“Star Housing Finance Limited FY-21 Earnings Conference Call”

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Moderator: Ladiesand gentlemen, good day and welcome to FY21 Full Year'sEarnings Call of Star Housing Finance Limited, formerly known as AkmeStar Housing Finance Limited. Today on the call, we have Mr. Kalpesh Dave, who heads the Corporate Planning and Strategy at the company. We have Mr.Natesh Narayanan, who is the CFO of the company and Mr. Ashish Jain – Managing Director of Star HFL. We also have Mr. Rajesh Agarwal from Cleon 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 "*" then "0"on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Agarwal from Cleon IR. Thank you and over to you sir.

Rajesh Agarwal: Thank you Faizan. Good evening, everyone and welcome to the FY21 Earnings Call of Star Housing Finance Limited formerly Akme Star Housing Finance Limited. As you know on the call today we have Mr. Ashish Jain, Managing Director, Mr.Natesh Narayanan, CFO and Mr. Kalpesh Dave, Head Corporate Planning and Strategy.

Today's discussion may include predictions, estimates or other information that might be considered forward-looking. While these forward-looking statements represent company's current judgment on what the future holds. They are subject to risk and uncertainties, that could cause actual results to differ materially.You are cautioned not to place undue reliance on these forward-looking statements, which reflect company's opinion only as of the date of this presentation. Please keep in mind that the company is not obligating themselves to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events. I would also like to emphasize that while this call is open to all invitees, it will not be broadcasted or reproduced in any form or manner.

I would now like to invite the management to share some perspective with you with regard to the company's operations and results for the year under review. And after that, we'll open the call to questions from analysts. Over to you Mr. Kalpesh.

Kalpesh Dave: Thank you Rajesh.So, good evening and greetings. On behalf of Star Housing Finance Limited, ertswhile known as Akme Star Housing Finance Limited, I Kalpesh Dave, warmly welcomes all of you for FY 20-21 earnings call. We also have Mr. Natesh Narayanan, our CFO, and our Managing Director, Mr. Ashish Jain. I hope and pray that all are safe in the second wave of COVID-19 pandemic, please take care and stay protected.

So before getting into the details, I'm setting the flow of the proceedings. I will give an overview of FY 20-21 covering business performance. Mr.Natesh Narayanan will be sharing the financial highlights of the year gone by and our MD will be addressing the key achievements and the path that lies ahead in this journey.

So in the last call, I had shared the company's transformation from version 1.0 to version 2.0. Carry forward this journey, we are happy to share that in the lastEOGMdated April 30th2021. We have received shareholder approval for the change of company names from Akme Star Housing Finance Limited to Star Housing Finance Limited. Post this we have received approval from the ROC and the regulator for the change of the name of the company. We now await for the fresh certificate from the RBI with this new name.

Secondly, we have received shareholder's approval for changing the registered office from Udaipur to Mumbai. This would help us to have a better network with our lenders, rating agencies, media partners, business associate and also to find the right talent to scale with going ahead given our central office would be for Mumbai.We have received shareholder's approval for ruling out of the employee stock option FY2021 and this would enable us to create a sense of ownership, accountability and long-term value creation for our employees.

Finally, we have received shareholder approval for increasing authorized capital from Rs.17 crores to Rs.30 crore. Now this is in-line with growth capital rates plans subject to compliance with all necessary approvals. The above resolution/ approval would enable us to achieve the objectives that we have set out in this journey which is becoming an institution of repute in India's affordable housing finance space. For the year gone byus have achieved the following. Disbursement of Rs.31.25 crore through seven branches, 15 digital POP across the states of Maharashtra, Madhya Pradesh, Gujarat, Rajasthan and Tamil Nadu.

There is year-on-year increase of 11% and increase of 17% considering the business activity**.** This has been achieved with eight months of business activity as April to July was impacted by the nationwide lockdown induce due to the COVID-19 pandemic. Gross loan book now stands at Rs.94.54crores as of March 31st, 2021 with 1107 live accounts, which is year-on-year increase of 22.6% amount wise. Individual loans now comprise of 84% of the total book. Incremental disbursements throughout the year has been exclusively retail with an average loan size of 11 to 12 lakhs.

The company has appointed Mr. A P Saxena as Non-ExecutiveIndependent Director to the board. He comes with a three decades of experience having served at the NHB through its career and retired as the General Manager. He has strong knowledge domain in the areas of risk management, policy formulation, statutory, regulatory compliance and corporate governance and he guide the operating team in these divisions.

The company has deployed the core MMS called Jaguar and digital mobility application for credit appraisal. Incremental loans are now processed through Jaguar and mobility. The digital collection application for receivable management through the loan lifecycle of the borrower has been deployed and shall go live soon. The company has a staff strength of 74 employees as of March 31st, 2021 which is an increase from 12 employees that we had as of October 2019, which was the beginning of version 2.0 which is a transformation story that we have currently going through.

