

# Repco Home Finance

BUY

<b>INDUSTRY</b>	<b>NBFCs</b>
<b>CMP (as on 24 May 2018)</b>	<b>Rs 567</b>
<b>Target Price</b>	<b>Rs 683</b>
Nifty	10,514
Sensex	34,663

## KEY STOCK DATA

Bloomberg	REPCO IN
No. of Shares (mn)	63
MCap (Rsbn) / (\$ mn)	36/520
6m avg traded value (Rsmn)	209

## STOCK PERFORMANCE (%)

<b>52 Week high / low</b>	<b>Rs 924/510</b>
	3M 6M 12M
Absolute (%)	3.9 (9.9) (23.9)
Relative (%)	2.3 (12.8) (38.3)

## SHAREHOLDING PATTERN (%)

Promoters	37.1
FIs & Local MFs	26.6
FPIs	21.6
Public & Others	14.9

Source : BSE

**Darpin Shah**  
darpin.shah@hdfcsec.com  
+91-22-6171-7328

**Pranav Gupta**  
pranav.gupta@hdfcsec.com  
+91-22-6171-7337

**Kaushik Utpat**  
kaushik.utpat@hdfcsec.com  
+91-22-6639-3037

## Brighter days ahead

REPCO's 4Q numbers beat estimates given the claw back in asset quality (GNPAs dipped ~20% QoQ). Though overall growth (+10% YoY) was sluggish, it was largely owing to (deliberately) tepid growth in LAP (up merely 2%). Credit costs dipped (60bps ann. vs. 83bps in 3Q) as REPCO wrote back provisions of Rs 28mn. NIMs too improved 20bps QoQ to 4.8% as yields remained flat and COF dipped 30bps.

Though asset quality healing (a typical 4Q phenomenon) lagged in comparison with previous years, the stock of GNPAs under SARFAESI (~60%) and robust recoveries in 4Q provide visibility on future improvement. The shying away from big ticket LAP loans and restricting LAP share to below 20% add to our comfort. With business headwinds receding and expansion into newer geographies (will add 15-20 new branches), rebound in growth (CAGR of ~18% over FY18-20E) is a given. We like REPCO for its steady (if slow) healing, 2%+ RoAAs and the sizable addressable opportunity. Maintain BUY with a TP of Rs 683 (2.5x Mar-20 ABV of Rs 273).

## Financial Summary

(Rs mn)	4QFY18	4QFY17	YoY (%)	3QFY18	QoQ (%)	FY17	FY18P	FY19E	FY20E
Net Interest Income	1,164	1028	13.2	1071	8.7	3,678	4,286	4,731	5,430
PPOP	1,009	902	12.	936	7.8	3,320	3,813	4,302	4,930
PAT	565	506	11.7	485	16.6	1,823	2,060	2,490	2,876
EPS (Rs)	9.0	8.1	11.7	7.7	16.6	29.1	32.9	39.8	46.0
ROAE (%)						2.17	2.17	2.30	2.25
ROAA (%)						17.4	16.7	17.3	17.0
Adj. BVPS (Rs)						162	192	232	273
P/ABV (x)						3.55	2.99	2.48	2.10
P/E (x)						19.7	17.5	14.4	12.5

Source: Company, HDFC sec Inst Research

## Highlights of the quarter

- Asset quality improved (4Q phenomenon), as GNPAs dipped ~20% QoQ to ~Rs 2.8bn (2.87%, -83bps) while NNPA's dipped ~35% QoQ to ~Rs 1.25bn (1.29%, -76bps QoQ). This was broad based as HL/LAP GNPAs dipped ~80/100bps to 2.4/4.9%. With implementation of SARFAESI (on ~60% of GNPAs) and voluntary one-time settlements, we expect asset quality to improve hereon. We have factored in GNPAs of 2.8/2.3% for FY19/20E.
- Loans grew ~10/4% YoY/QoQ to ~Rs 98.6bn primarily driven by (~12/4% YoY/QoQ) in home loans. Consequently, the share improved 160bps YoY to ~81.4% of loans. LAP growth was restricted to ~2% YoY/QoQ given the asset quality woes in this segment. With the cleanup in asset quality, the management is focussed on growth here on. We have conservatively factored in a loan CAGR of 18% over FY19-20E which provides some upside risk
- Near-term outlook:** The stock should do well given the improvement in asset quality.

## Five Quarters At A Glance

(Rs mn)	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY Growth	QoQ Growth
Net Interest Income	1,028	959	1,093	1,071	1,164	13.2%	8.7%
Non Interest Income	73	71	95	82	59	-19.0%	-27.6%
Operating income	1,102	1,030	1,188	1,153	1,223	11.0%	6.1%
Operating expenses	200	171	179	217	214	6.9%	-1.4%
Pre provision profits	902	859	1,009	936	1,009	12.0%	7.8%
Provisions and contingencies	116	167	166	194	144	24.2%	-25.8%
PBT	786	692	843	742	865	10.2%	16.6%
Provision for Tax	280	241	285	257	300	7.3%	16.8%
PAT	506	452	559	485	565	11.7%	16.6%
<b>Loan Book (Rs mn)</b>	89,399	89,998	93,212	94,904	98,568	10.3%	3.9%
Home Loans (%)	79.8	80.4	80.6	81.1	81.4	160 bps	30 bps
LAP (%)	20.2	19.6	19.4	18.9	18.6	-160 bps	-30 bps
Salaried (%)	39.8	40.0	40.0	40.8	42.9	310 bps	210 bps
Non Salaried (%)	60.2	60.0	60.0	59.2	57.1	-310 bps	-210 bps
<b>Repayments (Rs mn)</b>	3,807	4,885	4,311	4,879	4,823	26.7%	(1.1)%
<b>Repayments % (Annualised)</b>	17.59	21.86	19.16	20.94	20.33	274 bps	-61 bps
<b>Borrowing profile (Rs mn)</b>	73,887	75,604	75,641	78,131	78,952	81,370	7.6%
Banks (%)	62.9	59.6	55.3	55.0	54.5	-842 bps	-50 bps
NHB (%)	15.5	13.9	13.5	13.0	11.6	-390 bps	-142 bps
Repco (%)	6.6	6.5	6.4	8.0	7.7	106 bps	-35 bps
NCD (%)	10.4	15.3	18.4	18.0	16.4	605 bps	-157 bps
CP (%)	4.6	4.6	6.4	7.0	9.8	520 bps	283 bps
<b>Profitability</b>							
Yield on Advances (%)	12.10	11.50	11.90	11.50	11.50	-60 bps	0 bps
Cost of Funds (%)	8.70	8.60	9.20	8.30	8.00	-70 bps	-30 bps
Spreads	3.40	2.90	2.70	3.20	3.50	10 bps	30 bps
NIM (%)	4.20	4.30	4.80	4.60	4.80	60 bps	20 bps
Cost-Income ratio (%)	18.2	16.6	15.0	18.8	17.5	-68 bps	-133 bps
Tax rate (%)	35.6	34.8	32.6	34.6	34.7	-93 bps	4 bps
<b>Asset Quality</b>							
Gross NPA (Rs mn)	2,324	3,571	2,983	3,515	2,827	21.6%	-19.6%
Net NPA (Rs mn)	1,227	1,974	1,484	1,915	1,255	2.3%	-34.5%
Gross NPAs (%)	2.60	3.97	3.20	3.70	2.87	27 bps	-83 bps
Net NPAs (%)	1.39	2.61	1.90	2.05	1.29	-10 bps	-76 bps
Coverage Ratio (%)	46.5	34.3	40.6	45.5	55.1	851 bps	953 bps

Source: HDFC sec Inst Research

**NII grew by ~13/9% YoY /QoQ led by loan growth of ~10/4% YoY/QoQ and NIM improvement (4.9%, +20bps QoQ).**

**Write back of Rs. 28mn NPA provision led to reduction in credit cost (68bps ann. vs 83bps in 3Q)**

**Loans grew ~10/4% YoY/QoQ primarily driven by the core book (+26/12% YoY/QoQ). LAP book growth was slower at ~2% QoQ**

**Proportion of CP increased by 283bps while funding from all the other sources reduced sequentially.**

**Led by stable yields and a dip in CoF; Incremental yields on HL and LAP were 9.5% and 12.6% respectively**

**Dip is attributable to the normalization of costs as REPCO made a one off gratuity provision in 3Q**

**Asset quality improved across segments, as HL and LAP GNPA's dipped 80bps and 100bps sequentially. Calc PCR jumped ~950bps QoQ to ~55%**

**Loan book grew by 10/4% YoY/QoQ, led by home loans**

**Product mix continued to move towards home loans with a higher focus on salaried class, which now contributes 43% of the loan book, up 210bps sequentially.**

