

**REPCO HOME FINANCE LIMITED**  
(Promoted by REPCO BANK - Govt. of India Enterprise)



**Earnings Presentation**  
**H1FY14**



## ◆ H1FY'14 Performance

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# H1 FY'14 Performance

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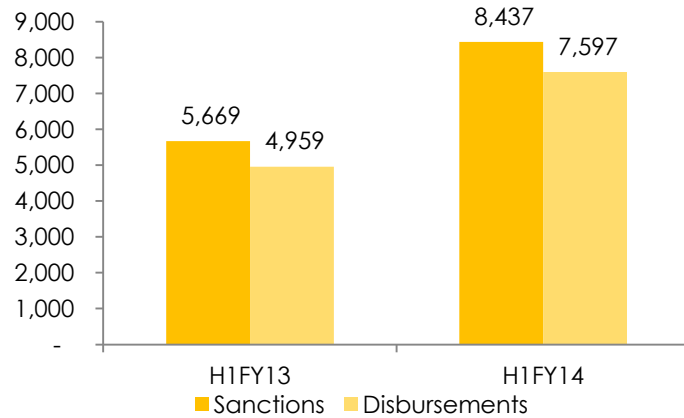
# Business summary

◆ Loans outstanding (Sept 30, 2013)	Rs 40,356 million
◆ Cumulative disbursements (Sept 30, 2013)	Rs 56,000 million
◆ Average loan per unit	Rs 1 million
◆ Number of live accounts	45,409
◆ Total number of employees	398
◆ Capital adequacy ratio (CAR)	25.6%
◆ Networth (Sept 30, 2013)	Rs 6,696 million
◆ Cost to Income ratio	15.7%
◆ Gross NPA (%) (Sept 30, 2013)	1.67%
◆ Net NPA (%) (Sept 30, 2013)	0.92%

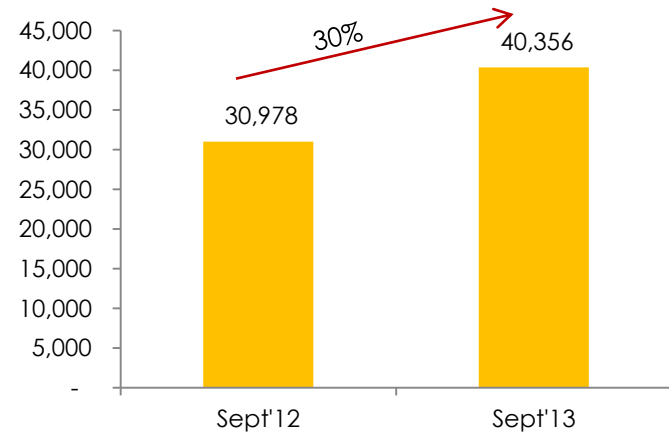
# Strong growth in loan book continues – 30% YoY

