

May 16, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	660		540	
NII (Rs.)	85,492	86,924	80,736	81,954
% Chng.	5.9	6.1		
PPoP (Rs.)	74,903	75,538	71,316	71,822
% Chng.	5.0	5.2		
EPS (Rs.)	88.7	91.3	85.7	89.1
% Chng.	3.5	2.5		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Int.Inc. (Rs m)	63,513	86,776	85,492	86,924
Growth (%)	15.0	36.6	(1.5)	1.7
Op. Profit (Rs m)	55,000	76,976	74,903	75,538
PAT (Rs m)	28,910	47,654	48,817	50,244
EPS (Rs.)	52.5	86.6	88.7	91.3
Gr. (%)	26.4	64.8	2.4	2.9
DPS (Rs.)	8.5	9.0	9.8	11.0
Yield (%)	1.3	1.4	1.5	1.7
Margin (%)	2.4	3.0	2.8	2.7
RoAE (%)	11.2	16.3	14.6	13.3
RoAA (%)	1.1	1.7	1.6	1.5
PE (x)	12.4	7.5	7.4	7.2
P/BV (x)	1.3	1.1	1.0	0.9
P/ABV (x)	1.8	1.3	1.2	1.0

Key Data

LICH.BO | LICHF IN

52-W High / Low	Rs.683 / Rs.363	
Sensex / Nifty	73,664 / 22,404	
Market Cap	Rs.359bn/ \$ 4,303m	
Shares Outstanding	550m	
3M Avg. Daily Value	Rs.1495.59m	

Shareholding Pattern (%)

Promoter's	45.24
Foreign	22.59
Domestic Institution	21.99
Public & Others	10.18
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.1)	41.3	65.5
Relative	(1.1)	26.6	39.1

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LIC Housing Finance (LICHF IN)

Rating: HOLD | CMP: Rs653 | TP: Rs660

Re-rating hinges on higher loan growth

Quick Pointers:

- One-time staff & marketing costs and DTL offset by better NIM/asset quality.
- Disbursals to scale-up in FY25; execution a key.

LICHF saw a good quarter. Positives were (1) adj. NIM beat PLe by 10bps and (2) asset quality improved, as despite sharp fall in stage-3 due to TWO, PCR improved QoQ led by additional management overlay of Rs1bn. Aberrations which marred Q4'24 earnings were (1) wage revision and gratuity (2) publicity costs and (3) higher tax rate due to DTL. While disbursals were muted in FY24 company guided to achieve double digit loan growth in FY25 (4.3% in FY24). LICHF needs to consistently deliver on its credit guidance; due to competition from banks especially in prime housing, we are factoring 7% loan CAGR over FY24-26E. Given RoA of 1.5-1.6%, valuation at 1.0x seems attractive although we see PAT CAGR of 2.6% over FY24-26E and re-rating would hinge on better loan growth and earnings quality. We raise ABV for FY25/26E by 7% each led by reduction in GNPA. Maintaining multiple at 1.0x, as we roll forward to Mar'26 ABV, our TP increases to Rs660 from Rs540. Retain 'HOLD'.

