



**Solid foundation.
Sustainable future.**

Annual Report 2021-22



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SOLID FOUNDATION. SUSTAINABLE FUTURE.

The surrounding landscape
keeps changing.
The determination
doesn't.



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DATE OF ANNUAL GENERAL MEETING

29th September, 2022

Time: 03:30 PM

Through Video Conference ('VC')/
Other AudioVisual Means ('OAVM')

DATE OF E-VOTING

Start Date: 26th September 2022 (09:00 AM)

End Date: 28th September 2022 (05:00 PM)

When it comes to housing finance in India, LIC Housing Finance Limited (LICHFL) is among the undisputed leaders within the Indian landscape. This is the result of our visionary approach, which very early on, understood the vast potential in India. We enjoy an enviable footprint in the key gateway cities of India and the smaller towns, with a unique approach to value creation.

Today, we are strategically poised for growth, given India's rising population and an integral and basic need for home ownership. Despite a challenging environment during the past two years, we remained rock-solid, sturdy and confident about our solid foundation. In fact, it was in this challenging period that we reported our best-ever year in history in terms of total disbursement.

Today, our resolve to emerge as India's leading housing finance company fulfilling customers' needs and setting new benchmarks of excellence remains as strong as ever. Backed by our solid foundation and sturdiness, we are firmly and rapidly building a sustainable future for ourselves, and further consolidating our industry leadership. And what gives us the confidence to achieve this are our reduced cost of funds, improved asset mix, ability to source low-cost liabilities, higher yield productivity, liability management, credit appraisal & risk mitigation mechanisms and our strong fundamentals.

Our experience, goodwill and financial strength has placed us in an inflection point in our journey – a point from where we have the potential to fuel our growth sustainably. With our value-based approach, we continue to be an institution which focusses on its commitment to long-term and consistent value creation for all the stakeholders.



33 YEARS OF NURTURING RELATIONSHIPS



A SOLID FOUNDATION AND A SUSTAINABLE FUTURE

LIC Housing Finance Limited is one of India's largest housing finance companies in India with 33 years of experience and expertise. Over the years, we have grown stronger and built a huge base of around 30 lakh proud home owners, with an outstanding loan book of ₹ 2.52 lakh crore.



ENDEAVOURING TO STAY AHEAD OF THE CURVE

We are a long-term player with a track record and reputed for our strong business foundation and proven industry experience. Our key objective is to provide long-term finance to individuals for purchase/construction of house/flat for residential purpose.



CREATING LONG-TERM VALUE FOR STAKEHOLDERS

We have differentiated ourselves strategically, aligning to our customers' needs, being innovative in our approach and emphasising on quality business, thus emerging as a dominant player in the financial sector.



EXTENSIVE DISTRIBUTION NETWORK

We have an expansive reach to address the home loan needs of prospective borrowers with a well-trained and well-spread network of 282 marketing offices, around 10,000 marketing intermediaries, and our own distribution company, and our representative office in Dubai.



KEY NUMBERS THAT DEFINE US

₹2,51,120 CRORE

Up 8% YoY

Outstanding Loan Portfolio

₹61,848 CRORE

Disbursement

18.08%

Capital Adequacy Ratio

30 LAKH

Number of Customers

4.64%

Gross NPA

5.10%

Incremental Cost of Funds

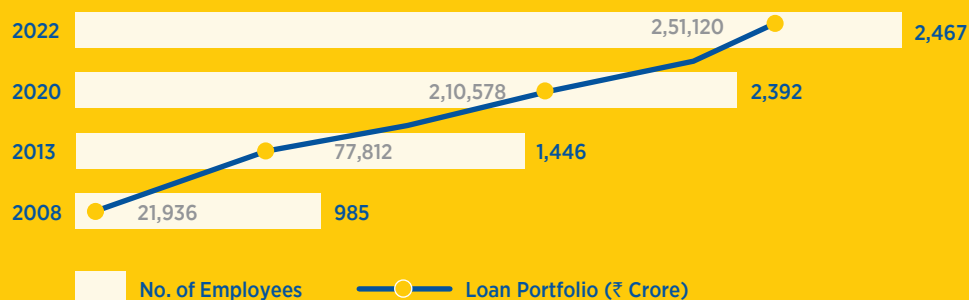
2.29%

Net Interest Margin

₹92.73 LAKH

Profit Per Employee

IMPROVING EFFICIENCIES



NURTURING HOPES AND HAPPINESS

OUR JOURNEY OF EVOLUTION

1989

- Year of incorporation
- Lending commences from first office in Delhi

1994

- Launched IPO of ₹ 120 Crore

2002

- Achieved Credit Rating (AAA)
- Set up Dubai office, marking first overseas presence

