

# Repco Home Finance

**BUY**

Strong disbursements growth; Valuations comfortable

## Summary

Repco Home Finance reported strong disbursement growth at 27.5% QoQ however AUM growth remained stable at 8.1% YoY vs 8.3% YoY (Q1FY25). Management guided for disbursements target to be achieved while AUM to be lower than Rs.150bn for FY25. NIMs remain stable QoQ at 5.1% backed by improvement in yields. Company has increased the lending rate by 10bps which should support the margins. Asset quality improved during the quarter with GNPA at 4.0% vs 4.3% QoQ due to better collections. NII grew by 2% YoY led by decline in NIMs. PAT grew by 15% YoY led by write back of provisions which supported RoA at 3.3% (highest in last 3 years). We largely maintained the estimates and our “BUY” rating with TP of Rs.595, valuing it at 1.0x P/BV FY26E.

## Key Highlights and Investment Rationale

- **Loan book growth remains stable:** Loan book growth remain stable at 8.1% YoY vs 8.3% YoY (Q1FY25) while disbursement growth improved. Disbursements grew 27.5% QoQ (up 9% QoQ) led by branch expansion and recruiting of sales team. AUM growth was supported by 19% YoY growth in LAP portfolio. We expect 11% CAGR (FY24-26) AUM growth vs 13% CAGR earlier.
- **Asset quality improved:** Asset quality improved with GNPA at 4.0% vs 4.3% QoQ as per new RBI norms. Stage 2 asset declined to 11% vs 11.7% QoQ; guided to bring down to 10% level.
- **NIMs stable QoQ:** NIMs remain stable QoQ at 5.1% led by improvement in yield on advances (up 10bps QoQ) as against rise in cost of funds (up 10bps QoQ). Management has taken 10bps price hike which provide cushion to margins.
- **Outlook:** Management highlighted that the company wants to grow consciously going ahead, without affecting the asset quality. Further, guided disbursement of Rs.35bn for FY25 to maintained, while higher repayments could lead to slight short of Rs.15bn AUM. Valuations remain comfortable at 0.8X FY26E ABV.

**TP Rs.595**
**CMP Rs.463**

Potential upside/downside 28%

Previous Rating BUY

## Price Performance (%)

	-1m	-3m	-12m
Absolute	(6.9)	(2.8)	6.0
Rel to Sensex	(2.4)	(1.2)	(13.7)

## V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	66.1	69.8
Consensus	66.4	69.9
% difference	(0.4)	(0.1)

## Key Stock Data

Bloomberg/Reuters	REPCO IN / RHFL.BO
Sector	Housing Finance
Shares o/s (mn)	63
Market cap. (Rs mn)	28,978
3-m daily avg Trd value (Rs mn)	9.4
52-week high / low	Rs595 / 366
Sensex / Nifty	77,691 / 23,559

## Shareholding Pattern (%)

Promoters	37.1
FII	12.9
DII	18.3
Public	31.7

## Financial snapshot

(Rs mn)

Year	FY2022	FY2023	FY2024	FY2025E	FY2026E
NII	6,003	5,827	6,790	7,115	7,862
Change (yoy, %)	6%	-3%	17%	5%	10%
Net Profit	1,915	2,961	3,947	4,132	4,367
Change (yoy, %)	-33%	55%	33%	5%	6%
EPS (Rs)	30.6	47.3	63.1	66.1	69.8
Change (yoy, %)	-33%	55%	33%	5%	6%
BV (Rs)	357.4	402.2	462.6	525.9	593.0
PER (x)	15.1	9.8	7.3	7.0	6.6
P/BV (x)	1.3	1.2	1.0	0.9	0.8
ROE (%)	8.9	12.5	14.6	13.4	12.5
ROA (%)	1.6	2.4	3.0	2.9	2.7
GNPA (%)	7.2	6.2	4.6	4.0	3.7
NNPA (%)	5.5	3.7	2.2	1.6	1.7
CAR (%)	33.3	35.8	34.0	34.5	34.7

Source: IDBI Capital Research

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## Conference Call Highlights

### Operational Performance

- The management said that yields improved during the quarter despite facing stiff competition in the market.
- The bank has recruited employees in the sales and collection team to improve the operational performance.
- The depreciation and amortization were elevated mainly due to the company's error in calculation of amortization of right of use assets in Q1FY25, for which the company made the P&L adjustment in Q2FY25.
- Other income increased during the quarter on account of higher income from insurance, as well as recoveries from TWO accounts (Rs.84.3mn in Q2FY25 vs Rs.28.3mn in Q2FY24), and income from FD.
- The Phase 1 of the new software project comprising of LLMS, LOS and EGL is fairly stabilized. Phase 2 comprising of software relating to support function are in various stages of implementation and testing.

### Loans

- The BT out rates are increasing for the company due to high competition from banks. The company is not able to compete with banks particularly on the interest rate offered by the latter.
- The company may also look at some Direct Assignment transactions going ahead.
- The company had increased its lending rate by 10 bps which will give some cushion on the margins.
- The yield on home loan is about 11.2%, and that of LAP is 13.4%.
- The BT out rate stood at Rs.650mn, and the BT in rate was Rs.1,310mn.
- The company is seeing repayments of Rs.2bn per month currently, as opposed to Rs.1.5bn per month a year ago. This includes normal repayment of about Rs.500mn, and the rest being prepayment and takeovers.

