



“Star Housing Finance Limited Earnings Conference Call”

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LIMITED**
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Moderator:

Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Star Housing. 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 star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Saxena. Thank you, and over to you, sir.

Anoop Saxena:

Thank you, operator. Good afternoon, everyone, and a warm welcome to Star Housing Finance Limited's Earnings Call for the quarter ended June 30, 2025. Thank you for joining us today. Before we begin, a brief information note, our Chief Financial Officer; Mr. Natesh Narayanan has left the organization. We thank Natesh for his contribution and wish him well in his future endeavors. In his absence, I will be covering both the operational and financial highlights for this quarter. Our leadership and finance team remain fully engaged and committed to transparent disclosure and continued delivery against our strategy.

Let me start by briefly introducing Star Housing Finance Limited for the benefit of new participants. Star Housing Finance Limited is a retail-focused housing finance company committed to enabling first-time homeownership in semi-urban and rural India. Our focus remains on economically weaker section and low income growth, providing housing loans for purchase, construction and incremental housing needs. We are headquartered in Mumbai and operate through a network of branches across the states and regions where we serve our customers.

Now I will walk you through the operational and financial highlights for Q1 FY '26. Asset under management as at 30 June '25, stood at INR 546.58 crores. This represents a year-on-year growth of 16% compared to June 30, '24. Disbursement in quarter 1 FY '26 aggregated to INR 24.41 crores. Our live customer base now stands at 5,400-plus borrowers.

The average incremental loan size in semi-urban market remains around INR 10 lakhs, while in rural center, it is approximately INR 8 lakhs. Our branch network now total 37 locations across Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, National Capital Region, Tamil Nadu and other operating regions.

Our employee base stands at 280-plus housing finance professionals with strong local market knowledge. We have an upgraded lending suite now enabled end-to-end loan processing, improved receivable management and better credit monitoring, resulting in improved turnaround time and operational productivity at the branch and individual level.

Portfolio at risk stands at 5.18% as at June 30, '25. Gross NPA and net NPA are 1.65% and 1.13%, respectively. These metrics demonstrate the team's continued emphasis on credit selection, underwriting discipline and collection effectiveness.

Total borrowings of the company stands at INR 391.91 crores sourced from diversified mix of

banks and financial institutions. Debt- to-equity ratio remains -- as at June 30, 2025, is 2.69 times. In the liability pipeline comprising committed limits, undrawn facilities and partners proposals, remain robust and calibrated to support our planned asset growth.

On shareholder front, the Board has recommended a final dividend of INR 0.10 per share, subject to shareholders' approval in the upcoming Annual General Meeting. The Board has approved fundraise through issuance of non-convertible debentures of up to INR 50 crores and also approved the increase in authorized share capital of the company to INR 125 crores from current INR 50 crores, subject to shareholder approval in the upcoming Annual General Meeting.

India rating has affirmed our rating of BBB stable for the proposed non-convertible debentures. I will now summarize the key financial numbers for quarter 1 FY '26. Asset under management is INR 546.58 crores. Total income for quarter 1 FY '26 is INR 21.81 crores. Net interest income for the period is INR 8.25 crores. Disbursement for the quarter was INR 24.41 crores. Profit after tax for quarter 1 FY '26 is INR 1.38 crores. Return on equity is 3.83%.

These results reflect continued traction in loan origination, healthy lending spreads and disciplined cost management, while being based selectively in branch expansions, onboarding talent and digital capabilities. Our business momentum and the strategies focus being, our priority remains building a high-quality asset under management, expanding reach while maintaining stringent underwriting standards and robust collection processes.

We will continue to scale both direct branch origination and co-lending partnerships to diversify funding and reach, focused investment in our lending platform, digitization of loan processing and analytics to drive operating leverage and reduce unit cost. We remain committed to improve financial behavior among our borrowers, many of whom are former credit users for the first time. This should expand lifetime customer value and cross-sell opportunities.

I will now hand over the call over to our CEO, Mr. Kalpesh Dave, for his closing remarks and guidance on the path ahead. Thank you, and over to you, Kalpesh.

