Mirae Asset Capital Markets (India) Private Limited

December 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Commercial paper	1,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating for Mirae Asset Capital Markets (India) Private Limited (MACM) reflects its strong parentage and strategic importance to its parent, Mirae Asset Securities Co. Ltd., South Korea (MAS SK), for expanding the broking business in India, supported by consistent financial and managerial backing. It also considers MACM's robust capitalisation, healthy liquidity, strong risk management, experienced leadership, and improving scale of operations following the acquisition of Sharekhan Limited (SKL) mitigated by susceptibility towards regulatory changes and presence in inherently risky and competitive broking business.

Mirae Asset Securities Co. Ltd. (MAS SK) has successfully completed the acquisition of a 100% stake in SKL and its subsidiaries from BNP Paribas S.A for a purchase consideration of ₹3,536.22 crore, becoming the ultimate parent. Post acquisition, MACM holds 72.76% of SKL, with the balance 27.24% held by Human Value Developers Private Limited (HVDPL). Additionally, 100% of HVDPL's stake has been transferred to MAS SK by BNP Paribas S.A. Following the announcement, the involved companies will continue regular operations, with restructuring by the Mirae Group planned in due course. CARE Ratings will continue to monitor the integration of the broking businesses of MACM and SKL.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

Not applicable

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deterioration in credit profile of the parent, MAS SK
- Material change in the ownership structure or moderation in expected support from its parent, MAS SK
- Sustained deterioration in scale of operations, capitalisation, and profitability metrics
- Increase in leverage levels (beyond 2 times) on a sustained basis

Analytical approach: Consolidated

The rating is based on consolidated assessment of MACM and SKL and factoring in linkages with its parent company, MAS SK. The list of entities consolidated is mentioned as Annexure-6.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Strategic importance to and strong managerial and capital support from the parent, MAS SK

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

MACM, a wholly owned subsidiary of MAS SK, benefits from its parent's strong capital market expertise and robust support. MAS SK, the only Mirae Group company in the capital markets business, enjoys strong backing from the group. A leading listed financial services company on the South Korean exchange with a market capitalisation of ~KRW 4.27 Tn (as on December 18, 2024), MAS SK, specialises in investment banking, brokerage, and wealth management. As such, MACM is strategically important to MAS SK, enabling the group to capitalise on growth opportunities in India's capital market sector. In the last five years, MAS SK has infused ~₹4,554.48 crore into MACM, demonstrating its commitment to expanding its presence in India's stock broking industry, highlighted by the acquisition of SKL. Representation of MAS SK on MACM's board reflects ongoing oversight and strategic guidance.

CARE Ratings expects the ongoing support from MAS SK to the MACM to continue. Any change in the level of management control, strategic importance, and moderation in linkages with the MACM resulting in reduced intent and the ability to support, will remain a key rating monitorable.

Comfortable capitalisation levels

MAS SK-the Parent Co., has consistently supported the company with regular capital infusions, resulting in a strong capital profile. As on September 30, 2024, the tangible net worth (TNW) of MACM stands at ₹5,009.49 crore, up from ₹3,700.33 crore as on March 31, 2024, boosted by an additional capital infusion of ₹1,254.48 crore in H1FY25. Overall gearing is nil as on September 30,2024. Following the acquisition of SKL, the combined TNW of both entities would be at ~₹6,564 crore (~₹4,410 crore post deducting ~₹2,154 crore of investment in SKL) while fund-based gearing stood at 0.40x (0.59x considering TNW post deducting ~₹2,154 crore of investment in SKL). Increase in gearing on combined basis is due to debt in the books of SKL.

Capital is primarily allocated to proprietary trading, margin placements on stock exchanges, and supporting growth in the MTF portfolio. As the broking business and MTF book expand, the company is shifting its capital allocation from proprietary trading to these growing segments.

CARE Ratings anticipates that MAS SK will continue to support MACM, as demonstrated in the past, ensuring it remains adequately capitalised.

Experienced top management

MACM is led by a seasoned management team. Jisang Yoo, CEO, has over 20 years of experience in capital markets, asset management, investment banking, and brokerage, including leadership roles in Mirae Asset's Indian and Brazilian operations. Sungkyu Kim, CFO, brings 10 years of expertise in finance, investments, and strategy, having worked at Mirae Asset Securities and Mirae Asset Global Investments. The heads of all business segments also bring significant experience in their fields. CARE Ratings expects MACM to benefit from this strong leadership.

Improving scale of operations following acquisition of SKL

Incorporated in 2017, MACM offers a wide range of integrated financial services, including sales and trading, investment banking, advisory services, proprietary trading, retail broking (m.Stock), and institutional business services.

On retail front, MACM's active clients stood at ~5.61 lakh as on November 30, 2024, per NSE and the turnover share of the company in overall industry remains modest at ~0.005% in H1FY25. With the acquisition of SKL, the growth of MACM will be strengthened by Sharekhan's PAN India and global presence, leading to consolidated active clientele base (per NSE) of over 12.5 lakh making it one of the largest retail brokers in India. Additionally, Sharekhan is a prominent player in the depository services sector, enhancing MACM's overall offerings plus the discount brokerage platform of SKL is expected to be integrated with M.Stock, partnerships with sub-brokers, increasing its scale of operations. With the increasing competition in the Indian broking industry and MACM's integration with SKL, the scalability of retail operations and diversification through MTF lending will be key areas to monitor.

The company has established adequate presence in institutional broking, serving a robust of over 50+ clients. However, share of brokerage from Mirae group stands at 51% of the total institutional brokerage. Given the competitive nature of the industry, yields have either declined or remained flat in recent years. In addition to broking, MACM actively participates in ETF market-making, ensuring liquidity, stabilising prices, and narrowing bid-ask spreads, which facilitates efficient ETF trading for investors.

