

October 13, 2026

Tech transition weighs on growth; pace of recovery in focus...

About the stock: Can Fin Homes (CFHL) was promoted by Canara Bank in 1987, with ~30% stake as of Sep 2026. The HFC has a presence in 274 locations across 21 states and union territories (UTs).

- Housing loans comprise ~83% of book; of which ~67% is to salaried customers

Q2FY27 performance: Can Fin Homes reported a mixed performance, with disbursement at ₹2,373 crore (-7% YoY), resulting in loan book growth of ~10% YoY ~1% QoQ to ₹43,539 crore. Net interest income grew ~7% YoY (~1% QoQ) to ₹431 crore, while NIM moderated 13bps YoY (though improved 8 bps QoQ) to 3.89%, reflecting the impact of interest rate transmission. PAT grew ~9% YoY (-2.5% QoQ) to ₹275 crore. Asset quality remained healthy, with GNPA/NNPA stable at 0.9%/0.4%, reflecting stable collections and lower credit cost.

Investment Rationale:

- Growth outlook intact despite near-term moderations:** Loan book growth stood at ~10% YoY in Q2FY27, with disbursements impacted by Project TEJAS implementation despite healthy underlying demand. With tech rollout largely completed, redeployment of staff towards sales, contribution from 25 newly operational branches, improving productivity of newer branches and digital sourcing should support recovery in business momentum. Rundown moderated to 4.17% from 4.4% in Q1FY27, while a narrowing pricing gap should aid customer retention and prepayment. Management reiterated FY27 disbursement guidance of ~₹13,000 crore and AUM growth of 13–14%, while targeting ~₹16,000 crore disbursements and ~15%+ AUM growth in FY28.
- Margin resilience and asset quality support profitability:** Spread stood at 2.81% and NIM at 3.89% in Q2FY27, ahead of FY27 guidance of ~2.75%/~3.75%. After 25 bps repo-rate hike, management estimates a 12–13 bps increase in blended borrowing cost and raised housing loan rates by 10 bps. With ~87% of the loan book on quarterly reset, lending-rate transmission will occur within a quarter, while ~65% of borrowings are floating, with repo-linked borrowings repricing in November and T-bill-linked borrowings resetting quarterly. Asset quality remains comfortable with GNPA/NNPA at 0.90%/0.42% and credit cost guidance maintained at ~10 bps. We expect stable margins and benign credit cost to support RoA of ~2.3% and RoE of ~17%.

Rating and Target Price

- Implementation of IT transformation impacted disbursement during Q2FY27; however, with the technology upgrade now completed, business momentum is expected to recover. Execution of the Roadmap 2028 strategy and revival in business growth remains key trigger to boost valuation. Stable asset quality and prudent underwriting provide earnings visibility, while margin trajectory amid recent rate hike and recovery in disbursement momentum is expected to aid return ratios. We expect RoA to sustain 2.3% in FY27E-28E. Accordingly, we revise our target to ₹900 (earlier ₹1050), valuing the business at ~1.5x FY28E BV. Maintain Buy rating.



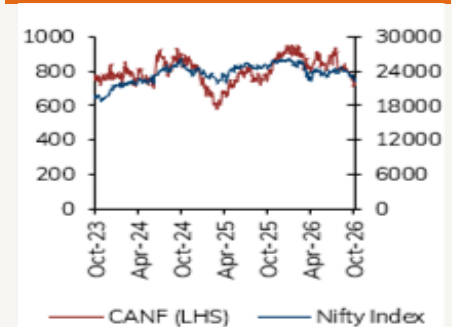
Particulars

Particulars	Amount
Market Capitalisation	₹ 9,944 crore
Networth	₹ 6,417 crore
52-week H/L	972 / 700
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

- Delay in accrual of benefit from tech upgrade
- Slower business growth

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Key Financial Summary

₹ crore	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	1354	1611	16.7%	1794	2048	12.8%
PPP	1153	1343	15.8%	1480	1696	12.4%
PAT	857	1086	20.5%	1105	1260	7.7%
ABV (₹)	367	437	17.8%	506	583	15.5%
P/E	11.4	9.0		8.9	7.8	
P/ABV	2.0	1.7		1.5	1.3	
RoA	2.2%	2.6%		2.3%	2.3%	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Operational Performance

