


Can Fin Homes Limited

Industry Financial
Bloomberg IIB IN
BSE CODE 511196

Growth coupled With Margin Continues to Improve.

RATING	HOLD
CMP	407
Price Target	421
Potential Upside	3%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	420/217
Mkt Capital (Rs Cr)	5,417
Free float (%)	70%
Avg. Vol 1M (,000)	712
No. of Shares (Cr)	13
Promoters Pledged %	

FINANCIAL	FY19	FY20E	FY21E
NII	530	641	785
PPP	471	575	711
PAT	297	366	453
NIM %	3.1	3.1	3.2
EPS (Rs)	22	27	34
EPS growth	-2	23	24
ROE (%)	18	19	19
ROA (%)	1.7	1.8	1.8
BV	134	159	191
P/B (X)	3.0	2.6	2.1
P/E (x)	18	15	12

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1QFY20 Result Update

- ❑ NII increased by 17% YoY which was highest of last 11 quarter on the back of AUM growth. PAT grew at 11% YoY. NIM increased by 4 bps from 3.14% to 3.18% QoQ.
- ❑ C/I ratio declined from 22% to 15% QoQ due to decline in OPEX and employee cost. Management targets to open 20 branches by the year end.
- ❑ AUM grew by 17%/3.4% YoY/QoQ, while disbursement growth increased by 10% YoY and sanctions grew at 7% YoY.
- ❑ GNPA increased from 0.62% to 0.73% sequentially while Net NPA increased from 0.43% to 0.52%. Slippage in Q1FY20 declined to Rs 26 Cr compared to Rs 40 Cr in 1Q FY19. SARFAESI initiated in 746 accounts amounting to Rs 115 Cr.

Strong NII, NIM improved sequentially and is expected to improve going ahead.

NII increased by 17% YoY which was highest of last 11 quarter on the back of AUM growth. NIM increased by 4 bps QoQ from 3.14% to 3.18% due to increase in yield. Yield on advances increased by 16 bps QoQ from 10.06% to 10.22% due to annual resetting of interest hike by 55 bps in October last year, while cost of fund increased by 3 bps QoQ from 7.90% to 7.93%. Management expects cost of fund to decline going ahead as the MCLR of banks decline.

Incremental Growth Continues to Improve.

AUM grew by 17% YoY. Individual loan portfolio grew by 16%. Loan book comprises of 90.2% housing and 10% Non- housing loans. Share of salaried customer to overall loan book remains at 71% while rest is towards self-employed segment. Ease in competitions from NBFCs has improved the balance transfer cases. In Q1FY20 loan approval for salaried and professional stood at 68% while 32% for SENP segment. Disbursement growth increased by 10% YoY and sanctions grew at 7% YoY. Management expects loan book to be Rs 23000 in FY20. Management expects Karnataka will do well in the remaining quarter with RERA and GST.

Asset Quality Deteriorate

GNPA increased from 0.62% to 0.73% sequentially while Net NPA increased from 0.43% to 0.52%. Slippage in Q1FY20 declined to Rs 25.80 Cr compared to Q1FY19 to Rs 39.80 Cr. PCR declined from 30% to 29% QoQ. During the quarter 746 accounts amounting Rs 115 Cr is under SARFAESI action, while Possession of securities has been taken in respect of 469 accounts amounting to Rs.75.35 Cr. Management expects during FY20, 260 accounts amounting to Rs 43 Cr will be under SARFASI action, out of the above possession will be taken in 146 accounts amounting to Rs 21.85 Cr. With SARFAESI initiated, management expects 2Q GNPA level to come in the range of 4Q FY19.

View and Valuation

Barring Karnataka, growth has remained in the healthier range, further with the stabilization of RERA and GST, Karnataka book is also expected to see improved growth going ahead. Ease of loan take over by other NBFC has also improved the growth in the book. With the hike in PLR last year and softening of borrowing cost, NIM will continue to improve. Assets quality has shown some seasonal blip but is expected to improve. CANFIN has no risk on latest NHB guideline on interest subvention scheme. Strong parentage will continue to support on liquidity front. CANFIN fundamental has been performing as per our expectations. We maintain our estimate but with the recent runup in the stock it gives us limited upside to our target price of Rs 421 at 2.2x BV FY21e. We downgrade to HOLD.

Key Risks to our rating and target

- ❑ Slower pick up of growth in Karnataka region
- ❑ Continued real estate pressure can further impact the growth.

