

August 4, 2025

Q1FY26 Result Update

█ Change in Estimates | █ Target | █ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	725		725	
NII (Rs.)	82,642	86,700	82,782	88,048
% Chng.	(0.2)	(1.5)		
PPoP (Rs.)	71,533	74,736	71,681	76,099
% Chng.	(0.2)	(1.8)		
EPS (Rs.)	93.7	97.2	94.5	99.0
% Chng.	(0.8)	(1.8)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Int.Inc. (Rs m)	86,509	81,295	82,642	86,700
Growth (%)	36.7	(6.0)	1.7	4.9
Op. Profit (Rs m)	76,976	71,416	71,533	74,736
PAT (Rs m)	47,654	54,290	51,566	53,508
EPS (Rs.)	86.6	98.6	93.7	97.2
Gr. (%)	64.8	13.9	(5.0)	3.8
DPS (Rs.)	8.5	10.0	11.2	12.6
Yield (%)	1.4	1.7	1.9	2.1
Margin (%)	3.1	2.7	2.6	2.5
RoAE (%)	16.3	16.0	13.4	12.5
RoAA (%)	1.7	1.8	1.6	1.5
PE (x)	6.8	6.0	6.3	6.1
P/BV (x)	1.0	0.9	0.8	0.7
P/ABV (x)	1.2	1.0	0.9	0.8

Key Data

LICH.BO | LICHF IN

52-W High / Low	Rs.736 / Rs.484
Sensex / Nifty	81,019 / 24,723
Market Cap	Rs.325bn / \$ 3,709m
Shares Outstanding	550m
3M Avg. Daily Value	Rs.1256.73m

Shareholding Pattern (%)

Promoter's	45.24
Foreign	20.26
Domestic Institution	22.20
Public & Others	12.30
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.2)	2.5	(21.0)
Relative	(0.4)	(0.6)	(21.1)

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Blip on growth/provisions; disbursal growth a key

Quick Pointers:

- Weak quarter due to softer margins and worsened asset quality.
- Higher growth imperative for re-rating; NIM remains a key monitorable.

LICHF saw a weak quarter as (1) NII missed PLe by 3.9% since NIM at 2.64% was lower to PLe by 10bps (2) disbursals at Rs131bn were 6.2% lesser and (3) stage-3 saw a 15bps QoQ blip leading to higher provisions at 25bps (PLe 18bps). Disbursal growth was muted due to slower pass thru of rate cuts compared to banks and lower demand post repo cuts. While company maintained its double digit AuM growth guidance for FY26, we are cautious and factoring 7.2% AuM CAGR over FY25-27E since (1) competition from banks would increase in a benign interest rate environment and (2) preference is towards profitability over growth. While asset quality saw a blip for Q1FY26, it seems transitory as most of the stress related risks have abated. Company expects provisions to remain benign in FY26 at 9-15bps (10bps in FY25). Valuation remains attractive at 0.8x; we keep multiple at 1.0x on FY27 ABV and maintain TP at Rs725. Retain 'BUY'.

