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Growth remains healthy

REPCO reported 4Q16 net profit at ₹422mn, up 21% YoY and 2% below JMFe. Loan growth was robust at 28% YoY (7.5% QoQ) while repayments rate (as % of closing loans) increased to 4.7% in 4Q16 (vs. 3.8% in 4Q15). Margins remained stable at 4.6%. Asset quality remained healthy with GNPL ratio remaining stable YoY at 1.3%. Credit cost increased by 35bps YoY to 58bps as provision coverage ratio improved to 63.5% (vs. 62% in 4Q15). We forecast 23% earnings CAGR over FY16-18E with ROE of 18% in FY18E. We value REPCO at 3.4x Mar'18 BV implying 12 month fwd TP of ₹715.

- **Loan growth remains steady** at 28% YoY (8% QoQ) with healthy disbursements trends (20% YoY) building on the momentum seen in last 4 quarters. Both individual loans and LAP continued to grow at a healthy pace, up 27% and 32% respectively. Proportion of LAP increased further to 19.8% (vs 19.2% in 4Q15) while proportion of non-salaried loan continues to increase and is currently at 58.8% (vs 56.8% in 4Q15). With the economic climate becoming more favorable we expect loan to remain steady as we factor loan book CAGR of 27% over FY16-18E.
- **Margins remained stable** at 4.55% as reduction in lending yields by 25bps was offset by 35bps reduction in funding costs YoY. Spread improved by 10bps to 3% due to change in loan mix towards higher yielding LAP and non-salaried customers. We factor 45bps margin decline and 21% CAGR in NII over FY16-18E.
- **Cost ratios improved due to lower branch additions:** Operating expenses were down 7% YoY due to the absence of ESOPs provisioning and lower branch additions in this quarter. Consequently cost-asset ratio for the quarter improved to 0.82% (vs 1.1% in 4Q15 and 0.9% in 3Q16).
- **Stable asset quality trends:** Asset quality remained healthy with GNPL ratio remaining stable YoY at 1.3% while credit cost increased to 58bps as provision coverage ratio improved to 63.5% (vs. 62% in 4Q15). GNPL ratio for individual loan segment reduced to 1.1% (from 1.2% in 4Q15) and increased for LAP segment to 2% (vs. 1.7% in 4Q15) respectively. We factor average credit costs of 46bps over FY16-18E.
- **Well capitalized for growth; expect 23% earnings CAGR over FY16-18E:** With Tier 1 at 20%, Repco is well capitalized for growth and expect 23% CAGR in earnings over FY16-18E. We expects REPCO to deliver ROA of 2% and ROE of 18% by FY18E. We value REPCO at 3.4x Mar'18 BV, implying 12 months fwd TP of ₹715.

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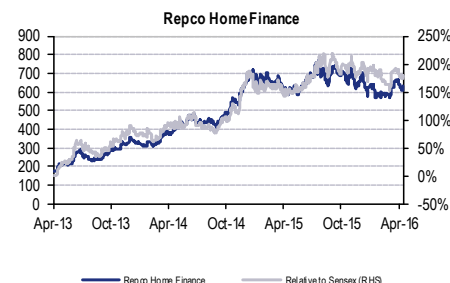
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Key Data

Market cap (bn)	₹ 39.4 / US\$ 0.6
Shares in issue (mn)	62.2
Diluted share (mn)	62.2
3- mon avg daily val (mn)	₹ 56.3/US\$ 0.8
52- week range	₹ 785.0/551.0
Sensex/Nifty	25,773/7,888
₹/US\$	66.6

Daily Performance



%	1M	3M	12M
Absolute	0.5	3.5	6.9
Relative	-3.9	-5.0	11.8

* To the BSE Sensex

Shareholding Pattern (%)

	Dec-15	Dec-14
Promoters	37.2	37.3
FII	30.2	30.1
DII	17.5	16.5
Public / Others	15.2	16.2

Exhibit 1. Financial Summary

(₹ mn)

Y/E March	FY14	FY15	FY16	FY17E	FY18E
Net Profit	1,101	1,230	1,501	1,852	2,252
Net Profit (YoY) (%)	37.6%	11.8%	22.0%	23.4%	21.6%
Assets (YoY) (%)	25.0%	28.2%	27.8%	27.7%	26.7%
ROA (%)	2.58%	2.28%	2.17%	2.10%	2.00%
ROE (%)	16.0%	15.8%	17.0%	17.8%	18.4%
EPS (₹)	17.7	19.7	24.0	29.6	36.0
EPS (YoY) (%)	37.6%	11.4%	21.6%	23.4%	21.6%
PE (x)	35.5	31.8	26.2	21.2	17.4
BV (₹)	119	130	153	179	212
BV (YoY) (%)	17%	9%	17%	17%	18%
P/BV (x)	5.27	4.82	4.11	3.50	2.97

Source: Company data, JM Financial. Note: Valuations as of 10/05/16.

