



“Repco Home Finance Limited Q4 FY17 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Repco Home Finance Limited Q4 FY17 Earnings Conference Call hosted by Kotak Securities Limited. As a reminder, all participants' 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 * then 0 on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishchint Chawathe from Kotak Securities Limited. Thank you, and over to you, sir.

Nishchint Chawathe: Thanks, Janice. Hello, everyone. Welcome to the 4Q FY17 earnings call of Repco Home Finance. In order to discuss the results and recent business trends, we have with us today, Mr. V. Varadarajan - Managing Director, Mr. V Raghu - Executive Director, Mr. K. Ashok - Executive Editor, Mr. T Karunakaran - General Manager and Mr. Bala S - AGM.

I now hand over the call to Mr. Varadarajan for his opening comments, after which we shall move to the Q&A session. Over to you, sir.

V. Varadarajan: Thank you. Good afternoon, everyone and a very warm welcome to Repco Home Finance Limited earnings conference call for the quarter ended March 31st 2017.

The quarter gone by immediately followed the one in which de-monetization was announced. So even though for a company like ours, sequential quarters are not directly comparable, it is one of those items that we feel direct comparison makes a lot of sense for its highlights the strides the company has made, more so because the actual effect of demonetization was felt from December 2016, when Q3 was coming to close. I'm very happy to share with you that our sanctions and disbursement grew 54% and 32% respectively compared to the previous quarter. Although they were quite lower than the same in Q4 of previous year, they showed marked improvement for the most relevant quarter in this context, that is Q3 FY17.

In a similar way, net interest income and PAT grew 13% and 9% respectively compared to the previous quarter. Even as the asset quality number was comparable at 2.6% on sequential basis. Both NII and PAT were up 21% on year-on-year basis. During the quarter, we earned a spread of 3.4% owing to the pricing discipline we maintained. Average loan yield stayed constant at 12.1% and the reduction in cost of funds we achieved, cost of funds declined 50 basis points to 8.7%.

The balance between our exposure to the self-employed segment and the salaried class stood at about 60.2% and 39.8% respectively. Similarly, the share of housing loans in the loan book was maintained at about 79.4%. Capital adequacy ratio, CAR, stood provisionally at 20.8%,

sufficient to fuel company's growth plans for the foreseeable future. Our retail network as on March 31st 2017 comprised of 125 branches and 32 satellite centers spread across 11 states and the Union Territory of Puducherry.

Now, I would like to share with you our performance highlights for the financial year 2015-'17. To say that we got an eventful year would be an understatement, it was a year when the true character of the company came to the fore where we demonstrated to our stakeholders that the company is capable of delivering value, yielding tighter control over the overheads, raising resources at competitive raise and maintaining the strict pricing discipline even in difficult times. I believe that we did an excellent job to have weathered headwinds not in just one, but three points.

It was Tamil Nadu election in Q1 FY17 that affected the growth of sanction and disbursements. The moment we started to stage a comeback with additions of sanctioning over 1,200 crores on achieving the loan book growth of 27% in Q2, the High Court of Madras' stay order on registration of certain category of properties came about. This event continues to affect us even now, though a resolution is very eminent. And we all know what happened in Q3 '17, a lot has already been discussed about this. Despite all these factors, I believe that the company did well in areas such as profitability, spreads, NIM management and bringing down the cost to income ratio etc.

The financial highlights for the year ended March 2017 are income from operations during the year stood at 1,044 crores; we have crossed the 1,000 crore mark, up 19% from last year; net interest income was Rs. 367.8 crores, up 21%; profit after tax was Rs. 182.3 crores, up 21% from the previous year; cost to income ratio stood at 16.9%, down 2.4% from the last year of 19.3%; loan book increased to Rs. 8,939.9 crores, registering a growth of 16% year-on-year. GNPA stood at 2.6%, NNPA at 1.39%, resulting PCR of 47.3%.

At this point, I would like to thank all of you for joining the call. We will now take your questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

Kunal Shah: Yes, so with respect to this high court case, Madras High Court, so I think the judgment has come on 28th of March relaxing it a bit and they said that finally it will be followed up with, say, some proper regulation. So what is the status? Are we like completely through it and now things are getting normalized? So when we look at in terms of April and May, how things have been for us?

