



“Repc Home Finance Q1 FY2018 Earnings Conference Call”

August 08, 2017



ANALYST: **MS. SHWETA DAPTARDAR – DOLAT CAPITAL**

MANAGEMENT: **MR. R. VARADHARAJAN – MANAGING DIRECTOR –
REPCO HOME FINANCE LIMITED
MR. T. KARUNAKARAN – GENERAL MANAGER –
REPCO HOME FINANCE LIMITED
MR. K. MADHUKAR – GENERAL MANAGER
(RECOVERIES) - REPCO HOME FINANCE LIMITED
MRS. POONAM SINGH – GENERAL MANAGER
(BUSINESS DEVELOPMENT) - REPCO HOME
FINANCE LIMITED
MR. BALAS – ASSISTANT GENERAL MANAGER -
REPCO HOME FINANCE LIMITED**

Moderator: Good day ladies and gentlemen and a very warm welcome to the Repco Home Finance Q1 FY2018 Earnings Conference Call, hosted by Dolat Capital. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance, during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta Daptardar from Dolat Capital. Thank you and over to you Madam!

Shweta Daptardar: Thank you Ali. Hello everyone and welcome to Q1 FY2018 Earnings Call of Repco Home Finance in order to discuss the results and recent business trends. We have with us today Mr. R. Varadharajan, Managing Director, Mr. T. Karunakaran, General Manager, Mr. K. Madhukar, General Manager Recovery, Mrs. Poonam Singh, General Manager Business Development, and Mr. Bala S, Assistant General Manager. Over to you Sir!

R. Varadharajan: Good afternoon everyone and a very warm welcome to the Repco Home Finance Limited Earnings Conference Call for the quarter year ended June 30, 2017. The quarter gone by was difficult one for us as we grappled with multiple challenges in.

a) The Madras High Court stay order on registration of certain category of properties, the resolution for which came towards the end of the June. This not only significantly affected our growth during the quarter, but also affected our asset quality as many borrowers facing cash crunch found it difficult to monetize the other real estate assets to service the loan.

b) Then rising sand prices which shorter by 3x owing to a huge supply mismatch so much that the government of Tamil Nadu had launched dedicated website in July to ensure smooth supply of sand. This affected the growth in our self-construction book adversely, which is about 45% of our loan book housing projects in Tier 2 and Tier 3 cities and asset quality of some of our moderate-to-high ticket LAP account borrowings.

C) Slippages in demonetisation affected small ticket accounts as well. The Company had similar experience after Chennai floods, small ticket accounts were affected because of adverse external factors, but we found within 9-12 months they normalized. That is what we believe now also these accounts will be normalized in another five six months.

Owing to the interplay of the approved mentioned factors, our sanction and disbursements registered degrowth of 9% on nonperforming loans serviced to 3.97%. The loan book registered a modest growth of 13% and just very near to Rs.9000 Crores mark.

Net interest income and post tax profits grew 14% despite lower realized interest income and higher provisioning requirements. We follow a provisioning policy of providing 20% on all substandard assets as against the regulatory requirement of 15%. We also make 100% provisions on D1, D2, and D3 accounts as against regulatory requirement of 25%, 40% and 100% respectively.

We are carrying Rs.125.4 Crores as provisions of nonperforming loans in the balance sheet. This number was just about Rs.18 Crores in FY2013. To put things in right perspective against the total cumulative ride down of about Rs.6 Crores since inception of this company provision of Rs.120-odd Crores as of now is a pretty comfortable number. Yes, NPAs are higher this time, but we are working very hard to recovering those loans this fiscal itself. In the quarter gone by, we also made a general provision of another Rs.2 Crores, which reflects in the line item provision for standard assets and can be used in future for making asset specific provisions and shoring up the PCR.

During the quarter, we earned spread of 2.9% and net interest margin of 4.3%, which is stable year-on-year. Other things being the same as we improve our asset quality during the course of the year margins will expand from the current level, improvement in asset quality will also result in a market improvement in provisioning coverage ratio, which stood about 35% at the end of June 2017.

Commercial banks were aggressive during this quarter in offering a low interest rate and taking over loans as a result of which the prepayments were higher than normal; however, we believe the worst is already behind us as all the customers who wants to switchover because the interest rate difference so have already done so and we believe the repayment rate will be comparable we took historical average going forward.

