

# CAN FIN HOMES LTD

## HOUSING FINANCE

### Q1FY20: Performance improves

Can Fin Homes (CANF) reported decent performance with loan growth at 17% YoY and stable NIMs at 3.18%. Growth in Karnataka was ~7%; Excluding Karnataka overall growth was ~22%. Slight increase in G/NNPAs to 0.7/0.5%, albeit seasonal. PAT was up 21/8% QoQ/YoY.

Management is hopeful of achieving its loan book guidance of Rs 23,000cr by year end. 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 recommend a 'Buy' with a Target Price of Rs 368 (2x FY21 ABV)

# BUY

Target Price: Rs 444

CMP : Rs 393  
Potential Upside : 13%

#### MARKET DATA

No. of Shares : 13.3 cr  
FV (Rs) : 2  
Market Cap : Rs 5,230 cr  
52-week High / Low : Rs 418/ Rs 217  
Avg. Daily vol. (6mth) : 2,11,727 shares  
Bloomberg Code : CANF.IN  
Reuters Code : CANF.BO  
BSE Code : 511196  
NSE Code : CANFINHOME

### Key Highlights:

**Loan growth picks up:** Overall loan/disbursements book growth was ~17/10% YoY. Excluding Karnataka, loan book grew by 22% YoY. Karnataka market for the company continues to show improved business traction. The company was able to grow its Karnataka-specific loan book at 7% YoY during Q1FY20 (versus ~6.5% in Q4FY19). Geography wise South market (70% of loan book) grew 15% YoY and Non-south grew by 20% YoY. Management has given positive indicators for the Karnataka market which forms one-third of the overall loan book. In addition, with GST and RERA specific issues now behind it, the company expects to encash upon new projects (in mostly affordable housing) coming up on the outskirts of Bangalore. The company's builder portfolio stands at Rs 11cr (6 accounts), of which the biggest exposure is Rs 4cr. We expect ~23% CAGR in the loan book over FY19-FY21E.

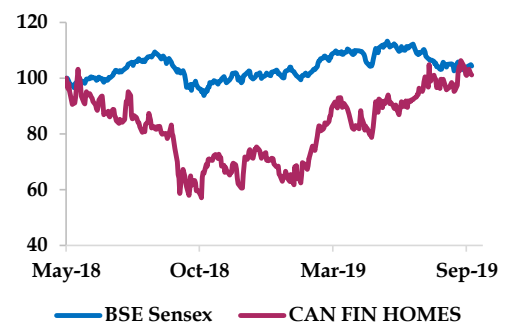
### FINANCIAL SUMMARY

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	18.3	0.2	112	3.5	22.3	2.0
FY19	297	22	3.7	17.6	0.4	134	2.9	18.2	1.7
FY20E	379	28	27.6	13.8	0.4	160	2.5	17.7	1.8
FY21E	463	35	22.2	11.3	0.4	193	2.0	17.6	1.9

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

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

### PRICE PERFORMANE



## Key Highlights

- **Expansion in NIM:** Yields, at 10.22%, rose 16 bps QoQ compared to 3 bps increase in cost of borrowings which stood at 7.93% for the quarter. NIM up 4bps sequentially on the back of loan reprising. Upward resets were undertaken in April 2018 to 8.95% and further to 9.5% in October 2018. Management expects costs of borrowings to come down during FY20 resulting in NIM stability. We expect NIM to be around ~3.2% over FY20-21E.
- **GNPA inches higher, albeit largely seasonal:** G/NNPAs have gone up to 0.7/0.5% from 0.6/0.4% sequentially, mostly on account of seasonality. The company expects to improve NPAs levels to Q4FY19 levels. Slippages in Q1FY20 were lower at Rs 26 cr as compared to Rs 139 cr in Q4FY19 and Rs 40 cr in Q1 last year. We expect no major hiccups in asset quality.
- **Guidance:** Housing loans to remain restricted to affordable segment. Loan book to grow to about Rs 23,000 cr by the end of FY20 and is targeted to reach ~Rs 40,000 cr by end FY22. NIM to remain +3%. CANF will be opening branches in outskirts of Bangalore so as to benefit from the upcoming affordable housing projects in region.

## Results Update

Can Fin Homes Ltd Fig in Rs.Cr	Quarterly					Yearly				
	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)	FY18	FY19	FY20E	FY21E	3 Yr CAGR (%)
Interest earned	477.3	396.4	20.4	451.4	5.7	1,491	1,700	2,073	2,530	22.0
Interest expenses	329.4	270.1	22.0	313.7	5.0	981	1,169	1,403	1,712	21.0
<b>NII</b>	147.9	126.3	<b>17.1</b>	137.7	<b>7.4</b>	<b>510</b>	<b>530</b>	<b>671</b>	<b>818</b>	24.2
Other Income	6.9	7.8	(11.5)	12.4	(44.5)	31	32	35	38	10.0
<b>Total Income</b>	154.8	404.1	(61.7)	150.1	3.1	<b>541</b>	<b>562</b>	<b>706</b>	<b>857</b>	23.4
Operating expenses	21.0	19.4	8.6	31.6	(33.5)	85	89	101	117	14.9
- Staff expenses	12.6	10.6	19.3	16.3	(22.7)	45	41	46	53	13.0
- Other expenses	8.4	8.8	(4.4)	15.3	(45.1)	40	47	54	64	16.5
<b>Operating Profit (PPoP)</b>	133.8	114.7	<b>16.6</b>	118.5	<b>12.9</b>	<b>456</b>	<b>474</b>	<b>605</b>	<b>740</b>	25.0
Provisioning & Cont.	8.7	0.0	<b>NM</b>	1.1	<b>692.6</b>	22	1	36	45	545.1
Depreciation	2.2	0.6	276.6	0.9	149.0	3	3	3	3	8.0
<b>PBT</b>	122.9	114.1	<b>7.7</b>	116.5	<b>5.5</b>	<b>431</b>	<b>470</b>	<b>565</b>	<b>691</b>	21.3
Tax	41.9	38.9	7.8	49.5	(15.3)	145	173	186	228	14.9
<b>PAT</b>	81.0	75.3	<b>7.6</b>	67.0	<b>20.8</b>	<b>286</b>	<b>297</b>	<b>379</b>	<b>463</b>	24.9
EPS (Rs)	6.1	5.7	7.6	5.0	20.8	22	22	28	35	24.9
ABVPS (Rs)						112	134	160	193	20.1
Net NPA (%)	0.52	0.44	-	0.43	-	0.20	0.40	0.40	0.40	-
Advance growth (%)	17.4	17.2	-	16.8	-	31	20	21	25	-
NIMs (%)	3.18	3.18	-	3.14	-	3.5	3.1	3.2	3.2	-
CAR (%)	19.6	18.7	-	16.4	-	19	18	18	17	-

Source: Company and Axis Securities

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