The platform set in version 2.0 has enabled the company to scale up with 20 crores of monthly run rate of disbursement, through the existing network that we have set up. Now this will be utilized to achieve the business objectives in the current financial year. FY2021 has been overall a challenging year where we were tested at all levels.Star HFL team together has weathered and continues to address to the disruption caused by the COVID-19 pandemic. Collective experience and domain expertise of housing finance professionals has enabled us to scale up in these times. And we are passionate to continue the growth story. Now, I request our CFO, Mr. Natesh Narayanan to speak on the highlight of our financial performance. Thank you and over to you Natesh.

Natesh Narayanan: Thank you Kalpesh. Good evening, everybody. For the 12-monthperiod ended 31st March following are the highlights. The gross loan book of the company grew from 77.1 crores in March 2020 to 94.54 as of March 2021. Repayment for this 12-month period including pre-payments were at 13.8 crores. The company has lending relationships from the following, State Bank of India, Bank of Baroda,-AUsmall finance bank, mass financial services, Avansh and Hinduja housing. During the period the company has added two new lenders, we have availed refinance from NHB of the extent of 24.6 crores at below 7%.In FY2021 as I said earlier, Indian bank has been added as a new lender, who has extended a term loan facility of 12 crores. The company also received a 7-croreterm loan from State Bank of India under TLTRO.

Interest income on the financial assets is at 15.53 crores interest expense stands at 4.99 crores. The annual yields on loans and advances is 18.2 while the cost is at 9.8, excluding the credit lines from NHB, the finance cost is at 11%, incremental loans are disbursed at a weighted average yield of 16.5%.The expansion of the company to new geographies setup of infrastructure and onboarding of quality manpower resulted in an operating expense of 6.33 crores of which the office employ expensive stand at 3.97 crores and other operating expenses standard at 2.36 crores.The impairment loss allowance is at 1.95 crores this year. GNP is at 3.07% and the net non-performing asset is at 2.62.As required in the IndAS guidelines, we have done a loan account wise assessment to arrive at the estimated credit loss which is at 69.5 lakhs for the year. And conservatively we have also written off to 1.26 crores of loans as the overall book gets **seasoned 9.51**.In lieu of the COVID pandemic we have provided an additional 52.6 lakhs to the COVID impairment reserve. The total expenses for the period are at 13.42 crores resulting in a profit before tax of 2.18 crores, the profit after tax for the period stands at 1.56 crores, the earnings per share is at Rs.0.99.

Network as of 31st March, 2021 is at 53.6 crores, and the leverage is at 1.2 times.We have entered into a new financial year and at the same time are facing the second wave of COVID pandemic. With this backdrop, I have the following some points to submit, the company remains well capitalized with a net worth of 53.6 crores and the leverage of 1.2 times, we look forward to increase the ambit of our liability management program from here on.We have received shareholder approvals to increase the authorized share capital, and the board too has given an enabling resolution to raise capital, subject to necessary approvals we look forward to strengthening our capital and complement liability to enhance leverage. We have a conservative provisioning policy by virtue of which we have created a COVID impairment reserve. And I've also written off loans as the book gets seasoned**.** The endeavor here is to have a scale up backed by quality and risk being managed to adequate provisioning. Our investment in manpower and technology make us a strong to scale up the balance sheet going forward. I handover this call to Ashish Jain our MD. Thank you and over to you Ashish.

Ashish Jain: Thank you Natesh and Kalpesh. Greetings to all. I welcome you all to the earnings call for FY 2021. Star Housing Finance Limited, the new name of the company reflects not only the standalone identity, but our collective aspiration to be a meaningful player in Indian housing finance space. Post all compliances we shall commence our outreach program with all stakeholders under this new name. We have registered growth during one of the toughest times and the entire team is to be credited for this achievement. We registered record disbursement in the last year in the company's history. We maintained our exclusive focus on retail loans during the year. On the collection front, we have walked the talk with our customer, which resulted in the collection efficiency for the month increased from around 35% in April 2020 to more than 95% in March 2021.

Our physical branches and on field staff and reliance on in-house sourcing has helped us to stay in touch with the customer during this period and enable walk the talk which resulted in becoming regular pretty quickly. Our liability franchise had highest ever raised till date in a financial year. We added the NHB and the UBI during the year to our list of financial institution in the debt profile.We have invested in manpower and in technology during the year and look forward to continue as we scale up and expand in new geographies. We have adopted a conservative provisioning approach and shall continue to do the same factoring in the rich information that we have gathered from this +1100 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 chase the growth capital, compliment with liability and scale of the balance sheet. I sincerely thank all our stakeholders, including employees, business partners, vendors, bankers, auditors and last but not the least our regulators, RBI as well as the NHB, who has supported the company in version 2.0 of itstransformation story. Finally, on behalf of everyone at Star HFL, I pray for fast recovery of all of us who have suffered in one way or the other due to this current pandemic. Please stay safe and protected. Thank you so much.

