

February 11, 2025

Can Fin Homes Limited: [ICRA]AAA (Stable) assigned to Rs. 3,500-crore NCD programme; ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund-based bank facilities – Long term/Short term	27,750.00	27,750.00	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed
NCD programme	4,573.00	4,573.00	[ICRA]AAA (Stable); reaffirmed
	-	3,500.00	[ICRA]AAA (Stable); assigned
Subordinated debt programme	200.00	200.00	[ICRA]AAA (Stable); reaffirmed
Commercial paper	4,500.00	4,500.00	[ICRA]A1+; reaffirmed
Fixed deposits	750.00	750.00	[ICRA]AAA (Stable); reaffirmed
Total	37,773.00	41,273.00	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation continues to factor in the strong parentage of Can Fin Homes Limited (CFHL), its comfortable asset quality and healthy profitability on a sustained basis. Canara Bank¹, holding a stake of about 30%, has a stated position that CFHL is a core and strategic investment for it. The company also benefits from the strong managerial and operational guidance from Canara Bank, the shared brand name, and the ongoing funding support in the form of credit limits on an arm's length basis. CFHL reported assets under management (AUM) of Rs. 37,155.2 crore as on December 31, 2024, up 9.1% year-on-year (YoY) and 6.1% sequentially in 9M FY2025, compared to Rs. 34,998.6 crore as on March 31, 2024.

CFHL's focus on the relatively low-risk salaried (and professional) home loan segment has helped it report comfortable asset quality metrics. It has consistently maintained its gross stage 3 (GS3) below 1% and its credit cost has also remained low as a result. The GS3 assets stood at 0.9% as of December 2024 and 0.8% as of March 2024. Supported by the low operating and credit costs, CFHL's profitability indicators have remained healthy with a return on managed assets (RoMA) of 1.9-2.1% during FY2020-FY2024 and 2.1% (annualised) in 9M FY2025.

The ratings continue to consider CFHL's high gearing level, which stood at 7.1 times as on December 31, 2024 (7.3 times as on March 31, 2024). While the gearing has steadily reduced over the last five years (10.5 times as on March 31, 2018), it remains higher than most peers. The risk of operating with a high gearing is partially mitigated by the company's presence in the low-risk mortgage loan segments with a track record of very modest loan losses. The gearing is expected to stay below 8 times, going forward, and CFHL's internal accruals shall remain adequate to meet its near-term growth plans.

The Stable outlook on the rating reflects ICRA's opinion that CFHL would benefit from its association and support from Canara Bank. The company is also expected to have a stable asset quality, with the leverage remaining under control, and a healthy earnings profile.

¹ Rated [ICRA]AAA (Stable) for Basel III Tier II bonds and [ICRA]AA+ (Stable) for Basel III AT-I bonds

Key rating drivers and their description

Credit strengths

Strong parentage with Canara Bank holding 29.99% equity stake – CFHL enjoys board-level guidance from Canara Bank, given its position as an associate of the bank with a 29.99% stake in the company as of December 2024. The company's board of directors comprises nine members, with three nominee directors from the bank including the bank's Managing Director and Chief Executive Officer (CEO). Further, two members of the company's senior management team, including its Deputy Managing Director, are on deputation from the bank. CFHL has borrowing limits from Canara Bank, which would support its funding and liquidity requirement to an extent; its dependence on the bank has, however, declined over the years. The shared brand name helps the company secure funds at competitive rates from other lenders. In terms of risk and monitoring oversight, the bank conducts quarterly monitoring visits and also provides guidance on strengthening various risk and compliance aspects.

Comfortable asset quality – CFHL is present in the relatively lower-risk housing loan segment with housing loans comprising ~77% of its loan book as on December 31, 2024 (87% including commercial real estate residential loans) and non-housing loans (including top-up loans, staff loans, loan against property, builder loans, etc) for the balance (~23%). The salaried segment accounts for around 71% of the overall loans. ICRA takes comfort from the company's borrower profile and its presence in the relatively low-risk segment with a reasonable loan-to-value (LTV) ratio. Going forward, CFHL's portfolio mix is expected to remain skewed towards housing loans, which provides comfort.