Kalpesh Dave:

Thank you, Anoop. Thank you so much. And thank you all the participants for joining us today. I just want to keep this interaction pretty much non-scripted, so allow me to just express my thoughts in a very unedited manner.

You must have experienced that the lenders in this particular space, the HFCs, NBFCs, specifically the sub INR 500 crores AUM category lenders, have faced enormous headwinds in the last financial year. More specifically in the H2 side of it, which is Q3 and Q4. Ideally, H2 is a time where the scale-up is envisaged but Q3, Q4 was a mix for many HFCs, many NBFCs.

And we also have -- given that we are a part of the fraternity, we also were impacted by the same, reason being the liability pipeline, the liability offtake, which was envisaged that kind of suddenly got stopped for smaller HFCs and NBFCs. And hence, we also got impacted because of that.

So what we did at that point of time, more specifically in Q4 is we basically had a direct assignment being done with the Vastu Housing Finance, okay, which gave us the liquidity helped us to restart the overall branch engagement process and courtesy that Q1 was the period in which

we've gone back into business again.

So if you see Q4, we registered a profit, but the majority of the profit was from the DA transaction, but Q1, again, back to the operating profit, which we have registered. Obviously, it is lower than the Q1 last year because of the onetime income, which we had registered in the Q1 last year, this time, we have not registered it, okay

So if you remove that one-off effect, the results are pretty much in line. So that is something which I want to tell you. With respect to exit of our dear colleague Natesh, Natesh had the personal exigencies in -- facing him and when the call has to be taken between what to do and family comes first, so we basically wished him best of luck. And right now, he is taking care of the family engagement, which he is running right now at this point of time. However, Natesh continues to be the part of overall ecosystem and he guides us, he advises us as and when required. So that is the update on Natesh.

Some of the key things that we have done in the Q1 quarter is basically applying to the NSE platform. So NSE platform becomes a natural succession for us, given that we're a BSE mainboard listed company. We have applied to the NSE on 16th of July. I'm sorry. I think I was cut off.

Moderator:

Sorry for that. No, sir, you're live, please go ahead.

Kalpesh Dave:

Yes. So what I was saying is that NSE was a natural progression for us. We applied formally to get direct listing on to the NSE platform of 16th of July 2025. We got two rounds of queries, which we have replied to. And we continue to engage with the NSE team, for further resolution of queries and we see that we get onboarded onto the NSE in the optimal time, subject to all approvals in place. So that is the first update I wanted to give you.

Second update I wanted to give you is we have also initiated co-lending with Vastu Housing Finance. So that is something which we are very much keen in terms of the business buildup as we envisage. In our previous calls also, you had said that co-lending with Vastu gives us a good pipeline and a good synergy in terms of overall operation. So that is something which we're looking forward to. That's the second thing I wanted to tell you.

The third thing is increase in the authorized capital. We have increased authorized capital in the last Board meeting and now the authorized capital subject to shareholder approval in place will get increased from current INR 50 crores to INR 125 crores. So that is something which I want to tell you. Dividend payout, we have agreed to have a dividend payout given to our shareholders. This time, it has increased as well from INR 0.075 to INR 0.10 paise and that also is subject to shareholder approval in the coming AGM.

Liability now builds up well. So we have a good pipeline getting built up from our existing lenders as well as from the couple of new lenders also in terms of instruments as well. So we are hopeful that we will not miss the bus in H2, which happened unfortunately in the last financial year due to the macroeconomic conditions. I mean, we were not the only one, as I said to you. So that is something which I wanted to tell you.

On the capitalization front, obviously, authorized capital -- increase in authorized capital, we give

a fair bit of idea of what we want to do. But again, that is subject to all approvals in place. And as and when the time comes, the consummation of discussions and everything happens, at that point of time, we will be sharing the new subject to all approvals in place. So right now, it's too early to say, but nevertheless, we are engaging to strengthen the capitalization levels as well.

So with this in place, the purpose remains unchanged, that is to responsibly enable homeownership among the first-time homeowners and create long-term value for the customers, employees and shareholders. And I'm confident that with the Board's guidance, strength of our team and the support of our partners and regulators, Star HFL is well positioned to translate the current momentum into sustainable, profitable scheme in the periods ahead.

