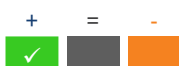




3R MATRIX

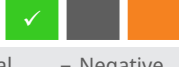
Right Sector (RS)



Right Quality (RQ)



Right Valuation (RV)



+ Positive

= Neutral

- Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

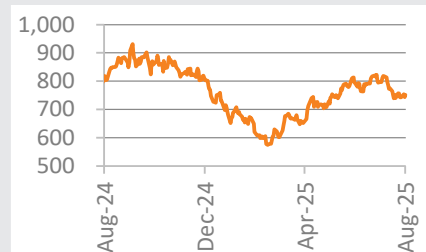
Company details

Market cap:	Rs. 9,950 cr
52-week high/low:	Rs. 951 / 559
NSE volume: (No of shares)	3.7 lakh
BSE code:	511196
NSE code:	CANFINHOME
Free float: (No of shares)	8.43 cr

Shareholding (%)

Promoters	30.0
FII	12.1
DII	24.5
Others	33.3

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-6.6	3.2	21.8	-7.6
Relative to Sensex	-4.3	3.9	16.0	-9.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Can Fin Homes Ltd

In Line Q1FY26, outlook improving

NBFC	Sharekhan code: CANFINHOME	
Reco/View: Buy	↔	CMP: Rs. 744 (as on Aug 13, 2025)
		Price Target: Rs. 850 ↔

Summary

- NIM rose 13 bps y-o-y and 10 bps q-o-q at 3.74% (as a percentage of AUM) due to a rise in yields and a lower cost of funds. NIM guidance for FY26 stands at 3.5% on lower cost of funds.
- Credit cost rose 11 bps y-o-y to 0.27% (as a percentage of AUM) as asset quality weakened. In FY26, asset quality is expected to improve hence lower credit costs from current level.
- AUM grew by 9.0%/1.5% (y-o-y/q-o-q). Disbursements were weak due to continued state-specific challenges. However, disbursements are likely to be over 20% in FY26, leading to a 12-13% AUM growth.
- At CMP, the stock trades at 1.7x/1.5x its FY2026E/FY2027 BV. We maintain buy rating with an unchanged PT of Rs. 850 on the back of improving growth outlook and reasonable valuation.

Net profit slightly beat estimates by 1.4% (up by 12.1% y-o-y and down by 4.3%) to Rs. 224 crore driven by AUM and NII growth, however partially offset by higher credit cost. NII grew by 12.9%/4.1% (y-o-y/q-o-q) to Rs. 363 crore (above estimates by 2.4%) due to a higher yield on AUMs and lower cost of funds. NIM came in at 3.74% (% of AUM), up by 13 bps and 10 bps (y-o-y and q-o-q), also above beat estimates by 12 bps. The management stated that a 10 bps rate cut was passed on to customers in May 2025, followed by an additional 15 bps reduction in lending rates effective July 2025. Other income grew by 34% y-o-y to Rs. 9 crore. Opex above estimates by 9.2% to Rs. 68 crore (up by 39.7% y-o-y and down by 3.6% q-o-q) due to higher employee cost (revision in the salaries), branch expansion and rise in other Opex. PPOp, in line with estimates, grew by 8.7%/3.2% (y-o-y/q-o-q) due to NII growth. Credit cost grew by 7.3%/70.2% to Rs. 26 crore. It was also above estimates by 9.6% due to deterioration of asset quality. As a percentage of AUM, credit cost was above estimates by 2 bps 0.27% (up by 11 bps y-o-y). AUM grew by 9.0%/1.5% (y-o-y/q-o-q), to Rs. 38,773 crore, slightly below estimates by 1.0% as regional challenges persist. Disbursement grew by 8.7% y-o-y and dropped by 17.9% q-o-q. Karnataka disbursements remained flat due to ongoing issues with E-khaata, affecting loan growth. In Telangana, disbursement trends remained weak. GS-3 rose by 16/11 bps to 0.97% due to non-seasonality impact. NNPA rose by 12/8 bps (y-o-y/q-o-q) to 0.54%.

Key positives

- NII grew by 12.9%/4.1% (y-o-y/q-o-q) to Rs. 363 crore.

Key negatives

- Credit cost rose 11 bps q-o-q due to deterioration in the asset quality.
- Asset quality deteriorated 16 bps y-o-y and 11 bps q-o-q to 0.98%.

Management Commentary

- Disbursements seen at Rs. 10,500 crore for FY26 leading for 12-13% AUM growth. Besides, Rs. 2500 disbursement is expected for Q2FY26.
- NIM guidance is holding up well at 3.5% and 2.5% for FY26 despite reduction of 100 bps in the repo rate. The company passed on 25 bps rate cut to the customers
- Asset quality is expected to improve. GNPA is expected at 0.8-0.9% for FY26 from 0.98% in Q1FY26. Hence, credit cost guidance maintained at 0.15%, which is lower than Q1FY26.

