HOUSING FINANCE
Star hai toh bharosa hai

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

Sub: Transcript of Earnings Conference Call

Ref: **ISIN: INE526R01028- Equity Shares**
ISIN: INE526R07017- Debt Securities

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

Dear Sir/Madam,

In continuation to our letter dated 26th October, 2023 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 record.

Thanking You,

For M/s Star Housing Finance Limited

SHREYAS RASHMIN MEHTA
Digitally signed by SHREYAS RASHMIN MEHTA
Date: 2023.10.30 14:21:15 +05'30'

Shreyas Mehta
Company Secretary & Compliance officer
M.NO. A38639

Encl: As above

“Star Housing Finance Limited
H1 FY2023-2024 Earnings Conference Call”

October 26, 2023

MANAGEMENT: **MR. ANOOP SAXENA – CHIEF OPERATING OFFICER – STAR HOUSING FINANCE LIMITED**
MR. NATESH NARAYANAN – CHIEF FINANCIAL OFFICER – STAR HOUSING FINANCE LIMITED
MR. KALPESH DAVE – CHIEF EXECUTIVE OFFICER – STAR HOUSING FINANCE LIMITED
MR. ASHISH JAIN – MANAGING DIRECTOR – STAR HOUSING FINANCE LIMITED
MR. RITESH SINGH – IR CONSULTANT – RIK CAPITAL

Moderator: Ladies and gentlemen, good evening and a warm welcome to all participants to the quarterly update call of Star Housing Finance Limited. Star HFL has organised this call with intent to share updates and discuss operational as well as financial highlights of the company for the half year ending September 30, 2023. On the call we have the senior management comprising Mr. Anoop Saxena, Chief Operating Officer; Mr. Natesh Narayanan, Chief Financial Officer; Mr. Kalpesh Dave, Chief Executive Officer; Mr. Ashish Jain, the Managing Director of the company along with Mr. Ritesh Singh an IR Consultant from RIK Capital. Before we proceed with this call I would 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 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. Without much further I do I request Mr. Kalpesh Dave to address the participants. Thank you and over to you Sir!

Kalpesh Dave: Thank you Ashia. Thank you so much. Good afternoon ladies and gentlemen. On behalf of Star Housing Finance Limited I warmly welcome all of you to H1 FY2023-FY2024 earnings call. On this call we will be presenting operational and financial performance of Star HFL and the speakers shall talk about relevant actionable and achievements in the first half of the financial year. Post this we would be happy to take questions from the participants.

To introduce Star HFL, Star Housing Finance Limited is a professionally managed retail housing finance company operating with the philosophy of enabling credit access to first time home buyers belonging to economically weaker section and low income group segment. We are a BSE-listed rural-focused home finance company operational across geographies of Maharashtra, Madhya Pradesh, Gujarat, Rajasthan, NCR and Tamil Nadu. Star HFL comprises of 200 plus housing finance professionals across functions and geographies. We are headquartered in Mumbai. Till date we have provided housing finance assistance cumulatively to more than 4000 families in our operational geography and are trying to create a niche in retail semi-urban/rural housing finance space. The tailwinds in rural housing driven by emergence of nuclear families in these geographies, rise in income level, need to move to a better house or upgrade existing dwelling units, additional housing demand created by reverse migration during COVID-19 pandemic, infrastructure development connecting rural hinterland to the mainstream and increased digitization in these geographies bodes well for the long-term growth. While there has been a perceptible decline in the urban centers in affordable housing space the rural housing demand has remained robust in the current cycle where the housing space in particular has seen rise in repo rate and rise in input cost as well.

