

Growth Recovery Slower than Expected!

Est. Vs. Actual for Q4FY24: NII – **MISS**; PPOP – **MISS**; PAT – **INLINE**

Changes in Estimates post Q4FY24

FY25E/FY26E: NII -0.3%/-2.0%; PPOP -1.9%/-4.0%; PAT -1.7%/-4.0%

Recommendation Rationale

- **Focus shifts to business growth post a hiccup in FY24** – With the revamping of processes, CANF will now look to accelerate growth. The management expects to disburse ~Rs 11,000 Cr in FY25E to drive an AUM growth of 15% and further accelerate it to 18-20% FY26E onwards. Growth in FY25 would be driven by increasing ticket sizes and branch expansion. The management expects some slowdown in the affordable housing segment, anticipating which CANF had already moved away and graduated to a higher ATS segment. The company is not seeing any constraints on growth in its core segment (ATS of Rs 20-745 Lc) as project launches have been strong. **We expect CANF to deliver ~16% CAGR loan growth over FY24-26E.**
- **Margins to settle at ~3.5%** – During FY24, continuous improvement in the spread and NIM was driven by portfolio repricing. CANF has also moved to a quarterly reset vs. a yearly reset earlier and thus, going forward, for every increase/decrease in the borrowing cost, the company will pass it on to the customer. **The company's shift in focus on higher ticket size loans along with increased competition could restrict yield/NIM expansion. We expect CANF to deliver margins ranging between 3.5-3.6% over FY25-26E. The management continues to maintain its long-term Spread/NIM guidance at 2.5/3.5%.**

Sector Outlook: Positive

Company Outlook: While growth has been subdued owing to the process of revamping and tightening, CANF's NIMs have benefited from the lagged impact of loan repricing. With the processes and system upgrades up and running, CANF will look to accelerate disbursement and AUM growth going into FY25E. Focus will remain on higher ticket-size loans and branch additions (as indicated earlier, CANF will look to add 15-20 branches yearly). However, this could pose a challenge to CANF's ability to maintain NIMs at current levels. The company expects its C-I Ratio to be maintained at ~18% in FY25. With no major asset quality challenges in sight and slippages normalising, we expect the company's credit costs to remain stable at ~15bps over FY25-26E.

Current Valuation: 2.0x Sep'25E BV; Earlier Valuation: 2.1x Sep'25E BV

Current TP: Rs 840/share; Earlier TP: Rs 885/share

Recommendation: We maintain our **BUY** recommendation on the stock

Financial Performance:

- CANF's disbursement de-grew by ~9% YoY but grew by ~23% QoQ. AUM growth was slowest in 11 quarters, registering a growth of ~11/3% YoY/QoQ. Slower operating performance was on the back of process revamping and upgrades. The share of salaried customers remained steady at ~72%. CANF will focus on pursuing growth in the SE&P segment while maintaining a mix of Salaried and SE&P at 70:30.
- **NII** grew by 25% YoY, flat QoQ. Margins (calc.) are likely to have contracted by 10bps QoQ. Non-interest income grew by 31% YoY. Opex growth elevated to 39/46% YoY/QoQ, taking the C-I Ratio to 20.9% from 18.9/14.7% YoY/QoQ. PPOP growth was weak and de-grew by 5% QoQ. Provisions came in significantly lower at Rs 2 Cr (~2bps vs 31/37 bps YoY/QoQ). Thus, PAT was in line with our expectations and grew by 26/4% YoY/QoQ. **GNPA/NNPA** improved to 0.82/0.42% vs. 0.91/0.49% QoQ.

Outlook:

While CANF remains confident of pushing the growth pedal, supported by its process and tech upgrades, we cut our AUM growth estimates for FY26E by assuming a slower-than-expected recovery. Factoring in slower growth and margin pressures, we cut our NII estimates by 2% in FY26E, while we maintain our estimates for FY25E. With likely ongoing investments in branch expansion and tech/systems, we trim our EPS estimates by 2-4% over FY25-26E.

Valuation & Recommendation:

CANF currently trades at 1.9x Sep'25E BV and we value the stock at 2x Sep'25E BV to arrive at a target price of Rs 840/share, implying an upside of 10% from the CMP. **We maintain our BUY recommendation on the stock.**

Key Financials (Standalone)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	328	-0.3	+25.5	336	-2.4
PPOP	272	-5.2	+22.5	286	-5.1
Net Profit	209	+4.4	+26.1	211	-0.8
NNPA (%)	0.4	-7 bps	+16 bps	0.4	+3 bps
RoA (%)	2.5	+21 bps	+22 bps	-	-

Source: Company, Axis Research

(CMP as of 30 Apr, 2024)

CMP (Rs)	762
Upside /Downside (%)	10%
High/Low (Rs)	843/451
Market cap (Cr)	9,658
Avg. daily vol. (6m) Shrs.	9,79,514
No. of shares (Cr)	13.3

