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To,

BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai-400 001

**Sub:** Earning Conference Call Transcript

Dear Sir/Madam,

In reference to the above mention subject, Earning Conference call for Quarter/ Half year ended 30th September, 2021 held on Monday, 01<sup>st</sup> November, 2021 at 04.00 pm (IST). Please find attached the transcript of the aforesaid conference call.

The transcript of the conference call can be accessed at the website of the Company at [www.starfl.com](http://www.starfl.com).

Kindly take note of the above on your record.

Thanking you,

For, Star Housing Finance Limited

  
Paritosh Kothari  
Company Secretary  
M.No. A36550





# “Star Housing Finance Limited H1 FY2021-22 Earnings Conference Call”

**November 01, 2021**



**MANAGEMENT:** **MR. KALPESH DAVE – HEAD OF CORPORATE PLANNING AND STRATEGY, STAR HOUSING FINANCE LIMITED**  
**MR. ANOOP SAXENA HEADS CREDIT AND OPERATION FUNCTIONS, STAR HOUSING FINANCE LIMITED**  
**MR. NATESH NARAYANAN – CHIEF FINANCIAL OFFICER, STAR HOUSING FINANCE LIMITED**  
**MR. ASHISH JAIN – MANAGING DIRECTOR, STAR HOUSING FINANCE LIMITED**

**MODERATOR:** **MR. RAJESH AGARWAL FROM CLEAON IR**

**Moderator:** Ladies and Gentlemen, Good day and welcome to H1 FY2021-22 Earnings Conference Call of Star Housing Finance Limited. Representing the management we have with us today Mr. Kalpesh Dave – Head of Corporate Planning and Strategy, Mr. Anoop Saxena who heads the Credit and Operation Functions, Mr. Natesh Narayanan – Chief Financial Officer, Mr. Ashish Jain – Managing Director of Star HFL and Mr. Rajesh Agarwal from Cleaon IR.

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 the conference, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Rajesh Agarwal from Cleaon IR. Thank you and over to you, sir.

**Rajesh Agarwal:** Thank you Bikram. Good evening everyone and welcome to the second quarter FY22 Earnings Call of Star Housing Finance Limited formerly Akme Star Housing Finance Limited. On the call today we have Mr. Ashish Jain – Managing Director along with other members of the senior management team. Today’s discussion may include predictions estimate or other information that might be considered forward looking. You are cautioned not to place undue reliance on these forward-looking statements which reflects company opinion only as of the date of this presentation. Please keep in mind that the company is not obligating themselves to revise or public ally release the results of any revision to these forward looking statements in light of new information or future events.

I would also like to emphasize that while this call is open to all invitees it may not be broadcasted or reproduced in any form or manner. I would now like to invite the management to share some perspective with you with regard to the company’s operations and the results for the quarter under review after that we will open the call to questions from analyst. Over to you Kalpesh.

**Kalpesh Dave:** Good evening and greetings. On behalf of Star Housing Finance Limited I Kalpesh Dave warmly welcomes you for H1 21-22 Earnings Call. We have with us Mr. Natesh Narayanan – our CFO, Mr. Anoop Saxena who is joining us as head credit and operation and our Managing Director Mr. Ashish Jain. On behalf of Star HFL wishing all our stakeholders very happy and safe Diwali. On this call we will be presenting operation in financial performance of our company and each of the speakers will talk about relevant actionable and achievements during the first half of the current financial year. Our MD shall be providing the closing comments. Post this we would be happy to answer any questions that the participant may have in relation to Star HFL.

Star Housing Finance has achieved a milestone of 100 crores AUM as of September 30<sup>th</sup> 2021. This becomes predominantly by the growth achieved since October 2019 where we began our transformation journey to a professionally run institution and have almost doubled our loan book in 15 month of business operation adjusting for the lockdown due to COVID-19 pandemic. The loan book continues to be built on the philosophy of providing housing finance assistance to first time home buyers in economically weaker section segment looking to purchase or construct their

own home in semi urban and rural geographies. The book is now diversified with more than 80% of the incremental business coming from newer geographies of our operations that is Maharashtra, Gujarat, Madhya Pradesh and Tamil Naidu.

In fact, the diversification is seen even in our customer ties where more than one-third of the incremental loans are coming from salaried customer. Our incremental loans are now getting sourced, processed and managed in house by HFC professional in business credits and operations domains. Further strong underwriting team at local and central level follow the overall risk framework that has been set up to ensure the growth is backed by quality. The gross NPA stands at 3.26% and net NPA stands at 2.77% as of September 30<sup>th</sup> 2021 on this book. Coming to the liability franchise it has been strengthened to compliment the growth and now relationship with four bank, four in a financial institution and national housing bank. The borrowing outstanding is at Rs. 64.12 crores as of September 30<sup>th</sup> 2021.

