

LIC HOUSING FINANCE

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	621
12 month price target (INR)	630
52 Week High/Low	827/484
Market cap (INR bn/USD bn)	342/4.0
Free float (%)	54.6
Avg. daily value traded (INR mn)	888.1

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	45.2%	45.2%	45.2%
FII	21.6%	21.2%	22.0%
DII	21.3%	21.5%	20.5%
Pledge	0.0%	0.0%	0.0%

FINANCIALS

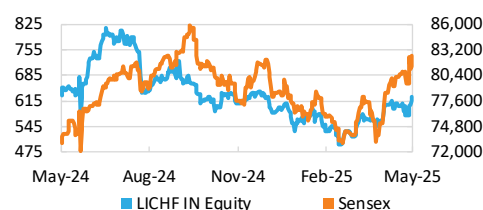
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	86509	81295	82759	89552
PPoP	77631	72356	72801	78544
Adjusted profit	47654	54290	54019	56768
Diluted EPS (INR)	86.6	98.7	96.3	101.1
EPS growth (%)	61.2	14.0	(2.4)	5.0
RoAE (%)	16.3	16.0	13.7	12.8
P/E (x)	7.2	6.3	6.4	6.1
P/ABV (x)	1.1	0.9	0.8	0.7

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	86,977	94,137	-3.6%	-7.0%
PPoP	72,801	78,544	-6.0%	-9.7%
Adjusted profit	54,019	56,768	-1.4%	-7.9%
Diluted EPS (INR)	96.3	101.1	-1.4%	-8.1%

PRICE PERFORMANCE



Strong quarter but NIM pressure looms

LICHF announced a strong Q4FY25 buoyed by revival in disbursal growth, higher QoQ NIM and improved asset quality. Disbursal growth accelerated to 8% YoY/24% QoQ, NIM improved 16bp QoQ and GS2/GS3 decreased 12%/8% QoQ.

LICHF cut its PLR by 25bp in Apr-25; existing loans will thus reprice by Jul-25. Marginal CoF is down 36bp in May-25 over 7.66% for Q4FY25. There is not much clarity on how much of total repo rate cuts of 100bp in FY26E will be passed on to existing clients, but if the gap between repo cuts and LICHF rate cuts is high, it could lead to high balance transfers. We maintain 'HOLD' on uncertainty from NIM/growth due to rate cuts with an unchanged TP of INR630/0.8x BV FY26E.

Loan growth accelerates, NIM improves, GS2/GS3 declines

Disbursal growth accelerated to 24% QoQ/5% YoY, higher than 2% YoY in Q3FY25. Core retail disbursal growth was even stronger at 27% QoQ/8% YoY with Hyderabad a weak spot in Q3 fully recovering in Q4 and the launch of affordable housing. Total and core retail AUM grew 7% YoY/3% QoQ. LICHF delivered better-than-expected NIM, which rose 16bp QoQ to 2.86%. NII grew 8% QoQ, but fell 4% YoY. The contribution of NPL recovery to NII is small at INR160mn. Other income shot up from INR1bn to INR1.7bn with ~INR1bn of other income in Q4 coming from TWO. Opex jumped 26% QoQ due to seasonal expenses such as CSR and a change in hardware policy from owning to leasing. PPOP decreased 1% YoY, but grew 7% QoQ. Credit cost stood at 14bp versus a reversal in Q3FY25. PAT fell 5% QoQ, but rose 25% YoY.

Asset Quality – Improving GS2 and GS3

GS2 decreased 12% QoQ. GS3 declined 8% QoQ driven by gross recovery of > INR10bn and a write-off of INR1.7bn. There was no NCLT resolution in Q4FY25, but a large NPL was restructured. In Q3FY25, sale to ARC had led to a write-back of credit cost. Against a net write-back of INR440mn, LICHF made a loan loss provision of INR1.1bn/14bp in Q4. ECL/EAD stood at 1.6% from 1.7% QoQ. Stage-3 PCR is 51%.

