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### **Sub: Submission of the Transcript of Earnings Con-call – Q1- FY 2022-23.**

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 earning con-call held on 01st August, 2022.

This will also be hosted on the Company's website at [www.smcindiaonline.com](http://www.smcindiaonline.com)

This is for your information and record.

**For SMC Global Securities Limited**

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**SMC Global Securities Limited**  
**Q1 FY23 Conference Call**  
**August 01, 2022**

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**Moderator:** Ladies and gentleman, good day and welcome to the SMC Global Securities Limited June 2022 Results discussion Conference Call. As a reminder, all participant 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

**Anuj Sonpal:** Thank you. Good evening, everyone and a warm welcome to you all. My name is Anuj Sonpal 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 earnings call of the company for the first quarter of financial year 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's concall 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 belief as well as assumptions made by and information currently available to management. Audience are cautioned not to place any 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.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. Subhash Chand Aggarwal – Chairman and Managing Director, Mr. Mahesh Chand Gupta – Vice Chairman and Managing Director, Mr. Ajay Garg – Director and CEO of SMC Global Securities Limited, Mr. Himanshu Gupta – Chairman and CEO of Moneywise Financial Services Private Limited, Mr. DK 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 Chief Financial Officer. I, now request Mr. Vinod Kumar Jamar to take you through the financial and operational highlights of the company, all over to you sir. Thank you.

**Vinod Kumar Jamar:** Thanks Anuj. Good evening everyone. First, let me take you through financial performance for Q1 FY23 of our company on a consolidated basis. The operating income for the quarter was INR 291 crores an increase of 13.8% year-on-year. Operating EBITDA was reported at approximately INR 71 crores, a decrease of 26.3% year-on-year and EBITDA margin stood at 24.4%. Margin declined due to higher administrative expenses in Q1 23 vis-à-vis same period a year ago, when many offices remain shut and employees were working from home due to COVID-19 pandemic. Net profit after tax reported INR 37 crores a decrease of 22.6% year-on-year while PAT margin are 20.74%.

Let me now take you through quarterly segmental performance on a consolidated basis for this quarter. In the broking distribution and trading segments the revenue for the quarter was about INR 199 crores an increase of approximately 7% year-on-year. the EBIT for the segment was INR 47 crores. Coming to insurance broking division, the revenue for the quarter recorded was INR 74 crores, which increased by around 37% on a year-on-year basis. The EBIT was approximately 1.5 crores. Company focused on hiring a technology team to strengthen the IT infrastructure in this division.

Lastly, in the financing division segment, the revenue for the quarter was INR 33 crores an increase of about 47% on a year-on-year basis, the EBIT for the quarter was approximately INR 18 crores an increase of about 43% on year-on-year basis. NBFC loan book increase to INR 716 crores in Q1 FY23 from INR 562 crores in Q1 FY22. Gross NPA and net NPA decreased to 2.58% and 1.49% in Q1 FY23 from 4.75% and 3.05% in Q1 FY22 respectively. With this, we can now open the floor for questions-and-answers session. Thank you.

**Moderator:** Sir, shall we open for the Q&A?

**Vinod Kumar Jamar:** Yes.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Sir, if you look at your revenue mix for the quarter for the broking distribution and trading aspect there is a, do we have any mark to mark of our proprietary business what is the key reason for the lower segment profit for this quarter when we are comparing with the June quarter and if you could give the breakup or mixed between what was the broking amount, brokerage and the trading?

**Ajay Garg:** Very Good Afternoon, Ideally the quarter one had been a bit dull as compared to quarter four and broking revenue had been around 153.17 crore and trading revenue had been around 45.97 crore. In the Q4 these figures were 138.61 crore in broking and 50.45 crore in trading. So, there has been a minor increase of 5% as compared to Q4. In spite Sensex being down and the market being dull.

