

29<sup>th</sup> July, 2024

Analyst - Sushil Kr Jaiswal

Recommendation	CMP (₹)	Target (₹)	Upside Potential (%)	Time Horizon
Buy	856	1035	21%	9 – 12 months

**Can Fin Homes Limited (CFHL)** is a prominent housing finance company established in 1987 and promoted by Canara Bank which holds approximately 30% of its shareholding. The company is headquartered in Bengaluru and has built a robust presence across India with 186 branches, 21 Affordable Housing Loan Centres, and 12 Satellite Offices, serving customers in 21 states and union territories. The company has a legacy of over 36 years and CFHL is dedicated to promoting home ownership through a range of housing loan products tailored for individuals. The company emphasizes ethical practices, transparency, and prudent underwriting, ensuring a risk-based evaluation of borrowers. CFHL has consistently delivered strong financial performance and the company is focused on leveraging technology to enhance customer service and streamline operations, positioning itself for future growth in the dynamic housing finance market. With a steadfast commitment to excellence, Can Fin Homes Limited continue to be a key player in India's housing finance landscape.

Stock Details	
<b>Sector:</b>	Finance - Housing
<b>FV (₹):</b>	2
<b>Total Market Cap (₹):</b>	11,222 crs.
<b>52-Week High/Low (₹):</b>	938/680
<b>Sensex/Nifty (₹):</b>	80,148/24,413
<b>BSE Code/NSE Symbol:</b>	511196/CANFINHOME

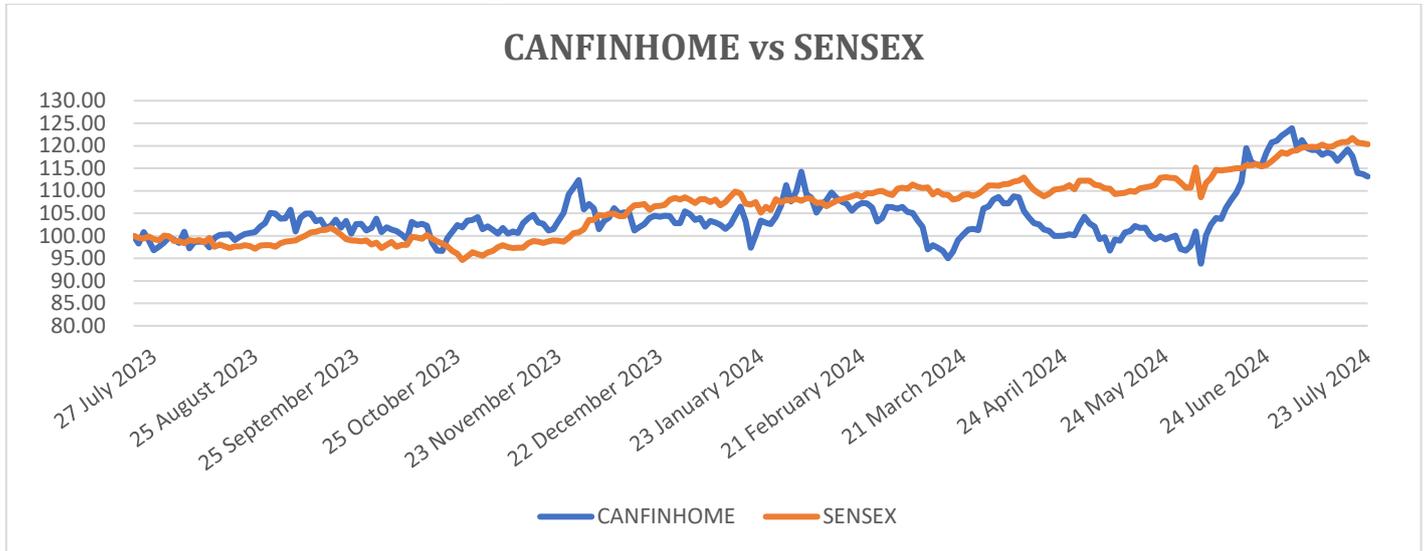
	Sep-23	Dec-23	Mar-24	Jun-24
<b>Promoters</b>	29.99%	29.99%	29.99%	29.99%
<b>FIIIs</b>	11.36%	11.06%	11.51%	11.53%
<b>DIIs</b>	27.41%	28.46%	27.88%	27.78%
<b>Public</b>	31.23%	30.48%	30.60%	30.71%

