

April 28, 2026

Growth & earnings trend to continue unabated...

About the stock: CanFin Homes (CFHL) was promoted by Canara Bank in 1987, with ~30% stake as of Mar 2026. The HFC has a presence in 249 locations across 21 states and union territories (UTs).

- Housing loans comprise ~83% of book; of which ~68% is to salaried customers
- Average ticket size is ₹27 lakh for housing, ₹14 lakh for non-housing loans

Q4FY26 performance: Can Fin Homes reported steady performance in Q4FY26, with strong disbursement growth of ₹3,246 crore (+32% YoY/ +19% QoQ), resulting in AUM growth remaining steady at ~10% YoY/ 3.7% QoQ to ₹42,209 crore. Margins improved 37 bps YoY/ 5 bps QoQ to 4.19%, driven by lower cost of borrowing. Opex remained elevated, keeping cost-to-income ratio at ~19.8%, however, strong operating performance led to 48% YoY growth in PAT to ₹346 crore with RoA improving to ~3.3%.

Investment Rationale

- Growth outlook moderated but supported by improving execution drivers:** AUM growth at ~10.4% was impacted by elevated prepayments. For FY27E, management has revised disbursement guidance to ₹13,000 crore (vs ₹13,500 crore earlier), implying ~14% AUM growth factoring higher rundown assumptions. Despite moderation, growth visibility remains supported by branch expansion (28 branches planned in H1FY27), scaling of in-house sales team and recovery in key markets like Karnataka and Telangana. Improving productivity of recently added branches and continued traction across non-south geographies are expected to support incremental growth.
- Earnings visibility supported by stable margins and benign asset quality:** Despite transition to ~85% quarterly reset book and rate pass-through, spreads remain resilient at ~2.8%, with FY27 guidance of 2.75–2.8% and NIMs at ~3.75%. Liability profile remains favourable with higher share of bank borrowings (~62%), easing CP rates and refinancing of high-cost NCDs supporting cost of funds, while incremental yields remain stable at ~9.8% aided by mix shift towards self-employed and LAP segments. Asset quality continues to improve with GNPA at 0.85% and five consecutive quarters of declining delinquencies, with no emerging stress across geographies or segments. Credit cost stood ~10 bps in FY26 and is expected to remain well below guided 15 bps in FY27E, supported by conservative provisioning (PCR at 56%). Despite near-term cost pressures related to (~₹40 crore) IT investment, management targets RoA of ~2.4%+ and RoE of ~18%+.

Rating and Target Price

- Anticipating continued focus on cost of liabilities and underwriting practice is seen to aid earnings growth momentum while keeping credit cost benign. Revival in business growth to act as trigger to boost valuation. Margin resilience coupled with strong asset quality is expected to sustain RoA at 2.2–2.4% in FY26–28E. Thus, we continue to value the business at ~1.8x FY28E BV and maintain our target price at ₹1,100. Maintain Buy rating.

Key Financial Summary

₹ crore	FY24	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	1259	1354	1611	16.7%	1856	2117	14.6%
PPP	1036	1153	1343	15.8%	1548	1771	14.8%
PAT	751	857	1086	20.5%	1152	1318	10.2%
ABV (₹)	315	367	437	17.8%	503	594	16.5%
P/E	16.0	14.0	11.1		10.4	9.1	
P/ABV	2.9	2.5	2.1		1.8	1.5	
RoA	2.2%	2.2%	2.6%		2.4%	2.4%	
RoE	18.8%	18.2%	19.7%		17.9%	17.6%	

Source: Company, ICICI Direct Research



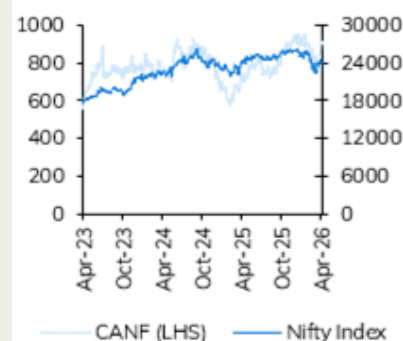
Particulars

Particulars	Amount
Market Capitalisation	₹ 12,087 crore
52 week H/L	972 / 692
Net worth	₹ 5980 Crore
Face Value	2.0
DII Holding (%)	24.6
FII Holding (%)	13.4