**Saket Kapoor:** And sir the profitability front can you provide the break up, the total PBT for the segment is 47.31 crore. The split between broking and the trading part?

**Vinod Kumar Jamar:** It is around 75% for broking and 25% for trading part.

**Saket Kapoor:** Okay. And sir this also includes the open position being mark to mark for trading purpose all the positions remain close?

**DK Aggarwal:** This is DK Aggarwal, so, we mark to market open positions and whatever mark to market is there that is accounted for.

**Saket Kapoor:** Right Sir, and what should be the book size for the prop book as on 30th June, that remains open?

**DK Aggarwal:** It keeps on changing but it is around 300 crores.

**Saket Kapoor:** Okay. And if we take the breakup of the same, this segment are you really tuned into, is it the large cap part where in the F&O is there to hedge or do we have the cash or the midcap cash market position also?

**DK Aggarwal:** This is basically arbitrage position, which are hedged. These are based on various strategies like cash future arbitrage, conversion strategies, butterfly trading, volatility based arbitrage, statistical arbitrage, pair trading, etc. So, whether all the positions are hedged? in that, most of the positions are hedged.

**Saket Kapoor:** And sir can you provide us with the margin requirements. Now the margin requirement increase and the cash component being introduced. So, to generate these revenue in your trading book what kind of margin requirement it can be there, if you could quantify on a day the highest margin which is there in terms of the strategy, which we're doing since we are having a hedge position that means you have to incur margin on both sides?

**DK Aggarwal:** Yes. So, basically the margin keeps on varying, but generally it is around 235 crore to 300 crore like that.

**Saket Kapoor:** Okay. And that is also sourced completely from, that is our self-owned fund on that is also borrowed at competitive rate?

**DK Aggarwal:** In-house fund are there.

**Saket Kapoor:** And about the land which we purchased for our new offices, any update on the same, how are we proceeding?

**Subhash Chand Aggarwal:** We have already in previous quarters explained that we purchased the land at Mohan-Cooperative society. it's more than 3000 yards and we have taken loan against that also. So, 75% as of today we have taken loan and 25% we have invested in our own fund.

**Saket Kapoor:** Okay. And have we started work on the same?

**Subhash Chand Aggarwal:** Yes, all plans have been taken place. Soil testing has been done and we are soon going to start the construction.

**Saket Kapoor:** Correct sir. Sir on the buyback front out of the total proceeds as on date, how much we have given the announcement how much have we spent for the tax benefit part, are the shareholders will be availing that capital gains benefit tax that clarification from the exchanges has been issued?

**Subhash Chand Aggarwal:** Any investor who is selling the stock will have the long-term capital gain benefit, long term and short term both.

**Himanshu Gupta:** Hi, this is Himanshu. So, basically as per the exchange notification of last year, any shareholder who has sold the stock and his shares get matched against the company buyback, he would get direct communication from the stock exchange on his registered email id and basis that he can claim the full exemption from the income tax on that particular transaction.

**Saket Kapoor:** And how much have we spent as of now and by what time we will be completing this buyback?

**Subhash Chand Aggarwal:** Around 53 crores we have spent and more than 60 lakh shares we have purchased till today.

**Saket Kapoor:** And what is the size sir?

**Subhash Chand Aggarwal:** 75 crore we have to buy back.

**Saket Kapoor:** Okay. We will be making use of the full money or after 90% we can also close earlier than that?

**Subhash Chand Aggarwal:** We will do up to 75 crores, I think we will spend full 10, 20 lakhs lesser but, otherwise we are spending full amount.

**Saket Kapoor:** Correct. Sir on the cost front which are the line items, any one-off items in your expenses, whether in the other expenses that has occurred for this quarter or they are all linear subject to your revenue?

