WAY2WEALTH
Research Desk

Sector – Financial Services

LIC Housing Finance Ltd.

6th Aug 2026 | Close* – ₹512/- | View – **Accumulate**

Key Highlights – Q1FY27: Profit-led quarter; growth & margins the watchouts

- LIC Housing Finance (LICHFL), India's largest housing finance company, delivered a **steady, profit-led Q1FY27**. Standalone Net Profit rose **9.4% YoY to ₹14.9bn** (₹1,488crs), aided by lower impairment provisions and disciplined cost control, even as top-line growth stayed muted.
- **Profitability overgrowth:** PBT grew to a healthy **11% YoY to ₹18.9bn**, but NII was near-flat (+0.5% YoY) as margins compressed and balance-transfer-outs (BT-out) remained elevated.
- **Margin pressure:** Reported NIM eased to **2.58%** (2.68% YoY / 2.80% QoQ) as banks continue to compete aggressively on home-loan pricing and cost of funds stays sticky.
- **Growth is still tepid:** Outstanding loan books grew by just **4% YoY to ₹3,22,098crs**; individual home-loan book at ₹2,71,979crs. Disbursements, however, picked up **14.5% YoY to ₹15,014crs**, a sign of a nascent recovery.
- **Asset quality improving:** Stage-3 (GNPA-equivalent) improved to **2.14%** (from 2.62% YoY / 2.16% QoQ); ECL provisions down to ₹4,398crs with Stage-3 PCR of ~48%.
- **Undemanding valuation:** At ₹540.9 the stock trades at **~0.7x FY27E P/BV and ~4.9x FY27E EPS**, with a ~1.9% dividend yield — cheap on a normalized basis, but growth and margin remain the swing factors. We rate stock **ACCUMULATE**.

Important Statistics

Nifty	24,624.65
Sensex	78,581.00
Close* (₹)	512
M.CAP (₹ Crs)	₹28,165.98
52 Week H/L (₹)	598/459
NSE Code	LICHSGFIN
BSE Code	500253
Bloomberg Code	LICHF:IN

Close as on 5th Aug 2026*

Shareholding Pattern (%)	Jun'26
Promoters	45.24
FIIs	21.47
DII	21.02
Public/Others	12.27

Q1FY27 Performance

Loan Book & Disbursements (₹crs)

Particulars	Q1FY27	Q1FY26	YoY	Mix
Total Loan Portfolio	**3,22,098**	3,09,710	4.0%	100%
Individual Home Loans	2,71,979	2,60,750	4.3%	84%
Non-Housing / LAP + Others	40,432	39,177	3.2%	13%
Project / Developer Loans	9,687	9,783	-1.0%	3%
Total Disbursements	**15,014**	13,116	14.5%	—
Individual Home Loans	12,119	11,222	8.0%	81%
Non-Housing Individual	1,975	1,646	20.0%	13%
Project Loans	872	156	459%	6%

Source: Company, Way2Wealth Research

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
LIC HF	**-10%**	**23%**	**26%**
Nifty 50	0%	25%	52%
Sensex	-3%	19%	44%

- **Earnings & Profitability**
  - **Net Profit:** Standalone PAT rose **9.4% YoY to ₹1,488.3crs** (₹14.9bn), though flat sequentially (-0.6% QoQ vs ₹1,497crs in Q4FY26). The YoY beat was driven by a **sharp fall in impairment provisions** and contained opex, not by revenue.
  - **PBT:** Grew **11% YoY to ₹1,888.4crs**; the wider PBT-vs-NII gap reflects lower credit costs as asset quality normalises.
  - **Revenue from operations:** ₹7,062crs, down **1.5% YoY / 2.1% QoQ**, reflecting softer lending yields and a shrinking corporate/legacy book.
- **Net Interest Income & Margins**
  - **NII:** Near-flat at **₹2,075.5crs (+0.5% YoY)** and down 6.6% QoQ (Q4FY26 had a one-off margin uptick to 2.80%).
  - **NIM:** Compressed to **2.58%** (2.68% in Q1FY26; 2.80% in Q4FY26). Spread compression continues as incremental disbursals are largely repo-linked home loans at competitive rates, while cost of funds re-prices slowly.
  - Management reiterated an FY27 NIM band of **2.5%–2.7%**, with a tilt toward higher-yielding LAP/LRD and affordable-housing to defend spreads.

