

May 16, 2025

Q4FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	725		650	
NII (Rs.)	82,782	88,048	81,382	87,313
% Chng.	1.7	0.8		
PPoP (Rs.)	71,681	76,099	70,756	75,888
% Chng.	1.3	0.3		
EPS (Rs.)	94.5	99.0	91.3	96.6
% Chng.	3.5	2.5		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Int.Inc. (Rs m)	86,509	81,295	82,782	88,048
Growth (%)	36.7	(6.0)	1.8	6.4
Op. Profit (Rs m)	76,976	71,416	71,681	76,099
PAT (Rs m)	47,654	54,290	51,998	54,515
EPS (Rs.)	86.6	98.6	94.5	99.0
Gr. (%)	64.8	13.9	(4.2)	4.8
DPS (Rs.)	8.5	10.0	11.3	12.9
Yield (%)	1.4	1.6	1.8	2.1
Margin (%)	3.1	2.7	2.5	2.5
RoAE (%)	16.3	16.0	13.6	12.7
RoAA (%)	1.7	1.8	1.6	1.5
PE (x)	7.2	6.3	6.6	6.3
P/BV (x)	1.1	0.9	0.8	0.8
P/ABV (x)	1.3	1.1	0.9	0.8

Key Data LICH.BO | LICHF IN

52-W High / Low	Rs.827 / Rs.484
Sensex / Nifty	82,331 / 25,020
Market Cap	Rs.342bn/ \$ 3,995m
Shares Outstanding	550m
3M Avg. Daily Value	Rs.929.76m

Shareholding Pattern (%)

Promoter's	45.24
Foreign	21.55
Domestic Institution	21.34
Public & Others	11.87
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.6	2.1	(4.9)
Relative	(2.1)	(3.8)	(14.9)

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Benign credit costs; re-rating hinges on growth

Quick Pointers:

- Good quarter due to better margins and improved asset quality.
- Higher growth imperative for re-rating; NIM remains a key monitorable.

LICHF saw a good quarter as PAT was a 7.2% beat since (1) NII was 8.5% ahead due to 16bps QoQ increase in NIM driven by reduction in funding cost and (2) provisions were lower due to 28bps QoQ reduction in stage-3 to 2.5%. Reported NIM for FY25 was 2.7% (3.1% in FY24) and despite likely repo cut of 75-100bps company sees NIM for FY26 to range between 2.6-2.8% as PLR would be trimmed only after repo cut translates to lower funding cost. However, we are factoring a NIM of 2.55% in FY26 given increased competition from banks in a falling rate environment. LICHF is aiming for double-digit growth in FY26E; we envisage AUM CAGR of 7.5% over FY25-27E. Asset quality continues to improve and LICHF expects provisions to remain benign in FY26 at 9-15bps (10bps in FY25). As asset quality risks have abated, we slightly increase multiple to 1.0x from 0.9x and roll forward to Mar'27 ABV. We increase TP to Rs725 from Rs650. Maintain 'BUY'.

- Good quarter due to better NII/NIM and asset quality:** NII was higher at Rs21.7bn (PLe Rs20bn) due to lower funding cost. NIM (calc.) was ahead at 2.82% (PLe 2.61%); reported NIM increased by 16bps QoQ to 2.86% due to fall in funding cost. Loan growth was 7.3% YoY (PLe 7.5%); disbursals were Rs191.6bn (PLe Rs200.4bn) offset by lower repayments at Rs105.6bn (PLe Rs109bn). Other income was a beat at Rs1.66bn (PLe Rs1.13bn) owing to TWO recovery of Rs1bn. Opex at Rs4.5bn was 22.7% above PLe led by higher other opex driven by marketing and CSR expenses. PPoP was 7.7% ahead of PLe at Rs18.8bn. On asset quality, gross stage-3 improved by 28bps QoQ to 2.47% (PLe 2.6%). Provisions were lower at Rs1.1bn (PLe Rs1.5bn) and PCR improved QoQ to 51.2% from 47.5%. PAT was 7.2% above PLe at Rs13.7bn.
- NIM a key monitorable; asset quality to further improve:** Margins were better due to QoQ fall in incremental borrowing cost to 7.66% from 7.75%; CoF has further reduced to 7.3% in Q1FY26 owing to rate cuts. On the lending side, PLR is reset quarterly; hence one rate cut impact was passed on to customers in Q1FY26 while the next 25bps impact would be effected from 1st Jul'25. LICHF has guided that NIM could range between 2.6-2.8% for FY26 (2.73% in FY25) as yields would be cut only after a funding cost relief. We are factoring NIM (calc.) of 2.55% in FY26E (2.69% in FY25). GNPA is targeted to reduce to reach <2.2% (2.47% in FY25) while credit cost is guided at 9-15bps (10bps in FY25).
- Credit growth guidance of double-digit for FY26:** Individual/project growth was 2.8%/5.0% QoQ. Credit flow that was impacted in Karnataka/Telangana has largely normalized. While LICHF is targeting double-digit disbursal/loan growth in FY26, we are factoring loan CAGR of 7.5% over FY25-27E given (1) execution has remained weak on growth (2) already existing competitive intensity from banks could increase in a falling interest rate environment which may increase BT-out. Company would focus on scaling up the higher yielding segments viz. affordable housing, LAP, LRD and developer.