Moderator: Sir should we start the floor for Q&A?

Ashish Jain: Yes, we should do that.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Venkatesh from Aham House.Please go ahead.

Venkatesh: I was in fact very interested to understand the number of customers who had opted for moratorium and positions that were being created to the level of moratorium customers for the period April, September?

Kalpesh Dave: So, I will take that particular thing up Kalpesh here. So, Venkatesh when RBI had come up with their guidelines on the moratorium in the first COVID wave at that point of time, we had communicated this particular thing to our entire board. And based on the responses that we sought from them, total of around 320 borrowers had opted for moratorium during that particular period, which then comprises of around 28% to 29% of our loan book at that point of time. And accordingly, based on the requirement, the moratorium was being given to the required customers after studying their individual specific requirements. However, one thing that I wanted to tell you is that, in the version 2.0 of your transformation that we have begun since October 2019. If you talk about the loans that we had disbursed post October 2019, obviously, the book get seasonedand so on and so forth things happen. But the way we have diversified into new geographies with a new center, onboarding new customers from these particular geography.Total of implemental of around 470 odd accounts are now through these incremental geographies.

And for those incremental loan accounts, around 29 accounts had opted for the moratorium, to speak of the first moratorium that was announced by the RBIand all of these accounts, have been now regularized and in terms of the repayment behavior weare now online in terms ofregular repayments.Obviously, the provisions that go into the effect we have already provided for in the current financial year. Not only that, as Natesh has already mentioned, we have also considered the seasoning of the overall book, going ahead and factoring in the disruption that has caused by the pandemic and considering the profile of the customers who have reacted to it. We have also been conservative in providing additional amount to the overall provisions that we have made and have written off to the extent of around 1.26 crores during the last financial year.This would have answered your question.

Moderator: Thank you. The next question is from the line of Govindfrom Estrogen Alpha.Please go ahead.

Govind Saboo: I have quite a few question because this is the first call which you are hosting.

Kalpesh Dave: This is the second call that we are hosting, so obviously the first call was a full financial year that’s what we are doing.

Govind Saboo: Right, this is the first call I am attending so there will be some basic questions also. So, we have a loan book of around 95 crores and do we have any wholesale component in this?

Kalpesh Dave: So, the wholesale component of this loan book standard at 16% as I said, 16. 84% of the book is now totally retail.

Govind Saboo: Okay. So, going forward what is our focus area, this ratio will continue or our wholesale book will bend down and it will be a complete retail book or what is the strategy going forward?

Kalpesh Dave: Excellent question. In fact, the strategy to go ahead in terms of our operation is to have an exclusive focus on the retail loan. So, you see our average ticket size is 11 to 12 lakh and the maximum loan that we disburse is with the ticket size of 25 lakhs. So going forward also, this would be the exclusive focus on the retail side of it, primarily catering to the first homebuyers in EWS, LIG segment. Those who are present in Tier II, Tier III and the semi urban location. So, this would be our focus, obviously going ahead this book that comprises of which 16% comprises the project loan that is going to get run down and maybe when we talk next year, this should be in a lower single digit going ahead. I am not giving the guidance but this book will continue to run down from the wholesale part of it and our exclusive focus will be on retail, implemented disbursement all that we have done in the last financial year has been exclusively retail with the same correct.

Govind Saboo: Got it,thank you sir. What has been the disbursement numbers, sir I must say missed it I was couple of minutes late on the call so, if you can share?

Kalpesh Dave: So, the disbursements that we did in the last financial year was 31.25 crore during the year.

Govind Saboo: Got it, okay.And what was the moratorium interest which got capitalized. Or this includes that also?

Kalpesh Dave: Natesh you want to answer on the internet capitalizedin the moratorium part of it?

Natesh Narayanan: So, far as the disbursement is concerned, it’s pure disbursement there is no capitalization of the accounts in terms of moratorium, so the way it is that we have roughly about total restructured account is to the extent of 8 crores and the FYTL was given about 132 accounts that has nothing to do with the disbursement per se.

Govind Saboo: So, what was the amount 8 crore was the morat interest capitalization?

Natesh Narayanan: Restructured loans. So, they have been given a one-to-two-year extension depending on each case. That is the principal outstanding of the cases that have been given extinction as per RBI COVID package guidelines.

Govind Saboo: This is a principal amount?

Natesh Narayanan: Yes.

Govind Saboo: I think I didn’t get my answer, that’s okay no problem.