	Price Performance			
	1M	3M	6M	12M
<b>CANFINHOME</b>	-2.10%	13.25%	15.87%	0.61%
<b>SENSEX</b>	3.63%	8.52%	12.79%	20.73%

Key Financials (Cons)	FY21	FY22	FY23	FY24	3Y CAGR %
Net Sales	2,018.00	1,987.00	2,741.00	3,523.00	20.41%
EBITDA (Excl OI)	1,835.00	1,798.00	2,536.00	3,200.00	20.37%
EBITDA Margin (%)	91%	90%	93%	91%	
Profit After Tax	456.00	471.00	621.00	750.00	18.04%
PAT Margin (%)	23%	24%	23%	21%	
Earnings Per Share (Rs)	34.25	35.38	46.65	56.37	
Book Value	195.99	230.30	273.91	326.22	
Div Per Share (Rs)	2.00	3.00	3.50	6.00	
Dividend Yield (%)	0.32	0.47	0.66	0.79	
ROE (%)	19%	17%	19%	19%	-0.67%
ROCE (%)	8.53	7.21	8.35	9.25	2.74%

Valuation Ratio (Consolidated)	Latest (TTM)	10 Year Median
P/E	15.41	16.08
P/BV	2.60	2.66
EV/EBITDA	13.33	13.02
Market Cap/Sales	3.26	3.09

Price comparison between Can Fin Homes Ltd vs Sensex



## Q1FY25 Con-Call Highlights:

### Overall Performance:

#### 1. Financials:

- Net Interest Margin grew by 13% YoY and non-interest income grew by 16% YoY.
- Net Profit for Q1 FY25 grew by 9% YoY and reached Rs.200 crores
- Spread was up by 2 bps reaching to 2.54% when compared with previous quarter.
- Loan portfolio is Rs.35,557 crores which grew up by 9% YoY.

#### 2. Disbursement Performance:

- Total disbursements in June 2024 were approximately INR 800 crores.
- The company experienced a 6% decline in disbursements for Q1 FY '25 compared to the previous year, an improvement from a 9% decline in Q4 FY '24.
- The management is targeting total disbursements of INR 10,500 crores for FY '25, with a specific target of INR 2,500 crores for Q2 FY '25.

#### 3. Asset Under Management (AUM):

- The current AUM is significantly impacted by the portfolio composition, with 47% of the portfolio being below INR 20 lakhs.

#### 4. Non-Performing Assets (NPA):

- The GNPA ratio is targeted to be maintained at 0.8% by the end of FY '25.
- The coverage ratio for expected credit loss (ECL) was reported at 47%.

#### 5. Borrowing Costs:

- Current borrowing rates are approximately 7.95% to 8% for long-term loans.
- Short-term lines of credit are available at rates around 7.4% to 7.5%.

- The company has not raised any borrowing from NHB in FY '24 and Q1 FY '25 but anticipates future borrowing under the affordable housing fund.

**6. Incremental Borrowing:**

- The company expects to borrow at rates of around 6.25% for treasury refinance, subject to approval.

**7. Credit Cost:**

- The credit cost is expected to be around 12 basis points for the year, with final provisioning estimated at around INR 35 crores.

**8. Cost-to-Income Ratio:**

- The guidance for the cost-to-income ratio remains at 18% for FY '25.

**9. Return on Assets (ROA) and Return on Equity (ROE):**

- The company maintains guidance for ROA at 2.1% and ROE at 17%.

**10. Expenses:**

- There has been an increase in expenses due to IT upgrades and an increase in the CSR budget from INR 13.8 crores to INR 16 crores.

**11. Branch Expansion:**

- The company plans to open 15 new branches in Tier 2 towns to enhance its market presence.

**12. Operational Efficiency:**

- The management is focused on maintaining a cost-to-income ratio of around 18%, indicating efforts to manage operational costs effectively.

**13. Recovery and NPA Management:**

- The management is confident in bringing down the gross NPA as the year progresses, with a target to reduce it below 0.8%.

**Guidance by the Management:**

**1. Disbursement Target:**

- The company is targeting total disbursements of INR 10,500 crores for FY '25.
- For Q2 FY '25, the target is set at INR 2,500 crores, with expectations to increase disbursements by INR 300 crores each quarter thereafter.

