

Industry
Bloomberg
BSE CODE

Financial
CANF IN
511196

RATING	ACCUMULATE
CMP	330
Price Target	352
Potential Upside	7%
Rating Change	↔
Estimate Change	↔
Target Change	↑

STOCK INFO	
52wk Range H/L	519/254
Mkt Capital (Rs Cr)	4,207
Free float (%)	70%
Avg. Vol 1M (,000)	526
No. of Shares (Crs)	13
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20	FY21E
NII	544	675	798
PPP	471	579	693
PAT	297	376	450
NIM %	3.2	3.5	3.6
EPS (Rs)	22	28	34
EPS growth (%)	-2	27	20
ROE (%)	18	19	19
ROA (%)	1.7	1.9	2.0
BV	134	162	195
P/B (X)	2.6	2.0	1.7
P/E (x)	16	12	10

RESEARCH ANALYST

DEEPAK KUMAR

Deepak.kumar@narnolia.com
+91-22-62701205

AYUSHI GOYAL

aayushi.goyal@narnolia.com

Expanded Margins Drove NII But High Provisioning Impacted Bottom Line

4QFY20 Result Update

- CANFINHOME reported strong strong NII growth of 37%/8% YoY/QoQ driven by strong AUM growth and strong margins. NIM grew by 38/10 bps YoY/QoQ to 3.52% in 4QFY20.
- PPP growth has been strong at 36%/6% YoY/QoQ.
- OPEX grew by 21% QoQ leading to a C/I ratio of 17% in 4QFY20.
- AUM reported growth of 13%/3% YoY/QoQ in 4QFY20. Disbursements decreased by 6% QoQ.
- GNPA improved to 0.76% as against 0.80% last quarter and NNPA increased to 0.68% as against 0.59% last quarter.
- Capital Adequacy ratio improved by 21 bps QoQ to 22.28% in 4QFY20.

Yield improved, cost declined

NII grew by 37%/8% YoY/QoQ backed by AUM growth of 13%/3% YoY/QoQ in line with our expectation and margins expansion in 4QFY20. Margins improved by 38/10 bps YoY/QoQ to 3.52% in 4QFY20 due to lower cost of funds and improved yield reported. Yield increased by 17/3 bps YoY/QoQ to 10.23% whereas Cost of funds declined by 13/11 bps YoY/QoQ to 7.77% giving cushion to margin expansion in 4QFY20. Yields are likely to go down in line with decline in cost of funds as the company focuses on maintaining the spreads going ahead. Incremental cost of funds stands at 7.5%. The cost of funds are declining as the company has increased refinancing from NHB in its liability mix. Cost of funds are likely to continue going down.

AUM growth

AUM grew by 13%/3% YoY/QoQ in line with our expectations in 4QFY20. Individual loan portfolio which forms the biggest chunk of the loan book (i.e. 90% of total book) grew by 14% YoY. Disbursements during the quarter declined by 6% on sequential basis. Share of salaried customer to overall loan book remains at 71% while rest is towards self-employed segment. Due to the lockdown since March 25, 2020, the operations of the Company were restricted. Loan disbursements were not made during April 2020- Business resumed in many Centers during last week of May 2020.

Stable Asset Quality

Asset quality remained improved as GNPA declined by 4 bps QoQ to 0.76% in 4QFY20 whereas NNPA increased by 9 bps QoQ to 0.68%. Stress in SME is there so NPAs will surge in the next few quarters but the high portfolio mix towards Salaried will play out for the company. After next 4-5 quarters the NPAs will come to its normal range. NPAs are expected to be slightly higher in FY21, most of them to come from SEMP segment.

View and Valuation

Loan book growth has been moderate in last few quarters on the account of stress in housing finance sector but company did well in the same period also and deliver good results. Due to the lockdown since March 25, 2020, the operations of the Company were restricted. Loan disbursements were not made during April 2020. Business resumed in many Centers during last week of May 2020. So there may be some impact in near term on the book growth but going ahead it will settle. NPAs in SEMP segment will surge going ahead. Margins are likely to be maintained as cost of funds is declining and yields will be settled accordingly. The company has plans of raising capital in FY21. We value the stock at 1.8x BVFY21e to arrive at the target price of Rs 352. Recommend to ACCUMULATE.

