CD EquisearchPvt Ltd

Can Fin Homes Ltd.	
No. of shares (m)	133.15
Mkt cap (Rs crs/$m)	4258/608.8
Current price (Rs/$)	320/4.6
Price target (Rs/$)	417/6.0
52 W H/L (Rs.)	452/217
Book Value (Rs/$)	116/1.7
Beta	1.5
Daily volume NSE (avg. monthly)	1573330
P/BV (FY19e/20e)	2.9/2.1
P/E (FY19e/20e)	13.9/10.7
Cost to Income (FY18/FY19e/20e)	15.2/14.0/12.9
EPS growth (FY18/19e/20e)	28.4/10.4/19.3
NIM (FY18/19e/20e)	3.5/3.2/3.3
ROE (FY18/19e/20e)	25.6/22.7/22.1
ROA(FY18/19e/20e)	2.1/1.9/2.0
D/E ratio (FY18/19e/20e)	10.6/10.0/9.4
BSE Code	511196
NSE Code	CANFINHOME
Bloomberg	CANF.IN
Reuters	CNFH.NS

Shareholding pattern	%
Promoters	30.0
MFs / Banks / FIs/ Others	3.8
Foreign Portfolio Investors	-
Govt. Holding	-
Public & Others	66.3
Total	**100.0**

As on March 31, 2019

Recommendation

BUY

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Quarterly Highlights

- Despite slowdown in housing credit landscape and sluggish growth in its key market of Karnataka due to challenges in terms of RERA compliance, Can Fin posted 16.7% (yoy) loan book growth in Q3FY19, driven by 17.2% (yoy) rise in housing loans and 12.4% (yoy) rise in non-housing loans. New approvals and disbursements however witnessed de-growth of 4.1% (yoy) and 0.2% (yoy) respectively. 88% of fresh loan approvals during 9MFY19 were for housing segment. Although share of salaried class fell marginally, it continues to be its mainstay, constituting 71.5% of its loan book in Q3FY19 (vs 73.5% in Q3FY18).
- Increase in cost of funds and decline in average yield explain slowdown of NII growth to 6.9% (yoy) in Q3FY19, compared to 15.4% (yoy) growth in Q3FY18. Check on operating expenses and marginal rise of 1.7% (yoy) in average business per branch helped improve cost to income ratio to 14.6% (15.1% in Q3FY18). With pre-provision profits up by 6.8% (yoy), nil recording to provisions and lower taxes surged post tax earnings by 21.4% (yoy) to Rs 80.35 crs ($11.1m) in Q3FY19.
- Can Fin's asset quality deteriorated in Q3FY19, with Gross NPA and Net NPA of 0.7% and 0.5% respectively (vs Gross NPA of 0.5% and Net NPA of 0.3% a year ago). Recovery was deferred due to festive season and less number of working days in the quarter. However, it did not create any new provision as it was already carrying surplus provisions (it has repossessed collateral in 270 accounts under SARFAESI action).
- The stock currently trades at 2.6x FY19 BV (12.8x FY19e EPS of Rs 25.02) and 2.1x FY20 BV (10.7x FY20e EPS of Rs 29.85). With its focus on affordable housing loans and significant total network expansion (189 in 9MFY19; 16 opened since FY18), we expect its loan book to grow by 15.0% in FY20. GOI's CLSS (Credit Link Subsidy Scheme) would also be a big boost as ~60% of its incremental loans are towards LIG (low income group) and 30-35% to MIG-1 (Mid-income group with salary from Rs 6 lacs up to Rs 12 lacs). NII growth would slow down to 5.3% for FY19, but pick up to 21.2% in current fiscal. Return ratios would see an improvement – ROA and ROE of 2.0% and 22.1% respectively in FY20. Weighing odds, we assign 'buy' rating on the stock with target price of Rs 417 (previous target Rs 432) based on 2.8x FY20e BV for a period of 9-12 months; earnings expected to grow at CAGR 14.8% during FY18-20 period.

(Rs crs)	FY16	FY17	FY18	FY19e	FY20e
Net Interest Income	300.93	421.99	509.78	536.62	650.19
Non Interest Income	39.13	47.69	56.50	50.39	52.91
Pre-Provision Profits	273.27	388.87	480.16	504.83	612.28
Net profit	156.95	234.91	301.70	333.19	397.50
EPS(Rs)*	11.79	17.65	22.66	25.02	29.85
EPS growth (%)	42.6	49.7	28.4	10.4	19.3

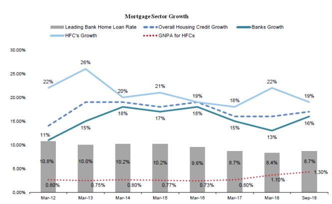
*adjusted for stock split.

