



“Repco Home Finance Q2 FY2018 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Repco Q2 FY2018 Earnings Conference Call, hosted by ICICI Securities. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Santanu Chakrabarti from ICICI Securities. Thank you and over to you Sir!

Santanu Chakrabarti: Thank you Raymond. Good afternoon and very, very warm welcome to all the participants and the management of Repco Home Finance Limited. We are fortunate to have with us today multiple representatives from the management of Repco. We have with us Mr. R Varadarajan - Managing Director, Mr. K S Madhukar - Chief General Manager, Mr. T Karunakaran - General Manager, Mrs. Poonam Sen - General Manager and Mr. Bala S - Assistant General Manager. Without much further ado let me go over to the management. Over to you Sir!

R. Varadharajan: Thank you. Good afternoon everyone and a very, very warm welcome to Repco Home Finance Earnings Conference Call for the quarter ended September 30, 2017. The quarter has gone by moved on expected lines where we demonstrated our ability to

1. Accelerate the base of sequential loan book growth, driven by improved sequential growth in disbursements. Improve asset quality by focusing on recovering the existing nonperforming assets and giving small ticket loans incrementally.
2. Curtail repayment rate to about 19% which was the rate we had managed earlier last year and down from about 24% seen in the previous quarter Q1 FY2018.
3. Improved return ratios even on the back of relatively higher improving NPAs and even as we accelerated disbursements in low yielding housing loan segment. Reported ROA was 2.4% and ROE was 19.6% for the quarter.
4. Deliver value to our shareholders by maintaining pricing discipline and wielding tighter control on operating cost to effect a nonlinear growth in the net interest income and the bottomline.

I am particularly happy with having **maintained pricing discipline part** because the same was achieved on the heels of the reporting period where our prepayments had picked. The operating environment has improved now with an overhang of Madras High Court order on land issue in Tamil Nadu largely behind us and there are signals from improved availability of reverse stand. There is of course some room for further improvement, which I am sure, will happen in the course of time.

During the quarter we earned a spread of 3.4% and the net interest margin of 4.8% and achieved a multiyear low cost to income ratio of 15%, resulting in a PAT growth of 22%. Our focus in the coming quarter will be on among many things improving the asset quality, which will result in a much improvement in provision coverage ratio, which stood at about 44% at the end of September 2017 by focusing on sequential improvement we are hopeful of ticketing most of these check boxes we are set for FY2017.

The balance between our exposures to the self employed segment and the salaried class stood at about 60% and 40% respectively. The share of non-housing loans in the loan book decreased to about 19.4% as we continue to realign our focus to a small ticket loans and stayed away from high-ticket non-housing loans.

Capital adequacy ratio continues to be comfortable at 22.4%. Our retail network comprised of 129 branches and 31 satellite centers of which three were opened this year we intent to open another seven to ten points of presence this year across the states of Tamil Nadu, Andhra Pradesh, Maharashtra, Gujarat and Madhya Pradesh.

Now I will summarize the financial highlights for the half year ended September 2017 before opening the floor for Q&A.

Income from operations stood at Rs.544.7 Crores up 8% from last year, net interest income was Rs.205.2 Crores up 18%, PAT was Rs. 101 Crores up 19% from the previous year. Loan book increased to Rs.8321.2 Crores registering a growth of 10% year-on-year. Retail home loan grew 10%, retail non-housing loan to 3%, GNPA stood at 3.4% and NNCA 1.9%, resulting in a PCR of 44.2%.

Thank you all of you for joining the call. We will now take your questions, if you have any.

Moderator: Thank you very much. We will now begin with the question answer session. We have the first question from the line of Ameya Chedda from HDFC Securities. Please go ahead.

Vishal Rampuria: This is Vishal from HDFC Securities. Sir my first question to ask you is this improvement in gross NPA which we saw in the quarter is it really that the borrower has been even to resolve this problem or it is one half kind of improvement we have seen in the quarter?

R. Varadharajan: Talking about improvement GNPA. See we have been telling sequentially every quarter we would like to bring down the NPAs I think by the end of the year we will be able to back on track around 2% of GNPA.

