

Date: 04th February, 2025

Listing Operations BSE Limited P J Towers, Dalal Street, Mumbai-400001, India Scrip Code: 543263 Debentures Scrip Code: 939639, 939655, 939657, 939643, 939651 and 939647	Listing Department National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai – 400051 Symbol: SMCGLOBAL
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Sub: Submission of the transcript of Q3 FY25- 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 Q3 FY25 Earnings Conference Call held on 30th January, 2025.

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

This is for your information and record.

Thanking You,

For SMC Global Securities Limited

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

SMC Global Securities Limited
Q3 and 9M FY'25 Earnings Conference Call
January 30, 2025

Moderator: Ladies and gentlemen, good day and welcome to the SMC Global Securities Limited Q3 and 9M FY'25 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 Ms. Rasika Sawant from X-B4 Advisory. Thank you and over to you Ms. Sawant.

Rasika Sawant: Thank you. Good evening, everyone, and welcome to the Q3 and FY'25 Earning Conference Call. Today on this call, we have Mr. Subhash Chand Aggarwal - Chairman and Managing Director of SMC Group, Mr. Mahesh C Gupta - Vice Chairman and Managing Director of SMC Group, Dr. D. K. Aggarwal, Chairman and Managing Director of SMC Capital, Mr. Ajay Garg - Director and CEO of SMC Global Securities Limited, Mr. Anurag Bansal – Whole-Time Director of SMC Global Securities, Mr. Himanshu Gupta – Director and CEO of Moneywise Financial Services Private Limited, Ms. Shruti Aggarwal - Whole-Time Director of SMC Global Securities Limited, Mr. Pranay Aggarwal – Director and CEO of Stoxkart. Due to an unforeseen family emergency, Mr. Vinod Kumar Jamar, president and Group CFO, is unable to join today's conference call. This conference call may contain forward-looking statements about the Company which are based on beliefs, opinions and expectations as of today. Actual results may differ. The statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. A detailed Safe-harbor statement is given on second page of Earnings presentation of the Company, which has been uploaded on the Stock Exchange and Company's website as well. With this, I now hand over the call to Mr. Subhash Aggarwal for his opening remarks. Over to you, sir.

Subhash Chand Aggarwal: Good evening and a warm welcome to all the participants. I hope all of you got an opportunity to go through our financial results and earnings presentations, which have been uploaded on the stock exchange as well as on the company's website. Before we dive into our financial performance, let me take you through the key developments in the industry and our perspective on the evolving landscape.

Industry outlook: the brokering and financial services industry witnessed several significant developments in the last quarter, driven by regulatory changes and shifting market dynamics. India's capital markets are witnessing strong growth, driven by increasing retail participation and regulatory changes aimed at improving transparency and investor confidence. Recent updates such as standardized exchange fees have made costs more predictable for investors. While these changes have impacted certain revenue streams for brokers, they ensure a more stable and trustworthy market in the long run. SEBI's continued focus on market stability and investor protection led to key regulatory reforms. One of the most impactful changes was the tightening of trading norms in the derivative market. As a result, December 2024 saw a 38 % decline in derivative trading volumes from BSE and NSE. While these measures aimed to curb excessive speculation, they have posed near-term challenges for brokers and traders alike. However, we believe these changes will contribute to a more stable and transparent market in the long run. The last announced union budget introduced several growth-centric initiatives for NBFC and FinTech firms, with an emphasis on financial inclusion, digital expansion, and credit accessibility. These measures align well with our focus on enhancing digital financial services and expanding our reach to underserved markets.

In response to these industry shifts, SMC Global has taken proactive steps to adapt to changing market conditions. Our focus remains on offering competitive pricing, strengthening our technology platform, and enhancing client experience to maintain long-term growth. The phased introduction of new regulations in the derivative segments has led to temporary shifts in trading patterns, but as seen in the past, investors adapt quickly, leading to market stability and renewed growth. We remain committed to expanding our product offerings, deepening client relationships, and leveraging our industry expertise to drive sustainable business growth. With a strong foundation and a client-first approach, SMC Global is well-positioned to navigate the changing landscape and create lasting value for all stakeholders.

