

May 25, 2022

RESULT REPORT Q4 FY22 | Sector: Financials

# Repc Home Finance Limited

## Growth uptick key for re-rating

### Our view

Repc's Q4 FY22 PAT was significantly below our estimate on higher credit cost, even though NII and PPOP were in-line. Loan book was sequentially flat as expected, but disbursements and portfolio run-off were 8-10% higher than our expectations. March disbursements were healthy at near Rs3bn (v/s Rs2.8bn yoy), and BT Out in the quarter was unusually higher at Rs4.6bn (Rs2.84bn in Q3 and Rs2.48bn in Q4 FY21). BT Out has come-off a bit in current quarter, and management expects it to moderate post the introduction of a Top-up loan product (CIBIL linked) and interest rate reduction powers (up to a certain level) for Branches and Regional Offices. Disbursements in Q1 FY23 is expected near Q4 FY22 level of Rs6bn and for the whole year is targeted at Rs30bn (Rs17.7bn in FY22). About 8-10 branches would be added in FY23.

Stage-3 assets were stable in abs. terms with elevated slippages (due to daily stamping) being offset by upgrades and recoveries. The <90 dpd NPL pool reduced from Rs2.75bn as of Q3 FY22 to Rs2.4bn. There were no write-offs in the quarter. Stage-2 assets and OTR pool (Rs6.8bn) were also flat qoq; but provisions on latter were raised from 10% to 15% (billing to start from Q2 FY23 - no change in stress assessment though). Further, ECL cover on Stage-3 loans was also increased marginally. Management attributed higher provisions to strengthening of the balance sheet and intends to further increase coverage on NPLs (currently 32%). Despite the rising rate environment, NIM/Spread outlook seems resilient considering 100% loan assets on floating rate (semi-annual reset).

Growth commentary from the new MD & CEO, Mr. K Swaminathan, is better than his predecessor. However, the execution and enabling operational changes needs to be closely monitored. Along with this, the incremental slippage run-rate and quantum of upgrade & recovery would be critical to stock's performance. Repco trades at an undemanding valuation of 0.4x P/ABV and 3x P/E on FY24 estimates. Retain BUY.

### Exhibit 1: Result table

(Rs mn)	Q4 FY22	Q3 FY22	% qoq	Q4 FY21	% yoy
Total Operating Income	3,183	3,219	(1.1)	3,332	(4.5)
Interest expended	(1,680)	(1,719)	(2.3)	(1,855)	(9.4)
Net Interest Income	1,503	1,500	0.2	1,477	1.8
Other income	60	36	67.4	72	(17.1)
Total Income	1,563	1,536	1.7	1,549	0.9
Operating expenses	(368)	(344)	7.0	(361)	2.0
PPOP	1,195	1,192	0.2	1,188	0.6
Provisions	(613)	(765)	(19.9)	(292)	109.6
PBT	582	427	36.2	896	(35.1)
Tax	(161)	(112)	43.6	(264)	(38.8)
PAT	420	315	33.6	632	(33.5)

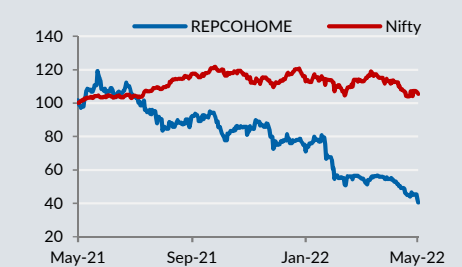
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 139
Target Price	: Rs 225
Potential Return	: 61.8%

### Stock data (as on May 25, 2022)

Nifty	16,026
52 Week h/l (Rs)	430 / 138
Market cap (Rs/USD mn)	8709 / 112
Outstanding Shares (mn)	63
6m Avg t/o (Rs mn):	35
Div yield (%):	1.8
Bloomberg code:	REPCO IN
NSE code:	REPCOHOM