- Vishal Rampuria:** So you are saying for the quarter what is the improvement we have seen this will sustain?
- R. Varadharajan:** It will sustain and it will be further brought down.
- Vishal Rampuria:** Sir the second question is on this improvement in the yield, which we saw in the quarter so can you explain that on a Q-on-Q basis the yield was up by 40 BPS, 50 BPS to how much would be because of the improvement in the NPA and how much is the marginal rate of lending on the incremental disbursement?
- R. Varadharajan:** Incremental yield on sanctions improved about 15 basis points quarter-on-quarter.
- Vishal Rampuria:** 15 BPS.
- Bala S:** Yes ,rest will be attributable to interest reversals.
- Vishal Rampuria:** In the entire home loan market we have seen rates coming down for the most of the players so are you know facing any challenges in terms of lowering of rates to our borrowers?
- Bala S:** The home loan yields will remain stable at 9.8% on incremental disbursals in terms of LAP we have improved our sizes the 40 basis points.
- Vishal Rampuria:** So in case of LAP we had improved our pricing is it?
- R. Varadharajan:** Yes.
- Vishal Rampuria:** Sir one more question to ask you on this Tamil Nadu issue in terms of land issue. So can you give me more insight about where you see supply improving or the entire approval process has it got stabilized in Tamil Nadu now?
- R. Varadharajan:** You are asking about regarding land issue know by the High Court order?
- Vishal Rampuria:** Yes land issue.
- R. Varadharajan:** High Court order there was one government order has issued earlier allowing the regularization of the unapproved layouts and plots, but again there were representation from the public that the cost input quantum is very high and they want to reduce it. Again government has further revised the cost and they have done away with the payment of YSR charges they call it as YSR charges equivalent to 10% of the cost of the land that is now bailed so after that only things are improving in the sales, but only

problem is when the High Court has permitted and the government has also ordered on the field level the field is not to the extent what we expect, but probably during this quarter we are see lot of improvements in the field and it will settle down before the end of the current discussion.

Vishal Rampuria: So you are saying the entire approval process for the unapproved plots it is completely normalized in the quarter and you see more improvement going forward?

R. Varadharajan: That is what we are saying.

Vishal Rampuria: Thank you.

Moderator: Thank you. The next question is from the line of Manoj Agarwal from Phillip Capital. Please go ahead.

Manoj Agarwal: Sir can you just quantify what is the interest we have received from NPA accounts during the quarter and that comparable figure for the last quarter that is Q2 last year?

Bala S: This quarter it was about 2.5 Crores.

Manoj Agarwal: And what would be your outlook on the individual home loan for the full year and on the LAP side?

Bala S: See the LAP NPA should come down meaningfully for us to achieve our target of below 2% at the NPA.

Manoj Agarwal: No I was referring in terms of loan book growth?

Bala S: If you see in the last quarter our disbursements in the order of around 750 Crores so we are expecting in the next half year we should be able to disclose around 1800 Crores which will translate into 20% growth in the disbursements year-on-year and that may translate into around high teens of growth in the loan book that is what we are saying.

Manoj Agarwal: Do you anticipate some reprising in your home loan portfolio going ahead because the differential is quite large in the home loan portfolio between you and the competition so any sense on that?

R. Varadharajan: No the average incremental yield on home loans is 9.8%. For salaried the average could be around 9.3% for a non-salaried person it will be around 10.3%. For the stipulated customer the rate starts at 8.75%.

