

## CAN FIN HOMES Ltd.

**Hold**

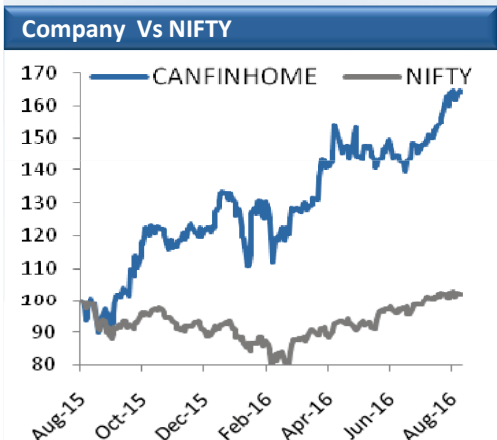
19-Aug-16

Company Update	BUY
CMP	1,430
Target Price	1560
Previous Target Price	1380
Upside	9%
Change from Previous	13%

Market Data	
BSE Code	511196
NSE Symbol	CANFINHOME
52wk Range H/L	1324/683
Mkt Capital (Rs Cr)	3,285
Av. Volume(,000)	4.78
Nifty	8565

Stock Performance	1Month	1Year	YTD
Absolute	12.2	86.9	30.5
Rel.to Nifty	0.7	3.2	8.3

Share Holding Pattern-%	1QFY17	4QFY16	3QFY16
Promoters	43%	43%	43%
PUBLIC	57%	57%	57%
Others			



### Healthy Performance Continues

Once again with the healthy performance, CANFIN HOME register the PAT growth of 55% YoY to Rs 50 Cr, just meeting with our estimation for the same. NII grew by 44% YoY to Rs 92 Cr backed by 28% YoY loan growth and decline in cost of fund by 60 bps YOY. This helped the NIM to expand by 40 bps YoY to 3.4%. Operating Profit grew by 55% YoY due to 78% YoY growth in fee income. Operating profit growth was also backed by stringent control over cost to income ratio which was at 17.76% against 22.39% a year ago. Despite adding 30 new branches & satellite office management was able to control the C/I ratio which is one of the best in the housing finance industry. The GNPA was at 0.24% against 0.26% a year back and the NNPA was at 0.04% against 0.08% as on 1Q FY16.

### Loan Book

The Loan book of CANFIN HOME grew by 28% YoY to Rs 11183 backed by strong demand from the non salaried class customer which constitutes 20% of the total loan book against 16% a year ago. The loan book from salaried & professional class grew by 21% YoY. The non housing loan book constitutes 17.2% against 14.5% a year back.

### Improved Assets Quality and CRAR

The assets quality of CANFIN HOME has improved with GNPA and NNPA at 0.24% and 0.04% against 0.26% and 0.08% a year back respectively. But on QoQ basis GNPA has marginally up by 5 bps and NNPA by 4 bps. This was largely due seasonal effect in the first quarter. PCR was at the satisfactorily level of 84%. With right issue in JAN 2015 the CANFIN HOME is adequately capitalized to support the loan growth in long term. The CRAR Ratio is at the level of 19.5% as on 1Q FY17.

### Borrowing Profile

The cost of the fund has declined by 60 bps YoY to 8.5%, supported by the improved credit rating and increased share of debentures & commercial papers as well as declining the share of borrowing from banks as it contains higher cost in comparison to bond market borrowing.

### Outlook and Valuation:

Strong core operating performance, robust loan growth and best in class assets quality are the key trigger for CANFIN HOME. It has potential to grow its book in long term with the expected growth rate of more than 25% as management is gradually expanding its reach in north. With the Government's initiative of 'Housing for all by 2020', implementation of 7th PAY Commission and the robust demand for housing loan in the country, we are hopeful that the company will be able to maintain the stellar performance and achieve the RoE of 23%+ in mid to long term. We have upgraded our target price to Rs 1560 from CMP of Rs 1430 and recommend to **HOLD**.