- V. Varadarajan:** Yes. You are right, the Madras High Court has now relaxed in telling that the Tamil Nadu government can frame a regularization scheme. So accordingly the government of Tamil Nadu has come out with a government order for their regularization scheme both in the city of Chennai under the CMDA area as well as the other centers. Now the scheme is yet to start. They have only just announced the scheme details and also the fees to be paid on that and they have made it online only. So we expect it'll start picking up during the current month, probably in June, so that the regularization will start and thereafter the registration of properties can take place, but the real effect I feel we will be able to feel only in the second quarter, not in the first quarter. Still now nothing has been done, but now it has started moving in the right direction.
- Kunal Shah:** So in Q1, I think maybe that adverse impact would be there in terms of the overall disbursements because of this?
- V. Varadarajan:** Yes.
- Kunal Shah:** And secondly, in terms of the overall GNPL, so obviously it's settling at a relatively higher level than the previously Q4. So maybe given that it's more kind of a secured lending and it would be more kind of a delay, so when do we expect it to normalize? And how much of actually, say, the demand dispensation which we had taken, RBI's dispensation, how much has actually flowed into GNPL and how much has got recovered?
- V. Varadarajan:** See, if you take the RBI dispensation because Q3 we gave both the figures with the dispensation and without dispensation and without dispensation we have given the figure, it was around 4.2% GNPA and that has been now brought down to 2.6. Now what we have given is without dispensation. So, our Board has taken a call that we will not take into account the dispensation given by the RBI. So what we have reported now at 2.6% GNPA is without the dispensation given by the RBI. Therefore even in future if RBI withdraws the dispensation, it is not going to affect our GNPA level. So all our endeavor is for the current year because as you rightly said it's only the delay in the repayment because of the demonetization effect where our majority of the funding is to the non-salaried people and about 60% and their cash flow was really and genuinely affected during that period. So we have to be sympathetic with them. Therefore we are not making any coercive steps during this period, forcing them to sell their property and repay and all. So we expect during the second quarter onwards, things will improve because first quarter normally if you see traditionally there is always going to be a jump in the GNPA. So, at this current level all our efforts will be at least to maintain this for the current quarter and then going forward, we must come back to the original position of around 1% to 1.3% GNPA by the end of the year. That is what we are aiming at. We already formed a task force at both the corporate office level and also the branch level and we are working on it.

- Kunal Shah:** Yes. And sir, last quarter, say, the reported GNPA's were 2.65 and without dispensation it would have been 4.2. So out of this 1.6% how much has actually got recovered?
- T Karunakaran:** 60 basis points, Kunal.
- Moderator:** Thank you. We take the next question from the line of Digant Haria from Antique Stock Broking. Please go ahead.
- Digant Haria:** Yes. Sir, Tamil Nadu we understand that there is this entire High Court order which is at play, but just can you give us some idea about how things are shaping out outside of Tamil Nadu in terms of sanctions, disbursements or in terms of how you see the next few quarters? And second, what would be our overall guidance in terms of loan growth for FY18?
- V. Varadarajan:** Yes, as far as, see, outsized Tamil Nadu growth is concerned, it has remained flat despite the demonetization effect of that, we have been able to sustain the growth what we had achieved during the previous years. So we have been able to achieve that growth in the other states also. As far as current year is concerned, we'll again try to come back to by about 20% growth levels during FY18.
- Digant Haria:** Alright. And on this LAP part, we had certain large properties, which had turned into NPA towards the end of Q2. So, I believe that our NPA in the LAP segment were close to 64 crores and now they've come down. So just what's happened in that large LAP portfolio like, have we been able to auction certain properties, have we been able to recover some money there?
- T Karunakaran:** Digant, in the last quarter the high-ticket LAP NPAs were 6.5%. Now, it has been brought down to 3.2%. So we have made recoveries there.
- Moderator:** Thank you. We take the next question from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.
- Sangam Iyer:** I just want to clarify, did you say that we're looking at a 20% growth for next financial year in the loan book?
- V. Varadarajan:** 20.
- Sangam Iyer:** Why is that?
- V. Varadarajan:** As I said, what we are expecting is because of the first quarter also we are not expecting much growth. The remaining three quarters annually, we expect about 20% to 22% growth, but if things improve, we may again realign ourselves and re-fix a higher target. That's what we are aiming. Right now, we are expecting around 22% growth.