### Asset Quality

- The management highlighted that the loans overdue in the new book is far lesser than the old book.
- During the quarter, the company saw slippages of Rs.370mn whereas recoveries were Rs.670mn.
- The NPA from the restructured book is about Rs.1.5bn in Q2FY25 as against Rs.1.6bn in Q1FY25.
- The main focus of the collections team will be to improve the stage 2 accounts going ahead.
- As on Sep 30, the company holds Rs.4.85bn of restructured portfolio. Of this, around Rs. 1.54bn are in stage 3, Rs.2bn in stage 2 account and the rest in stage 1 account.
- Out of the Rs.70bn of loan disbursed in the last 3 years, the NPA is at Rs.500mn. Therefore, the rest NPA book of Rs.5.02bn is of the old legacy book (Pre-COVID).
- The technical write off was Rs.130mn in the last one year. However, the management said that the actual write off would be Rs.150-200mn since inception.
- So far in the current fiscal, the company has issued 500 auction notices and 447 possession notices. The company may conduct a mega auction in the December quarter.

### Future Guidance

- The overall strategy will be to increase the BT in rates and increase the disbursements for rest of the year.
- The company is aiming for a disbursement of Rs.36-38bn for FY25 and is ramping up the sales team to achieve the target for the year.
- In case the repayment and BT out rates remain elevated in H2FY25, the company expects AUM to be around Rs.148bn-149bn by March 2025, as against the earlier guidance of Rs.150 bn.
- The bank aims to touch the total branch count to 250 by March 2025.
- The company has approached NHB for funding, and may come through this year. In addition, the company is also tapping the corporate bond market for funds. However, the company has no plans for securitization of loans in the near term.

- The management expects credit costs to be negligible in FY25. Further, the company could see more write back of provisions. The company has estimated a write back in provision to be around Rs.500mn for FY25.
- The company said that commission from insurance products is expected to improve further in coming quarters.
- The management may look to hire another 20-30 personnel in the sales team. The total employee count in the sales team is about 170, and that of collections team is 180. In addition, about 200 branch heads will also work towards improving disbursement further.
- The TWO account book stood at Rs.1bn, and the management expect recoveries in this account to continue going ahead.
- The management expects the share of DSAs and connectors in disbursements to be around 40% by year-end, as against 30% last year.

## Exhibit 1: Quarterly Snapshot

(Rs mn)

Year-end: March	Q2FY25	Q2FY24	Q1FY25	YoY (%)	QoQ (%)
Interest Income	4,153	3,802	4,078	9.2	1.8
Interest Expenses	2,396	2,075	2,330	15.5	2.8
<b>Net Interest Income</b>	<b>1,757</b>	<b>1,727</b>	<b>1,749</b>	<b>1.7</b>	<b>0.5</b>
<b>NIM (%)</b>	<b>5.1</b>	<b>5.4</b>	<b>5.1</b>	<b>-30 bps</b>	<b>0 bps</b>
Non-Interest Income	127	38	84	239.5	51.2
<b>Operating Income</b>	<b>1,884</b>	<b>1,765</b>	<b>1,833</b>	<b>6.8</b>	<b>2.8</b>
Staff Cost	284	255	291	11.4	(2.4)
Other Op Exp	233	172	162	35.8	44.2
Total Operating Expenses	517	426	452	21.2	14.3
Cost to Income (%)	27.4	24.2	24.7	327 bps	275 bps
Cost to AUM (%)	1.5	1.4	1.4	16 bps	17 bps
<b>Operating Profit</b>	<b>1,367</b>	<b>1,338</b>	<b>1,380</b>	<b>2.2</b>	<b>(0.9)</b>
Provisions	-160	16	14	-	-
Credit Cost (%)	-0.48	0.05	0.04	-	-
<b>PBT</b>	<b>1,528</b>	<b>1,322</b>	<b>1,366</b>	<b>15.5</b>	<b>11.8</b>
Tax	403	341	312	18.0	29.2
-effective tax rate	26.3	25.8	22.8	54 bps	354 bps
<b>PAT</b>	<b>1,125</b>	<b>981</b>	<b>1,054</b>	<b>14.7</b>	<b>6.7</b>
EPS (Rs)	18.0	15.7	16.9	14.7	6.7
BV (Rs)	494.4	396.0	442.9	24.8	11.6
AUM	1,39,644	1,29,215	1,37,011	8.1	1.9