Further strong pipeline through public sector banks, private sector banks and financial institution would enable AUM scale up. So, we continue to invest in domain and technology in the first half of the current financial year. Staff strength stands at 83 employees and in fact all of them have relevant HFC experience as per the roles and geographies. Happy to announce the joining of Mr. Anoop Saxena as Head of Credit and Operation. So, Anoop is a qualified Chartered Accountant coming with more than 15 years of experience in affordable housing finance base. Anoop run over here the mandate of strengthening the overall credit and operational functions and also lead the co-lending vertical at Star HFL.

With business activities in our geography of operations slowly coming back to normal owes the pandemic and the lockdown. Star HFL having gathered the impact of these two lockdown in COVID-19 if not ready for business scale up. In fact more than 80% of the disbursement that we had achieved these have been registered in a second quarter of the first half and we are confident of increasing our AUM in the second half. With our collection in SU unit lead by Mr. Bobby Singh in place we are confident to maintain asset quality through our AUM build up journey. Finally, we are extremely happy to share that we at Star Housing Finance had initiated capital raise exercise and our shareholders have approved the list of proposed investor subscribing to the capital to preferential allotment. In this way the company subject to all necessary clearances and approvals intend to raise 9.17 crores through 10.3 lakh share.

Coming at Rs. 89 per share with a face value of 10 and premium of Rs. 79 per share. Post approval full subscription and allotment we would see the networth of our company cross 650 crores. This would enable achievement of our business objective including re rating and developing a strong foundation for AUM growth. So with these actionable that we have achieved now I request Anoop Saxena to speak on the initiatives he have or is speaking in his vertical. Thank you and over to you Anoop.

**Anoop Saxena:**

Good evening everyone. Thank you Kalpesh and Star Housing Finance for giving me an opportunity to interact and communicate with the stakeholders. As a prudent underwriter and risk manager I would like to make our stakeholders aware about the new initiative being taken up by Star Housing Finance in order to maintain hygiene and quality of the portfolio, reduction in overall end-to-end debt making customer onboarding smooth through adoption of digitalization and last, but not the least making customer entire lifecycle smooth and hassle free through leveraging technology. Last two years were challenging for the sector all-inclusive of generation of new business and maintaining quality of existing book due to disruption caused by COVID-19 pandemic.

We at Star Housing Finance Limited has been prudent enough throughout the two lockdown and have managed to walk the top customer we have offered moratorium to our customers based on their request and have also provided any support to ensure they reward back to their original repayment patterns. In each of the lockdown our customer efficiency dropped to 35% to 40% at the start of the lockdown and revert back to original levels at 95% plus at the end. This has validated the trust we have reposed in EWS segment and the fact that these reform buyers have ensured the biggest investment in their life cycle having significant skill in the game would be committed to their repayment schedule post any disruption.

We have adopted conservative provisioning policy as a part of our overall risk framework and have been cautiously writing off seasoned account that may need such treatment. We also have provided for a COVID-19 impairment reserve during the pandemic the rich understanding developed from 1,200 plus live accounts out of which more than 50% were incremental loans post initiation of our transformation journey continue to shape up our credit policy, operation guidelines and the overall risk framework. We are in the work for developing in house early warning signal and fraud detection mechanism by developing deep diving analysis on our customer segment and operational geographies. This coupled with FCU will help to minimize fraud and quick mortality and also enable us to be well prepared for COVID-19 like disruption in future. So thank you and now I would like to handover the call to Mr. Natesh Narayanan to talk about financial numbers. Over to you, Natesh.

**Natesh Narayanan:**

Thank you Anoop. Good evening everybody. Happy to share a financial performance for the half year ended September 30<sup>th</sup> of 2021 following are the highlights. We as a company has crossed the loan book of 100 crores. As of September 30<sup>th</sup>, we are at 100.38 crores on 30<sup>th</sup> of September 2021. The company has banking and non-banking relationship with SBI, Bank of India, NHB, UBI, AU Small Finance Bank, Hinduja, Mahindra Finance, Avanse and MAS Financial Services. During the period the company received a fresh credit line of 10.3 crores from NHB and Hinduja. Interest income earned on the financial assets in the first half year is at 8.75 crores and the financial cost stands at 3.06 crores. Annualized yield on the loans and advances is at 16.7% while the finance cost is at 9.19 excluding the credit lines from NHB the finance cost transact 10.7%. Incremental loans were disbursed at the weighted average yield of 16.5%.

