

# Financial Services

**Sector Update**

June 23, 2026

Coverage Universe

| Name of the Company                          | Rating     | TP (INR) | CMP (INR) |
|--|------------|----------|-----------|
| AAVAS Financiers                             | Accumulate | 1,585    | 1,467     |
| Bajaj Finance                                | BUY        | 1,100    | 968       |
| BSE  | BUY        | 4,850    | 4,033     |
| Can Fin Homes                                | BUY        | 1,075    | 892       |
| Cholamandalam Investment and Finance Company | Buy        | 1,950    | 1,719     |
| Home First Finance Company India             | Accumulate | 1,350    | 1,148     |
| LIC Housing Finance                          | Hold       | 575      | 548       |
| Mahindra & Mahindra Financial Services       | Accumulate | 325      | 294       |
| Shriram Finance                              | BUY        | 1,200    | 993       |
| Sundaram Finance                             | Accumulate | 4,900    | 4,522     |

## Steady growth with Karnataka recovery underway

### Quick Pointers

- **Strong disbursement momentum across KA branches as e-khaata issue normalizes**
- **Focusing on direct marketing activities, builder tie-ups to generate leads**
- **Expect to maintain NIM; cost ratios to be elevated over the medium-term**

We met with the management of Can Fin Homes (CANF) and visited branches in Bangalore to assess demand trends, underwriting practices and sourcing dynamics in Karnataka. Our interactions indicate strong growth in disbursements, largely driven by self-construction activity and company remains confident of meeting its FY27 target of Rs ~130 bn. We build a loan growth of 14% in FY27E factoring new branches/ manpower addition and e-khaata resolution giving boost to KA/TL run-rate. While larger NBFCs (LIC HF, Bajaj Housing Finance) are key competitors offering lower interest rates, CANF is focusing on direct marketing activities, builder tie-ups, branch expansion and faster TAT to drive growth. Expect FY27/ FY28E NIM to trend in-line with guidance at 3.75% as portfolio reprices; company has built-in levers to manage an elevated CoF. Cost/income ratio to be elevated at ~18% over FY27-28E due to investments in IT and branch expansion; credit cost outlook benign. We value the stock at 1.8x Mar-28E P/ABV, resulting in a TP of Rs 1,075. Reiterate BUY.

- **Disbursement momentum picking up:** Company highlighted a strong pick-up in Apr/ May-26 disbursements as registration-related issues in KA and TL normalise. While the e-khaata issue is not completely resolved especially at the Gram Panchayat level, it expects KA and TL to contribute to disbursements of ~Rs 4 bn per month. Other geographies continue to outperform with North/West/TN growing 30-40% and company plans to open ~28 new branches over H1FY27. It is targeting disbursements of ~Rs130bn and loan growth of ~14% in FY27; we build the same led by new branches/ manpower addition and e-khaata resolution.
- **Expect to maintain NIM in FY27E:** Management reiterated its guidance to maintain spread/ NIM at 2.75%/ 3.75% over the medium term. ~60% of its borrowings are linked to term loans, where the cost is lower than NCDs (7.8% -7.9%) and company expects NHB drawdowns to ease CoF pressure in FY27. In the event of a rate hike of ~25 bps, company is confident of passing on ~12 bps to customers and will manage CoF to keep NIM stable.
- **Expect opex to be elevated:** Cost ratios are likely to be elevated in FY27E, driven by (i) ~Rs400mn additional IT spend on new LOS/ LMS and (ii) ~28 new branches to be added across India. We expect C/I ratio of ~18% over FY27-28E on account of the addition of new branches, manpower and IT spend. Credit cost outlook to be benign at 15 bps for FY27E.

- **Diversifying away from DSAs:** While majority of the leads are coming from DSAs currently, company has set up a separate sales team (~80 people) contributing ~Rs 9 bn of disbursements (FY26). This team carries out direct marketing activities like site visits, pamphlets, exhibitions to reach out to customers. It is also tying up with local builders for Approved Project Finance (APF) where the legal and technical approvals are completed beforehand, to ensure a faster TAT.

