ADD

LIC Housing Finance

Core operating trend remains soft

BFSI - NBFCs | Result Update | August 01, 2026

CMP (Rs): 523 | TP (Rs): 580

LICHF reported a subdued quarter, with muted AUM growth (~4% yoy) and continued margin compression, even as PAT grew 9.4% yoy to ~Rs14.88bn, aided by NPA recoveries. NIM compression of ~10bps yoy to 2.58% was mainly due to past PLR cuts and rising competitive pricing. The management's strategies to improve margins include diversification into non-individual home loans (LAP and LRD segments), which offer ~150bps higher yields than HL, and inorganic growth through direct assignment and co-lending. Overall asset quality is stable, while credit cost remained negative in 1Q (-14bps), driven by recoveries from written-off accounts, an ARC portfolio sale, and an accounting reclassification of recoveries under the impairment head. The management remained confident of modest 8-10% AUM growth for FY27, while expecting full-year disbursements to grow 10-12% (~15% in 2Q) and credit costs of 10–15bps. Factoring in the 1Q performance and the structurally weak growth, margin outlook, and credit cost guidance, we adjust our FY27-29 estimates while leaving our FY28-29 earnings estimate largely unchanged. We reiterate ADD and Jun-27E TP of Rs580, implying an FY28E PBV of 0.6x.

Recoveries support earnings; growth and margins under pressure

LICHF reported 1QFY27 disbursements of Rs150.14bn, up 14.5% yoy, while PAT grew 9.4% yoy to Rs14.88bn. AUM stood at Rs3.22trn, registering 4.0% yoy growth. Reported NIM compressed 10bps yoy to 2.58%, while COF stood at 7.28% and the annualized yield came in at 9.12% (with incremental disbursement yield lower at 8.25%). ROA improved 9bps yoy to 1.85%, while ROE stood at 14%. Operating expenses were slightly elevated due to a Rs220mn one-off gratuity provision, and credit costs stood at -14bps. Asset quality improved, with GS3 at 2.14% (down 48bps yoy) and PCR at 48%.

Growth aspirations intact; strategic mix shift to support margins

The management remains confident of 8–10% AUM growth in FY27, with full-year disbursements of 10–12%, as efforts to regain business momentum gain traction. The management indicated that while intense pricing competition in the core HL segment may cap NIM around 2.6% (earlier guidance of 2.6-2.7%), overall COF is likely to be broadly stable. To offset margin pressure, the company is progressing well on its strategic initiatives, deliberately shifting its focus toward higher-yielding non-housing individual loans (like LAP and LRD) and rolling out DA and co-lending policies. Additionally, plans to establish a dedicated affordable housing vertical are underway as a future growth lever, though the initiative currently remains a work-in-progress, pending board and committee approvals. These efforts, backed by new digital tools and automated loan processing to boost employee productivity, are expected to improve operating efficiency, while credit cost is likely to remain well-contained at 10–15bps; overall, the company targets steady profitability and improving asset quality for the full year.

Factoring in 1Q performance; maintain ADD and Jun27E TP of Rs580

Factoring in the softer 1QFY27 performance and management commentary, we adjust our estimates while leaving our FY28-29E earnings largely unchanged (Exhibit 2). We maintain ADD with an unchanged Jun-27E TP of Rs580, implying an FY28E PBV of 0.6x.

LIC Housing Finance: Financial Snapshot (Consolidated)

Y/E 2026 (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Net profits	54,290	55,952	59,394	62,944	67,834
AUM growth (%)	7.3	4.2	6.2	8.0	9.3
NII growth (%)	(6.2)	4.4	6.4	8.9	9.0
NIMs (%)	2.7	2.7	2.7	2.8	2.8
PPOP growth (%)	(7.2)	7.3	1.6	8.4	8.3
Adj. EPS (Rs)	98.6	101.7	107.9	114.4	123.2
Adj. EPS growth (%)	13.9	3.1	6.2	6.0	7.8
Adj. BV (INR)	658.7	750.8	842.6	934.0	1,026.5
Adj. BVPS growth (%)	15.5	14.0	12.2	10.9	9.9
RoA (%)	1.8	1.8	1.8	1.8	1.8
RoE (%)	16.0	14.4	13.5	12.9	12.6
P/E (x)	5.3	5.1	4.8	4.6	4.2
P/ABV (x)	0.8	0.7	0.6	0.6	0.5

Source: Company, Emkay Research

Target Price – 12M	Jun-27
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	10.9

