



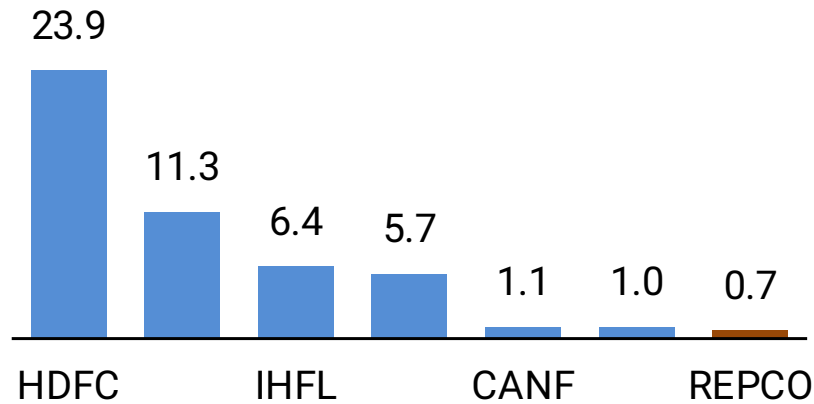
REPCO – Background (Mkt Cap: INR40b)

- Tamil Nadu based HFC promoted by Repco Bank (GoI undertaking with ~40% stake).
- **Niche presence in self-employed segment:** The only listed HFC with focus on self-employed segment. Self-employed constitute 60% of borrower base. Growing at above industry rates.
- **Low ATS and LTVs:** Average loan size at just INR1.3m and LTV of 60%, with incremental ATS at INR1.6m in HL and LAP at INR2.1m provides comfort.
- **100% in-house sourcing:** 100% in-house sourcing and recovery of loans
- **Highest EPS growth:** Repco has reported highest EPS growth at 23% CAGR, among all listed HFCs.

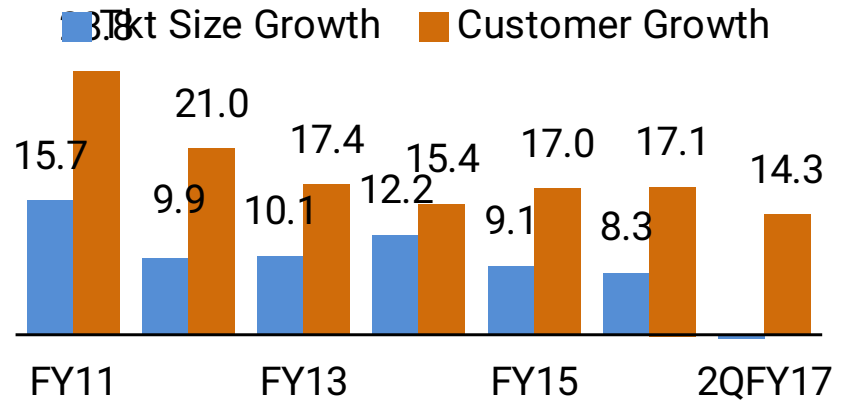
Snapshot	FY11	FY12	FY13	FY14	FY15	FY16
Loan Book (INR m)	20,735	28,041	35,447	46,619	60,129	76,912
<i>Growth YoY</i>	<i>48.1</i>	<i>35.2</i>	<i>26.4</i>	<i>31.5</i>	<i>29.0</i>	<i>27.9</i>
Yields (%)	12.2	12.4	12.2	12.5	12.4	12.4
CoF (%)	8.3	9.4	9.6	9.3	9.6	9.4
NIM (%)	4.9	4.2	4.0	4.7	4.5	4.4
Spreads (%)	3.8	3.1	2.8	3.2	2.9	3.0
GNPA (%)	1.2	1.4	1.5	1.5	1.3	1.3
RoA (%)	2.8	2.2	2.1	2.3	2.0	1.9
RoE (%)	26.5	22.3	17.1	16.0	15.9	17.0
Leverage	8.5	9.4	6.0	6.4	7.5	8.1