Shareholding pattern

Holding (%)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	30.0	30.0	30.0	30.0
FII	12.1	12.5	13.2	13.4
DII	24.5	23.9	24.7	24.6
Public	33.4	33.6	32.1	32.0

Price Chart



Key risks

- Delay in accrual of benefit from tech upgrade
- Continued elevated prepayment

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Concall highlights and outlook:

Operational Performance

- FY26 disbursement closed at ₹10,531 crore, broadly in-line with ₹10,500 crore guidance. Each quarter clocked a new high versus the respective prior-year quarter; Q4 disbursement of ₹3,245 crore was an all-time record.
- AUM growth for FY26 came in at ~10.4%, below the 11–12% guided range, as total rundown (prepayments, BT-outs, amortisation) at ~₹6,600 crore exceeded the budgeted ₹6,000 crore. Management has factored a higher ₹7,000 crore rundown assumption for FY27E.
- Prepayment and rundown pressure was broadly stable in Q4: total rundown of ₹1,730 crore (vs ₹1,691 crore in Q3), with BT-outs at ~₹400 crore (vs ₹850–900 crore). Competitive intensity remains led by LIC Housing (pricing-led) and Bajaj Finance (top-up driven). Marginal QoQ increase despite seasonally high-competition Q4 environment; management expects BT-out intensity to moderate with the quarterly-reset migration largely complete.
- Karnataka disbursement averaged ~₹290 crore/month in Q4 (vs ~₹250 crore in Q3), with FY26 ending at +7% YoY; e-Khata issues largely resolved in urban centres, with rural Gram Panchayat approvals still lagging. FY27 Karnataka disbursement growth targeted at 15%. Telangana disbursements ended FY26 roughly flat (₹1,147 crore vs ₹1,198 crore in FY25) as consistent ₹100+ crore/month run-rate from Q3/Q4 narrowed the earlier deficit; YoY positive expected from Q1FY27.
- North, West, East (Andhra Pradesh and others) zones collectively delivered ~40%+ YoY disbursement growth in FY26; Tamil Nadu grew ~30% YoY. Branch expansion strategy contributed: new branches opened in FY24 and FY25 generated ₹863 crore in disbursements in FY26, versus just ₹128 crore in FY25, reflecting improving productivity as branches mature.
- FY27 disbursement target set at ₹13,000 crore (revised down from earlier ₹13,500 crore guidance), implying ~14% AUM growth on ₹7,000 crore assumed rundown (vs 15% cited previously). Growth drivers: (i) 28 new branches planned for H1FY27; (ii) sales team to be scaled from ~90 to ~150 by FY27-end; (iii) Karnataka and Telangana recovery to provide incremental tailwinds.
- In-house sales team contributed ₹868 crore in FY26 (from ~₹183 crore in FY25), with per-executive productivity at ₹80–90 lakh/month. DSA channel remains dominant; in-house share targeted to rise progressively over FY27–28E.
- Salaried:SENP mix moved to ~83–84%:16–17% (from ~89%:11% earlier), supporting incremental yield improvement. Mix shift partly reflects higher LAP focus during Karnataka disruption and calibrated expansion in self-employed segment. Non-housing (LAP) mix increased ~2ppts in FY26; management expects further measured increase toward the FY28E target.
- Demand remains stable in the company's core segments with healthy enquiry trends, though affordable housing continues to witness moderation (mid-single digit growth). Q4 strength is partly seasonal, with H2 typically contributing ~55% of annual disbursement.