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1QFY20 Results In-line with expectation

Financials	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Interest Inc.	396	414	438	451	477	20.4%	5.7%	1,491	1,700	14.0%
Interest Exp.	270	284	302	314	329	22.0%	5.0%	981	1,169	19.2%
NII	126	130	136	138	148	17.0%	7.4%	510	530	4.1%
Other Income	6	9	6	12	7	9.9%	-44.6%	31	32	1.3%
Total Income	133	139	142	150	155	16.6%	3.1%	545	567	4.0%
Opex	20	18	22	33	23	15.8%	-28.6%	88	92	4.4%
PPP	113	122	120	118	132	16.8%	11.9%	453	471	3.8%
Provisions	-	-	-	1	9		692.0%	22	1	-95.1%
PBT	113	122	120	116	123	9.1%	5.5%	431	470	8.9%
Tax	39	45	46	49	42	6%	-15.3%	145	173	19.2%
Net Profit	73	77	74	67	81	10.6%	20.9%	286	297	4%

Concall Highlights

- In Q1FY20 AUM growth stands at 17% but if company excludes Karnataka the growth has been 22%. Management expects Karnataka will do well in the remaining quarter with RERA and GST. Karnataka book has growth has improved to 7% YoY while south book has grown by 15% and rest has grown by 20%. Management expects loan growth to be Rs 23000 Cr in FY20.
- 70% of the loan outstanding is from salaried class and 30% from non-salaried class. Growth is similar in both the segments.
- Yield improved by 16 bps due to annual resetting of interest hike by 55 bps in October last year and cost has gone up by 3 bps because of this spread and NIM improved slightly. In Q1FY20 incremental borrowing was Rs 700 Cr from banks on 3 months MCLR rate. Management expects cost of fund to decline going ahead and Company can raise funds from banks and money market.
- Slippages were Rs 26 Cr during the quarter as a seasonal impact in 1Q. With SARFAESI initiated, management expects 2Q GNPA level to come in the range of 4Q FY19.
- As per IND AS ECL model Total provision requirement is Rs 47 Cr, as per IRAC norms of NHB company is holding a provision of Rs 107 Cr out of that Rs 46 Cr is for NPA accounts, Rs 60 Cr for standard assets.
- Company has no exposure toward interest subvention scheme towards builders as it mainly applies in higher ticket range with larger real estate player.
- Company focuses to grow in Tier 2 and Tier 3 cities. Metro branches business is grown by 11%, while Non-metro branches business is grown by 30%.
- Management planning to open few branches in outskirts of Karnataka and near to Bangalore where growth will take place.
- Management expects by the end of quarter company is able to open 10-12 branches, and by the year end management expects to open 20 branches.
- As of June, company has un-availed limit of Rs 2000 Cr additional after that company has substantial credit limit of more than Rs 2000 Cr approved by bank. As of now Company has un-availed credit limit of Rs 4738 Cr with money market and banks.
- Management said that the takeover of loan and balance transfers have improved significantly but still company is facing competition from banks.
- Selection of CEO is in the process and it will be completed shortly.
- 50% of the loan origination is done through DSA.

Profitability Matrix

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
C/I Ratio %	15.1	18.6	15.1	12.7	15.2	21.7	15.0	-0.11	-6.66
Empl. Cost/ Tot. Exp. %	53.1	50.5	52.7	34.2	39.3	50.2	54.3	1.59	4.10
Other Exp/Tot. Exp.%	32.6	35.5	34.2	47.0	44.9	35.7	24.2	-10.01	-11.55
Provision/PPP %	7.8	0.7	-	-	-	0.9	6.6	6.57	5.65
Tax Rate %	39.3	33.8	35.0	36.8	38.2	42.5	34.1	-0.88	-8.37
Int Exp./Int Inc. (%)	66.4	66.0	68.1	68.5	68.9	69.5	69.0	0.91	-0.49
Other Inc./NII %	9.4	5.3	5.0	6.8	4.2	9.0	4.7	-0.30	-4.37
PPP/ Net Income %	84.9	81.4	84.9	87.3	84.8	78.3	85.0	0.11	6.66
PAT/ Net Income %	47.5	53.5	55.2	55.2	52.4	44.7	52.3	-2.86	7.68
NII Growth % (YoY)	15.4	10.4	1.3	2.0	6.9	4.9	17.0	15.65	12.07
PPP Growth YoY %	18.4	1.2	(0.2)	4.3	1.7	4.5	16.8	16.99	12.25
PAT Growth %	11.1	4.3	5.2	7.6	12.3	(9.4)	10.6	15.81	19.95

