



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result update@ Dalal & Broacha

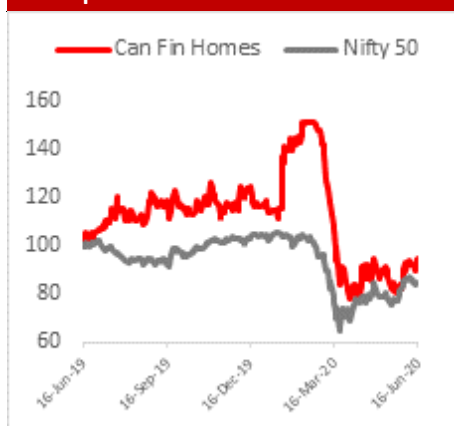
Buy on Dips

Current Price (Rs)	350
52 Week Range	254/519
Target Price (Rs)	391
Upside (%)	12

Key Share Data

Market Cap (Rs.bn)	46.55
Market Cap (US\$ mn)	6113.8
No of o/s shares (Cr)	133.15
Face Value	2
BSE Code	511196
NSE Code	CANFINHOME
Bloomberg	CANF:IN

Price performance



% Shareholding	Mar-20	Dec-19
Promoters	30.0	30.0
DII	11.12	7.70
Others	57.78	62.30
Total	100	100

Can Fin Homes has reported a stable set of numbers for the quarter ended March 31, 2020. The company's numbers were below our estimates on the profitability front due to higher provisions, though operating performance was better than expectations, mainly due to better margins. The company's robust liability franchise, better cost of funds relative to competitors, and strong asset quality due to a high mix of housing loans to the salaried category keep us positive on the stock.

- NII came in at INR 188 Cr, vs +8% QoQ / +34% YoY and 10% above our est.
- Net Income came in at INR 192 Cr, vs +9% QoQ / +29% YoY and 7% above our est.
- PPOP came in at INR 160 Cr, +6% QoQ / +37% YoY and 5% above our est.
- Provisions came in at INR 41 Cr, vs Rs 4.5 Cr QoQ / Rs 1.1 Cr YoY and Rs 6.1 Cr our est.
- PAT came in at INR 91 Cr, -15% QoQ / 37% YoY and 16% below our est.
- Advances stood at INR 20708 Cr, 3% QoQ / 13% YoY and 1% below our est.
- EPS stood at INR 6.83 vs INR 8.01/ INR 4.97 in Q3FY20 / Q4FY19 respectively.
- Asset quality stable, with GNPA at 0.76% vs 0.80%/0.62% in Q3FY20 / Q4FY19 respectively.

Financial Highlights

- During Q4FY20, NIMs expanded by 10 bps QoQ to 3.52% (highest in several quarters), largely due to declined cost of funds. Loan spread improved to 2.46% from 2.32% QoQ, with yield on advances declined by 3 bps QoQ to 10.23%, and the cost of funds contained at 7.77% (vs 7.88% in Q3FY20 & 7.9% in Q4FY19).
- Loan Book grew by 13%/3% YoY/QoQ, driven by both housing (14% YoY) and non-housing loans (5% YoY). Disbursement de-grew by 10% YoY/6% QoQ stood at Rs 1394 Cr, while sanctions de-grew by 10% YoY/3% QoQ at Rs 1566 Cr. Disbursement growth was impacted due to covid related lockdown. According to management, the growth could be ~ 17-18% YoY instead of de-growth of 10% YoY.
- The management reiterated its strategy is to maintain focus on low ticket size home loans (affordable) and penetrate in Tier 3 & 4 cities while remaining cautious on builder loans which currently stands at only INR 6 cr.
- Asset quality during the quarter remained stable with GNPA / NNPA at 0.76% / 0.54%. In absolute terms the GNPA decreased by 2% QoQ to INR 157 cr while NNPA decreased by 6% QoQ to 112 cr. With higher stress in SME Portfolio, NPAs are likely to elevate in near term, though management is confident that in next 4-5 quarters, when things get normalize and NPAs will come down to current levels.

Valuation & Outlook

We believe in near term the asset quality will remain under pressure, with higher delinquency and increased credit cost. However, we believe the company's actual loan loss will be lower due to higher proportion of salaried customers, with reasonable presence in non-metro. Besides, the company has seasoned book and does not have any major exposure to builder loans, and is thus not exposed to risky developer financing. Builder loan constitutes only 0.03% of total outstanding loan book as on Q4FY20. Once corona virus scare comes down, with interest rates going down, there is a good chance that demand will start reviving in H2FY20 since we believe that deferred demand would come back. **At CMP the stock trades at 2.0x its FY21E Adj BV & 1.7x its FY22E Adj Bv, which way lower than its five-year historical average of 2.8 times and peak valuation of 5.7 times book value. Thus, we recommend investors to BUY on Dips with a price target of Rs 391, valuing the stock at 1.9x FY22E Adj BV.**

Key Financials (Rs Mn)

Years	NII	PPOP	PAT	RoA	Adj. BVPS	P/ABV
FY20	6747	5786	3761	1.9	153	2.3
FY21	7141	6057	3991	1.8	171	2.0
FY22	8307	7112	4959	2.0	206	1.7