- Soft quarter due to weaker NII/NIM and asset quality/provisions :** NII was lower at Rs20.7bn (PLe Rs21.5bn). NIM (calc.) was a miss at 2.64% (PLe2.74%) due to lower loan yields at 9.08% (PLe 9.17%); reported NIM declined by 8bps QoQ to 2.76%. Loan growth was 7.2% YoY (PLe 7.5%); disbursals were lower at Rs131.2bn (PLe Rs139.8bn) offset by tad lesser repayments at Rs112.6bn (PLe Rs113.1bn). Other income was higher at Rs1201mn (PLe Rs771mn) due to others component. Opex at Rs2.9bn was 12% below PLe led by lower staff cost and others. PPoP was largely in-line at Rs18.92bn (PLe Rs18.95bn). On asset quality, gross stage-3 worsened by 15bps QoQ to 2.62% (PLe 2.5%); PCR was 50.8% (PLe 52%). Hence, provisions were a drag at Rs1.9bn (PLe Rs1.4bn). PAT was 1.9% below PLe at Rs13.6bn.
- Credit growth guidance of double-digit for FY26:** Sequential growth was 0.6% as individual growth was flat while project loans fell by 2.9% QoQ; although LAP grew by 2.5% QoQ. Credit flow was impacted as yields for LICHF are PLR linked which doesn't immediately reprice following a rate cut; whereas for banks rate cuts are instantly passed on due to EBLR linkage. While LICHF is targeting double-digit disbursal/loan growth in FY26, we are factoring loan CAGR of 7.2% over FY25-27E given (1) execution has been weak on growth (2) competitive intensity from banks could increase in a falling interest rate and (3) weak demand environment which may increase BT-outs.
- NIM a key monitorable; asset saw a one-off blip:** Company has cut PLR by 25bps in Q1FY26 with monthly reset and from 1st May 1/3rd of the book got reset; 2/3rd was repriced from July. Company does not intend to cut rates further and it does not expect material deviation from current NIM level as yield decline would be offset by lower borrowing cost. LICHF emphasized its preference towards margins over growth. On asset quality, delinquencies were majorly from IHL and retail and there was pressure in collections driven by movement of personnel due to promotions.



Exhibit 1: PAT at Rs14.3bn cushioned by higher other income and lower provisions

P&L (Rs m)	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var.	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Interest Income	71,131	67,391	5.5	71,978	(1.2)	71,173	(0.1)	2,90,090	2,76,615	4.9
Interest Expense	50,473	47,501	6.3	50,475	(0.0)	49,508	1.9	2,07,448	1,95,320	6.2
Net Interest Income	20,658	19,891	3.9	21,503	(3.9)	21,664	(4.6)	82,642	81,295	1.7
Fee Income	106	135	(21.8)	77	36.4	61	73.7	371	491	(24.5)
Other Income	1,095	311	252.6	693	58.0	1,600	(31.6)	2,888	3,456	(16.5)
Total income	21,859	20,336	7.5	22,274	(1.9)	23,325	(6.3)	85,901	85,243	0.8
Employee Expense	1,595	1,511	5.6	1,761	(9.4)	1,761	(9.4)	7,405	7,019	5.5
Other Expenses	1,343	1,110	21.0	1,579	(14.9)	2,775	(51.6)	6,963	6,807	2.3
Operating Profit	18,920	17,715	6.8	18,934	(0.1)	18,790	0.7	71,533	71,416	0.2
Provisions	1,929	1,431	34.8	1,400	37.8	1,094	76.3	6,260	2,858	119.0
Tax	3,392	3,282	3.4	3,686	(8.0)	4,016	(15.5)	13,707	14,268	(3.9)
Net Profit	13,599	13,002	4.6	13,867	(1.9)	13,680	(0.6)	51,566	54,290	(5.0)
Asset quality	Change in bps			Change in bps			Change in bps			
Stage-3	2.6%	3.3%	(68)	2.5%	12	2.5%	15	2.1%	2.5%	(34.5)
Net-stage-3	1.3%	1.7%	(36)	1.2%	10	1.2%	10	1.1%	1.2%	(14.2)
PCR	50.8%	49.6%	118	52.0%	(117)	51.2%	(40)	50.0%	51.2%	(122.9)
Others / Ratios (%)	Change in bps			Change in bps			Change in bps			
Yield on Loans - Calc	9.1	9.3	(20)	9.2	(10)	9.3	(20)	9.0	9.2	(19.7)
Cost of Borrowings - Calc	7.5	7.5	(4)	7.4	3	7.4	3	7.4	7.5	(6.3)
Spread	1.6	1.8	(15)	1.7	(12)	1.8	(22)	1.5	1.7	(13.4)
NIMs	2.6	2.7	(10)	2.7	(10)	2.8	(19)	2.6	2.7	(13.8)
Cost/ Income Ratio	13.4	12.9	55	15.0	(154)	19.4	(600)	16.7	16.2	50.6