Company Highlights: Now, let me take you through SMC Global Securities highlights. We have delivered steady growth across two business segments despite regulatory headwinds. Our Broking, Distribution and Trading and Financing business have continued to perform well, contributing positively to our financial performance. In this quarter, our overall revenue increased by 6.5% year-on-year basis to Rs. 455.5 crore, while our 9M FY25 revenue grew up by 20% Y-o-Y basis to Rs. 1354.3 crore. Our extensive network of 2270 APs across 437 cities reinforces our strong presence. In financial distribution, our financial distributors stand at 6,850 and our mutual fund AUM now stands at Rs. 4,347 crores. In our NBFC segment, the AUM has grown to Rs. 1285.8 crores, marking a 20.9% Y-o-Y increase compared to 9M FY24. The company operates 40 branches across 10 states and 32 major cities, measuring our landing footprints.

In the insurance-broking business, we remain focused on expanding our market presence despite a revenue dip in this quarter. SMC Insurance continues to operate through 7 branches nationwide, leveraging a vast network of 15,959 points of sales and engaging with 343 motor

insurance service providers. Despite regulatory changes impacting certain segments, our diversified business model, continued network expansion and investment in technology positions as well for sustained long-term growth.

Now, I hand over to Ms. Shruti Aggarwal - Whole-Time Director of SMC Global Securities Limited to take you through the financial accomplishments for Q3 FY25. Over to you Ms. Shruti.

Shruti Aggarwal:

Thank you, Subhash Ji, and good evening, everyone. Talking about financial performance for Q3 FY'25 of our company, on a consolidated basis, the operating income for the quarter was Rs. 455.5 crore, which grew by 6.5% year-on-year basis. Operating EBITDA was reported at approximately Rs. 111.8 crore and the EBITDA margin showed at around 24.5%. Net profit after tax reported was Rs. 43.9 crore, while the PAT margin stood at 9.6%. For nine months FY25, the operating income stood at Rs. 1,354.3 crore, which grew by 20% year-on-year basis. Operating EBITDA was reported at approximately Rs. 355.4 crore, an increase of approximately 24.3% year-on-year basis and EBITDA margin stood at 26.2%. Net profit after tax was reported at approximately Rs. 142.7 crore, while the PAT margin stood at about 10.5% approximately.

Let me now take you through quarterly segmental performance on a consolidated basis. In the Broking, Distribution and Trading segment, the Q3 revenue stood at about Rs. 244.4 crore, which grew by 2.3% on year-on-year basis. Number of branches increased to 205 as on 31st December 2024.

Coming to the Financing division, revenue for Q3 was around Rs. 71.2 crore, which grew by 33.8% on year-on-year basis and EBIT for Q3 was around Rs. 49.3 crore, which grew by 45% year-on-year basis. Our loan AUM increased to Rs. 1285.8 crore, an increase of 20.9% year-on-year basis. The Gross NPA and net NPA were at 2.27% and 1.16% respectively. Lastly, in the Insurance Broking vertical, revenue for Q3 stood at about Rs. 148.2 crore and EBIT stood at about Rs. 2.5 crore.

With this, the floor is open for the Q&A session. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" then "1" on your touch-tone telephone. If you wish to remove yourself from the question queue, you may press "*" then "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Rajesh, an individual investor. Please go ahead.