Positives

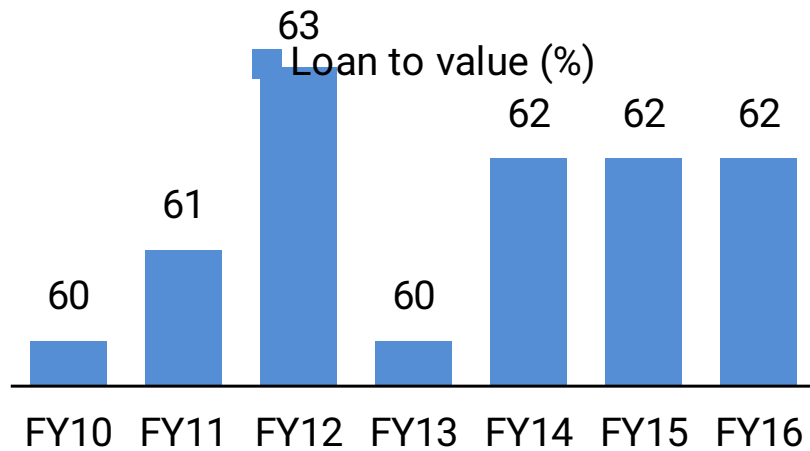
Lowest market share amongst major HFCs



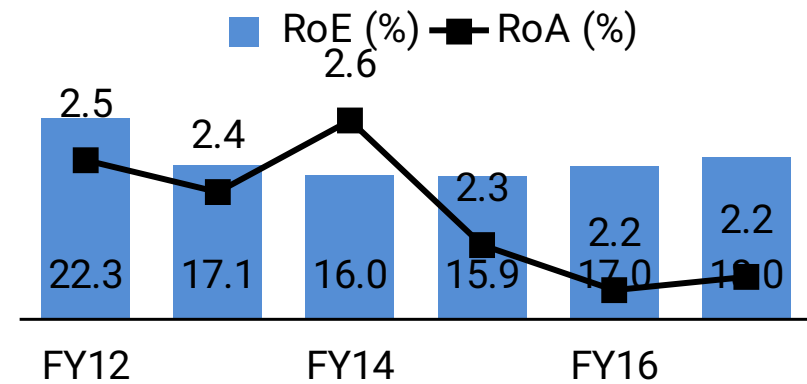
Growth on back of customer additions, not ATS growth



