

Dalal & Broacha  
Stock Broking Pvt. Ltd.

Result Update @ Dalal & Broacha

## RepcO Home Finance Ltd.

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### ACCUMULATE

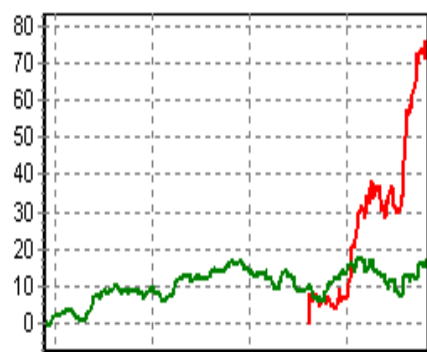
CMP	311
Target	350
52 wk Hi/Low	373/159

### KEY SHARE DATA

Mcap (Rs.Cr./\$Mn)	1934	\$322
Avg. Mthly Vol	135,641	
No of Shares O/S	6.22	
Face Value	10	
BSE / NSE	535322 REPCOHOM	
Bloomberg	REPCO IN	

### Share holding (%) Dec-13 Sep-13

Promoter	37.4	37.4
FII	6.4	6.3
DII	12.0	12.4
Others	44.2	44.0



09/08/2012 07/11/2012 05/02/2013 06/05/2013

— Repco Home Finance Ltd  
— Sensex

### Results Update for Q3 FY14

RepcO Home Finance Ltd. (RHFL) results for Q3 FY14 were largely in-line with expectations with PAT growth of 0.8% qoq and Revenue growth of 6.2% qoq. However, the sequential slippage in NPLs was worrying. Due to its IPO last year, we believe that a sequential comparison on asset growth should be more appropriate.

**Asset weakening due to seasonality effect:** However, while the loans growth of 7% qoq and 32% yoy was strong, asset quality wise, the performance deteriorated with sequential addition of Rs 20 crores in GNPA's and Rs 18 crores in NNPA's. GNPA% increased 36bps qoq, and NNPA% increased 36bps sequentially and the provisions have declined to Rs 3.5 crores from Rs 5.29 crores in the Q2 FY14. Since RHFL has ~55% non salaried borrowers having uneven cash flows, historically RHFL's asset quality has been volatile between quarters, but has shown improving trend on a yearly basis. The company avers that several slippages may be more technical in nature which may recover in future. PCR has dipped qoq to 37.4% but the management has targeted to reach to 50%.

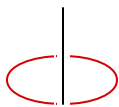
**Loans growth high, guidance to maintain trend:** Higher interest expenses growth by 10.2% qoq compared to interest income growth of 6% qoq impacted the NII growth. Consequently spreads & NIMs declined by 10bps qoq. The loans growth of 7% qoq led by LAP up 15% qoq while Individual loans grew 5% and 4% qoq disbursements (for Q3 FY14) growth indicate healthy traction.

**C/I jumps to 21.7%; one-time expenses contribute to rise:** Operating expenses for Q3 FY14 nearly doubled yoy and by 65% qoq mainly due to inclusion of certain items which included one off expenses too. This led to C/I rising to 21.7% from 19% in Q3 FY13. The operating expenses include Advt. expenses of Rs 1.4 cr, one-time renewal insurance premium on home loans of Rs 2.1 cr. The Employee expenses too include Rs 0.96 cr as ESOP grant. Out of the total, we believe ~Rs 1.5 cr was of nature of onetime expenses.

**Valuation:** We find the low provisions and the asset slippage worrying and opine long term investors to ACCUMULATE the stock since at 2.4x FY15E ABVPS the stock appears fairly valued.

Year	Income growth	PPP	PPP%	PAT growth	EPS	PE(x)	BVPS	P/BVPS	RoE%	RoA%		
FY12	318.8	41.1%	97.1	30.5%	61.5	8.6%	13.2	NA	65.3	NA	22.6%	2.5%
FY13	405.7	27.3%	115.8	28.5%	80.1	30.4%	12.9	24.1	102.0	3.0	17.1%	2.4%
FY14E	503.8	24.2%	136.3	27.1%	102.4	27.8%	16.5	18.9	115.2	2.7	15.2%	2.4%
FY15E	627.6	24.6%	165.6	26.4%	124.0	21.1%	19.9	15.6	131.2	2.4	16.2%	2.4%

