



## “Repco Home Finance Q1 FY-16 Earnings Conference Call”

**August 10, 2015**



**MANAGEMENT:** **MR. R VARADARAJAN – MANAGING DIRECTOR, REPCO HOME FINANCE LIMITED**  
**MR. RAGHU – EXECUTIVE DIRECTOR, REPCO HOME FINANCE LIMITED**  
**MR. ASHOK – CHIEF GENERAL MANAGER - CREDIT, REPCO HOME FINANCE LIMITED**  
**MR. KARUNAKARAN – CFO, REPCO HOME FINANCE LIMITED**

**MODERATOR:** **MR. ABHINESH VIJAYARAJ – ASST. VICE PRESIDENT - EQUITY RESEARCH, SPARK CAPITAL ADVISORS (I) PRIVATE LIMITED**



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**Moderator:** Ladies and Gentlemen good day and welcome to Repco Home Finance Q1 FY-16 Earnings Conference Call hosted by Spark Capital Advisors India Private Limited. As a reminder all participants line 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 \* then 0 on your touch tone phone. Please note that this conference is being recorded. I know hand the conference over to Mr. Abhinesh Vijayaraj from Spark Capital. Thank you and over to you Sir.

**Abhinesh Vijayaraj:** Good Afternoon everyone on behalf of Spark Capital I welcome you to the 1Q FY-16 Earnings Call of Repco Home Finance. We have with us today the top management team of Repco represented by the Managing Director – Mr. R. Varadarajan, Executive Director – Mr. Raghu, Chief General Manager Credit – Mr. Ashok, and CFO – Mr. Karunakaran. Mr. Varadarajan will now take us to through the highlights of the quarter gone by after which we will open the floor for questions. Over to you Sir.

**R. Varadarajan:** Thank you. Good Afternoon everyone and very warm welcome to Repco Home Finance Earnings Conference Call for quarter ended June 30<sup>th</sup> 2015. The reporting period that just ended was a satisfying one. The loan book grew at a very healthy rate. We carried out further diversifications in sourcing of our funds making an even stronger case for a rating upgrade. We have been able to bring down the NPA level from the level seen in the previous year in sync with the historic trend. The profitability figures and ratios were around the expected line, the loan book of the company grew by 30% year on year driven by strong growth in sanctions and disbursements of 38% and 40% respectively during the quarter, the balance between our exposures to self-employed segment under salaried class that is maintained at 57.1% and 42.9% respectively. Similarly the share of housing loans in the loan book was 81% and last accounted for the remaining 19%. Later we continue to over around with 11. Net profit was up by 32% during the year driven by net interest income growth of 25%. GNPA stood at 2.2% in sync with seasonal trends we have been observing over the years. Provision coverage ratio improved year on year from 36.4% to 42.4%. During the quarter we earned a spread of 2.85% under NIM of 4.3%. Reduction in base rates by our bankers, our successful efforts to diversify our liability by tapping into low cost alternatives in NCDs and CPs have resulted in slight reduction in the overall borrowing costs. Realize yields that lower account of higher NPAs which is resulted in company maintaining a spread of 2.85%. A dis inflationary trends in the economy and a poor overall credit offtake, low crude prices and a decent monsoon we believe may result in rate cuts by RBI during the current financial year.

This would enable the company to continue to target a spread of around 3% and a NIM of 4% going forward. The ROA stood at 2.3% and ROE at 16.4%. Cost to income stood at 21.1%, excluding ESOP charges the same was at 18.1%. As and when the branches we open in the last 18 months start contributing to the top line and at least scale our business, the ratio should decline.



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Capital Adequacy ratio (CAR) continues to be comfortable at around 20%, during the quarter we opened two new branches in Maharashtra and a satellite center each in Gujarat and Karnataka.

Our retail network as of June 30 2015 comprised of 108 branches and 38 satellite centers, spread across 11 states under the Union Territory of Puducherry. The financial highlights for the quarter are income from operations during the year stood at Rs. 200.1 crores up 28% from last year. Net interest income was Rs. 66.4 crores up 25%. PAT, Profit After tax was Rs 30.2 crores up 22% from the previous year, Cost to income ratios stood at 21.1% excluding ESOP the same was 18.1%. Sanctions grew 38% to Rs. 661.7 crores. Disbursements grew by 40% to Rs. 580.1 crores, loan book increased to Rs. 6344.2 crores registering a growth of 30% year on year. DNPA stood at 2.2 and NNPA at 1.3 resulting in a PCR of 42.4.