**Vinod Kumar Jamar:** Yes, the other expenses office administrative expenses have increased because last year Q1 we had offices closed and working from home. So obviously electricity and all these related administrative expenses on the presence of staff were not there and this quarter that is there, but that is a normal thing. It's not something extraordinary because earlier also full office was working and the expenses were incurred. Expenses have not increased if we compare with the pre COVID expenses it's only with reference to Q1 only which was working from home.

**Saket Kapoor:** When we take this line item impairment of financial instrument how do we derive this, which instruments are being embedded if you can throw more light on the same, what is the size, I think so last year total figure was 16 crore and for this quarter it is 3.4 crore?

**Vinod Kumar Jamar:** We have NBFC arm so we provide loans to the customers. So out of the loan, there are certain NPAs also. As we explained this the NPA level has decreased a lot to 2.58% and 1.49% gross NPA and net NPA as compared to 4.75% and 3.05% in the last year Q1 and apart from this, there could be few other bad debt provisioning based on ECL model, because we have large debtors outstanding in the book. So, as per the statistical model, there is some part of provisioning there also.

**Moderator:** Thank you. The next question is from the line of Devansh Mehta an Individual Investor. Please go ahead.

**Devansh Mehta:** So, my first question is on the insurance segment as to why are we seeing a stagnant growth rate and also margins has come down this quarter?

**Pravin Aggarwal:** Yes, Devansh this is Pravin Aggarwal. Yes, your question is right actually insurance business is a seasonal business, last quarter is always better than previous three quarters. We cannot compare first quarter to last quarter, we can just see we have grown and if we compare with last quarter in June 21, or June 22 with June 21 it grew 37% year-on-year basis.

**Devansh Mehta:** Understood. So, my second question would be on the NBFC segment. So, the company is seeing good growth on NII and NIMs, but AUM has not grown much so, can you explain why so, and what is the company doing to increase the loan book as the competition has seen very healthy growth in the last quarter across most companies. So, if you have any comment there?

**Himanshu Gupta:** Hi, this is Himanshu Gupta. So, our AUM during the quarter had actually gone up to 716 crores approx. as against 690 crores at the end of March 22. And during the quarter, we have made a disbursement of about 120 crores. So, the business has actually picked up, but there is very fast amortization on our existing loan book. On a monthly basis we are having a collection of about Rs.36 crore. So, there is some part of the book which is amortizing very fast. So, that is the rub off effect and therefore you see the book is not increased by that large

amount. However, we have seen the credit quality has improved and gross NPA and net NPA has gone down as Mr. Jamar told while back. And to increase the book further we are actually increasing our distribution strength in the location that we opened last year by hiring more sales team and adding some spoke locations around our branches. And we are also starting with a new product gold loan which we have initially started through a tie up during the quarter and we plan to add exclusive branches to do the gold loan that will also add to the loan book.

**Devansh Mehta:** Got it. Also, my final question, so can you talk about the Superr app that has been launched and what is this like, how is it different than Stoxkart?

**Pranay Aggrwal:** I will just put a statement, pertaining to this because Super app is a different brand, a new age brand launched by Stoxkart. I talked about Stoxkart 2.0 in the previous quarter call and I said that we are going to revamp our technological, from front to back and this is a step towards Stoxkart 2.0. Our first product is superr and shortly we will launch other products, which will enhance our customer experience. For that, I will also introduce our group CTO, Mr. Bhushan, who is playing the pivotal role to drive our technological advancements group wide. So, Mr. Bhushan will take over and further answer your question.

**Bhushan Sonkusare:** So, hello all Bhushan Sonkusare here. To answer your question, just to add to what Pranay Ji said, the Superr app is launched for Stoxkart business, which is our discount brokerage. And that is the first milestone of our transmission journey. And it is currently launched in the beta stage, there are three things which I would like to highlight, which this app will do different than the previous ones. So, first focus would be lightning fast, super intuitive, and end to end user experience, the consumer experience. The second is we are going to use a completely different new digital technology stack so we have now chosen the stack which has been used by most Fintech firms locally as well as globally. And then the third is, we want to leverage the legacy and the USP of SMC group into this play rather than just copycatting something, which is bringing the brokerage distribution and other aligned digital products through the single app window. So, these three are the key differentiators.

