

## CAN FIN HOMES LTD

### HOUSING FINANCE

#### Q4FY19: Moderate performance, Disbursement pickup encouraging

CANF reported ~17% loan book growth and NII at ~ Rs 138cr, up 5%YoY. Asset quality remained benign. Revival in fresh disbursements was witnessed during the quarter, up ~18%QoQ. PAT was down 9/11% YoY/QoQ to Rs67cr. While the long term growth drivers for the company remain intact on account of "Housing for all by 2022" scheme and various other government measures favouring the affordable housing space, loan book growth is yet to pick up meaningfully, though the recent improvement in disbursements is encouraging. CANF's robust liability situation, ability to withstand liquidity turmoil in NBFCs due to better rating profile, controlled increase in cost of funds relative to competitors, opportunity to accelerate growth led by recovery in its home state of Karnataka keep us positive on the stock while growth remains a key concern. We maintain 'Hold' with a Target Price of Rs 368 (2x FY21 ABV)

# HOLD

Target Price: Rs 368

CMP : Rs 340  
Potential Upside : 8%

#### MARKET DATA

No. of Shares : 13.3 cr  
FV (Rs) : 2  
Market Cap : Rs 4,527cr  
52-week High / Low : Rs 377/ Rs 217  
Avg. Daily vol. (6mth) : 15,00,764 shares  
Bloomberg Code : CANF.IN  
Reuters Code : CANF.BO  
BSE Code : 511196  
NSE Code : CANFINHOME

#### Key Highlights:

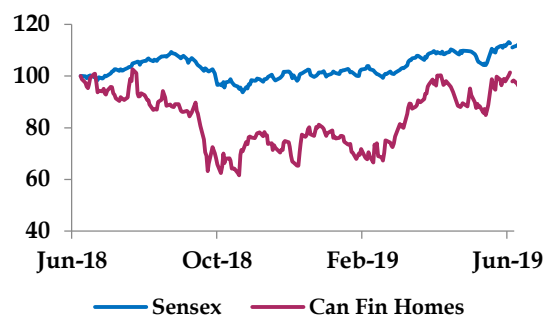
**Pick up in approvals/disbursements led by Self Employed segment:** New Sanctions were up 19.6/17.1% YoY/QoQ to Rs 1738 cr. Loan book growth continued to remain moderate at 16.8% YoY to Rs 18,382 cr. Ex-Karnataka, company's loan growth remained healthy at 22%YoY. 88% of fresh loan approvals during FY19 were for Housing and 12% for Non-Housing. Housing loans which is 90% of loan book grew 16% YoY, driven mainly by the Self Employed (SE) segment. SE home loans share has gone up to 27% compared to 23% in Q1FY18. Disbursements in Karnataka improved sharply. Post tepid two years, Karnataka which is the key market for CANF (~1/3<sup>rd</sup> of loan book) has picked up. This market saw a 12% growth in approvals and 18% growth in incremental loan book. We expect ~23% CAGR over FY19-FY21E supported by the branch expansion/satellite offices in Tier 2/3 markets.

#### FINANCIAL SUMMARY

Y/E	PAT	EPS	Change	P/E	NNPA	Adj BV	P/Adj.BV	RoE	RoA
Mar	(Rs. Cr)	(Rs.)	YoY (%)	(x)	(%)	(Rs.)	(x)	(%)	(%)
FY18	286	22	21.7	15.8	0.2	112	3.0	22.3	1.97
FY19	297	22	3.7	15.3	0.4	134	2.5	18.2	1.72
FY20E	328	25	10.5	13.8	0.4	156	2.2	17.9	1.70
FY21E	393	30	19.8	11.5	0.4	184	1.8	18.1	1.71

Source: Company and Axis Securities. CMP as on 17<sup>th</sup> Jun 2019

#### PRICE PERFORMANCE



Siji A Philip  
[siji.philip@axissecurities.in](mailto:siji.philip@axissecurities.in)