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ & FactSet.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

REPCO – 4Q16 trends

- REPCO reported 4Q16 net profit at ₹422mn, up 21% YoY/9% QoQ and 2% lower than JMFe. Loan growth was robust at 28% YoY (7.5% QoQ) while repayments rate (as % of closing loans) increased to 4.7% in 4Q16 (vs. 3.8% in 4Q15). Sanctions growth stood at 12% YoY growth in 4Q16. Margins remained stable YoY to 4.6%. Asset quality remained stable with GNPL ratio remaining stable YoY at 1.3%. coverage ratio improved to 63.3% (vs 62.3% in 4Q15).

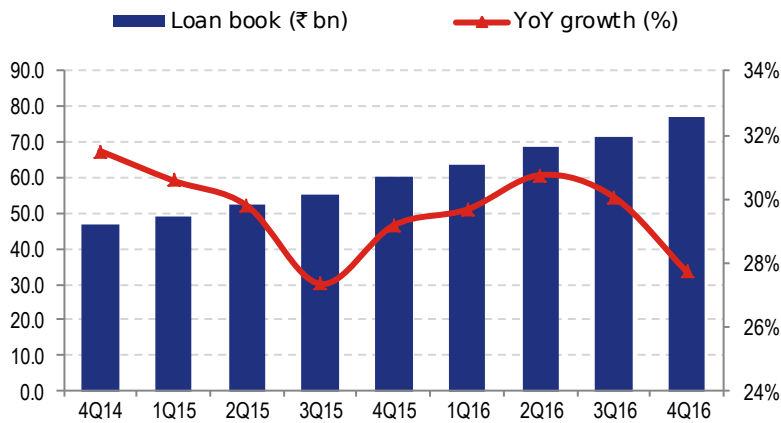
Exhibit 2. REPCO: Actual vs. Estimates			(₹ mn)
P/L ₹ mn	4Q16E	4Q16A	A/E (%)
Net Interest Income	841	852	1.3%
Total Non-interest Income	90	91	1.2%
Total Income	931	943	1.3%
Total Operating Expenses	195	153	-21.4%
Operating Profit (PPP)	736	790	7.4%
Total Provisions	80	140	74.8%
Reported Profit	433	422	-2.4%

Source: Company, JM Financial.

Exhibit 3. REPCO: 4Q16 - Results summary					
Earnings Table (₹ mn)	Q4FY 15	Q3FY 16	Q4FY 16	YoY (%)	QoQ (%)
Net Interest Income	663	781	852	28.5%	9.1%
Total Non-Interest income	84	63	91	8.2%	45.5%
Total Income	747	843	943	26.2%	11.8%
Employee Cost	99	102	88	-11.3%	-13.7%
Depreciation and Amortisation	10	9	12	26.8%	36.7%
Other expenses	56	50	53	-5.5%	7.1%
Total Operating Expenses	165	160	153	-7.1%	-4.5%
Operating Profit (PPP)	582	683	790	35.7%	15.7%
Total Provisions	62	92	140	124.8%	51.5%
PBT	520	591	650	25.0%	10.1%
Tax	172	205	228	32.5%	11.3%
Reported Profit	348	386	422	21.3%	9.4%
Loan Book (₹ bn)					
Disbursements	7.5	6.0	9.0	19.6%	50.2%
Loans	60.2	71.5	76.9	27.7%	7.5%
Ratios Analysis (%)					
Cost to Income (%)	22.1%	19.0%	16.2%	-5.83%	-2.78%
Effective Tax Rate (%)	33.1%	34.7%	35.0%	1.99%	0.38%
Credit Quality					
Gross NPAs (₹ mn)	791	1,639	1,009	27.5%	-38.5%
Net NPAs (₹ mn)	298	962	368	23.5%	-61.7%
Gross NPA (%)	1.30%	2.27%	1.30%	0.00%	-0.97%
Net NPA (%)	0.49%	1.34%	0.48%	-0.02%	-0.87%
Coverage Ratio (%)	62.3%	41.3%	63.5%	1.2%	22.2%

