

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
28-June-24	Quick Insight	788	770 – 790	930 – 950


LIC Housing Finance Ltd.
Q1FY25 Quarterly Result Highlight

LIC Housing Finance Ltd. (LICHF) Q1FY25 earnings performance was dragged by weak disbursement momentum and NIM contraction. LICHF's PAT was flat YoY/ rose +19% QoQ to ₹13bn. During the quarter, NII came at ₹19.89bn down -10% YoY/ -11% QoQ with NIM contracting -45bps YoY/-32bps QoQ to 2.8%. Interest income was flat YoY/ -2% QoQ to ₹67.39bn, with yields falling -32bps YoY/-6bps QoQ to 9.8%. Interest expense was higher by +6% YoY/+2% QoQ to ₹47.5bn with cost of funds coming in at 7.8%, up +14bps YoY/ flat QoQ. Total operating expenses remained well within control at ₹2.62bn up +8% YoY/-32% QoQ. Provisions during the quarter came notably below at ₹1.43bn, down -60% YoY/ -67% QoQ.

- **Assets Under Management** – LICHF's loan book witnessed muted growth of +4% YoY/+1% QoQ to ₹2,887bn. Disbursement for the quarter stood strong at ₹129bn on YoY basis (+19%) on account of lower base impacted by technological changes undertaken in Q1FY24, however, fell sequentially (-29%). Amid competition, downward pressure on loan repricing continues. Management is looking to grow non-IHL business segments such as developer finance, LAP, etc. and aims to record double digit loan book growth in FY25.
- **Asset Quality** – Asset quality improvement continued in Q1FY25, with GNPA falling by -169bps YoY/ -2bps QoQ while NNPA came at 1.7% -131bps YoY/+5bps QoQ. Stage-3 assets remained largely stable at 3.3% on a sequential basis. Key highlight of the quarterly earnings was the sharp reduction of ~40bps in credit cost sequentially primarily due to provision releasing of stage 2 assets worth ₹200bn. Management aims to maintain credit cost between 25-30bps in FY25 to be supported by recoveries from NCLT.
- **Net Interest Margin** – Yield on advances for the quarter were under pressure, moderating -32bps YoY/ -6bps QoQ to 9.8%. While yield may remain under pressure amid intense competition, management looking to mitigate this by undertaking several initiatives such as focus on self-employed customers, increase non-IHL segment mix and increase CIBIL score based buckets (750-775 & 775-800) to improve product pricing. Net interest margin contracted -45bps YoY/-32bps QoQ to 2.8%, impacted by lower interest income from recovered NPA accounts. Management believes NIM to bottom out at current levels and should sustain between 2.7-2.9% in FY25.
- **Concall Highlights** – 1) To increase non-IHL loan mix from 13-14% in FY24 to 20% by FY25 2) Borrowings Mix – EBLR - 49%, Repo Linked – 30%, MCLR – 21%. 3) To penetrate self-employed customer segment, risk-based pricing will be revisited 4) Collections moderated in Q1FY25 across the product segment 4) Project Finance mix will increase focus on large builders.

Outlook and View

LIC Housing Finance Ltd.'s posted weak performance on the growth front and witnessed margin pressures during the quarter, however, lower credit cost offset the impact to a large extent. Moderation in growth is likely to have bottomed out this quarter as the management's stance on growth in non-IHL segments along-with completion of technological implementations should drive growth in disbursements going forward. Additionally, incremental growth from higher margin segments and management's loan repricing efforts should support NIM profile at current levels and restrict any further notable contraction in NIMs.

At CMP, LICHF is trading at 0.9x its FY26e P/Bk value. Significant correction in stock price post result announcement indicates that most of the adversity is already priced in, hence we expect it to recover from current levels and thus recommend to hold the stock.

