STAR HOUSING FINANCE
Star hai toh bharosa hai

Date: 22.01.2024

ISIN: INE526R01028
SCRIP CODE: 539017
SCRIP ID: STARHFL
PAN NO. AAGC1988C

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

Sub: Transcript of Earnings Conference Call

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

Dear Sir/Madam,

In continuation to our letter dated 18th January, 2024 regarding the Company's Earnings Call, please find attached the transcript of the said call.

The transcript is also uploaded on the website of the Company at www.starhfl.com

This is for information and records.

Thanking You,

For M/s. Star Housing Finance Limited

SHREYAS RASHMIN MEHTA
Digitally signed by SHREYAS RASHMIN MEHTA
Date: 2024.01.22 20:05:49 +05'30'

Shreyas Mehta
Company Secretary & Compliance Officer
M.No. A38639

"Star Housing Finance Limited 9-months ending December 31st, 2023, Earning Conference Call."

January 18, 2024

MANAGEMENT: **MR. ASHISH JAIN – MANAGING DIRECTOR, STAR HOUSING FINANCE LIMITED**
MR. KALPESH DAVE – CHIEF EXECUTIVE OFFICER, STAR HOUSING FINANCE LIMITED
MR. NATESH NARAYANAN – CHIEF FINANCIAL OFFICER, STAR HOUSING FINANCE LIMITED
MR. ANOOP SAXENA – CHIEF OPERATING OFFICER, STAR HOUSING FINANCE LIMITED

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 organized this call with an intent to share "Updates and Discuss Operational" as well as "Financial Highlights" of the Company for the period ending December 31st, 2023.

On the call we have the Senior Management comprising Mr. Ashish Jain – Managing Director, Mr. Kalpesh Dave – Chief Executive Officer, Mr. Natesh Narayanan – Chief Financial Officer, Mr. Anoop Saxena – Chief Operating Officer of the Company, along with Mr. Ritesh Singh as an IR Consultants 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 expectation. 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 this conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Without much further ado, I request Mr. Anoop Saxena to address the participants. Thank you and over to you, sir.

Anoop Saxena: Ladies and gentlemen good evening. I extend a warm welcome on behalf of Star Housing Finance Limited to Earning Call for 9-months ending December 31st, 2023.

On this call we shall delve into the "Operational and Financial Performance" of the Star Housing Finance Limited focusing on "Key Achievements and Actionable Insights" for the year.

After the management commentary, we shall be open for taking the questions from the participants.

Introducing Star Housing Finance Limited:

We are a Retail Housing Finance Company focused to provide housing finance assistance to first-time home buyers in our operational semi-urban and rural geographies.

Our target customer segment is the economically weaker section/low-income group families constituting the bottom of the pyramid who wish to purchase their own home. We provide long-term retail housing finance assistants to these deserving families at fair terms. We are listed on the main board of the Bombay Stock Exchange and are headquartered in Mumbai.

Our network comprises of (+30) physical and manned presence across geographies of Maharashtra, Madhya Pradesh, Gujarat, Rajasthan, NCR and Tamil Nadu. We are a team of (+200) housing finance professionals across functions and geographies with requisite domain in low ticket housing finance space.

Star Housing Finance Limited has begun a growth phase since Financial Year 2021-2022 and has cumulatively provided housing finance to more than (+4,500) families till date.

Coming to the performance for the period of 9-months ending December 31st, 2023, I wish to state the following points.

1. During the period the Company provided housing finance assistance to 1,500 plus families from EWS/LIG segment. Curtsy strong incremental disbursements, the AUM stands as Rs. 368.67 crores registering 97% year-on-year growth.
2. The asset book so created is retail and diversified across operational geographies. Average incremental ticket size is at Rs. 12 lakhs to 13 lakhs in semi-urban and 6 lakhs to 8 lakhs in rural locations.
3. The book is getting seasoned, so we grow keeping intact the asset quality, culture of credit, and collection observed by the team in day-to-day operations has resulting in PAR that is portfolio at risk which is anything that is 0 plus day past due stands at 3.84%.
4. Gross NPA stands at 1.64% and net NPA stands at 1.24% as of December 31st, 2023. The provision coverage ratio stands at 39%.
5. We continue to invest in manpower, branch infrastructure, and technology with an objective to provide a solid foundation to build business. “Plus Version” of the existing lending suite is in the process of deployment. With Edit functionalities, the suite enables to improve productivity, credit, and receivable management process in the organization.
6. We have expanded in the North with the presence in Ghaziabad, in NCR and shall work in further build up presence in the region over the next few quarters. Network expansion is being planned in existing and selected new geographies post getting all approvals in place.
7. We continue to focus on AUM scale up through on-book and co-lending partnerships with our partners.

