Date: 31.07.2024

ISIN: INE526R01028
SCRIP CODE: 539017
SCRIP ID: STARHFL
PAN NO. AAGC1988C

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai -400001

Sub: Transcript of Earnings Conference Call

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

In continuation to our letter dated 26th July, 2024 regarding the Company's Earnings Call, please find attached the transcript of the said call.

The transcript is also uploaded on the website of the Company at www.starhfl.com

This is for your information and records.

Thanking You,

For M/s. Star Housing Finance Limited

SHREYAS RASHMIN MEHTA Digitally signed by SHREYAS RASHMIN MEHTA Date: 2024.07.31 14:14:00 +05'30'

Shreyas Mehta
Company Secretary & Compliance Officer
M.No. A38639

Star Housing Finance Limited
Q1 FY25 Earnings Conference Call
July 26, 2024

Moderator: Ladies and gentlemen, good afternoon and a warm welcome to all participants to the quarterly update call of Star Housing Finance Limited. Star Housing Finance Limited has organized this call with an intent to share updates and discuss operational as well as financial highlights of the Company for the period ending June 30th, 2024.

On the call we have the senior management comprising Mr. Kalpesh Dave – Chief Executive Officer, Mr. Natesh Narayanan – Chief Financial Officer, and Mr. Anoop Saxena – Chief Operating Officer of the Company.

Before we proceed with this call, I would now like to take this opportunity to remind everyone about the disclaimer related to this conference call. Today's discussion may be forward-looking in nature based on management's current beliefs and expectations. It must be viewed in conjunction with the risks that our business faces that could cause our future results, performance or achievements to differ significantly from what may be expressed or implied by such forward-looking statements. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Without much further ado, I request Mr. Anoop Saxena to address the participants. Thank you and over to you, sir.

Anoop Saxena: Hello, everybody and a warm welcome to Star Housing Finance Limited Earning Call for the First Quarter Ending June 30th, 2024. We are pleased to have you with us today. As we discussed with Star HFL operational and financial performance, highlight key achievements and share our thoughts on what list lies ahead. After the management's commentary, we will open the floor for questions from our participants. Thank you for joining us.

Allow me to introduce Star Housing Finance Limited. We are a dedicated retail home finance company committed to assisting first time homebuyers in semi urban and rural areas to providing long term financial assistance towards purchase and construction of low cost housing units. We focus primarily on aspiring home owners from economically weaker section and low income group families. We sincerely attempt to provide housing finance assistance on player terms to our deserving families in our operational segment.

We are headquartered in Mumbai and are listed on the Bombay Stock Exchange mainboard. Star HFL branch network extends across Maharashtra, Madhya Pradesh, Gujarat, Rajasthan, the NCR and Tamil Nadu, with over 34 locations, and the team of over +280 housing finance professionals with a strong domain and local know how of the space.

Coming to the performance for the quarter ending June 30th, 2024, I wish to state the following points. During this period, Star Housing Finance Limited provided housing finance assistance to numerous families from the economically weaker section and low income group segment. Strong incremental disbursements had driven our asset under management to Rs.471.41 crores representing a year-on-year growth of 74%. Our asset portfolio is retail and well diversified across the regions that we are served. The average incremental loan size is Rs.12 lakhs in semi urban areas and Rs.8 lakhs in rural regions.

As our portfolio grows, we prioritize maintaining high asset quality. Our diligent credit and collection process implemented by our team in our daily operation have resulted in a portfolio at risk of 3.38% for accounts that are +0 days past due. Of this, our gross non-performing asset and net non-performing assets ratios as at June 30th 2024 stands at 1.57% and 1.12% respectively. We are dedicated to strengthening our operational capabilities through investment in human resources, branch infrastructure and technology. We have implemented an upgraded version of our lending suite providing end-to-end home loan processing capabilities, along with receivable management functionalities, thereby improving productivity and refining credit management processes. We remain focused on expanding our asset under management through both direct lending and co-lending partnership with our collaborators. Around 12% of our asset under management comes from co-lending partnerships.

On employee front, continuing by the philosophy of employee ownership, Star Housing Finance Limited Board has approved the ESOP scheme for eligible employees. This is the second scheme implemented by the company considering the extended employee base and the contribution made by the eligible employees to the growth of the company. We are happy to register strong growth in quarter one, have been carried forward the growth momentum of last financial year. It is to be noted that priority has and shall remain on building a quality asset under management, the business centers that are operational and the ones that are planned should aid in traction and diversification of the overall loan book. Star Housing Finance Limited continues to adhere to credit and collection focused philosophy in its day-to-day operations.

