

Date: 07th August, 2024

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Subject: Submission of the Transcript of Q1 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 Q1 FY25 Earnings Conference Call held on 1st August, 2024.

This information will also be hosted on the Company's website i.e. 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

Quarter 1 FY 2025

1 Aug, 2024

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- Moderator:** Ladies and gentlemen, good day and welcome to the SMC Global Securities Limited Q1FY25 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 and I hand the conference over to Miss Rasika Sawant from XB-4 Advisory, thank you and over to you, Miss Sawant.
- Rasika Sawant:** Thank you. Good evening, everyone, and welcome to the Q1FY25 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, Mr. Ajay Garg - Director and CEO of SMC Global Securities Limited, Mr. Himanshu Gupta - Chairman and CEO of Moneywise Financial Services Private Limited, Miss Shruti Aggarwal - Whole Time Director of SMC Global Securities Limited, Mr. Pranay Aggarwal - Chairman and CEO of Stoxkart and Mr. Vinod Kumar Jamar - President and Group CFO.
- 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 risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on the second last phase of earning 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 Aggarwal:** Good evening and warm welcome to all the participants. I hope all of you got an opportunity to go through our financial results and earnings presentation which have been uploaded on the stock exchanges as well as on the company website.
- Industry outlook - The government's push towards a digital economy coupled with a young and tech savvy population is likely to propel a fintech sector to new heights. The advent of the Fintech ecosystem, driven by technology linked innovation has revolutionized traditional financial services and led to improvements in the efficiency of delivering financial products and services.
- Both Nifty and Sensex reached all-time highs, delivering strong returns for investors. The industry saw an uptick in the number of demat accounts opened this quarter. The democratization of investing, assisted by online trading platform and mobile applications has empowered individual investors like never before. This trend is expected to persist, driving trading volumes and expanding the customer base for everyone in the industry.
- Technological advancements - We continue to focus on upgrading our technology and investing in developing in-house tech expertise. We have extended these technological advancements to our financing and insurance broking arms. Through a customer centric approach, we have implemented multiple tech upgrades aimed at improving processes, boosting efficiency and delivering unparalleled value to our clients.
- Company's highlights - Now let me take you through SMC Global Securities highlights. We have achieved good quarterly revenue across all business segments. Our broking, distribution, trading and financial segments have all achieved good PBT. In this quarter, our overall revenue increased by 43.8% year on year. The company's extensive network, comprising 2322 authorized persons covering 437 cities, demonstrates our widespread reach. In financial distribution, our network of 7038 associates continues to expand. Our mutual fund AUM stands at Rs. 4250 crores. In our NBFC segment, AUM stands as Indian Rs. 1224 crores an increase of 37.2% year on year. The company has 28 branches covering 9 States and 20 major cities. In the insurance broking

segment, SMC insurance operates through 7 branches nationwide. We utilize a network of 15,634 points of sales. We engage with 322 motor insurance service providers.

Now I hand over to Mr. Vinod Jamar, our President and Group CFO to take you through the financial accomplishments for the Quarter 1 of financial year 25. Over to Mr. Vinod Jamar.

Vinod Kumar Jamar:

Thank you, Subhash Sir, and good evening, everyone. Talking about financial performance for Q1 FY25 of our company on a consolidated basis, the operating income for the quarter was Rs. 448 crores, which grew by 44% year on year basis. Operating EBITDA was reported at approximately 125 crores, an increase of approximately 59% on YoY basis. An EBITDA margin stood at around 27.9%. Profit after tax reported was Rs. 53 crores while the PAT margin stood at 11.9%.

Let me now take you through quarterly segmental performance on a consolidated basis. In the broking distribution and trading segment, the Q1 revenue stood at around rupees 284 crores, which grew by 30% on YoY basis. Number of branches increased to 188 as on 30th June 2024.

Coming to the financing division, revenue for Q1 was around Rs. 60 crores, which grew by 40.2% on YOY basis and EBIT was Rs. 43 crores, which grew by 55% on YoY basis. Loan AUM increase to Rs. 1,224 crores an increase of 27% on a YoY basis.

The GNPA and NNPA decreases to 1.98% and 0.92% respectively from 2.52% and 1.48% in June 2023.