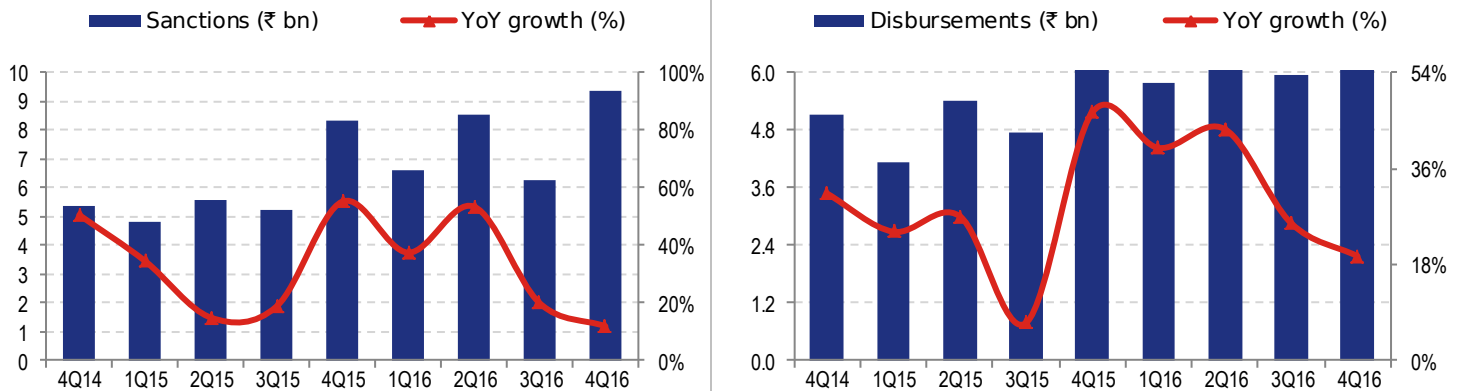
Source: Company, JM Financial.

Exhibit 4. REPCO: Trend in loan book growth (%) (YoY)



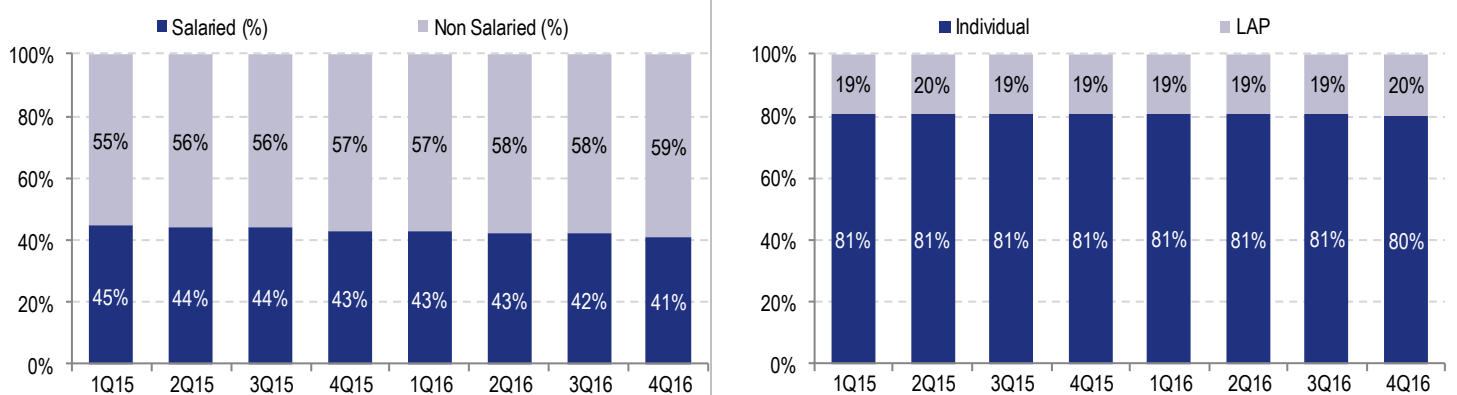
Source: Company, JM Financial.

Exhibit 5. REPCO: Trends in sanctions and disbursements (RHS)



