

Date: April 8, 2026

Subject: Update on Regulatory Review, Governance Measures and Board Reconstitution

Dear Sir/Madam,

This is with reference to the recent observations arising out of the Snap Audit Report shared by the National Housing Bank, as well as the related communication received from the rating agency. The Company acknowledges the concerns highlighted and wishes to place the following update for the benefit of all stakeholders.

With respect to the suspected phantom loan book, the Company is currently undertaking a detailed review and reconciliation exercise to ascertain the exact quantum involved. Based on the information presently available, the Company has already filed the FMR-1 with NHB as per the RBI Master Directions. The matter is under active examination, and we are working closely with the relevant internal teams and stakeholders to validate the position comprehensively. The external Independent auditor is expected to be finalized shortly, following which the review and audit process will be taken forward on an expedited basis.

In relation to the resignation of the non-executive director, the resignation was received citing concerns relating to governance, compliance with regulatory requirements for appointment of KMPs, board processes and internal controls, as well as unresolved liquidity and cash flow requirements. The Company has taken note of these observations and remains focused on strengthening its governance framework, internal control environment and compliance processes. The Company is also in advanced and final-stage discussions with a prospective strategic investor and is hopeful of concluding the transaction shortly. Upon completion, the investor is expected to bring in the agreed equity infusion, which should materially strengthen the Company's capital adequacy and liquidity position.

Separately, the process for onboarding additional directors, Mr. Ashish Jain (representative from Promoter Group) and Mr. Anil Sachidanand, (representative of the single largest shareholder – Arkfin) has already been initiated. The same has already been intimated and will be formalized upon receipt of the necessary approvals and completion of the requisite compliances. As part of the proposed transaction framework, the incoming strategic investor is also expected to take a Board position, which will further strengthen oversight, governance standards and long-term strategic direction.



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Additionally, the Nomination and Remuneration Committee and management have interviewed and shortlisted candidates for the Independent Director and CFO position, and the appointments are awaited in view of the anticipated equity infusion and the related structural changes.

The Company remains committed to addressing the matters raised in a structured, transparent and time-bound manner and will continue to keep stakeholders informed of material developments as the review progresses.

For Star Housing Finance Limited



Kalpesh Dave
Director & CEO
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