Margin Performance

Margin %	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
Overall Yield Cal.	10.7	10.5	10.3	10.4	10.5	10.5	10.6	0.30	0.17
Cost Of Funds Cal.	8.0	7.8	8.0	8.0	8.2	8.2	8.2	0.28	0.07
NIM Reported.	3.6	3.5	3.3	3.2	3.2	3.1	3.2	-0.08	0.04

Exhibit: Yield and Cost
Increase in yield

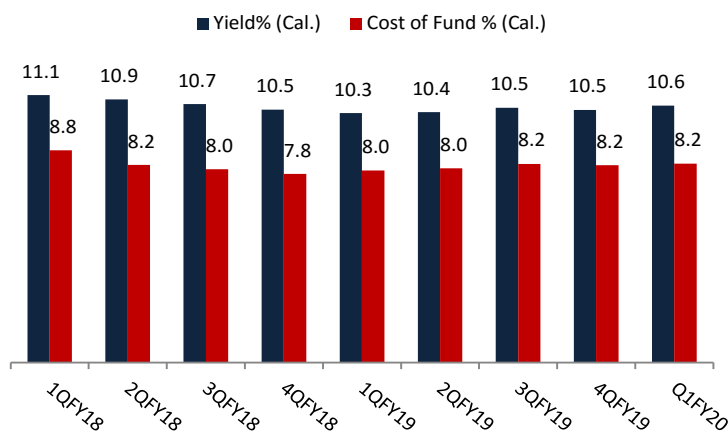
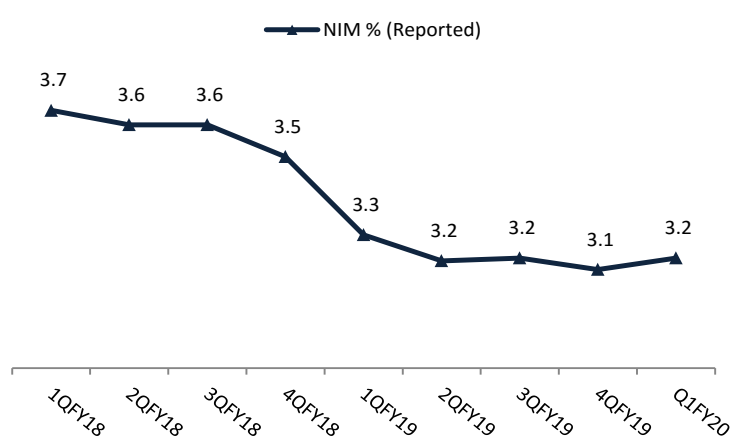


Exhibit: Net Interest Margin
NIM increased Sequentially



Asset Growth Trend

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Sanctions	1185	1575	1547	1453	1209	1521	1483	1738	1289
Growth YoY %	-0.5	3.8	14.5	8.5	2.0	-3.4	-4.1	19.6	6.6
Disbursements	1153	1346	1322	1385	1164	1443	1318	1554	1276
Growth YoY %	9.6	3.6	9.5	12.2	1.0	7.2	-0.3	12.2	9.6
AUM	13808	14456	15058	15743	16199	16935	17568	18381	19000
Growth YoY %	23.5	20.7	18.7	18.3	17.3	17.1	16.7	16.8	17.3
Borrowings	12276	12827	13303	13921	14272	15000	15500	16694	16823
Growth YoY %	22.9	19.0	16.9	17.3	16.3	16.9	16.5	19.9	37.0