- Sangam Iyer:** So are we limiting it predominantly because the largest exposure being in Tamil Nadu and there the benefits of the regulatory outcome would actually come through from the Q2, that's the primary reason why we are seeing that it will be around 20% to 22% odd for the growth?
- V. Varadarajan:** Yes, definitely. Still we have two thirds of our exposure in Tamil Nadu. That is the reason, major reason is that's the one.
- Sangam Iyer:** Okay. So just wanted clarity on that High Court order. I mean, does it say that for all the projects which have already commenced through local body approvals, those projects can now go ahead with registrations and any new projects would require the regulatory approvals etc. from the center or from --?
- V. Varadarajan:** Not like that. We are mainly operating in Tier-II and Tier-III centers. In those centers earlier the approvals were given by local panchayats only. That is the practice here. Now, they have clarified this they cannot do it and it has to be done by the Directorate of Town Planning at Chennai, a larger body. They have to look into various development regulations and certify that all the regulations have been fulfilled, because there is a public interest litigation in the court. So that is the reason. So, even for almost all the existing projects such approvals were not there, therefore the registration has been stopped. Now, they say you can get it regularized by applying online to the directorate of town planning as well as the CMDA and then they will look into all these aspects and clear those proposals for regularization. Once it is regularized, registrations can take place. And that is the reason there may be some delay on that. That's all. Otherwise they want to regularize all these plots.
- Sangam Iyer:** Okay. So that's why you are expecting from Q2 onwards the disbursement will start?
- V. Varadarajan:** Yes, it will start.
- Sangam Iyer:** From a margin perspective, how should one be looking at the margins for the next financial year? I mean, Q4 was an aberration kind of with 4.7%, so are we looking at maintaining these kind of margins?
- V. Varadarajan:** We have been continuously having this policy only, so we have a spread of 3. So, sometimes it may be 2.9, sometimes it maybe 3.1, 3.2, around 3 only. And also our NIM will always be above 4.
- Sangam Iyer:** Yes. I mean, given that now you are looking at 2.6% of gross NPA coming to 1.3 purely through recoveries etc., that should be an added bonus there?
- V. Varadarajan:** See, last year because of our interest price discipline we have not passed it on to our customers there. So, to have meeting the competition, we may have to pass on some interest rate benefits

to our customers also, but without sacrificing this spread and from the present level. That's where we are.

- Sangam Iyer:** So, for next year what's the kind of disbursement growth that one should look at?
- V. Varadarajan:** 30%.
- Sangam Iyer:** 30% disbursement growth. Okay, great. And cost to income ratio, any outlook that you would want to give?
- V. Varadarajan:** Around 16%.
- T Karunakaran:** 16% to 17% will be the cost to income and be at the same level.
- Moderator:** Thank you. We take the next question from the line of Vishal Rampuria from HDFC Securities. Please go ahead.
- Vishal Rampuria:** Sir, how much was the write-off for the financial year?
- T Karunakaran:** For the financial year?
- Vishal Rampuria:** Yes, for the financial year, total write-off?
- T Karunakaran:** Bad debt written off is around Rs. 50 lakhs.
- Vishal Rampuria:** And, sir, if I look at your financial year employee cost for FY17, only increased by 7%, 8%, so what kind of growth we can expect in this?
- V. Varadarajan:** I don't think you can expect any significant increase in that because this time we've got the one-off measure, because we changed our leave encashment policy, it is because of that we had to make a higher provision there and basically because of **(Inaudible) 17:58**.
- Vishal Rampuria:** And sir, one last question to ask you, how much would be our portfolio at risk, say, 30 days and 60 days, one month and two months?
- T Karunakaran:** We will get back to you on that 30 days and 60 days position to you.
- Moderator:** Thank you. We take the next question from the line of Giriraj Daga from KM Visaria. Please go ahead.
- Giriraj Daga:** First one is, PCR, like this quarter we are obviously given here we are at low level, so what is the rate you're targeting for FY18 on PCR?