**2. Gross Non-Performing Assets (GNPA):**

- The management aims to maintain a GNPA ratio of 0.8% by the end of FY '25.

**3. Return on Assets (ROA) and Return on Equity (ROE):**

- The guidance for ROA is set at 2.1%.
- The guidance for ROE is maintained at 17%.

**4. Cost-to-Income Ratio:**

- The company continues to guide for a cost-to-income ratio of approximately 18% for FY '25.

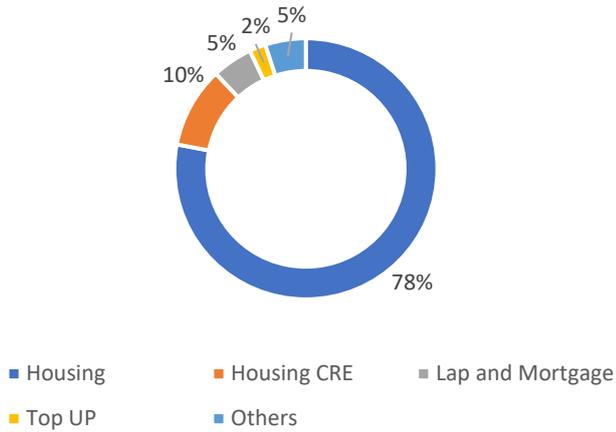
**5. Credit Cost:**

- The expected credit cost is projected to be around 12 basis points for the year.

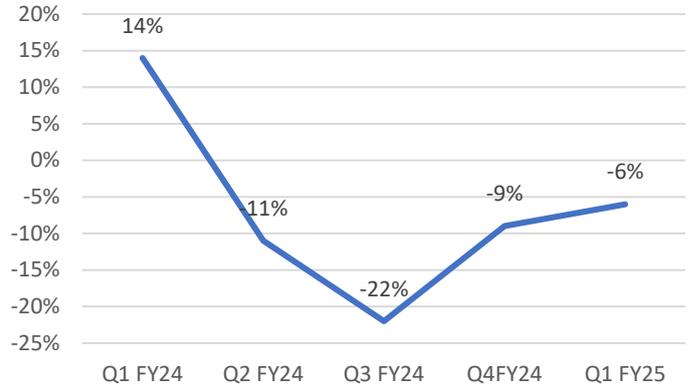
**6. Branch Expansion:**

- Plans to open 15 new branches in Tier 2 towns to enhance market presence and support growth.

