Can Fin Homes (CANHOM)

CMP: ₹840 | Target ₹ 1050 (25%) | Target Period: 12 months | **BUY**

Result Update

ICICI Securities – Retail Equity Research

July 21, 2026

Healthy execution sustains growth momentum…

About the stock: Can Fin 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

Q1FY27 performance: Can Fin Homes reported a healthy Q1FY27 performance, with disbursements at ₹2,609 crore (up ~29% YoY), resulting in loan book growth of ~11% YoY/ ~2% QoQ to ₹42,961 crore. Net interest income grew ~18% YoY (~1% QoQ) to ₹427 crore, while NIM improved 17 bps YoY but moderated 38 bps QoQ to 3.81%, reflecting the impact of interest rate transmission. PAT grew ~20% YoY (-23% QoQ) to ₹268 crore, with sequential decline largely due to absence of one-off tax benefits recorded in Q4FY26. Asset quality remained healthy, with GNPA/NNPA improving to 0.87%/0.42%, reflecting stable collections and lower credit costs.

Investment Rationale:

- **Growth outlook supported by improving execution drivers:** AUM growth improved to ~10.8% in Q1FY27 (vs 10.4% QoQ), due to elevated rundown led by higher principal amortisation following the shift to quarterly rate reset. The company continues to diversify its franchise through increasing traction across self-employed & non-housing segments, and expansion of tie-ups with housing projects. For FY27, management has maintained disbursement guidance at ~₹13,000 crore, implying a ~14% growth in AUM. The ongoing LOS/LMS rollout is expected to improve turnaround time, sales productivity and customer acquisition, supporting sustainable medium-term growth.
- **Stable margins and asset quality support earnings:** With transition to quarterly reset being largely undertaken, Can Fin Homes reported 2.83% spread and 3.81% NIM in Q1FY27, ahead of its FY27 guidance of 2.75–2.80% and ~3.75%, respectively. Liability profile remains favourable with a predominantly repo-linked borrowing mix, refinancing of high-cost borrowings and stable portfolio yields supporting margin resilience. Asset quality remained healthy with GNPA improving to 0.85% (vs 0.87% in FY26), lower delinquency formation and management reiterating ~10 bps credit cost guidance. Management aims to maintain RoA above 2.4% and RoE above 18%, supported by resilient margins, prudent underwriting and productivity gains from ongoing tech transformation.

Rating and Target Price

- Continued focus on expanding distribution channels and direct sourcing is expected to support business growth, while lower funding cost, prudent underwriting and healthy asset quality provide earnings visibility. Revival in business growth to act as trigger to boost valuation. Execution of the Roadmap 2028 strategy and moderation in prepayment remain key monitorable. We expect RoA to sustain at 2.3% in FY27E-28E. Accordingly, we revise our target to ₹1,050 (earlier ₹1,100), valuing the business at ~1.8x FY28E BV. Maintain Buy rating.

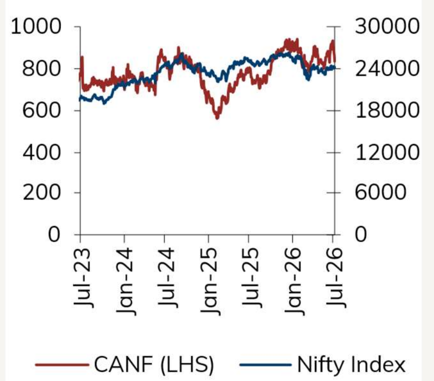
Particulars

Particulars	Amount
Market Capitalisation	₹ 11,491 crore
Networth	₹ 5980 crore
52-week H/L	972 / 709
Face Value	₹ 2
DII Holding (%)	24.5
FII Holding (%)	13.2

Shareholding pattern

	Sept 25	Dec 25	Mar 26	Jun 26
Promoter	29.9	29.9	29.9	29.9
FII	12.5	13.2	13.4	13.2
DII	23.8	24.7	24.6	24.5
Others	33.6	32.1	32.0	32.3

Price Chart



Key risks

(i) Delay in accrual of benefit from tech upgrade

(ii) Slower business growth

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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%	1839	2104	14.3%
PPP	1036	1153	1343	15.8%	1531	1758	14.4%
PAT	751	857	1086	20.5%	1139	1308	9.8%
ABV (₹)	315	367	437	17.8%	516	606	17.7%
P/E	16.0	14.0	11.1		10.6	9.2	
P/ABV	2.9	2.5	2.1		1.8	1.5	
RoA	2.2%	2.2%	2.6%		2.4%	2.4%	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Operational Performance

