

Date – 29 April 2025

Rec Price: 607

Finkhoz Rating: 7.7/10

Guidance : Accumulate

About the company:

LIC Housing Finance Ltd (LIC HFL), backed by LIC which holds a 45.24% stake, is India’s largest housing finance company with a loan book of ~₹2.87 lakh Cr in FY24, up from ~₹2.1 lakh Cr in FY20. It primarily offers home loans (85% of loan mix), loans against property, and project finance, while focusing on salaried customers (88% of borrowers) with an average ticket size of ₹12 lakh. The company has 310 branches and 35+ lakh customers, and sources business through LIC’s agent network. With digital initiatives like the HOMY App now contributing over 35% of disbursements, LIC HFL is focused on recovery, asset quality, and digital expansion, while maintaining a GNPA of 3.55% and NIM of 3% as of FY24.

Company Guidance:

LIC Housing Finance is shifting its focus from aggressive growth to margin-accretive segments, especially in competitive areas like Prime IHL and top-rated developer finance. For FY25, Individual Home Loan growth is expected to be ~9%, with stronger performance in Q4. Total disbursements in Q4 FY25 are targeted at ₹20,000–₹25,000 Cr. In FY26, disbursement growth is expected to be 10–15%. A key focus area is Affordable Housing, which is aimed to form 10% of the loan book (₹25,000–₹30,000 Cr) in the next 2–3 years, driving future growth and margins.

Asset Quality:

LIC Housing Finance has shown strong improvement in asset quality. Stage 3 exposure dropped to 2.75% as of Dec 31, 2024, from 4.26% a year ago and 3.06% in the previous quarter. Management remains upbeat about further improvement in Q4 FY25. Total **Provisions** stood at ₹4,974 Cr, with 48% coverage on Stage 3 loans. Segment-wise Stage 3 stood at 1.2% for Individual Home Loans, 4.59% for Non-Housing Individual, and 27% for Non-Housing Commercial and Project Loans. Normalized provisioning is expected to settle around 20 bps, below the initial guidance of 20–30 bps. Improving asset quality is expected to support margin expansion going forward.

Disbursements & Loans:

In Q3 FY25, LIC Housing Finance’s disbursements rose ~2% YoY but fell ~6% QoQ to ₹15,500 Cr. IHL disbursements declined ~5% YoY, while non-housing and commercial loans grew 16%, and builder loans surged ~160%. Disbursements were hit by ₹700–800 Cr due to issues in Bangalore (eKhata) and Hyderabad (Hydra), which form ~35% of the loan book. Hyderabad is resolved; Bangalore may normalize by Feb–Mar 2025. Loan book grew ~6.4% YoY; developer loans fell ~40%. FY25 loan growth is expected at ~7%. Disbursements dipped, loan book grew, and recovery looks likely as key issues get resolved.

Expert View:

LIC Housing Finance is well-positioned for stable long-term growth, backed by strong parental support from LIC, improving asset quality, and a prudent shift toward margin-accretive lending. While near-term disbursements face regional disruptions, management’s focus on affordable housing, digital transformation, and asset quality recovery sets a solid foundation for sustained performance.

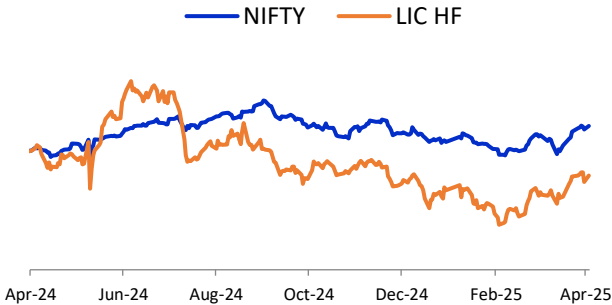
Company Data

Market cap (INR crs)	: 32679 (₹)
Segment	: Home Financing
52 Weeks H/L	: 827/484
Institutional Change(%)	: 0.2%
Inst. Holding (till Mar-25)	: 42.89%
Annual Upside	: 21.59%

Asset Quality

Gross NPA (%)	: 3.3%
Net NPA (%)	: 1.6%
PCR (Provision coverage Ratio %)	: 51.4%

Absolute Returns	LIC HF	Nifty
1 Year	-9.71%	6.51%
3 Year	68.15%	13.68%
5 year	129.06%	162.60%



Valuation Metrics

Stock P/BV	: 0.98x
Segment P/BV	: 2.35x
Stock P/E	: 6.31x
Historic P/E	: 10.02x
Segment P/E	: 20.22x