Important Data

Nifty	23,993
Sensex	78,593

Key Stock Data

CMP (₹)	652
Market Cap (₹bn)	358.86
52W High/Low	826.75/410.10
Shares o/s (crs)	55.0
Daily Vol. (3M NSE Avg.)	32,86,3r
BSE Code	500253
NSE Code	LICHSGFIN
Bloomberg Code	LICHF:IN

Shareholding Pattern (%) – Jun'24

Promoter	45.24
FII	23.19
FII	21.22
Public & Others	10.36

Financials

Particulars	(₹ bn)		
	FY24	FY25E	FY26E
Net Int. Inc.	8,838	8,459	8,891
Net Int. Marg.	3.2%	2.9%	2.8%
Operating Exp.	1,146	1,181	1,244
Core Profit	7,698	7,286	7,657
Provisions	1,644	1,316	1,368
PBT	6,054	5,970	6,290
Tax	1,289	1,164	1,226
PAT	4,765	4,806	5,063
EPS	87	87	92
BVPS	572	646	737
P/Bk	1.1	1.0	0.9
ROA	1.7%	1.6%	1.6%
RoE	16.2%	14.2%	13.0%

Source: Company, Way2Wealth Research

Relative Performance

Return(%)	1Yr	3Yr	5Yr
LIC Hsng. Fin.	51%	64%	30%
Nifty50	23%	48%	122%
Sensex	19%	45%	115%

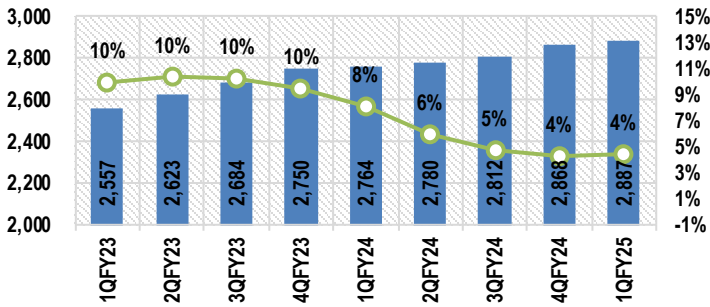
Source: Company, Way2Wealth Research

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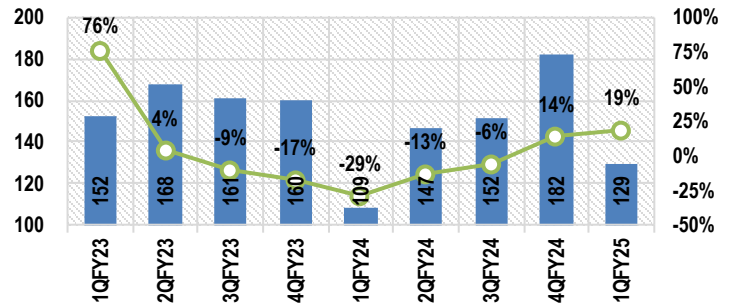
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Financials in Chart

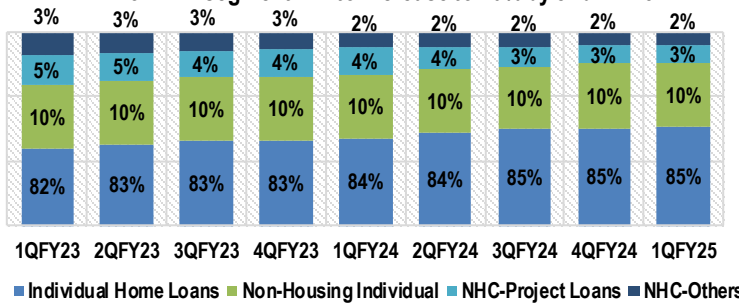
Loan Book growth moderates off-late



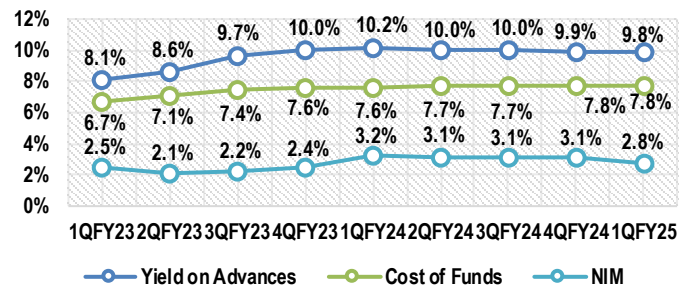
Disbursement growth to pick up from Q2FY25 onwards



