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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 14th November 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 Mehta
Company Secretary & Compliance Officer
M.No. A38639

Encl: As above



Star Housing Finance Limited
Star Housing Finance Limited Q2 & H1 FY'25 Earnings Conference Call
November 14, 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 September 30th, 2024. On the call, we have the senior management comprising Mr. Kalpesh Dave – Director and CEO of the Company, Mr. Natesh Narayanan – Chief Financial Officer and Mr. Anoop Saxena – Chief Operating Officer. 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:

Thank you operator. Hello, everybody and a warm welcome to Star Housing Finance Limited Earning Call for the Quarter and Half year Ending September 30th, 2024. We are pleased to have you with us today. As we discussed with Star Housing Finance Limited operational and financial performance, highlight key achievements and share our thoughts on what 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 housing finance towards purchase and construction of low cost housing units. We focus primarily on aspiring home buyers from economically weaker section and low income group families. We sincerely attempt to provide housing finance assistance on player



terms to deserving families in our operational segment. We are headquartered in Mumbai and are listed on the Bombay Stock Exchange mainboard. Star Housing Finance Limited branches network extends across Maharashtra, Madhya Pradesh, Gujarat, Rajasthan, NCR and Tamil Nadu, with over 30+ locations, and the team of over 300+ housing finance professionals with a strong domain and local know how of the space.

Coming to the performance for the period ending September 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. 517.84 crores representing a year-on-year growth of 62%. Our asset portfolio is retail and well diversified across the regions that we serve. The average incremental loan is Rs.12 lakhs in fully 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 that is called as a par of 3.68% for accounts that are 0+ days past dues (DPD). Past dues, of this our gross non-performing assets and net non-performing assets ratios as at September 30th 2024 stands at 1.56% and 1.09% 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 10% of our AUM comes from co-lending partnerships.

We are happy to register strong growth in Quarter 2, have been carried forward the growth momentum of last quarters. 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 expansion of branch network, recruitment of quality manpower, and digitization of processes. We look ahead towards the next 3 quarters with optimizing that are confident to continue the growth phase as per our budgeted plan. I now invite our Chief Financial Officer, Mr. Natesh Narayanan to provide insights into the financials for the period ending September 30th, 2024. Thank you and over to you Natesh.



Natesh Narayanan:

Thank you Anoop. Good afternoon to all of you and a warm welcome to all. I am pleased to report that our focus on sustaining growth and ensuring high quality standards has driven this robust financial performance this quarter. With a blend of undone limits and pending compulsions 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 period ending September 30, 2024. Here are the key points I wish to bring to your kind notice.

The asset under management stood at 517.84 crores as of 30th September 2024 compared to 319.43 crores as of September 2023, reflecting a 62.11% growth year-on-year. Disbursements for the year period totaled 56.25 crores. Total income for H1-FY'25 amounts to 22.63 up from 13.67 in H1 FY'24, representing a year-on-year growth of 65.54%. Net interest income for H1-FY'25 is 17.21 crores compared to 11.95 in H1 FY'24. PAT for the period ending September 30, 2024 increased by 47.83% year-on-year. PAR that is 0+ past due stands at 3.68%, of which GNPA stands at 1.56% and NNPA at 1.09% as of 30th September 2024. Star HFL has maintained strong relationships with banks and financial institutions to aid the loan book growth. Our current borrowing stands at 37.51 crores from 6 banks and 11 financial institutions, which gives us a debt equity of 2.68 times. The liability pipeline is robust and is planned as per the business plan for the financial year. The company maintains a strong liability pipeline to bolster our growth initiatives. With a strong and cohesive team, I am confident that we will leverage this relationship to boost growth.

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. Good afternoon everyone and thank you for joining us today. This Earnings Call marks a special milestone for Star Housing Finance Limited as we celebrate crossing the 500 crore mark in our assets under management. This achievement is a testament to our team's hard work and commitment to advancing affordable housing finance in India.

For over a decade, Star HFL has championed the cause of housing finance in underserved regions, working diligently to make the dream of home ownership accessible to lower and middle income families. We are not growing in numbers. We are deepening our impact in communities across Maharashtra, Madhya Pradesh, Gujarat, Rajasthan, Tamil Nadu and NCR.