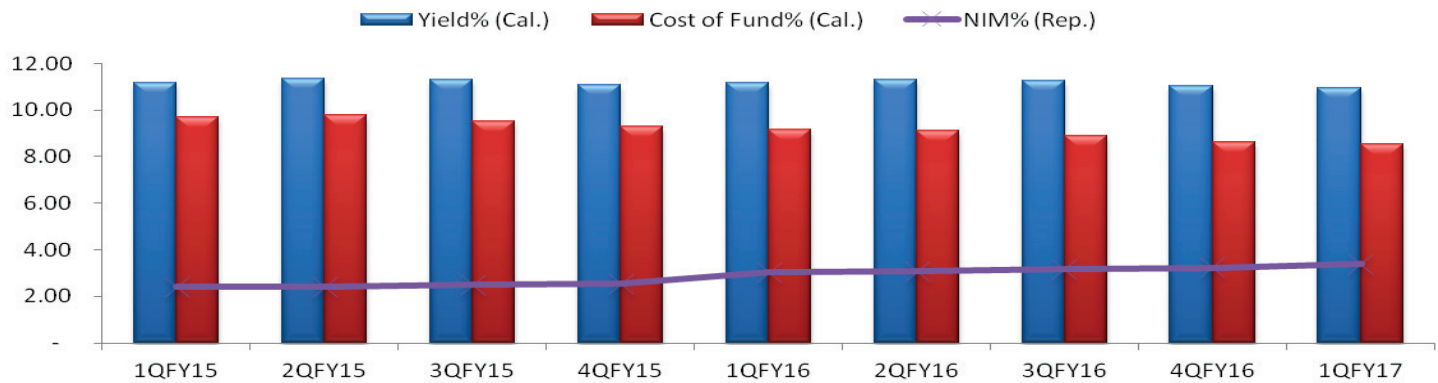
## Quarterly Performance

(Rs in Cr)

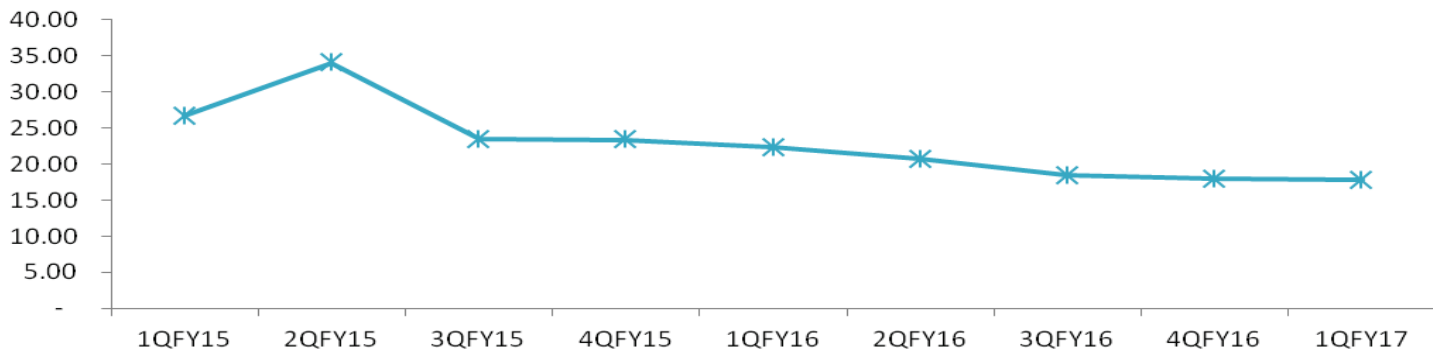
Financials	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Interest Income	170	190	208	220	237	254	270	283	299
NII	37	41	48	52	64	71	79	87	92
Net Income	42	49	55	59	70	80	92	99	102
Operating Expense	11	17	13	14	16	17	17	18	18
PPP	31	33	42	46	54	64	75	81	84
Provisions	2	4	3	6	4	8	7	1	6
PBT	29	29	40	39	51	56	68	79	79
Net Profit	19	18	26	23	32	35	42	47	50

(Source: Company/Eastwind)