ICRA notes that CFHL is developing its information technology (IT) infrastructure for the Loan Origination System (LOS) and Loan Management System (LMS), which is expected to enhance its operational efficiency. It is also pursuing significant IT projects to improve its technology platforms, thereby advancing analytics and the customer relationship management processes. Additionally, in response to fraud incidents in the past, the company has implemented several enhancements including a centralised disbursement and reconciliation system, a quarterly cluster-level risk management system, and a maker-checker process for document verification at the head office before submitting disbursement requests to banks. These initiatives have strengthened its fraud control systems.

CFHL's reported asset quality indicators remain healthy with GS3 assets of 0.9% and net stage 3 assets (NS3) of 0.5% as on December 31, 2024 vis-à-vis 0.8% and 0.4%, respectively, as on March 31, 2024. The provision coverage ratio (PCR) on the GS3 assets also remained adequate at ~45% as on December 31, 2024, though slightly lower than 49% as on March 31, 2024 (52% as on March 31, 2023). ICRA notes that the overall delinquency levels remain comfortable and are under control, though slippages from the restructured book (1.4% of the total portfolio as of December 2024) continue to be relatively higher than the rest of the book.

Good operating efficiency and low credit costs support profitability – CFHL's profitability has remained healthy with RoMA of 2.1% and a return on average net worth (RoNW) of 18.3% in 9M FY2025 vis-à-vis 2.1% and 18.8%, respectively, in FY2024. The profitability is supported by the company's good operating efficiency, competitive borrowing rates and low credit costs. The net interest margin remained largely stable at 3.6% in 9M FY2025 (3.6% in FY2024 and 3.3% in FY2023) with the company being able to pass on the changes in its cost of funding, given the floating lending rates. It expects to maintain a net interest margin of 3.5% on a steady-state basis in the near-to-medium term. CFHL's credit costs remained low at 0.2% of average managed assets (AMA; estimated) in 9M FY2025 as well as FY2024, supported by its healthy asset quality. Further, its operating expenses remained competitive at 0.6% of AMA in 9M FY2025 (0.7% in FY2024).

Credit challenges

High gearing, though limited loan quality risk and good internal generation support capital profile – CFHL's gearing stood at 7.1 times as of December 2024 (7.3 times as of March 2024) vis-à-vis 8.0 times as of March 2023. ICRA notes that the gearing has declined from 10.5 times as on March 31, 2018, but remains higher than most peers. The gearing level is expected to be capped at 8.0 times in the near-to-medium term. ICRA notes that the risk of operating with a high gearing is partially mitigated

by CFHL’s presence in the low-risk housing loan segment, wherein the borrowers are salaried individuals. As of December 2024, 71% of the outstanding loan book comprised exposures to the salaried segment (72% as of December 2023). ICRA expects the company to operate in a similar segment in the near-to-medium term. CFHL reported a capital-to-risk weighted assets ratio (CRAR) of 24.7% as of December 2024 against 24.5% as of March 2024.

Environmental and social risks

While housing finance companies (HFCs) like CFHL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the borrowers, to whom such HFCs have an exposure, face livelihood disruptions because of physical climate adversities, the same could translate into credit risks for the HFCs. However, such risk is not material for CFHL as it benefits from portfolio diversification.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for HFCs as any material lapse could be detrimental to their reputation and invite regulatory censure. CFHL has not faced any material lapses over the years, which highlights its sensitivity to such risks. ICRA also notes that the company has strengthened its internal processes following the instances of fraud at one of its branches in the previous year.

Liquidity position: Adequate

The company’s asset-liability management profile is characterised by negative cumulative mismatches (without factoring in committed lines) across maturity buckets in the less than 1-year bucket as on December 31, 2024, given the long-term nature of the asset class with the tenure of home loans ranging between 12 and 20 years while the borrowings are relatively short-tenured. However, CFHL had adequate on-book liquidity (including liquid investments in Government securities) of Rs. 1,560.4 crore and undrawn sanctions of Rs. 3,505.7 crore against debt obligations of Rs. 9,664.8 crore due from January 2025 to March 2025. As of December 2024, the company had maintained a liquidity coverage ratio of 167.2%.