- V. Varadarajan:** So, our aim is to have 70% PCR.
- Giriraj Daga:** 70% PCR. And the expectation that it would be driven by the recovery of stressed assets and recovery of upgradation?
- T. Karunakaran:** We will not write-back those provisions, we are keeping it in the provision coverage ratio.
- Giriraj Daga:** And the second doubt is like how we are seeing the overall competition? As of now, has there been any change incrementally over the last three, four months in the housing finance side or it is more or less same situation what we had seen earlier, six months back?
- V. Varadarajan:** See, we haven't seen much of an increase in the competition. I think it's almost remained now at the constant level.
- Moderator:** Thank you. We take the next question from the line of Rakesh Shinde from Asian Market Securities. Please go ahead.
- Rakesh Shinde:** Sir, just want to understand how is the development going on in Pradhan Mantri Awas Yojana? Are we seeing any traction coming up with this scheme since the government has announced scheme?
- V. Varadarajan:** Well, some of the state governments are now in the final stages of formulating the scheme under the Prime Minister's Awas Yojana. And once the state governments announce these schemes, then probably we will be in the position to pick up some of these customers and whom we will be in a position to fund it. But as of now, the projects have still not started off as of now.
- Rakesh Shinde:** Okay. And does this CLSS scheme, any demand is coming from the CLSS scheme?
- V. Varadarajan:** Yes. Wherever they are applicable, we have started claiming the CLSS from the nodal agency. Whatever we have done from January 1 onwards, they're eligible for CLSS, so we have started claiming those subsidies from the nodal agency.
- Rakesh Shinde:** Okay. And sir, just in terms of cost of funding, what are like incremental cost of funding for us?
- V. Varadarajan:** The incremental cost of funding at the end of the quarter, the average cost of funding was around 8.8% as of end of March. If we are talking about the incremental cost of funding from April to March 30, it was around same level, around 8.4%.
- Rakesh Shinde:** 8.4%.

- T Karunakaran:** Yes. Incrementally we are getting loans from banks at 8.5%. Repco Bank is charging the same rate from us. CPs are sub-7.
- Rakesh Shinde:** Okay. And sir, currently have you reduced our interest rate?
- V. Varadarajan:** No.
- Rakesh Shinde:** As of now, no?
- V. Varadarajan:** No, as of now we haven't reduced our interest rates.
- Rakesh Shinde:** So, we are lending at around 8.9?
- V. Varadarajan:** No, we are starting at 9.1.
- Moderator:** Thank you. We take the next question from the line of Aadesh Mehta from Ambit Capital. Please go ahead.
- Aadesh Mehta:** So, sir, under CLSS scheme, how many cases have we done and how many cases has the entire industry done. So just wanted to get some sense on the market share, we have under the scheme?
- V. Varadarajan:** I don't have a figure on the industry as a whole, probably we have done about 500 to 600 cases under the CLSS so far. This is basically to do with the earlier scheme also where the current scheme MIG they're still under operation. I think probably we should be in a position to add some more to that during the current quarter, not during the current year.
- Moderator:** Thank you. We take the next question from the line of Harshit Thoshniwal from ICICI Securities. Please go ahead.
- Harshit Thoshniwal:** Sir, something relating to this Pradhan Mantri Awas Yojana only. Two things, sir. So currently out of the fresh disbursements, what would be the percentage of our customers who fall under the CLSS schemes, maybe if you can separate then within the LIG and the MIG categories?
- V. Varadarajan:** See, I'll say since under the current CLSS, we have now extended to the MIG segment also. We expect I think probably about 75% to 80% of the book should get covered under the CLSS, provided the area parameter is satisfied and it is a first house.
- Harshit Thoshniwal:** Okay. So what I'm saying is that out of the current and fresh disbursements which are making, what would be an appropriate percentage of who meet all the criteria of the CLSS, maybe in the LIG and in the MIG categories?

