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SEBI Regn. No. : INZ 000199438 • Research Analyst No. : INH100001849 • Investment Adviser No. : INA100012491

Regd. Office : 11/6B, Shanti Chamber, Pusa Road, New Delhi-110005

Ph : +91-11-30111000, 40753333 Fax : +91-11-25754365 • CIN No. : L74899DL1994PLC063609

E-mail : smc@smcindiaonline.com Website : www.smcindiaonline.com

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Listing Operations BSE Limited, P J Towers, Dalal Street, Mumbai-400001, India	Listing Department National Stock Exchange of India Limited, Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai - 400051
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Sub: Submission of the Transcript of Q4 FY23 Earnings Conference Call.

Dear Sir/Ma'am,

In compliance with regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part A (15) of Schedule III, please find attached herewith the transcript of Q4 FY23 Earnings Conference Call.

This will also be hosted on the Company's website at www.smcindiaonline.com

This is for your information and record.

For SMC Global Securities Limited

Suman Kumar
E.V.P. (Corporate Affairs) & Company Secretary
Membership No. F5824

MUMBAI OFFICE : A Wing, 401/402, Lotus Corporate Park, Graham Firth Steel Compound, Off Western Express Highway, Jay Coach Signal, Goregaon East
Mumbai-400063 Ph : +91-22-67341600, 66481818 Fax : +91-22-67341697 E-mail : smcmumbai@smcindiaonline.com

KOLKATA OFFICE: 18, Rabindra Sarani, Poddar Court, Gate No. 4, 5th Floor, Kolkata - 700001 Ph : +91-33-66127000 Fax : +91-33-66127004
E-mail : smckolkata@smcindiaonline.com



SMC Global Securities Limited
Q4 FY23 Earnings Conference Call
May 19, 2023

Moderator: Ladies and gentlemen, good day and welcome to the SMC Global Securities Limited Q4 FY23 earnings conference call.

As a reminder, all participants' 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. I now hand the conference over to Mrs. Purvangi Jain from Valorem Advisors. Thank you and over to you Mrs. Jain.

Purvangi Jain: Good afternoon, everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the investor relations of SMC Global Securities Limited.

On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the Fourth Quarter and Financial Year ending 2023.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's call may be forward looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs, as well as assumptions made by information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, I would like to introduce you to the management participating in today's earnings conference call and give it over to them for their opening remarks. We have with us. Mr. Subhash C. Aggarwal – Chairman and Managing Director of SMC Group. Mr. Mahesh C. Gupta – Vice Chairman and Managing Director of SMC Group. Mr. Ajay Garg – Director and CEO of SMC Global Securities Limited; Mr. Himanshu Gupta – Chairman and CEO of Moneywise Financial Services Private Limited; Mr. D. K. Aggarwal – CMD of SMC Capitals Limited; Mr. Anurag Bansal – Director of SMC Global Securities Limited; Mr. Pranay Aggarwal – Chairman and CEO of Stoxkart (Moneywise Finvest Limited); and Mr. Vinod Kumar Jamar – President and Group CFO.

I will hand it over to Mr. Subhash C. Aggarwal for his opening remarks. Thank you.

Subhash C. Aggarwal:

Thank you, and good afternoon, everyone. It is a pleasure to welcome you to the earning conference call of our company for the Fourth Quarter and Financial Year Ended 2023.

For the benefit of those joining this call for the first time, let me begin by providing some background information on our company to get everyone on the same page. SMC Global Securities Limited over the years has grown into a diversified financial services company offering a wide spectrum of services like brokerage, investment banking, wealth management, distribution of financial products, financing, insurance broking, clearing and depository services, fixed income securities, financial advisory services to corporate institution, high net worth individuals, and other retail clients.

We have a strong network of more than 2548 sub-brokers and authorized persons spreading across 452 cities in India. Over the years, we have also launched various innovative digital technology-enabled capabilities to offer best in class products and services. Our discount broking arm under the brand name of Stoxkart which is a first of its kind platform in the broking industry has noticed a very positive response. The company is governed by strong board including six independent director of high standing and is run by highly qualified and experienced management team with our established presence and by embracing the latest technology. We are pioneers for continued growth in coming years.

I now hand over to Mr. Vinod Jamar – our Group CFO to take you through the financial and operational accomplishments for the 4th quarter of financial year 2023.

Vinod Jamar:

Thank you Subhash Sir and Good after noon everyone. Let me take you through the Financial Performance of the company for the Fourth Quarter of the Financial Year 2023.