### Stock performance



	1M	3M	1Y
Absolute return	-25.6%	-28.6%	-58.8%

### Shareholding pattern

Promoter	37.1%
FII+DII	37.6%
Others	25.2%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	225	310

### Δ in earnings estimates

	FY22	FY23e	FY24e
EPS (New)	-	43.4	50.4
EPS (Old)	-	44.9	46.5
% change	-	-3.4%	8.4%

### Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Op. income	6,166	6,051	6,546
PPOP	4,926	4,699	5,041
Net profit	1,915	2,714	3,155
Growth (%)	(33.4)	41.7	16.2
EPS (Rs)	30.6	43.4	50.4
ABVPS (Rs)	268.0	327.1	378.2
P/E (x)	4.5	3.2	2.8
P/ABV (x)	0.5	0.4	0.4
ROAE (%)	8.9	11.5	12.0
ROAA (%)	1.6	2.2	2.4

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## KEY CON-CALL HIGHLIGHTS

### Disbursements & Loan Growth

- Loan growth guided at 10-11% for FY23 - loan book targeted at Rs130bn.
- Co. aspiring to achieve disbursements of Rs30bn in current year (Rs17.7bn in FY22) - Q1 FY23 disbursements expected near Q4 FY22 level of Rs6bn.
- Lumpsum repayments (90% BT Out) were Rs4.66bn in Q4 FY22, significantly higher than Rs2.84bn in Q3 and Rs2.48bn in Q4 FY21 - the intensity has come-off in Q1 FY23.
- To rein in BT Out, the co. will be introducing CIBIL linked Top-up loan product and interest rate reduction powers (up to certain level) for Branches and Regional Offices - Management thus expects BT Out to moderate in coming quarters.
- Co. to add 8-10 branches in current year - would like to increase the network by 10% pa.

### Asset Quality, Restructuring & Credit Cost

- Slippages were Rs0.9bn in Q4 FY22 versus Rs1.1bn in Q3 FY22 and is based on daily stamping now - Upgrade/Recovery in Q4 was Rs1bn and there were no write-offs.
- Higher provisioning done in the quarter to increase coverage on Stage-3 and OTR portfolio, so as to strengthen the BS - no change in OTR portfolio slippage assessment as such - OTR portfolio billing will start from Q2 FY23.
- Total ECL provisions at Rs4.8bn (4% of loan assets), about Rs1bn higher than IRAC requirement - co. would like to take Stage-3 provisioning to 50% over time.
- Credit cost for FY23 guided at Rs0.8-1bn - GNPL/GS3 expected to decline by Rs1-1.2bn, notwithstanding estimated slippages of around Rs4-4.5bn (factoring OTR slippages).
- Company to recruit 40-50 people exclusively for overdue bucket collections.
- New recovery policies to be introduced which will enable swift OTS decisioning at the regional level.

### NIM, CoF & Opex

- Company will keep delivering better than guided NIM (4.3%) and Spread (3%) in FY23.
- Yield of Home Loan book at 9.7% (Salaried 9.3%; Self-employed 10.2%) - Yield of Home Equity book at 12.8%.
- All loans are floating but on semi-annual reset - loans are linked to internal MLR which is reviewed every month.
- Of the bank borrowings (68% of Total Borrowings), only 10-15% linked to Repo and majority linked to 6m MCLR - of the NHB borrowings (21%), 50% is fixed.
- Management not perturbed about NIM outlook in a rising rate environment.
- IT system change is being implemented; new LMS system will be in place by Sept - also new HR and other systems will be implemented.