Strong liability pipeline gives us the confidence to plan and execute asset growth for the year. We look forward to continue investing in capacity creation, through exploration of branch network, recruitment of quality manpower, and digitization of processes. We look ahead towards the next three quarters with optimism and we are confident to continue the growth phase as per our plan. I now invite our CFO, Mr. Natesh Narayanan to provide insight into the financials for the quarter ending June 30th, 2024. Thank you and over to you Natesh.

Natesh Narayanan: Thank you Anoop. Good afternoon and a warm welcome to all participants. I am pleased to report that our focus on sustaining growth and ensuring high quality standards are continuing unabated. And it has resulted in robust financial performance for this quarter. I commend our finance team for the dedicated efforts in bolstering the asset group, particularly through our traction in managing liabilities. This has resulted us to forge successful partnerships with banks and financial institutions. With a blend of undrawn limits and pending proposals in our pipeline. We are well prepared to expand our operations in line with our planned growth trajectory.

I would like to present the financial performance for the quarter ending June 30th 2024. Here are the key points I wish to highlight. The asset under management stands at Rs. 471.41 crores as of 30th June 2024 compared to Rs. 271.62 crores on June 30th 2023, thus reflecting a year-on-year growth of 73.55%. Disbursements for the quarter totaled at Rs. 61.23 crores making a year-on-year growth of 76.61% which was Rs. 34.67 crores for the corresponding period in the previous year. The total income for Q1 FY25 stands at Rs. 20.96 crores up from Rs. 12.29 crores in Q1 FY24 thus representing a year-on-year growth of 70.54%. Net interest income for Q1 FY25 was Rs. 7.88 crores compared to Rs. 5.75 crores in Q1 FY24.

Profit after tax for the period ending June 30th 2024 increased by 94.83% year-on-year. +0 past due stands at 3.38% of which GNPA stands at 1.57% and NNPA at 1.12% as of June 30th, 2024. Star HFL has maintained strong relationships with banks and financial institutions to aid the loan book growth. Our current borrowing stands at Rs.335.35 crores through six banks and 11 financial institutions, thus giving us a set debt to equity ratio of 2.43x. The liability pipeline is robust and is planned as per the business plan for the financial year. On the shareholders front, I am happy to state that the board has recommended a 50% increase in the dividend payout for this year, this is subject to shareholder approval in the ensuing EGM. The dividend payout has increased from Rs.0.05 to Rs.0.075 per share.

The company maintains a strong liability pipeline to boost our growth initiatives and confident as a coinciding team, we will leverage our achievements to reach the business financial and operational objectives we have set for ourselves. With this, now I would like to invite our CEO – Mr. Kalpesh Dave to deliver his closing remarks. Thank you and over to you Kalpesh.

Kalpesh Dave: Thank you Natesh. Hello, everyone, on behalf of the Star HFL team, I extend a warm welcome to all our participants. We have been sharing quarterly, half yearly and annual performance from time-to-time with our stakeholders through earnings call. And we look forward to continue doing the same as we move ahead. The questions and feedback received from these calls enable us to fine tune our business and operational strategy. Please feel free to ask any questions that you may have either on this call, or through our Investor Relations desk, we shall be more than happy to interact with you.

Generally Q1 is considered as a fresh start for any company. And it is a warm-up phase and also is an indication of what is to come over the next three quarters. I am happy that we have utilized this quarter well to ensure business and operational numbers remain strong on Y-o-Y and reasonable when compared to all time high in the last Q4. While maintaining the momentum, we have continued to invest in network expansion, manpower, onboarding and importantly, going live with the upgraded lending. These bearings should bode well for the planned scale up in the current financial year as the focus would eventually get shifted from optimizing financial leverage to operating operational leverage that is, improving productivity right up to the individual level. Star HFL is now at the touching distance to cross Rs.500 crores AUM milestone. What is more important is that we as a team have throughout adhered to quality first mindset. Approximately (+5000) live customer base, most of whom are first time availing common credit are now attuned and handheld to develop good banking habits and consequently good credit score. This should open up more avenues and infusion into the financial mainstream.

