November 3, 2025

LIC Housing Finance Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	17,500.00	17,500.00	[ICRA]A1+; reaffirmed
Total	**17,500.00**	**17,500.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating factors in LIC Housing Finance Limited's (LICHFL) strong parentage with Life Insurance Corporation of India (LIC), the largest life insurance company in India, which held a 45.2% stake in the company as on June 30, 2025, and the operational, managerial, and financial support received from LIC. LICHFL's strong franchise and its established track record in the housing finance business provide further comfort. The entity is the largest housing finance company (HFC) in India, with assets under management (AUM) of Rs. 3,09,587 crore as on June 30, 2025. Further, it remains focused on retail home loans to the salaried segment. As on June 30, 2025, 95.5% of the loan book was towards the retail loan segment, with individual home loans accounting for 84.8% of the overall loan book. LICHFL has a diversified funding profile and good financial flexibility, with access to various sources of funds at competitive rates.

ICRA also notes the improving asset quality of the company, with gross stage 3 reducing to 2.6% as on June 30, 2025 (2.5% as on March 31, 2025) vis-à-vis 3.3% as on March 31, 2024, driven by continuous recovery efforts and the strengthening of the collections team and processes. The company also has adequate provisions on the same, and the net stage 3 assets were consequently reported at 1.3% as on June 30, 2025 (1.2% as on March 31, 2025). However, the earnings profile remains moderate amid low margins and competitive pressures. Further, the gearing levels remained elevated at 7.4 times as on June 30, 2025 (7.6 times as on March 31, 2025; 8.2 times as on March 31, 2024).

Key rating drivers and their description

Credit strengths

Established franchise in domestic market and strong parentage – LICHFL has a demonstrated track record in the housing finance business and is the largest HFC in India with AUM of Rs. 3,09,587 crore as on June 30, 2025. ICRA has taken into consideration the company's strong franchise and extensive geographical presence. However, ICRA notes that LICHFL faces competition from banks and leading HFCs, primarily while lending to the salaried borrower segment.

LIC, a state-owned insurance and investment company, held a 45.2% stake in LICHFL as on June 30, 2025. LIC is the largest insurance provider in India, with an asset base of over Rs. 58 lakh crore as on June 30, 2025. It had last infused Rs. 2,336 crore of equity capital into the company in H1 FY2022, increasing its stake to 45.2% as on September 30, 2021, from 40.3% as on March 31, 2021. It extends both operational and financial support to LICHFL, including management support and access to its large agency network, which aids sourcing, brand sharing, and funding.

Focus on relatively lower risk individual home loans to salaried segment – LICHFL's loan book grew by 7% YoY to Rs. 3,09,587 crore as on June 30, 2025 (7% growth in FY2025 to Rs. 3,07,732 crore as on March 31, 2025), with focus remaining on the retail loan segment. As on June 30, 2025, 95.5% of the loan book was towards the retail loan segment, with individual home loans accounting for 84.8% of the overall loan book. The share of the salaried home loan segment is the highest for LICHFL among peers, which is expected to be less risky than the self-employed segment. The salaried segment accounted for 89% of the retail portfolio as on June 30, 2025, which is also the highest among peers.

Improving asset quality – The company's asset quality has improved over the past couple of years, with gross stage 3 assets of 2.6% as on June 30, 2025, vis-à-vis 4.5% as on March 31, 2022, driven by continuous recovery efforts and the strengthening of the collections team and processes. The company has also created adequate provisions on the same, and the net stage 3 assets were consequently reported at 1.3% as on June 30, 2025 (1.2% as on March 31, 2025). Further, given the secured nature of the loan portfolio, ultimate credit losses are expected to remain low. However, the asset quality remains weak in the wholesale segment (4.5% of the portfolio as of June 2025), with GS3 of ~25% as on June 30, 2025 (~25% as on March 31, 2025; ~36% as on March 31, 2024). Also, LICHFL had standard restructured loans of Rs. 1,833 crore (0.6% of the gross loan portfolio as on June 30, 2025). Its ability to control slippages and achieve recoveries from delinquent loans remains important.

Credit challenges

Moderate profitability – LICHFL reported a net profit of Rs. 5,429 crore in FY2025, translating into a return of 1.8% on average managed assets (AMA) and 16.0% on average net worth (Rs. 4,765 crore, 1.6% and 16.3%, respectively, in FY2024). The net interest margin remained stable at 2.6% in Q1 FY2026 and FY2025. Like other HFCs, LICHFL carries an interest rate risk on its portfolio, given the relatively higher share of fixed rate liabilities vis-à-vis its primarily floating rate assets. While operating expenses remained largely stable at 0.4% of AMA in Q1 FY2026 (0.4% in FY2025, 0.3% in FY2024), credit costs declined to 0.2% in Q1 FY2025 (0.1% in FY2025) from 0.6% in FY2024 on account of the improving asset quality indicators. LICHFL reported a net profit of Rs. 1,360 crore in Q1 FY2025, translating into an annualised return of 1.7% on AMA and 14.7% on average net worth. ICRA expects the profitability to remain moderate, given the increasing pressure on margins owing to the stiff competition in the segment.

