

LIC Housing Finance (LICHF) – BUY

Company Update

Current Market Price (CMP)

Rs. 427

Target Price

Rs. 600

We see 40.5% upside in the stock at our Fair Value of Rs.600.

Rationale:

- An improving real estate cycle driving higher disbursements augurs well.
- Rise in ECL coverage and capital issuance (in Sep21) provide comfort.
- We raise the estimates to reflect capital issuance and higher NIMs.
- We raise FV to Rs. 600 (from Rs. 575) and upgrade to a Buy (from Add).
- At RGM based FV, it will trade at undemanding 1.1x book and 8.4x Sep23 EPS.
(ECL – Expected credit loss, NIMs – Net interest margins, FV – Fair value, RGM – Residual growth method, EPS – earning per share)

Company Update:

Positives:

- Capital issuance from LIC of Rs. 2340 cr. reduces risk of hitting regulatory cap.
- It also reduces the risk of a rating downgrade.
- Market sources suggest a strong retail home loan disbursement in 2QFY22E.

Negatives:

- Non-core loan growth is expected to remain muted.
- We build elevated credit costs over the next few quarters.

[Click here](#)

For detailed report dated 15th September 2021. Note: CMP & valuation may differ due to difference in dates.



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