8. Under the leadership of CFO – Mr. Natesh Narayanan during the period Star HFL has cumulatively got sanctions of approximately Rs. 203 crores of credit line from 11 banks and financial institutions. The pipeline is robust to cater to planned growth.
9. The diversification of the borrowing profile has been initiated and Natesh shall share the same in his address on this call.
10. I wish to reiterate that Star HFL is listed on the Bombay Stock Exchange and has more than 6,000 shareholders. As the Company is ready to get transitioned to the National Stock Exchange, subject to all approvals and clearances, Star HFL with its current net worth of Rs. 130 crores plus have met the quantum criteria of Rs. 75 crores net worth and now awaits qualification of the tenure criteria.
11. Star HFL has a healthy capitalization level and same has been strengthened by the capital raise done in Quarter 3 ending December 2023. Natesh shall cover this in his address.
12. We are happy to share that Mr. C Ilango a seasoned professional in mortgage space and Ex-Managing Director of CanFin Homes has been inducted on the Star HFL as an Independent Director. This further strengthens our existing board comprising of Mr. A. P. Saxena – Ex General Manager of National Housing Bank, Mr. Ajith Kumar Lakshmanan – Ex-Executive Director of LIC of India, Mr. PK Das – Ex-Executive Director of IDBI Bank, Mrs. Neelam Tater – a Chartered Accountant and Company Secretary professional and Mr. Kavish Jain paving way to become a board driven well-governed Housing Finance Company.

Continuing with the philosophy of employee ownership, Star HFL Board has approved the Employee Stock Option Scheme-2 for eligible employees. This is the second scheme implemented by the Company considering the expanded employee base and the contribution made by the eligible employees to the growth of the Company.

We are happy to have registered robust growth during the period keeping the quality intact. The capital raise during warrants has strengthened the capitalization levels. Liability pipeline remains robust, which helps us to plan for growth. We continue to invest in technology, manpower and branch infrastructure providing a strong foundation for balance sheet scale up.

We have strengthened our presence in existing geographies and forayed into North through our presence in NCR region. Through this growth, our focus remains on enabling retail credit access to first time new-to-credit home buyers towards purchase of own homes. We look forward to round-off the current financial year with this momentum.

With this, I now call upon Mr. Natesh Narayanan – CFO of Star Housing Finance to speak on the balance sheet, profit loss and financial ratios for the period ending December 31st, 2023. Thank you and over to you, Natesh.

Natesh Narayanan: Thank you Anoop. Good evening and a warm welcome to all the participants.

I'm pleased to share that the growth momentum that prioritizes quality has continued resulting in robust financial performance. On this call, I wish to acknowledge the efforts of the team in building a strong foundation for our liability framework that now successfully has a working relationship with 17 banks and financial institutions.

During this 9-month period Star HFL has received its first single 50 crore ticket term loan.

I also wish to share another milestone on the equity front:

In Q3 Star HFL issued warrants for 60 crores of which 25% amounting 15 crores has been received. This has further strengthened our capitalization levels.

We have received sanctions totaling 203 crores from 11 banks and financial institutions in this 9-month period.

The undrawn limits and the debt pipeline will help us scale up our AUM in accordance with our growth plan.

With this, I share the "Financial Performance" for the period of 9-months ending 31st December 2023. The following are the highlights:

- The asset under management stands at 368.67 crores as of December 2023 vis-a-vis 187.58 crores in December 2022 a year-on-year growth of 96.54%.
- Disbursement for the 9-month period stands at 166.89 crores as against 112.96 crores a year-on-year growth of close to 34%.
- The total income for the 9-month period stands at 42.29 crores as against 24.75 in FY23 a 9-month period FY23 again a year-on-year growth of 70.87.
- The net interest income in the 9-month period stands at 19.09 crores as against 14.39 in the 9-month FY23.
- GNPA as of December 31, 2023, is at 1.64% and NNPA at 1.24%.
- For the period ending December 31, 2023, PAT has increased by 40.82% year-on-year.
- During the period the Company received a total sanction amounting to 203.42 crores of which 148.42 was disbursed. There are still undrawn limits of 55 crores.
- Total borrowing outstanding as on 31st December 2023 stands at 266.49 crores, thus giving us a leverage of 2.05x.
- During the period, Star HFL successfully placed its first NCD of 200 million. I'm confident of the team to continue this diversification in our funding profile. The Company has a strong liability pipeline to fund its growth plan.
- Rating partners have acknowledged this growth and thus we have secured a rating upgrade from Care to BBB stable.