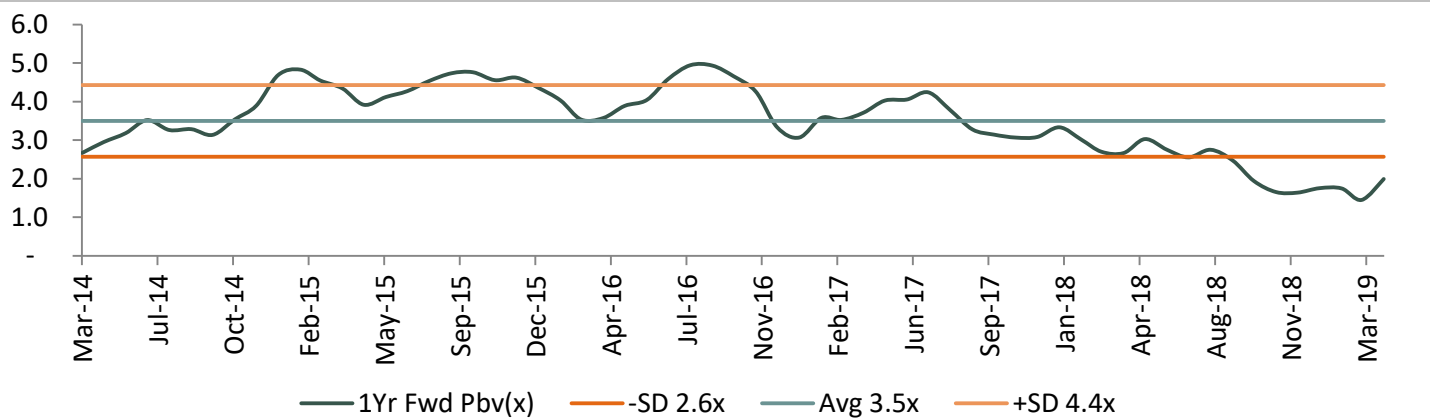
Source: Company; IDBI Capital Research

**Exhibit 2: ROE Decomposition**

(%)	FY22	FY23	FY24	FY25E	FY26E
<b>NII</b>	<b>4.9</b>	<b>4.8</b>	<b>5.2</b>	<b>4.9</b>	<b>4.9</b>
Fees	0.0	0.0	0.0	0.0	0.0
Other Income	0.1	0.1	0.1	0.3	0.3
<b>Net Revenue</b>	<b>5.1</b>	<b>4.9</b>	<b>5.3</b>	<b>5.2</b>	<b>5.2</b>
Op.Exp	1.0	1.2	1.3	1.4	1.4
<b>Op.Profit</b>	<b>4.0</b>	<b>3.7</b>	<b>4.0</b>	<b>3.8</b>	<b>3.8</b>
Provisions	1.9	0.4	(0.0)	(0.0)	0.1
PBT	2.1	3.3	4.0	3.8	3.6
Tax	0.6	0.9	1.0	1.0	0.9
<b>PAT</b>	<b>1.6</b>	<b>2.4</b>	<b>3.0</b>	<b>2.9</b>	<b>2.7</b>
Leverage (x)	5.7	5.2	4.8	4.7	4.6
<b>ROE</b>	<b>8.9</b>	<b>12.5</b>	<b>14.6</b>	<b>13.4</b>	<b>12.5</b>

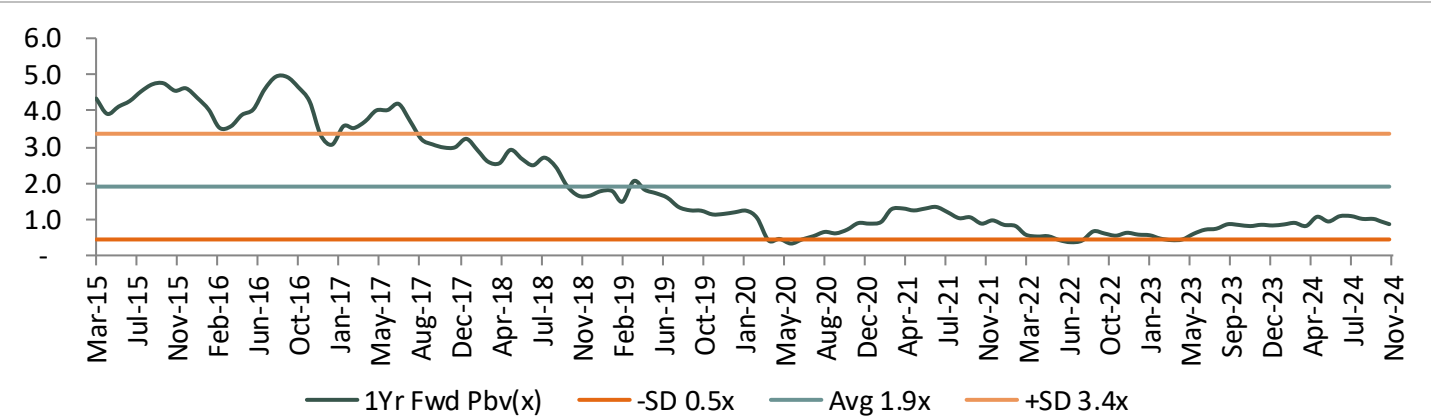
Source: Company; IDBI Capital Research

Exhibit 3: Figure: One-year forward P/BV (FY14-19)



