



Can Fin Homes has reported its Q2FY22 performance which beat our estimates on the profitability front.

- **NII** came in at **INR 1.92 Bn**, vs +5.9% QoQ /-8.9% YoY and 0.6% below our est.
- **Net Income** came in at **INR 1.97 Bn**, vs +7.8% QoQ /-7.2% YoY and 0.6% above our est.
- **PPOP** came in at **INR 1.63 Bn**, +6.7% QoQ/-13.0% YoY and -1.2% below our est.
- **Provisions** came in at **INR -62 Mn**, vs INR +65 Mn QoQ/ INR 150 Mn YoY.
- **PAT** came in at **INR 1.24 Bn**, +13.6% QoQ /-3.7% YoY and 4.8% above our est.
- **EPS** stood at **INR 9.3** vs INR 8.2/INR 9.6 in Q1FY22 / Q2FY21 respectively.

Financial Highlights

- Can Fin's loan growth picked up pace to 6.1% QoQ/ 13.2% YoY at Rs 235.84 Bn, supported by 168% YoY growth in disbursements to INR 22.08 Bn (up 147% QoQ), while sanctions grew by 169% YoY at Rs 22.88 Bn (up 176% QoQ).
- Management reiterated its strategy to maintain focus on home loans (affordable) and penetrate in Tier 3 & 4 cities. According to management, disbursements for H2FY22 will likely to be higher than H1FY22. The company is now focusing on customers with higher salary bracket, which leads to an increase in average ticket size to INR 21 lacs from INR 18 lacs.
- Lockdowns have impacted disbursements / collections in Q1FY22 but the company saw a strong recovery in Q2FY22. The large part of this growth come from the salaried segment, which grew by +17.8% YoY/ +7.2 % QoQ, while loans to the self-employed segment up by 2% YoY / 3.2% QoQ
- Bank's asset quality improved during the quarter, with GNPA's sequentially down by 12 bps at 0.78% and NNPA's down by 10 bps to 0.47%. PCR stood at 40% (365 bps QoQ/401 bps YoY). Restructured book at 2.7% (Rs 646.5 cr) of loan vs 0.34% (Rs Rs76.6cr) QOQ. Management is confident that only 5-10% of this book flow into NPAs.
- Given the company's historical track record and stringent loan underwriting criteria, we believe that Can Fin would be in a relatively better position from an asset quality standpoint.

Financial Summary

Y/E Mar (Rs Mn)	FY20	FY21	FY22E	FY23E
NII	6747	7980	7520	9367
Adj net profit	3744	4561	4591	5687
Net worth	21501	26098	30268	35533
EPS (Rs)	28	34	34	43
P/E (x)	23.4	19.2	19.1	15.4
P/Adj BV (x)	4.3	3.5	3.1	2.6
RoA (%)	1.9	2.1	1.9	2.0
RoE (%)	19.0	19.2	16.3	17.3

Source: Dalal & Broacha Research, Company

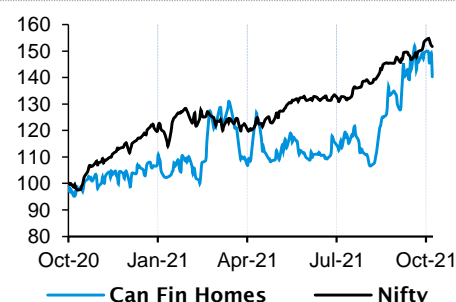
Rating	TP (Rs)	Up/Dn (%)
BUY	810	23

Market data

Current price	Rs	658
Market Cap (Rs.Bn)	(Rs Bn)	87.55
Market Cap (US\$ Mn)	(US\$ Mn)	1,209
Face Value	Rs	10
52 Weeks High/Low	Rs	722 / 418
Average Daily Volume	('000)	1747
BSE Code		511196
Bloomberg		CANF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	29.99	29.99
Public	70.01	70.01
Others		
Total	100	100

Source: BSE

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- During the quarter, NIMs expanded by 9 bps QoQ to 3.40%, driven by lower cost of funds, and higher business. Spread and NIMs will continue to increase in the coming quarters, driven by better cost of funds, robust business growth, and higher incremental yields.
- Yield on advances declined by 7 bps QoQ to 7.99%, while the cost of funds contained at 5.57% (down 9 bps QoQ). The company's cost to income ratio has increased to 17.4% from 11.9% YoY and 16.5% QoQ with business expenses almost returning to normal.