Source: Company, PL

Exhibit 2: Loans & Borrowings Mix

Balance Sheet (Rs m)	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)
O/S Loans	30,95,870	28,86,650	7.2	30,77,320	0.6
Home Loans	84.8%	85.3%	(50.0)	85.0%	(20.0)
LAP	12.3%	11.9%	40.0	12.0%	30.0
Builder	2.9%	2.8%	10.0	3.0%	(10.0)
Borrowings	27,09,330	25,36,980	6.8	27,06,270	0.1
Banks (%)	31.0%	34.0%	(3.0)	32.0%	(1.0)
NCD (%)	55.0%	54.0%	1.0	55.0%	-
CP (%)	5.0%	4.0%	1.0	5.0%	-
Sub-debt (%)	0.0%	1.0%	(1.0)	1.0%	(1.0)
Deposits (%)	4.0%	3.0%	1.0	3.0%	1.0
NHB (%)	5.0%	4.0%	1.0	4.0%	1.0

Source: Company, PL

Q1FY26 Concall Highlights

Assets/Liabilities

- Disbursal growth for Q1FY26 was muted owing to rate cut and slower pace of rate pass-on to end customers. Management also witnessed lower than expected demand after rate cut.
- Disbursals for Apr/May/June were at Rs32.7/45.8/51.3bn respectively. Avg monthly disbursal would be in range of Rs60-65bn from Aug'25. Disbursal and AUM growth is expected to be in double digit for FY26 and company does not see a material rise in BT-outs
- Project finance has Rs8bn loans under sanction and will be disbursed as and when construction progresses.
- Management is not aggressive on affordable housing and still building up infrastructure and efficiency to reach a target of Rs10bn
- 25% of total borrowings are EBLR linked and Rs 220bn worth of NCDs will be repriced. Considering bank borrowing and repricing of NCDs, 43% of total book is floating and remaining fixed.
- Company does not possess any excess liquidity.

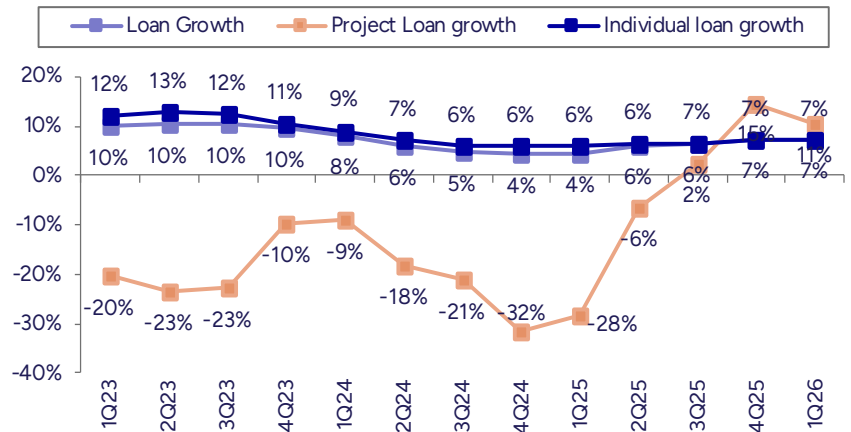
Fees/NIMs

- Company has cut rates by 25bps in Q1FY26 with monthly reset and from 1st May 1/3rd of the book got reset while 2/3rd will get repriced in July impacting the yields. Management does not intend to cut rates further.
- Incremental cost of borrowings expected to come down by further 5-10bps. Company has taken full 100bps rate cut impact on bank borrowings. Spread to be maintained at 2.10%.
- Management does not expect material deviation from current levels of NIM as decline in yield on advances would offset by savings in cost of borrowings. Management emphasized their preference to margins over growth.