Rate cut cycle would impact NIM/growth

LICHF cut its PLR by 25bp in Apr-25, which will lead to repricing of existing loans by Jul-25. It is not certain how much of the anticipated rate cuts of 100bp by RBI will be passed on to LICHF borrowers. LICHF changes its PLR based on its own CoF, unlike banks that have to transmit repo rate cuts immediately. If the gap between repo rate cuts and cuts by LICHF is high, it could lead to higher balance transfers and slower growth. Uncertainty around margins/growth due to rate cuts is the key concern.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	21,664	22,376	-3.2%	20,001	8.3%
Pre-provisioning Profits	18,790	19,041	-1.3%	17,495	7.4%
Reported Profits	13,680	10,908	25.4%	14,320	-4.5%
EPS	24.9	19.8	25.4%	26.0	-4.5%

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	86,509	81,295	82,759	89,552
Non-interest income	1,931	3,948	4,218	4,586
Net revenues	88,440	85,243	86,977	94,137
Operating expense	10,809	12,887	14,176	15,593
Employee exp	6,100	7,019	7,721	8,493
Other opex	4,709	5,868	6,455	7,100
Pre provision profit	77,631	72,356	72,801	78,544
Provisions	17,091	3,798	4,867	7,166
PBT	60,539	68,558	67,934	71,378
Taxes	12,885	14,268	13,915	14,610
PAT	47,654	54,290	54,019	56,768
Extraordinaries	0	0	0	0
Reported PAT	47,654	54,290	54,019	56,768
Diluted EPS (INR)	86.6	98.7	96.3	101.1

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest margins	3.0	2.7	2.6	2.5
Cost-income	12.2	15.1	16.3	16.6
Tax rate	21.3	20.8	20.5	20.5

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	7.2	6.3	6.4	6.1
Price/BV (x)	1.1	0.9	0.8	0.7

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Equity capital	1,101	1,101	1,101	1,101
Reserves	3,12,846	3,61,467	4,08,951	4,58,813
Net worth	3,13,946	3,62,568	4,10,052	4,59,914
Deposits	98,986	82,429	84,078	85,759
Borrowings	24,25,982	26,23,543	29,19,551	32,63,287
Total	29,11,675	31,39,266	34,86,529	38,83,993
Assets				
Loans	28,05,898	30,28,458	33,61,589	37,31,364
Investments	62,770	71,421	80,706	91,198
Cash & equi	15,726	14,045	(2,600)	12,063
Fixed assets	3,292	3,781	3,970	4,168
Other assets	2,887	2,461	2,757	3,087
Total	29,11,675	31,39,266	34,86,529	38,83,993
BV/share	570.4	659.1	745.5	836.1

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	4.8	7.9	11.0	11.0
Gross NPA ratio	3.6	2.5	2.3	2.2

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	3.0	2.7	2.5	2.4
Net revenues/assets	3.1	2.8	2.6	2.6
Opex/Assets	(0.4)	(0.4)	(0.4)	(0.4)
Provisions/Assets	(0.6)	(0.1)	(0.1)	(0.2)
Taxes/Assets	(0.5)	(0.5)	(0.4)	(0.4)
Total costs/Assets	(1.4)	(1.0)	(1.0)	(1.0)
RoA	1.7	1.8	1.6	1.5
Equity/Assets	10.3	11.2	11.7	11.8
RoAE	16.3	16.0	13.7	12.8

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	61.2	14.0	(2.4)	5.0
RoAE	16.3	16.0	13.7	12.8

Q4FY25 earnings call: Key takeaways

Guidance

- Disbursements for FY26 are expected to grow by 10–12% while guidance for AUM growth is in double digits.
- NIMs are expected to stay within 2.6–2.8% for FY26 versus 2.7% in FY25E, with spreads maintained at ~2%. While lending rate cuts will put pressure on yields, repricing of maturing bonds and bank loans, not to mention growth in affordable housing, will help offset the pressure. Affordable home loans are lent at ~11%.
- Asset quality is expected to improve further, supported by resolution of lumpy assets. GNPA is guided to decline to 2.2% in FY26 while credit costs are expected to remain in the range of 9–15bp.
- PLR was cut in Apr-25 by 25bp will lead to repricing of existing loans in Jul-25.
- PLR cut is based on changes in LICHF's CoF and is not mapped to repo rate cuts.

