

Registered Office:

Akme Business Centre (ABC),
2nd Floor, 4-5, Subcity Centre,
Savina Circle, Udaipur 313002, India.
Tel. : +91 63777 70825

Corporate Office:

603, Western Edge 1,
Above Metro Mall, Borivali East,
Mumbai 400066, India.
Tel. : +91 88280 36610

Ref. No.:

ISIN: INE526R01010
SCRIP CODE: 539017
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Date: 09.08.2021

To,

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

Sub: Earning Conference Call Transcript

Dear Sir/Madam,

In reference to intimation for Earnings Conferencing Call dated 06th August, 2021, Please find attached the Transcript of the Earning Conference call on financial performance of First Quarter for the financial year 2021-22 held on Friday, 06th August, 2021 at 04.00 pm (IST),

The transcript of the conference call can be accessed at the website of the Company at 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 Q1FY2021-22 Earnings Conference Call”

August 06, 2021



MANAGEMENT: **MR. ASHISH JAIN – MANAGING DIRECTOR, STAR HOUSING FINANCE LIMITED**
MR. NATESH NARAYANAN – CFO, STAR HOUSING FINANCE LIMITED
MR. KALPESH DAVE – HEAD (CORPORATE PLANNING & STRATEGY), STAR HOUSING FINANCE LIMITED

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

Moderator: Ladies and Gentlemen, Good day and welcome to Q1 Earnings Conference Call for FY2021-22 of Star Housing Finance Limited. Today on the call we have with us Mr. Kalpesh Dave who heads the Corporate Planning and Strategy of the Company, we have with us Mr. Natesh Narayanan who is the CFO of the Company, Mr. Ashish Jain – Managing Director of Star Housing Finance Limited and we also have Mr. Rajesh Agrawal 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 call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Agrawal from Cleaon IR. Thank you and over to you, sir.

Rajesh Agrawal: Thank you Neerav. I would like to welcome all of you to Q1 FY22 Earnings call of Star Housing Finance Limited formerly Akme Star Housing Finance Limited. We have with us on the call today Mr. Ashish Jain – Managing Director along with the other members of the senior management team.

Before we begin I would like to mention that some statements made in today’s discussions may include predictions, estimates or the information that might be considered forward looking. Any such forward looking statements reflects Company’s belief and assumptions and are based on information currently available to them and are subject to risk and uncertainties that could cause actual results to differ materially. The Company assumes no obligation to update any forward-looking statements or information which speak as of their respective dates.

I would also like to emphasize that while this call is open to all invitees which may not be broadcasted or it is used in any form of manner.

I would now like to invite the management to share some perspective with you with regard to companies operations and results for Q1 FY22 after that we will open the call to questions from analyst. So over to you Kalpesh.

Kalpesh Dave: Thank you Rajesh. Good afternoon everybody and greetings. On behalf of Star Housing Finance Limited I Kalpesh Dave warmly welcomes all of you for Q1 2021-22 Earnings Call. We have on call Mr. Natesh Narayanan our CFO and our Managing Director Mr. Ashish Jain. I hope and pray that all are safe in this ongoing pandemic. Please take care and stay protected. So before getting on into the details on behalf of team Star HFL I am setting the flow of the proceedings. So we will start with major actionable that we have taken in Q1 followed by Natesh sharing the financial highlights of the quarter gone up and our MD will be addressing the key achievement and the path that lies ahead in this journey and post this we will be opening the floor for Q&A.

So, Star HFL is continuing its transformation process from version 1.0 to version 2.0 getting transformed from a relatively small Company of size in terms of talent loan book, quality and technology to an institution that is professionally managed. Operating on a philosophy of enabling credit access to first time home buyers, we provide housing finance assistance to EWS

that is economically weaker section family looking to purchase their own homes in the form of low-cost housing units in Tier 2, Tier 3 towns and upcoming centers. So in version 2.0 and specifically in the first quarter of the current financial year we have these actionable to state to you.

First we have changed our Company name from Akme Star HFC to Star HFL so we are now Star Housing Finance Limited and we have received all necessary approvals including fresh certificate of registration from the Reserve Bank of India with this new name. So now we are ready for rebranding the new entity and this will be the first brand exercise of the Company post coming into existence. We are initiating the brand positioning in social and digital media and you all will witness this as it gets executed. This actionable is required and it is well thought of because as a portfolio gets shifted from more than 48% exposure on builder loan in version 1.0 to now reduce to 16% in version 2.0 and as we focus on retail loan for AUM buildup.