Housing finance being one of the very few sector that has grown consistently over the past few years has attracted a lot of attention off late. A number of new institutions is entering the industry or has expressed interest in entering the industry. However with our niche focus 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 strive to sustain our loan book growth and profitability with a deeper penetration in the existing market and wider the geographic expansion to the new market. At this point I would 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. Our first question is from the line of Hardik Doshi from First Voyager. Please go ahead.

**Hardik Doshi:** My first question is related to the disbursement growth that we saw about 40% year on year there is a lot of concern recently on the overall real estate demand and even if you look at your peers. I am not just talking about the big guys but even the regional home finance companies they have seen a bit of a slowdown really in like you know single digits may teen in terms of disbursement growth. Can you explain how do we see such high growth and which areas and is it lumpiness in this?

**R. Varadarajan:** See this there has been a slowdown probably in the demand probably metros and the tier one areas. For a company like ours where we have more exposure the tier 2, tier3 areas, we did not witness any reduction in the demand for housing finance in these areas. That is the reason why we have able to maintain or sustain that growth rate of 30% in our loan book and we have seen this growth across various geographies where we are in existence as on date. I think probably the concern has been because of the slowdown or the reduction in the number of transactions in the metro areas.

**Hardik Doshi:** I think in 3Q we had seen a slowdown in disbursement and that time we had attributed that to some lumpiness, then we saw some strong growth in Q4. So any kind of lumpiness like that is happening this quarter as well or can we really sustain this kind of disbursement growth through the year?



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**R. Varadarajan:** No we have not seen any lumpiness in this quarter and I think we are confident that we should be in a position probably to sustain these levels.

**Hardik Doshi:** And related to that by our loan book growth grew by about 30% I noticed NII is doing at 25% is a little slower than our loan book growth. As we were diversifying into new areas of borrowing and wholesale borrowing cost is coming down and possibly maybe even getting the ratings upgrade. Can we expect this NIM to move higher?

**R. Varadarajan:** See again NII is a factor of couple of things; one is general direction interest rate itself is one of the reasons and the second is that we say that during the quarter we have seasonal trends in the NPA. As a result income recognition what we are reporting the NII is based on the realized yield. So when the NPAs are higher in the first quarter to that extent the interest earned is not recognized. So, both these factors are contributed as lowering in the net interest income growth when you see the top line growth of 30% in the loan book and the other factor is that we have just started diversifying into other sources probably the effect of this will be seen in the coming quarters.

**Atif Doshi** So it will be reasonable to expect NIMs to move kind of higher going forward as you diversify?

**R. Varadarajan:** I do not think any point in giving any guidance there but probably we will try to sustain the growth in the NII.

**Atif Doshi** I mean last question is, even in the past you said that while the market opportunities we kind of control our growth to 25-30% per year to make sure that we have under writing processes in place. Now if you are looking at 40% kind of growth; are we structurally better positioned to kind of accelerate in terms of growth and yet not compromise under writing, what are the changes that we have made via faster growth rate?

**R. Varadarajan:** I do not think we will be compromising anything on the under writing standard or something like that; we will never do that, we will try to grow; our policy we have been reiterating is that we will say we will grow with good quality assets.

**Atif Doshi** Sir I understand because we are now talking about a higher growth rate than what we talked about in the past, at least in terms of disbursement growth, so what are the changes that we made and makes us comfortable that we can remain at a higher growth rate and not compromise on underwriting?

**R. Varadarajan:** I think let me clarify to you, I think we said we will be sustaining the growth rate between 25-30%, I do not think it is 40%, we are not looking at any 40% growth, I think we feel confident that we will be in a position to sustain it between 25-30%. This growth rate we will be maintaining, we will try to maintain.