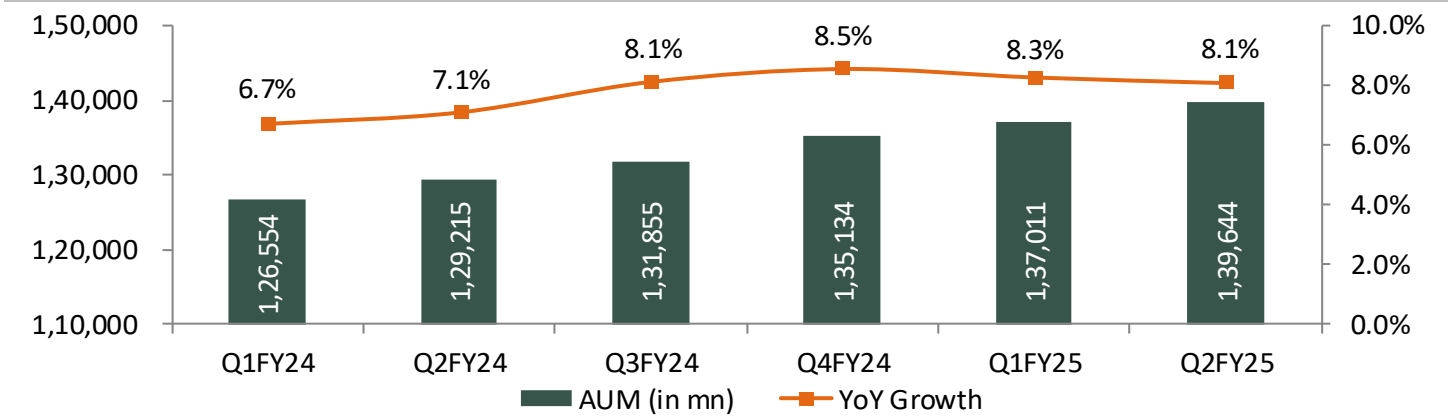
Source: Company; IDBI Capital Research

Exhibit 4: Figure: One-year forward P/BV (FY15-25)



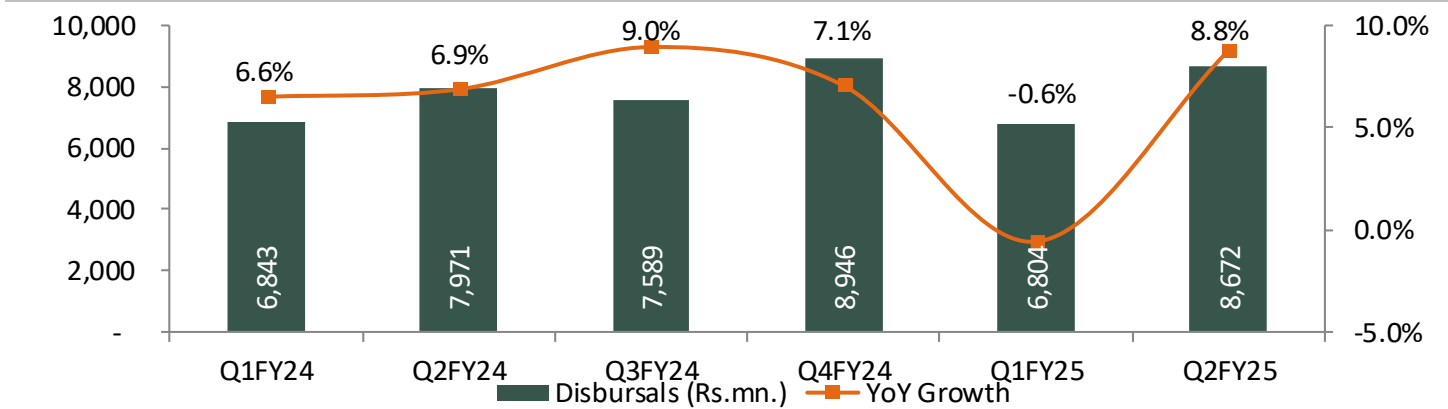
Source: Company; IDBI Capital Research

Exhibit 5: AUM growth remained stable



Source: Company; IDBI Capital Research

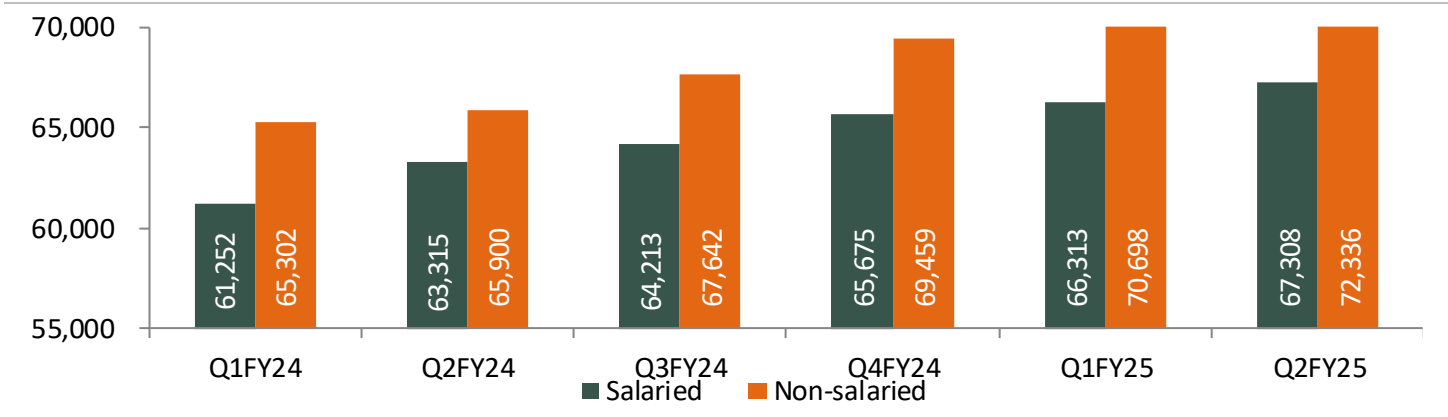
Exhibit 6: Disbursals improved during the Quarter



