

July 12, 2022

Systematix Shares and Stocks (India) Limited: Ratings placed on Watch with Negative Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based – Others	-	21.50	[ICRA]BBB-@; placed on rating Watch with Negative Implications
Short-term non-fund based bank lines	78.50	78.50	[ICRA]A3@; placed on rating Watch with Negative Implications
Long-term fund based term loans	21.50	-	-
Total	100.00	100.00	

*Instrument details are provided in Annexure-1

Rationale

ICRA has placed the [ICRA]BBB- and [ICRA]A3 ratings outstanding on Systematix Shares and Stocks (India) Limited (SSSIL) on rating watch with negative Implications. The rating action considers the heightened reputational risk for the company following the arrest of Mr. C. P. Khandelwal (promoter of the Systematix Group and erstwhile Executive Chairman and Managing Director of SSSIL) in connection with the allegations of offences under the Prevention of Money Laundering Act, 2002. ICRA notes that Mr. Khandelwal is no longer on the board of the company. In this regard, the involvement of other family members in the company's day-to-day operations over the past few years provides some comfort. ICRA will monitor the impact of these developments on SSSIL's performance, including any adverse action by lenders and the resultant effect on its operations and profitability.

The rating watch will be resolved once more clarity emerges on the likely impact of these developments on the company's scale of operations and profitability. Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, and rating sensitivities: [Click Here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Entities in the Brokerage Industry
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 1995, Systematix Shares and Stocks (India) Limited (SSSIL) is primarily engaged in retail and institutional equity broking, wealth management and portfolio management services. It is a wholly-owned subsidiary of Systematix Corporate Services Limited (SCSL) and is a part of the Systematix Group, which refers to the group of companies promoted and managed by Mr. C.P. Khandelwal.

Incorporated in 1985, SCSL is a public limited company listed on the Bombay Stock Exchange and the National Stock Exchange (NSE). It is the flagship company of the Systematix Group and holds a Category-I merchant banking licence issued by the Securities and Exchange Board of India (SEBI).

Key financial indicators

Systematix Shares and Stocks (India) Limited	FY2020/ Mar 2020	FY2021/ Mar 2021	Q1 FY2022/ Jun 2021*
Brokerage Income (Rs. crore)	19.24	31.36	9.76
Net Interest Income (Rs. crore)	2.17	0.82	0.29
Other Non-interest Income (Rs. crore)	11.72	8.12	0.96
Net Operating Income (NOI; Rs. crore)	33.13	40.30	11.01
Total Operating Expenses (Rs. crore)	32.17	36.72	10.60
Profit before Tax (Rs. crore)	-0.34	2.60	0.55
Profit after Tax (PAT; Rs. crore)	-0.43	2.69	0.39
Net Worth (Rs. crore)	41.16	44.53	50.14
Borrowings (Rs. crore)	0.61	12.39	0.34
Gearing (times)	0.01	0.28	0.01
Cost-to-income Ratio (%)	97.10%	91.12%	96.29%
Return on Net Worth (%)	-1.05%	6.28%	3.25%
PAT/NOI (%)	-1.30%	6.67%	3.50%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; * Provisional figures

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Current Rating (FY2023)			Chronology of Rating History		
			Amount Rated	Amount Outstanding *	Date & Rating	for the Past 3 Years		
						Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
			(Rs. crore)	(Rs. crore)	Jul 12, 2022	Sep 28, 2021	Jun 05, 2020	-
1	Long-term fund based – term loans	Long term	-	-	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Negative)	-
2	Short-term non-fund based bank lines	Short term	78.50	NA	[ICRA]A3@	[ICRA]A3	[ICRA]A3	-
3	Long-term fund based - Others	Long term	21.50	Nil	[ICRA]BBB-@	-	-	-

*As on June 30, 2021; @ Placed on rating Watch with Negative Implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term fund-based bank lines	Very Simple
Short-term non-fund based bank lines	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN /Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Short-term non-fund based bank lines	NA	NA	NA	78.50	[ICRA]A3@
NA	Long-term fund based – Others	NA	NA	NA	21.50	[ICRA]BBB-@

Source: Company; @ Placed on rating Watch with Negative Implications

Please click [here](#) to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis: Not applicable

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Anil Gupta

+91 124 4545 314

anilg@icraindia.com

Subhrajyoti Mohapatra

+91 22 6114 3463

subhrajyoti.mohapatra@icraindia.com

Deep Inder Singh

+91 124 4545 830

deep.singh@icraindia.com

Kruti Jagad

+91 22 6114 3447

kruti.jagad@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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