With this has been the highlight of this phrase. We continue to walk the talk with them and are more than happy seeing getting what is due to this segment. Recent budgetary announcement to provide right framework, assisting in creation of more than three crore houses across the length and breadth of India, including the outlay of more than 10 lakh crore and re-launch of PMAY through PMAY 2.0 as well as restarting the credit linked subsidy scheme should add to the favorable macros to the housing space. Housing finance companies more so, retail focus HFC in affordable housing space should be able to benefit from deep tailwind and as a part of broader HFC fraternity Star HFL feels that much more can be done to ensure homeownership of each and every Indian family.

What lies ahead for Star excites us, namely initiating next phase of growth to cross Rs.1000 crores AUM milestone, possible ratings upgrades based on the merit of business and operational performance and transition to the National Stock Exchange, subject to qualifying all enlisted criteria, and post necessary approvals and compliances. We do feel that this is the beginning and much more can be achieved if we as a team, continue to focus on basics and do the right thing. I extend my heartfelt thanks to all our stakeholders, including the RBI, the National Housing Bank, our banking partners, our rating partners, our business associate, our valued customers, our dedicated staff of HFC professionals, and the family. And last but not the least, our shareholders. Each one of them has played a pivotal role in making this company. And we look forward to their continued support as we march ahead. As a committed and responsible lending organization, we are dedicated to creating value for all our stakeholders as we strive to become a respected housing finance institution. Thank you for your attention, over to you operator.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Anuj Garg, who is an Individual Investor. Please go ahead, sir.

Anuj Garg: So my first question is, how does your ALM profile look like other than mismatches. And my second question is, how do you access creditworthiness of rural new to credit customers?

Kalpesh Dave: Natesh you want to answer on the first question of ALM profile and Anoop one the credit worthiness.

Natesh Narayanan: So as far as the ALM profile is concerned, one on the up to three years in the buckets, individual or cumulative we have any mismatches whatsoever. So our inflow receipts are more than enough including the borrowings are enough to take care of all our payments and disbursements put together. And in terms of, let me also give you a color on the ALM profile, basically in terms of the borrowing profile if I may be more specific to say. Last year we started first two tranches of NCDs so we have roughly about six banks and 11 financial institutions who are lending to us, we have added two more banks this financial year and they are from the small finance bank fraternity, besides that from a diversification perspective, we will continue to explore and engage our lending fraternity in issuing instruments like NCDs, we are also looking at seeing a situation where if we could look at more something like a hybrid debt kind of a subnet but that is for the future as we grow we will be able to explore this but for sure, one thing I can tell you as a policy we will try to have term loans, we will have to have refinance from our former regulator, we will also have NCDs as well as we will regularly engage our other financial institution lending partners, which will broaden our liability base and be good enough to fund our growth plan for this year and the coming to the next few years. I hope that answers your question.

Anoop Saxena: So hi Anuj, Anoop Saxena this side. So, your second question was how we are assessing creditworthiness of rural customer, if I am right. So, while going to the rural geographies of India, how we typically do create assessment of the customer, there are two intents when we are doing credit assessment of the customer one whether the customer do have repayment capacity or not. And second thing is whether the customer has intended to repay or not, so intend to repay is typically we extrapolate this intend to repay through local preference of the customer plus credit bureaus. Predominantly these customers don't have credit history available in TransUnion but since this customer comes from rural geographies of India these customers do have credit matches such as.

Moderator: Sorry to interrupt sir, the participant that was asking the question has exited the queue. So the next question is from Varun who is an Individual Investor. Please go ahead, sir.

Varun: Just one question on my end, what is the update on the warrant outstanding and when do we expect to receive the remaining amount?

Management: I will answer that question. The warrants basically were issued in December 2023. And the warrants typically has a period of 18 months for the subscription. So just to let you know, around 25% to 26% of the amount has been subscribed, remaining is expected to get subscribed over the next 12 months. And that basically should add up to our overall network. So, right now our net worth is Rs. 137.7 crores and you can add around Rs. 44 crores more to this number which basically would take us to around Rs. 181 crores and adding the expected PAT, we should we be well in line with whatever projections that we have made for FY24-25 net worth. So that is the update, so that is in line that is supposed to happen over the next 12 months.

Varun: Got it, thank you. Sorry, one more question, when you said the target of Rs. 1000 crores of AUM, by when do we expect to achieve that?

