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Sub: Earnings Call Transcript- Q4 FY 2024

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 Earnings Call for Q4 FY 2024.

This will also be hosted on the Company's website at www.smcindiaonline.com

This is for your information and record.

For SMC Global Securities Limited

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SMC Global Securities Limited

Q4 FY 2024

13 May, 2024

Moderator: Ladies and gentlemen, good day and welcome to SMC Global Securities Limited Q4FY24 Earnings Conference Call.

As a reminder, all participants 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 telephone.

I'll hand the conference over to Miss Rasika Sawant from X-B4 Advisory. Thank you and over to you Miss Sawant.

Rasika Sawant: Thank you, Neha. Good evening, everyone and welcome to the Q4FY24 earning conference call.

Today on this call we have Mr. Subhash Chandra Aggarwal - Chairman and Managing Director of SMC Group, Mr. Mahesh Chand Gupta - Vice Chairman and Managing Director of SMC group, Mr. Ajay Garg - Director and CEO of SMC Global Securities Limited, Mr. Himanshu Gupta - Chairman and CEO of Moneywise Financial Services Private Limited, Dr. DK Aggarwal - CMD of SMC Capitals Limited, Mr. Anurag Bansal – whole time Director of SMC Global Securities Limited, Mr. Pranay Aggarwal - Chairman and CEO of StoxKart, Ms. Shruti Aggarwal - Whole time director of SMC Global Securities Limited, Mr. Vinod Kumar Jamar - President and Group CFO.

This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations as of today. Actual results may differ. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on the second last page of investor presentation of company which has been uploaded on the Stock Exchange and company's website as well.

With this I now hand over the call to Mr. Subhash Aggarwal for his opening remarks. Over to you Sir.

Subhash Aggarwal: Thank you, Rasika. Good evening and a warm welcome to all the participants. I hope all of you got an opportunity to go through our financial results and Investor presentation which have been uploaded on the stock exchanges as well as on the company website.

Let me take you through the year gone by for SMC along with an industry outlook. Following that, Mr. Vinod Jamar will provide a brief overview of our

financial performance for the quarter and the year gone by, followed by a question-and-answer session.

This year marks a transformative period for SMC Global as we embarked on a transformative journey, leveraging, cutting edge technology to redefine the landscape of financial services. Our commitment to innovation led us to make significant strides in technology of relations highlighted by our investment in hiring and developing in-house tax expertise. This strategic decision empowered us to enhance our existing platforms and launch new mobile application providing our clients with seamless and intuitive experiences.

The launch of StoxKart stands as a testament to our relentless pursuit of innovation, introducing industry-differentiating features such as "Pay only when you earn in intraday segment" and "Zero brokerage in delivery." These innovations not only set us apart in the market but also underscore our dedication to offering transparent and cost-effective solutions to our clients.

In addition to these advancements in the booking phase, we extended our technological prowess to our financing and insurance broking arm through a customary customer centric approach, we implemented a multiple tech upgrades aimed at streamlining processes, enhancing efficiency and delivering unparalleled value to our clients.

Industry Outlook

the broking industry is witnessing a paradigm shift characterized by a surge in retail participation fueled by increased financial literacy and accessibility to investment avenues. The democratization of investing, presented by online trading platforms and mobile applications has empowered individual investors like never before. This trend is expected to persist, driving trading volumes and expanding the customer base for everyone in the industry.

This service is propelled by the proliferation of Internet access and smartphone availability, particularly in Tier 2, Tier 3 and Tier 4 cities where over 50% of new demat accounts are being opened. Moreover youth engagement is significant. With 55% to 60% of this account opened by individuals below 35 years, reflecting a growing interest in investing among the younger generation.

Now, let me take you through SMC Global Securities highlights.

I'm thrilled to announce that company had achieved record-breaking quarterly revenue across all business segments. Our broking, distribution and trading and financing segments have all achieved record high profit before tax. In the fourth quarter long, our overall revenue increased by 67.8% year on year and for the fiscal year 2024, we witnessed a growth of 35.2% year on year.

