

Repco Home Finance Limited

March 14, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	3,045.01 (Rupees Three Thousand Forty Five crore and One lakh only)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures	500.00 (Rupees Five Hundred crore only)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures	1,000.00 (Rupees One Thousand crore only)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings assigned to various debt instruments and long-term bank facilities of Repco Home Finance Limited (RHFL) continues to factor in the established track-record of the company in south India, especially in the tier II & tier III cities, comfortable capital adequacy, healthy profitability and experienced senior management team. The ratings also take note of consistent growth in scale of operations in the past three years ended March 2016 and efforts taken by the company towards diversification of its resource profile. The ratings are constrained by the regional concentration of the loan portfolio, moderate asset quality parameters and the relatively higher exposure to certain riskier borrower segments.

The ability of RHFL to grow its advances portfolio with a focus on geographical diversification, while improving the asset quality and profitability amidst the competitive industry scenario is the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Well-qualified & diversified board of directors supported by an experienced senior management team

The director-board of RHFL is well diversified and consists of highly qualified directors, having experience in a wide spectrum of activities ranging from finance, regulatory background, banks and the government service. The managing director, Mr R Varadarajan, has an aggregate experience of over 35 years primarily in the banking sector.

The senior management of RHFL comprises professionals with considerable experience in related fields and is supported by a pool of trained personnel at the head office and branch offices.

Comfortable capitalisation level

RHFL has been maintaining capital adequacy ratio (CAR) at comfortable levels. RHFL's CAR stood at 20.80% as on March 31, 2016 (20.26% as on March 31, 2015), as against minimum regulatory requirement of 12%. It may be noted that the entire CAR is made up of Tier I capital, thereby providing cushion to raise Tier II capital, if required. The overall gearing was 6.85 times as on March 31, 2016 as against 6.25 times as on March 31, 2015.

Healthy growth in the scale of operations

Loan portfolio grew at a rate of 28% during FY16 (refers to the period April 1 to March 31) from Rs.6,013 crore as on March 31, 2015, to Rs.7,691 crore as on March 31, 2016. At the same time, RHFL has been able to maintain the asset quality parameters at comfortable levels.

Healthy profitability

Total Income grew by 27% from Rs.693 crore in FY15 to Rs.882 crore in FY16 mainly due to increase in the loan disbursements during the year whereas the net interest income grew by 28% from Rs.238 crore in FY15 to Rs.304 crore in FY16. Due to the relatively higher yields associated with the non-salaried segment of borrowers, RHFL has been able to earn healthy interest spreads & profitability levels. RHFL's PAT increased from Rs.123 crore in FY15 to Rs.150 crore in FY16 backed by stable operating expenses.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Weaknesses

Regional concentration of operations

The company has been expanding its geographical presence, in the Tier II and Tier II cities, and has increased the number of branches from 142 (including 36 satellite units) as on March 31, 2015 to 150 (including 35 satellite units) as on March 31, 2016. However, the four south Indian states accounted for 92% of the advances and the state of Tamil Nadu (TN) alone accounted for about 63% of the total portfolio outstanding as on March 31, 2016. Although the company has taken initiatives to improve its regional diversification by opening new branches in other states, RHFL's business is expected to remain concentrated in the south India states, particularly TN over the medium term.

Moderate asset quality

Majority of RHFL's company's exposure belongs to the self-employed/businessmen segments, which comprised 59% of the company's portfolio as on March 31, 2016, as against 57% as on March 31, 2015. This leads to relatively high delinquency levels, but mostly technical in nature with the eventual sum written off is very minimal since the company's inception. RHFL's asset quality remained moderate with a gross NPA ratio of 1.31% (PY: 1.32%) and net NPA ratio of 0.48% (PY: 0.50%) as on March 31, 2016.

Diversification in resources profile

RHFL had been primarily resorting to funds in the form of loans from banks, refinance from NHB, and borrowings from Repco Bank in order to support its growth in assets base. As on March 31, 2016, the borrowing is constituted by borrowings from banks (72%), NHB refinance (14%), borrowings from Repco Bank (8%) and NCD (6%).