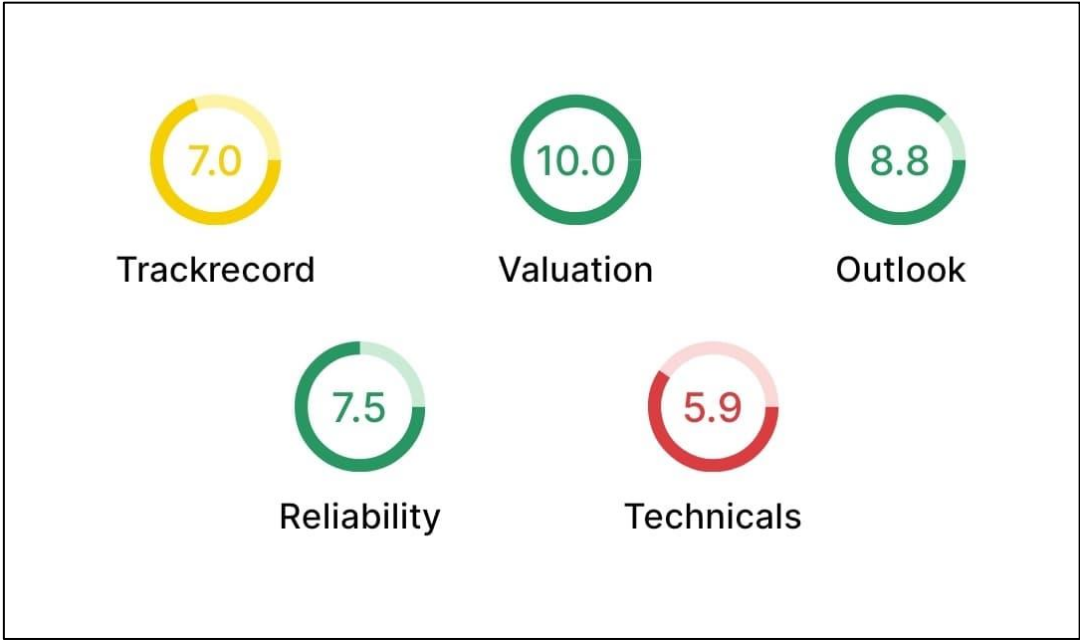
Quarterly Performance

IN INR Cr	Q3 (FY24)	Q3 (FY25)	YoY Changes (%)
Net Interest Income	2,098	2,001	-4.62%
Operating Profit	18,845	17,495	-7.16%
PAT	11,629	14,320	23.14%
Borrowings	2,888	2,626	-9.07%
Loan book	2,946	2,991	1.53%
Cost to Income ratio	15.10%	16.90%	180 BPS

Financial Performance & Estimates

IN INR Cr	FY24	FY25E	FY26E
NII (Net Interest Income)	8,651	8,020	8,400
NII Margin (%)	3.08%	2.70%	2.70%
PAT	4765	5,314	5,230
YOY Growth %	65%	12%	-2%
EPS (IN INR)	86.63	96.5	94.9
BV/Sh. (INR)	570	648	723
ROE (%)	16.00	15.85	13.80

Exhibit 1: Finkhoz’s Evaluation out of 10



Analysis

Track record	Average
Valuation	Robust
Outlook	Strong
Reliability	Strong
Technical	Weak

According to the Finkhoz Rating, the stock stands out with a strong valuation score of 10.0, indicating an attractive price point. While the technical score is moderate at 5.9, the reliability score remains solid at 7.5, and the outlook score of 8.8 reflects positive near-term sentiment. Overall, with stable fundamentals, the stock appears to be a compelling candidate for long-term accumulation.