- Manoj Agarwal:** What would be your blended home loan yields on the whole?
- Bala S:** On the whole it is 11.2%.
- Manoj Agarwal:** And 11.2% and LAP on the pool would be outstanding.
- Bala S:** LAP is around 13.5%.
- Manoj Agarwal:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Bhaskar Basu from Jefferies. Please go ahead.
- Bhaskar Basu:** Good afternoon. Just a couple of questions; firstly just wanted to understand the yield progression that you mentioned only 11 bps coming from improvement in yield and rest from the reduction on GNPA, but the 2.5 Crores is just 10 bps, 11 bps so actually if the additional interest recognition higher than 2.5 Crores or it is the other way round?
- Bala S:** Bhaskar it is around 2.5 Crores, as I told you when you spoke last.
- Bhaskar Basu:** Yes but then that is only 11 BPS of yield improvement while actually the yields have gone up quite materially sequentially?
- Bhaskar Basu:** And also on the breakup you gave the numbers in terms of sanctions you give the breakup in terms of home loan and LAP for all the existing portfolio for this quarter and the last quarter both incremental?
- Bala S:** So for LAP sanctions were 146 Crores and for housing it was 618 Crores and on disbursements the same was 141 and 612 Crores.
- Bhaskar Basu:** In the yields corresponding yields actually on the portfolio basis rather than the sanctions basis, on the disbursal basis.
- Bala S:** On the portfolio basis the yield was on the home loan was about 11.2%, on the LAP it was 14.3%.
- Bhaskar Basu:** And prior quarter.
- R. Varadharajan:** Are you talking about the current?
- Bhaskar Basu:** I am talking about the portfolio yield during this quarter and the previous quarter.

- Bala S:** Prior quarter it was 11.3% and 14.5%.
- Bhaskar Basu:** Just wanted to understand whether you see this spread sustaining because these spreads are fairly elevated and considering that you have a large differential between incremental and the existing book plus you continue to see fairly high repayment still so would you look at reprising to boost growth or what is the streaky there?
- Bala S:** We see spreads at 3.2%, 3.3% for the rest of the year because we foresee improvement in asset quality, which will boost our spreads assuming we have to pass some of it to our borrowers, I think 3.2-3% is achievable.
- Bhaskar Basu:** Just finally some more color on this whole land issue where are we in terms of the regularization of than approved plots my understanding is that, that process is still not done yet and I think the progress there has been quite slow. So how are you seeing that at this point and how long do you think that takes to normalize?
- R. Varadharajan:** You are right as I told already as far as the government at the top level is concerned they have issued guidelines they have issued the two government orders on that and the latest order also they have reduced the cost for regularization substantially so that more people will come and regularize the plots. Now the question is it is actually decentralized all these approvals are regularization has to be accorded only at the state level by the municipality corporation and also district, when it is to be done and when they have been issued guidelines I agree with you they are not as first as we desire to be. So they are doing very, very slowly but the issue is being taken up at the government level also so what we expect is before we end up this quarter itself things will settle down and they have to be because once they received, because they have received that application they have to process it and then certified at district for regularization and the scheme and they have to issue the orders for regularization we expect the process should complete before the end of this current quarter.
- Bhaskar Basu:** Just to understand this a little better is this like a mechanical progress in the sense that do they need to inspect the plot or something like that for this to be regularized or it is an automatic regularization?
- R. Varadharajan:** No see the application is online because it is a system driven but there is a provision for inspecting and certification that the way they are not blocking any waterways and they are not in the government land or those things are really certified after inspection.
- Bhaskar Basu:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