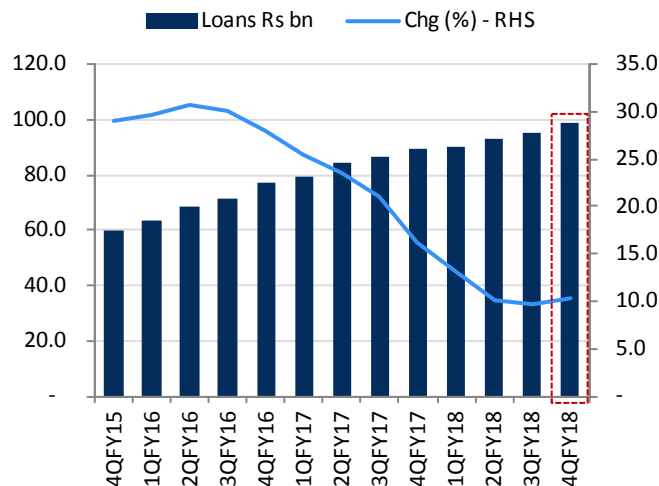
**The management has guided at keeping the share of LAP loans below 20% of total loans**

**NIMs improved 60/20bps YoY/QoQ, led by stable yields (11.5%) and 30bps drop in CoF (8%).**

**Incremental yields on HL/LAP were ~9.5/12.6%**

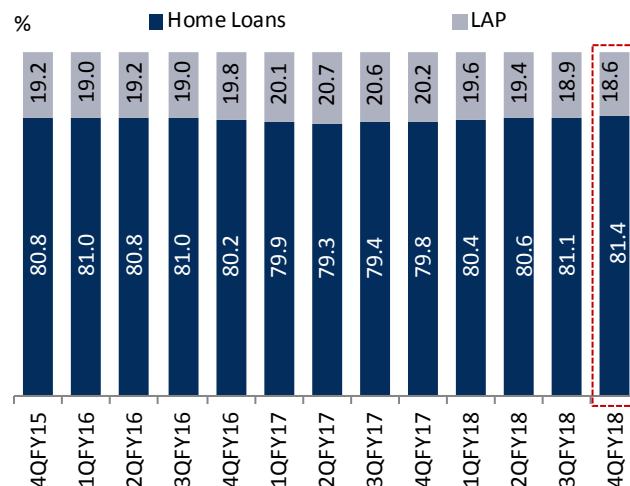
**REPCO has increased its minimum lending rate by 35bps to 8.65% w.e.f. Apr-18**

### Loan Book grew by 10/4% YoY/QoQ



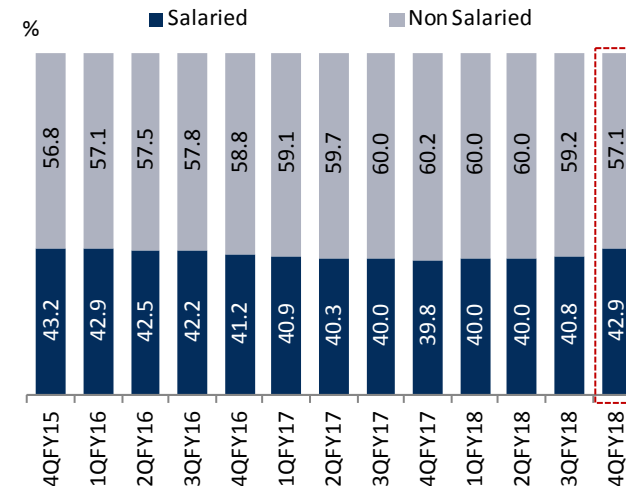
Source: Bank, HDFC sec Inst Research

### Home Loans Form ~81.4% Of Advances



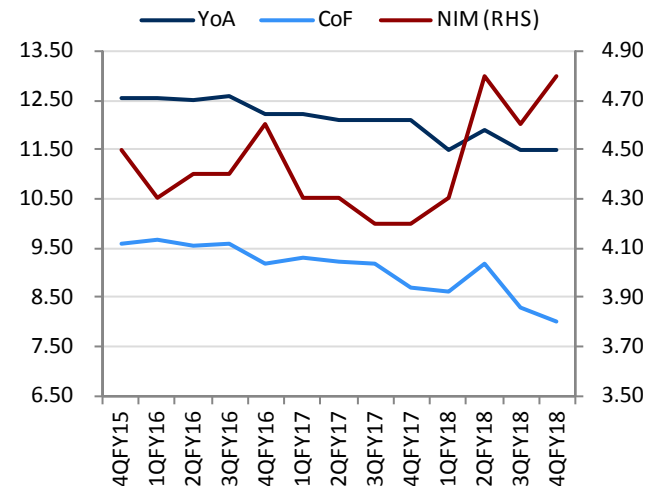
Source: Bank, HDFC sec Inst Research

### Share Of Salaried Loans Grew 210bps QoQ



Source: Bank, HDFC sec Inst Research

### Yields Stable sequentially, COF Dipped 30bps QoQ



Source: Bank, HDFC sec Inst Research

**Sanctions increased ~32/19% YoY/QoQ.**

**Disbursements increased ~28/29% YoY/QoQ.**

**HL and LAP disbursements were Rs 6.9bn and ~Rs 1.6bn respectively**

**Disbursement to sanction ratio increased sequentially by 694bps**

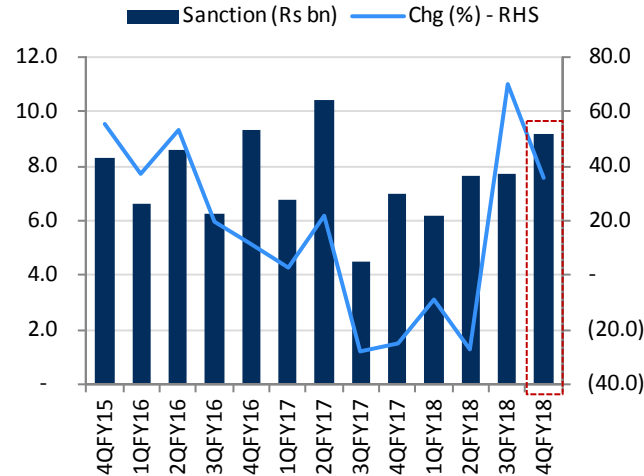
**The management is targeting a disbursements growth of ~35% for FY19**

**Incrementally, disbursements growth will be faster in non-TN regions as the mgt looks to increase diversification**

**Share of south India stable at ~88%.**

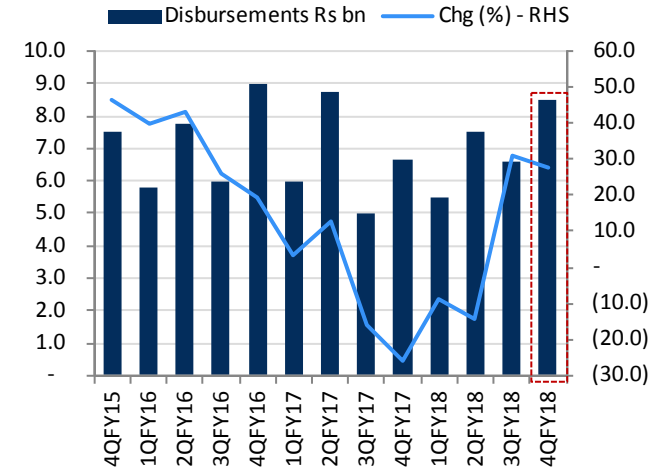
**Loan book growth in the Top 3 states (which contribute 79.7%) stood at 3% QoQ.**