## Exhibit 2: Key ratios

(%)	Q4 FY22	Q3 FY22	chg qoq	Q4 FY21	chg yoy
NIM	5.1	5.0	0.1	4.8	0.3
Yield	10.8	10.9	(0.1)	11.0	(0.2)
Cost of Funds	7.0	7.1	(0.1)	7.3	(0.3)
Spread	3.8	3.8	-	3.8	-
Cost to Income	23.5	22.4	1.2	23.3	0.3
Gross NPA	7.0	7.0	(0.0)	3.7	3.3
ECL	4.0	3.5	0.5	2.4	1.6
Cum. RoA	1.4	1.1	0.3	2.1	(0.7)
Cum. RoE	8.2	6.2	2.0	13.3	(5.1)

Source: Company, YES Sec

## Exhibit 3: Business data

(Rs mn)	Q4 FY22	Q3 FY22	% qoq	Q4 FY21	% yoy
AUM	117,590	117,857	(0.2)	121,215	(3.0)
Sanctions	6,520	4,981	30.9	6,459	0.9
Disbursements	6,012	4,439	35.4	6,404	(6.1)
<b>Customer Mix - (%)</b>					
Salaried	49	49	0.2	49	0.6
Non-Salaried	51	51	(0.2)	52	(0.6)
<b>Product Mix - (%)</b>					
HL	81	81	(0.3)	81	(0.4)
LAP	19	19	0.3	19	0.4
<b>Geographical Mix</b>					
Tamil Nadu	65,850	65,882	(0.0)	67,153	(1.9)
Non-Tamil Nadu	51,740	51,975	(0.5)	54,062	(4.3)
Karnataka	15,404	15,675	(1.7)	16,728	(7.9)
Maharashtra	11,524	11,432	0.8	11,637	(1.0)
Andhra Pradesh	6,938	6,836	1.5	7,273	(4.6)
Telangana	5,644	5,539	1.9	5,576	1.2

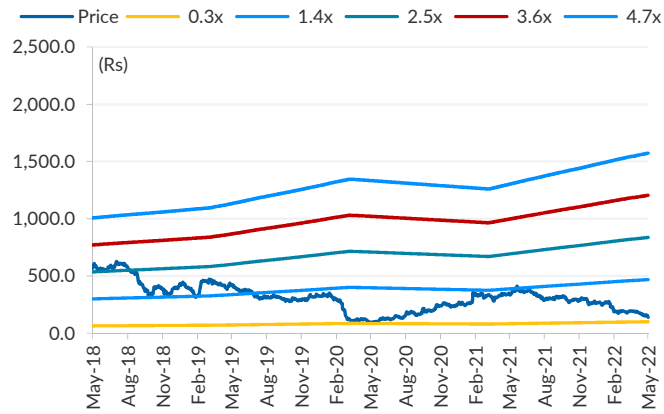
Source: Company, YES Sec

## Exhibit 4: GNPA mix

(%)	Q4 FY22	Q3 FY22	chg qoq	Q4 FY21	chg yoy
HL GNPA %	6.3	4.1	2.2	3.2	3.1
LAP GNPA %	9.8	6.8	3.0	5.6	4.2
Salaried GNPA %	3.7	2.2	1.5	1.4	2.3
Non-Salaried GNPA %	10.0	6.9	3.1	5.8	4.2
Aggregate GNPA	7.0	7.0	(0.0)	3.7	3.3

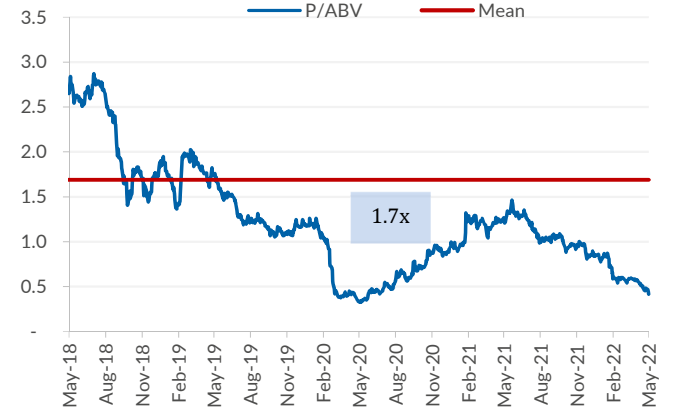
Source: Company, YES Sec

**Exhibit 5: 1-yr rolling P/ABV band**



Source: Company, YES Sec

**Exhibit 6: 1-year rolling P/ABV vis-a-vis the mean**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 7: Balance Sheet