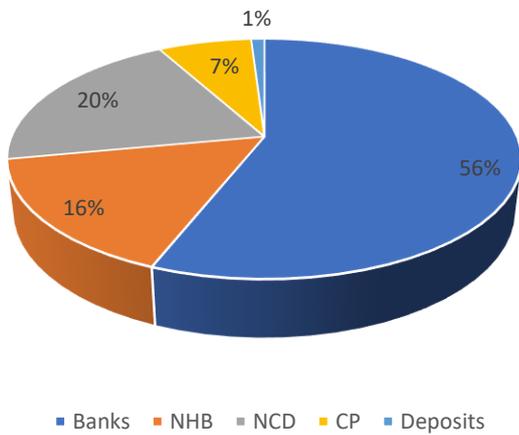
### Product Wise AUM



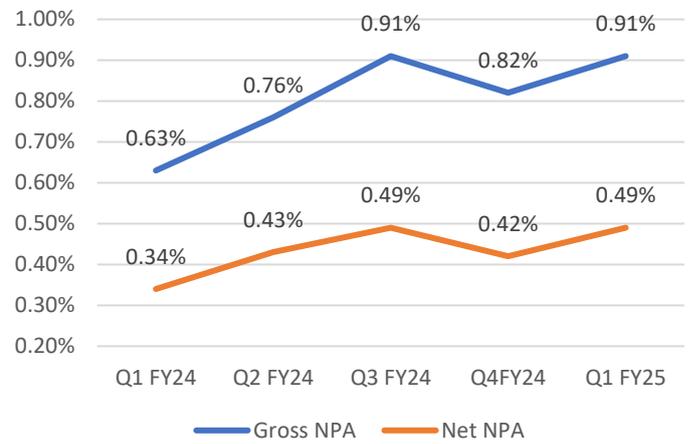
### Disbursement Growth Quarter Wise



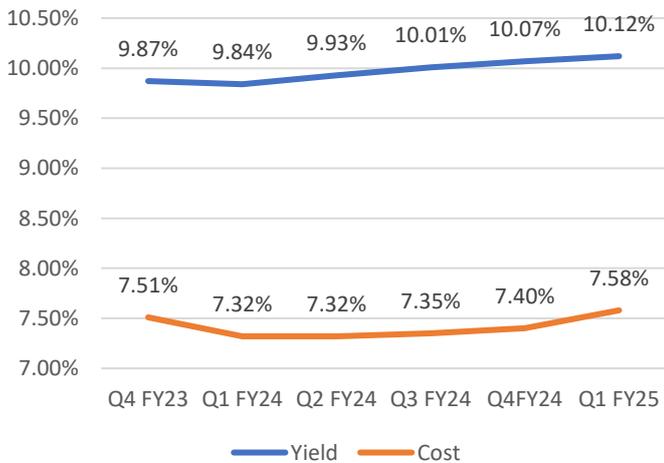
