



“Repco Home Finance Q4FY15 Conference Call”

May 21, 2015



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Moderator: Ladies and gentlemen, good day and welcome to the Repco Home Finance Q4FY2015 conference call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Agarwal. Thank you and over to you sir.

Praveen Agarwal: Good afternoon everybody and welcome to Repco Home Finance conference call to discuss the Q4 results. On this call, we have today with us Mr. Varadarajan – Managing Director; Mr. Raghu – Executive Director; Mr. Ashok – Chief General Manager, Credit; and Mr. Karunakaran – CFO. May I now request Mr. Varadarajan to take us through the financial highlights subsequent to which we will open the floor for Q&A. Over to you sir.

R Varadarajan: Good afternoon everyone and a very warm welcome to Repco Home Finance Limited earnings conference call for the quarter and year ended March 31st 2015. The financial year that just ended has been a satisfying one. We could achieve almost every target we have planned for the year. The loan book crossed Rs. 6,000 crores mark. We did carry out some diversification in sourcing of funds. We have been able to bring down the NPA levels also. The profitability figures were around expected lines. The loan book of the company grew by 29% year-on-year driven by strong growth in sanctions and disbursements during the last quarter of the financial year. We have been able to maintain the balance between our exposure to self-employed segment and the salaried class at 56.8% and 43.2% respectively. Similarly the share of housing loans in the loan book was 80.8% and the loan against property accounted for the remaining 19.2%. Pre DTL earnings were up by 25% during the year driven by net interest income growth of 24%. Asset quality improved significantly to 1.32% is something we are very proud of as this is the lowest NPA we have reported since we started doing the business. Provision coverage ratio improved year-on-year to 62.4% from 51.5% seen last year. I remember mentioning during Q4 FY2014 con-call that we would like to achieve the PCR of around 70% for FY2015 but as expressed during Q2FY2015 con-call, 70% looks difficult owing to the new DTL provisioning requirements but the NHB had come out with and non-cash ESOP charges..

We would like to reiterate that we have committed to improving the coverage to 100% and mention that achievement of 62.4% in FY2015 is a step in that direction. As stated earlier the last quarter of FY2015 witnessed robust growth in sanctions and disbursements of 55% and 47% respectively. As a result, the quarter also witnessed a good growth in profit both in PBT and PAT. During the year, we earned a spread of 2.95% and NIM of 4.45% The consistent disinflationary trend in the economy and poor overall credit off-take. We believe will result in rate cuts by RBI during the current financial year. This would probably enable the company to target a spread of about 3% and a NIM of 4% going forward. The ROA stood at 2.3% and ROE at 16.1% mainly on account of provision for deferred taxes. Capital adequacy ratio CAR



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continues to be comfortable at 20.3%. During the year, we ventured into the state of Jharkhand by opening a branch at Ranchi. As planned, we had opened 15 branches during the year of which 10 were in the southern region and 5 were in non-southern region.

Our retail network as on March 31st 2015 comprised of 106 branches and 36 satellite centers spread across 11 states and the Union Territory of Puducherry.

The financial highlights for FY2015 are as follows:

total income from operations during the year stood at Rs. 693 crores up 29% from the last year.

Net interest income was Rs. 237.3 crores up 24%.

Pre DTL PAT stood at Rs. 137.3 crores up 25% year-on-year. Post DTL PAT was Rs. 123.1 crores up 12% from the previous year.

Sanctions grew at 32% to Rs. 2,398.9 crores. Disbursement grew by 27% to Rs. 2,181.2 crores.

Loan book crossed Rs. 6,000 crores mark as I indicated earlier, and increased to Rs. 6,013 crores, registering a growth of 29% year-on-year.

GNPA stood at 1.32% and NNPA at 0.5%.

We diversified our liability profile by tapping two cost effective sources of funds in CPs and NCDs in a falling interest rate scenario that we envisage, NCDs will likely to dominate incremental borrowing. Branch network crossed 100 marks and now our network comprises of 106 branches and 36 satellite centers.

Finally with our strong capital position and efficient and scalable operating model, we believe that we can continue to compete effectively in expanding the Repco brand. We would try to sustain our loan book growth and profitability with deeper penetration in the existing markets and wider geographic expansion in the newer markets. At this point, I like to thank all of you for joining the call. We will now take the questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Manish Agarwal from **PPT Wealth 7.20**. Please go ahead.

