



Dated 30<sup>th</sup> Dec 2023

**View : BUY**

**Share India Securities Ltd**

**Cmp Rs 1836 TP Rs 2400 52wk Hi/Low 1878/986 Mkt Cap Rs 5993 crs**

### **Company Background & Profile –**

Share India Securities Ltd is a financial service provider that uses technology to offer customized capital market tech-based solutions to clients. It offers financial products & personalized services, including equity broking, currency & commodity derivative, depository participant services, mutual fund advisory and distributorship, etc to retail and corporate clients.

The Co. was established in 1994 and entered the equity broking segment in 2000. Subsequently, it diversified its offerings by undertaking derivatives trading in 2007, currency trading in 2008 and commodities trading in 2012

In 2016, it was registered as a Mutual Fund Advisor with AMFI and in 2018 it registered as a Category I Merchant Banker & Portfolio Manager with SEBI. In 2020, it moved from SME platform to BSE Main Board

From being a full-time service retail broker (1994-2008), Share India Securities has evolved into a prominent financial services conglomerate. It has specialization in derivative trading strategies, primarily focusing on algorithm-based trading solutions and has a NSE option segment market share of 5%.

It has diversified its businesses and created more verticals of growth by venturing into NBFC, insurance broking, wealth management, and merchant banking. The company has 10 subsidiaries which roughly contributed 25% to its total revenue and 31% to its profitability as of FY23. It has an active client base of 31,063 in the broking business and 67,629 clients in the NBFCs segment

### **Company enjoys a strong customer base –**

The company's total client base in broking business has almost doubled from 15.6k in FY20 to 31k+ in 1HFY24. The company intends to further develop its business operations and lure customers into retail broking and distribution in the near future.

Apart from this, it has a total client base of 67k+ in its NBFC business. As of Sep'23, it has NSE cash segment market share of 1.5%, NSE options market share of 4.7%, NSE futures market share of 2.7% and Commodity market share of (NCDEX/MCX) >9%

**Share India is a well diversified financial services enterprise and has exposure to the following segments**

Broking in Equity, F&O, Commodities and Currency segment

Prop Trading

Mutual Funds distribution

Depository Participant

Insurance Broking

NBFC

Investment banking

Algo Trading platform

The company has 10 subsidiaries which roughly contributed 25% to its total revenue and 31% to its profitability as of FY23

A high share of its revenue comes from its proprietary trading desk and broking-related business (>90% as of 4QFY23) and management continues to invest in its core business of broking by acquiring and investing in people and technology.

Further, it has expanded into other areas such as NBFC, insurance broking, and other business segments to create various layers of growth. Management is confident of maintaining its strong performance in the future and has guided for 25%–30% revenue CAGR over the next five years

In order to reestablish its retail broking, Share India had acquired U-trade (an Algo-based trading platform) in Sep'21 which has led to various synergistic benefits. The company had done the soft launch of uTrade in Jul'23, which is only for its existing clients, but plans to start actively marketing the platform from Jan'24. Management's broader target is to have at least two lakh paid subscribers on the uTrade algo platform within the next three years

## Key Business Initiatives & Growth Plans outlined by Share India going ahead –

**Retail Expansion** - The company plans to focus to continue on Strengthening technological investment to roll out more tech-based retail solutions and innovative products. The company management expects the retail broking business to contribute significantly to the overall revenue mix going ahead

**Algo Trading Penetration** - In last couple of years, the company has acquired two Algo based trading platforms company (uTrade and Algo Wire), and both this acquisition synergies have gone well and its products have received good response

The company is largely focusing on strengthening its retail presence by technological investment to roll out more tech-based retail solutions and innovative products. It recently announced the acquisition of Silverleaf Capital Services, which is a leading capital market player involved in trading activities in the areas of high-frequency trading (HFT)

Entry in to HFT space will give the company a clear edge in trading in multiple international exchanges with the same tech stack in next few years. The company has ambitious targets of expanding its retail client base to 300K in next few years. This it expects by aggressively focusing on its Algo platform uTrade which is the first of its kind offering for retail investors and has evoked a very strong response from customers.