**Moderator:** Our next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.



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- Digant Haria:** Just wanted to know the incremental ticket size for the quarter in retail loan as well as lap loans?
- R. Varadarajan:** Yes, the home loan; the incremental size for the year is Rs. 15.8 lacs, Home equity; it was Rs. 18.4 lacs.
- Digant Haria:** Just wanted to check that is this, ticket size as we go above Rs. 15 lac, which is the level which NHB has a cut off for a lot of these schemes, so are we seeing some pressure on yields because we are increasing our ticket size, or it is more of a function of where we are and where the opportunity is?
- R. Varadarajan:** I think Digant, this is the first time we have crossed that 15 lacs mark of the housing loan side on the incremental side, we would like to wait and see the effect of this on yield. Even otherwise the NHBs borrowings today even if it is Rs. 15 lacs, the type of condition they put as, again they brought down the margin to about 200 basis points, so I think HCC will take a call on that.
- Digant Haria:** Just wondering that we have been experimenting with this DST model; it is now over two years that the state of Maharashtra is having this DST model, so what are the results out of that, do we think that we will put more DSTs and we will slowly migrate from this loan-mela based sourcing model to a DST model which most of your competitors have and would it help us to source the smaller ticket size loans because I am seeing the incremental ticket size is going up quite sharply in the last 3 years?
- R. Varadarajan:** I think we will try to optimize the use of the DSTs, the DSAs and the home loan mela which we conduct or the loan camps which we conduct, I do not want to call this as a mela, I will clarify that I think the loan camps which we conduct; we try to optimize all these sources of resourcing proposals business.
- Digant Haria:** The experiment that we did in Maharashtra; are we happy with that DST model, so you think the all these 3 models will coexist in Repco, right?
- R. Varadarajan:** No, we are yet to make a very detailed study about that we are just on the job but right now, even now the major business is coming only through our loan camps, these DST has not yielded that much as we expected.
- Digant Haria:** And then lastly, if I may ask; the state level NPAs if you can give, you gave it last quarter specially the Telangana, Kerala, Orissa these 3 states?
- R. Varadarajan:** Telangana is still contributing your sizeable excess, are working around; 4.7% Telangana.
- Management:** I can give you state wise; Andhra Pradesh; GNPA is 2.7%, Telangana 4.7%, Gujarat 2.5%, Karnataka 2%, Kerala is the highest 5.3% and Maharashtra is the lowest 0.7%, Puducherry 3% and Tamil Nadu is also lower; 1.9%.



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- Moderator:** Our next question is from the line of Tanya Kotari. Please go ahead.
- Tanya Kotari:** Sir my question is with this growth which you have said that you would be sustaining 25-30% of growth rate in the loan book going ahead; can we assume it for the next two years or three years?
- R. Varadarajan:** I do not think I will be in a position to give you for the next couple of years or so, I think for the current year we are now targeting around 25-30% growth.
- Tanya Kotari:** And sir my second question is, what is the percentage of the fixed interest loan and floating interest loan out of the total loan outstanding?
- R. Varadarajan:** Loan book is on variable trade 100%.
- Tanya Kotari:** And sir the management has been reiterating the stance of 0 net NPA going ahead, whether it is going to happen in FY16 and 17 or, if later, can one see 0.25% net NPA this financial only?
- R. Varadarajan:** We will always try to take it to that level but I do not think I can guarantee that will happen in FY16 or FY17.
- Tanya Kotari:** But later we can assume 0.25% of net NPA?
- R. Varadarajan:** I do not think I can commit any figure on that right now; let us see we will work on that.
- Tanya Kotari:** And sir on the borrowing, we have hit this on NCDs and CPs; we have already taken Rs. 2000 crores, so in this loan are we seeing ECBs also going ahead?
- R. Varadarajan:** It is Rs. 200 crores which we have taken so far on NCDs and CPs, it is not 2000.
- Tanya Kotari:** Sir Rs. 1000 crores each I think, CP was Rs. 1000 crore?
- R. Varadarajan:** That is in millions.
- Tanya Kotari:** Okay sorry Rs. 100 crore each. So, are we seeing ECB route also sir?
- R. Varadarajan:** ECB we will try to evaluate, I think we need to take into account the cost of funding, the overall cost what is it going to be for the company, when we go through the ECB route because of; as the company 100% hedging, just wait and watch the situation.
- Tanya Kotari:** Then what is your guidance on cost of funds going ahead?
- R. Varadarajan:** Guidance; I think we will try to minimize it as much as possible by using all these sources of raising funds.
- Tanya Kotari:** Any range Sir particular, right now it is 9.6%?