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	30.0	30.0	30.0
FII's	10.7	11.1	11.5
MFs / UTI	25.2	26.4	25.0
Others	34.1	32.0	33.5

Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
NII	1,258	1,378	1,557
PPOP	1,036	1,156	1,308
Net Profit	750	838	947
EPS (Rs)	56.4	62.9	71.1
BV (Rs)	326.2	385.7	452.9
P/BV (x)	2.3	2.0	1.7
RoA (%)	2.0	2.1	2.0
NNPA (%)	0.3	0.3	0.3

Change in Estimates (%)

Y/E Mar	FY24E	FY25E
NII	-0.3	-2.0
PPOP	-1.9	-4.0
PAT	-1.7	-4.0

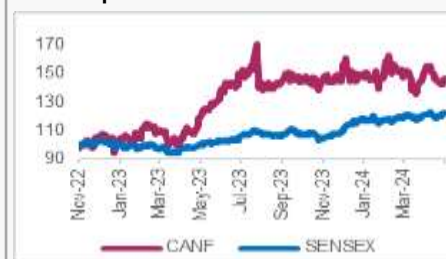
ESG disclosure Score**

Environmental Disclosure	4.9
Social Disclosure Score	23.6
Governance Disclosure Score	83.6
Total ESG Disclosure Score	37.4
Sector Average	38.9

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: AceEquity, Axis Securities

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Key Highlights

- Asset Quality to remain stable** – The GNPA in the restructured book stood at ~0.55% largely in-line with management expectations. The management stated that the increase in GNPA in absolute terms was driven by slippages from the restructured book, however the quantum of slippages has reduced QoQ. The management expects slippages hereon would be in the normal course and no additional slippages from the restructured pool are expected. With focus on maintaining asset quality, CANF has made small changes to its policy. The floor rate of CIBIL score for customers has been revised to 650 vs 600 earlier. ***With expectations of asset quality remaining steady, we expect credit costs to be contained at 15-20bps.***

Key Risks to our Estimates and TP

- The key risk to our estimates remains a slowdown in overall credit momentum which could potentially derail earnings momentum for the company.

Change in Estimates

	Revised		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
NII	1,378	1,557	1,382	1,590	-0.3	-2.0
PBP	1,156	1,308	1,178	1,363	-1.9	-4.0
Provisions	54	62	57	67	-5.6	-6.6
PAT	838	947	852	986	-1.7	-4.0

Source: Company, Axis Securities

Results Review

Rs Cr	Q4FY24	Q4FY23	% YoY	Q3FY24	% QoQ	FY24	FY23	% YoY
Net Interest Income	328	261	25.5	329	-0.3	1,258	1,015	24.0
Non-Interest Income	16	12	30.6	7	124.6	35	28	25.6
Operating expenses	72	52	39.3	49	45.7	217	176	23.1
Staff Cost	27	22	18.7	25	8.3	97	84	15.7
Pre provision profits	272	222	22.5	286	-5.2	1,076	866	24.3
Provisions and contingencies	2	24	-92.5	31	-94.2	118	42	183.7
PBT	270	198	36.3	256	5.6	958	824	16.2
Provision for Tax	61	32	89.3	56	9.7	207	203	2.0
PAT	209	166	26.1	200	4.4	751	621	20.8
Business Update								
Gross AUM	34,999	31,563	10.9	34,053	2.8	34,999	31,563	10.9
Disbursements	2,659	2,538	4.8	1,879	41.5	8,524	8,949	-4.8
NIM (%)	3.96	3.37	59bps	3.69	27bps	3.7	3.5	19bps
Cost-Income ratio (%)	20.9	18.9	204bps	14.7	623bps	16.7	16.9	-19bps
Asset Quality								
Gross NPA (%)	0.82%	0.55%	27bps	0.91%	-9bps	0.8%	0.6%	27bps
Net NPA (%)	0.42%	0.26%	16bps	0.49%	-7bps	0.4%	0.3%	16bps
PCR (%)	48.6%	52.3%	-369bps	45.8%	280bps	48.6%	52.3%	-369bps

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24P	FY25E	FY26E
Net Interest Income	1,015	1,258	1,378	1,557
Other Income	28	35	38	42
Total Income	1,042	1,293	1,416	1,600
Total Operating Exp	176	257	260	291
PPOP	866	1,036	1,156	1,308
Provisions & Contingencies	42	79	54	62
PBT	824	958	1,103	1,246
Provision for Tax	203	207	265	299
PAT	621	751	838	947

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24P	FY25E	FY26E
SOURCES OF FUNDS				
Share Capital	27	27	27	27
Reserves	3,621	4,317	5,109	6,005
Shareholder's Funds	3,647	4,344	5,136	6,031
Borrowings	29,068	31,760	36,551	42,547
Other Liabilities & Provisions	355	498	495	577
Total Liabilities	33,070	36,602	42,182	49,156
APPLICATION OF FUNDS				
Cash & Bank Balance	308	457	527	614
Investments	1,459	1,459	1,784	2,079
Advances	31,193	34,553	39,719	46,285
Fixed Assets & Other Assets	110	132	152	177
Total Assets	33,070	36,602	42,182	49,156