- Q2FY27 disbursements stood at ₹2,373 crore, down ~7% YoY/~9% QoQ and below the guided ₹3,000 crore, largely due to disruption from the phased IT rollout. Management quantified the impact at ~₹358 crore.
- Disbursements in Karnataka are now stable at ₹230 to 250 crore. Introduction of property legality checks at sub-registrar offices by Telangana acted as headwind, though business momentum has normalised as process has been altered requiring verification before processing of loans.
- Rundown moderated to ₹1,795 crore in Q2FY27 from ₹1,857 crore in Q1FY27. July was elevated at ~₹655 crore, while August and September declined below ₹600 crore per month as measures to reduce excess repayment started showing results.
- Prepayment rates had increased from ~15.5–16% historically to ~17–17.5% during the declining-rate cycle. Management expects the recent rate hike to narrow the pricing gap with banks and support customer retention, with a 1–1.5 ppt reduction in rundown potentially lowering annual prepayment by ~₹400 crore.
- Loan book increased ~10% YoY/~1.3% QoQ to ₹43,539 crore. Management retained FY27 guidance of ₹13,000 crore disbursement and 13–14% AUM growth, closer to 14%.
- Q3FY27 disbursements are targeted at ~₹3,500 crore, with the Q2 shortfall expected to be covered in Q4. The company is also carrying ~₹100–120 crore of additional sanctioned-but-undisbursed loans versus Q1FY27.
- 25 of 28 planned branches for FY27 are now open and staffed. New branches typically require ~18 months to reach normal productivity of ~5 cases per employee per month. Branch staffing is increased as branches scale from small to medium categories, supporting higher disbursement productivity over time.

IT Transformation

- Project Tejas has been fully implemented, with the remaining branches migrating from October 1. LOS/LMS, reporting, infrastructure and security modules are now live across the organisation.
- Disbursement at branches undergoing migration declined ~70–75% during the implementation month before recovering to ~80–90% of earlier levels in the subsequent month.
- The disruption was primarily due to process changes under the new platform, including additional OTP requirements for borrowers/co-borrowers and migration of legacy data, which resulted in temporary processing delays.
- ~129 employees deployed across testing, training and implementation are being gradually redeployed to branches/functions following completion of the rollout.
- Sales-team strength is expected to increase from ~90 currently to ~150 during FY27, largely through internal redeployment, with more than 120 employees expected by December.
- Automation of manual processes, validations and customer journeys is expected to improve productivity and enable digital sourcing, which management targets at ~10% of incremental disbursements by FY28.

Margins

- Portfolio yield improved marginally to 9.84% from 9.81% in Q1FY27, while cost of borrowing increased to 7.03% from 6.98%. Spread moderated to 2.81%, while NIM improved to 3.89%.
- Management estimates the 25 bps repo hike would result in a ~12–13 bps increase in blended borrowing cost, against which 10 bps has already been

passed on through rate hike on housing loans. It may consider a ~15 bps increase for any subsequent equivalent hike in repo rate to protect margins.

- ~87% of the loan book is now on quarterly reset, while ~12% remains on annual reset. Management indicated that the quarterly-reset share may not increase materially from current levels as some existing customers have opted against shifting, while all incremental loans are on quarterly reset.
- Existing quarterly-reset loans will broadly be repriced over November-January, while repo-linked bank borrowings will be repriced from November 1 and T-bill-linked liabilities at their respective quarterly reset.
- Spread and NIM guidance were retained at 2.75%+ and 3.75%+, respectively.
- NHB sanctioned ₹1,350 crore of refinance, with blended cost expected at ~6.6–6.7% depending on the AHF mix. Undrawn sanctions remain at ~₹2,500 crore.

Asset Quality

- GNPA/NNPA increased marginally to 0.90%/0.42% in Q2FY27 from 0.87%/0.40% in Q1FY27, with gross NPA increasing by ~₹16 crore QoQ to ₹392 crore.
- Overall delinquency increased to 8.41% from 8.01% in Q1FY27, largely due to an increase in SMA-0.
- The increase in SMA-0 was partly attributable to the new system moving from month-end to daily overdue computation, resulting in small residual interest amount being flagged as overdue.
- Gross NPA increased by ~₹35 crore during H1FY27 versus ~₹40 crore during H1FY26. Management expects the usual H2 improvement in collections/recoveries to reduce GNPA from current levels.
- Credit cost stood at ~9 bps in Q2FY27, with management retaining FY27 guidance of ~10 bps.
- Management indicated that drought/water shortages in parts of Maharashtra and Karnataka could affect construction activity, though it remains too early to assess the impact.