Manish Agarwal: I want to ask you about the deferred tax liability. In this year, you have charged deferred liability of 14 crores?

R Varadarajan: Your voice is not clear. There is some disturbance in the line.



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- Manish Agarwal:** Yes one second, now is it clear and sir the first question is firstly congratulations on great set of numbers and in the current year, you have charged Rs.14 crores worth about deferred tax to the P&L statement. So in the next year FY2016, what will be deferred tax, it will be the same?
- R Varadarajan:** See deferred tax liability is a function of the profit which you are going to earn. 20% of the profit which you are going to earn can be set aside as a special reserve under section 36(1)(VIII) of the Income Tax Act. Right now I do not think I will be in a position to give you a clear picture of what is going to be the profit and then 20% allocations on that, we have to make the DTL provision. So if you assume similar profit levels, probably the GTL also would be somewhere around the same level in the next year also but it is not the correct way of looking at it as of now.
- Manish Agarwal:** Fine sir. Sir in the last 2-3 years in relatively tough macroeconomic environment we were able to grow 25%-30% in loan book. So going forward, what do you think are the key macroeconomic policies and variables that will make the growth look into 32%-35% kind of range?
- R Varadarajan:** I think we are right now not looking at a growth rate of 30-35 or something like that. I do think I will be in a position to talk on that immediately but we will like to sustain our growth at the rate of about 25 plus and given the current macroeconomic situation that looks really good for us to maintain a growth rate of 25 plus in the medium term and when I am talking about medium term, I am talking about the next couple of years.
- Manish Agarwal:** Given the current capital adequacy ratio, till how many years do you think can sustain the growth without raising any additional capital?
- R Varadarajan:** I think we can easily take the business with the present capital adequacy ratio over the next 2-3 years at this rate.
- Manish Agarwal:** Last question and that is related to the competition and off late we have been observing many NBFCs have been incorporating subsidiaries to the high growth mortgage business and that too in the range of 10-16 lakhs which is our target range. So are we experiencing any competition because of these?
- R Varadarajan:** As of now we have not faced any pressure on the business. Yes, we are aware that there are more institutions coming into the market and I think given the business opportunity that is there in the sector and probably this is the only sector which has shown some growth in the previous year when the all other sectors have not seen any significant growth. More banks and NBFCs are coming into the field but the volume of fund that is required is so large, I think everyone will have their share.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.



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Kunal Shah: Sir the question is on cost-to-income and so overall the cost-to-income has been higher in FY2015, it is somewhere around 21 odd percent. So where do we target it and if you can explain maybe any extra-ordinaries in the employee expenses? So is that expected to continue in terms of say ESOPs even in FY2016 or it was there only for this particular fiscal?

R Varadarajan: As far as the cost to income is concerned, probably we expect that to remain in the same level in the coming year also because the ESOP is spread over a period of 3 tranches or 3 years, I will put it in that way. So this ESOP provisioning has to be made in the coming year also and secondly when the company is in the growth path, I think it is natural to expect the cost to go up till such time all the branches become breakeven centers or become profit centers. Then the cost could come down after that because the economies of scale have to operate at that point of time only. So probably we hope to maintain the cost levels somewhere around 20%-21%, we would like to probably maintain at that level.

Kunal Shah: So maybe the overall OPEX structure would also be like almost similar in terms of OPEX to us since if I have to look at it, then OPEX will also continue to grow in line with steady loan growth of 25% plus?

R Varadarajan: I think it will be proportionate to the loan book growth

Kunal Shah: Sir in terms of say the proportion between the self-employed and salaried, so that is consistently inching up and we are almost at 57 odd percent in terms of self-employed. So is there any cap, maybe beyond a particular level okay we may not want to have say the proportion of self-employed to salaried, the way we have it in case of like LAP wherein we are looking at it, it is crossing not more than 20 odd percent. So similar thing is that is for self-employed as well?

R Varadarajan: We have not fixed a cap as such for the exposure to the self-employed segment but if you have been tracking our business right from day #1, we are targeting around 50% on self-employed and 50% salaried with plus or minus 5%, there could be some marginal increase or decrease in that. I think going forward ,the ratio probably will be somewhere in the same region as what we have shown in FY2015.I will also like to say that since our experience has been good I think even if there is a marginal increase in our exposure to the self-employed segment that should not cause us any worry on the asset quality.