Lastly, in the insurance broking division, revenue for Q1 stood at about Rs. 128 crores, which grew by 64% on year-on-year basis. EBIT increase in Q1 by 40% on YoY basis.

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

Moderator:

The first question is from the line of Subhash from Value investments. Please go ahead.

Subhash:

Hi. Congratulations on the great set of numbers. The only question that I had was about the insurance broking. So compared to the previous quarter, I can see some decline in the numbers. So, is insurance broking business really up in the heads of the year or could you clarify?

Praveen Aggarwal:

Hi Subhash, this is Praveen Aggarwal. Actually, number is growing, premium grew by 10% and PBT grew by roughly 38%.

Subhash:

You're talking about year on year, right?

Praveen Aggarwal:

Yes, year on year and in comparison to the last quarter, it is yes, because last quarter is a seasonal business, we cannot compare with March quarter.

Subhash:

Yeah, got it. Yeah, that's what I expected, just wanted to clarify and I do not have any other questions, but if you could guide the investors like how much revenue you guys are targeting for the next five years, if you have any such plan, could you please share?

Subhash Aggarwal:

You are talking about SMC group as a whole?

Subhash:

Yes, correct.

Subhash Aggarwal:

You see our last year PAT was Rs. 188 crore and this quarter we have shown a figure Rs. 53 crores PAT. So, it is just 75% better than the YoY. We can assure you we will do much better, but we cannot comment on the figure since we are a listed company but we can assure that we are working very hard. Our entire management is putting very much hard work and we are there to do much, much better that I can assure you.

Subhash:

OK. Thank you so much. The last question that I had was regarding the SEBI's recent circular and they are thinking to increase the large size of the options and the futures and also with greater margins, right? So how would that affect your business? Would it have any material impact?

Subhash Aggarwal:

Practically, if you want to say then, you see there are two components, one is cash market, other is future and options. Our cash markets constitute the total revenue 58% and F&O constitute

around 38% and the rest other segments. So, in this F&O segment, the things they have increased lot sizes and certain small changes they have made. So, what we see even if they increase the lot sizes. We believe that the trust is being created by SEBI regulators among large investors. as we have seen, whenever they did some reforms, more FPIs being registered in India and they invested a lot. So, we believe that after these corrections, after these reforms, we believe that more FPI's and more large investors will come into the market. And since we are a big broker, we can be a good beneficiary for that also. But initially a little bit can be affected for a very short period. Small investors which were in a F&O can be shifted to cash market. So, small period you can say some changes but in longer period, we believe this is positive, all reforms are positive. Initially regulators, whatever changes they did initially intermediary resist but somehow or other, it turns out to be benefit of the overall market. So new trust has been created and I think it is good for the market and good for the SMC. We will be able to increase our market share in totality. I think you have understood it.

Subhash: Yes, got it. Thank you very much for the clarity. So, under the F&O you said it's 37%. So, do you have any data like out of the 100% customers that you have, how much of those customers are large scale customers or you are referring to FPIs and other DIIs, right So, do you have any breakup of the small individual investors that you have as clients, like how much percentage of the total clients that you have are small individual investors?

Subhash Aggarwal: I think Ajay is there, Ajay please take this Question.

Ajay Garg: Yeah, Hi Subhash, Ajay This side I think we do have a large retail network. So spread over more than 400 cities and more than 2300 franchisees, so it is a mix like but if you talk of top 100 clients, our concentration is like I think around 15% of the revenue comes from top 100 client. So, we are well diversified and widespread. So, it is a mix of majorly we do have a retail investor, but as we do service everywhere.

Subhash: So majorly you have individual investors as your clients, right?

Ajay Garg: Yeah. No, we are targeting 360° because the cake size is very big, as we do our wealth management division and we do our distribution division and we do our insurance division. So, we are a one stop investment shop. So, we target retail client as well as HNI client both.

Subhash: Got it. OK. Thank you very much for all the answers.

Moderator: The next question is from the line of Rahul Choudhary from an individual investor. Please go ahead.

Rahul Choudhary: I'm newly invested in your company. I was just looking through the operating margins and I was comparing it with the peers. Our blended operating margins, although rising seems to be on a lower side, so what is the trajectory that can be expected for these because you know, if I compare to the Motilal Oswal or a Monarch, it's somewhere on the lower side the operating margin. Is that not a right way to compare?

