

Annual Report
2019-2020



REIMAGINING OUR TOMORROW



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Date of Annual General Meeting

Monday, 28th September, 2020

Time: 03:00 PM

Through Video Conference ('VC') / Other Audio Visual Means ('OAVM')

Date of E-voting

Start Date: 25th September, 2020 (09:00 AM)

End Date: 27th September, 2020 (05:00 PM)



To view
Annual Report 2020 Online, visit:
<http://www.lichousing.com/>

₹ **18,193.09** Crore

Net Worth

₹ **2,401.82** Crore

PAT

₹ **47.59**

Earnings Per Share

₹ **11,869.67** Crore

Market Capitalisation

14%

Return on Average
Equity

1.18%

Return on Average
Loan Assets

27,70,628

Number of Customers
up to 31st March, 2020

2,392

Number of Employees

**CRISIL AAA/Stable
CARE AAA/Stable**

Credit Rating

REIMAGINING OUR TOMORROW

The world, as we knew it a few months back, has been altered forever. Prompted by a black swan crisis, there has been an insightful and irreversible shift in the way we run our business, attend to our customers and communicate with our employees. Our ingrained work culture, patterns and behaviours, and our basic belief about how we can serve our customers in the best possible way, has been subjected to closer scrutiny than ever before.

While the pandemic offered a moment of grave challenge, it also presented a perfect time for deep introspection and opportunity. The path we will successively chart will perhaps be the biggest litmus test in our three-decade long existence in the industry. Underscoring our strong value systems and beliefs, we once again proved our agility in responding to changing market dynamics, dug deeper into our native strengths and redesigned our approach to operate in a post-COVID world.

Compelled to rethink and reimagine our tomorrow, we set on a transformational journey by accelerating our technology adoption, enhancing capabilities and efficiency, making our processes and cost-model more resilient, setting higher standards of customer service, and reshaping our value proposition. With this, we endeavour to stay true to our core values of agility, customer-centricity and commitment, and create higher value for all our stakeholders.



OUR PURPOSE IS THE REASON WE EXIST



As we enter the 4th decade of our remarkable journey, we continue our passion to help millions of people on their path to owning their own homes. With our responsiveness, resourcefulness and responsibility, we remain committed to exceed customer expectations.



WHO WE ARE

We, at LIC Housing Finance Limited (LICHFL), are one of the largest housing finance companies in India, with a rich legacy and a promising future. Our core objective is to cater to the housing needs of our customers with the best of our abilities. Throughout our 30-year journey, we have upheld our mission and fulfilled the dreams of more than 27 lakh proud house-owners.



WHAT WE OFFER

With our focussed vision and customer-centric products and services, we empower our customers in their quest for home-ownership. With our targeted products and services, we consistently reach out to potential home buyers and help them take the right steps in home buying.



KEY VALUE PROPOSITION

- Solid track record of customer convenience in products, services and pricing
- A high quality asset book
- An uncompromising focus on core values
- Efficient risk management framework
- Ethical business practices



OVERSEAS PRESENCE

Through our Representative Offices in Dubai and Kuwait, we cater to Non-Resident Indians in the GCC countries of Bahrain, Dubai, Kuwait, Qatar and Saudi Arabia.



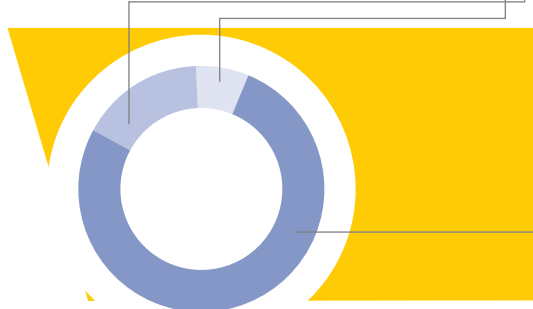
OUR DISTRIBUTION NETWORK

We have one of India's most extensive marketing network with 282 Marketing Offices, 13,577 Intermediaries and 25 Back Offices, and enjoy a strong reputation of doorstep service.



OUR LOAN BOOK COMPOSITION

- Retail Home Loans **76.9%**
- Non-Core Loans **16.3%**
- Developer Loans **6.8%**





WHAT DEFINES US

₹ 2,10,578 Crore

Loan Portfolio

₹46,936 Crore

Disbursement of individual loan
(during FY2020)

₹ 3,73,699.62 Crore

Cumulative Disbursement
(Individual loans) (since inception)

₹ 3,84,978.08 Crore

Cumulative Sanction (Individual
loans) (since inception)