The balance between our exposure to self-employed segment and the salaried class stood at about 60% and 40% respectively, the share has non-housing loans in the loan book decreased to about 19.6% from the normal 20% as we realigned our focus to a small ticket loan and stayed away from high ticket non-housing loans.

Capital adequacy ratio continues to be comfortable at 21.4%. Our retail network comprised of 126 branches and 31 satellite centers spread across the 11 states and the Union Territory of Puducherry. We intent to open around 10 new branches this year spread across the states of Tamil Nadu, Andhra Pradesh, Maharashtra, Gujarat and Madhya Pradesh.

The financial highlights for the quarter ended June 2017 are as follows: Income from operations during the quarter stood at Rs.255.7 Crores up 8% from last year. Net interest income was Rs.95.9 Crores up 14%, PAT was Rs.45.2 Crores up 145% from the previous year, cost to income ratio stood up

at 16.6% down 0.4% from last year, loan book increased to Rs.8999.08 Crores registering a growth of 13% year-on-year, GNPA's stood at 3.9% and NNCA 2.6% resulting in PCR of 35.1%.

The board has recommended appointment of M/s. Batliboi & Associates LLP as our statutory auditors for the Company for the current fiscal subject to the approval of the numbers.

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

- Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question answer session. We will take the first question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Good afternoon team. Couple of questions; Sir if you can help us with the yield segment wise what we are able right now getting on book as well as incremental? I am looking at segment was looking for the salary and non-salaried and LAP?
- Bala:** The yield on the home loan segment was about 11.4% and on home equity segment 14.5%.
- Giriraj Daga:** Would you be able to have a breakup between salaried and non-salaried?
- Bala:** On home loan it was 11.1%, non-salaried segment 11.7% LAP is mostly non-salaried.
- Giriraj Daga:** These are our incremental yields or these are on book yields?
- Bala:** These are on the book. Incremental average yield on the home loan is around 10.5% and on LAP around 12.5%.
- Giriraj Daga:** LAP 12.5%. Sir I just want to understand what percent of loan would be fixed where we have frozen the interest rates?
- Bala:** Entire thing is floating.
- Giriraj Daga:** Entire thing is floating and just to understand on repayment only what percentage of our customers, number of customer had seen the reprising of the loan in the last let us say three to six months?
- Bala:** 5% to 8% of customers. We do it on a case-to-case basis.

- Giriraj Daga:** Just to understand there is no fixed formula like in case of bank they have one spread fixed on the MCLR rate, so we do not operate on that right?
- R. Varadharajan:** In the salaried segment we do it, but in unsalaried segment we do not.
- Giriraj Daga:** When you say that you have seen competitiveness mainly by commercial banks are taking over the loan which particular segment is witnessing this kind of a high?
- Bala:** Salaried home loan accounts and also LAP above Rs.50 lakhs.
- Giriraj Daga:** Home loan and LAP above Rs.50 lakhs you are witnessing that. Thanks a lot and I will get back in the queue if I have further questions.
- Moderator:** Thank you. We will take the next question from the line of Saurabh Das from Franklin Templeton. Please go ahead.
- Saurabh Das:** Thanks for the opportunity. My first question is regarding the DTCP approval and the sand availability issue, which you mentioned, so on the undisbursed sanctions, which I think the quantum was around Rs.200 to Rs.250 Crores in the previous quarter, what is that quantum right now?
- Bala:** It is about Rs.200 Crores.
- Saurabh Das:** In that sense this particular quarter would not have got additionally impacted because incrementally whatever you are sanctioning will be with DTCP approvals?
- R. Varadharajan:** You are right because the registration problem is now over and only thing it was only at the end of the last quarter that is why we could not disburse those loans, so those undisbursed sanctions also we can do it during the current quarter, apart from that whatever we sanctioned I think we should be able to disburse during current quarter itself.
- Saurabh Das:** So that stock of 250 how fast is it likely that we will get to disburse it in the course of this year?
- R. Varadharajan:** So before the end of this quarter.
- Saurabh Das:** Before the end of this quarter and the sand issue, which you mentioned can you just clarify how that has been handled and how smooth is it now, how the prices have trended and is it actually that much of an issue now?

