

Company Analysis

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There has been lot of news about Housing Finance industry with reference to certain practices which are not desirable in the interest of transparent management. Some newspapers even labeled it as SCAM. Some predicted downward trend in Housing Company's share prices. Even snowball effect on Av. Housing rates such practices are against public good & enrich only a few individuals.

Irrespective of such exceptional situations, it is must for all the stake holders to undertake Technical Analysis/ company analysis before finalizing their portfolio of Investments.

Let us analyze, *LIC Housing Finance Limited*,

LIC Housing Finance Limited is the largest housing finance company in India recognized by National Housing Bank having network of six regional offices, 126 marketing units across India and overseas representative offices in Dubai and Kuwait. The Company was promoted by Life Insurance Corporation on 19th June 1989. The main objective of the company is providing long term finance to individuals for purchase/ construction/ repair and renovation of new/ existing flats/ houses.

The Indian mortgage finance market has seen some traction in the last one year. A benign interest rate environment, enhanced job security and expectations of firm property prices have aided demand. LIC Housing, one of the leading lenders in the Indian mortgages finance space, has seen its loan book grow swiftly to 38 per cent in the last one year (ahead of the industry average of 13 per cent in 2009-10). In addition, the company was able to increase its market share to 11 per cent. Notably, the company aims to increase the share to 14 per cent in 2010-11, indicating a robust performance going ahead.

The company reported robust growth in sanctions & disbursements. In FY10, the sanctions & disbursements increased by 65.6% & 69.5 % respectively on the back of traction in both individual & project segment. The company has also witnessed a sharp improvement in its asset quality. With strong recovery efforts, it has managed to reduce its Gross NPAs from 1.07% in FY09 to 0.69% in FY10. Even with the aggressive growth targets, the management expects the Gross NPAs to be 0.5% or lower in FY11.

The company's annualized NIMs for FY10 declined by 25 bps to 2.7% mainly because of the aggressive pricing of its loans during the year, which resulted in the NIMs falling in the first three quarters of FY10 (Y-o-Y). However, sequentially there has been a marked improvement in the NIMs in Q3FY10 & Q4FY10 on the back of re-pricing of high cost borrowings. Also the QIP issue of Rs.6.6 bn in Q2FY10 partly contributed towards the improvement in NIMs. One can expect the NIMs to improve to 3% in FY11 on the back of lower cost of funds and higher proportion of project loans (up from 8.8% in FY09 to 10.9% in FY10). Also, the partial stake sale of LIC Mutual Fund (17.3%), which is expected to be reflected in Q1FY11 could take care of the incremental borrowings & support the NIMs.

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The company's liability profile seems to be well positioned. Around 48% of its liabilities are on floating rate basis, while on the asset side, 85% of the home loans carry a floating rate. Hence, in the event of rate hikes, LICHFL would actually benefit in terms of improvement in its NIMs.

The company has witnessed re-rating in its share price on the back of sharp improvement in its asset quality and more visibility on future business growth. At the current market price of Rs.997 it is trading at a price multiple of below 15. One may consider investing in this stock with the long term perspective.

Latest Results

Period -Ended	2010,03	2009,03	Var. (%)
Sales	919.33	754.43	21.86
Other Income	5.32	15.6	-65.9
PBIDT	921.18	761.53	20.96
PBDT	299.82	218.59	37.16
PBIT	919.54	759.99	20.99
PBT	298.18	217.05	37.38
RPAT	213.51	157.56	35.51
EPAT	0	0	NA
PAT	213.51	157.56	35.51
CP	215.15	159.1	35.23

Financial Performance: (Source-CMIE)

Year End	2010,03	2009,03	2008,03	2007,03	2006,03
Equity	95.00	85.00	85.00	85.00	85.00
Net worth	3387.68	2234.10	1831.66	1543.84	1345.51
Enterprise Value	42442.86	27031.69	22339.89	16723.06	14910.70
Ent.Value per share	4467.67	3180.20	2628.22	1967.42	1754.20
Capital Employed	38145.83	27655.76	22176.08	17876.43	15125.92
Gross Block	66.33	59.63	46.41	43.25	41.15
Sales	3466.36	2883.23	2168.51	1587.86	1272.87
Other Income	39.59	29.64	31.54	9.29	17.86
PBIDT	3319.21	2748.77	2030.25	1465.49	1126.00
PBDT	917.64	731.41	535.99	357.61	266.21
PBIT	3312.84	2743.78	2026.56	1461.67	1121.53

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PBT	911.27	726.42	532.30	353.79	261.74
RPAT	662.18	531.62	387.19	279.15	208.57
APAT	662.31	531.66	387.24	279.28	208.62
CP	668.55	536.61	390.88	282.97	213.04
Rev.Earnings in FE	0.58	0.36	0.32	0.56	0.70
Rev.Expenses in FE	2.32	3.86	21.01	28.97	26.49
Book Value (Rs)	356.60	262.84	215.49	181.63	158.30
EPS (Rs.)	67.16	60.34	43.85	31.63	23.70
Dividend (%)	150.00	130.00	100.00	80.00	60.00
Payout (%)	22.32	21.53	22.78	25.27	25.30

Such pragmatic analysis is inevitable for long term benefits.

Wish you Happy Investing.