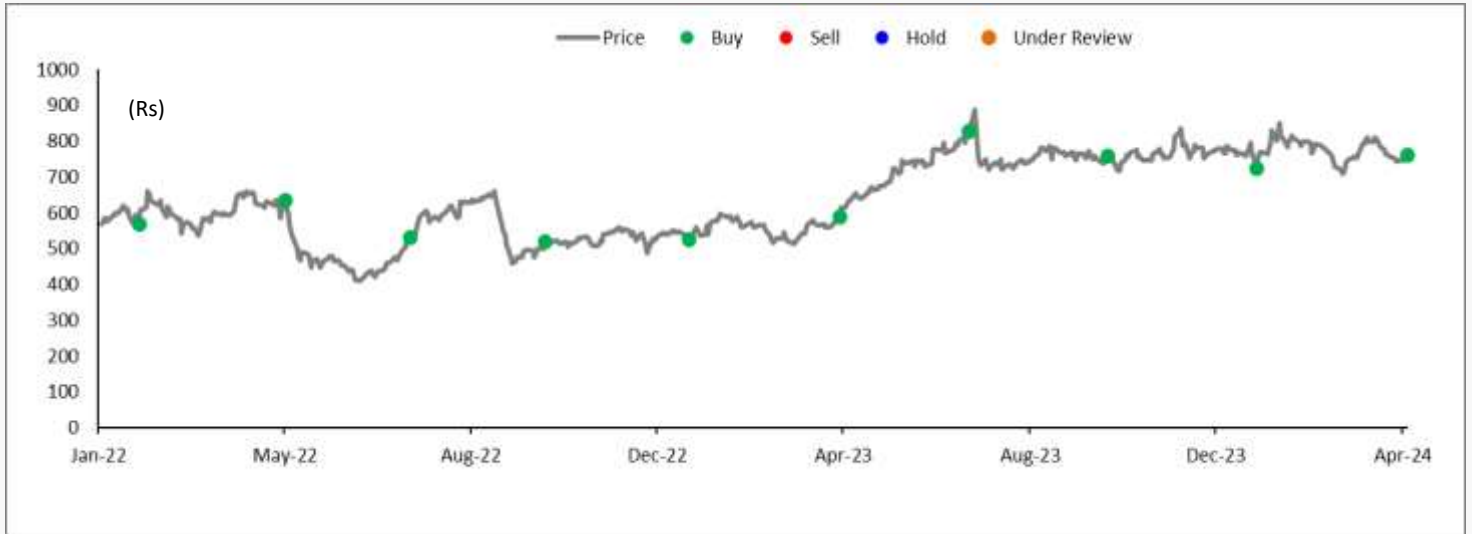
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24P	FY25E	FY26E
VALUATION RATIOS				
EPS	46.6	56.4	62.9	71.1
Earnings Growth (%)	31.9	20.8	11.6	13.0
BVPS	273.9	326.2	385.7	452.9
Adj. BVPS	267.7	318.1	376.3	442.4
ROAA (%)	2.0	2.0	2.1	2.0
ROAE (%)	18.1	17.7	17.2	16.5
P/E (x)	16.3	13.5	12.1	10.7
P/BV (x)	2.8	2.3	2.0	1.7
PROFITABILITY				
NIM (%)	3.5	3.7	3.6	3.5
Cost-Income Ratio	16.9	19.9	18.3	18.2
ASSET QUALITY				
Gross NPLs (%)	0.6	0.8	0.8	0.8
Net NPLs (%)	0.3	0.3	0.3	0.3
Coverage Ratio (%)	51.6	61.2	60.0	60.0
Credit Costs	0.1	0.2	0.1	0.1
ROAA TREE				
Net Interest Income	3.3	3.6	3.5	3.5
Non-Interest Income	0.1	0.1	0.1	0.1
Operating Cost	0.6	0.7	0.7	0.6
Provisions	0.1	0.2	0.1	0.1
ROAA	2.0	2.0	2.1	2.0
Leverage (x)	9.1	8.7	8.3	8.2
ROAE	18.1	17.7	17.2	16.5

Source: Company, Axis Securities

Can Fin Homes Price Chart and Recommendation History



Date	Reco	TP	Research
27-Jan-22	BUY	750	Result Update
04-May-22	BUY	790	Result Update
25-Jul-22	BUY	700	Result Update
19-Oct-22	BUY	650	Result Update
23-Jan-23	BUY	650	Result Update
28-Apr-23	BUY	675	Result Update
21-Jul-23	BUY	930	Result Update
27-Jul-23	BUY	865	Company Update
19-Oct-23	BUY	925	Result Update
24-Jan-24	BUY	885	Result Update
02-May-24	BUY	840	Result Update

Source: Axis Securities

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