

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
28-June-24	Quick Insight	788	770 – 790	930 – 950
07-Aug-24	Q1FY25	652		


**LIC Housing Finance Ltd.**
**Q2FY25 Quarterly Result Highlight**

LIC Housing Finance Ltd. (LICHF) Q2FY25 posted mixed earnings performance as healthy asset quality improvement with multiple quarter low credit cost offset moderation in growth rate. LICHF's PAT was up +12% YoY/ +2% QoQ to ₹13.3bn. During the quarter, NII came at ₹19.0bn down -8% YoY/ -2% QoQ with NIM contracting -41bps YoY/-5bps QoQ to 2.7%. Interest income was up +2% YoY and QoQ to ₹68.5bn, while yields fell -27bps YoY/-6bps QoQ to 9.8%. Interest expense was higher by +6% YoY/+3% QoQ to ₹48.8bn with cost of funds coming in at 7.7%, up +7bps YoY/ down -3bps QoQ. Total operating expenses remained elevated at ₹3.1bn up +20% YoY/ +18% QoQ. Provisions during the quarter came notably below at ₹0.8bn, down -82% YoY/ -46% QoQ.

- **Assets Under Management** – LICHF's loan book witnessed growth of +6% YoY/ +2% QoQ to ₹2,946bn. Disbursement for the quarter stood strong at ₹165bn up +12% YoY / +28% QoQ. During the quarter, to tap in opportunity arising out of PMAY scheme in affordable housing finance segment, company launched a new product to cater to self-employed category with better yield. In Q2FY25, disbursements in Project Finance segment were up 223% YoY to ₹14bn, in-line with management's strategy to increase Project Finance share mix.
- **Asset Quality** – Asset quality improvement continued in Q2FY25, with GNPA at 3.1% falling by -128bps YoY/ -24bps QoQ while NNPA came at 1.6% -102bps YoY/ -11bps QoQ. Credit cost during the quarter fell to ~11bps as against ~10bps in Q1FY25. One lumpy project finance account worth ~₹4bn has gone to ARC and the management expects it to get resolved soon. Additional 4-5 accounts are also at different stages of resolutions.
- **Net Interest Margin** – As indicated in the previous quarter, further break-up of customer base, based on CIBIL score, was undertaken with implementation of 15-20 bps higher repricing for lower CIBIL windows (701-725). Additionally, launch of new product for self-employed segment and focus on ramping up of Project finance book could improve yields going forward even without considering interest rate cut impact. Incremental blended yields are higher at ~9.4% while incremental CoF are lower at 7.71%. Management reiterated it plans to maintain NIM profile between 2.7-2.9% in FY25.
- **Concall Highlights** – 1) Expect 5-10 bps NIM improvement in Q3 – Q4FY25 2) No PLR hike during the quarter, 3) Higher OPEX cost was in-line with growth in disbursements during the quarter 4) Loan book likely to grow at low-double digit in FY25 and incorporating growth from affordable segment, it could range between 12-15% 5) Company has ~200 accounts in Project Finance segment, largest exposure is ~₹5.5bn. Out of this, no. of accounts under stage 3 could be 35-40.

**Outlook and View**

LIC Housing Finance Ltd. posted better sequential performance recovering from last quarter's low growth base and posted notable asset quality improvement. Launch of new product for self-employed segment to tap in opportunities under affordable segment, focus on building Project Finance book and festive season demand to act as catalyst for loan growth momentum pick-up. Additionally, several initiatives such as CIBIL score based sub-segmentation of customer profile, focus on high-yielding segments would support management's approach of margin accretive growth expansion. **We remain bullish in anticipation of better earnings performance in H2 compared to H1 and hence recommend to HOLD at CMP of 634, trading at 0.9x its FY26e P/B.**

**Important Data**

Nifty	24,484
Sensex	80,378

**Key Stock Data**

CMP (₹)	634
Market Cap (₹bn)	348.99
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 (%) – Sep'24**

Promoter	45.24
FIIs	21.95
DIIs	20.53
Public & Others	12.29

**Financials**

Particulars	(₹bn)		
	FY24	FY25E	FY26E
Net Int. Inc.	8,838	7,985	8,791
Net Int. Marg.	3.2%	2.7%	2.8%
Operating Exp.	1,146	1,209	1,258
Core Profit	7,698	6,784	7,543
Provisions	1,644	526	954
PBT	6,054	6,257	6,589
Tax	1,289	1,345	1,285
PAT	4,765	4,912	5,304
EPS	87	89	96
BVPS	572	648	743
P/Bk	1.1	1.0	0.9
ROA	1.7%	1.7%	1.7%
RoE	16.2%	14.5%	13.6%