- R. Varadharajan:** The issue was very serious during last quarter, but it is getting eased now, but still complete normalcy, has not come back, but it is expected because Government of Tamil Nadu has now introduced this online registration for sand and that has started working now.
- Saurabh Das:** That happened may be towards the end of the quarter or?
- R. Varadharajan:** Yes, you are right, in the month of July it started.
- Saurabh Das:** Understood and one point if you can just highlight your initiatives on growth prospects outside of your core geographies, what does it look like for this quarter, what are the internal gears for the organization towards achieving those?
- R. Varadharajan:** What we found even during such quarter of the current fiscal the growth has been very comfortable in Maharashtra therefore we expect the growth continues to be good in that state and Karnataka we expect a good growth in the coming quarters and also Telangana, these three areas we are expecting good growth because other states our base itself is very small, so we will be growing, but contribution to this gross advances, gross loan book may not be very significant during the current year.
- Saurabh Das:** In terms of new branch openings outside of core geographies, can you just give us a number, what is the target and what is the overall branch growth target this year?
- Bala:** We intend to open 10 new branches across Maharashtra, Gujarat, Andhra Pradesh and Tamil Nadu.
- Saurabh Das:** What is the total number?
- R. Varadharajan:** Totally 10.
- Saurabh Das:** Totally 10. And before the start of this year you had mentioned around 18% to 20% growth aspiration, given how the first quarter has panned, are you relooking at that number?
- R. Varadharajan:** No 18%, 20% seems to be doable even now.
- Saurabh Das:** Just last question on my side. You mentioned that whosoever had to switch has switched and in terms of poaching by other banks and incrementally you do not see that hurting you further, but your incremental yields are still a good 150 to 200 BPS higher than what some of the leading banks would be offering on the salaried segment, so is not that a continuous threat how are you get gearing up for that?

- R. Varadharajan:** We have already rolled out a new product for the salaried class at 8.75% starting rate for loans up to Rs.30 lakhs and that is comparable with any other housing finance companies right now and in the days to come suppose further reduction in cost of funds is there, we would like to pass it on and attract these customers, so that they are retained and also we are already offering final rate of interest as already told to the existing customers also whenever they approach to retain them because what we have seen in the first quarter is around 22% to 24% of preclosures, so that will come down to the normal level of 16% to 18% from now. That is what we are expecting.
- Saurabh Das:** Great. I will come back in the queue for more questions. Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Amit Ganatra from Invesco Asset Management. Please go ahead.
- Amit Ganatra:** Since you have been highlighting that the growth is getting impacted because of the challenges that you are facing specifically in Chennai, can you highlight ex-Chennai or ex-Tamil Nadu what is the growth rate that you are currently getting? What is the disbursement growth rate if I exclude basically Tamil Nadu or Chennai from numbers or what is the sanction growth rate if I exclude Tamil Nadu and Chennai growth numbers?
- R. Varadharajan:** We are growing 30% plus in Telangana, Maharashtra, we are going 20 plus in Gujarat.
- Amit Ganatra:** In that case the outcome is extremely negative in Tamil Nadu and because the net outcome is still negative right.
- R. Varadharajan:** Yes.
- Amit Ganatra:** How much would be degrowth in key region?
- Bala:** We disbursed Rs.327 Crores this quarter as opposed to Rs.380 Crores last June.
- Amit Ganatra:** This is in Tamil Nadu or Chennai?
- R. Varadharajan:** In Tamil Nadu.
- Amit Ganatra:** Tamil Nadu is one region, which is basically last year out of your Rs.599 Crores of disbursement, Rs.380 Crores was from Tamil Nadu, is it correct?
- R. Varadharajan:** Yes.

- Amit Ganatra:** 63% of your disbursement was from Tamil Nadu and that is the region, which has got impacted with the runrate basically down year-on-year. It is down 14% year-on-year, so 63% of your disbursements are down basically 14% year-on-year, which is leading to the overall, degrowth in terms of outcome Sir?
- Bala:** You are right.
- Amit Ganatra:** So from that perspective the growth in your key region is very, very crucial from an overall growth perspective right?
- Bala:** Correct.
- Amit Ganatra:** For that what you are saying is that the registration related challenge at least has now basically been done with?
- Bala:** Yes.
- Amit Ganatra:** Set of challenges, the sand cost?
- R. Varadharajan:** Sand cost yes.
- Amit Ganatra:** But only thing on sand cost is that – so sand cost should impact what, it should impact the construction for some of the self construction mortgage loans that you would have given right?
- R. Varadharajan:** Even the availability not even the cost.
- Amit Ganatra:** I agree, so even I am thinking okay whatever is the challenge whether it is cost or whether it is availability, but it impacts what, it impacts the construction of the loans which are given for self construction right?
- Bala:** Yes. It also impacts small private developers who come out with projects.
- Amit Ganatra:** Okay.
- R. Varadharajan:** It affects the purchase book also.
- Amit Ganatra:** But it should not have any implication on the LAP book right?
- R. Varadharajan:** Yes, you are right.