Vinod Kumar Jamar: Hi Rahul. I will explain you actually, we cannot compare all that since our consolidated number also include number of insurance broking which is a low margin business. If you see Insurance segment turnover of for Rs. 500 crores last year and profit after tax was Rs. 10 crores. So that is where these ratios are screwed because we have to compare these numbers Apple to Apple and if we segregate these such type of activities and then compare the numbers it will be comparable to those, of course where the scale is too large, the scale of benefit of large quantum is there, but otherwise we are comparable.

Rahul Choudhary: Right, Sir. Sir. My second question was on the on our broking side of the business this quarter, you know as we are saying that the trading accounts have opened and have increased, a lot of positives but in the numbers, it has shown a de-growth in the first quarter compared to the last quarter, so is that seasonal because of tax and every all these planning that investors generally have, what is your experience about that?

Subhash Aggarwal: Again, Rahul, you compare year to year, profit margin is better in broking also. So, if you compare year to year then we did very good in comparison YoY our revenue.

Vinod Kumar Jamar: Last year in the Q1, we had an income from broking and distribution Rs. 185 crores and in C.Y. it is RS. 279 crores. However, compared with the March, it is slightly lower. Since Q4 is always better in financial industry. So that is the impact.

Rahul Choudhary: Right, Sir.

Vinod Kumar Jamar: Everybody plans his tax planning. They book short-term long-term capital gains and all those things. So, volume is a bit higher in the last quarter.

Rahul Choudhary: Sir, this NCD that you had offered for subscription. Now it must have closed, right? So, have we got fully subscribed?

Subhash Aggarwal: Yeah, we are around 150% and in absolute amount is over 111 crores.

Rahul Choudhary: So, we're going to take the entire thing because you had an option of 150 crore?

Subhash Aggarwal: Yes, we can. Retain up to Rs. 150 crores. So entire we will retain.

Rahul Choudhary: Sir, in the in the longer term in how do you as a management see like our NBFC business and broking business will they remain consolidated or as it reaches scale then we are planning to list that separately or right now as of now there's no thinking in that?

Subhash Aggarwal: OK, Mr. Rahul, I don't know whether I can comment it or not but yes of course we can demerge it in time to come.

Rahul Choudhary: It is hundred 100% owned by the group only?

Subhash Aggarwal: Yeah. We can go to public also. I don't want to comment fully. I don't understand whether I can comment it or not legally.

Rahul Choudhary: Sir, I have a last question which is like sort of frustration as an investor. Sir, if the market continues to value us at the current positions, we're showing growth continuously quarter after quarter, will you contemplate a buyback because relatively we are very cheaply valued.

Subhash Aggarwal: All these questions we cannot comment. Yeah, it depends.

Rahul Choudhary: Because you know, it's about how to deploy the funds. So yeah. OK, Sir. Thank you very much. That's all.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Hello, good evening. So, for each segment it would be really helpful if you could you know, just draw a plan directionally, give us your thoughts about how you wish to grow. You know, because you're not able to give us any exact number or percentage outlook then just you know a growth plan for investors to understand how each segment is going to progress from here over this year, next year so just a few key points how each segment will see growth and is this kind of pattern we're seeing is sustainable?

Subhash Aggarwal: Mr. Rahil, as you know, we were growing through our branches through our authorized persons. Now we are strengthening our IT and one source is digital marketing. We can, we will grow through digital marketing also. As you know we are doing so many businesses mainly all our business has been divided in three functional areas, broking, distribution and trading and 2nd NBFC financing and 3rd insurance broking so, what business is covering our entire broking business, whether it is commodity, currency, equity or distribution business, investment banking and real estate broking and depository participants and many other small and big business that market and PMS and all sort of business. So, we want to grow in every segment of the business and since we are clearing member of each exchange so clearing Member means we are clearing trade of trading member. So, we are having more than 300 trading members and we are clearing their trades. We are also with the Dubai branch where we are DGCX (Dubai Gold and Commodities Exchange) member and as you know, India is growing very fast, the economy is growing very fast and when economy is grows financing is the maximum beneficiary. So, all our business, we always stand No. 10 to 15 positions in exchange and recently we have been included in Qualified Stock Broker. 11 members out of entire community, had been selected