Company's extensive network comprising 2327 authorized persons covering 437 cities demonstrate our widespread reach. In financial distribution, our network of 7040 associates continues to expand our mutual fund AUM stands at Indian Rupees 3801 crores.

In our NBFC segment AUM stands at Rupees 1237 crores, an increase of 37.2% yoy. In this quarter, the company has 23 branches covering 8 States and 16 Major cities.

In the insurance booking segment, SMC Insurance operates through 7 branches nationwide. We utilize a network of 15,308 point of sale. We engage with 311 motor insurance service providers in financial year 24. We sold 9,96,000 policies solidifying our market presence.

Throughout this period, we have remained Stedfast in our commitment to leveraging technology and innovation to enhance our product offerings and services. By investing in the powerful synergy of technology, innovation and financial services, we are positioning ourselves for sustained growth and success in the years to come.

We are pleased to share that the board has proposed and recommended final dividend for financial year 23-24 at the rate of 60%, that is rupees 1.20 per equity share of the face value of rupees 2 each amounting to rupees 1,256.40 lakhs to its equity shareholder. In addition to interim dividend at the rate of 60% paid during the financial year 23-24, this makes the total dividend at the rate 120% i.e. rupees ₹2.40 paisa per equity share totaling to 2512.80 lakhs.

Now I'll hand over to Mr. Vinod Jamar-our president and Group CFO to take you through the financial accomplishment for the financial year 2024. Over to Mr. Vinod Jamar.

Vinod Jamar:

Thank you, Subhash Sir, and good evening, everyone. Talking about the financial performance for quarter 4 FY24 of our company on a consolidated basis, the operating income for the quarter was rupees 509.7 crores, which grew by 68% on YoY basis. Operating EBITDA was reported approximately rupees 138.8 crores increase approximately by 122% YoY. EBITDA margin stood at around 27%. Net profit after tax reported rupees 66.2 crores while PAT margin stood at 13%.

Revenue growth was observed across all segments of the business. In FY24 EBIT contributions from our broking, distribution and trading business constituted 62% financing with contributed 34% to EBIT while insurance broking business contributed 4% to EBIT. In Q4 FY24, EBITDA margin has been experiencing an uptick of 6.61% YOY and PAT margins also saw an increase of 5.79% yoy. This margin improvement is due to a volume increase and stable fixed cost.

For FY24, the operating income is stood at rupees 1638 crores, which grew by 35% on YOY basis. Operating EBITDA reported was approximately rupees 424.6 crores increased approximately by 57% on YOY basis, EBITDA margin is stood at 26%. Net profit after tax was reported approximately rupees 188.3 crores, while the PAT margin percentage is stood at around 11.5%.

Let me now take you through quarterly segmental performance on a consolidated basis. In the broking distribution and trading segment, Q4 revenue stood at about rupees 277.9 crores, which is increased by 52% on yoy basis and for FY24, revenue increased by 25% on yoy basis.

Coming to NBFC segment revenue for quarter 4 was around 63 crores, which grew by 86% on YoY basis and in FY24 increased by 56% on YoY basis. AUM stood at rupees 1236.7 crores and increased by 37.2% on YoY basis. EBIT increase in Q4 by 126.6% YoY and in FY24 by 64.4%. YOY. The GNP and NNP stood at 2.18% and 1.05% in March 24, respectively.

Lastly, in the insurance booking given them revenue for quarter 4 stood at about rupees 177.7 crores, which grew by 86.4% on YoY basis and in FY revenues increased by 56% on YoY basis.

With this, the floor is open for Q and A session. Thank you.

Moderator: The first question is from the line of Santosh, an individual investor. Please go ahead.

Santosh: Thank you for the opportunity and congratulations for the great numbers. My question is on StoxKart. Can you share what is the penetration in StoxKart and what is the profitability that we are getting from StoxKart?