In summary, I would like to highlight the following key points:

- Pursuant to the capital raised through warrants leverage levels have remained modest and capitalization levels have been strengthened.
- Following the NCD issuance, we look forward to further diversifying the borrowing profile in terms of both lenders and instruments.
- Star HFL is well poised to grow from here on keeping quality in mind and the entire team is focused to create a strong balance sheet. I'm confident that as a cohesive team, we will build upon the achievements to attain the business, financial and operational milestones we have set out for ourselves.

Now I would like to call upon our CEO – Mr. Kalpesh Dave to provide the concluding remarks. Thank you. Over to you, Kalpesh.

Kalpesh Dave: Thank you Natesh. So, on behalf of this Star HFL team I extend a warm welcome and near wishes to all our participants.

I warmly welcome the appointment of Mr. C. Ilango – a reputable financial services professional and Ex-MD of CanFin Homes as an Independent Director on Star HFL board. The governance framework will get further strengthened and Star HFL leadership team will get the right direction to steer sustainable growth under the auspices of a well-respected and experienced Board.

I'm happy to share that Star HFL continues to walk the top of being retail focused, end use driven credit enabler for deserving EWS/LIG family. As we have grown, our leaders on-ground have been personal witness to see house warming ceremonies of our customers. This fills my heart with immense pride that we as an organization have not only started to grow but have also started to play a meaningful role in realizing the home owning aspirations of these deserving borrowers.

Star HFL sees itself as a part of the mortgage fraternity in retail low ticket housing finance space. We along with our peers that includes banks, HFCs, financial institutions, credit societies and others have to work strength-to-strength to enable credit access and play our part in realizing our honorable PM's dream of "Housing for All."

On the business front, it is heartening to see the growth momentum being carried ahead well into the fag end of the financial year without compromising on the quality and the overall framework as well as guidelines that we have laid for day-to-day operations. As we are growing, we are expanding to those areas where we do feel that there is an addressable segment, and we can develop a meaningful presence through our operations.

Our endeavor is to expand to newer geographies subject to necessary approval keeping our retail philosophy intact. I have been saying this on every call and I wish to repeat that quality will always take precedence and priorities over growth and our endeavor will always be to create quality loan book.

So, strong traction in liability, the pipeline so created due to that and consistent capital raise including the recent raise through warrants gives us strong confidence to march ahead on asset side and grow the balance sheet.

Star HFL is and will be a Board driven professionally managed organization. Our employees are our valuable assets and in line with promoting employee ownership ESOP-2 scheme, as said by Anoop, has been approved. I wish to congratulate each and every member of Star HFL who have contributed their bits in the scale up journey.

Finally, I express our gratitude to all stakeholders including the RBI, the National Housing Bank, our banking partners, rating agencies, business associates, valued customers, dedicated employees and their families all of whom have contributed significantly to the growth of this Star HFL franchise. We remain committed as a responsible lending organization to creating value for all stakeholders as we march ahead in this journey of becoming an institution of repute.

Thank you for your attention. Over to you operator.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Majid Ahamed from Smart Invest. Please go ahead.

Majid Ahamed: My first question is assuming that the RBI is going for rate cut, how much will it conflate to your loan book and how much of that will pass to the customers?

Kalpesh Dave: Natesh you wish to answer this question on the probable rate cut and what is the impact of the P&L as well as on our overall lending.

Natesh Narayanan: It is like this at this point of time see we are affordable Housing Finance Company; we are lending in the range of 15.5%. So, we are not typical urban housing finance point number one. Well, if and when the RBI rate cuts happens of course we will benefit from our borrowing side reduction in the cost of borrowings, which will definitely we will aim to transfer it to our customers in the form of a reduced rate, but at this point of time a large part of our book on the asset side is on the fixed rate side floating rate as a proportion of our overall portfolio is not a big number. I hope I'm able to answer your question.