Figures in Rs million

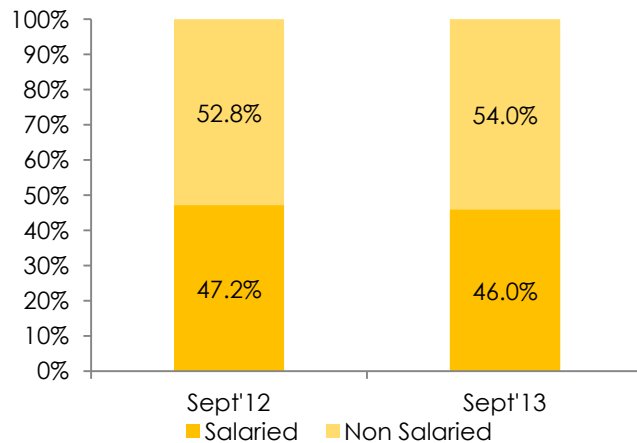
## Sanctions and disbursements



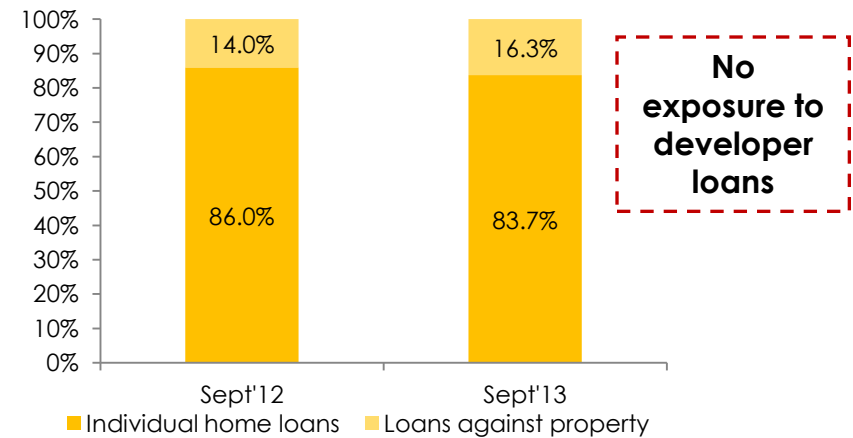
## Loan Book



## Loan book composition



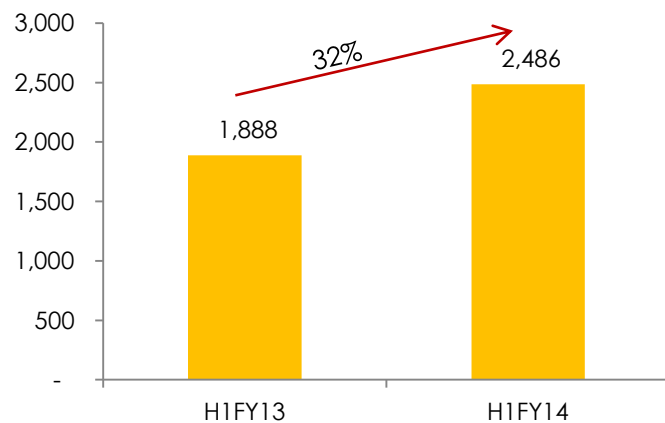
## Mix of loan portfolio



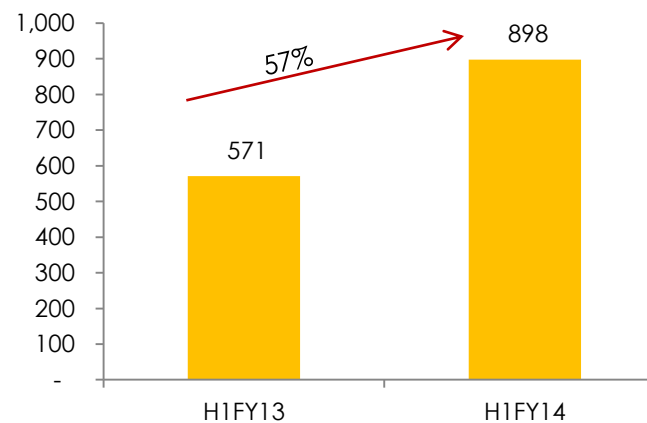
# With robust growth in income and profits