Our goal has always been to ensure that people in these regions, often overlooked by traditional financial systems, have access to affordable housing finance solutions. With this mission in mind, we have continued to expand our footprint and broaden our product offerings to align with the unique needs of our customers. In the coming quarters, we remain focused on a few key areas.



First, we look forward to continue to build a strong and diversified funding base, which is essential to support our growing loan book and ensure sustained operations in an evolving economic environment. We are also committed to maintaining high asset quality standards, a principle that has helped us stay resilient and adaptive even as we scale up. The housing finance industry in India is on the cusp of tremendous transformation. With the government's strong emphasis on housing for all, especially through initiatives like the Pradhan Mantri Awas Yojana, we see significant potential for growth. Star HFL is positioned to lead this transformation in the affordable housing finance space, with a clear focus on responsible lending and a commitment to social impact. As we look to the future, we are driven by our mission to empower communities and create sustainable value for all our stakeholders.

I am confident that Star HFL will continue to progress on this path, achieving even greater milestones along the way. Thank you for your continued trust in Star Housing Finance Limited. Thank you and over to you, operator.

Moderator: Thank you very much sir. First question is from the line of Ashish Kumar, who is an individual investor. Please go ahead.

Ashish Kumar: Thank you for the update. Hello. My question is, how do you manage the asset quality of your book and how do you look forward to diversify your funding profile?

Anoop Saxena: So, Ashish, on the collection front of it, we do have a robust system which ensures 2-3 things. One is pre-EMI calling/customer awareness by sending routine messages to the customer by dialing calls to the customer to making the customer aware that his EMIs are due on a certain date. After due date, if the EMI gets bounced, regular follow-up from the branch and from central operations happens with the customer through telephonic calls, through written communication, and through SMS to the customer. That is the second action point on the collection front of it. On third point of the collection, we do regular customer awareness program at branches wherein customer is made aware about financial diligence, financial literacy, and financial discipline during his life cycle. So, during this awareness program, we make customer aware that once his EMI is bounced, what could be potential impacts out of those bounces can be. So, with the help of this system, we are able to maintain our collection efficiency month-on-month basis, 99% plus and that is the reason we are able to maintain one of the best portfolio at risk in the industry. So, that is from the collection side of it.

Natesh Narayanan: So, as to the funding currently, our outstanding liabilities is 371.51 crores from 6 banks and 11 financial institutions. We have refinance facilities from NHB and we have also issued 2 NCDs through private placement group. So, from a liability borrowing perspective, we have 17 to 18 institutions who have lent to us in the form of term loans and also we have a reasonably vibrant NCD Program given our balance sheet size. We expect to maintain this buoyancy over the next 12 to 18 months going forward. That is all from my end.



Moderator: Thank you. Next question is from the line of Vimal Sharma, an individual investor. Please proceed.

Vimal Sharma: Hello, it was good to listen about the company progress. I have 2 basic questions. The first one is, what is the split between on-book and co-lending portfolio and what is the tag for processing on-loan application? Thank you.

Anoop Saxena: So, typical bifurcation of portfolio in between on-book and co-lending portfolio is typically by 10% portfolio. 10% of total portfolio comes from co-lending books, wherein 90% of the portfolio stands at on-book disbursement. On month-on-month, this is at the portfolio level of it. On month-on-month disbursement, we try to maintain 20% incremental month-on-month disbursement is coming from co-lending part of it, wherein 80% incremental disbursement is happening on on-book disbursement. So, that is to answer your first question. On the second part of it, on the tax front of it, we are able to maintain about 18 days end-to-end log-in to disbursement tax for 80% of our cases. This 20% cases are out of tax, which typically exists in between 15 to 20 days. So, as a thumb rule, we are able to serve to customer, we are able to provide financial assistance to the customer within 15 to 16 working days. That is to answer your second question. Thank you.

Moderator: Thank you. Next question is from the line of Sonali Shah, an investor. Please go ahead.

Sonali Shah: So this quarter we have you know very good growth on disbursement on quarter-on-quarter basis. So do we expect this momentum to continue?