Repco Home Finance Ltd. (Rs. Cr.)								
P&L (Rs. Cr.)	Q3 FY14	Q3 FY13	yoy %	Q2 FY14	qoq %	9M FY14	9M FY13	yoy %
NII - Calc.	47.2	29.1	62.3%	47.3	-0.3%	136.9	86.2	58.9%
Revenue from op.	132.1	99.3	33.0%	124.4	6.2%	370.8	281.8	31.6%
Other op. Income	3.8	3.8	-1.6%	5.5	-31.9%	13.6	10.1	34.2%
Total Income	135.8	103.1	31.7%	129.9	4.6%	384.4	291.9	31.7%
Less: Interest Exp.	84.9	70.2	20.9%	77.1	10.2%	233.9	195.6	19.6%
Less: Employee benefit Exp.	5.6	3.2	77.0%	4.5	24.4%	14.2	8.9	59.2%
Less: Depn. & Amtzn Exp.	0.7	0.3	160.7%	0.6	25.9%	1.8	0.9	93.4%
Less: Other Exp.	4.7	2.4	99.2%	2.8	65.5%	10.8	5.8	87.3%
Pre-Provision Profits	40.6	27.3	48.5%	45.5	-10.7%	125.5	81.6	53.8%
Other Income	0.4	0.0	4300.0%	0.1	633.3%	1.1	0.1	2020.0%
Less: Provisions & W-offs	3.5	5.0	-29.4%	5.3	-33.8%	18.6	10.9	70.8%
PBT	36.8	22.1	66.5%	39.7	-7.2%	106.3	69.9	52.1%
Less: Tax expense	9.7	5.4	78.9%	10.5	-7.8%	27.6	17.6	57.2%
PAT	27.1	16.7	62.5%	29.2	-6.9%	78.6	52.3	50.4%
EPS	4.4	3.6	20.8%	4.7	-6.5%	12.6	11.3	11.7%
Calc. EPS	4.4	3.6	21.4%	4.7	-6.9%	12.6	11.3	12.3%
Equity	62.2	46.4	33.9%	62.2	0.0%	62.2	46.4	33.9%
C/I	21.7%	19.0%		15.5%		17.8%	16.2%	
PPOPM	29.8%	26.5%		35.0%		83.4%	84.8%	
Tax / PBT	26.3%	24.5%		26.5%		26.0%	25.2%	
<b>Asset &amp; Asset Quality</b>								
GNPAS	87.7	96.3	-9.0%	67.2	30.4%	87.7	96.3	-9.0%
NNPAS	55.3	76.0	-27.3%	37.0	49.3%	55.3	76.0	-27.3%
GNPA (%)	2.0%	2.9%		1.7%		2.0%	2.9%	
NNPA (%)	1.3%	2.3%		0.9%		1.3%	2.3%	
PCR	37.4%	21.8%		45.3%		37.4%	21.8%	
<b>Metrics</b>								
Sanctions	441.2	292.0	51.1%	486.2	-9.2%	1,284.9	859.0	49.6%
Disbursements	443.6	281.7	57.5%	425.9	4.2%	1,203.3	777.7	54.7%
O/S Loan Book	4,319.4	3,270.9	32.1%	4,036.0	7.0%	4,319.4	3,270.9	32.1%
Non Salaried	54.5%	52.7%		54.0%		54.5%	52.7%	
Salaried	45.5%	47.3%		46.0%		45.5%	47.3%	
Indiv. home Loan	3,563.5	2,809.7	26.8%	3,378.1	5.5%	3,563.5	2,809.7	26.8%
LAP	755.9	461.2	63.9%	657.9	14.9%	755.9	461.2	63.9%
Borrowings	3,600.6	2,915.0	23.5%	3,319.4	8.5%			
Banks	64.7%	NA		62.7%				
NHB	26.0%	NA		30.0%				
Repco Bank	9.3%	NA		7.2%				
<b>Key Ratios</b>								
Yield - Co Given	12.6%	12.4%		12.6%		NA	NA	
Cost of Debt - Co Given	9.4%	9.7%		9.3%		NA	NA	
Spread	3.2%	2.7%		3.3%		NA	NA	
NIM (Co. Given)	4.6%	3.8%		4.7%		NA	NA	
ROA	2.7%	2.3%		2.7%		0.0%	0.0%	
ROE	20.4%	23.7%		20.6%		0.0%	0.0%	
CAR	25.0%	15.6%		25.5%		0.0%	0.0%	