Asset Quality

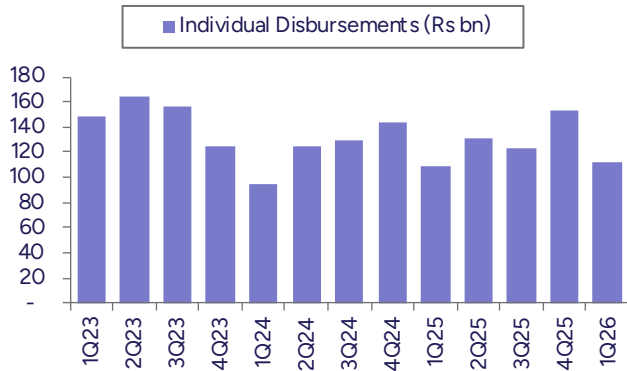
- Delinquencies for Q1FY26 were majorly from IHL and retail.
- Company witnessed pressure on collection efficiency during Q1FY26 driven by movement of personnel on account of promotions.
- Segment-wise stage-3 and EAD: IHL: Rs32.1bn (1.2%), NHC: Rs35.0bn (24.8%), NHI: Rs14.1bn (4.3%) and NH: Rs81.2bn (2.6%).
- Written-off pool stood at Rs40bn.
- Credit cost is guidance has been maintained at 9-15bps.

