

Can Fin Homes Limited

December 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	5,000.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	1,375.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	2,500.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	3,000.00	CARE AAA; Stable	Reaffirmed
Tier II bonds	300.00	CARE AAA; Stable	Reaffirmed
Commercial paper	4,500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings of long-term bank facilities and debt instruments of Can Fin Homes Limited (CFHL) continue to draw comfort from the strong parentage of Canara Bank (rated 'CARE AAA; Stable'; primary shareholder of CFHL) resulting in board level guidance and sharing of the common brand name. Canara Bank views CFHL as an important entity and has expressed its resolve to extend support to CFHL irrespective of its modest shareholding and intent to maintain the equity holding. Considering the parentage and CFHL's robust performance, it enjoys strong financial flexibility and has been able to raise funds through diversified sources at competitive rates. Ratings also factor in CFHL's relatively low risk portfolio with loans predominantly extended to the salaried class, continuation of healthy financial performance with stable profitability while maintaining strong asset quality and adequate capitalisation. The rating strengths far out-weigh credit challenges of high leverage and regional concentration of its loan portfolio.

Rating Sensitivities - Factors likely to lead to rating actions

Positive Factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

Not applicable

Negative Factors- Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Weakening of the credit profile of Canara Bank.
- Change in Canara Bank's philosophy towards CFHL or announcement of stake sale.
- Increase in gearing (total debt/net-worth) beyond 10x levels.
- Weakening of asset quality with gross stressed assets of above 5% on a sustained basis.

Analytical approach: Standalone, factoring in the parentage in Canara Bank, with whom, CFHL shares the brand name and derives managerial and financial support. The bank's management has expressed strong resolve to support the entity.

Outlook: Stable

The 'Stable' outlook reflects the strong parentage backing, low risk portfolio resulting in healthy asset quality and stable profitability.

Detailed description of key rating drivers

Key Strengths

Strong parentage

CFHL is promoted by Canara Bank (rated CARE AAA; Stable), which holds majority stake of 29.99% in the company as on September 30, 2024. Canara Bank being its sponsor, the company enjoys management and board guidance, and sharing of the brand name, besides strong financial flexibility. Canara Bank has deputed three of its senior-level officers as representatives on CFHL's board including, K Satyanarayana Raju, Managing Director and CEO, Canara Bank. Canara Bank views CFHL as an important

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications

entity and has expressed its resolve to support CHFL irrespective of its modest shareholding, and its intent to maintain the stake. CARE Ratings Limited (CARE Ratings) expects the support from the parent to continue going forward.

Healthy asset quality despite moderation in FY24 aided by low-risk portfolio dominated by housing loans to salaried class

CHFL mainly focuses on loans to salaried and professional class which constituted 71% of the total outstanding loan portfolio as on September 30, 2024. ~77% of the overall portfolio constitutes of housing loans, while the balance is made of mortgage loan/loan against property and other top-up loans, and personal loans, among others. Loans to salaried customers forming the loan portfolio's major share has resulted in comfortable asset quality parameters over the years. Loans in both housing and non-housing segments are backed by adequate security leading to healthy asset quality.

Average ticket size of loans in the housing loan segment was at ₹15 lakh, with an average loan to value (LTV) ratio of ~47%. Asset quality has slightly moderated with the gross non-performing assets (GNPA) of 0.88% as on September 30, 2024 (March 31, 2024: 0.82%), and net non-performing assets (NNPA) at 0.47% (March 31, 2024: 0.42%) compared to GNPA and NNPA of 0.55% and 0.26%, respectively, as on March 31, 2023. This is due to slippages from the restructured book. The provision coverage ratio has moderated from 52.29% as on March 31, 2023, to 48.67% as on March 31, 2024. As on September 30, 2024, the company's standard restructured loans stood at ₹455 crore (1.24% of gross advances). Gross stressed assets stood at 2.12% as on September 30, 2024 (2.30% as on March 31, 2024), against 2.75% as on March 31, 2023. CARE Ratings expects the asset quality to remain healthy going forward.

Diversified resource profile

CHFL has access to diversified sources to meet its borrowing requirement including term loans from private and public banks contributing 60% (P.Y: 57% as on September 30, 2023), non-convertible debentures contributing 18% (PY: 16%), deposits amounting to 1% (PY: 1%), commercial paper forming 7% (PY: 7%) and refinancing from National Housing Bank (NHB) contributing 14% (PY: 19%) as on September 30, 2024. As a practice, the company maintains significant amount of undrawn credit lines (including working capital limits) as liquidity buffer. The company has not availed NHB refinancing in the last financial year due to the lower proportion of affordable housing finance in the total funding.