The Government of India support to rural housing through increased budget allocation of approximately Rs.550000 million to PMAY-Gramin and recent trust to complete additional 5 million houses by December 2023 under the scheme bodes well for the rural housing. We at Star HFL are confident to make most of these drivers and leverage our domain to become a meaningful player in the space thereby creating long-term value for our stakeholders. The current growth phase of Star HFL comes under the version three of the transformation of the company wherein version one entailing repair and maintenance and version two devoted to building a structure for becoming a professionally run company created a strong foundation for growth. Star HFL witnessed 100% plus year-on-year growth in FY2022-FY2023 and we have sustained the momentum for the first half for FY2023-FY2024. I wish to share the achievements of the company in the half year ended September 30, 2023 enlisted as follows. For the period the company provided incremental housing finance assistance to 1000 plus families from EWS/LIG segment in our operational geographies. Courtesy incremental disbursement the asset under management is at Rs.3194 million registering 110% year-on-year growth. The loan book as of today is retail and is diversified across its operational geography comprising of 20 offices covering 40 locations. Average incremental ticket size is at Rs.10 lakhs to Rs.11 lakhs. Seasoning of the book shows the quality remaining impact through the loan lifecycle and well planned receivable management program through concerted efforts of the entire team has resulted in portfolio at risk which is PAR that is 0 plus day past due standing at 4.52%. Out of this the gross NPA stands at 1.46% and net NPA stands at 1.08% as of September 30, 2023. The provision coverage ratio stands at 48% including additional provisions and proactive write-offs; the book has more than adequate coverage for the gross NPA. We continue to invest in manpower, branch infrastructure and technology to provide a solid foundation to build business.

We are getting transitioned to a new lending suite in line with business requirements and the new system shall further aid in strengthening, underwriting and optimization of turnaround time of home loan applications. Star HFL expanded to Northern India with a presence in Ghaziabad in the NCR region during the period and shall work to further build up presence in the region over the next few quarters. We continue to focus on AUM scale up through on book and co-lending partnership. Under the leadership of CFO, Natesh Narayanan our company received highest ever single sanction of Rs.500 million term loans from our existing lender. During the period Star HFL has cumulatively received sanction of approximately Rs.1600 million of credit lines from 11 banks and financial institutions. The funding pipeline remains robust to cater to the growth aspiration for the second half of FY2023-2024. The diversification of the borrowing profile in terms of lender and instrument two has begun and Natesh shall share the same. Star HFL has got an upgrade on the rating of its bank loan facilities rated by CARE during the period and is now rated BBB stable. Star HFL is listed on the Bombay Stock Exchange and has more than 6000 shareholders. As the company gets ready to get transitioned to the National Stock Exchange subject to all approvals and clearances Star HFL has met the quantum criteria of Rs.750 million net worth and now awaits qualification of the tenure criteria. The company has healthy capitalization levels and subject to necessary approvals and clearances shall work towards augmenting the sale in line with the growth expectations. Taking ahead this business performance Star HFL is now well poised to cross Rs.5000 million AUM milestone over the next few quarters provided we maintain and build up on this momentum.

The Board comprising of Mr. A P Saxena, ex-GM of the NHB, Mr. Ajit Kumar Lakshmanan, ex-ED of LIC of India, Mr. P K Das, ex-ED of IDBI Bank, Mrs. Neelam Tater, Qualified Chartered accountant and CS professional, Mr. Kavish Jain and the MD Mr. Ashish Jain contribute towards building of strong corporate governance framework. Continuing with the philosophy of employee ownership Star HFL shareholders during the period has approved the ESOP 2 scheme for eligible employees. The company paid final dividend of Rs.0.05 per equity share of Rs.5 each for the financial year ending March 31, 2023. We are happy to register strong growth in H1 and to have carried forward the growth momentum in the second half of the financial year. While the growth is important our focus remains firmly on maintaining the quality of the book. New business centers opened during the period will further strengthen the branch network and diversify the loan book in existing as well as in new geographies. Traction in liability gives us confidence to plan and execute asset growth for the year. We shall continue to invest in creating capacity through expansion, onboarding of quality manpower and digitizing our business processes. Our endeavour in second half of the year would be to improve productivity levels across business operations, which in turn will enable optimization of the bottomline and the return ratios. With these updates I now call upon our CFO, Mr. Natesh Narayanan to speak on the balance sheet, P&L and financial ratios for the period ending September 30, 2023. Thank you and over to you Natesh!

Natesh Narayanan: Thank you Kalpesh. Good evening and a warm welcome to all the participants. We are happy to to present another robust period of business performance. The efforts put in by us to develop a strong base for the asset growth has been successful as we have had a record traction on the liability front in terms of fund raise. Our business performance and financial numbers have been acknowledged by our rating partners as we have received a rating upgrade from CARE and India ratings during this period. As the company scales up we had planned for diversifying our borrowing profile in terms of the instrument and lenders. I am happy to share that we have issued our first NCD of Rs.200 million which was subscribed by our financial institution. This has been a first for Star HFL and I am confident that we continue to increase this diversification. We have been able to receive a fresh incremental sanction of Rs.1584 million during the period from 11 banks and financial institutions of which three lenders have been new additions to our borrowing profile. Undrawn limits coupled with proposals under pipeline give us enough confidence to scale up in line with our business plan that has been submitted and approved by Board across our operational geographies.