### Sanctions Increased 32/19% YoY/QoQ



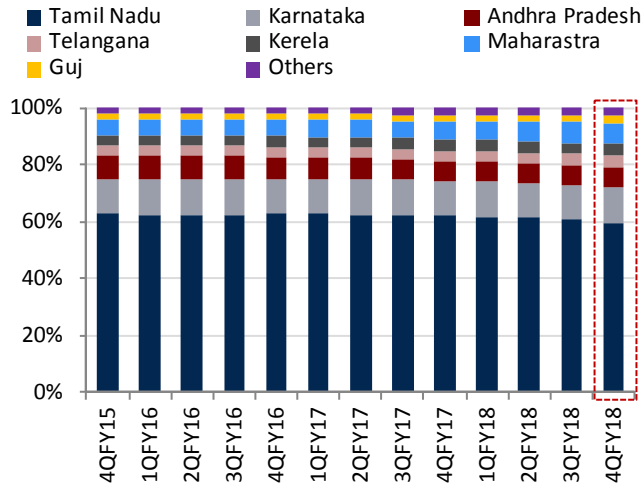
Source: Bank, HDFC sec Inst Research

### Disbursements Jumped 28/29% QoQ/YoY



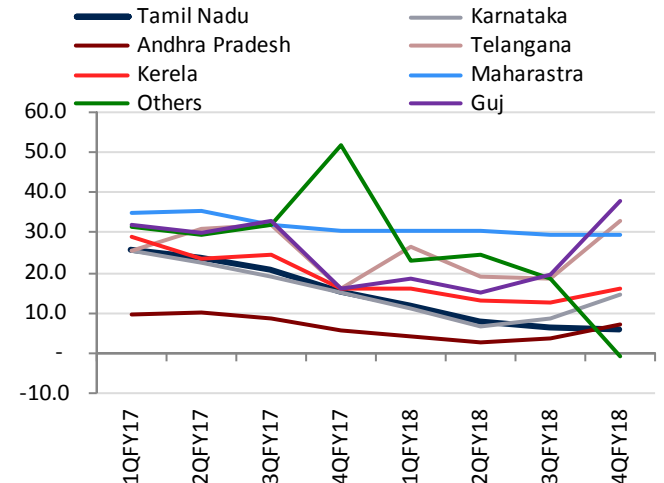
Source: Bank, HDFC sec Inst Research

### State-wise Mix Top 3 States Contribute ~ 80%



Source: Bank, HDFC sec Inst Research

### State-wise Loan Book Growth



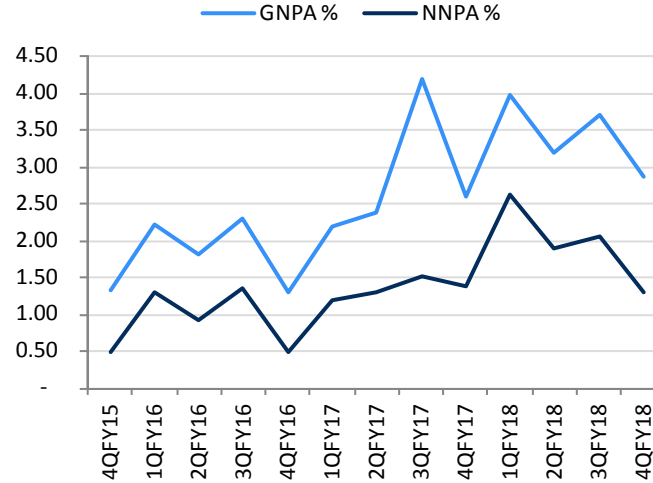
Source: Bank, HDFC sec Inst Research

**Overall GNPA's improved by 83bps sequentially at 2.87%.**

**Home loan GNPA improved by 80bps sequentially to 2.4%.**

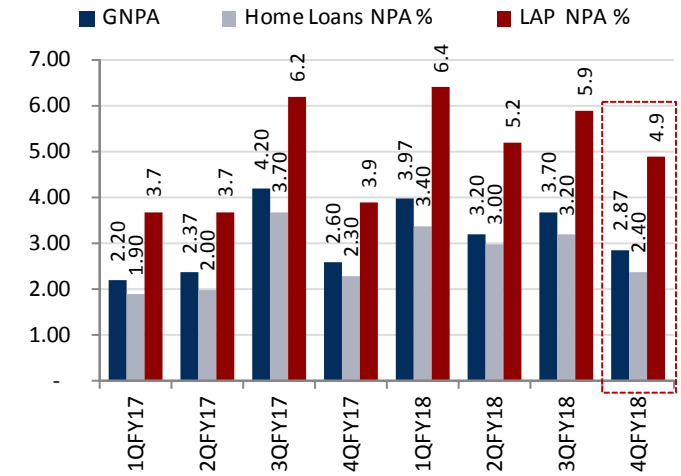
**LAP GNPA improved by 100bps sequentially to 4.9%**

### Asset Quality Improved GNPA/NNPA 83/76bps



Source: Bank, HDFC sec Inst Research

### Housing/LAP GNPA Improved 80/100bps



Source: Bank, HDFC sec Inst Research

## Peer Valuations

NBFC	MCap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
SHTF	335	1,477	BUY	1,842	460	555	670	21.4	14.4	11.9	3.21	2.66	2.20	13.1	17.2	18.1	1.93	2.46	2.58
MMFS #	281	457	BUY	590	119	142	164	30.2	18.6	15.7	3.68	3.09	2.68	11.3	14.8	15.8	1.78	2.46	2.45
LICHF	238	471	BUY	636	237	275	318	12.0	10.0	8.5	1.99	1.72	1.48	16.7	17.4	17.8	1.23	1.28	1.31
CIFC	233	1,493	BUY	1,767	284	353	442	24.0	18.8	15.3	5.26	4.23	3.38	20.6	21.8	22.1	2.77	2.85	2.92
SCUF	145	2,196	BUY	2,527	702	849	1,011	21.8	16.4	12.8	3.13	2.59	2.17	12.5	14.8	16.7	2.48	2.74	2.98
REPCO	36	567	BUY	683	192	232	273	17.2	14.2	12.3	2.95	2.44	2.07	16.7	17.3	17.0	2.17	2.30	2.25

Source: Company, HDFC sec Inst Research; # adjusted for subs

## Income Statement

(Rs mn)	FY16	FY17	FY18P	FY19E	FY20E
Interest Earned	8,521	10,141	10,770	11,899	13,874
Interest Expended	5,483	6,463	6,484	7,168	8,444
<b>Net Interest Income</b>	<b>3,039</b>	<b>3,678</b>	<b>4,286</b>	<b>4,731</b>	<b>5,430</b>
Other Income	297	318	308	417	494
<b>Total Income</b>	<b>3,336</b>	<b>3,996</b>	<b>4,594</b>	<b>5,148</b>	<b>5,924</b>
<b>Total Operating Exp</b>	<b>643</b>	<b>676</b>	<b>781</b>	<b>847</b>	<b>994</b>
PPOP	<b>2,693</b>	<b>3,320</b>	<b>3,813</b>	<b>4,302</b>	<b>4,930</b>
Provisions & Contingencies	392	518	671	504	543
<b>PBT</b>	<b>2,301</b>	<b>2,802</b>	<b>3,142</b>	<b>3,798</b>	<b>4,387</b>
Provision for Tax	800	979	1,082	1,308	1,511
<b>PAT</b>	<b>1,501</b>	<b>1,823</b>	<b>2,060</b>	<b>2,490</b>	<b>2,876</b>

Source: Company, HDFC sec Inst Research

## Balance Sheet

(Rs mn)	FY16	FY17	FY18P	FY19E	FY20E
<b>SOURCES OF FUNDS</b>					
Share Capital	625	626	626	626	626
Reserves	8,923	10,747	12,657	14,942	17,613
Net worth	9,548	11,372	13,283	15,568	18,239
Borrowings	65,379	75,604	81,370	95,385	114,135
Other Liabilities	2,305	3,018	4,597	5,375	6,710
<b>Total liabilities</b>	<b>77,232</b>	<b>89,994</b>	<b>99,249</b>	<b>116,327</b>	<b>139,085</b>
<b>APPLICATION OF FUNDS</b>					
Advances	77,049	89,578	98,659	114,921	137,512
Investments	124	156	156	172	189
Fixed assets	93	91	135	139	142
Other Assets	366	609	797	1,096	1,241
<b>Total assets</b>	<b>77,632</b>	<b>90,433</b>	<b>99,747</b>	<b>116,327</b>	<b>139,085</b>