- V. Varadarajan:** I think that it should be somewhere around 50% on an average, I think if I put it that way.
- Harshit Thoshniwal:** 50% on an average. And another thing, sir, so if I look at the total net benefit to the ultimate consumer, so for a MIG customer ticket size would be around 10 lakhs to 20 lakhs. So I want to know the ticket size and the savings for that customer.
- V. Varadarajan:** See, Rs. 75 lakh loan is eligible under the CLSS, under the MIG too.
- Harshit Thoshniwal:** How much sir?
- V. Varadarajan:** Even 75 lakhs loan will get covered under the CLSS, under MIG too, but the subsidy portion is limited to only around 2.50 lakhs or 2.6 lakhs.
- Harshit Thoshniwal:** So for a Rs. 75 lakh loan, will he still be eligible for CLSS?
- V. Varadarajan:** Yes.
- Harshit Thoshniwal:** In the MIG category.
- V. Varadarajan:** Provided he is able to satisfy all the other conditions. For example the size, 1,100 square feet size should be the perfect house.
- Harshit Thoshniwal:** Yes. But if I look then 2.5 lakh to 3 lakh is not a very big incentive for that customer. So, what I want to understand is the kind of euphoria which is there behind this MIG scheme only, but 2.5 lakh or 3 lakh savings for this amount of loan does not represent a very significant benefit if I compare it with the LIG category?
- V. Varadarajan:** That's true, but for the same customer, if he goes for say about 15 lakh as ticket size, so this around 2.3 lakh, 2.5 lakh is a significant amount for him.
- Harshit Thoshniwal:** In a 15 lakh ticket size, but in a more than 35 lakh, 40 lakh ticket size, even if he gets covered this benefit is not that significant.
- V. Varadarajan:** What happened for him, if we look at the EMI payment, he gets a discount of around Rs. 2,256 every month.
- Harshit Thoshniwal:** Right. And so after that discount he generally needs to pay at around how much amount? If I even remove that?
- V. Varadarajan:** It depends on the quantum of the loan. It varies from the quantum. Though 75 lakh is eligible, suppose he is taking only 50 lakhs loan, that EMI will be accordingly reworked.

- Harshit Thoshniwal:** One thing sir, and another thing sir, so, can you give an opinion on the credit rating scenario? So any chances of upgrades we can expect in the next two years or one year?
- V. Varadarajan:** This year looks difficult because of our elevated NPA numbers.
- Harshit Thoshniwal:** Okay. But that must be an industry-wide phenomenon only. The NPA numbers during the demonetization specifically for the entire industry was high.
- V. Varadarajan:** The NPA's were slightly lower.
- Harshit Thoshniwal:** Okay. So we do not expect any credit rating upgrades in FY18 at least?
- V. Varadarajan:** Yes.
- Moderator:** Thank you. We take the next question from the line of Manish Agrawal from PhillipCapital. Please go ahead.
- Manish Agrawal:** Sir, can you just give us a sense about what percent of your bank loan will be under MCLR today or base rate? And if not entirely is under MCLR, when do you expect them to shift? This one is the first question.
- V. Varadarajan:** As on date, all our borrowings from the banks are under the MCLR rates only.
- Manish Agrawal:** Okay. Secondly, incremental borrowings. So for FY18, how much would you apportion from, say, NCDs or CPs? Will that percentage increase in FY18 from the current percent? So what level of NCD or CP you're looking at?
- T Karunakaran:** Manish, about 50% will be from market, CPs and NCDs put together and that's from banking sector incrementally.
- Moderator:** Thank you. We take the next question from the line of Rohit Goyal, Individual Investor. Please go ahead.
- Rohit Goyal:** I have couple of questions. So my first question is, over the last three to four years, Tamil Nadu comprises almost 60% to 63% of the loan book. And most of the issues company is facing is due to the exposure to a single state. So does the management have a specific strategy to reduce this state level exposure because I think that's the single largest risk to the investor in the company? As we have also seen specifically in the MFI sector wherein the state specific risk from a government or any other policy perspective is hitting the companies. So just wanted to know the management views on high exposure to Tamil Nadu.