- Q1FY27 disbursements stood at ₹2,609 crore, exceeding the guided ₹2,500 crore and registering 29% YoY growth over ₹2,015 crore.
- Growth was broad-based across all six zones; Karnataka grew 18% YoY (lowest among zones), while Telangana recorded marginally higher growth.
- Salaried disbursements grew 21% YoY, while self-employed non-professional (SENP) disbursements increased 44% YoY. Housing loans (HL) grew 28% YoY to ₹1,650 crore, while non-housing loans (NHL) increased 32% YoY to ₹958 crore.
- Rundown increased to ₹1,857 crore (vs ₹1,730 crore in Q4FY26). Balance transfers remained largely stable at ₹408 crore (vs ₹400 crore), while own-fund closures increased marginally to ₹377 crore (vs ₹360 crore). The increase was primarily driven by higher principal amortisation/part-prepayments (₹1,072 crore vs ₹976 crore) as quarterly reset transmission reduced loan tenures while EMIs largely remained unchanged.
- AUM growth improved to ~10.8%, supported by ~₹755 crore net accretion. Management retained FY27 guidance of ₹13,000 crore, disbursements and ~14% AUM growth, while indicating disbursements could be increased to ₹13,200–13,400 crore, if required, to offset elevated rundown.
- Approved Project Financing (APF) tie-ups increased to 331 projects (vs 271 at FY26-end), with 60 projects added during Q1FY27. APF contribution remains modest and management indicated achieving a 15% contribution will take time. Exposure to any single project remains capped at 10% to limit concentration risk.
- Rate differential versus repo-linked banks and larger HFCs widened to over 100 bps (vs ~55 bps historically) as banks transmitted repo rate cuts faster. The special pricing threshold was increased from ₹20 lakh to ₹25 lakh, while ~82% of the portfolio now has a CIBIL score above 700 (vs ~75% earlier).

IT Transformation

- LOS/LMS pilot went live across 5 branches on 8 July, with no major operational disruption. Branches resumed normal disbursement and collection activity within 10–12 days.
- Rollout across the remaining 245 branches is planned in phases during Q2FY27, with full implementation targeted to be completed in Q3FY27 (possibly October 2026).
- Management retained its Q2FY27 disbursement target of ₹3,000 crore, despite the ongoing rollout.
- Incremental annual IT cost impact for FY27 remains ~₹40 crore, with capitalisation and AMC expenses already beginning to reflect in Q1.
- Cost-to-income ratio is guided at ~19.5% for FY27 (vs ~18% in FY26) and is expected to gradually normalise towards 18% over the next three years as productivity benefits emerge.
- Management expects operational efficiencies from the new platform to start reflecting during FY27 itself, including supporting business growth with minimal incremental manpower.

Margins

- Book yield remained stable at 9.81%, in line with prior guidance.

- Cost of borrowing improved to 6.98% (vs 6.99% guided), aided by repayment of high-cost NCDs and timely commercial paper issuances.
- Spread improved to 2.83% (vs 2.81% guided), while NIM expanded to 3.81% (vs 3.75% guidance).
- Incremental bank borrowings during the quarter were raised at 7.25–7.5% (vs ~6.95% a year ago), while existing borrowings remained insulated as they are linked to repo/T-bill rather than MCLR.
- Management remains confident of sustaining NIM above 3.8% during FY27 through product and customer mix improvement

Asset Quality

- GNPA increased by only ~₹17–18 crore during Q1FY27, significantly lower than the ₹41–45 crore seasonal increase seen in the previous two years.
- Stage 1 and Stage 2 (SMA) balances declined during the quarter, more than offsetting the increase in Stage 3 assets.
- NACH bounce ratios have improved for six consecutive quarters, supported by continued migration of customers to NACH.
- Cumulative credit-related write-offs since 2001 remain only ~₹20 crore. Including fully provided fraud accounts that continue to be classified as NPAs, adjusted GNPA would be lower by ~₹50–60 crore.
- IT-sector exposure remains limited at ~6% of customers. Management indicated no meaningful deterioration from recent IT-sector layoffs, with Karnataka GNPA in absolute terms remaining lower than a year ago.
- SENP loans earn ~50 bps higher yields than salaried loans, with GNPA of ~1.45–1.5% versus ~0.6–0.63% for salaried customers. Management believes the segment remains credit-cost accretive given its documented income underwriting.