Kalpesh Dave: H2 is traditionally higher than H1, so that has always been the case in lending space. Predominantly after the Diwali time wherein there are a lot of activities on the developer front as well as more specifically for us from the retail buyer front as well. So, yeah while I would not want to give you any numbers for H1 versus H2 as well, but traditionally also if you see our performance over the last 3 years, H2 has always been on the higher side of H1. So, yes, we are planning on that particular front. How we will be able to achieve it will be totally dependent on how well we are able to crack our funding pipeline. So, yeah, looking forward to have a good momentum in H2 as well.

Sonali Shah: Okay, and like in the last concall, we said that we will be reaching 700 crores of AUM. So, are we in line? Like if we expect similar.

Kalpesh Dave: So, see our current steady state run rate is anywhere between 15 to 20 crores. So, even if we carry this particular run rate 100 forward for the next 6 months, we should be able to reach closer to that particular landmark of the number that you are quoting. So, keep wishing us the best. So, hopefully we should be able to walk the talk.



- Sonali Shah:** Definitely. Okay, and just last question regarding... So, are we looking to list on NSE in near future?
- Kalpesh Dave:** So, NSE, in our previous calls also we have said that, you know, NSE has a major basic criteria which consists of 75 crores of net worth. That is the primary criteria that has to carry forward for the 3 financial years successively. So next step is to qualify that criteria. Once the qualification gets done, subject to shareholders approval, board approval and requisite clearances, we look forward to basically have that particular milestone achieved as well on the capital market front.
- Moderator:** Thank you. Next question is from the line of Aniket Redkar, an individual investor. Please go ahead.
- Aniket Redkar:** Good afternoon everyone, and thank you for the opportunity So, I have few questions. So, sir, during this quarter, has Star Housing Finance done any securitization transaction and what was the quantum?
- Anoop Saxena:** No, we haven't done any securitization transaction during the quarter.
- Aniket Redkar:** Okay and sir, is there any de-recognition of financial assets in related to the securitization?
- Kalpesh Dave:** De-recognition, what do you mean by de-recognition?
- Natesh Narayanan:** We have not done any securitization, so there is no question of de-recognition.
- Aniket Redkar:** Okay, got it. So, sir, just wanted to understand, all loans which we are providing are fixed in nature or I mean in terms of...
- Kalpesh Dave:** The interest rate you are talking about, they are fixed rate loans.
- Aniket Redkar:** So, sir, does the company have any room to increase its yield?
- Kalpesh Dave:** Increasing its yield depends on how you want to look at it. You want to increase the interest rate or you want to have that approval coming on the borrowing cost of it. The way I see it, you want to maintain a steady interest rate regime for our customers. We do not want them to basically, given that our customers understand more basic nuances of how much of EMI I have to pay every month. So, we do not want to basically disturb that particular aspect of that. Given, you will appreciate that they are new to the financial mainstream. So, we want to continue doing them and that also helps us in maintaining the overall collection efficiency. Obviously what future holds in terms of our expected increase in the AUM and based on the merit that we deserve, we may get a rating upgrade in future also and given that the interest rate regime becoming benign over a period of time, more importantly in H2 that bank should basically



increase the spread side of it. But on the yield, you would not want to tamper more on the interest rate that we are offering. We might want to strategize on focusing on the co-leading bit of it. Basically, that gives us a bigger IRR. So, these are the 2 things which we think should be focusing in overall perspective for the next few quarters to increase the overall spread rather than just focusing on yield.

Aniket Redkar: Okay. Got it and sir, incrementally, 40% of borrowing has been raised. So, at what price? I mean, the rate of interest...

Natesh Narayanan: Our average cost of borrowing is 12.2% today.

Aniket Redkar: Okay and, sir, how many loan officer does company have and what productivity metric is the company aspiring for its loan officer?

Kalpesh Dave: So, we are having close to around 100 relationship officers and the productivity would be around, 2.5 to 3.5 per month.

Moderator: Thank you. Next question is from the line of Rahul Jain, an individual investor. Please go ahead.

Rahul Jain: Glad to hear the update. I have 2 questions. First, what has been the cost of fund and what are the margin on the disbursement and the second one is, how do you sell, diversify your borrowing profile in terms of lender and instruments?

Natesh Narayanan: So, our cost of fund is 12.2%. Our average cost of fund is 12.22%. Our loan portfolio yield is around 17.5% around 500 basis points. On the diversification of borrowing profile, we have term loans from 6 banks and 11 financial institutions, which also includes a refinance facility from NHB. Besides, we have also raised NCDs.