2004

- Loan portfolio crosses ₹ 10,000 Crore
- First HFC to do GDR issue; the US\$ 29 Mn GDR issue was over-subscribed

2009

- QIP of US\$ 135 Mn over-subscribed 6 times

2012

- Received award for Best HFC from CNBC-TV18
- Received award "Best in Home Finance" from Construction Industry

2014

- Received Best HFC Award from ABP News

2015

- Loan portfolio crosses ₹ 1,00,000 Crore
- Won Best Housing Finance Company award by BFSI Awards
- Won award for Best Data Quality in HFC by CIBIL

2022

- Global CSR, Excellence & Leadership Award 2021-22
- Recognised as one of the "The Best Organisation for Women" by Economic Times
- Economic Times awarded LIC HFL as one of the "Best Brands for 2021"
- Recognised by Kendriya Sainik Board for valuable contribution in the past to Veer Naaris

2020

- Ranked as the Best Private Issuer 2019 on Electronic Bidding Platform by National Stock Exchange
- Received Data Quality Award by Transunion CIBIL in the Housing Finance Company category at the TU CIBIL Annual Conference 2019
- Awarded the 'Best Housing Finance Company' at the National Real Estate Congress Leadership & Awards, 2019
- Listed as 'The Outperforming Housing Finance Company 2019' by Outlook Business
- Featured amongst the Top 10 Most Consistent Wealth Creators according to the "Motilal Oswal 24th Annual Wealth Creation Study, 2019"

2019

- Crossed ₹ 2,00,000 Crore in assets
- Voted as the Brand of the Decade 2019 by BARC Asia

2018

- Profiled in India's Leading BFSI Companies 2018 by Dun & Bradstreet

2017

- Crossed ₹ 1,50,000 Crore in assets
- Won Best HFC Award by Outlook Money
- Won BFSI Best CEO Award from Business Today

2016

- Received Outlook Money Awards for Best HFC
- Won Best HFC by ABP News
- Won Asia Pacific Entrepreneurship Award
- Power Brands Award by Franchise India

AN EVER-EXPANDING REACH



Map not to scale. For illustrative purposes only.

9

Regional Offices

Representative Office
in Dubai

24

Back Offices

Coverage of over
450
Centres

282

Marketing Offices

2,467
Employees

MESSAGE FROM THE CHAIRMAN



Dear Shareholders,

The world, as we knew it, remarkably changed, two years back. Today, the pandemic and its overwhelming impact is not new to us, and we knew how it disrupted the world. Maintaining stability and growth during turbulent times demonstrates our resilience and agility. Even during the times of pandemic, we underwent digital transformation and remained singularly committed to delight our customers with cutting-edge products and new industry benchmarks.

As we complete 33 years of remarkable journey of nurturing relations with our borrowers, we are set to capitalise on the conducive market. Even during the turbulent times of the past two years, we have displayed our solid foundation and a strong resilience for a sustainable future and remarkable growth.

With the dream of home ownership being an overarching aspiration for every Indian today, we are serving and facilitating 30 lakh customers realise their inherent dreams. Through our key objective and single-minded vision, we are powering India's progress by enabling every Indian to own a home and driving transformative change.

As a long-term participant and with a strong track record and industry experience, we have experienced several financial and economic cycles, and always endeavoured to stay ahead of the curve. Over the years, we have grown stronger and built a huge base of 30 lakh customers with an outstanding loan book of ₹ 2.52 lakh crore, laying a strong foundation for sustained business growth.

Enthused by our business metrics, our parent company Life Insurance

Corporation of India (LIC) having made a capital infusion of ₹ 2,335.51 crore into the Company. This demonstrates their confidence in the Company and adds credibility to our balance sheet. The capital infusion has strengthened the capital adequacy and helped us become adequately capitalised.

