

BONANZA WEALTH MANAGEMENT RESEARCH



6th May 2025

SYSTEMATIX CORPORATE SERVICES Ltd – BUY

CMP :Rs.135.0
Target Price : Rs.170.0
Upside : 20%+
Stop Loss : Rs.94.0 (Closing basis)

Investment Thesis

- India's IPO pipeline remains robust, with 150+ filings in 2024. Systematix's merchant banking division is well-positioned to capture 5–7% market share by 2026.
- Systematix has established itself as a 'Partner of Choice' for mid-market companies, successfully closing multiple transactions including private equity deals, block deals, preferential issues (QIP), and pre-IPO placements in Q3FY25. This positions the company well to benefit from India's growing IPO and capital raising ecosystem, especially in the mid-market segment.
- With over 1,750 clients and assets under management (AUM) exceeding ₹875 crore, Systematix's wealth management and PMS verticals are scaling rapidly. The strong performance of its PMS portfolio and expanding client base indicate potential for sustainable fee income growth, which is less volatile than transactional revenues.
- The company maintains a healthy equity base and demonstrates prudent financial management, as reflected in consistent profit growth and controlled expenses. The presentation indicates no major concerns on leverage or liquidity, supporting its capacity to invest in growth initiatives and withstand market volatility.
- Systematix is actively investing in digital platforms and expanding its relationship manager network to enhance client acquisition and service delivery.

Financials

- Systematix's revenue surged from ₹890 million in FY22 to ₹1460 million in FY24, representing a 64% compound growth over two years. This translates to an annualized growth rate of 28%, significantly outpacing the broader corporate compliance services sector average of around 12–15%. Looking ahead, revenue is expected to climb to ₹1830 million in FY25E and ₹2280 million in FY26E.

Consol. (Rs.Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	890	730	1,460	1,830	2,280
EBITDA	260	40	730	990	1,380
EBITDA Margin (%)	29%	6%	50%	54%	60%
PAT	180	50	530	690	830
EPS (Rs.)	1.35	0.39	4.11	5.07	6.89
P/E (x)	100	346.15	32.85	26.6	24.7
RoE (%)	21.2%	5.1%	34.9%	36.9%	37.3%

Stock Data

Market Cap (Rs. Mn)	18,260
Market Cap (\$ Mn)	216.64
Shares O/S (in Mn)	136
Avg. Volume (3 month)	1,37,178
52-Week Range (Rs.)	336 / 74

Shareholding Pattern

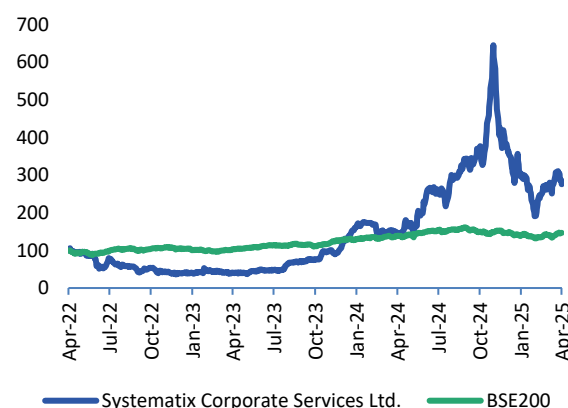
Promoters	70.58%
FII's	5.28%
Institutions	0.00%
Others (incl. body corporate)	24.14%

Key Ratios

Div Yield	0.07%
TTM PE	28.0x
ROE	42.4%
TTM EPS (Rs.)	4.99/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	2.4%	(25.9%)	88.4%
NIFTY 500	3.6%	(2.1%)	5.9%



- EBITDA margin expanded sharply from 29% in FY22 to 50% in FY24, driven by operating leverage on higher volumes and disciplined cost management and further expected to be 54% and 60% in FY25E & FY26E respectively underscoring the scalable nature of its business model.
- PAT jumped from ₹180 million in FY22 to ₹530 million in FY24, a PAT CAGR of 71.6% over two years, while EPS climbed from ₹1.35 to ₹4.11. Forecast PAT of ₹69 million in FY25E and ₹830 million in FY26E underpin an EPS run-rate of ₹6.89, reflecting strong bottom-line traction.
- Return on equity re-rated from 21.2% in FY22 to 34.9% in FY24 and is projected to hit 36.9% in FY25E and 37.3% in FY26E, highlighting efficient capital deployment and high returns on incremental projects.