Pranay Aggarwal: Hi Santosh, Pranay Aggarwal here, CEO of StoxKart Division. During the year, I am happy to inform that we did a revenue of 20,00,00,000 and we were in green so we achieved breakeven and during the year, our focus was that we launched a new app which is well received by the market. We are rated 4+ on App Store and Play Store. We introduced features like option chain, one click orders and advanced charts to basically cater all the option traders. The focus of StoxKart will be going forward to cater to the trading community out there. We will introduce some new features going forward like MTF, mutual funds and web trading portal. Putting all of these together, we are expecting that we will grow tremendously from here and this year also the growth should be visible.

Santosh: OK. Thank you, Sir. And we'll be able to trade the international stocks as well using StoxKart because I know you have interest with broking.

Pranay Aggarwal: Right. So, Santosh, even today we have a tie up with Stockal the essence of the tie up is to allow trading in U.S. Securities so that is there. Also, we will introduce some other features also which will further enhance this particular requirement going forward. Currently also it is possible.

Santosh: OK. Thank you. And all the best.

Moderator: The next question is from the line of Faraz from Quantum Trade Advisory. Please go ahead.

Faraz: Good evening, Sir. Congratulations on the numbers, Sir. My question would be on your two online portals which you have, which would be one would be

StoxKart and the other would be the insurance. How are we seeing StoxKart growth in comparison to the, you know, already existing discount brokers which are there and how do we see it go forward and the number of customers we have versus what we are seeing going to be like you know expecting in the coming few years?

Pranay Aggarwal: Hi, this is Pranay Aggarwal again. So basically, as I already said in my previous answer, so our focus is basically enhancing the user experience for option traders and basically the trading community so, we have already launched some industry first features. And we are also in process of launching some new exciting features. So, all this the focus on user experience we foresee that we can actually penetrate the already competitive discount broking space. And the market is ever increasing. The cake size is ever increasing. We have around 15,00,00,000 Demat investors right now, but we foresee that with the growth of Indian middle class, it will rise five times from here. And so, we are also poised to gain the market share. And also, I would like to highlight that we are launching a new digital add campaign 'StoxKart kiya kya'. This year we will launch this campaign. We have already launched a new film on our social media channels and all these put together, I think we'll grow our client base significantly. So currently we have around 2,50,000 existing clients and we think that we will be able to grow very significant from here.

Faraz: Yeah, I mean, I have seen your mobile application and I think it is far more superior than the existing discount brokers at the moment present in the market and the features which you'll are providing is something which is again is path breaking, I would say. When you have, you know, no loss for an intraday trade like sorry, no brokerage.

Pranay Aggarwal: Right. Thank you for your appreciation. I guess apart from investor, you will also be a customer. So thank you.

Faraz: I'm very happy with this product and I feel like this will grow tremendously. I mean if we do it really well, I think you'll can go way ahead. My second question would be on your insurance platform, which would be I think a pure two policy bazaar?

Pravin Agarwal: Hi, Faraz, this is Pravin Agarwal director of SMC Insurance. Actually, we are not like policy bazaar. We are increasing our efficiency to make it more productive and we are growing organically, right. So, we are not just like policy bazaar, but we have all the systems on the platform, just like Policy bazaar that we have but we are not focusing on B2C platforms.

Faraz: OK. So, going forward, Sir, what would be the expected margins from the insurance business?

Pravin Agarwal: We are expecting, I think margin range of 3 to 4% sustainable.

Faraz: OK. I mean that's and. Yeah. And currently we would be at?

Pravin Agarwal: Currently, it is 3.1%.

Faraz: OK, So, coming to the NBFC segment, on your complete loan book or how would we see that growing, I mean annually?

Himanshu Gupta: Yeah. Hi, Faraz, I am Himanshu here, CEO of Money Wise Financial services. So, talking about the loan book, so our loan book 1245 crores(approx). So, there is a growth of about 37% versus March 23 year on year, which was 900 crores(approx).

Faraz: All right. And going forward, do we expect the same rate of growth?

Himanshu Gupta: Yeah, you know, like from last two years or maybe three years, we are growing at about 35%. So, we expect the momentum to continue in the coming years.

Faraz: Also, in your NBFC financing, there was one segment of consumer loans which has which is not there right now. So, could you highlight on that front as well?