Outlook & Recommendation

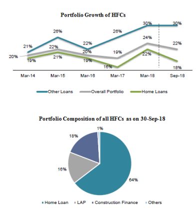
Industry Overview

Liquidity crunch has crimped credit growth for HFCs and is unlikely to improve much in FY20. ICRA expects housing credit growth to be pegged at 14%-16% in FY20, provided the liquidity conditions in the market ease out. HFCs are resorting to curbing their disbursements and selling-down their portfolios to meet their funding requirements following the liquidity squeeze. According to industry reports, overall loan growth of HFCs is likely to moderate in coming months. With increased retail portfolio sales by various HFCs, share of home loans in the overall on-book portfolio would also decline.

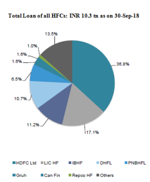
Weak operating environment would put pressure on asset quality. According to ICRA, stock of repossessed assets of HFCs has also increased, due to the lower salability of those assets leading to an elongated recovery time. Asset quality remains vulnerable, especially in pockets like construction finance. ICRA expects Gross NPAs in the home loan segment to increase to ~1.3% (current level of 1%) over the medium term. Moreover, higher Gross NPA ratio on the non-housing loan segment could lead to increase in GNPAs for HFCs to ~1.8% during the medium term from the present 1.4%. Margins would shrink and profitability indicators (ROE) would moderate to 14%-15% in current fiscal (vs 18% in FY18) owing to ongoing troubles, unless a prolonged slowdown in growth impact the operating expense ratios and asset quality of some asset classes, which could lead to further dip in profitability indicators.



Source: ICRA Indian Mortgage Finance Market Update



Source: ICRA Indian Mortgage Finance Market Update



Recent slash in GST rates on both under construction projects (from 12% to 5%) and under-construction affordable housing projects (from 8% to 1%) is expected to bring marginal traction in demand and give a boost to the affordable housing segment. Any incremental demand from the GST rate cut would be positive for HFCs, especially in case of the affordable housing segment where the loan books have increased by 2.6x since FY15 (Source: Indian Ratings). Concurrently, the lagged delinquencies in the affordable housing segment have reached 2%. However, delinquencies across the segments could see some moderation with incremental savings at the disposal of home buyers due to the reduction in GST rates.

Many HFCs have pushed back their 2021 business targets as a liquidity crunch continues to cripple their growth. Reliance Home Finance, for instance, which had set itself a target of achieving Rs 50,000 crs of AUM over the next two years, is scaling down its expectations. It was riding on the expectation that the affordable housing segment would continue to see 30% (yoy) growth. While the potential for growth remains, the recent liquidity crunch has dried up funds for on-lending. “While we have the capability to grow the portfolio, we will not look at expanding the book till I don’t have a clear view on liquidity. We had a plan to increase AUM to Rs 50,000 crs by 2021. I see that getting pushed back by couple of months and quarters," said Ravindra Sudhakar, Co-Chairman, ASSOCHAM National Council on Affordable Housing and Executive Director & CEO, Reliance Home Finance.

In order to address HFC’s liquidity crisis, NHB has proposed to increase CAR (capital adequacy ratio) for HFCs to 15% (the current ratio stands at 12%), in a phased manner by FY22, which will be increased by 1% over the next three years. The housing finance regulator has also reduced the borrowing limit of HFCs from 16x of net owned funds to 12x by March 2022.

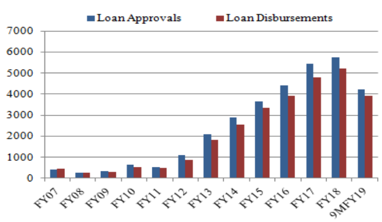
The new guidelines would be credit positive as they would limit HFCs' credit growth and cap their maximum exposure to the debt capital markets, benefitting HFCs and its lenders, largely commercial banks. However, Moody’s reckons that these guidelines do not address issues regarding the key credit risk of these companies, their funding and liquidity. Volatility in the debt markets is a key risk for the HFCs because short-term funding is increasing and is used to fund long-dated assets. Additionally, these companies maintain very little backup liquidity, it noted. “Although most of the large HFCs already comply with these guidelines, we expect that some of the smaller HFCs will slow their loan growth or increase capital and lower their leverage over the next few years," said Moody’s.