Stock Data	LICHF IN
52-week High (Rs)	598
52-week Low (Rs)	459
Shares outstanding (mn)	550.1
Market-cap (Rs bn)	288
Market-cap (USD mn)	3,016
Net-debt, FY27E (Rs mn)	NA
ADTV-3M (mn shares)	1.8
ADTV-3M (Rs mn)	897.4
ADTV-3M (USD mn)	9.4
Free float (%)	0.0
Nifty-50	24,383.6
INR/USD	95.4

Shareholding,Jun-26	
Promoters (%)	45.2
FPIs/MFs (%)	21.5/21.0

Price Performance

(%)	1M	3M	12M
Absolute	(7.3)	(5.7)	(10.7)
Rel. to Nifty	(9.2)	(7.2)	(9.3)

1-Year share price trend (Rs)

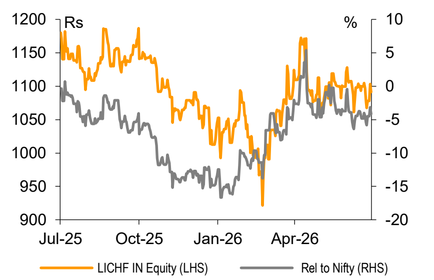

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Exhibit 1: Quarterly earnings snapshot

(Rs mn)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)
AUM	3,095,870	3,118,160	3,142,680	3,207,070	3,220,980	4.0%	0.4%
Disbursement	131,160	163,130	160,960	210,190	150,140	14.5%	-28.6%
NII	20,647	20,447	21,047	22,218	20,755	1%	-7%
Total income	21,211	21,747	22,449	22,895	21,175	0%	-8%
Opex	2,928	3,018	3,488	3,889	3,401	16%	-13%
PPOP	18,283	18,729	18,961	19,006	17,774	-3%	-6%
Provision	1,292	1,682	1,536	-337	-1,111	-186%	230%
PBT	16,991	17,047	17,425	19,342	18,884	11%	-2%
PAT	13,599	13,539	13,840	14,974	14,883	9%	-1%
Yield (reported)	9.60%	9.40%	9.33%	9.21%	9.12%	-48bps	-9bps
COF (reported)	7.50%	7.42%	7.28%	7.27%	7.28%	-22bps	1bps
NIMs (reported)	2.68%	2.62%	2.69%	2.80%	2.58%	-10bps	-22bps
Opex to AUM	0.38%	0.39%	0.45%	0.49%	0.42%	4bps	-7bps
Asset quality							
Credit cost	0.17%	0.22%	0.20%	-0.04%	-0.14%	-31bps	-10bps
GS3	2.62%	2.51%	2.45%	2.16%	2.14%	-48bps	-2bps
NS3	1.31%	1.19%	1.13%	1.09%	1.12%	-18bps	3bps
PCR	50.83%	53.11%	54.54%	49.98%	48.15%	-268bps	-183bps

Source: Company, Emkay Research

Exhibit 2: Change in estimates

Y/e Mar (Rs mn)	FY27E			FY28E			FY29E		
	Earlier	**Revised**	**Change**	**Earlier**	**Revised**	**Change**	**Earlier**	**Revised**	**Change**
AUM	3,407,064	3,407,064	0.0%	3,677,935	3,677,935	0.0%	4,019,070	4,019,070	0.0%
Loan book growth	6.24%	6.24%	0bps	7.95%	7.95%	0bps	9.28%	9.28%	0bps
Net interest income	90,485	90,485	0.0%	98,559	98,559	0.0%	107,443	107,443	0.0%
Total income	95,805	92,578	-3.4%	104,293	101,258	-2.9%	113,657	110,883	-2.4%
PPOP	80,897	77,916	-3.7%	87,248	84,461	-3.2%	94,007	91,472	-2.7%
Provisions	6,888	2,753	-60.0%	7,768	4,805	-38.1%	8,884	5,629	-36.6%
PBT	74,009	75,163	1.6%	79,480	79,655	0.2%	85,123	85,843	0.8%
PAT	58,483	59,394	1.6%	62,806	62,944	0.2%	67,264	67,834	0.8%
EPS (Rs)	106.3	107.9	1.6%	114.1	114.4	0.2%	122.2	123.2	0.8%
BVPS (Rs)	841	843	0.2%	932	934	0.2%	1,024	1,026	0.2%
Net worth	462,966	463,741	0.17%	513,210	514,096	0.17%	563,659	564,971	0.23%
NIMs	2.74%	2.74%	0bps	2.78%	2.78%	0bps	2.79%	2.79%	0bps
NIM + Fees	2.90%	2.80%	-10bps	2.94%	2.86%	-9bps	2.95%	2.88%	-7bps
Cost-to-Income	15.56%	15.84%	28bps	16.34%	16.59%	25bps	17.29%	17.51%	22bps
Opex-to-AUM	0.45%	0.44%	-1bps	0.48%	0.47%	-1bps	0.51%	0.50%	-1bps
Credit costs	0.21%	0.08%	-13bps	0.22%	0.14%	-8bps	0.23%	0.15%	-8bps
GS3	2.09%	2.09%	0bps	2.03%	2.03%	0bps	1.98%	1.98%	0bps
NS3	1.04%	1.10%	6bps	0.99%	1.06%	8bps	0.96%	1.03%	7bps
PCR	51.00%	48.00%	-300bps	52.00%	48.20%	-380bps	52.00%	48.50%	-350bps
ROA	1.75%	1.78%	3bps	1.76%	1.76%	0bps	1.74%	1.75%	1bps
ROE	13.35%	13.54%	20bps	12.87%	12.87%	1bps	12.49%	12.57%	8bps