With this I share the highlights of our H1 results with you. Here are the brief highlights. The gross loan portfolio stood at Rs.3194.3 million as of September 2023 as against Rs.1522.9 million in September 2022 thus registering a year-on-year growth of 110% approximately.

Disbursement for H1 FY2024 stood at Rs.1083 million as against Rs.729 million in September 2022 registering a growth of 48.54%. The total income for H1 FY2024 is at Rs.259.63 million as against Rs.147.91 million in FY2023 a growth of 75.53%. The net interest income in half year FY2024 stood at Rs.119.47 million as against Rs.83.46 million in H1 of FY2023. The GNPA as of September 2023 is at 1.46% as against 1.56% last quarter that is June 30, 2023 and the NNPA as of September 2023 is at 1.08% as against 1.13% in June 2023. For the period ending September 2023 our PAT increased by 50.16% year-on-year. During the period the company received a total sanction of Rs.1584 million of which Rs.884 million was disbursed. We still have undrawn limits of Rs.700 million. Total borrowing outstanding as of September 30, 2023 is at Rs.2240.3 million giving us a leverage of 1.99 times which is moderate. The company has a strong liability pipeline and we expect to witness an increase in terms of the quantum of borrowing for ticket size as well as increase in the number of lenders. The strong performance has been acknowledged by our rating partners both India rating and CARE and both have upgraded our rating to BBB stable.

To conclude, I wish to state the following points. Star HFL has a modest level of leverage and we are working towards optimizing the sale through the year as we build up the borrowing with existing and new lenders. We shall look forward to diversify the overall borrowing profile in terms of lenders and also in terms of instruments. Star HFL at this point of time is well capitalized and we shall work towards strengthening the net worth through PAT accretion and capital raise subject to all necessary approvals and clearances driven by business requirements. I am confident that we as a team shall continue to build up on the good work in this version of growth and achieve business, financial and operational milestones we have set for ourselves. I now hand over the call to our MD, Mr. Ashish Jain. Thank you and over to you Ashish!

Ashish Jain: Thank you Natesh. On behalf of Star HFL team I extend warm welcome and best wishes to all participants. Our leadership team at Star HFL had met a strategic commitment to pursue growth and we are pleased to report that we have been successful in aligning our actions in this direction. Nevertheless it is imperative to emphasize that in this journey the quality will always take precedence over growth. From an industry perspective as the housing finance sector undergoes significant reconfiguration particularly at the higher echelons we believe that contemporary high growth, small and midsized housing finance companies operating in semi-urban and rural areas are well positioned to exert a considerable influence on the broader Indian mortgage landscape. We are confident that the biggest growth catalyst such as increasing number of aspiring homeowners in semi-urban and rural locals and enhancement of infrastructure, rural development and the integration of rural areas into the digital mainstream will augur well for the expansion of lending institutions with a rural focus. Star HFL is well prepared to thrive in this space. We are also firmly committed to our responsibility as well as that of our peers to facilitate credit access for deserving borrowers on equitable terms and to integrate them into the broader financial ecosystem. Star HFL is gearing up to be a responsible lender in this space playing a pivotal role in actualizing the home ownership aspirations of our customer segment. Our workforce has seen expansion over the last 12 months with staff strength of 200 plus mortgage professionals. This growth has been pursued systematically bolstered by a well-defined risk framework and guidelines under the mentorship of a robust and independent Board. We have consistently strengthened our net worth through capital infusion to keep space with our growth trajectory and our liability framework has responded admirably well to this call. Credit is to the finance team under the leadership of Mr. Natesh Narayanan for successfully scaling up liability as a growth engine. Congratulations to our branch management team including our regional directors who have been at the forefront of driving asset growth. The team of underwriters, appraisers, coordinators and receivable management professionals stationed across our business centers led by Mr. Anoop Saxena has played a key role in making up a quality loan book.