**Moderator:** Thank you. The next question is from the line of Karan Bhanushali an Individual Investor. Please go ahead.

**Karan Bhanushali:** Can you tell us what are the revenues for Stoxkart for Q1 and if you could quantify the profit and loss for the quarter?

**Vinod Kumar Jamar:** Stoxkart revenue is 5.97 crores and profit after tax was 64.47 lakhs.

**Karan Bhanushali:** Okay. And why has there been a significant increase in interest costs on both Y-o-Y and Q-o-Q basis?

**Vinod Kumar Jamar:** As you're seen our NBFC loan has increased to 716 crores. So, obviously, our leverage was very low. So, we borrowed the money from the bankers and distribute it, still we can further leverage it as our debt equity ratio is quite comfortable. So, the interest cost has gone and simultaneously interest income has also gone up.

**Karan Bhanushali:** Okay. So why is the depreciation coming down in Q1 versus the previous quarter?

**Vinod Kumar Jamar:** It's impact of WDV coming down. First year If you buy a new asset, the depreciation is at say 40% and next year let say it comes from 60, so that is the impact.

**Karan Bhanushali:** Okay. And sir in the NBFC segment last quarter, the management said you all are getting into gold loans. Can you talk about how that is progressing, and what's is the management strategy to compete against other large peers who have been into this segment for a while?

**Himanshu Gupta:** Sure, this is Himanshu. So, basically, during this quarter we have initially launched gold loan in tie up with one of the existing NBFC, through a co-lending type of partnership and going forward we would be opening our exclusive Gold loan branches for building distribution strength of our own. As you said like competing with the existing peers, we believe the market is very big and there is a very large opportunity. Being a secured retail loan product, we are very bullish on this product. And initially we would be opening branches in Delhi NCR region and in sometime after looking at the progress, we would be expanding to other locations. We have started with like, added that in tie up with other NBFC we have initially started with few branches in the West Bengal region as a pilot.

**Moderator:** Thank you. The next question is from the line of Atul Prakash, an Individual Investor. Please go ahead.

**Atul Prakash:** Actually, I just wanted to understand we have a full value brokerage business, we have a discount brokerage business, we have NBFC business in which we are also doing the gold loan now and buyback introduced at 115. However, if it's all this and we take the peer valuation of our company is not at the right place, so what exact reason you see where we are lacking?

**Subhash Chand Aggarwal:** I could not understand.

**Atul Prakash:** Shall I repeat?

**Subhash Chand Aggarwal:** It depends upon the investor, question is market is not in our control, and it depends upon the investor how much price should be there, we can say that we are doing well and I don't want to comment why price is lower, but you can think yourself.

**Atul Prakash:** I just wanted to know anything which we should be doing or were market is seeing, that is likely at our end, because if we take the NBFC business, then also our valuation is low, if we see the brokerage business then also our valuation is low?



**DK Aggarwal:** This is DK Aggarwal. What you can do is do the right thing and being in the industry and being in different verticals, all our verticals we are putting our best and things are happening as per our plan. So, in our control whatever is there we are doing that, when you do the right things, the valuation will automatically happen this is what we believe so, because valuation is not something where we focus, we focus on our business and our business is doing well.

**Atul Prakash:** Just also wanted to add the NBFC part on the gold loan side. So how we are seeing the market as a lot of players in the gold loan business and what are our strategies to going forward?

**Himanshu Gupta:** Yes, you are right a lot of NBFCs and banks are getting a little aggressive on the gold loan particularly post COVID era, but we believe that market is very large so initially we will be opening our branches and we would also be doing digital marketing and the gold loan at home business going forward. So we would be doing omni channel sales to get the business from the market. And our cost of fund is also very low so that will help us in competing with other players in the market, particularly the new NBFCs which are coming in this business.