- Nidhesh Jain:** On our sourcing strategy we have traditionally been sourcing loans to loan melas and we were experimenting GST model in some states of like Maharashtra so what is the strategy in terms of we are sourcing your strategy from here onwards?
- R. Varadharajan:** Even now we see incrementally the loan acquisition is only 2% other than your direct acquisition through DSAs and other mode we get only 2% incrementally therefore we continue to rely on our loan melas and direct acquisition of our customers.
- Nidhesh Jain:** So going forward are you planning to roll out DSAs in other branches also or you will continue to focus only on loan mela?
- R. Varadharajan:** Sir we are doing it wherever branches request for a DSA we permit them because that should not come in the way of development in that area in some area some of the branches if they see only through DSA they can acquire new customers now we permit them but nevertheless in practical terms what we see as I told you less than 2% is only we are getting from DSA rest are all coming directly, but it is good for us in the sense it reduces the cost. That is attributable to the fact that commissions are kept Rs.35000 to Rs.50000 regardless of size of the loan.
- Nidhesh Jain:** So just to understand have you seen any change in terms of footfalls or demand that you are witnessing five years back or three years back and now in terms of loan mela because of competition the kind of customers so you are saying three years back are probably you have seen some reduction in foot fall, have you seen any of these changes in last one year or two years?
- R. Varadharajan:** We have not seen such changes in the trade even now we feel that loan melas give us more business and what we are doing is like the areas like Madurai, Trichy, Coimbatore. Chennai, Bangalore and all we now we are conducting a combined loan mela combining all the branches in the locality and that is also giving us good business now.
- Nidhesh Jain:** Sir lastly on the asset quality so from Q1 to Q2 normally there is a decline in NPA and this quarter also if I look at versus our historical trend the decline in NPA is probably in line with our historical experience so what give us confidence that this decline will continue in Q3 even Q3 is a seasonally weak quarter in terms of NPA and will sustain in Q4 as well?
- R. Varadharajan:** If you see last year I think in the Q2 there is anyway did NPA because we departed from the normal call and we are now bringing it back and again all our efforts usually in December third quarter there needs to be an higher elevated NPA so with this time we have put all our efforts we have planned our strategies also and it does not go up and end of the March as usual we want to bring it down below 2% but we have seen all these NPAs are soft NPAs we are able to recover it this is the only problem

is recovery the entire installment without any arrears then only we can upgrade it to the standard assets so they are able to pay the current installment because of the earlier problem of your demonetization or GST or talks at that such type of issues they were not able to generate cash flow and repay. In the field what we are observing is now they are repaying us but some of the accounts we are not able to upgrade because they have to pay the arrears also apart from the current installment so we are now educating them at least part of the arrears so that by the end of the year they all can be upgraded to the standard assets.

Nidhesh Jain: It would be great if you can give a sense on the percentage of customers in NPA who have paid you installment – last installment in last one month and probably the percentage of NPA which is in 90 to 180 day bucket if these two numbers can be shared that could give us a very good clarity on the quality of NPAs?

R. Varadharajan: We will get back to it. We will give you that number offline here we do not have but we will get back to you we can give the numbers.

Nidhesh Jain: Thank you Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Ritika Dua from Elara Capital. Please go ahead. We have lost the line for Ms. Ritika Dua. We will move to the next question. The next question is from the line of Umang Shah from Emkay Global. Please go ahead.

Umang Shah: Thanks for the opportunity. Sir I just wanted to know what is the quantum of floating provision sitting on the balance sheet as on September.

Bala S: Right now nothing.

Umang Shah: Sorry.

Bala S: Zero.

Umang Shah: Sir just wanted to understand that there is a slide in the presentation slide #17, which mentions about our extrapolated provisions that could be sitting on the balance sheet including floating provisions of about 172 Crores so that is technically just extrapolation of the credit cost that we have incurred in the first half.

Bala S: Right.

- Umang Shah:** You are saying that assuming if we are able to bring our NPAs down to 2% kind of levels we will continue to maintain the same run rate of credit cost but whatever excess provisions are there those provisions will sit into the floating provision line item is it.
- Bala S:** Right.
- Umang Shah:** The second question that I had was with that is regarding our cost to income ratio in your opening comments also you mentioned that we have recorded one of the lowest cost to income ratio in past few years if you could just give us some sense has to where do you see this number settling or as and when the growth picks up we start seeing this number moving up again?
- Bala S:** We want to contain it below 16% for the current financial year.
- Umang Shah:** Sir just one last thing so ideally let us say if we do see our NPAs going below 2% kind of levels by March 2018 so to that extent we would see interest income the reversal that we had we would start seeing that interest income coming back?
- R. Varadharajan:** Yes.
- Umang Shah:** But on a more steady state basis assuming that if we achieve a 2% NPA level by March going forward into 2019 given the fact that yields are also hardening now where do you see on a steady state I am talking about the core business spreads where do you see those spreads kind of settling so we may see some bump up in spreads in H2 but on a core business basis where do you see our spread kind of stabilizing.
- R. Varadharajan:** 3% achievable for the foreseeable future.
- Umang Shah:** Sorry I missed that.
- Bala S:** 3% is doable for the next three years.
- Umang Shah:** Thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Sir what was the interest amount reversal in Q1?