IT Transformation

- LOS/LMS rollout deferred to Q1FY27; implementation expected to trigger ~3–4 days of downtime and 1–2 weeks of stabilisation. One-time business impact of ₹250–300 crore in the transition quarter remains guided.
- IT total project outlay: ₹300 crore (₹100 crore Capex + ₹200 crore Opex over 5 years). Depreciation on Capex plus FY27 Opex tranche will add ~₹60 crore in annual cost; net incremental IT cost impact in FY27 guided at ~₹40 crore (vs ~₹20 crore current annual IT spend). ₹6 crore of this has already been booked in Q4FY26.
- Full quantification of productivity benefits (TAT improvement, DSA cost reduction) expected to be visible from FY28E post LOS/LMS stabilisation.

Margins

- Book yield as on 1 April 2026 (post full quarterly-reset migration and 15 bps pass-through in January) stands at ~9.8%; incremental yield is also ~9.8%+, reflecting the improved SENP/LAP mix. Management confirmed no further asset-side yield dilution is expected from the reset migration.
- ~85% of the loan book is now on quarterly reset (from ~29% at FY25-end; 54% at Q3FY26-end). Remaining ~15% are customers who have elected to retain annual reset or not yet decided; further migration expected to be slow. This residual cohort represents the primary spread-lag risk in a rising-rate scenario.

- Opening spread for FY27 guided at 2.8%+ (conservative guidance: 2.75%); NIM guidance maintained at 3.75%. Management expressed confidence that spread of 2.8% can be sustained without further asset-side price cuts.
- Borrowing cost as on 1 April at ~6.99%. Bank borrowings at 62% of liabilities (up from 55%), with incremental bank costs at sub-7%; CP rates eased to ~6.35% in April (from ~7.35%+ in Q4). NCD portfolio at blended ~7.67% to be refinanced at lower rates on maturity. NHB portfolio (50% fixed, 50% annual reset) still has small residual benefit to flow through as fixed tranches reprice.
- ₹1,000 crore of unutilised NHB sanction was strategically deployed in Q4FY26 to avoid higher debt-market rates during the period of tighter liquidity; CP proportion now below 3% of borrowings (vs ~6–8% historically).

Asset quality

- GNPA improved to 0.85% at FY26-end (vs 0.87% in FY25; 0.92% in Q3FY26), marking the fifth consecutive quarter of declining absolute delinquency. Improvement remains broad-based across SMA buckets and geographies, including Telangana.
- PCR strengthened to 56% (from 49% in FY25), reflecting a more conservative provisioning stance; no incremental management overlay planned beyond existing levels.
- Credit cost for FY26 at ~10 bps (below the guided 15 bps). No fresh stress observed across geographies in March or April; no visible impact from IT-sector layoffs (IT salaried segment ~6% of book; Karnataka GNPA in absolute terms lower in March 2026 vs March 2025).
- No West Asia-linked delinquency pressure observed through April 2026. No incremental management overlay planned.

Guidance

- Disbursements targeted at ₹13,000 crore (~24% YoY), led by branch expansion, sales force scaling and recovery in Karnataka/Telangana.
- AUM growth guided at ~14% (vs earlier 15%), factoring elevated ₹7,000 crore rundown; upside contingent on moderation in pre-payments.
- Spreads guided at 2.75% (management comfort: 2.8%+), with NIMs stable at ~3.75% supported by liability repricing tailwinds.
- Credit cost conservatively guided at ≤15 bps, though management expects actuals to remain well below guidance.
- Cost ratios to remain elevated in FY27 due to ~₹40 crore incremental IT spend, with benefits expected to accrue from FY28E.
- Profitability to remain resilient with RoA of 2.4%+ and ROE of 18%+ despite near-term cost headwinds.
- BT-out intensity expected to stabilise post completion of quarterly reset transition, aiding better control on rundown.

