

Press Release

Share India Securities Limited

June 03, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	190.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	810.00	-	ACUITE A1 Reaffirmed
Non Convertible Debentures (NCD)	150.00	PP-MLD ACUITE A Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	1150.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of 'ACUITE PP-MLD A' (read as ACUITE Principal Protected Market Linked Debentures A) on the Rs. 150.00 Cr. proposed principal protected market linked debentures of Share India Securities Limited. The outlook is '**Stable**'.

Acuité has reaffirmed the long-term rating of 'ACUITE A' (read as ACUITE A) on the Rs. 190.00 Cr. Proposed bank loan facility of Share India Securities Limited. The outlook is "**Stable**".
Acuité has reaffirmed the short-term rating of 'ACUITE A1' (read as ACUITE A one) on the Rs. 810.00 Cr. Bank loan facility of Share India Securities Limited.

The rating factors in SISL's healthy capital structure, experienced management and support of resourceful promoters and established position in its segment. SISL has comfortable capitalization with a networth of Rs. 458.13 Cr. as on March 31, 2022. The networth is supported by healthy internal accruals. The rating also takes into account improvement in profitability metrics and overall increase in volumes traded at SISL. SISL reported an increase in PAT of Rs. 201.83 Cr. for FY2022 as compared to Rs. 80.75 Cr. for FY2021. The rating also considers SISL strong market share and market preference with 738 franchise/sub broker network as on December 31, 2021. The improvement in financial risk profile of the company is expected to continue to improve in FY2023 on the back of a revival in the domestic capital markets.

The rating is however constrained on account of SISL's susceptibility to the level of volatility in the capital markets as well as highly competitive landscape in broking business. During FY2021, most of the broking companies have witnessed significant traction in broking volumes on account of sharp rebound and volatility in capital/ commodity markets which may not be sustainable. Going forward, continued promoters support and ability of the company to improve its operating performance are key monitorable.

About the company

Share India Securities Limited (SISL) was incorporated in 1994 and offers broking services in various segments and providing depository services, distribution of mutual funds, and insurance broking. The company became a corporate member of the Bombay stock exchange in the year 2000 and launched depository services of Depository Participant under Central Securities Depository Limited (CDSL) in 2010. SISL is headquartered in Gujarat and has a Head office in Mumbai.

SISL has a branch network of 25 branches and franchise/sub-broker network of around 738.

About the Group

The Share India Group is promoted by Mr. Sachin Gupta, Mr. Praveen Gupta and Mr. Rajesh Gupta. The group is engaged in various activities like Broking (Equity, F&O, Currency & Commodity Segment), Proprietary Trading, Wealth Management, Portfolio Management, Depository Participant, NBFC, Insurance and Merchant Banking. Broking services and trading activities remain the core activities of the Group.

Analytical Approach

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has taken consolidated business and financial risk profile of Share India Securities Limited, Share India Fincap Private Limited, Share India Insurance Brokers Private Limited, Share India Securities (IFSC) Private Limited, Share India Capital Services Private Limited, Total Securities (IFSC) Private Limited, Total Securities Overseas Limited, Total Commodities (India) Private Limited, Share India Global Pte. Ltd., Share India Smile Foundation, Algowire Trading Technologies Private Limited, Utrade Solutions Private Limited. The consolidation is in view of the common shareholding, management and significant operational and financial linkages between the various companies of the group.

Extent of Consolidation

- Full Consolidation

Key Rating Drivers

Strength

- Promoters experience in capital markets

The company has been engaged in capital markets for around 3 decades having presence in almost all segments such as equity, derivatives, currency, commodities. The Company has Trading & Clearing membership of NSE & BSE and is a depository participant of CDSL. The Share India Group is promoted by Mr. Sachin Gupta, Mr. Praveen Gupta and Mr. Rajesh Gupta. The group is engaged in various activities like Broking (Equity, F&O, Currency & Commodity Segment), Proprietary Trading, Wealth Management, Portfolio Management, Depository Participant, NBFC, Insurance and Merchant Banking. Broking services and trading activities remain the core activities of the Group.

SISL is led by Mr. Kamlesh Shah (MD) and his professional team. The company has been through various business cycle and have emerged strong as seen in their robust financial and operational profile. SISL has 25 branches and a network of 738 franchise/sub-brokers having presence in 16 states. Mr. Kamlesh Shah (MD) has around 2 decades of experience in capital markets and has developed strong expertise in securities market trends, compliance and business development strategies Mr. Shah also serves as a President of the Association of National Exchanges Members of India (ANMI) and is also a member of the Advisory Board of BSE Brokers Forum, as well as the former Vice-President of Commodity Participants Association of India. The management team are responsible for day-to-day trading activities across various segments and other surveillance measures as a part of risk management practices and networking and communications aspects.