### Funding Basket



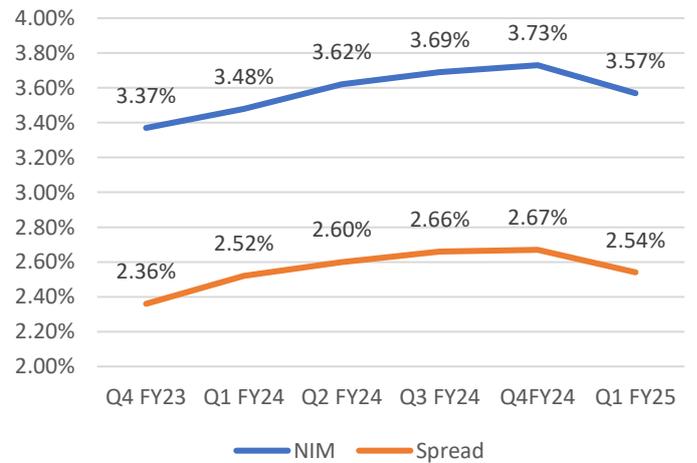
### Gross NPA vs Net NPA



### Yield vs Cost



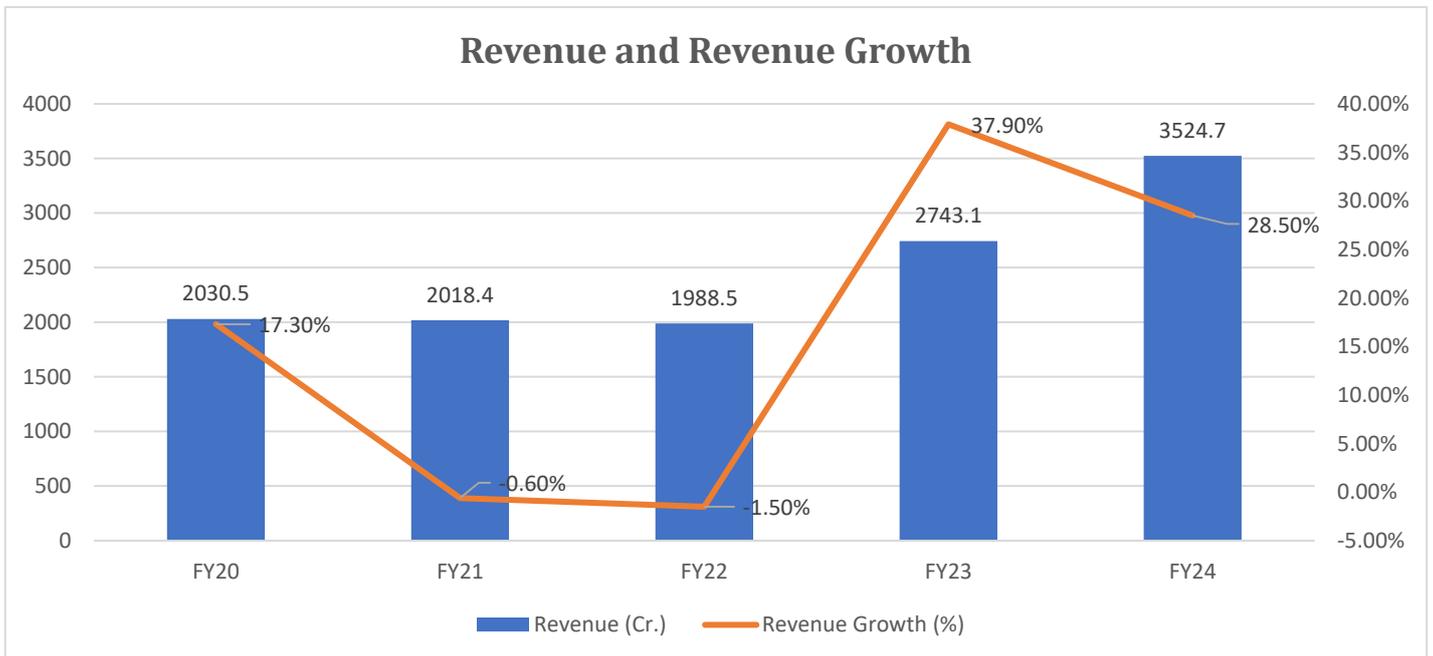