MACM is also expanding its focus on advisory and management services in equity and debt capital markets, corporate finance, mergers, acquisitions, divestitures, and private equity fundraising. The share of broking operations remains small and its contribution to the topline remains marginal. However, it is expected to increase going ahead. The company has ventured into retail business since 2022, through retail broking and MTF lending. For H1FY25, MACM and SKL reported a combined profit of ₹358.97 crore with a profit after tax (PAT) margin of 29.30%, indicating a significant increase in profits and strong potential for future synergies.

Key weaknesses

Susceptibility towards regulatory changes and inherent risk in competitive capital market business

The capital market industry has experienced continuous regulatory changes aimed at enhancing transparency and preventing the misuse of funds. Securities and Exchange Board of India (SEBI) has introduced several new regulations over recent years.

In May 2023, a regulation prohibited brokers from using client funds for bank guarantees, increasing finance costs and funding requirements. In June 2023, SEBI mandated brokers to upstream client funds to clearing corporations in cash, FD liens, or pledged mutual fund units, raising operational and compliance costs. July 2024 introduced guidelines requiring transparent, "True to Label" client fees. In October 2024, SEBI's new measures included upfront collection of options premiums, removal of Calendar Spread Treatment on Expiry Day, a minimum ₹15 lakh contract value for index derivatives, weekly expiry derivative contracts for only one benchmark index, and a 2% Extreme Loss Margin on short options contracts.

The ability of brokers to adapt their technology, systems, and risk management processes to these evolving regulations, without negatively affecting their business profiles, remains a key consideration.

The broking industry is experiencing a slowdown in active client growth and trading volumes due to global market volatility and recent regulatory guidelines/updates. This has caused some major brokerage firms to lose market share. The company's ability to increase its market share amid this competition will be crucial. Additionally, intense competition from low-cost brokerage firms continues to pressure traditional players' margins. However, the recent acquisition of SKL and its subsidiaries by MACM is expected to consolidate MACM's market share in the future, making this a key observable factor.

Liquidity: Strong

As on September 30, 2024, MACM had a liquidity of ₹1,938.58 crore which included unencumbered cash balance of ₹1,707.87 crore and investments in cash management fund of ₹230.71 crore. Against the same, the company has a scheduled repayment of commercial paper of ₹650 crore due in February 2025. In addition to the above liquidity, the company has been maintaining sufficient margin with the exchange, over and above the required limit, thus providing additional comfort. The company's average margin utilisation was ~28% from January 2024 to November 2024.

As on September 30, 2024, on standalone basis, SKL had an unencumbered cash balance of ₹980.59 crore and undrawn sanction limits of ₹336 crore, against which it had a debt repayment of ₹2,099 crore scheduled in next three months. SKL also maintains sufficient margin with the exchange, over and above the required limit, which provides additional comfort. SKL's MTF book is a short-term book, so the inflows from it will also be used to meet debt obligation. Post acquisition, SKL is expected to receive support from MACM as and when required which provides additional comfort.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Broking Firms
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Capital Markets	Stockbroking & Allied

MACM was incorporated on October 06, 2017, and is engaged in institutional and retail broking, MTF lending and investment banking, and advisory. Currently, MACM is a wholly owned subsidiary of MAS SK, listed in South Korea. The company received from SEBI, the regulatory licenses for Stock Broking in January 2018, Merchant Banking in March 2018, Research Analyst License in January 2020, and Depository Participant License in May 2021. MACM started its business with institutional broking for equity and debt segments including investment and trading activities. To support the institutional business, it commenced research analyst activities from January 2020. The company started focusing on retail broking business since April 2022. For the same, the company has obtained Depository Participant registration from SEBI for CDSL depository, MCX membership, acquired ARN Code, BSE StAR Platform membership, and MTF permissions, among others. The company has also launched its own discount broking platform by the name "m.Stock".

Recently, the Mirae Group has concluded the acquisition of SKL and its subsidiaries from BNP Paribas. Successful closure of the deal with smooth integration of SKL's operations with Mirae group in future will remain a key monitorable.

Brief financials:

Combined financials of MACM and SKL^:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total income	1,239.19	1,985.77	1,225.23
PAT	120.72	374.70	358.97
Tangible net worth #	3,918.23	5,529.83	6,564.29
Overall gearing (x)**	0.42	0.53	0.40
PAT margin (%)	9.74%	18.87%	29.30%
RONW (%) #	3.11%	7.93%	11.87%*

A: Audited UA: Unaudited; Note: these are latest available financial results

^SKL acquisition has been completed on November 27, 2024, and hence numbers of both companies have been added to give a combined picture and ratios have been calculated accordingly, actual number and ratios may differ.
Note: Both the financials have been combined on standalone basis.
*Annualised
** Fund-based
# Based on the calculation of CARE Ratings.

Standalone financials of MACM:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total income	85.19	499.17	289.93
PAT	-50.18	132.90	52.87
Tangible net worth #	2,329.43	3,700.33	5,009.49
Overall gearing (x)**	0.00	0.03	0.00
PAT margin (%)	-58.90%	26.62%	18.23%
RONW (%) #	-2.13%	4.41%	2.43%*

A: Audited UA: Unaudited; Note: these are latest available financial results
*Annualised
** Fund-based
# Based on the calculation of CARE Ratings.

Status of non-cooperation with previous CRA:
Not applicable

Any other information:
Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	INE0T2V14053	19-11-2024	7.84%	18-02-2025	650.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone) (Proposed)	-	-	-	-	350.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial Paper-Commercial Paper (Standalone)	ST	1000.00	CARE A1+	-	1)CARE A1+ (28-Dec-23)	-	-

ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities:

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Sharekhan Limited	Full	Subsidiary Company

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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