

India Ratings Upgrades Can Fin Homes and its NCDs and Subordinated Debt Programme to 'IND AAA'/Stable

Dec 09, 2025 | Housing Finance Company

India Ratings and Research (Ind-Ra) has upgraded Can Fin Homes Limited's (CFHL) Long-Term Issuer Rating to 'IND AAA' from 'IND AA+'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Billion)	Rating Assigned along with Outlook/Watch	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND AAA/Stable	Upgraded
Non-convertible debentures (NCDs)*	-	-	-	INR15.38 (reduced from INR31.98)	IND AAA/Stable	Upgraded
Subordinated debt*	-	-	-	INR2.00	IND AAA/Stable	Upgraded

*Details in Annexure

Analytical Approach

Ind-Ra believes the lifting of the proposed restriction on overlapping business lines between banks and their subsidiaries by the Reserve Bank of India on 1 October 2025 reduces the divestment risk and strengthens the expectation of continued strategic and financial support from the parent.

Accordingly, Ind-Ra has changed its rating approach from solely taking a standalone view of CFHL to incorporating the availability of financial support from Canara Bank (Canara, [IND AAA/Stable](#); holds 29.99% stake), particularly in terms of timely liquidity and capital infusion, if required. Canara's ratings are driven by its systemically important position and the likelihood of the bank continuously receiving financial support from the government of India (GoI). The rating also considers CFHL's standalone credit profile.

Detailed Rationale of the Rating Action

The upgrade reflects Ind-Ra's expectation that CFHL will receive timely liquidity and equity support from Canara, in line with bank guidelines, while the latter continues to maintain its stake in the former and share its brand name.

The ratings continue to factor in the company's established presence in the domestic housing finance market, controlled asset quality numbers and stable profitability metrics. The ratings reflect CFHL's high gearing levels, which reduced steadily over the past few years but remained higher than other similar-rated peers. There is limited asset quality risk, owing to its presence in the low-risk housing loan segment and its capital profile is supported by the steady internal accruals.

List of Key Rating Drivers

Strengths

- Support from Canara Bank
- Well-established player in housing finance space

- Strong control over asset quality
- Stable profitability
- Moderately diversified resource profile

Weaknesses

- High gearing levels, but capitalisation supported by internal generation

Detailed Description of Key Rating Drivers

Support from Canara Bank: CFHL benefits from its strong parentage, with Canara Bank holding a 29.99% equity stake as of September 2025. As an associate of the bank, CFHL enjoys board-level guidance and oversight. The company's board comprises nine members, with three nominee directors from Canara Bank including the bank's managing director and chief executive officer. CFHL has sanctioned borrowing limits from Canara Bank, which provide liquidity support, although its reliance on the bank has gradually reduced over the years. The shared brand name continues to help CFHL access funds at competitive rates from other lenders. In terms of risk management and compliance, Canara Bank conducts quarterly monitoring visits and offers guidance to strengthen governance and operational controls. Canara Bank considers CFHL as strategically important and has re-iterated its commitment provide debt as well as equity capital support as required to maintain current shareholding. The agency expects this support to continue given CFHL's operational and brand linkage with the bank.

Well-established Player in Housing Finance Space: CFHL, which started operations in 1987, is a sizeable player in the housing finance industry, with assets under management (AUM) of INR396.57 billion (8.4% yoy growth) as on 30 September 2025. The company has witnessed multiple business cycles with the ability to manage credit cost and loan growth. Its portfolio is mostly concentrated in the southern states, with 73% of the book being originated from these states. Furthermore, 60% of CFHL's branches are concentrated in South India. The company, however, is expanding in the northern and western part of the country by opening new branches.

The management expects the share of AUM concentrated in the southern part of country to reduce to 60% in the medium term. Ind-Ra will monitor the expansion of the franchisee in non-southern states. Amid competitive pressures from banks and housing finance companies (HFCs), CFHL has been able to grow its portfolio with a comfortable risk-return trade-off. It has a stable business model, with a consistent track record of profitability, due to a strong control on its credit cost and the achievement of optimum operational efficiency.