Figures in Rs million

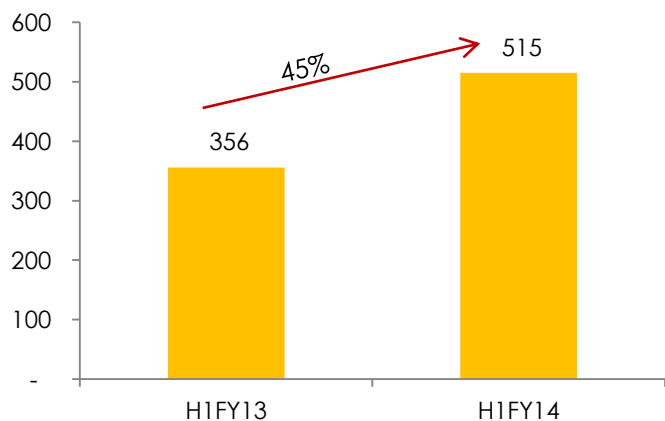
## Income from operations



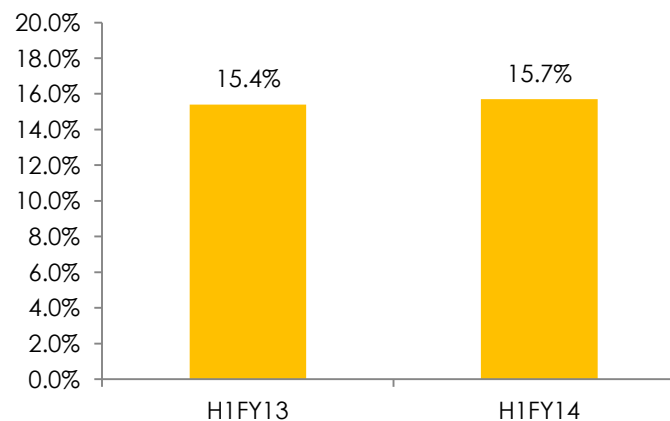
## Net interest income



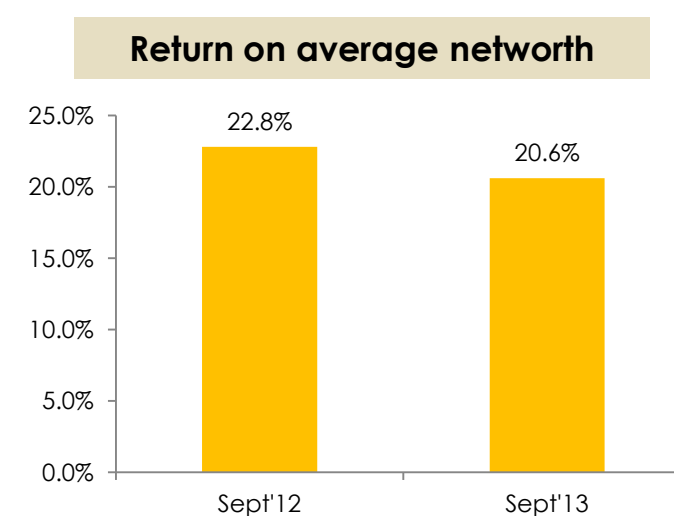
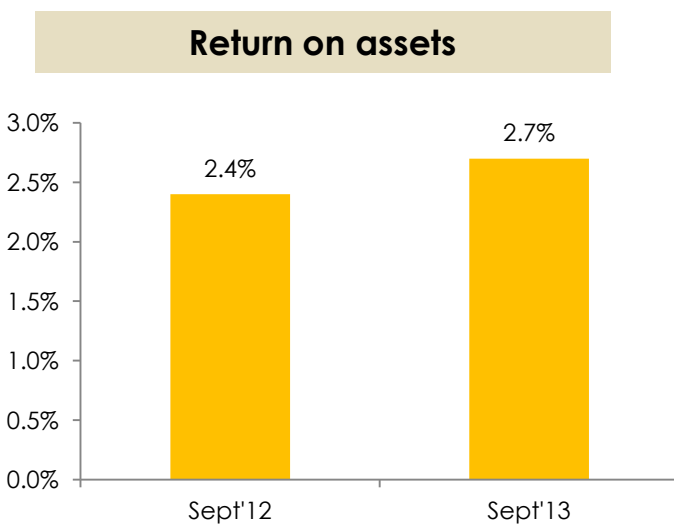
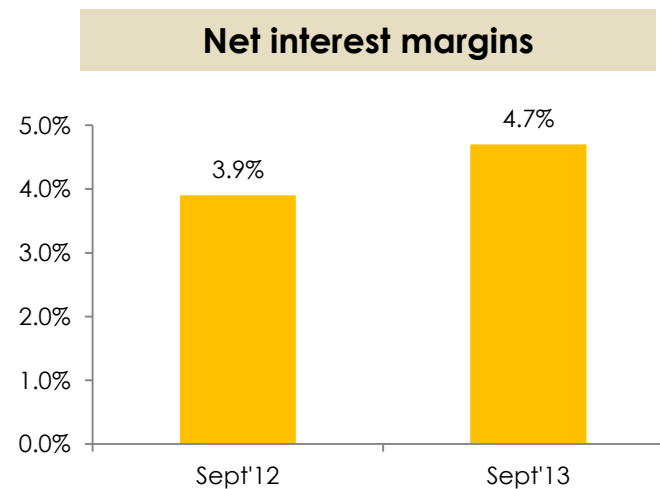
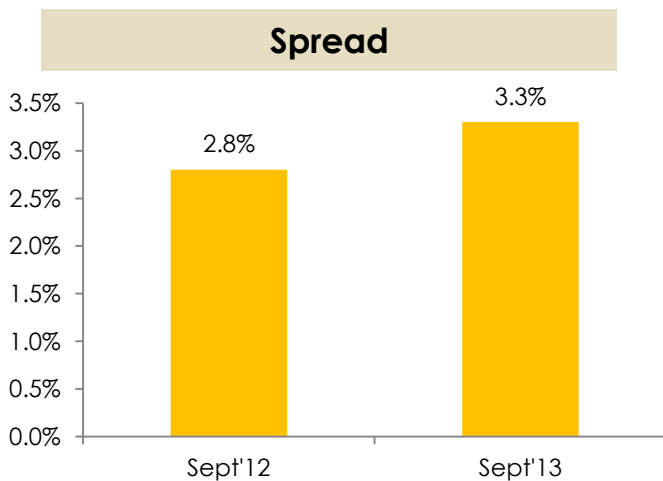
## Net profit