13.89%

Capital Adequacy Ratio

1.99%

Net NPA

8.08%

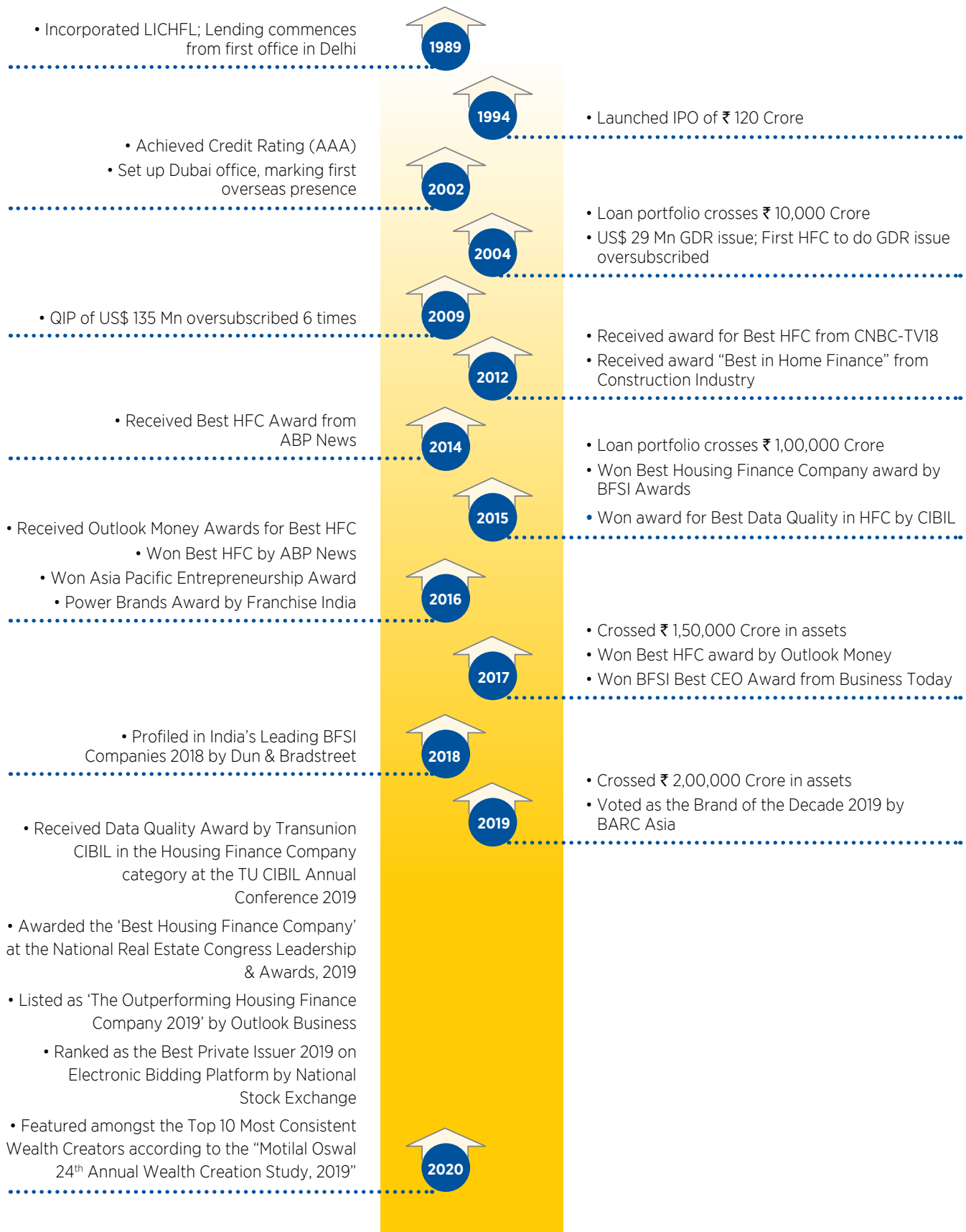
Weighted Average Cost of
Funds

2.34%

Net Interest Margin

As on 31st March, 2020

NURTURING HOPES, HOMES AND HAPPINESS FOR THREE DECADES



GROWING OUR FOOTPRINT

282



Marketing Offices

25



Back Offices

9



Regional Offices

Dubai and Kuwait



Representative Offices - Overseas

450 Centres



Coverage

2,392



Number of Employees



Map not to scale. For illustrative purposes only.

CHAIRMAN'S MESSAGE TO SHAREHOLDERS



As we enter the 4th decade of our remarkable journey, we continue with our passion to help millions of people on their path to owning their own homes. With our responsiveness, resourcefulness and responsibility, we remain committed to exceed customer expectations”

DEAR SHAREHOLDERS,

Greetings and best wishes to all of you as we step into a glorious 4th decade of operations in FY2020 with determination and focus. We have defined our goals with the strong pace of our strategic delivery and improved performance.

