

## Background & Business

Repco Home Finance Ltd (Repco) is a Chennai based housing finance company, which was established in the year 2000 as a wholly owned subsidiary of Repatriates Co-operative Finance and Development Bank (Repco Bank). Repco primarily finances the construction and/or purchase of residential and commercial properties (individual home loans and loans against property). It has a network of 167 branches, spread across southern, western and eastern regions. Its loan book stood at Rs.110bn as of March 2019 and it has a market share of 1% amongst all housing finance companies in India.

## Exit Rationale

- Deteriorating asset quality:** Gross NPAs, which stood at 1.3% as on Mar-31-2016, continued to increase to 2.6% as on Dec-31-2016, this was a marked deviation from the management's guidance to bring NPAs down to 1.5% by Mar-31-2017. The management had attributed the deterioration in asset quality to its LAP book and also to higher share of non-salaried borrowers in the total mix.
- Relative underperformance compared to its peers** – Given that its peers, like Dewan Housing, Indiabulls Housing and Gruh Finance, had all reported strong performance with no slippage in asset quality, we viewed this situation for Repco as concerning.
- Risk of multiple derating** - Repco at the time traded at 4.1-xs its Q3FY17 BV, as against Dewan Housing, which traded at a P/BV of 1.7-xs (Q3FY17) and Indiabulls Housing Finance at 3.2xs (Q3FY17). Given Repco's sluggish performance as against the peer-set and sharp deterioration in asset quality, posed the risk of multiple de-rating.

**From** : 03-03-2015  
**To** : 21-02-2017  
**Performance** : -2%  
**Recommendation** : CLOSED

## Outlook as on EXIT Date

Repco's performance lags industry performance. Further its loan book has high geographic concentration with ~60% contribution coming from Tamil Nadu itself. Asset quality has also continuously deteriorated with GNPA at 2.6% (Q3FY17), this is highest amongst its peers. We therefore believe risk-reward is not favorable for Repco and investors should 'Exit'.

