Money & Banking

LIC Housing Finance Q1 impairment spikes to ₹830 cr

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Net slumps 81% on higher provisioning, especially for developer loans

The Covid-19 second wave weighed heavily on LIC Housing Finance's bottomline, which slumped 81 per cent year-on-year (y-o-y) in the first quarter, as it pumped up provisioning towards accounts, especially developer loans, undergoing resolution.

The company reported an impairment cost of ₹830 crore during the first quarter, up from ₹56 crore reported a year ago. As a result, India's No 2 standalone housing finance company reported a significant decline in net profit to ₹153 crore in Q1 ended June 30, 2021 compared to ₹817 crore in the year-ago period.

Although the impairment has come down by 15 per cent compared to the ₹977 crore in the fourth quarter of FY21, the extent of distress being faced by developers due to demand downturn is underscored by the fact that about 88 per cent of the loans by value taken up for one-time restructuring by LIC HFL under the Reserve Bank of India's framework for resolution of Covid-19 related stress belong to the "corporate persons" (developer) category.

Thus, of ₹5,353.30-crore loans taken up for restructuring, ₹4,704.60 crore is from the developer category (127 accounts) and the balance ₹648.70 crore in the personal loans category (1,479 accounts). Stage 3 default exposures, or loans in default for more than 90 days, stood at 5.93 per cent of total advances as of June. This was at 4.12 per cent as of March 2021 and 2.83 per cent in June 2020. Provisions for Expected Credit Loss (ECL) increased by about ₹756 crore during the first quarter to stand at ₹4,727 crore as on June 30, 2021.

"There has been an increase in delinquencies, mostly due to economic activities being impacted in Q1," Y Vishwanatha Gowd, Managing Director and CEO, said in a statement. "With improvement in economic activities and our increased and focussed efforts in recovery, we are confident of controlling the same."

Cash flow issues

But analysts said developers are facing cash flow issues due to sluggish sales which, in turn, is affecting their ability to service loans. "Homebuyers are not enthused with price cuts and all-time-low home loan rates due to the uncertainty caused by the pandemic in terms of jobs losses and salary cuts," said a real estate market expert indicating that the worst may not be over for companies like LIC Housing Finance.

Despite the increased provisions, LIC HFL went full tilt in expanding its loan portfolio. Total disbursements soared 143 per cent y-o-y to ₹8,652 crore in Q1 FY22 (₹3,560 crore).

Out of this, the disbursement in the 'Individual Home Loan' segment shot up 152 per cent y-o-y at ₹7,650 crore (₹3,034 crore). Project loan disbursement was at ₹237 crore (₹159 crore).

"We believe that there will be an uptick in NPA numbers for housing finance companies in 2021-22 by atleast 30 basis points over 2020-21. The first quarter will be most impacted due to the second wave of the pandemic but going forward the provisioning is likely to come down. There has been some impact in developer loans but at the retail level also, people have been hit economically and retail prime loans would also see stress," said Himanshu Shethia, Director, CARE Ratings.

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Quarterly Results LIC Housing Finance Ltd

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