Key Risks to our rating and target

- Delinquencies in SEMP segment.
- AUM growth may remain muted.

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4QFY20 Results

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY%
Interest Inc.	451	477	494	514	525	16.3%	2.2%	1,713	2,019	17.8%
Interest Exp.	314	329	338	340	337	7.3%	-0.9%	1,169	1,344	15.0%
NII	138	148	156	174	188	36.9%	8.5%	544	675	24.0%
Other Income	12	7	7	3	4	-69.4%	16.3%	18	12	-35.6%
Total Income	150	155	162	177	192	28.1%	8.6%	566	686	21.2%
Ope Exp.	33	23	25	27	33	0.0%	20.9%	91	108	17.7%
PPP	118	132	137	150	160	35.9%	6.4%	471	579	23.0%
Provisions	1	9	6	5	41	NA	797.6%	1	60	NA
PBT	116	123	131	146	119	2.1%	-18.3%	470	518	10.4%
Tax	49	42	33	39	28	-43%	-28.1%	173	142	-17.7%
Net Profit	67	81	98	107	91	35.7%	-14.7%	297	376	27%

Concall Highlights

- Yield difference between salaried and Self-employed customers stands at 0.75%-1%. Yields are likely to go down in line with decline in cost of funds as the company focuses on maintaining the spreads going ahead. Incremental cost of funds stands at 7.5%.
- The cost of funds are declining as the company has increased refinancing from NHB in its liability mix. Cost of funds are likely to continue going down.
- C/I ratio is likely to be slightly high due to some investment in technology going ahead.
- The disbursements declined by 10% YoY in 4QFY20 on the account of 8 days loss in March 2020 due to lockdown.
- On the account of liquidity front, the company is liquid enough it has Rs 4000 Cr of approved limits which is going to help till December 2020.
- Around 28-29% of the customers opted for moratorium as per the management.
- The company resumed its operations from 20th April 2020 but business started from 4th week of May 2020 as it was focusing of collections before that. So from that business started June also is doing well, but there will be 2-3 quarters needed for the demand revival.
- NPAs are expected to be slightly higher in FY21, most of them to come from SEMP segment.
- Stress in SME is there so NPAs will surge in the next few quarters but the high portfolio mix towards Salaried will play out for the company. After next 4-5 quarters the NPAs will come to its normal range.
- The company continues to focus on liquidity management, asset quality, growth and profitability going ahead.
- Focus will continue to be on Home loans affordable housing (mainly tier II, tier III) going ahead.
- The break up between salaried and SEMP stood at 71% salaried and 29% Self Employed and is expected to remain the same going ahead.
- This year in FY21 the focus will be on delinquency handling. As per the management, in 4QFY21 the business may restore the normal growth rate.
- The rate differential between Top up loans and primary loans stand at 0.25-0.5%.
- The Debt to Equity ratio stands at around 8.5% but may reduce going ahead by raising capital this year.
- Most of the customers are opting for moratorium for preserving cash only.
- The split between private and Government stands at 50:50 in salaried customers.
- The company has made provisioning of 10% on delinquency account i.e. SMA II i.e. Rs 21 Cr on the pool of Rs 210 Cr, apart from that the company provided Rs 15 Cr for unseen contingencies in 4QFY20. This has been reason for provisions to be high YoY.