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- R. Varadarajan:** I do not think I will be in a position to give you any guidance as of now, on that.
- Moderator:** Our next question is from the line of Lalitabh Shrivastawa from Dalal and Broacha. Please go ahead.
- Lalitabh Shrivastawa:** Sir just wanted to know; out of your segment, the salaried and non-salaried segment, what is the yield that you saw this quarter vis-à-vis last quarter, last year? And of your total book of loans that you have given out on home loans, will it be possible to share, what is the percentage of owned and built by the borrower versus flats kind of a system? Will that be possible sir?
- R. Varadarajan:** With regard to the yield; the salary section gave an yield of 11.76% for the first quarter, non-salaried 12.20% and with regard to home equity; salaried section gave 15.85% and non-salaried almost similar. Same number last year; it was 15.90%, non-salaried it is 15.73% for the current year and 15.87% last year. And your second question; about 46% of loans went for self-construction of houses and about 27% or 29% towards flat purchases.
- Lalitabh Shrivastawa:** This is the incremental lending that you have done sir?
- R. Varadarajan:** For the incremental lending during the quarter.
- Lalitabh Shrivastawa:** And overall; of the total book what will be the composition be like sir?
- R. Varadarajan:** 50% I think is towards self-constructed houses and same it is around 25-27% for the flat purchases.
- Moderator:** Our next question is from the line of Sneha Ganatra for Subhkam Ventures. Please go ahead.
- Sneha Ganatra:** Sir first question is; are we seeing any pressure on the Kerala front, on the growth as well as in the asset quality?
- R. Varadarajan:** Kerala state no, I think we have been maintaining at that level, Kerala state GNPA levels almost stable there.
- Management:** Stable; in fact it has marginally come down, it has improved.
- Sneha Ganatra:** Okay. My second question; is what is your outlook on the provision coverage ratio would you like to maintain for the current fiscal and next fiscal?
- R. Varadarajan:** Our endeavor is to increase it to at least 70% in the current year and take it to 100% in the next two years.
- Sneha Ganatra:** Okay and how many branch expansion plans, we are planning to open?
- R. Varadarajan:** We always have been maintaining, we will try to open about 15 branches in a year.



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- Sneha Ganatra:** Okay and my last question is on the rating situation; when can we expect the rating agency outcome?
- R. Varadarajan:** Right now the review is on; we will not probably commit a time frame as of now because that depends on the rating agencies. I think it should come sometime this quarter hopefully.
- Sneha Ganatra:** Can you share your gross and net NPA figures you would like to see for the FY16 end, in absolute number as well as percentage terms, could you like to give a guidance on that?
- R. Varadarajan:** We are still in a position as of June 30<sup>th</sup> and I do not like to commit a figure for the year end as of now.
- Sneha Ganatra:** And last question is on the borrowing mix; could you share what would be the percentage terms in the bank borrowings, NCDs, CPs and ECDs which we are planning to reach?
- R. Varadarajan:** Well I think that will again depend on the market conditions, how the borrowing mix is going to pan out during the remaining part of the year. As of now, we have bank borrowings of around 68% and about 19% is from the National Housing Bank and 2% from NCD and 2% from the CP and about 9% is from the a parent Repco. So, the borrowings from the banking sector could witness some reduction, which will be in a sort of ousted by increase in the NCDs and the CPs.
- Sneha Ganatra:** But no plan for the ECB for this current fiscal, right?
- R. Varadarajan:** As things stands today, we are not looking at ECB right now.
- Moderator:** Our next question is from the line of Roshan Chutkey from ICICI Prudential AMC. Please go ahead.
- Roshan Chutkey:** Can you please give us the breakup of your GNPA, I mean actually GNPA worsening or improving from a State's perspective; as in which State has seen improvement and which State has seen deterioration?
- R. Varadarajan:** State wise figure where they have improved; see actually if you see the '14 figure, the June '15 figure, Andhra has seen an improvement, Telangana has seen improvement, Gujarat has seen a marginal increase, Karnataka has improved, Kerala has improved, Maharashtra has seen a marginal increase and Tamil Nadu has almost remain static at 2%.
- Roshan Chutkey:** And Gujarat, how much is the number Sir? What is your current number?
- R. Varadarajan:** Current number is; 2.5% GNPA in Gujarat.
- Roshan Chutkey:** And it has worsened?
- R. Varadarajan:** Yes, from 1.2%, it has gone up to 2.5% but we are confident that we will tackle this now.



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**Roshan Chutkey:** You mentioned 4.5% for a particular State; which State is that Sir; the current GNPA is 4.5%?