Profitability Metrix	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Yield% (Cal.)	11.16	11.33	11.33	11.09	11.17	11.29	11.24	11.04	10.97
Cost of Fund% (Cal.)	9.70	9.80	9.52	9.31	9.14	9.11	8.90	8.61	8.52
Spread% (Cal)	1.46	1.53	1.81	1.78	2.03	2.18	2.34	2.43	2.45
NIM% (Rep.)	2.40	2.41	2.50	2.55	3.04	3.10	3.17	3.24	3.39
C/I Ratio	26.66	34.06	23.43	23.40	22.39	20.67	18.44	17.98	17.76

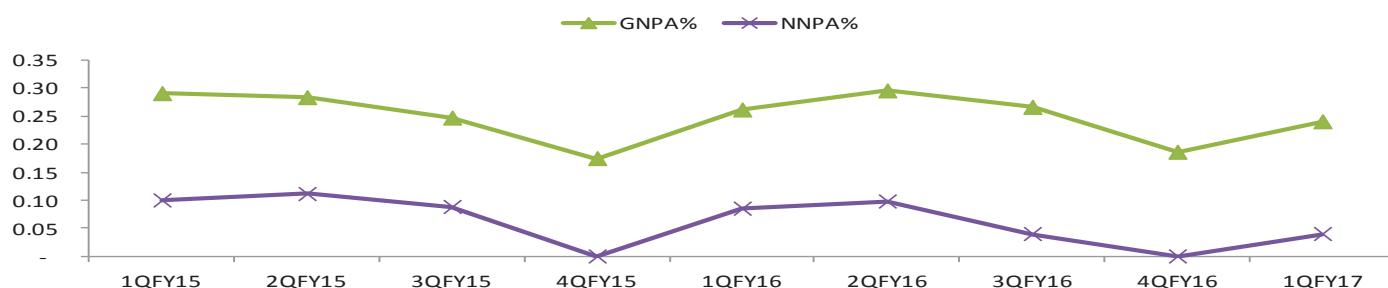


## C/I Ratio



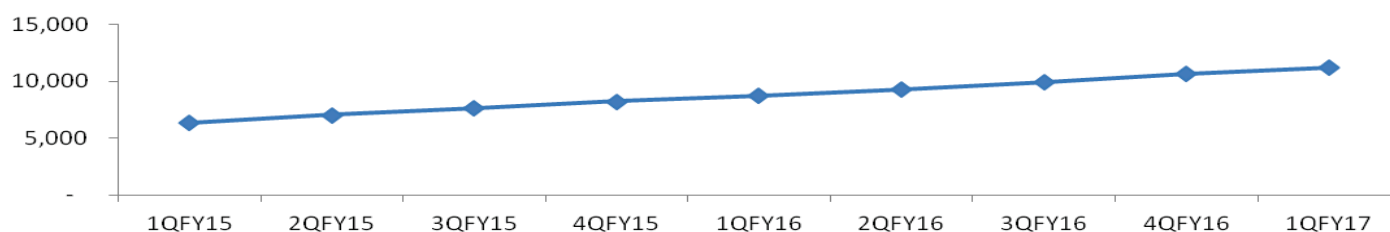
(Rs in Cr)

Assets Quality	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY
GNPA Amount	18	20	19	14	23	27	26	20	27
NNPA Amount	6	8	7	-	7	9	4	-	4
GNPA%	0.29	0.28	0.25	0.17	0.26	0.29	0.27	0.19	0.24
NNPA%	0.10	0.11	0.09	-	0.09	0.10	0.04	-	0.04
PCR%	65.65	60.77	64.29	100.00	67.47	66.87	85.01	100.00	#####



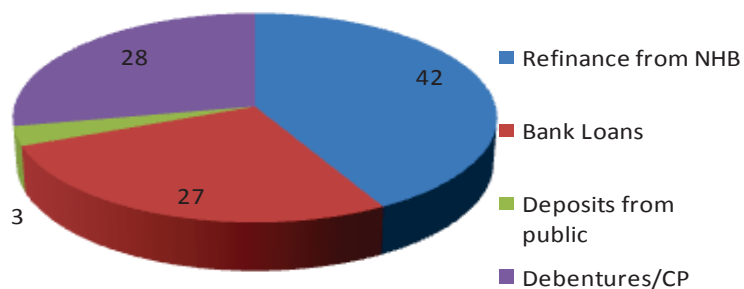
Loan Book	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY
Loan Book	6,355	7,037	7,634	8,231	8,717	9,303	9,895	10,643	#####