Loan Portfolio

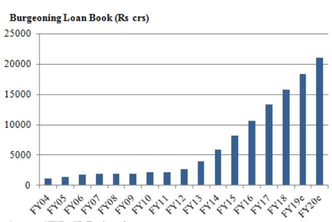
Can Fin’s tailor-made loan products, catering to niche customer segment has enabled it to grow its loan book at a CAGR of 31.4% from FY13-18, driven by CAGR growth of 30.1% in housing loans. Loan growth however slowed down in FY18 (18.3% vs 25.1% in FY17) because of sluggishness in supply of homes after RERA implementation in its major market, Karnataka (over 35% of its business comes from Karnataka). Uncertainty post RERA implementation lowered project registrations in the state by many small and premier builders, leading to stock pile up of affordable homes.

With an average ticket size of ~Rs 18 lacs, it caters mostly to the LIG (low income group) and lower MIG (middle income group) segments. Housing loans constitute major chunk of its loan book (~90% in 9MFY19), with share of non-housing loans (such as mortgage loans and personal loans) increasing marginally from 8.8% in FY14 to 10.5% in FY18.

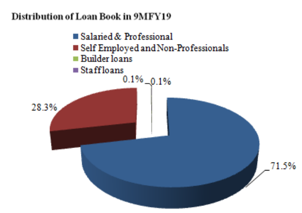
Unlike its peers such as Repco and PNB Housing, its customer profile is dominated by salaried and professional class, accounting for 71.5% of its loan book in 9MFY19. 66% of fresh approvals in Q3FY19 were to salaried and professionals, which would continue to be its niche segment. With an expected recovery in real estate sector post RBI rate cut to ease liquidity and growth of HFCs, we expect Can Fin’s loan book to grow at a CAGR of 15.7% during FY18-20, with housing loans growing at a CAGR of 16.0%.



Source: CFHL



Sources: CFHL, CD Equisearch

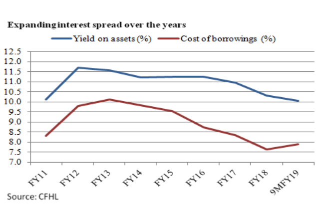


Source: CFHL

Optimizing cost of funds

With recent liquidity crisis and rising interest rates, although Can Fin’s overall funding cost increased by 16bps (yoy) to 7.9% in 9MFY19, its well diversified borrowing basket has enabled it to borrow funds at a lower rate (7.9%), compared to its peers like LICHF (8.5%), Repco (8.4%) and Gruh (8.2%). Composition of funding source has also witnessed a significant change, with funding from NHB coming down to 15% in FY18 from 48% in FY13, and share of market borrowings rising noticeably to 50% from mere 5% during the same period. However, in Q3FY19, bank borrowings was the primary source of funding which increased to 48% (vs 22% in Q3FY18), whereas funding from market borrowings reduced to 38% (58% a year ago). NHB borrowings too increased sequentially from 7.0% in Q2FY9 to 13% in Q3FY19. Over coming quarters, it will be looking to source more funds from NHB as it would benefit from its Affordable Housing Fund.

Decline in yield on advances and increase in cost of funds explain fall in spread (2.2% vs 2.7% in Q3FY18). With recovery in housing finance sector and improvement in disbursements (which declined sequentially by 8.7% in Q3FY19 and remained muted annually), we expect it to witness improvement in spreads going forward.



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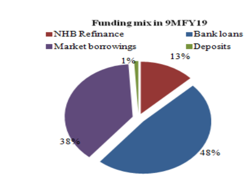

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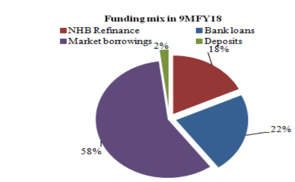
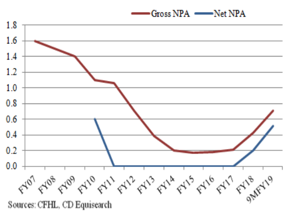


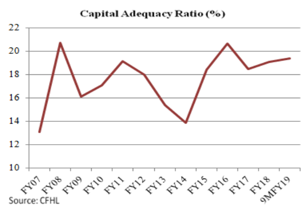
Source: CFHL

Asset Quality

Despite less risky salaried class dominating its loan portfolio (71.5% in Q3FY19), Can Fin's asset quality declined last quarter, with GNPA and net NPA of 0.7% and 0.5% respectively (vs 0.5% and 0.3% of GNPA and net NPA respectively a year ago). It initiated Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) action during FY18 in 373 NPA accounts (worth Rs.60.08 crs), in which securities were sold in 27 accounts (worth Rs6.69 crs) and 118 accounts (worth Rs 18.70 crs) were upgraded through recovery. Increasing share of non-salaried class in the total loan book (28.3% in 9MFY19 vs 12.8% in FY13) is making portfolio vulnerable.