## Cost to income ratio

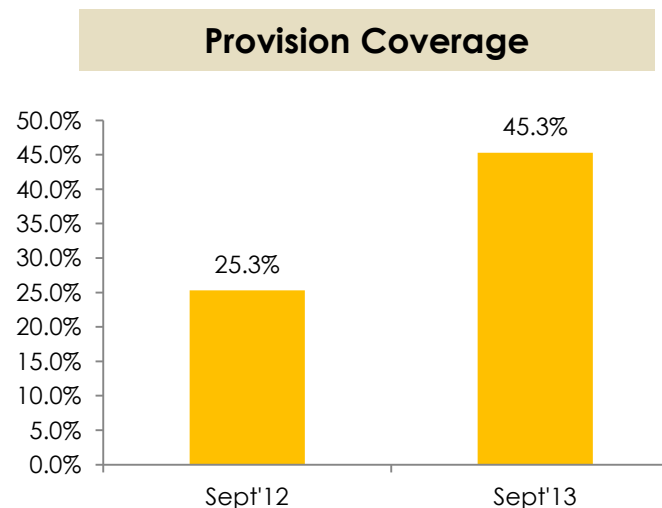
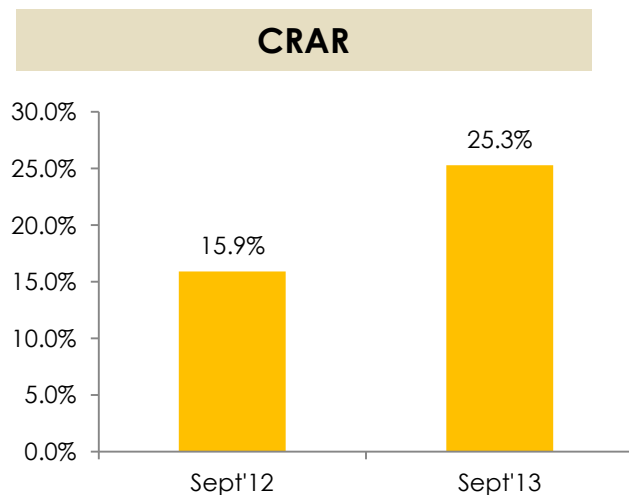
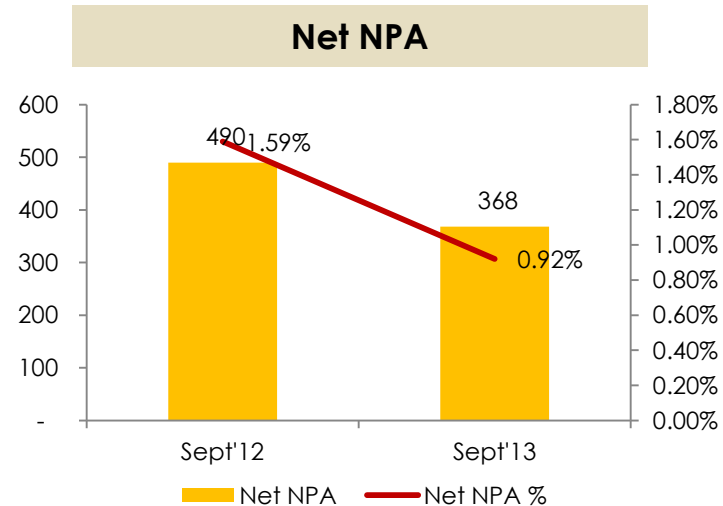
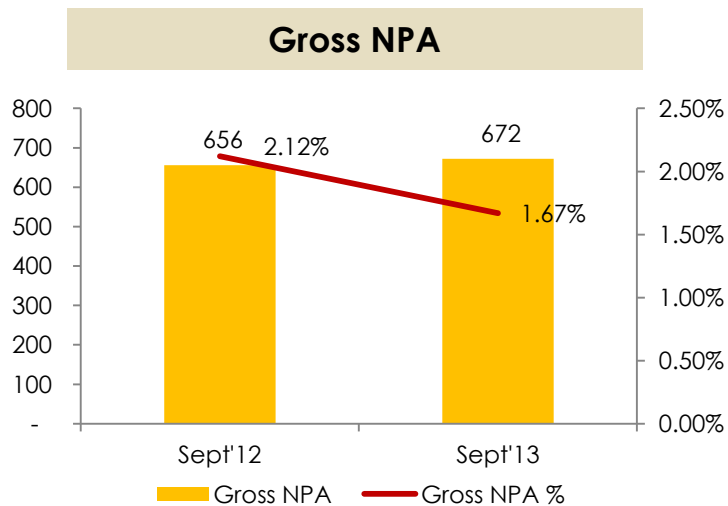