## Loan Book

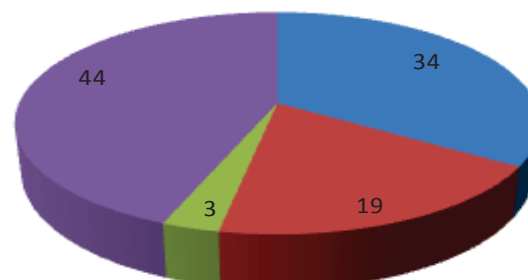


## Borrowing Profile

### 1QFY16



### 1QFY17



## Financials Snap Shot

## INCOME STATEMENT

	FY14	FY15	FY16	FY17E
Interest Income	557	788	1044	1,321
Interest Expenses	423	610	743	916
Net Interest Income	134	178	301	405
Net Income	155	207	340	457
Establishment and Other Expenses	24	27	30	39
Employee Benefits Expense	18	25	33	38
Operating Expenses	44	55	67	82
Pre Provisioning Profit	111	152	273	375
Provisions / Write offs (Net)	4	14	19	28
PROFIT BEFORE TAX	107	137	254	348
TOTAL TAX	31	51	97	128
Reported PAT	76	86	157	220
Source: Eastwind/Company				

## RATIOS

	FY13	FY14	FY15	FY16
<b>Spreads Analysis (%)</b>				
Yield on Overall Loan Portfolio %	11.6	11.4	11.2	11.2
Cost Of Borrowing %	10.0	9.7	9.6	8.9
Spread %	1.6	1.7	1.6	2.3
<b>Profitability Ratios (%)</b>				
NIM %	2.9	2.7	2.5	3.2
ROA %	1.7	1.5	1.2	1.7
ROE %	13.8	16.7	11.2	18.0
Cost to Income Ratio %	29.8	26.2	25.6	18.7
Op. Exps./Net Income	32.8	28.3	26.7	19.6
<b>Asset-Liability Profile (%)</b>				
Loans/Borrowings %	1.3	1.3	1.2	1.3
Debt/Equity (x)	7.8	10.4	9.0	9.8
Provision Coverage Ratio	100	100	100	100
Gross NPAs (Rs cr)	16	12	14	20
Gross NPAs %	0.39	0.21	0.17	0.19
Net NPAs (Rs cr)	-	-	-	-
Net NPAs %	-	-	-	-
CAR	15	14	18	21

Source: Eastwind/Company

## BALANCE SHEET

	FY14	FY15	FY16	FY17E
Share Capital	20	27	27	27
Reserves	432	745	851	1,032
Net Worth	452	771	878	1,059
Long term Debt	4329	5457	6,965	9,055
Short term Debt	366	1484	1,660	2,026
Total Borrowing	4695	6941	8,625	11,081
Long Term Provision	41	54	70	87
Other Liability	724	568	1,222	1,454
<b>Total Liability</b>	<b>5912</b>	<b>8334</b>	<b>10,795</b>	<b>13,682</b>
Fixed Assets	8	9	9	10
Non-current investments	15	15	15	15
Long-term loans and advances	5831	8207	10,617	13,377
Short-term loans and advances	44	95	137	246
Cash & Bank Balances	9	8	17	33
Other Assets	5	0	0	0
<b>Total Assets</b>	<b>5912</b>	<b>8334</b>	<b>10795</b>	<b>13682</b>
Source: Eastwind/Company				

## CASH FLOW

	FY13	FY14	FY15	FY16
<b>Net profit before taxes</b>	74	111	152	273
Net cash flow before changes in Working Capital	79	116	158	282
Adjustments for:				0.0
Cash Flow from Operating Activities	103	114	58	382
Cash Flow From Investing Activities :	-3	-1	-4	-11
Cash Flow From Financing Activities	-109	-112	-55	-371
Cash Flow For The Year	-9	1	-1	0
Cash & Cash Equivalents At The Beginning Of The Year	17	9	9	3
Cash & Cash Equivalents At The Year Of End	9	9	8	3

Source: Eastwind/Company