

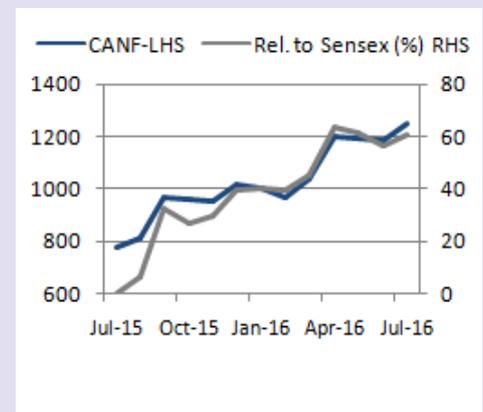
## Can Fin Homes

<b>BSE SENSEX</b> 27836	<b>NIFTY</b> 8541	<b>CMP: INR1253</b>	<b>TP: INR1550 (+24%)</b>	<b>Buy</b>							
Equity Shares (cr)	2.7	<b>YEAR</b>	<b>NET INC</b>	<b>PAT</b>	<b>EPS</b>	<b>EPS</b>	<b>PE</b>	<b>BV</b>	<b>P/BV</b>	<b>ROAA</b>	<b>ROAE</b>
52-Week Range (Rs)	1324/683	<b>END</b>	<b>(INRCr)</b>	<b>(INRCr)</b>	<b>(INR)</b>	<b>Gr.(%)</b>	<b>(X)</b>	<b>(INR)</b>	<b>(X)</b>	<b>(%)</b>	<b>(%)</b>
1,6,12 Abs.Perf.(%)	4/29/61	FY16	339	156	59	80	21.3	330	3.8	1.6	18.9
M.Cap. (Rs cr)	3,328	FY17E	464	212	80	36	15.7	399	3.1	1.7	21.9
M.Cap. (US\$ b)	51	FY18E	604	282	106	33	11.8	491	2.5	1.8	23.8

### Result Highlights - In-line results; Loan growth remains robust at 28%; NIMs expand 35bp YoY to 3.4%; PAT grows by 55%

- Can Fin's Net Income at INR 102cr grew by 46% YoY on the back of 28% growth in loan book and 35bp expansion in NIMs to 3.4% on a YoY basis. NIMs expanded 15bp QoQ. Further, lower OPEX led to a strong growth in Pre Provisioning Profits at INR 84cr, an increase of 55% YoY. Provisioning increased from INR 3.5cr to INR 5.5cr on YoY basis. Consequently profits grew by 55% at INR 49.7cr, in-line with our estimate.
- The borrowing profile has been shifting in favor of borrowings from NCDs/CPs/public deposits which stood at 47% as on 1QFY17 against 31% in 1QFY16. This is reflected in the expansion in spreads from 2.06% in 1QFY16 to 2.46% in 1QFY17. We expect this trend of expansion in spreads to continue over the next two years.
- Asset quality remains impeccable with GNPA's of 0.24% v/s 0.26% on a YoY basis.

INRCr	1QFY16	4QFY16	1QFY17	YoY	QoQ	FY16	FY17	YoY
Interest Income	242	295	309	28	5	1,083	1,389	28
Interest Expense	173	197	207	20	5	744	925	24
Net Interest Income	70	98	102	46	4	339	464	37
Other Income	0	0	0			-	-	
Net Income	70	99	102	46	4	339	464	37
Operating Expenses	16	5	18	16	254	67	84	25
Operating Profit	54	93	84	55	(10)	272	380	40
Provisions	4	14	6	57	(61)	19	36	85
Profit Before Tax	51	79	79	55	(1)	253	344	36
Tax Provisions	19	32	29	55	(10)	97	131	36
Net Profit	32	47	50	55	5	156	212	36
Loan Growth (%)	37	29	28			29	27	
NIMs (%)	3.0	3.2	3.4			3.2	3.4	
C/I Ratio (%)	22	5	18			20	18	
Gross NPAs (%)	0.26	0.19	0.24			0.19	0.19	



### Valuation & View

- Can Fin is the fastest growing HFC among listed companies with an expected loan growth of 28% CAGR over FY16-18E. Further Can Fin has the best in class asset quality with GNPA's at 0.24%.
- The non-housing book (LAP & others) is expected to grow at a faster rate and constitute 18% by FY18E from their current level of 12%. Simultaneously, low cost funding from NCD/CP/Public Deposits is expected to increase to 60% by FY18E from 35% in FY16. These strategic changes in the composition of loan book and borrowings are expected to translate into expansion of spreads from 2.23% in FY16 to 2.65% in FY18E.
- We expect Can Fin to deliver PAT CAGR of 35% over FY16-18E with an improvement in ROE from 18.9% in FY16 to 23.8% in FY18E. With the new reduced risk weightages, we believe Can Fin will be able to generate 20%+ ROE on a sustained basis from FY17E onwards. We value the stock at 3.2x (a 10% discount to peers due to comparatively lower ROE) and maintain our target of INR1,550. On P/E basis, Can Fin is trading at 16x FY17E and 12x FY18E EPS.

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