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Repco Home Finance Ltd. (Rs. Crores)									
P&L Account	FY12	FY13	FY14E	FY15E	Other parameters	FY12	FY13	FY14E	FY15E
Revenue from operations	305.5	391.2	487.2	609.0	GNPAs	38.2	52.5	67.9	87.6
Other Income	13.3	14.5	16.5	18.5	GNPA (%)	1.4%	1.5%	1.5%	1.6%
<b>Total Income</b>	<b>318.8</b>	<b>405.7</b>	<b>503.8</b>	<b>627.6</b>	NNPA (Rs. Cr.)	26.5	34.8	44.4	55.5
Interest Expenses	202.3	265.6	336.2	424.7	NNPA (%)	1.0%	1.0%	1.0%	1.0%
<b>Net Op. Income</b>	<b>116.5</b>	<b>140.1</b>	<b>167.5</b>	<b>202.9</b>					
Employee benefit exp	10.5	14.1	19.1	23.1	<b>Growth</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14E</b>	<b>FY15E</b>
Dep. & amortzn exp	1.6	1.5	1.7	1.7	Total Loan Book	2,808.8	3,550.0	4,437.5	5,546.9
Other expenses	7.3	8.7	10.4	12.5	<b>Loan Book Growth</b>	<b>35.3%</b>	<b>26.4%</b>	<b>25.0%</b>	<b>25.0%</b>
<b>Pre-Provision Profits</b>	<b>97.1</b>	<b>115.8</b>	<b>136.3</b>	<b>165.6</b>					
Other Income	0.1	0.3	0.2	0.2	Total Borrowing Fund	2,516.8	3,113.2	3,891.5	4,864.4
Total Provision	15.5	9.2	11.6	14.5	<b>Borrowings Growth</b>	<b>37.2%</b>	<b>23.7%</b>	<b>25.0%</b>	<b>25.0%</b>
<b>PBT</b>	<b>81.7</b>	<b>106.8</b>	<b>124.9</b>	<b>151.3</b>					
Tax expense:	20.2	26.7	22.5	27.2	<b>Calculated Ratios</b>	<b>Mar-12</b>	<b>Mar-13</b>	<b>FY14E</b>	<b>FY15E</b>
PAT	61.5	80.1	102.4	124.0	YOA	12.5%	12.3%	12.2%	12.2%
					COF	9.3%	9.4%	9.6%	9.7%
					NIM	4.2%	3.9%	3.8%	3.7%
<b>Balance Sheet (Sch. VI format)</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14E</b>	<b>FY15E</b>					
<b>EQUITY AND LIABILITIES:</b>					<b>Ratios</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14E</b>	<b>FY15E</b>
Share Capital	46.4	62.2	62.2	62.2	Interest Exp./Int.Income	66.2%	67.9%	69.0%	69.7%
Reserves and Surplus	256.8	572.4	654.3	753.6	Cost / Op. Income	15.3%	16.3%	17.6%	17.5%
<b>Total Networth</b>	<b>303.2</b>	<b>634.6</b>	<b>716.5</b>	<b>815.8</b>	Tax / PBT	24.7%	25.0%	18.0%	18.0%
Non-Current Liabilities	1,794.8	2,210.7	2,766.4	3,461.0	ROE	22.6%	17.1%	15.2%	16.2%
Current Liabilities	754.6	947.2	1,186.2	1,483.7	ROA	2.5%	2.4%	2.4%	2.4%
<b>Total Liabilities</b>	<b>2,852.6</b>	<b>3,792.5</b>	<b>4,669.1</b>	<b>5,760.4</b>					
<b>ASSETS:</b>					EPS	13.2	12.9	16.5	19.9
Non-current assets	2,648.3	3,344.3	4,177.1	5,217.7	BVPS	65.3	102.0	115.2	131.2
Tangible assets	3.2	4.4	5.4	6.4	P/EPS	23.5	24.1	18.9	15.6
Intangible assets	0.2	0.1	0.1	0.1	P/BVPS	4.8	3.0	2.7	2.4
Non-curr. investments	8.1	8.1	9.7	11.7					
Deferred tax assets (net)	7.9	11.2	11.2	11.2	<b>RoA Tree</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14E</b>	<b>FY15E</b>
LT loans and advances	2,628.9	3,320.5	4,150.6	5,188.3	ROE	20.3%	12.6%	14.3%	15.2%
					EQ M'PLIER (TOT. Assets % EQ.)	9.41	5.98	6.52	7.06
Current assets	204.3	448.2	492.0	542.8	<b>ROTA</b>	2.2%	2.1%	2.2%	2.2%
Current Investment	-	-	-	-	EQ. M'plier X ROTA	20.3%	12.6%	14.3%	15.2%
Cash and Bank Balances	17.5	210.1	194.4	170.7					
LT loans and advances	179.9	229.5	286.9	358.6	NII as % of Assets	3.6%	3.3%	3.2%	3.2%
Other current assets	6.9	8.6	10.8	13.4	NON INT. as % Assets	0.5%	0.4%	0.4%	0.3%
<b>Total Assets</b>	<b>2,852.6</b>	<b>3,792.5</b>	<b>4,669.1</b>	<b>5,760.4</b>	NON OP. INC. as % of Assets	0.0%	0.0%	0.0%	0.0%
					<b>TOT INCOME as % of Assets</b>	<b>4.1%</b>	<b>3.7%</b>	<b>3.6%</b>	<b>3.5%</b>
					Less: Op COST as % of ASS	0.7%	0.6%	0.7%	0.6%
					Less: Loan loss as % of ASS	0.5%	0.2%	0.2%	0.3%
					Less: TAX as % of ASS	0.7%	0.7%	0.5%	0.5%
					ROA	2.2%	2.1%	2.2%	2.2%

1 Crores = 10 Million

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