I would like to end this call by extending my thanks to all the stakeholders, that includes RBI, NHB, banking partners, rating partners, business associates, our customers, our dedicated staff and their families and our shareholders who have stayed with us throughout and each one of them have played a pivotal role in making this coming, and we look forward to their continued support as we march ahead. As a competitive responsible lending organization, we are dedicated to creating value for our stakeholders as we strive to become a respected housing finance institution.

Thank you for your attention. Over to you, operator.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Our first question comes from the line of Vinil, an investor.

Vinil: From the recent press release, I just learned that the disbursements were around INR 20-odd crores for the last 3 months. Can I know what the disbursement in the next 1.5 months of the current quarter?

Anoop Saxena: Yes. So Vinil, Anoop this side. So for the current quarter, we are poised to disbursed approximately what we have disbursed during the last quarter -- more specific to during the last 1.5 months, we have disbursed approximately INR 20 crores until now. I mean, I'm talking -- very specifically I'm talking about for the month of July and mid of August. So during 1.5 months, we disbursed approximately INR 20 crores.

Vinil: The same run rate would continue or we are going to ramp up?

Anoop Saxena: This is going to ramp up. Yes. This is going to ramp up because of the reason, if you have heard our CEO, Kalpesh Dave's remarks, so there were some issues in terms of debt rates, specifically conditions related to market conditions. Now since those conditions are over, we have raised funds from financial institutions as well as from the regulator, and we are trying to ramp up the rate.

Moderator: Next question comes from the line of Natasha Shetty from Star.

Natasha Shetty: My question is what is the geographic product wise contribution to AUM growth this quarter?

Anoop Saxena: Natasha, if I heard you right, then product wise contribution you're talking about, right?

Natasha Shetty: Geographic and product wise.

Anoop Saxena:

Okay. So geographical concentration is still in the state of Maharashtra, and when I'm stating state of Maharashtra that typically means, in Maharashtra, we operate through 3 centers. One center is based out of Akola, another center is based out of Pune, which handles rest of Maharashtra and third center is based out of Mumbai, which is in Vashi. So though there is portfolio concentration in Maharashtra state per se, but these 3 centers are culturally different to each other in terms of cash flows, in terms of customer economic scenario and in terms of underlying collateral.

So up to now, my majority of portfolio comes from the state of Maharashtra, followed by Rajasthan, then followed by Madhya Pradesh and rest other regions are contributing approximately equally in terms of portfolio. In terms of the strategy, we are trying to ramp up our business in National Capital Region and Tamil Nadu, which is deep South. So these 2 states are there, wherein we are trying to ramp up business more efficiently and effectively.

In terms of product-wise contribution, our major product since we are affordable housing finance company, so as a vision of the company, approximately 95% portfolio comes from individual housing loans only. So that is the major product for you.

Natasha Shetty:

Okay. And sir, going forward, are you going to like, there will be any diversification or more products product wise?

Anoop Saxena:

So, Natasha, since we are affordable housing finance company, so within the ambit of housing finance definition, whatever is there, we are doing those products in terms of affordable housing only and whatever is allowed by regulator, within the definition of affordable housing finance, we are happy to serve those products to the customer.

Natasha Shetty:

Okay. And sir one more question. Sir the NIM is 6.61 and so do you see that this level is sustainable going forward or will there be any moderation given the rising borrowing cost?

Anoop Saxena:

So, okay. So, the thing is, if you will look at my debt profile during last financial year, my equity could not be raised because of some market economic scenario. Because of not raising equity plus the cheapest fund from a regulator, those funds could not be availed, again, because of market economic scenario.

Because of that reason, we can see a slightly increase in my cost of fund, cost of borrowing. Though, since now regulator funds has been availed plus equities also on the verge of closing, if I may quote that. So, we can see a slight decrease in upcoming quarter or in H2 per se, in terms of cost of borrowing. I hope that solves the answer.

Moderator:

Thank you very much. Our next question comes from the line of Ganesh Kumar. Please go ahead.

Ganesh Kumar:

Hi. Thank you for the update. I want to know, do you explain a reason for declining profitability and disbursement and I want you to share your guidance on assessment quality particularly expected on NPA levels for the coming period?