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

P&L (Rs m)	Q4FY25	Q4FY24	YoY gr. (%)	Q3FY25	QoQ gr. (%)	Q4FY25E	% Var.,
Interest Income	71,173	68,875	3.3	69,516	2.4	70,914	0.4
Interest Expense	49,508	46,499	6.5	49,515	(0.0)	50,943	(2.8)
Net Interest Income	21,664	22,376	(3.2)	20,001	8.3	19,971	8.5
Fee Income	61	85	(28.8)	98	(37.8)	103	(40.7)
Other Income	1,600	408	292.3	960	66.7	1,025	56.1
Total income	23,325	22,869	2.0	21,059	10.8	21,099	10.6
Employee Expense	1,761	1,985	(11.3)	2,044	(13.8)	1,901	(7.3)
Other Expenses	2,775	1,844	50.5	1,521	82.5	1,797	54.4
Operating Profit	18,790	19,041	(1.3)	17,495	7.4	17,402	8.0
Provisions	1,094	4,279	(74.4)	(440)	(348.7)	1,500	(27.1)
Tax	4,016	3,854	4.2	3,615	11.1	3,189	25.9
Net Profit	13,680	10,908	25.4	14,320	(4.5)	12,757	7.2

Balance Sheet (Rs m)
O/S Loans

Home Loans	3,077,320	2,868,440	7.3	2,991,440	2.9
LAP	85.0%	85.1%	(10.0)	85.1%	(10.0)
Builder	12.0%	12.1%	(10.0)	12.0%	-
Borrowings	3.0%	2.8%	20.0	2.9%	10.0
Banks (%)	2,706,270	2,530,300	7.0	2,625,660	3.1
NCD (%)	32.0%	34.0%	(2.0)	33.0%	(1.0)
CP (%)	55.0%	52.0%	3.0	54.0%	1.0
Sub-debt (%)	5.0%	5.0%	-	4.0%	1.0
Deposits (%)	1.0%	1.0%	-	1.0%	-
NHB (%)	3.0%	4.0%	(1.0)	3.0%	-

Asset quality

	Change in bps			Change in bps		Change in bps	
Stage-3	2.5%	3.3%	(84)	2.8%	(28)	2.6%	(13)
Net-stage-3	1.2%	1.6%	(41)	1.4%	(24)	1.4%	(23)
PCR	51.2%	51.4%	(13)	47.5%	376	45.0%	623

Others / Ratios (%)

	Change in bps			Change in bps		Change in bps	
Yield on Loans - Calc	9.3	9.6	(34)	9.3	(2)	9.3	1
Cost of Borrowings - Calc	7.4	7.5	(4)	7.6	(19)	7.6	(22)
Spread	1.8	2.1	(30)	1.7	17	1.6	22
NIMs	2.8	3.1	(30)	2.7	15	2.6	21
Cost/ Income Ratio	19.4	16.7	270	16.9	252	17.5	196

Source: Company, PL

Q4FY25 Concall Highlights

Assets & Liabilities

- **Disbursals and AuM** are guided to grow in double-digit. Business in Hyderabad has normalized while that in Bangalore is largely on-track. However, east region has seen a blip which is expected to normalize in FY26.
- Disbursals for **affordable housing** were lower at Rs4.32bn in FY25 (vs Rs10bn targeted). It is targeted at Rs20bn in FY26. For **project finance**, disbursals are projected at Rs100bn.
- NCD repricing of Rs300bn is expected in FY26. Borrowing mix: 55:45 is fixed:floating; loan from bank is substantially floating.