Sources: CFHL, CD Equisearch

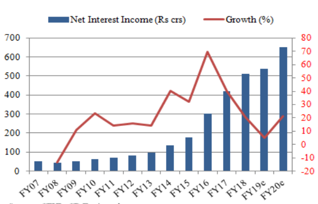


Source: CFHL

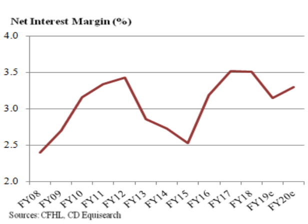
Financials &Valuation

Can Fin has recorded NII growth at a CAGR of 39.7% during FY13-FY18, owing to its diverse borrowing profile, reducing its cost of funds and increasing its spread. NIMs too improved to 3.5% in FY18 from 2.9% in FY13. Even though liquidity was not an issue, overall increase in interest rates slowed down NII growth in 9MFY19 (up by only 3.8% yoy compared to 24.8% yoy increase in 9MFY18).

With total income up by only 3.2% (yoy), controlled operating expenditure (down by 4.8% yoy) and no provisions (vs Rs 21.34 crs in 9MFY18) helped PAT to improve by 12.7% (yoy). New approvals de-grew by 2.2% (yoy) and disbursements were up by only 2.7% (yoy). With ease in liquidity and expected pick up in Karnataka market (37 branches in 9MFY19), we expect NII to grow at a CAGR of 12.9% during FY18-20, with NIMs standing at 3.2% and 3.3% in FY19 and FY20 respectively.

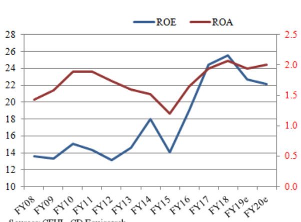


Sources: CFHL, CD Equisearch

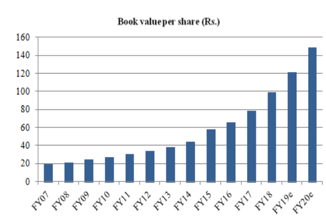


Sources: CFHL, CD Equisearch

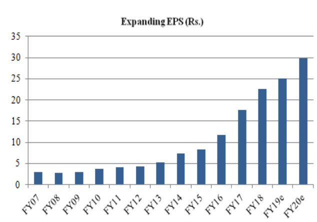
Given the three year period for compliance, the regulatory change to set minimum CAR (capital adequacy requirement) from the current 12% to 15% by March 2022 is not expected to be detrimental. "As on today, most HFCs are closer to the proposed CAR of 15% and the borrowing cap of 12 times their net worth. HFCs who find difficulty in complying with the proposed caps may sell their portfolio to free capital and become compliant."said Deo Shankar Tripathi, MD and CEO, Aadhar Housing Finance. Ravindra Sudhalkar, Executive Director and CEO, Reliance Home Finance, however cautioned and said, "Regulators need to make availability of capital easy for HFCs with a strong balance sheet, as the liquidity crunch is acting as a huge roadblock to the overall growth of the housing market. Going forward, availability of capital will play a crucial role particularly if we have to achieve the government goal of housing for all by 2022."



Sources: CFHL, CD Equisearch



Sources: CFHL, CD Equisearch;adjusted for stock split



Sources: CFHL, CD Equisearch;adjusted for stock split

Equities Derivatives Commodities Distribution of Mutual Funds Distribution of Life Insurance

Can Fin has been on an expansion mode and has increased its network from 83 outlets in FY14 to 173 in FY18, to further 189 in 9MFY19 (higher than its peers Repco, PNB Housing and GICHF with 167, 100 and 69 branches respectively), with its average business per branch recording a CAGR growth of 15.3% during FY14-18 period. It was the first HFC to introduce the concept of Affordable Housing Loan Centres (AHLCs) in sync with the 'Housing for all' initiative by the GOI, to exclusively provide smaller ticket size loans under affordable housing segment in FY17. From 10 AHLCs in FY17, the number has doubled to 21 in 9MFY19. Lately, it has remained buoyant in increasing its presence beyond southern India (mainly western region) from 40 units in FY16 to 69 in 9MFY19, contribution of which to new business/approvals have risen from 23% in FY16 to 31% in Q3FY19. Share of these branches in total loan book has also increased, though not strikingly from 24% to 28% during the same period.