- Better NIM/asset quality offset by miss on AuM growth and opex:** NII was ahead Rs22.5bn (PLe Rs20.9bn) driven by better NIM as loan growth was lower. NIM was ahead at 3.2% (PLe 3.0%) led by lower funding cost at 7.5% (PLe 7.8%). Loan growth was a miss at 4.3% YoY (PLe 5%). Disbursals were lower at Rs182.3bn (PLe Rs192.8bn); repayments were more at Rs125.9bn (PLe Rs116.2bn). Opex soared to Rs3.8bn (PLe Rs3bn) due to higher staff and other costs. PPoP was Rs19bn (PLe Rs18.4bn). On asset quality stage-2 and stage-3 decreased QoQ by 34/95bps to 4.2%/3.3%. PCR improved QoQ from 48.6% to 51.4%. Provisions were a tad higher at Rs4.3bn (PLe Rs4bn) while tax was a miss at Rs3.8bn (PLe Rs2.8bn). PAT was lower at Rs109.1bn (PLe Rs115.4bn) owing higher opex, provisions and tax rate.
- NIM continues to surprise; expenses to normalize:** Despite one-time impact of interest on recoveries (Rs1bn or 16bps), NIM for Q4'24 surpassed PLe by 10bps owing to controlled funding cost. Company guided that NIM would settle between 2.7-2.9% in FY25. Opex for Q4'24 included the following aberrations viz. (1) wage revision Rs320mn (2) Rs220mn of additional gratuity (3) publicity costs of Rs150-200mn included in other opex and (4) higher tax relating to DTL of past years amounting to Rs1.3bn. Asset quality improved as despite material reduction in stage-3 led by TWO of Rs10.8bn, management overlay of Rs1bn was further created to beef up the PCR. Overall buffer provisions stood at to Rs17-18bn while TWO pool totals to Rs40bn.
- Credit flow to improve in FY25:** Disbursals for FY25 at Rs589bn (-8.1% YoY) were softer due to (1) new technology implementation and (2) organizational change for strengthening back-office infrastructure. LICHF added 29 branches in FY24. Company is targeting double digit AuM growth in FY25. However, we are a bit circumspect on loan growth given competitive intensity from banks. Hence we are factoring a loan CAGR of 7% over FY24-26E.

Exhibit 1: PAT miss at Rs10.9bn due to lower loan growth and higher opex

NII growth was higher at 12.8% YoY, led by better NIM

Opex was higher sequentially due to increase in staff and other expenses

Provisions at Rs4.3bn reduced sequentially due to improved asset quality

PAT was lower at Rs109.1bn due to lower loan growth and high opex.

Loan growth was a miss at 4.3%YoY/2% QoQ led by lower disbursements and higher repayments.

NIM improved to 3.2% led by lower CoFs

Stage-3 improved sequentially but PCR increased to 51.4%

P&L (Rs m)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)
Interest Income	68,981	63,805	8.1	67,510	2.2
Interest Expense	46,499	43,877	6.0	46,465	0.1
Net Interest Income	22,481	19,927	12.8	21,045	6.8
Other operating Inc.	85	125	(31.8)	127	(32.9)
Other Income	303	222	36.3	288	5.0
Total income	22,869	20,274	12.8	21,460	6.6
Employee Expense	1,985	1,436	38.2	1,401	41.7
Other Expenses	1,844	1,323	39.4	1,214	51.9
Operating Profit	19,041	17,515	8.7	18,845	1.0
Provisions	4,279	3,068	39.5	4,358	(1.8)
Tax	3,854	2,645	45.7	2,858	34.8
Net Profit excl exceptional	10,908	11,803	(7.6)	11,629	(6.2)
Balance Sheet (Rs m)					
O/S Loans	2,868,440	2,750,470	4.3	2,812,060	2.0
Home Loans	85.1%	83.1%	2.0	84.9%	0.2
LAP	12.1%	12.9%	(0.8)	12.1%	-
Builder	2.8%	4.0%	(1.2)	3.0%	(0.2)
Borrowings	2,530,300	2,446,960	3.4	2,450,670	3.2
Banks (%)	34.0%	34.0%	-	35.0%	(1.0)
NCD (%)	52.0%	50.0%	2.0	52.0%	-
CP (%)	5.0%	5.0%	-	4.0%	1.0
Sub-debt (%)	1.0%	1.0%	-	1.0%	-
Deposits (%)	4.0%	5.0%	(1.0)	4.0%	-
NHB (%)	4.0%	5.0%	(1.0)	4.0%	-
Asset quality					
Stage-3	3.3%	4.4%	(110.0)	4.3%	(95.0)
Net-stage-3	1.6%	2.5%	(84.4)	2.2%	(58.1)
PCR	51.4%	44.4%	699.9	48.6%	278.9
Others / Ratios (%)					
Yield on Loans - Calc	9.8	9.7	12.0	9.8	(0.5)
Cost of Borrowings - Calc	7.5	7.5	(1.8)	7.7	(18.4)
Spread	2.3	2.2	13.8	2.2	17.9
NIMs	3.2	3.0	17.1	3.1	13.8
Cost/ Income Ratio	16.7	13.6	313.4	12.2	455.8

