

# Repco Home Finance

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
39,714	11,923
Bloomberg	REPCO IN
Equity Shares (m)	63
M.Cap.(INRb)/(USDb)	25.4 / 0.4
52-Week Range (INR)	739 / 293
1, 6, 12 Rel. Per (%)	7/-31/-42
12M Avg Val (INR M)	205
Free float (%)	62.9

## Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
NII	4.4	5.1	5.8
PPP	3.8	4.4	5.0
PAT	2.3	2.7	3.1
EPS (INR)	37.5	42.6	49.2
BV/Sh. (INR)	244	284	330
RoAA (%)	2.3	2.3	2.3
RoE (%)	16.5	16.2	16.0
Payout (%)	7.0	7.0	7.0
Valuation			
P/E (x)	10.7	9.5	8.2
P/BV (x)	1.7	1.4	1.2
Div. Yield (%)	0.6	0.6	0.7

**CMP: INR403**
**TP: INR500 (+24%)**
**Buy**

## Business performance stable; Core Tamil Nadu market remains subdued

- 4QFY19 PAT grew 58% YoY to INR515m (10% miss), driven by modest loan growth, spread compression and lower credit costs (-INR24m v/s INR400m YoY). The miss v/s our estimates was driven primarily by lower NII, which the company attributed to fee income reversal of INR160m, driven by higher ECL provisions (150bp v/s 80bp earlier).
- **Business growth was modest – disbursements up 3% YoY to INR8.8b.** However, home loan disbursements declined 3% YoY. Overall loan growth was 3.5% QoQ/ 12% YoY; however, loan growth in its core state of Tamil Nadu (TN) remained sluggish at 6% YoY. Note: repayment rate has been lower in every quarter of FY19 as compared to FY18, pointing to lower balance transfers.
- **Adjusting for the impact of income reversal as mentioned above, calc. yields/spreads improved ~30bp QoQ to 11.6%/3.3%.** Cost of funds remains stable at 8.4%, largely due to low-cost funding from NHB.
- GNPL ratio improved ~100bp QoQ to 2.95%. Around 30bp of this decline was on account of a technical write-off and the rest were upgrades/recoveries. The company increased its total ECL provisioning from 80bp to 150bp QoQ.
- Repco owns ~32% of Repco Micro Finance Ltd. The latter earned PAT of INR455m in FY19 (up 57% YoY). RoA/RoE for the year was 5.7%/33.2%.
- **Valuation view:** Over the past two quarters, Repco managed the liquidity situation well, largely due to a high share of bank/NHB borrowings and less dependence on market borrowings. Its spreads have been largely intact, adjusting for the impact of the income reversal. However, the ground situation in TN is still bleak — management is still guiding for only 9-10% YoY growth in TN. We largely maintain our estimates. Maintain **Buy** with **TP of INR500** (1.5x FY21E BVPS). We have not currently factored in the value of investment in the associate in our TP.

## Quarterly performance

Y/E March	FY18				FY19				FY18	FY19
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Operating Income	2,686	2,843	2,686	2,687	2,827	2,870	2,982	3,004	10,901	11,682
Interest Expenses	1,630	1,626	1,621	1,610	1,684	1,755	1,848	1,914	6,487	7,200
<b>Net Income</b>	<b>1,056</b>	<b>1,217</b>	<b>1,065</b>	<b>1,077</b>	<b>1,143</b>	<b>1,115</b>	<b>1,134</b>	<b>1,090</b>	<b>4,415</b>	<b>4,482</b>
YoY Growth (%)	25.7	34.9	17.4	4.7	8.2	-8.4	6.5	1.2	20.1	1.5
Other income	55	22	60	63	45	90	58	77	199	270
<b>Total Income</b>	<b>1,111</b>	<b>1,238</b>	<b>1,125</b>	<b>1,140</b>	<b>1,188</b>	<b>1,205</b>	<b>1,192</b>	<b>1,167</b>	<b>4,614</b>	<b>4,752</b>
YoY Growth (%)	20.8	23.8	15.5	3.5	6.9	-2.7	5.9	2.4	15.5	3.0
Operating Expenses	168	187	218	219	219	236	253	277	792	984
YoY Growth (%)	13.0	14.8	33.4	9.3	30.3	25.7	16.0	26.5	17.3	24.2
<b>Operating Profits</b>	<b>943</b>	<b>1,051</b>	<b>907</b>	<b>921</b>	<b>969</b>	<b>970</b>	<b>939</b>	<b>890</b>	<b>3,822</b>	<b>3,768</b>
YoY Growth (%)	22.3	25.5	11.9	2.2	2.8	-7.7	3.5	-3.4	15.1	-1.4
Provisions	88	-8	265	404	47	-35	182	-24	748	170
<b>Profit before Tax</b>	<b>855</b>	<b>1,059</b>	<b>642</b>	<b>517</b>	<b>923</b>	<b>1,004</b>	<b>757</b>	<b>915</b>	<b>3,074</b>	<b>3,598</b>
Tax Provisions	296	358	218	192	314	338	201	399	1,064	1,252
<b>Profit after tax</b>	<b>560</b>	<b>700</b>	<b>424</b>	<b>326</b>	<b>609</b>	<b>666</b>	<b>556</b>	<b>515</b>	<b>2,010</b>	<b>2,346</b>
YoY Growth (%)	41.6	53.3	-8.7	-35.6	8.8	-4.9	31.2	58.1	10.3	16.7
Loan growth (%)	13.1	10.1	9.6	10.3	11.9	11.4	12.4	12.0	7.7	12.3
Cost to Income Ratio (%)	15.1	15.1	19.4	19.2	18.4	19.6	21.2	23.7	17.2	20.7
Tax Rate (%)	34.6	33.8	34.0	37.0	34.0	33.7	26.5	43.7	34.6	34.8