**R. Varadarajan:** Telangana.

**Roshan Chutkey:** Are you seeing any pressures in terms of cost of borrowings for the NHB mix?

**R. Varadarajan:** I think, if you go on to be there, I think that point will be there because they are reducing the on-lending rates; companies, the margins and there could be pressure on us because I think they are having a thinking on the Golden Jubilee Rural Housing Finance Scheme. Once they take a decision on the desk, there could be some pressure on NHB refunding; the cost.

**Moderator:** Our next question is from the line of Sneha Ganatra for ShubKam Ventures. Please go ahead.

**Sneha Ganatra:** Sir, what will be the comfort level on the leverage front which we have comfort on the overall book?

**R. Varadarajan:** I think we will be comfortable about 9x on the leverage side just to satisfy those rating agencies otherwise as per the regulation I can go to 16x.

**Sneha Ganatra:** Okay, my second questions is; how does your cost to income ratio currently be having is upper than our book?

**R. Varadarajan:** Cost to income as per the end of June was 21.1%.

**Sneha Ganatra:** Right, further addition we can expect in the ESOP front?

**R. Varadarajan:** No, I think, it will continue to be around 21% including the ESOP, excluding ESOP, the cost was only 18%.

**Sneha Ganatra:** And how do you see the trend in the cost to income ratio for this fiscal.

**R. Varadarajan:** Current year, it will be steady at that level for some more time at 21%.

**Sneha Ganatra:** My second question is; you mentioned said your spread outlook is 3% and margins at 4%, right?

**R. Varadarajan:** Yes, we like to maintain a spread of around 3.5%, NIM of around 4%.

**Sneha Ganatra:** Because current NIMs is at 4.3% and we are still targeting at 4% margins and current spread is at 2.85% and we are targeting 3%?

**R. Varadarajan:** 3% we say, you know, it cannot be exactly 3%, I think we try to maintain at this level.

**Sneha Ganatra:** Okay and my last question is; that on the outlook on the NPA front which you are mentioning, would we assume that it will improve on March 2015 level, which will help us to make certain assumptions?



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- R. Varadarajan:** Definitely, it should improve over the March '15 position.
- Sneha Ganatra:** And the borrowing mix; you are mentioning that NCDs would be at a higher end compared to the bank borrowing; would be gradually coming down?
- R. Varadarajan:** Yes.
- Moderator:** Our next question is from the line of Lalitabh Shrivastawa from Dalal & Broacha. Please go ahead.
- Lalitabh Shrivastawa:** Just some sense on going forward, your yield on assets that you enjoy yourself are currently at around 12.5%, just some outlook as to what levels you would be seeing going forward, assuming that interest rates remains at these levels?
- R. Varadarajan:** I think we should be maintaining this yield.
- Lalitabh Shrivastawa:** Okay, so do you have any pressures because even banks are constrained for credit creation and currently the interest rates as it is they are kind of in fluid state, so are you seeing any pressure on your; the yields that you are enjoying, some kind of a negotiation from the clients or something?
- R. Varadarajan:** Yes I think that is bound to be there. Economy where Reserve Bank of India is asking the bank to pass on interest benefits, reduction what they have done so this type of request keeps coming from the customers. So we will try to maintain our spreads in anyway. I think by optimizing the mix of our resources of funding and see with what best we can reduce the cost of funding to maintain the spread levels.
- Lalitabh Shrivastawa:** Just sorry for repeating that; but basically I wanted to just understand, in light of, you know the customer, you have a significant salaried portion with you who is also going for a regular kind of flat purchases or something like that, so just wanted to know how you are convincing the incremental customer for this kind of a yield sir, I know it will be slightly difficult because they will have options?
- R. Varadarajan:** Lalitabh, I think the type of customers to whom we lend, I think we have a comfort factor there, even though the pressure is there, I am not saying the pressure is not there, pressure is there. I think with the type of customers to whom we lend even in the salaried segment, we will be in a position to sort of withstand the type of pressures.
- Moderator:** Our next question is from the line of Bobby Jayaraman from Frunze Capital Investments. Please go ahead.
- Bobby Jayaraman:** In terms of the incremental disbursements made this quarter, did they mostly come from the new areas like Gujarat or they are from your core areas?