## Key Highlights

- **Operating performance muted but no major hiccups:** CANF delivered moderate quarterly numbers in Q4FY19, with PBT growing 4% YoY, helped by ~17% growth in advances and ~5% growth in NII. Due to a higher tax rate at 42.5% on account of prior period adjustments, reported PAT declined by 9.4% YoY. After seeing some deterioration in 9MFY19, asset quality saw a marginal improvement in Q4FY19 with GNPA% declining 9 bps QoQ. Overall asset quality remains encouraging.
- **NIM stable:** NIM contracted by 4 bps QoQ driven by higher cost of funds. Impact of interest rate hikes taken in October 2018 is yet to fully reflect in the yields since rates are reset on an annual basis. Driven by better yields and increasing but controlled cost of funds, management was hopeful of marginally improving spreads from current levels.
- **Liquidity conditions adequate:** Company's liquidity condition remains healthy with unavailed limits of ~Rs 1,400cr, as disclosed by the management. Further, company has permitted borrowing limits of Rs 6,000cr under NCDs.
- **Management growth guidance:** CANF targets to raise equity capital in FY20, to reduce leverage and improve capital adequacy, though no timeline or amount of capital raise has been fixed. Search for an external CEO is going on, and timely disclosure would be made in this regard. Management expects first half of FY20 to be muted on account of elections and monsoon, and growth to gradually pick-up in the second half of FY20.

## Results Update

Can Fin Homes Ltd	Quarterly					Yearly				
	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	FY18	FY19	FY20E	FY21E	3 Yr CAGR (%)
Interest earned	451.4	386.3	16.8	437.6	3.1	1,491	1,700	2,056	2,468	20.5
Interest expenses	313.7	255.1	23.0	301.5	4.1	981	1,169	1,461	1,754	22.5
<b>NII</b>	137.7	131.2	<b>4.9</b>	136.1	<b>1.1</b>	<b>510</b>	<b>530</b>	<b>595</b>	<b>714</b>	16.0
Other Income	12.4	6.9	79.5	5.5	127.4	31	32	35	38	10.0
<b>Total Income</b>	150.1	393.3	<b>(61.8)</b>	443.1	<b>(66.1)</b>	<b>541</b>	<b>562</b>	<b>630</b>	<b>753</b>	15.7
Operating expenses	31.6	24.8	27.5	20.7	52.9	85	89	101	117	14.9
- Staff expenses	16.3	13.0	26.0	8.5	92.7	45	41	46	53	13.0
- Other expenses	15.3	11.8	29.2	12.2	25.3	40	47	54	64	16.5
<b>Operating Profit (PPoP)</b>	118.5	113.3	<b>4.5</b>	120.9	<b>(2.0)</b>	<b>456</b>	<b>474</b>	<b>529</b>	<b>636</b>	15.8
Provisioning & Cont.	1.1	0.8	42.9	0.0	-	22	1	36	45	545.1
Depreciation	0.9	0.9	2.0	0.9	0.7	3	3	3	3	8.0
<b>PBT</b>	116.5	111.7	<b>4.3</b>	120.0	<b>(2.9)</b>	<b>431</b>	<b>470</b>	<b>489</b>	<b>587</b>	11.8
Tax	49.5	37.8	31.0	45.1	9.8	145	173	162	194	5.9
<b>PAT</b>	67.0	73.9	<b>(9.4)</b>	74.9	<b>(10.6)</b>	<b>286</b>	<b>297</b>	<b>328</b>	<b>393</b>	15.1
EPS (Rs)	5.0	5.6	<b>(9.4)</b>	5.6	<b>(10.6)</b>	22	22	25	30	15.1
BVPS (Rs)	133.8	111.7	19.9	101.1	32.4	112	134	156	184	17.3
Gross NPA (%)	0.43	0.20	-	0.51	-	0.20	0.40	0.40	0.40	-
Advance growth (%)	16.8	18.3	-	16.7	-	31	20	21	25	-
NIMs (%)	3.14	3.53	-	3.18	-	3.5	3.1	3.0	2.9	-
CAR (%)	16.4	19.4	-	19.1	-	19	18	18	17	-

Source: Company and Axis Securities

**Disclosures:**

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on [www.axisbank.com](http://www.axisbank.com).
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, Siji A Philip, MBA (Finance), author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company.

Any holding in stock – No

5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.
6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:
  - i. Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;
  - ii. Managed or co-managed public offering of the securities from the subject company of this research report and / or;
  - iii. Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

**Term& Conditions:**

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
<b>BUY</b>	More than 10%
<b>HOLD</b>	Between 10% and -10%
<b>SELL</b>	Less than -10%
<b>NOT RATED</b>	We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation
<b>UNDER REVIEW</b>	We will revisit our recommendation, valuation and estimates on the stock following recent events
<b>NO STANCE</b>	We do not have any forward looking estimates, valuation or recommendation for the stock

**Disclaimer:**

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The Research reports are also available & published on AxisDirect website.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

**Copyright in this document vests with Axis Securities Limited.**

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070, Tel No. – 022-40508080/ 022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, PandurangBudhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-42671582. SEBI-Portfolio Manager Reg. No. INP000000654