



ICFL/LS/0137/2024-25

October 01, 2024

BSE Limited

Listing Department, 1st Floor,
P J Towers, Dalal Street, Fort,
Mumbai - 400 001

National Stock Exchange of India Limited

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Scrip Code: 541336

Symbol: INDOSTAR

Sub.: Transcript of analyst(s) / institutional investor(s) call held on September 25, 2024 at 12:00 p.m. (IST)

Dear Sir / Madam,

Please find enclosed herewith transcript of analyst(s) / institutional investor(s) call held on Wednesday, September 25 2024 at 12:00 p.m. IST, pertaining to the sale of IndoStar Home Finance Private Limited to EQT.

The transcript is also available on the website of the Company at www.indostarcapital.com.

Request you to kindly take the above on record and disseminate the same on your website.

Thanking you,

Yours faithfully,

For IndoStar Capital Finance Limited

Shikha Jain

Company Secretary & Compliance Officer
(Membership No. A59686)

Encl: a/a

IndoStar Capital Finance Limited

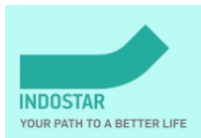
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CIN: L65100MH2009PLC268160



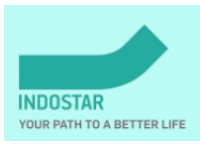
“IndoStar Capital Finance Limited
Business Update Conference Call”

September 25, 2024



MANAGEMENT: **MR. KARTHIKEYAN SRINIVASAN – CHIEF EXECUTIVE OFFICER – INDOSTAR CAPITAL FINANCE LIMITED**
MR. RANDHIR SINGH – EXECUTIVE VICE CHAIRMAN -- INDOSTAR CAPITAL FINANCE LIMITED
MR. VINODKUMAR PANICKER – CHIEF FINANCIAL OFFICER – INDOSTAR CAPITAL FINANCE LIMITED
MR. SHREEJIT MENON – CHIEF EXECUTIVE OFFICER – INDOSTAR HOME FINANCE PRIVATE LIMITED
MR. PUSHKAR JOSHI – CHIEF FINANCIAL OFFICER – INDOSTAR HOME FINANCE PRIVATE LIMITED

MODERATOR: **MR. VIRAL SANKLECHA – ORIENT CAPITAL**



Moderator:

Ladies and gentlemen, good day, and welcome to the Business Update Conference Call of IndoStar Capital Finance Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Viral Sanklecha from Orient Capital. Thank you, and over to you, sir.

Viral Sanklecha:

Thank you, Darwin. Good afternoon, everyone. I welcome you for the Business Update Call of IndoStar Capital Finance Limited to discuss sale of IndoStar Home Finance Limited to EQT. We have from the management, Mr. Karthikeyan Srinivasan, Chief Executive Officer; Mr. Randhir Singh, Executive Vice Chairman; Mr. Vinodkumar Panicker, Chief Financial Officer; Mr. Shreejit Menon, CEO; IndoStar Home Finance Private Limited; and Mr. Pushkar Joshi, CFO; IndoStar Home Finance Private Limited.

Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the filings made on company's website and stock exchanges. Without further ado, I would like to hand over the call to the management for the opening remarks, and then we'll open the floor for Q&A. Thank you, and over to you, sir.

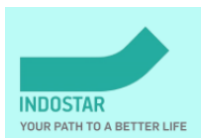
Randhir Singh:

Thank you. Thank you, Viral. Good afternoon, ladies and gentlemen. I'm Randhir Singh, Executive Vice Chairman of IndoStar Capital Finance. I welcome all of you to this conference call to discuss the sale of our Housing Finance subsidiary. Joining me today are Mr. Karthikeyan Srinivasan, our Chief Executive Officer; Vinod Panicker, our Chief Financial Officer; and Mr. Shreejit Menon, who is the Chief Executive Officer of the IndoStar Home Finance; and Pushkar Joshi, who is our CFO for IndoStar Home Finance.

To begin, I would like to provide a brief overview of the transaction and then open up the call for the questions. On 19th September 2024, the Board of IndoStar Capital Finance Limited approved the sale of its subsidiary, IndoStar Home Finance Private Limited to EQT, which is a global private equity investor for INR1,750 crores on a fully diluted basis.