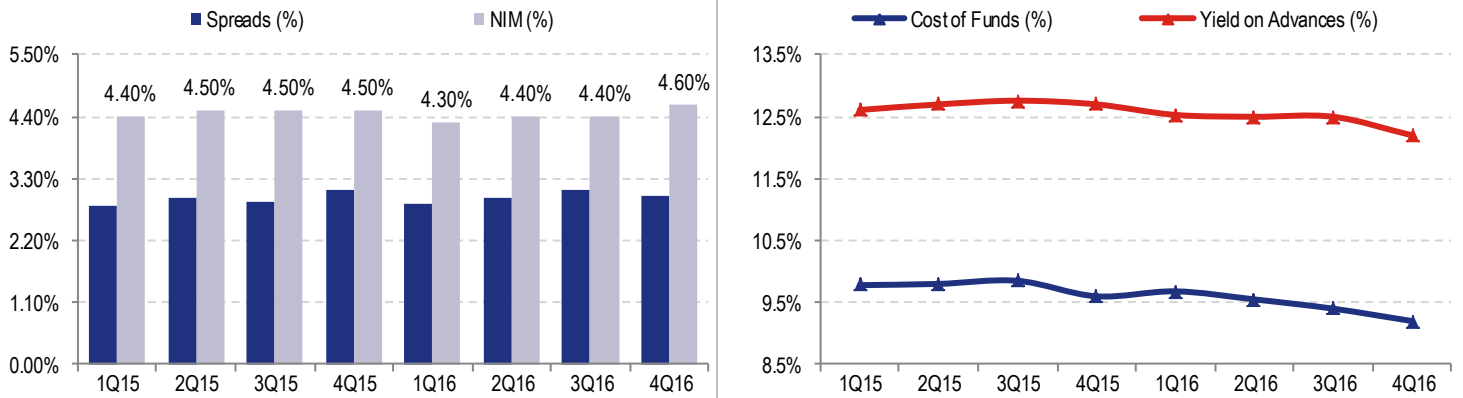
Source: Company, JM Financial.

Exhibit 6. REPCO: Trends in loan composition as per customer profile and segment



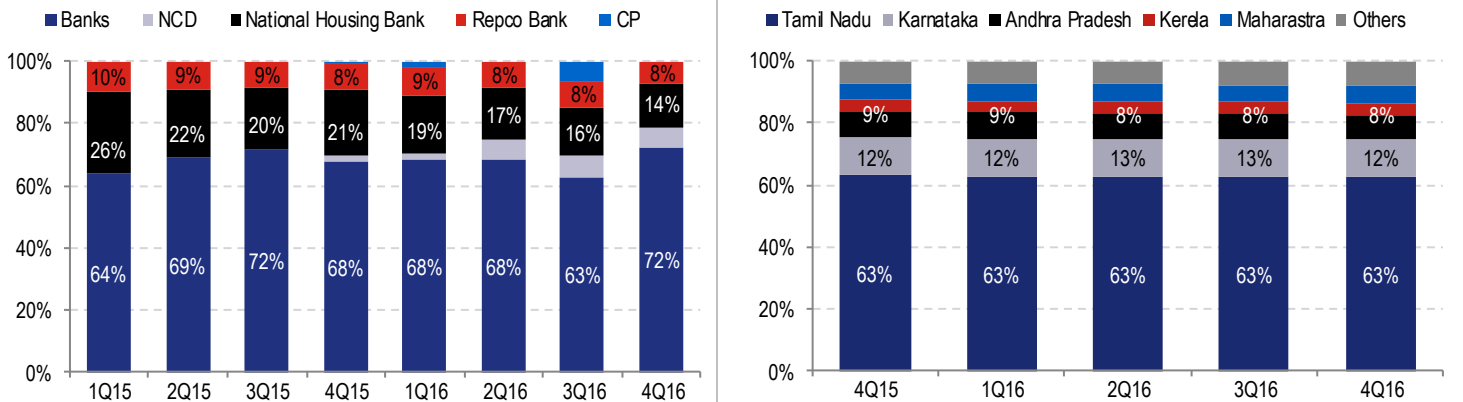
Source: Company, JM Financial.

Exhibit 7. REPCO: Trends in Spreads / NIM and yield on advances and cost of funds



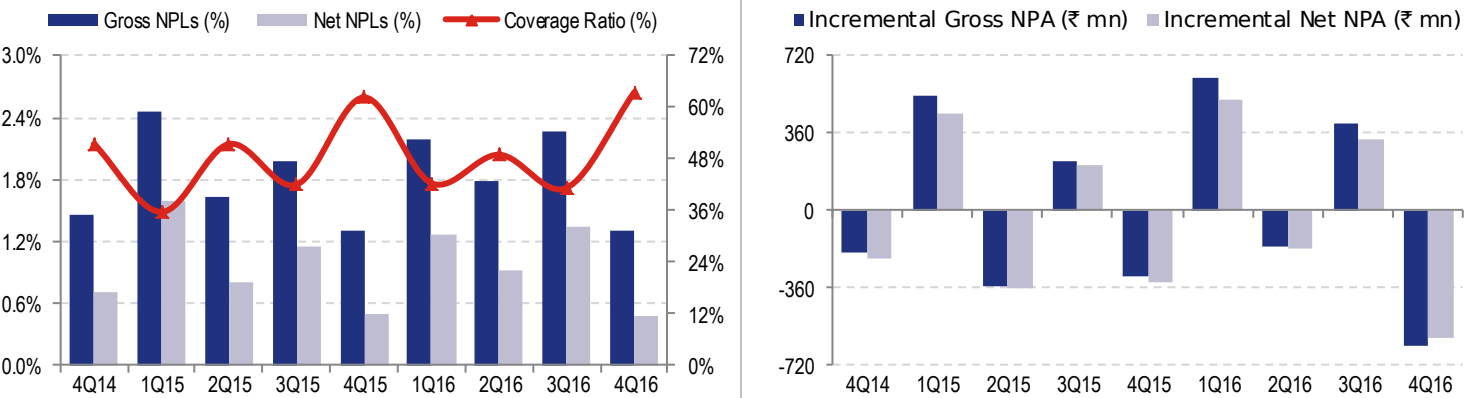
Source: Company, JM Financial.

