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## SMC GLOBAL SECURITIES LIMITED

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Clearing & Trading Member : Cash, F&O, Currency, Debt & Commodity

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Date: 03.08.2023

<b>Listing Operations</b> <b>BSE Limited,</b> <b>P J Towers, Dalal Street,</b> <b>Mumbai-400001, India</b>  <b>Scrip Code: 543263</b>	<b>Listing Department</b> <b>National Stock Exchange of India Limited,</b> <b>Exchange Plaza, C-1, Block G,</b> <b>Bandra Kurla Complex,</b> <b>Bandra</b> <b>(E) Mumbai - 400051</b>  <b>Symbol: SMCGLOBAL</b>
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**Subject: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Credit Rating on consolidated basis.**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that ICRA has assigned [ICRA] A (Stable) rating to SMC Global Securities Limited. The instrument-wise rating actions are as follows:

Instrument	Previous rated amount (Rs. in Cr.)	Current rated amount (Rs. in Cr.)	Rating Action
Commercial Paper	25	100	[ICRA]A1+; reaffirmed/assigned
Long-term/short-term fundbased/non-fund based bank lines	1500	2500	[ICRA]A (Stable)/[ICRA]A1+; reaffirmed
NCD	-	400	[ICRA]A (Stable); assigned
<b>Total</b>	<b>1525</b>	<b>2000</b>	

A copy of the rationale issued by ICRA is enclosed herewith.

This is for your information and appropriate dissemination.

This information will also be hosted on the Company's website at <https://smcindiaonline.com>.

**For SMC Global Securities Limited**

**Suman Kumar**

**E.V.P. (Corporate Affairs), Company Secretary & General Counsel**

**Membership No. F5824**



July 24, 2023

## SMC Global Securities Ltd.: [ICRA]A (Stable); rating assigned; earlier ratings reaffirmed, rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	25	100	[ICRA]A1+; reaffirmed/assigned
Long-term/short-term fund-based/non-fund based bank lines	1,500	1,500	[ICRA]A (Stable)/[ICRA]A1+; reaffirmed
NCD	-	400	[ICRA]A (Stable); assigned
<b>Total</b>	<b>1,525</b>	<b>2,000</b>	

\*Instrument details are provided in Annexure I

### Rationale

While arriving at the ratings, ICRA has taken a consolidated view of SMC Global Securities Limited (SMC) and its subsidiaries (collectively referred to as the SMC Group/the Group), given the synergies and operational linkages between the entities. The ratings factor in SMC's long track record in the capital market segment and its well-established network of branches and sub-brokers. The ratings also factor in the company's established market position along with the synergistic benefits arising from the Group's integrated presence across broking, clearing, distribution, wealth and lending activities.

The ratings also derive comfort from the Group's comfortable capitalisation profile with a gearing of 1x and a net worth of Rs. 932.7 crore on a consolidated basis as on March 31, 2023. ICRA notes that the leverage could go up from the current level, with the additional requirement of funding for SMC following the change in the regulations regarding segregation of client funds and scale-up in the lending business (housed in the non-banking financial company (NBFC) – Moneywise Financial Services Pvt. Ltd.), though the overall capitalisation levels is expected to remain adequate. The ratings also factor in the adequate liquidity profile of the group, the healthy level of margin utilisation with the exchanges (average utilisation was around 56% as at March 2023), sufficient unencumbered cash and bank balance of Rs. 20.6 crore as on March 31, 2023 and adequate sanctioned and unutilised bank lines. The asset quality indicators remain under control on a consolidated basis with negligible write-offs. ICRA also notes the recovery in the asset quality indicators at the NBFC level in FY2023, following some deterioration witnessed in FY2021 and FY2022 due to the impact of the Covid-19 pandemic. The performance of the lending business, in terms of growth and asset quality, would have a bearing on the overall credit profile of the Group. ICRA has taken note of the moderation in the Group's profitability in FY2023 with a return on average net worth (RoNW) of 13% on a consolidated basis (21% in FY2022 and 14% in FY2021), majorly driven by increase in operating expenses resulting from strengthening of IT infrastructure and one-time fair value impact on the investment book during FY2022.