Banks and HFCs are launching new products to exploit opportunities in the housing finance industry in India and compete with peers. Can Fin has introduced two new products which will act as replacements for Affordable Housing Loan (AHL) - Urban and AHL - Rural. It will draw low-cost refinance from NHB and expects to earn margin in the range of 3%-3.5% on these new products. Both LICHFL and ICICI Bank have recently tied up with India Mortgage Guarantee Corporation (IMGC) to offer a special loan scheme under which borrowers can repay the amount till the age of 75 years in case of LICHFL, while ICICI Bank offers it up to 65 years. The maximum tenure in both cases is 30 years. IMGC will provide LICHFL with mortgage guarantee and will help LICHFL attract more home loan borrowers, combat NPAs and increase market penetration. It will also reduce the burden of monthly EMIs on the borrowers along with increasing the loan quantum.

To cater to the needs of emerging demand, ICICI Bank has recently launched a secured home loan product 'Instant Home Loan' for pre-approved salaried customers that promises digital final sanction letters with a validity of six months and instant loans up to Rs 1 cr for a tenure of up to 30 years. A second product 'Insta Top Up Loan' will allow customers instant top ups on existing home loans of up to Rs 20 lacs for a tenure of up to 10 years, and will be treated by the bank on its books as unsecured loans, inviting a slightly higher interest rate than the home loans products.

Due to rising competition from banks in metro, Can Fin plans to strategically expand its presence in non-metro centres (tier-II/III), which currently constitute 32% of total loan book (23% in FY16). Out of 65 new branches/AHLCs opened during FY16 and 9MFY19, only 12 were in metro. Although there is no yield difference between metro and non-metro, smaller ticket size (Rs 10-20 lacs vs Rs 30 lacs) help it source funds at special rates from NHB (lower than normal NHB rates) and also through PSL- bank lending which are also at lower cost compared to non-PSL bank lending. Moving to non-metros would also be rewarding in terms of lower operating expenditure. Plans are afoot to add 30 more units in potential Tier III/IV centres.

The stock currently trades at 2.6x FY19 BV (12.8x FY19e EPS of Rs 25.02) and 2.1x FY20 BV (10.7x FY20e EPS of Rs 29.85). Given the recent scenario of NBFC sector, we have cut our previous fiscal's earnings by 5.8% (EPS of Rs 25.02 vs earlier estimate of Rs 26.55) and current fiscal's earnings by 0.2% (EPS of Rs 29.85 vs earlier estimate of Rs 29.92). Deteriorating asset quality with Gross and Ne t NPA of 0.7% and 0.5% respectively cannot be overlooked. Although it has been trying to diversify its regional presence to address markets in several cities, it still derives most of its business (over 72% of its loan book) from south India, where any slowdown impacts its business growth, as witnessed in last two fiscals. Rising competition from banks and liquidity crisis would hold NIMs in the range of 3.2%-3.3% in FY19 and FY20 respectively. Weighing odds, we recommend buying the stock with target price of Rs 417 (previous target Rs 432) based on 2.8x FY20e BV for a period of 9-12 months. For more information, refer to our July 2018 report.

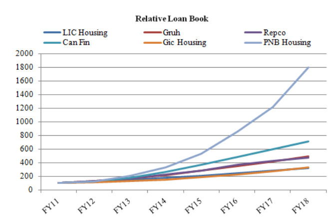
Cross Sectional Analysis

Company	Equity*	CMP	Mcap*	NII*	Profit*	NIMs ***(%)	Loan Book growth(%)	ROE (%)	ROA** (%)	P/E	P/BV
LICHF	101	493	24857	4237	2319	2.5	16.3	16.6	1.3	10.7	1.6
Gruh	147	315	23096	672	406	4.2	14.1	25.5	2.3	56.9	13.1
Repco	63	436	2729	441	221	4.4	12.4	16.9	2.1	12.4	1.9
GICHF	54	258	1391	366	172	3.2	17.3	17.2	1.6	8.1	1.3
Can Fin	27	320	4258	524	328	3.2	16.7	23.4	2.0	13.0	2.8
PNB Housing	167	780	13062	1639	951	2.6	27.9	14.5	1.4	13.7	1.9