Kunal Shah: Okay and sir any concentration in terms of say the NPL profile across branches or say regions so maybe like say top, so when we look at say a few branches, okay top 5 odd branches or so how much is the contribution to the NPL, is there any chunkiness or how is that?

R Varadarajan: As far as the NPA position is concerned, it is spread across the country but there could be some branches in different regions which could account for a major share of it. As far as the branches are concerned we have identified 15 or 16 branches where we would like to concentrate on recovery.



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- Moderator:** Thank you. The next question is from the line of Hardik Shah from Birla Sun Life Insurance. Please go ahead.
- Hardik Shah:** Could you help me with the average ticket size in LTV for FY2015?
- R Varadarajan:** The LTV has not changed but the average ticket sizes have slightly gone up in the sense that the average ticket size for the company as a whole on the book is around 12 lakhs now. Incrementally if you see the average size has been about 17 lakhs for the March quarter, say around Rs. 17.4 lakhs.
- Hardik Shah:** You would continue to operate it around 15-17 lakhs?
- R Varadarajan:** Yes, we are in that group. Yes, we actually are in the segment between 5-20 lakhs.
- Hardik Shah:** Okay and sir you are opening newer branches in the non-south region, so from growth perspective, how much growth are you expecting from the non-south region?
- R Varadarajan:** We are expecting growth to come in from Maharashtra and Gujarat.
- Hardik Shah:** Okay, so that will be higher than the average over there?
- R Varadarajan:** Not immediately but since we have been in Maharashtra for quite some time now, , yes, it is growing at the company's rate. Gujarat is slowly picking up to come up to the company's average growth level.
- Hardik Shah:** Sir one final question, is there any correlation between your asset quality and say the rainfall as such, as such if there is a poor rainfall, does it actually result into higher NPAs?
- R Varadarajan:** No, we have not seen that..
- Hardik Shah:** Yes because in some other NBFCs also there has been, who are operating in the smaller ticket sales, this was observed.
- R Varadarajan:** We do not have exposure directly to the agriculturists or the farmers. So that is why we haven't faced the pressure like as you said some of the other NBFCs who have a large exposure to this segment.
- Hardik Shah:** So the self-employed are a lot in those categories?
- R Varadarajan:** Yes.
- Moderator:** Thank you. The next question is from the line of Hardik Doshi from First Voyager. Please go ahead.



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Hardik Doshi: My first one was on the borrowing mix, I noticed we started with the CP and CD borrowing and that is about 3% of our total borrowings. In the next 2-3 years, where do you want to take this to?

R Varadarajan: Well as per the approval given by our shareholders in the last AGM, we can borrow Rs.500 crores through the non-convertible debentures and Rs.200 crores through the commercial paper route. So if we are going to borrow about Rs.1,500 crores in a year approximately roughly about Rs.500-600 crores will come through these instruments. It depends on the market condition at that time. If the rates are conducive, we would like to further diversify to the segment.

Hardik Doshi: Sir if the rates are conducive up to 30% of borrowings can come from incremental borrowings and come from NCDs and CPs.

R Varadarajan: It could be about 25%-30%.

Hardik Doshi: Got it and second I want to ask you about your ESOPs? Can you just talk a bit more about your ESOPs scheme? What is the quantum over the last year and the next 2 years and who are these ESOPs given to in terms of the different status of employees?

R Varadarajan: Actually 1.4% of the entire equity is allotted for ESOP which will be given over a period of 3 years. This is the second year now. It will be in the ratio of 30:30:40. First tranche 30%, second tranche 30% and the third tranche 40%. Consciously we took a decision to give the ESOP at a price of Rs. 75 per share. The difference between the market price on the day of opting for the shares under the ESOP and this concession price on which it is being given has to be booked as an employee cost. It is a non-cash expense. It is not a real cost to the company but as per the SEBI guidelines we have to do that.

Hardik Doshi: So you have given this FY2014, FY2015, and FY2016 is that correct?

R Varadarajan: Yes you are correct and it is given to all the employees right from top to bottom, right from MD to the sub-staff.

Hardik Doshi: If you have to give a proportion, I mean what proportion goes to top management, what proportion to middle and low and then the basic employees?