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
Net Interest Inc	422	349	21.2	421	0.3	NII aided by margin expansion
Reported NIM %	4.2%	3.8%	37 bps	4.1%	5 bps	Decrease in cost of funds aided margins
Other Income	18.7	16.8	11.6	10.0	86.9	
Net Total Income	441	365	20.7	431	2.3	
Employee Benefit expense	47	31	52.6	45	4.0	Increase driven by sales team expansion and annual increment
Other Operating Expenses	41	40	1.5	35	16.7	
PPP	354	295	20.0	351	0.7	
Provision	1	15	-96.3	10	-94.2	Credit cost continued to be lower than guidance
PBT	353	279	26.4	341	3.4	
Provision for Tax	7	45	-83.8	77	-90.5	
PAT	346	234	47.8	265	30.6	
Key Metrics						
GNPA	357	333	7.2	373	-4.3	Asset quality continues to remain steady
NNPA	156	174	-10.3	199	-21.6	
Total Loan Book	42209	38217	10.4	40693	3.7	Continued focus on non-home segment
Borrowings	38258	35289	8.4	36915	3.6	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement				₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	3,843	4,174	4,776	5,412
Interest Expended	2,488	2,563	2,920	3,295
Net Interest Income	1,354	1,611	1,856	2,117
% growth	7.6	18.9	15.2	14.0
Non Interest Income	37	44	50	57
Net Income	1,391	1,655	1,906	2,174
Employee cost	112	177	193	211
Other operating Exp.	126	135	164	192
Operating Profit	1,153	1,343	1,548	1,771
Provisions	76	40	71	81
PBT	1,077	1,304	1,477	1,690
Taxes	220	218	325	372
Net Profit	857	1,086	1,152	1,318
% growth	14.2	26.7	6.1	14.4
EPS (₹)	64.4	81.5	86.5	99.0

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
<u>Valuation</u>				
No. of Equity Shares	13.3	13.3	13.3	13.3
EPS (₹)	64.4	81.5	86.5	99.0
BV (₹)	380.5	449.1	517.2	610.2
ABV (₹)	367.5	437.4	503.4	593.9
P/E	14.0	11.1	10.4	9.1
P/BV	2.4	2.0	1.7	1.5
P/adj.BV	2.5	2.1	1.8	1.5
<u>Yields & Margins (%)</u>				
Yield on interest earning assets	9.9%	9.7%	9.7%	9.7%
Avg. cost on funds	7.4%	7.0%	7.1%	7.0%
Net Interest Margins	3.5%	3.8%	3.9%	3.9%
Spreads	2.4%	2.7%	2.6%	2.7%
<u>Quality and Efficiency</u>				
Cost / Total net income	17.7%	20.5%	20.1%	19.7%
GNPA%	0.9%	0.8%	0.8%	0.8%
NNPA%	0.5%	0.4%	0.4%	0.4%
RoE (%)	18.2%	19.7%	17.9%	17.6%
RoA (%)	2.2%	2.6%	2.4%	2.4%

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E
<u>Sources of Funds</u>				
Capital	27	27	27	27
Reserves and Surplus	5,041	5,954	6,861	8,099
Networth	5,067	5,980	6,887	8,126
Borrowings	35,289	38,258	43,997	50,156
Other Liabilities & Provisi	158	143	225	256
Total	40,514	44,381	51,109	58,538
	107%	109%	108%	109%
<u>Applications of Funds</u>				
Fixed Assets	50	110	115	121
Investments	2,374	2,143	2,403	2,764
Advances	37,696	41,647	47,564	54,920
Other Assets	394	481	1,027	733
Total	40,514	44,381	51,109	58,538

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	10.7%	9.5%	14.3%	15.4%
Advances	9.1%	10.5%	14.2%	15.5%
Borrowings	10.0%	9.1%	15.0%	14.0%
Total Income	7.6%	18.9%	15.1%	14.1%
Net interest income	7.6%	18.9%	15.2%	14.0%
Operating expenses	-7.3%	30.9%	14.7%	12.6%
Operating profit	11.3%	16.5%	15.3%	14.4%
Net profit	14.2%	26.7%	6.1%	14.4%
Book value	16.7%	18.0%	15.2%	18.0%
EPS	14.2%	26.7%	6.1%	14.4%

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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