December 07, 2015

CARE ASSIGNS 'CARE AA' RATING TO THE PROPOSED NCD ISSUE OF REPCO HOME FINANCE LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Proposed Non-Convertible Debenture issue	1,000.00 (Rupees One Thousand crore only)	**CARE AA (Double A)**	Assigned

Rating Rationale

The rating assigned to the proposed non-convertible debenture issue of Repco Home Finance Limited (RHFL) derives strength from the consistent growth in scale of operations in the past two years ended March 2015 and higher than industry growth during this period while maintaining asset quality.

The rating further factors 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 rating also takes note of efforts taken by the company towards diversification of its resource profile. The rating is constrained by the regional concentration of the loan portfolio, moderate asset quality parameters and the relatively higher exposure to certain riskier borrower segments.

Going forward, the ability of RHFL to grow its advances portfolio with focus on geographical diversification, while improving the asset quality and profitability amidst the challenging economic environment and intensely competitive industry scenario is the key rating sensitivity.

Background

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 June 30, 2015, 37.25% 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.6,013 crore, 43% was towards the salaried segment and the rest was towards self-employed segment of borrowers as on March 31, 2015. RHFL had presence in ten states and one union territory through its network of 108 branches and 38 satellite centres (sub-branches) as on March 31, 2015, following a hub-and-spoke model.

During FY15 (refers to the period April 1 to March 31), RHFL earned a PAT of Rs.123 crore on a total operating income of Rs.693 crore as against a PAT of Rs.110 crore on a total income of Rs.535 crore in FY14. RHFL had a total CAR of 20.26% and Gross NPA & Net NPA ratios of 1.32% and 0.50%, respectively as on March 31, 2015.

During H1FY16, the company reported a PAT of Rs.69 crore on a total income of Rs.416 crore.

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

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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