# Steadily expanding margins and returns



# Continuous improvement in asset quality

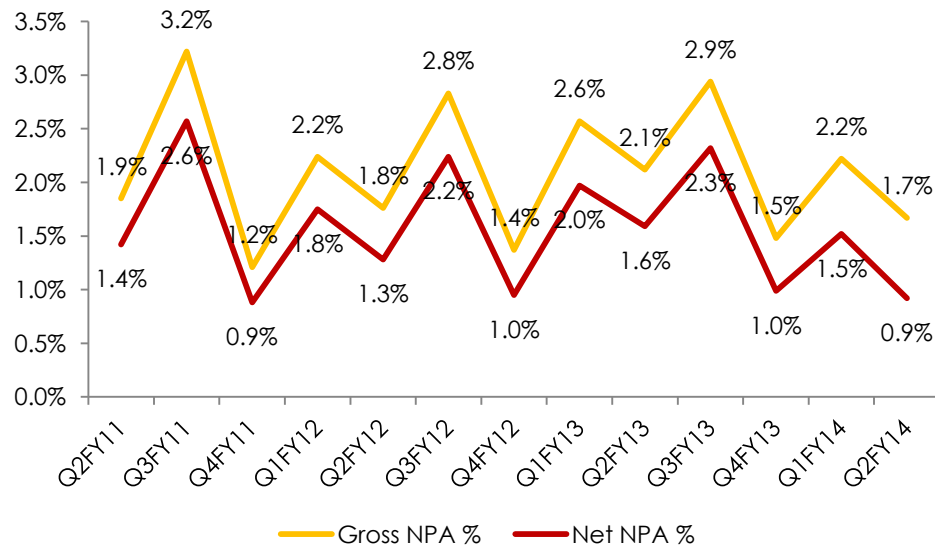
Figures in Rs million



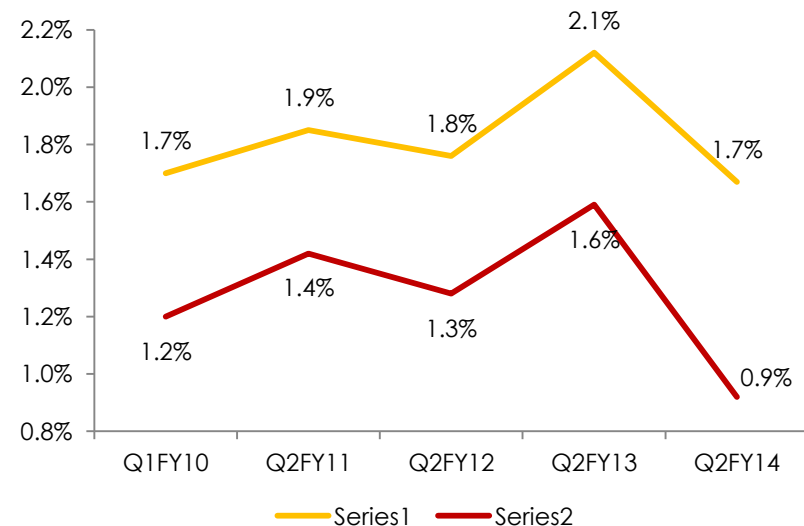


# Business model lends itself to seasonal variation in NPA

### Quarter on quarter movement in NPA



### Q2 NPA movement

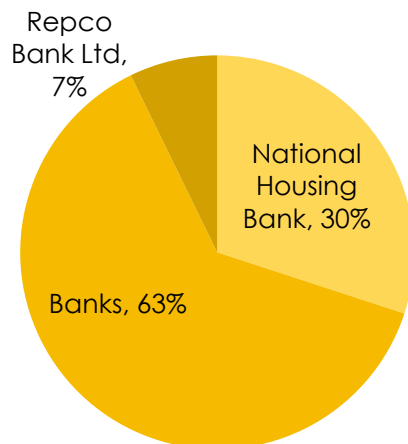


- ◆ Significant variability in NPA profile quarter to quarter due to lumpy income profile of the non-salaried segment, so NPAs look high in some quarters. Variability in NPA profile not representative of asset quality given conservative underwriting policies of the Company
- ◆ However, a comparison of the second quarter (Q2) NPAs for the last 5 years shows the same is trending down

# ICRA upgrades long term rating to AA-

Figures in Rs million

## Sources of borrowing



- During the quarter, ICRA upgraded the rating assigned to RHFL's term loans from banks from A+ to AA- with stable outlook.
- CARE assigned AA- to long term loans.
- The non convertible debenture (NCD) programme of the company has been assigned a rating of AA- and commercial paper has been rated A1+ by ICRA and CARE.