### NIM vs Spread

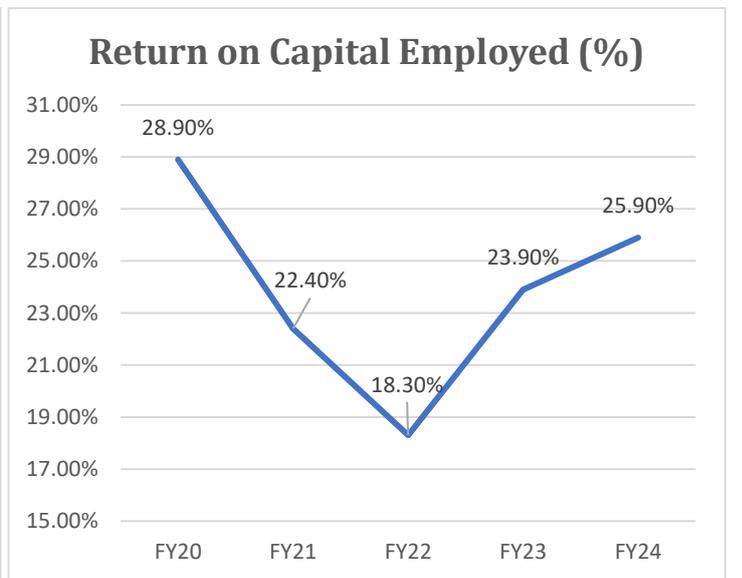
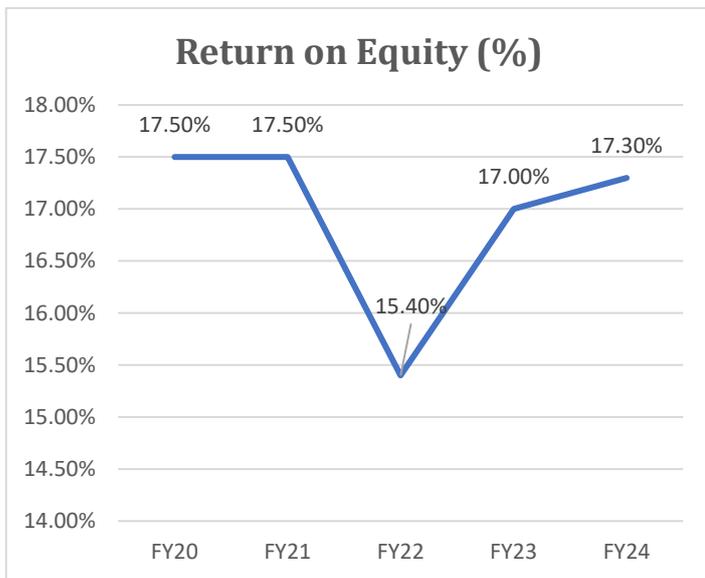
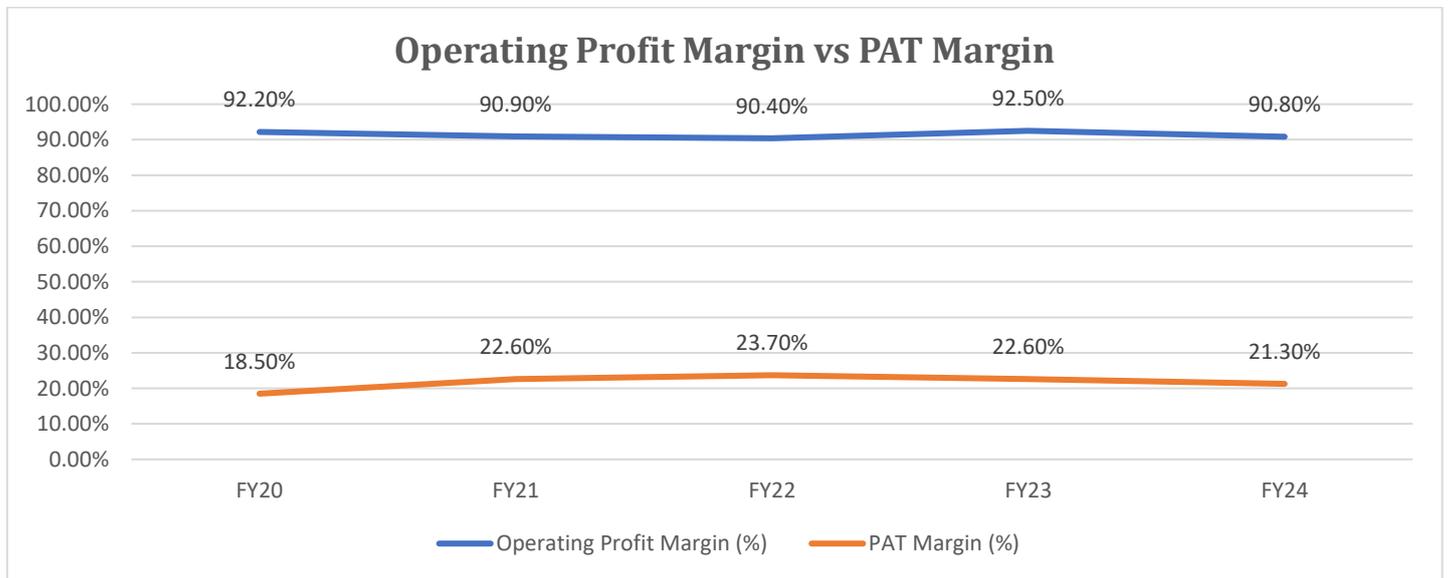
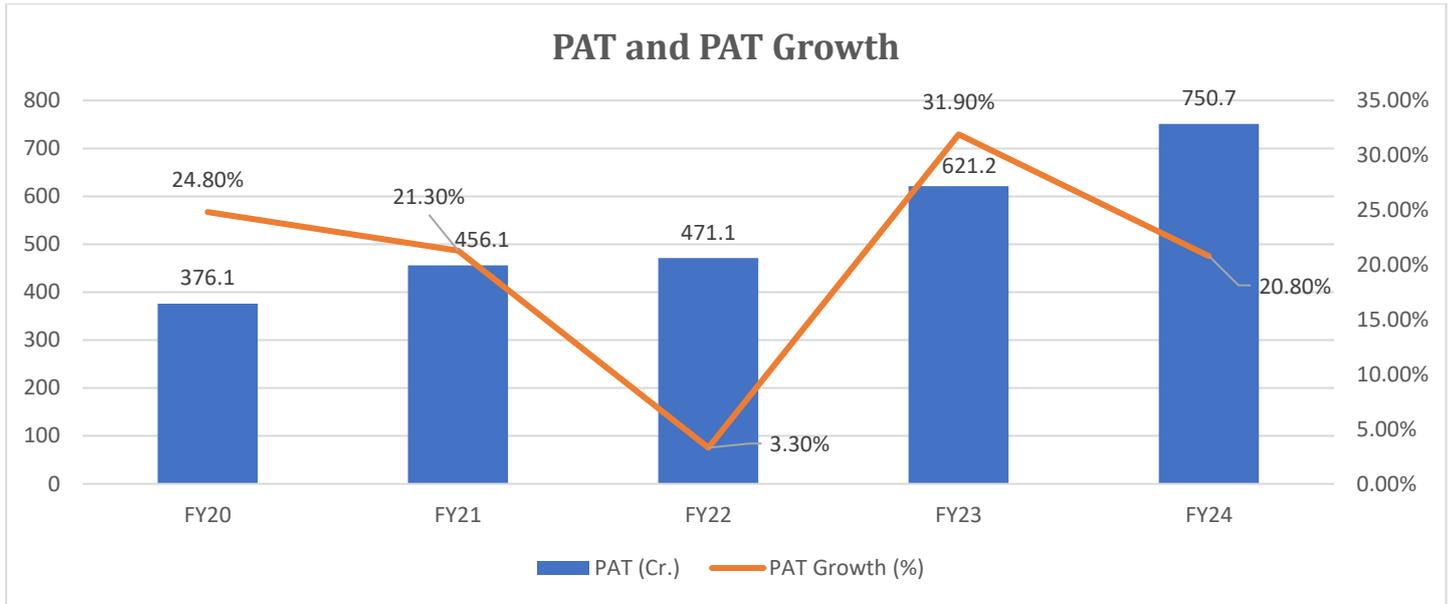