Kalpesh Dave: He is asking Natesh whether any interest has been capitalized for these accounts?

Natesh Narayanan: No.

Govind Saboo: I was asking for the FITL amount, which is actually the number which I was asking for?

Kalpesh Dave: Total as I said to you is 320 accounts have been granted moratorium under this particular rule, which would basically be comprising of amount of around 17 to 18 crores of the total portfolio.

Govind Saboo: Right. So, out of that on these 320 accounts, there would be some interest component which would have been converted into their loanduring the moratorium period?

Natesh Narayanan: You basically want to understand what is the FITL amount, have I understood you correctly?

Govind Saboo: Yes.

Natesh Narayanan: One second.

Kalpesh Dave: The FITL amount is 4 crore 75 lakhs.

Govind Saboo: Yes, that should be the right number, got it.Couple of more questions if I can ask?

Kalpesh Dave: Sure, please go ahead.

Govind Saboo: So, thank you so much. The third question is that, how many branches are we operating because in the start of the year we are having around operating from around six branches if I'm correct?

Kalpesh Dave: So, in the current year we have continued with the existing infrastructure and we have added one more branch and three more digital POPs through addition of manpower at several of the locations. So, right now as we speak, our total infrastructure is seven branches, seven physical offices with 15 digital POP which is manned by the on-ground staff of sources and processor and these are spread across the state of Maharashtra, Gujarat, Madhya Pradesh, Rajasthan and Tamil Nadu.

Govind Saboo: Got it, thank you. Sir just a simple question on the distribution strategy. So, generally sir in the affordable housing space, the distribution is more towards a closely knit branch and spoke kind of model or physical presence model whereby there is a geographical concentration and from that geographical nucleus companies generally spread in all the three, four directions whatever it is, wherever they are, in a carpet style approach.Whereas we have actually chosen a completely different approach. So, can you just elaborate a little more on the distribution strategy of the company going forward?

Kalpesh Dave: Certainly. So,right now as anyone would see it, right now it would look as if it has been opened up in a discreet manner. However, we would wanted to brief your attention is that, wherever we have opened up, we had to open up in the state of Maharashtra because Maharashtra comes number one in terms of demand for affordable housing unit on the retail side of it. So, that was obviously we have to come to the state of Maharashtra and more of so, operate from Mumbai which is a financial hub, that's where we find the talent for scaling up. So, obviously, it was a no brainer, we had to come down into Maharashtra and specifically operate from centers like Mumbai, Pune and if you go into the Vidarbha it would be either Akola or Nagpur we settled in. So, that was one particular thing that we did, however if you talk about Gujarat and Madhya Pradesh, these are contagious geographies of Rajasthan. And this company has been operational in the Southern portion of Udaipur and Southern portion of Rajasthan which are kind of border areas of Gujarat and Madhya Pradesh. So, I do not see that kind of expansion in real sense only expansion that we did is that, we ensured that we have a physical premises at the location. So, that is what how we expanded over that.

Coming down to Tamil Nadu obviously, that question is pertinent, but Tamil Nadu by virtue of it being the second largest market in terms of demand for housing unit we thought that we should have that particular state also be picked in our overall scheme of thing. Now, what happened is that, obviously the expansion that we go ahead, the states that are coming in between like Karnataka, Andhra, Telangana, Chhattisgarh for that matter, these obviously were planned in the manner that it would basically ensure that the overall it looks like a contiguous thing from Rajasthan down to Tamil Nadu. So, when you probably maybe look 12 or 18 months down the line, when we may think of opening up centers at these locations and manage these locations, then the overall scheme of things will become clearer to me. However, this has been a particular strategy to ensure that first of all, we choose the region which has the maximum potential in terms of scaling up and within that particular location, we choose a city center for example, if I'm in Pune then I am ensuring that I have a physical branch or a main office at Pune, which will ensure that all it is easily accessible for all the associates be it vendors, be it my sales staff, process staff, be it my customer who would be coming down to city center for a job, so on and so forth.

However, my area of operation is not Pune, my area of operation is Mahad or Baramati. So, Mahad andBaramati are the two centers from where I am operational, and these two centers are easily connected to Pune. So, in that particular sense, it is not just anyhaphazard way of opening up the center, this was very planned way when we thought that we will find for a micro market where a player like us would be firmly entrenched**,**get a foothold because of the demand that is emitting from that and as it becomes urbanized over a period of time and as we also become competitive over a period of time, we would be offering the same services to the expanded set of customers and then we would be subsumed under that urban agglomeration, and continue to offer the services to the segment, broader segment that comes under the urban area. So, this has been the overall strategy if I am able to explain it to you.