Anoop Saxena:

So, Ganesh, your question is not clear. If I may.

Kalpesh Dave:

What he was asking is about why there has been a decline in the profitability, Anoop and why

numbers are getting decreased. So, profitability decline, as I said in my talk also that there was a one-time income, which we had booked in Q1 last year, which we have not done this time. Obviously, for the fact of the matter that disbursements are getting restarted at that point of time, obviously, other activities take a backseat and your focus becomes on ensuring that the branches come to the optimal level.

So, our focus is right now getting back on track, not running, not sprinting, but basically walking slowly to get back on track. So, hence, there has been optimization in the profitability, but if you compare it with Q4, we have registered a profit at the operating level once again, which was not in the case at the Q4.

So, that is something I want to tell you. The second thing is with respect to decreasing disbursement, as I said, that the raw material is money and liability eases up over a period of time. It does not happen that financial institutions decide to restart the lending and we are the first ones to receive.

Unfortunately, the size and the scale of the company makes us way back in the line to receive the funds, even when the credit offtake happens. So, slowly and steadily, the disbursements are getting built up. And again, we do not want to have that kind of a scenario wherein we disburse around INR 30- 40 crores in one month and we go high and dry in the next 3 months - 4 months.

So, we do not want to do that. We want to calibrate it very effectively right now, make judicious use of funds and hence the scale up has been planned in that particular way and fashion. So, that is the second thing we wanted to tell you. In terms of the asset quality, there has been an improvement if you compare it with respect to the Q4 numbers and we are hopeful to maintain these particular levels and again, when we decide to scale up, go full throttle, at that point of time, we will have that asset quality getting improved further also. So, that is what I would want to say. Thank you.

Moderator: Thank you. Our next question comes from the line of Anushka Bothra from Care Ratings Limited. Please go ahead.

Anushka Bothra: Actually, my question has already been answered by Kalpesh in his talk right now in the previous question. So, I would not want to make any questions further.

Kalpesh Dave: Thanks, Anushka. You can connect us in case you have any more questions here.

Anushka Bothra: Yes, sure.

Moderator: Thank you. Our next question comes from the line of Sana, an Investor. Please go ahead.

Sana: Good afternoon and thank you for the opportunity. Sir, can you please let me know, like, the borrowings have increased to INR 391 crores. What is the current average cost of funds and where do you see it trending?

Kalpesh Dave: So, current borrowing cost is around 12.5% and we expect it to be at a similar level itself. The major kickers for decrease in borrowing cost, while many of us would theoretically say that

decrease in repo rate would result in reducing the borrowing cost, but there is a lag effect to that. And as I said the size and scale demands us that we be last to have that kind of any benefit to be passed on.

So, the trigger would be having a rating upgrade. And once that happens, we should aim for a reduction of around 25 to 50 basis points in terms of borrowing cost. That's the first thing. Second thing is, Anoop has mentioned that the refinance lines as well as the funding from public sector banks basically will also help us to rationalize the borrowing cost, which did not happen in the last financial year.

As I said, Q3, Q4 was a miss. So, this time, I think we should be able to achieve those particular numbers, but again it would be too farfetched for me to say that the borrowing cost will come down. My first indicator would be an upgrade to get the borrowing cost down. So, and I'm happy with maintaining it at 12.5%, 12.75%. I mean, it should not be an issue till the time we are running a good spread out of it.

Sana: Okay. And sir one more question like which are the new products or geographies or customer segments?

Kalpesh Dave: No new products, madam. No new products, no new geographies everything remains the same. We are diversified enough. We are well-stretched enough. We don't need to do anything more than this now.

Sana: Okay. Noted. That's all from my side. Thank you.

Moderator: Thank you. Our next question comes from the line of Ashish Wanjari, an Investor. Please go ahead.

Ashish Wanjari: Thank you for this opportunity. I just want to know about the liability pipeline. So, could you provide more color on your liability pipeline and the types of institutions you are engaging with your future funding?

Kalpesh Dave: So, liability pipeline is developing. Again, the focus is to have a blend of funds from financial institutions, public sector banks, different type of instruments, including NCDs to raise the funds. That mix will continue to happen. Okay. I cannot tell you right now as to which proposals are there because it would not be rightful of me to disclose at this point of time.