Disbursements

- Disbursements grew 5% YoY/24% QoQ during the quarter. While issues in Hyderabad have been resolved, Bangalore continues to face marginal pressure. Eastern geographies witnessed some stress, but form a small part of the overall book.
- For FY26, disbursements are targeted at INR20bn in the affordable housing segment and INR100bn in project finance.

Loans

- The outstanding loan portfolio grew 7% YoY in Q4FY25, with the Individual Housing Loan (IHL) segment contributing 85% of the portfolio.
- Project finance AUM continues to decline, with older high-yield loans running off amid rising competition.
- The affordable housing segment is expected to grow steadily in FY26, with a focus on infrastructure development and employee training.
- The IHL segment has seen pressure from balance transfers in Q4FY25 due to heightened competition. To retain select customers, better rates are being selectively offered.

Yields and margins

- NIM improved by 16bp QoQ to 2.86%, aided by lower cost of funds. Margins are expected to remain under pressure going ahead.
- Following the 50bp repo rate cut, PLR was reduced by 25bp effective April 1, 2025 (after a 10bp hike in Q3FY25). The entire book would get repriced on July 1, 2025.
- Further rate transmission to customers would depend on benefits from lower CoF. However, yield decisions would remain calibrated considering competitive pressures.
- Incremental CoF declined to 7.66% in Q4FY25 from 7.78% in Q3FY25 and further eased to 7.3% as of May 2025.
- Around 45% of borrowings are floating-rate linked. Term loans are largely tied to repo rate and reprice immediately.

Financial overview

- Interest income from NPA recoveries stood at INR160mn in Q4FY25 and ~INR4bn for the full year.
- Opex rose ~27% QoQ, primarily due to higher marketing spends, CSR activities, and a one-off wage revision. Additionally, the shift from a capex to opex model for IT hardware contributed to the increase.

Asset quality

- GS3 in the quarter declined QoQ to 2.47% from 2.75%. Breakdown of stage 3; Individual HL: 1.09%, Non-Housing individual: 3.85%, Non-housing commercial and project: 24.52%.
- Net recoveries for FY25 stood at INR18bn, of which Q4FY25 contributed INR6.15bn. Recoveries in FY26 are expected to exceed INR15bn.
- Technical write-offs stood at INR1.71bn in Q4FY25 and INR13.68bn for the year.
- Recovery pipeline as of Q4FY25 stood at INR76bn, including INR35.23bn of project loans under various stages of resolution. The management expects 2–3 resolutions in FY26.
- Credit cost is expected to remain 9–15bp.

Exhibit 1: Changes in estimates

	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
	Old		New		% Change	
NII, INR M	88,041	98,950	82,759	89,552	-6.0%	-9.5%
PAT, INR M	54,772	61,653	54,019	56,768	-1.4%	-7.9%
EPS, INR	97.7	110.0	96.3	101.1	-1.4%	-8.1%
BVPS, INR	743.9	831.6	745.5	836.1	0.2%	0.5%
Target price, INR		630		630	0.0%	
CMP				621		
% Change to CMP				1%		
Rating		HOLD		HOLD		

Source: Company, Nuvama Research

Exhibit 2: Breakdown of NPLs

	Q4FY25	Q3FY25
Individual home loans	1.1%	1.2%
Non-housing corporates (including project loans)	24.5%	27.0%
Non-housing individual	3.9%	4.6%
Total NPLs	2.5%	2.8%

Source: Company, Nuvama Research

LIC HOUSING FINANCE

Exhibit 3: EAD and ECL

INR mn	Q4FY25	Q3FY25	Q4FY24
Gross Stage 1	28,95,758	27,89,518	26,53,020
% portfolio in stage 1	94.1	93.3	92.5
ECL Provision Stage 1	5,834	5,090	6,255
Net Stage 1	28,89,925	27,84,428	26,46,766
Coverage Ratio % Stage 1	0.20	0.18	0.24
Gross Stage 2	1,05,552	1,19,658	1,20,474
% portfolio in stage 2	3.4	4.0	4.2
ECL Provision Stage 2	4,217	5,600	7,684
Net Stage 2	1,01,335	1,14,058	1,12,791
Coverage Ratio % Stage 2	4.0	4.7	6.4
Gross Stage 1 & 2	30,01,310	29,09,175	27,73,495
% portfolio in stage 1 & 2	97.5	97.3	96.7
ECL Provision Stage 1 & 2	10,051	10,690	13,938
Net Stage 1 & 2	29,91,259	28,98,485	27,59,557
Coverage Ratio % Stage 1 & 2	0.3	0.4	0.5
Gross Stage 3	76,010	82,265	94,945
% portfolio in Stage 3	2.5	2.8	3.3
ECL Provision Stage 3	38,939	39,050	48,768
Net Stage 3	37,071	43,215	46,178
Coverage Ratio % Stage 3	51.2	47.5	51.4