Moderator: Thank you. Next question is from the line of Pramod Kumar from Evergreen Capital. Please go ahead.

Pramod Kumar: Sir, in your presentation, you mentioned that you were trying to do somewhere around 15 to 30 crores for disbursement run-rate. So, if we do the math, we would close the year somewhere around at about 240 crores. If I look at the FY'24 numbers, we have done the same number, like 240. So, what will give us the confidence to do better than our last year, which is FY'24 I am referring to?

Kalpesh Dave: That's a very good question with respect to year on year comparison. You have to understand where we are standing at this point of time. You have to understand that if we have to have a cut in the overall disbursement, then in that case, you have to understand the capacity that we have created. We have not added anything on the capacity at this point of time. The reason being is that we are focusing more on the operational leverage, which is increasing the overall



productivity of the sales staff, rather than focusing purely on the financial leverage. Coz financial leverage, in the current scenario, you can leverage only up to a certain point of time. So, I would not want to see it as a year-on-year comparison as such, while Q4 might bring a bigger surprise, but I would want to maintain a steady state run rate of around 250 odd crores disbursement, definitely not lesser than that. Once that basically is achieved, the focus in Q3 and Q4 would be to ensure that we create capacity for a bigger jumpstart in FY'25-26. So, that is the strategy that we are deploying. We are also aware of the tightening that is happening on the borrowing space. Hence, we are calibrating our move very cautiously. The focus is ensuring that the seasoning of book, the loan that was disbursed in the last to last year holds true for us to go to the raters and seek for that much-needed rating upgrade that we would deserve over a period of time. I think even if we get a similar kind of run rate, we should be crossing 600 marks and 600-650 should be good enough for us to go to the raters. So, that is the bigger thought process. To understand it, we are in a marathon and not a sprint. So, we do not want to focus on just increasing the numbers as it may sound. So, that is the strategy over here.

Pramod Kumar: Right, sir. Sir, I just wanted to understand what is the break-up between your AHL and non-AHL business?

Anoop Saxena: Since we are a housing finance company, my majority portfolio comes from affordable housing finance. When I am quoting affordable housing finance, my 99% loan comes from a housing finance background. When I am quoting a housing finance background, that typically means I do have a residential house as a collateral and there is a family who is residing inside the house and there are cash flows of the family which are being used for the purpose of repaying my EMI. So, to answer your question, 99% of the portfolio comes from affordable housing finance segment. 1% portfolio is there which is typically unsecured loans. So, this unsecured loan has been provided for the purpose of putting out their emergency funding requirements.

Pramod Kumar: Right. So, the reason I ask this is in order to offset any kind of yield compression in the AHL space, you have your non-AHL that can actually cushion from that compression. That is where I am coming from.

Kalpesh Dave: So, we would not want to think that non-AHL is a very lucrative avenue for basically chasing the yield. But then as you have to understand that we are right now in the seasoning phase of our portfolio. We do not want to do anything which is untested for our on-ground staff. We want to continue maintaining that particular momentum. Hence, the focus is not much on the non-AHL side of it. While if you ask about the portfolio, 10% of the portfolio is on the non-AHL side of it. But the focus is on creating a housing portfolio as such.

Pramod Kumar: Fair enough. Sir, where do you think you will close the year in terms of your NIMS, your cost of fund and yields for FY'25?