- Amit Ganatra:** So then the question is that why is that LAP book is basically facing asset quality challenges, because the third quarter, there was the demonetisation impact. For both quarters, there was recovery in that book, so one would have believed that okay if you know whatever was the demonetisation related challenge when is to recover? Now suddenly the gross NPA numbers have once again reached the third quarter numbers for LAP book?
- R. Varadharajan:** If you compare the third quarter number that is December and this June almost it is similar, because in March it came down again it has gone up. What we have seen is where we have recovered in March. Some other accounts particularly in the high tickets LAP side. But if you see the composition of the advances you will find 81% of the NPA is only in substandard that is it is just crossed 90 days and because that it has to be classified as NPA. Because otherwise what we have found in the ground level the borrowers are good, it is not any intention or default. There is some cash flow problem for them during June where they could not mobilize the money and save the money and otherwise they want to sell some of their assets and then do it that also they could not complete the process because of registration problem. But what we find in subsequent months, we are finding the recovery there in those aspects. Therefore we are working on that and we are also very confident during the current quarter itself. We will be able to bring them down to the normal standard assets. Because it is only question of some one or two installments, it is all 81% is only substandard, only 19% is in the doubtful which has crossed the age of more than one year.
- Amit Ganatra:** So the only addition to this question is that, are this the same set of accounts which first turned NPA in third quarter then you subsequently upgraded them in fourth quarter and now once again they have turned?
- Bala:** No, there are the different accounts.
- Amit Ganatra:** So the accounts are different right?
- Bala:** Yes. The ticket sizes are also different. This time the largest ticket size among delinquent accounts is Rs.3.5 Crores vis-à-vis Rs.7 Crores last time around.
- Amit Ganatra:** So this time the asset quality challenge has not come from in that sense from a very high ticket LAP book that was there earlier, which was creating a challenge for us?
- Bala:** But it is still come from high-ticket – Rs. 1 Crores and above segment.
- Amit Ganatra:** Okay and that book now is how much as a percentage of overall book?

- R. Varadharajan:** That book is Rs.320 Crores.
- Amit Ganatra:** How much would be the gross NPA in that book?
- R. Varadharajan:** It is around Rs.37 Crores spread over 17 accounts.
- Amit Ganatra:** This is the book which is still continuously giving you challenges because in the past also it gave you challenge, you managed to recover and now once again you have got fresh set of challenges right?
- R. Varadharajan:** We will again manage to recover it.
- Amit Ganatra:** The volatility in your number is getting created by this set of book right?
- R. Varadharajan:** Yes, you are right.
- Amit Ganatra:** So in that sense if I were to see your growth related challenges getting created out of Tamil Nadu as a state and your asset quality challenges is largely emanating out of this high ticket LAP, is it correct to understand right now that these are the two sets of challenges?
- Bala:** Your understanding is right.
- Amit Ganatra:** Tamil Nadu related growth basically it is more to do with the states if numbers they are start growing automatically you benefit right?
- R. Varadharajan:** Correct.
- Amit Ganatra:** My only last question is that are you not participating in that affordable housing scheme, which is basically set up by the government. Are you not participating at all because you are seeing?
- Bala:** We are participating but the registration problem was plaguing us, so we did about 220 registrations this quarter.
- Amit Ganatra:** Okay, in other states are you participating except Tamil Nadu and other states, are you seeing maximum participation there, also there is not?
- R. Varadharajan:** The growth driver is only the affordable housing what we have told, a good growth in Telangana, the growth in Maharashtra, all those things came only from the affordable housing and also the asset qualities are also good there.