Source: Company, PL

Q4FY24 earnings concall KTAs

Assets & Liabilities:

- Loan mix in terms of fixed to floating is 50:50. Project loans de-grew as company has become more cautious. However, opportunities are still available and underwriting is done on a case-to-case basis.
- Overall functioning has stabilized post reforms done in H1'24.
- Company expects a double-digit growth in disbursements and AUM in FY25.

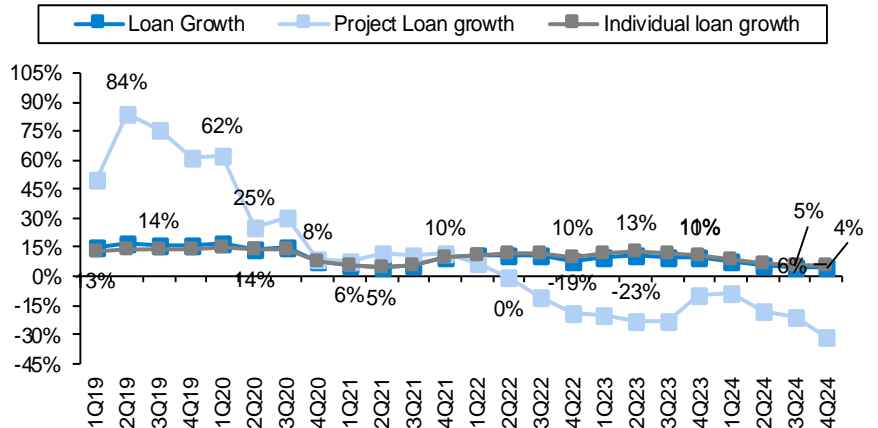
NIM/Others

- **NIM** improved on account of 1) reduced CoFs led by renegotiations done and 2) interest on recoveries to the tune of Rs1bn.
- O/S book yield/cost stood at 9.9%/7.8% while incremental yield/cost stood at 9.4%/7.8% Incremental yields majorly improved in IHL segment.
- NIM guidance was given at 2.7-2.9% considering possible rate cuts in future. Company operates with a quarterly reset.
- **Staff costs** increased due to 1) increased wage provision (to 17% from 15%) of Rs320mn and 2) increase in provision by Rs220 due to change in gratuity calculation method.
- **Non-staff opex was impacted** on account of publicity expenses in Q4'24 of Rs150-160mn. C/I guided at 13.0-13.5%
- **Tax expenses** soared because of increase in DTL relating to past years amounting to ~Rs1.3bn. Tax rate would normalize to 19-20%.

Asset Quality:

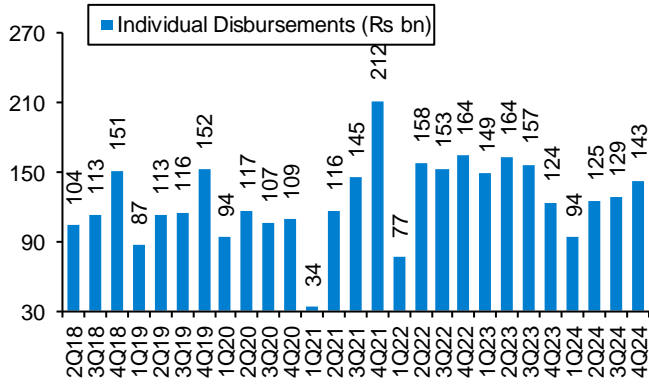
- Segment stage-3 mix: IHL 1.5% (vs 1.7% QoQ), non-housing corporate 30.7% (vs 40.8% QoQ) and non-housing housing at 5.5% (vs 6.5% QoQ).
- PCR increased by 279bps QoQ as additional management overlay provisions of Rs1bn were created. Buffer provisions as at Q4'24 stood at Rs17-18bn.
- As a practice whenever a stage-3 assets cross a particular time limit or hardens further, provisions on same are increased through management overlay.
- Stage-3 reduced QoQ driven by 1) improved recoveries and 2) TWO of Rs10.8bn. Corporate stage-3 majorly includes loans given during 2016-19. TWO pool amounts to Rs40bn.
- Credit cost is expected to decline assisted by downward sloping NPA curve.
- One large account was sold to multiple ARCs and depending on performance, a particular ARC would be selected in the next month.