Management: Well see, considering the growth rate that we have done, the ballpark quarter if you want me to tell you it should happen over the next four to six quarters. So, that is what we are targeting, so right now 30th June 2024 we are presenting, maybe 31st December 2025, we should be able to reach that milestone as soon as we are able to maintain and add up to this runway. So, there are a lot of expansion plans that we have put in with respect to creating capacity and manpower planning as well. That should be in line with the equity coming in and post that we will be basically ensuring that the current capacity gets beefed up. So just to tell you, 31st December 2025 is something that we are internally targeting provided all things go well, just to let you know.

Moderator: Thank you very much. The next question is from the line of Aditya Shah from Meteor Wealth Management. Please go ahead.

Aditya Shah: So just two questions from my side, could you share some guidelines on the AUM front. And could you please explain the factors contributing to your company's effectiveness in managing the gross and net NPS compared to other industry?

Management: Okay, so I'll answer that question Anoop. So, on the AUM front, I just answered the question before that, we as a team are right now in the touching distance of 500 crore of AUM, currently we are at around Rs.471 crores so as to speak of June, July we should get easily very much close to Rs. 500 crores and that is the first milestone that we had set for ourselves and that's what has been reiterated in no previous earnings call as well. So having achieved this, the next pit stop for us is Rs. 1000 crore AUM and Rs. 1000 crore AUM we have set our sights to achieve it in next four to six operational quarters. This means that by 31st December 2025, we should be able to reach closer to that particular target, we will be happy to have achieve it even beforehand but this company has been credit and collection oriented company, strong processes are there. So we don’t want to just scale up and then basically sit back and focus on repairing the thing, so we don't want to do that. So as to ensure that the entire scale up is done in a sustainable manner and hence we basically are setting a reasonable target for us to achieving that. So Rs. 1000 crores by December 2025 is the next pit stop and from there on over the period of next eight to 10 quarters should be another Rs. 1000 crores, which we should be able to target to achieve. If you are talking about over the next 16 quarters adding the six quarters and the 10 quarters which we are talking about over the period of next 48 months, we should be able to have about Rs. +2000 crores of AUM that is what we are targeting. Of course, lot depends on how we are able to increase capital subject to all approvals in the company, how good liability franchise would be behaving, how much we would be able to leverage given that does not rating partners basically do put in a numbers that you have to not go let say beyond four times leverage so on and so forth. So that mix basically if are able achieve it, deployment is something that this current branch network of 34 branches, we plan to basically cross 50 this year, so let's see how it goes. And over the period of next, three to four +100 branches is something Star HFL should have on a steady state basis. If we are able to achieve all these, whatever I said AUM target of Rs. 2000 crore is something which we should be living and dreaming about just to let you know. With respect to, I hope that answers the first question in the AUM front.

Aditya Shah: Yes, sir.

Management: With respect to effectiveness of par numbers members of the company, once again, I will say that, we are very much focused on doing the right thing, doing the basic things because basics are the ones where most of the people falter. So we do not want to forget what are the basics, we are getting it right, we continue to get it right. That's the first thing, we have a comprehensive credit policy, as well as our guidelines which are there in place about building a credit appraisal methodology is pretty robust in terms of assessing the customer segment which we are into. So that basically gives us the confidence of building a quality book. So work doesn't stop there, because once you disburse that's where the rest of the things of next 20 years walking the talk with the customer happens. So, collection focuses there, what we have ensured or we have internalized within ourselves is that any new center opening up we have to have one receivable management guy stationed over there. So, that is something which basically gives an ownership on the collection part of it, receiving management part of it, and the entire function gets driven from the head office down up to the level of the last collection guy who is there on the ground. The +5000 live accounts that is there in this system, the collection officers and the branch managers amongst themselves know each and every person in and out, including the HCN and what are the positives of delinquency and when it is going to come on and so forth. So, that basically gives us those kind of numbers which we basically have presented to the stakeholders. Again, as I said that while these are the basics that we are doing, the proof of concept once again will be there if we are able to sustain this particular percentage. Next year this time, so June 30th 2025, we are able to report similar kind of numbers we should be in for a good haul of scale up. So that is the reason why there has been an effectiveness and as rightly said by you we are better than most of our peers but I would not want to compare myself with any privileges, happy to look within and build a quality loan book. I hope that answers your question.