WHAT DIFFERENTIATES US

We have differentiated ourselves strategically aligning with customer needs, being innovative in our approach and laying an emphasis on quality business, and creating long-term value for our stakeholders and investors. Today, about 78% of our outstanding loan portfolio comprises of the salaried class. With an asset-liability mix that is conducive to manage an increasingly higher rate environment and an increasing loan portfolio, we are growing stronger each day. We continue to be in a position of strength to increase our market share and consolidate our leadership.

BEING SMART AND EFFICIENT

Despite monetary tightening, we reduced our cost of funds by 41 basis points in the year. Our incremental cost of funds was 5.10%. Our weighted average cost of funds on total borrowed

funds reduced from 8.49% in FY2019 to 6.93% in FY2021 and further to 6.52% in FY2022. We maintain one of the lowest cost of funds with AAA rating by all rating agencies since 2001-02, remaining better placed on liabilities front. Our Asset-Liability mix is conducive to manage a high-rate environment. The ability to source low-cost liabilities from strong fundamentals and effective liability management ensures that despite rising rates, we managed to reduce cost of funds.

Over the years, our liability profile has gradually altered. From a higher portion of Non-Convertible Debentures (NCD), the liability portion of banks, deposits and National Housing Bank has increased. Continuous negotiation on the liability side and proactive liquidity management led to further reduction in cost of funds.

Better asset-liability mix, strong recovery and improved collection efficiency helped us leverage good Net Interest Margins (NIM). Our margins were stable in the range of 2.20 to 2.40% in FY2021 to 2.29% in FY2022. Our borrowings are a mix of fixed and floating, with a substantial amount into fixed rates, which helps maintain ratios and stabilise NIMs.

With a strong passion to help millions of people in owning their homes, we are today a trusted financial services company with a strong business foundation, an extensive distribution network, and proven industry expertise, with 30 lakh prudent home owners. Till date, we have transferred the benefit of Prime Minister Awas Yojana to 1.5 lakh borrowers, amounting to a total disbursement of ₹ 3,800 crore. We were also the recipient of the **Prime Minister Awas Yojana Empowering Award** during the year under review.

HIGHER FOCUS ON PRODUCTIVITY

We maintained a strong emphasis on higher yield productivity with proper due diligence to mitigate risk. Our “per branch business” has increased and “per employee productivity” is higher today. Despite COVID-19, we reported a steady performance during the year. Our customer retention was also the highest this year – the best in the last 10 years. We experienced better market outreach, product innovation and seamless delivery of products. We also focussed on improving our market share, and also on product improvement and consolidating our market position. We garnered the highest deposit mobilisation in this tough year. Further, we utilised the opportunity to revamp our front and back-end for the retail deposit programme.

KEY GROWTH DRIVERS

The turn in India’s real estate cycle helped in faster project resolution. Real estate prices too have become stable. There is improved demand for houses as security and asset creation assumes priority in the backdrop of COVID. Work from home and online college/schools is also making people buy bigger houses and modify or renovate existing houses. Affordability of houses too has increased. Developers too are now coming forth to offload their inventory. Across cities, their inventory level is reducing – which is a positive feature of the real estate sector.

OUTLOOK IN FY2023

India is racing to become a US\$ 5 trillion economy and the macro environment is also improving. With housing being a

basic necessity, there is growth in real estate despite the pandemic, which demonstrates the underlying demand for housing. Estimates are that the housing finance market is set to double between 2021-2026, and demand is visible across sector and loan segments. Small towns and affordable loans taken a lead. The need for a secured asset has significantly increased. These specific trends which have emerged during the pandemic ensure that demand will remain strong for several years.

Growth in housing sector during the pandemic demonstrates the underlying demand and the need for better and bigger houses. With the economy improving, sector looking up and demand growing, it paves way for a more optimistic outlook for the Company. At LIC Housing Finance, we are positive on intrinsic demand for housing to be strong and are set to capitalise on a conducive market, working on growing our portfolio to ₹ 3 lakh crore. We are also targeting to increase our “high-yielding” portfolio, including Project Finance and non-core loans, to further improve margins.