The company is also further diversifying its expertise in to Institutional Equity Business with a strong Research team focusing on idea generation and bottomup strategy and Sales and Dealing team supported with differentiated Algo's for smooth execution of trades

### Q2FY24 & H1FY24 Financials –

For YE Rs Crs	Q2FY24	Q2FY23	% Grth	H1FY24	H1FY23	% Grth	FY23A
Sales	366.00	240.00	52.5	643.00	471.00	36.52	1088.00
EBIDTA	176.00	109.00	61.47	301.00	197.00	52.79	493.00
EBIDTA %	48.09	45.42		46.81	41.83		45.31
Interest	17.00	14.00	21.43	32.00	24.00	33.33	58.00
Depreciation	3.00	3.00	0.00	6.00	6.00	0.00	12.00
Other Income	2.00	3.00	-33.33	3.00	5.00	-40.00	13.00
PBT	157.00	95.00	65.26	265.00	173.00	53.18	436
PAT	113.0	72.00	56.94	195.00	131.00	48.85	331.00
Equity Cap	33.00	33.00		33.00	32.00		33.00
EPS (Rs)	34.24	21.82		59.09	40.94		100.30

Source – Company

As seen from above financials, Share India Securities has delivered strong numbers in H1 of FY24 as normally the H2 of every year is always a much better stronger business period for the company.

Going ahead we expect a significantly strong H2FY24 going ahead. The Share India management is also confident and positive on demand prospects for its business in the next 6 months as volumes both in F & O side are expected to rise sharply which will benefit the company going ahead

New product launches especially uTrade and the Silverleaf acquisition is expected to drive business significantly in the next 6-18 months ahead. The management also reiterated that business performance in H2 is usually significantly better with EBIDTA margins also expected to show significant improvement for Q3 and Q4 ahead

### **Recent Developments –**

The company has decided to raise Rs 801.62 crs via a rights issue with detachable warrants in March 2023

Out of Rs 801.62 crs, the Company raised Rs. 234.51 crs during the quarter ended March 31, 2023. No further funds were raised by the Company during the quarter ended June 30, 2023. The Company raised Rs. 4.94 lakh during the quarter ended September 30, 2023.

Hence, the unutilised amount of Rs 570.09 crs includes the balance lying in Monitoring agency account of the Company maintained with HDFC Bank of Rs 75.00 lakh, and funds which are yet to be raised, these funds will be collected as and when the warrant holder exercises their right to convert the warrant into equity shares during warrant exercise period

### **Q2FY24 Key Data Points**

Client Base Broking – 31,063 | NBFC – 67,629 | Institutional Clients – 35  
Option Market Share – 5%

Share India currently holds approximately 5% market share in option trading, with an average daily turnover of Rs 114 billion across all market segments Share India's extensive network encompasses 143 broking branches and franchisees, along with 52 NBFC branches

## **Some key moats which Share India enjoys in its business includes –**

### **Experienced Promoter team & strong focus on fintech –**

Share India Securities 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. In the last 6 years the company has completely transformed to a Fin-tech Company specializing in derivative trading strategies

The management of Share India Securities 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. 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

### **Diversified presence of the group –**

The Share India 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.

The Share India group's strategy is to provide all financial services under one roof and with presence across the financial services sector will provide them the opportunity to cross sell their services.

### **Healthy Capitalisation –**

Capitalisation of the Share India group remains healthy, driven by healthy internal accruals and capital raising ability of the promoters. Consolidated Tangible networth and gearing of the company stood at Rs 1006.67 crs and 0.19 times, respectively, as on March 31, 2023 (Rs 446.66 crs and 0.42 times, respectively, as on March 31, 2022).

In FY23, the company successfully completed rights issue of Rs 800 Crs (Shares + Warrants) and has raised Rs 225 Crs and the remaining will be raised in FY24

### **Strong market position in broking business –**

Share India Securities has a pan india presence with 96 branches, 883 sub-brokers/franchisees and 5364 terminals. The trading mostly happens through “share India” trading app and on their trading platform. SISL has strong presence in the broking business and are among the top 5 companies in terms of turnover and among top 10 in terms of market share.

