

Pick of the week



LIC Housing Finance

Recommendation

Buy

Time Period

12 Months

Current Price

₹ 328

Target Price

₹ 400

Potential Upside

22%

Investment Argument

- 2QFY21: LICHF reported strong earnings (Profit before tax/PBT up 18% yoy) on the back of lower provisions. Profit after tax (PAT) was up 2% yoy, due to a lower tax rate in the base
- In 2QFY21, loan book was up 5% (on the back of 5% growth in home loans), LICHF reported 22% growth in home loan disbursements in September followed by 38% growth in October
- The company had reported about 25% moratorium book in 1QFY21; LICHF highlighted that its collection efficiency in the non-moratorium book was 96% (up from 90% in 1QFY21)
- LICHF's tier-1 ratio is low at 12.3% with leverage of 12X in March 2020 which is close to regulatory cap, this is higher than most peers and may hence need to raise capital to support higher growth that will lead to risk of dilution below book
- LICHF trades at an inexpensive valuation of 0.8x FY22 expected book value. We value it at 0.8x September 2022E book value with fair value of Rs. 400