Strong Control over Asset Quality: CFHL has displayed a strong control over its asset quality with gross stage 3 assets at 0.94% as on 30 September 2025 (March 2025: 0.87%; March 2024: 0.82%; September 2023: 0.76%) and net-stage 3 assets at 0.50% (0.46%; 0.42%; 0.43%). CFHL carried a provision coverage of 49% (57% including management overlay) on stage 3 assets at 1HFY26 (FY25: 48%, 57% including overlay).

Ind-Ra derives comfort from the management's strategy of continuing to focus on the home loan portfolio targeted towards the salaried segment (relatively low underlying borrower risk). The credit cost has always remained rangebound due to the high proportion of the home loan book (home loan book including commercial real estate portfolio was 85% at 1HFY26), targeted towards salaried and professional borrowers (69%) in the overall portfolio. The non-housing portfolio contributing to 15% of the AUM as of September 2025 comprises of top-up personal loans, loans against property, staff loans, among others. Furthermore, CFHL has nil exposure to construction finance. Ind-Ra also notes that CFHL has historically incurred low levels of write-offs with nil write-offs between FY18 and 1HFY26.

Stable Profitability: CFHL has been recording a net interest margin (NIM) of over 3% since FY16; NIM (as a percentage of the average advances) stood at 4% (annualised) for 1HFY26 (FY25: 3.7%). CFHL's NIM has been supported by stable portfolio yields and cost of funds managed through repo-linked borrowings. Funding from National Housing Bank ([IND AAA/Stable](#)) was 14% of the total borrowings as of September 2025, helping it keep a check on funding cost. CFHL has guided for a spread of 2.75% and NIM of 3.75% for FY26. Operating expenses (as a percentage of average assets) increased to 0.7% in 1HFY26 (FY25: 0.6%; FY24: 0.7%; FY23: 0.6%), due to information technology (IT) expenditure, branch expansion and expansion of the sales vertical. The credit costs stood at 0.14% (annualised) for 1HFY26 (FY25: 0.2%; FY24: 0.23%; FY23: 0.14%); operating buffers (pre-provisioning operating profit to credit cost ratio) stood at 21.8x

(15.2x; 13.2x; 20.7x) However, the return on average assets remained stable at 2.3% (annualised) for 1HFY26 (FY25: 2.21%; FY24: 2.2%; FY23: 2.0%). Ind-Ra expects the profitability to be stable with the ability to maintain spreads keeping credit costs under control.

Moderately Diversified Resource Profile: CFHL has a larger proportion of borrowings from banks (accounting 51.5% of the borrowings at FY25; March 2024: 58.8%; March 2023: 53.9%) with concentration among a few banks. The share of funding raised from NHB stood at 17% as of March 2025 (March2024: 16.5%; March 2023: 22.5%); the company will be raising incremental funds from NHB in FY26 which will increase the share of NHB borrowings as well as help control the overall funding costs. CFHL's cost of funding remains competitive and broadly in line with that of similarly rated peers, supported by its strong parentage, established brand, and diversified funding mix. The share of funding raised from the promoter; Canara Bank, stood at 7.2% as of March 2025 (March 2024: 3.9%; March 2022: 5.2%). Also, funding through commercial papers increased in proportion (FY25: 7.4%; FY24: 6.7%; FY23: 4.6%) and the sourcing through the NCDs increased to 23.6% of the overall funding as of March 2025 (FY24: 17.1%; FY23: 17.1%). The management expects to cap the share of CP at 10% of the overall borrowings on a steady state basis.

Although CFHL has a deposit-taking license, it has not tapped this source of funding to a large extent (only 0.5% as of September 2025). The company's access to funding remains adequate with large unutilised lines including working capital demand loans of INR99.68 billion at end-September 2025. It can also raise funds through the securitisation route.

High Gearing Levels, but Capitalisation Supported by Internal Generation: Although CFHL's leverage (debt/tangible equity; 1HFY26: 6.7x; FY25: 7.0x; FY24: 7.4x; FY23: 8.1x; FY22: 8.2x) has been declining steadily, it remained higher than most of its peers. The capitalisation profile has been supported by internal accruals and Ind-Ra expects the internal accruals to be sufficient to meet the medium-term growth plans. The agency expects CFHL to maintain leverage below 8.0x in the medium term. The risk of operating at a high leverage is offset to some extent by CFHL's presence in low-risk housing segment with higher exposure to salaried individuals. The Tier 1 capitalisation (1HFY26: 24.82%; FY25: 24.31%; FY24: 23.23%; FY23: 21.7%, FY22: 21.6%) has been significantly above the regulatory requirement, due to reduced risk weights for small ticket home loans.