Our progress in the past three decades has been indeed phenomenal. We have grown bigger and better every single year – from 8 offices in 1989 to 282 offices now; from 8 employees to 2,392 employees; from a portfolio of ₹ 25 crore to ₹ 2.10 lakh crore; from a disbursement of ₹ 11 crore to ₹ 55,000 crore; from an interest income of ₹ 47 lakhs to ₹ 17,362 crore; from a net profit of ₹ 57,000 to ₹ 2,431 crore. Today, we can proudly say that we have touched the lives of over 27.7 lakh people, are currently servicing about 12 lakh individuals, and have always been the front-runner in ensuring affordable access to housing finance and help realise people's dream of owning a house.

Even after 30 years, we are as passionate as ever in our mission to help millions of individuals on their path to owning a home. We continue to be one of the largest players growing in size, stature and profitability in the housing finance industry. With a strong business foundation, an extensive distribution network and with proven industry expertise, we are enormously trusted as a respected financial services company. Our law-compliant, transparent and professional board of eminent personalities of experience and excellence in different fields provides us with the right guidance.

IMPACT OF COVID-19

India's real estate sector, which was just emerging out of the past market turbulence, policy reforms and liquidity crisis, suffered a setback with the COVID-19 pandemic, which caused income uncertainty and poor consumer sentiments. The

outbreak of the pandemic and labour unavailability dampened real estate activity, caused construction delays and reduced demand, affected liquidity, increased stress in the housing finance sector and dented consumer sentiments even further. Income disruption caused by the economic slowdown and the pandemic-imposed lockdown, had an unfavourable impact on the industry.

However, things are not all bleak – the government's fiscal stimulus measures to maintain liquidity and economic continuity helped. As part of the relief package, the Reserve Bank of India announced a ₹ 10,000 crore funding to NHB to provide refinance to housing finance companies. The Ministry of Housing also extended credit-linked subsidy scheme for the middle-income group by one year – from April 2020 to March 2021. RBI allowed a moratorium of 3 months to all term loans, reduced the cash reserve ratio and cut down repo and reverse repo rates.

At LIC Housing Finance, we not only extended the moratorium facility, but also passed on the benefits of reduced interest rates to all the eligible borrowers. The silver lining in the cloud is that the lockdown also provided some disguised opportunities such as inclination of first-time buyers to go for own home and demand for bigger flats in view of social distancing norms.

OUR 4-R STRATEGY

The pandemic has a major impact on the way we live and work. In the current turbulent and unprecedented times, businesses of all sizes and industries need to get adjusted to disruption and change. What stood us in good stead was our resilience and zeal to meet a challenge head-on and ride it out with strength and stability. We understand that many things will never be the same again. To pave our way for a better and sustainable future

we devised a 4-R strategy – Retail, Recovery, Retention and Re-engineering, as our guiding force for the year as we reimagined our tomorrow.

The strategy aims at focus on getting more retail-based loans; recovering the pending dues; retaining the existing borrowers; and re-engineering the work environment so that any kind of disruption will have no adverse impact on business continuity. We are working towards redefining the concept of tomorrow's office – one with a purpose-driven work environment that fosters communication and ideation, supports business processes and functions, increases collaboration and engagement, enriches customer experience, and lastly, maximises engagement and minimises disruption.

MAKING THE RIGHT INVESTMENTS

Amidst the challenging times, one thing constant has been the power of technology to help organisations to adapt, reinvent and transform. Going ahead, business process re-engineering will hold the key to the future. A revamped IT platform is required to take care of the present requirements and the challenging future needs.

We have resolved to keep making investments in the right technology to stay prepared to face a crisis and challenge of this magnitude. Our aim is to gain capabilities in offering e-solutions to reduce future disruptions, which was indeed challenging, considering our 30-year legacy and an outstanding portfolio of ₹ 2 lakh crore. We are also working on our risk management practices to enable us to assess situations that potentially threaten productivity and jeopardise our services. With all this, our aim is to become future-ready, to be able to face the future better, with tech-led processes and seamless integration of systems.

INDUSTRY OUTLOOK

As we adapt to a new normal of living and working conditions, home ownership will be considered as an important yardstick to impart a sense of security. The intrinsic demand for housing will remain strong in the long run. The realty sector in India is expected to ride out the situation through innovation and improved productivity. There will be sustained demand for affordable and mid-market segment on the retail side in Tier 2&3 cities. We will keep funding such projects, considering their viability and sales velocity. Our key purpose is that by FY2022, we should be able to align ourselves with the government's vision of "Housing for All by 2022" and contribute to nation building in our humble way.

FUTURE OUTLOOK

Although it is not easy to accurately assess the magnitude of impact of the pandemic in the long term, it will mostly depend on coordinated steps by the government and RBI. However, it is likely to impact performance of HFCs, as credit growth will be affected. The realty sector has been affected on three fronts – availability of labour, dearth of funding, and lack of demand for housing stock. For housing finance companies, recovery of loans will continue to be a challenge as livelihoods of customers has been affected. Loss of livelihoods and reduction in income, especially for self-employed borrowers, may have an impact on our income and asset quality and we may have to brace ourselves for a moderation in profitability indicators.

