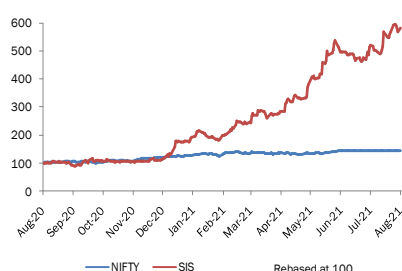


Tech-focus is SIS's key strength in a disruptive market

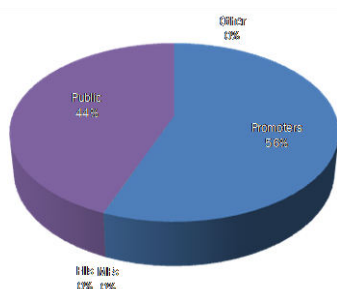
BUY

Sector	: Financial Services
Target Price	: Rs 677
Current Market Price	: Rs 550
Market Cap	: Rs 1,753 crore
52-week High/Low	: Rs 575/92
Daily Avg Vol (12M)	: 57,997
Face Value	: Rs 10
Beta	: 1.12
Pledged Shares	: 0%
Year End	: March
BSE Scrip Code	: 540725
NSE Scrip Code	: SHAREINDIA
Bloomberg Code	: SISLTD IN
Reuters Code	: SCAC.BO
NIFTY	: 15,885
BSE SENSEX	: 52,951
Analyst	: Research Team

Price Performance



Shareholding Pattern



1Q FY22 Update

Result Analysis

Share India Securities (SIS) doubled the topline and reported still stronger profit growth in 1Q FY22 on a y-o-y basis. The healthy margin expansion is primarily attributable to operating leverage arising out of a lower increase in employee benefit expense relative to the revenue growth. ROA and ROE continues to witness a rising trend based on FY numbers as the company registered 53% CAGR in consolidated PAT in the 5 years to FY21. Management has pursued a combination of organic and inorganic expansion to drive business growth as it looks to employ the same strategy to enter the retail segment of the market by leveraging its robust technology platform and strong service experience in the HNI segment.

Outlook & Valuation

SIS possesses a technology-driven hybrid business model complemented by artificial intelligence (AI) and machine learning. Management is looking at the retail segment to drive the next growth phase for the company. At the core of the company's retail strategy is its robust technology platform, innovation and an extensive portfolio of financial product offerings. SIS has displayed its adaptability to the changing business environment and disruption through the successful transformation from a traditional broking business to a modern fintech company. Going forward, we expect SIS to retain the strong growth momentum seen in FY21 and 1Q FY22, driven by the key business segments of proprietary trading and HNI as well as the emergence of retail as an important business segment for the company. Quant trading, a largely underpenetrated segment of the Indian securities trading market, presents a prodigious potential for growth in the coming years. The SIS stock has appreciated 86% since we initiated coverage on the company with a BUY rating on 07 April 2021. Basis expectations of robust growth and operating leverage-driven margin expansion, we revise our forecasts upward and reiterate a BUY rating with a price target of Rs 677 (at 12.0x FY23E EPS) and an upside of 23% from current levels.

Key Financial Metrics (Consolidated)

Rs lakh	FY19A	FY20A	FY21A	FY22E	FY23E
Total income	20,719	22,866	45,381	66,071	77,518
Growth		10.4%	98.5%	45.6%	17.3%
Cost of operations	15,437	15,536	32,060	41,670	48,540
Finance cost	1,140	1,785	2,496	3,701	4,211
Net profit	2,499	4,000	8,075	15,044	18,017
PAT margin	12.1%	17.5%	17.8%	22.8%	23.2%
Diluted EPS (Rs)	7.83	12.81	25.31	47.15	56.42

Source: Company data; Khambatta Research

Share India Securities Limited

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Financial Performance (Consolidated)

Rs lakh	1Q FY21	4Q FY21	1Q FY22	Y-o-y	Q-o-q
Total income	7,713	19,435	15,463	100.5%	-20.4%
Total expenses	5,934	14,845	10,964	84.8%	-26.1%
PBT	1,779	4,590	4,499	152.9%	-2.0%
Net profit	1,346	3,582	3,418	154.0%	-4.6%
PAT margin	17.5%	18.4%	22.1%	465 bps	367 bps
Diluted EPS (Rs)	4.22	11.23	10.71	153.8%	-4.6%

Source: Company data; Khambatta Research

Quarterly and Annual Forecast of Key Items (Consolidated)