R Varadarajan: 70% to the top management, 30% to the other staff down below.

Moderator: Next question is from the line of Bobby Jayaram from Frunze Investments. Please go ahead.

Bobby Jayaram: Sir you have been showing very strong growth this quarter and overall throughout the year. You showed very strong growth this quarter in terms of disbursement of loans and overall throughout the year, what we have been hearing about the hinterland in India is that things are



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slowing down and many of your borrowers also having a slower growth in income. So what has been driving your growth? Is that because we have been expanding into new regions apart from your original area? Now what is driving this growth and overall the hinterland growth is quite low, could you elaborate on that please?

R Varadarajan: The last quarter will always see a very strong growth in almost all the companies. It is when they take stock of what has happened during the first 3 quarters and the remaining gap vis-à-vis the target is achieved during the last quarter. But in our case, we have been trying to maintain a very strong growth uniformly across the various quarters. Last year there was one-off situation in the sense that in the third quarter where disbursements were slightly lower when compared to the previous quarters as a result we had a lot of undisbursed sanctioned amount that also was given during the last quarter. This also accounted for increase in the disbursement figure over the last quarter of the year.

Bobby Jayaram: Where is the growth coming from the south or from the new regions you have been expanding into?

R Varadarajan: See the growth has come mainly from Tamil Nadu, Maharashtra, Gujarat, and these are the regions which contributed to the growth.

Bobby Jayaram: There has been some of your peers have said that there isn't enough affordable housing to go around and that is causing a lack of demand and would you agree with that?

R Varadarajan: See the lack of demand is there in the major Metros. In our case, two-thirds of the business still comes from the Tier-II and Tier-III towns where the housing prices have neither gone up significantly nor they have fallen significantly. They have been more or less stable in the Tier-II and Tier-III cities and people in this region already own their land and they do the construction of their house. So as a result we have not seen any recession in the demand in our product so far.

Moderator: Thank you. The next question is from the line of Manish Ostwal from the Nirmal Bang Securities. Please go ahead.

Manish Ostwal: Sir my question on the loan book, have you sold any loan during this year?

R Varadarajan: No.

Manish Ostwal: In that case implied repayment rate is at 17% which is relatively higher compared to other peers. So could you explain why it is high in our case?

R Varadarajan: I think it is the normal repayment as per the EMI plus some prepayments will be there which is around 6%-8%.



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- Manish Ostwal:** So what is the steady state repayment rate for our portfolio?
- R Varadarajan:** 1 upon 15. Fifteen years loan we give for the housing loan and 10 years loan for the LAP. So it is 120 months for the LAP and 180 months for the housing loan. So the EMI is calculated based on that. That is the normal repayment.
- Manish Ostwal:** Secondly for next year, what is your loan book guidance and secondly on provisioning front, NPA recognition, what is our policy in terms of DPD recognition?
- R Varadarajan:** We cannot say it is a guidance. We believe that we will be able to grow in the same rate of (+25%) in the loan book. But as far as the provision coverage is considered as we have been telling in the previous con-calls also, our intent is to take it up to 100%. So from the present level to probably we may be able to take it around to 75%. **Manish Ostwal:** Okay and lastly small data point versus standard asset provisioning is on date on 31st March, 2015?
- R Varadarajan:** You want the percentage or the quantum?
- Manish Ostwal:** Percentage, we will do sir.
- R Varadarajan:** 0.4% for the housing loans and 1% for the non-housing loans i.e commercial loans.
- Manish Ostwal:** So this is requirement against that what we have made. We have made similar...
- R Varadarajan:** We have met the requirement only. We have not made any excess provision for the standard assets. Only we made excess provision for the substandard and th doubtful assets.
- Moderator:** Thank you. The next question is from the line of Nishant Chawathe from Kotak Securities. Please go ahead.
- Nishchint:** This is Nishchint here. Just wanted to know what would be the absolute quantum of gross and net NPL?
- R Varadarajan:** Gross NPA is Rs.79 crores and net NPA is 29.78 crores.
- Nishchint:** Okay and the incremental ticket size in LAP and HL, if you could give that?
- R Varadarajan:** The incremental size in housing loan is around 16 lakhs. In home equity, it is Rs. 24 lakhs for the quarter ending March 15th.
- Nishchint:** Sorry you said 24?
- R Varadarajan:** 24 lakhs and 16 lakhs. For housing only 16 lakh, LAP it is 24 lakhs which is for the quarter ending March 15th.