Profitability Matrix

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
C/I Ratio %	12.7	15.1	21.7	15.0	15.4	15.2	16.9	-4.75	1.72
Empl. Cost/ Tot. Exp. %	34.2	39.4	50.2	54.3	49.0	51.5	47.6	-2.58	-3.83
Other Exp/Tot. Exp.%	47.0	44.1	35.7	24.2	31.7	26.3	33.9	-1.79	7.58
Provision/PPP %	-	-	0.9	6.6	4.6	3.0	25.6	24.63	22.53
Tax Rate %	36.8	37.3	34.0	34.1	25.4	26.8	23.6	-18.92	-3.21
Int Exp./Int Inc. (%)	68.5	68.9	69.5	69.0	68.5	66.2	64.1	-5.40	-2.06
Other Inc./NII %	6.8	4.7	9.0	4.7	4.3	1.9	2.0	-7.00	0.14
PPP/ Net Income %	87.3	84.9	78.3	85.0	84.6	84.8	83.1	4.75	-1.72
PAT/ Net Income %	55.2	53.3	44.7	52.3	60.2	60.2	47.3	2.63	-12.95
NII Growth % (YoY)	2.0	6.8	4.9	17.0	19.3	27.7	36.9	31.99	9.19
PPP Growth YoY %	4.3	2.2	4.5	16.8	12.8	24.2	35.9	31.34	11.70
PAT Growth %	7.6	14.6	(9.4)	10.6	27.0	40.6	35.7	45.02	-4.94

Margin Performance

MARGIN %	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
Overall Yield Cal.	10.4	10.5	10.5	10.6	10.6	10.6	10.6	0.12	-0.08
Cost Of Funds Cal.	8.0	8.2	8.2	8.2	8.2	7.9	7.7	-0.44	-0.20
NIM Reported.	3.2	3.2	3.1	3.2	3.2	3.4	3.5	0.38	0.10

Exhibit: Yield and Cost

Yield improved, cost declined

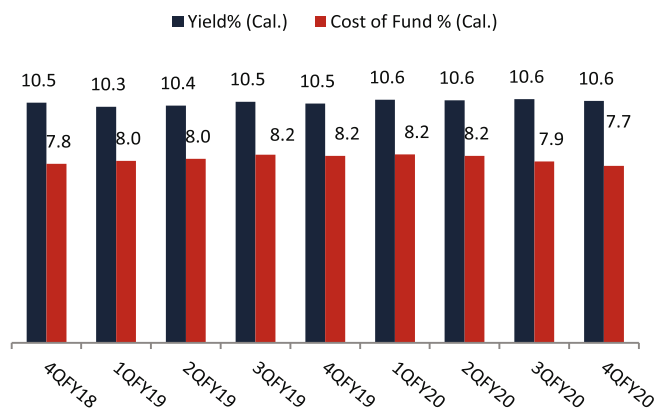
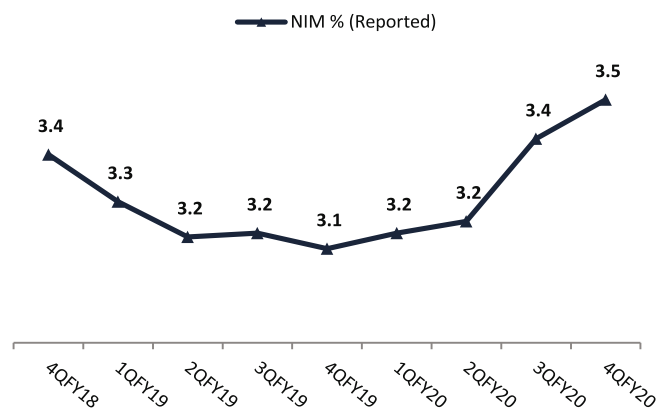


Exhibit: Net Interest Margin

NIM increased Sequentially



Asset Growth Trend

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Sanctions	1454	1209	1521	1483	1738	1289	1424	1617	1566
Growth YoY %	8.6	2.0	-3.4	-4.1	19.6	6.6	-6.4	9.1	-9.9
Disbursements	1386	1164	1443	1318	1554	1276	1334	1477	1394
Growth YoY %	12.3	1.0	7.2	-0.3	12.2	9.6	-7.6	12.0	-10.3
AUM	15743	16199	16935	17568	18381	19000	19600	20172	20708
Growth YoY %	18.3	17.3	17.1	16.7	16.8	17.3	15.7	14.8	12.7
Borrowings	13925	14272	15000	15500	16694	16823	17256	17800	17800
Growth YoY %	17.3	16.3	16.9	16.5	19.9	37.0	34.5	14.8	6.6