Govind Saboo: Got it. Thank you for a detailed discussion, because we have looked at Awas and other players who are in the similar market and similar product, they have done it little differently. So, it was critical to understand how you are planning to do it. Sir, if you can just explain that you are planning from capital risk program for the next year and so,so what is the plan which you are hoping or which you wish to raise because, it is a capital-intensive business and a high growth would require capital to leverage so what is your program on capital raise?

Kalpesh Dave: Yes, so two things to it. If you see Natesh has said that our average in terms of stability outreach. So, as I said, that our leverage right now is at 1.28 so there is a tremendous room, or in fact a good enough room for increasing our leverage that is what we're trying to look for in the current financial year. However, as you rightly said that, if you have an aspiration let's say three to five years down the line become a reasonably sized player in the market, obviously capital raise is something which you have to look forward to. So, on the capital raise plan, I would say that, we have increased our authorized capital from 70 to 30 crores because, that is something which we envisaged subject to all necessary approvals, and again capital is something which is the board approved exercise and there are certain other compliances that you need to follow, but that is something which would be there in our overall scheme of things, beefing up the capital through incremental capital raise, and then leveraging the strengthened liability franchise going ahead. So, obviously just to answer your question subject to necessary approval, we have put up all those things in place towards the growth capital as we scale up, but then again capital raise is the board approved exercise, and we would be have to follow other compliances as well for that.

Govind Saboo: Got it. Sir just couple of last questions, and then I will rest for the moment. One is that your disbursement incremental disbursement or incremental portfolio IRR as mentioned were16% whereas, you're portfolio IRR as at the start of the year was around 22%, 23%. So, this is a huge shift in terms of customer profiling and the product profiling. So, can you explain what has been the change and what is our strategy going forward?

Kalpesh Dave: Certainly. So, the IRR on the portfolio has been at around +20%, it has been basically it ranges from 18 to 22 odd percent. But however, as I said that if you have to scale up and you have to scale up in a way and fashion that you ensure that the overall quality on the portfolio also remains maintained, then obviously you need to kind of come down in your interest, you have to rationalize rather, I will say in your interest rate offering that would be given to the customers. That's true that whatever offering that we make, the risk gets captured into the overall rate of interest that gets offered, but we would want to be in that particular sweet spot going ahead of 12% to 13%, where we would be kind of good enough to scale up and that we envisage that going ahead as the accruals happened on the borrowing side of it as well as on the OPEX side of it, we would look forward towards operating in that particular region. However, having said that, incremental disbursement that are being done in 15% to 16%, there has been no change in the focus in our target segment of customers or for that matter geography, it remains the same, it remains EWS,LIG focused company.We would continue to offer long term housing finance assistance to these first-time homebuyers who want to own a house in a project probably that would be qualified under Pradhan Mantri AawasYojana or would want to develop a low-cost housing unit on its own land.That is something which we would be looking at and our area of operation also would be into Tier II, Tier III and the semi urban towns at least for the times to continue. So, that is has been remaining constant, only obviously for the scaling up purpose and for ensuring that you have a better-quality loan book. We are trying to rationalize our offering to the customer. Obviously, this gets captured however, into the offering that we make.

Govind Saboo: Yes, fair enough. And your ticket size remain same 11, 12 lakh average ticket size?

Kalpesh Dave: My average ticket size is 11 to 12 lakhs during the year. Even in the last year when we incrementally started incrementally dispersing under the new version, new avatar obviously at that point of time also it was 11 to 12 lakhs. So, it remains the same.

Govind Saboo: So, the house which you are financing would be around 20 lakhs around, 20, +20 or what?

Kalpesh Dave: Yes, so my average LTV currently is at around 55% to 60%. On the incremental disbursement, so that is what it is right now.

Govind Saboo: So, it's 20 to 25 lakhs?

Kalpesh Dave: Yes, that's right you got it.

Govind Saboo: And the borrower profile would be largely self-employed or salaried ones, how do you categorize that, a broad idea not.

Kalpesh Dave: Yes, I'll give you an idea. On my overall book the salaried self-employed split is around 15% to 20% for salaried, rather 15%, salaried and 80%, 85% self-employed on incremental loans and now loan is showing those characteristic of incremental loan, on incremental loans it is 40:60 now.

Govind Saboo: Okay. So, self-employed is 60?

Kalpesh Dave: Yes.

Govind Saboo: Got it. So, your focus has shifted from self-employed to salary?

Kalpesh Dave: We want to diversify in our customer segment type as well, becausejust reliance on self-employed category would incur a lot of seasonality and lumpiness in the overall repayment. Butwould want to tell you that they are quasi self-employed, they have other sources of income as well. But however, we would consider it as salaried part.

Govind Saboo: Yes, he must be working for a shop and also delivering his project.

Kalpesh Dave: Yes, exactly.