Himanshu Gupta: OK, so basically that was the portfolio that we built in partnership with a digital lending player. And we ran that book for a couple of years and then strategically decided to discontinue that partnership. So, the last disbursing in that portfolio happened sometime in June 2022. And after that we have not disbursed any further loan.

Faraz: OK, Alright, Sir. Thank you. I'll come back in queue and once again congratulations for the result and an amazing product which is coming up.

Moderator: Thank you. The next question is from the line of Shikhar Mundra, from Vivog Commercial Limited. Please go ahead.

Shikhar Mundra: Yeah, I'm asking about StoxKart. So how many number of subscribers do you have right now?

Pranay Aggarwal: So currently we have around 2.5 lakh demat accounts in StoxKart.

Shikhar Mundra: OK.

Pranay Aggarwal: If that is your question. If you talk about downloads of our mobile app, our downloads are around 8,45,000 all our applications put together it's 8,45,000 installations of the mobile app.

Shikhar Mundra: OK. And so, 8,45,000 is the installations and 2,50,000 is the Demat accounts and how many of them are like actively using it like what's the data? How many of them are actively using it as in some of them might be dormant someone might be having less trading. So how many of them are like having active trading or you know main volume of trades is there?

Pranay Aggarwal: So. General industry standard is around 10 to 15% are your active Demat accounts. So, we are on par. So, like 10 to 15% are active Demat accounts.

Shikhar Mundra: OK, And what's the average volume you're generating from the I mean it is being generated in the demat accounts trading and StoxKart?

Pranay Aggarwal: Average you are talking about turnover, average turnover?

Shikhar Mundra: Yeah, yeah.

Pranay Aggarwal: So, like that I think can I just come back to the question, I think we'll have to calculate the ARPU. I don't want to give out a wrong figure.

Shikhar Mundra: Sure, sure. Sure. Right. OK. So, and understanding the economics. So right now, you said you are break even in StoxKart, is that right? Is my understanding correct, right?

Pranay Aggarwal: Right.

Shikhar Mundra: So how do you say that? I mean, what are the costs involved with StoxKart right now? I mean, which are the fixed costs? What are the variable cost? Can you explain me a bit of unit count?

Pranay Aggarwal: So, we have around our employee benefit expenses during the year is around 6 crores. So that is the main cost. So, our total expense is around 19,00,00,000 and we earn 19.76 crores as revenue. OK, so we did a PBT of 78,00,000.

Shikhar Mundra: OK, got it.

Pranay Aggarwal: So major cost is attributed towards software and employee benefit expense.

Shikhar Mundra: Got it, got it. And what was this number a year back, the revenue in StoxKart last year?

Pranay Aggarwal: Last year we did around same revenue. The revenue growth is you can say is muted. The reason being as I told you that last year our focus was on product development and now, we feel our product is upgraded to our satisfaction. So, this year. We can expect some good growth.

Shikhar Mundra: OK. And these two 2.5 lakh demat accounts which are active on StoxKart so they might be I mean some of the Demat account might be similar to your traditional business.

Pranay Aggarwal: No, these are separate. So traditional business has a separate set of demat accounts. And StoxKart has a separate set of demat accounts. We have a separate team altogether, separate team, separate operations team and the demat account number is also separate.

Shikhar Mundra: OK, no, I meant because since you have not spent a lot on marketing of StoxKart as of now is when my understanding, I thought the user base might be must be overlapping between the two.

Pranay Aggarwal: No, we haven't spent that much on the marketing, but we have around 2000 channel partners which are exclusive from the full-service broking. They are not exclusive in nature like the channel partners but the full service has different set of channel partners and StoxKart has a different set of 2000 channel partners, so these channel partners are mainly contributing to the current demat accounts.

Shikhar Mundra: Got it. And what's the plan going ahead or StoxKart like how much do you plan to spend on marketing, what's your target in like next three years, where do you want to stay?

Pranay Aggarwal: So next three years, we basically we plan to grow, you know like 100% from here. Like we can say we plan to double our revenue. And in terms of Demat account, you know like I'll just say we plan an exponential growth. Our current base is very small, but we plan an exponential growth from here.