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**Exhibit 1: Quarterly performance v/s our estimates and reasons for deviation (INR m)**

Y/E March	4QFY19E	4QFY19A	Var (%)	Comments
Interest Income	3,120	3,004	-4	
Interest Expenses	1,956	1,914	-2	
<b>Net Interest Income</b>	<b>1,164</b>	<b>1,090</b>	<b>-6</b>	❖ <b>Fee Income reversal due to increase in ECL provisions</b>
YoY Growth (%)	0.0	1.2		
Other income	40	77	91	
<b>Total Income</b>	<b>1,205</b>	<b>1,167</b>	<b>-3</b>	
YoY Growth (%)	-1.5	2.4		
Operating Expenses	254	277	9	❖ One-off expenses related to actuarial valuation of employee benefits
YoY Growth (%)	18.8	26.5		
<b>Operating Profits</b>	<b>951</b>	<b>890</b>	<b>-6</b>	❖ <b>Miss due to interest reversals</b>
YoY Growth (%)	-5.8	-3.4		
Provisions	73	-24	NA	❖ Excess provisions on BS led to low credit costs
<b>Profit before Tax</b>	<b>878</b>	<b>915</b>	<b>4</b>	
Tax Provisions	305	399	31	
<b>Profit after tax</b>	<b>573</b>	<b>515</b>	<b>-10</b>	❖ <b>PAT miss due to NII miss &amp; higher tax rate</b>
YoY Growth (%)	1.1	58.1		
Borrowings growth (%)	11.9	12.0		
Cost to Income Ratio (%)	21.1	23.7		
Tax Rate (%)	34.7	43.7		

Source: MOFSL, Company

Core TN market loan  
growth remains tepid at 6%  
YoY

**Loan growth stable; Incrementally seeing growth in salaried loans**

- Disbursements grew 20% QoQ/ 3% YoY to INR8.8b. However, growth in home loans has been lagging that of LAP (-3.5% vs +28%).
- The mix of home loans and LAP remained sequentially stable at 82%/18%. **Share of salaried borrowers increased 300bp YoY to 46%.**
- Tamil Nadu continues to be sluggish (6% YoY AUM growth). However, Repco's second largest state, Karnataka, has witnessed a sharp turnaround and has been growing at 20-25% YoY over the past four quarters.
- Sand mining still remains an issue in TN.

GNPL ratio declined ~100bp  
QoQ to 2.95%

**Calc. spreads decline due to interest reversals**

- Interest reversal in the quarter was INR160m driven by higher ECL provisions outstanding.
- **Due to this, calc. yields declined 25bp QoQ to 11.1% and spreads were also down 25bp QoQ to 2.7%. However, adjusting for the interest reversal impact, yields and spreads actually increased 30bp QoQ.**
- The cost of funds is steady QoQ at 8.4%. The borrowing mix was sequentially stable with banks + NHB comprising 90% of the total borrowings. Note that there are no CPs outstanding.
- GNPL ratio improved ~100bp QoQ to 2.95%. Around 30bp of this decline was on account of a technical write-off and the rest was upgrades/recoveries. The company increased its total ECL provisioning from 80bp to 150bp QoQ.

CAR stable at 23.9%; Branch  
count at 170 branches

**Others**

- Capital Adequacy Ratio is largely stable at 24%.
- The company opened three new branches in the quarter taking the total branch count to 170.
- Repco disclosed financial details of its associate, **Repco Micro Finance**. For FY19, the loan book grew 29% YoY to INR9b while PAT increased 57% YoY to INR455m.

RoA/RoE for the year was 5.7%/33.2%. The company owns 32% in Repco Micro Finance.