### CANF – branch visit KTAs

Our interaction with CANF branches in Bangalore (Karnataka) suggests that the franchise continues to focus on small-ticket housing loans with an average ticket size of Rs 3-4mn, largely catering to salaried borrowers based on formal documentation such as bank statements, salary slip/ ITR. Lending is extended for both residential apartments and self-construction properties, with an average LTV of ~70%.

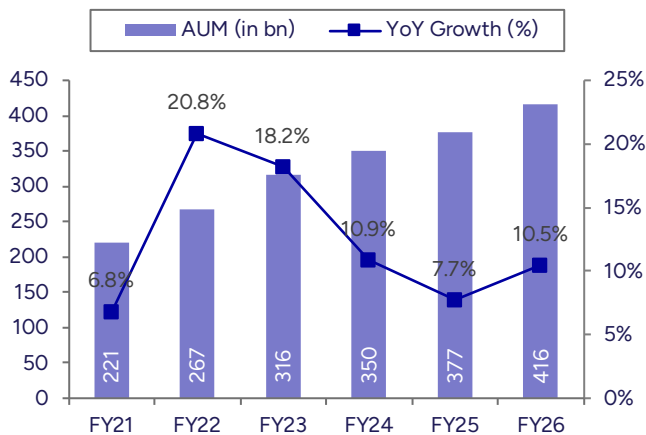
- While disbursement momentum has picked up, e-khaata issues have not been completely resolved at the Gram-Panchayat level. Hence, the number of files processed by most branches remain 10-15% lower than the previous run-rate.
- Branches focus more on HL (with prime lending rate of 9.0%- 9.2%). LAP/ Top-up loans usually have a higher rate of ~10%-11%.
- Pricing flexibility is occasionally offered on a case-to-case basis through processing fee waivers or rate concessions, particularly for borrowers with strong credit profiles/ high CIBIL score.
- Sourcing is mainly DSA-driven with commission pay-outs of ~45-50 bps. Company also has a central team focusing on direct marketing activities and APF/ local builder tie-ups with Sattva, Purvankara, Srinivas, RK builders etc. to generate leads.
- TAT is usually ~7-10 days. With APF tie-ups, the legal and technical approvals are completed beforehand, so it can be <5 days in some cases.
- Most BT-outs go to larger NBFCs (LIC HF, Bajaj Housing Finance, PNB HF, Tata Capital etc.) offering relatively lower interest rates. Since a lot of these cases relate to top-up loans, CANF tries to retain the customer by offering the same.
- Branches indicate a negligible bounce rate of 2-3%. Most of these cases are resolved within 3-5 days, with reminder calls/ follow-up visits by RMs.
- No specific incentive structure linked to sales for RMs. Variable pay-outs depend on all aspects of performance (sales, collections, credit underwriting etc.)
- Most branches are in the process of migrating to the new LOS/ LMS system (developed by Pennant Technologies).
- Some branches offer a No Income Product (NIP), lending to cash-salaried/ UPI-linked borrowers like gig workers, delivery boys, house-help etc.

Exhibit 1 : Key points observed during branch visits

| Particulars                       | Can Fin Homes   |
|-----------------------------------|---|
| Average Ticket Size               | Rs 3 - 4 mn   |
| Customer Profile                  | Mostly salaried   |
| Rate of interest                  | 9%- 9.2% for salaried borrowers; 10%-11% for LAP loans                                  |
| Loan To Value Ratio (%)           | 70%- 80%  |
| Documents required                | KYC documents (Pan/Aadhar), bank statements, salary slips, GST/ ITR, property documents |
| Lead generation                   | Mainly DSAs; some through walk-ins/ referrals and direct marketing activities           |
| No. of people in the branch       | 7-8 people  |
| Turnaround Time (TAT)             | ~7 days; lower if in case of an APF tie-up  |
| No. of files disbursed in a month | ~20-25 files  |
| Incentive structure               | No specific incentive structure linked to sales for RMs                                 |
| Bounce rate                       | Negligible; RMs to follow up with phone calls/ home visit                               |
| Separate team for collections     | No - RM responsible for collections as well   |