Exhibit: AUM Growth %

AUM growth inline

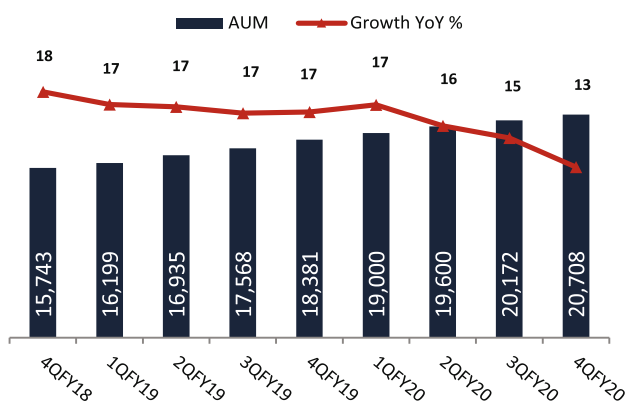
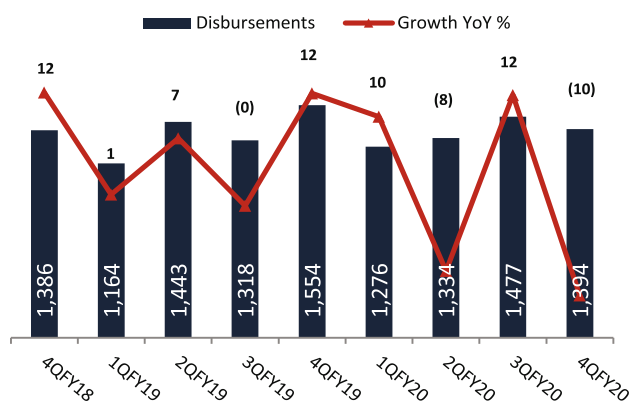


Exhibit: Disbursement Growth %

Low Disbursement growth



Borrowing Mix

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Market Borrowings	50	52	46	38	34	34	33	26	22
Bank Loans	33	38	45	48	52	50	52	57	57
Refinance from NHB	15	8	7	13	12	14	13	15	19
Deposits from public	2	2	2	1	2	2	2	2	2

Loan Portfolio Break up

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Salaried & Professionals	73.2	72.7	72.0	71.5	71.1	71.1	70.9	70.9	70.9
Non Salaried Class- Self Employed & Non Professionals	26.7	27.1	27.8	28.3	28.8	28.7	29.0	29.0	29.0
Builder Loans	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0
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

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
GNPA (Rs in Cr)	107	125	114	139	155	161	157	43.64	-3.81
GNPA %	0.63	0.71	0.62	0.73	0.79	0.80	0.76	0.14	-0.04
NNPA (Rs in Cr)	71	89	79	99	113	119	112	32.38	-6.87
NNPA %	0.42	0.42	0.43	0.52	0.58	0.59	0.68	0.25	0.09
Specific PCR %	33	29	30	29	27	26	29	-1.16	2.58

Exhibit: Asset Quality

GNPA declined sequentially

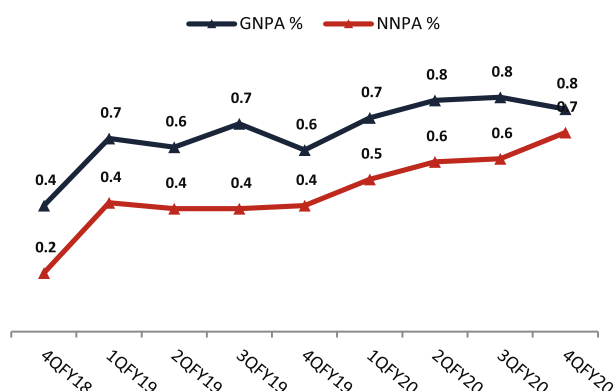
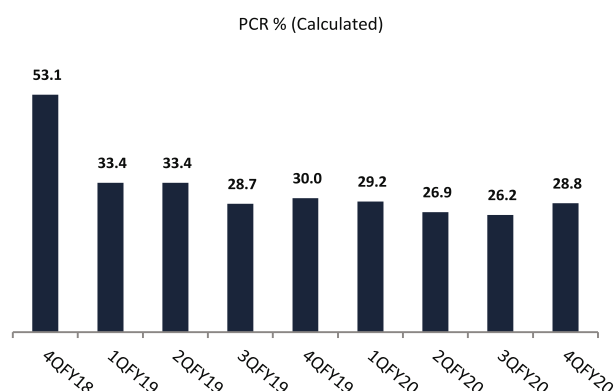