The strengths for the group are partially offset by the inherent volatility in capital markets and the highly competitive and fragmented nature of the broking industry. The risk is somewhat augmented as a significant portion of SMC group's revenues (approximately 69%\* in FY2023) is from capital market related activities (broking and trading activities). However, ICRA has noted some improvement in diversification over the years with the increasing share of lending and other fee-based businesses (such as asset management, insurance broking) in the overall revenue mix. In lending business, the steps taken by the management to strengthen the risk management and underwriting processes & the calibrated growth approach provide comfort. Going forward, the company's ability to diversify its revenue stream, expand its operations while leveraging its wide geographical reach, ability to manage prudent capitalisation with increased working capital requirements, scale up its risk management systems in line with the business growth and improve its profitability remains critical.

\*Approximately 69% includes 11% from insurance broking activities which is not dependent on capital markets

## Key rating drivers and their description

### Credit strengths

**Long track record and established market position** – The company has a long track record of over three decades in the capital market segment. The company caters to both the retail and the institutional clients; however, the bulk of the business remains retail focused. The company has well established market position in the capital markets and has seen improvement in the market share over the past two years. In FY2023, Company recorded an increase of 9.72% in the client base of equity broking segment, and the discount broking segment recorded an increase of 83.52% in the number of clients; though the overall market share remains limited.

**Comfortable liquidity position and capitalisation profile** – SMC's broking business has a comfortable liquidity profile with adequate unutilized margins placed at the exchanges (average margin utilization at around 56% during FY2023), sufficient unencumbered cash and bank balance of Rs. 20.59 crore as on March 31, 2023 and adequate sanctioned and unutilised bank lines. The capitalization profile on consolidated levels stood comfortable with SMC's reported gearing at 1x on a net worth of Rs. 932.7 crore as on March 31, 2023. With the NBFC operating at modest gearing levels, the company may not require capital for growth in the near term.

**Good asset quality indicators** – SMC's asset quality remains largely under control with negligible write-offs in FY2023. It is further supported by the company's risk management policy with automated margin monitoring systems. ICRA has taken note that the asset quality indicators for the NBFC (Moneywise Financial Services Pvt. Ltd.) also recovered with GNPA improving from 2.8% in FY2022, to 2.3% in FY2023. The ability of the NBFC to grow the business while controlling the slippages going forward would be critical for maintaining the credit profile of the group.

### Credit challenges

**Moderation in profitability** – The profitability for the group declined in FY2023 with the group reporting a net profit of Rs. 120 crore in FY2023 as compared with Rs. 175 crore in FY2022. This decline was largely on account of increase in operating expenses resulting from strengthening of IT infrastructure and one-time fair value impact on the investment book during FY2022. While similar impact from investment book is not expected in FY2024, there could be some moderation in the net interest margins given the higher working capital requirements and lower interest income, thus leading to some moderation in profitability in the broking business. Further, the NBFC business of the group continues to be in an expansion mode and hence operating expenses would remain high.

**High dependence on capital markets is likely to keep the earnings profile volatile** – The revenue profile of the group continues to be dominated by the capital market (approximately 69%\* of the total revenues from brokerage segment and trading segment in FY2023) which are inherently vulnerable to market cycles. Net Brokerage income (35%), Net interest income (32%) and the fee income received as a commission on selling of insurance and mutual funds to the clients (31%) along with other miscellaneous income (income from advisory services, delayed payment charges/Interest on MTF book of the company and the dividends received) accounted for the remaining 2% of the total operating revenue. While the company has demonstrated the ability to report profitability through cycles, nevertheless, the dependence on capital markets is likely to remain. In this regard, the Group's ability to profitably improve the diversification would be a key monitorable.

*\*Approximately 69% includes 11% from insurance broking activities which is not dependent on capital markets. Revised revenue composition: Net Brokerage income (25%), Net interest income(32%), Fee income(41%) along with other miscellaneous income(2%).*

**Competitive intensity likely to keep broking yields under pressure** – The blended yields of the company in equity broking have been under pressure as a result of the highly competitive intensity along with the substantial share of the low yielding F&O segment in the overall equity trading volumes. Given the industry dynamics, the brokerage yields are expected to remain at similar levels going forward.

## Environmental and social risks

SMC Global Securities Ltd. did not face material physical climate risks; however, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses on whom banks and financial institutions have an exposure face business disruption because of physical climate adversities, or if such businesses face climate transition risks because of technological, regulatory, or customer behaviour changes, it could translate into credit risks for financial institutions. Further, the business activities are typically short-to-medium term in nature, that will allow it to adapt and take incremental exposure on businesses that face relatively lesser downside environmental risks.

