	48
Net revenues	**835**	**1,042**	**1,293**	**1,391**	**1,534**	**1,789**
Operating expenses	153	176	257	238	276	320
PPOP	**682**	**866**	**1,036**	**1,153**	**1,258**	**1,469**
Provisions	47	42	79	76	82	96
PBT	**635**	**824**	**958**	**1,077**	**1,176**	**1,373**
Tax	164	203	207	220	247	288
PAT	**471.1**	**621.2**	**750.7**	**857.2**	**928.9**	**1084.3**
growth (% yoy)	**3.2**	**31.9**	**20.8**	**14.2**	**8.4**	**16.7**

Balance sheet (Rs.cr)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Share capital	27	27	27	27	27	27
Reserves & surplus	3,040	3,621	4,317	5,041	5,923	6,961
Net worth	**3,067**	**3,647**	**4,344**	**5,067**	**5,950**	**6,988**
Borrowings	24,545	28,965	31,760	35,051	40,084	46,706
Other liability	333	458	910	849	1,399	1,568
Total liabilities	**27,944**	**33,070**	**37,014**	**40,967**	**47,433**	**55,261**
Cash	324	309	458	309	353	451
Investments	1,126	1,459	1,459	2,374	2,730	3,140
Loans	26,378	31,193	34,553	37,696	44,183	51,476
Fixed assets	48	45	53	50	55	61
Other assets	69	63	491	538	113	134
Total assets	**27,944**	**33,070**	**37,014**	**40,967**	**47,434**	**55,261**

Ratios

Ratios	FY22	FY23	FY24	FY25e	FY26e	FY27e
Growth (%)						
NII	2.3	24.3	24.0	7.6	10.2	16.6
PPOP	-0.6	26.9	19.7	11.3	9.1	16.7
PAT	3.2	31.9	20.8	14.2	8.4	16.7
Advances	20.5	18.3	10.8	9.1	17.2	16.5
Spread (%)						
Yield on Funds	8.0	9.0	10.2	10.1	9.7	9.3
Cost of Funds	5.3	6.4	7.3	7.4	7.3	6.9
Spread	2.7	2.7	2.8	2.7	2.4	2.4
NIM	3.3	3.3	3.6	3.5	3.4	3.4
Asset quality (%)						
Gross NPAs	0.6	0.6	0.8	0.9	1.0	1.3
Net NPAs	0.3	0.3	0.4	0.5	0.5	0.7
Provisions	53	52	49	51	49	47
Return ratios (%)						
RoE	16.6	18.5	18.8	18.2	16.9	16.8
RoA	1.9	2.0	2.1	2.2	2.1	2.1
Per share (Rs)						
DPS	**3.0**	**3.5**	**6.0**	**7.0**	**8.0**	3.5
EPS	35	47	56	64	70	81
BV	230	274	326	381	447	525
ABV	224	268	315	367	429	499
Valuation (x)						
P/E	23	17	14	12	11	10
P/BV	3.5	2.9	2.4	2.1	1.8	1.5
P/ABV	3.6	3.0	2.5	2.2	1.9	1.6
Cost/Income ratio	18.3	16.9	19.9	17.1	18.0	17.9
CD ratio	107.5	107.7	108.8	107.5	110.2	110.2

Source: Dalal & Broacha Research, Company

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