So, this rebranding exercise was necessary and we are planning to initiate this particular exercise in the current financial year. This rebranding exercise aimed at specifically shifting the Company being perceived at erstwhile 18% to 22% ROI offering to now 15% to 16% ROI for retail loans with maximum loan side of Rs. 25 lakhs. Secondly we continue to invest in talent we had invested in talent in last financial year and we continue to do this in the current year as well and in this regard we have made a couple of appointment. We have appointed Mr. Anoop Saxena a qualified Chartered Accountant he comes with an experience of more than 15 years in housing finance sector and he would be heading credit and operations at a central office in Mumbai. We have also appointed Bobby Singh; Bobby comes with more than two decades of experience in financial services space and he would be heading FCU collection function at Star HFL.

So as we move ahead we look forward to onboard experience professionals of similar pedigree for the senior management team to manage the business operations. Thirdly its business as usual now at Star HFL that is the business, the disbursement that was stopped in the wake of lockdown imposed due to the second wave of the COVID-19 pandemic have now restarted. We have started disbursement from June and in the current quarter we are looking for a monthly disbursal run rate of 5 crores to 6 crores. We will follow it up with 7 crores to 8 crores of monthly disbursals run rate in Q3 and then on we will have a full throttle scale up in the last quarter to meet our planned growth numbers.

We had incorporated this disruption in our plan and we are calibrating the scale up in line with the business plan for the current financial year and finally the important thing that we wanted to share with you is that we are engaging with financial institution to initiate co-lending and in engagement. The capacity that we have created through a network of 7 branches, 15 digital POP having presence across the states of Maharashtra, Madhya Pradesh, Gujarat, Tamil Naidu and Rajasthan with 83 employees across functions who are working with defined policies and guidelines and governed by boards would now be effectively leveraged as we start the co lending

program, the discussions on this engagement are in advance stages with banks and financial institutions and we shall make the announcement as and when this is finalized.

So our loan portfolio stands at Rs. 94.64 crores with 1110 that is 1,110 live accounts as of June 30th, 2021. We have disbursed incrementally 50 crores in version 2.06 October 2019. These incremental retail loans come with an average loan size of 11 lakh to 12 lakhs and with the maximum ticket size of 25 lakh. 84% of the total portfolio as we speak today is individual loans. We now operate from a 3,500 square feet premises at Mumbai which is now our corporate office enabling us to have a better network with our lenders, rating agencies, associates and also find the right talent to scale up going ahead. We have got approval and have rolled out the first employee stock option scheme of the Company and necessary communication to the employees is being sent. We also plan to setup a digital lending platform in the current financial year leveraging on the investment made in deployment of core elements and mobility which would enable optimization on cost of operations.

So, Star HFL team together help weather and continues to address to the disruptions caused by the COVID pandemic. Collective experience and domain expertise of housing finance professionals has enabled us to scale up in version 2.0 and we are passionate to continue the growth story in the current financial year in line with our business plans. Now I would request our CFO – Mr. Natesh Narayanan to speak on the highlights of our financial performance. Thank you and over to you Natesh.

Natesh Narayanan:

Thank you Kalpesh. Good evening everyone. Happy to share the financial performance for the quarter ending June 30, 2021 and following are the highlights. The loan book of the Company stands at 94.65 crores as of June 30th, 2021, the Company has banking relationship with five banks and three financial institutions. During the period we have received a fresh credit line of 5 crores and 5 crores from NHB and another 5 crores from a financial institution. The interest income for this quarter on the financial assets is 4.25 crores these are the 3.4 crores last quarter and the financial cost stands at 1.41 crores vis-a-vis 1.1 crores in June 2020. The annual yield loans and advances it stands at 17.28% while the finance cost stands at 8.47% excluding the credit lines from NHB the finance cost is at 11%.