Moderator: Thank you very much. The next question is from the line of Dharmesh Kumar who is an Individual Investor. Please go ahead, sir.

Dharmesh Kumar: As you said, you are looking for a Rs. 1000 crore and you are looking at expanding up to 100 branches, right. So, my question is that what are your expansion plans for the company and my second question is, how do you manage the asset quality of the PO book?

Management: So with respect to the expansion plan, right now we have 34 branches, our objective is to basically have +50 branch presence hopefully by the end of the current financial year. So that is something which we are aiming to achieve, that one set you should be able to have a steady state run rate of around Rs. 35 to 40 crores. So currently, we are deserving 20 to 22 crore and from there we scale up to Rs. 35 to 40 crores on a steady state basis will be a 50% jump in my monthly disbursement. So once I am able to achieve that Rs. 1000 crores of AUM is something which we should be able to achieve and even the branch expansion just to give you more color to it, we look forward to expand in our existing centers for the current financial year and maybe have a small presence in a couple of US geography just to test the market and then decide to move ahead. So, that is the thought process on the Rs. 1000 crores. AUM achievement and from there on obviously the branch strength has to get doubled up if we have target. So, to achieve Rs. 2000 crores AUM we have to have a double the capacity of the branch network from that 50 that we are aiming and +100 branches is something which we should give us a steady state number of. So, +100 branches should give me a steady state run rate of around Rs. 75 to 80 crores. And that will lead us to the Rs. 2000 crores of AUM mark, as we as we see. Coming on the, asset quality side of it, I have already mentioned that we are a credit and collection oriented company, for us quality gets prioritized over the growth. And, that would continue to be the case, as we scale up you have ensure that on a one year lag basis, or on a two year lag basis also, the collection numbers, the asset quality holds true. And as I said if we are able to maintain the same asset quality for the next four quarters, then we are through to scale up the numbers bigger manner as we anticipated. So that's the answer to the question of the participant who just got dropped off. Happy to take another question if there is any.

Moderator: Thank you very much sir. The next question is from the line of Jayant Deshmukh who is an Individual Investor. Please go ahead, sir.

Jayant Deshmukh: My question is, in terms of business, what is your target for the current financial year. And my second question is, is there any plan to raise more capital during the financial year?

Management: So the target for the current year as per the plan that we have submitted to banks and rating agencies is to basically have a AUM of around Rs. 700 crores, that is what we are targeting, I am not giving you any forward looking statement, but this is the plan that you have submitted to a bank and our rating agency. So, that is on the first side of it and second with respect to raising additional capital, we have already issued a warrant. So, ideally, we want basically these warrants to get subscribed first and then look for a capital raise. But having said that, we are getting interest from HNI from family offices to basically be a participant in the long term growth plan of the company. And depending on the calibration as to how we want to basically scale up that particular action will be basically obviously presented to the Board and Board will take a call on whether to raise more capital so in addition to the warrant side of it, but just to answer your question, yes that is a distinct possibility and we are exploring that.

Moderator: The next question is from the line of Ashok Jain who is an Individual Investor. Please go ahead, sir.

Ashok Jain: I just had a quick couple of questions. I wanted to ask you see the sector outlook currently is negative. And there are a lot of RBI concerns coming in. So, if you are saying expanding branches, which all are our extreme immediate targets of expanding, which states would we go to?