We are well positioned to capitalise on the resurgence in opportunities and tap into economy’s potential. With the economy reviving fast, and with strong channels and good spread in all geographies, and with more focus on affordable housing, we expect to register good growth in disbursements.

STRONG FOUNDATION AND SUSTAINABLE FUTURE

We continue to live our dream of building a roof for every Indian by supporting affordable housing, and also continue to serve new home buyers and complementing, Housing for All. As a long-term participant, seen several, economic cycles and always endeavoured to stay ahead of the curve.

Over the years, we have built a huge base of customers and a growing outstanding loan book. Being innovative in approach and by laying emphasis on quality business, we have differentiated ourselves strategically, aligning ourselves strongly to customers’ needs.

Despite COVID-19, we reported a steady performance during the year. Our customer retention was also the highest this year – the best in the last 10 years. We experienced better market outreach, product innovation and seamless delivery of products.

Our Company’s culture, management and other qualities make LIC Housing Finance an exceptional workplace.

Moving forward, we have set the stage for future growth and have a strategic vision to emerge as the leading housing finance company in the affordable housing finance sector. We will improve our market share and consolidate our leadership position in the industry by seizing opportunities to strengthen our customer relationships, advancing on tech-enabled customer service and delivering long-term value to all stakeholders.

Further, we are also creating a strong environment and people-focussed approach within the organisation – one where everyone feels valued and cared for.

IN CONCLUSION

I take this opportunity to thank all our stakeholders for their support and patience. I thank our customers for believing in us and our team. I am confident that by working together, we will achieve greater success.

Thank you and stay safe.

M. R. Kumar

Chairman

FROM THE MANAGING DIRECTOR & CEO'S DESK

Dear Shareholders,

The onset of the COVID-19 pandemic has taught us a lot, and these learnings will help evolve for the better. The pandemic unleashed a new world order in which agility and digital adoption emerged as the new norms. At LIC Housing, we stood up to the challenge and quickly adapted to the challenging conditions to support our business operations.



With a vintage of 33 years, we have seen various credit and economic cycles and have come out unscathed and stronger than ever. We had a satisfying year with a rising loan book, while we maintained profitability, asset quality and solvency, and had the ability to negotiate challenges – moving from strength to strength. Today, we take pride in having a credible portfolio and being a tech-driven company with tech-centric business model, innovation strategy and growth. Both these are our strategic differentiators over the medium-to-long term.

Despite the tough macro environment, a healthy growth on disbursements was witnessed, especially in the individual home loan segment. A strong business traction led to strong disbursement and AUM growth. The outstanding portfolio grew, retail disbursements rose, and net interest income benefited. We worked out a strategy to grow the business and improve asset quality with a strong focus on collection efficiency. Our GNPA dropped quarter on quarter

this year (QoQ), giving us the leverage in maintaining good Net Interest Margin at 2.29%.

FY2022 IN BRIEF

The year witnessed us helping our customers battle the COVID-19 disruptions and engaging with them to weather the tough situation. At LICHFL, we followed the RBI restructuring norms in helping borrowers reorganise their business by offering moratorium and restructuring the loans. However, our underwriting practices during COVID-19 and post that were stringent enough to weed out any delinquencies.

During the pandemic, as people saved money for unforeseen circumstances, liabilities took a backseat. Hence, we enabled our customers to take advantage of the Emergency Credit Line Guarantee Scheme (ECLGS), in view of the economic distress caused by the pandemic. Through this, we helped the MSME sector with small working capital to tide over short gaps, operational liabilities and restart the business impacted.

We interacted with the affected borrowers to guide them on the moratorium offered by the government, besides also counselling them on how best to avail these benefits. We also offered the benefit of one-time loan restructuring (OTR) to eligible borrowers, in line with the regulatory norms. We opened various touchpoints to help customers and provided them with options. We also offered them to make part-payment so that inconvenience to borrowers was minimised. Further, we trained the staff on ways to interact with the borrowers and developed educational material. With schemes and waivers to borrowers, nearly 2.76% of our loan portfolio was under OTR.

PERFORMING DESPITE A CHALLENGING ENVIRONMENT

Despite the COVID-19 disruptions and a turbulent environment, this has been a remarkable year for LICHFL. We have become India's one of the leading housing finance company in terms of book size. During the year, we