**Moderator:** Thank you. The next question is from the line of Achal Biyani from Yes Bank. Please go ahead. We have lost the line of Mr. Achal Biyani. In the meanwhile, Mr. Saket Kapoor will ask the question from Kapoor and Company. Please go ahead.

**Saket Kapoor:** Sir, when investors look at the numbers or look at an investable proposition in companies, especially the ones where the profitability is dependent on the financial market. So, how should one look at the consistency in your numbers in the different verticals, what kind of business model have you set up that there would be consistent in barring unforeseen circumstances, how have you created the model wherein we can expect consistent numbers from your business because it is entirely dependent upon the financial market and all the components are linked on the same aspect?

**DK Aggarwal:** Mr. Kapoor it's a very good question because for any organization it is very important that there should be continuity, there should be sustainability and consistency. So, our business model is like that, it is a low cost business model where we have a lot of franchises across the country. Secondly, we have different verticals, like we are into brokerage, we are into investment banking, we are into insurance broking. So, many of these businesses they take care of the volatility or fluctuation in the economic cycle of the country. So, what we believe that our model is quite stable and quite diversified and it is a low cost model, which will ensure that there will be consistency in the business, of course unforeseen circumstances nobody can judge but otherwise we believe that we are going to grow consistently and continuously.

**Saket Kapoor:** Sir when you mention low cost model, can you explain how do you define a low cost model?

**Subhash Chand Aggarwal:** Mr. Sanket this is Subhash Chand Aggarwal. When we say low cost model, basically when we have franchisee, so we don't have direct cost all over franchisee we just charge them brokerage and share them brokerage, and whereas in branch model you incur direct costing. So, when your volumes are dip, then this branch model and mix of branch and franchisee model works very well, because at good times you are there to improve your branches you can increase your revenue, you can increase your penetration and whereas we have arbitrage system also. So, arbitrage works as balancing of everything, and other segments as DK Aggarwal said we have NBFC, we have insurance broking, we have real estate broking, third party distribution and other segments also. So, it works very well in all times. One business has other business.

**Saket Kapoor:** Sir, if you take the geographical distribution in terms of your franchisee model and also the branches, where are we concentrated and which are the areas where we need to improve our presence?

**Subhash Chand Aggarwal:** We have maximum exposure in Northern India after that Eastern part of India and then Western part of India and the least presence in Southern part of India.

**Saket Kapoor:** And what could be the key reason for them having lower penetration or what steps are we taking to improve our presence?

**Subhash Chand Aggarwal:** We have various banks tie up also and we are increasing our dealing size in southern parts. Rest, more specifically Mr. Ajay Garg, who is CEO of our SMC Global Securities.

**Ajay Garg:** Last year only we have done tie up with Karur Vysya Bank and Dhanlaxmi Bank and couple of more banking tie ups are going to be there in the near future. And we are increasing even number of branches and even number of franchisees in Southern region to strengthen our Southern part. And besides that, we are doing digital marketing, influencer marketing, so when you do the digital marketing, the business comes from around India, it is not location specific, and when our presence would be there in a better way and with this strategist tie up our image in South would improve day-by-day and our market share in South would also increase gradually.

**Saket Kapoor:** And sir lastly, to forth point, firstly about this government securities market off late, the RBI has offered this retail participation through their own website, but that is not garnering larger interest. So, in order to defend the bond market, what kind of role do SMC can play or we can facilitate so that this market which is nascent and somewhat secured in terms of the stability part could add value and could be a win-win situation for the government as well as for you garnering more clients, the ones which you would be addressing to the –35:00 platform for RBI and thereby offering your bouquet of other products. So, but this could offer a good proposition since, what I have understood or read about this portal from RBI, it has not grabbed the attention which it should, it is a big market in terms of government securities

and SGL also state development loan, that gets usually auctioned in the market. So, that was my small suggestion, if it makes sense for us. And secondly, about this arbitrage part also sir, when we look at the arbitrage mutual funds, they are able to even if we take their expense ratio, they are earning anywhere 0.4 to 0.5 50 basis point on a monthly basis at max. So, how does this strategy works out that it is only, the secret juice with us that we are able to create this kind of good numbers if I may use from the arbitrary debt and this mutual funds are unable to translate that profit, what is the area where we are able to garner this profit from?