Source: Company; IDBI Capital Research

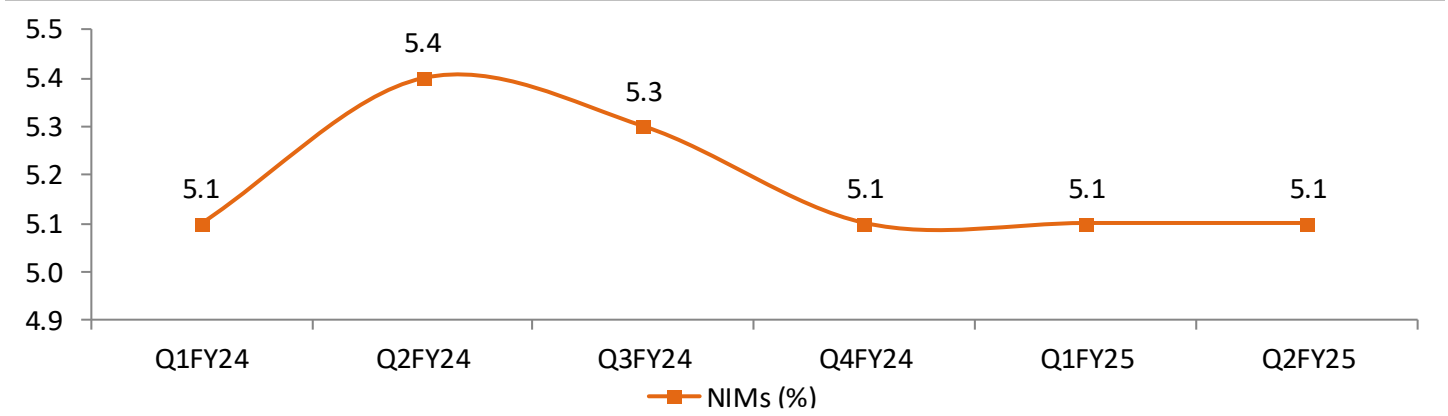


Exhibit 7: Loan Book Composition by Borrower Type

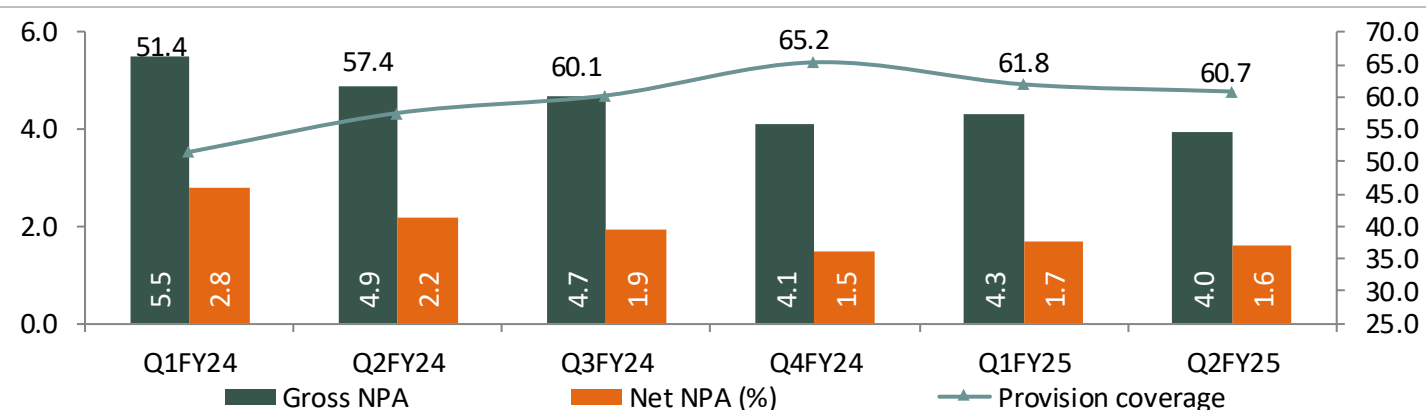


Source: Company; IDBI Capital Research

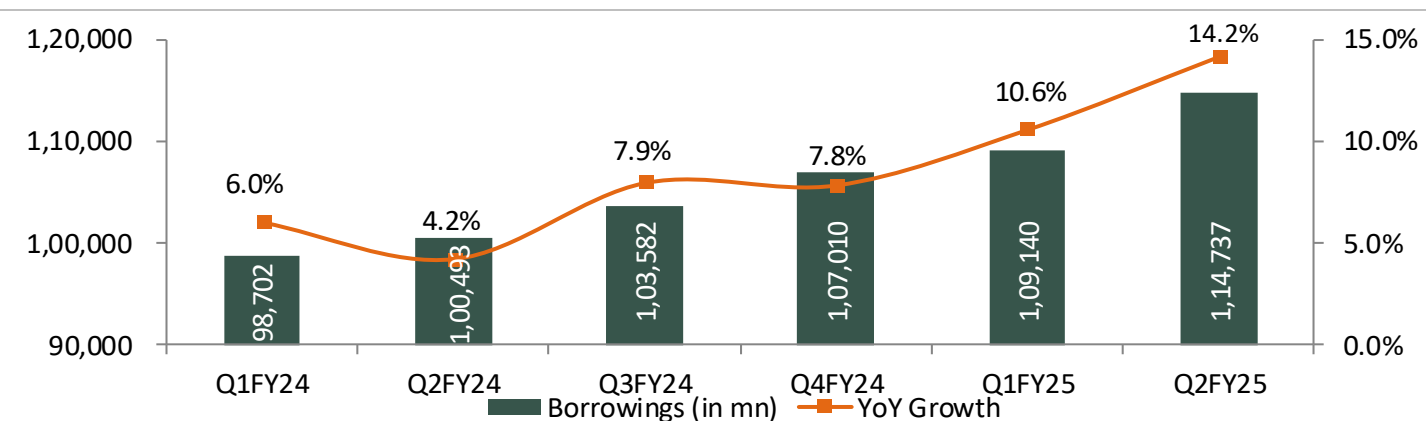
Exhibit 8: Net Interest margins remained stable sequentially