- R. Varadharajan:** 2.5 Crores to 3 Crores.
- Giriraj Daga:** Sorry come ahead I missed that?
- R. Varadharajan:** Between 2.5 and 3 Crores.
- Giriraj Daga:** And on the quarter one right?
- Bala S:** Yes.
- Giriraj Daga:** Second is in terms of 20% growth for the disbursement in the second half how is the trend so far in the third quarter so far are we maintaining the trend and it is still expecting the improvement to happen in the fag end of quarter?
- Bala S:** Yes but we are on course.
- Giriraj Daga:** Okay you are on course for the first like first half of the quarter.
- R. Varadharajan:** Right.
- Giriraj Daga:** My just last question on the NPA side just a clarification, you mentioned that you are not upgrading them because they have not paid the earlier installment but at the same time you are saying that we are asking them to part payment earlier installment so that they can upgraded? So is it that role have to get the full might been before upgrading them would say part payment?
- R. Varadharajan:** See no due can be overdue for more than 90 days so it has been less than 90 days so that suppose we have an arrear installment of about five installments about five installments we wanted at least three installments of that shall be recovered we could not be more than two installments anything more than two installments third installment received it even part of the third installment would be taken at more than 90 days and it has to be charge whereas in NPA there is only two EMIs.
- Giriraj Daga:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Jeevan Patwa from Candyfloss Advisors. Please go ahead.
- Jeevan Patwa:** Sir I just want to understand out of your total loan book is it how much of percentage in secured as secured book?

- Bala S:** There is no unsecured loan at all.
- Jeevan Patwa:** How much is basically the loan to the asset value ratio?
- R. Varadharajan:** 60%.
- Jeevan Patwa:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Harshvardhan Agarwal from IAlpha Enterprises. Please go ahead.
- Harshvardhan Agarwal:** I wanted to understand this regulatory bit on the land registration so now only for the resell properties has the issue been sorted or on the new properties also the issue is resolved?
- R. Varadharajan:** No, see you should understand it was the High Court order was stay in the registration of the proper days, which are not actually approved by the competent authority for the residential purposes. We call it as layout and plots that was the issue but the High Court has removed the stay now registration is not a problem land registration is not a problem but wherever it is not regularized people cannot get the planning permission to construct the building. We are interested in funding for concession of the residential house that is why what we require is regularization of the such plots and thereafter getting a planning permission to construct house and that is the issue.
- Harshvardhan Agarwal:** Barring the issue that is there at the local level in terms of regularization of those plots there is no other issue which is now pending from a regulatory perspective?
- R. Varadharajan:** Yes you are right.
- Harshvardhan Agarwal:** The other is I wanted to check see you had a backlog of about 250 Crores, which you were unable to disburse in Q1 because of the regulatory issues so how much of that got disbursed in Q2?
- Harshvardhan Agarwal:** So how is the number sequentially going up because if it was 250 Crores and all of it has got disbursed and we are saying that the issue is getting resolved the number is still at 380 Crores?
- R. Varadharajan:** The 50% of our book is filled.
- Harshvardhan Agarwal:** So is it the total amount, which has been sanctioned.

R. Varadharajan: As per your question I will answer see you are asking because of the regularization how much is still undisbursed know that is the main question?

Harshvardhan Agarwal: Yes that is the question.

R. Varadharajan: Around 20 Crores is still pending out of the 220 Crores what we have told you earlier because of the regularization problem most of them have been now released because that is over but what we meant about they still undisbursed this part releases towards the construction we would have started disbursements the construction is under progress and where we will release only in the stage that is the different picture.

Harshvardhan Agarwal: Other is can I have the disbursement breakup between Tamil Nadu and ex of Tamil Nadu for H1 of this year and H1 of last year?

R. Varadharajan: I will tell you quarter wise I do not have the data.

Harshvardhan Agarwal: Yes quarter wise is okay.