Exhibit 8. REPCO: Trends in funding mix and loan mix



Source: Company, JM Financial.

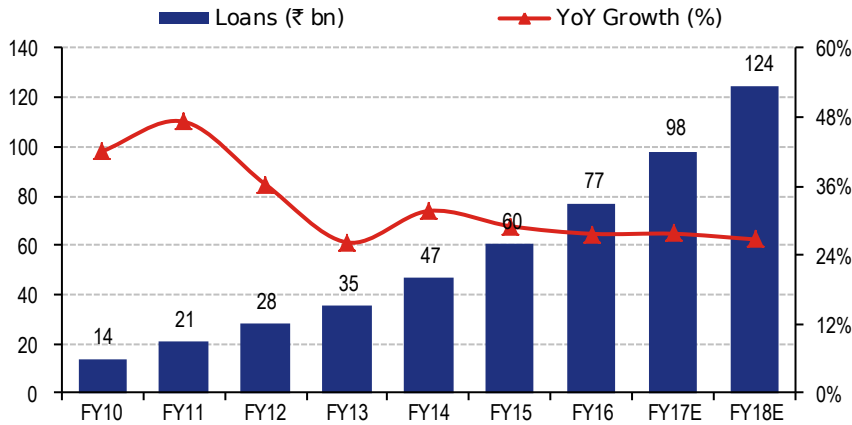
Exhibit 9. REPCO: Trend in asset quality (%)



Source: Company, JM Financial.