With regard to the social risks, data security and customer privacy are among the key sources of vulnerabilities for financial institutions as any material lapses could be detrimental to the reputation and invite regulatory censure. As majority of SMC's services are digitally driven with high utility of information technology, SMC faces the risk of data breaches, cyber-attack and other operational risks affecting the customer data, trading, broking etc. However, SMC had no such instances in the past which indicates the risk management and processes are adequate.

## Liquidity position: Adequate

SMC's broking business has adequate liquidity profile with unutilized margins placed at the exchanges (average margin utilisation of around 56% during the period of FY2023, sufficient unencumbered cash and bank balance of Rs. 20.6 crore as on March 31, 2023 along with an adequate amount of sanctioned and unutilised bank lines. The liquidity position of Moneywise Financial Services Pvt. Ltd., SMC's NBFC subsidiary, remains comfortable with positive cumulative mismatches across all its buckets due to its low gearing during FY2023. As on March 31, 2023, MFSPL had debt repayments (excluding interest) of Rs. 243.1 crore<sup>^</sup> in next twelve months compared to expected inflows from advances of Rs. 484.2 crore during this period.

<sup>^</sup>Rs 158 crore (excluding WCCL, OD/CC)

## Rating sensitivities

**Positive factors** – A significant improvement in the Group's revenue diversification along with improvement in profitability on a sustained basis may result in a rating upgrade.

**Negative factors** – The ratings could be revised downwards if there is a significant deterioration in the Group's profitability indicators, thereby adversely affecting its financial risk profile. The ratings could also face significant pressure if the credit quality of the NBFC deteriorates.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">ICRA's Credit Rating Methodology for Brokerage Houses</a> <a href="#">Rating Approach – Consolidation</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Consolidation

## About the company

SMC Global Securities Limited (SMC) is a Delhi-based stockbroking company, which was incorporated on December 19, 1994 and is the flagship company of the SMC Group. SMC, with its subsidiaries, has a significant presence in almost all the important segments of financial services such as broking, distribution of third-party products and initial public offerings (IPOs), insurance broking, financing (NBFC), real estate advisory and wealth management, investment banking, clearing services, depository participant, non-resident Indian (NRI) and foreign portfolio investment (FPI) services, etc. SMC has a presence in more than 447 cities across India and is also present in the United Arab Emirates (UAE). It has a client base of over 2.0 million.

SMC on consolidated basis reported a profit after tax of Rs. 120 crore on an asset base of Rs. 3,315 crore as on March 31, 2023 when compared with a profit after tax of Rs. 175 crore on an asset base of Rs. 2,954 crore as on March 31, 2022.

On a standalone basis, SMC reported a PAT of Rs. 93.4 crore in FY2023 on an asset base of Rs. 2507.3 crore as on March 31, 2023 compared to a 144.6 crore in FY2022 on an asset base of Rs. 2,371.6 crore as on March 31, 2022.

#### Key financial indicators (audited)

SMC (consolidated)	FY2020/Mar-20	FY2021/Mar-21	FY2022/Mar-22	FY2023/Mar-23
Gross brokerage income	388.4	470.3	543.9	607.6
Net brokerage income	151.7	171.5	190.3	185.9
Trading income	158.9	170.9	191.0	165.1
Fee income	79.9	90.9	122.8	164.4
Net interest income	90.7	110.4	141.0	166.8
Net operating income (NOI)	325.7	388.7	478.4	525.7
Total operating expenses	429.6	399.2	472.1	541.4
Profit before tax	45.1	142.5	221.4	162.0
Profit after tax (PAT)	23.9	105.0	174.6	120.4
Net worth	681.4	772.7	926.1	932.7
Borrowings	291.5	499.31	513.91	963.6
Gearing (times)	0.32	0.64	0.55	1.0
Gearing (times; excl. lease liabilities)	0.27	0.60	0.52	1.0
Cost-to-income ratio	132%	103%	99%	103%
Cost-to-income ratio (incl. trading income)	89%	71%	71%	78%
Return on net worth	3%	14%	21%	13%
PAT/NOI	7%	27%	36%	23%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; \*Limited financials; ^ Includes other fee income