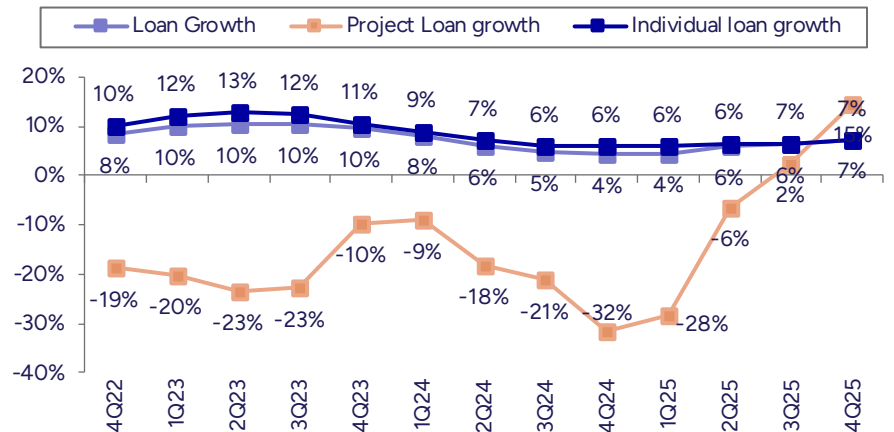
Profit & Loss

- Earlier, PLR was increased by 10bps due to increase in CoFs. However, post rate-cuts, PLR was reduced by 25bps. Rate cut benefit is passed quarterly, basis reduction in CoFs. This benefit may be given from 1st July, 2025.
- Incremental CoF is now at 7.30% (vs 7.66%) while yield on IHL has reduced by 25bps. Interest rates were managed due to renegotiations from borrowers.
- Recovery from NPA (impacting NII) was Rs160mn/Rs4bn in Q4FY25/FY25.
- Margins could be supported by 1) negotiations with borrowers, 2) expand into LRD, LAP, project finance and affordable housing. Affordable housing yield stood at 11-12% and LAP yield stood at 10.5-11%.
- Margins are expected to remain under pressure. NIM is guided at 2.6-2.8% while spread is to be maintained at 2.0-2.1%.
- Other income increased due to TWO recovery of Rs1bn in Q4FY25
- Other opex was higher due to marketing and CSR expenses. Company also shifted from buying equipment to leasing the same resulting in accounting change from capex to opex.

Asset Quality

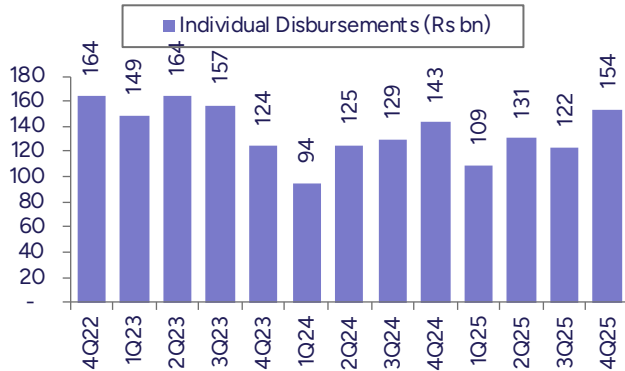
- Segment stage-3 mix: IHL at 1.09% (~Rs28.5bn), non-housing corporate at 24.52% (~Rs35.2bn), and non-housing commercial at 3.85% (~Rs12.3bn). Total Stage-3 stood at 2.47% (~Rs76bn)
- Technical w/o was Rs1.7bn in Q4FY25/13.7bn in FY25. Recovery was Rs6.15bn in Q4FY25/Rs18bn in FY25.
- GNPA is targeted at <2.20% while credit cost is guided at 9-15bps
- Outstanding default portfolio is Rs80-90bn of which project loans contribute to 21-24%. No big project loan was resolved in Q4FY25 (vs Rs2.5bn in Q3FY25). One big loan of Rs4.5bn may be restructured in May'25.