Stable profitability levels

The company has reported consistent profits over the years mainly owing to stable net income margin (NIM) and control in the company's operating and credit costs. Yields have improved from 8.96% in FY23 to 10.13% in FY24, however with cost of funds also increasing from 6.31% in FY23 to 7.30% in FY24, NIM has slightly improved from 3.33% in FY23 to 3.62% in FY24. Opex remained stable at 0.57% (PY: 0.58%), however, the credit cost has increased from 0.14% in FY23 to 0.40% in FY24 considering moderation in asset quality due to slippages from restructured book. Considering the above, return on total assets (ROTA) has improved marginally from 2.04% in FY23 to 2.16% in FY24. The company has reported a profit after taxes (PAT) of ₹411 crore against a total income of ₹1894 crore in H1FY25. CARE Ratings expects the profitability levels to remain stable with the ability to maintain spreads and the asset quality remaining healthy.

Key weaknesses

Regional concentration of operations

CHFL has a relatively moderate sized player in the industry with a loan portfolio of ₹36,591 crore as on September 30, 2024. The company remains southern region focused with 134 of 219 total branches in south India. As on September 30, 2024, 67% (March 24:68%) total advances came from the southern states, of which Karnataka alone contributes to 19.10% of loan portfolio (March 2024: Karnataka: 22%). CARE Ratings expects the regional concentration to continue over the medium term.

Adequate capitalisation levels and high gearing levels

Healthy profit generation has helped the company to maintain a comfortable capital adequacy ratio (CAR) of 24.56% as on September 30, 2024, against regulatory requirement of 15%. Despite 10% growth in the loan book in FY24, the company's overall gearing has improved from 8.09x as on March 31, 2023, to 7.46x as on March 31, 2024. The company has been able to raise funds through diversified sources at lower rates enabling them to operate at relatively higher leverage levels. CARE Ratings expects the capitalisation levels to remain at similar levels over the medium term.

Liquidity: Adequate

As per the asset liability maturity (ALM) statement submitted by the company as on September 30, 2024, CFHL's liquidity profile is characterised by no negative cumulative mismatches. As on September 30, 2024, the company had unavailed bank limits of ₹5,441 crore besides cash and bank balance of ₹456 crore and investments of ₹1,912 crore against debt repayment obligation of ₹9,175 crore for the next one year. The advances inflow for the next one year stood at ₹9,284 crore. CARE Ratings draws comfort from the company's demonstrated ability to raise funds at competitive rates through its diversified resource base, considering strong parentage and its robust performance.

Environment, social, and governance (ESG) risks

CFHL recognises the importance of energy management and has started quantifying energy consumption in terms of energy units. The company works on installation of solar roof panels in villages and focuses on waste management. CHFL prioritises business model resilience through regular risk assessments, contingency planning, diversification of revenue streams, market monitoring and investment in technology and innovation. Ensuring data security and customer privacy is critical to protecting customer information from cyber-attacks and data breaches. CFHL recognises the importance of fostering a corporate culture that encourages open communication, feedback, and embraces diversity and inclusion. CHFL has established strong corporate governance practices, by adherence to standards and principles of corporate governance, compliance with statutory and regulatory guidelines, strong internal control systems, risk assessments, and providing timely and adequate disclosures of information, among others.

Applicable Criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Housing Finance Companies](#)

[Short Term Instruments](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

[Withdrawal Policy](#)

About the company

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

CFHL was incorporated in 1987 by Canara Bank (rated CARE AAA; Stable) in association with financial institutions including HDFC and UTI. CFHL is the first bank-sponsored housing finance company in India with Canara Bank holding a stake of 29.99% as on September 30, 2024. The company is engaged in providing housing finance to individuals for construction, purchase, repair and upgradation of houses. The company operates mainly in southern India with 128 of 219 total branches in south India as on September 30, 2024, with 72% total advances from southern states. As on September 30, 2024, CHFL's advances stood at ₹36,591 crore, housing loans account for major share (~77% as on September 30, 2024) of CFHL's portfolio, and overall loans to salaried class form the major share of ~73% as on September 30, 2024. The company reported GNPA ratio of 0.82% and NNPA at 0.42% as on March 31, 2024, against GNPA ratio of 0.55% and NNPA at 0.26% as on March 31, 2023. (GNPA and NNPA of 0.88% and 0.47%, respectively, as on September 30, 2024). Average ticket size of loan outstanding as on March 31, 2024, was ~₹14.96 lakh for housing loans with average LTV of 47% and ₹10.12 lakhs for non-housing loan, with average LTV of ~24%.

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	30-09-2024 (UA)
Total operating income	2743	3525	1894
PAT	621	751	411
Total Assets	33022	36536	39116
Net NPA (%)	0.26	0.42	0.47
ROTA (%)	2.04	2.16	2.17

A: Audited; UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated for this company: Annexure 4

Lender details: Annexure-5

Annexure -1: Details of instruments/Facilities:

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier II Bonds	INE477A08025	03-12-2014	8.94%	03-12-2024	100	CARE AAA; Stable
Bonds-Tier II Bonds	Proposed	-	-	-	200	CARE AAA; Stable
Commercial Paper-Commercial Paper (Standalone)	INE477A14DE1	03-10-2024	7.30%	13-12-2024	500	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE477A14DF8	03-10-2024	7.30%	30-12-2024	500	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE477A14DG6	08-11-2024	7.26%	27-01-2025	250	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE477A14DH4	08-11-2024	7.26%	06-02-2025	750	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE477A14DI2	21-11-2024	7.24%	20-02-2025	500	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	Proposed	-	-	-	2,000	CARE A1+
Debentures-Non-Convertible Debentures	INE477A07308	10-11-2021	6.10%	10-02-2025	275	CARE AAA; Stable
Debentures-Non-Convertible Debentures	INE477A07316	25-02-2022	6.70%	25-02-2025	500	CARE AAA; Stable
Debentures-Non-convertible debentures	INE477A07324	10-03-2022	6.80%	10-06-2025	700	CARE AAA; Stable
Debentures-Non-Convertible Debentures	INE477A07332	25-03-2022	6.80%	25-06-2025	260	CARE AAA; Stable
Debentures-Non-Convertible Debentures	INE477A07357	24-08-2022	7.80%	24-11-2025	1000	CARE AAA; Stable
Debentures-Non-convertible debentures	INE477A07340	30-03-2022	6.85%	30-06-2025	400	CARE AAA; Stable
Debentures-Non-Convertible Debentures	INE477A07365	23-12-2022	8.08%	23-03-2026	301	CARE AAA; Stable
Debentures-Non-Convertible Debentures	INE477A07373	27-02-2023	8.45%	27-05-2026	935	CARE AAA; Stable
Debentures-Non-Convertible debentures	INE477A07381	23-02-2024	8.25%	21-05-2027	1000	CARE AAA; Stable
Debentures-Non-Convertible Debentures	INE477A07399	03-04-2024	8.18%	03-04-2029	900	CARE AAA; Stable
Debentures-Non-Convertible debentures	Proposed	-	-	-	604	CARE AAA; Stable
Fund-based - LT-Term Loan	-	-	-	March 2031	5000	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Tier II Bonds	LT	300.00	CARE AAA; Stable	1)CARE AAA; Stable (25-Sep-24)	1)CARE AAA; Stable (26-Sep-23)	1)CARE AAA; Stable (27-Sep-22)	1)CARE AAA; Stable (28-Sep-21)
2	Debentures-Non-convertible debentures	LT	1375.00	CARE AAA; Stable	1)CARE AAA; Stable (25-Sep-24)	1)CARE AAA; Stable (26-Sep-23)	1)CARE AAA; Stable (27-Sep-22)	1)CARE AAA; Stable (28-Sep-21)
3	Debentures-Non-convertible debentures	LT	2500.00	CARE AAA; Stable	1)CARE AAA; Stable (25-Sep-24)	1)CARE AAA; Stable (26-Sep-23)	1)CARE AAA; Stable (27-Sep-22)	1)CARE AAA; Stable (28-Sep-21)
4	Debentures-Non-convertible debentures	LT	3000.00	CARE AAA; Stable	1)CARE AAA; Stable (25-Sep-24)	1)CARE AAA; Stable (26-Sep-23)	1)CARE AAA; Stable (27-Sep-22)	1)CARE AAA; Stable (28-Sep-21)
5	Commercial Paper-Commercial Paper (Standalone)	ST	4500.00	CARE A1+	1)CARE A1+ (25-Sep-24)	1)CARE A1+ (26-Sep-23)	1)CARE A1+ (27-Sep-22)	1)CARE A1+ (28-Sep-21)
6	Fund-based - LT-Term Loan	LT	5000.00	CARE AAA; Stable	1)CARE AAA; Stable (25-Sep-24)	1)CARE AAA; Stable (26-Sep-23)	1)CARE AAA; Stable (27-Sep-22)	1)CARE AAA; Stable (28-Sep-21)

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities - Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Tier II Bonds	Complex
2	Commercial Paper-Commercial Paper (Standalone)	Simple
3	Debentures-Non-Convertible Debentures	Simple
4	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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