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- **Loan Book & Disbursements**
  - **Loan portfolio:** ₹3,22,098crs, up **4% YoY** and ~1.9% QoQ — muted, as high repayments and BT-out (~₹128bn in FY26) offset healthy fresh disbursals.
  - **Disbursements rebounded 14.5% YoY to ₹15,014crs**: individual home loans ₹12,119crs (+8%), non-housing individual ₹1,975crs (+20%), and project loans **₹872crs (+459%)** off a low base — an early signal that the growth cycle is turning.
  - The company also **cut new home-loan rates by up to 50bps** during the quarter to defend market share against banks.
- **Asset Quality & Provisioning**
  - Stage-3 (GNPA-equivalent) exposure at default improved to **2.14%** as on 30-Jun-2026, from 2.62% a year ago and 2.16% in Q4FY26 — the best level in several years, driven by recoveries and controlled fresh slippages in the individual book.
  - ECL provisions declined to **₹4,398crs** (Q1FY26: ₹5,051crs), with Stage-3 provision coverage (PCR) of **~48%**. Lower provisioning was the single biggest swing factor behind the YoY PAT growth.
  - Corporate/legacy stress is largely ring-fenced: the residual **developer NPA pool (~₹28bn)** is being resolved, with one large account taken to NCLT; resolution proceeds are expected to further release provisions over FY27.
  - Underwriting has tightened on construction finance (exclusion of weaker-rated developers), keeping the incremental book skewed to secured, retail home loans (~84% of the portfolio).

Metric	Q1FY27	Q1FY26	Q4FY26	YoY chg
Stage-3 EAD (%)	2.14%	2.62%	2.16%	(48) bps
ECL Provisions (₹crs)	4,398	5,051	4,550	(12.9%)
PCR – Stage 3 (%)	48.00%	46.00%	50.10%	200 bps
Net Worth (₹crs)	42,808	—	39,366	—
Debt / Equity (x)	6.59x	—	—	—
Credit Cost (bps, annualised)	(10) bps	—	—	—

Source: Company, Way2Wealth Research

Conference Call Key takeaways

- **Margins & Cost of Funds**
  - Management guided FY27 NIM to **2.5%–2.7%**, flagging pricing competition from banks as the key headwind. A PLR hike remains a lever if bond yields/CoF stay elevated. ~82% of incremental FY26 borrowing was floating; cumulative CoF was ~7.27%.
- **Growth Outlook**
  - Reiterated **10–12% loan-book growth and ~15% disbursement growth for FY27**, supported by higher retail disbursals, third-party sourcing/co-lending, a dedicated affordable-housing vertical and ~200 new frontline hires.
  - Balance-transfer-out (BT-out) remains the key drag on net book growth; management is countering it via rate cuts and faster turnaround.
- **Asset Quality**
  - Confident of sustaining Stage-3 below ~2.2% and building **credit cost of only ~17–20bps** over FY27–28E as legacy corporate accounts resolve.

- **Leadership Transition**
  - Shri Sandeep Kumar (COO since May-26) is set to **transition to CEO on 31-Aug-2026**; continuity in strategy is expected. Board fixed 21-Aug-2026 as the record date for the ₹10/share FY26 final dividend (37th AGM: 28-Aug-2026).
- **Capital**
  - Balance sheet remains well-capitalised (CRAR comfortably above ~20%); no external capital raise envisaged over the next 2–3 years, with LIC available as a backstop. Debt-equity stood at ~6.6x.