Exhibit 2: Borrowing break-down

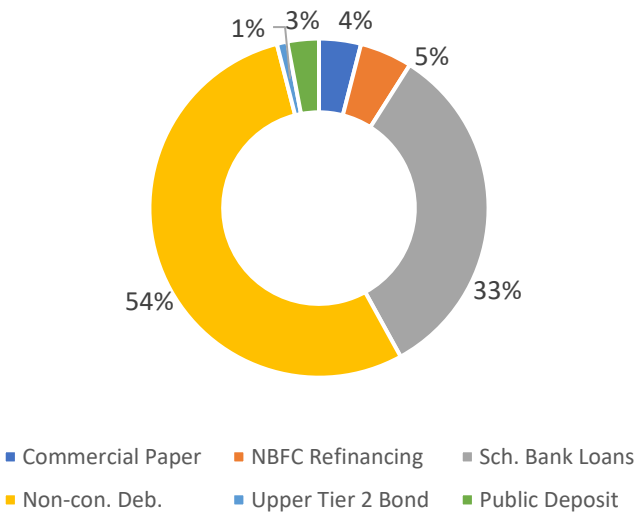
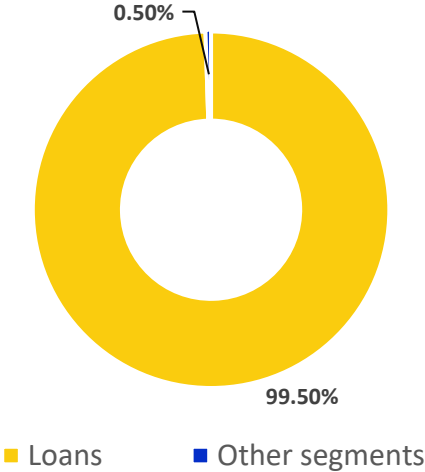


Exhibit 3: Revenue wise break-down



Q3 FY25 Result Update:

The company reported a 4% YoY rise in revenue to INR 7,057 crores, with a 6% growth in the loan book to INR 2.99 lakh crores. Individual home loans, which form 85% of the portfolio, grew 7%. Disbursements rose 2% YoY to INR 15,475 crores. PBT increased 24% YoY to INR 1,793 crores, while PAT stood at INR 1,432 crores. NII was INR 2,000 crores, and NIM remained steady at 2.70%.

LIC HFL has launched a new product focused on Affordable Housing, expected to boost both growth and margins. This segment offers better yields, with rates 250–300 bps higher than regular home loans (starting at ~11%). The cost of funds slightly increased to 7.78% due to tight liquidity. The company is not currently pursuing the acquisition of Can Fin Finance but is open to opportunities

Exhibit 4: Operating Profit Trend (INR Cr)

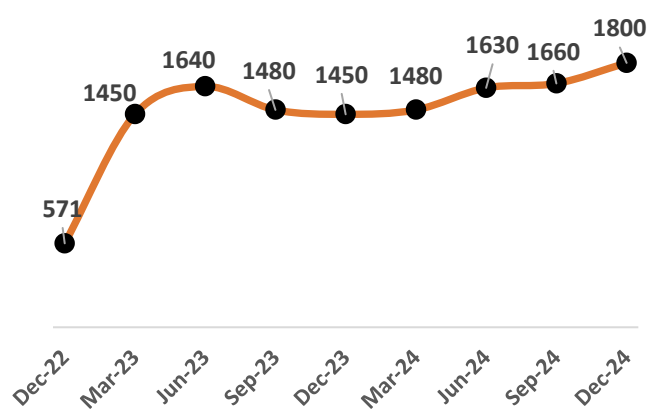


Exhibit 5: Net Profit growth Trend (INR Cr)

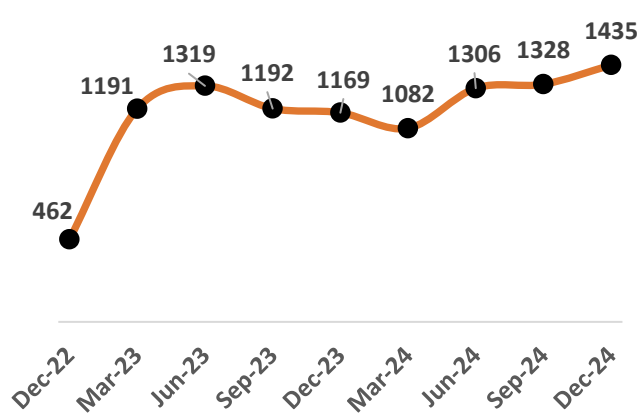


Exhibit 6: NII Trend (INR Cr)

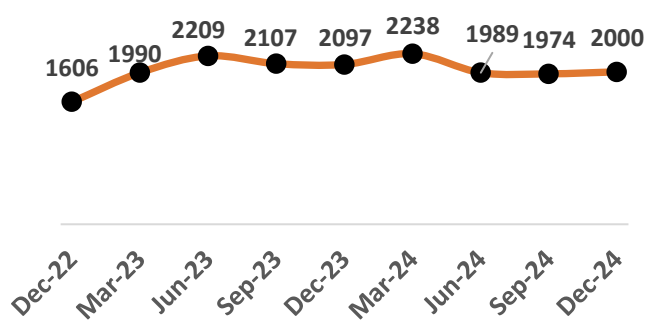


Exhibit 7: GNPA & NNPA Trend (%)