Exhibit 2: Loan growth higher at 7% YoY; project loan disbursements increase



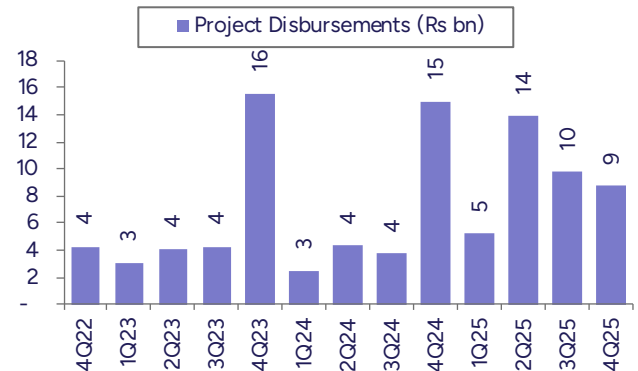
Source: Company, PL

Exhibit 3: Disbursements increase YoY to Rs154bn



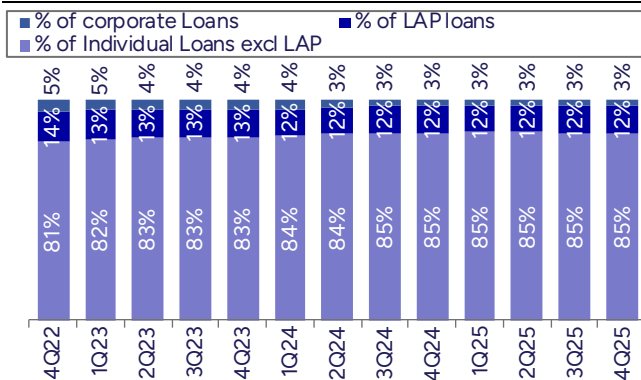
Source: Company, PL

Exhibit 4: Project loan disbursements pace to be maintained



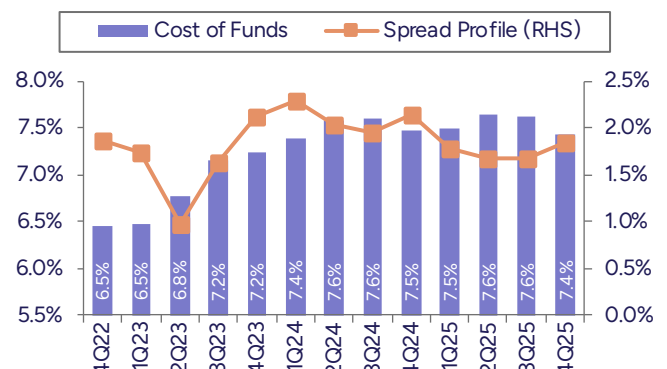
Source: Company, PL

Exhibit 5: Individual loan mix stable at 85% share

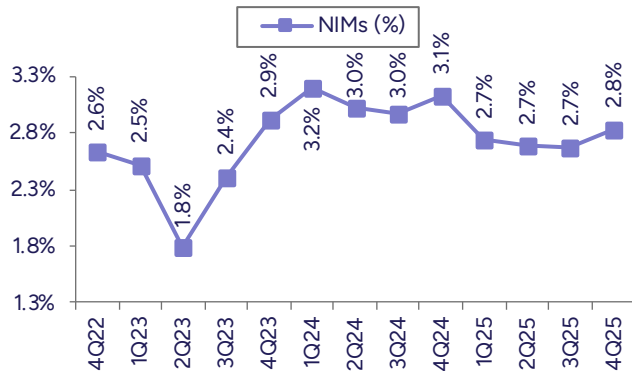


Source: Company, PL

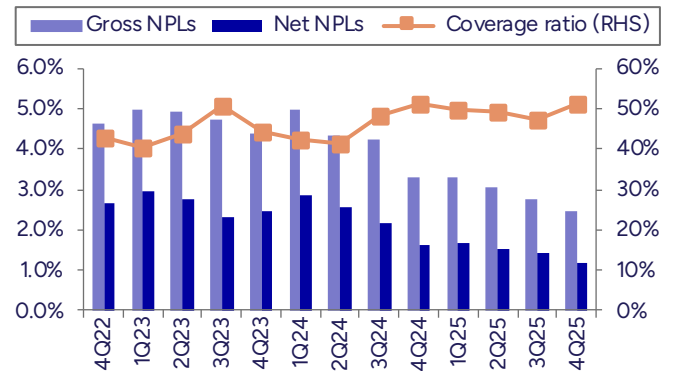
Exhibit 6: Spreads improved sequentially to 1.8%