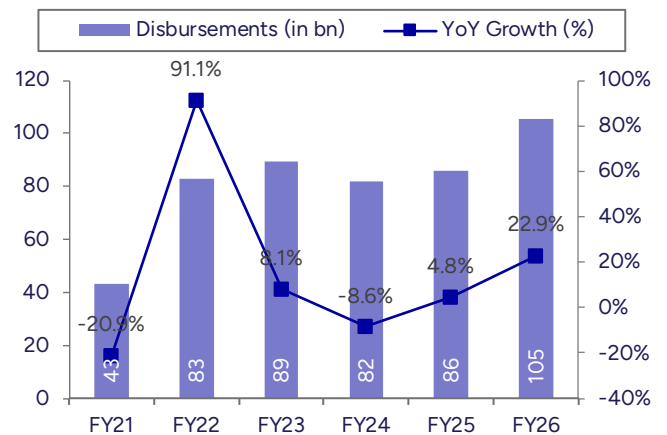
Source: Company, PL

Exhibit 2 : AUM grew at a CAGR of 11% while....



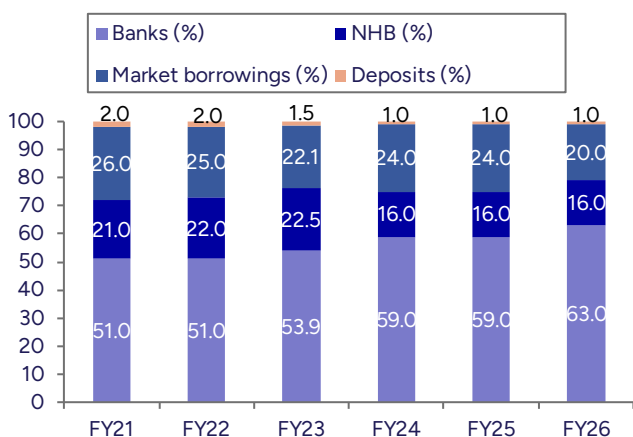
Source: Company, PL

Exhibit 3 : Disbursements grew at a CAGR of 16% over FY21-26



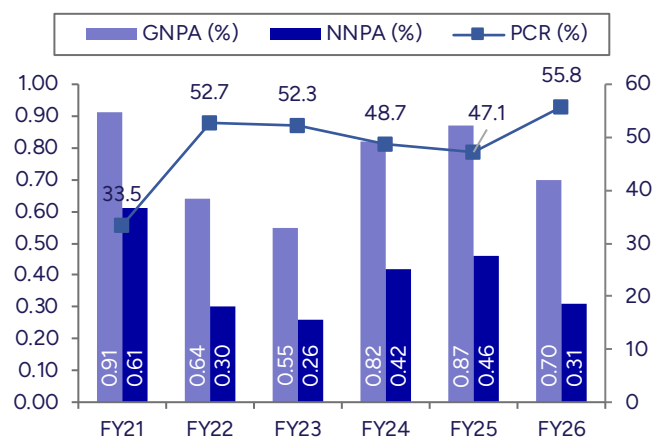
Source: Company, PL

Exhibit 4 : Bank funding mix trended upward over FY21-26



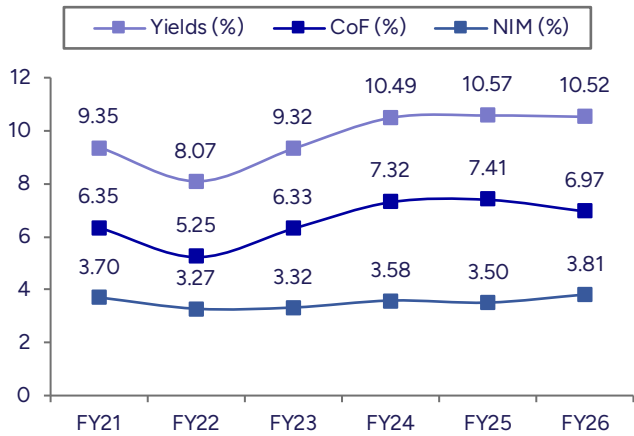
Source: Company, PL

Exhibit 5 : Asset quality remained resilient over FY21-26



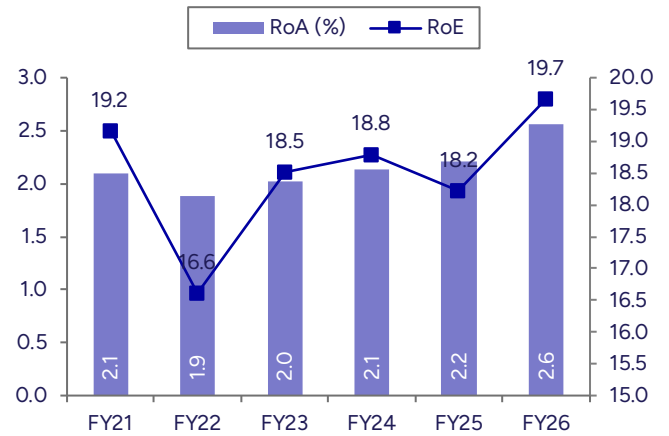
Source: Company, PL

Exhibit 6 : Increase in yields led to margin expansion



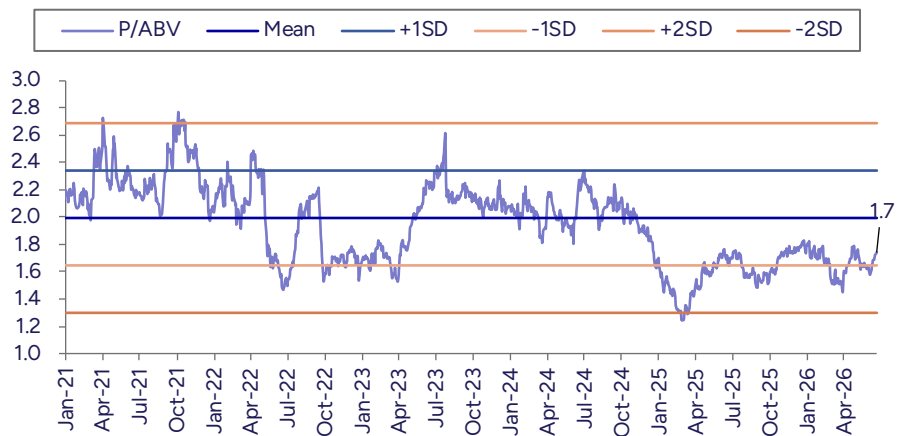
Source: Company, PL

Exhibit 7 : RoA improved while RoE remained stable over FY21-26



Source: Company, PL

Exhibit 8 : One-year forward P/ABV of CANF trades at 1.7x



Source: Company, PL

**Analyst Coverage Universe**

| Sr. No. | Company Name                                 | Rating     | TP (INR) | Share Price (INR) |
|---------|--|------------|----------|-------------------|
| 1       | AAVAS Financiers                             | Accumulate | 1585     | 1446              |
| 2       | Bajaj Finance                                | BUY        | 1100     | 930               |
| 3       | BSE  | BUY        | 4850     | 3999              |
| 4       | Can Fin Homes                                | BUY        | 1075     | 915               |
| 5       | Cholamandalam Investment and Finance Company | Buy        | 1950     | 1640              |
| 6       | HDFC Life Insurance Company                  | Buy        | 835      | 632               |
| 7       | Home First Finance Company India             | Accumulate | 1350     | 1215              |
| 8       | ICICI Prudential Life Insurance Company      | Buy        | 700      | 547               |
| 9       | LIC Housing Finance                          | Hold       | 575      | 560               |
| 10      | Mahindra & Mahindra Financial Services       | Accumulate | 325      | 294               |
| 11      | Max Financial Services                       | Buy        | 2075     | 1654              |
| 12      | SBI Life Insurance Company                   | Buy        | 2200     | 1885              |
| 13      | Shriram Finance                              | BUY        | 1200     | 1011              |
| 14      | Sundaram Finance                             | Accumulate | 4900     | 4385              |

**PL's Recommendation Nomenclature (Absolute Performance)**

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>BUY</b>               | : > 15%                           |
| <b>Accumulate</b>        | : 5% to 15%                       |
| <b>Hold</b>              | : +5% to -5%                      |
| <b>Reduce</b>            | : -5% to -15%                     |
| <b>Sell</b>              | : < -15%                          |
| <b>Not Rated (NR)</b>    | : No specific call on the stock   |
| <b>Under Review (UR)</b> | : Rating likely to change shortly |

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