Management: So, I will answer the question, sector outlook in the negative well enough, I will hear what you are saying, but you have to understand in the space that we are in, the affordable housing space that basically is more or less insulated over any of the happenings that happened even at the sectorial level if you talk about, however forget about the macroeconomic trends and other things. So, for a company like Star Housing Finance it has always been more insulated of those kind of shocks, even Corona for that matter when our circuits got tested, when were in so many shocks at that point of time also, the appraisal that we did basically gave us that confidence given that after the moratorium the collected addition will be shot back to 95% in the first month itself. So, this will tell you, it's not about how much favorable tailwinds are there or are we facing any headwinds as such, we are just focused on doing one thing, we did not find this….even if we achieve Rs. 5000 crore of AUM for that matter will still be a drop in the ocean. So, are we competing with the bigger bank, bigger HFCs no we are not and we don’t even want to think on those particular lines? Our focus is very clear that we want to build a quality loan book, we want to build favorable TNL that would come out of this particular loan book, and the bottom line that should be no good enough for making a positive ROE change in excess of 18% to 20% plus on a sustainable basis. So, that is our focus, and we are fully committed to achieve that particular number given as the business plan we have submitted to our bankers and rating agencies. So, that is the first thing I would want to tell you. With respect to expansion, we do a comprehensive bottom of exercise. So, our regional directors, they have the technical know-how of the regions that they are heading, they are on the ground most of the times, they know what are the fertile micro markets that are present within these geographies. And based on their recommendation, we basically do a secondary analysis at the HO also, and the blend of the comments which gets received from the regional directors, prospective branch managers, as well as our own analysis, we decided that we would be wanting to open a center in this particular location, that proposal basically gets submitted to the board beforehand and then accordingly we open the branches. So, that is the thought, that is a strategy, that is the action plan that we do. With respect to expanding, in the different geographies, you have to understand that we are right now present in those markets, which consists of more than 75% of housing shortage in the country. So Maharashtra is number one, Tamil Nadu is not behind, Rajasthan is a very good market, NCR opens up avenues to basically venture deep into UP as well. So these are the geographies that we are bullish on, if you ask me which are the newer geographies you would want to go into, there are a couple of geographies down South which we would want to enter and a couple of geographies that are adjoining to our states namely, Chhattisgarh is something which we are looking forward to have a presence. So, that is how, if we are able to achieve these two, three, if we are able to penetrate into these two, three states also, then most of the addressable market we would be able to have a presence into and then the next step would be to penetrate deeper into at district level, so on and so forth. So, that is a strategy just to tell you.

Ashok Jain: Fair enough, understood. So, basically sir wanted to know what is like our branch AUM and our peers, other companies do we have a certain AUM where we reach for a branch where we do a split for a particular district while expanding?

Management: So that's a very good question. See, we have to understand one thing when we open a branch we have to get that particular potential right first of all of the business, if we are able to disburse month-on-month level minimum Rs. 50 lakhs, which means we are disbursing five files in a month, that is a pretty big green signal for me, I should be targeting to then basically have a physical branch and then add more manpower to it. So that's the first thing that we do. Second thing is that, steady state run rate of around Rs. 1.5 crores is something which the branch should aspire to achieve. Once it crosses Rs. 2.5 to 3 crores, in the bigger centers for that matter. At that point of time, we would want to have a second branch. So the same problem, not problem, it's a problem of plenty happy to have it. Pune branch is, slated to now get divided into two and we would be having two centers because it is steady state disbursing around Rs. 2.5 to 3 crores. So the upper limit is Rs. 2.5 to 3 crore for a bigger branch. And for a medium reasonable branch, it would be around Rs. 1.5 crores on a steady state basis. So that top which we would want not to be disturbed. Otherwise, it's easy to plan Rs. 5 crores coming from a branch, but then the quality would suffer. So as you know, we don't want to do that and hence, it's okay to have a higher cost to income ratio in the beginning that would yield good results sustainably as we move ahead. So that's the thought process.

Ashok Jain: Understood sir. And one more question, if I may ask. Sir so in our due diligence process, is there a percentage of people who already have an existing loan and do we still disburse to them, what is our due diligence in this aspect?

Management: Anoop you want to answer on the fund and other things?

Anoop Saxena: Yes, sure. So to answer to the question, we typically fund for home loan needs, we don't claim ourselves as a housing finance company, we claim ourselves as a home finance company, and when we quote home finance company that typically means the underlying collateral for which our borrower is seeking credit facility, that underlying collateral has to be used for the purpose of residence of the borrower and his immediate family. That typically means if a customer is running a housing loan with some other institution, that customer won't be eligible for getting home loan from me until and unless the end use of this home loan is not towards shifting down his family to a newer house, which he is getting from the credit facility which has been provided by Star Housing Finance. So that's something to answer your question.

Management: He is asking about, someone who has existing obligation how do you, what are the due diligence criteria for that.