Source: Company; IDBI Capital Research

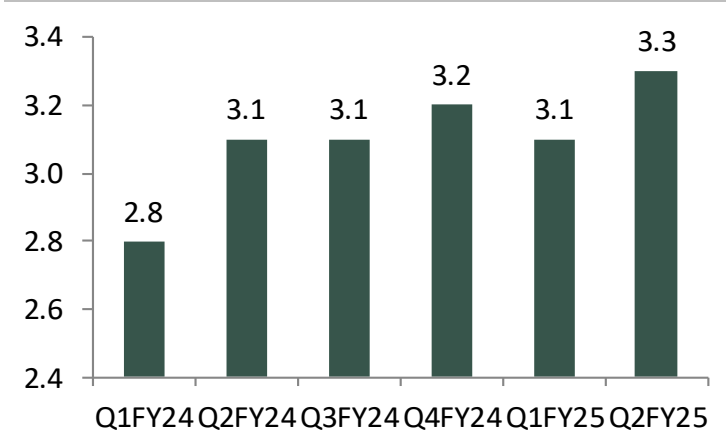
**Exhibit 9: Asset quality witnessed improvement QoQ**


Source: Company; IDBI Capital Research

**Exhibit 10: Borrowings notched up on a sequential basis**


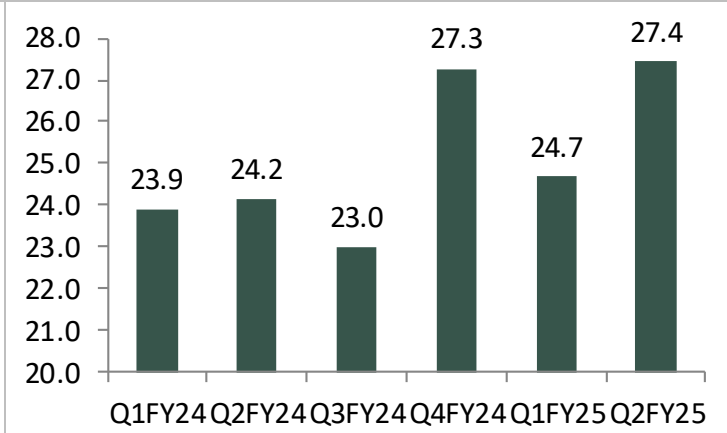
Source: Company; IDBI Capital Research

Exhibit 11: Return on Assets increased sequentially



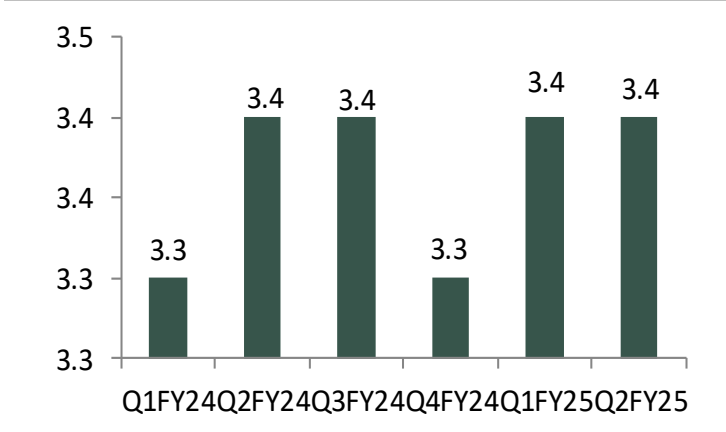
Source: Company; IDBI Capital Research

Exhibit 12: Cost to Income Ratio increased QoQ



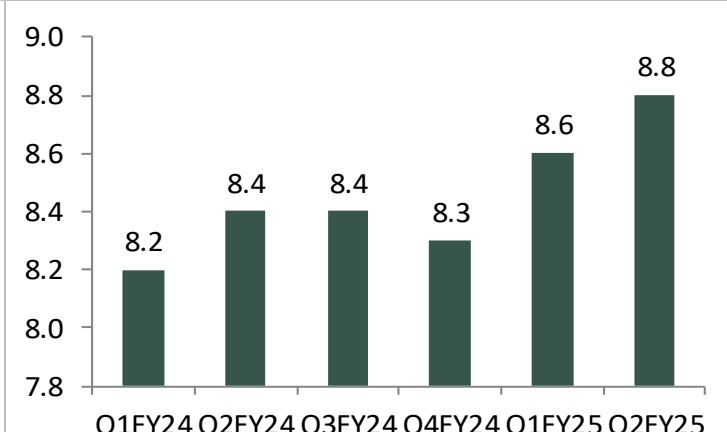
Source: Company; IDBI Capital Research

Exhibit 13: Spreads remained range bound

