

July 26, 2017

## Can Fin Homes Limited

Can Fin Homes Limited (CFHL) has announced its Q1 FY2018 results on July 21, 2017

**Business growth:** During Q1FY2018, the company reported a 23.5% YoY growth in its loan book to Rs. 13,808 crore; the loan book registered a 3.7% QoQ growth from Rs. 13,313 crore as on March 31, 2017. The company's disbursements grew only by 10% YoY to Rs. 1,153 crore in Q1FY2018 primarily on account of the slowdown following the lack of clarity on implementation of Real Estate (Regulation and Development) Act (RERA), introduced in May 2017. CFHL's disbursements grew by 22% during FY2017.

The company's portfolio mix remained stable with home loans and non-home loans contributing 88% and 12% of the portfolio respectively as on June 30, 2017. The salaried to non-salaried proportion also remained consistent with the FY2017 trend of 75:25. Further, the company's operations continue to be geographically concentrated with southern India contributing around 74% of the total portfolio as on June 30, 2017. The company's network includes 130 branches, 33 satellite offices and 12 affordable housing loan centres as on June 30, 2017 as compared with 124 branches, 36 satellite offices and 10 affordable housing loan centres as on March 31, 2017.

**Asset quality:** The company's asset quality dipped in Q1FY2018, with gross NPAs of 0.38% and net NPAs of 0.17% as on June 30, 2017 as compared with 0.24% and 0.04% respectively as on June 30, 2016 and 0.21% and 0.00% as on March 31, 2017.

**Profitability:** In line with the declining interest rates, the company's blended yields declined to 10.59% during Q1FY2018 (10.96% during FY2017) with a concurrent decline in the cost of funds to 7.84% during Q1FY2018 (8.35% during FY2017). Accordingly, CFHL's spreads improved marginally to 2.75% during Q1FY2018 from 2.62% during FY2017.

CFHL reported a 43% YoY increase in profit after tax to Rs. 71.22 crore during Q1FY2018 supported by a 19% YoY increase in total income, though partially offset by a 12% YoY growth in operating expenses. The company's net interest income (NII) grew by 34% YoY during Q1FY2018 led by lower interest expenses owing to lower cost of funds. The company's cost to income ratio declined to 14.90% during Q1FY2018 (17.78% during Q1FY2017 and 17.02% during FY2017) as it converted some of its satellite offices into full-fledged branches resulting in lower expenditure and improved profitability. The company's profitability remains good with reported return on assets (RoA) of 2.11% and return on equity (RoE) of 25.54% during Q1FY2018 (RoA of 1.97% and RoE of 21.86% during FY2017).

**Capitalisation:** CFHL is adequately capitalised with CRAR and Tier-1 of 19.17% and 16.70% respectively as on June 30, 2017, which remained comfortably above the regulatory requirements. The gearing levels remain at nearly 11 times as on June 30, 2017, in line with the value as on March 31, 2017.

**Funding mix:** The funding mix shifted to money market instruments, which contributed 52% of the total borrowing as on June 30, 2017 (51% as on March 31, 2017), followed by NHB funding (27% as on June 30, 2017 and 28% as on March 31, 2017), banks (19% as on June 30, 2017) and remaining deposits.

- The results are broadly in line with expectations
- The key operating and financial metrics remained steady as compared with Q4FY2017
- The results reveal a slight deterioration in asset quality, which however remains under control and better than peers. ICRA notes that the impact of recent events including demonetisation and implementation of Real Estate (Regulation and Development) Act (RERA) has led to some

disruption in the market. ICRA expects the disruption to be temporary as the industry transitions to comply with the new regulations.

The previous rating rationale is available on the following link:

[Previous rating rationale](#)

**Key financial ratios:**

	<b>FY2016</b>	<b>FY2017</b>	<b>Q1FY2017</b>	<b>Q1FY2018</b>
Net interest income	300.94	422.06	91.87	123.30
Profit before tax	253.86	370.18	78.53	111.18
Profit after tax	157.11	235.03	49.73	71.22
Net advances	10,643	13,313	11,183	13,808
Total assets	10,795	13,458	11,267	13,886
% Tier 1	17.64%	16.01%	16.72%	16.70%
% CRAR	20.69%	18.50%	19.53%	19.17%
Gearing	10.79	11.03	10.87	11.01
% Net profit/Average Advances (ROA)	1.69%	1.97%	1.84%	2.11%
% Return on net worth	17.89%	21.86%	21.66%	25.54%
% Gross NPAs	0.19%	0.21%	0.24%	0.38%
% Net NPAs	0.00%	0.00%	0.04%	0.17%
Net NPA/Net worth	0.00%	0.00%	0.49%	2.10%

*Amounts in Rs. crore*

*Source: Company results, ICRA research*

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