- Amit Ganatra:** Okay, I am done with my question. In case if I have more questions I will join the queue. Thanks a lot.
- Moderator:** Thank you. We will take the next question from the line of Aadesh Mehta from Ambit Capital. Please go ahead.
- Aadesh Mehta:** Regarding your NPAs in home equity segment, if you can give some granularity on which segment of economy do they represent? What actually these underlying businesses are? That would be great.
- Bala:** Many of our high-ticket LAP borrowers in the commercial real estate sector. They're facing cash crunch and not be able to monetize other assets.
- Aadesh Mehta:** So then they would be as good as builder loans right?
- Bala:** No, they are not builder loans ; collateral are residential units.
- Aadesh Mehta:** It is probably the landowner who is building the building himself rather than a professional developer?
- R. Varadharajan:** It might be. In case of LAP, there is 100% equity. He might be in the business of construction of some other building.
- Aadesh Mehta:** To resolve this issue are we looking to basically sell this exposure down to some ARC and all and just get it off our books?
- Bala:** Not really. We are quite confident of recovering it.
- Aadesh Mehta:** Lastly Sir in terms of this Pradhan Mantri Awas Yojana, what kind of pickup is you seeing in the states of Tamil Nadu, Andhra Pradesh and Telangana?
- T. Karunakaran:** What we have seen is that we have now claimed around 220 units to put it right and now only the Government of Tamil Nadu on the government side they have told they will be coming out with the scheme for about 2 lakh units under the affordable housing and therefore we are expecting some development to take place on the ground level because initially we saw some supply side constraints and that is being removed now and the support of the government was also not there earlier. Now the Government of Tamil Nadu is very keen to develop the housing, so we think in Tamil Nadu in the next two or two three quarters lot of opportunities will be available for affordable housing and Maharashtra already it is there and Telangana is also we are seeing good development there.

- Aadesh Mehta:** But say in Tamil Nadu, Telangana, and Andhra Pradesh how do you rank the states in terms of the early supply coming through in which of the states would the supply come through first according to you?
- R. Varadharajan:** For our branches based on our locations, I can tell I think Tamil Nadu stands first.
- Aadesh Mehta:** Wish you all the best. Thank you.
- Moderator:** Thank you. We will take the next question from Vishal Rampuria from HDFC Securities. Please go ahead.
- Vishal Rampuria:** Sir if I look at your loan book growth even for Karnataka and your AP, still it is very low at 11% or 4%, so I understand the issue you are facing in Tamil Nadu, but even in other Southern states the growth rate is quite sluggish?
- Bala:** In Andhra Pradesh we are mostly present in the coastal areas where the economy is cash dependant.
- Vishal Rampuria:** Karnataka?
- R. Varadharajan:** Karnataka also similar problem to Tamil Nadu was there.
- T. Karunakaran:** In Karnataka, see as far as this patta issue they call it as it as CASA issue was there and therefore we were not able to fund them. The CASA was not acceptable for planning permission. So there were issues there. I think now that is also getting resolved like Tamil Nadu. It is also over now.
- Vishal Rampuria:** Sir you mentioned that this issue in Tamil Nadu got resolved probably in the month of June, so when do you see this disbarment or the entire loan book on recovering to a growth of say 89% to 90% by which quarter?
- R. Varadharajan:** Some improvement we saw in July so I think in August and September itself we should be able to see a good growth on that.
- Vishal Rampuria:** Sir Can you share the disbarment number for the month of July?
- Bala:** It is about Rs.180 Crores.
- Vishal Rampuria:** Rs.180 Crores this is for only Tamil Nadu?

- Bala:** Across locations.
- Vishal Rampuria:** Across and Sir one more question to ask you. On the funding source, I just noted that your NHB funding source has declined, so what would you attribute this decline to?
- Bala:** We have the disbursed loans and are waiting for refinance.
- Vishal Rampuria:** So you are waiting for the refinancing?
- R. Varadharajan:** Further to have control on the cost of funds during this quarter you would have seen we have expanded on the liability side in NCD and CPs also rather than bank borrowing. Bank borrowing in fact would have come down and we are now focusing on that because we were able to bring down the cost very substantially on that account.
- Vishal Rampuria:** Sir one more last question to ask on the LAP book what will be our strategy, so given the headwinds we have been facing for the last one year on high ticket size, so what is our strategy on the LAP book going forward?
- R. Varadharajan:** LAP book we would not like to expand. In fact you would have seen from 20 it has come down to around 19. We would like to maintain at that level, but at the same time, we are totally discouraging the high-ticket sales. We would like to contain the ticket size less than Rs.50 lakh only. We will not go beyond Rs.50 lakh.
- Vishal Rampuria:** So how much of your disbursement in the first quarter of your LAP, which was above Rs.10 million?
- R. Varadharajan:** We did not disburse anything above Rs.1 Crores.
- Vishal Rampuria:** But as on your June ending book what will be the split between the large LAP and small LAP?
- R. Varadharajan:** Rs.320 Crores the book size above Rs.1 Crores.
- Vishal Rampuria:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Bhaskar Basu from Jefferies. Please go ahead.