Source: Company, Emkay Research

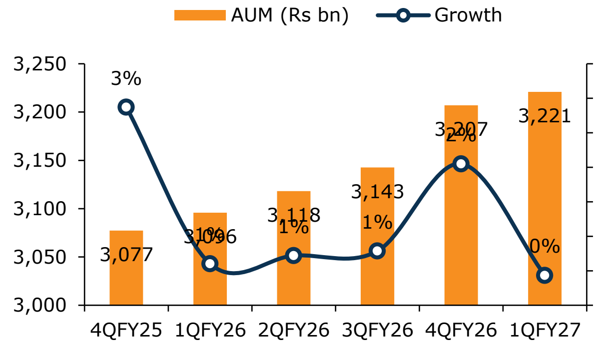
Exhibit 3: Valuation metrics

			PBV (x)			PER (x)			ROA (%)			ROE (%)			Book Value (Rs/sh)			EPS (Rs)		
	Price	**Upside**	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**
At CMP	523	11%	0.62	0.56	0.5	4.8	4.6	4.2	1.8	1.8	1.8	13.5	12.9	12.6	843	934	1,026	107.9	114.4	123.2
AT TP	580		0.7	0.62	0.6	5.4	5.1	4.7												

Source: Company, Emkay Research

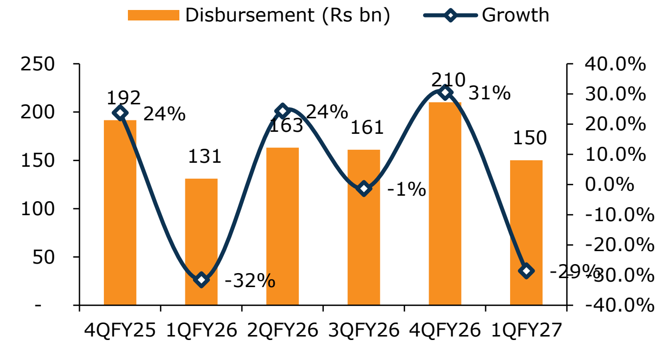
Results in charts

Exhibit 4: AUM growth remains soft (4% yoy)



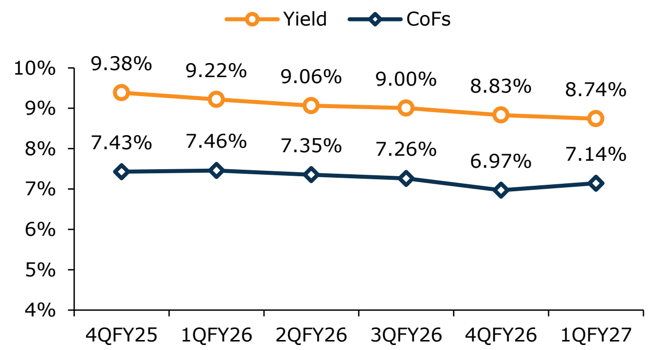
Source: Company, Emkay Research

Exhibit 5: Disbursement grew 14.5% yoy, broadly in line with management guidance



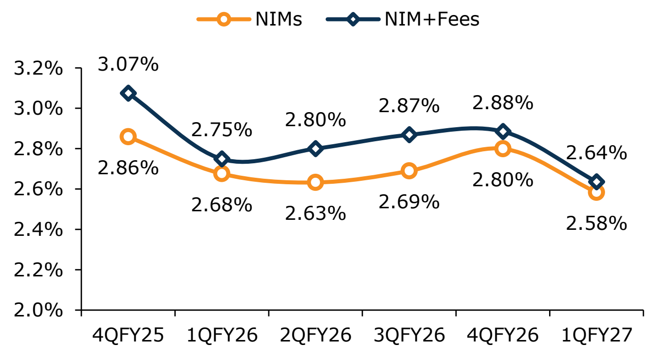
Source: Company, Emkay Research

Exhibit 6: Yield compression led by increasing competition and PLR cuts, while COF remains broadly steady