Source: Company, Way2Wealth Research

**Relative Performance**

Return(%)	1Yr	3Yr	5Yr
LIC Hsng. Fin.	40%	47%	53%
Nifty50	25%	35%	102%
Sensex	23%	33%	96%

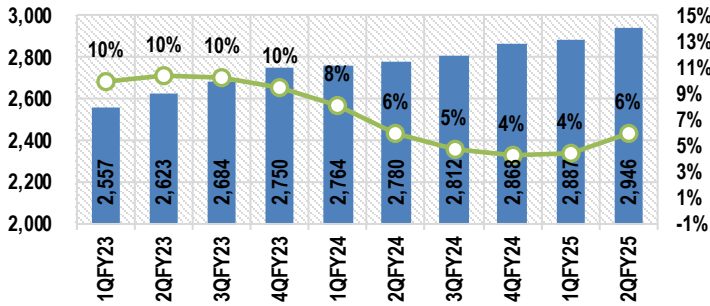
Source: Company, Way2Wealth Research

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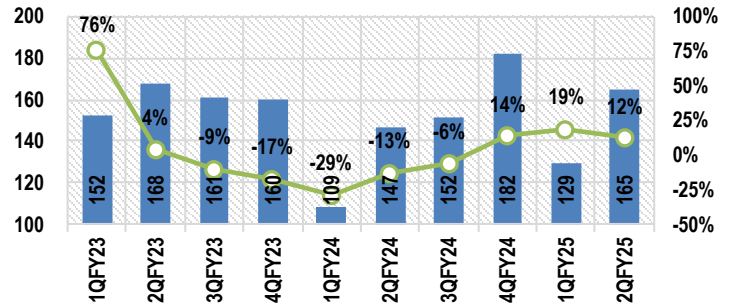
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Financials in Chart

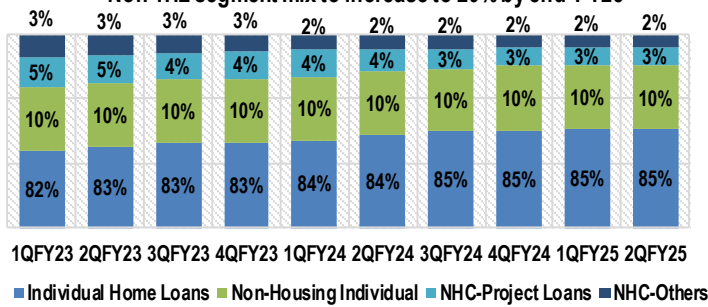
Loan Book recovers from previous quarter's lows



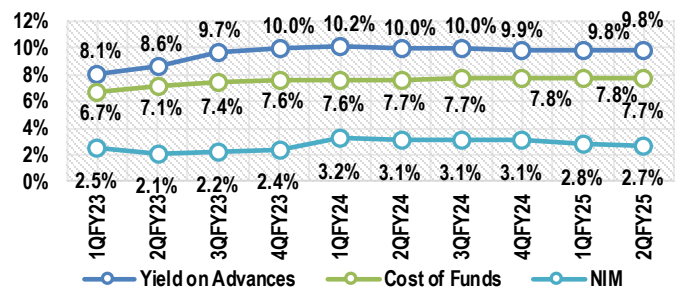
Rosbust disbursement growth witnessed in Q2FY25



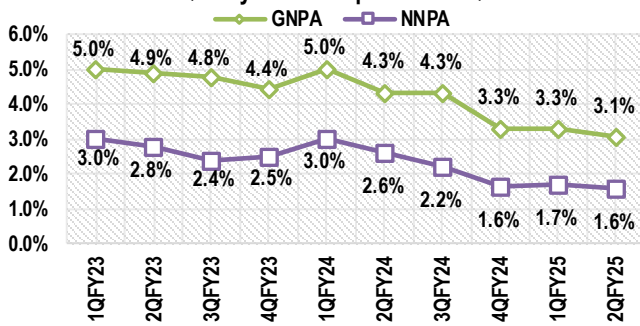
Non-IHL segment mix to increase to 20% by end-FY25



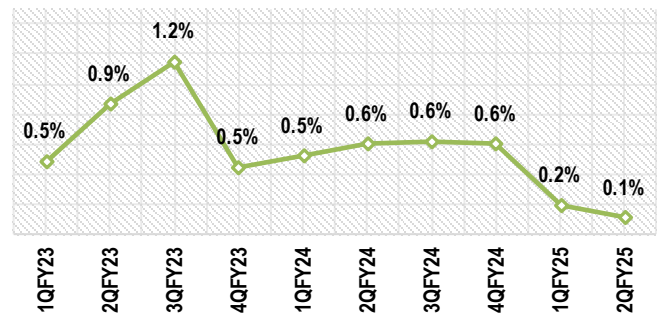
NIMs likely to rebound going forward



Asset Quality further improves in 2QFY25



Credit cost improves notably



Source: Company, Way2Wealth Research

**Quarterly Financials**

(₹ bn)