Source: Company, HDFC sec Inst Research

## Key Ratios

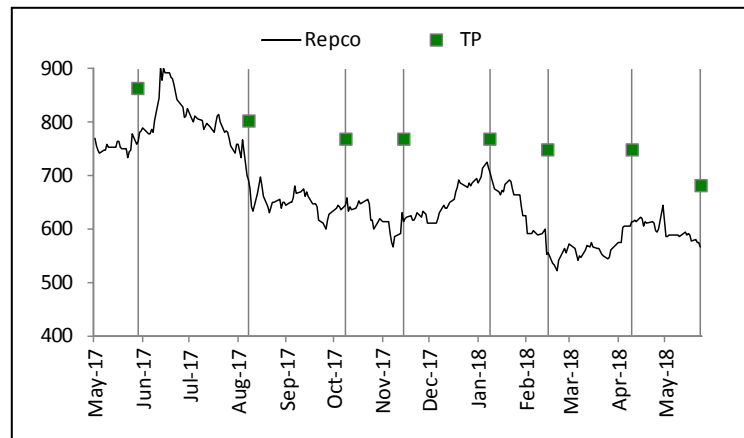
	FY16	FY17	FY18P	FY19E	FY20E
<b>Valuation Ratios</b>					
EPS	24.0	29.1	32.9	39.8	46.0
Earnings Growth (%)	21.9	21.4	13.0	20.9	15.5
BVPS	153	182	212	249	292
Adj. BVPS (100% cover)	147	162	192	232	273
DPS (Rs)	1.8	2.0	2.5	2.8	3.0
RoAA (%)	2.17	2.17	2.17	2.30	2.25
ROAE (%)	17.0	17.4	16.7	17.3	17.0
P/E (x)	23.6	19.5	17.2	14.2	12.3
P/ABV (x)	3.86	3.50	2.95	2.45	2.07
P/PPOP (x)	13.2	10.7	9.3	8.2	7.2
Dividend Yield (%)	0.32	0.35	0.44	0.49	0.53
<b>Profitability</b>					
Yield on Advances (%)	12.4	12.2	11.4	11.1	11.0
Cost of Funds (%)	9.4	9.2	8.3	8.1	8.1
Core Spread (%)	3.0	3.0	3.2	3.0	2.9
NIM (%)	4.43	4.41	4.55	4.43	4.30
<b>Operating Efficiency</b>					
Cost/Avg. Asset Ratio (%)	0.9	0.8	0.8	0.8	0.8
Cost-Income Ratio (%)	19.3	16.9	17.0	16.4	16.8
<b>Balance Sheet Structure Ratios</b>					
Loan Growth (%)	27.9	16.3	10.1	16.5	19.7
Borrowing Growth (%)	28.1	15.6	7.6	17.2	19.7
Equity/Assets (%)	12.4	12.6	13.4	13.4	13.1
Equity/Loans (%)	12.4	12.7	13.5	13.5	13.3
CAR (%)	20.8	21.3	20.7	20.8	20.4

	FY16	FY17	FY18P	FY19E	FY20E
<b>Asset Quality</b>					
Gross NPLs (Rs.mn)	1,009	2,328	2,827	2,660	2,663
Net NPLs (Rs.mn)	368	1,227	1,255	1,060	1,144
Gross NPLs (%)	1.3	2.6	2.9	2.8	2.3
Net NPLs (%)	0.5	1.4	1.3	0.9	0.8
Coverage Ratio (%)	63.5	47.3	55.6	60.2	57.0
Provision/Avg. AUM (%)	0.6	0.6	0.7	0.5	0.4
<b>RoAA Tree</b>					
Net Interest Income	4.39%	4.38%	4.51%	4.38%	4.25%
Non Interest Income	0.43%	0.38%	0.32%	0.39%	0.39%
Operating Cost	0.93%	0.80%	0.82%	0.78%	0.78%
Provisions	0.57%	0.62%	0.71%	0.47%	0.43%
Tax	1.16%	1.17%	1.14%	1.21%	1.18%
ROAA	2.17%	2.17%	2.17%	2.30%	2.25%
Leverage (x)	7.8	8.0	7.7	7.5	7.6
ROAE	16.9%	17.3%	16.6%	17.2%	17.0%

Source: Company, HDFC sec Inst Research



## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
30-May-17	760	BUY	865
9-Aug-17	690	BUY	804
9-Oct-17	637	BUY	770
16-Nov-17	614	BUY	770
9-Jan-18	715	BUY	770
16-Feb-18	555	BUY	750
10-Apr-18	617	BUY	750
24-May-18	567	BUY	683

### Rating Definitions

**BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period  
**NEUTRAL** : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period  
**SELL** : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

**Disclosure:**

We, **Darpin Shah, MBA, Pranav Gupta, ACA & Kaushik Utpat, ACA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

**Any holding in stock –No**

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HSL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

**HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066**

**Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600**

**HDFC Securities Limited, SEBI Reg. No.: NSE-INB/F/E 231109431, BSE-INB/F 011109437, AMFI Reg. No. ARN: 13549, PFRDA Reg. No. POP: 04102015, IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657, SEBI Research Analyst Reg. No.: INH000002475, CIN - U67120MH2000PLC152193**

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.



# Repco Home Finance

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
34,663	10,514

Bloomberg	REPCO IN
Equity Shares (m)	62.6
M.Cap.(INR b)/(USD b)	35.5/0.5
52-Week Range (INR)	923 / 515
1, 6, 12 Rel. Per (%)	-8/-13/-38
Avg Val.( INR m)	195.0
Free float (%)	62.9

## Financials & Valuations (INR b)

Y/E March	2018	2019E	2020E
NII	4.3	4.7	5.3
PPP	3.8	4.1	4.7
PAT	2.1	2.4	2.8
EPS (INR)	32.9	37.7	44.3
BV/Sh. (INR)	207.5	242.5	283.7
RoAA (%)	2.2	2.2	2.3
RoE (%)	16.9	16.7	16.8
Payout (%)	8.0	7.0	7.0
<b>Valuation</b>			
P/E (x)	17.2	15.1	12.8
P/BV (x)	2.7	2.3	2.0
Div. Yield (%)	0.4	0.4	0.5

**CMP: INR568**
**TP: INR710 (+25%)**
**Buy**

## Core TN market tepid; improvement in asset quality

- REPCO's 4QFY18 PAT increased 10% YoY to INR566m (in-line). Modest loan growth, a tapering cost-to-income ratio and a sequential decrease in the GNPL ratio were the key highlights of the quarter.
- Sanctions increased 19% QoQ to INR9.2b, while disbursements rose 29% QoQ to INR8.5b. This was modestly below management's guidance of sanctions of INR10b in 4QFY18. Management indicated that the core market of Tamil Nadu (TN) still faces lingering effects of the sand mining ban, as TN loan book growth was a tepid 6% YoY.
- Consequently, loan growth was at 10.3% YoY (v/s 9.6% in 3QFY18), resulting in a loan book of INR98.6b. LAP book has remained steady at INR17-18b for the past seven quarters.
- Calculated spreads increased 25bp QoQ to 3.4%, driven by stable yields and a 25bp reduction in CoF. We believe cost of funds has bottomed out and this should have an impact on spreads, going forward.
- The mix of CPs in the borrowing mix continues to increase (9.8% in 4QFY18 v/s 7% in 3QFY18 and 4.6% YoY in 4QFY17).
- Opex increased 7% YoY to INR138m (4% beat), leading to a 140bp QoQ decline in the cost-to-income ratio to 17.5%.
- GNPA ratio decreased 87bp QoQ to 2.9%, driven by an 80bp QoQ reduction in the home loans GNPA ratio and a 100bp reduction in LAP GNPLs. However, we estimate INR150m write-off in the quarter.
- **Valuation view:** REPCO recorded a loan book CAGR of 26% and earnings CAGR of 24% over the past five years. Presence in the underserved markets, reasonable pricing power on the asset side and expanding reach should support its earnings over the longer term. However, in the recent past, the company has been plagued with several issues, predominantly on the growth front. We believe that these issues should get resolved over the next few quarters. We cut our FY19E/20E EPS by 3%/4% to factor in lower growth. **Buy** with a target price of INR710 (2.5x FY20E BVPS).

## REPCO: Quarterly performance

Y/E March	FY17				FY18				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	2,390	2,499	2,589	2,663	2,587	2,715	2,694	2,774	10,140	10,771
Interest Expenses	1,550	1,597	1,682	1,635	1,628	1,622	1,623	1,610	6,463	6,484
Net Interest Income	840	902	907	1,028	959	1,093	1,071	1,164	3,677	4,287
YoY Growth (%)	26.5	22.0	16.2	20.7	14.2	21.2	18.1	13.2	21.1	16.6
Other income	80	98	67	73	71	95	82	59	319	307
Total Income	920	1,000	974	1,102	1,030	1,188	1,153	1,223	3,996	4,594
YoY Growth (%)	26.0	22.0	15.5	16.8	12.0	18.8	18.3	11.0	19.8	15.0
Operating Expenses	149	163	163	200	171	179	217	214	676	781
YoY Growth (%)	-3.5	-6.8	1.9	30.7	14.9	9.4	33.0	6.9	5.1	15.6
Operating Profits	771	837	811	902	859	1,009	935	1,009	3,320	3,813
YoY Growth (%)	33.9	29.9	18.7	14.1	11.4	20.6	15.3	12.0	23.3	14.8
Provisions	179	127	96	116	167	166	194	143	519	670
Profit before Tax	592	710	714	786	692	843	741	866	2,802	3,143
Tax Provisions	196	253	250	280	241	285	256	300	979	1,082
Profit after tax	395	457	464	506	452	559	485	566	1,823	2,061
YoY Growth (%)	30.8	17.0	20.4	19.8	14.2	22.3	4.4	11.9	21.4	13.1
Borrowings growth (%)	25.3	22.6	21.1	15.6	11.7	8.9	6.9	7.6	15.6	0.0
Cost to Income Ratio (%)	16.2	16.3	16.8	18.2	16.6	15.0	18.9	17.5	16.9	17.0
Tax Rate (%)	33.2	35.7	35.0	35.6	34.8	33.7	34.6	34.6	35.0	34.4
E: MOSL Estimates										

E: MOSL Estimates

Research Analyst: **Alpesh Mehta** (Alpesh.Mehta@MotilalOswal.com); +91 22 3982 5415 | **Piran Engineer** (Piran.Engineer@MotilalOswal.com); +91 22 3980 4393  
**Nitin Aggarwal** (Nitin.Aggarwal@MotilalOswal.com); +91 22 3982 5540 | **Shubhanshu Mishra** (Shubhanshu.Mishra@MotilalOswal.com); +91 22 3982 5558

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Exhibit 1: Quarterly performance v/s expectations and deviations for the same**

Y/E March	4QFY18E	4QFY18A	Var (%)	Comments
Interest Income	2,830	2,774	-2	
Interest Expenses	1,683	1,610	-4	
<b>Net Interest Income</b>	<b>1,146</b>	<b>1,164</b>	<b>2</b>	<b>In-line</b>
YoY Growth (%)	11.5	13.2		
Other income	87	59	-31	
<b>Total Income</b>	<b>1,233</b>	<b>1,223</b>	<b>-1</b>	
YoY Growth (%)	11.9	11.0		
Operating Expenses	206	214	4	
YoY Growth (%)	3.1	6.9		
<b>Operating Profits</b>	<b>1,027</b>	<b>1,009</b>	<b>-2</b>	<b>In-line</b>
YoY Growth (%)	13.9	12.0		
Provisions	164	143	-13	Seasonal focus on collections
<b>Profit before Tax</b>	<b>862</b>	<b>866</b>	<b>0</b>	
Tax Provisions	298	300	1	
<b>Profit after tax</b>	<b>564</b>	<b>566</b>	<b>0</b>	<b>In-line</b>
YoY Growth (%)	11.5	11.9		
Borrowings growth (%)	9.0	7.6		
Cost to Income Ratio (%)	16.7	17.5		
Tax Rate (%)	34.6	34.6		

Source: Company, MOSL

Core TN market loan  
growth remains tepid at 6%  
YoY

**MH and KA growing faster in loan mix than core market of TN**

- Sanctions grew by 32% YoY and disbursements grew 28% YoY, albeit on a small base of post-demonetization quarter of 4QFY17.
- The core market of Tamil Nadu (TN) grew by a tepid 6% YoY to INR 59b and now forms ~60% of loan mix (vs. 62% in 4QFY17).
- Consequently loan growth in non-core markets of Maharashtra (MH) and Karnataka (KA) have grown 29% and 15% YoY to INR 7.4b and INR 12.5b respectively.

GNPL ratio decreased 87bp  
QoQ to 2.87%

**Asset quality improvement**

- GNPA ratio decreased 87bp QoQ to 2.87%, driven by 80bp QoQ decrease in HL GNPA ratio to 2.4%. LAP GNPA ratio also declined meaningfully by 100bp QoQ to 4.9%.
- PCR inched up to 55.6% vs. 45.5% in 3QFY18, as the company focused on collections.

Hiring increased in 4QFY18

**Others**

- Margins increased ~15bp QoQ due to ~25bp QoQ reduction in CoF.
- Incremental hiring will be deployed in collections in FY19
- Borrowing mix was largely stable with banks (including Repco Bank and NHB) comprising 75% of the total borrowing mix and NCDs/CPs accounting for the remainder. We note that CPs have now become 9.8% of borrowing mix vs. 4.6% in 4QFY17.

### Valuation and view

- Repco has established a strong presence in 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.
- Strong loan growth momentum (beyond the near term issues), stable margins and contained cost ratios would be strong drivers of core earnings for RHF in the medium term. Moreover presence in the under-served markets, some pricing power on the asset side, stringent cost control as well as credit appraisal processes and expanding reach will ensure earnings growth over the medium term
- However, in the recent past, the company has been plagued with several issues, including external ones like the High Court ban on property registration and lack of sand availability in TN, and internal ones like asset quality woes in high-ticket LAP. We cut our FY19E/20E EPS estimates by 3%/8% to factor in lower growth.
- We value the company using RI model with Rf: 7.0%, CoE: 13.3% and Terminal growth rate: 5%. Maintain **Buy** with a TP INR705 (2.5x FY20E book).

### Exhibit 2: We cut our earnings estimates to factor in lower loan growth

INR b	Old Est.		New Est.		Change (%)	
	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
NII	4.8	5.5	4.7	5.3	-1.8	-3.6
Other Income	0.4	0.5	0.4	0.4	-7.9	-11.7
<b>Total Income</b>	<b>5.1</b>	<b>6.0</b>	<b>5.0</b>	<b>5.7</b>	<b>-2.2</b>	<b>-4.3</b>
Operating Expenses	0.9	1.0	0.9	1.0	3.8	0.5
<b>Operating Profits</b>	<b>4.3</b>	<b>5.0</b>	<b>4.1</b>	<b>4.7</b>	<b>-3.5</b>	<b>-5.2</b>
Provisions	0.6	0.6	0.5	0.5	-3.9	-15.6
<b>PBT</b>	<b>3.7</b>	<b>4.4</b>	<b>3.6</b>	<b>4.2</b>	<b>-3.4</b>	<b>-3.8</b>
Tax	1.3	1.5	1.2	1.5	-3.3	-3.8
<b>PAT</b>	<b>2.4</b>	<b>2.9</b>	<b>2.4</b>	<b>2.8</b>	<b>-3.4</b>	<b>-3.8</b>
<b>Loan book</b>	<b>113</b>	<b>133</b>	<b>110</b>	<b>126</b>	<b>-2.8</b>	<b>-4.6</b>
<b>NIM (%)</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>		
<b>Spreads (%)</b>	<b>3.1</b>	<b>3.1</b>	<b>3.0</b>	<b>3.0</b>		
<b>ROAA (%)</b>	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>		
<b>RoAE (%)</b>	<b>16.9</b>	<b>17.0</b>	<b>16.7</b>	<b>16.8</b>		

Source: MOSL



## Conference Call Highlights

### Business Updates

- Sand mining ban still has lingering effects in TN, likely to abate in FY19.
- Incremental hiring to be deployed in collections team and in upcoming branches.
- Borrowing cost to remain same in FY19.
- Unutilized bank lines of INR45b available.
- Will be able to pass on any increase in borrowing cost to customers.
- On book home yields: Salaried 10.7%, Non-Salaried 11.3%.
- Planning to add 15-20 branches in FY19.
- Increased PLR by 35bp on new loans w.e.f. 1st April 2018.
- NHB borrowing reset after three years. INR 1.5b to come up for re-pricing in FY19.
- Incremental yields: HL 9.52%, LAP 12.63%.
- Disbursements: Salaried INR 4.3b, Non-salaried INR 4.2b in 4QFY18.

### Guidance

- Plan to grow 15% in core TN market in FY19.
- Plan 35% increase in sanctions and disbursements.
- Disbursements to be 90% of sanctions.
- Spreads of 300bp+ in FY19.
- TN will be 50% of disbursement in FY19 (INR 20b).
- South India will be 80% of disbursement in FY19.
- Targeting GNPA ratio of ~2% in FY19.
- Will raise capital above leverage of 9x.
- LAP to be ~19% of loan book.
- AUM growth of 20% in FY19.
- Borrowing mix to remain same.

### Asset quality

- Many delinquent LAP accounts are coming up for resolution.
- Resolution from SARFAESI in 4QFY18 INR350m.

## Exhibit 3: Quarterly Snapshot

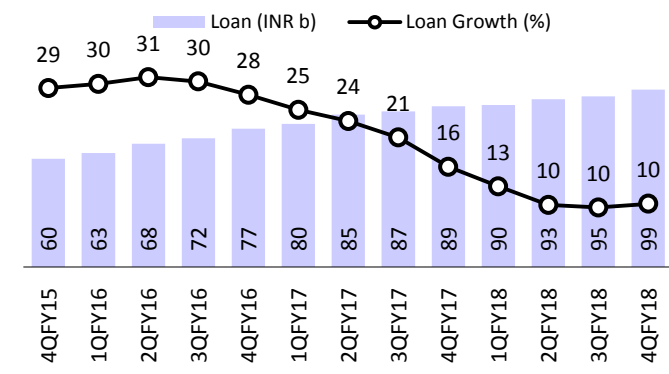
	FY17				FY18				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
<b>Profit and Loss (INR m)</b>										
Interest Income	2,390	2,499	2,589	2,663	2,587	2,715	2,694	2,774	3	4
Interest Expenses	1,550	1,597	1,682	1,635	1,628	1,622	1,623	1,610	-1	-2
<b>Net Interest Income</b>	<b>840</b>	<b>902</b>	<b>907</b>	<b>1,028</b>	<b>959</b>	<b>1,093</b>	<b>1,071</b>	<b>1,164</b>	9	13
Other Income	80	98	67	73	71	95	82	59	-27	-19
<b>Net Income</b>	<b>920</b>	<b>1,000</b>	<b>974</b>	<b>1,102</b>	<b>1,030</b>	<b>1,188</b>	<b>1,153</b>	<b>1,223</b>	6	11
Operating Expenses	149	163	163	200	171	179	217	214	-2	7
Employee	98	100	104	129	112	118	138	120	-13	-7
Others	51	64	59	71	59	61	79	94	19	33
<b>Operating Profits</b>	<b>771</b>	<b>837</b>	<b>811</b>	<b>902</b>	<b>859</b>	<b>1,009</b>	<b>935</b>	<b>1,009</b>	8	12
Provisions	179	127	96	116	167	166	194	143	-26	23
<b>PBT</b>	<b>592</b>	<b>710</b>	<b>714</b>	<b>786</b>	<b>692</b>	<b>843</b>	<b>741</b>	<b>866</b>	17	10
Taxes	196	253	250	280	241	285	256	300	17	7
<b>PAT</b>	<b>395</b>	<b>457</b>	<b>464</b>	<b>506</b>	<b>452</b>	<b>559</b>	<b>485</b>	<b>566</b>	17	12
<b>Asset Quality</b>										
GNPA	1,770	2,011	2,291	2,328	3,571	3,194	3,515	2,827	-20	21
NNPA	971	1,100	1,307	1,243	2,349	1,783	1,915	1,255	-34	1
Gross NPAs (%)	2.2	2.4	2.7	2.6	4.0	3.4	3.7	2.9		
Net NPAs (%)	1.2	1.3	1.5	1.4	2.6	1.9	2.1	1.3		
PCR (Calculated, %)	45.1	45.3	42.9	46.6	34.2	44.2	45.5	55.6		
<b>Ratios (%)</b>										
Cost to Income	16.2	16.3	16.8	19.5	17.8	16.3	20.3	18.4		
Provision to operating profit	23.3	15.2	11.9	12.9	19.4	16.5	20.7	14.2		
Tax Rate	33.2	35.7	35.0	35.6	34.8	33.7	34.6	34.6		
Total CAR	20.1	NA	NA	20.8	21.4	22.1	22.3	23.0		
RoA - calculated	2.3	2.2	NA	2.3	2.2	2.4	2.1	2.3		
RoE - calculated	18.1	18.8	NA	18.7	16.4	19.6	16.5	18.5		
<b>Margins Reported (%)</b>										
Yield on earning assets	12.2	12.2	12.1	12.1	11.5	11.9	11.5	11.5		
Cost of Funds	9.3	9.2	9.2	8.7	8.6	8.4	8.3	8.0		
Spreads	2.9	3.0	2.9	3.4	2.9	3.4	3.2	3.4		
NIMs	4.7	4.9	4.6	5.0	4.6	5.2	4.9	5.1		
<b>Business Details (INR b)</b>										
<b>Loans</b>										
Individual Home Loans	64	67	69	71	72	75	77	80		
Loans against Property	16	18	18	18	18	18	18	18		
<b>Total Loans</b>	<b>80</b>	<b>85</b>	<b>87</b>	<b>89</b>	<b>90</b>	<b>93</b>	<b>95</b>	<b>99</b>		
<b>AUM Mix (%)</b>										
Individual Home Loans	80	79	79	80	80	81	81	81		
Loans against Property	20	21	21	20	20	19	19	19		
<b>Total Borrowing Mix (%)</b>										
Banks	63.2	62.0	62.7	62.9	59.6	55.3	54.3	54.5		
NHB	20.0	18.1	16.7	15.5	13.9	13.5	12.6	11.6		
Repco Bank	7.2	6.9	6.6	6.6	6.5	6.4	7.9	7.7		
NCD/CPs	9.6	13.0	14.0	15.0	19.9	24.8	25.2	26.3		

Source: Company, MOSL



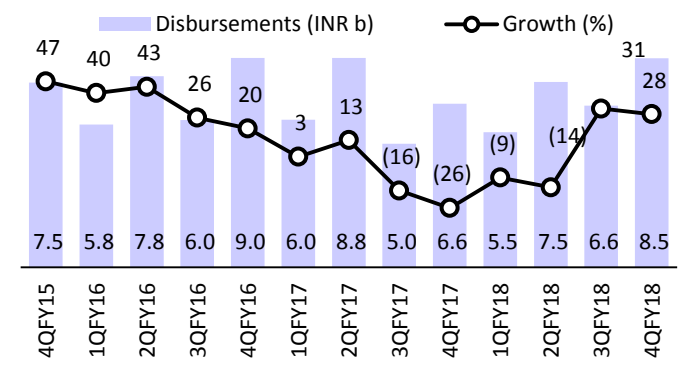
## Story in charts

**Exhibit 4: Loan growth remains muted**



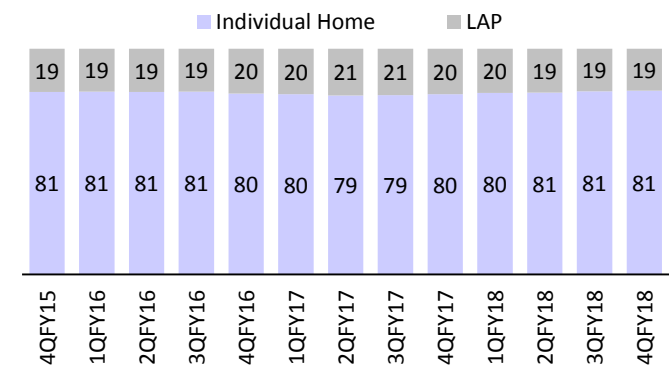
Source: Company, MOSL

**Exhibit 5: Disbursements up sequentially**



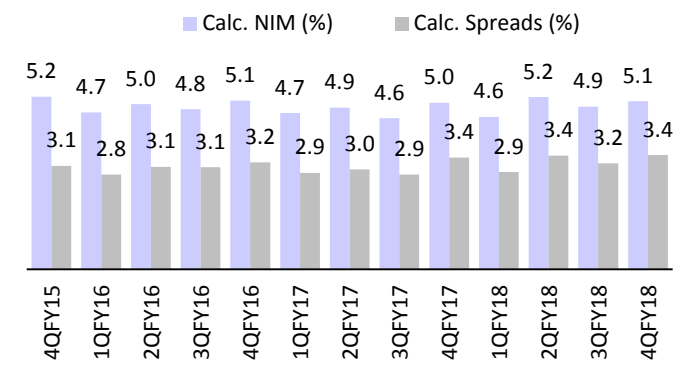
Source: Company, MOSL

**Exhibit 6: Loan mix stable (%)**



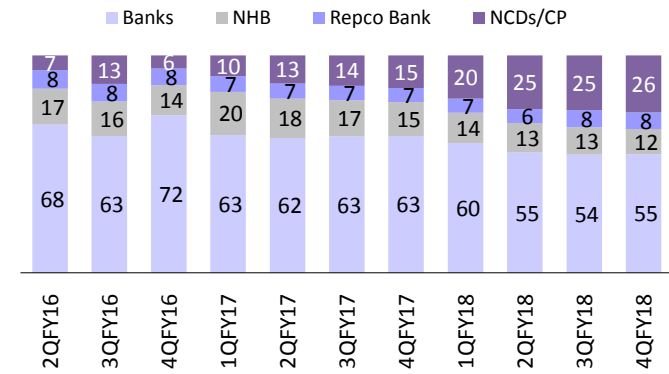
Source: Company, MOSL

**Exhibit 7: Margins stable on a YoY basis**



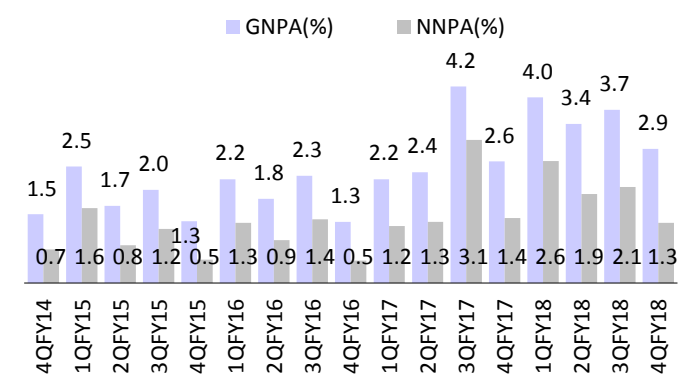
Source: Company, MOSL

**Exhibit 8: CPs have grown in borrowing mix (%)**



Source: Company, MOSL

**Exhibit 9: Asset quality improves**



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

**Exhibit 10: Financials: Valuation Matrix**

	Rating	CMP	Mcap	P/E (x)			P/BV (x)			RoA (%)			RoE (%)		
		(INR)	(USDb)	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
ICICIBC*	Buy	292	27.4	19.2	10.6	7.8	1.3	1.1	1.0	0.8	1.2	1.4	6.7	10.8	13.5
HDFCB	Buy	1,967	74.6	29.0	24.8	20.8	4.8	3.7	3.3	1.8	1.8	1.8	17.9	16.9	16.7
AXSB	Buy	520	19.5	468.3	26.8	14.5	2.1	1.9	1.7	0.0	0.7	1.1	0.5	7.4	12.3
KMB*	Buy	1,256	35.0	38.6	31.0	25.1	4.7	4.4	3.7	1.5	1.5	1.6	10.9	12.0	13.3
YES	Buy	334	11.2	18.1	13.7	10.4	3.0	2.5	2.1	1.6	1.6	1.6	17.7	19.9	21.9
IIB	Buy	1,857	16.3	30.9	22.4	17.8	4.7	4.1	3.2	1.8	2.1	2.2	16.5	19.6	20.3
IDFC Bk	Neutral	40	2.0	13.4	12.5	10.5	0.9	0.8	0.8	0.9	0.8	0.9	6.8	6.9	7.8
FB	Buy	82	2.4	17.3	14.2	10.0	1.3	1.2	1.1	0.7	0.8	0.9	8.3	9.0	11.7
DCBB	Neutral	183	0.8	23.0	18.8	16.0	2.2	2.0	1.8	0.9	0.9	0.9	10.9	11.1	11.7
JKBK	Buy	52	0.4	5.9	5.2	3.6	0.5	0.5	0.4	0.5	0.6	0.7	9.1	9.9	12.9
SIB	Buy	25	0.7	13.3	7.5	5.4	0.9	0.8	0.7	0.4	0.7	0.8	6.6	11.0	14.0
Equitas	Buy	157	0.8	169.5	20.9	13.2	2.3	2.1	1.9	0.3	1.6	1.9	1.4	10.7	15.1
RBL	Buy	498	3.1	32.9	22.5	16.9	3.1	2.9	2.5	1.1	1.3	1.3	11.6	13.3	16.0
<b>Private Aggregate</b>															
SBIN (cons)*	Buy	263	34.3	-42.9	12.0	6.8	1.0	0.9	0.8	-0.2	0.4	0.7	-3.8	7.6	13.7
PNB	Neutral	81	3.2	-1.6	-8.4	10.1	0.6	0.6	0.6	-1.7	-0.3	0.3	-29.6	-6.8	5.8
BOI	Neutral	99	2.9	-5.2	15.6	8.1	0.5	0.5	0.5	-0.4	0.2	0.3	-7.7	3.0	5.5
BOB	Buy	136	5.3	40.0	15.3	8.7	0.8	0.8	0.8	0.1	0.3	0.5	2.0	5.0	8.4
CBK	Neutral	243	2.6	-3.8	29.1	6.1	0.5	0.6	0.5	-0.7	0.1	0.4	-12.2	1.8	8.3
UNBK	Neutral	87	1.5	-1.5	-58.6	15.2	0.4	0.4	0.4	-1.1	0.0	0.1	-23.8	-0.7	2.6
INBK	Buy	309	2.2	11.8	8.3	6.8	0.9	0.8	0.8	0.5	0.7	0.7	8.3	11.0	12.5
<b>Public Aggregate</b>															
<b>Banks Aggregate</b>															
HDFC*	Buy	1,784	43.7	39.3	32.5	27.1	6.4	5.1	4.5	1.9	2.0	2.0	18.4	17.5	17.7
LICHF	Neutral	475	3.5	12.1	10.5	8.9	2.0	1.7	1.5	1.3	1.3	1.4	17.0	17.2	17.8
IHFL	Buy	1,120	6.9	12.4	10.3	8.5	3.7	3.2	2.7	3.5	3.3	3.1	30.7	33.2	34.3
PNBHF	Buy	1,225	3.0	24.6	18.6	14.0	3.3	2.9	2.5	1.6	1.5	1.4	14.3	16.5	19.1
GRHF	Neutral	651	3.5	65.6	56.3	46.7	19.2	16.0	13.2	2.4	2.4	2.4	32.6	31.0	31.0
REPCO	Buy	575	0.5	17.5	15.3	13.6	2.8	2.4	2.0	2.2	2.2	2.2	16.9	16.7	16.1
DEWH	Buy	600	2.7	16.1	11.6	9.5	2.2	1.9	1.6	1.2	1.4	1.4	14.1	17.4	18.6
<b>Housing Finance</b>															
SHTF	Buy	1,450	4.8	21.0	12.3	10.2	2.6	2.2	1.9	2.2	3.2	3.2	13.1	19.5	19.8
MMFS	Buy	464	4.2	32.0	22.4	17.5	3.1	2.8	2.5	1.9	2.3	2.5	10.5	13.1	15.1
BAF	Buy	2,078	17.5	44.7	33.4	25.0	7.3	6.2	5.1	3.6	3.6	3.6	20.7	20.1	22.2
CIFC	Buy	1,488	3.4	23.9	19.9	16.7	4.5	3.8	3.1	3.0	2.9	2.9	20.6	20.7	20.4
SCUF	Buy	2,219	2.1	22.0	15.2	12.6	2.7	2.3	2.0	2.8	3.4	3.5	12.7	16.3	17.0
LTFH	Buy	163	4.7	24.0	17.5	11.7	2.6	2.3	2.0	1.7	1.9	2.3	13.4	14.1	18.3
MUTH	Neutral	398	2.3	9.3	8.9	8.1	2.1	1.8	1.5	5.5	5.4	5.4	24.1	21.4	20.2
MAS	Buy	591	0.4	24.2	19.0	15.2	3.6	3.2	2.7	4.1	4.0	3.9	21.3	17.8	19.4
CAFL	Buy	551	0.8	16.1	12.4	9.7	2.1	1.8	1.5	1.7	1.8	1.8	13.7	15.6	17.2
<b>Asset Finance</b>															
<b>NBFC Aggregate</b>															
<b>Financials</b>															

Source: MOSL

## Financials and Valuations

Income statement								(INR Million)
Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
Interest Income	3,912	5,156	6,695	8,521	10,141	10,770	11,782	13,354
Interest Expended	2,656	3,247	4,317	5,483	6,463	6,484	7,102	8,035
<b>Net Interest Income</b>	<b>1,255</b>	<b>1,908</b>	<b>2,378</b>	<b>3,039</b>	<b>3,678</b>	<b>4,286</b>	<b>4,680</b>	<b>5,318</b>
Change (%)	21.6	52.0	24.6	27.8	21.0	16.5	9.2	13.6
Other Operating Income	148	194	235	297	318	308	354	407
<b>Net Income</b>	<b>1,403</b>	<b>2,102</b>	<b>2,613</b>	<b>3,336</b>	<b>3,996</b>	<b>4,594</b>	<b>5,034</b>	<b>5,725</b>
Change (%)	20.4	49.8	24.3	27.7	19.8	15.0	9.6	13.7
Operating Expenses	243	388	547	643	676	781	910	1,000
<b>Operating Income</b>	<b>1,160</b>	<b>1,714</b>	<b>2,065</b>	<b>2,693</b>	<b>3,320</b>	<b>3,813</b>	<b>4,124</b>	<b>4,726</b>
Change (%)	19.4	47.7	20.5	30.4	23.3	14.8	8.2	14.6
Provisions/write offs	92	226	203	392	518	670	530	502
<b>PBT</b>	<b>1,068</b>	<b>1,488</b>	<b>1,862</b>	<b>2,301</b>	<b>2,802</b>	<b>3,143</b>	<b>3,594</b>	<b>4,224</b>
Tax	268	390	631	800	979	1,082	1,237	1,454
<b>Reported PAT</b>	<b>800</b>	<b>1,098</b>	<b>1,231</b>	<b>1,501</b>	<b>1,823</b>	<b>2,061</b>	<b>2,357</b>	<b>2,770</b>
Change (%)	30.2	37.2	12.1	21.9	21.4	13.1	14.3	17.5

Balance sheet								(INR Million)
Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
Capital	622	622	624	625	626	626	626	626
Reserves & Surplus	5,724	6,760	7,497	8,923	10,747	12,354	14,547	17,125
<b>Net Worth</b>	<b>6,345</b>	<b>7,381</b>	<b>8,121</b>	<b>9,548</b>	<b>11,372</b>	<b>12,980</b>	<b>15,173</b>	<b>17,750</b>
<b>Borrowings</b>	<b>30,647</b>	<b>39,020</b>	<b>51,044</b>	<b>65,379</b>	<b>75,604</b>	<b>81,370</b>	<b>89,763</b>	<b>102,701</b>
Change (%)	23.3	27.3	30.8	28.1	15.6	7.6	10.3	14.4
Other liabilities	932	959	1,592	2,705	3,457	5,397	6,044	6,770
<b>Total Liabilities</b>	<b>37,924</b>	<b>47,361</b>	<b>60,757</b>	<b>77,632</b>	<b>90,433</b>	<b>99,747</b>	<b>110,980</b>	<b>127,221</b>
<b>Loans</b>	<b>35,500</b>	<b>45,961</b>	<b>60,129</b>	<b>77,049</b>	<b>89,578</b>	<b>98,659</b>	<b>109,869</b>	<b>126,479</b>
Change (%)	26.4	29.5	30.8	28.1	16.3	10.1	11.4	15.1
<b>Investments</b>	<b>81</b>	<b>124</b>	<b>124</b>	<b>124</b>	<b>156</b>	<b>156</b>	<b>175</b>	<b>196</b>
Change (%)	0.0	54.0	0.0	0.0	25.8	0.0	12.0	12.0
Net Fixed Assets	45	50	89	93	91	135	142	149
Other assets	2,299	1,226	415	366	609	797	795	397
<b>Total Assets</b>	<b>37,924</b>	<b>47,361</b>	<b>60,757</b>	<b>77,632</b>	<b>90,433</b>	<b>99,747</b>	<b>110,980</b>	<b>127,221</b>

E: MOSL Estimates

## Financials and Valuations

Ratios								
Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
<b>Spreads Analysis (%)</b>								
Avg Yield on Housing Loans	12.2	12.5	12.5	12.4	12.2	11.4	11.3	11.3
Avg. Yield on Earning Assets	12.3	12.6	12.6	12.4	12.2	11.4	11.3	11.3
Avg. Cost-Int. Bear. Liab.	9.6	9.3	9.6	9.4	9.2	8.3	8.3	8.4
Interest Spread	2.7	3.3	3.0	3.0	3.0	3.2	3.0	2.9
Net Interest Margin	3.9	4.7	4.5	4.4	4.4	4.5	4.5	4.5
<b>Profitability Ratios (%)</b>								
RoE	17.1	16.0	15.9	17.0	17.4	16.9	16.7	16.8
RoA	2.41	2.57	2.28	2.17	2.17	2.17	2.24	2.33
Int. Expended/Int.Earned	67.9	63.0	64.5	64.3	63.7	60.2	60.3	60.2
Other Inc./Net Income	10.5	9.2	9.0	8.9	8.0	6.7	7.0	7.1
<b>Efficiency Ratios (%)</b>								
Op. Exps./Net Income	17.3	18.5	21.0	19.3	16.9	17.0	18.1	17.5
Empl. Cost/Op. Exps.	58.0	54.3	61.2	63.7	63.8	62.5	63.2	63.3
<b>Asset Quality (%)</b>								
Gross NPAs	525	686	791	1,009	2,328	2,827	3,320	3,870
Gross NPAs to Adv.	1.5	1.5	1.3	1.3	2.6	2.8	3.0	3.0
Net NPAs	348	333	298	368	1,243	1,255	1,279	1,415
Net NPAs to Adv.	1.0	0.7	0.5	0.5	1.4	1.3	1.2	1.1
<b>VALUATION</b>								
Book Value (INR)	102.1	118.7	130.2	152.7	181.8	207.5	242.5	283.7
Price-BV (x)					3.1	2.7	2.3	2.0
EPS (INR)	12.9	17.7	19.7	24.0	29.1	32.9	37.7	44.3
EPS Growth YoY	-2.7	37.2	11.8	21.6	21.4	13.1	14.3	17.5
Price-Earnings (x)					19.5	17.2	15.1	12.8
Dividend per share (INR)	1.3	1.2	1.5	1.8	2.0	2.2	2.3	2.7
Dividend yield (%)					0.4	0.4	0.4	0.5

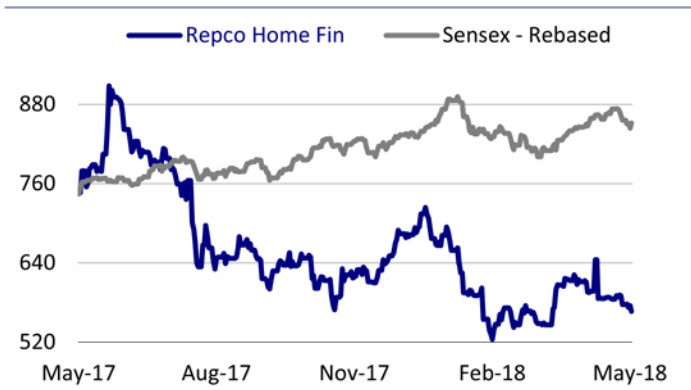
E: MOSL Estimates

## Corporate profile

### Company description

Repco Home Finance Ltd (REPCO) is a Chennai-based housing finance company with an AUM of INR95b. 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 has a network of 160 branches.

### Exhibit 1: Sensex rebased



### Exhibit 2: Shareholding pattern (%)

	Mar-18	Dec-17	Mar-17
Promoter	37.1	37.1	37.1
DII	24.7	26.6	24.0
FII	23.1	21.6	24.2
Others	15.1	14.7	14.7

Note: FII Includes depository receipts

### Exhibit 3: Top holders

Holder Name	% Holding
FRANKLIN TEMPLETON MUTUAL FUND A/C FRANKLIN	7.2
ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LTD A/C	7.2
DSP BLACKROCK SMALL CAP FUND	6.2
INDIA CAPITAL FUND LIMITED	3.4
APAX GLOBAL ALPHA LIMITED	2.1

### Exhibit 4: Top management

Name	Designation
T S Krishna Murty	Chairman
R Varadarajan	Managing Director
K Prabhu	Company secretary

### Exhibit 5: Directors

Name	Name
T S Krishna Murty*	Thomas Paul Diamond*
R Varadarajan	Dilip Kumar
B Anand	Sanjeevane Kuty
V Nadasabapathy*	L Munishwar Ganesan
G R Sundaravadivel*	

\*Independent

### Exhibit 6: Auditors

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

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

	EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19		37.7	39.3	-4.1
FY20		44.3	47.2	-6.2

## NOTES

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 becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

**Disclosures:**

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Securities Ltd. (MOSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOSL is a subsidiary company of Motilal Oswal Financial Service Ltd. (MOFSL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Metropolitan Stock Exchange Of India Ltd. (MSE) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Details of associate entities of Motilal Oswal Securities Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

MOSL, its associates, Research Analyst or their relative may have any financial interest in the subject company. MOSL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MOSL and its associate company(ies), their directors and Research Analyst and their relatives may: (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. MOSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, MOSL or any of its associates may have:

- a) managed or co-managed public offering of securities from subject company of this research report,
- b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
- d) Subject Company may have been a client of MOSL or its associates during twelve months preceding the date of distribution of the research report.

MOSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

**Terms & Conditions:**

This report has been prepared by MOSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOSL will not treat recipients as customers by virtue of their receiving this report.

**Analyst Certification**

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

**Disclosure of Interest Statement**

Analyst ownership of the stock

**Repco Home Finance**

No

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

**Regional Disclosures (outside India)**

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL & its group companies to registration or licensing requirements within such jurisdictions.

**For Hong Kong:**

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors.\* Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

**For U.S.:**

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

**For Singapore**

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore, as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisers Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

**Disclaimer:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025. Tel No.: 022-3980 4263; [www.motilaloswal.com](http://www.motilaloswal.com). Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 3080 1000. Compliance Officer: Neeraj Agarwal, Email id: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-38281085.

Registration details of group entities: MOSL: SEBI Registration: INZ000158836 (BSE/INSEM/CX/INDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN 17397. Investment Adviser: INA000007100.IRDA Corporate Agent-CA0541. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) offers wealth management solutions. "Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. \* Motilal Oswal Commodities Broker Pvt. Ltd. offers Commodities Products. \* Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. \* Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products