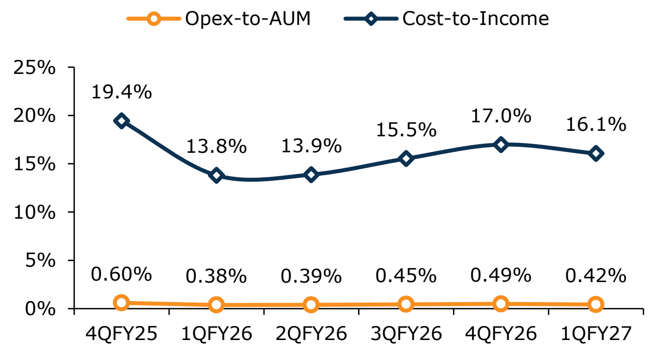
Source: Company, Emkay Research

Exhibit 7: Margins continue to see compression



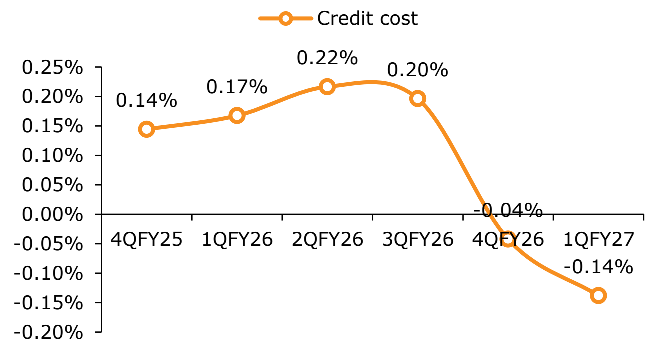
Source: Company, Emkay Research

Exhibit 8: Opex ratio remained range-bound



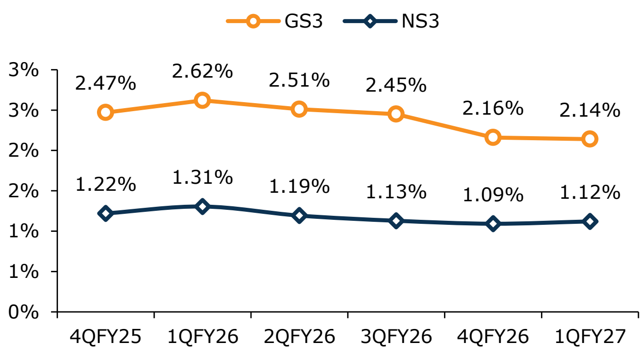
Source: Company, Emkay Research

Exhibit 9: Change in recognition of NPA recovery drove negative credit cost



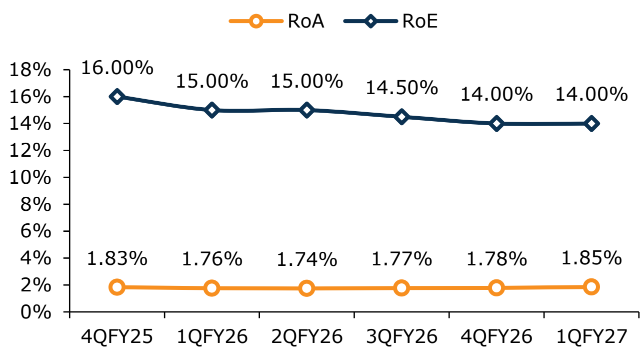
Source: Company, Emkay Research

Exhibit 10: Asset quality stable



Source: Company, Emkay Research

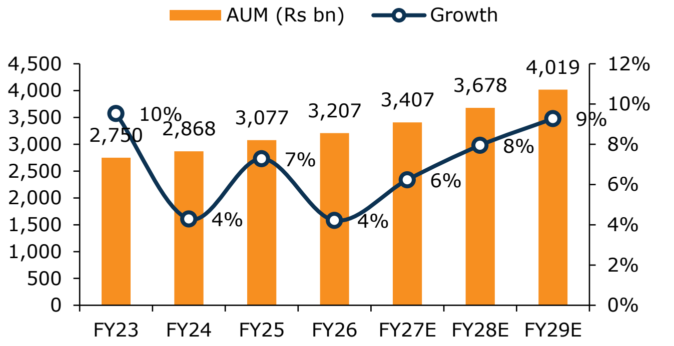
Exhibit 11: ROE stable sequentially



Source: Company, Emkay Research

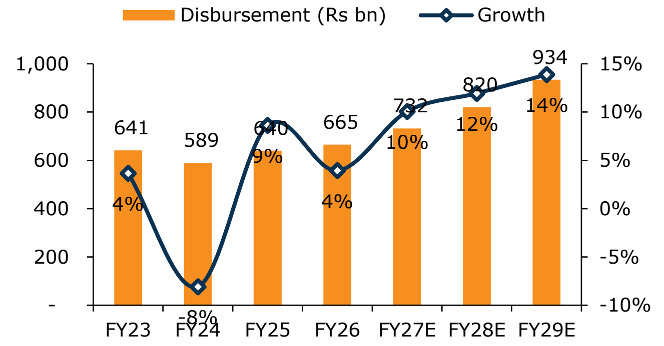
Story in charts