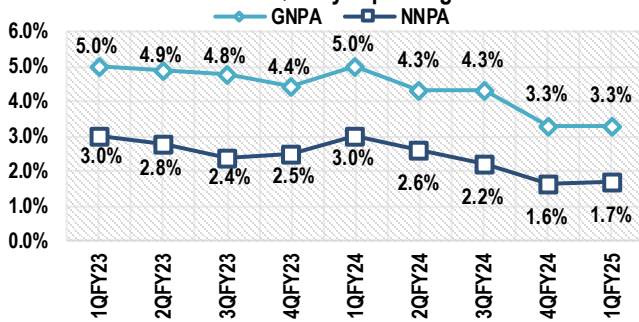
Non-IHL segment mix to increase to 20% by end-FY25



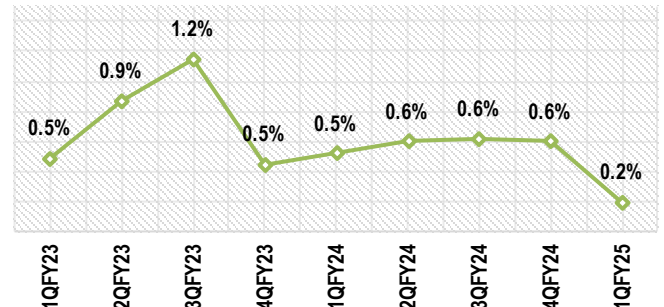
NIMs likely to bottom-out



Asset Quality improving



Credit cost on continuous improvement



Source: Company, Way2Wealth Research

Quarterly Financials

(₹ bn)

Particulars	Q1FY25	Q1FY24	% YoY	Q4FY24	% QoQ	FY24	FY23	%YoY
Interest earned	6,739	6,704	1%	6,888	-2%	27,042	22,516	20%
Interest expensed	4,750	4,494	6%	4,650	2%	18,391	16,186	14%
Net Interest Income	1,989	2,209	-10%	2,238	-11%	8,651	6,330	37%
Other operating income	45	43	4%	49	-9%	187	141	33%
Other Income	0	0		0		6	17	
Total Income	2,034	2,252	-10%	2,287	-11%	8,844	6,488	36%
Employee cost	151	133	14%	198	-24%	610	473	29%
Other operating cost	111	109	1%	184	-40%	536	515	4%
Total Operating Expenses	262	243	8%	383	-32%	1,146	988	16%
Operating Profit	1,772	2,010	-12%	1,904	-7%	7,698	5,500	40%
Provisions and contingencies	143	361	-60%	428	-67%	1,644	1,943	-15%
Profit before tax	1,628	1,649	-1%	1,476	10%	6,054	3,557	70%
Tax Expense	328	325	1%	385	-15%	1,289	666	93%
Profit after tax	1,300	1,324	-2%	1,091	19%	4,765	2,891	65%
EPS	23.6	24.1	-2%	19.8	19%	86.6	52.6	65%

Source: Company, Way2Wealth

Financials

(₹ bn)

Particulars	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	19,727	19,819	19,919	22,657	27,228	27,992	29,482
Interest Expense	14,781	14,450	14,177	16,186	18,391	19,532	20,591
Net Interest Income	4,946	5,368	5,742	6,471	8,838	8,459	8,891
Other income	-29	-1	34	17	6	8	10
Core Income	4,917	5,367	5,776	6,488	8,844	8,467	8,901
Fees and commission expense	47	88	112	159	155	160	168
Employee benefits expense	328	324	563	473	610	629	662
Depreciation and amortisation expenses	51	52	52	66	65	67	71
Other expenses	213	254	248	290	316	325	343
Total expenses	639	719	976	988	1,146	1,181	1,244
Operating Profit	4,278	4,648	4,800	5,500	7,698	7,286	7,657
Impairment on financial instruments	952	1,318	2,022	1,943	1,644	1,316	1,368
Profit before tax	3,326	3,330	2,778	3,557	6,054	5,970	6,290
Tax Expense	879	624	491	666	1,289	1,164	1,226
Profit after tax	2,447	2,706	2,287	2,891	4,765	4,806	5,063
Earnings per share	48	54	43	53	87	87	92

Source: Company, Way2Wealth

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Disclosure of Interest Statement: LIC Housing Finance Ltd. as on 07 August 2024

Name of the Security	LIC Housing Finance Ltd.
Name of the analyst	Prasad Hase
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Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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