Source: Company, PL

Exhibit 7: NIM improved due to fall in cost of funds


Source: Company, PL

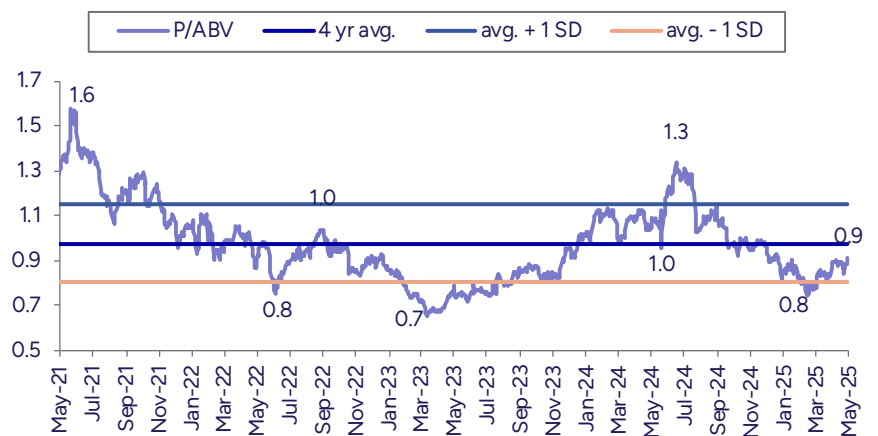
Exhibit 8: GNPA improves to 2.47%, PCR increases to 51.2%


Source: Company, PL

Exhibit 9: RoA estimated at ~1.6%, 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	2.2
Loan loss provisions	0.5	0.6	0.8	0.7	0.6	0.1	0.2	0.2
Tax	0.4	0.3	0.2	0.2	0.5	0.5	0.4	0.4
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	1.59	1.55
RoAE	13.9	14.1	10.1	11.2	16.3	16.0	13.6	12.7

Source: Company, PL

Exhibit 10: One-year forward P/ABV of LICHF trades at 0.9x


Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Inc. / Opt. Inc.	2,70,416	2,76,615	2,90,760	3,09,070
Interest Expenses	1,83,907	1,95,320	2,07,978	2,21,022
Net interest income	86,509	81,295	82,782	88,048
Growth(%)	36.7	(6.0)	1.8	6.4
Non-interest income	1,931	3,948	3,266	3,522
Growth(%)	22.2	104.4	(17.3)	7.8
Net operating income	88,440	85,243	86,048	91,569
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	71,681	76,099
Growth(%)	40.0	(7.2)	0.4	6.2
Provisions	16,437	2,858	5,861	7,093
Profit Before Tax	60,539	68,558	65,820	69,007
Tax	12,885	14,268	13,822	14,491
Effective Tax rate(%)	21.3	20.8	21.0	21.0
PAT	47,654	54,290	51,998	54,515
Growth(%)	64.8	13.9	(4.2)	4.8

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	4,03,803	4,51,232
Networth	3,13,946	3,62,568	4,04,904	4,52,332
Growth (%)	15.8	15.5	11.7	11.7
Loan funds	25,24,968	27,05,972	29,11,166	31,15,830
Growth (%)	3.2	7.2	7.6	7.0
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	69,791	67,121	72,999	78,028
Other Liabilities	3,341	3,604	4,038	4,322
Total Liabilities	29,12,046	31,39,266	33,93,108	36,50,512
Application of funds				
Net fixed assets	3,610	4,020	4,239	4,556
Advances	28,05,898	30,28,458	32,75,790	35,24,413
Growth (%)	4.8	7.9	8.2	7.6
Investments	62,770	71,421	76,073	81,767
Current Assets	15,935	14,291	14,785	15,891
Net current assets	(53,856)	(52,830)	(58,215)	(62,137)
Other Assets	23,833	21,074	22,221	23,885
Total Assets	29,12,046	31,39,266	33,93,108	36,50,512
Growth (%)	4.6	7.8	8.1	7.6
Business Mix				
AUM	28,68,440	30,77,320	33,07,531	35,55,098
Growth (%)	4.3	7.3	7.5	7.5
On Balance Sheet	28,05,898	30,28,458	32,75,790	35,24,413
% of AUM	97.82	98.41	99.04	99.14
Off Balance Sheet	62,542	48,862	31,741	30,685
% of AUM	2.18	1.59	0.96	0.86