### Valuation and view

- Repco has established a strong presence in the southern states and is steadily expanding to other geographies. Over the last decade, the company has built a scalable business model with a well-balanced portfolio.
- Over the past two quarters, Repco managed the liquidity situation well, largely due to a high share of bank and NHB borrowings and less dependence on market borrowings. Spreads have been largely intact, adjusting for the impact of the interest reversal.
- The company has maintained its RoA/RoE steady at ~2.2%/17% over the past four years.
- However, even today, over half of the loan book still comes from TN, wherein the ground situation is still bleak. Asset quality issues in LAP are yet to be permanently resolved.
- We largely maintain our estimates.
- We value the company using RI model with Rf: 7.5%, CoE: 13% and Terminal growth rate: 5%. Maintain **Buy with a TP of INR500 (1.5x FY21E book)**. We have not currently factored the value of the investment in the associate in our TP.

### Exhibit 2: We largely maintain our estimates

INR b	Old Est.		New Est.		Change (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
NII	5.1	5.9	5.1	5.8	-0.8	-0.8
Other Income	0.2	0.3	0.4	0.4		
<b>Total Income</b>	<b>5.4</b>	<b>6.2</b>	<b>5.5</b>	<b>6.2</b>	<b>1.4</b>	<b>1.4</b>
Operating Expenses	1.1	1.2	1.1	1.2	2.0	1.7
<b>Operating Profits</b>	<b>4.3</b>	<b>5.0</b>	<b>4.4</b>	<b>5.0</b>	<b>1.3</b>	<b>1.4</b>
Provisions	0.3	0.4	0.3	0.4	0.0	0.3
<b>PBT</b>	<b>4.0</b>	<b>4.6</b>	<b>4.1</b>	<b>4.7</b>	<b>1.4</b>	<b>1.5</b>
Tax	1.3	1.5	1.4	1.6	7.6	7.7
<b>PAT</b>	<b>2.7</b>	<b>3.1</b>	<b>2.7</b>	<b>3.1</b>	<b>-1.6</b>	<b>-1.5</b>
Loan book	124	140	123	140	-1.0	-0.5
NIM (%)	4.4	4.4	4.4	4.4		
Spreads (%)	2.8	2.8	3.2	3.2		
<b>ROAA (%)</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>		
<b>RoAE (%)</b>	<b>16.5</b>	<b>16.3</b>	<b>16.2</b>	<b>16.0</b>		

Source: MOFSL, Company



## Conference call highlights

### Business

- **One-off fee income reversal of INR150m during the quarter.**
- INR10b of unutilized lines of credit currently.
- **Around 20% of FY19 disbursements were sourced by DSAs.**
- Increased lending rates by 60bp in FY19.

### Asset Quality

- In 1HFY19, excess provisions were written back and added to reserves. However, in 4QFY19, management decided to keep excess provisions rather than add them to the net worth. Hence, net worth has reduced over 2HFY19.
- **Credit cost guidance of sub-0.4% in FY20.**
- Have tightened credit underwriting standards.

### Guidance

- **Expect only 9-10% YoY loan growth in Tamil Nadu and overall growth of 14-15% YoY in FY20.**
- Weighted average CoF to be around 8.4-8.5%.
- Spread to remain at 3%.

### Others

- Under Ind-AS, loans on the balance sheet are reporting net of provisions. Under IGAAP, it was a gross number.
- **NHB borrowings' weighted average cost is 7%.**