Exhibit 2: Loan growth was soft at 4% YoY; project loan continues to de-grow



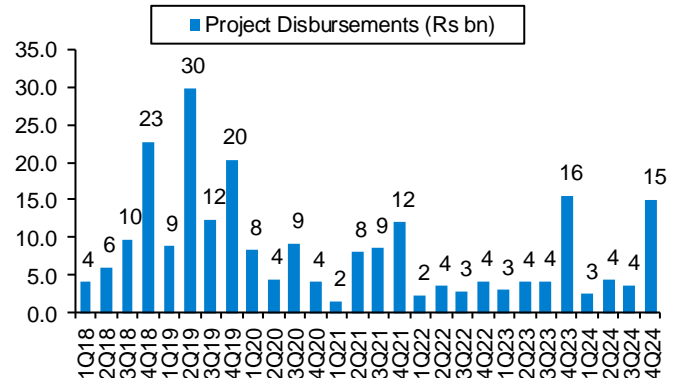
Source: Company, PL

Exhibit 3: Disbursements increases QoQ to Rs143bn



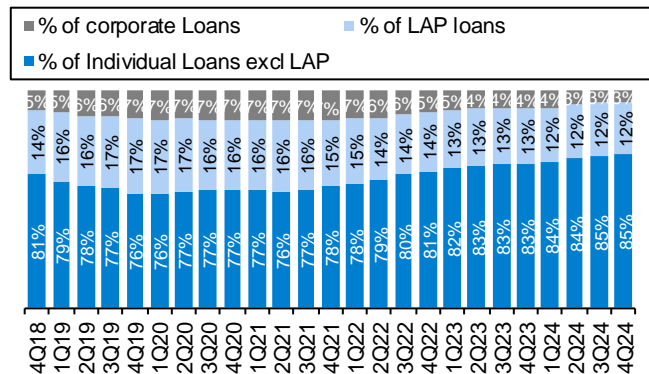
Source: Company, PL

Exhibit 4: P.L. disbursements increased to Rs15bn



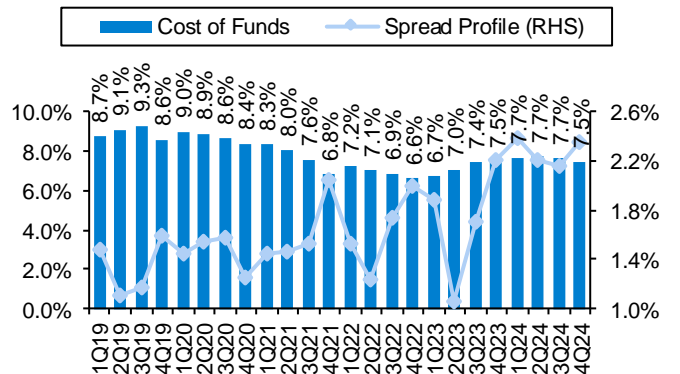
Source: Company, PL

Exhibit 5: Individual loan mix stable at 85% share



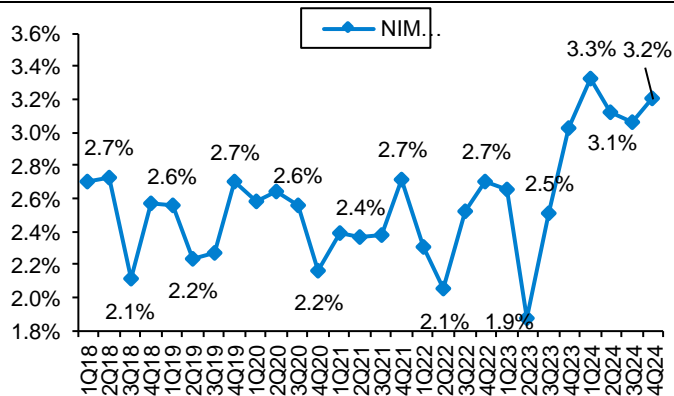
Source: Company, PL

Exhibit 6: Spreads increased 18bps QoQ to 2.3%



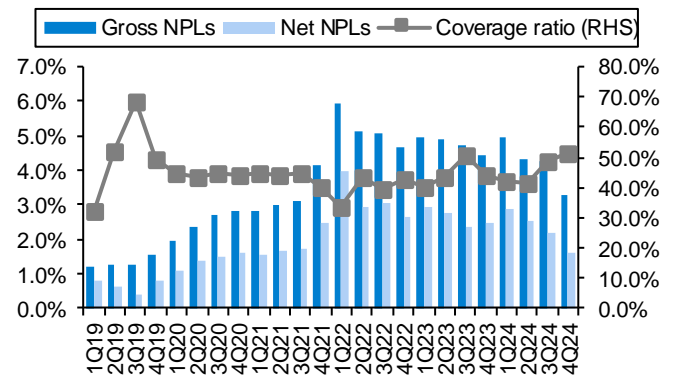
Source: Company, PL

Exhibit 7: NIM increased by 14bps QoQ due to lower CoFs



Source: Company, PL

Exhibit 8: GNPA improved at 3.3%, PCR improved to 51.4%



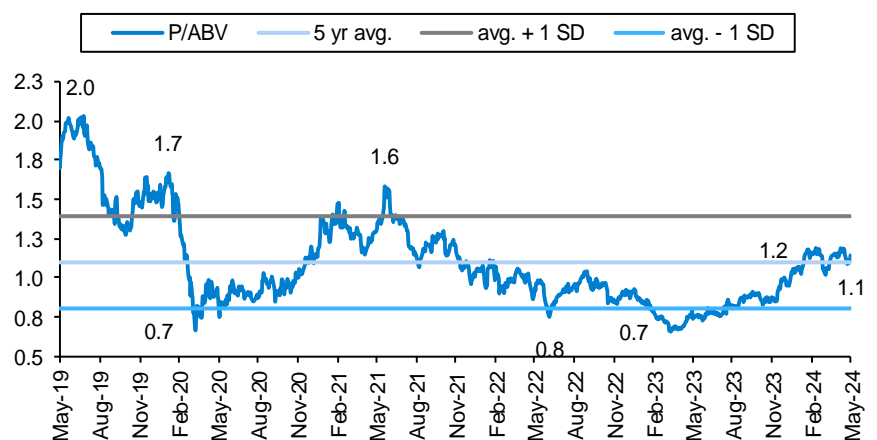
Source: Company, PL

Exhibit 9: RoA/RoE at 1.5%/13.3% FY26E

RoE decomposition (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest income	9.3	9.4	8.7	8.0	8.5	9.5	9.1	8.9
Interest expenses	7.1	7.1	6.4	5.8	6.1	6.4	6.3	6.3
Net interest income	2.2	2.3	2.3	2.3	2.4	3.0	2.8	2.7
Other Inc. from operations	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Total income	2.3	2.3	2.4	2.4	2.4	3.1	2.9	2.7
Employee expenses	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Other operating expenses	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Operating profit	2.0	2.0	2.1	1.9	2.1	2.7	2.5	2.3
Loan loss provisions	0.2	0.5	0.6	0.8	0.7	0.6	0.5	0.4
Tax	0.5	0.4	0.3	0.2	0.2	0.5	0.4	0.4
RoAA	1.3	1.2	1.2	0.9	1.1	1.7	1.6	1.5
RoAE	15.9	13.9	14.1	10.1	11.2	16.3	14.6	13.3