The company continues to invest in manpower and technology resulting in an operating expense of 4.72 crores of which employee expenses stands at 3.73 crores and other operating expenses stand at 1.88 crores. The impairment last loss allowance is at 43 lakhs including a write off of 30 lakhs. The GNPA for the first half year of FY22 stands at 3.26 and 3.26% and the net NPA is at 2.77%. The total expense for the period is at 8.22 crores resulting in a profit before tax of 81 lakh. Profit after tax for the year stands at 61 lakhs. The earnings per share is at 39 paisa per share. Our efforts of capital raise has been applauded, acknowledged by the capital markets. We have received shareholder approval from the preferential approval **10.31 lakh shares that** post successful subscription and related approvals and clearances we shall see a capital infusion of 9.17 crores through the preferential allotment route. This capital raise is subscribed by retail investors and shall result in boosting up our network and would help in getting re-rated and build up a strong foundation to further increase leverage and help achieve business growth.

With the strong pipeline the liability setup shall compliment the business objectives in second half of the year we are exploring other instruments that would add to the term loan engagements and these being NCDs, direct assignments and securitization. There the intent is to have a diversified borrowing profile and minimize reliance on any particular instrument or lender. With this, I here wish to conclude mentioning the following points:

- Net worth as of September 30<sup>th</sup>, 2021, stands at 54.25 crores **and leverage is at 1.2x**
- The company is well-capitalized and further bolstering of net worth shall create ample space to scale up leverage to reasonable levels
- Our provisioning policy remains conservative and this is evident from the fact that we have written off 0.3 crores of loans in first half.
- Cumulative write off since adoption of the approach has been 1.69 crores. In addition, we have also provided 1 crore as a COVID impairment reserve.
- The investment and infrastructure, manpower and technology has created a capacity for monthly run rate of 15 to 20 crores and this shall be utilized over the subsequent quarters for scale up.

With this, I call upon our MD Mr. Ashish Jain. Thank you for your time. Over to you, Ashish.

**Ashish Jain:**

Thank you Kalpesh, Natesh and Anoop. Greetings to all participants. On behalf of the Star HFL I wish everybody very happy and safe Diwali. We as a nation have grappled on this task of I think COVID-19 pandemic and its implication on business activities. Housing finance stays good, impacted result in overall muted growth across the sectors. However, the inherent demand drivers continue to remain extremely strong more so in case of semi urban and rural geographies where we operate. Reverse migration that we have seen during the pandemic has further increased demand for housing units. This is evident from the fact that whenever we started business activity we were always back to our pre COVID level in the first business month itself. This sector is once again getting the eyeballs of investors in capital market at pre 2018 valuations.

This comes as no surprise as overall housing sector continues to be a cyclical business specifically in semi urban and rural areas which contains more than 95% of the total housing shortage in India. Our capital raise and the retail participation shows that there is substantial investor interest in semi urban and rural housing finance space. We shall continue to operate with same business philosophy of enablers of credit for first time home buyers, in ESW segments, in semi urban and rural areas. With vaccination speeding up and intensity of the pandemic steadily coming down we expect subsequent months to be normal business months. We shall come up with rural centric known product that will enable our customer segment to get their financing requirements in relation to their home being made at Star HFL.

We look forward to have qualitative growth and just we have passed the milestone of 100 crores AUM in H1 we are confident of getting transformed to a midsize HFC with strong presence in our results of operation. I sincerely thank all our stakeholders including employees, business partners, vendors, bankers, auditors and last but not the least our regulator RBI as well as the NHB who has supported the company in this growth story. Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen we will now begin the question-and-answer session. We have a first question from the line of Girish Gangawat from Derivative Change Private Limited. Please go ahead.

**Girish Gangawat:** Basically, I just wanted to understand that how has been the disbursement in terms of YoY and QoQ growth and also possibly in terms of how has been the business in the past quarter due to this second wave of Corona which has been triggering towards normalcy?