Rajesh:

So, my question is on the NBFC segment. So, what I could see is that the AUM has not grown in the past three quarters or so. That is the question and how do we expect the AUM to grow in the next 3 quarters? That is question number one. Question number two is also on the leverage ratio. The leverage ratio currently stands at 1.6. Do we expect the leverage ratio to

grow and what kinds of targets do we have in terms of NBFC and at the end of the day, the NBFC to be having a return on equity quite looks like a single digit, a mid-single digit kind of a number. So, do we have any targets there to increase the economic value of the NBFC business? The last question was on ROE, return on equity. I think return on equity according to me is single digit probably at 6 to 7%. So, do we expect ROE, return on equity of the NBFC business to grow higher.

Himanshu Gupta:

Hi, Rajesh. I am Himanshu. So, as you pointed out that the our loan book has not grown much during the financial year. So, there are a couple of factors I will explain in detail. So, number one, we have tightened our underwriting policies during the year. As you might know, you must have seen higher delinquencies in the other NBFC and banks. So, as a proactive measure, we have been continuously tightening the policy and we have reduced our approval rates during the year. So, the inflow of new proposals has increased during the year, but the throughput and the sanction has gone down. So, that is number one reason. Secondly, as I discussed in last quarter's earning call also, we have shifted our focus from Prime LAP to Micro LAP. A couple of reasons behind this change in strategy, because we are able to charge higher yield in Micro LAP and we believe it is more scalable and granular portfolio and there is lesser competition from the banks, particularly in terms of pricing. So, we have been making the Micro LAP team since almost a quarter now and though the disbursements have been very less because of new team and new business being set up as of now. On the other side, the LAP disbursements have already gone down just to give you some flavor. Last year, we did disbursement of around 250 crores under the LAP product, but during this year, 9 months, we have disbursed almost 65 crores and essentially that almost 60 crores of LAP book is also foreclosed during the current year. So, there is a big growth which was supposed to come in the LAP book, if we had assumed last year's run rate, that has not happened and the loan book has remained flat on that term. So, these are few reasons why the loan book has not gone up during the current year.

Coming to your second question on the leverage, you are right that currently we are leveraged only 1.6 times in terms of debt-to-equity and there is a huge headroom for us to further leverage and we as a management, we believe that we are comfortable at around 3 to 3.5 times leverage. So, there is a much headroom and I think for the next year or couple of years, we have enough equity to grow further and thirdly coming to your last question, which is return on equity. So, if you look at our 9-month number, ROE is around 15% on the reported numbers. But as we move to the next few years, we believe we would be able to get better ROE because there are few products which are still at nascent stage like Micro LAP which will yield us higher ROA, IRR as well as ROE and also, the leverage is already very less. So, that will also give an operating leverage in terms of ROE. I hope this was clear.

Rajesh:

Yes, understood, sir. Just one follow-up question on the leverage. So, if in case we try to grow our loan book, because our leverage is quite low here, we don't need any equity, right? With the existing equity, we could kind of increase the leverage from 1.6 to 3. That essentially means that we could double our loan book without any increase in the equity.

Himanshu Gupta: Yes, without any further equity infusion, we can do with 3 or 3.5 times leverage, we can reach our loan book of about 2400 or 2500 crores. Because by that time, we would also have additional equity through internal accruals.

Rajesh: Understood, sir. Just on the leverage part of it, right? So, our leverage ratio is hovering around 1.5 to 1.8 over the past, let us say, two and a half, three years, right? So, why is that the case? Why are we not able to increase the leverage even though our area has grown significantly over the past one and a half years?

Himanshu Gupta: So, if you look at the numbers for the last financial year as well as FY'23, the leverage has been going up within 3 years as well. It is only during the current year, given regulatory headwinds in the sector and economic situation, we have been cautious in terms of growth in current year. If you look at last couple of years that has been improving.

Rajesh: Okay. Do we see stress in our books? Do we reduce our approval rates and reduce the disbursements of the following quarters also or do you see increase in disbursement slash approval rate in the coming quarters?