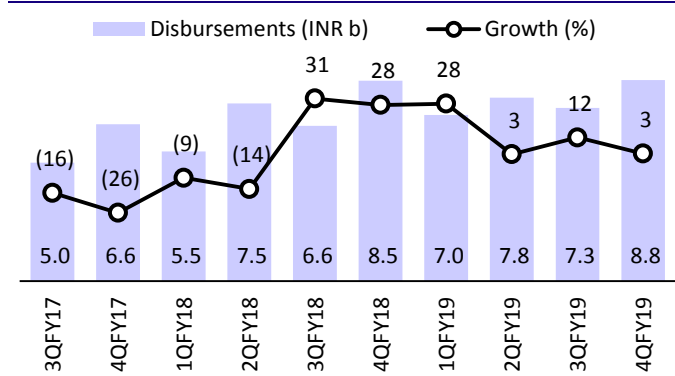
## Exhibit 3: Quarterly Snapshot

	FY18				FY19				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
<b>Profit and Loss (INR m)</b>										
Interest Income	2,686	2,843	2,686	2,687	2,827	2,870	2,982	3,004	1	12
Interest Expenses	1,630	1,626	1,621	1,610	1,684	1,755	1,848	1,914	4	19
<b>Net Interest Income</b>	<b>1,056</b>	<b>1,217</b>	<b>1,065</b>	<b>1,077</b>	<b>1,143</b>	<b>1,115</b>	<b>1,134</b>	<b>1,090</b>	-4	1
Other Income	55	22	60	63	45	90	58	77	34	22
<b>Net Income</b>	<b>1,111</b>	<b>1,238</b>	<b>1,125</b>	<b>1,140</b>	<b>1,188</b>	<b>1,205</b>	<b>1,192</b>	<b>1,167</b>	-2	2
Operating Expenses	168	187	218	219	219	236	253	277	9	26
Employee	109	126	138	121	130	138	147	171	16	40
Others	59	61	80	97	89	98	106	106	1	9
<b>Operating Profits</b>	<b>943</b>	<b>1,051</b>	<b>907</b>	<b>921</b>	<b>969</b>	<b>970</b>	<b>939</b>	<b>890</b>	-5	-3
Provisions	88	-8	265	404	47	-35	182	-24	-113	-106
<b>PBT</b>	<b>855</b>	<b>1,059</b>	<b>642</b>	<b>517</b>	<b>923</b>	<b>1,004</b>	<b>757</b>	<b>915</b>	21	77
Taxes	296	358	218	192	314	338	201	399	99	109
<b>PAT</b>	<b>560</b>	<b>700</b>	<b>424</b>	<b>326</b>	<b>609</b>	<b>666</b>	<b>556</b>	<b>515</b>	-7	58
<b>Asset Quality</b>										
GNPA	3,571	3,194	3,515	2,827	3,987	3,738	4,160	3,256	-22	15
Gross NPAs (%)	4.0	3.4	3.7	2.9	4.0	3.6	3.9	3.0		
- Home Loan	3.4	3.0	3.2	2.4	3.0	2.9	3.2	2.5		
- LAP	6.4	5.2	5.9	4.9	6.8	6.2	6.8	5.0		
ECL Provisions		0.7		0.0	0.7	0.7	0.8	1.5		
<b>Ratios (%)</b>										
Cost to Income	15.1	15.1	19.4	19.2	18.4	21.1	22.3	25.4		
Provision to operating profit	9.3	-0.7	29.2	43.8	4.8	-3.6	19.4	-2.7		
Tax Rate	34.6	33.8	34.0	37.0	34.0	33.7	26.5	43.7		
Total CAR	21.4	22.1	22.3	23.0	0.0	23.7	24.2	23.9		
RoA - calculated	2.5	3.0	2.1	2.3	2.5	2.6	2.1	1.9		
RoE - calculated	17.4	23.5	16.5	18.5	19.8	19.4	15.4	14.2		
<b>Margins Reported (%)</b>										
Yield on earning assets	12.0	12.4	11.4	11.1	11.3	11.2	11.3	11.1		
Cost of Funds	8.6	8.5	8.3	8.0	8.2	8.2	8.4	8.4		
Spreads	3.4	4.0	3.2	3.1	3.2	3.0	3.0	2.7		
NIMs	5.0	5.4	4.8	4.7	4.8	4.7	4.5	4.3		
<b>Business Details (INR b)</b>										
<b>Loans</b>										
Individual Home Loans	72	75	77	80	82	85	87	90		
Loans against Property	18	18	18	18	18	19	20	20		
<b>Total Loans</b>	<b>90</b>	<b>93</b>	<b>95</b>	<b>99</b>	<b>101</b>	<b>104</b>	<b>107</b>	<b>110</b>		
<b>AUM Mix (%)</b>										
Individual Home Loans	80	81	81	81	82	82	82	82		
Loans against Property	20	19	19	19	18	18	18	18		
<b>Total Borrowing Mix (%)</b>										
Banks	60	55	54	55	64	69	75	72.7		
NHB	14	13	13	12	9	8	7	9.7		
Repco Bank	7	6	8	8	8	8	8	8.6		
NCD/CPs	20	25	25	26	20	15	10	8.9		