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Conference call KTA's

- The company has a comfortable liquidity position, with sizeable undrawn sanctioned lines to the extent of Rs 4000 Cr as on Mar 31, which could support its operation up till Dec or Jan end.
- While Moratorium is availed by 29% of customers (mostly Self-employed), management believes its delinquent pool is one of the best in industry, given its higher focus on affordable segment with average ticket size of Rs 18 lakhs, mostly self-occupied properties.
- During 4Q FY20, the company has made provision of 10% on delinquency account i.e. SMA II (Rs 21 Cr on the pool of Rs 210 Cr), apart from that company provided Rs 15 Cr for unseen contingencies.
- Yield difference between salaried and Self-employed customers stood at 0.75%-1.0%, which could likely to go down in line with cost of funds. Incremental cost of funds stood at 7.5%.
- The company resumed its operations from April 20, but disbursement started from 4th week of May as earlier it was focusing on collections.
- Management believes that demand could pick up from second and third quarters of FY21. For FY21, disbursement growth could be flat or negative.
- The break up between salaried and self-employed stood at 71:29 and is likely to remain the same range in foreseeable future. In salaried segment, split between private and Govt stood at 50:50.
- The rate differential between Top up loans and normal home loans stood at 0.25-0.5%.
- Cost to income will likely to increase this year as the company is investing in technology and IT infrastructure. However, it also taking initiative to control cost like reworking leasing arrangements etc.
- Currently, the company is not highly focusing on deposits as cost of raising deposit higher normal borrowings.
- Collection was significantly lower in April and seen improvement in May as people start understanding the repercussions of moratorium. Collection in month of June so far is better than May, but not upto pre-COVID levels.
- The company's collection through electronic mode is ~98-99%.

Financial Highlights

P&L (Rs Mn)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	YoY	QoQ	Q4 FY20
Interest Income	4376	4552	4772	4940	5135	15	2	5251
Interest Expenditure	3015	3140	3286	3379	3398	7	-1	3366
Net Interest Income	1361	1411	1486	1561	1737	34	8	1885
Fees & Other Income	63	77	69	67	33	-51	16	38
Net Income	1425	1489	1555	1628	1770	29	9	1923
Other Expenditure	216	322	239	256	269	1	21	325
PPOP	1209	1167	1316	1372	1501	37	6	1598
Provision	0	11	87	63	45	3639	798	408
Profit Before Tax	1209	1156	1229	1309	1456	3	-18	1189
Tax & DTL	451	495	419	333	390	-43	-28	280
Profit After Tax	758	661	810	976	1066	37	-15	909
Yield & Spread (%)								
Yields	10.1	10.1	10.2	10.2	10.2	17 bps	3 bps	10.2
Cost of fund	7.9	7.9	7.9	8.0	7.9	(13 bps)	(11 bps)	7.8
Spread	2.2	2.2	2.3	2.3	2.3	29 bps	14 bps	2.5
NIM	3.2	3.1	3.2	3.2	3.4	38 bps	10 bps	3.5
Returns								
ROA	1.9	1.8	1.7	1.9	2.0	17 bps	(5 bps)	1.9
ROE	21.4	18.2	17.6	19.1	19.7	(72 bps)	(230 bps)	17.4
Loan movement								
New Approvals	14830	17380	12890	14240	16173	-9.9	-3.2	15660
Disbursements	13180	15540	12760	13340	14767	-10.3	-5.6	13940
Loan Book	175680	183810	190030	196000	201940	12.7	2.5	207079



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P&L (Rs Mn)	FY19	FY20	FY21	FY22
Interest income	17134	20189	21651	24492
Interest expense	11693	13442	14510	16184
NII	5441	6747	7141	8307
Non-interest income	179	115	89	164
Net revenues	5621	6862	7230	8471
Operating expenses	915	1,076	1,173	1,359
PPOP	4706	5786	6057	7112
Provisions	11	603	722	482
PBT	4695	5183	5335	6629
Tax	1,728	1,422	1,345	1,671
PAT	2967	3761	3991	4959

Balance sheet	FY19	FY20	FY21	FY22
Share capital	266	266	266	266
Reserves & surplus	17556	21234	24865	29402
Net worth	17822	21501	25131	29668
Borrowings	166448	185063	200010	234298
Other liability	3025	3872	3131	3239
Total liabilities	187295	210436	228272	267206
Fixed assets	99	379	398	418
Investments	163	243	265	291
Loans	182342	205257	218906	258609
Cash	4203	3924	7994	7112
Other assets	489	633	707	773
Total assets	187295	210436	228272	267206

Ratios	FY19	FY20	FY21	FY22
Growth (%)				
NII	7	24	6	16
PPOP	4	23	5	17
PAT	4	27	6	24
Advances	17	13	7	18
Spread (%)				
Yield on Funds	10.1	10.4	10.2	10.2
Cost of Funds	7.7	7.6	7.5	7.5
Spread	2.5	2.8	2.7	2.8
NIM	3.2	3.4	3.3	3.4
Asset quality (%)				
Gross NPAs	0.6	0.8	1.7	1.4
Net NPAs	0.4	0.5	1.1	0.9
Provisions	30	29	38	39
Return ratios (%)				
RoE	18.2	19.1	17.1	18.1
RoA	1.7	1.9	1.8	2.0
Per share (Rs)				
EPS	22	28	30	37
BV	134	161	189	223
ABV	128	153	171	206
Valuation (x)				
P/E	15.7	12.4	11.7	9.4
P/BV	2.6	2.2	1.9	1.6
P/ABV	2.7	2.3	2.0	1.7



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