Himanshu Gupta: So, first of all, the stress in our book. So, we have not seen any major stress. If you look at the stress that we have been witnessing in other lenders balance sheet. So, we are quite confident and satisfied with the quality of the book if you compare it with the peers and as far as growth is concerned, we are cautiously growing and as I said earlier, we have tightened our credit policies and also focusing to increase the share of secured books in our portfolio. So, currently on the on-book AUM, our unsecured book constitutes around 34 or 35% of on-book AUM. And then we want to bring it down to 30 in the next year or couple of years. And then going forward, we will bring it further down. So, that will help us hedge from the market cycles.

Rajesh: Understood, sir and the last question, related to AUM, is there a guidance that you could provide us in terms of where would the AUM reach in Q4 and probably by end of next year, thanks.

Himanshu Gupta: So, we continue to maintain the same guidance which we gave earlier about 15 to 20% year-on-year basis.

Rajesh: Okay, because we have been flat for the past four quarters. If at all we want to achieve a 20% growth on AUM, we will have to hit like 1500 crores roundabout. So, will we hit 1500 by end of next quarter?

Himanshu Gupta: Our last quarter is always heavy. If you see our last 2-3 years operating numbers. So, given that trend, we expect that we would be able to achieve 15-20% of AUM.

Moderator: Thank you. A reminder to all participants, to ask a question, you may press "*" then "1". Ladies and gentlemen, to ask a question, you may press "*" then "1". The next question is from the line of Saumya, an individual investor. Please go ahead.

Saumya: Hi Sir, Good afternoon. I have a few questions. So, in this quarter, can you kindly shed some light why the growth of businesses across all segments have been hampered?

Subhash Chand Aggarwal: Good afternoon Saumya, our first two quarters were very good and in third quarter, SEBI's did certain regulatory changes, closing down weekly settlements, which were running 5 weekly settlements. They made only one for one exchange and one monthly settlement. So, in our broking, distribution and trading, we have affected because when market is down, even trading gaps are also lower. So, because of this, our broking - trading segment has been affected and in NBFC, as Himanshu rightly said just now in the earning conference call, that there are certain regulatory changes also by RBI and moreover, we were into tightening our credit policy and other things, considering the market and regulatory changes done by RBI. So, that segment was also affected and third, insurance broking, in that sense, pickup of vehicles was slowed down in the economy and that was slowed down. Because of that, insurance broking has been affected in 3rd quarter. So, I think in 4th quarter, certain segments will do well. We are quite hopeful and investors also changes their methodology considering regulatory changes. So, the effect done by regulatory changes will be minimized in 4th Quarter.

Saumya: Thank you, sir. I have a follow-up question. So, how have the recent regulatory frameworks affected our business and what are the plans of the management to tackle these in the upcoming quarter?

Subhash Chand Aggarwal: Yes, you see, as I told you, weekly settlements have been closed. So, new exchanges will adopt it and there is a scope that those exchanges which are not doing well so far, maybe will start adopting these products and business can be started there on. So, that is one of the possibilities. Secondly, cash market will do more trading. I think investors will start trading in cash market more. Third, I think margin trading funding products will do much better. So, we are gearing up to for that product also and generally, investors adopted the changes very fast in India and I think this will be improved in the existing contracts or monthly contracts and Nifty, which is there, and in BSE, BSE Sensex is there as a derivative product. So, we will start more in those products only and even monthly products. So, we are expecting things to be better now.

Moderator: Thank you. A reminder to all participants, to ask a question, you may press "*" then "1". As there are no questions, I now hand the conference over to Mr. Mahesh C. Gupta. Thank you and over to you, sir.

Mahesh C Gupta: Good evening to all. My name is Mahesh Gupta. Thank you all for participating in this Earnings Concall. I hope we have been able to answer your question satisfactorily. If you have any

further questions, or would like to know more about the Company, please feel free to reach out to our Investors Relation Managers at X-B4 Advisory. Thank you, stay safe and healthy. Thank you very much.

Moderator:

Thank you. On behalf of SMC Global Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.