Exhibit 12: AUM growth recovery to be gradual over FY27-29E



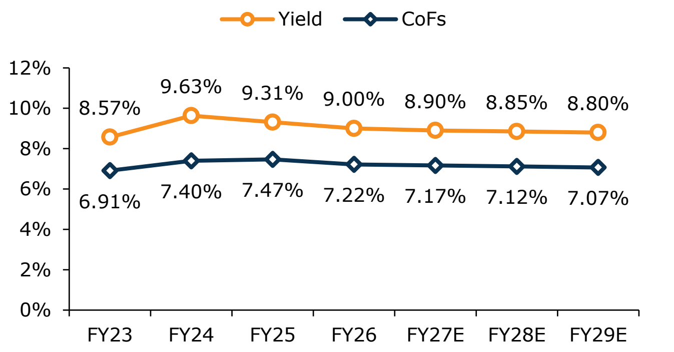
Source: Company, Emkay Research

Exhibit 13: Disbursement to improve as the affordable and NHL segments scale



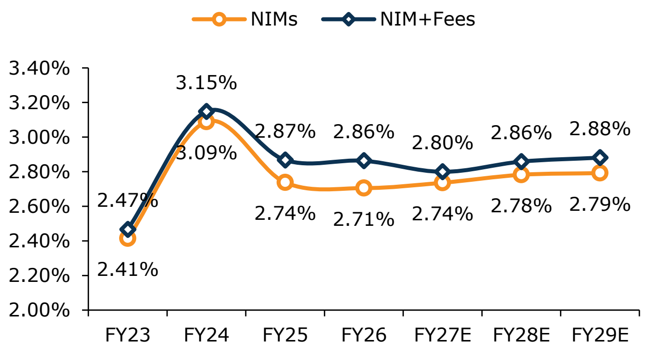
Source: Company, Emkay Research

Exhibit 14: Yields to hold up as the share of high-yield products increases



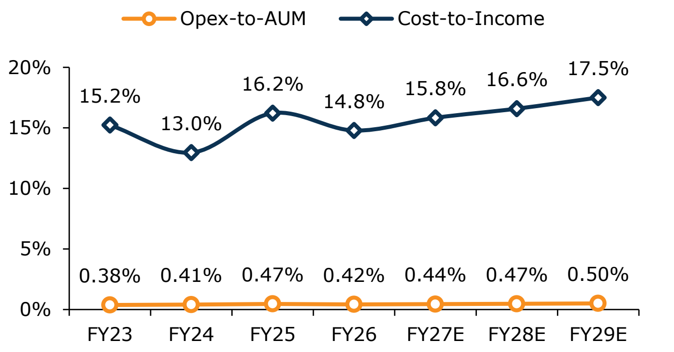
Source: Company, Emkay Research

Exhibit 15: Changing mix resulting in margin improvement



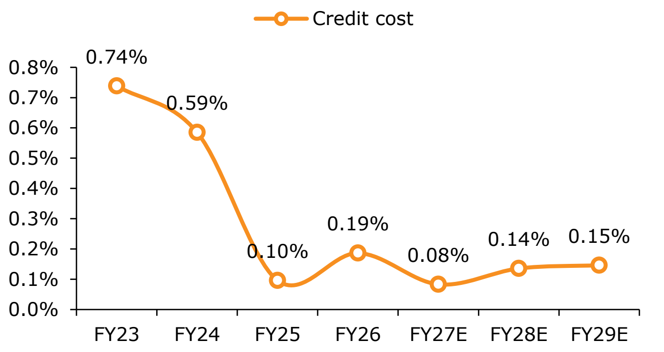
Source: Company, Emkay Research

Exhibit 16: Opex to increase marginally as LICHF builds affordable infrastructure and invests in IT infrastructure