## Investment Rational:

- Can Fin Homes Limited (CHFL) has a 36 years old legacy in the housing finance sector and it is also being promoted and backed by its sponsor, Canara Bank which makes CFHL stable and reliable in the market and also helps in getting access to resources and strong financial foundation.
- The company has demonstrated consistent financial growth with a rick history of uninterrupted dividend payments since it is listed in the equity market in 1991. This reflects the commitment to provide value to its shareholders and indicates regular and robust profitability.
- The niche positioning of the company in providing home ownership across India and primarily focusing on housing loans to individuals allows the company to cater to a growing demand in the housing sector especially in the context of increasing urbanization and government initiatives like Credit Linked Subsidy Scheme (CLSS) and Affordable Housing Fund (AHF) in promoting housing.
- The company has a pan-India presence with 186 branches, 21 affordable housing centre loan centres and 12 satellite offices across 21 states and union territories which helps in covering a comprehensive reach and enabling the company into diverse markets and customer segments.
- Can Fin Housing Limited is focusing on evolving with technological advancements by enhancing customer service through digitalization and streamlining processes for a hassle-free lending experience. This will help them to cater to a wider audience and compete with its competitors.

## Performance Highlights:





## Income Statement

(In Cr.)

Income Statement (In Cr.)	FY20	FY21	FY22	FY23	FY24
Interest and Div. Income	2,019	2,006	1,970	2,715	3,490
Interest Expense	1,342	1,205	1,150	1,698	2,228
Commission And Fees	12	12	18	27	33
Provision For Loan Losses	60	69	47	42	79
<b>Total Revenue</b>	<b>629</b>	<b>744</b>	<b>791</b>	<b>1,002</b>	<b>1,216</b>
Cost of Services Provided	15	15	29	37	34
<b>Gross Profit</b>	<b>614</b>	<b>729</b>	<b>762</b>	<b>965</b>	<b>1,182</b>
Salaries and Other Empl. Benefits	57	70	77	84	97
Other Operating Exp.	30	32	40	45	116
<b>EBITDA</b>	<b>528</b>	<b>627</b>	<b>645</b>	<b>836</b>	<b>969</b>
Depreciation & Amort.	9	10	10	12	13
Other Revenue	-	-	-	0	1
Other Expenses	-0	-0	-	0	0
<b>EBIT</b>	<b>518</b>	<b>618</b>	<b>635</b>	<b>824</b>	<b>958</b>
Taxes	142	162	164	203	207
<b>PAT</b>	<b>376</b>	<b>456</b>	<b>471</b>	<b>621</b>	<b>751</b>

## Balance Sheet

(In Cr.)