But needless to say, we are developing a healthy pipeline, which should be able to take care of our requirements in terms of scaling up the business or restarting and achieving the height that we had achieved around a year back.

Ashish Wanjari: Okay. Got it. And one more question I have like how are your rural and semi-urban borrowers behaving in terms of repayment discipline and what measures are you taking to protect asset quality?

Kalpesh Dave: Anoop will answer that question, Anoop.

Anoop Saxena:

Yes, sure. So, in terms of rural and semi-urban geographies, our portfolio did not send any sort of differentiating indicator in terms of portfolio quality. The indicators of portfolio which remains at rural geographies of Star Housing Finance as well as semi-urban geographies of Star Housing Finance are almost same in terms of first-time bouncing, in terms of collection, in terms of PTPs and in terms of par accounts, all those indicators are almost same.

One of the reasons could be that we, as a responsible lending organization are emphasized to educate financially to the customer. I mean, our motive is to make customers financially diligent, financially disciplined and financially educate, perhaps that's the reason there is not much difference in between the behavior of our rural customer and our behavior of a semi-urban/ urban customer. So portfolio indicators are same. What was your next question?

Ashish Wanjari:

What devices are you taking to protect your asset quality?

Anoop Saxena:

So in terms of asset quality, if you look at my PAR and NPA number, so my PAR and NPA number was slightly increased during quarter 3 of FY '25. There was slightly increase on account of recent circular at that point of time, circular issued by RBI in terms of due date and receive date of EMI. That was the specific reason there. Our PAR number was slightly increased.

But due to efficient collection strategy as well as monitoring calls in terms of collection, now those numbers are coming back on track. So quarter 3 was highest in terms of PAR and GNPA number. Quarter 4 was further reduced. And if you look at quarter 1 of FY '26, that is again well within defined limits of CMA.

Moderator:

Our next question comes from the line of Ashish Kumar from JSE.

Ashish Kumar:

Great to listen to the management. My question is could you expand on your plans to the list on the NSE, including the current status and the next steps with time line, please?

Kalpesh Dave:

So actually, there is no time line attached to this, okay. As we said that we think that we qualify for getting directly listed onto the NSE platform and with that intent, doing our internal homework post checking internally as well as with some of the consultants as well, we did feel that it's the right time now to move towards the direct listing at the NSE platform.

And accordingly, on the 16th of July, we submitted our application for getting directly listed on to the NSE platform. Post that, NSE team has been very quick in terms of responding. We have received two sets of queries till now, which we have duly replied and again, it is not under our control in terms of when this will get consummated. But we are hopeful that we should be able to reply to all the queries and all the requirements in an optimal time and should be able to bridge that turnaround time to get onto the NSE platform. That's all I can say at this point of time for the NSE.

Moderator:

Our next question comes from the line of Prakash Sharma, an Investor.

Prakash Sharma:

I have a few questions. So first is that given the macro environment, can you share your trends in slippages and recoveries?

Anoop Saxena:

Okay. So if we look at the macroeconomic scenario, what happened during last 6 to 7 months, there was a war across globe. There was election, which specifically happened in Maharashtra State. So because of all these things, all these put together, there was little -- and there was a new guidelines in terms of recognition of accounts in terms of classification of accounts more per se.

So because of these 3 things, there was a slight increase in PAR numbers of the company. Having said that, if we look at -- in terms of absolute numbers, there was no further increase in terms of absolute numbers or in terms of individual customers for delinquency.

Having said that, while we go by account-on-account mapping also entire 5,400 plus accounts are mapped to some or other person of the company. So every account do have a relationship manager, which more specifically, you can say that every account do have man-to-man marking.

Basis of market -- on the basis of field feedback and other things, none of the account has been reported as fraud or customer not available or property not available. There are change in economic scenario, cash flows of the customer and because of those things, the account remains in PAR or remains in NPA but still legal recourses are available with the Housing Finance Company.

Due to those legal recourses, within the defined limits of regulator, we are able to collect the entire money. So everything is defined for a Housing Finance Company in terms of from the eyes of regulators. So by following those rules, practices and processes, we are able to collect the entire money.