Govind Saboo: I understand that segment. Yes,that I understand. So, sir last thing I would like to broadly understand our offering vis-à-vis our larger peers, which are basically Awas and home first and all the names which you also know and I also know so I will not want to name them. But is there any product differentiation or some strategic differentiation in terms of how we are building our business and how they have built their business so that we can have an idea of the growth trajectory here we will be falling for next let say four, five years at least?

Kalpesh Dave: So, really, really nice question and appreciate that. So, you see we provide financial assistance to our target homebuyers looking to purchase these low-cost units and as I said, that operation is Tier II, Tier III semi urban areas. So, these locations are obviously frequented by public sector banks, RRBs, Co-Ops and the other, affordable housing finance HFCs that would be there in overstatement.But one thing that you would appreciate and you also would know that, the demand for housing in this segment is like 95% of the total housing shortage or the market opportunity, which I do not want to quantify because you would be knowing it, is emanating from this particular segment. So, what we have seen, in fact in my experience of around 15 years in this market is that, if there is an opportunity for a peaceful coexistence for everyone.Everyone can build up their own niche in this particular segment, and ensure that the book is being built up. So, when I think about differentiation, I do not think that in terms of product differentiation you can kind of provide obviously, during the walk the talk you will obviously handhold the customer and provide that necessary customization, but two things which I think would set any particular HFC or rather Star Housing Finance apart is the fact that, we do know that, or rather we are able to calculate what is the exact amount that is required for a particular person to be financed to, and the second is the amount has to be dispersed on time. So, that’s where the gross inefficiencies of other banks, other RRBs, and Co-Ops come into the picture.There tact is, suboptimal to say the least. So that’s basically HFCs like us and HFCs like probably others who have created niche in themselves come to the forth.

So, what we have done is that we have leveraged technology that would ensure that my tat from login to sanction which was erstwhile, around three to four weeks maybe now, it has come down to three days for a salaried profile provided, all the documents are getting captured, and for a self-employedit becomes seven days. So, what happens is that,#A getting the right amount to this particular borrower and getting the right amount of this particular loan at the right time is basically what sets us apart.Obviously, the domain of the people who are there on ground, that is something which has ensured that, the loan book that we are creating at these locations remains impeccable and that is evident in the remarks that we said.

So, these are the two differentiations, which would set us apart and help us to scale and gain a foothold in these geographies where other people also would be there.

Govind Saboo: And growth trajectory which we can expect for next four, five years, if you can just?

Kalpesh Dave: Growth trajectory is something I would not want to give any forward-looking statement. But we are, crossing one milestone after the other, in the times to come the first step would be to become a systematically important HFC as classified by RBI and then go on from there. So, we do not want to chase on any milestone as such, we just want to ensure that whatever we do, we do it well and factor in all the disruptions that are going to happen or rather happening to ensure that the focus is impeccable in terms of quality. And obviously, the returns are good enough for the stakeholders in the long term.

Govind Saboo: So, I was not actually asking for any numbers or quantification.

Kalpesh Dave: I'm sorry, the first milestone is systematically important HFC is something which we would like to.

Govind Saboo: Sir, I just wanted to understand that. It's a huge market, as you have already told and there can be a co-existence of multiple players and we are very, very small, we are just a drop in the ocean kind of, if the rightanomalyI have to use. So, we are just a drop in the ocean. So, now it is the aggravation of the management or the nature of the management where whatever business they want to do, they can actually do, whatever growth management wants to do, they can do. So, that was the whole point in asking the level of aggression which we are forcing, or that was the whole idea sir. Nothing, no quantification or forward-looking statement.

Kalpesh Dave: Got your point. So, I'll tell you, with the current network that you've established, so, I've said that during the call also that we are good enough for 20, 25 crores of monthly rented with a current setup. Obviously, now with an assumption that capital is available on tap, the domain of the people on ground that is there, my, in-house sales team. 75% of my incremental loans are now getting choose in-house, my processor, my underwriters on ground, my underwriters in the central team have that impeccable experience out and out working only in these kinds of, customer segments. So, in terms of scaling obviously we are trying to gauge trying to ensure that all those levers are intact, and that is why you see that we have incurred expenses on the manpower, we have deployed to technology suite, we have also deployed mobility application to ensure the scale up happens. So, as you rightly pointed out to you the scope is infinite and the team is capable enough to do it subject to capital being available and all things being benign. So, that is what I would like to say obviously, but first step is to become a systematically important HFC.

Govind Saboo: Got it. So, you can choose the growth number which you want to do, I believe.

Kalpesh Dave: Yes. So, that is what I would like to say.

Moderator: Thank you. The next question is from the line of Jay Mehta from KSA Shares and Securities.Please go ahead.

Jay Mehta: Sir myquestion would be on the technological front, are we developing any omni channels where we planning to sell our product or cross sell them to our customers or because our demographic is Tier II and Tier III cities, we are not developing as of now ?