The transaction is subject to customary conditions precedent, RBI approval, consent from lenders and shareholders. Further, EQT plans to invest INR500 crores into IHFPL upon or shortly after closing this the transaction and the Board of IHFPL has granted an intrinsic approval for this infusion.

The deal closure time line will depend on the timing of the receipt of the required approvals, especially the approval of RBI. And currently, we expect this deal to close by Q4 FY '24 or early FY '25. We believe that this sale contributes significantly to the value creation journey of the parent company for following reasons.



Number one, the sale of HFC at a very attractive valuation, provides a significant inflow of liquidity for the business expansion at the parent level. Number two, this transaction unlocks the value of the parent's investment as the business was not being adequately valued under some of the parts basis by the market. The premium receipt from the sale significantly improves the book value of the share by about INR70 per share.

Third, this monetization enables us to improve financial ratios such as ROA, CRAR, cost to income, return on equity, etc. Fourth, divestment of this subsidiary frees up the parent company from obligations of providing capital for future requirement of HFC, besides, of course, simplifying the cost structure and reducing managerial complexity. This enables the parent company to focus on its core business of vehicle finance and secured small business loans. This concludes my opening statement.

I would now like to open up the call for the questions, which I and my colleagues will answer.

Moderator: The first question is from the line of Vivek Ramakrishnan from DSP Mutual Fund.

Vivek Ramakrishnan: Congratulations to you all on this successful transaction. I know it's a bit premature to ask, but would the profits from this be used to set off any loan losses and so on and improve your ratios significantly so that as and when recoveries come, you can just recognize it at that point of time? That's question number one.

And question number two is that with so much additional capital cushion, would that result in your cost of borrowings come down? And could you just -- I mean, I know it's not related to the transaction, but is there any developments on the cost of financing? Those are -- because you recently concluded an IPO of debt, right? So that's why I wanted to ask this question.

Randhir Singh: I think Vinod can answer the cost of funding question. Vinod, please go ahead.

Vinodkumar Panicker: Yes. On the cost of funds, we believe that we are already in the phase where the cost of funds have been coming down quarter-on-quarter. And in fact, Vivek, in the last call also, we did mention about it. So that's a continuous process. When the fund actually comes in, this will definitely help us reduce the cost further. So that is definitely going to be there.

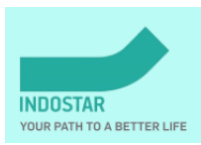
You asked about the other question, whether we will use it to adjust any of the other liabilities or other assets, which are currently on the books but not indeed That's a call we will take possibly when we actually come closer to the closing of the transaction.

Vivek Ramakrishnan: Thank you very much and wish you all, good luck.

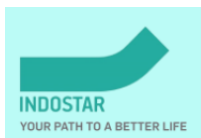
Moderator: The next question is from the line of Satya from the Family Office.

Satya: Congratulations to the team. Just had 2 small questions. One is you said that transaction will be closed by Q4 FY24, I think that was an error, but is it at end of the calendar year '24 or end of FY25?

Karthikeyan Srinivasan: FY25 or early FY26.