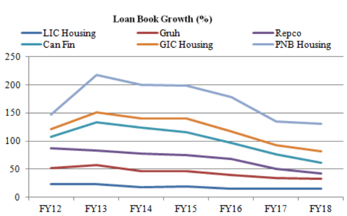
*figures in crores; calculations on ttm basis; standalone or consolidated data as available as on Dec 31, 2018, **calculated on half yearly or 9 month basis as data available

Despite recent liquidity crunch, PNB Housing managed to post the highest double-digit growth in its loan portfolio in 9MFY19, followed by GICHF and Can Fin (see table). While many companies have witnessed sharp dip in disbursements in Q3FY19 (de-growth of 20.5% for GICHF, down by 0.2% for Can Fin and by 0.7% for PNB Housing), it was up for Repco by 12% (yoy). With non-housing loans constituting 18.4% and 17.4% of their loan portfolio, NIMs was highest for Repco, followed by Gruh. Not following the industry norm of selling off bad loans to ARCs partially explains GICHF's poor asset quality (gross NPA of 4.7%). Higher share of non-salaried class in its loan book (55.1% in 9MFY19) also explain Repco's poor asset quality (gross NPA of 3.9%).

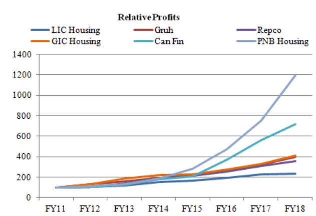
In terms of network, LICHFL boasts of large geographic presence with 273 marketing offices across India. Other players like GICHF and Gruh have strong regional presence in western India, while Can Fin and Repco derive most of their business from southern India. Western India is PNB Housing's largest market, with 38% of assets under management, followed by North and South at 31% each. With rise in number of players in the market, increase in competitive intensity has led to dilution in lending norms, thereby impacting asset quality. Despite recent turmoil in the housing finance industry, HFCs are on high growth path, propelled by GOI's focus on 'Housing for All by 2022' and its push on affordable housing.



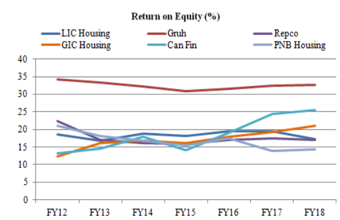
Sources: Companies; ACE Equity;Base year FY11=100



Sources: Companies; ACE Equity



Sources: Companies; ACE Equity;Base year FY11=100



Sources: Companies; ACE Equity

Note: Graphs on standalone or consolidated data as applicable.

Financials

Quarterly Results

Figures in Rs crs

	Q3FY19	Q3FY18	% chg.	9MFY19	9MFY18	% chg.
Net Interest Income	136.11	127.32	6.9	392.79	378.35	3.8
Non Interest Income	11.77	12.00	-2.0	28.39	29.90	-5.0
Total Operating Income	**147.87**	**139.32**	**6.1**	**421.19**	**408.25**	**3.2**
Operating Expenses	21.56	21.03	2.5	59.15	62.11	-4.8
Pre-Provision Profits	**126.31**	**118.28**	**6.8**	**362.04**	**346.15**	**4.6**
Provision	-	9.22	-100.0	-	21.34	-100.0
PBT	**126.31**	**109.06**	**15.8**	**362.04**	**324.81**	**11.5**
Tax	45.96	42.88	7.2	129.61	118.62	9.3
PAT	**80.35**	**66.19**	**21.4**	**232.43**	**206.19**	**12.7**
Extraordinary items	-	-	-	-	-	-
Adjusted Net Profit	**80.35**	**66.19**	**21.4**	**232.43**	**206.19**	**12.7**
Basic EPS (F.V.2)	6.03	4.97	21.3	17.45	15.49	12.7

Income Statement

Figures in Rs crs

	FY16	FY17	FY18	FY19e	FY20e
Net Interest Income	300.93	421.99	509.78	536.62	650.19
Non Interest Income	39.13	47.69	56.50	50.39	52.91
Total Operating Income	**340.06**	**469.68**	**566.28**	**587.01**	**703.10**
Operating Expenses	66.80	80.71	86.13	82.18	90.82
Pre-Provision Profits	**273.27**	**388.97**	**480.16**	**504.83**	**612.28**
Provision	19.41	18.80	22.10	-	10.00
PBT	**253.86**	**370.17**	**458.06**	**504.83**	**602.28**
Tax	96.76	134.91	156.28	171.64	204.77
PAT	**157.11**	**235.26**	**301.77**	**333.19**	**397.50**
Extraordinary items	0.16	0.35	0.08	-	-
Adjusted Net Profit	**156.95**	**234.91**	**301.70**	**333.19**	**397.50**
Basic EPS (F.V.2)	11.79	17.65	22.66	25.02	29.85