Anoop Saxena: Oh, I'm so sorry about that, okay. So, there are two types of basically credit which my segment of customers, there are two perspective, my segment of customer do avail from the market, one is typically common line of credit, which do reflects into credit bureaus. So, credit bureaus do have the deflection of customer, EMI data along with bank debits available from his bank account statement and SOAs are available, first thing is that. Second thing is, there are some informal credits which the customers do avail from local moneylenders. So, local money lender credit we get through the references, what is sort of EMI that customer is paying to these local moneylenders or there is any sort of bullet payments are there. So, that is something which do account for, we do account for formal credit and further to answer your question we typically operate at the formula of debt burden ratio which basically, which is something wherein you deduct all the expenses, all the liabilities of the customer and whatever is remaining in the hands of the customer as a net saving, I fix up my EMI on that net saving which is typically 70% of net saving is typically my EMI which I ask customer or which I contract customer to pay to me.

Ashok Jain: Okay, understood. So, they are coming to the collection side, what would be our frequency of collection, would it be monthly, weekly like depending?

Anoop Saxena: It is monthly, typical equated monthly installment plan.

Ashok Jain: And sir if we are seeing any early signs of stress, how do we account for that, what do we do to deal with that?

Anoop Saxena: So, we do have early warning signal system in place, which basically throws us sort of signals wherein we can have high risk customer which already got on-boarded into my system. So, one thing is that and quick mortality is obviously part and parcel of this early warning signal system itself. So, whenever there is sticky customer comes into my portfolio that is bound to happen and that is part and parcel of this game. So, whenever there is sticky customer in my portfolio, we do sort of man-to-man marking so, this portfolio or this particular customer will be assigned to a portfolio manager or a relationship manager or a dedicated sort of relationship manager who will basically do man-to-man marking and he will keep track of this customer plus, with the help of credit bureau I am able to know, when this customer is inquiring for loan in the market, what sort of loan he is seeking from the market, whether he is changing his address, whether he is changing his mobile number, that sort of intelligence I am getting from the credit bureau. So that is how I am trying to keep myself safe from the sticky customers.

Moderator: Thank you. Next question is from the line of Manav Shah who is an Individual Investor. Please go ahead sir.

Manav Shah: Sir can you give the guidance on ROE and ROA guidance for the next one year, and the credit rating upgrade?

Management: So, ROE, ROA guidance I would love to give you on a long term basis, ROE, ROA guidance would be a bit difficult to give you on specifically the ROA side of it because we are infusing capital regularly. So, the ROE kind of get diluted in terms of the numbers, but just to let you know, obviously double digit ROE is something which we are aiming to achieve by the end of the current financial year, that is the first thing that we are aiming to achieve. If we are able to achieve it more than happy, if a bigger capital comes then obviously the ROE number gets diluted. So, you have to note that particular side of it. On a steady state basis, 48 months from now on, I have already mentioned that you would be aiming to have a +18% ROE once all the capital related requirements are being met and then we focus solely and solely on the asset growth side of it. So, we may achieve earlier than that this particular number, but this is the internal benchmark which we have set for assist to achieve the ROE side of it, so just to let you know on that side of the profitability perspective, that is the first thing. And second thing that you asked me was, what I forgot?

Manav Shah: Credit rating upgrade.

Management: Rating upgrade, yes I am so sorry. So, we are currently rated BBB stable by Care and India rating. If we do a peer-to-peer benchmarking with respect to the ones who are one notch about +BBB stable, the other operating parameters in the collection related ratio so on and so forth. We are in line with those peers, what remains to be achieved is the AUM side of it. So, maybe Rs. 650 crores, Rs. 700 crores plus of AUM if we are able to cross that should be a big, big signal for us to go back to the rating partners and then seek a rating upgrade and hence, I mentioned in my speech also that, rating upgrade is something which we should look forward to over the next four quarters when we cross the number of Rs. 650 to 700 crores of AUM.

Moderator: Thank you very much. The next question is from the line of Aditya Shah from Meteor Wealth Management. Please go ahead, sir.

Aditya Shah: Sir, could you describe the typical customer profile for your segment. And second is additionally how does asset side differ from side individuals to self-employed customer?

Management: Anoop you want to answer this question, its related to credit?