- Satya:** And the other quick question is, now we have access to this INR1,700 crores. What I want to understand is, is the growth trajectory expected to accelerate significantly once we have access to this fund and is the demand generation side sorted and do we have that in place once we have access to the funds?
- Karthikeyan Srinivasan:** See, we have been addressing this in the past also, Satya. Our growth will be dependent on market conditions, how the market is reacting on the overall side, based on which we will decide. This will give us an impetus to invest more into the vehicle business and the small business loans which we have just started off. We'll continue to that journey. As the deal comes to a closure, we are able to realize funds, we'll give you more picture on what we are going to do.
- Moderator:** We have the next question from the line of Kushan Parikh from Morgan Stanley.
- Kushan Parikh:** I just had a small clarification. So, when you say INR1,750 crores on a fully diluted basis, does that include the INR500 crores infusion from EQT or INR1,750 crores is the total consideration that IndoStar will receive for the sale of the HFC business?
- Randhir Singh:** Kushan, it is the attestation that we will receive. So...
- Kushan Parikh:** Understood. And then INR500 crores will be separately infused by equity into the subsidiaries once the transaction is completed?
- Randhir Singh:** Your understanding is correct. INR1,750 crores is the consideration that the parent company received and the INR500 crores is what the HFC would receive, and that's separate.
- Moderator:** Thank you. The next question comes from the line of Sweta Padhi from SBI Securities. Please go ahead.
- Sweta Padhi:** Sir with this sale of the HFC, how do you expect the ROA of investor finance to move ahead because we expect that the SME and the vehicle finance are of higher ROA generative business. So how do we see the trajectory going ahead?
- Randhir Singh:** Yes. So I think Sweta, our analysis is that this is accretive to our ROA and ROE outlook for the next two, three years because of following levers. One is, there is -- there would be at least an expectation of reduction in the weighted average cost of capital because for the simple reason that we'll borrow less given the cash in the balance sheet and that itself obviously does improve the ROA.
- And second is, when you borrow less, you obviously have better negotiation leverage with lenders because we have a sufficient supply of cash to fund the growth. So we see this as ROA accretive over the next two, three years.
- Sweta Padhi:** Sir, if you could specify a range or anything like quantitative in that sense?
- Randhir Singh:** I think we'll do that closer to sort of closing it because I think we are still -- like we indicated, I think it's about six to eight months away. And this is -- this estimate is basis, our experience of similar transactions that we've seen in the market. I think closer to that date because a lot of -- a



lot of these calculations depend upon the situation at that point in time. We will surely provide you closer to the date and estimate. So we made a note of this. We will provide to you.

Sweta Padhi:

Okay sir. Thank you.

Moderator:

Thank you. We have the next question from the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani:

Thanks for taking my questions. Sorry, I joined the call a little bit late. So I just want -- I missed from the utilization of the proceeds, so any likelihood that these proceeds could be used to store up provisions on our SR book or provision on asset quality on the standalone side or will you just see more of these from a growth perspective overall if you have commented earlier sorry I missed it?

Vinodkumar Panicker:

Yes, we did cover this.

Management:

Yes continue Vinod. Please go ahead Vinod.

Vinodkumar Panicker:

We told was that we will take a call closer to the closing time. Right now we have not decided how to use it.

Jigar Jani:

Okay. And just a follow-up on this. So the cash, the investment on the books for the subsidiary is about INR450 crores, if I'm not wrong, right, the current value of the investment?

Vinodkumar Panicker:

Yes.

Jigar Jani:

So the net proceeds should be closer to about INR1,100-odd crores that we'll be getting post taxes and the security?

Randhir Singh:

Yes. I mean if you exclude, but really the net inflow is really the correct way to look at it, which is really INR1,400 crores plus is what is expected.

Vinodkumar Panicker:

Jigar, the flow will be that INR1,700 crores, INR1,750 crores whatever you are talking about minus any tax liability that would be there, because once we have invested the money, the balance amount will also come to us only because we already invested the money. So it will not be net of...

Jigar Jani:

Yes. So what I was trying to understand the gain on the transaction would be closer to INR1,100 odd crores because tax not- on this.

Vinodkumar Panicker:

Gain would be at INR1,300 plus.

Jigar Jani:

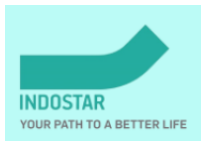
Okay INR1,300 plus. Okay I understood. Thank you so much for answering the questions.

Vinodkumar Panicker:

Thank you.

Moderator:

Thank you. We have the next question from the line of Jayesh S from ESAF. Please go ahead.



- Jayesh S:** I just want to know, whether these funds are being utilized for acquisition of any of other new companies or any other new entities in the same segment?
- Vinodkumar Panicker:** There's no such plan.
- Jayesh S:** Is it audible?
- Vinodkumar Panicker:** Yes. Could you hear me? We said there is no such plan.
- Jayesh S:** Okay. Thank you.
- Moderator:** We have no further questions, ladies and gentlemen. I would now like to hand the conference over to Mr. Viral Sanklecha from Orient Capital for the closing remarks. Over to you, sir.
- Viral Sanklecha:** Thank you. I would like to thank the management for taking the time out for this conference call today and also thanks to all the participants. If you have any query, please feel free to contact us. We are Orient Capital, Investor Relations Advisors to IndoStar Capital Finance Limited. Thank you so much.
- Moderator:** Thank you. On behalf of IndoStar Capital Finance Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.