Majid Ahamed: So, what you're saying is fixed and floating like is any bifurcation for both fixed and floating rate?

Natesh Narayanan: Nearly 80% plus of our loans are fixed rate loans and we have extended to our retail customers. It so may happen that the people may do a balance transfer, but then to judge what will be the amount of repricing it's too early. I guess it will take some time there. It will have a lag effect, but then the benefit of it also is that we will also have a reduced cost of borrowing. So, it is not going to have a huge impact in the sense of a negative drag. I guess it should be even handed in that sense.

Kalpesh Dave: Majid I will just add to whatever my colleague Natesh has said. See we have to understand when there was an increasing rate cycle at that point of time I have mentioned in previous earnings call as well that overall impact at that point of time due to increase in the borrowing cost was around 15% to 17% at the free tax level, but that particular impact basically was more or less you know compensated given that we are growing 100% year-on-year growth.

So, coming to your question of repo rate getting reduced obviously there will be a lag effect, that's what history says of passing over that particular reduced rate to us as a borrower. So, as and when we get it obviously that particular 15% to 17% increase that we had encountered that kind of will get compensated and obviously given that we are growing that will add up to the overall bottom line as we say and as Natesh has responded that majority of our loans are fixed in nature.

Obviously, we won't be able to pass on that particular thing to those fixed-rate customers, but for the floating-rate customers obviously that benefit we as responsible lenders look forward to pass on from here on. So, obviously we look forward to that particular positive impact on our overall borrowing cost and more or less kind of getting compensated by whatever reduction was there in that increase repo rate cycle just to answer your question.

Majid Ahamed: And the next question that I have is what about the competitive intensity about the business?

Kalpesh Dave: See in my address I don't view the private sector banks, public sector banks, housing finance companies, small, big, midsized, cooperative credit banks, cooperative credit societies all these are our peers we are a part of the overall fraternity, and I don't need to mention how big is the overall market size we all know that.

And new age housing finance companies like us are also coming to the floor to address this particular segment. So, what I'm trying to say is that the segment itself is so huge that there is an ample opportunity to have peaceful coexistence amongst all the operating players who are there in this particular state.

Our endeavor is very clear. We do not intend to chase market share and as such that is not in our mind. We are very much focused on ensuring that whatever business operations that we do is oriented towards credit and the receivable management is something which we are completely focused on.

So, I would go on to say that Star HFL is a credit and collection-oriented Company and obviously given that we are expanding our presence the business is an ultimate result of that. So, we are not worrying about that kind of competition in terms of who are we competing. We just look within ourselves and ensure that we address this customer segment.

Majid Ahamed: Two more questions. The question that I have is what's your view on balance transfer where good customers are getting pushed by large banks where they're using low cost of borrowing also?

Kalpesh Dave: So, yes absolutely. So, as my colleague Natesh said that our rate of interest is in a certain range, and we are credit enabler to the new to credit customers who are having very limited formal credit history I would say. So, when they come they get onboard at that point of time obviously we do work to talk with them. We help them to inculcate that kind of regular banking habits, importance of. CIBIL score we communicate to them in our every Saturday meetings that we have at our branches to these customers and after a year or a couple of years, or maybe three to four years this is what we have seen.

Once the credit score gets developed obviously this customer does deserve a better interest rate for that matter, and he might opt for a balance transfer, and we are okay with that. I mean, we do not have that kind of intention of holding back the customer. Obviously, if we are able to give any counter offer we do give them, but then it's okay with us.

I mean we have that money getting readily redeployed given the addressable customer segment is large and the same holds true for other housing finance companies also whose balance transfer request we also entertain. So, honestly if you ask me it really doesn't matter to us as the opportunity is huge and the funds are ready to be deployed. So, that is what I would like answer to you.

Majid Ahamed: So, you were talking about expanding in Ghaziabad and North India what about South India the Tamil Nadu market and others Kerala and other parts, are there any plans of expansion in South Indian markets?

Kalpesh Dave: Absolutely. What Anoop said was expanding to a newer geography which is through a physical presence in Ghaziabad that would cater to the areas in and around like Hapur, Meerut, Bulandshahr so on and so forth. We have a presence in Tamil Nadu through a branch in Chennai.