Acuite believes that group will continue to benefit from experienced management and established track record of operations.

Adequate Risk Management Systems

SISL has adequate risk management system. It manages risk by monitoring Value-at-Risk (VaR), time-based squaring off, value-based squaring off etc. The backend operations team also manages risk through monitoring each and every transaction that takes place. This is particularly relevant for its proprietary trading positions. Acuité believes the group's risk management practices will remain adequate and support the continuity of its broking and trading operations.

- Healthy profitability metrics

SISL's profitability metrics were healthy on account of increase in traded volumes. SISL has been majorly catering to institutional clients which has enabled it to register steady growth in its traded volume and brokerage income. SISL's has shown improvement in PAT margins which stood at 24.56 percent as on March 31, 2022 as against 18.03 percent as on March 31, 2021. The improvement in earning profile of the company was driven by increase in brokerage income & trading income. SISL reported PAT of 201.82 Cr. as on March 31, 2022, as against Rs. 80.75 Cr. as on March 31, 2021.

Acuité takes cognizance of the improvement in SISL's profitability metrics however, the same is volatile subject to capital market conditions.

Weakness

- Susceptibility to uncertainties inherent in the capital markets business; low proportion of brokerage income

Broking is a highly volatile and cyclical business with the presence of a large number of established players who provide significant competition to the other fragmented and small players. The company's operating performance is linked to the capital markets, which are inherently volatile as they are driven by economic and political factors as well as investor sentiments. Trading volume and earnings depend heavily on the level of trading activity in capital market. The company's revenue has been significantly dependent on trading income which is inherently volatile. Given the competition from larger brokerages and technology-focused new entrants, the ability of the group to grow its brokerage revenues on a sustainable basis will be a key monitorable.

Acuité believes that the level of activity in the capital markets will continue to be a key determinant of its revenue profile and future growth trajectory.

ESG Factors Relevant for Rating

Share India Securities Limited, has a diversified revenue stream with a majority portion accruing from the financial services sector. Adoption and upkeep of strong business ethics is a sensitive material issue for the financial services business linked to capital markets to avoid fraud, insider trading and other anti-competitive behavior. Other important governance issues relevant for the industry include management and board compensation, board independence as well as diversity, shareholder rights and role of audit committee. As regards the social factors, product or service quality has high materiality so as to minimise misinformation about the products to the customers and reduce reputational risks. For the industry, retention, and development of skilled manpower along with equal opportunity for employees is crucial. While data security is highly relevant due to company's access to confidential client information, social initiatives such as enhancing financial literacy and improving financial inclusion are fairly important for the financial services sector. The material of environmental factors is low for this industry.

The company's board comprises of a total of fourteen directors out of which seven are independent directors and two are female directors. SISL maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. SISL also maintains adequate level of transparency with regards to business ethics issues like related party transactions, investors grievances, litigations, and regulatory penalties for the group, if

relevant. In terms of its social impact, SISL is actively engaged in community development programmes through its CSR committee.

Rating Sensitivity

- Business volumes & operating performance
- Any changes in management and ownership pattern
- Changes in regulatory environment

Material Covenants

None

Liquidity Position: Adequate

SISL has bank facilities comprising of bank guarantee and overdraft facilities, which are used for margin requirements. The bank guarantees are almost fully utilized, while overdraft facilities have low utilization level. The company had maintained unencumbered cash and cash equivalents of Rs 451 Cr. as on March 31, 2022. As on December 31, 2021 the company had BG limits of Rs. 565 Cr. and OD facilities of Rs. 182.60 Cr.

Acuité believes the liquidity position will remain adequate in the near to medium term.

Outlook :Stable

Acuité believes SISL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues, while achieving sustained improvement in operating margins and certain growth prospects in the brokerage business. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

Key Financials - Consolidated

Particulars	Unit	FY22(Actuals)	FY21 (Actuals)
Operating Income	Rs. Cr	856.49	447.95
PAT	Rs. Cr	201.83	80.75
PAT Margin	(%)	24.56	18.03
Total debt/Tangible net worth	Times	0.41	0.42
PBDIT/Interest	Times	9.90	5.32

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 May 2022	Bank Guarantee	Short Term	175.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A1 (Assigned)
	Proposed Long Term Loan	Long Term	190.00	ACUITE A Stable (Assigned)
	Bank Guarantee	Short Term	325.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	270.00	ACUITE A1 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	175.00	ACUITE A1 Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	325.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	270.00	ACUITE A1 Reaffirmed
Federal Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A1 Reaffirmed
Not Applicable	Not Applicable	Principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	150.00	PP-MLD ACUITE A Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	190.00	ACUITE A Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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