Anoop Saxena: Sure, I will take that. So, my typical customer profile is basically all the customers who don't have income document to proof their cash flows, all those customers and who are basically willing to construct, purchase, renovate house for the purpose of their sales residence to all those customers are my targeted customer segments, these are the customers who basically, who earn livelihood by virtue of doing something or other thing for the purpose by generating their cash flows. These customers are typically the customers who don't believe in operating system or they do hesitate while going to the bank, who don't typically file ITRs, who are not registered with GST per se, all those customers are my target customer segment. For me, underwriting to a customer only two things are mandatorily required one. This customer is economically active customer and this customer do have cash flows. Second is this customer is purchasing house which is going to be used for the purpose of self-residence. This is the typical customer profile for me when I am talking about customer profile, my customer profile, my borrower profile will be mix and match of salaried as well as self-employed, but for the purpose of the definition. Having said that, when I am funding for the home need for a customer this is typical, this is a property which is going to be used by entire family. So, for my loan proposal entire family whosoever is earning person of the family and who so ever is the property owner all those person will become borrower and co-borrower in my loan proposal. So, as we typically see at the bottom of the pyramid of the customer segment basically the customers who comes from rural geographies of India or semi urban locations of India, these customers have multiple source of income for the sake of example, one member of the family will be a cash salaried person, one person of the family will be running a Kirana store or mother of the family will be having some livestock and shall be earning livestock income. So, there will be mix and match of cash flows. We do assess cash flows on the basis of different, different in-house develop spreadsheets, which is occupation based spreadsheets, and on the basis of same we do a great assessment of the customer. So, to answer your question, my typical profile is mix and match of cash, salaried and self-employed customer and very predominately by virtue of income contribution towards EMI, my portfolio is more tilted toward self-employed segment of customers.

Aditya Shah: Okay. And sir, just a couple of things. Sir, for FY25 how should we anticipate the spreads between yield and the cost of borrowing?

Anoop Saxena: Natesh will be the right person to answer it, Natesh.

Natesh Narayanan: Yes, as far as the portfolio yield is concern for this quarter we are at 17.11% and finance has been around it 12.4% mark, if you see for the last three or four quarters, while our portfolio yield has been more or less steady in the 17% mark, which is broadly aided by the fact that we have taken a broad call on having a 15% exposure to, as in a 15% of our portfolio will be originated in the co-lending model which is building up our overall yield, increasing our overall yield. There has also been a slight increase, there has been an increase in our cost of funds. And going on a steady state basis, we expect to keep a spread of around 500 to 550 basis points on a sustainable basis. This will give us the necessary projected ROE and ROA.

Aditya Shah: Okay, sir. And sir just a last thing I had, so if there is any slight increase what kind of impact will it have on our demand?

Management: Could you repeat that please sorry.

Aditya Shah: If there is any slight increase, what kind of impact will it have on our demand?

Management: Slight increase of what?

Aditya Shah: In general factors.

Management: Increase in what yield or in the borrowing cost?

Aditya Shah: Sir, both ways, if there is a slight increase in the yield or it is any increase in the borrowing cost. So how does it impact the demand?

Management: So, to answer on the asset side of it, we would not want to basically go beyond the rate of interest that were charging at this point of time. Most of our loans are fixed rated home loans. So there is no pointing basically us charging a higher yield on the current products that we are offering, if you are venturing into a different product as such we definitely then would have to revisit our overall rate of interest that we are charging. So, that is something which I want to tell you, there is no plan as such to increase more than 15%, 15.5% but that is a limit for the current customer segments point number one. Point number two, the boring side of it, Natesh has seen the boring cost getting increased from around 9.75% to 10% to current around 11.25% to 11.50%. So, 100, 2500, 50 basis points of increase as physically shaved off the overall bottom line by around 18% to 20% odd. So, you can make your math accordingly that, if there is a reduction in the borrowing cost, considering that there is a lag effect of bank passing that deduction in borrowing costs to us, I would again, cut that at 18%, 20% by half around 10% to 12% increase would be there in the bottom line side of it, and any increase in the borrowing cost get passed on very quickly to us and hence around 18% to 20%, numbers were shaved off because of this. Why it was not being able to get us impacted so much and it should not impact us more, because the reduction is that bottom line is more or less basically compensated by the high growth that we are achieving right now. So that question will come to the fore only and only when we would be having a normal growth rate of around 18% to 20% odd, which is like around four to five years from now, just to answer your question.

Moderator: Thank you very much. Ladies and gentlemen that was the last question for today's call. I now hand the conference over to the management for the closing comments.

Management: Thank you so much dear participants for coming on to the call. It is indeed a very much pleasure to interact with all of you, more than happy as I said before also once again, I restate more than happy to answer any of the questions that you may have during this call or you can reach out to the company directly. We will attend to your questions. Thank you so much. Have a good day.

Moderator: On behalf of Star Housing Finance Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

****