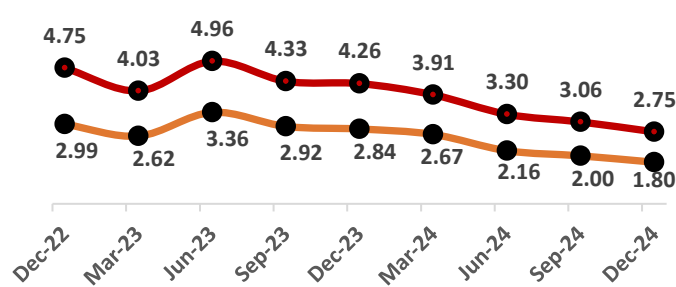


Exhibit 8: Net Profit Growth (%)

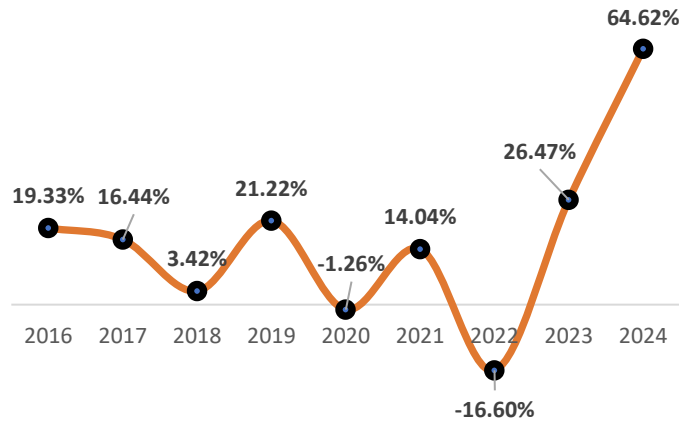


Exhibit 9: Annual EPS Trend (in Rs.)

