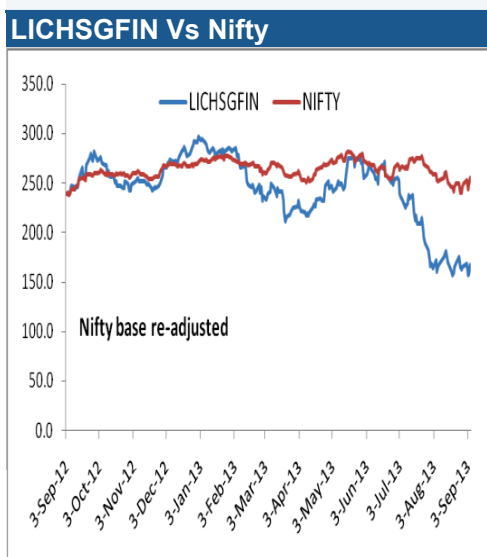


Result update	BUY
CMP	167.2
Target Price	195
Previous Target Price	-
Upside	17
Change from Previous	-

Market Data	
BSE Code	500253
NSE Symbol	LICHSGFIN
52wk Range H/L	300/152
Mkt Capital (Rs Cr)	8432
Average Daily Volume	10.07
Nifty	5593

Stock Performance			
	1M	1yr	YTD
Absolute	4.0	-30.2	-30.2
Rel.to Nifty	3.1	-36.7	-36.7

Share Holding Pattern-%			
	Current	4QFY13	3QFY1
Promoters	40.3	40.3	40.3
FII	32.0	32.5	34.2
DII	13.3	12.4	11.4
Others	14.4	14.9	14.1



In challenging macro- economic environment, we continue to be optimistic about business of LIC Housing finance. The company reported very stable asset quality and registered robust net profit. However management sees some pressure in NIM largely due to higher cost of fund. The stock is available at significant discount to its competitor. At the current price of Rs.167, stock is trading at 1.1 times of one year forward book. We recommend buy with price target of Rs. 195 which is 1.3 times of one year forward book.

Impressive NII growth due to loan growth and margin improvement

During 1QFY14, the company reported NII grow of 30% YoY to Rs.455 cr largely due to impressive loan growth and margin improvement. Non -interest income was Rs.19 cr versus Rs. 29 cr in 1QFY13 and Rs.27 cr in 4QFY13. LIC Housing Finance's revenue grew by 25.6% YoY to Rs.502 cr from Rs.400 cr in 1QFY13.

Cost Income ratio declined

Operating profit jumped by 26.8% YoY to Rs.441 cr largely due to declined of operating expenses to total income ratio by 82 bps to 12.2%. Employee cost and other expenses increased by 37% and 28.3% YoY respectively. Overall operating expenses increased by 17.7 YoY to Rs.61 cr versus Rs.52 cr in 1QFY13.

Higher NII growth and lower provision led profit growth

During quarter provisions were declined by 61% YoY to Rs.17 cr largely due to stable asset quality. Gross NPAs in individual segment was 0.51% in 1QFY14 as against 0.74% in 1QFY13. Total Gross NPAs for the Company including NPAs on Developer Loans stood at 0.80% as on June 30, 2013 as against 0.71 % as on June 30, 2012. Gross NPAs in Developer Loans segment include three major accounts amounting to Rs 229 cr which were NPA as on March 2013. Higher NII growth and lower provision led net profit growth of 36.3% YoY to Rs.311 cr.

NIM Improve on YoY

Net Interest Margins for the Q1 FY14 stood at 2.30% against 2.18% in 1QFY12. The spread on individual loan improved by 27 bps YoY to 1.1% and project loan declined by 156 bps to 5% due to higher NPA. According to management, incremental spread on retail loans is likely to decline by 50-70 bps in FY14.

Financials

	Rs, Cr				
	2011	2012	2013	2014E	2015E
NII	1522	1392	1534	1892	2321
Total Income	1771	1624	1734	2092	2521
PPP	1555	1387	1452	1736	2093
Net Profit	974	914	1023	1339	1518
EPS	21.7	19.8	20.3	24.2	29.6

(Source: Company/Eastwind)