## Sources (as on 30 Sept'13)

Sources (as on 30 Sept'13)	Amount
Banks	20,830
National Housing Bank	9,970
Repco Bank Ltd	2,400
<b>Total</b>	<b>33,190</b>

## Category

## ICRA Rating

## CARE Rating

Term loans from banks	AA-	AA-
Non convertible debenture	AA-	AA-
Commercial paper	A1+	A1+

We are happy to report yet another good quarter driven by high growth in disbursements and improvement in margins. In the first half of the current year, our net interest income has grown by 57% and PAT by 45%. The robust 53% year on year growth in disbursements has driven our loan book growth to 30%.

We have also been able to steadily improve asset quality – our gross NPA as on 30<sup>th</sup> September, 2013, stood at 1.67% as compared to 2.12% as on 30<sup>th</sup> September, 2012. Our provision coverage ratio also improved to 45.3% with net NPA of 0.92%.

During the quarter, ICRA upgraded and CARE assigned AA- rating to our long term loans. They also assigned ratings to NCDs and commercial paper. This will help diversify our liability profile.

We are confident of maintaining the growth momentum on the back of our unique and strong position in the non salaried home loan market. We endeavor to deepen our retail presence in existing and new states while generating steady and superior returns to all stakeholders.

**Mr. R. Varadarajan**  
**Managing Director**  
**Repco Home Finance Ltd**

# **Business Overview**

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# Niche housing finance company

## Focus on under penetrated markets & segments

- ◆ Significant focus on providing loans to segments underserved by larger HFCs & banks
  - ▶ Target segment comprises of self employed professionals and self employed non-professionals
  - ▶ Loans to salaried and non-salaried borrowers constitute 46% and 54% of loan book
  - ▶ Tap customers in tier 2 & 3 cities and peripheries of tier 1 cities

## Strong base and brand in Southern India

- ◆ Promoter, Repco Bank, is operating in Southern India since 1969
- ◆ 102 branches and satellite centres, with ~90% located in Southern India
- ◆ Expanding footprint by selectively setting-up new branches in the states of Maharashtra, Gujarat, Odisha and West Bengal

## Robust business model with control on cost and risk

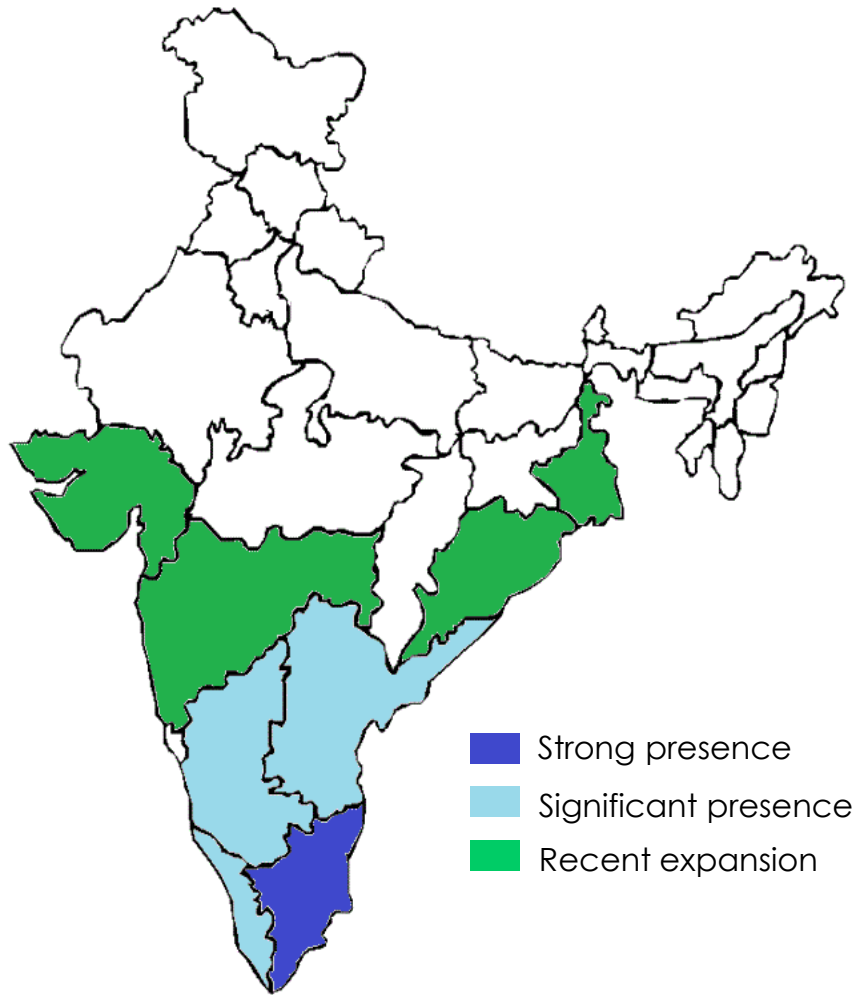
- ◆ Direct marketing and customer contact ensuring greater transparency, ownership and efficiency
- ◆ Low cost of operations: lean branch model, centralized loan process, no DSA sourcing
- ◆ Robust risk management processes and checks at every step of loan process ensuring good asset quality