Exhibit: Provisions

PCR increased



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	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	2123	2573
Networth	452	771	878	1204	1487	1782	2150	2600
Change (%)	15	71	14	37	24	20	21	21
Total Borrowings	5269	7375	9478	11872	13925	16694	17800	20351
Change (%)	49	40	29	25	17	20	7	14
Provisions	92	124	189	27	34	27	66	73
Other Liabilities	99	64	249	185	284	226	1027	1130
Total Liabilities	5912	8334	10795	13288	15730	18729	21044	24154
Investments	15	15	15	16	16	16	24	24
Loans	5844	8232	10643	13224	15644	18234	20526	23607
Change (%)	46	41	29	24	18	17	13	15
Fixed Assets	8	9	9	10	10	10	38	38
Other Assets	36	70	110	18	41	49	63	60
Cash Balances	9	8	17	20	19	420	392	425
Total Assets	5912	8334	10795	13288	15730	18729	21044	24154

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest income	557	788	1,044	1,306	1,491	1,700	2,019	2,200
Interest expended	423	610	743	884	981	1,169	1,344	1,402
Net Interest Income	134	178	301	422	510	530	675	798
Change (%)	40	32	69	40	21	4	24	18
Other Income	21	29	39	47	31	32	12	16
Change (%)	50	40	33	21	(33)	1	(36)	38
Total Net Income	155	207	340	469	541	562	686	814
Change (%)	42	33	64	38	15	4	22	19
Operating Expenses	44	55	67	80	88	92	108	121
Change (%)	22	26	21	19	10	4	18	12
Employee Expenses	18	25	33	39	45	41	54	52
Change (%)	14	38	33	18	15	(8)	31	(3)
Other Expenses	26	31	34	41	43	50	53	69
Pre-provisioning Profit	111	152	273	389	453	471	579	693
Change (%)	51	36	80	42	16	4	23	20
Provisions	4	14	19	20	22	1	60	91
Change (%)	(420)	221	36	1	12	(95)	5,422	51
PBT	107	137	254	370	431	470	518	602
Tax	31	51	97	134	145	173	142	152
Profit After Tax	76	86	157	235	286	297	376	450
Change (%)	40	14	83	50	22	4	27	20
Adjusted Profit After Tax	76	86	157	235	286	297	376	450
Change (%)	40	14	83	50	22	4	27	20