R. Varadharajan: For this quarter Tamil Nadu disbursements were 446 plus 337 Crores the September and June I am talking about.

Harshvardhan Agarwal: Sorry I missed the number actually?

Bala S: The September quarter disbursements in Tamil Nadu was 446 Crores and in the June quarter it was 379 Crores.

Harshvardhan Agarwal: 379 in the June quarter.

Bala S: I am sorry 327 Crores for the June quarter.

Harshvardhan Agarwal: See the reason why I was asking the question is if I look at the growth of the loan book ex of Tamil Nadu, the growth there also seems to have slowed from about 22% a year back to about 13% in this quarter so just trying to understand outside of Tamil Nadu what are the challenges to growth?

Bala S: We are growing very well in Maharashtra, we are growing reasonably well in Gujarat and Telangana. We have slowed down in Kerala and Andhra Pradesh and to an extent in Karnataka because of some problems in Bengaluru.

Harshvardhan Agarwal: No Sir if I just take ex of Tamil Nadu if I just club the entire portfolio of what is the more sustainable kind of loan growth over next couple of years?

R. Varadharajan: 25% is achievable.

Harshvardhan Agarwal: And the other question was a bit on the competitive intensity especially in Tamil Nadu because we have heard multiple reports of people like SBI or PNB housing being extremely aggressive in terms of customer acquisition so wanted to understand what are you seeing on the ground because for us yields have held up pretty well over last couple of quarters?

R Varadarajan: You are right. Competition is intense no doubt on that and particularly from banks but nevertheless this penetration level is still lower, in most of the areas what we find is their demand is not fully met that is where opportunities are very high what we see in the demand is we used to get the similar type of enquiries for housing loan and we will be able to achieve what we desire by March so it should not be difficult we are very confident about it.

Harshvardhan Agarwal: Last is specifically on Tamil Nadu now obviously we read a lot of reports in terms of the state government being virtually inactive over last six months so wanted to understand what is happening on the RERA front one and the other is on the Pradhan Mantri Awas Yojana so anything specific that is happening in Tamil Nadu that you could sort of update us on

R. Varadharajan: The Pradhan Mantri scheme as you said in states like Maharashtra and Gujarat we are able to disburse a good number but in Tamil Nadu still we are discussing with the government because without government support that program cannot be implemented because supply side also we require assistance and help from the government. So they are showing lot of interest even government of Tamil Nadu because I cannot talk about any political situation here I am not supposed to but as per the government missionary is concerned they are very keen they want to implement it. So therefore our expectation is things will improve in the days to come and we will be able to have a good number of disbursements under this scheme also.

Harshvardhan Agarwal: Sir my last question was if I look at the slide #18 of our presentation of the Q2 earnings there is a slide on diversified borrowing profile now there the cost of fund weighted average has given at 8.2 so that is the cost of fund on book as of now?

R. Varadharajan: Yes.

Harshvardhan Agarwal: And is there any room for further sort of reduction in the cost of fund over rest of the year?

Bala S: Yes, in the next 12 months about 500 Crores of our NCDs high cost NCDs are maturing so there will be saving about 1.3% to 1.4% based on incremental borrowing rate.

Harshvardhan Agarwal: The last bit was on the LAP book that you have now of about 1800 Crores what is the percentage of loans which are in excess of 1 Crores?

Bala S: It is 285 Crores.

Harshvardhan Agarwal: 285 Crores.

R. Varadharajan: Yes.

Harshvardhan Agarwal: Perfect. Thanks this is helpful.

Moderator: Thank you. The next question is from the line of Rakhi Prasad from Alder Capital. Please go ahead.

Rakhi Prasad: Sir my other questions were answered I just wanted to check have we had any write-off this quarter.

Bala S: 40 lakhs.

Rakhi Prasad: And what was that number last quarter?

Bala S: Last quarter there is nothing this quarter we wrote off 40 lakhs.

Rakhi Prasad: So in total how much have we written-off then?

Bala S: In date historically about 6.50 Crores till date in 14, 15 years.