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- Nishchint:** Sure and the yields that you would have in each of the segments?
- R Varadarajan:** Housing loan, the yield has being around 12% and LAP is around 15.8%.
- Nishchint:** This is the outstanding one I believe or the incremental one? I just wanted to check is this the incremental one or the outstanding one?
- R Varadarajan:** Sir it is on the outstanding book.
- Nishchint:** And incremental would be very different or?
- R Varadarajan:** I think it should remain the same.
- Moderator:** Thank you. The next question is from the line of Digant Haria from Antique Stock Broking Limited. Please go ahead.
- Digant Haria:** Sir does the rating agency think the same so my question is can we think of a rating upgrade now because we have also diversified our liability profile that maybe in FY2016, we could see some more diversification. So is rating upgrade a possibility in the next year?
- R Varadarajan:** We hope so. We hope to get a better rating this year. I think will start the discussions with the rating agencies for a fresh rating now and since one of the requirement was on the diversification on the liability side which we have now done, we believe that we are eligible to get a higher rating.
- Digant Haria:** Sir at what rate did we do the CPs and NCDs for the last quarter and then how better can you get once there is a rating upgrade?
- R Varadarajan:** Digant the NCD was at 9.55%. The most recent issue of CP was at 8.25%.
- Digant Haria:** The CP?
- R Varadarajan:** Most recent one which is last week of April.
- Digant Haria:** Just wanted to check for the state of Kerala, I believe that the state of Kerala had NPAs which are higher than our company average. So has that state seen any kind of stabilization because I think after net oil price fall and related things that state was under some kind of a problem?
- R Varadarajan:** Yes, I think for the state-wise figures there, we have not expanded very aggressively in the business but the NPAs have come down in Kerala. I can only say in the last year, it was high at 5.8% and it is brought down to 3.2 in the current year. It is coming down.



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Digant Haria: That is a big improvement actually and in this LAP segment, do you see competition especially in say town, in the Tier-I areas, are you seeing a lot more competition in the last one year versus the last 3-4 years?

R Varadarajan: Yes competition is there. We cannot deny, the competition is not there. In the last year so many people entered this segment but then many of them are looking at a higher ticket size whereas in our case, we are still at an average ticket size, of about 24 lakhs incrementally. Now the segments to which we have been dealing with I think we are comfortable with that segment.

Moderator: Thank you. The next question is from the line of Viresh Mehta from Lighthouse Canton. Please go ahead.

Viresh Mehta: Sir just wanted to get a sense and perspective on how do you see spreads going forward. If you were to go back into history over the last 3 years, we have been able to maintain yields on loans at around 12.5 and the cost of funds have been around 89.9 if I am not mistaken resulting in a spread of about 3 but when we look at the incremental numbers, I think LAP which historically has been closer to 15.8-16 that indicated that number has come down to 15. So would we continue to have the similar confidence in terms of ability to increase prices or maintain yields on one side and if you could share your thoughts in terms of the cost of funds as to how would that trend into this year?

R Varadarajan: Today the lending rates are more or less decided by the market and to the strategy to maintain this spread would be to reduce the cost of funds. In the inaugural remark hawse had said that we are trying to diversify into different sources of funding and we believe and we hope that we will be in a position to maintain the spreads at the current level. It is going to be a function of both the interest rates on your lending as well as your cost of funds **Viresh Mehta:**

Right and sir we have taken an approval or we become eligible for ECD Issuances effective 1st April. So is there any further procedural requirement or we can look to hit the markets assuming the conditions are right?

R Varadarajan: whatever is the procedural requirement applicable to the other HFCs we have done. But the fact remains is that on a fully hedged basis, what is going to be the cost of raising ECDs? We need to work on that and we will probably enter it at the appropriate time where the cost of funds is going to be lower for us than our average cost of funding.

Moderator: Thank you. The next question is from the line of Hardik Shah from Birla Sun Life Insurance. Please go ahead.

Hardik Shah: Yes, so what would be the breakup of your NPAs between the housing loans and the LAP?