- Bhaskar Basu:** Good afternoon. Just a couple of questions; one what would be the disbursal growth for the LAP segment and also for the home loan segment separately if you could give it for salaried and non-salaried?
- Bala:** In the quarter ending June 2016, we disbursed about Rs.158 Crores in the LAP segment. So it has come down to Rs.97 Crores this quarter. Home loan was Rs.442 Crores last year. It has increased slightly of Rs.452 Crores.
- Bhaskar Basu:** Secondly just want to understand with GST are you seeing any impact on your borrower base any issues from an asset quality standpoint?
- R. Varadharajan:** There was some impact initially because they could not understand. They did not know whether they will be exempted because they were telling up Rs.20 lakhs they have exempted particularly the small ticket borrower, they were worried whether they will be coming under that, so there some problem in their sales also, but what we find in the ground situation today, so now it is settled.
- Bhaskar Basu:** So you are not really seeing any signs of stress emerging in that segment?
- R. Varadharajan:** Going forward no we do not expect.
- Bhaskar Basu:** Thanks a lot.
- Moderator:** Thank you. We will take the next question from the line of Dhaval Gada from Sundaram Mutual Fund. Please go ahead.
- Dhaval Gada:** Sir just a couple of questions. One if I understand correctly this quarter we saw about 2% growth in home loan disbursement to about Rs.451 Crores is that correct?
- R. Varadharajan:** Yes Rs.452 Crores. You are right.
- Dhaval Gada:** The second thing is Sir on this Rs.110 Crores LAP NPA how much have we collected so far as of July or may be early August some colour there?
- Bala:** Rs.15 Crores in the high ticket segment out of Rs, 37 Crores.
- Dhaval Gada:** What is our GNPA in the Tamil Nadu region now as of June 2017 end?
- R. Varadharajan:** Just hold on, I will provide.

- Dhaval Gada:** And if you can also provide Andhra and Karnataka that would be very helpful?
- Bala:** In Tamil Nadu, it is 4.1%. Andhra it is 4.7%. What else you want?
- Dhaval Gada:** Karnataka?
- Bala:** It is around 3.8%.
- Dhaval Gada:** Any specific reason we have seen a sharp rise in Karnataka NPS any colour there what lead to this, it is more than double of what it was during demonetization period, so any colour there?
- R. Varadharajan:** See it is only because of one particular branch in Bengaluru and we are studying that.
- Dhaval Gada:** Thanks a lot.
- Moderator:** Thank you. We will take the next question from the line of Roshan Chutkey from ICICI Prudential Asset Management. Please go ahead.
- Roshan Chutkey:** Thanks for giving me the opportunity. How did the 30 plus number move over the last one-year or so if you can just give that breakup by quarter?
- Bala:** Although NPA numbers are higher; 30+ number has improved year on year
- Roshan Chutkey:** It has not moved much and what is the number like?
- Bala:** It is around 12%.
- Roshan Chutkey:** And what kind of NCDs are you doing now? It is predominantly one year or three year?
- Bala:** We are going between three and seven years.
- Roshan Chutkey:** Three and seven years and what is the pricing like incremental price?
- Bala:** It is about 8.05% and the seven-year one we did at 8.15%.
- Roshan Chutkey:** 8.15% alright and some of it the impression post the Q4 numbers was also that the issue in Tamil Nadu got resolved, so what exactly got resolved at that time and what was pending there is a lot of confusion on this? Can you just explain this a little bit?