Incremental loans are disbursed at a later average yield of 16.5%. The expansion of the Company to new geographies setup of infrastructure and onboarding of quality manpower results in an operating expense of 2.3 crores which was 0.8 crores in June 2020 of the above employee expenses stand at 1.4 crores the same in June 20 was 0.6 crores and other operating stood at .09 crores vis-a-vis 0.2 crores in June 2020 quarter ending June 2020. The impairment loss is at 0.4 crores vis-a-vis 0.32 crores in June 2020. The impairment loss includes a write off of 20.2 crores this year. The total expenses for the period stand at 4.16 crores vis-a-vis 2.23 crores last quarter resulting in a profit before tax of 0.32 crores and a PAT of 0.24 crores. The earnings for the share is at 0.15. network as of March 31, 2021, is at 53.9 crores and the leverage is at 1.2 times which was 0.77 times in June 2020. We have weathered the second wave of the COVID

pandemic and continue to focus on maintaining asset quality and calibrate our AUM growth in the current financial year.

With this backdrop I hereby state the following points. The Company remains well capitalized with a networth of 53.9 crores and a leverage at 1.2 times. We look forward to increase the ambit of our liability management programs from here on. We have received shareholders' approval to increase the authorized capital and Board too has given an enabling resolution to raise capital. Subject to necessary approvals we look forward to strengthen our capital and compliment liability to enhance leverage. We have a conservative provisioning policy and continue to write off loans as a book gets seasoned. Our endeavor here is to have a scale up backed by quality and risk being managed through adequate provisioning. Our investment and manpower and technology makes a strong to scaleup the balance sheet going ahead. I now invite Mr. Ashish Jain to take over from here.

Ashish Jain:

Thank you Natesh and Kalpesh. Greetings to all. I welcome you all to the Earnings Call for Q1 of the current financial year. We have officially changed the Company name to Star Housing Finance Limited and have got all the necessary approval. This name changed remains very much reflects the collective passion of this team in version 2.0 as we move ahead with an independent identity and scale up from here. Several of the initiatives listed by Natesh and Kalpesh places us strongly going ahead and we look to build up the pace. Our staff on ground has ensured that the portfolio weathers the disruptions and we walk the talk with each and every customer. The mobility development has complemented the core LMS ensuring the last mile connect with the applicant through the loan processing and with the customer through the loan lifecycle. Our liability franchise continues to grow, we continue to engage with new banking partners as we have funding proposal with banks and financial institutions in pipeline to add the planned AUM growth.

We have continued to invest in manpower and in technology in version 2.0 to create the capacity platform for growth. We have continue to adopt conservative provisioning approach factoring in the rich information that we have gathered from this 11 plus 100 accounts and the way they have behaved during the loan lifecycle and especially during the current pandemic. We look forward to strengthen overall corporate governance framework by inviting reputed professionals from financial services and allied domains to join the board of the Company. Subject to necessary approvals we also look forward to change the growth capital, compliment with liability and scale up the balance sheet.

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 version 2.0 of its transformational story. Finally on behalf of everyone at Star HFL I pray for fast recovery for all of us who has suffered in one way or the other due to this current pandemic please stay safe and protected. Thank you.

- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Sunil Mehta an Individual Investor. Please go ahead.
- Sunil Mehta:** I will just like to know in Gujarat where are the places where your real presence and do you have a presence in Ahmadabad or you plan to open in office in Ahmadabad?
- Kalpesh Dave:** So we do presence in Gujarat, we have a branch in Surat so we have started our business operations from Southern Gujarat and we have a physical presence at Surat through this location, through this physical office we are catering to the housing loan requirement, emanating from adjoining areas namely Navsari, Valsad, keem, Kusamba and so on. So to answer to your question with respect to expansion obviously we intend to penetrate deeper into Gujarat as we move ahead and obviously as and when we expand into the Northern part of Gujarat, Ahmadabad would be one of the centers where we will be looking forward to have our presence.
- Sunil Mehta:** That is very nice of you because in Ahmadabad this North Gujarat if you cover you will have a very good potential for loans there the penetration of other banks is very bad?
- Kalpesh Dave:** So as I said that as we expand our geographies can also penetrate into deeper into the existing geographies. We look forward to have a presence expanded into the Northern area of Gujarat and probably starting from Ahmadabad as center.
- Sunil Mehta:** If it is not out of the can I know the exact what is the minimum inter charge for the loans you promised?
- Kalpesh Dave:** So we are operating in the interest rate of 15.5% to 16.5% and our weighted average ROI for the incremental disbursement is at around 16%.
- Moderator:** Thank you. The next question is from the line of Sourav Bardiya an Individual Investor. Please go ahead.
- Sourav Bardiya:** So my question is regarding the disbursement which is going to happen so as indicated by Kalpesh ji disbursement rate would be monthly around 5 crore initially and then scale up to 8 crore by last quarter of 2021-22 by this do you mean incrementally Company would be adding around 50 crores of disbursement and second question would be what is the roadmap for next two to three years and what would be the run rate and where the Company aspire to go?
- Kalpesh Dave:** So to answer to your question yes the disbursement plan is planned in that manner that we scale it up from quarter-on-quarter basis obviously there was a disruption in the Q1 due to the lockdown imposed by the second wave of COVID-19 pandemic. However we had incorporated this disruption into our plan and we have already planned it in the way that we get around 8 to 9 months of business activities in the current financial year. So, obviously the plan is to scale it up in the manner in fashion that we move ahead from 5 crores of March ended to around 15 crores in first quarter going ahead with an increase it up to 20 crores and then obviously the Q4 part of