Our Call

Valuation – We maintain a Buy with an unchanged PT of Rs. 850: Q1FY26 numbers were stable. The management guided for healthy AUM growth of 12-13% and 20% disbursement growth. Spreads and NIM are expected to hold up well at 2.5% and 3.5% for FY26 despite a reduction in the repo rate by 100 bps. Besides, It is a robust franchise with strong moats on the liability side along with has successfully demonstrated its ability to maintain its pristine asset quality for several years, and we expect the same to continue. The company also expects stabilizing Karnataka and Telangana region. Overall, we expect AUM/PAT CAGR of 13%/10% for FY25-FY27 and RoA/RoE at 2.2%/16.5% in FY27. At CMP, the stock trades at a reasonable valuation at 1.7x/1.5X its FY2026E/FY2027 BV. We maintain a Buy rating and PT of Rs. 850.

Key Risks

Slower-than-expected growth due to high competition, AUM growth execution risk due to IT transformation activities and non performance due to state specific issues.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net Interest Income	1,015	1,259	1,354	1,470	1,647
Net profit	621	751	857	929	1,051
EPS (Rs.)	46.7	56.4	64.4	69.8	78.9
P/E (x)	15.9	13.2	11.6	10.7	9.4
P/BV (x)	2.7	2.3	2.0	1.7	1.5
RoA (%)	2.0	2.2	2.2	2.2	2.2
RoE (%)	18.5	18.7	18.2	17.2	17.0

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

- ♦ **NII & Margin outlook:** NII grew by 12.9%/4.1% (y-o-y/q-o-q) to Rs. 363 crore (above estimates by 2.4%) due to a higher yield on AUM and lower cost of funds. NIM came in at 3.74% (% of AUM), up by 13 bps and 10 bps (y-o-y and q-o-q). The management stated that a 10 bps rate cut was passed on to customers in May 2025, followed by an additional 15 bps reduction in lending rates effective July 2025. They expect NIM at 3.5% and spread 2.5% for FY26 despite the reduction in the repo rate as certain portions of bank and NHB borrowings would be repriced lower due to their floating nature. The company has reduced lending rate by 25 bps due to reduction in the repo rate.
- ♦ **Loan growth outlook:** AUM grew by 9.0%/1.5% (y-o-y/q-o-q), to Rs. 38,773 crore, slightly below estimates by 1.0% as regional challenges persist. Disbursement grew by 8.7% y-o-y and dropped by 17.9% q-o-q. In Karnataka, disbursements remained flat in Q1FY26 due to ongoing issues with E-Khaata, which affected loan growth. Disbursement trends remained weak in Telangana. Going forward management guided for disbursements of Rs. 10,500 crore for FY26 leading for 12-13% AUM growth. Besides, Rs. 2500 disbursement is expected for Q2FY26.
- ♦ **Asset Quality :** It deteriorated in the quarter, GS-3 rose by 16/11 bps (y-o-y/q-o-q) to 0.98%. NNPA rose by 12/8 bps (y-o-y/q-o-q) to 0.54%. Thus, Credit cost grew by 7.3%/70.2% to Rs. 26 crore. It was also above estimates by 9.6%. As a percentage of AUM, credit cost was above estimates by 2 bps 0.27% (up by 11 bps y-o-y). Going forward, it is expected to improve in FY26 hence the management guided for credit cost of 0.15% (As a percentage of AUM) in FY26.

Results

Particulars	Q1FY25	Q4FY25	Q1FY26	y-o-y	Rs cr q-o-q
Interest Income	924	983	1,011	9.4%	2.9%
Interest Expenses	603	634	648	7.6%	2.2%
NII	321	349	363	12.9%	4.1%
Other Income	7	17	9	34.0%	-44.4%
Total Income	328	365	372	13.3%	1.9%
Opex	49	71	68	39.7%	-3.6%
PPOP	280	295	304	8.7%	3.2%
P&C	24	15	26	7.3%	70.2%
PBT	255	279	278	8.8%	-0.5%
Tax	55	45	54	-3.1%	18.8%
PAT	200	233.9	223.9	12.1%	-4.3%
AUM	35,559	38,217	38,773	9.0%	1.5%
Disbursements	1,853	2,455	2,015	8.7%	-17.9%

Source: Company; Mirae Asset Sharekhan Research

Asset Quality	Q1FY25	Q4FY25	Q1FY26	y-o-y (bps)	q-o-q (bps)
GNPA	0.82%	0.87%	0.97%	15.5	10.5
NNPA	0.42%	0.46%	0.54%	11.9	7.9