R Varadarajan: See my housing loan NPA was around 1.22%, the LAP was at 1.71%. There is 50 basis points difference on the LAP.



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- Hardik Shah:** So this trend has always been there right?
- R Varadarajan:** Always been there.
- Hardik Shah:** Having higher the NPAs?
- R Varadarajan:** Yes.
- Hardik Shah:** And sir secondly what have been the recoveries during the year?
- R Varadarajan:** Recoveries, I did not get your question, could you be a bit more specific?
- Hardik Shah:** Yes sir, what is the amount of recovery that you have done in the FY2015?
- R Varadarajan:** From the non-performing loans?
- Hardik Shah:** Yes sir.
- R Varadarajan:** Actually I will get back to you with the figure. I do not think I have it right now here.
- Hardik Shah:** Sir just one final thing. Generally how much time say if there is a NPA and then you would be taking charge of the asset house right and you would be putting it for sale. So generally what is the time it takes for getting the entire thing done?
- (35:59)Management:** Ranges from 6 months to 12 months in some cases, only in hard cases, it may extend beyond 12 months.
- Hardik Shah:** So within a year you are able to recover?
- Management:** Yes most of the cases, they will come pay the money the moment we issue the demand notice or possession notice. **Hardik Shah:** The recovery record has been you can say more than 50% for these assets.
- Management:** 50%, yes.
- Moderator:** Thank you. The next question is from the line of Sunny Saxena from HBJ Capital. Please go ahead.
- Sunny Saxena:** If you want to classify your loans outstanding into the rural exposure and urban exposure, what would be the ratio be?
- R Varadarajan:** Two-thirds are in the rural and about one-third are in the urban area. **ny Saxena:** So rural market apparently you are experiencing slowdown. So are we experiencing the slowdown for our demand in rural or NPA rising in rural, anything like that?



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- R Varadarajan:** No as of now, we are not facing any pressure on the rural market as far as the demand is concerned. That has been growing in the same level in the Tier-II and Tier-III markets also.
- Sunny Saxena:** Sir we have been consistently maintained that we will be able to grow 20%-25%. So what would be the biggest risk for this growth rate you are assuming?
- R Varadarajan:** I did not get your question.
- Sunny Saxena:** Like we were consistently maintaining that we can be able to grow a 20%-25%. So what will be the biggest risk or threat to deter this kind of growth?
- R Varadarajan:** I think the risk which are common for every institution is about the economic factors and if the fall in the cost of funding does not take place, then how do I maintain my business or with the increased interest rates, how do we do the business? So these are generally the risks which the HFCs face.
- Sunny Saxena:** Fine sir and lastly sir for the first time we have raised funds through NCDs and CPs. So what is the kind of demand we have seen for our CPs and NCDs?
- R Varadarajan:** I think there are a lot of people who have shown interest and investing in the NCDs and CPs of the company. I think the appetite is there in the market.
- Sunny Saxena:** So for raising resources through NCDs and ECBs, do you have any internal target like this should be kind of proportion?
- R Varadarajan:** I think I explained this in one of the previous question. We have an approval to go for Rs.500 crores through the NCD route and about Rs. 200 crores through the CP route. In that level we will play. We will raise resources from these instruments.
- Moderator:** Thank you. The next question is from the line of Sangam Iyer form Subhkam Ventures. Please go ahead.
- Sangam Iyer:** Sir couple of questions. Just to understand again in the 25%-30% growth guidance that we are giving or aspiring how much of that is predominantly going to be driven by volume because we have a track record of 18%-20% volume growth that we have seen so far. So given the economic conditions, do you see this 25% all pure volume growth or is it some kind of inflation led pricing also build in this?
- R Varadarajan:** Mostly it will be driven by the volume.
- Sangam Iyer:** Okay and sir secondly with the potential rating upgrade possible and the change in your borrowing profile to almost 25%-30% coming in from CP/CD, the incremental borrowing would we be passing on the benefits immediately or in the past in our various discussions we



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have maintained that we have not passed on various rate hikes to the customers. So given that matter do we see passing on the benefits of cost of funds on to the customer on immediate basis when we are anyway getting a 25% volume growth in the business?