They command a 5% market share in NSE options, 3.9% in NSE Futures, 9.3% in NSE Currency options, 5.8% in NSE Currency Futures, more than 2% in Cash segment and more than 9% in Commodity segment & also provides services to retail clients, HNI individuals, FPIs, FIIs and institution clients

### **Share India has Technology based risk management systems –**

Share India Securities Limited (SISL) is a digital fintech company focused on cutting-edge low latency platform and AI/ML driven trading strategy solution provider to empower its proprietary and professional traders Clientele with superior technology

Share India Securities has adequate risk management systems with risk by monitoring Value-at-Risk (VaR), time-based squaring off, value-based squaring off etc., systems

The backend operations of the company team also manages risk through monitoring each and every transaction that takes place. This is particularly relevant for its proprietary trading positions. The group has acquired UTrade Solutions Private Limited and Algowire Trading Technologies Private Limited which will not only boost their tech capabilities but will significantly help SISLs retail expansion plans

### **Strong Financial Profile will help Share India grow faster in future ahead also –**

On a consolidated basis, the company has reported a Topline and PAT of Rs 1088.23 Crs and 330.66 Crs respectively for FY23 when compared to Rs 856.50 Crs and 201.84 Crs in FY22 despite the headwinds faced by the stock market given the global issues. The company has healthy profitability with EBITDA and PAT margins of 45.27% and 30.07% respectively for FY23

## Business Outlook & Stock Valuation –

On a rough cut basis, in FY24E, Topline is expected to touch Rs 1479 crs, followed by Rs 1849 crs in FY25E & Rs 2218 crs in FY26

On the bottomline level we expect the company to record a PAT of Rs 450 crs in FY24E which is expected to bounce back to Rs 550 crs in FY25 & Rs 675 crs in FY26

Thus on a conservative basis, Share India should record a EPS of Rs 136.36 for FY24E which is expected at Rs 166.67 for FY25E & Rs 204.55 for FY26E

## FINANCIALS

For YE March RsCrs	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Net Sales	228.00	453.00	862.00	1088.00	1479.00	1848.75	2218.50
EBIDTA	73.00	132.00	304.00	493.00	677.00	841.18	1010.53
EBIDTA %	32.02	29.14	35.27	45.31	45.77	45.50	45.55
Interest	18.00	25.00	32.00	58.00	70.00	82.00	78.00
Depreciation	4.00	4.00	9.00	12.00	14.00	16.00	18.00
Non Op Other Income	0.00	1.00	2.00	13.00	6.00	6.00	5.00
Profit Before Tax	51.00	103.00	265.00	436.00	599.00	749.18	919.53
Profit After Tax	41.00	81.00	202.00	331.00	450.00	550.00	675.00
Diluted EPS (Rs)	12.81	25.31	63.13	100.30	136.36	166.67	204.55
Equity Capital	32.00	32.00	32.00	33.00	33.00	33.00	33.00
Reserves	161.00	248.00	415.00	973.00	1423.00	1973.00	2648.00
Borrowings/Lease	126.00	119.00	201.00	202.00	200.00	180.00	185.00
Gross Block	51.33	53.72	92.61	103.85	110.00	125.00	135.00
Cash/Investments	235.00	374.00	814.00	1409.00	1838.00	2366.00	2850.00

Source – Co, Our Estimates

Looking at Share India's steady financial track record, strong product portfolio and unique offerings and strong promoters we expect the stock to get re rated in future.

We continue to be positive based on the company's future growth outlook in the F & O segment & its fintech approach which can help it scale up its operations aggressively ahead & believe that Share India looks attractive from a long term perspective

Current PE on FY25E earnings is around 11x which we believe can easily trade at 15 to 16x going ahead looking at the sharp earnings growth, very strong growth seen in the F & O segment and its fintech focus which is unique and presents a strong growth time frame ahead

Hence we believe that the Share India Securities stock should be purchased at the current price for a price target of around Rs 2400 over the next 18 months