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Valuation and outlook

We remain positive on the stock given its sovereign backing, comfortable liquidity position and robust CAR (25%). We believe Can Fin will continue to quote at premium valuations as its loan book quality of 90% retail housing with negligible exposure to developer finance remains best-in-class and its competitive cost of funds is on par with some banks and it is well ahead of many HFC peers. At CMP the stock trades at 3.1x its FY22E ABV and 2.6x its FY23E ABV. We maintain BUY rating with a Price Target of Rs 810/share, valuing the stock at a target multiple of 3.2x FY23E ABV.

Quarterly Financial

DESCRIPTION	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	YoY	QoQ
Interest Earned	524	500	461	449	463	-11.7	3.0
Interest Expended	313	289	275	268	271	-13.6	1.0
NII	211	210	186	181	192	-8.9	5.9
Other Income	2	3	7	2	5	199.4	221.6
Net Income	212	214	193	183	197	-7.2	7.8
Operating Expenses	25	34	43	30	34	35.8	13.2
PPOP	187	179	150	153	163	-13.0	6.7
Provisions	15	2	8	7	-6	-141.1	-194.8
PBT	172	177	142	146	169	-1.7	15.8
Tax	44	46	39	37	45	4.1	22.2
PAT	128	132	103	109	124	-3.7	13.6
BALANCE SHEET							
Advances	20830	21004	22105	22221	23585	13.2	6.1
Disbursements	825	1106	2001	894	2208	168	147
IMPORTANT RATIOS							
GNPA (%)	0.72	0.68	0.91	0.90	0.78	6 bps	-12 bps
NNPA (%)	0.46	0.41	0.61	0.57	0.47	1 bps	-10 bps
PCR (%)	36.4	39.2	33.5	36.8	40.4	401 bps	365 bps
NIM (%)	3.89	3.97	3.88	3.31	3.40	-49 bps	9 bps
C/I Ratio	11.9	16.1	22.3	16.5	17.4	550 bps	82 bps
Tier I Ratio	22.5	22.4	23.8	24.3	23.5	98 bps	-86 bps
Loan Mix							
Salaried	71	72	73	73	74	287 bps	76 bps
SENP	29	28	27	27	26	-284 bps	-74 bps

Source: the company

Financials

P&L (Rs Mn)	FY20	FY21	FY22	FY23	Ratios	FY20	FY21	FY22	FY23
Interest income	20.19	20.06	20.11	25.18		Growth (%)			
Interest expense	13.44	12.08	12.59	15.82	NII	27	18	-6	25
NII	6.75	7.98	7.52	9.37	PPOP	23	19	-7	26
Non-interest income	0.12	0.12	0.16	0.20	PAT	26	22	1	24
Net revenues	6.86	8.10	7.68	9.57	Advances	13	7	19	21
Operating expenses	1.08	1.24	1.33	1.54		Spread (%)			
PPOP	5.79	6.86	6.35	8.02	Yield on Funds	10.4	9.4	8.4	8.7
Provisions	0.60	0.69	0.22	0.42	Cost of Funds	7.6	6.4	5.9	6.2
PBT	5.18	6.18	6.14	7.60	Spread	2.8	3.1	2.4	2.6
Tax	1.44	1.62	1.55	1.92	NIM	3.4	3.7	3.1	3.2
PAT	3.74	4.56	4.59	5.69		Asset quality (%)			
					Gross NPAs	0.8	0.9	0.9	0.8
					Net NPAs	0.5	0.6	0.6	0.6
					Provisions	29	34	33	31
						Return ratios (%)			
					RoE	19.0	19.2	16.3	17.3
					RoA	1.9	2.1	1.9	2.0
						Per share (Rs)			
					EPS	28	34	34	43
					BV	161	196	227	267
					ABV	153	186	215	253
						Valuation (x)			
					P/E	23	19	19	15
					P/BV	4.1	3.4	2.9	2.5
					P/ABV	4.3	3.5	3.1	2.6
Balance sheet	FY20	FY21	FY22	FY23					
Share capital	0.3	0.3	0.3	0.3					
Reserves & surplus	21	26	30	35					
Net worth	22	26	30	36					
Borrowings	187	193	232	281					
Other liability	1.5	1.7	1.8	1.9					
Total liabilities	210	221	264	318					
Fixed assets	0.4	0.5	0.5	0.5					
Investments	0.2	0.5	0.3	0.2					
Loans	205	219	261	316					
Cash	3.9	0.2	1.3	1.2					
Other assets	0.6	0.7	0.7	0.8					
Total assets	210	221	264	318					

Source: Dalal & Broacha Research, Company

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