Source: Company, Nuvama Research

Exhibit 4: Movement in yield, cost and margins

Particulars	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Yield on loans	9.38	9.37	9.40	9.37	9.70
Cost of funds	7.43	7.62	7.64	7.50	7.47
Calculated spread	1.95	1.75	1.76	1.87	2.23
Reported NIM (%)	2.86	2.70	2.71	2.76	3.15
Incremental cost of funds	7.66	7.75	7.71	7.82	7.90

Source: Company, Nuvama Research

Exhibit 5: Disbursements

INR mn	Q4FY25	Q3FY25	Q4FY24	YoY	QoQ
Total Disbursements	1,91,560	1,54,750	1,82,320	5.1%	23.8%
Individual, of which:	1,82,810	1,44,920	1,67,310	9.3%	26.1%
Core retail	1,53,830	1,22,480	1,43,000	7.6%	25.6%
LAP	28,980	22,440	24,310	19.2%	29.1%
Developer	8,750	9,830	15,010	-41.7%	-11.0%

Source: Company, Nuvama Research

Exhibit 6: Outstanding loan portfolio

INR mn	Q4FY25	Q3FY25	Q4FY24	YoY	QoQ
Total outstanding loans	30,77,320	29,91,440	28,68,440	7.3%	2.9%
Individual, of which:	29,85,190	29,03,680	27,88,080	7.1%	2.8%
- Core retail	26,15,722	25,45,715	24,41,042	7.2%	2.7%
- LAP	3,69,278	3,58,973	3,47,081	6.4%	2.9%
Developer	92,130	87,760	80,360	14.6%	5.0%

Source: Company, Nuvama Research

Exhibit 7: Details on repayment

Repayment as a % of previous quarters loans	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Total repayments	14.1	14.8	14.6	15.5	17.9
Individual loan repayments, of which:	14.0	13.8	14.1	15.2	15.5
Core Individual	13.2	13.8	13.5	14.4	15.0
LAP	20.8	12.8	18.8	21.0	20.6
Developer loans repayments	20.0	47.3	31.8	23.6	94.9

Source: Company, Nuvama Research

Exhibit 8: Income statement summary

INR mn	Q4FY25	Q3FY25	Q4FY24	YoY	QoQ
Income from operations	71,173	69,516	68,875	3%	2%
Interest expenses	49,508	49,515	46,499	6%	0%
Net interest income	21,664	20,001	22,376	-3%	8%
Other operating income	1,661	1,057	489	240%	57%
Other Income	0	0	4	-91%	100%
Employee expenses	1,761	2,044	1,985	-11%	-14%
Depreciation	254	240	174	46%	6%
Other operating expenses	1,943	976	1,126	73%	99%
Total operating expenses	4,536	3,564	3,829	18%	27%
Pre provision profit	18,790	17,495	19,041	-1%	7%
Provisioning	1,094	-440	4,279	-74%	NA
PBT	17,696	17,934	14,762	20%	-1%
Tax	4,016	3,615	3,854	4%	11%
PAT	13,680	14,320	10,908	25%	-4%

Source: Company, Nuvama Research

Company Description

LICHF is one of the biggest mortgage finance companies in India. It provides loans for homes, construction activities and corporate housing schemes. LICHF also provides finance on existing property for business/personal needs and also gives loans to professionals for purchase/construction of clinics, nursing homes, diagnostic centers, and office space, and for purchase of equipment.

The company also provides finance to builders and developers engaged in the business of construction of residential houses or flats and to be sold by them. LIC India is its majority shareholder with a 40% equity holding, followed by FIIs.