Source: Company, MOFSL

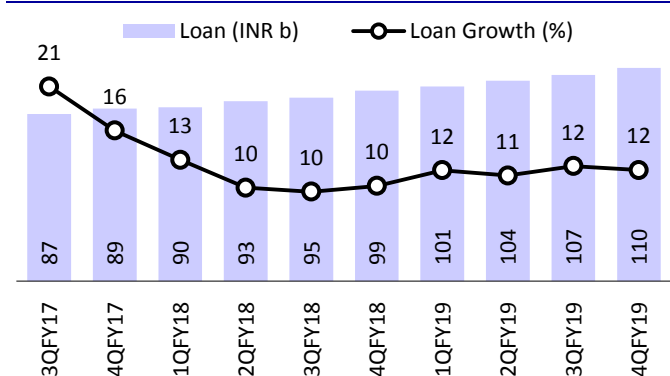
## Story in charts

**Exhibit 4: Disbursement growth remains subdued**



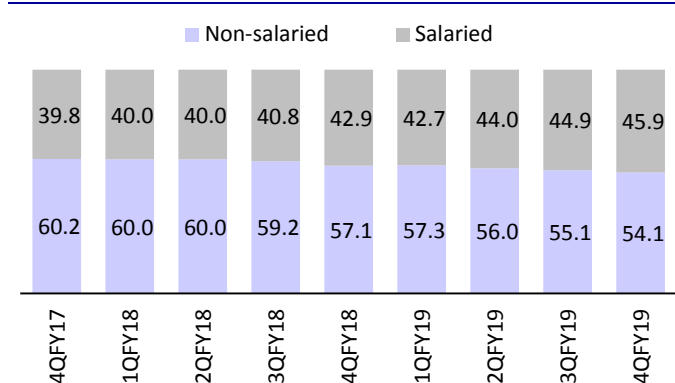
Source: Company, MOFSL

**Exhibit 5: Loan growth at 12% YoY**



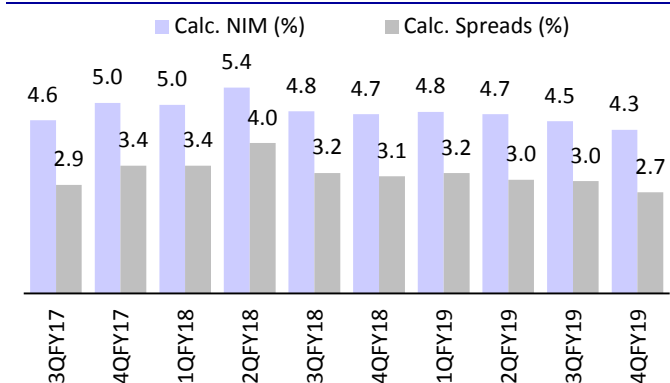
Source: Company, MOFSL

**Exhibit 6: Share of salaried customers increasing (%)**



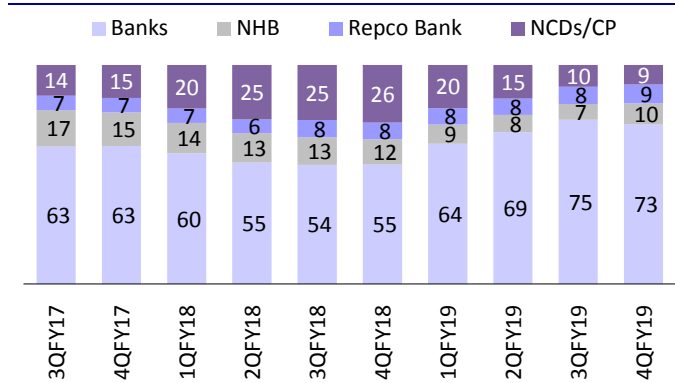
Source: Company, MOFSL

**Exhibit 7: Spreads decline 30bp on a QoQ basis**



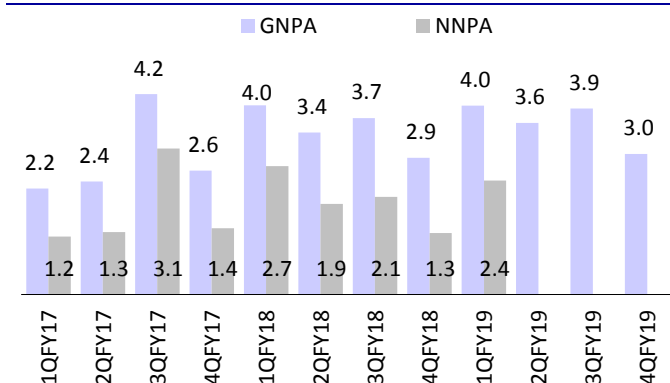
Source: Company, MOFSL

**Exhibit 8: Borrowing mix stable (%)**



Source: Company, MOFSL

**Exhibit 9: Asset quality improves seasonally (%)**



Source: Company, MOFSL; 3QFY17 numbers excluding regulatory forbearance

## Exhibit 10: Financials — Valuation Matrix

	Rating	CMP	Mcap	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
ICICI* <sup>*</sup>	Buy	423	39.4	5.2	21.2	61.2	15.1	166	181	1.9	1.8	0.4	1.3	3.2	12.4
HDFCB	Buy	2,425	95.2	79.3	94.4	30.6	25.7	548	624	4.4	3.9	1.8	1.9	16.5	16.1
AXSB	Buy	809	29.8	18.2	40.0	44.4	20.2	259	301	3.1	2.7	0.6	1.2	7.2	14.3
KMB*	Neutral	1,520	41.9	37.7	44.1	40.3	34.5	303	346	5.0	4.4	1.7	1.8	12.2	13.2
YES	Buy	148	5.1	7.5	14.1	19.9	10.5	116	138	1.3	1.1	0.5	0.8	6.5	11.0
IIB	Buy	1,605	13.6	54.9	96.8	29.2	16.6	439	548	3.7	2.9	1.3	2.0	13.3	19.5
FB	Buy	107	3.1	6.3	8.0	17.0	13.5	67	73	1.6	1.5	0.8	0.9	9.8	11.4
DCBB	Buy	233	1.0	10.5	14.0	22.2	16.6	96	110	2.4	2.1	1.0	1.1	12.0	14.1
SIB	Buy	14	0.4	1.4	2.2	10.3	6.3	29	30	0.5	0.5	0.3	0.4	4.7	7.4
Equitas	Buy	140	0.7	6.3	9.3	22.1	15.1	73	81	1.9	1.7	1.5	1.7	9.0	12.0
RBL	Buy	686	4.2	20.3	25.2	33.8	27.2	177	245	3.9	2.8	1.2	1.3	12.2	12.4