Source: Company; Mirae Asset Sharekhan Research

Key Metrics

Particulars	Q1FY25	Q4FY25	Q1FY26	y-o-y (bps)	q-o-q (bps)
NII as % of AUM	3.62	3.65	3.74	12.7	9.5
Fee income % of AUM	0.08	0.18	0.10	1.8	-7.9
OpEx as % of AUM	0.55	0.74	0.70	15.4	-3.7
Prov as % of AUM	0.28	0.16	0.27	-0.4	10.9
Tax Rate	0.62	0.47	0.55	-6.9	8.1

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Housing demand to grow at a steady pace

Long-term structural drivers remain strong for mortgages in India. With prices being stable/increasing, affordability remains strong. Hence, we remain assertive on real estate volumes for housing finance companies (HFCs) in salaried/prime markets. We expect steady mid-to-high-teen growth in this segment to continue. Smaller HFCs in the affordable space are delivering high growth by penetrating newer geographies. RBI reduced repo rate by 100 bps in the last couple of quarter. Hence, lower interest rate which would help to improve the volume. Besides, banking system liquidity has also improved, hence benefiting the NBFCs for growth. Overall, asset-quality trends are stable in the sector. Moreover, construction of additional three crore houses is under the PMAY Scheme, which is potentially positive.

■ Company Outlook – Attractive franchise

Can Fin has shown its ability to deliver superior return ratio metrics, has navigated stiff competition from the bank in the past, and its asset quality continues to be the best-in-class among peers. The company has strengthened its IT system; now management can focus on business development with enhanced centralised monitoring. Further, the management is taking initiatives for IT reforms which will improve the efficiency of the company. The management is also planning to open new branches in Tier-2 cities and is expanding in Tier-3 cities, which are high-margin regions as compared to Tier-1 cities.

■ Valuation – We maintain a Buy with an unchanged PT of Rs. 850

Q1FY26 numbers were stable. The management guided for healthy AUM growth of 12-13% and 20% disbursement growth. Spreads and NIM are expected to hold up well at 2.5% and 3.5% for FY26 despite a reduction in the repo rate by 100 bps. Besides, It is a robust franchise with strong moats on the liability side along with has successfully demonstrated its ability to maintain its pristine asset quality for several years, and we expect the same to continue. The company also expects stabilizing Karnataka and Telangana region. Overall, we expect AUM/PAT CAGR of 13%/10% for FY25-FY27 and RoA/RoE at 2.2%/16.5% in FY27. At CMP, the stock trades at a reasonable valuation at 1.7x/1.5X its FY2026E/FY2027 BV. We maintain a Buy rating and PT of Rs. 850

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Can Fin Homes	744	9,950	10.7	9.4	1.7	1.5	17.2	17.0	2.2	2.2
LIC Housing Finance	573	32,000	6.0	5.5	0.7	0.6	13.7	13.3	1.6	1.6

Source: Company; Mirae Asset Sharekhan Research

About company

Can Fin Homes is a leading HFC promoted by Canara Bank. The company has a wide network across 21 states and Union Territories, along with a strong brand. The company offers housing loans at competitive interest rates, both to salaried and self-employed borrowers. The company focuses on housing loans to individuals with ~89% of the book constituting to retail home loans.

Investment theme

We remain assertive on real estate volumes for HFCs in the salaried and prime/mid segment. We expect steady mid-to-high-teen growth in this segment to continue. We believe HFCs stand to benefit from this housing sector's growth as they are well equipped with superior customer service and last-mile connect with potential informal sector customers that large banks are unable to serve them. Increase in banking system liquidity, other policy tailwinds like lower interest rate are expected to aid for volume growth in the short to medium terms. Construction of additional three crore houses is under the PMAY Scheme 2.0, which is potentially positive.

Key Risks

Slower-than-expected growth due to high competition, AUM growth execution risk due to IT transformation activities and non performance due to state specific issues.

Additional Data

Key management personnel

Name	Designation
Suresh Iyer	MD and CEO
Abhishek Mishra	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Canara Bank	29.99
2	Chhattisgarh Investments Ltd	6.27
3	3P INDIA EQUITY FUND	4.26
4	Axis Asset Management Co Ltd/India	3.29
5	SBI Life Insurance Co Ltd	3.06
6	Vanguard Group Inc/The	2.68
7	Sarda Energy & Minerals Ltd	1.80
8	Nippon Life India Asset Management	1.66
9	Prudential PLC	1.65
10	Canara Robeco Asset Management Co	1.57

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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