



Press Release
SHARE INDIA SECURITIES LIMITED
January 03, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE A+ Stable Upgraded	-
Non Convertible Debentures (NCD)	150.00	PP-MLD ACUITE A+ Stable Upgraded	-
Bank Loan Ratings	1330.00	-	ACUITE A1+ Upgraded
Total Outstanding Quantum (Rs. Cr)	1550.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating from ‘**ACUITE A**’ (read as **ACUITE A**) to ‘**ACUITE A+**’ (read as **ACUITE A plus**) on the Rs. 70.00 Cr. bank loan facility of Share India Securities Limited. The outlook is ‘**Stable**’.

Acuite has upgraded the long-term rating from ‘**ACUITE PP-MLD A**’ (read as **ACUITE Principal Protected Market Linked Debentures A**) to ‘**ACUITE PP-MLD A+**’ (read as **ACUITE Principal Protected Market Linked Debentures A plus**) on the Rs. 150.00 Cr. proposed principal protected market linked debentures of Share India Securities Limited. The outlook is ‘**Stable**’.

Acuite has upgraded the short-term rating from ‘**ACUITE A1**’ (read as **ACUITE A one**) to ‘**ACUITE A1+**’ (read as **ACUITE A one plus**) on the Rs. 1330.00 Cr. Bank loan facility of Share India Securities Limited.

Rating Rationale

The upgrade in the rating factors in SISL’s healthy capital structure, and sustained growth in the business volumes leading to improvement in the profitability metrics. SISL has raised Rs 800 Cr equity in the form of shares and warrants of which ~ Rs 300 Cr has been received till H1FY2024 owing to which the capitalization saw an improvement from a networth (consolidated) of Rs. 447 Cr. as on March 31, 2022 to Rs 1,005 Cr. as on March 31, 2023. The networth which is also well supported by healthy internal accruals stood at Rs 1,218 Cr in H1FY2024. SISL reported an increase in PAT (consolidated) at Rs. 330.66 Cr. for FY2023 as compared to Rs. 201.84 Cr. for FY2022 (Rs 80.75 Cr: FY21), it continued to report improvement in profitability in H1FY2024 with PAT Rs 198.90 Cr. The rating continues to factor in the experienced management and support of resourceful promoters and established position in its segment with strong market share and market preference with 821 franchise/sub broker network as on Q1FY24.

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. The rating is further constrained due to the increased concentration in its proprietary trading book during FY2023 & H1FY2024. Further the SISL’s broking share in term of revenue reduced from 29% in FY22 to 13% of the revenue in H1FY24. Going forward, ability of the company to improve its

operating performance and reducing its concentration in proprietary trading 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 117 branches and franchise/sub-broker network of around 821 as on Q1FY24.

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.

Unsupported Rating

ACUITE A+; ACUITE A1+

Analytical Approach

Extent of Consolidation

- Full Consolidation

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, together referred to as Share India Group. The consolidation is in view of the common shareholding, management and significant operational and financial linkages between the various companies of the group.

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 117 branches and a network of ~821 franchise/sub-brokers having presence in 17 states as on Q1FY2024. 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-today trading activities across various segments and other surveillance measures as a part of risk management practices and

networking and communications aspects.

Acuité 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 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. Supported by the improvement in capital market environment SISL's market share improved to ~5 percent as on H1FY2024 from 1.80 percent in FY2020. SISL's has shown improvement in PAT margins which stood at 30.39 percent as on March 31, 2023 as against 24.56 percent as on March 31, 2022. The improvement in earning profile of the company was driven by increase in trading income. SISL reported an increase in PAT (consolidated) at Rs. 330.66 Cr. for FY2023 as compared to Rs. 201.84 Cr. for FY2022 (Rs 80.75 Cr: FY21), it continued to report improvement in profitability in H1FY2024 with PAT Rs 198.90 Cr.

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 constitutes 70 percent of the revenues and is inherently volatile. Further the SISL's broking share in term of revenue reduced from 29% in FY22 to 13% in H1FY24. 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
- Proportion of the proprietary trading income
- Any changes in management and ownership pattern
- Changes in regulatory environment

All Covenants (Applicable only for CE & SO Rating)

SISL is subject to standard covenants stipulated by its lenders/investors in respect of parameters like capital structure.

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 441 Cr. as on March 31, 2023. As on November 30, 2023 the company had BG limits of Rs. 1474 Cr. and OD facilities of Rs. 227 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.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23(Actuals)	FY22(Actuals)
Operating Income	Rs. Cr	819.78	673.45
PAT	Rs. Cr	229.02	156.60
PAT Margin	(%)	27.94	23.25
Total debt/Tangible net worth	Times	0.17	0.14
PBDIT/Interest	Times	9.61	9.48

Key Financials (Consolidated)

Particulars	Unit	FY23(Actuals)	FY22(Actuals)
Operating Income	Rs. Cr	1088.19	861.50
PAT	Rs. Cr	330.66	201.83
PAT Margin	(%)	30.39	23.43
Total debt/Tangible net	Times		

worth		0.20	0.43
PBDIT/Interest	Times	8.77	9.69

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Jan 2023	Bank Guarantee	Short Term	200.00	ACUITE A1 (Assigned)
	Secured Overdraft	Long Term	0.25	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A1 (Assigned)
	Proposed Non Convertible Debentures	Long Term	150.00	ACUITE PP-MLD A Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A1 (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	90.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	325.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Facility	Short Term	135.00	ACUITE A1 (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE A (Reaffirmed)
	Bank Guarantee	Short Term	300.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	175.00	ACUITE A1 (Reaffirmed)
	Proposed Long Term Loan	Long Term	57.75	ACUITE A Stable (Reaffirmed)
03 Jun 2022	Bank Guarantee	Short Term	270.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	325.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A1 (Reaffirmed)
	Proposed Long Term Loan	Long Term	190.00	ACUITE A Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	150.00	ACUITE PP-MLD A Stable (Assigned)
	Bank Guarantee	Short Term	175.00	ACUITE A1 (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	175.00	ACUITE A1+ Upgraded
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	325.00	ACUITE A1+ Upgraded
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	300.00	ACUITE A1+ Upgraded
Federal Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1+ Upgraded
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	90.00	ACUITE A1+ Upgraded
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE A1+ Upgraded
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A1+ Upgraded
DCB Bank Limited	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A1+ Upgraded
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	57.75	ACUITE A+ Stable Upgraded
Not Applicable	Not Applicable	Proposed principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	Complex	150.00	PP-MLD ACUITE A+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	135.00	ACUITE A1+ Upgraded
Yes Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A+ Stable Upgraded
Indusind Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A+ Stable Upgraded
Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A+ Stable Upgraded

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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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