Shikhar Mundra: OK. And coming to your traditional business, what's the number of demat accounts over there and what's the volume we are seeing volume growth growing there? Traditional broking business?

Ajay Garg: Yeah, hi, this is Ajay Garg, Director and CEO at SMC Global. Totality like we do have around 10,57,000, demat and trading account including StoxKart out of that around 2.5 lakhs are of StoxKart. more than 8,00,000 demat and trading account of SMC.

Shikhar Mundra: OK. And what was this number a year back couple of years back like what's? The growth over here?

Ajay Garg: We are adding like almost 1.25 to 1.5 lakh demat and trading account every year currently.

Shikhar Mundra: OK. Thank you. Thank you. Thanks a lot. I'll join the queue back for further questions.

Ajay Garg: Thank you.

Moderator: Thank you. The next question is from the line of Sanjeev Dhamani from SKD Consultant Private Limited. Please go ahead.

Sanjeev Dhamani: Congratulations for fantastic performance that you have shown. Can I get some idea about the fact that when we in StoxKart when it is a discount broking firm, what are the sources of revenue that you have declared that 20 crores we have made so how do we make money there in that segment?

Pranay Aggarwal: Hi so this is Pranay Aggarwal. So, you can say the major sources, obviously the brokerage income. And apart from broking income, we also have interest income. Interest we actually so we have margin trading facility feature also, it is right now live for some of our clients and we charge interest to the client when they use the facility. So, there are two major sources, one is fee and Commission income and 2nd is the interest income.

Sanjeev Dhamani: OK, so Sir, you know you are not charging for intraday but for delivery you are charging some brokerage. So that means we are earning brokerage on delivery basis transaction?

Pranay Aggarwal: No, actually delivery is totally free. Delivery we don't earn even a single rupee. We are charging brokerage for intraday only when you make profit. That means that in case you have bought share at suppose ₹100 and you are selling it at even 101 we will charge you brokerage, but if you are selling it at 99, we won't charge you the brokerage.

Sanjeev Dhamani: Got it, Sir. So again, you know in terms of delivery that CDSL charges of delivery are X amount and the brokers firm are charging a bit more to get you know some earning there also. Am I right?

Pranay Aggarwal: Right.

Sanjeev Dhamani: So there also we make some money there also, right?

Pranay Aggarwal: That is there, but that doesn't form a significant part of income.

Sanjeev Dhamani: OK. Now, second question is that can you quantify how much is our brokerage income, brokerage trading, you know there is one segment and how much is the proprietary earning because the share markets are so bullish. So, our own company is also trading in share, buying it if we are doing it, then what kind of gains we are reporting in this quarter from our own trading, our own means SMC's trading, is SMC's trading investing in shares? So, can we know this?

Vinod Jamar: Yeah, this is Vinod Jamar, CFO. I guess you are talking about the consolidated number for this quarter. So, in all proprietary trading, we earned Rs. 45.8 Crores in this quarter.

Sanjeev Dhamani: OK, very nice. So that we regularly do and make money there also and Our SMC is also making applications in the IPOs?

Vinod Jamar: IPO's, we apply through our NBFC arm who qualifies for institutional investors, so there will apply for IPOs.

Sanjeev Dhamani: OK, Sir, one more thing. I mean, our performance is much more superior and the share market price of our company only follows. So, I mean in case of many other organization, brokerage organization, their share values are far higher than EPS relations means our EPS is now heading towards ₹18 and our share is at only ₹160 and elsewhere, the EPS is even 8-9 rupees and the share is 200 or ₹300. So how you know our company is looking to, you know, reward shareholders by increasing the market value of the company?

Subhash Aggarwal: This is share market, it depends upon you the price of the share is the person who plays in the market is depend upon them. So, we can't comment on the share price of the share and our aim is to do hard work, give/show the result and show the profit. Show, that the systems is in place, so we are doing that and we cannot comment on share price.

Sanjeev Dhamani: Sir, can we list our segment that is NBFC firm as a separate company on BSE NSE and then our, you know housing finance company, then our merchant banking where we are doing a lot of means consultancy work. So, if we split our company into two, three companies. Then I think sum total will be far bigger than the current price of the share.