- R. Varadharajan:** On the registration side, there was a stay order by the High Court of Madras in registering the documents and actually the stay they were telling it is vacated, but again some regularization scheme had to be approved by the Government of Tamil Nadu and they issued a government order also, but again they say it has to go to the court and the court has to vacate, so because of that it gets delayed, but even after the court gives the verdict and also the government order is also passed for regularization of all these plots what happened is on the ground situation the officials said they could not understand that. So the registration was denied for some more time also. Now only it gets solved. That is why I told only at the end of the last quarter actually things were happening now.
- Roshan Chutkey:** So now they are accepting this proper. It is going smoothly now basically?
- R. Varadharajan:** It is going smoothly.
- Roshan Chutkey:** So you do not need both the Gram Panchayat as well as the Municipality Authority approval?
- R. Varadharajan:** See you should understand. There are two categories of those plots. One is already sold that it is a second sale what we call it as a second sale. In those cases also actually registration was stopped. Now that is restored. The registration department is permitted to register if it is already one time registered. It is a second sale, but in the case of new development of land they say it has to be regularized by the government. For that they have to apply online. So people have applied. That we are expecting at least during the current month they will release those regularizations and thereafter they will be able to sell the plots. So there are two types of categories there.
- Roshan Chutkey:** Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Saurabh Das from Franklin Templeton. Please go ahead.
- Saurabh Das:** Thanks for taking my questions again. Just a couple of things first on the NPA numbers itself given that after many years this magnitude of NPAs is the first time we are dealing with, so if you can give us some sense of what sort of recovery machinery you have put on ground? What are your broad timelines in terms of giving the borrowers time and after where SARFAESI will be initiated and what sort of end in GNPA numbers you are looking at for the end of the year?
- R. Varadharajan:** We analyze the NPA category from 81% of the Rs.357 Crores is only substandard. Substandard in the sense it has slipped beyond 90 days, so recovering those accounts is definitely easier in the sense we have to recover some two to three installments additionally that is all not the big amounts, so we have setup a special team for that both at the head office. We have also setup regional offices in five places

now. So the regional managers have been given special task of meeting the borrowers, discussing with them, and then we have to recollect. So that is how we are aiming at, so our entire exercise is to ensure that substantial improvement happens during Q2 itself. That is number one and also come back to our normal position of say around 1.5[^] to 1.6% of the gross NPA that is our endeavor by the end of the current fiscal.

Saurabh Das: Can you give us a credit cost guidance for the year?

Bala: 60 basis points.

Saurabh Das: Thank you and all the best.

Moderator: Thank you. We will take the next question from the line of Ashutosh Niva from ICICI Securities. Please go ahead.

Harshad: This is Harshad from ICICI Securities. Sir just one thing our asset book did not grow very significant because it was flattish QOQ even though our disbursements were meaningful, so just wanted to know that apart from higher loan book run off was there also write offs of highly provided assets in this quarter?

Bala: No we did not write off anything.

Harshad: So basically the higher run off because of which our asset growth has been flattish?

Bala: Exactly.

Harshad: Thanks a lot.

Moderator: Thank you. We will take the next question from the line of Manish Agarwal from PhillipCapital. Please go ahead.

Manish Agarwal: Thanks for the opportunity. This might be repetitive in nature. Just wanted to understand see we had demonetisation, which impacted the cash flow of our small business customers now we have an event called GST how well is your customer prepared for that number one? Have you witnessed any kind of increase in working capital at their end and how the turnover has been impacted post GST implementation? Do you see any asset quality headwind from that segment that is one part? Second question is on data point can you give us the incremental cost of fund number? Thank you.

- Bala:** I will answer the second question first. The incremental cost of funds is in the neighborhood of 8.5% per annum and regarding your first question you must understand that our medium ticket size is about Rs.8 lakh. Many of our borrowers may not come under the ambit for GST.
- Manish Agarwal:** So you do not see any impact because of this event?
- Bala:** There could be an impact, but it will not be material.
- Manish Agarwal:** I just missed that number what kind of GNPA and net NPA you are looking at by end of this year post recovery?
- Bala:** It is to achieve our target of 1.5% given our current provisions and given our loan book guidance; we will land up at 80%+
- Manish Agarwal:** Thanks. That is helpful.
- Moderator:** Thank you. We will take the next question from the line of Digant Haria from Antique Stock Broking. Please go ahead.
- Digant Haria:** My questions have been answered. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Ritika Dua from Elara Capital. Please go ahead.
- Ritika Dua:** Thanks for taking my question. Just one. Sir if you can just again kindly repeat the disbursement, which you had shared for the month of July and the outstanding high ticket LAP accounts as of June?
- Bala:** Disbursements in July were at about Rs.180 Crores. In the high-ticket segment that is Rs.1 Crore plus segment the outstanding was Rs.320 Crores.
- Ritika Dua:** Sir if I can just maybe get a like for like number for both the numbers on a YOY basis like for like?
- R. Varadharajan:** I do not have last June data, but last September this Rs.1 Crore segment was about Rs.500 Crores.
- Ritika Dua:** Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Lalitabh Shrivastawa from Sharekhan Limited. Please go ahead.