it we go full throttle with double digit to the run rate. So with that particular thing taken into account if you add up the numbers the year end numbers obviously it should look like at around 150 crores of loan book and having disbursed around more than 1,500 odd loan accounts. So loan accounts was to probably get doubled however I am not giving any guidance over here, but this is the plan to scale it up over a period of time in the current financial year. To talk about over the next two to three years where we want to see ourselves. I think it is a step by step journey the first step over here would obviously be to cross the threshold of 500 crores of AUM side which will get us qualified into systemic important SSCL defined by RBI norms and that would be the first and immediate milestone we as team looking forward to because that opens up lot many further growth and further scale up. So that is the first milestone that we are looking at and as we move ahead over a period of time in subject to getting growth capital post getting all the necessary approvals we would look forward to scale up further. So scaling up is planned exercise that we have incorporate in our business plans subject to availability of capital and also getting necessary approval and the first step in that one is to become a 500 crore AUM size.

Moderator: Thank you. The next question is from the line of Satish Kotiya from Investor. Please go ahead.

Satish Kotiya: Now you are saying that you are looking for around 500 crore AUM within next two to three years that is what is the figure you have discussed accordingly how you are going to expand your network what is your plan in your network expansion branch network expansion?

Kalpesh Dave: So as I said that the expansion of branch network would be done with a two prone strategy over here. The first thing obviously is to penetrate deeper into the existing centers of existence that we have which is penetrating deeper into Maharashtra, penetrating deeper into Gujarat, penetrating deeper into Madhya Pradesh and Tamil Nadu and there are greener pastures over here within our geography of operations also satisfying our criteria, our lending philosophy so these greener pastures which are like upcoming Tier 2, Tier 3 towns or industrial centers. These are the centers basically where we look forward to have our presence penetrated further deep into the existing geographies that is the first part of it and second from strategy obviously that we would be adopting is to expand into adjoining geographies. So as I said that expansion of adjoining geographies by that we mean that we would be next stop would be Karnataka, next stop would be Andhra Pradesh, Telangana and Chhattisgarh. So these are the four states that we would be looking forward to expand our presence just like what we did in version 2.0 while expanding out from Rajasthan. So what we have done is that you know in all these locations there is a comprehensive location study that we have done entailing the primary and second result. It involves collating lot of data and analyzing as to which are the locations that would be suited for growth which are the low cost housing units project that are coming up over there and how the demand is planning out, how is the migration of the population to these centers are happening and based on all these submissions that is being done grounds up by the on ground team that particular promote is being presented and then we take a call as to where we want to have our presence. So this is the branch expansion strategy that we have and also I would like to tell you that the 15 plus digital POP that we have these 15 plus digital POP depending on the



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business performance and the portfolio build up would also entail a physical presence in the form of a small setup just like a small branch like a 150, 200 square feet small office that we will be opening up. So this is how we plan to expand obviously using our research and secondly the technology that we have deployed which gives us an edge and helps us to penetrate deeper.

Moderator: Thank you. As there are no further questions I would now hand the conference over to Mr. Kalpesh Dave for closing comments.

Kalpesh Dave: Thank you so much Neerav. So on behalf of Star Housing Finance Limited I thank everybody for attending the Earnings Call. In case of any further queries that you have with respect to our business performance, with respect to our portfolio characteristic, the quality of the loan book that is getting generated, what are our plans with respect to expansions, what are our plans with respect to capital raise subject to necessary approval please do get in touch with our investor relations there. Thank you and take care. Bye.

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