Asset Quality

- FY27 disbursement guidance retained at ₹13,000 crore (~24% YoY), with flexibility to increase disbursements if elevated rundown persists.
- AUM growth guidance maintained at ~14%.
- Spread and NIM guidance retained at 2.75% and 3.75%, respectively, with Q1FY27 performance tracking ahead.
- Credit cost guidance of 10 bps reiterated, supported by lower-than-normal Q1FY27 delinquency formation.
- Cost-to-income ratio guided at ~19.5% for FY27.
- RoA guidance of 2.4%+ and RoE guidance of 18%+ reiterated despite higher IT-related operating expenses.
- Full LOS/LMS rollout is expected to be largely completed by September 2026.
- Effective tax rate is expected to remain around 21%, supported by deferred tax asset benefits.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Net Interest Inc	428	363	17.9	422	1.2	NII aided by margin expansion and healthy loan growth
Reported NIM %	3.8%	3.6%	17 bps	4.2%	-38 bps	Lower borrowing cost and repayment of high cost NCDs aided margins
Other Income	9.3	9.3	-0.5	18.7	-50.4	
Net Total Income	437	372	17.4	441	-1.0	
Employee Benefit expense	49	42	16.9	47	3.9	
Other Operating Expenses	37	27	37.9	41	-9.9	IT transformation expenses, including AMC and depreciation increased operating expenses
PPP	352	304	15.7	354	-0.6	
Provision	13	26	-50.2	1	2216.6	Credit cost continued to be lower than guidance
PBT	339	278	21.9	353	-4.1	
Provision for Tax	71	54	31.5	7	866.9	
PAT	268	224	19.6	346	-22.5	
Key Metrics						
GNPA	375	378	-0.8	357	5.0	Asset quality continues to remain steady
NNPA	180	208	-13.5	156	15.4	
Total Loan Book	42961	38773	10.8	42209	1.8	Loan growth supported by non-housing and self-employed segments
Borrowings	38641	35489	8.9	38258	1.0	
C/I ratio	19.5%	18.3%	119 bps	19.8%	-32 bps	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statemen (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	3,843	4,174	4,523	5,077
Interest Expended	2,488	2,563	2,716	3,067
Net Interest Income	1,354	1,611	1,807	2,010
% growth	7.6	18.9	12.2	11.2
Non-Interest Income	37	44	50	57
Net Income	1,391	1,655	1,857	2,067
Employee cost	112	177	199	217
Other operating Exp.	126	135	164	192
Operating Profit	1,153	1,343	1,494	1,658
Provisions	76	40	71	81
PBT	1,077	1,304	1,423	1,577
Taxes	220	218	313	347
Net Profit	857	1,086	1,110	1,230
% growth	14.2	26.7	2.2	10.9
EPS (₹)	64.4	81.5	83.3	92.4

Source: Company, ICICI Research

Exhibit 3: Cash flow stateme (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of Equity Shares	13.3	13.3	13.3	13.3
EPS (₹)	64.4	81.5	83.3	92.4
BV (₹)	380.5	449.1	519.4	597.0
ABV (₹)	367.5	437.3	505.6	580.7
P/E	13.0	10.3	10.1	9.1
P/BV	2.2	1.9	1.6	1.4
P/adj.BV	2.3	1.9	1.7	1.4
Yields & Margins (%)				
Yield on interest earning assets	9.9%	9.8%	9.8%	9.8%
Avg. cost of funds	7.4%	7.0%	6.7%	6.6%
Net Interest Margins	3.5%	3.8%	3.8%	3.7%
Spreads	2.4%	2.8%	3.1%	3.2%
Quality and Efficiency				
Cost / Total net income	17.7%	20.5%	20.7%	20.8%
GNPA%	0.9%	0.8%	0.8%	0.8%
NNPA%	0.5%	0.4%	0.4%	0.4%
RoE (%)	18.2%	19.7%	17.2%	16.6%
RoA (%)	2.2%	2.6%	2.3%	2.3%

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	27	27	27	27
Reserves and Surplus	5,041	5,954	6,890	7,923
Networth	5,067	5,980	6,916	7,950
Borrowings	35,289	38,258	43,423	49,502
Other Liabilities & Provisions	158	143	225	255
Total	**40,514**	**44,381**	**50,564**	**57,707**
Applications of Funds				
Fixed Assets	50	110	115	121
Investments	2,345	2,143	2,399	2,749
Advances	37,696	41,647	47,480	54,612
Other Assets	423	481	570	225
Total	**40,514**	**44,381**	**50,564**	**57,707**

Source: Company, ICICI Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	10.7%	9.5%	14.1%	15.0%
Advances	9.1%	10.5%	14.0%	15.0%
Borrowings	10.0%	9.1%	13.5%	14.0%
Total Income	7.6%	18.9%	12.2%	11.3%
Net interest income	7.6%	18.9%	12.2%	11.2%
Operating expenses	-7.3%	30.9%	16.5%	12.5%
Operating profit	11.3%	16.5%	11.2%	11.0%
Net profit	14.2%	26.7%	2.2%	10.9%
Book value	16.7%	18.0%	15.7%	14.9%
EPS	14.2%	26.7%	2.2%	10.9%

Source: Company, ICICI Research

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