- Lalitabh Shrivastawa:** Thanks for taking my question Sir. Most of the questions have been answered. I might be repeating that, but can you give some outline on the shape of your portfolio mix say two to three years down the line in terms of the kind of challenges that you have seen of late? Is there a change that you are seeing on your long-term plan? Secondly if you can share your name outlook for FY2018 and thirdly if you will allow me we have had very positive asset quality performance till of late, but some challenges were there, so on the loss given default issue of has things changed from say March 2016 to current quarter? These are the three questions.
- R. Varadharajan:** The portfolio mix what we have already told you that we would like to avoid this high ticket size particularly above Rs.50 lakhs and we would like to focus on our core area of affordable housing and particularly schemes Pradhan Mantri Awas Yojana where we would like to maintain our average ticket size at around Rs.13 lakh to Rs.14 lakh only, so that is our focus. However, we would maintain this 80:20. That is 80% of the pure housing loan and 20% of loan against property, but avoiding this high-ticket LAP loans.
- Lalitabh Shrivastawa:** Sir on the LGD and NIM outlook?
- Bala:** LGD as of now is less than 7% historically for housing loans. For us it is at six basis points.
- Lalitabh Shrivastawa:** Has it changed materially over the last say one year or so?
- R. Varadharajan:** In the last four years, we have written off just Rs.80 lakh. We have written we have written off Rs.6 Crores
- Lalitabh Shrivastawa:** Fine Sir and your NIM outlook Sir?
- R. Varadharajan:** About 4.5%.
- Lalitabh Shrivastawa:** Thank you.
- Moderator:** Thank you. Due to time constraints we will take the last question from the line of Pramod Pande from Reliance Treasury. Please go ahead.
- Pramod Pande:** I have just two questions. One was just to clarify you mentioned that for sub 30 lakh ticket size the incremental rate offered is 8.75% and you also mentioned that the incremental housing loan that you are making is 10.5% I was not able to get the differential what explains the difference?
- R. Varadharajan:** Actually we could not hear you?

- Pramod Pande:** What I meant was that for Rs.30 lakh ticket size you are incrementally lending at 8.75%. I am assuming this is for salaried people and you also mentioned that for housing the incremental yield is 10.5%?
- R. Varadharajan:** This is just the starting rate 8.75% for salaried class.
- Pramod Pande:** Salaried class value is 40% of your mix right and because your ticket sizes are significantly lower than Rs.30 lakh I am assuming that most of the salaried loan almost all of the salaried loan will be at 8.75%?
- Bala:** Not all 30 lakhs loans are given at 8.75%. For private reputed companies all of those factors will play in.
- Pramod Pande:** Got it and second was on the disbursement front with respect to the previous question not previous, but the earlier question asked was so if I got it right you mentioned that the Tamil Nadu or the disbursement in Tamil Nadu has degrown at 14% YOY, so then if I adjust for the overall disbursement has degrown at 9% YOY. If I adjust for Tamil Nadu disbursement, which is close to 63% then also you remaining disbursement figure it has grown, but it has not grown materially that is only in low single digit, so I just want to understand when Gujarat or AP has grown at 20% plus does that mean that the remaining states have also degrown or has been largely muted is that right understanding?
- R. Varadharajan:** As is the case every year, every quarter some states show better growth than others. That has happened. The main driver of our loan book growth is Tamil Nadu book, which is not actually growing and as we pointed out that we also faced some problems in Bengaluru, Karnataka and we are going very slow in Andhra Pradesh.
- Pramod Pande:** Just one last question Sir what will be the breakup in terms of geography for the LAP book will it also be similar to the overall portfolio breakup that you that you keep it on geography?
- R. Varadharajan:** LAP is Tamil Nadu dominant.
- Pramod Pande:** That is all from my side Sir. Thanks a lot.
- Moderator:** Thank you very much. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over to Ms. Shweta for closing comments.



*Repco Home Finance Limited
August 08, 2017*

Shweta Daptardar: We thank you all for being with us on the call today. We thank the management of Repco Home Finance for providing us the opportunity to host the conference call. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Dolat Capital that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.