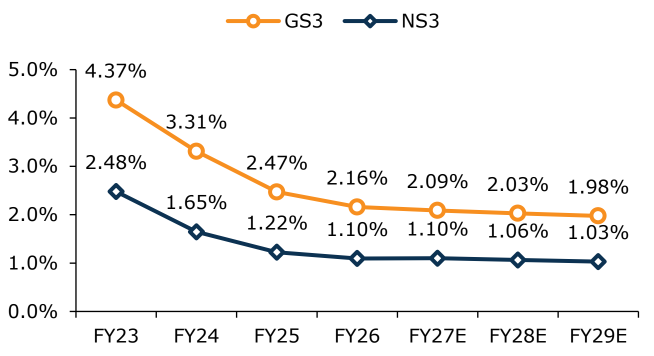
Source: Company, Emkay Research

Exhibit 17: Credit cost to be contained at under 15bps



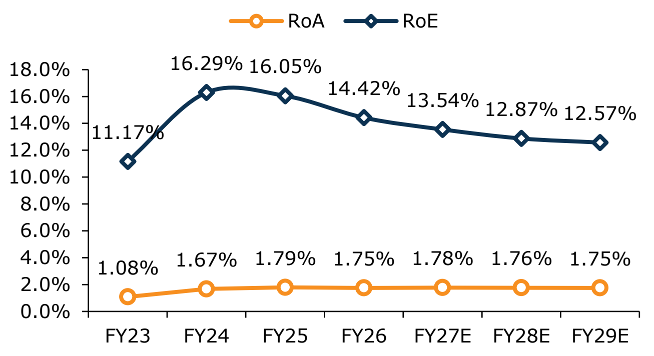
Source: Company, Emkay Research

Exhibit 18: Asset quality to be stable



Source: Company, Emkay Research

Exhibit 19: Deleveraging resulting in ROE moderation



Source: Company, Emkay Research

Earnings call highlight

- The company reported a steady 1QFY27, with the outstanding loan portfolio growing 4% to Rs3.22trn. Total disbursements for the quarter were robust at Rs150.bn, marking 14.5% yoy growth, in line with the company's 15% 1Q guidance. PAT stood at Rs 14.9bn, up 9.4% yoy.
- NIM for 1Q stood at 2.58%, marginally below the guided 2.6% mark, primarily due to competitive pressures and previous rate cuts. Incremental disbursement yield was 8.25% vs cumulative portfolio yield of 9.12%. To protect and improve margins, the management is focusing on diversifying the portfolio toward higher-yielding non-housing individual loans (LAP and LRD), which offer an additional 150bps and grew 20% during the quarter.
- COF was stable at 7.28%, down 22bps yoy due to a diversified borrowing profile. The incremental cost of borrowing for the quarter was exceptionally competitive at 7.06%. The company expects Rs170bn of borrowings to mature this year at an average cost of 7.38%, likely to be refinanced at lower rates; consequently, the management expects the cumulative COF to increase by a maximum of only 3-4bps.
- The developer finance segment witnessed a strong start, with 1Q disbursements of Rs8.72bn (up 459% yoy on a low base). The company is actively targeting Rs40bn-Rs80bn in disbursements for this segment in FY27 (ATS ranging from as low as 250mn to as high as Rs2-3bn). The management is maintaining a cautious approach, aiming for yields around 10.5% and intentionally passing on top-tier builders who demand sub-8% rates.
- Asset quality improved, with Stage 3 exposure dropping to 2.14% from 2.62% yoy. The granular breakup of Stage 3 Assets (EAD) is as follows: Individual Home Loans (IHL) at 1.09% (Rs29.67bn); Non-Housing Individual (NHI) at 3.06% (Rs11.13bn); and Project/NHC at 20.53% (Rs28.19bn)
- The quarter saw strong NPA recoveries of Rs5.40bn, which included the sale of a Rs1.8bn stressed asset to ARC for a cash consideration of Rs1.4bn. A P/L reversal of Rs1.64bn comprised Rs1.32bn from ECL reversal and Rs0.32bn from direct recovery. An upgrade of a large Rs5bn restructured account is pending auditor alignment and is expected to be part of 2Q or 3Q income statement. Further, from a legacy technically written-off pool of ~Rs30bn, the management expects Rs5-6bn in recoveries this year and ~Rs20bn over the next two years.
- BT-out pressures persist as a regular course of business, with 1Q witnessing a gross BT-out of Rs30bn against BT-in of Rs15bn (net BT-out: Rs15bn). To counter this, the management has introduced a flexible retention strategy specifically tailored to negotiate with and retain prime, big-ticket customers.
- Operating expenses rose yoy, primarily due to a one-off gratuity provision of Rs220mn driven by an increase in G-Sec yields. Significant IT expenditure is planned for 2Q and 3Q to further tech capabilities.
- The STP channel via the HOMY app executed Rs9.6bn in disbursements. A data lakehouse project aimed at consolidating data for AI-driven lead generation and Early Warning Systems (EWS) is finalizing vendor selection.
- Other strategic initiatives include a direct assignment and co-lending policy currently in its final stages, expected to launch in 2Q to support both AUM growth and margins. Separately, plans to build an external team for the affordable housing business remain a work in progress, pending Board and NRC approvals.
- **Guidance**
  - Disbursement growth for 2Q is targeted at 15%.
  - Full-year AUM growth is guided at 8-10%.
  - Full-year disbursement growth is guided at 10-12%.
  - NIM is expected to be maintained ~2.6%.
  - Full-year credit cost is guided at 10-15bps.