Exhibit: AUM Growth %

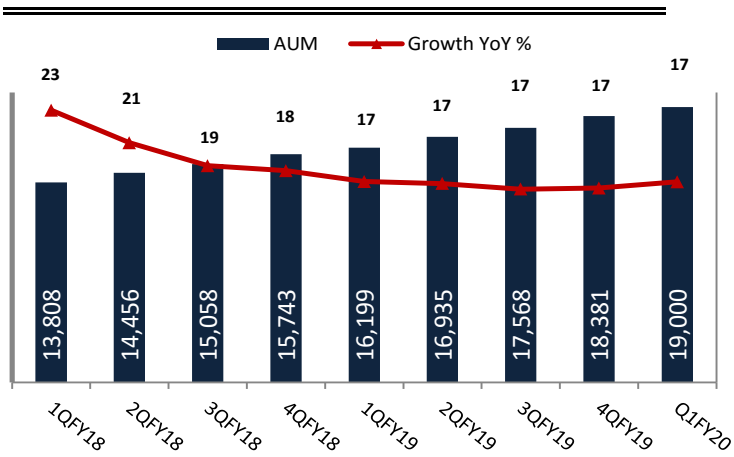
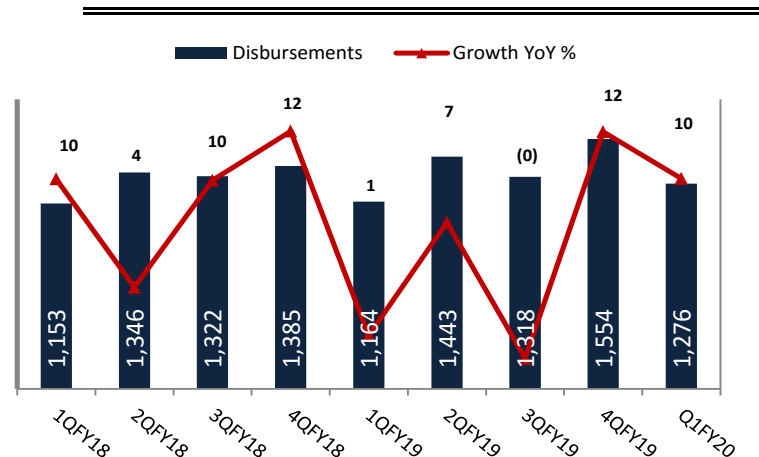


Exhibit: Disbursement Growth %



Borrowing Mix

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Market Borrowings	52	52	58	50	52	46	38	34	34
Bank Loans	19	33	22	33	38	45	48	52	50
Refinance from NHB	27	15	18	15	8	7	13	12	14
Deposits from public	2	2	2	2	2	2	2	1	2

Loan Portfolio Break up

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Salaried & Professionals	74.6	73.9	73.5	73.2	72.7	72.0	71.5	71.1	71.1
Non Salaried Class- Self Employed &	25.1	25.9	26.3	26.7	27.1	27.8	28.3	28.8	28.7
Builder Loans	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Staff Loans	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total	100	100	100	100	100	100	100	100	100

Asset Quality

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
GNPA (Rs in Cr)	69	67	107	107	125	114	139	32.02	25.81
GNPA %	0.46	0.46	0.66	0.63	0.71	0.62	0.73	0.07	0.11
NNPA (Rs in Cr)	38	32	71	71	89	79	99	27.14	19.10
NNPA %	0.25	0.25	0.44	0.42	0.42	0.43	0.52	0.08	0.09
Specific PCR %	45	53	33	33	29	30	29	-4.18	-0.74

Exhibit: Asset Quality

GNPA and NNPA Increased

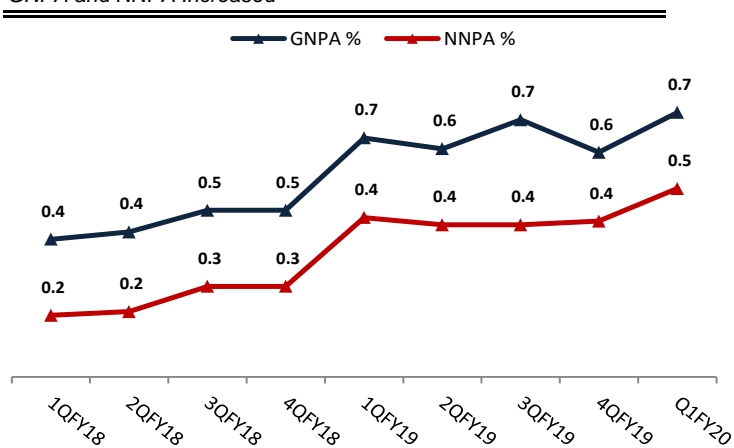
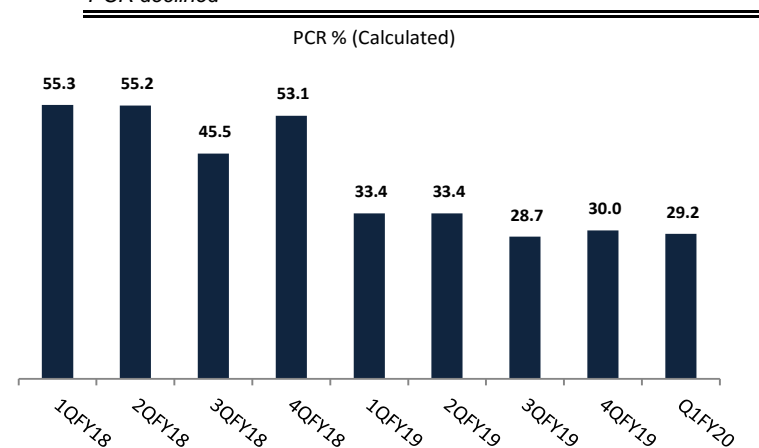