**Kalpesh Dave:** So, in terms of our disbursement performance if I talk about the quarter-on-quarter growth we are coming from a very lower base from Q1 to Q2 and as I told you that 80% of my total disbursement for the year has happened in Q2, so in that particular manner if I talk about percentage growth it would be around 500% to 600% growth that we have achieved in Q2 over the Q1 of the current financial year. Also, what is extremely important to note is the fact that the amount that we have disbursed in the second half of the last financial year. Generally, second half of any financial year continues to be good business half for any housing finance activity obviously because of the rounding off the financial year. So, we have been able to achieve same kind of a performance in the first half of the current financial year. So, H2 of the last year and H1 of the current year are more or less equal. So, which gives us create confidence and also validate our business philosophy that there is lot more demand which is still left and continues to come from the rural and semi urban space primarily from the fact that there is a migration from rural areas and native villages to these centers and also there is a reverse migration from the urban metros to these smaller cities where industrialization is shaping up and there is good deal of business activity that continues to go even during the lockdown or during the pandemic times. So, as I said there is lot more juice in inherent demand is there in these semi urban / quasi rural areas and that is what is reflected in a performance of the company like ours it continues to operate in the same. So, having said that this is what we have been able to achieve in the first

half and hopefully the second half should be better than the first half traditionally it has always been subject to any of the disruptions or anything not happening we should be able to scale up meaningfully from here on.

**Girish Gangawat:** Because as we expect that the festive season kicks in and we have seen the number of real estate registrations in terms of this figures will shared by different states across India have been gradually creeping up, so we understand that there should be a good demand for HVC companies also to grow the businesses and of course we have the pandemic more still in terms of trying to disrupt the entire flow, but festive season kicking in registration number for the real estate, real sales happening should be a good kick off for the second quarter?

**Kalpesh Dave:** Just to answer to your question there as I told you there has been constant flux of demand at each of our locations. We continue to get leads; we continue to get good login. It is only that you know having gathered the impact of two successive lockdowns we just want to calibrate ourselves going ahead and do meaningful in terms of business activity not comprising on the quality part of it, but obviously as you rightly said the new launches and the kind of turnaround that is happening at these smaller centers of our operations obviously there is much more to look forward to especially during the festival times that are coming ahead to us.

**Girish Gangawat:** So, how are we coping up in terms of network of the number of branches in terms of our growth trajectory that we have witnessed that you are envisaging the next half?

**Kalpesh Dave:** So, we do have 7 physical branches and we have 15 digital BoP attached to each of the branches. When I say digital BoPs it is not just a digital presence. We have our own staff in place on ground and these are the fertile land from where the demand as I said continues to emanate not just in terms of new launches, but also even construction on own land or even the composite part of it. These people do look forward to build their houses on their own piece of land at their own. So, there has been a substantial demand coming on the construction and the composite piece of it as well. Having said that also would like to add to the fact that since more than 18 months there has been literally a null in terms of renovating their houses or extending their houses. So, that is where demand for the extension and improvement loan also getting picked up and as our MD rightly said that we are planning to come up rural centric product. So, obviously there are lot more sub products there to look forward to. One of them being conversion provision of loan for conversion of a semi pakka roof to a pakka roof, construction of toilets within the home. So, these kind of small ticket loans there is definitely a demand, there is definitely an upsurge and we as a team on the business side of it as well as on the underwriting side of it are developing those relevant products to satiate the demand.

**Girish Gangawat:** And have we seen any reduction in the cost of borrowings in the last one or two quarters in particular the overall cost of borrowing?

**Natesh Narayanan:** So, as I said for this year our cost of borrowings has remained steady at 9.19% on a weighted average basis. Given the fact that we have nearly about 25 crores, 26 crores of NHB refinance.



So, overall if we exclude that our cost of borrowing is around 10.7%. So, it has been stable there has not been any major uptick and nor any major.... It fell in the last 18 months, but for this quarter it has been steady.

**Girish Gangawat:** And how is the liquidity position in terms of repayment versus operation in terms of the debt the repayments happening on time and the current level of range that you have?

**Natesh Narayanan:** As you speak all our repayments to our lenders and all the statutory payments have happened on time there has not been any delay what so ever and we are quite confident we will continue to maintain this track record going forward. As far as disbursement is concerned we have waste money of 10 crores this half and we are confident that going forward our effort to raise money through term loans, through NCDs through securitization, through co-lending we will be able to recharge budgeted numbers.

**Moderator:** Thank you. As there are no further questions from the participants I would now like to hand the conference over to Mr. Kalpesh Dave for closing comments. Over to you, Sir.

**Kalpesh Dave:** Thank you operator. On behalf of Star Housing Finance Limited thank everybody for attending for earnings call. In case of any further queries that you might have please do get in touch with our investor relations. Thank you and take care wish you a very Happy and safe Diwali.

**Moderator:** Thank you sir. Ladies and gentlemen on behalf of Star Housing Finance Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.