LIC Housing Finance: Consolidated Financials and Valuations

Profit & Loss

Y/E 2026 (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	276,713	282,757	294,287	313,466	338,619
Interest Expense	195,320	197,752	203,802	214,907	231,176
Net interest income	**81,394**	**85,006**	**90,485**	**98,559**	**107,443**
NII growth (%)	(6.2)	4.4	6.4	8.9	9.0
Non interest income	3,849	4,959	2,093	2,699	3,441
Total income	**85,243**	**89,965**	**92,578**	**101,258**	**110,883**
Operating expenses	13,826	13,302	14,661	16,798	19,411
PPOP	**71,416**	**76,663**	**77,916**	**84,461**	**91,472**
PPOP growth (%)	(7.2)	7.3	1.6	8.4	8.3
Provisions & contingencies	2,858	5,857	2,753	4,805	5,629
PBT	**68,558**	**70,806**	**75,163**	**79,655**	**85,843**
Extraordinary items	-	-	-	-	-
Tax expense	14,268	14,855	15,769	16,711	18,009
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**54,290**	**55,952**	**59,394**	**62,944**	**67,834**
PAT growth (%)	13.9	3.1	6.2	6.0	7.8
Adjusted PAT	**54,290**	**55,952**	**59,394**	**62,944**	**67,834**
Diluted EPS (Rs)	**98.6**	**101.7**	**107.9**	**114.4**	**123.2**
Diluted EPS growth (%)	13.9	3.1	6.2	6.0	7.8
DPS (Rs)	**10.0**	**10.0**	**16.2**	**22.9**	**30.8**
Dividend payout (%)	**10.1**	**9.8**	**15.0**	**20.0**	**25.0**
Effective tax rate (%)	20.8	21.0	21.0	21.0	21.0
Net interest margins (%)	2.7	2.7	2.7	2.8	2.8
Cost-income ratio (%)	16.2	14.8	15.8	16.6	17.5
PAT/PPOP (%)	76.0	73.0	76.2	74.5	74.2
Shares outstanding (mn)	550.4	550.4	550.4	550.4	550.4

Source: Company, Emkay Research

Balance Sheet

Y/E 2026 (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	1,101	1,101	1,101	1,101	1,101
Reserves & surplus	361,467	412,155	462,640	512,995	563,871
Net worth	**362,568**	**413,255**	**463,741**	**514,096**	**564,971**
Borrowings	**2,688,004**	**2,774,225**	**2,913,040**	**3,126,245**	**3,416,210**
Other liabilities & prov.	**88,694**	**63,577**	**64,186**	**64,802**	**65,424**
Total liabilities & equity	**3,139,266**	**3,251,057**	**3,440,966**	**3,705,143**	**4,046,605**
Net loans	2,985,190	3,115,170	3,311,547	3,577,325	3,911,966
Investments	-	-	-	-	-
Cash, other balances	14,045	12,781	8,777	10,444	16,938
Interest earning assets	**2,999,235**	**3,127,951**	**3,320,324**	**3,587,769**	**3,928,904**
Fixed assets	4,020	3,842	4,034	4,235	4,447
Other assets	136,010	119,265	116,609	113,138	113,254
Total assets	**3,139,266**	**3,251,057**	**3,440,966**	**3,705,143**	**4,046,605**
BVPS (Rs)	658.7	750.8	842.6	934.0	1,026.5
Adj. BVPS (INR)	658.7	750.8	842.6	934.0	1,026.5
Gross loans	3,077,320	3,207,070	3,407,064	3,677,935	4,019,070
Total AUM	**3,077,320**	**3,207,070**	**3,407,064**	**3,677,935**	**4,019,070**
On balance sheet	3,077,320	3,207,070	3,407,064	3,677,935	4,019,070
Off balance sheet	0	0	0	0	0
Disbursements	640,220	665,440	732,377	819,822	933,629
Disbursements growth (%)	8.6	3.9	10.1	11.9	13.9
Loan growth (%)	7.1	4.4	6.3	8.0	9.4
AUM growth (%)	7.3	4.2	6.2	8.0	9.3
Borrowings growth (%)	7.2	3.2	5.0	7.3	9.3
Book value growth (%)	15.5	14.0	12.2	10.9	9.9