Rakhi Prasad: Thank you so much.

Moderator: Thank you. We have the next question from the line of Bharat Kothari who is an Individual Investor. Please go ahead. There seems to be no response from the line of Mr. Bharat Kothari we will move to the next question. Next we have a follow up question from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Sir in the opening remarks you mentioned that the repayment rate has come down in this quarter so what specifically we have done to reduce the repayment rate what is specific steps we have taken to reduce that?

- R. Varadharajan:** No see we were only discussing with the borrowers who would like to have the balance transfer only such things we have to arrest. We discuss with them and to the extent possible we offer them finer rate of interest within the rules permissible and then we retain that, that is what we have done it and then we have been quite successful. And plus the last quarter was an aberration so this is normal.
- Bharat Kothari:** Thank you Sir.
- Moderator:** Thank you. We have the next question from the line of Ameya Chedda from HDFC Securities. Please go ahead.
- Ameya Chedda:** Sir the loan book growth in the state of Andhra Pradesh has been low so any specific reason for that?
- Bala S:** We are mostly present in coastal Andhra where the economy is cash dependent so we have been slow there consciously.
- Ameya Chedda:** Sorry I did not get you?
- Bala S:** We are present in the coastal part of Andhra. The entire economy is cash dependent so we are slow consciously we are going slowly there, we are gaining our confidence back.
- Ameya Chedda:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.
- Ashi Anand:** I just have a one question. When do we need to transition to the 90 day DPD norm?
- Bala S:** We are already on 90 day DPD.
- Ashi Anand:** In terms of the provision coverage see by the end of the year as our increase come down what else are we have been targeting?
- Bala S:** At least 70%.
- Ashi Anand:** We looking and getting back to about 70% coverage?
- Bala S:** At least 70% yes.
- Ashi Anand:** Thanks a lot.

- Moderator:** Thank you. We have the next question from the line of Nikhil Walecha from JM Financial. Please go ahead.
- Nikhil Walecha:** Sir just wanted one clarification on the regularization of plots. So earlier there was confusion that the Panchayat approvals would no longer be valid so now with the government has now given the stay order so is the Panchayat approval now valid or not?
- R. Varadharajan:** No see even now the Panchayat approval is not valid. The approval has to be a kind from the competent authorities whoever for some cases it is a district level and some cases it is state level. Panchayat approval for valid only for the smaller dimensions probably around eight number of plots or something like that they given the guideline for that so the larger number of plots and layouts in the competent authority is the higher authority even now that is the stage.
- Nikhil Walecha:** So in the rural areas we may have seen some decline in the growth compared to the periphery of the towns and cities where the panchayat approval was more?
- R. Varadharajan:** Yes because the new approval people have come on line nobody will buy any plot without the proper approval of the competent authority what you have been discussing about the high court order and subsequent regularization was is a legacy the earlier plots that is only we were concerned but as far as the new layouts are concerned they are falling in line.
- Nikhil Walecha:** Sir just two data point question what could be our incremental ticket size for LAP and disbursement number for 2Q 2017 for Tamil Nadu?
- Bala S:** To answer your first question the incremental ticket size on the LAP is 16 lakhs , the same has come down from 21 lakhs last year.
- Nikhil Walecha:** 16 lakhs.
- R. Varadharajan:** Yes 16 lakhs your other question was disbursement in Tamil Nadu.
- Nikhil Walecha:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.
- Nischint Chawathe:** Just wanted to know how much of subsidy did you claim it with the PMAY scheme?