Profitability & Capital (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	3.1	2.7	2.5	2.5
ROAA	1.7	1.8	1.6	1.5
ROAE	16.3	16.0	13.6	12.7

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Int. Inc. / Operating Inc.	67,391	68,534	69,516	71,173
Income from securitization	-	-	-	-
Interest Expenses	47,501	48,796	49,515	49,508
Net Interest Income	19,891	19,739	20,001	21,664
Growth (%)	(10.0)	(6.3)	(4.6)	(3.2)
Non-Interest Income	446	784	1,057	1,661
Net Operating Income	20,336	20,522	21,059	23,325
Growth (%)	(9.7)	(4.9)	(1.9)	2.0
Operating expenditure	2,621	3,105	3,564	4,536
PPP	17,715	17,417	17,495	18,790
Growth (%)	-	-	-	-
Provision	1,431	773	(440)	1,094
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	16,284	16,644	17,934	17,696
Tax	3,282	3,355	3,615	4,016
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	20.2	20.2	20.2	22.7
PAT	13,002	13,289	14,320	13,680
Growth	(2)	12	23	25
AUM	28,86,650	29,45,880	29,91,440	30,77,320
YoY growth (%)	4.4	6.0	6.4	7.3
Borrowing	25,36,980	25,74,490	26,25,660	27,06,270
YoY growth (%)	5.1	5.7	7.1	7.0

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	621	621	621	621
EPS (Rs)	86.6	98.6	94.5	99.0
Book value (Rs)	570.4	658.7	735.7	821.8
Adj. BV(Rs)	486.7	591.4	672.9	759.8
P/E(x)	7.2	6.3	6.6	6.3
P/BV(x)	1.1	0.9	0.8	0.8
P/ABV(x)	1.3	1.1	0.9	0.8
DPS (Rs)	8.5	10.0	11.3	12.9
Dividend Payout Ratio(%)	9.8	10.1	12.0	13.0
Dividend Yield(%)	1.4	1.6	1.8	2.1

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs(Rs m)	94,834	76,010	69,047	68,247
Net NPA(Rs m)	46,071	37,071	34,524	34,124
Gross NPAs to Gross Adv.(%)	3.3	2.5	2.1	1.9
Net NPAs to net Adv.(%)	1.6	1.2	1.0	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	2.2
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	13.6	12.7

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-25	BUY	650	566
2	04-Feb-25	BUY	650	558
3	09-Jan-25	Hold	675	583
4	30-Oct-24	Hold	675	637
5	08-Oct-24	Hold	660	618
6	05-Aug-24	Hold	660	686
7	10-Jul-24	Hold	660	771

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	2,038
2	Axis Bank	BUY	1,500	1,207
3	Bank of Baroda	BUY	275	225
4	Can Fin Homes	BUY	860	723
5	City Union Bank	BUY	210	174
6	DCB Bank	BUY	155	113
7	Federal Bank	BUY	220	197
8	HDFC Asset Management Company	BUY	4,600	4,218
9	HDFC Bank	BUY	2,125	1,907
10	ICICI Bank	BUY	1,700	1,407
11	IndusInd Bank	Hold	860	676
12	Kotak Mahindra Bank	BUY	2,400	2,185
13	LIC Housing Finance	BUY	650	566
14	Nippon Life India Asset Management	BUY	700	638
15	State Bank of India	BUY	960	800
16	Union Bank of India	BUY	145	123
17	UTI Asset Management Company	BUY	1,300	1,019

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)

We/I, Mr. Gaurav Jani- CA, Passed CFA Level II, Mr. Aditya Modani- CA, Passed CFA Level II, Ms. Harshada Gite- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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