qualified stock broker. It's a very privileged and you can say it's a certificate that we are a very compiled good big broker because parameters are only on that transparent and so that is a very privileged and great position we have and earlier we were based on vendor-based technology. So recently last two years we are focusing on our in-house technology and we employed a great team of around 300 persons of IT, focused dedicated. So, our focus is to give service to the clients so ultimately that trust and the client is the ultimate measurement. If they are satisfied credibility as well as business will grow. So, we believe in that. And so, in all business, we are having good market share of the exchange in the same way our NBFC, we are growing very fast 30-40% on yearly basis and our PAT five years CAGR is 20% revenue, CAGR of the entire group is more than 17%. We are talking of last five years. So, we are growing a good pace and in the same way, we are the insurance working business is very competitive, even big brokers I don't want to name those who are having commanding very good premium, their balance sheet doesn't show profit. But we are at bottom line profitable business and growing very fast in insurance broking. So, as you know we are having more than 4000 employees in total SMC group. And our aspiration to become bigger and bigger which I cannot quote a figure, but I can suggest to you see our past also, we are growing at very fast rate and we will continue to grow at a very fast rate that I can assure you. You must be satisfied; is there any specific question you can ask.

- Rahul Shah:** No, thank you for that portrayal and wish you all the best.
- Subhash Aggarwal:** Thank you.
- Moderator:** Thank you. The next follow up question is from the line of Rahul Choudhary, an individual investor.
- Rahul Choudhary:** I'm just taking this opportunity to ask some follow up questions since I had asked about the operating margins and you had clarified sir And also, as I've understood that your broking businesses based on lot of branches and authorized persons, so can we get more granular data as to how we are growing as to like you know the business per branch or you know so that we can also estimate that we are growing like how the branches are because we have a lot of employees also like 4000. So, we have a lot of boots on ground. So can we also as investors see the performance in the level and also if in the investor presentation, the operating margin and the insurance business, like you said. So, then we can compare Apple to Apple between the peers in the industry. These are my two suggestions more than anything else.
- Ajay Garg:** Yeah. So actually, in broking, we do have around 125 branches and gradually we are increasing like branches in even Tier 2 tier 3 cities because more than 55% of the new clients are coming from Tier 3, Tier 4 cities and our branches like a regional office so we get retail client as well as the increase in the network of our franchisees. And besides that, we are growing digitally as well. Currently, like more than 60% of even our full booking clients are doing trading online. So online penetration is already 55-60% which is going to grow. So, we are growing the business digitally as well as on ground. And we do have few prestigious even 3-IN-1 tie ups with say, Punjab National Bank, Indian Overseas Bank, Union Bank of India, Ujjivan Bank we tied up recently and Karur Vysya Bank. So, we are also working on it to drive it digitally. So, in times to come even good numbers can come from them as well. Recently we have upgraded ours Ekyc onboarding platform and we are going to launch new trading interface. We have recently revamped our website. So once all the things are in place then we would ramp up our digital campaign as well and the number of fresh account opening would increase drastically.
- Rahul Choudhary:** Sir, in the Q2 so far, we've finished one out of the three months. So, is the pace of growth continuing in we can ask this I think we can ask this question now in the present quarter?
- Ajay Garg:** In the present quarter, the pace is similar as compared to Q1 but by Q3-Q4, the pace would be much higher.
- Rahul Choudhary:** Right, Sir. OK, thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Akash from Guide point Financial Group. Please go ahead.

Akash: Yeah. Good evening, everyone. Now, as an investor of your company, the only concern for me is with your loan book growth rate. So how much do you expect to grow your loan book because in the quarter 1 we didn't see good growth rate in the loan book?

Himanshu Gupta: Yeah. Hi Akash. I am Himanshu Gupta. So, you know in quarter 1 usually there is a lower amount of disbursement like we have very heavy quarter 4 which usually occurs. So, this has been our trend even in the past couple of years. And you know, last few years we have been growing at a rate of about 35% to 38% on a CAGR basis. And we still like for this year as well we have a similar kind of plan. So even though you see a subdued growth in AUM, but during the full year, we still have a same plan.

Akash: So as your earlier guidance, are you still on the track to double your loan book growth in the next three years?

Himanshu Gupta: Yes, we are on that track.