Source: Company, Emkay Research

Asset quality and other metrics

Y/E 2026 (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Asset quality					
GNPL - Stage 3	76,010	69,273	71,171	74,585	79,387
NNPL - Stage 3	37,071	34,649	37,009	38,635	40,885
GNPL ratio - Stage 3 (%)	2.5	2.2	2.1	2.0	2.0
NNPL ratio - Stage 3 (%)	1.2	1.1	1.1	1.1	1.0
ECL coverage - Stage 3 (%)	51.2	50.0	48.0	48.2	48.5
ECL coverage - 1 & 2 (%)	1.6	1.4	1.4	1.3	1.3
Gross slippage - Stage 3	-	-	-	-	-
Gross slippage ratio (%)	-	-	-	-	-
Write-off ratio (%)	-	-	-	-	-
Total credit costs (%)	0.1	0.2	0.1	0.1	0.1
NNPA to networth (%)	10.2	8.4	8.0	7.5	7.2
Capital adequacy					
Total CAR (%)	21.5	24.2	24.7	25.4	25.5
Tier-1 (%)	20.0	22.8	23.2	23.9	24.1
Miscellaneous					
Total income growth (%)	(3.6)	5.5	2.9	9.4	9.5
Opex growth (%)	20.6	(3.8)	10.2	14.6	15.6
PPOP margin (%)	2.4	2.4	2.4	2.4	2.4
Credit costs-to-PPOP (%)	4.0	7.6	3.5	5.7	6.2
Loan-to-Assets (%)	95.1	95.8	96.2	96.6	96.7
Yield on loans (%)	9.3	9.0	8.9	8.8	8.8
Cost of funds (%)	7.5	7.2	7.2	7.1	7.1
Spread (%)	1.8	1.8	1.7	1.7	1.7

Source: Company, Emkay Research

Valuations and key Ratios

Y/E 2026	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	5.3	5.1	4.8	4.6	4.2
P/B (x)	0.8	0.7	0.6	0.6	0.5
P/ABV (x)	0.8	0.7	0.6	0.6	0.5
P/PPOP (x)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	1.9	1.9	3.1	4.4	5.9
Dupont-RoE split (%)					
NII/avg AUM	2.7	2.7	2.7	2.8	2.8
Other income	0.1	0.2	0.1	0.1	0.1
Securitization income	-	-	-	-	-
Opex	0.5	0.4	0.4	0.5	0.5
Employee expense	-	-	-	-	-
PPOP	**2.4**	**2.4**	**2.4**	**2.4**	**2.4**
Provisions	0.1	0.2	0.1	0.1	0.1
Tax expense	2.3	2.3	2.3	2.2	2.2
RoAUM (%)	**1.8**	**1.8**	**1.8**	**1.8**	**1.8**
Leverage ratio (x)	8.8	8.1	7.5	7.2	7.1
RoE (%)	**16.0**	**14.4**	**13.5**	**12.9**	**12.6**

Quarterly data

Rs mn, Y/E Mar	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
NII	20,647	20,447	21,047	22,218	20,755
NIM (%)	2.7	2.6	2.7	2.8	2.6
PPOP	18,283	18,729	18,961	19,006	17,774
PAT	13,599	13,539	13,840	14,974	14,883
EPS (Rs)	24.72	24.53	25.42	27.22	27.60

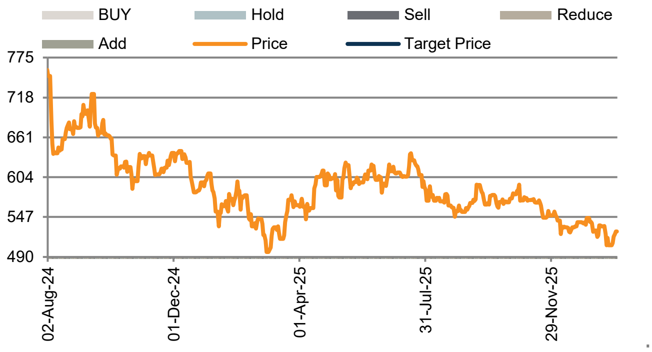
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
17-Jul-26	550	580	Add	Avinash Singh
17-Jul-26	550	580	Add	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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