Finally, I express our gratitude to all stakeholders including the RBI, the NHB, and our banking partners, rating agencies, business associates, valued customers, dedicated employees and their families, all of whom have contributed significantly to the growth of Star HFL franchise. We remain steadfast in our commitment to create value for all our stakeholders. Thank you for your attention. Over to you operator!

Moderator: Thank you Sir. We will now begin the question and answer session. Anyone wishes to ask question may press "*" and "1" on your touchtone phone and anyone wants to remove press "*" and "2" on your touchtone phone for asking questions. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Mr. Tanush Mehta from JM Financial Limited. Please go ahead Sir.

Tanush Mehta: Thank you for the opportunity. Sir I have two questions. My first question is we have started new offices during the quarter, so what would be the impact on our margins?

Kalpesh Dave: The new centers which we have started in our existing geographies as well as the geographical expansion that we have done in the NCR region is in line with our growth aspiration given that we want to scale up becoming systemically important home finance company which is Rs.500 Crores AUM milestone that is something which we intend to achieve keeping in mind the productivity levels of existing branches as well as ensuring that the loan book gets diversified across the station geographies and within the geographies also. So coming to the question of yours in terms of impact on the spread well these centers will be operating on the similar guidelines, offering the similar products and would be having the same processes for sourcing, underwriting as well as disbursement. Just to tell you the margins that we have on our incremental disbursement is at around 450 to 500 basis points and that is something which we intend to keep it intact for the newer centers as well. Coming to the question of the operating expenses that is getting incurred in terms of opening these new branches, the fee income that we generate from the customers during the processing of the loan takes care of the overall operating expenses. For these new centers the typical time or tenure for getting onto the profitability would be around four to six months post which on the portfolio level as well as on the incremental level they would turn to be positive so that is how we are looking at it Tanush.

Tanush Mehta: Thank you Sir and Sir my second question is where do you see Star in the next three to four years in terms of AUM size?

Kalpesh Dave: Sure, Tanush, the first milestone as I just said is to cross Rs.500 Crores of AUM which we intend to cross in the coming two to three quarters or so. Talking about FY2026-FY2027 or FY2027-FY2028 in question I would say that over the next three to four years Star HFL has the aspirations to become a Pan India player while maintaining its focus on retail low ticket space. The portfolio basically that we are targeting to achieve over the next 36 to 48 months would be around Rs.2500 Crores to Rs.3000 Crores of AUM subject to strengthening of net worth as well as being able to raise liability to enable that kind of asset growth; however, I would like to tell you talking in terms of the incremental customers I would see Star HFL providing housing or in fact engaging with 50000 plus customers from economically weaker section and low income group segment in our operating geographies in the quest to achieve the AUM numbers that I just told you but again it is the number that we aspire to achieve, all depends on how well we are able to scale up the net worth and the liability function. We have the domain; it is the matter of successfully being able to raise the capital and the liability for the same.

Tanush Mehta: Thank you Sir.

Moderator: Thank you. Participants who wish to ask question please press"*" and "1" and the next question is from the line of Ashish Agarwal from BS Infra Private Limited. Please go ahead.

Ashish Agarwal: Thank you to the management for the updates. I wanted to ask what is the typical branch size in terms of number and when does the breakeven happen in the terms of portfolio and what is the timings and you intend to venture into whole sale funding and for a business loan?

Kalpesh Dave: So just to answer to your question in terms of a typical branch size at Star HFL if you are talking about typical branch size, branch consists of a unit head, one credit officer, one operations officer, two to four sales staff we call them relationship officers, one coordinator and one receivable management person. This basically typically makes a branch setup. The branch size would be around 350 to 400 square feet of carpet area which we occupied our operational geography. If you talk about the capex that gets invested in creating this branch it ranges from around Rs.6.4 lakh to Rs.7.5 lakh to create this setup. In terms of our manpower and operating expenses this standard setup would entail around Rs.3.5 lakh to Rs.4 lakh of operational expenses per month so when do we basically breakeven in this particular sense. Typically at the portfolio level when the portfolio size gets crossed at around Rs.6 Crores to Rs.7 Crores or so at that point of time the income that the spread in fact that comes from the portfolio basically more or less takes care of these operating expenses but however that is not something that we look into because the spread is something which get accrued to the overall profit before tax level so in terms of the scale up when this brand setup crosses around Rs.1.5 Crores of monthly disbursal the fee income basically that gets generated around this disbursement takes care of these operating expenses. In terms of timing a typical new branch will take around five to six months of time to come to this particular level and at that point of time breakeven would happen. If you talk about typical rural center for that matter, the rural center would be again half of this particular number which again comes to around Rs.1.5 lakh to Rs.1.75 lakh per month of operating expenses and for that around Rs.75 lakhs of incremental monthly disbursal for such kind of a smaller rural setup would take care of your operating expenses which typically happens in around third or fourth month of business operation for the rural center so this is how the branch dynamics are there for Star Housing Finance to answer the question and to your second question whether we would like to get into wholesale lending business loan so on and so forth we are a retail-focused home finance company and we would like to continue to remain in this way during our business operations so we have not given any thought. Our domain lies in retail small ticket housing finance and that is what we want to do. Hope that answers your question.