Balance Sheet

Figures in Rs crs

	FY16	FY17	FY18	FY19e	FY20e
Sources Of Funds	**10755.96**	**13378.52**	**15806.97**	**18421.94**	**21184.00**
Shareholders Funds	**878.52**	**1076.78**	**1346.50**	**1647.63**	**2013.08**
Share Capital	26.62	26.62	26.63	26.63	26.63
Reserves and Surplus	851.89	1050.15	1319.86	1621.00	1986.45
Non Current Liabilities	**7091.98**	**8251.39**	**8981.60**	**10983.08**	**12548.31**
Long Term Borrowings	6965.45	8028.25	8721.25	10705.38	12241.64
Long Term Provisions	69.66	109.50	119.10	122.54	136.10
Deferred Tax Liabilities(net)	56.87	113.65	141.24	155.16	170.57
Current Liabilities	**2785.46**	**4050.35**	**5478.88**	**5791.23**	**6622.60**
Short Term Borrowings	1625.91	3081.15	3245.35	3244.06	3524.11
Other Current Liabilities	1039.88	947.82	2209.69	2523.62	3072.15
Short Term Provisions	119.67	19.06	15.14	12.55	13.70
Trade Payables	-	2.33	8.70	11.00	12.65
Application of Funds	**10755.96**	**13378.52**	**15806.97**	**18421.94**	**21184.00**
Non- Current Assets	**10640.52**	**12956.00**	**15129.80**	**17558.57**	**20187.08**
Tangible Assets	8.89	10.17	9.57	9.29	8.67
Non-Current Investments	14.94	15.94	15.94	15.94	15.94
Long Term Loans and Advances	10616.70	12922.41	15095.09	17524.15	20153.27
Other Non-Current Assets	-	7.48	9.20	9.20	9.20
Current Assets	**115.44**	**422.52**	**677.18**	**863.38**	**996.92**
Cash and Cash Equivalents	17.35	12.47	9.81	37.55	47.29
Short term loans and advances	97.91	1.12	0.72	0.69	0.75
Other Current Assets	0.18	408.93	666.43	824.97	948.68
Trade Receivables	-	-	0.21	0.17	0.19

Cash Flow Statement

Figures in Rs crs

	FY18	FY19e	FY20e
Net Profit (a)	**301.77**	**333.19**	**397.50**
Non cash ex & others (b)	**27.52**	**14.81**	**13.55**
Depreciation	3.09	3.28	3.61
Loss/(profit) on sale of assets	-0.12	-	-
Dividend Income on Mutual Funds	-0.31	-2.39	-5.47
Others	-2.73	-	-
Deferred tax	27.60	13.92	15.41
Adjustments in NWC & others (c)	**-2350.63**	**-2583.14**	**-2699.38**
Trade Receivables	-0.21	0.04	-0.02
Loans and Advances	-2172.28	-2429.03	-2629.18
Other Assets (Net of liabilities)	-178.14	-154.15	-70.18
Net Cash flow from Operations (a+b+c)	**-2021.34**	**-2235.14**	**-2288.33**
Purchase of fixed assets	-2.57	-3.00	-3.00
Sale of fixed assets	0.20	-	-
Dividend received	0.31	2.39	5.47
Fixed Deposits received/(paid)	1.46	-	-
Net Cash Flow from Investing activities (d)	**-0.60**	**-0.61**	**2.47**
Net borrowings	2052.80	2295.53	2327.66
Dividends paid	-32.05	-32.06	-32.06
Net Cash flow from Financing activities (e)	**2020.74**	**2263.48**	**2295.60**
Net change (a+b+c+d+e)	**-1.20**	**27.73**	**9.75**