So, what we're trying to do in these existing geographies is to basically expand our base in and around this particular center. So, we intend subject to approvals in place to Vellore, Kanchipuram, Sholinghur these are the three, four areas which we intend to expand to. In Q1/H1 of the next financial year, we intend to have a physical presence over there. Once this cluster gets developed then we basically might be moving over to another cluster in Madurai and associated centers like Theni, Dindigul, Rajapalayam and so on and so.

To answer to your question about Kerala that also again is on the radar, but not in H1. We might think of first moving closer to Kerala which is kind of a city like a Coimbatore and then we see as to how we want to go ahead in terms of that. But yes, just to answer your question Tamil Nadu expanding in down South obviously is there on card.

Moderator: Thank you. We have the next question from the line of Tanush Mehta from JM Financial. Please go ahead.

Tanush Mehta: I want to ask what is our current cost of borrowing and what would you expect for the full year and going forward?

Natesh Narayanan: So, our cost of borrowing at this point of time is 12.17% per annum. We are average portfolio yield is in excess of 16%. So, we have a spread of around 5.5 percentage point. We expect our cost of borrowing to be steady at these levels. We have not seen any major reason to believe all are pending disbursements are around in these numbers only.

Tanush Mehta: And next I want to ask in terms of branch concentration top 10 branches contributing to any particular number of disbursements if you can speak on that?

Kalpesh Dave: Tanush we are cognizant of the fact that there is always a concentration risk that is there if you are concentrated in one particular geography and just to tell you we are around 30 odd locations. So, if you count a top 10 location for that matter, these top ten locations would be contributing up to around 50 odd percent of the total business and also these top 10 locations around 5 to 6 locations would be coming from the state of Maharashtra.

If you see our portfolio cut also around 60% of the overall portfolio is in Maharashtra. We are cognizant of that and hence we are basically diversifying in the existing geography. Predominantly focused is to expand in the geographies existing geographies of Madhya Pradesh, Gujarat, Rajasthan and Tamil Nadu and you will see lot of action on that in the next financial year and obviously new geography of NCR will kind of rationalize the overall top 10 percentage on the incremental side.

Tanush Mehta: Lastly I want to know whether the management is going to upload the investor presentation on the stock exchange for more clarity to the investors.

Kalpesh Dave: So, as a process after the earnings call we make it a point to upload the latest presentation you will soon get access to that.

Moderator: Thank you. The next question is from the line of Brinkal Kumar an Investor. Please go ahead.

Brinkal Kumar: So, I am actually joining the call a little late so I am not sure if this question has been already covered, but could you throw some light on your ALM profile please?

Natesh Narayanan: So, on the ALM front in none of our buckets we have any cumulative mismatch up to 7 years at this point of time in fact up to 8 years also. So, from an ALM perspective if you see the liability profile today borrowing from NHB and banks have been for a period upwards of 7 and even there are some borrowings are in excess of even 9 years so NHB borrowings at close to 10 bank borrowings are upwards of 9 and the financial institutions borrowing that is NBFCs and other social impact funds we have borrowed for not less than 5 years.

So, hence from an ALM perspective we are fairly comfortable. Besides the fact that not only on the ALM perspective we also have a reasonably good cash position that will cover for at least next 2 months of disbursement and also the fact that we have sanctions which will take care of the disbursements possibly even till March end or even April end.

Moderator: Thank you. We have the next question from the line of Ramjit Jaiswal an Individual Investor. Please go ahead.

Ramjit Jaiswal: So, my question is when you pick Portfolio at Risk (PAR), what does it refer and how do you see yourself benchmark against your peers? And the second question is how is the cost-to-income ratio sharpening for the Company given you are expanding sir my questions are clear?

Kalpesh Dave: One you said about benchmarking ourselves against our peers on what did you say appraisal mechanism if I am clear.

Ramjit Jaiswal: The first one will be benchmark against your peers and second is sharpening of the Company as you are expanding in the industry.

Kalpesh Dave: You're talking about cost-to-income ratio once it's benchmarking against peers and cost-to-income ratio, right?

Ramjit Jaiswal: Yes.