Investment Theme

LICHF cut its PLR by 25bp in Apr-25, which will lead to the existing loans repricing by Jul-25. Marginal CoF is down 36bp in May-25 over 7.66% for Q4FY25. There is not much clarity on how much of the total repo rate cuts of 100bp in FY26E will be passed on to existing clients but if the gap between repo rate cuts and LICHF rate cuts is high, it will lead to high balance transfers. We maintain HOLD due to uncertainty from NIM / growth from rate cuts with unchanged TP of INR 630/ 0.8x BV FY26E.

Key Risks

- Rate cuts will lead to NIM pressure or balance transfer
- Slower recoveries would lead to higher credit cost.

Additional Data

Management

Chairman	Siddhartha Mohanty
MD & CEO	T Adhikari
Ind. Director	V. K. Kukreja
Ind. Director	Dr. Dharmendra Bhandari
Auditor	SGCO & Co. LLP

Holdings – Top 10*

% Holding		% Holding	
Kotak housing fund	4.08	Aditya Birla	1.39
Mirae Asset fund	3.41	HDFC AMC	1.35
ICICI Pru MF	2.50	HDFC Life	1.27
Gov Pension Fund	2.34		
Bank Muscat India	2.09		

*Latest public data

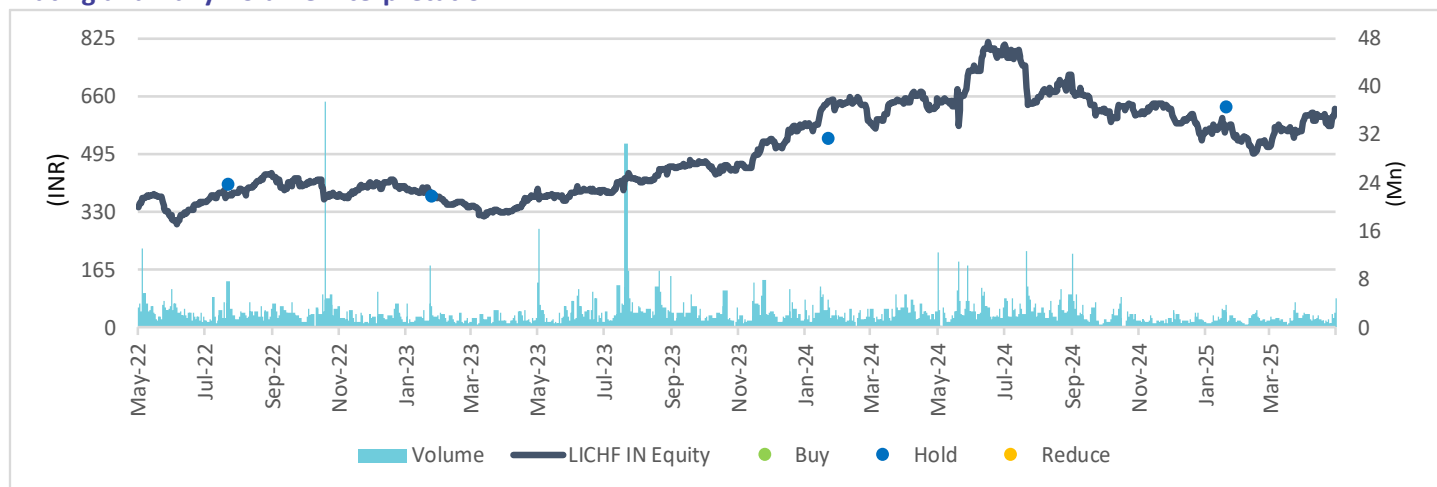
Recent Company Research

Date	Title	Price	Reco
03-Feb-25	Beat on PAT from provisioning reversal; <i>Result Update</i>	558	Hold
29-Oct-24	Miss on NIM; asset quality good; <i>Result Update</i>	637	Hold
04-Aug-24	Miss on NIM and PPOP; <i>Result Update</i>	749	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
14-May-25	Muthoot Finance	Q4FY25 – Strong growth and RoA; <i>Result Update</i>
28-Apr-25	L&T Finance	Credit cost in MFI and 2W to peak in H1; <i>Result Update</i>
26-Apr-25	Cholamandalam	Q4FY25 – A mixed set; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	63
Reduce	<-5%	34

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