

# Repc Home Finance

## Yet another mixed quarter

REPCO reported yet another mixed quarter with muted provisioning and higher other income, offset by sustained muted loan growth. NIMs remained broadly steady at 5.1%, aided by favourable product mix offset by the rising cost of funds, although the spreads have moderated marginally. Loan growth remains sub-par (AUM growth of +8.1% YoY), although disbursements gained some traction (+9% YoY) on a low base. Management has indicated a downside risk to FY25 AUM guidance of INR 150bn due to muted business momentum. Credit costs continued to remain subdued (-46bps annualised) driven by strong recoveries and are likely to remain muted for H2 as well. Loan growth has been a challenge for REPCO over the last few years and a key monitorable for rerating as the profitability has remained steady. We revise our FY25/FY26 earnings estimates downwards to factor in moderation in NIMs, offset by lower credit costs and fee income, and maintain ADD with a revised RI-based TP of INR580 (implying 1x Sep-26 ABVPS).

- **Steady on profitability; muted NII/PPoP growth:** REPCO's spreads remained under pressure at 3.3% largely due to rising cost of funds at 8.8% (Q1FY25: 8.6%). Other income grew sharply by 230% YoY due to insurance commission income and recoveries from written-off accounts. Opex intensity remained elevated at 1.5% of AUM (C/I at 27%), with ongoing investments in tech and distribution and is likely to remain elevated in the near term. Profitability remained healthy with RoA/RoE prints at 3.3%/16% respectively.
- **Improving asset quality, provisions to remain muted:** REPCO's GS-III/NS-III improved sequentially to 4%/1.6% (Q1FY25: 4.3%/1.7%), with GS-II at 11%. Credit costs were at -46bps due to strong NPA recoveries, along with reduction in provisioning levels. Adequate provisioning (overall: 3.5%; Stage III: 61%) and visibility of recoveries from the NPA pool are likely to drive negligible credit costs during FY25, as per management.
- **Solving the growth equation remains WIP:** REPCO's loan growth has remained sub-par over the past several quarters despite the stabilisation of asset quality and healthy profitability. Recent initiatives such as the expansion of the distribution footprint (48/400 branches/employees added since Mar-22), the introduction of separate sales and credit verticals and technology upgrades are likely to aid loan growth, which remains a key monitorable.

### Financial summary

(INR bn)	Q2FY25	Q2FY24	YoY(%)	Q1FY25	QoQ(%)	FY24	FY25E	FY26E	FY27E
NII	1.7	1.7	(2.3)	1.7	(1.3)	6.5	6.9	7.9	8.9
PPOP	1.4	1.3	2.2	1.4	(0.9)	5.2	5.6	6.4	7.3
PAT	1.1	1.0	14.7	1.1	6.7	3.9	4.3	4.5	5.1
EPS (INR)	18.0	15.7	14.7	16.9	6.7	63.1	68.4	72.3	81.1
ROAE (%)						14.6	13.8	12.9	12.8
ROAA (%)						3.0	2.9	2.8	2.7
ABVPS (INR)						416	489	554	622
P/ABV (x)						1.1	1.0	0.8	0.8
P/E (x)						7.4	6.8	6.5	5.8

### Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	152	148	-2.5%	174	169	-3.0%
NIM (%)	4.8	4.6	-16 bps	4.7	4.7	0 bps
NII	7.2	6.9	-4.5%	8.1	7.9	-2.7%
PPOP	5.8	5.6	-4.1%	6.5	6.4	-1.9%
PAT	4.3	4.3	-0.3%	4.6	4.5	-2.2%
ABVPS (INR)	499	489	-2.1%	565	554	-1.9%

Source: Company, HSIE Research

## ADD

CMP (as on 13 Nov 2024) INR 463

Target Price INR 580

NIFTY 23,559

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 570	INR 580
	FY25E	FY26E
EPS %	-0.3%	-2.2%

### KEY STOCK DATA

Bloomberg code	REPCO IN
No. of Shares (mn)	63
MCap (INR bn) / (\$ mn)	29/343
6m avg traded value (INR mn)	128
52 Week high / low	INR 595/366

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.7)	(3.4)	5.2
Relative (%)	(1.1)	(10.1)	(14.5)

### SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	37.1	37.1
FIs & Local MFs	18.8	19.9
FPIs	14.0	12.9
Public & Others	30.0	30.1
Pledged Shares	0.0	0.0

Source: BSE

Pledged shares as % of total shares

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