Ashish Agarwal: Yes thank you.

Moderator: Thank you. Before we take next participants we like to remind to press "*" and "1".The next question is from the line of Mukesh Kumar who is an Individual Investor. Please go ahead Sir.

Mukesh Kumar: It is good to see that company is growing and it is very heartwarming. I have two queries basically the first one is there are some reports of slowdown in the affordable housing finance space and has the company been impacted by the same during the period that is my first question and then the second question is that I see Star HFL is also listed on the main board of BSE and when would we transit into the NSE and is this in the list also?

Kalpesh Dave: Again I would take this question. In terms of your first observation yes you are very much spot on that there has been a perceptible slowdown in affordable housing space but that slowdown as I said has been in and around these major metros where the rise in the repo rate as well as the rise in the input cost has kind of impacted on the overall sales. We are not present across in these urban centers as such. We are a bit far away into the semi-urban and the rural geographies and now over there if you see the dynamics are a bit different so more than one third of my loan book is basically construction of the dwelling that happens that a typical EWS LIG segment customer does on its own land that also one third of my book also includes home exchange and home improvement loans so there has not be any slowdown in this particular segment as such. In fact on the contrary the rural centers or the semi-urban areas where we are operating continue to hold the housing demand despite this particular perceptible slowdown so going forward probably a dichotomy of analysis is on cards whether the affordable housing in urban and affordable housing in these smaller centers how it is faring so just to answer your question that demand is intact. In fact I would tell you H2 typically is expected to be better given that construction-related activities pickup pace and agriculture-related cultivation and the related income coming from that picks up pace so with that as a background I will say that H2 would still be better than H1 for small and midsize housing finance companies like us so rural housing demand remains intact just to answer to your question. That is the first response I would like to give. Second with respect to when we would get on boarded onto the National Stock Exchange well again as I have said that we have met all the criteria with respect to getting transitioned to the National Stock Exchange which is basically Rs.75 Crores of net worth, consistently dividend making, dividend distributing enterprise as well as minimum of shareholders. Now what remain is the tenure criteria which is Rs.75 Crores net worth for three successive years. The first year has already been completed, this is the second year and in the next year which is FY2024-FY2025 we should go and knock the doors of the NSE and ask them to consider our case based on the merit, so just to answer your question ending of FY2024-FY2025 something which we should at that point of time we should apply to the NSE.

Mukesh Kumar: That is it. Thank you.

Moderator: Thank you so much. The next question is from the line of Mr. Umesh Bhandari who is an Individual Investor. Please go ahead Sir.

Umesh Bhandari: It was great to hear company going strength-to-strength. I wanted to ask two aspects first what has been the cost of funds and what are the margins on the disbursement and second what is the asset cover on the entire book?

Kalpesh Dave: Natesh you want to answer that.

Natesh Narayanan: Yes sure. Our cost of fund for this half year has been 12.35%, our margin spread basically ranges between 4.5% and 5%, 5% to be more precise and your second question was.

Umesh Bhandari: What is the asset cover on the entire book?

Natesh Narayanan: On the entire book if you see incrementally we are having LTV of around 60% to 65% whereas on the overall loan book it is at 50%. I hope that answers your question.

Umesh Bhandari: Yes thank you.

Moderator: Thank you. The next question is from the line of Mr. Rushabh Shah from B&K Securities India Private Limited. Please go ahead.

Rushabh Shah: Are we planning to provide loan to corporate firm also?

Kalpesh Dave: Rushabh no we would want to remain in retail low ticket housing finance space, our target segment is economically weaker section, low income group, and first time home buyers coming from our operation geography, so loan from corporate, wholesale lending and other types of loans is something which we would not like to venture into.