Kalpesh Dave: You are talking about FinTech kind of platform, you are talking about?

Jay Mehta: Yes, for are we using ML or any type of technological products?

Kalpesh Dave: So, Jay I will just give you what it was, the company basically was working in a very, very discreet kind of a technology environment where basically the loan management system at that point of time, if I were to tell about if I were to take you back before October 2019 it was more or less an advance version, it was that kind of a legacy system. So, what we have done step one is that,we have ensured that it gets migrated into core elements where the entire end-to-end operation along with the overall accounting part of it gets taken care of by this particular package. And we also ensured as I just said before also that if you have to reach out to the nooks and corners of these geographies you have to ensure that you are well equipped technologically. So, that's where we deployed the mobility application where the log into sanction will happen through this particular technology. So, the intent over here was to ensure that we actually take the branch to that particular borrower, my sourcing staff basically is able to capture all the income KYC andrelated information of the borrower through this application, my underwriter should be able to assess or rather pinpoint the residence verification, employment verification, so on and so forth for this particular borrower, that's what this particular system does. So, that is where we are at this point of time, we are right now, ensuring the end-to-end processing of the loan application, which is the bulk of it, that has happened right now since October 2019, 100% loans are now right now getting processed through the digital mobility application with the core element.

Going ahead, we do feel that whatever technology would be, it is important to get a touch and feel of the customer by actually personally visiting, his or her premises because this segment is such that unless and until you know the customer or you see the customer, you won't be able to appraise the credit worthiness of this segment.So just to answer to your question,we are taking step-by-step, I don't know how it would pan out over a period of time where we would be able to incorporate AI and MLs of the technologyseen into this particular segment. However, the focus right now is to ensure that end-to-end proceeding happens to technology, all the attributes related to the borrower, his lifestyle, his habits all gets encapsulated into the mobility application and flows into the core element, which helps us to take a better credit decision and ensure that whenever there is a red signal that gets communicated across the rank and file.So, that is where we are at this point of time.

Jay Mehta: So, sir average loan processing time would be how many days?

Kalpesh Dave: So, as I told you that my optimal loan processing time for a salaried customer is around three days, three to five days maximum if he isinto the farther reaches of the geographies of operation provided all the documents are completed and for a self-employed it will be around 7 to 10 days.

Jay Mehta: Okay. And GNPA and NNPA for FY21?

Kalpesh Dave: The GNPA as of 31st, March 2021 is 3.07% and NNPA is 2.62%.

Jay Mehta: Okay, and sir can you just tell me the NIM margins now and going forward and how the quarter one, the second wave of COVID is affected and are there any customer touch points or the employees are going door-to-door or is it everything clubbed in and back-office work is so, how is the market doing?

Kalpesh Dave: Yes, so I'll tell you. COVID pandemic is something which entire financial services space has observed a disruption and we are also no different from it. So, first thing what we did, in the month of March when the lockdown was announced, we decided that we will ensure that first of all the business activity has to come on board, which is the incremental disbursements, I hope I'm trying to make you understand what I'm trying to say. So, the incremental disbursements at that point of time were halted, all our focus got concentrated on to the customer and ensuring that we understand how the customer has been affected and we maintain close connect with that particular customer. So, what happened at that point of time is thatour staff as I told you now across the locations position knows in and out of these (+1100) loan accounts.And the ones who have been responsible for processing these loans also are associated with us. So that gives us a great comfort, the incremental loans as a part of version 2.0 entire customer base in and out we know along with the ones who have been there in the legacy part of it as well. So what we did is that, we initiatedthe walk the talk program with our customers, understood the impact that they had on the lifecycle. And we continued educating them. Education and awareness are the important aspect for this particular segment where we are operating.

And then we offered moratorium to 320 loan account as I said it before also when RBI came up with the moratorium guideline.Now, collection efficiency would want to say which Ashish had said, that it was around 30 odd percent in April 20, which then got increased to 75%, I am talking about the monthly collection efficiency to 75% by July 20. And at the end of the quarter, it was around +90%. So, we already had a believe that while this segment would be the first to get affected, but these are first time homebuyers, these guys would be the first one to get regularized as well. So, this got validated that even if they were the first to get hit by disruption, the same segment would be the first to become regular. So that's what actually, our monthly collection chart also showed.Then we started the disbursement from the month of July onwards and in a calibrated manner. So what we did is that, we revisited our pending disbursements, we revisit our pending sanction, we scrutinize the logins once again, we revisited our policy and guidelines for processing, we revised our negative list of customers and geographies, we kept a close tab on the developments in the districts and the locations where we were operational, and any particular alert was communicated to the head office to ensure that, we are in touch and accordingly this strategy gets formulated.