Exhibit 3: Loan growth stable at 7% YoY; project loan disbursements decreased



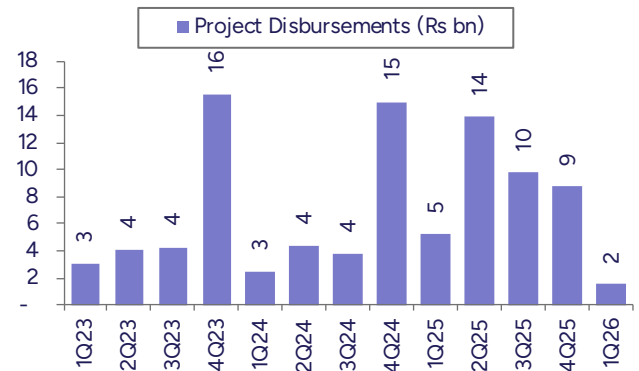
Source: Company, PL

Exhibit 4: Disbursements decreased YoY to Rs112bn



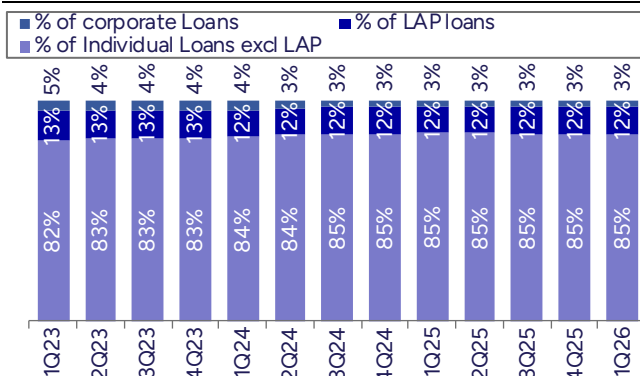
Source: Company, PL

Exhibit 5: Project loan disbursements pace to be maintained



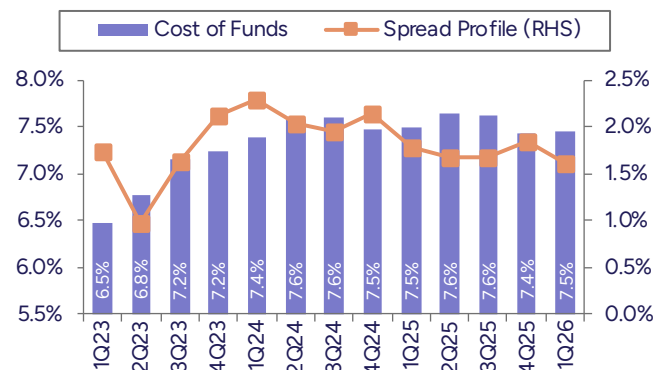
Source: Company, PL

Exhibit 6: Individual loan mix stable at 85% share

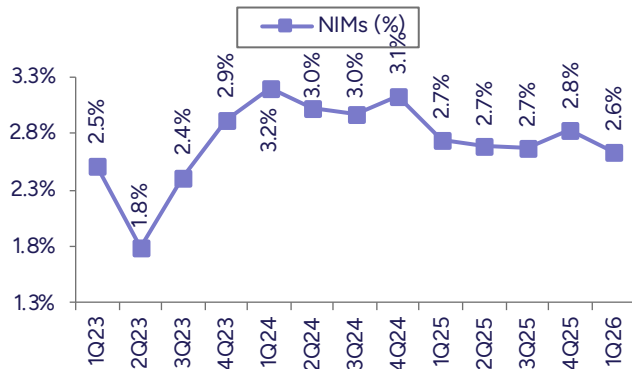


Source: Company, PL

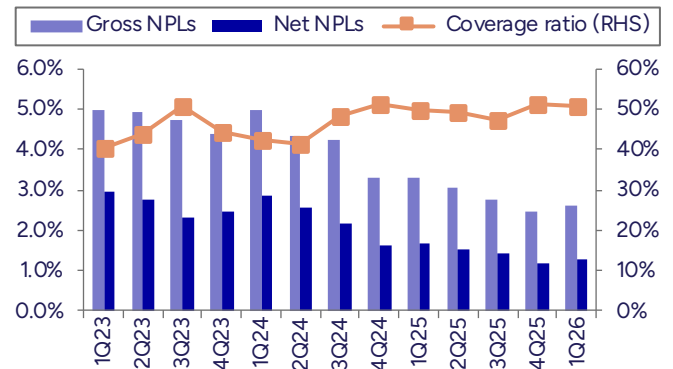
Exhibit 7: Spreads declined sequentially to 1.6%



Source: Company, PL

Exhibit 8: NIM declined due to fall in YoA and increase in CoF


Source: Company, PL

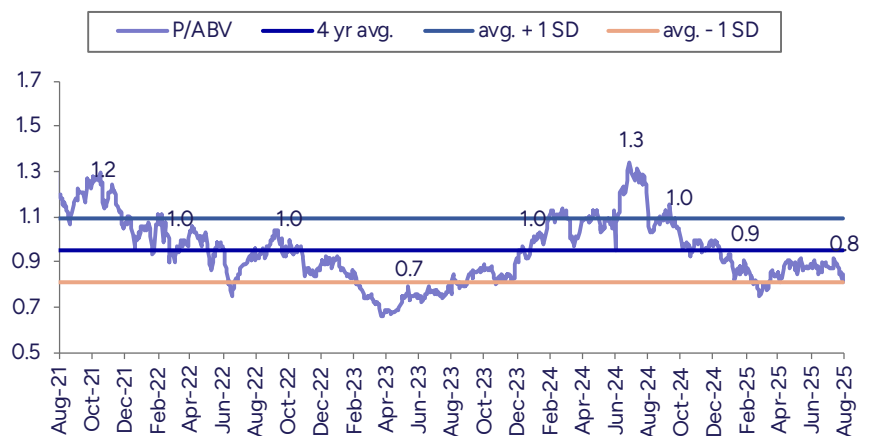
Exhibit 9: GNPA worsen to 2.62%, PCR increases to 50.8%