View

LIC Housing Finance delivered a **profit-led but growth-light** Q1FY27. PAT grew 9.4% YoY to ₹1,488crs on the back of a sharp drop in credit costs and tight opex, even as NII was near-flat and NIM slipped to 2.58%. The loan book grew only 4% YoY, held back by elevated balance-transfer-outs and legacy run-off — but a 14.5% YoY rebound in disbursements, a 50bps home-loan rate cut, and improving Stage-3 (2.14%) point to a gradual growth recovery through FY27.

The investment case rests on **deep value plus improving asset quality**: at ₹515 the stock trades at just **~0.7x FY27E P/BV, ~4.9x FY27E EPS and a ~1.9% dividend yield**, against a normalised ~15% RoE. The offsets are structural — bank competition on pricing, sticky BT-out, and a ~2.6% NIM ceiling — which cap the re-rating until loan growth durably returns to double digits.

We rate the stock **ACCUMULATE** with a target price of **₹620**, valuing it at **~0.8x FY27E P/BV** — implying ~20% upside from CMP. A faster-than-expected pick-up in loan growth or a PLR-led margin defence would be the key re-rating triggers; sustained margin erosion and weak book growth are the principal risks.

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Quarterly Standalone Performance

(₹ bn)

Particulars	Q1FY27	Q1FY26	YoY	Q4FY26	QoQ
Interest Income	7,016	7,124	-1.5%	7,018	0.0%
Interest Expense	4,940	5,059	-2.4%	4,796	3.0%
Net Interest Income	**2,076**	**2,065**	**0.5%**	**2,222**	**-6.6%**
NIM (%)	2.58	2.68	-10 bps	2.80	-22 bps
Other Income	46	45	2.5%	46	0.0%
Operating Expenses	310	315	-1.6%	318	-2.5%
Pre-Provision Profit	**1,812**	**1,795**	**0.9%**	**1,950**	**-7.1%**
Impairment / Provisions	-76	94	nm	17	nm
Profit Before Tax	**1,888**	**1,701**	**11.0%**	**1,933**	**-2.3%**
Tax	400	341	17.3%	436	-8.2%
Net Profit (PAT)	**1,488**	**1,360**	**9.4%**	**1,497**	**-0.6%**
Loan Portfolio (AUM)	3,22,098	3,09,710	4.0%	3,16,170	1.9%
Disbursements	15,014	13,116	14.5%	21,019	-28.6%
Stage-3 / GNPA (%)	2.14	2.62	-48 bps	2.16	-2 bps
PCR – Stage 3 (%)	48.0	46.0		50.1	
EPS (₹)	27.06	24.72	9.5%	27.23	-0.6%
BVPS (₹) *	778	648	20.1%	716	8.7%

Source: Company, Way2Wealth Research

Financials & Valuation

(₹ bn)

Y/E March (₹ bn)	FY25	FY26	FY27E	FY28E
Net Interest Income	84.5	85.5	91.5	100.5
Pre-Provision Profit	74.5	77.0	82.5	91.0
PAT	**54.3**	**56.0**	**60.5**	**66.5**
NIM (%)	2.90%	2.70%	2.65%	2.60%
Net Worth (₹ bn)	345.4	393.7	445.0	502.0
EPS (₹)	**98.7**	**101.8**	**110.0**	**120.9**
EPS Growth (%)		3.1%	8.0%	9.9%
BV / Share (₹)	628	716	809	913
RoA (%)	1.6%	1.6%	1.6%	1.6%
RoE (%)	15.9%	15.0%	14.4%	14.1%
Valuations (at CMP ₹515)				
P/E (x)	5.22x	5.06x	4.68x	4.26x
P/BV (x)	0.82x	0.72x	0.64x	0.56x
Dividend Yield (%)	1.9%	1.9%	2.1%	2.3%

Source: Company, Way2Wealth Research

Disclosure of Interest Statement LIC Housing Finance Ltd. as on August 06, 2026

Name of the Security	LIC Housing Finance Ltd.
Name of the analyst	Dhananjay Kansara
Analysts' ownership of any stock related to the information contained Financial Interest Analyst : Analyst's Relative : Yes / No Analyst's Associate/Firm : Yes/No	NIL No No No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL