Twitter Thread by Intrinsic Compounding



Intrinsic Compounding
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Some points for Canfin Homes bulls to ponder upon:

1. It has been on the block twice in the last 5 years. Why didn't anyone buy?

2. If it gets sold, would the liabilities side stability remain?

3. Is it granular enough or only limited to Tier 2 cities unlike Aavas which is in

Tier 3 and Tier 4 and is able to print abnormal ROAs.

4. NIMs are okay-ish for a HFC. ROA is good at 2%+

5. ROE is 19%, because it is leveraged almost 9x.

My view remains- it isn't granular enough to escape competition from Banks like SBI and ICICI etc. Thus we see a lower

growth rate. Why not HDFC ltd over this in that scenario if you are settling for a lower growth rate and also taking the risk of competition and company being sold. Its likely to be a compounder and not a fast grower. Adjust expectations accordingly.

Disc: not invested in both^