Balance Sheet (In Cr.)	FY20	FY21	FY22	FY23	FY24
<b>ASSETS</b>					
Cash And Equivalents	372.32	0.79	2.70	1.88	0.76
Long-term Investments	24.31	49.60	1,125.97	1,459.03	1,459.03
Loans And Lease Receivables	20,525.69	21,891.48	26,378.06	31,193.33	34,553.10
Other Receivables	0.43	2.16	3.42	8.05	4.25
Gross Property, Plant & Equipment	68.36	75.71	78.39	95.47	109.44
Accumulated Depreciation	-30.46	-37.89	-43.77	-50.07	-56.82
<b>Net Property, Plant &amp; Equipment</b>	<b>37.90</b>	<b>37.82</b>	<b>34.62</b>	<b>45.40</b>	<b>52.62</b>
Restricted Cash	-	-	300.00	300.00	450.00
Other Current Assets	47.19	42.34	25.04	10.65	11.09
Deferred Tax Assets, LT	33.89	45.45	47.73	48.43	65.87
Other Long-Term Assets	1.85	4.09	26.81	3.72	4.85
<b>Total Assets</b>	<b>21,043.59</b>	<b>22,073.74</b>	<b>27,944.35</b>	<b>33,070.49</b>	<b>36,601.55</b>
<b>LIABILITIES</b>					
Customer Deposits	325.07	454.25	505.01	447.11	232.07
<b>Total Deposits</b>	<b>325.07</b>	<b>454.25</b>	<b>505.01</b>	<b>447.11</b>	<b>232.07</b>
Accounts Payable	4.00	4.33	5.55	8.05	4.83
Accrued Exp.	39.59	72.04	3.35	4.10	7.37
Short-term Borrowings	2,642.36	5,769.21	6,116.71	6,002.16	6,982.95
Long-Term Debt	15,801.00	13,081.22	18,164.45	22,863.42	24,887.67
Long-Term Leases	35.77	36.17	32.19	38.80	46.95
Curr. Income Taxes Payable	1.56	0.42	0.42	6.05	16.03
Unearned Revenue, Current	-	5.70	6.66	6.65	7.48
Other Current Liabilities	1.73	8.60	18.33	13.40	14.03
Unearned Revenue, Non-Current	5.62	-	-	-	-
Pension & Other Post-Retire. Benefits	17.62	30.02	23.96	27.73	34.15
Other Non-Current Liabilities	19.20	1.98	1.09	5.75	24.16
<b>Total Liabilities</b>	<b>18,893.52</b>	<b>19,463.94</b>	<b>24,877.72</b>	<b>29,423.21</b>	<b>32,257.70</b>
Common Stock	26.63	26.63	26.63	26.63	26.63
Additional Paid In Capital	272.98	272.98	272.98	272.98	272.98
Retained Earnings	1,850.46	2,310.20	2,767.01	3,347.67	4,044.24
Treasury Stock	-	-	-	-	-
Comprehensive Inc. and Other	0.00	0.00	0.00	0.00	0.00
<b>Total Common Equity</b>	<b>2,150.07</b>	<b>2,609.81</b>	<b>3,066.62</b>	<b>3,647.28</b>	<b>4,343.85</b>
<b>Total Equity</b>	<b>2,150.07</b>	<b>2,609.81</b>	<b>3,066.62</b>	<b>3,647.28</b>	<b>4,343.85</b>
<b>Total Liabilities and Equity</b>	<b>21,043.59</b>	<b>22,073.74</b>	<b>27,944.35</b>	<b>33,070.49</b>	<b>36,601.55</b>

## Cash Flow Statement

(In Cr.)

Cash Flow Statement (In Cr.)	FY20	FY21	FY22	FY23	FY24
<b>Cash flow from Operating Activities</b>					
Net Income	376.12	456.06	471.11	621.21	750.70
Adjustments	9.47	9.57	9.81	12.46	12.71
Operating Profit before Working Capital Changes	385.59	465.63	480.91	633.67	763.41
Change in Working Capital	-2,227.71	-1,316.88	-4,397.22	-4,677.70	-3,333.02
<b>Cash flow from Operating Activities</b>	<b>-1,842.11</b>	<b>-851.24</b>	<b>-3,916.31</b>	<b>-4,044.03</b>	<b>-2,569.60</b>
<b>Cash flow from investing activities</b>	<b>-13.14</b>	<b>-28.26</b>	<b>-1,380.34</b>	<b>-327.27</b>	<b>-169.98</b>
<b>Cash flow from financing activities</b>	<b>1,826.04</b>	<b>507.98</b>	<b>5,298.55</b>	<b>4,370.48</b>	<b>2,738.47</b>
<b>Net Change in Cash during the year</b>	<b>-29.21</b>	<b>-371.53</b>	<b>1.90</b>	<b>-0.82</b>	<b>-1.12</b>

### View:

With a legacy of 36 years, Can Fin Homes Limited (CFHL) has established itself as a reliable player in the industry. They have taken several strategic choices to capitalize on the growing demand in the market and they give a tough competition to its peers. They have consistently delivered strong performance with a solid track record of growth in its loan portfolio. Their strategic focus on affordable housing also aligns with the government initiatives which makes them more sustainable to survive and grow in the near future. Their clear vision for expansion and commitment by leveraging technology for operational efficiency also makes them a well-positioned player to capitalize on the growing housing finance market in India. Thus, we bring a compelling opportunity to invest in the company and we expect that the stock price of the company will reach to a target price of Rs. 1035 in a time horizon of next 9-12 months.

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