Guidance

- FY27 disbursement guidance retained at ₹13,000 crore, with Q3 targeted at ~₹3,500 crore.
- AUM growth guidance retained at 13–14%, closer to 14%.
- Spread and NIM guidance retained at 2.75%+ and 3.75%+, respectively.
- Credit cost guidance retained at ~10 bps.
- Management is internally targeting ~₹16,000 crore disbursement in FY28, translating into 15%+ AUM growth.
- FY28 roadmap targets salaried/SENP mix of 65%/35%, HL/NHL mix of 80%/20% and South/Rest of India incremental disbursement mix of 60%/40%.
- Sourcing mix by FY28 is targeted at ~60% DSA, 20% marketing team, 10% direct and 10% digital.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Net Interest Inc	431	405	6.7	428	0.9	NII growth moderated due to margin compression Decline in yields led to margin compression
Reported NIM %	3.9%	4.0%	-13 bps	3.8%	8 bps	
Other Income	9.5	6.3	51.5	9.3	2.5	
Net Total Income	441	411	7.3	437	1.0	
Employee Benefit expense	49	43	13.5	49	0.8	
Other Operating Expenses	37	33	13.2	37	2.0	IT transformation expenses, including AMC and depreciation increased operating expenses
PPP	355	335	6.0	352	0.9	
Provision	7	3	140.6	13	-43.4	Credit cost continued to remain benign
PBT	347	332	4.7	339	2.6	
Provision for Tax	73	80	-9.4	71	2.7	
PAT	275	251	9.2	268	2.5	
Key Metrics						
GNPA	392	373	5.1	375	4.5	Asset quality continues to remain steady
NNPA	185	191	-3.1	180	2.8	
Total Loan Book	43539	39657	9.8	42961	1.3	Loan growth supported by non-housing and self-employed segment
Borrowings	39078	36107	8.2	38641	1.1	
C/I ratio	19.6%	18.6%	104 bps	19.5%	7 bps	Higher IT transformation expenses impacted C/I ratio

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	4,509	5,231
Interest Expended	2,488	2,563	2,716	3,183
Net Interest Income	1,354	1,611	1,794	2,048
% growth	7.6	18.9	11.4	14.2
Non-Interest Income	37	44	49	56
Net Income	1,391	1,655	1,843	2,104
Employee cost	112	177	199	217
Other operating Exp.	126	135	164	192
Operating Profit	1,153	1,343	1,480	1,696
Provisions	76	40	63	80
PBT	1,077	1,304	1,417	1,615
Taxes	220	218	312	355
Net Profit	857	1,086	1,105	1,260
% growth	14.2	26.7	1.8	14.0
EPS (₹)	64.4	81.5	83.0	94.6

Source: Company, ICICI 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	83.0	94.6
BV (₹)	380.5	449.1	519.1	598.6
ABV (₹)	367.5	437.3	506.4	583.0
P/E	11.7	9.2	9.0	7.9
P/BV	2.0	1.7	1.4	1.3
P/adj.BV	2.0	1.7	1.5	1.3
<u>Yields & Margins (%)</u>				
Yield on interest earning assets	9.9%	9.8%	9.8%	10.1%
Avg. cost of funds	7.4%	7.0%	6.7%	6.9%
Net Interest Margins	3.5%	3.8%	3.8%	3.8%
Spreads	2.4%	2.8%	3.1%	3.2%
<u>Quality and Efficiency</u>				
Cost / Total net income	17.7%	20.5%	20.8%	20.7%
GNPA%	0.9%	0.8%	0.8%	0.8%
NNPA%	0.5%	0.4%	0.4%	0.4%
RoE (%)	18.2%	19.7%	17.1%	16.9%
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
<u>Sources of Funds</u>				
Capital	27	27	27	27
Reserves and Surplus	5,041	5,954	6,886	7,944
Networth	5,067	5,980	6,913	7,971
Borrowings	35,289	38,258	42,989	49,502
Other Liabilities & Provisions	158	143	225	255
Total	40,514	44,381	50,126	57,728
<u>Applications of Funds</u>				
Fixed Assets	50	110	115	121
Investments	2,345	2,143	2,379	2,728
Advances	37,696	41,647	47,092	54,207
Other Assets	423	481	539	672
Total	40,514	44,381	50,126	57,728

Source: Company, ICICI Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	10.7%	9.5%	13.0%	15.1%
Advances	9.1%	10.5%	13.1%	15.1%
Borrowings	10.0%	9.1%	13.5%	14.0%
Total Income	7.6%	18.9%	11.4%	14.2%
Net interest income	7.6%	18.9%	11.4%	14.2%
Operating expenses	-7.3%	30.9%	16.5%	12.5%
Operating profit	11.3%	16.5%	10.2%	14.6%
Net profit	14.2%	26.7%	1.8%	14.0%
Book value	16.7%	18.0%	15.6%	15.3%
EPS	14.2%	26.7%	1.8%	14.0%

Source: Company, ICICI Research

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Hold: -5% to 15%;

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Sell: <-15%

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