- R. Varadharajan:** This claim subsidies on 500 accounts.
- Nischint Chawathe:** 500 accounts.
- R. Varadharajan:** Yes.
- Nischint Chawathe:** The other question was on how are you kind of are you sort of a little still cautious on the cash economy or any kind of an impact of GST you did mentioned that in some part of AP where you are present you are kind of going slow?
- Bala S:** Nischint can you repeat the question?
- Nischint Chawathe:** Are you still a little cautious on the impact of GST or any tail impact of demonetization because you did mentioned that some part of AP where you are present you are kind of going a little slow because its cash economy?
- R. Varadharajan:** Yes you are right that is why we were waiting for things to stabilize in the sales because it is a cash economy but the GST now GST council have realigned in many of the cases therefore that mean business become easier at the grass route level now in respect of your small buyers. So now we are not giving any high ticket loans therefore we are not concerned about it as far as the lower to gues loans like between 10 to 20 lakhs things are becoming easier in the field now.
- Nischint Chawathe:** Have you see any weakness in collections in the self employed segment. I know the NPLs have improved but any weakness in collections specifically last one or two months because of GST, which may not have been, reflected in the GNPL numbers?
- R. Varadharajan:** Yes in the Q1 yes we have certain difficulties but in the Q2 particularly in the end of the Q2 we see what are the improvements in collections.
- Nischint Chawathe:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Shweta Daptardar from Dolat Capital. Please go ahead.
- Shweta Daptardar:** Sir I just wanted the value of the reprocess stock at the end of Q2?
- R. Varadharajan:** We do not have this number right now. We will get back to you we do not have the data now.

- Shweta Daptardar:** Okay not a problem Sir. And sir just one book keeping question I have no idea this was already replied to. I need the disbursements number for home loan and LAP for the previous quarter and same quarter last year.
- R. Varadharajan:** Previous quarter it was 511 Crores and 109 Crores and for last year it was sorry I gave you the sanctions data disbursement data was 202 Crores and 347 Crores was salaried and non-salaried and 291 and 585 Crores last year.
- Shweta Daptardar:** Sir if I have to breakup between home loan and LAP disbursements then what would that number be?
- R. Varadharajan:** It was 452 Crores and 97 Crores in June quarter and 638 Crores and 538 Crores respectively in September 2016 quarter.
- Shweta Daptardar:** And the current quarter gone by 612 and 141 right?
- R. Varadharajan:** That is right.
- Shweta Daptardar:** Thank you sir that is it from my side.
- Moderator:** Thank you. The next question is from the line of Ameya Chedda from HDFC Securities. Please go ahead.
- Ameya Chedda:** Sir one follow up question to ask in the quarter passed by we have changed our accounting policies in provisioning just wanted to understand the rational of changing this policy at this point of time?
- R. Varadharajan:** Yes you are asking about policy by the D1 you know.
- Ameya Chedda:** Yes D1.
- R. Varadharajan:** If you see our provisioning policy we have been doing in a 100% provisioning against the requirement of 25%, 40% and 75% in respect of D1, D2 and D3. As far as it is concerned against the requirement of 15% you have been doing 20%. So that was our historically we have been doing so the board analyze the data and found in respect of D1 particularly now which are all very, very soft in nature and which are now being upgraded because in fact if you calculate only number of EMI they are not even D1 they are only substandard but because of the regulatory provisions we cannot upgrade it to substandard we continue to remain in D1 despite having recovery and all so that type of high provisioning is unnecessary because in the quarters to come out there it is not going to be recovered as determined the standard assets and we have a policy of not reversing any provision any. We never

write-back the provisions that is historically we do not do in future also we do not intent to do that so still we taking into aspect all these things even after revising to 70% we found from 125 Crores of provision despite the reduction of NPA from 357 to 390 the provision has increased from 125 to 141. So going forward if we do the same level as about 16 to 17 Crores per quarter it is going to be around 175 Crores by the end of the year, it is going to be highly sufficient to have the provision coverage there so taking into all these into account approval decision was taken by the board to have this type of provision but it is much, much higher than the regulatory requirements.

Ameya Chedda: Thank you.

Moderator: Thank you. Well as there are no further questions I would like to hand the conference back to Mr. Santanu Chakrabarti for any closing comments.

Santanu Chakrabarti: Thank you Raymond. Thank you to all the participants for making this such a vibrant discussion even though we might regret that some of the questions may have weird from business outcomes to market outcomes but I am sure that the management of Repco Home Finance can take that into their straight and thank you everyone for taking time out.

Moderator: Thank you very much. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.