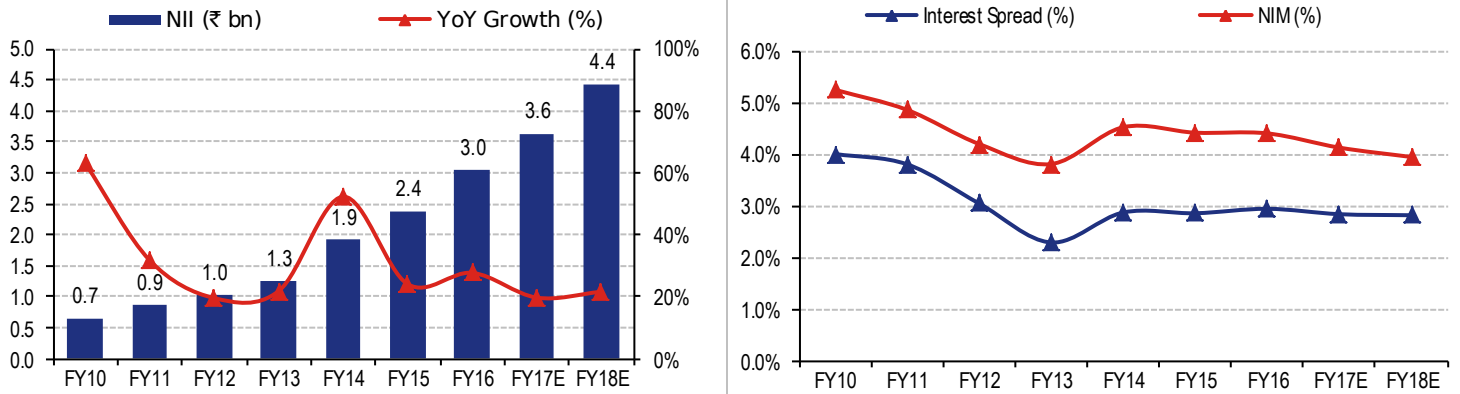
REPCO - Annual Trends

Exhibit 10. REPCO: Trend in loan growth



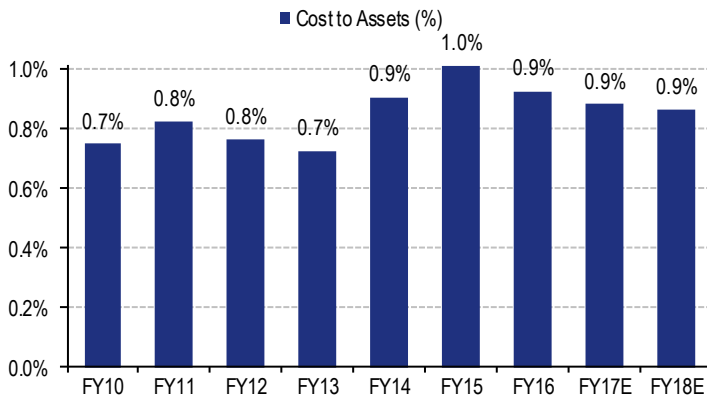
Source: Company, JM Financial.

Exhibit 11. REPCO: Trend in NII and margins



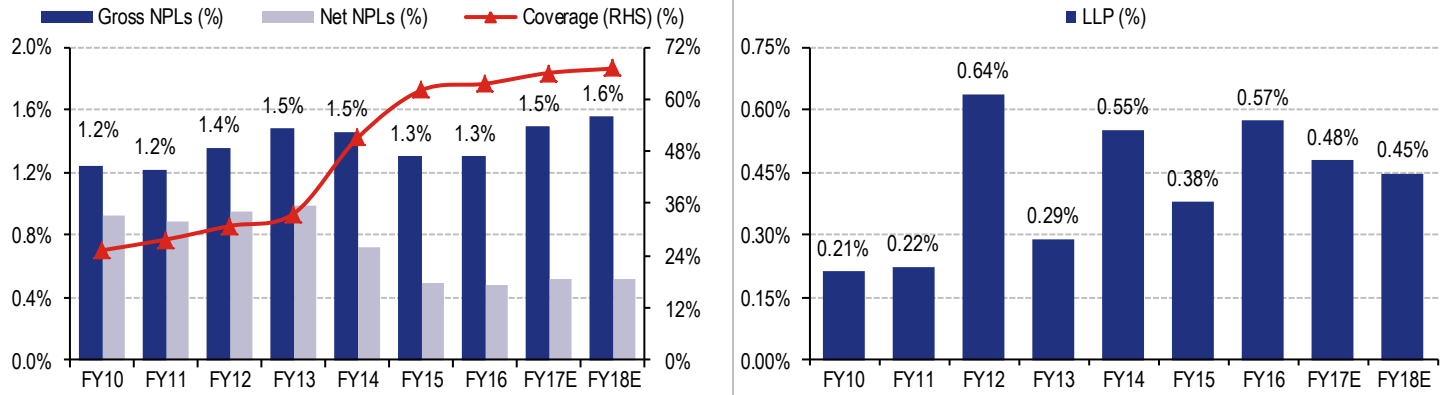
Source: Company, JM Financial.

Exhibit 12. REPCO: Trend in cost to asset



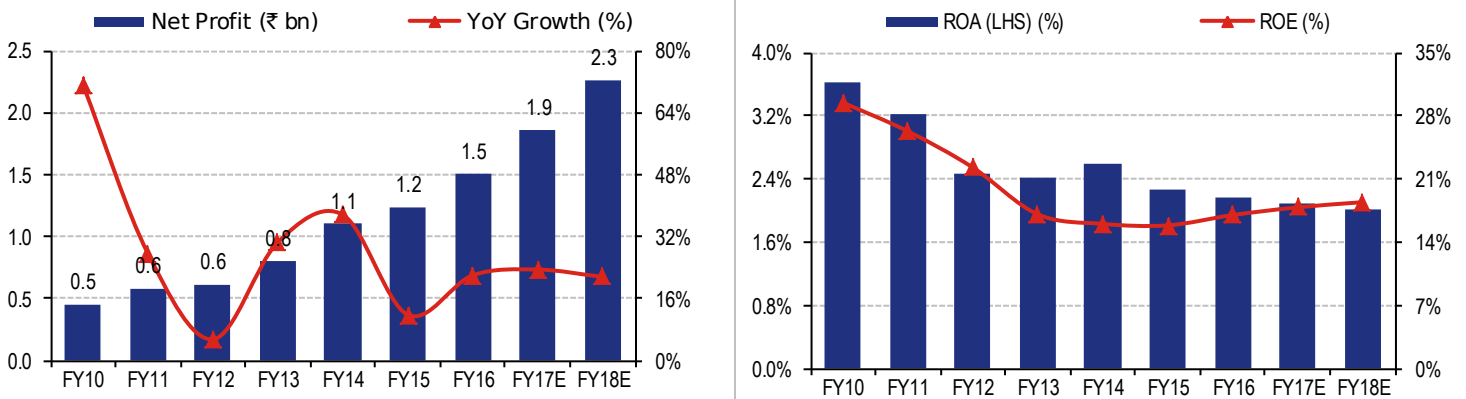
Source: Company, JM Financial.