LIC Housing Finance

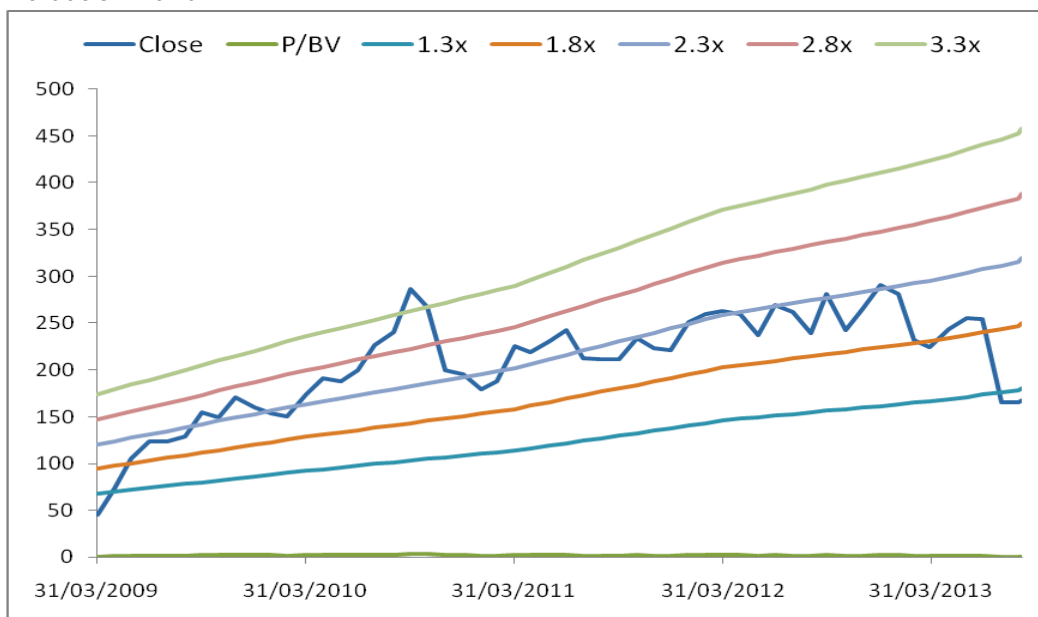
Robust growth in loan portfolio

In the Individual Loan category, the company's disbursed Rs 5069 cr as against Rs.4470 cr in 1QFY13 registered growth of 13%. During 1QFY14, disbursements in the developer loan segment were Rs 58 cr against Rs. 321 cr for the same period last year. The Outstanding Mortgage Portfolio as on June 30, 2013 was Rs.80137 cr as against Rs.65644 cr in last year same quarter, thus registering a growth of 22%. The Individual Loan portfolio stood at Rs 77727 cr as against Rs 62602 cr, a growth of 24%. The Developer Loan portfolio stood at Rs 2410 cr in 1QFY14 as against Rs 3042 cr in 1QFY12.

View & Valuation

In challenging macro- economic environment, we continue to be optimistic about business of LIC Housing finance. The company reported very stable asset quality and registered robust net profit. However management sees some pressure in NIM largely due to higher cost of fund. The stock is available at significant discount to its competitor. At the current price of Rs.167, stock is trading at 1.1 times of one year forward book. We recommend buy with price target of Rs. 195 which is 1.3 times of one year forward book.

Valuation Band



LIC Housing Finance

Quarterly Result(Rs Cr)	1QFY14	4QFY13	1QFY13	% YoY	% QoQ
Interest Income	2130	2028	1718	24.0	5.0
Interest Expended	1676	1567	1367	22.5	6.9
NII	455	461	350	29.7	-1.3
Non Interest Income	19	27	29	-34.9	-30.1
Income from Operations	473	487	379	24.9	-2.9
Other Income	29	20	21	39.4	45.3
Total Revenues	502	507	400	25.6	-1.0
Operating Expenses	61	95	52	17.7	-35.2
Employee Cost	26	26	19	36.9	0.3
Depreciation	2	2	2	9.7	-0.1
Ad Expenses	0	8	0	-19.4	-95.5
Commission & Brokerage	18	42	19	-5.7	-56.3
Other Expenses	14	17	11	28.3	-15.0
PPP	441	413	348	26.8	6.9
Proviions	17	-3	44	-60.7	-590.2
PBT	424	416	304	39.3	1.8
Tax	114	100	77	48.2	13.3
PAT	311	316	228	36.3	-1.8
Balance Sheet(Rs bn)					
Loans	801.4	778.1	656.4	22.1	3.0
Sanctions	51.7	80.7	53.1	-2.6	-35.9
Disbursements	51.3	77.3	47.9	7.1	-33.6
Ratios(%)					
NIM	2.3	2.5	2.2		
GNPA	0.8	0.6	0.7		
NPA	0.5	0.4	0.4		
PCR	35.8	41.4	46.9		

Source: Eastwind/Company