However, the long-term prospects of the segment will remain good. Policy rate cuts by RBI, along with liquidity and credit measures, and likely fall in property rates by developers will boost demand for home loans. The demand for housing by the employees in the organised sector is expected to revive after the lockdown, further supported by the formalisation of the realty marketplace through RERA and stabilisation of GST. As one of India's largest housing finance players, we are well-positioned to capitalise on these conditions, reinforced by our proactive investments in technology, wide product portfolio, expanding distribution network and superior fundamentals.

OUR AIM

At LIC Housing Finance, we remain steadfast in fulfilling the unmet housing needs of millions of Indians, and are positive about the intrinsic demand for housing in the long run. We are working collectively towards bringing confidence back into the real estate sector, and have also been sincerely playing a role in supporting the housing finance industry. We are totally supportive of the government's policy that develops the affordable housing finance sector in India.

We are long-term players in this business. With deep knowledge and a service mindset, we continue to live our dream of building a roof for every Indian by supporting affordable housing, serving new home buyers and making their dreams come true. We plan to leverage our extensive reach to connect with the customer, and have been using digitisation to plug the gaps in enhancing customer experience and increasing operational efficiency.

Our long-term vision is to certainly be the lender of choice for all customers. We aspire to be the most preferred housing finance company, providing value for all our stakeholders and delivering consistent growth. With our 31-year legacy, we aim to continue scaling new heights and maintaining our position as one of India's leading housing finance companies.

IN CONCLUSION

I wish you all the best for the journey of excellence. We will remain true to our mission of enabling growth and progress and will continue to be true to our values as we serve our clients. As we have shown in FY2020, our targets are achievable and we are committed to continue making steady progress towards them every day throughout FY2021.

With best wishes

M. R. Kumar
Chairman



At LIC Housing Finance, we remain steadfast in achieving the unmet housing needs of millions of Indians, and have been positive about the intrinsic demand for housing in the long run.

MESSAGE FROM MANAGING DIRECTOR & CEO



Despite the adverse situation, we are comfortably placed in terms of liquidity. Despite the pandemic situation, we have been successful in raising resources at a low cost through NCDs, bank loans, CPs and public deposits – which is a strong testament to the unwavering faith of our lenders and investors.



DEAR SHAREHOLDERS,

It gives me pleasure to present to you the Annual Report of a landmark year.

Through our 30-year journey, we have run the business ably and efficiently using the three key assets of our deep domain knowledge, expanding network and a service mindset, and have successfully delivered sustainable business and created long-term value. Today, we are ranked amongst the top performing players in the industry with a strong business foundation, extensive distribution network, proven industry expertise, superior fundamentals and top rating, with strong value systems and beliefs.

As we step into the 4th decade, we continue our journey with a robust business model that allows us to deliver long-term value. Our robust portfolio and better asset quality clearly stands out in the industry. During our remarkable journey, we successfully crafted the story of growth established with processes and success defined in results – a rising loan book, maintaining profitability, and asset quality.

I am happy to have attained a milestone year and blessed to have led this superlative team of incredible talent and dedication. We continue to serve our aspirational buyers – who are mostly buying a house for the first time, probably, the only time during their lifetime.

IMPACT OF COVID

We write to you amidst an unprecedented and critical situation. The outbreak of COVID-19, a catastrophe in itself, affected lives with each passing day. Its impact is being felt by all the sectors, including real estate and housing finance.

The outbreak of the pandemic drastically altered the overall economic outlook and disrupted the financial sector. The stimulus packages offered by the government in the wake of the pandemic are directed towards improving private consumption, demand generation and investment to spur GDP growth.

The real estate sector, which was already reeling under a liquidity crunch and slowing economic growth, has been hit hard as the extended lockdown suppressed buyer interest and muted sales. Housing sales in the top 8 cities fell to its decade low, new launches declined and the pricing environment weakened. The structural reforms, liquidity schemes and fiscal support provided by the Reserve Bank of India and the government are expected to provide relief to stressed asset classes.

At LICHFL, we faced reduced demand for housing loans and increase in delinquencies due to an adverse change in the credit habits of borrowers. Our cash flows were impacted as servicing of debt continued. It also led to a slowdown in home loan disbursements as individuals deferred home purchases till the time they could perceive stability in their income levels and a resumption in business activities.

BATTLING THE CRISIS

As we prepared to battle the challenging times, adaptability has been the core competency of our workforce. We made proactive adjustments to our business plan and exhibited readiness in an improved situation. Our immediate concern was to safeguard lives, and the foremost priority was to take care of our employees and the communities we live in. We facilitated Work from Home and encouraged employees to find innovative means, causing minimum disruption to work and enabling effective