Rs lakh	1Q FY22A	2Q FY22E	3Q FY22E	4Q FY22E	FY22E	FY23E
Total income	15,463	15,639	16,652	18,317	66,071	77,518
Cost of operations	9,886	9,920	10,438	11,426	41,670	48,540
Finance cost	913	922	931	936	3,701	4,211
Depreciation & amortization	159	161	162	162	645	685
Impairment/net loss on financial instruments	6	7	9	10	32	24
PBT	4,499	4,628	5,112	5,783	20,022	24,058
Tax expense	1,084	1,165	1,287	1,455	4,991	6,055
Net profit	3,418	3,467	3,828	4,331	15,044	18,017
PAT margin	22.1%	22.2%	23.0%	23.6%	22.8%	23.2%
Diluted EPS (Rs)	10.71	10.87	12.00	13.57	47.15	56.42

Source: Company data; Khambatta Research

Profit & Loss Account (Consolidated)

Rs lakh	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Total income	14,049	20,719	22,866	45,381	66,071	77,518
Growth		47.5%	10.4%	98.5%	45.6%	17.3%
Cost of operations	10,996	15,437	15,536	32,060	41,670	48,540
Finance cost	541	1,140	1,785	2,496	3,701	4,211
Depreciation & amortization	207	461	447	444	645	685
Impairment/net loss on financial instruments	-	8	30	39	32	24
PBT	2,304	3,672	5,068	10,343	20,022	24,058
Tax expense	770	1,172	1,068	2,274	4,991	6,055
Net profit	1,535	2,499	4,000	8,075	15,044	18,017
PAT margin	10.9%	12.1%	17.5%	17.8%	22.8%	23.2%
Diluted EPS (Rs)	7.15	7.83	12.81	25.31	47.15	56.42

Source: Company data; Khambatta Research

Share India Securities Limited

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Abridged Balance Sheet (Consolidated)

Rs lakh	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Total shareholders' equity	13,455	15,831	19,293	28,038	42,284	59,504
Total debt	3,936	10,602	12,560	11,853	23,934	20,395
Trade payables	3,810	5,345	8,356	32,091	35,916	37,944
Provisions	948	1,146	1,351	2,444	3,534	3,904
Total equity & liabilities	23,161	34,256	46,020	86,126	121,194	139,964
Fixed assets	3,854	3,519	3,337	3,783	4,783	4,858
Loans & advances (non-current)	7	3,021	6,164	7,810	10,543	13,179
Financial assets (current)	8,234	5,378	8,230	19,276	24,121	26,774
Cash & cash equivalents	425	3,000	4,787	10,419	31,261	39,240
Other bank balance	4,395	8,682	15,158	20,290	25,327	28,112
Total assets	23,161	34,256	46,020	86,126	121,194	139,964

Source: Company data; Khambatta Research

Ratio Analysis

	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
ROA	6.6%	7.3%	8.7%	9.4%	12.4%	12.9%
ROE	11.4%	15.8%	20.7%	28.8%	35.5%	30.3%
Debt-to-equity ratio	0.29x	0.67x	0.65x	0.42x	0.57x	0.34x

Source: Company data; Khambatta Research

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Share India Securities Limited

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Guide to Khambatta's research approach

Valuation methodologies

We apply the following absolute/relative valuation methodologies to derive the 'fair value' of the stock as a part of our fundamental research:

DCF: The Discounted Cash Flow (DCF) method values an estimated stream of future free cash flows discounted to the present day, using a company's WACC or cost of equity. This method is used to estimate the attractiveness of an investment opportunity and as such provides a good measure of the company's value in absolute terms. There are several approaches to discounted cash flow analysis, including Free Cash Flow to Firm (FCFF), Free Cash Flow to Equity (FCFE) and the Dividend Discount Model (DDM). The selection of a particular approach depends on the particular company being researched and valued.

ERE: The Excess Return to Equity (ERE) method takes into consideration the absolute value of a company's return to equity in excess of its cost of equity discounted to the present day using the cost of equity. This methodology is more appropriate for valuing banking stocks than FCFF or FCFE methodologies.

Relative valuation: In relative valuation, various comparative multiples or ratios including Price/Earnings, Price/Sales, EV/Sales, EV/EBITDA, Price/Book Value are used to assess the relative worth of companies which operate in the same industry/industries and are thereby in the same peer group. Generally our approach involves the use of two multiples to estimate the relative valuation of a stock.

Other methodologies such as DuPont Analysis, CFROI, NAV and Sum-of-the-Parts (SOTP) are applied where appropriate.

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Buy recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) by at least 15%.

Hold recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) between 5% and 15%.

Sell recommendations are expected to improve up to 5% or deteriorate, based on consideration of the fundamental view and the currency impact (where applicable).

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