Liquidity

Adequate: CFHL's asset-liability management (ALM) profile reflects negative cumulative mismatches (excluding committed lines) in the less-than-one-year bucket as of September 2025. This is primarily due to the long-term nature of its asset base, with home loan tenures ranging at 12-20 years, while borrowings are relatively short-tenured. The peak negative cumulative gap stood at INR39.96 billion in the six months-to-one-year bucket, due to longer tenure of assets (25.7% of loan book falls in beyond five-year bucket) compared to liabilities; just 8.4% of debt liabilities mature beyond the five-year bucket. Despite this structural mismatch, CFHL maintains strong liquidity buffers. As on 30 September 2025, CFHL's unutilised bank facilities and working capital limits stood at INR99.68 billion, which can cushion the gaps in the liquidity profile.

Rating Sensitivities

Positive: Not applicable

Negative: Future developments that could, individually or collectively, lead to a negative rating action include:

- a downgrade in Canara's ratings
- CFHL's declining strategic importance to Canara.
- significant deterioration in the asset quality of CFHL or leverage exceeding 8x on a sustained basis
- funding challenges leading to dilution of liquidity buffers
- a fall in competitiveness on account of challenges in raising cost-effective funding or otherwise

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on CFHL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

CFHL is a HFC started in 1987, sponsored by Canara Bank in association with Housing Development and Finance Corporation and Unit Trust of India. The company caters primarily to salaried borrowers in urban areas and 68% of its advances are concentrated in southern states. At end-September 2025, CFHL had a loan book of INR396.6 billion and a network of 248 branches.

Key Financial Indicators

Particulars (INR billion)	1HFY26	FY25	FY24
Total tangible assets	416.50	408.98	365.36
Total tangible equity	53.57	49.98	42.78
Net profit	4.75	8.57	7.51
Return on average assets (%)	2.30	2.21	2.16
Equity/assets (%)	12.86	12.22	11.71
Total capital ratio (%)	25.58	25.07	24.48
Source: CFHL, Ind-Ra			
Note: All ratios in the rating rationale are as per Ind-Ra methodology and can vary from those reported by the company.			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Rating/Outlook	Historical Rating/Outlook		
				10 December 2024	12 December 2023	13 December 2022
Issuer rating	Long-term	-	IND AAA/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable
Commercial paper	Short-term	INR45	-	WD	IND A1+	IND A1+
Non-convertible debenture	Long-term	INR15.38	IND AAA/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable
Subordinated debt	Long-term	INR2.00	IND AAA/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low
Subordinated debt	Moderate

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCDs**	INE477A07332	25 March 2022	6.80	25 June 2025	INR2.6	WD
NCDs**	INE477A07340	30 March 2022	6.85	30 June 2025	INR4	WD
NCDs**	INE477A07357	24 August 2022	7.8	24 November 2025	INR10	WD
NCDs	INE477A07365	23 December 2022	8.08	23 March 2026	INR3.01	IND AAA/Stable
NCDs	INE477A07373	27 February 2023	8.45	27 May 2026	INR9.35	IND AAA/Stable
Limits utilised					INR12.36	
Limits unutilised			-	-	INR3.02	IND AAA/Stable
Total*					INR15.38	

Source: NSDL, CFHL

*Does not include withdrawn ISINs;

**paid in full

Sub-Debt

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Limits unutilised			-	-	INR2	IND AAA/Stable
Total					INR2	

Source: NSDL, CFHL

Contact

Primary Analyst

Deepali Panda

Associate Director

India Ratings and Research Pvt Ltd

Unit# 614 - 616, 6th Floor, B Wing, Mittal Tower, M G Road, Bengaluru - 560 001

4046666828

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Pankaj Naik

Director

+91 22 4000 1785

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

About India Ratings

India Ratings and Research (Ind-Ra) is India's SEBI registered credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

Rating FI Subsidiaries and Holding Companies

Rating of Financial Institutions Legacy Hybrids and Sub-Debt

The Rating Process

DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.