Y/e 31 Mar (Rs m)	FY20	FY21	FY22	FY23E	FY24E
Equity Capital	626	626	626	626	626
Reserves	17,243	19,967	21,730	24,261	27,233
<b>Shareholder's funds</b>	<b>17,869</b>	<b>20,593</b>	<b>22,356</b>	<b>24,887</b>	<b>27,858</b>
Provisions	159	198	223	223	223
Deferred Tax Liabilities	358	397	87	87	87
<b>Total Non-Financial liabilities</b>	<b>518</b>	<b>595</b>	<b>310</b>	<b>310</b>	<b>310</b>
Debt Securities	6,802	0	0	0	0
Borrowings (Excl. Debt Sec.)	94,288	101,974	96,920	98,858	104,790
Other Financial Liabilities	463	484	388	411	444
<b>Total Financial liabilities</b>	<b>101,553</b>	<b>102,458</b>	<b>97,308</b>	<b>99,269</b>	<b>105,234</b>
<b>Total Equities and Liabilities</b>	<b>119,939</b>	<b>123,645</b>	<b>119,974</b>	<b>124,466</b>	<b>133,402</b>
<b>Assets</b>					
Cash and Cash Equivalents	3,243	4,550	6,077	5,356	4,905
Loans	115,877	118,342	112,918	118,069	127,388
Investments in Associates	220	220	316	316	316
Other Financial Assets	101	125	124	136	150
<b>Total Financial assets</b>	<b>119,442</b>	<b>123,236</b>	<b>119,434</b>	<b>123,877</b>	<b>132,759</b>
Property, Plant and Equipment	142	123	153	168	185
Other Intangible Assets	23	16	48	48	48
Other Non-Financial Assets	333	270	339	373	410
<b>Total Non-Financial assets</b>	<b>498</b>	<b>409</b>	<b>540</b>	<b>589</b>	<b>643</b>
<b>Total Assets</b>	<b>119,939</b>	<b>123,645</b>	<b>119,974</b>	<b>124,466</b>	<b>133,402</b>

Source: Company, YES Sec

### Exhibit 8: Income statement

Y/e 31 Mar (Rs m)	FY20	FY21	FY22	FY23E	FY24E
Income from Operations	13,455	13,735	12,902	13,226	14,114
Interest expense	(8,250)	(8,072)	(6,899)	(7,339)	(7,748)
<b>Net interest income</b>	<b>5,205</b>	<b>5,662</b>	<b>6,003</b>	<b>5,887</b>	<b>6,365</b>
Non-interest income	56	188	164	164	180
Total op income	5,261	5,850	6,166	6,051	6,546
Total op expenses	(1,065)	(1,144)	(1,241)	(1,352)	(1,505)
<b>PPoP</b>	<b>4,196</b>	<b>4,706</b>	<b>4,926</b>	<b>4,699</b>	<b>5,041</b>
Provisions	(594)	(808)	(2,331)	(1,022)	(767)
Profit before tax	3,602	3,898	2,595	3,677	4,274
Taxes	(798)	(1,022)	(680)	(963)	(1,119)
<b>Net profit</b>	<b>2,804</b>	<b>2,876</b>	<b>1,915</b>	<b>2,714</b>	<b>3,155</b>