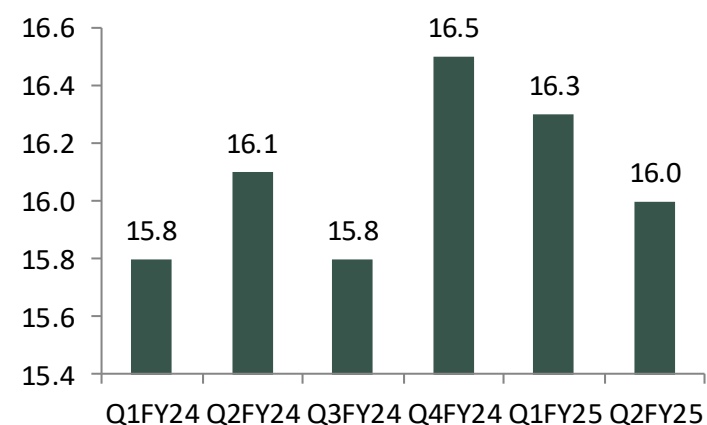


Source: Company; IDBI Capital Research

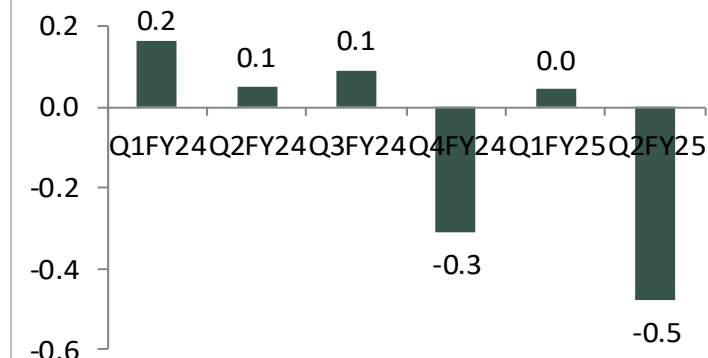
Exhibit 14: Cost of funds increased sequentially



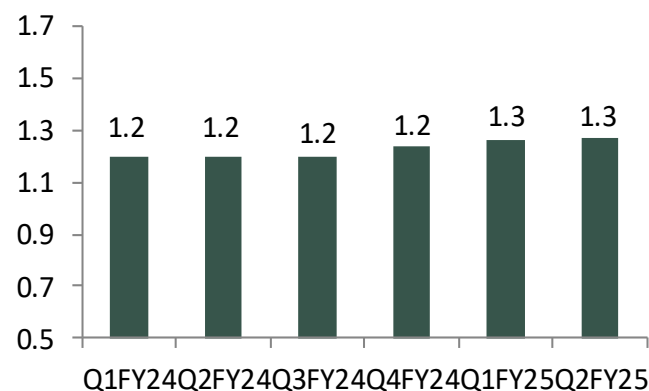
Source: Company; IDBI Capital Research

**Exhibit 15: Return on Equity moderated during the quarter**

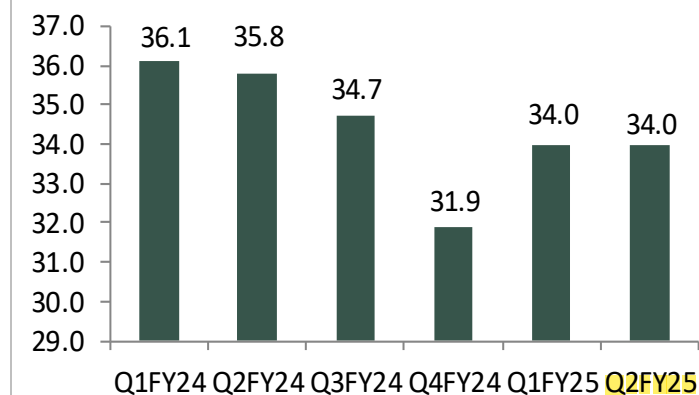
Source: Company; IDBI Capital Research

**Exhibit 16: Credit Cost turned negative during the quarter due to provision writeback**

Source: Company; IDBI Capital Research

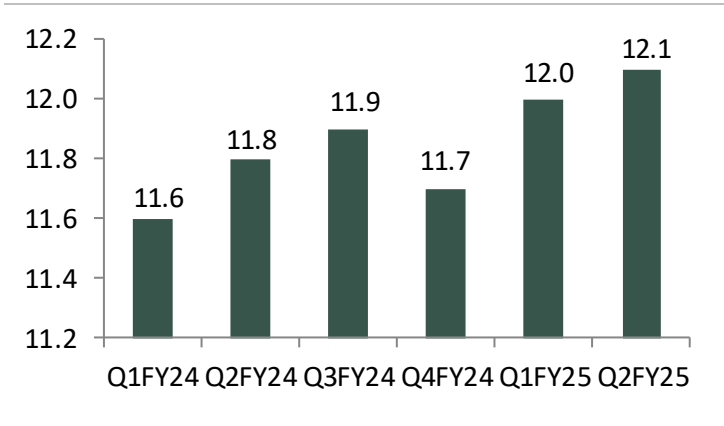
**Exhibit 17: Average Ticket Size (In Mn) remained stable QoQ**