#### Key financial indicators (audited)

SMC (standalone)	FY2020/Mar-20	FY2021/Mar-21	FY2022/Mar-22	FY2023/Mar-23
Gross brokerage income	152.5	213.6	251.5	235.9
Net brokerage income	88.5	117.6	134.8	119.0
Trading income	133.8	123.6	151.4	159.0
Fee income	72.4	77.3	108.7	141.6
Net interest income	31.9	48.6	75.3	81.0
Net operating income (NOI)	212.4	265.9	338.5	354.6
Total operating expenses	309.7	289.2	346.5	397.0
Profit before tax	37.6	105.2	182.2	119.9
Profit after tax (PAT)	29.7	74.9	144.6	93.4
Net worth	610.3	671.5	793.2	768.0
Borrowings	86.4	262.78	174.47	409.6
Gearing (times)	0.14	0.39	0.22	0.53
Cost-to-income ratio	146%	109%	102%	112%
Cost-to-income ratio (incl. trading income)	89%	74%	71%	77%
Return on net worth	5%	12%	20%	12%
PAT/NOI	14%	28%	43%	26%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; \*Limited financials; ^ Includes other fee income

### Status of non-cooperation with previous CRA: Not applicable

**Any other information:** ICRA notes the legal proceeding by the investigating authority with regard to the alleged violation of the Securities and Exchange Board of India's (SEBI) framework on system audit between October 2012 and September 2015 in relation to the NSE co-location facility. There has not been any adverse regulatory action on the Group, so far. Further, as per the management's perspective, there is no likely adverse impact of the same on the business or credit profile of the Group.

### Rating history for past three years

Instrument	Amount Type	Amount Rated (Rs. crore)	Amount O/S as of Mar 31, 2023 (Rs. crore)	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years			
				Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	
				July 24, 2023	Nov 04, 2022	Aug 30, 2022	Aug 30, 2021	Sep 30, 2020	Aug 31, 2020
1 Commercial paper	ST	100	0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2 Long-term/short-term fund-based/non-fund based bank lines	LT/ST	1,500	1,500	[ICRA]A (Stable)/[ICRA]A1+	[ICRA]A (Stable)/[ICRA]A1+	[ICRA]A (Stable)/[ICRA]A1+	[ICRA]A (Stable)/[ICRA]A1+	[ICRA]A (Stable)/[ICRA]A1+	[ICRA]A (Stable)/[ICRA]A1+
3 NCD	LT	400	0	[ICRA]A (Stable)	-	-	-	-	-
4 Issuer Rating	LT	-	-	-	-	-	-	[ICRA]A (Stable); Withdrawn <sup>^</sup>	[ICRA]A (Stable)* Put on notice of withdrawal

LT – Long term, ST – Short term \*Issuer rating was put on notice of withdrawal on August 31, 2020; <sup>^</sup>withdrawn as on September 30, 2020

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	Very Simple
NCD	Simple
Long-term/short-term fund-based/non-fund based bank lines	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details as on March 31, 2023**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	100	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	95	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	5	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	75	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	15	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	150	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	225	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	125	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	125	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	100	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	90	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	61	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	54	[ICRA]A (Stable)/[ICRA]A1+
NA	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	40	[ICRA]A (Stable)/[ICRA]A1+

<b>NA</b>	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	100	[ICRA]A (Stable)/[ICRA]A1+
<b>Unallocated</b>	Long-term/Short-term fund-based/non-fund based bank lines	NA	NA	NA	140	[ICRA]A (Stable)/[ICRA]A1+
<b>Yet to be placed</b>	Commercial Paper	NA	NA	7-365 days	100.00	[ICRA]A1+
<b>Yet to be placed</b>	NCD	NA	NA	NA	400.00	[ICRA]A (Stable)

Source: Company, ICRA Research

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
SMC Global Securities Ltd.	Parent (Rated entity)	Full Consolidation
SMC Comtrade Limited	100.00%	Full Consolidation
SMC Investments & Advisors Limited	100.00%	Full Consolidation
Moneywise Financial Services Pvt. Ltd.	100.00%	Full Consolidation
SMC Capital Limited	100.00%	Full Consolidation
SMC Insurance Brokers Pvt. Ltd	90.00%	Full Consolidation
SMC Comex International DMCC	100.00%	Full Consolidation
Moneywise Finvest Limited	100.00%	Full Consolidation
SMC Global USA Inc	50.00%	Full Consolidation
SMC Global IFSC Private Limited	100.00%	Full Consolidation
SMC Real Estate Advisors Pvt. Ltd	100.00%	Full Consolidation
SMC & IM Capitals Investment Manager LLP	50.00%	Equity Method

Source: Company; Note: ICRA has taken a consolidated view of the parent (SMC), its subsidiaries and associates while assigning the ratings



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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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### Branches



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