On a consolidated basis, the operating income for the fourth quarter was Rs 306 crores, which grew by 5.5% on year-on-year basis. Operating EBITDA was reported at approximately Rs 63 crores. EBITDA margin stood at 20.48% for the quarter.

Net profit after tax was reported at Rs 22 crores while PAT margin stood at 7.17%. For the financial year ended 2023, the operating income stood at Rs 1217 crores, a growth of 8.9% year-on-year, operating EBITDA reported was approximately Rs 270 crores and EBITDA margin stood at 22.18%. Net profit after tax was reported at approximately Rs 120 crores while the PAT margin percentage stood at about 9.9%.

Let me now take you through quarterly segmental performance on a consolidated basis:

In the broking distribution and trading segment Q4 revenue stood at about Rs 182 crores, which is decreased by 3.6% on a year-on-year basis and for FY23 revenue stood at Rs 768

crores. The number of branches in this segment have increased from 83 a year ago to 119 as on 31st March 2023.

Coming to the insurance division, revenue for Q4 stood at about Rs 95 crores which grew by 21.9% on a year-on-year basis and for FY23 it was Rs 348 crores, which grew by 26.2% year-on-year. The EBIT increased in Q4 by 44.6% and in FY 23 it grew by 13.9%.

Lastly in the financing division segment revenue for Q4 was around 36 crores, which grew by 24% year-on-year basis and in FY 23 it was 137 crores, which grew by 39% year-on-year. Loan AUM increased Rs 901 crores from 690 crores an increase of 31% on a year-on-year basis. EBIT in Q4 grew by 10.7% on a year-on-year basis and in FY23 by 65.1% on year-on-year basis. The GNPA and NNPA decreased to 2.27% and 1.44% respectively, from 2.83% and 1.99% in last financial year, disbursement has increased by 99% in FY23 to Rs 858 crores from Rs 431 crores on a year-on-year basis.

With this, we can now open the floor for the questions and answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kevin Shah, individual investor please go ahead.

Kevin Shah: My very first question is can you guide us on the revenue growth on the margins and the profits for FY24 and FY25 that we are estimating?

Subhash C. Aggarwal: Mr. Shah basically we were guided by the advisors that we cannot comment on the future numbers but we can say one thing our growth will be good this year since we have invested heavily in technology, we have expanded our network by way of sub brokers and branches so we are very confident and we also put our back office, front office, hardware and we have invested in all these this year very much and we are very confident that we will do very good growth in time to come that all we can say.

Kevin Shah: Sure sir, absolutely. So, my continuing question would be then what will be the approx. revenue mix for the upcoming financial years say FY24 and FY25 and especially what kind of growth can we see in the insurance?

Subhash C. Aggarwal: Yeah, we are in insurance also and in other financial services, our revenue is increasing by 8 to 10% this year, but in the coming year we are very much confident that revenue will be increased much higher and if you see insurance broking revenue growth is more than 25% year-on-year, and so in one statement, I can say that we will grow very good, because this year we have invested in technology.

Kevin Shah: Sure, sir absolutely so my follow up question on the same as when you say about the growth in the insurance business, but currently, if I'm not wrong, we are primarily in motor

insurance. So, are we planning to venture into the life insurance business that could be a higher margin business?

Subhash C. Aggarwal: We are targeting life as well as general Insurance business, and we are in both of that.

Kevin Shah: Okay, we are there into both of that. So, especially target margins for the insurance business and what could be sustainable moving forward?

Subhash C. Aggarwal: Okay, you asked regarding insurance business, Mr. Pravin Agarwal who is CEO of our insurance business will answer you.

Pravin Agarwal: Yeah, thank you for question actually just summarize it I am thrilled to report a remarkable 30% growth in premium surpassing the industry's average growth rate of 17%, which shows actually 26% growth in revenue. Your question is for growth of insurance in the life insurance business. As we look ahead, there are several key factors that we believe will contribute to the growth of our insurance business, the increasing awareness and understanding the importance of insurance coverage among individuals in life insurance. We are very confident to sustain with the same pace for growth in revenue, which will be around 25% - 26%.

Kevin Shah: This was really helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Foram, individual investor. So, please go ahead.

Foram: Hello. Good afternoon, sir. So, I have a couple of questions related to your app. So, has a new website and app for broking commenced as per the timeline planned?