<b>Private Aggregate</b>															
SBIN (cons)*	Buy	353	45.2	2.6	33.5	123.2		247	278	1.3		0.0	0.7	0.4	13.4
PNB	Neutral	81	5.4	-27.1	5.7	-3.0	14.1	93	98	0.9	0.8	-1.3	0.3	-23.2	5.7
BOI	Neutral	95	2.4	-22.0	3.2	-4.3	29.9	121	122	0.8	0.8	-0.9	0.2	-14.1	2.4
BOB	Buy	133	5.1	1.6	11.5	81.5	11.6	186	188	0.7	0.7	0.1	0.4	0.9	6.0
CBK	Neutral	268	2.9	17.0	42.3	15.7	6.3	448	484	0.6	0.6	0.2	0.4	3.5	8.2
UNBK	Neutral	76	1.3	4.5	12.8	16.9	5.9	236	246	0.3	0.3	0.1	0.3	2.1	5.5
<b>Public Aggregate</b>															
<b>Banks Aggregate</b>															
HDFC*	Buy	2,182	52.5	41.2	47.0	29.4	25.7	325	357	3.7	3.4	1.7	1.7	13.7	13.8
LICF	Buy	557	4.0	48.1	54.3	11.6	10.2	320	364	1.7	1.5	1.3	1.3	16.0	15.9
IHFL	Under Review	786	4.7	95.9	101.9	8.2	7.7	396	442	2.0	1.8	3.4	3.5	25.7	24.3
PNBHF	Buy	838	2.0	71.1	73.2	11.8	11.4	440	502	1.9	1.7	1.6	1.4	17.8	15.6
REPCO	Buy	403	0.4	37.5	40.3	10.8	10.0	244	282	1.7	1.4	2.3	2.2	16.5	15.3
<b>Housing Finance</b>															
SHTF	Buy	1,160	3.7	113.1	129.7	10.3	8.9	698	812	1.7	1.4	2.5	2.6	17.6	17.2
MMFS	Buy	422	3.7	25.3	29.5	16.6	14.3	170	191	2.5	2.2	2.5	2.3	15.8	16.3
BAF	Neutral	3,470	28.7	69.5	86.8	50.0	40.0	335	412	10.3	8.4	3.8	3.5	22.9	23.2
CIFC	Under Review	1,534	3.4	76.8	88.6	20.0	17.3	392	472	3.9	3.2	2.4	2.3	21.4	20.5
SCUF	Buy	1,533	1.4	149.9	165.5	10.2	9.3	969	1,116	1.6	1.4	3.5	3.5	16.7	15.9
LTFH	Buy	134	3.7	11.2	13.1	12.0	10.2	68	80	2.0	1.7	2.3	2.3	18.0	17.7
MUTH	Neutral	650	3.7	49.2	55.3	13.2	11.7	230	269	2.8	2.4	5.7	5.5	23.2	22.2
INDOSTAR	Buy	393	0.5	26.1	38.4	15.1	10.2	326	367	1.2	1.1	2.5	2.4	9.5	11.1
MAS	Buy	529	0.4	28.1	33.0	18.8	16.1	165	193	3.2	2.7	4.5	4.2	18.3	18.4