Source: Company; IDBI Capital Research

**Exhibit 18: Tier-1 Capital Ratio remained stable QoQ**

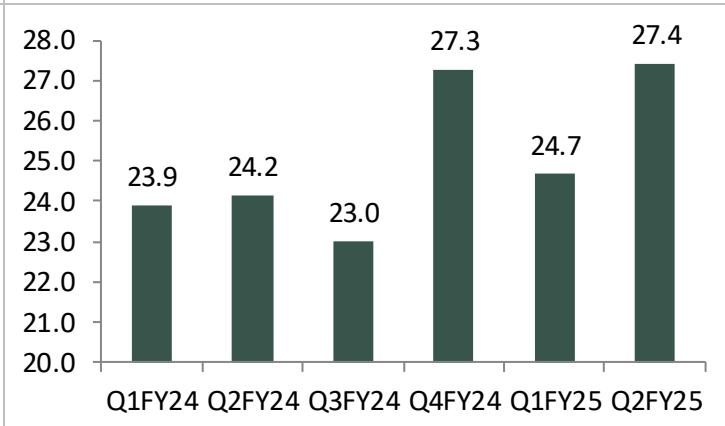
Source: Company; IDBI Capital Research

Exhibit 19: Yield on Advances witnessed uptick sequentially



Source: Company; IDBI Capital Research

Exhibit 20: Costs to AUM increased sequentially



Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net interest income</b>	<b>5,663</b>	<b>6,003</b>	<b>5,827</b>	<b>6,790</b>	<b>7,115</b>	<b>7,862</b>
<i>Change (yoy, %)</i>	9%	6%	-3%	17%	5%	10%
Non-Interest Income	188	164	154	163	410	454
Operating Income	5,851	6,166	5,981	6,952	7,525	8,316
Operating expenses	1,145	1,241	1,458	1,710	2,035	2,255
Employee expenses	714	786	879	1,022	1,161	1,286
Other expenses	431	454	579	688	874	968
<b>Pre-Provision Profit</b>	<b>4,706</b>	<b>4,926</b>	<b>4,523</b>	<b>5,242</b>	<b>5,490</b>	<b>6,061</b>
<i>Change (yoy, %)</i>	12%	5%	-8%	16%	5%	10%
Provision	808	2,331	516	-5	-32	225
PBT	3,898	2,595	4,008	5,247	5,522	5,836
Taxes	1,022	680	1,047	1,300	1,390	1,469
<i>Effective tax rate (%)</i>	26%	26%	26%	25%	25%	25%
<b>Net profit</b>	<b>2,876</b>	<b>1,915</b>	<b>2,961</b>	<b>3,947</b>	<b>4,132</b>	<b>4,367</b>
<i>Change (yoy, %)</i>	3%	-33%	55%	33%	5%	6%
EPS	46.0	30.6	47.3	63.1	66.1	69.8
Return on Equity (%)	15.0	8.9	12.5	14.6	13.4	12.5
Return on Assets (%)	2.4	1.6	2.4	3.0	2.9	2.7

**Balance Sheet**

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Capital	626	626	626	626	626	626
Reserves	19,967	21,730	24,536	28,314	32,277	36,475
<b>Networth</b>	<b>20,593</b>	<b>22,356</b>	<b>25,162</b>	<b>28,940</b>	<b>32,903</b>	<b>37,101</b>
Borrowings	1,01,974	96,920	99,241	1,07,010	1,18,157	1,31,862
Other liabilities	1,078	698	832	1,103	734	647
<b>Total Liab. &amp; Equity</b>	<b>1,23,645</b>	<b>1,19,974</b>	<b>1,25,234</b>	<b>1,37,053</b>	<b>1,51,794</b>	<b>1,69,609</b>
Cash	4,550	6,077	4,544	5,080	5,853	6,395
Advances	1,18,342	1,12,918	1,19,622	1,30,371	1,42,756	1,59,887
Investments	220	316	316	316	1,763	1,763
Fixed Assets	139	204	233	366	410	451
Other Assets	395	459	520	921	1,013	1,114
<b>Total assets</b>	<b>1,23,645</b>	<b>1,19,974</b>	<b>1,25,234</b>	<b>1,37,053</b>	<b>1,51,794</b>	<b>1,69,609</b>

**Financial Ratios**

(%)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Growth</b>						
Advances	2.1	(4.6)	5.9	9.0	9.5	12.0
NII	8.8	6.0	(2.9)	16.5	4.8	10.5
Pre-Provision Profit	12.2	4.7	(8.2)	15.9	4.7	10.4
Net Profit	2.6	(33.4)	54.6	33.3	4.7	5.7
<b>Spreads</b>						
Yield on Assets	11.7	11.2	11.0	12.2	12.3	12.3
Cost of Funds	8.0	6.9	7.1	8.2	8.6	8.6
NIM	4.8	5.2	5.0	5.4	5.2	5.2
<b>Operating Efficiency</b>						
Cost-to-Income	19.6	20.1	24.4	24.6	27.0	27.1
Cost-to-Assets	0.9	1.0	1.2	1.3	1.4	1.4
<b>Asset Quality</b>						
GNPA	4.0	7.2	6.2	4.6	4.0	3.7
NNPA	2.7	5.5	3.7	2.2	1.6	1.7
Provision Coverage	35.5	29.6	44.7	55.4	60.0	55.0
Credit Cost	0.7	2.0	0.4	(0.0)	(0.0)	0.1
<b>Capital Adequacy</b>						
CAR	30.7	33.3	35.8	34.0	34.5	34.7
Tier I	30.3	32.8	35.0	33.2	34.5	34.7
<b>Valuation</b>						
EPS	46.0	30.6	47.3	63.1	66.1	69.8
BV	329.2	357.4	402.2	462.6	525.9	593.0
P/E	10.1	15.1	9.8	7.3	7.0	6.6
P/BV	1.4	1.3	1.2	1.0	0.9	0.8
ROE	15.0	8.9	12.5	14.6	13.4	12.5
ROA	2.4	1.6	2.4	3.0	2.9	2.7
RORWA	4.2	2.8	4.2	5.0	4.5	4.3

Source: Company; IDBI Capital Research



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#### Key to Ratings Stocks:

**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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