Repco Home Finance Limited

Instrument Rated	Amount (In Rs crore)	Rating Action
Long Term Bank Facilities	1500.00 (Reduced from 1553.37)	[ICRA]AA-(Stable); reaffirmed
Non Convertible Debentures	500.00	[ICRA]AA-(Stable); reaffirmed
Commercial Paper	250.00	[ICRA]A1+; reaffirmed

ICRA has reaffirmed the **[ICRA]AA- (pronounced ICRA double A minus)**[*] rating for the Rs.1500.00 crore[†] (Reduced from Rs. 1553.37 crore) long term bank facilities of Repco Home Finance Limited (RHFL or "the company"). The outlook on the rating is **Stable**. ICRA has also reaffirmed the **[ICRA]AA- (pronounced ICRA double A minus)** rating with the stable outlook to the Rs.500.00 crore Non-Convertible Debenture (NCDs) programme of RHFL. ICRA has reaffirmed the **[ICRA]A1+ (pronounced ICRA A one plus)** rating for the Rs.250.00 crore commercial paper programme of RHFL.

The rating reaffirmations factor in RHFL's track record in the housing finance segment, its established franchise and presence in South India, its experienced senior management team, comfortable capitalisation (Gearing of 6.3 times as in March 2015 and Tier-I capital at 20.3% in March 2015) and good overall profitability indicators (PAT[‡] as % of ATA[§] of 2.3% stood at FY2015).The company's comfortable capitalisation profile is expected to support the envisaged portfolio growth of about 25% over 2-3 years, while maintaining a peak gearing of about 9 times and assuming internal generation of about 13-14%. ICRA takes note that the company has been able to maintain its overall asset quality profile with Gross NPAs at 1.3% in March 2015 (2.2% in June 2015) as compared to 1.5% in March 2014 (2.5% in June 2014) while growing its portfolio at a pace of about 29% during FY2015 and diversifying its geographical presence. The company has also been able to improve its provision coverage ratio to about 62% in March 2015 as compared to 52% in March 2014. ICRA notes that the company is facing higher delinquencies in some newer geographies; the exposures to these states are however low and the company's portfolio continues to be concentrated in Tamil Nadu (63 % of the total portfolio as in March 2015). The ability of the company to grow and diversify its portfolio profile without adversely impacting its asset quality would be a key rating sensitivity going forward.

The ratings also take note of the company's exposure to customers with a moderate credit profile, which results in higher softer delinquencies (30+ dpd at 12.4% in March 2015) and its lack of diversity in earnings (monoline mortgage lending book) and in funding profile. The ratings take cognisance of the initiatives taken by RHFL to diversify its funding profile, by securing funds, at competitive rates, via debentures and commercial paper issuances in the recent past. ICRA however notes that the company continues to be dependent on bank funding, which accounted for close to about 75% of the total borrowings as in March 2015. ICRA notes that the company enjoys relationships with close to about 20 banks and financial institutions, which along with the long term nature (About 7-10 years) of the funding from majority of these sources, provides a favourable view on the overall liquidity position. Going forward, ability of the company to further diversify its funding profile, along with putting in adequate internal controls and monitoring systems especially in the newer geographies would be critical for incremental profitability.

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* For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

† Rs. 1 crore = Rs. 10 million = Rs. 100 Lakh

‡ Profit After Tax

§ Average total Assets

Company Profile

Repco Home Finance Limited (RHFL) was incorporated in May 2000 as a wholly owned subsidiary of Repco Bank with its corporate office in Chennai. The company was established with the objective of carrying on the business of home finance and mortgage loans primarily to individuals. RHFL had a network of 108 branches and 38 satellite centres across 11 states and 1 Union Territory as in June 2015 and plans open about 15 branches in the current year. The branches and satellite centres are primarily located in tier -II cities and tier-III cities, and at the peripheries of tier- I cities, which are the key target markets of the company.

Repco Bank now holds 37.3% stake in RHFL and the balance is held by other institutional (domestic and overseas) investors and retail investors. As of March 31, 2015, RHFL had a loan portfolio of Rs.6,013 crore and reported a net profit of Rs. 123.1 crore on a total asset base of Rs. 6,076 crore as compared to a net profit of Rs. 110.1 crore on a total asset base of Rs. 4,739.0 crore in FY2014.

For the quarter ended June 30, 2015 the company reported a net profit of Rs. 30.2 crore. The Company reported a gross NPA% of 2.2% and Net NPA% of 1.3% as on June 30, 2015 (Gross NPA% of 1.3% and Net NPA of 0.5% as on March 31, 2015). The regulatory capital adequacy of the company stood at 20.0% as on June 30, 2015.

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