- V. Varadarajan:** Yes. See, our management view also the same thing. We would like to reduce our exposure in Tamil Nadu, the concentration in Tamil Nadu. If you see the history of the company, it all started 100% Tamil Nadu, then 90, some 80, 70, now 62. This 62 itself we have achieved over a period of time. All our endeavor will be at least in the medium term, we should again bring down to at least some 50%, that is what we are aiming at now by opening new branches and centers other than Tamil Nadu, and particularly even in non-southern states.
- Rohit Goyal:** Alright. And also on the government subsidy scheme, does the company have a specific strategy to benefit from this initiative because these are time-sensitive schemes, which will probably be there for couple of years, so does the company intend to do anything extra to benefit or grow faster on the back of these initiatives from the government?
- V. Varadarajan:** You're right because mainly when more than 80%-85% of my loan book in that loan ticket size, I should take the best advantage of the scheme. Therefore, we have already sensitized all our branch gates on that and our marketing team also is on the job now to market the product, so that more and more customers would like to -- while the benefit now announced under the scheme, both under the subsidy scheme as well as the Prime Minister's scheme on that. And I believe we should be able to have a good progress during the current year and after that.
- Rohit Goyal:** The reason I asked we haven't seen that reflecting in the management guidance because the company was able to grow at 25% without any of the government initiatives. And now, even with this large push from the government the guidance in the range of 20% to 22%, won't the company be able to grow at a faster pace than the indicated 20% to 22% range on the back of the common initiatives and subsidies?
- V. Varadarajan:** That is exactly the reason. Say it's because of these special schemes now they have announced, we thought we should go to the field and then market the scheme. And that's why in the beginning, I said now because the last year we could grow at 15%, now we are making it upwards from 20% to 22%. So after the Q2, we will again make a review and make a substantial progress and that we may even upwardly revise our target at that time. That's what we have, our Board has decided.
- Rohit Goyal:** Sure. Just couple of last questions, you mentioned you have opened 10 branches and three satellite center in FY17. How many branches and satellite centers you intend to open in FY18? And you also indicated expanding to new geographies. So could you elaborate on that?
- V. Varadarajan:** See, usually our policy is to open about 15 centers in a year. Our strategy is to open a satellite center, improve the business. And once it reaches a minimum economic level, convert that into a branch and look to open a new satellite center. So, probably again based on the previous history, we'd like to still open about 15 centers during the current year also. And we'll also look at the feasibility of opening branches in other states, other than the Southern region also.

Probably we'd like to consolidate our position more in Maharashtra and Madhya Pradesh during the current financial year. We'll try to see. We'll look at it.

Rohit Goyal: Alright. And just one last question from my end. We have seen the media reports on job losses in the IT sector and most of the IT jobs are predominantly in the south. Does the management anticipate any risk to the book in terms of the job losses having impact on the housing loan turning NPAs or is there any...

V. Varadarajan: Most of our customers are non-IT based persons only. And I don't think any job loss in IT sector should worry us to a greater extent for the business growth.

Moderator: Thank you. We take the next question from the line of Ankit Kohli from Pure Research. Please go ahead.

Ankit Kohli: Sir, my first question is at a broad level. We have seen a lot of housing finance companies report 20% and plus onwards growth, and this comes in a backdrop of an environment where GST is kicking in and especially SMEs which are relevant target segment for Repco are probably going to go under pressure because of the GST. Also inventory levels with real estate developers are very high. So I'm just trying to understand this disconnect and also understand how sustainable is this growth and are we taking any undue risks to achieve this growth, because from the factors that we read on about the real estate, about GST and the impact on SMEs versus the loan book growth, there seems to be some disconnect and I'm talking more at a broader industry level and specific to Repco are we taking any undue risk for that or what are your views on this thing?

V. Varadarajan: I don't think we are taking any undue risk there or something like that. If you see an analysis of the portfolio, what we are holding today, 43% of my loan outstanding is for self-construction of houses, okay. Even if the GST, the tax rates are slightly higher or something like that, what will happen is that the decision by my borrower probably to do the incremental housing could be delayed further or the size which he is planning to expand initially probably could be lower down to meet his budget. I don't find we are taking any undue risk or something like that in this segment. Probably we'll try to continue with the present growth rate and the product mix also will most remain the same in this scenario.

Ankit Kohli: So you feel this growth is sustainable?

V. Varadarajan: And with the Real Estate Regulatory Act coming in, RERA is also coming in, I think that should also help easing the risk management to some extent there.

Ankit Kohli: Alright. Sir, my second question is, so what is it that our company is doing that our competitors are not to stay ahead in the market, to kind of ensure that our competitive position

is only getting strengthened? So what are the unique things that we are doing that others are not doing?

V. Varadarajan: See, basically we are targeting at a niche segment of the self-employed segment and that should probably keep us going further in this. And the second thing, of course, any differentiation partner between one HFC and another HFC is basically the service you provide. And the third factor there is, since we try to handle our customer till we receive the money or till we recover the money, that is helping us in retaining our customer base.