The company’s funding profile remains fairly diversified. As of September 2024, 56.0% of the overall funding comprised borrowings from banks, followed by non-convertible debentures (NCDs; 19.0%), National Housing Bank (18.0%), commercial paper (6.0%) and deposits (1.0%).

Rating sensitivities

Positive factors – Not applicable

Negative factors – A significant deterioration in CFHL’s asset quality or gearing level would lead to a rating downgrade. Weakening in the credit profile of Canara Bank, a change in the bank’s support philosophy towards the company or a stake sale could also adversely impact the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	The ratings factor in ICRA’s expectation that Canara Bank would be willing to extend support to CFHL, if needed, given its importance as well as the shared brand name
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company

About the company

CFHL is a deposit-taking housing finance company (HFC) registered with National Housing Bank (NHB). Canara Bank holds a 29.99% stake in the company. Headquartered in Bengaluru, CFHL has a presence in 21 states and Union Territories. It reported a loan book of Rs. 37,155.2 crore as on December 31, 2024. It primarily provides relatively smaller-ticket housing loans to salaried, professional, and self-employed non-professional (SENP) borrowers. The average ticket size of housing loans is ~Rs. 23 lakh while the average ticket size of non-housing loans is ~Rs. 13 lakh. The average tenure of these loans is 7-8 years, with an income-to-installment ratio of less than 65%. CFHL reported a net profit (profit after tax; PAT) of Rs. 623.3 crore in 9M FY2025 on a loan book of Rs. 37,155.2 crore as on December 31, 2024 against a PAT of Rs. 750.7 crore in FY2024 on a loan book of Rs. 34,998.6 crore as on March 31, 2024.

Key financial indicators (audited)

Can Fin Homes Limited	FY2023	FY2024	9M FY2025*
	Ind-AS	Ind-AS	Ind-AS
Total income	2,742.1	3,524.7	2,880.0
Profit after tax	621.2	750.7	623.3
Total managed assets	33,378.2	37,399.5	40,278.1
Return on average managed assets	2.0%	2.1%	2.1%
Managed gearing (times)	8.0	7.3	7.1
Gross NPA	0.6%	0.8%	0.9%
CRAR	23.1%	24.5%	24.7%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; * Provisional; Amount in Rs. crore

Managed gearing = (On-book debt + Off-book portfolio)/Net worth

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 11, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	-	-	-	-	-	-	Jun-09-22	[ICRA]AA+ (Stable)	Mar-15-22	[ICRA]AA+ (Stable)
				-	-	-	-			Nov-18-21	[ICRA]AA+ &
				-	-	-	-			Aug-20-21	[ICRA]AA+ &
Bank lines – ST	Short term	-	-	-	-	-	-	Jun-09-22	[ICRA]A1+	Mar-15-22	[ICRA]A1+
				-	-	-	-			Nov-18-21	[ICRA]A1+
				-	-	-	-			Aug-20-21	[ICRA]A1+
Long-term/Short-term fund based	Long term/ Short term	-	-	-	-	-	-	Jun-09-22	[ICRA]AA+ (Stable)/ [ICRA] A1+	Mar-15-22	[ICRA]AA+ (Stable)/ [ICRA] A1+
Short-term loan	Short term	-	-	-	-	-	-	Jun-09-22	[ICRA]A1+	Mar-15-22	[ICRA]A1+
Long-term/Short-term fund-based bank facilities	Long term	27,750.00	[ICRA]AAA (Stable)/[ICRA] A1+	May-14-24	[ICRA]AAA (Stable)/ [ICRA] A1+	Jan-03-24	[ICRA]AAA (Stable)/ [ICRA] A1+	Mar-14-23	[ICRA]AA+ (Stable)/ [ICRA] A1+	-	-
				Dec-30-24	[ICRA]AAA (Stable)/ [ICRA] A1+	Dec-22-23	[ICRA]AAA (Stable)/ [ICRA] A1+	Sep-20-22	[ICRA]AA+ (Stable)/ [ICRA] A1+	-	-
Sub-debt	Long term	200.00	[ICRA]AAA (Stable)	May-14-24	[ICRA]AAA (Stable)	Jan-03-24	[ICRA]AAA (Stable)	Mar-14-23	[ICRA]AA+ (Stable)	Mar-15-22	[ICRA]AA+ (Stable)
				Dec-30-24	[ICRA]AAA (Stable)	Dec-22-23	[ICRA]AAA (Stable)	Sep-20-22	[ICRA]AA+ (Stable)	Nov-18-21	[ICRA]AA+ (Stable)
				-	-	-	-	Jun-09-22	[ICRA]AA+ (Stable)	Aug-20-21	[ICRA]AA+ (Stable)
NCD	Long term	4,573.00	[ICRA]AAA (Stable)	May-14-24	[ICRA]AAA (Stable)	Jan-03-24	[ICRA]AAA (Stable)	Mar-14-23	[ICRA]AA+ (Stable)	Mar-15-22	[ICRA]AA+ (Stable)