Key Financial Ratios

	FY16	FY17	FY18	FY19e	FY20e
Growth Ratios (%)					
Net Interest Income	69.4	40.2	20.8	5.3	21.2
Total Operating Income	64.7	38.0	20.7	3.7	19.8
Pre Provision Profits	80.4	42.3	23.6	5.2	21.3
Net Profit	82.5	49.7	28.4	10.4	19.3
EPS	42.6	49.7	28.4	10.4	19.3
Loan Book	29.3	25.1	18.3	16.4	15.0
Return Ratios (%)					
ROE	19.0	24.4	25.6	22.7	22.1
ROA	1.6	1.9	2.1	1.9	2.0
Margins (%)					
Cost To Income Ratio	19.7	17.2	15.2	14.0	12.9
Net Interest Margin (% of Loan Book)	3.2	3.5	3.5	3.2	3.3
Asset Quality (%)					
Gross NPA	0.2	0.2	0.4	0.7	0.7
Net NPA	0.0	0.0	0.2	0.5	0.4
Valuation Ratios					
P/BV	3.5	5.4	4.9	2.9	2.1
P/E	19.6	24.0	21.4	13.9	10.7
Other Ratios					
Debt / Equity	10.7	11.4	10.6	10.0	9.4
Current Ratio	0.0	0.1	0.1	0.1	0.1

Cumulative Financial Data

	FY09-11	FY12-14	FY15-17	FY18-20e
NII	186	314	901	1697
Pre-provision profits	158	253	813	1597
PBT	157	242	760	1565
PAT	112	173	478	1032
Dividends	16	32	86	96
Loan Book*	2208	5844	13313	21077
Total Debt*	1904	5269	11872	18548
NII growth (%)	-	68.5	187.1	88.4
PAT growth (%)	-	54.4	175.9	116.0
Loan Book growth (%)	16.2	164.7	127.8	58.3
Cost to Income (%)	22.5	28.9	19.9	14.0
NIM (%)	3.0	2.6	3.1	3.3
ROE (%)	14.1	15.1	21.3	22.7
ROA (%)	1.8	1.4	1.7	2.0
GNPA (%)*	1.1	0.2	0.2	0.7
Dividend payout ratio (%)	13.9	18.6	18.0	9.3

FY09-11 implies four year period ending fiscal 08;*as on terminal year.

Strong growth in housing finance industry and fast expanding branch network (from 41 in FY11 to 170 in FY17) have helped Can Fin post 6.0x loan book growth from FY11 to FY17. Cost to income improved significantly after peaking at 28.9% during FY12-14 period because of 56.5% rise in operating expenses in FY13. Its strategy of mobilizing funds from market borrowings (51% of total borrowings in FY17 vs mere 5% in FY14) reduced its cost of funds, which partially explains increase in NII growth to 187.1% during FY15-17 period (see table). NIMs too improved in three years ending FY17, largely because of improvement in average interest spread (2.3% vs 1.6% during FY12-14 period).

With expected improvement in liquidity scenario in HFC space, Can Fin would witness loan book growth of 58.3% by FY20 from FY17. Higher interest income would resurrect margins- NIMs of 3.3% vs 3.1% during FY15-17 period (see table). Significant cost control and improved employee productivity would reduce cost to income ratio to 14.0%. Increase in profits along with lower provisions would lead to better return ratios- ROE and ROA at 22.7% and 2.0% respectively (see table).

Financial Summary- US$ denominated

million $	FY16	FY17	FY18	FY19e	FY20e
Equity capital	4.0	4.1	4.1	3.9	3.8
Shareholders funds	132.4	161.1	202.1	233.6	283.2
Total debt	1423.7	1831.0	2140.8	2344.9	2651.9
Total loans and advances	1615.3	1993.2	2320.9	2533.5	2881.5
Investments	2.3	2.5	2.4	2.3	2.3
Net current assets	-402.5	-564.5	-743.2	-717.0	-808.9
Total assets	1621.5	2063.4	2430.2	2663.2	3028.8
Net Interest Income	46.0	62.9	79.1	76.8	93.0
Pre-provision Profits	41.7	57.9	74.5	72.2	87.5
PBT	38.7	55.1	71.1	72.2	86.1
PAT	24.0	35.0	46.8	47.7	56.8
EPS($)	0.18	0.26	0.35	0.36	0.43
Book value ($)	0.99	1.21	1.52	1.75	2.13
Operating Cash Flow	-	-	-310.8	-323.1	-327.2
Investing Cash Flow	-	-	-0.1	-0.1	0.4
Financing Cash Flow	-	-	310.7	327.2	328.2

Income statement figures translated at average rates; balance sheet at year end rates; FY20 projections at current rates (Rs 69.54/$).
All dollar denominated figures are adjusted for extraordinary items.

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buy: >20%	accumulate: >10% to ≤20%	hold: ≥-10% to ≤10%	reduce: ≥-20% to <-10%	sell: <-20%

Exchange Rates Used- Indicative

Rs/$	FY16	FY17	FY18	FY19
Average	65.46	67.09	64.45	69.89
Year end	66.33	64.84	65.04	69.17

All $ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.