R Varadarajan: We will take call going forward depending on the various parameters as to when and how it has to be or how much is to be passed on to the borrower and take something to more or less do with the macroeconomic factors that will determine this and ALCO will take a call on this as to how much can we pass down. Further, as we have been maintaining that, we will like to maintain the spread of 3%. So I think as long as we are able to achieve that I think whatever is remaining, the residual should be passed down to the borrower.

Sangam Iyer: Got it and sir just tentatively this, have you already applied for revisit on the rating profile?

R Varadarajan: Not yet. I think the results are just announced. I think we will start doing this now.

Sangam Iyer: Typically this takes what, around 6 months' time?

R Varadarajan: It depends on of course the rating agency, it could take anywhere between 3 to 6 months.

Moderator: Thank you. The next question is from the line of Mihir Ajmera from Enam Holdings. Please go ahead.

Mihir Ajmera: Sir I just had a question on the LAP exposure, will it be capped at 20% or do we intend to increase it?

R Varadarajan: I think as of now it will remain at 20%. Depending on the business strategy we will take a call on that.

Mihir Ajmera: Okay and any guidance on the funding mix? Where do we see the bank funding and the NHB funding moving from these levels?

R Varadarajan: I think as far as the funding is concerned, NHB probably will remain around the 20%-25% level. Remaining will be putting in the banks and the CPs and CDs.

Mihir Ajmera: Alright and can you give some flavor on the NPAs as in which regions are the one where we are getting NPAs right? I believe earlier it was AP and Telangana, could you give some update on what is the progress in these regions?

R Varadarajan: See in Tamil Nadu, the NPA level has been around 1.1%, Karnataka is 1.2. Telangana is high at 4.5, Kerala is around 3.2. In Odhissa we have a very small book but then we have a 3% GNPA's that is why we are not expanding much in Orissa as of now. So this is how the NPAs are being positioned over the state regions.



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- Mihir Ajmera:** Just finally any feedback on like you had mentioned in the last call there is some slowdown in different region so like what is the situation currently? Are we seeing slowdown in specific geographies if you could just give some color on that?
- R Varadarajan:** As of now I think if you ask me about slowdown, it is being only in Andhra and Telangana. Andhra, it is slowly picking up the market. Telangana, the market, the investments are yet to pick up. So other than that I think all the other regions we have been able to sustain our growth which you have seen in the previous year.
- Moderator:** Thank you. The next question is from the line of Viresh Mehta from Lighthouse Canton. Please go ahead.
- Viresh Mehta:** Sir I just wanted to check are we still continuing to go ahead with the strategy of looking to add up 15 more branches and two-third in southern region and one-third outside or is there any change in that and if you have evaluated any other state into this year for opening up branches?
- R Varadarajan:** Strategy will continue to open about 15 branches and whether two-thirds are going to be in the southern region and one-third in the non-southern region that could probably undergo a change and typically what we are looking at is to open 15 branches and to consolidate our position in the existing geographies now. We are opening more branches in those states.
- Viresh Mehta:** Right, sir one more question. If you would look at the Tamil Nadu markets which is a significant market for us, we really not necessarily been hearing any significant positive news or probably more news related to slowdown or slowdown in activity but when we look at the incremental revenues or loan book that has been created from Tamil Nadu or that is probably a 60 or 65 odd percent on an incremental basis, so I just wanted to check if we are targeting something which is different related to the normal markets which has enabled us to grow so significantly more specifically in Tamil Nadu?
- R Varadarajan:** I guess won't be any major shift in the strategy as far as Tamil Nadu is concerned, We will follow what we have been following in the past.
- Viresh Mehta:** Because we have been hearing that actually the approvals from the local regulatory bodies are not being coming through and hence the activity levels have been slow when we look at the growth or the loan book growth that we have seen, for us then there is a significant vis-à-vis jump as in 65 or 70 odd percent of the incremental loan book. I was just wondering if there is a disconnect or something like that that we have been doing differently?
- R Varadarajan:** No, as we have been telling our target customers are in the loan size of 5 lakhs to 20 lakhs and there is no problem in getting quick approval in those categories. What I was mentioning was there were more delays in getting approvals or sanctions on big projects, on big ticket size and they are not our target customers and we are not into project funding also.



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Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to the management for closing comments.

R Varadarajan: Thank you for all the callers and I once again thank every one of you and here we believe and we hope we will have another good year for the FY2016 also and thank you for the participation.

Moderator: Ladies and gentleman, on behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.