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 11, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
				Dec-30-24	[ICRA]AAA (Stable)	Dec-22-23	[ICRA]AAA (Stable)	Sep-20-22	[ICRA]AA+ (Stable)	Nov-18-21	[ICRA]AA+ (Stable)
				-	-	-	-	Jun-09-22	[ICRA]AA+ (Stable)	Aug-20-21	[ICRA]AA+ (Stable)
NCD	Long term	3,500.00	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-
Commercial paper	Short term	4,500.00	[ICRA]A1+	May-14-24	[ICRA]A1+	Jan-03-24	[ICRA]A1+	Mar-14-23	[ICRA]A1+	Mar-15-22	[ICRA]A1+
				Dec-30-24	[ICRA]A1+	Dec-22-23	[ICRA]A1+	Sep-20-22	[ICRA]A1+	Nov-18-21	[ICRA]A1+
				-	-	-	-	Jun-09-22	[ICRA]A1+	Aug-20-21	[ICRA]A1+
Fixed deposits	Long term	750.00	[ICRA]AAA (Stable)	May-14-24	[ICRA]AAA (Stable)	Jan-03-24	[ICRA]AAA (Stable)	Mar-14-23	[ICRA]AA+ (Stable)	Mar-15-22	MAAA (Stable)
				Dec-30-24	[ICRA]AAA (Stable)	Dec-22-23	[ICRA]AAA (Stable)	Sep-20-22	[ICRA]AA+ (Stable)	Nov-18-21	MAAA (Stable)
				-	-	-	-	Jun-09-22	[ICRA]AA+ (Stable)	Aug-20-21	MAAA (Stable)

ST – Short term

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund-based bank facilities – Long term/Short term	Simple
NCD programme	Simple
Subordinated debt programme	Simple
Commercial paper	Very Simple
Fixed deposits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based bank facilities – Long term/ Short term	Dec-26-13 to Jan-01-25	NA	Jan-03-24 to Apr-01-34	27,750.0	[ICRA]AAA (Stable)/ [ICRA]A1+
INE477A07308	NCD	Nov-10-21	6.10%	Feb-10-25	275.0	[ICRA]AAA (Stable)
INE477A07316	NCD	Feb-25-22	6.70%	Feb-25-25	500.0	[ICRA]AAA (Stable)
INE477A07324	NCD	Mar-10-22	6.80%	Jun-10-25	700.0	[ICRA]AAA (Stable)
INE477A07332	NCD	Mar-25-22	6.80%	Jun-25-25	260.0	[ICRA]AAA (Stable)
INE477A07340	NCD	Mar-30-22	6.85%	Jun-30-25	400.0	[ICRA]AAA (Stable)
INE477A07381	NCD	Feb-23-24	8.25%	May-21-27	1,000.0	[ICRA]AAA (Stable)
INE477A07399	NCD	Apr-03-24	8.18%	Apr-03-29	900.0	[ICRA]AAA (Stable)
INE477A07407	NCD	Jan-30-25	7.90%	Jan-30-30	500.0	[ICRA]AAA (Stable)
Proposed	NCD	NA	NA	NA	3,538.0	[ICRA]AAA (Stable)
Not issued yet	Sub-debt	NA	NA	NA	200.0	[ICRA]AAA (Stable)
INE477A14DH4	CP programme	Aug-11-24	7.26%	Feb-06-25	750.0	[ICRA]A1+
INE477A14DI2	CP programme	Nov-21-24	7.24%	Feb-20-25	500.0	[ICRA]A1+
INE477A14DJ0	CP programme	Dec-10-24	7.21%	Mar-11-25	500.0	[ICRA]A1+
INE477A14DK8	CP programme	Dec-30-24	7.55%	Mar-24-25	150.0	[ICRA]A1+
INE477A14DL6	CP programme	Jan-07-25	7.25%	Mar-18-25	450.0	[ICRA]A1+
INE477A14DM4	CP programme	Jan-21-25	7.70%	Apr-24-25	500.0	[ICRA]A1+
INE477A14DN2	CP programme	Jan-22-25	7.70%	Apr-23-25	500.0	[ICRA]A1+
Proposed	CP programme	NA	NA	NA	1,150.00	[ICRA]A1+
NA	Fixed deposit	-	-	-	750.0	[ICRA]AAA (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