## Experienced board and management team

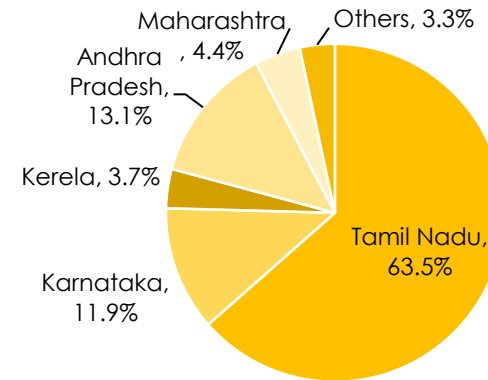
- ◆ T S Krishna Murthy, Chairman: Over 50 years' experience, served as Chief Election Commissioner of India, Chief Commissioner of Income Tax, sits on the boards of Shriram Life, Edelweiss ARC, DSP Blackrock Trustee and RRB Energy
- ◆ R Varadarajan, Managing Director: Over 35 years' experience in banking & financial services

# Strong base in South India; expanding footprint

- ◆ 82 branches and 20 satellite centres
- ◆ Focus on under penetrated markets with two third branches in tier-II & tier-III cities
- ◆ Converted 8 satellite centers into branches and opened 1 new branch and 9 satellite centers during H1FY14



**Region-wise loan book (30<sup>th</sup> Sept' 13)**



State-wise retail network	June'13	Sept'13
Tamil Nadu	48	52
Karnataka	15	16
Andhra Pradesh	14	15
Kerala	7	7
Maharastra	5	8
Gujarat	2	2
West Bangal	1	1
Odisha	1	1
<b>Total</b>	<b>93</b>	<b>102</b>

# Differentiated business model

## Direct marketing and customer contact

- ◆ Reaching out to customer through direct & localized advertising, loan camps & word of mouth referrals
- ◆ Branch offices serve as a single point of contact for customers
- ◆ Loan origination system with real time transmission & review of loan applications
- ◆ Centralized credit appraisal team
- ◆ Greater transparency, reduced incidence of fraud and speedy operations

## Low cost operations

- ◆ Lean branch model with 3-4 employees per branch with local knowledge
- ◆ Lower rentals in tier 2/3 and peripheries of tier 1
- ◆ Low administrative costs due to centralized credit approval mechanism
- ◆ Direct business sourcing, no commission expenses

## Robust risk management systems and processes

- ◆ Risk management systems at every step of loan process: personal interview, property site & business premises visit, valuation and legal opinion from independent experts, linking interest rates to credit score, etc.
- ◆ Same person involved in origination, appraisal, monitoring and recovery
- ◆ Conservative lending metrics: LTV 65% and IRR 50%
- ◆ Total loans written off since inception: 0.08% of total cumulative disbursements

**RHFL has developed a low cost operating model and a robust asset quality control mechanism translating into strong growth**

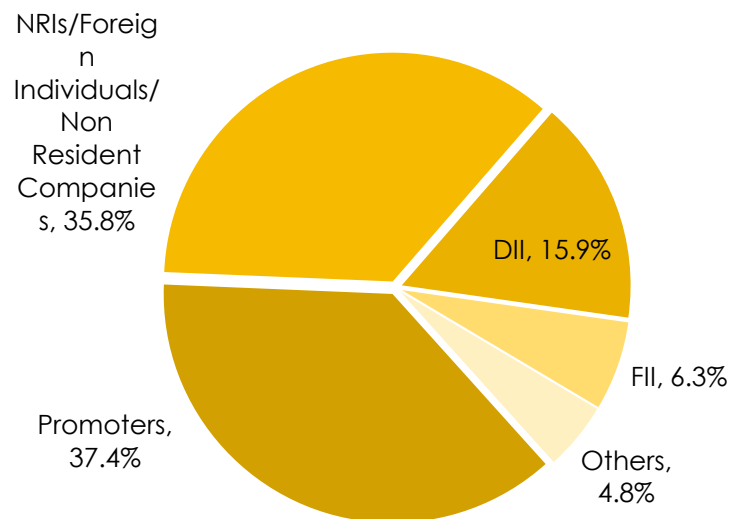
# Annexure

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# Shareholding pattern

**As on Sept 30, 2013**  
**Outstanding shares – 62.16 million**



## Major Non-Promoter Shareholders % shareholding

Carlyle (First Carlyle Growth VI)	17.74
WCP Holdings III	9.96
Creador I, LLC	7.46
SBI Emerging Business Fund	3.65
Nomura India Investment Fund	2.00
Bengal Finance & Investment	1.29
Reliance Capital	1.22
Citigroup Global Markets	1.09

