

CAN FIN HOMES LTD

HOUSING FINANCE

Q2FY20: Steady Performance

Can Fin Homes (CANF) PAT in Q2FY20 stood at Rs 98cr, up 27/21% YoY/QoQ led by stable NIMs and lower tax rates. Loan growth was steady at ~16%. Disbursements were up 5% QoQ as new branches yielded healthy business. Asset quality controlled with marginal increase in G/NNPAs to 0.8/0.6% QoQ. Credit costs remained benign but optically higher due to exhaustion of IndAS benefit in FY19.

We expect asset quality to improve in H2FY20 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 maintain 'Buy' with a Target Price of Rs 451 (2.3x FY21 ABV).

Key Highlights:

Loan growth to pick-up: Loan book growth of ~16% YoY to Rs 19,600cr was led by SENP housing (up 22% YoY) while salaried was up 14% YoY. Share of salaried remains at 71%. The company's core focus remains on financing low-ticket size residential properties. Demand environment in Karnataka remains favourable with growth opportunities offered by new affordable housing projects coming up on the outskirts of Bengaluru. In addition, the company is witnessing good growth opportunities in Hyderabad/Andhra Pradesh and also looking to expand its network in Kerala. Liquidity situation for the company is in control with comfortable ALM position. The company continues to focus on tier-2/3/4 cities which should help in growth pick-up over the next two years. We expect ~19% CAGR in the loan book over FY19-FY21E 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)	(%)	(%)
FY18	286	21	21.7	18.5	0.2	112	3.6	22.3	2.0
FY19	297	22	3.7	17.9	0.4	134	3.0	18.2	1.7
FY20E	389	29	31.1	13.6	0.5	161	2.5	18.8	1.9
FY21E	493	37	26.7	10.7	0.4	196	2.0	18.7	1.9

Source: Company and Axis Securities. CMP as on 17th Jun 2019

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BUY

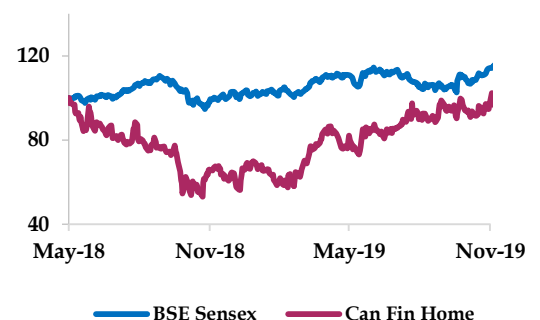
Target Price: Rs 451

CMP : Rs 398
 Potential Upside : 13%

MARKET DATA

No. of Shares : 13.3 cr
 FV (Rs) : 2
 Market Cap : Rs 5,300 cr
 52-week High / Low : Rs 434 / Rs 226
 Avg. Daily vol. (6mth) : 1,58,972 shares
 Bloomberg Code : CANF.IN
 Reuters Code : CANF.BO
 BSE Code : 511196
 NSE Code : CANFINHOME

PRICE PERFORMANCE



Key Highlights

- **Expansion in NIM:** Yields, at 10.23%, rose from ~10% YoY while borrowing cost increase was lower from 7.83% to 7.95% YoY. Funding mix remains skewed towards banks (>50%). NIMs were up from 3.17/3.18% YoY/QoQ to 3.21%. We expect NIMs to be stable and improve further led by the company's growth strategy to focus on small markets where bank presence is less which means lower competition and hence NIM accretive. Share of non-metros in total loan book now stands at 35% compared to 23% (in FY16). Non-metro branch count stands at 114 compared to 66 branches in metros. We expect NIM to be around ~3.2% over FY20-21E.
- **Asset quality in control:** GNPA's were up 11% sequentially to Rs 155cr, compared to 23% QoQ increase in Q1FY20, as incremental additions reduced in Q2. NNPA's were 0.58% of the loan book, increasing 6 bps QoQ. GNPA's could bottom out with reversal coming from the self employed segment on recoveries through SARFAESI. Provisions being carried as per IRAC norms, which are higher than ECL-requirements, also provide comfort. We expect asset quality to remain largely stable over FY19-FY21E.

Results Update

Can Fin Homes Ltd Fig in Rs.Cr	Quarterly					Yearly				
	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	FY18	FY19	FY20E	FY21E	3 Yr CAGR (%)
Interest earned	494	396	24.6	477	3.5	1,491	1,700	2,022	2,447	20.0
Interest expenses	338	284	19.3	329	2.8	981	1,169	1,403	1,669	19.5
NII	156	130	19.3	148	5.2	510	530	620	778	21.1
Other Income	7	9	(24.5)	7	(3.0)	31	32	35	38	10.0
Total Income	162	423	(61.7)	155	4.8	541	562	655	816	20.5
Operating expenses	23	17	34.9	21	9.3	85	89	102	119	15.8
- Staff expenses	12	6	103.4	13	(2.8)	45	41	48	55	15.0
- Other expenses	11	11	(2.6)	8	27.4	40	47	54	64	16.5
Operating Profit (PPoP)	139	122	13.9	134	4.1	456	474	553	697	21.3
Provisioning & Cont.	6	0	NM	9	(27.5)	22	1	30	36	476.1
Depreciation	2	1	231.5	2	(6.0)	3	3	3	3	8.0
PBT	131	122	7.6	123	6.5	431	470	519	658	18.3
Tax	33	45	(25.9)	42	(20.9)	145	173	130	164	(2.5)
PAT	98	77	27.2	81	20.7	286	297	389	493	28.9
EPS (Rs)	7.3	5.8	27.2	6.1	20.7	21	22	29	37	28.9
ABVPS (Rs)						112	134	161	196	
Net NPA (%)	0.58	0.42	-	0.52	-	0.20	0.40	0.50	0.40	-
Advance growth (%)	15.8	17.1	-	17.4	-	21	17	18	20	-
NIMs (%)	3.21	3.17	-	3.18	-	3.5	3.1	3.2	3.2	-
CAR (%)	18.8	19.1	-	19.6	-	19	18	18	17	-

Source: Company and Axis Securities

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