Source: Company, PL

Exhibit 10: RoA estimated at ~1.5%, while RoE at 12-14% for FY26/27E

RoE decomposition (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest income	9.4	8.7	8.0	8.4	9.5	9.1	8.9	8.8
Interest expenses	7.1	6.4	5.8	6.1	6.5	6.4	6.4	6.3
Net interest income	2.3	2.3	2.3	2.4	3.0	2.7	2.5	2.5
Other Inc. from operations	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total income	2.3	2.4	2.4	2.4	3.1	2.8	2.6	2.6
Employee expenses	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Other operating expenses	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Operating profit	2.0	2.1	1.9	2.1	2.7	2.4	2.2	2.1
Loan loss provisions	0.5	0.6	0.8	0.7	0.6	0.1	0.2	0.2
Tax	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
PAT	1.2	1.2	0.9	1.1	1.7	1.8	1.6	1.5
RoAA	1.15	1.21	0.93	1.08	1.67	1.79	1.58	1.53
RoAE	13.9	14.1	10.1	11.2	16.3	16.0	13.4	12.5

Source: Company, PL

Exhibit 11: One-year forward P/ABV of LICHF trades at 0.8x


Source: Company, PL


Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Inc. / Opt. Inc.	2,70,416	2,76,615	2,90,090	3,06,644
Interest Expenses	1,83,907	1,95,320	2,07,448	2,19,944
Net interest income	86,509	81,295	82,642	86,700
Growth(%)	36.7	(6.0)	1.7	4.9
Non-interest income	1,931	3,948	3,259	3,506
Growth(%)	22.2	104.4	(17.5)	7.6
Net operating income	88,440	85,243	85,901	90,206
Expenditures				
Employees	6,100	7,019	7,405	7,778
Other Expenses	4,709	5,868	5,929	6,555
Depreciation	654	939	1,033	1,137
Operating Expenses	11,463	13,826	14,368	15,470
PPP	76,976	71,416	71,533	74,736
Growth(%)	40.0	(7.2)	0.2	4.5
Provisions	16,437	2,858	6,260	7,004
Profit Before Tax	60,539	68,558	65,273	67,732
Tax	12,885	14,268	13,707	14,224
Effective Tax rate(%)	21.3	20.8	21.0	21.0
PAT	47,654	54,290	51,566	53,508
Growth(%)	64.8	13.9	(5.0)	3.8

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Source of funds				
Equity	1,101	1,101	1,101	1,101
Reserves and Surplus	3,12,846	3,61,467	4,03,423	4,49,975
Networth	3,13,946	3,62,568	4,04,524	4,51,076
Growth (%)	15.8	15.5	11.6	11.5
Loan funds	25,24,968	27,05,972	28,96,744	31,00,631
Growth (%)	3.2	7.2	7.1	7.0
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	69,791	67,121	72,659	77,669
Other Liabilities	3,341	3,604	4,018	4,301
Total Liabilities	29,12,046	31,39,266	33,77,944	36,33,676
Application of funds				
Net fixed assets	3,610	4,020	4,220	4,535
Advances	28,05,898	30,28,458	32,61,148	35,08,159
Growth (%)	4.8	7.9	7.7	7.6
Investments	62,770	71,421	75,735	81,390
Current Assets	15,935	14,291	14,719	15,818
Net current assets	(53,856)	(52,830)	(57,940)	(61,851)
Other Assets	23,833	21,074	22,122	23,774
Total Assets	29,12,046	31,39,266	33,77,944	36,33,676
Growth (%)	4.6	7.8	7.6	7.6
Business Mix				
AUM	28,68,440	30,77,320	32,92,817	35,38,705
Growth (%)	4.3	7.3	7.0	7.5
On Balance Sheet	28,05,898	30,28,458	32,61,148	35,08,159
% of AUM	97.82	98.41	99.04	99.14
Off Balance Sheet	62,542	48,862	31,669	30,546
% of AUM	2.18	1.59	0.96	0.86

Profitability & Capital (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	3.1	2.7	2.6	2.5
ROAA	1.7	1.8	1.6	1.5
ROAE	16.3	16.0	13.4	12.5