Elevated gearing levels, albeit improving – LICHFL's regulatory capital adequacy was well above the statutory requirements with the Tier I and capital-to-risk weighted assets ratio (CRAR) at 21.7% and 23.3%, respectively, as on March 31, 2025, supported by the low risk weight on home loans, which form a sizeable part of the portfolio. While gearing has been declining with relatively lower pace of growth, same remains elevated at 7.4 times as on June 30, 2025 (7.6 times as on March 31, 2025 and 8.2 times as on March 31, 2024). The company had last raised Rs. 2,336-crore equity capital in H1 FY2022, which had helped improve its capitalisation profile to some extent.

Environmental and social risks

Given the service-oriented nature of LICHFL's business, its direct exposure to environmental risks or material physical climate risks is not material. While lending institutions can be exposed to environmental risks indirectly through their portfolio of assets, LICHFL's exposure to environmentally sensitive segments remains low. Hence, indirect transition risks arising from changes in regulations or policies concerning the underlying assets are not material.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and could invite regulatory censure. LICHFL has not faced such lapses over the years.

Liquidity position: Adequate

The company held free on-book liquidity of Rs. 5,524 crore and had Rs. 12,825 crore of sanctioned unutilised lines as on June 30, 2025. LICHFL's liquidity coverage ratio of 177% for the quarter ended June 30, 2025, was well above the regulatory requirement of 85%. LICHFL's asset-liability management (ALM) profile (provisional), as on June 30, 2025, had a negative cumulative mismatch of Rs. 15,245 crore in the up-to-one-year bucket, given the long-term nature of the assets vis-à-vis the liabilities and the elevated gearing level. The scheduled inflows, as per the ALM as on June 30, 2025, stood at Rs. 1,03,726 crore (including inflows from lines committed by other institutions) for the next one year, against scheduled outflows of Rs.

1,18,970 crore (including loan commitments pending disbursal) during this period. The company's ability to roll over its borrowings remains important. ICRA notes that LICHFL enjoys good financial flexibility with access to various funding sources at competitive rates of interest by virtue of its credit profile and parentage. The company has a diverse set of lenders on the wholesale front, including public sector, private sector, and foreign banks, insurance companies, mutual funds, and pension funds, and has access to public deposits on the retail front. It has demonstrated its ability to raise funds through commercial paper (CP), non-convertible debentures (NCDs), banks, and the National Housing Bank (NHB), partially mitigating the risks emerging from asset-liability management (ALM) mismatches. The company can also raise funds from LIC and has the ability to raise funds through the securitisation route, given the high share of retail home loans to the salaried segment.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A material change in support from the parent could adversely impact the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating methodology for non-banking finance companies
Parent/Group support	Parent/Investor: Life Insurance Corporation of India (LIC) ICRA factors in the strategic importance of LICHFL to LIC, which is demonstrated in the managerial, operational and funding support from the parent
Consolidation/Standalone	Standalone

About the company

LIC Housing Finance Limited (LICHFL), incorporated in 1989, is the largest housing finance company (HFC) in India. It is promoted by Life Insurance Corporation of India (45.2% stake as on June 30, 2025), which also provides operational and financial support to the company. As on June 30, 2025, the company had a portfolio of Rs. 3,09,587 crore comprising individual home loans (85%), non-housing individual/corporate loans (loan against property (LAP); 12%) and developer loans (3%).

Key financial indicators (audited)

LIC Housing Finance Limited	FY2024	FY2025	Q1 FY2026*
Total income	27,235	28,056	7,233
Profit after tax	4,765	5,429	1,360
Total managed assets	2,97,475	3,18,826	3,21,183
Return on average managed assets	1.6%	1.8%	1.7%
Gross gearing (times)	8.2	7.6	7.4
Gross stage 3 assets	3.3%	2.5%	2.6%
Capital-to-risk weighted assets ratio	20.8%	23.2%	NA

Source: Company, ICRA Research; Amount in Rs. crore; Total managed assets = Total assets + Impairment allowance; NA – Not available

** Based on limited review of financials and return ratios have been annualised basis Mar-25 figures; All ratios as per ICRA's calculations*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs. crore)	Nov 3, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short Term	17,500	[ICRA]A1+	Nov 26, 2024	[ICRA]A1+	27-Nov-23	[ICRA]A1+	28-Nov-22	[ICRA]A1+

ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Commercial paper – Yet to be issued**	NA	NA	NA	17,500	[ICRA]A1+

Source: Company; NA – Not applicable

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Prateek Mittal
+91 33 6521 6812
prateek.mittal@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Arpit Agarwal
+91 124 4545 873
arpit.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches