

52 Week High/Low	INR 490/214
Bloomberg / Reuters	REPCO IN / RHFL BO
Equity (shares in mn)	62.2
Mkt. Cap in mn	INR 29781 / \$ 496.1
Avg. Daily Vol. ('000)	21.85
Avg. Daily Vol. (mn)	INR 10.3/\$ 0.17

Repco Home Finance

Price: INR 473

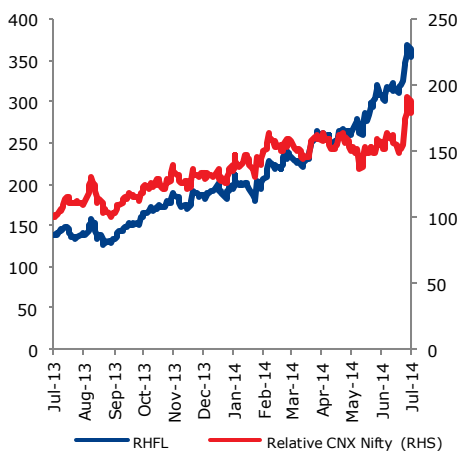
Target Price: INR 501

OUTPERFORMER

Valuation Summary (INR bn)*

Y/E March	2013	2014	2015E	2016E
Net Interest Inc	1.4	1.9	2.4	3.0
Other Inc	0.1	0.2	0.2	0.3
Pre Prov Profit	1.16	1.7	2.1	2.7
PAT	0.8	1.1	1.4	1.8
EPS	12.9	17.7	22.4	28.0
% growth	3.0	37.2	26.6	25.0
PE	36.7	26.7	21.1	16.9
P/ BV	4.6	4.0	3.5	2.9
Div Yield (%)	0.2	0.3	0.3	0.3
Cost / Inc (%)	17	17.0	17.3	17.9
ROA (%)	2.4	2.5	2.5	2.5
ROE (%)	17.1	16.0	17.6	18.3
CAR (%)	26.7	24.1	21.6	19.8
ROE / PBV	3.7	4.0	5.0	6.3

Performance %	1M	3M	6M
RHFL	14.4	33.3	154.4
CNX Midcap	1.1	21.4	42.5



- Repco Home Finance Limited (RHFL) is a low to medium ticket size home loan financing company predominately based in tier II / III cities of southern India. Promoted by the State-owned Repco Bank Ltd in 2000, RHFL presently has 91 branches and 31 satellite centers of which 87 are located in the Southern market. Repco's loan book grew at 36% CAGR (FY09-FY14) and stands at INR ~46.619bn at the end FY14. RHFL average loan ticket size is at INR 1.1mn, while client base stood at 49,093. RHFL maintained a healthy NIM of 4.7%, along with GNPA at 1.5% and NNPA at 0.7% as of 4QFY14.
- In the Union Budget an allocation of INR 40bn has been made to National Housing Bank to build affordable housing in urban areas and INR 80bn to rural housing. Furthermore, the FM also raised tax breaks on interest on home loans from INR 0.15mn-0.2mn.
- In addition to the above measures, the RBI on July 15th, 2014 announced a raft of measures that encourages bank lending to the housing segment.
- The RBI notified in addition to small value loans, home loans to individuals up to INR 5mn (for houses of value up to INR 6.5mn) in metros and loans up to INR 4mn (home value INR 5mn) in other centres will be considered as affordable housing.
- Moreover, extending these loans should also entitle banks to float infrastructure bonds up to seven years and funds raised under these bonds will not be subject to reserve requirements such as CRR, SLR and PSL target.
- These measures should increase the availability of funds to the affordable housing segment and should also help reduce interest rates in the long-term on affordable housing loans given out of proceeds of long term bonds as banks can now commit entire corpus.
- With, bank borrowing constituting a significant share (65% in FY14) in the borrowing mix, Repco should likely benefit in the long-term as interest rates moves lower. However, in the near-term the impact is likely to be negligible as Repco already borrows near base rate.
- Repco's customer profile predominantly comprises non-salaried individuals (55% of loans) with a loan mix of 81.3% constituting lending under individual loans.
- Management indicated to grow its LAP segment to ~20% (from 18.7% at the end FY14) and guided for an overall loan book growth of 30-35% in FY15 on the back of traction in tier II/ III cities.

Valuation: At CMP, the stock trades at 2.9X FY16E P/BV and 16.9X FY16E P/E. The stock has appreciated recently and trades at premium relative to its peers. However, given its niche presence, high return ratios, traction in business growth, steady NIMs, and stable cost ratios; we assign a P/BV of 3.1X FY16E PBV, implying a target price of INR 501. We rate the stock an OUTPERFORMER.

Risks: Slowdown in real estate sector, increase in slippages and regulatory changes might have an adverse impact on profitability.

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Chola Securities is a leading southern India based Stock broker. Our focus area of coverage within the Indian market is Mid and small caps with a focus on companies from southern India.

Our Institutional Equities services are carried out in partnership with RCCR, a boutique Investment research and Corporate Advisory firm founded by a team with extensive experience in the Asset management industry.

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