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- R. Varadarajan:** The incremental disbursements have happened in almost all the geographical areas where we are present. I would not be in a position to quantify as to how much percentage has come from which state but we have seen generally an increase across the territories where we are operating.
- Bobby Jayaraman:** No, the breakup is similar to your overall loan book breakups, 62% Tamil Nadu, etc.?
- R. Varadarajan:** We have a total disbursement growth of 40% during the current quarter.
- Bobby Jayaraman:** So, 62% of that 40% still came from Tamil Nadu?
- R. Varadarajan:** Yes Tamil Nadu is the loan book, see the 62% is on the loan book, not the sanction in the current quarter, the outstanding loan book in Tamil Nadu accounted for 60%.
- Management:** If you see the disbursement out of Rs. 580 crores, Rs. 348 crores came from Tamil Nadu only because our presence is more. Two-third of our business comes from Tamil Nadu, the trend continues.
- Bobby Jayaraman:** What I was trying to get at was, given that you have a very low market share in some of the new areas, are you seeing any higher growth there, but I guess it is very small to account too much.
- Moderator:** Our next question is from the line of Manav Vijay from Peerless Mutual Fund. Please go ahead.
- Manav Vijay:** I just need to ask you one question; would it be possible for you to provide us with a trajectory of your ROE for next 2-3 years from around 16-16.5% what is that we can achieve or aim to achieve let us say in next; maybe by FY17 end and 18?
- R. Varadarajan:** I would not like to guess on that because it is a function of our leverage and if you are able to mark up our leverage for the current level of let us say, about 6.4x, I think the ROEs should go up. We will always try our level best to take the ROE to go up to not to the pre-IPO levels and then sustain that growth rate also with the ROE level, so that will become a self-sustaining model, as we have been telling in the past.
- Manav Vijay:** So, sir at 9x would you be, you said that although as a company can go up to 16x but the agencies would be comfortable at 9x, so at 9x we will hit pre IPO level ROEs?
- R. Varadarajan:** I think we should be in a position to do that.
- Moderator:** Our next question is from the line of Mihir Ajmera from Enam Holdings. Please go ahead.
- Mihir Ajmera:** Could you please give us the breakup for gross NPA housing loans and this LAP?
- R. Varadarajan:** Yes we will give you that. The GNPA for housing loan is 1.97% and home equity is 3.27%, so overall 2.22%.



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- Mihir Ajmera:** Could you just give some guidance on the competition within the segment, I believe our ticket size has also gradually increased, so how is the competition shaping up?
- R. Varadarajan:** I am not saying the competition is not there, competition will be there. I think given our more presence in the Tier-2, Tier-3 markets and the exposure to the self-employed segment, we feel that we will be in a position to meet this competition.
- Mihir Ajmera:** Something on the asset quality front, within Kerala and also Telangana, could you just give some brief about how the things shaping up and Kerala and Telangana you mentioned there is some improvement, so could you give us some more to this picture, like where do you see improvement and what are the causes for the improvement?
- R. Varadarajan:** I think as a company, my aim probably will be to reduce the GNPA level to less than the company's average GNPA level in these states also.
- Mihir Ajmera:** No, actually my question was; I believe in the earlier calls you mentioned like there is, in Kerala you are seeing pressure from poor remittances from the Gulf areas and in Telangana I guess we had slag growth for quite some time because leadership issues, so where do you see the improvement that is coming on and gradually what is your outlook for the next 6 months to a year?
- R. Varadarajan:** I think we say we are seeing improvement in Telangana because government has opened up investment opportunities in the state and we expect lot of investment to flow into the state also in Telangana. Once that happens, probably the demands for housing loan will also go up and as a result, we will be in a position to control the GNPA levels. Further we also use the facility under the SARFAESI Act to recover money and we have started issuing more notices in these states of Telangana and Kerala and we expect some positive results from this Act.
- Moderator:** Our next question is from Sangam Iyer from Subhkam Ventures. Please go ahead.
- Sangam Iyer:** Just wanted to understand; by FY18, FY19 what is your targeted ROA level for the company?
- R. Varadarajan:** Return on Assets will be somewhere around 2-2.5.
- Sangam Iyer:** Because at 9x leverage then we are looking at an ROE of around 22-23%. But I think in one of the questions asked by one of the participants you said that pre-IPO ROE levels, which is if I not wrong around 26-27%, so was just trying to.
- R. Varadarajan:** Return on Equity is 22% only, pre-IPO ROE levels, 22-23%.
- Sangam Iyer:** At the peak, was it not at a much higher level, the pre-IPO?
- R. Varadarajan:** No, I do not think so.
- Sangam Iyer:** Because I thought in FY11, I saw somewhere it is around 26%-odd.