**Himanshu Gupta:**

Okay, thank you for your question. So, first of all, your first question regarding the debt market penetration, this is Himanshu Gupta, you are very right, inspite of RBI allowing the retail investor to directly trade on the RBI portal for GSEC, still the momentum is not there from the individual investor side though, we are an early mover and we have a full-fledged debt desk in SMC in Delhi and Mumbai region, so, we are already catering to this segment. The gap what we see is that the investors are not aware about how to trade in the govt. securities and particularly because to open account, one needs to approach the banking channel only. So, banks are even not promoting the individual investor to open the account. So, there is a gap in the information and it becomes a push product in the market. But anyways, what we are offering to the investors that we can buy the government security on the portal and then sell it to the individual investor in his Demat account, that facility is available and investors are willing to buy the government securities also, apart from the corporate bonds. We have seen higher momentum from the HNI investor segment during the last two-three years particularly when the interest rates were going down in the market so people were moving their investment from fixed deposit to the debt product. So, this is our take on the debt side and for your next question regarding the arbitrage fund. Dr. DK Aggarwal will take that.

**DK Aggarwal:**

Mr. Kapoor. You rightly mentioned that these arbitrage fund from various mutual funds, they have been giving a return of 4% to 6%. Because, when you do arbitrage in a fund there are many limitations. There are limitations in respect of you can't do intraday trading, that is one. Secondly, because of that reason, the churning does not happen, only vanilla arbitrage can be done. Secondly the leverage, when you're doing arbitrage in a mutual fund, then the leverage is not possible. You can't take that leverage, but in case of propriety arbitrage which we do, you can take leverage and only basis the margins you can take the position. So, that has seen multiplying returns, the churning which happens intraday, that also adds in multiplying return and then they are bound by many constraints, they have IM and they can do only those strategies which they have given in the IM. There are many strategies like conversion reversal, box which they cannot do because of margins limitation. So, the return which an arbitrage fund makes and the return which propriety arbitrage would make there would be a substantial difference and that difference is the main reason.

**Saket Kapoor:**

Sir, what does IM stands for?

**DK Aggarwal:** What?

**Saket Kapoor:** You mentioned the word IM, IM stands for?

**DK Aggarwal:** Information Memorandum which they have to submit to the SEBI, what strategies they will do. So, you have to send the rule book basically what you will be doing so, all you have to define the strategies which will carry out when you submit for a scheme. So, that document which outlines what all you will be doing, where you will be investing. So, that document I referred as IM, information memorandum.

**Saket Kapoor:** As you mentioned sir our size. If we look at your book size for proprietary arbitrage fund is around 350 crore you mentioned that is what the.

**DK Aggarwal:** It keeps on varying, sometimes it is even 200 crores, 250 crores, 300 crores because, what happens that when whatever proprietary surplus we have, we deploy that fund instead of keeping it idle, we use whatever arbitrage opportunity arises, we use fund available with us to deploy into arbitrage strategy. So, the deployment of fund keeps on varying depending upon the availability of the fund with us.

**Saket Kapoor:** And sir if we look at the market size of this opportunity, just to understand how many players and what could be the big resultant, if I may ask that, if we look at the market share of what's the type of strategies which you deploy to create arbitrage opportunities, what could be the entire market size of it, wherein you are garnering 350 or 400 crores, how big is the total space in which number of players are in this strategy y?