Rushabh Shah: Ok. My next question is how are we planning to expand our office and at what level are the EBITDA positive?

Kalpesh Dave: Yes so as I told you that expansion definitely is on cards, we have expanded in our existing geographies, there are centers in and around Pune region where we have expanded, we have expanded in Vidarbha region, we have expanded in the Indore region in Madhya Pradesh and so goes for the Southern Gujarat as well if you talk about our existing geography. We have expanded to the new geography of NCR and this expansion is being planned systematically in the way and fashion that the traction in disbursement should happen, there should not be a necessarily node on a particular branch and a particular single node of the overall network and ensure that the book also gets diversified and the productivity level that get maintained so that is basically the planning part that basically comes to the fore in terms of expansion just to answer to your question and what was your second question I just forgot that.

Rushabh Shah: How are we planning to expand our office and at what level means our EBITDA is positive what level we are EBITDA positive?

Kalpesh Dave: Our existing branches which was there in FY2022-2023 there are around 14 odd branches which we had in FY2022-FY2023 fully functional operation out of that close to around 11 odd branches are incrementally positive in terms of incremental disbursement so you have just heard that for a bigger center it is around Rs.1.2 Crores to Rs.1.5 Crores of monthly disbursal which basically makes it net-net cash flow positive where the spread gets protected so that holds true for these branches. For a few of the smaller centers around Rs.60 lakhs to Rs.75 lakhs of incremental disbursement monthly these very, very small centers is something we also are positive in this particular number frame so out of 14 , 11 are cash flow positive. We should turn positive in the Q3 of the current financial year and with respect to the new centers which we have opened in the H1 we hope to see them turning into incremental positive before March 31, 2024 so around four to six month period is something which is required in terms of getting EBITDA positive or cash flow positive just to answer to your question.

Rushabh Shah: My last question is what steps are we taking to reduce our expense as our quarter and quarter expense has increased by 12.2% while our income has increased by 11%?

Kalpesh Dave: I would also urge you to look at our cost-to-income ratio. Rushabh, the way we have scaled up in the last financial year and the way we are scaling up in the current financial year if you just look at it from a steady state basis the cost-to-income ratio has kind of rationalized while still it is a higher number I would no doubt agree to that part of it but that cost-to-income ratio has come down from erstwhile 70 plus levels to now around 59% to 60%. How do I see that rationalization happening if we are not expanding any further. Let us say we are staying put with 20 odd branches the same number expected to get basically flushed down by minimum of around 25% to 30% odd over the next six to nine months but given that we are a high growth company there is a requirement of investment in manpower as well as in branch network as well as in technology which basically kind of pushes that particular number at a relatively higher level and you would agree that the income from the book from the disbursement that you do basically has a full 12 month effect in the next financial year so whatever I am disbursing, If I am disbursing in the month of October it will only has five months of seasoning it will not have five months of income attrition so that is how the expense gets booked right now while the income comes at a later date so that is how it is. Once we get rationalized let us say three to four quarters from here on you would see the cost-to-income ratio coming down to respectable levels in line with the more matured housing finance companies just to answer to you; however, as I said in my speech also that we are cognizant of the fact that the productivity levels of our staff would be the next step given that the digitization is happening the turnaround time will come into play. We do feel that those optimizing the productive levels as well as tax would minimum impact around 5% to 7% on the cost-to-income ratio on a steady state basis so that is the focus, Rushabh in the Q3 and Q4 which we would want to have.

Rushabh Shah: Yes thank you. One more last question I want to ask what steps we are taking in digitization and how is our risk management can you answer both?

Kalpesh Dave: Anoop you want to answer this question what steps we are taking in digitization and in terms of risk management?