Source: Company, PL

Exhibit 10: One-year forward P/ABV of LICHF trades at 1.1x



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Int. Inc. / Opt. Inc.	2,25,373	2,70,683	2,77,716	2,90,894
Interest Expenses	1,61,860	1,83,907	1,92,224	2,03,970
Net interest income	63,513	86,776	85,492	86,924
Growth(%)	15.0	36.6	(1.5)	1.7
Non-interest income	1,369	1,664	1,848	2,053
Growth(%)	(44.1)	21.5	11.1	11.1
Net operating income	64,882	88,440	87,340	88,977
Expenditures				
Employees	4,732	6,100	6,533	6,997
Other Expenses	4,495	4,709	5,184	5,657
Depreciation	656	654	720	786
Operating Expenses	9,883	11,463	12,437	13,439
PPP	55,000	76,976	74,903	75,538
Growth(%)	15.4	40.0	(2.7)	0.8
Provisions	19,430	16,437	14,335	13,200
Profit Before Tax	35,570	60,539	60,568	62,338
Tax	6,660	12,885	11,750	12,093
Effective Tax rate(%)	18.7	21.3	19.4	19.4
PAT	28,910	47,654	48,817	50,244
Growth(%)	26.4	64.8	2.4	2.9

Balance Sheet (Rs. m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Source of funds				
Equity	1,101	1,101	1,101	1,101
Reserves and Surplus	2,69,903	3,12,846	3,55,507	3,99,722
Networth	2,71,003	3,13,946	3,56,608	4,00,823
Growth (%)	9.8	15.8	13.6	12.4
Loan funds	24,47,742	25,24,968	27,27,053	28,99,709
Growth (%)	9.4	3.2	8.0	6.3
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	63,580	69,791	61,364	65,271
Other Liabilities	1,795	3,341	3,331	3,542
Total Liabilities	27,84,120	29,12,046	31,48,355	33,69,344
Application of funds				
Net fixed assets	3,570	3,610	4,038	4,322
Advances	26,78,348	28,05,898	30,34,547	32,47,580
Growth (%)	9.2	4.8	8.1	7.0
Investments	69,764	62,770	73,652	78,789
Current Assets	7,605	15,935	9,456	10,119
Net current assets	(55,975)	(53,856)	(51,908)	(55,151)
Other Assets	24,834	23,833	26,662	28,533
Total Assets	27,84,120	29,12,046	31,48,355	33,69,344
Growth (%)	9.4	4.6	8.1	7.0
Business Mix				
AUM	27,50,470	28,68,440	30,69,976	32,85,497
Growth (%)	9.5	4.3	7.0	7.0
On Balance Sheet	27,50,470	28,68,440	30,69,976	32,85,497
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY23	FY24	FY25E	FY26E
NIM	2.4	3.0	2.8	2.7
ROAA	1.1	1.7	1.6	1.5
ROAE	11.2	16.3	14.6	13.3

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Int. Inc. / Operating Inc.	67,065	67,128	67,510	68,981
Income from securitization	-	-	-	-
Interest Expenses	44,942	46,000	46,465	46,499
Net Interest Income	22,123	21,128	21,045	22,481
Growth (%)	36.5	80.6	31.0	12.8
Non-Interest Income	401	460	415	388
Net Operating Income	22,523	21,587	21,460	22,869
Growth (%)	36.4	79.1	30.6	12.8
Operating expenditure	2,425	2,595	2,615	3,829
PPP	20,098	18,993	18,845	19,041
Growth (%)	-	-	-	-
Provision	3,608	4,192	4,358	4,279
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	16,490	14,801	14,487	14,762
Tax	3,253	2,920	2,858	3,854
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	19.7	19.7	19.7	26.1
PAT	13,237	11,881	11,629	10,908
Growth	43	290	142	(8)
AUM	27,64,400	27,79,870	28,12,060	28,68,440
YoY growth (%)	8.1	6.0	4.8	4.3
Borrowing	24,13,720	24,36,060	24,50,670	25,30,300
YoY growth (%)	6.8	4.6	2.0	3.4