# H1 and Q2 FY' 14 Results

P&L (Rs million)	Q2FY14	Q2FY13	Q1FY14	YoY	QoQ	H1FY14	H1FY13	YoY
Interest Income	1,244	951	1,143	31%	9%	2,387	1,825	31%
Interest Expenses	771	648	719	19%	7%	1,490	1,254	19%
<b>Net Interest Income</b>	<b>473</b>	<b>303</b>	<b>424</b>	<b>56%</b>	<b>11%</b>	<b>898</b>	<b>571</b>	<b>57%</b>
Non-interest Income	56	41	49	35%	14%	104	63	65%
Operating Expenses	79	51	78	57%	2%	157	98	61%
Provision for Contingencies	13	10	7	34%	82%	21	11	85%
Provision for NPAs	37	(12)	91	NA	-59%	127	48	165%
Bad Debt Written Off	3	-	-	-	-	3	-	-
<b>PBT</b>	<b>397</b>	<b>296</b>	<b>298</b>	<b>34%</b>	<b>33%</b>	<b>694</b>	<b>478</b>	<b>45%</b>
Tax Expense	105	82	75	28%	41%	180	121	48%
<b>PAT</b>	<b>292</b>	<b>214</b>	<b>223</b>	<b>36%</b>	<b>31%</b>	<b>515</b>	<b>356</b>	<b>45%</b>

Loan (Rs million)	Q2FY14	Q2FY13	Q1FY14	YoY	QoQ	H1FY14	H1FY13	YoY
Sanctions	4,862	3,780	3,575	29%	36%	8,437	5,669	49%
Disbursements	4,259	3,107	3,338	37%	27%	7,597	4,950	53%
Loan Book	40,356	30,978	37,467	30%	NA	40,356	30,978	30%

# Balance sheet

(Rs million)	Sept'13	Sept'12	YoY
<b>EQUITY AND LIABILITIES:</b>			
Share Capital	622	464	34%
Reserves and Surplus	6,238	2,924	113%
<b>Networth</b>	<b>6,860</b>	<b>3,389</b>	<b>102%</b>
Long-term borrowings	24,206	19,684	23%
Short-term borrowings	2,988	3,067	-3%
Other current liabilities	6,514	5,030	30%
Provisions	510	321	59%
<b>Total</b>	<b>41,077</b>	<b>31,491</b>	<b>30%</b>
<b>ASSETS:</b>			
Fixed assets	52	32	61%
Investments	81	81	0%
Deferred tax assets (net)	162	98	66%
Cash and Bank Balances	259	166	56%
<b>Housing loans</b>	<b>40,356</b>	<b>30,978</b>	<b>30%</b>
Other loans and advances	60	50	20%
Other current assets	108	86	25%
<b>Total</b>	<b>41,077</b>	<b>31,491</b>	<b>30%</b>

# Key ratios

For period ended	Sep'13	Sept'12	June'13	Mar'13
Yield	12.6%	12.4%	12.6%	12.3%
Cost of Debt	9.3%	9.6%	9.4%	9.6%
Spread	3.3%	2.8%	3.2%	2.8%
NIM	4.7%	3.9%	4.7%	4.0%
Cost to Income	15.7%	15.4%	16.4%	17.3%
Return on Assets	2.7%	2.4%	2.7%	2.5%
Return on Equity	20.6%	22.8%	18.8%	24.0%
Gross NPA	1.67%	2.12%	2.22%	1.48%
Net NPA	0.92%	1.59%	1.52%	0.99%
Provision Coverage	45.3%	25.3%	32.1%	33.7%
CAR	25.6%	15.9%	24.8%	25.5%
<b>Loan book break-up</b>				
- Non Salaried	54.0%	52.8%	53.4%	53.1%
- Salaried	46.0%	47.2%	46.6%	46.9%
- Individual Home Loans	83.7%	86.0%	84.7%	85.1%
- Loans against Property	16.3%	14.0%	15.3%	14.9%

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