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Int. Inc. / Operating Inc.	68,534	69,516	71,173	71,131
Income from securitization	-	-	-	-
Interest Expenses	48,796	49,515	49,508	50,473
Net Interest Income	19,739	20,001	21,664	20,658
Growth (%)	(6.3)	(4.6)	(3.2)	3.9
Non-Interest Income	784	1,057	1,661	1,201
Net Operating Income	20,522	21,059	23,325	21,859
Growth (%)	(4.9)	(1.9)	2.0	7.5
Operating expenditure	3,105	3,564	4,536	2,938
PPP	17,417	17,495	18,790	18,920
Growth (%)	-	-	-	-
Provision	773	(440)	1,094	1,929
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	16,644	17,934	17,696	16,992
Tax	3,355	3,615	4,016	3,392
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	20.2	20.2	22.7	20.0
PAT	13,289	14,320	13,680	13,599
Growth	12	23	25	5
AUM	29,45,880	29,91,440	30,77,320	30,95,870
YoY growth (%)	6.0	6.4	7.3	7.2
Borrowing	25,74,490	26,25,660	27,06,270	27,09,330
YoY growth (%)	5.7	7.1	7.0	6.8

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	591	591	591	591
EPS (Rs)	86.6	98.6	93.7	97.2
Book value (Rs)	570.4	658.7	735.0	819.5
Adj. BV(Rs)	486.7	591.4	671.4	757.0
P/E(x)	6.8	6.0	6.3	6.1
P/BV(x)	1.0	0.9	0.8	0.7
P/ABV(x)	1.2	1.0	0.9	0.8
DPS (Rs)	8.5	10.0	11.2	12.6
Dividend Payout Ratio(%)	9.8	10.1	12.0	13.0
Dividend Yield(%)	1.4	1.7	1.9	2.1

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs(Rs m)	94,834	76,010	69,965	68,836
Net NPA(Rs m)	46,071	37,071	34,982	34,418
Gross NPAs to Gross Adv.(%)	3.3	2.5	2.1	1.9
Net NPAs to net Adv.(%)	1.6	1.2	1.1	1.0
NPA coverage(%)	51.4	51.2	50.0	50.0

Du-Pont as a % of AUM

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	3.0	2.7	2.5	2.5
NII INCI. Securitization	3.0	2.7	2.5	2.5
Total income	3.1	2.8	2.6	2.6
Operating Expenses	0.4	0.5	0.4	0.4
PPOP	2.7	2.4	2.2	2.1
Total Provisions	0.6	0.1	0.2	0.2
RoAA	1.7	1.8	1.6	1.5
Avg. Assets/Avg. net worth	9.7	9.0	8.5	8.2
RoAE	16.3	16.0	13.4	12.5

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-25	BUY	725	605
2	16-May-25	BUY	725	621
3	08-Apr-25	BUY	650	566
4	04-Feb-25	BUY	650	558
5	09-Jan-25	Hold	675	583
6	30-Oct-24	Hold	675	637
7	08-Oct-24	Hold	660	618
8	05-Aug-24	Hold	660	686

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	1,974
2	Axis Bank	BUY	1,375	1,161
3	Bank of Baroda	BUY	270	243
4	Can Fin Homes	BUY	875	813
5	City Union Bank	BUY	245	214
6	DCB Bank	BUY	155	142
7	Federal Bank	BUY	220	196
8	HDFC Asset Management Company	BUY	5,700	5,357
9	HDFC Bank	BUY	2,150	1,957
10	ICICI Bank	BUY	1,730	1,426
11	IndusInd Bank	Hold	780	808
12	Kotak Mahindra Bank	BUY	2,350	2,121
13	LIC Housing Finance	BUY	725	605
14	Nippon Life India Asset Management	BUY	860	794
15	State Bank of India	BUY	960	807
16	Union Bank of India	BUY	150	146
17	UTI Asset Management Company	BUY	1,300	1,329

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

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