Ankit Kohli: Alright. And sir, my final question is, again around competitive intensity. We see a lot of these grandfather subsidiaries of the government in the form of PNB Housing Finance, and Can Fin Homes etc. They have the advantage of a very strong brand or a reliable brand, which customers trust over the years, plus, of course, access to funds. So does that pose any serious threat to our market positioning, and what are your views and how do you think we can deal with it?

V. Varadarajan: I think, as I told you earlier, we have our niche market, and we try to go aggressively on that. And we also have been sensitizing our branch managers also to be there in the competition. I think we'll like to face it as. I don't find any major threat to our market position because of these companies having a very strong parent. I agree, yes, they have a strong parent, because of that the rating is high. We don't have that much of that rating, probably the leverage is not available to us, but still I think we'll be in a position to give a tough competition to all these people.

Management: But I can also assure you that the brand Repco is well known in the area where we are operating.

Ankit Kohli: Right. But since we're expanding, that's why my question is --

V. Varadarajan: The new horizons, and the new area, we build up our brand initiative. That is why the growth in the new branches and the new horizon if you see, it is very slow in the first year. And second year onwards start picking up once the people know about the brand. We have the difficulties when we open a new branch in the new center or a new state, this problem is there. But for example, in Maharashtra, in Pune area if you see now, Repco is well known there. Now after about four, five years people come to know about the brand and it is well known there also.

Ankit Kohli: So, any other risk that you foresee? This is my last question. Any other risk that you see to the business?

V. Varadarajan: Well, I think probably the risk probably what we see is that if the supply side is able to respond to the demand side well, I think probably we should be in a position to take that advantage and

then grow more further than what we are anticipating to grow during the current year. I don't find any major risk other than what we have been facing so far in this business.

Moderator: Thank you. Next question is from the line of Piran Engineer from Motilal Oswal Securities. Thank you.

Piran Engineer: Just had one small question. What is the share of sanctions or disbursements in high ticket LAP in the last year or maybe in the last quarter or so because this is a segment where we've seen asset quality problems?

V. Varadarajan: I think as far as that segment is concerned, probably we can get back to you on that, but overall it will probably to slow down our sanctions and disbursements in the high ticket size loans, okay. But I don't have specific numbers right now on those size-wise sanctions and disbursement, probably we can get back to you on that.

Piran Engineer: Okay. But on an outstanding basis, how much would it be?

T Karunakaran: About 520 crores, Piran.

Piran Engineer: 520. Okay, got it, so about 25% or so. I wanted to understand what would be the incremental share of high ticket LAP in terms of disbursements or sanctions in the last one or two quarters?

V. Varadarajan: I said, on outstanding basis it's 520 crores. Above 75 lakhs. Both housing and LAP put together.

Moderator: Thank you. We take the next question from the line of Vishal Singhania, Individual Investor. Please go ahead.

Vishal Singhania: Sir, I just wanted to ask if we have seen any traction in mass housing due to the tailwinds from affordable housing because people who fall in the MIG category can also buy larger homes than the one specified in the Yojana, right?

V. Varadarajan: Yes.

Vishal Singhania: Yes. Sir, so are we seeing any pick up in mass housing space because of this tailwind?

V. Varadarajan: No, not yet.

T Karunakaran: We have not seen any impact yet.

Moderator: Thank you. We take the next question from the line of Nishant Shah from Axis Capital. Please go ahead.