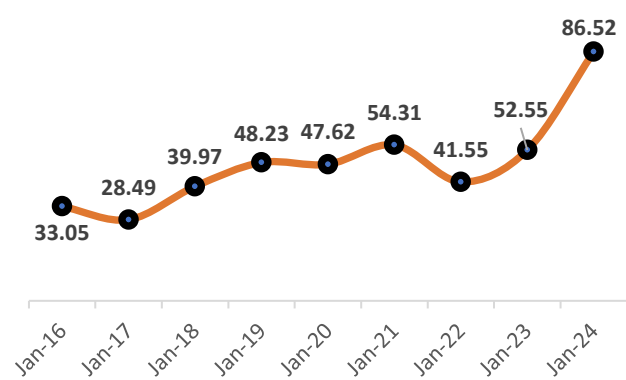


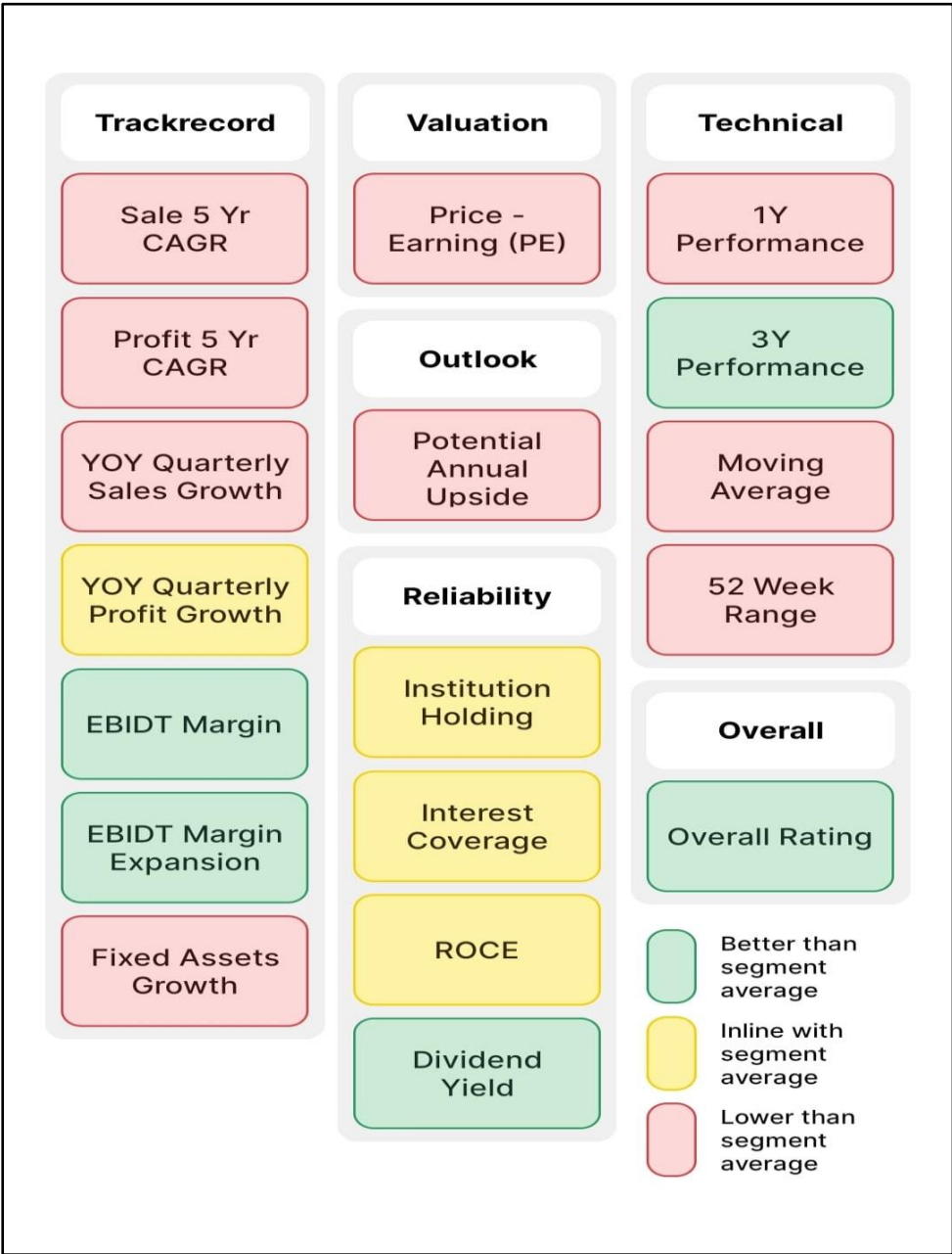
Exhibit 10: Shareholding Pattern



Exhibit 11: Share-holders with > 1%

MORE THAN 1%	% STAKE HOLDING
Life Insurance Corporation Of India	45.24%
Kotak Mahindra Trustee Co Ltd A/c Kotak Special Opportunities Fund	4.08%
Mirae Asset Nifty500 Multicap 50:25:25 Etf	3.41%
Icici Prudential Value Discovery Fund	2.50%
Government Pension Fund Global	2.34%

Exhibit 12: Performance compared to peers in the segment



Top Peer Comparison: Performance & Valuation

Name	Market Cap (Rs. Cr.)	P/BV (TTM)	P/E (TTM)	NIM TTM (%)	ROE (%)	CRAR Ratio TTM (%)	OP Changes TTM (%)	NP Changes TTM (%)
LIC Housing Finance	33,018	0.98	6.31	2.70%	16.20%	21.49%	24.14%	22.23%
Bajaj Housing Finance	1,04,571	5.2	48.3	4.00%	13.40%	28.24%	24.23%	25.40%
PNB Housing Finance	25,577	1.72	13.82	3.70%	11.60%	28.78%	37.51%	42.80%
Aavas Financiers	15,856	3.62	28.29	7.64%	13.90%	44.45%	24.84%	24.78%
Home first finance Co. India	12,746	4.85	35.16	4.90%	15.50%	33.10%	30.70%	22.78%
Median		3.62	28.29	4.00%	13.90%	28.78%	24.84%	24.78%

- **Valuation-wise**, Cheapest in the pack — P/E of 6.31 and P/B of 0.98, far below the sector median. Market is pricing in low growth, making it a clear value pick.
- **Profitability-** ROE of 16.2%, higher than median (13.9%) — shows strong capital efficiency.
- **Margins (NIM)-** NIM at 2.7% is a drag — lowest among peers, indicating limited pricing power.
- **Capital Strength:** CRAR at 21.5%, solid though below top peers like Aavas or Bajaj.

LIC Housing is undervalued, profitable, and growing steadily. If you can look past the lower margins, it’s a solid bet for value-focused investors.

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This report has been prepared by the research team led by –

- Arpit Goel, Research Head Finkhoz Robo Advisory
- Subir Saha (Senior Research Analyst)
- Ashish Kumar Singh (Research Analyst)
- Tanishque Pathak (Research Trainee)

Arpit Goel,
INA100014055,
Sebi Reg. Investment Advisor

Website: <https://finkhoz.com/>