Ajay Garg: Very good afternoon. This is Ajay Garg, Director and CEO of SMC Global. As Subhashji said, like we have been investing much into technologies and very recently in our discount brokerage arm we have launched the beta version of our inhouse developed new app by the name of Super Evo, we have also launched a new app for full broking, by the name of SMC Trade Online Nxt and in coming quarters one or two more apps are going to come, we are testing then we will make it publicly available. The website is still under development so in quarter two it will be launched. So, we are revamping the entire technology as Subhashji mentioned earlier, whether it is back office, front office, we have set up DR site, we are revamping our CRM software, focusing on low latency-based trading and a lot of Fintech tie-ups.

Foram: Okay, thank you. That was helpful on the follow up question I have regarding the Stoxkart also. So, can you just tell me what was the performance for the Stoxkart and are we gaining a good traction over there and what were the revenue contribution during FY23 and what could be the expected profitability we could achieve in FY24 with respect to Stoxkart? Since

you have seen the break even in Stoxkart, so, what will be the contribution in the bottom line for that in next financial year?

Ajay Garg: Stoxkart is also doing very well and our plans are very, very bullish about this discount broking arm. It has already breakeven and exact contribution I think the Jamarji can say but as compared to last year about fees and commission income from some Stoxkart was around INR 10.54 crores and this year 22-23 it was INR 15.21 crores. So, there was a revenue improvement of more than 44%. So, it is doing well and we are counting on the new technology new app and after that we will be coming out with lot of digital campaigns and a lot of new things, we are planning to introduce which would outstand the market.

Vinod Jamar: To add on what Ajay sir said I would like to inform you that Stoxkart has turned around, last year we had a marginal loss of INR 35 lakhs and this year it has turned into profit of INR 116.5 lakhs and the revenue has increased by around 40% - 45%.

Foram: That was super helpful. One last question I have regarding the what could be the sustainable margins for brokerage business and since the margin seems to be volatile in that segment, can you just guide us through that?

Vinod Jamar: We think EBITDA margins from 22% to 27% is quite sustainable. So, this can range in between this because of the market volatility and exchange turnovers. So, 22% is on lower side and 27%-28% on the higher side.

Foram: Okay, so that's it from my side. Thank you for answering those.

Moderator: Thank you. The next question is from the line of Siddhant, individual investor, please go ahead.

Siddhant: Good afternoon, everyone and thank you for the opportunity, also my first question is that I guess the broking revenue has been declining in from the past two quarters. So, any particular reason that has been there and what is the outlook at least for the next couple of quarters if you could guide us?

Ajay Garg: Yeah. So, in past two quarters, like ideally, even our broking revenue is also in line with the industry trends, the market has been sluggish and there was decline of around 5 to 6% in terms of broking revenue and there have been some regulatory changes by SEBI like the quarterly nil policy has been changed, it is being done on a single day in a quarter for all the clients together, we even got hit out of that. But you'll see the year-on-year growth as compared to last year we grew around 6% in terms of broking revenue, so I don't foresee much of the pain and broking revenue as Jamarji said we would be able to maintain more than 25% growth in coming years.

Siddhant: Thank you sir that helps and sir what would be the online and offline mix in broking business?

Ajay Garg: You see in discount brokerage more than 98%-99% is completely online, but in full booking house the online participation is more than 50% and in coming years we foresee the online penetration would increase and we are targeting more than 75% from the online business even in full broking house.

Siddhant: Okay, sir and could you throw some light on the active client base number for the broking business?

Ajay Garg: Active client base is around 2 lakhs currently and total client base, including the discount brokerage arm is more than 9 lakhs.

Siddhant: Okay sir thank you. So, just one last question if you could help me out your average daily turnover in broking business doubled in the current year as compared to the last year. So, what was your main driver for growth, any particular trend or anything?

Ajay Garg: I think we are in line with the market. We are maintaining our market share of around 2%. Cash market volume decline and F&O volume doubled, so we are in line with market.

Siddhant: Thank you sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Karan Sharma, individual investor. Please go ahead.

Karan Sharma: Good afternoon, everyone. Thank you for the opportunity. So, I actually had questions on the NBFC side. So, for the NBFC, we are looking at AUM income and PAT increase on a year-on-year basis. So, can you please guide us for the future target as the segments looks very attractive?

Himanshu Gupta: Yeah. Very Good afternoon. This is Himanshu Gupta. So, in the last year, we actually grew the loan book from INR 690 crore AUM to roughly INR 901 crore of AUM and we achieved a growth of more than 30%. So, we are hopeful that in the next year or a couple of years, we will be growing at similar kind of pace, and growing even further. As of now our equity is INR 400 crores and we have sufficient headroom to take the debt to achieve that kind of growth.