- Nishant Shah:** One small question. You mentioned that the difference between the Q3 GNPA's with and without RBI dispensation was about 160 bps, 4.2 minus 2.6. Out of this, you said about 60 bps has already been recovered. So can you give some color on the remaining 100 bps. So, like what is the nature of these loans? Are they more LAP or are they more home loans and any outlook on these loans? When do we expect to recover them?
- V. Varadarajan:** Mostly small ticket non-salary home loans, we will be able to regularize them in the period of six to nine months.
- Nishant Shah:** Six to nine months. Should we pencil in any write-offs in this?
- V. Varadarajan:** No.
- T Karunakaran:** We will not.
- Moderator:** Thank you. Next question is from the line of Rithika Dua from Elara Capital. Please go ahead.
- Rithika Dua:** Sir just what I was saying that in one of the previous question, you did answer that the percentage share of NCD that you're looking in FY18, can you maybe just repeat that number?
- T Karunakaran:** Okay. We said 50% of our incremental market borrowings, our total borrowings will be from the market, which is NCDs and CPs put together.
- V. Varadarajan:** Yes. 50% of our incremental borrowings will be through the market.
- Rithika Dua:** Sir 50?
- V. Varadarajan:** 50, yes.
- Rithika Dua:** Sir, the second question is just, again, in the previous question somebody asked about the high ticket number which you said that is 520 crore, which include both housing and LAP. Sir what is now we are taking as high here, is it about 50 lakh or 75 lakhs?
- V. Varadarajan:** 75 lakhs.
- Rithika Dua:** And sir the last question from my end. The reason for the higher staff cost this quarter is it largely because there were some change in the way....sir, what was the reason for the high staff cost this quarter?
- V. Varadarajan:** What high?
- Rithika Dua:** The staff expenses this quarter.

- V. Varadarajan:** So, as I told you, we changed our policy during the last quarter regarding encashment of the leave. Earlier we never used to allow encashment of leave when people leave, now we have allowed around 50% of encashment of leaves, which has increased. We had to make provisions for that and on an actuarial value, we have to do that provision we have made. And secondly, the increase also has been in the advertisement expenditure, and the maintenance and systems and software we have upgraded and then also under the CSR. The other expenditure has seen some increase there.
- T Karunakaran:** But the staff expenditure is not the actual expenditure, it is a provision made on the actuarial basis, that's all. It is not the real expenditure we have already made, we make the provision as per the accounting standards AS-15.
- Rithika Dua:** Sure sir. Sir is the increase in expense was due to maybe change in strategy in terms of maybe opening some regional branches or something, so that is yet to come for us or was that also a part of this?
- V. Varadarajan:** No. See, that's regular expansion of the branches and all will be there, it's a part of our regular expenditure. There is no separate expenditure incurred or additional grace expenditure we have incurred in opening branches.
- Moderator:** Thank you. We take the next question from the line of Varun Arora from Karma Capital. Please go ahead.
- Varun Arora:** Sir, just one question. Could you give some color on geography-wise disbursements done in Q4?
- T Karunakaran:** We disbursed 33 crores in Andhra Pradesh, 26 crores in Telangana, 11 crores in Gujarat, about 77 crores in Karnataka, 28 in Kerala, 62 in Maharashtra and about 400 in Tamil Nadu.
- Moderator:** Thank you. We take the next question from the line of Prakash Buva, Individual Investor. Please go ahead.
- Prakash Buva:** I've a question that for the last 10 quarters almost for three years if you study, two and a half years study, the value for the company has not come up in the stock market. It has been depressed and suppressed for maybe except demonetization period. The ratio for the company is very poor. Can you give the reason for such a low valuation for the company compared to other housing companies? This is a very pointed question on valuation?
- V. Varadarajan:** Unable to comment on market values. Probably one of these analysts you are asking.
- Prakash Buva:** It's alright. But if you study the price has moved only in the range of 30% from 600 to 800, 600 to 800 for a long period of two years more than two and a half years. I'm telling you

except the period of 800, 900 was only for a month and not more than a month. This is something very...we are not asking, but will this period change in the coming future? In the coming quarters will the growth rate will be on a much higher track, higher speed than in the past? I want to know about the speed of growth?

V. Varadarajan: No, we have told, as a policy we refrain from making any comments on the markets. We will not make comments.

Moderator: Thank you. Next question is from the line of from Sanket Chheda from IDFC Securities. Please go ahead.

Sanket Chheda: Sir, can you repeat those disbursement numbers state-wise?

V. Varadarajan: Andhra Pradesh 33 crores, Telangana 26, Gujarat 11, Karnataka 77, Kerala 28, Maharashtra 62, Tamil Nadu 400, Madhya Pradesh 3.

Moderator: Thank you. Well, that was the last question then. I now hand the conference over to Mr. Nishchint Chawathe for his closing comments. Over to you, sir.

Nishchint Chawathe: We thank you all for being with us on the call today. We thank the management of Repco for giving us the opportunity to host the call. Thank you very much.

V. Varadarajan: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Kotak Securities, we conclude today's conference. Thank you for joining. You may now disconnect your lines.