Anoop Saxena: In terms of digitization we are in process of implementation of in-house lending suite which is bundled product of end-to-end customer onboarding which is tech enabled mobile application through which the customer onboarding is happening right now. Apart from that for the purpose of credit underwriting through digital note we are in process of building up mobile application for credit underwriting so that two information is there. On LMS front of it we are upgrading our existing LMS which will be Jaguar ++ and that is at implementation stage and on the last front of collection module that is already up on the mobile of collection executives who are in the field, so in terms of digitization within next 45 days we should be 100% end-to-end on the digital platform for the lending front of it. In terms of risk management portion of it we have already inbuilt scoring module which is implementing at two stages of time. At the time of customer on boarding there is risk assessment of a particular customer is happening and every customer is basically on boarded in the category of high, medium and low risk category and during every tenure of 12 months of that loan lifecycle, again the same assessment is happening and the benchmark is getting set how much upgrade or degrade in terms of risk category has happened. This practice is being done through CIBIL and basically the CIBIL and TransUnion data basis on data extrapolation which is being done on the field by the branch staff itself. The data which is available on the external resources such as SRO level data and such as revenue records data, so by combining all these data, the risk management is being done.

Rushabh Shah: Thank you Sir.

Moderator: Thank you. The last question is from the line of Brinkle Kumar who is an Individual Investor. Please go ahead Sir.

Brinkle Kumar: My question is regarding the promoter holding in the company I have been tracking Star Housing since last four quarters and I have come across CNBC interviews and I have been tracking the promoter holdings and I have seen a decreasing trend. Is there any particular reason why that is happening?

Kalpesh Dave: Thank you so much for taking time out and researching about our company. So Brinkle if you just go through our commentary you will see that there have been two promoter groups in the company one is represented by Mr. Ashish Jain who is the MD of the company as well as he is representing on the Board and the second set of promoters basically where the ones who are basically getting a facilitated exit so it is not that it is done in an uncontrolled manner. The thought process is very clear that the management team of Star Housing Finance got on boarded in October 2019 along with the promoter group led by Mr. Ashish Jain would be charting out the growth story of the company. The second promoter group who do not have any role into the day-to-day functioning of the company is the one basically who is giving a phase wise exit because we do not want to get identified or bundled up with any of the other associated related businesses of any of the promoter group, so Star Housing if you see the transition, transition has been from a particular umbrella to a standalone independent housing finance company run by housing finance professionals and along with Ashish Jain and family being the promoter group so that is how we wanted to build up our cap table as well. We have always shared this particular intent of us to all our stakeholders and we are continuing to follow that particular process. In fact I would go a step further Brinkle in terms of telling you that when we just stretch ourselves maybe three to four quarters from here on for one scheme will probably get completely vested. We saw two schemes for the eligible employees getting accrued, it is getting vested and maybe another round of ESOP subject to again Board and related approvals in place when all these things will get converted at that point of time the Star HFL employees, Brinkle, the senior management team, the branch management team, and the regional directors team this as a block will be single largest shareholding entity in Star along with Ashish and that is how the entire cap table will be built up, so in future maybe when we are looking for a growth capital at that point of time an institutional growth capital along with these two blocks would be the ones who would be having main stay in terms of their shareholding in the cap table. So that is how we want to build up the company, Brinkle.

Brinkle Kumar: I understand and when these exits are being given right now are they in terms of a strategic sale or is it just like a market sale to the public?

Kalpesh Dave: No, it is strategic sale it is not just like a market salw, so it is strategic in nature and that is how the exit has been planned and whenever that exit happen at that point of time the compliance team ensures that gets communicated to the exchange as well as to all the related stakeholders as well.

Brinkle Kumar: No, my question was basically that when this strategic sale is also happening like is the other person or the other shareholder to whom these shares are being sold, are they identified before the sale or are they just being sold in the market that is my question?

Kalpesh Dave: No. It gets identified Brinkle it does not happen that suddenly it just comes in the market that does that does not happen so you find the right kind of player. He would also want to build up our cap table in the way and fashion that a long-term investor be it retail or be it institutional who would want to come in to the cap table. He want them to be a long-term player, we would want such kind of a shareholder who would understand this space, stay put with the management and builds up value as we create the balance sheet so that is how the exits are getting planned in a strategic manner, just to answer to your question.

Brinkle Kumar: Right so although it is not being done in the way of a block deal or a bulk deal?

Kalpesh Dave: No, as I said it is not being done in the market just like promoter comes and offloads it gets planned in a proper manner just to answer to your question.

Brinkle Kumar: Understood. Alright, thank you. That was my only question.

Moderator: Thank you. As there are no further questions on behalf of Star Housing Finance Limited, I thank everybody for attending H1 FY2023-FY2024 earnings call. In case of any further queries please do get in touch with Star HFL Investor Relations desk. Thank you and take care. You may now disconnect your lines.

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