Exhibit: Provisions

PCR declined



Financial Details

Balance Sheet

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	20	27	27	27	27	27	27	27
>> Equity Capital	20	27	27	27	27	27	27	27
>> Preference Capital	0	0	0	0	0	0	0	0
Reserves & Surplus	432	745	851	1177	1460	1756	2089	2510
Networth	452	771	878	1204	1487	1782	2116	2537
Change (%)	15	71	14	37	24	20	19	20
Total Borrowings	5269	7375	9478	11872	13925	16694	20294	24759
Change (%)	49	40	29	25	17	20	22	22
Provisions	92	124	189	27	34	27	29	32
Other Liabilities	99	64	249	185	284	277	318	350
Total Liabilities	5912	8334	10795	13288	15730	18780	22757	27678
Investments	15	15	15	16	16	16	16	16
Loans	5844	8232	10643	13224	15644	18285	22425	27358
Change (%)	46	41	29	24	18	17	23	22
Fixed Assets	8	9	9	10	10	10	10	10
Other Assets	36	70	110	18	41	49	55	60
Cash Balances	9	8	17	20	19	420	251	233
Total Assets	5912	8334	10795	13288	15730	18780	22757	27678

Income Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest income	557	788	1,044	1,306	1,491	1,700	2,050	2,487
Interest expended	423	610	743	884	981	1,169	1,409	1,703
Net Interest Income	134	178	301	422	510	530	641	785
Change (%)	40	32	69	40	21	4	21	22
Other Income	21	29	39	47	31	32	41	54
Change (%)	50	40	33	21	(33)	1	30	31
Total Net Income	155	207	340	469	541	562	682	839
Change (%)	42	33	64	38	15	4	21	23
Operating Expenses	44	55	67	80	88	92	107	127
Change (%)	22	26	21	19	10	4	17	19
>> Employee Expenses	18	25	33	39	45	41	46	52
Change (%)	14	38	33	18	15	(8)	12	13
>>Other Expenses	26	31	34	41	43	50	61	75
Pre-provisioning Profit	111	152	273	389	453	471	575	711
Change (%)	51	36	80	42	16	4	22	24
Provisions	4	14	19	20	22	1	21	25
Change (%)	(420)	221	36	1	12	(95)	1,821	17
PBT	107	137	254	370	431	470	554	687
Tax	31	51	97	134	145	173	189	233
Profit After Tax	76	86	157	235	286	297	366	453
Change (%)	40	14	83	50	22	4	23	24
Adjusted Profit After Tax	76	86	157	235	286	297	366	453
Change (%)	40	14	83	50	22	4	23	24

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Balance Sheet Metrics								
AUM	5844	8232	10643	13313	15743	18381	22425	27358
>> Off-Book AUM	0	0	0	89			0	0
AUM Growth (%)	45.5	40.9	29.3	25.1	18.3	16.8	22.0	22.0
Borrowing Growth (%)	48.9	40.0	28.5	25.3	17.3	19.9	21.6	22.0
Loan/Borrowing Ratio	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Disbursement (Rs Cr)	2548	3346	3923	4792	5207	5479	6383	8085
Disbursement Growth (%)	20	20	20	22	9	5	17	27
CRAR (%)	14	18	21	19	19	20	19	19
>> Tier 1 (%)	13.1	15.6	17.6	16.0	17.0	17.8	17.2	16.9
>> Tier 2 (%)	0.8	2.8	3.1	2.5	2.1	1.8	2.0	1.7
Debt/Equity (x)	11.6	9.6	10.8	9.9	9.4	9.4	9.6	9.8