Source: MOFSL

## Financials and valuations

Income statement						(INR M)		
Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Interest Income	6,695	8,521	10,141	10,851	11,634	13,640	15,490	17,656
Interest Expended	4,317	5,483	6,463	6,489	7,200	8,538	9,662	11,002
<b>Net Interest Income</b>	<b>2,378</b>	<b>3,039</b>	<b>3,678</b>	<b>4,362</b>	<b>4,434</b>	<b>5,102</b>	<b>5,828</b>	<b>6,655</b>
Change (%)	24.6	27.8	21.0	18.6	1.7	15.1	14.2	14.2
Other Operating Income	235	297	318	250	318	366	421	484
<b>Net Income</b>	<b>2,613</b>	<b>3,336</b>	<b>3,996</b>	<b>4,612</b>	<b>4,752</b>	<b>5,468</b>	<b>6,248</b>	<b>7,138</b>
Change (%)	24.3	27.7	19.8	15.4	3.1	15.1	14.3	14.2
Operating Expenses	547	643	676	790	984	1,087	1,200	1,316
<b>Operating Income</b>	<b>2,065</b>	<b>2,693</b>	<b>3,320</b>	<b>3,822</b>	<b>3,768</b>	<b>4,381</b>	<b>5,048</b>	<b>5,822</b>
Change (%)	20.5	30.4	23.3	15.1	-1.4	16.3	15.2	15.3
Provisions/write offs	203	392	518	748	170	308	352	403
<b>PBT</b>	<b>1,862</b>	<b>2,301</b>	<b>2,802</b>	<b>3,074</b>	<b>3,598</b>	<b>4,073</b>	<b>4,696</b>	<b>5,419</b>
Tax	631	800	979	1,063	1,252	1,405	1,620	1,870
Tax Rate (%)	34	35	35	35	35	35	35	35
<b>PAT</b>	<b>1,231</b>	<b>1,501</b>	<b>1,823</b>	<b>2,010</b>	<b>2,346</b>	<b>2,668</b>	<b>3,076</b>	<b>3,549</b>
Change (%)	12.1	21.9	21.4	10.3	16.7	13.7	15.3	15.4

### Balance sheet

Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Capital	624	625	626	626	626	626	626	626
Reserves & Surplus	7,497	8,923	10,747	12,459	14,648	17,130	19,992	23,295
<b>Net Worth</b>	<b>8,121</b>	<b>9,548</b>	<b>11,372</b>	<b>13,085</b>	<b>15,274</b>	<b>17,756</b>	<b>20,618</b>	<b>23,920</b>
<b>Borrowings</b>	<b>51,044</b>	<b>65,379</b>	<b>75,604</b>	<b>81,343</b>	<b>92,774</b>	<b>104,626</b>	<b>118,782</b>	<b>135,589</b>
Change (%)	30.8	28.1	15.6	7.6	14.1	12.8	13.5	14.1
Other liabilities	1,592	2,705	3,457	2,882	1,522	1,704	1,909	2,138
<b>Total Liabilities</b>	<b>60,757</b>	<b>77,632</b>	<b>90,433</b>	<b>97,310</b>	<b>109,570</b>	<b>124,087</b>	<b>141,309</b>	<b>161,647</b>
<b>Loans</b>	<b>60,129</b>	<b>77,049</b>	<b>89,578</b>	<b>96,492</b>	<b>108,379</b>	<b>122,801</b>	<b>139,744</b>	<b>159,516</b>
Change (%)	30.8	28.1	16.3	7.7	12.3	13.3	13.8	14.1
<b>Investments</b>	<b>124</b>	<b>124</b>	<b>156</b>	<b>239</b>	<b>363</b>	<b>417</b>	<b>480</b>	<b>551</b>
Change (%)	0.0	0.0	25.8	53.5	51.5	15.0	15.0	15.0
Net Fixed Assets	89	93	91	135	155	163	171	180
Other assets	415	366	609	443	673	706	915	1,400
<b>Total Assets</b>	<b>60,757</b>	<b>77,632</b>	<b>90,433</b>	<b>97,310</b>	<b>109,570</b>	<b>124,087</b>	<b>141,309</b>	<b>161,647</b>