R Srinivasan
+91 44 4596 4315
r.srinivasan@icraindia.com

Ajay Bathija
+91 22 6114 3448
ajay.bathija@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



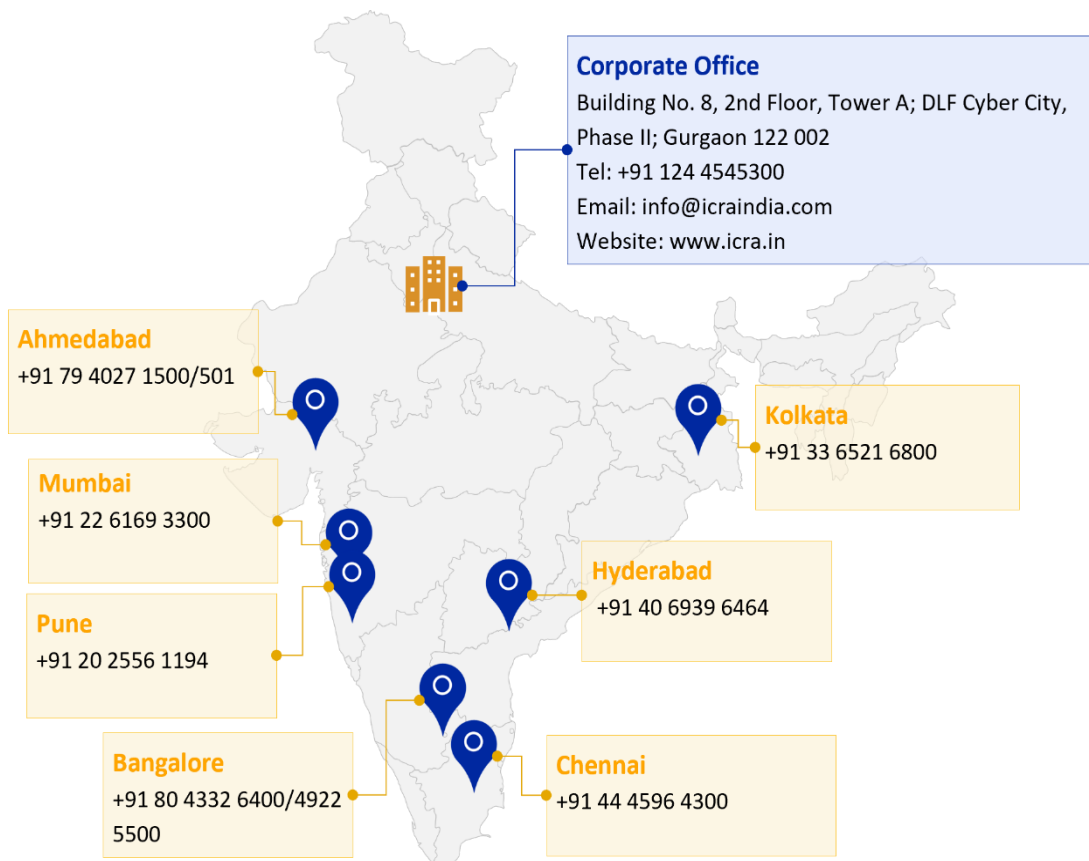
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.