Exhibit 13. REPCO: Trend in asset quality and LLP



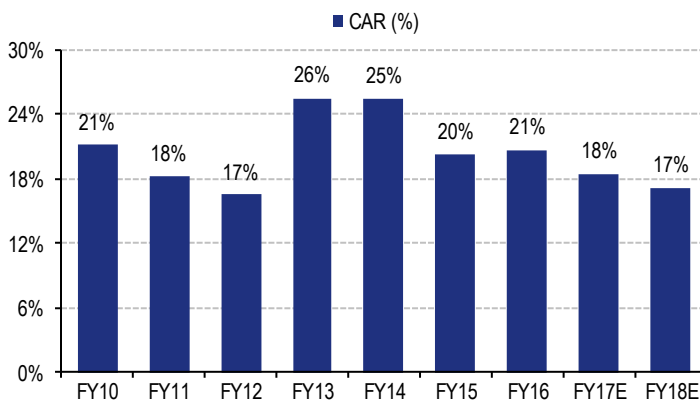
Source: Company, JM Financial.

Exhibit 14. REPCO: Trend in earnings and return ratios



Source: Company, JM Financial.

Exhibit 15. REPCO: Trend in CAR



Source: Company, JM Financial.

Financial Tables (Standalone)

Profit & Loss (₹ Mn)	FY 14	FY 15	FY 16	FY 17E	FY 18E
Net Interest Income (NII)	1,916	2,377	3,036	3,634	4,419
Non-Interest Income	190	235	300	372	462
Total Income	2,106	2,612	3,336	4,006	4,881
Operating Expenses	388	547	643	781	971
Pre-provisioning Profits	1,718	2,065	2,693	3,225	3,910
Loan Loss Provisions	179	142	296	376	393
Provision for Investments	1	0	0	0	0
Other Provisions	48	62	96	42	105
Total Provisions	227	203	392	418	498
PBT	1,491	1,861	2,301	2,807	3,412
Tax	390	631	800	954	1,160
PAT (Pre-Extra ordinaries)	1,101	1,230	1,501	1,852	2,252
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	1,101	1,230	1,501	1,852	2,252
Dividend	87	113	113	185	225
Retained Profits	1,014	1,117	1,388	1,667	2,026

Source: Company, JM Financial

Balance Sheet (₹ Mn)	FY 14	FY 15	FY 16	FY 17E	FY 18E
Equity Capital	622	624	625	625	625
Reserves & Surplus	6,789	7,497	8,923	10,590	12,617
Shareholders' Equity	7,411	8,121	9,548	11,215	13,242
Preference Shares	0	0	0	0	0
Borrowed Funds	39,020	51,044	65,379	85,974	109,874
Current Liabilities	959	1,592	2,705	1,983	2,513
Total Liabilities	47,390	60,757	77,632	99,173	125,629
Loans	46,680	60,229	76,912	98,224	124,468
Investments	124	124	124	158	201
Cash & Bank Balances	219	175	200	295	373
Loans & Advances - CA	0	0	0	0	0
Other Current Assets	131	139	303	378	437
Fixed Assets	50	89	93	118	150
Deferred Tax Asset	187	0	0	0	0
Total Assets	47,390	60,757	77,632	99,173	125,629

