

Can Fin Homes

Can Fin Homes - Q3 FY21 Results

- ✓ Marginal NII/NIM beat despite aggressive pricing corrections taken in Q3 - NII came at Rs2.14bn v/s our expectation of Rs2.1bn
- ✓ Funding cost was 8% lower qoq suggesting seminal fall in cost of borrowing and sustained funding tailwinds
- ✓ Employee cost stood higher than even pre-Covid levels (up 39% yoy) – probably manifesting the changes being done in branch operations and credit (we have picked this from ex-employees)
- ✓ Negligible provisions indicative of lower-than-expected NPL flow and restructuring, and smaller increase in non-NPL delinquent pool (30-90 dpd)
- ✓ Co. continues to hold provision buffer (was not utilized during Q3) of Rs0.73bn, 35 bps of loan book

Initial impression (in the absence of PR and Presentation)

- ✓ Results are strong as expected. Marginal credit cost w/o dipping into Covid buffer is the key positive surprise. It further increases probability of some provisioning write-back, as was indicated to us in a recent interaction.
- ✓ Disbursement and BT Out trends remain key monitorable, with bold pricing initiatives taken by management since October. Any hint of growth will drive valuation re-rating from the current multiple of 2x FY23 P/ABV.
- ✓ Remain positive on Can Fin and expect stock performance to catch-up on a likely stronger growth commentary from the Management

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