Key Ratios

Y/e Mar	FY23	FY24	FY25E	FY26E
CMP (Rs)	653	653	653	653
EPS (Rs)	52.5	86.6	88.7	91.3
Book value (Rs)	492.4	570.4	647.9	728.2
Adj. BV(Rs)	369.9	486.5	562.2	639.9
P/E(x)	12.4	7.5	7.4	7.2
P/BV(x)	1.3	1.1	1.0	0.9
P/ABV(x)	1.8	1.3	1.2	1.0
DPS (Rs)	8.5	9.0	9.8	11.0
Dividend Payout Ratio(%)	16.2	10.4	11.0	12.0
Dividend Yield(%)	1.3	1.4	1.5	1.7

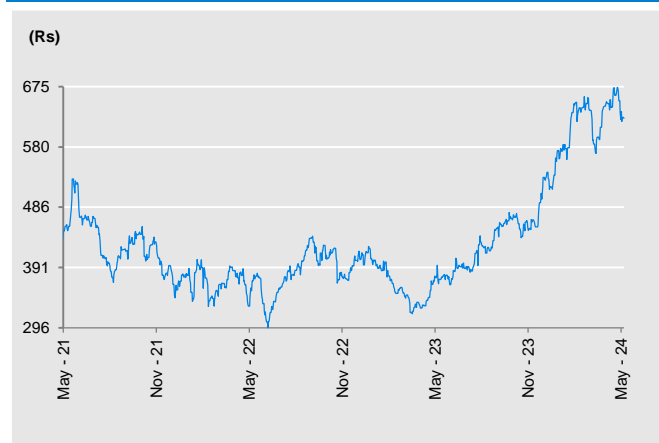
Asset Quality

Y/e Mar	FY23	FY24	FY25E	FY26E
Gross NPAs(Rs m)	1,21,248	94,884	94,349	97,304
Net NPA(Rs m)	67,435	46,152	47,165	48,610
Gross NPAs to Gross Adv.(%)	4.4	3.3	3.1	3.0
Net NPAs to net Adv.(%)	2.5	1.6	1.5	1.5
NPA coverage(%)	44.4	51.4	50.0	50.0

Du-Pont as a % of AUM

Y/e Mar	FY23	FY24	FY25E	FY26E
NII	2.4	3.0	2.8	2.7
NII INCI. Securitization	2.4	3.0	2.8	2.7
Total income	2.4	3.1	2.9	2.7
Operating Expenses	0.4	0.4	0.4	0.4
PPOP	2.1	2.7	2.5	2.3
Total Provisions	0.7	0.6	0.5	0.4
RoAA	1.1	1.7	1.6	1.5
Avg. Assets/Avg. net worth	10.3	9.8	9.1	8.6
RoAE	11.2	16.3	14.6	13.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-24	Hold	540	649
2	05-Feb-24	Hold	540	640
3	08-Jan-24	Hold	460	575
4	02-Nov-23	Hold	460	449
5	07-Oct-23	Hold	430	468
6	04-Aug-23	Hold	430	427
7	06-Jul-23	Hold	410	398
8	17-May-23	Hold	410	370

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,720	1,610
2	Axis Bank	BUY	1,400	1,063
3	Bank of Baroda	BUY	290	255
4	Can Fin Homes	BUY	950	763
5	City Union Bank	Accumulate	160	155
6	DCB Bank	BUY	180	136
7	Federal Bank	BUY	195	168
8	HDFC Asset Management Company	BUY	4,100	3,707
9	HDFC Bank	BUY	2,000	1,531
10	ICICI Bank	BUY	1,450	1,108
11	IndusInd Bank	BUY	1,800	1,496
12	Kotak Mahindra Bank	BUY	2,100	1,547
13	LIC Housing Finance	Hold	540	649
14	Nippon Life India Asset Management	BUY	615	584
15	State Bank of India	BUY	910	820
16	UTI Asset Management Company	BUY	1,050	975

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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