**DK Aggarwal:** Right. So, I would not have the number but I can tell you, if somebody gives me another 1000 crore or 2000 crore, or 5000 crore even that can be deployed.

**Saket Kapoor:** Okay. And its direct correlation is with your option segment only, because the money flow is maximum for the option strike prices, so there is the way?

**DK Aggarwal:** You are right most of the strategy happens in options, but there are many strategies where cash futures, even there are strategies in commodities, arbitrage also. There are number of strategies which can be deployed for arbitrage. So, of course options is a major component. But, like cash future arbitrage I said, cash to cash arbitrage, there are many strategies, where even options are not used, pair trading strategies, then some statistical arbitrage. So, there are quant based strategies. So, there are strategies where even we do not use options and then there are strategies available.

**Saket Kapoor:** And here in sir everywhere we are knocking the spread at one go only, this is not that we have to change?

**DK Aggarwal:** No, everything is automated we do our arbitrage through algo trading. So, mostly it is automated trading so everything happens through the automated software.

**Saket Kapoor:** So, at no point we have any open position, whenever the algo trades have put into both sides are?

**DK Aggarwal:** Principally we do not keep any open position but there are strategies quants based strategies where we can have some open position but they're all based on some strategies like corporate actions are there, plus there are certain quant strategies. So there, there could be some open position but a majority of our positions are always hedged position.

**Moderator:** Thank you. The next question is from the line of Achal Biyani from Yes Bank. Please go ahead.

**Achal Biyani:** I would want to know on the PCM front, as we know that you also have a PCM license in place. What kind of developments are being done with the changing regulations of allocation of end line collateral, additional cost percent which you might have to face in future because of these changes and what is the income sources because we see very negligible clearing income in your P&L, if you can give an update on the TCM front?

**Ajay Garg:** Yes, I am Ajay Garg. We are clearing and trading member. So, all the regulations we are complying for and even for allocation from today the penalty is going to be imposed so accordingly we are uploading the thing as per the exchange guidelines. So, compliance is the first thing like even our CMD say that, it should be on the top priority, so we are doing that and as far as TCM is concerned like we are not that big in TCM though we do have more than 200 trading members who are taking clearing services from us, but you rightly said that it is not that remunerative but we are still like with all the exchanges even we are a member of this India INX and NSCIFS, even there we are clearing member, even we are the member of DGCX even there we are the clearing member. So, as a brand like we want to focus on that and in time to come it should be a remunerative segment for us.

**Achal Biyani:** Okay. Any additional heavy expense you are expecting because of this change?

**Ajay Garg:** No, it is an ongoing thing because the front office vendors and back office vendors even they know they have to comply so, there is no much additional expense only thing is that we have to deploy our back office resources and we have to coordinate with the vendors.

**Achal Biyani:** Okay. Sir, a few questions on your prop trading front, as you said that you are majorly into arbitrage and you are doing F&O and cash F&O head straight, at any point in time is there any directional trade which you undertake on an opportunity basis, and second there is a good amount of quoted investments which is seen in your balance sheet. So, are these a part of strategies which you're deploying or these are invest and wait for the right time to sell it off?

**DK Aggarwal:** Whatever investment you're seeing the balance sheet those are the investments and whatever we have in arbitrage those are the part of the arbitrage strategy.

**Achal Biyani:** Okay, there is no scope of any kind of directional trade which has been undertaken?

**DK Aggarwal:** Whatever directional is to be taken that is in the investment part of the business and in arbitrage it is based on such certain strategy.

**Achal Biyani:** Which is F&O driven?

**DK Aggarwal:** You can't say F&O only because there are corporate actions also happening so some directional change could be based on the corporate action.

**Achal Biyani:** Okay. Sir few questions on your group companies. So, as you said that your NBFC is trying to expand into the gold loan financing. Sir what will be your USP to compete with big players like Muthoot and Manappuram, because they have a pan India presence, how are you targeting to targeting that same audience. Second is on the NBFC performance front what is the GNPA levels as of now and what is the average deal which you are charging to your customers?