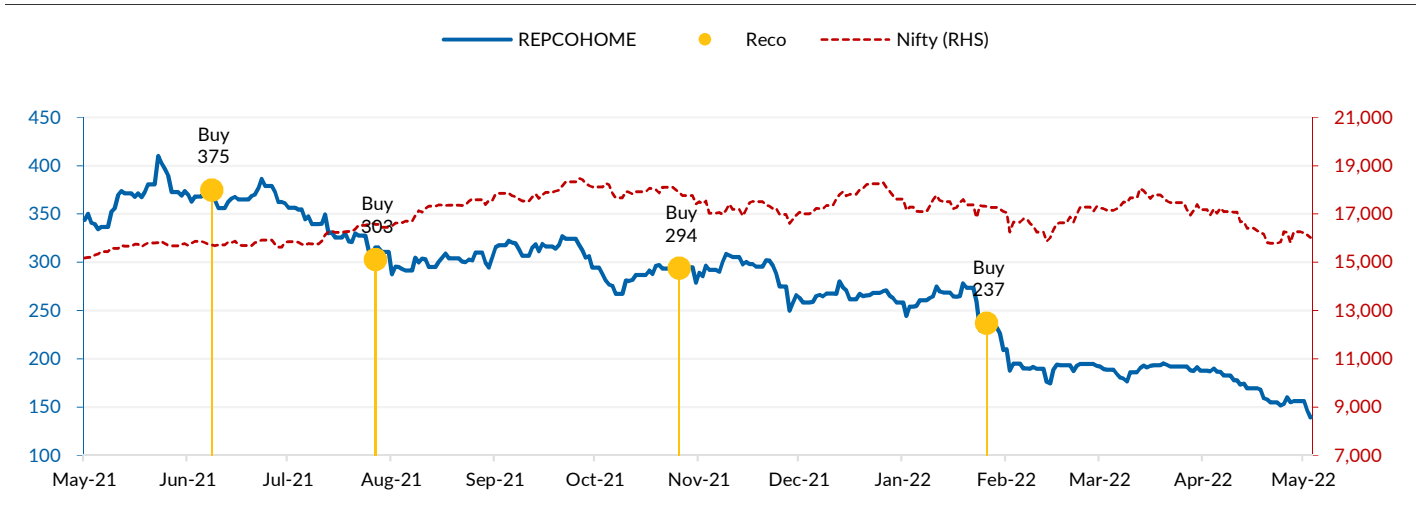
Source: Company, YES Sec

## Exhibit 9: Growth and Ratio matrix

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
<b>Growth matrix (%)</b>					
Net interest income	10.9	8.8	6.0	(1.9)	8.1
Total op income	10.7	11.2	5.4	(1.9)	8.2
Op profit (pre-provision)	11.4	12.1	4.7	(4.6)	7.3
Net profit	19.5	2.6	(33.4)	41.7	16.2
Loans	6.9	2.1	(4.6)	4.6	7.9
Borrowings + Debt	8.1	0.9	(5.0)	2.0	6.0
Total assets	9.5	3.1	(3.0)	3.7	7.2
<b>Profitability Ratios (%)</b>					
NIM	4.6	4.7	5.0	4.9	5.0
Non-interest income /Total income	1.1	3.2	2.7	2.7	2.8
Return on Avg. Equity	16.9	15.0	8.9	11.5	12.0
Return on Avg. Assets	2.4	2.4	1.6	2.2	2.4
<b>Per share ratios (Rs)</b>					
EPS	44.8	46.0	30.6	43.4	50.4
Adj. BVPS	233.1	286.2	268.0	327.1	378.2
DPS	2.5	2.5	2.5	2.5	2.5
<b>Other key ratios (%)</b>					
Loans/Borrowings	114.6	116.1	116.5	119.4	121.6
Cost/Income	20.2	19.6	20.1	22.3	23.0
CAR	25.9	28.5	33.6	36.1	37.7
Gross Stage 3	4.3	3.7	7.0	6.0	5.5
Credit Cost	0.5	0.7	2.0	0.9	0.6
Tax rate	22.2	26.2	26.2	26.2	26.2

Source: Company, YES Sec

## Recommendation Tracker



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