E: MOFSL Estimates



## Financials and valuations

Ratios	(%)							
Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
<b>Spreads Analysis (%)</b>								
<b>Avg Yield on Housing Loans</b>	<b>12.5</b>	<b>12.4</b>	<b>12.2</b>	<b>11.6</b>	<b>11.7</b>	<b>11.8</b>	<b>11.8</b>	<b>11.8</b>
Avg. Yield on Earning Assets	12.6	12.4	12.2	11.6	11.3	11.8	11.8	11.8
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>9.6</b>	<b>9.4</b>	<b>9.2</b>	<b>8.3</b>	<b>8.5</b>	<b>8.7</b>	<b>8.7</b>	<b>8.7</b>
<b>Interest Spread</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.4</b>	<b>2.8</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>
<b>Net Interest Margin</b>	<b>4.5</b>	<b>4.4</b>	<b>4.4</b>	<b>4.7</b>	<b>4.3</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>
<b>Profitability Ratios (%)</b>								
RoE	15.9	17.0	17.4	16.4	16.5	16.2	16.0	15.9
RoA	2.28	2.17	2.17	2.14	2.27	2.28	2.32	2.34
Int. Expended/Int.Earned	64.5	64.3	63.7	59.8	61.9	62.6	62.4	62.3
Other Inc./Net Income	9.0	8.9	8.0	5.4	6.7	6.7	6.7	6.8
<b>Efficiency Ratios (%)</b>								
Op. Exps./Net Income	21.0	19.3	16.9	17.1	20.7	19.9	19.2	18.4
Empl. Cost/Op. Exps.	61.2	63.7	63.8	62.6	59.5	59.2	59.0	59.2
<b>Asset Quality (%)</b>								
Gross NPAs	791	1,009	2,328	2,827	3,791	4,333	4,947	5,646
Gross NPAs to Adv.	1.3	1.3	2.6	2.9	3.4	3.5	3.5	3.5
Net NPAs	298	368	1,227	1,255	2,100	2,411	2,762	3,162
Net NPAs to Adv.	0.5	0.5	1.4	1.3	1.9	2.0	2.0	2.0
<b>VALUATION</b>								
Book Value (INR)	130.2	152.7	181.8	209.2	244.1	283.8	329.6	382.4
<b>Price-BV (x)</b>					<b>1.7</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>
EPS (INR)	19.7	24.0	29.1	32.1	37.5	42.6	49.2	56.7
EPS Growth YoY	11.8	21.6	21.4	10.3	16.7	13.7	15.3	15.4
<b>Price-Earnings (x)</b>					<b>10.7</b>	<b>9.5</b>	<b>8.2</b>	<b>7.1</b>
Dividend per share (INR)	1.5	1.8	2.0	2.2	2.3	2.6	3.0	3.4
<b>Dividend yield (%)</b>					<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>

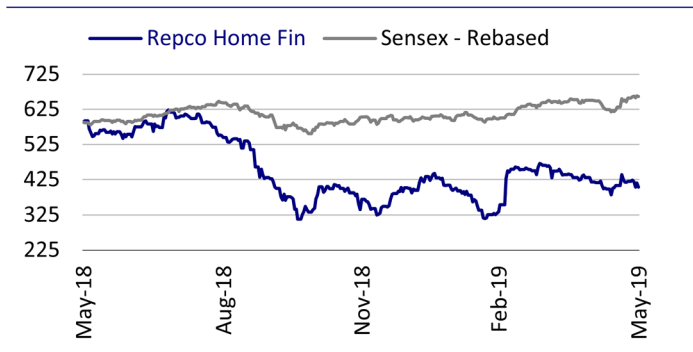
E: MOFSL Estimates

## Corporate profile

### Company description

Repco Home Finance Ltd (REPCO) is a Chennai-based housing finance company with a loan book of over INR100b. It was established in 2000 as a wholly owned subsidiary of Repatriates Co-operative Finance and Development Bank (Repco Bank). The Government of India owns 76.83% in Repco Bank. REPCO primarily finances the construction and/or purchase of residential and commercial properties (individual home loans and loans against property). It had a network of 170 branches and satellite centers as of March 31, 2019.

### Exhibit 1: Sensex rebased



### Exhibit 2: Shareholding pattern (%)

	Mar-19	Dec-18	Mar-18
Promoter	37.1	37.1	37.1
DII	25.4	25.4	24.7
FII	23.5	21.4	23.1
Others	14.0	16.1	15.1

Note: FII Includes depository receipts

### Exhibit 4: Top management

Name	Designation
T S Krishna Murty	Chairman & Independent Director
Yashpal Gupta	Managing Director & CEO
K Prabhu	Company secretary

### Exhibit 3: Top holders

Holder Name	% Holding
Hdfc Trustee Company Ltd A/C Hdfc Capital	7.2
Aditya Birla Sun Life Trustee Private Limited A/C	6.6
Franklin Templeton Mutual Fund A/C Franklin India	6.2
India Capital Fund Limited	5.5
Dsp Small Cap Fund	4.5

### Exhibit 5: Directors

Name	Name
Dinesh Ponraj Oliver	G R Sundaravadivel*
L Munishwar Ganesan	K Sridhar*
R S Isabella	V Nadanasabapathy*

\*Independent

### Exhibit 6: Auditors

Name	Type
G Ramachandran & Associates	Secretarial Audit
S R Batliboi LLP Associates	Statutory

### Exhibit 7: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	42.6	48.6	-12.3
FY21	49.2	51.9	-5.2

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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