Conservative LTV: Cushion during fall in property prices

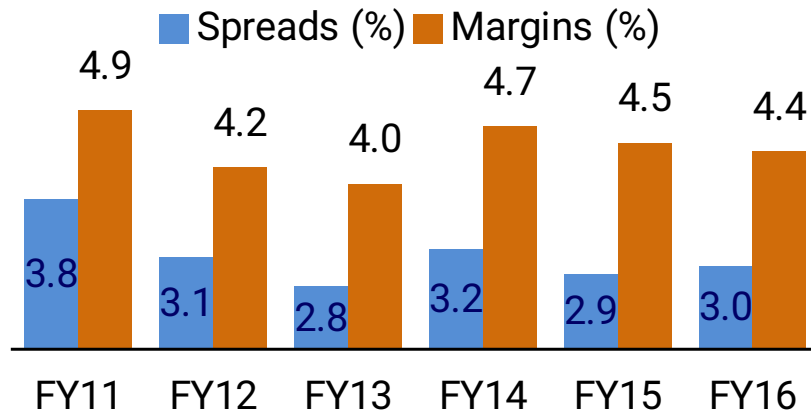


Healthy return ratios; ~18% RoEs & RoAs of +2%

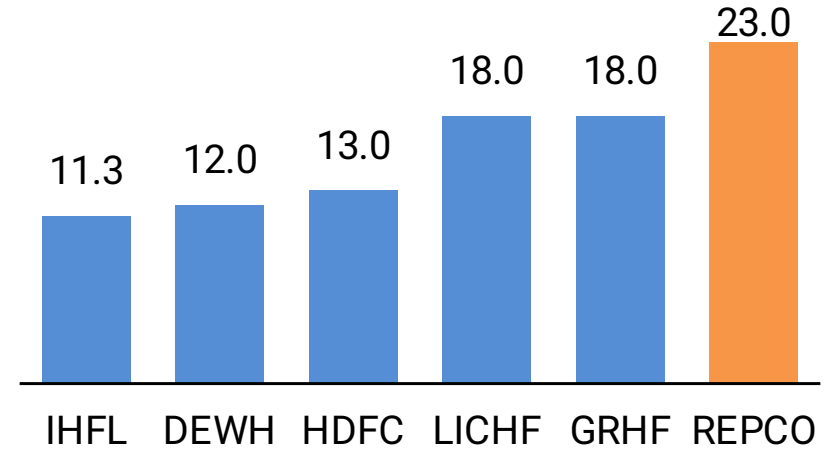


Positives

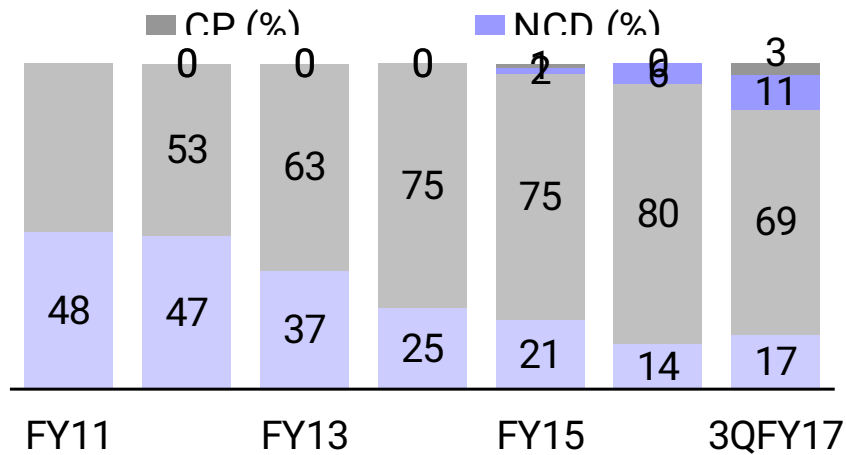
Margins at +4% and spreads at +3% sustainable



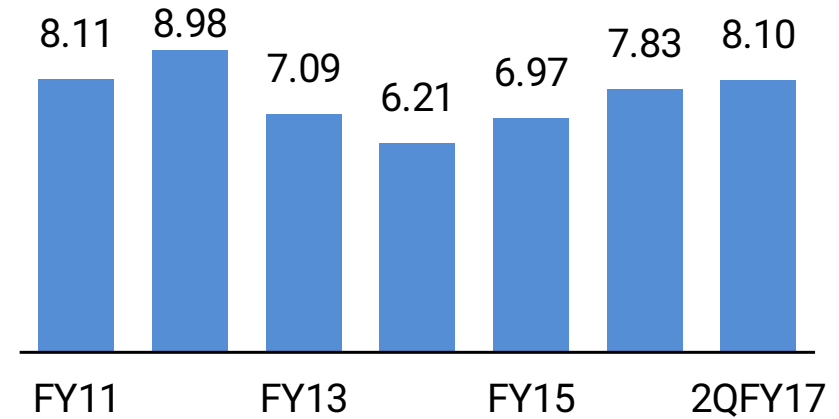
Highest EPS growth among HFCs



Exploring options for market based funding



Low leverage gives room to grow without dilution



Concerns

- **Increasing competition:** All HFCs are incrementally focusing on Affordable housing and self-employed segment.
- **Recent spike in GNPA:** Asset quality has deteriorated in the recent quarter. Shot up to 4.2%. Worrying factor considering the clientele of the company.
- **62% of the loan book in TN:** Has been slow in diversifying its loan book. Loan growth ex-TN has been slow (<20%). Brand recognition in other states an issue
- **Parentage:** Parent is a co-operative bank. Large overhang for credit rating upgrade
- **No RE cycle:** Company in its 17 years history has not seen a RE down cycle.

Why I entered!

- Niche focus: Self-employed segment is the blue ocean in housing finance at present.
- Steady margins and yields
- Growth track record
- Calibrated expansion strategy
- Margin of safety(bought at ~600)