Subhash Aggarwal: We can unlock the price when time will come. We definitely we have kept in mind. So right now, I don't want to comment on this also.

Sanjeev Dhamani: And estate investments are also yielding results to us by now or we are only invested right now we are able to realize some profit there also?

Subhash Aggarwal: I cannot understand your question.

Sanjeev Dhamani: Sir, our company is also investing and partnering in real estate.

Subhash Aggarwal: Yeah, every vertical is contributing some, some less and some more. But all verticals are doing good.

Sanju Dhamani: OK, thank you very much, Sir. And all the best. Your management is excellent Sir.

Subhash Aggarwal: Yeah, Thank you Very much.

Moderator: Thank you. The next follow up question is from the line of Faraz from Quantum Trade Advisory. Please go ahead.

Faraz: Thank you. My question would be regarding the NBFC business. I would like to understand what the kind of industries or what kind of sector are we choosing you know, for the SME loans that we are disbursing at the moment, is there a certain criterion that we have and how are we evaluating them?

Himanshu Gupta: Yeah. So Himanshu here 'so you know out of the total AUM, our 80% of the exposure is to the SME segment and we are industry agnostic in the SME space. So we don't have any preference or maybe selective list of the industry where we lend to. However, as a prudent underwriting practice, we definitely have identified certain sectors as a negative sector wherein we don't lend, for example, the real estate developer is one of the examples where we don't lend to or somebody who is in like infrastructure kind of business where the cash flows are long term, there is long term payback period. So, there is a list that we continuously review on a quarterly basis and reassess that with the performance of the that particular industry on the basis of feedback we get. In portfolio, I don't believe any single industry would contribute even like 4-5 percent of the AUM.

Faraz: That's very nice, Sir. Another question would be on, you know, the underwriting part, how are we doing that at the moment?

Himanshu Gupta: OK, so you want to know about like our underwriting practice in the NBFC, OK, so basically. First of all, we have a well-defined product and policy in

place. We have identified and documented what kind of customers do we want to target to. While we are lending, so there is a like good amount of clarity there. What kind of customers do we select? So, there are aspects like their business vintage just to give you an example. we don't lend to new to credit customers. There should be a good clean repayment track record for the existing loans. There are very clear policies around their turnover thresholds, about their business growth. We analyze the banking, we analyze their GST and tax information, we do proper field investigations, personal discussions with the customers and calculate various financial ratios. So, there are, you know, lot of things and you know everything is documented and whatever change is there, there is a proper Risk Management Committee, that comes out with any proposed change. Obviously as we see or as we like get feedback from the market or the portfolio, we are constantly evolving our policy. So, there is a proper committee system which rolls out the circulars which gets implemented with the creditor underwriting team and you know we have experienced professionals from the industry, most of them being chartered accountants. And having good experience in underwriting part in the relevant products. So, you know, and on the top of that we have in inhouse collection team, we have not outsourced any collection activities as of now.

Faraz: OK. So, on the leverage ratio front, currently we would be at 1.84 times, right?

Himanshu Gupta: You were asking about particularly the NBFC business?

Faraz: NBFC Segment particularly?

Himanshu Gupta: yes

Faraz: And are we looking to increase the leverage ratio anytime?

Himanshu Gupta: You know, as a philosophy, we think that we can leverage up to 3 or 3.5 times of the equity. So, you know with the current equity base which is about 445 crores, we believe that we can grow up to like 2000 plus crores of the AUM with the growth, profit also coming in. So, we can easily achieve that kind of number. And you know after that kind of AUM we would think about raising the equity for the further growth.

Faraz: OK, That's it from my side. Thank you so much.

Moderator: Thank you. As there are no further questions, I have handed the conference over to Mr. Mahesh C Gupta for closing comments.

Mahesh Gupta: Thank you Rashika, thank you all for participating in this earning call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our Investor relations manager at X-B4 Advisory. Thank you. Stay safe and healthy. Thank you very much.

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 lines. Thank you.