Source: Company, JM Financial

Key Ratios (%)	FY 14	FY 15	FY 16	FY 17E	FY 18E
Growth (YoY) (%)					
Borrowed Funds	27.3%	30.8%	28.1%	31.5%	27.8%
Advances	31.7%	29.0%	27.7%	27.7%	26.7%
Total Assets	25.0%	28.2%	27.8%	27.7%	26.7%
NII	52.3%	24.1%	27.7%	19.7%	21.6%
Non-Interest Income	31.9%	23.9%	27.6%	23.8%	24.3%
Operating Expenses	60.4%	41.1%	17.5%	21.4%	24.4%
Operating Profits	48.1%	20.2%	30.4%	19.8%	21.2%
Core Operating Profits	48.1%	20.2%	30.4%	19.8%	21.2%
Provisions	145.7%	-10.3%	92.8%	6.7%	19.2%
Reported PAT	37.6%	11.8%	22.0%	23.4%	21.6%
Yields / Margins (%)					
Interest Spread (%)	2.88%	2.86%	2.95%	2.84%	2.82%
NIM (%)	4.53%	4.42%	4.41%	4.13%	3.95%
Profitability (%)					
ROA (%)	2.58%	2.28%	2.17%	2.10%	2.00%
ROE (%)	16.01%	15.85%	16.99%	17.84%	18.41%
Cost to Income (%)	18.4%	21.0%	19.3%	19.5%	19.9%
Assets Quality (%)					
Gross NPLs (%)	1.46%	1.30%	1.30%	1.49%	1.56%
LLP (%)	0.54%	0.38%	0.57%	0.48%	0.45%
Capital Adequacy (%)					
Tier I (%)	25.4%	20.3%	20.7%	18.5%	17.2%
CAR (%)	25.4%	20.3%	20.7%	18.5%	17.2%

Source: Company, JM Financial

Du-pont Analysis (%)	FY 14	FY 15	FY 16	FY 17E	FY 18E
NII / Assets (%)	4.49%	4.40%	4.39%	4.11%	3.93%
Other income / Assets (%)	0.44%	0.43%	0.43%	0.42%	0.41%
Total Income / Assets (%)	4.94%	4.83%	4.82%	4.53%	4.34%
Cost to Assets (%)	0.91%	1.01%	0.93%	0.88%	0.86%
PPP / Assets (%)	4.03%	3.82%	3.89%	3.65%	3.48%
Provisions / Assets (%)	0.53%	0.38%	0.57%	0.47%	0.44%
PBT / Assets (%)	3.50%	3.44%	3.32%	3.17%	3.04%
Tax Rate (%)	26.17%	33.89%	34.77%	34.00%	34.00%
ROA (%)	2.58%	2.28%	2.17%	2.10%	2.00%
Leverage (%)	6.2	7.0	7.8	8.5	9.2
ROE (%)	16.01%	15.85%	16.99%	17.84%	18.41%

Source: Company, JM Financial.

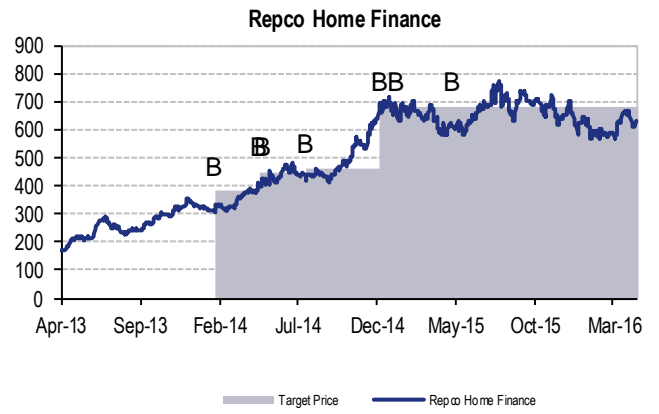
Valuations	FY 14	FY 15	FY 16	FY 17E	FY 18E
Shares in issue (mn)	62.2	62.4	62.5	62.5	62.5
EPS (Rs.)	17.7	19.7	24.0	29.6	36.0
EPS (YoY) (%)	37.6%	11.4%	21.6%	23.4%	21.6%
PE (x)	35.5	31.8	26.2	21.2	17.4
BV (Rs.)	119	130	153	179	212
BV (YoY) (%)	16.8%	9.2%	17.2%	17.5%	18.1%
P/BV (x)	5.27	4.82	4.11	3.50	2.97
DPS (Rs.)	1.4	1.8	1.8	3.0	3.6
Div. yield (%)	0.2%	0.3%	0.3%	0.5%	0.6%

Source: Company, JM Financial.

History of earnings estimates and target price

Date	FY16E EPS (₹)	% Chg.	FY17E EPS (₹)	% Chg.	Target Price	% Chg.
17-Feb-14	29.1				380	
14-May-14	29.2	0.3			450	18.4
22-May-14	29.2	0.0			450	0.0
12-Aug-14	24.9	-14.7	31.4		460	2.2
2-Jan-15	24.4	-2.0	30.7	-2.2	680	47.8
2-Feb-15	24.4	0.0	30.7	0.0	680	0.0
21-May-15	25.1	2.9	30.8	0.3	680	0.0

Recommendation history



APPENDIX I

JM Financial Institutional Securities Limited

(Formerly known as JM Financial Institutional Securities Private Limited)

Corporate Identity Number: U65192MH1995PLC092522

Member of BSE Ltd. and National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

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Rating	Meaning
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Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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