Assets Quality Metrics

Gross NPA (Rs)	12	14	20	28	67	114	135	164
Gross NPA (%)	0.2	0.2	0.2	0.2	0.4	0.6	0.6	0.6
Net NPA (Rs)	-	-	-	-	32	79	87	107
Net NPA (%)	-	-	-	-	0.2	0.4	0.4	0.4
Provision Coverage (%)	100	100	100	100	53	30	35	35
Provision/Average Advances (%)	0.1	0.2	0.2	0.2	0.2	0.0	0.1	0.1

Margin Metrics

Yield On Advances (%)	11.3	11.2	11.1	10.9	10.3	10.0	10.0	10.0
Cost Of Funds (%)	9.6	9.7	8.8	8.3	7.6	7.6	7.6	7.6
Spread (%)	1.7	1.5	2.2	2.6	2.7	2.3	2.4	2.4
NIM on AUM (%)	2.7	2.5	3.2	3.5	3.5	3.1	3.1	3.2

Profitability & Efficiency Metrics

Int. Expended/Int.Earned (%)	75.9	77.5	71.2	67.7	65.8	68.8	68.7	68.5
Other Income/NII (%)	15.6	16.5	13.0	11.2	6.2	6.0	6.5	6.9
Operating Profit/ Net Income (%)	71.7	73.3	80.4	83.0	83.8	83.7	84.3	84.8
Net Profit/Net Income (%)	48.8	41.6	46.2	50.2	52.9	52.8	53.6	54.0
Cost to Income (%)	28.3	26.7	19.6	17.0	16.2	16.3	15.7	15.2
Employee Exp/ Net Income (%)	11.5	12.0	9.7	8.3	8.3	7.4	6.8	6.3
Cost on Average Assets (%)	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.5
Provisions/PPP (%)	4.0	9.4	7.1	5.0	4.9	0.2	3.6	3.5
Tax Rate (%)	28.9	37.3	38.1	36.3	33.6	36.8	34.0	34.0

Valuation Ratio Metrics

EPS (Rs)	7	6	12	18	23	22	27	34
Change (%)	39.9	(12.5)	82.5	49.8	28.2	(1.6)	23.2	24.0
ROAE (%)	17.9	14.1	19.0	22.6	24.9	18.2	18.8	19.5
ROAA (%)	1.5	1.2	1.6	2.0	2.1	1.7	1.8	1.8
Dividend Payout (%)	20.6	25.4	20.4	13.6	53.0	10.8	8.7	8.8
Dividend yield (%)	0.9	0.3	0.2	0.1	0.6	0.5	0.5	0.6
Dividend Per Share	1.3	1.4	2.0	2.0	2.0	2.0	2.0	2.5
Book Value (Rs)	44	58	66	90	101	134	159	191
Change (%)	15.3	31.3	13.8	37.1	11.8	32.4	18.7	19.9
P/B (X)	0.9	2.1	3.5	4.7	4.8	3.0	2.6	2.1
P/E (X)	5.1	18.7	19.6	23.9	21.4	18.3	14.8	12.0

Financial Details

Exhibit: DuPont Analysis

	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY20E
<i>Interest Income</i>	11.2	11.1	10.9	10.8	10.3	9.8	9.9	9.9
<i>Interest expended</i>	8.5	8.6	7.8	7.3	6.8	6.8	6.8	6.8
<i>Net Interest Income</i>	2.7	2.5	3.1	3.5	3.5	3.1	3.1	3.1
<i>Non-Fund Based Income</i>	0.4	0.4	0.4	0.4	0.2	0.2	0.2	0.2
<i>Total Income</i>	3.1	2.9	3.6	3.9	3.7	3.3	3.3	3.3
<i>Total Operating Expenses</i>	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.5
>> <i>Employee Expenses</i>	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
>> <i>Other Expenses</i>	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3
<i>Operating Profit</i>	2.2	2.1	2.9	3.2	3.1	2.7	2.8	2.8
<i>Provisions</i>	0.1	0.2	0.2	0.2	0.2	0.0	0.1	0.1
<i>Others</i>	0.0	-	-	-	-	-	-	-
<i>PBT</i>	2.1	1.9	2.7	3.1	3.0	2.7	2.7	2.7
<i>Tax</i>	0.6	0.7	1.0	1.1	1.0	1.0	0.9	0.9
<i>PAT/RoAA</i>	1.5	1.2	1.6	2.0	2.0	1.7	1.8	1.8
<i>Equity Multiplier (x)</i>	11.8	11.6	11.6	11.6	10.8	10.6	10.7	10.8
<i>ROAE</i>	18.0	14.1	19.0	22.6	21.3	18.2	18.8	19.5

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