Then last what we did is that, under the guidance of the board also we decided to be conservative in our provisioning policy, the accounts that got hit by pandemic and got seasonedand other factors also were taken into consideration we ensured that we right those off and at the same time have the focus on getting those accounts collected or have some kind of resolution in place. The same was for the second wave as well Jay. So, in the second wave, we have maintained the similar kind of an approach. We have reached out to the customer.

Jay Mehta: Few of the regional players are focusing on having a field staff to understand the pulse of the market, especially in Tier III and Tier IV cities. So, I'm just asking how is the Star Housing placed in that segment which is critical?

Kalpesh Dave: Exactly, so the walk the talk as I said, with the customer is through our on-field staff itself. So, all ours.

Jay Mehta: Do we have on field, like the business correspondence in this field?

Kalpesh Dave: Out of my staff of +75 people more than 30 would be my correspondence in terms of the ones who basically have touch base with the customer at a time of sourcing the file and if you consider the processes as well, it would go well beyond 50, 55 people. So out of 75 as I said around 80%,80%, 85% would be the on-ground staff and that is how the close connect we have maintained. And, I could say to you, how we have performed during the pandemic, and the current pandemic also, we see the similar kind of approach in terms of customer behavior, we do feel that, if everything ends well and things get normalized, we should be good to go ahead in terms of incremental dispersion from July onwards. But again, it all depends on the guidelines and other things.

Jay Mehta: Right. Sir and how many staff do you plan to add on to this so that assuming that for per employee the loan disbursement is increasing?

Kalpesh Dave: So, Jay whenever I open a new location, I ensure that it gets manned by a unit head, by an operation staff, by a credit staff and a team of four to six in-house sales team. So, if I am opening let's say our new branch, you will see the staff count getting increased by 8 to 10 people at any point of time.

Jay Mehta: Okay. Sir and NIM margins if you can just provide me for FY21?

Kalpesh Dave: So, the NIM margin that we currently right now are having at this point of time, the incremental loans as I said is at around 16%, my cost of borrowing is at around 9.1%, 9.2%.Considering NHBif I removeNHB it would be around 10.75% to 11%. So my NIM, I am talking about the spread because right now it would not be comparable to give you the NIM numbers so my spread would be around 5% to 6%.

Moderator: Thank you.The next question is from the line of Mangesh Kulkarni from Almondz Global Securities.Please go ahead.

Mangesh Kulkarni: Yes, I just wanted to know you're 16% of your loan book is wholesale. So what is the average size of these loans, what maximum and lower side?

Kalpesh Dave: The average ticket size is 1 crore;we have 15 loan accounts.

Mangesh Kulkarni: Okay, thank you. And in terms of our latest collection efficiency, in the second wave, in the first two months, what are the numbers like you said that collection efficiency was around 90% by the end of March, so what is the status currently in first two months of the FY22?

Kalpesh Dave: So, in April the collection efficiency has been at around 45%. And in the current month, we anticipate it to increase it up to 65%. But again, seven days are left so, that's how we are seeing. So it is a bit improved one, in terms of the customer behavior vis-à-vis COVID one pandemic, but again it's too early to say, we would want to go through one particular quarter to analyze as to whether there's a marginal improvement or not, but all I would say is thatMay has been better as compared to April, and I do hope that June should be much better than May and by July things should get normalized.

Mangesh Kulkarni: Yes. And one thing I just wanted to do know, are we thinking of any co-lending tie-ups with the banks and financial institution?

Kalpesh Dave: Yes, so that is something which we as a company would be open to, in terms of exploring the co-lending or other kind of tie-ups, but that again depends on the partner that would be having with. So, that particular partner has to be similar kind of a DNA, same kind of customer segment being addressed to, similar geography of operation so on and so forth. So, if that happens, it would be good enough to look at any proposal that come our way and we also would be reaching out to such kind of players who would be active in the market.

Moderator: Thank you. The next question is from the line of Sunil Mehta, Individual Investor. Please go ahead.

Sunil Mehta: Yes. I just wanted to know, do you have any plans to open branches in Ahmedabad and other cities of Gujarat?

Kalpesh Dave: So Sunil, we already are right now having a presence in Surat. And through Surat, we are attending to locations like Navsari, Valsad,Kim, Kosamba, so on and so forth. Obviously, the first step would be to ensure that the Southern part of Gujarat gets well populated and then obviously, depending on the attractiveness of the location, the North Gujarat and the Saurashtra part of it would get populated going ahead.

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

Kalpesh Dave: Thank you so much, operator. So, on behalf of Star Housing Finance Limited, I thank everybody for attending the earnings call. In case of any further queries, please do get in touch with our Investor Relations desk. Thank you and take care. Bye. Operator we can close the call.

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