Akash: And are we looking to explore more into the unsecured lending portfolio as compared to the secured lending?

Himanshu Gupta: OK. So no, as our philosophy, we have decided to like keep our unsecured book at a level of around 30% of the total AUM and if you will see over past few years, we have been gradually moving in that direction. Last year we closed at about 40% and this year we will see further improvement in that ratio. So, over the next two to three years, WE will reach at 30% of the AUM. You are focusing more on building the Micro LAP which is a high margin and low-ticket size secured book. So, in an addition to like higher ratio of secured book, you would have a like higher margin on the overall book as well as a result.

Akash: OK, but isn't the unsecured lending portfolio maybe more profitable? I agree that the risk will be on the higher side, but if we disburse the loan smartly, cannot we earn high returns with the unsecured portfolio?

Himanshu Gupta: You know, it depends on the product within the secured segment like earlier the LAP product that we were into was a low margin product. But as I told you, we are focusing to build the Micro LAP book which is a high margin product. So that margin would be you can say at a similar number as compared to the unsecured loan. And, you know, moreover, the secured book is a longer period book. So initially you know there could be a like low margin, but it has a better profitability in the longer run due to the longer tenure of the loans.

Akash: If I observe your PPT, you have added 12 lenders in the last 12 months. So how much do you expect to add the lenders in your SMC group?

Himanshu Gupta: So, the lenders that you see is referring to the lenders at the NBFC level and you know we have most of the banks and few large NBFC already as our lender. So, there is not much headroom in terms of the number of banks that we can add. But definitely we expect to add four to five new banks during this financial year and you know the existing lenders, we expect that they would also increase the exposure to us as the size grows.

Akash: Are we still on the path to add almost 1.5 to 2,00,000 on StoxKart clients this year as the earlier guidance given in the earlier presentation?

Pranay Aggarwal: Hi. So, I'll just introduce myself. I'm Pranay Aggarwal, CEO of StoxKart. So, during the current year, we have launched our web platform by the name of StoxKart trade web and that is also garnering very good response. And last year we launched our mobile app also and I informed to the investors last quarter also that we are going to launch a new marketing campaign. So that is going to set in place and with that. We are well on track of achieving our target of clients. Next year we can hope to even double that number of clients what we will achieve this Year.

Akash: So, you are aiming to double your clients in next 12 months what you are giving the guidance of StoxKart?

Pranay Aggarwal: I think maybe till the next financial year, we will double the clients, by the end of 2026, we'll double the clients. This year we are launching the new marketing campaign and we have launched the new trading platforms also. So, by the next financial year, we will double the

number of clients. This year is more of groundwork year, in which we are doing our groundwork to penetrate the market, we are doing all groundwork this year but still we are doing it profitably.

- Akash:** Thank you. That is from my side.
- Moderator:** Thank you. The next question is from the line of Subhash from Value investments. Please go ahead.
- Subhash:** Thank you for giving the opportunity again. So, you mentioned about the tie ups with Ujjivan Bank, Karur Vysya Bank and many more bank, right. So, what are the services that you offer when you say that you have tied up with those banks, is it that you provide the service of trading and other things for their customers?
- Ajay Garg:** Yeah. Yeah, let me just explain you. So even banks also want to have a financial inclusion. So, they are providing banking facility and Demat facility and trading account of SMC would be used. So, it is a 3 in 1 account which jointly we are taking and where the Demat account and Bank account would be of the bank and trading account would be of SMC.
- Subhash:** Oh, got it. OK, that's great to know. Just another small request. So, when you make these tie ups, right, when you win such huge clients or when you make such huge tie ups with huge banks, can we expect you to know notify the Stock Exchange about this tie up as and when you complete this?
- Ajay Garg:** Yeah, yeah. We keep on doing it because these were the old tie-ups, but certain onboarding issues were there, which we have resolved and because that opening a Demat account of bank was a bit of a task. So now it will be at par with which we are opening the account with SMC. So once this huddle is over then we can achieve great numbers.
- Subhash:** OK. Thank you so much.
- Moderator:** Thank you. As there are no further questions from the participants. And I'll hand the conference over to the Mr. Mahesh C Gupta for closing comments.
- Mahesh Gupta:** Thank you all for participating in this earnings 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 Investors Relations manager at XB-4 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. Thank you.