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- R. Varadarajan:** I do not remember the FY11 figures now, but I think...
- Sangam Iyer:** Because I was having the sheet in front of me I was just looking at FY11, I think it was around 26-27%, so just wanted to clarify?
- R. Varadarajan:** I do not think we ever reached the 26% ROE levels in the past.
- Sangam Iyer:** Okay, so we are looking at around 22% at 2.5x ROE?
- R. Varadarajan:** Yes.
- Sangam Iyer:** And sir this current ESOP scheme, when is it expiring?
- R. Varadarajan:** FY17 the current ESOP scheme will expire.
- Sangam Iyer:** And incrementally what is the rate at which these ESOP have been issued?
- R. Varadarajan:** I think right now only the first franchise has been issued, the second will depend on the market price. The issue price is only Rs. 75 for all the three tranches.
- Sangam Iyer:** And this is expiring in FY17?
- R. Varadarajan:** FY 17.
- Moderator:** Our next question is from the line of Shivam Gupta from CWC Advisors. Please go ahead.
- Shivam Gupta:** Could you please share the number of borrowers which are active under this Repco Advantage product, as of this quarter?
- R. Varadarajan:** I think about 2-3% of my lending has been under the Repco Rural, maybe about 100-200, I am not sure, I do not have the exact figures right now. Repco Rural, I think 2% of my lending is under Repco Rural.
- Shivam Gupta:** No, I am talking about the Repco Advantage product?
- R. Varadarajan:** I think we will get back to you. I do not think I have the figures for the Repco Advantage separately right now.
- Shivam Gupta:** And if you can share; how the loan-to-value ratio is moved in the housing segment over the last 2-3 quarters?
- R. Varadarajan:** Last 2-3 quarters; the loan to value ratio has been probably maintained at 62%.
- Shivam Gupta:** And sir lastly if you look at the fact that the incremental ticket size has been going up for us and obviously the NHB side of the liabilities cannot be used to fund this. So is that spread of 3%



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contingent of the fact that we are banking on the rates to drop for us to maintain that spread because NHB will not help increasing ticket size loans from us?

**R. Varadarajan:** I think we will look into it, I think that the proportional loans going above Rs. 15 lakhs, we will see what best can be done.

**Shivam Gupta:** But you certainly do not see this to lead to any kind of appreciation in the asset quality for us?

**R. Varadarajan:** No, I do not think so.

**Moderator:** We have a question from the line of Jinesh Shah from Magma HDI General Insurance. Please go ahead.

**Jinesh Shah:** I would like to know, what are the issues in Telangana and specifically Kerala, which has been phased in the terms of GNPA levels which are high there and what is the incremental lending which has been done in this stage?

**R. Varadarajan:** See as far as Telangana is concerned, everybody knows about, it is a historical issue about the bifurcation of the states of Erstwhile Andhra in to the two states and as a result not much of an investment was happening in Telangana. Now we expect this more investments to come in and as a result probably there could be increase in the property prices in the state. More and more investments are coming in, so there will be a lot of improvement in that. As far as the Kerala is concerned, Kerala's economy depends more on foreign inward remittance. People who go there for employment. There was a setback in those remittance because the countries in which they were employed, they were asked to go back and people are coming back. And second reason was the fall in oil prices and as a result, these people, most of them are in the gulf areas and when the oil prices went down they take home salary was also affected. As a result, there was a problem in the inward remittance. Once these issues are addressed, I think the business should improve in Kerala also.

**Jinesh Shah:** So, are we incrementally lending there?

**R. Varadarajan:** I think very minimal lending in these states.

**Moderator:** I would now like to hand the floor back to Mr. Abhinesh Vijayaraj of Spark Capital for closing comments. Over to you sir.

**Abhinesh Vijayaraj:** Thank you Darryl. On behalf of Spark Capital, I would like to thank the investor community for dialing into today's call. I would also specifically like to thank the Repco management team for taking time out and patiently answering all our queries. Thank you and good day.

**Moderator:** Thank you very much. On behalf of Spark Capital Advisors; that concludes this conference call. Thank you for joining us and you may now disconnect your lines.