Kalpesh Dave: So, if you are benchmarking us as Star HFL as a Company obviously now we are moving closer to becoming a 400 crores AUM soon we'll become a 500 crores AUM Company. So, if I want to benchmark ourselves we are slowly getting transitioned from a very small to allow reasonably small I would not still say midsized Company I would love to see Star HFL reaching that four-figure mark for that matter. So, that is where we are. I mean there are peers however in terms of the business operations that you're talking about Star HFL. We are a part of a fraternity. So, as I said before, there are banks, there are HFCs, there are FIs, there are cooperative credit societies all are our peers. I would not want to benchmark ourselves again because each of them addressed a particular customer segment. We would want to be considered as a retail focused home finance Company providing that housing finance assistance through disbursement of low-ticket loans in our operational geography. So, that is what you want to be known for and that is what we are doing as such and like us there are regional players in the market, there are multi-regional players in the market and there are within our overall group there are HFCs also who have ambitions to become a Pan India player and that that's where we also come from. We also have an aspiration to have a meaningful presence in all those profitable quartile market where we wish to operate and that is that is how I would see Star HFL as a part of the overall fraternity rather than considering as to how whether I am a 500 crores Company or 1000 crores Company I would not want to consider that. So, just to tell you retail focus, affordable Housing Finance Company having an ambition to have a Pan India presence. So, that is how I would benchmark us in this overall case. Coming to your next question of cost-to-income ratio see you have to understand that there is a continuous investment in manpower, technology and the branch infrastructure which we have been doing given that the balance sheet has to grow, and we do not intend to have put strain on one particular branch or one particular regions for all our disbursement. So, that diversification also we are keeping in mind, and we are continuously investing in these three aspects of the business operations and hence you see AUM grows by around 97%-odd, the total income grows were around 70%. The net interest income grows by 50% and the PAT grows by 40%. So, you can understand the operating expenses basically are the ones which are there, which will be there given that we are in this segment where the essential touch and feel of the customers is important and hence the cost-to-income ratio in this particular phase has been on the higher side. However, it is getting reduced every year, in fact every quarter. We started with around 75% to 80% cost-to-income ratio. Currently we are at around 58% to 59% cost-to-income so as to speak. When the overall branch infrastructure settles down, we will be exhibiting linear growth rate of let's say 20% to 25%-odd at that point of time I think the steady cost-to-income ratio should be in the range of around 20% to 25%. I'm not giving guidance, but that is what the overall business plan shows that on a steady state basis, this is where we would be reaching and that's what we are aspiring for. Just to answer your question.

Moderator: Thank you. The next question is from the line of Disha Patel from Lucky Investments. Please go ahead.

Disha Patel: My question is how the Star Housing Finance differentiate itself from competitors in terms of product offerings and customer service?

Kalpesh Dave: So, as I said there is not much differentiator that we as a Housing Finance Company would want to bring in. We are into a lending space. The primary principal business is to lend and that's how the home loan products that are there on the offer that we have for our customers where we obviously differentiate ourselves is when we go deeper into these rural geographies and in these rural geographies there are typical low-ticket loans you cannot classify them as a micro loan neither you can classify them as a low-ticket loan.

They are somewhere in the between of ticket size of 5 lakhs to 7 lakhs to 8 lakhs. This is a very niche segment wherein you need to have those customized product offerings and with that particular respect we do have some kind of differentiated offering in these rural geographies under the brand name of Star Gramin Gruh Loan.

So, those typical loans wherein the existing dilapidated structure in the native place needs to be raised down and you need to construct it that's where we provide funding for. During Corona times we got a lot of requests from these smaller areas where there was a reverse migration, they went back to the native place they wanted an extra floor to be added onto their existing dwelling that's a typical niche product that we had launched at that point of time continues to be operational as well and the third product that basically we offer was to basically give funding towards creation of a veranda or for that matter even bathroom for that matter, or even a study place for the kids for that matter. So, those kinds of smaller ticket loans we do provide under that particular brand name as I said to you and is operational in the rural segment.

Moderator: Thank you. The next question is from the line of Deepak Bajaj and individual investor. Please go ahead.

Deepak Bajaj: I just wanted to know that you are listed on BSE when do you think you will be able to transition on NSE and another one is what credit appraisal methodology you use in assessing your customers?

Anoop Saxena: I think regarding first question the migration from BSE to NSE that will be answered by Natesh. Natesh will be appropriate person to answer this and the second question credit methodology that will be answered by myself that is Anoop Saxena. Natesh if you can just speak about the transition phase from BSE to NSE.