Prakash Sharma:

Okay. That was very helpful, sir. And as our interest income has grown this quarter by, I guess, 11% Y-o-Y basis, but our PAT levels were kind of declined a bit. So just wanted to understand, was this because of opex or provisioning?

Anoop Saxena:

So it is not because of opex, if we will jot down the things, there was slight increase in my cost of funds. One reduction in PBT level is because a slight increase in cost of fund. Another decline at PBT level is on account of, as mentioned by CEO, Kalpesh Dave, that during quarter 1 of FY '25, there was onetime income, which was booked that income is not there in Q1, '26. So these are 2 major reason for a slight decrease in profitability of the company.

Prakash Sharma:

Okay. And lastly, sir, the Board has approved an issuance of non-convertible debentures up to of INR 50 crores. So just wanted to understand what is the purpose of the sale? Is it growth or refinancing?

Anoop Saxena:

Kalpesh, you would like to answer it?

Kalpesh Dave:

It's growth. It's nothing. It's growth. It's not related to refinance.

Prakash Sharma:

Okay. Can you just elaborate the same in like a few words.

Kalpesh Dave

So as I said, we have restarted the disbursements, and we need to have a healthy liability pipeline getting built up, which can get diversified amongst the lenders also in terms of type of instruments. Given that we already have 2 NCDs getting successfully placed and listed, this is, once again, an

engagement which is there with a prospect. And we are hopeful to basically get it completed and hence, we took an approval from the Board. In fact, we have also taken an approval from the Board to increase in our borrowing limit from INR 700 crores to INR 1,000 crores.

So it's all in the normal course of business. I mean, if this announcement was not there, then it would have been an issue for someone like me that funding is not there for that matter. So it's all normal course of business. We want to grow our book, and hence, we are coming up with exploring different instruments, different lenders, so as to speak.

Moderator:

Our next question comes from the line of Umesh Singh, an Investor.

Umesh Singh:

So I have 2 questions. First, what are your plans for raising capital in the near to medium term? And second, please comment on the recent senior management departure, specifically the exit of the CFO and Director? Any succession arrangement in place?

Kalpesh Dave:

Yes. So equity, as I said, it's an ongoing process, okay. We have been engaging with different prospects. And based on mutual concurrence, engagement should consume it, but this is not the platform to make any official announcement till the time we get required approvals and things in place.

So I would urge you to be a bit more patient on that and wait for the right time for us to announce on that once we get all the necessary approvals in place. Not that it is going to happen. It is not going to happen. I'm not committing anything, but we are in the process of ensuring that the capitalization levels get strengthened.

So that is the answer to the equity raise side of it. Hopefully, we should see some kind of equity coming in on to the balance sheet in this financial year, subject to all approvals in place. With respect to exit of Natesh, as I said, he had a family exigency, which required him to basically be away from professional endeavors and focus on his family-run business. And hence, he decided to take that particular step with a very heavy heart to take care of the family matters.

And hence, that was an exit, which we had agreed to basically part with. But as I said, nevertheless, we continue to engage and take his advise when needed. That is the first side of it. And with respect to exit of the other Directors, I think exit of one of the Independent Director is because of the other professional endeavors decided to step down.

And one of the Executive Directors decided to -- had to step down because this tenure was getting ended. So all these are going to get replaced with suitable candidates. We are already in talks with some of the people. And once the approvals come from NRC, Board and other related authorities, we should be able to fill them up.

Moderator:

Thank you. Ladies and gentlemen, we will take that as a last question for today. I now hand the conference over to Mr. Kalpesh Dave for closing comments.

Kalpesh Dave:

Thank you, Moderator. Once again, I thank everybody, all the participants who have come -- who have taken time out from their schedule to come on the call. We are hopeful to basically rebuild the momentum, which we had lost in Q3, Q4 and we are looking forward that we should be able

to make most of -- most use of the H2, which is a festival season and other harvesting times when there are a lot of activities in the semi-urban and rural areas wherein we operate.

So we are hopeful to have a good financial year. So keep supporting us, keep wishing as well. Thank you so much. Moderator.

Moderator:

Thank you, management. On behalf of Star Housing, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.

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