Particulars	Q2FY25	Q2FY24	% YoY	Q1FY25	% QoQ	H1FY25	H1FY24	%YoY
Interest earned	6,853	6,707	2%	6,739	2%	13,593	13,410	1%
Interest expensed	4,880	4,600	6%	4,750	3%	9,630	9,094	6%
<b>Net Interest Income (Core)</b>	<b>1,974</b>	<b>2,107</b>	<b>-6%</b>	<b>1,989</b>	<b>-1%</b>	<b>3,963</b>	<b>4,316</b>	<b>-8%</b>
Other operating income	72	47	56%	45	62%	117	89	31%
<b>Net Interest Income (Inc. OOI)</b>	<b>1,901</b>	<b>2,060</b>	<b>-8%</b>	<b>1,945</b>	<b>-2%</b>	<b>3,846</b>	<b>4,227</b>	<b>-9%</b>
Other Income	6	6		0		6	6	
<b>Total Income</b>	<b>2,052</b>	<b>2,159</b>	<b>-5%</b>	<b>2,034</b>	<b>1%</b>	<b>4,086</b>	<b>4,411</b>	<b>-7%</b>
Employee cost	170	138	23%	151	13%	321	271	18%
Other operating cost	140	121	16%	111	26%	251	231	9%
Total Operating Expenses	311	259	20%	262	18%	573	502	14%
<b>Operating Profit</b>	<b>1,742</b>	<b>1,900</b>	<b>-8%</b>	<b>1,772</b>	<b>-2%</b>	<b>3,513</b>	<b>3,909</b>	<b>-10%</b>
Provisions and contingencies	77	419	-82%	143	-46%	220	780	-72%
<b>Profit before tax</b>	<b>1,664</b>	<b>1,480</b>	<b>12%</b>	<b>1,628</b>	<b>2%</b>	<b>3,293</b>	<b>3,129</b>	<b>5%</b>
Tax Expense	335	292	15%	328	2%	664	617	8%
<b>Profit after tax</b>	<b>1,329</b>	<b>1,188</b>	<b>12%</b>	<b>1,300</b>	<b>2%</b>	<b>2,629</b>	<b>2,512</b>	<b>5%</b>
EPS	24.2	21.6	12%	23.6	2%	47.8	45.7	5%

Source: Company, Way2Wealth

**Financials**

(₹ bn)

Particulars	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	19,727	19,819	19,919	22,657	27,228	27,992	29,803	32,485
Interest Expense	14,781	14,450	14,177	16,186	18,391	20,007	21,012	22,756
<b>Net Interest Income</b>	<b>4,946</b>	<b>5,368</b>	<b>5,742</b>	<b>6,471</b>	<b>8,838</b>	<b>7,985</b>	<b>8,791</b>	<b>9,729</b>
Other income	-29	-1	34	17	6	8	10	10
<b>Core Income</b>	<b>4,917</b>	<b>5,367</b>	<b>5,776</b>	<b>6,488</b>	<b>8,844</b>	<b>7,993</b>	<b>8,801</b>	<b>9,739</b>
Fees and commission expense	47	88	112	159	155	164	170	186
Employee benefits expense	328	324	563	473	610	643	669	729
Depreciation and amortisation expenses	51	52	52	66	65	69	72	78
Other expenses	213	254	248	290	316	333	346	378
<b>Total expenses</b>	<b>639</b>	<b>719</b>	<b>976</b>	<b>988</b>	<b>1,146</b>	<b>1,209</b>	<b>1,258</b>	<b>1,371</b>
<b>Operating Profit</b>	<b>4,278</b>	<b>4,648</b>	<b>4,800</b>	<b>5,500</b>	<b>7,698</b>	<b>6,784</b>	<b>7,543</b>	<b>8,369</b>
Impairment on financial instruments	952	1,318	2,022	1,943	1,644	526	954	1,213
<b>Profit before tax</b>	<b>3,326</b>	<b>3,330</b>	<b>2,778</b>	<b>3,557</b>	<b>6,054</b>	<b>6,257</b>	<b>6,589</b>	<b>7,155</b>
Tax Expense	879	624	491	666	1,289	1,345	1,285	1,395
<b>Profit after tax</b>	<b>2,447</b>	<b>2,706</b>	<b>2,287</b>	<b>2,891</b>	<b>4,765</b>	<b>4,912</b>	<b>5,304</b>	<b>5,760</b>
Earnings per share	48	54	43	53	87	89	96	105

Source: Company, Way2Wealth

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

Name of the Security	LIC Housing Finance Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
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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