Natesh Narayanan: So, as far as the migration is concerned there are three criteria's. One is net worth, one is I'm sorry one second Kalpesh can you take this…

Kalpesh Dave: So, transition to the NSE. You have to understand what the criteria for this are. So, NSE has three major criteria. First is minimum net worth of 75 crores that's the first criteria. Second criteria are the 10L criteria which basically says that this net worth of 75 crores has to be there for three preceding financial year that's the second criteria and third criteria it has to be consistently dividend paying Company if I'm not wrong at the same time it should have certain quantum of investors which basically makes it eligible to get qualified onto the NSE.

So, the minimum net worth of 75 crores we have met the quantum criteria current network is at around 130 crores so that is a tick mark consistently dividend paying enterprise minimum number of shareholders that also is a tick mark. In terms of tenure, last year was the first full financial year of 75 crores network. This is the second financial year come March we will be completing two year and the next financial year which is FY24-25 will be the third year.

So, after 31st March 2025 we should be meeting all these criteria and in and around that time subject to obviously shareholders' approval, board's approval and other regulatory approvals increase we should move towards NSE and put in our requests to get transition. So, just to answer to your question this is what it is.

Natesh Narayanan: Just to add what Kalpesh said there are three criteria as you said. One is net worth, one is profit making track record, and we're meeting the three-year profit-making track record the network criteria is there. So, I guess by March 25th we'll be ready for making an application to the NSE.

Deepak Bajaj: What about the appraisal method?

Anoop Saxena: So, in terms of credit methodology see one needs to understand that we are rural focused home finance Company and the underlying collateral for which the loan has been provided that underlying collateral is the home wherein the customer is going to reside with his family.

So, for the purpose of credit assessment entire family income whatever stream the customer is generating income that entire income is getting assessed with the help of interview and with the help of scientific excel sheet based assessment model which has been benefited by some of the microfinance institutions with the help of that assessment model and with the help of entire family income after deducting household expenses of the entire family whatever is left in the hands of the customer on that left out amount the appraisal is being done.

Again, since this is net saving to the customer, this net saving is again get validated with the household assets of the customer so that the repayment capacity of the customer can be revalidated and within that frame of EMI whatever EMI customer can afford that EMI can be offered to the customer.

So, in short, that is the basically credit assessment model for the basis on occupation of the customer, basis on income stream of the customer. We have developed about 14 to 15 in-house income assessment sheets which is on the basis of occupation, geography and basis on cash flow model of the customer. So, I think that that answers your question.

Moderator: Thank you. The next question is from the line of Tanush Mehta from JM Financial. Please go ahead.

Tanush Mehta: I want to ask a forward-looking statement how do we see us in the next 5 years?

Kalpesh Dave: So, again I will go back to that benchmarking question that one of the participants asked how we identify ourselves. We were small, we are slowly transitioning to have a meaningful balance sheet 500 crores AUM is the first tangible milestone that we intend to achieve, we are not in a hurry for that if you ask me. We will wait till that happens.

It should happen not later than June and again mind you I'm not giving you any forward-looking statement over here, but tentatively this is around this time we should be able to cross that is the first milestone. The second milestone would be again having a 1,000-crore balance sheet and that's what we intend to envisage over the next 8 to 10 quarters once again mindful of the fact that I'm not giving any forward-looking statements.

Subject to capital being infused, being available and subject to liability being planned in a better manner and we are being able to deploy in a profitable manner without compromising on the quality. Our PAR, which has been consistently coming down, and comes down further, NPA level remains stable and with that particular thing as a background obviously this is the journey that we wish to traverse over the period of next 8 to 12 quarters.

If you talk about the next 5 years. So, if you're talking about ‘27-28, till ‘27-28 I would want to quantify this in terms of number of customers we should be able to serve cumulatively around 50,000 to 60,000 odd customers in EWS/LIG segment and I'm talking about the logins. I'm not talking about the overall disbursement.

We should touch base with these customers and when we are touching base with these customers, these customers should come from a diversified geography. So, obviously the intent will be to become a Pan India player in this particular state and if you're able to achieve that in the next 50 months to 60 months of operations we would think that we are successful enough and obviously the balance sheet and P&L will be build up if you're able to achieve broadly these two aspects just to answer your question.

Moderator: Thank you. As there are no further questions on behalf of Star Housing Finance Limited, I thank everybody for attending the Q3 FY2023-24 Earnings Call. In case of any further queries, please do get in touch with Star HFL Investor Relations desk. Thank you and take care.

****

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