Karan Sharma: So, the NIM has been increasing over the past couple of quarters. So, can you comment on where we can see it to be sustainable in the coming quarters?

Himanshu Gupta: You see with the increasing leverage, the NIM percentage is bound to come down and we believe on long term basis, it would be minimum 4% once we achieve the full leverage, which we expect to be around 3.5 - 4 times.

Karan Sharma: Okay, how much of the AUM is coming from the gold loan currently?

Himanshu Gupta: The gold loan is something that we started very recently as of now the gold loan AUM is about 12 crores which is roughly about 1.3% of the total AUM.

Karan Sharma: How do you look as gold loan as an industry, considering the competition from the banks as well as the Fintechs and already the bigger players have a very good chunk into the gold loan. So, how do you see the competition here?

Himanshu Gupta: The competition is there in all the products and so basically, we are not competing with the banks and the customer is looking for the quick loan disbursement and proper servicing So, they are looking for the NBFCs and we are opening our branches near to the hubs where the other NBFCs are present and we are getting good response from the market. Even our schemes are competitive with the other NBFCs. So, as such, we are not facing any competition, it is a matter of time that we grow our loan book, as we are also increasing more number of branches gradually.

Karan Sharma: So, just a follow up. So, what is your target for branch expansion and what would be the breakeven for the one particular branch from where you are dispersing gold?

Himanshu Gupta: For one branch, the breakeven happens at an AUM of about INR 3 crores, (INR 2.5 crores to INR 3 crores), that is the typical BEP in the industry and the number of branches like for this year we might be opening another in total 20 branches. We have already opened two branches in current year in the month of April. So, total we have three branches as of now.

Karan Sharma: Okay, sir where are we targeting? Are we targeting the north and west or even plans to go towards south as well for the expansion of it?

Himanshu Gupta: We are currently targeting Delhi NCR region and once we have sufficient branches here then we might be planning for the other locations for the gold loan but for the other product we already have branches in North and West part of the country, we have about nine branches for the other product

Karan Sharma: Okay sir, how do you see now there is most people getting into gold loan and into digital gold lending. So, do we see entering that space as well?

Himanshu Gupta: We are not entering into digital gold loan as of now. There are a few Fintechs which are there in the digital gold, but they have their own challenges in terms of the operational cost and things like that. So, the Fintech platforms which are providing gold loan they have actually taken a hit in the last year and the beneficiaries have been the traditional NBFCs who are doing gold loan in traditional way. So, our current focus is to grow through the brick-and-mortar, through the branches.

Karan Sharma: Okay and lastly, can we expect the lending focus to be will it be containing in the SME sector or there is a potential for diversification to plan this to secure the loan book?

Himanshu Gupta: See, currently about 50% of the book is already secured. So, SME is the customer segment, we are lending both secured and unsecured product to the SME customer. So, SME remains to be our focused customer segment where we are targeting other than the gold loan, also we will continue to grow in all products that we are lending to the SMEs like loan against property, equipment finance and the business loan.

Karan Sharma: Okay. So, you know, now many of the banks are entering the co-lending partnership. So, do we have co-lending partnership with any of the big banks and if yes, what is the ratio there currently?

Himanshu Gupta: So, we just added a co-lending tie ups with the one of the public sector bank Central Bank of India in the last quarter itself. So, it is very initial phase, it is just the beginning but we expect this co-lending tie up to have a like a large AUM in coming times and we are also looking for tie up in more banks for the co-lending.

Karan Sharma: So, sir what is the ratio between the Central Bank of India and SMC?

Himanshu Gupta: It is at 80-20 ratio so 20% we keep on our book and 80% is on bank book.

Karan Sharma: So, we are doing the sourcing, servicing, etc?

Himanshu Gupta: So, everything from sourcing, underwriting and after disbursement entire collection and servicing done by us and we are the one dealing with the customers.

Karan Sharma: Okay sir I will get back in queue if I have further questions, thank you so much.

Moderator: Thank you. Participants. As there are no further questions and I will hand the conference over to the management for closing comments.

Mahesh Gupta: Thank you all for participating in this earning concall. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations Manager at Valorem Advisors. Thank you very much and stay safe and healthy. Thank you very much.

Moderator: Thank you very much. On behalf of SMC Global Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.