Analytical approach: Standalone

Applicable Criteria

- [Criteria on assigning Outlook to Credit Ratings](#)
- [CARE's Policy on Default Recognition](#)
- [Ratios-Financial Sector](#)
- [Rating Methodology – Housing Finance Companies](#)

About the Company

Repco Home Finance Limited (RHFL) is a housing finance company (HFC) registered with National Housing Bank (NHB). RHFL was established in April 2000 as a wholly owned subsidiary of the 'Repatriates Cooperative Finance and Development Bank Limited' (Repco Bank), a Government of India enterprise. As on March 31, 2016, 37.14% equity stake in RHFL was held by Repco Bank.

The company is concentrating on the tier-II & tier-III cities largely concentrated in South India. Out of RHFL's outstanding loan portfolio of Rs.7,691 crore as on March 31, 2016, 41% was towards the salaried segment and the rest was towards self-employed segment of borrowers. RHFL had a presence in 11 states and one union territory through its network of 115 branches and 35 satellite centres (sub-branches) as on March 31, 2016, following a hub-and-spoke model.

During FY16, RHFL earned a PAT of Rs.150 crore on a total operating income of Rs.881 crore as against a PAT of Rs.123 crore on a total income of Rs.693 crore in FY15. RHFL had a total CAR of 20.80% and Gross NPA & Net NPA ratios of 1.31% and 0.48%, respectively, as on March 31, 2016. During 9MFY17, RHFL reported a PAT of Rs.132 crore on a total income of Rs.772 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Oct 2030	3045.01	CARE AA; Stable
Debentures-Non Convertible Debentures	Feb 27, 2015	9.55%	Feb 27, 2018	100.00	CARE AA; Stable
Debentures-Non Convertible Debentures	Jul 22, 2015	9.35%	Jun 29, 2018	100.00	CARE AA; Stable
Debentures-Non Convertible Debentures	Sep 01, 2015	0%, cumulative	Aug 28, 2018	100.00	CARE AA; Stable
Debentures-Non Convertible Debentures	Sep 07, 2015	0%, cumulative	Sep 06, 2018	100.00	CARE AA; Stable
Debentures-Non Convertible Debentures	Aug 05, 2016	0%, cumulative	Jul 23, 2019	35.00	CARE AA; Stable
Debentures-Non Convertible Debentures	Aug 05, 2016	8.95%	Mar 15, 2019	35.00	CARE AA; Stable
Debentures-Non Convertible Debentures	Aug 05, 2016	8.95%	Aug 05, 2019	15.00	CARE AA; Stable
Debentures-Non Convertible Debentures	Sep 12, 2016	8.72%	Sep 12, 2018	150.00	CARE AA; Stable
Debentures-Non Convertible Debentures	Sep 12, 2016	0%, cumulative	Mar 12, 2019	25.00	CARE AA; Stable
Debentures-Non Convertible Debentures	Sep 12, 2016	0%, cumulative	Sep 12, 2019	25.00	CARE AA; Stable
Debentures-Non	Oct 05, 2016	8.50%	Oct 05, 2019	100.00	CARE AA; Stable

Convertible Debentures					
Debentures-Non Convertible Debentures (Proposed)	-	-	-	715.00	CARE AA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	3045.01	CARE AA; Stable	1)CARE AA (28-Jul-16) 2)CARE AA (06-Apr-16)	1)CARE AA (30-Sep-15)	1)CARE AA- (13-Aug-14)	1)CARE AA- (17-Oct-13)
2.	Commercial Paper	ST	250.00	CARE A1+	1)CARE A1+ (28-Jul-16)	1)CARE A1+ (30-Sep-15)	1)CARE A1+ (13-Aug-14)	1)CARE A1+ (17-Oct-13)
3.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA; Stable	1)CARE AA (28-Jul-16)	1)CARE AA (30-Sep-15)	1)CARE AA- (13-Aug-14)	1)CARE AA- (17-Oct-13)
4.	Debentures-Non Convertible Debentures	LT	1000.00	CARE AA; Stable	1)CARE AA (28-Jul-16)	1)CARE AA (07-Dec-15)	-	-

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