- Kalpesh Dave:** So, not much would be different if you ask me. Strategically speaking, margins would be around 450-500 basis points as Natesh has mentioned. Cost of fund should come down below 12 mark as Natesh is saying right now. Because there is a funding pipeline which should give us 11 borrowing cost side of it. But that would not be much. So, sub 12 between 11.75 is something which we are targeting. If we are able to achieve that, that would be good enough and whatever 25-36 points of margin accretion comes, that would be adding to the overall P&L. Not for the current year, but for the next year, for the full 12 months.
- Pramod Kumar:** So, is it safe to assume that some of the debt that is coming for repricing or some of the refinancing that is going to happen is going to happen at a lower cost?
- Kalpesh Dave:** You should assume that. Provided that sanctioned facilities get converted and re-utilized them.
- Pramod Kumar:** Fine. Sir, in this quarter, what has been the funding that we have got from NHB if we have got it? And what is the lines that are open? At what quantum the lines will be sanctioned?
- Natesh Narayanan:** So, for this quarter, we have not received any NHB refinance. We expected to receive at H2 of this year.
- Pramod Kumar:** What would be the quantum?
- Natesh Narayanan:** I think I will wait for it before it... Let's not run ahead of ourselves.
- Pramod Kumar:** Right, right. No problem.
- Natesh Narayanan:** It is not my prerogative to decide what they will sanction.
- Pramod Kumar:** Right, right.
- Natesh Narayanan:** We are in the process of securing a sanction. So, once we get it, we will be able to share possibly in the future. As regards the borrowing, we have raised around 60 crores during the 6 months.
- Pramod Kumar:** Okay. Sir, could you disclose the rate or that would be to
- Natesh Narayanan:** No. So, our average cost is around 12.2 percent. That is what I said, right?
- Pramod Kumar:** Okay. Sir, just one last question. If you can help us understand the seasonings of these loans that we are providing. So, when I am saying seasonings, like how old are these loans, the total loans that we have disbursed as on probably H1?



- Kalpesh Dave:** So, average seasonings of the book is around 18 months or so and hence, I think that I am very much focused on this 6 months also to go. Two years' worth of seasonings is good enough for, static pool analysis. So, that is how it would be on an average basis.
- Pramod Kumar:** Right. Fair enough, sir.
- Moderator:** Thank you. Next question is from the line of Vatsal Nagelia, an individual investor. Please go ahead.
- Vatsal Nagelia:** How does a typical customer get to know about Star Expel and what is the process of going about the loan?
- Anoop Saxena:** So, my typical sourcing mix, my typical sourcing mix is about 80%, 80 to 85% business comes from direct sales team, wherein 10 to 15 to 20% business comes from DSA/connection networks. These DSA/connection networks are typically individuals who operate in semi-urban/rural areas, as we typically call them, property brokers, LIC agents, advocates/tax consultants. So, we use this network as a connected network, wherein my direct sales team, which is predominantly sourcing channel for me, 80% to 85% business comes from direct sales team. My sales team do extensive marketing activity in the field. They go in the market with pamphlets, leaflets, do sort of loan mailer sort of activities, lots of campaigning, lots of area-specific marketing activities, and so these area-specific marketing activities, we use to generate leads, and finally these leads are making it to logins of the file. So, this is to answer your question.
- Vatsal Nagelia:** Okay, I have another question. What is the percentage of salaried and self-employed? I am guessing that most of our self-employed group blend
- Kalpesh Dave:** So, you have to understand that typically, you know, profile at Star housing is a blend of salaried and self-employed, and when I am talking about blend, I am not talking about at the portfolio level, even at the individual level, you have to understand that, when we are looking at a customer, a typical customer of Star housing would it would be unfair to categorize them because this customer segment is aspirational. They often have to basically take care of their household expenses. They are more focused on their kids' education. They have to ensure that, you know, their lifestyle becomes better. So, there are typically, more than two people who are working in a typical family where we fund, okay, and obviously the one who is the main core applicant gets caught up in the MIS and you pay it as a salaried or self-employed. But if you ask me these customers, I would term them as more of an entrepreneurial nature when they ensure that their cash flows are pretty much stable and that also helps us in terms of, you know, mitigating our risk which emanates from serving these customers. So, that is the answer I would want to give you. There is no pure play salaried or pure play self-employed customer in this segment.



Vatsal Nagelia: Okay and one last question. Can you give me any insight on the shareholding pattern that we can expect going forward since we have a private equity on our end and also the previous promoter is there. So, can you give me some insight on this?

Kalpesh Dave: So, shareholding pattern is already available on the BSE website. I would urge you to go through that particular one that contains the detail of all the promoters and single largest shareholder in the promoter and non-promoter group. So, I would urge you to go to the BSE and if you have any question you can ask, you can come back to us afterwards.

Moderator: Ladies and gentlemen, that was the last question for the day. On behalf of Star Housing Finance Limited, I thank everybody for attending H1 FY'24-25 Earnings Call. In case for any further queries, please do get in touch with Star Housing Finance Investor Relations Desk. Thank you for joining us and you may now disconnect your lines.

Kalpesh Dave: Thank you. Bye.

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.