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Balance Sheet Metrics								
AUM	5844	8232	10643	13313	15743	18381	20708	23607
Off-Book AUM	0	0	0	89	-	-	182	0
AUM Growth (%)	45.5	40.9	29.3	25.1	18.3	16.8	12.7	14.0
Borrowing Growth (%)	48.9	40.0	28.5	25.3	17.3	19.9	6.6	14.3
Loan/Borrowing Ratio	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2
Disbursement (Rs Cr)	2548	3346	3923	4792	5207	5479	5481	5637
Disbursement Growth (%)	20	20	20	22	9	5	0	3
CRAR (%)	14	18	21	19	19	19	22	22
Tier 1 (%)	13.1	15.6	17.6	16.0	17.0	17.8	20.5	20.0
Tier 2 (%)	0.8	2.8	3.1	2.5	2.1	1.5	1.8	1.9
Debt/Equity (x)	11.6	9.6	10.8	9.9	9.4	9.4	8.3	7.8
Assets Quality Metrics								
Gross NPA (Rs)	12	14	20	28	67	114	157	212
Gross NPA (%)	0.2	0.2	0.2	0.2	0.4	0.6	0.8	0.9
Net NPA (Rs)	-	-	-	-	32	79	112	138
Net NPA (%)	-	-	-	-	0.2	0.4	0.7	0.6
Provision Coverage (%)	100	100	100	100	53	30	29	35
Provision/Average Advances (%)	0.1	0.2	0.2	0.2	0.2	0.0	0.3	0.4
Margin Metrics								
Yield On Advances (%)	11.3	11.2	11.1	10.9	10.3	10.0	10.3	9.9
Cost Of Funds (%)	9.6	9.7	8.8	8.3	7.6	7.6	7.8	7.3
Spread (%)	1.7	1.5	2.2	2.6	2.7	2.4	2.5	2.6
NIM on AUM (%)	2.7	2.5	3.2	3.5	3.5	3.2	3.5	3.6
Profitability & Efficiency Metrics								
Int. Expended/Int.Earned (%)	75.9	77.5	71.2	67.7	65.8	68.2	66.6	63.7
Other Income/NII (%)	15.6	16.5	13.0	11.2	6.2	3.3	1.7	2.0
Operating Profit/ Net Income (%)	71.7	73.3	80.4	83.0	83.8	83.7	84.3	85.1
Net Profit/Net Income (%)	48.8	41.6	46.2	50.2	52.9	52.8	54.8	55.3
Cost to Income (%)	28.3	26.7	19.6	17.0	16.2	16.3	15.7	14.9
Employee Exp/ Net Income (%)	11.5	12.0	9.7	8.3	8.3	7.4	7.9	6.4
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	10.4	13.1
Tax Rate (%)	28.9	37.3	38.1	36.3	33.6	36.8	27.4	25.2
Valuation Ratio Metrics								
EPS (Rs)	7	6	12	18	23	22	28	34
Change (%)	39.9	(12.5)	82.5	49.8	28.2	(1.6)	26.8	19.8
ROAE (%)	17.9	14.1	19.0	22.6	24.9	18.2	19.1	19.0
ROAA (%)	1.5	1.2	1.6	2.0	2.1	1.7	1.9	2.0
Dividend Payout (%)	20.6	25.4	20.4	13.6	53.0	10.8	8.5	-
Dividend yield (%)	0.9	0.3	0.2	0.1	0.6	0.6	0.6	-
Dividend Per Share	1.3	1.4	2.0	2.0	2.0	2.0	2.0	-
Book Value (Rs)	44	58	66	90	101	134	162	195
Change (%)	15.3	31.3	13.8	37.1	11.8	32.4	20.6	21.0
P/B (X)	0.9	2.1	3.5	4.7	4.8	2.6	2.0	1.7
P/E (X)	5.1	18.7	19.6	23.9	21.4	15.6	11.7	9.8

Financial Details

Exhibit: DuPont Analysis

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest Income	11.2	11.1	10.9	10.8	10.3	9.9	10.2	9.7
Interest expended	8.5	8.6	7.8	7.3	6.8	6.8	6.8	6.2
Net Interest Income	2.7	2.5	3.1	3.5	3.5	3.2	3.4	3.5
Non-Fund Based Income	0.4	0.4	0.4	0.4	0.2	0.1	0.1	0.1
Total Income	3.1	2.9	3.6	3.9	3.7	3.3	3.5	3.6
Total Operating Expenses	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.5
Employee Expenses	0.4	0.3	0.3	0.3	0.3	0.2	0.3	0.2
Other Expenses	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Operating Profit	2.2	2.1	2.9	3.2	3.1	2.7	2.9	3.1
Provisions	0.1	0.2	0.2	0.2	0.2	0.0	0.3	0.4
Others	0.0	-	-	-	-	-	-	-
PBT	2.1	1.9	2.7	3.1	3.0	2.7	2.6	2.7
Tax	0.6	0.7	1.0	1.1	1.0	1.0	0.7	0.7
PAT/RoAA	1.5	1.2	1.6	2.0	2.0	1.7	1.9	2.0
Equity Multiplier (x)	11.8	11.6	11.6	11.6	10.8	10.5	10.1	9.5
ROAE	18.0	14.1	19.0	22.6	21.3	18.2	19.1	19.0

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

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