**Himanshu Gupta:** Okay. So, I will answer your questions in the reverse order. Himanshu here. Our gross yield on the portfolio is around 15%, to 15.5% that we are charging blended across all the products, you know the interest rates have gone up recently in the market and we have passed on the interest rate hike to our customers on the floating rate loans. Talking about the GNPA, March 22 GNPA numbers were about 2.8% and that has come down to 2.4% during the quarter and the collections have been better. And even you will see that (trend) in the overall market. Coming to your first question regarding the gold loan, so we believe the market size is very large for the gold loan product and obviously the competition would be there, but that is a healthy competition and we would be focusing more on the Northern India part initially. And the larger players Muthoot and Manappuram they are concentrated more on the Southern part of the India though they have presence in North India, but that would be an advantage to us. And as I said the cake is very big and there is share for everyone.

**Achal Biyani:** Okay. Sir a few questions on this stress level books only in the NBFC. Are there any restructured assets in your book?

**Himanshu Gupta:** Yes, there are restructured assets in the book as part of the restructure policy that RBI had came out during the COVID period and as of March 22, the restructured book was about 22 to 24 crore, that was the book that was restructured but standard book, but the restructuring was done under the COVID policy of the RBI.

**Achal Biyani:** Okay. Sir now on the other group company which are there in the same group, first is on the discount broking business. On the discount broking business we see you are still making

losses till FY22. So, what is the development on that front, when are you going to break even in the discount brokers. How are you competing with Upstox and Zerodha and on another group company who also had a group company called SMC Global USA, which as per few previous years financials we show that the investment amount has been written off because of some issues in that company. Can you throw some light on that?

**Pranay Aggarwal:** Hi, Achal I'm Pranay Aggarwal, CEO of Stoxkart Discount Broking arms. So, basically, Mr. Vinod Jamar he already put forward the individual financial statements of our discount broking arm, in the quarter we made a profit of 64 lakhs, profit after tax and profit before tax of 87 lakhs. So, I'm very happy to inform that this quarter we are able to not only turn it breakeven, but we are able to achieve some profit on the back of revenue of six crores. So, that is because of increased ARPU. We are focused on our strategies differently, we are focusing on revenue generating clients, we are focusing on increasing our ARPU and that is around Rs.4000 per client and that would be on the higher side in the industry. So, going forward we have positive outlook for this and with the new technological revamp which is taking place this will be increasing day-by-day.

**Subhash Chand Aggarwal:** Actually we opened a branch in USA and we transferred funds there, but we had plans for ADR and everything so we thought that we must take the license of USA also, but the person we kept as a manager, he did not do well and he has suffered losses and so, that is why we have closed the branch so now it is inoperative. It is a subsidiary SMC Global USA and now we are in the process of closing that branch.

**Achal Biyani:** Has the entire amount of SMC Global USA investment being written off as on date?

**Subhash Chand Aggarwal:** Around 5 crore something that has been written off.

**Achal Biyani:** This has been written off in Q1 or earlier periods only?

**Subhash Chand Aggarwal:** Mr. Jamar who is our CFO he will answer.

**Vinod Kumar Jamar:** Write off require certain RBI procedures. We have provided for fully, but it is in the process of writing it off.

**Achal Biyani:** Okay. So, entire amount has been written it off?

**Vinod Kumar Jamar:** Provided for.

**Subhash Chand Aggarwal:** Provision has been made but we have not yet written it off.

**Vinod Kumar Jamar:** Formal write off will be with RBI permission. That is the process.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Mahesh Chand Gupta:** Good morning to all myself 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 other further questions or would like to know about the company, please reach out to our Investor Relations Manager at Valorem Advisors. Thank you, stay safe and healthy. Thank you very much to all.

**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 line.