

CAN FIN HOMES LTD

HOUSING FINANCE

Q3FY20: Performance outlook improves

Can Fin Homes (CANF) PAT in Q3FY20 stood at Rs 106.6cr, up 9/42% QoQ/YoY led by improved NIMs and lower tax rates. Loan growth was steady at ~15%. Disbursements were up 11/12% QoQ/YoY as new branches yielded healthy business. Asset quality controlled with flattish G/NNPAs to ~0.8/0.6% QoQ.

We expect asset quality to improve in Q4FY20 on better recoveries. 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 with focus on Tier 2/3/4 cities keep us positive on the stock. Expected pick-up in loan growth is keenly eyed upon. We recommend 'HOLD' with a Target Price of Rs 546 (2.3x FY21 ABV).

Key Highlights:

Loan growth picks up: Disbursals/Loans grew by 12/15% YoY. Management has guided for 15- 20% growth in the near-to-medium term. Growth in the salaried segment was 14% YoY/3% QoQ while growth in the non-salaried segment was 17% YoY/3% QoQ. The company continues to see uplift in business in Karnataka, which has turned conducive since the last few quarters. Focus on affordable housing in tier 2/3/4 cities/non-metro regions continued to be supportive of growth. Outside of its home states, the company is growing in Andhra Pradesh, Telangana and North India, as a result of which, dependency on Karnataka has come down. The company remains well funded with unutilized bank lines of ~Rs4000cr. The company has secured funding commitment upto July 2020 and has plans to raise NCDs, which provides growth visibility. We expect ~18% CAGR in the loan book over FY19-FY22E pushed by presence in mass market housing and diversification in newer geographies to augment loan growth.

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)	(%)	(%)
FY19	297	22	3.7	22.7	0.4	134	3.8	18.2	1.7
FY20E	394	30	32.9	17.1	0.4	161	3.1	20.7	2.1
FY21E	481	36	22.0	14.0	0.4	196	2.6	18.5	2.1
FY22E	585	44	21.6	11.5	0.3	237	2.1	17.1	2.1

Source: Company and Axis Securities. CMP as on 14th Feb 2020

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HOLD

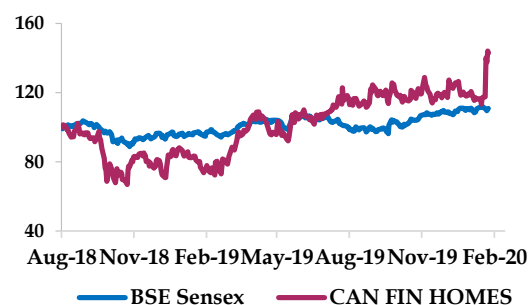
Target Price: Rs 546

CMP : Rs 506
 Potential Upside : 8%

MARKET DATA

No. of Shares : 13.3 cr
 FV (Rs) : 2
 Market Cap : Rs 6,734 cr
 52-week High / Low : Rs 519/ Rs 242
 Avg. Daily vol. (6mth) : 1,80,320 shares
 Bloomberg Code : CANF.IN
 Reuters Code : CANF.BO
 BSE Code : 511196
 NSE Code : CANFINHOME

PRICE PERFORMANCE



Key Highlights

- **Expansion in NIM:** Focus remains on small markets where bank presence is less. This has been NIM accretive. NIM expanded to 3.42% from 3.21/3.18% QoQ/YoY. Additionally, the company has been able to raise long-term funds at favorable rates despite the recent rating downgrade. As a result, incremental cost of borrowings has come down. For the quarter, cost of funds stood at 7.88%, down 7bps QoQ/1bps YoY. Company expects the share of market borrowings to increase slightly while the share of bank borrowings could come down. NHB funding is coming in at less than 7%. We expect NIM to be around ~3.3% over FY20-22E.
- **Asset quality in control:** G/NNPAs were reported at Rs.160.9/118.7 cr, up 4/4.9% YoY/QoQ. The pace of bad asset addition has reduced over the last 3 quarters, in line with management guidance. NNPAAs were 0.59%, flattish sequentially. Management remains optimistic with respect to reduction in NPAs/improvement in asset quality over the next few quarters. Of the total portfolio, 75% exposure is towards self-construction while 25% is towards apartments. Given that the company funds only low rise projects and at near-completion stage, asset quality risk from exposure to under-construction apartments is negligible. We expect asset quality to remain largely stable over FY20-FY22E.

Results Update

Can Fin Homes Ltd Fig in Rs.Cr	Quarterly					Yearly				
	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	3 Yr CAGR (%)
Interest earned	508	438	16.0	494	2.8	1,700	2,005	2,346	2,792	18.0
Interest expenses	340	302	12.7	338	0.4	1,169	1,380	1,586	1,872	17.0
NII	168	136	23.4	156	8.0	530	626	760	920	20.2
Other Income	9	5	64.8	7	34.7	32	35	38	42	10.0
Total Income	177	142	25.0	162	9.1	562	661	798	963	19.6
Operating expenses	24	21	18.3	23	6.5	89	102	119	137	15.7
- Staff expenses	14	8	63.4	12	12.8	41	48	55	62	14.7
- Other expenses	11	12	(13.0)	11	(0.8)	47	54	64	75	16.7
Operating Profit (PPoP)	153	121	26.2	139	9.6	474	559	679	825	20.3
Provisioning & Cont.	5	0	NM	6	(27.5)	1	30	35	42	236.7
Depreciation	2	1	175.8	2	17.0	3	3	3	3	5.2
PBT	146	120	21.3	131	11.2	470	526	641	780	18.4
Tax	39	45	(13.6)	33	17.4	173	131	160	195	4.1
PAT	107	75	42.3	98	9.1	297	394	481	585	25.4
EPS (Rs)	8.0	5.6	42.3	7.3	9.1	22	30	36	44	25.4
ABVPS (Rs)	153.5	101.1		145.5		134	161	196	237	21.1
Net NPA (%)	0.59	0.51	-	0.58	-	0.4	0.4	0.4	0.3	-
Advance growth (%)	14.9	16.7	-	15.8	-	17	16	17	20	-
NIMs (%)	3.4	3.2	-	3.2	-	3.1	3.3	3.3	3.3	-
CAR (%)	22.1	19.1	-	18.8	-	17.8	17.5	17.2	17.2	-

Source: Company and Axis Securities

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