Key Business Highlights

- Systematix Corporate Services Ltd was established in 1985, it provides investment management and advisory services in the financial markets and investment solutions for a broad array of investors including FIIs, DFI, Insurance companies among other Financial institutions.
- The company has over 40,000 registered clients that include FII, DII, Insurance Companies, Bank Treasuries, Corporates, etc.
- The company has a PAN India presence, with 453 touchpoints across 100 cities in India's key locations of Mumbai, Delhi, Lucknow, Jaipur, Indore, and Ujjain.
- Systematix operates through three primary verticals: 1. Merchant Banking: Advises on IPOs, rights issues, debt placements, and valuations contributing 58% to FY24 revenue. 2. Financing: Offers loans against shares and margin funding via its NBFC arm, contributing 32% of FY24 revenue. 3. Transactional Services: Includes equity broking, wealth management, and mutual fund distribution, accounting for 10% of revenue.

Valuation

- Systematix corporate services is currently trading at Rs. 135. It currently commands a PE of 28x against a 5-Yr Median PE of 36.3x.
- With robust IPO pipeline with 150+ fillings in FY24 and systematix's market share of 5-7% positions the company well to benefit and increase its profitability with AUM exceeding Rs. 875cr, we are assigning BUY rating to Systematix corporate services Ltd. and value at 24.7x FY26E EPS of Rs.6.89 to arrive at target price of Rs.170.00, an upside of ~20.0%.

Risk & Concern

- Fluctuations in equity markets, IPO cycles, and investor sentiment can materially impact fee-based income and trading volumes, leading to revenue volatility. A downturn in the capital markets or a slowdown in IPO activity could adversely affect the company's financial performance.
- Systematix faces competition from larger, well-capitalized firms with stronger brand recognition and institutional relationships, which could limit its market share expansion or margin improvement.
- Systematix's growth and deal flow rely heavily on the expertise and relationships of its senior management team and key client connections. Any attrition of key personnel or weakening of client relationships could disrupt business continuity and deal sourcing capabilities.

Graphs & Charts

Figure 1: Net Sales Trend

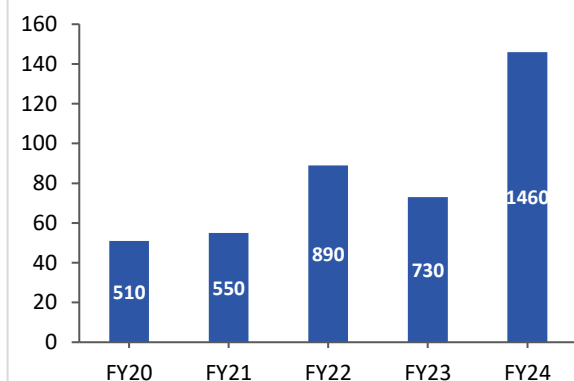


Figure 2: EBITDA & EBITDA Margin Trend

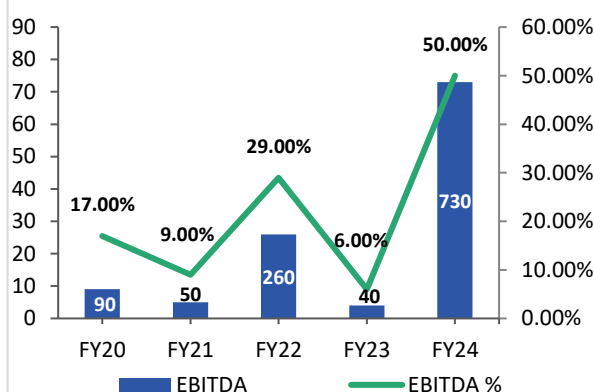


Figure 3: Product-wise Revenue

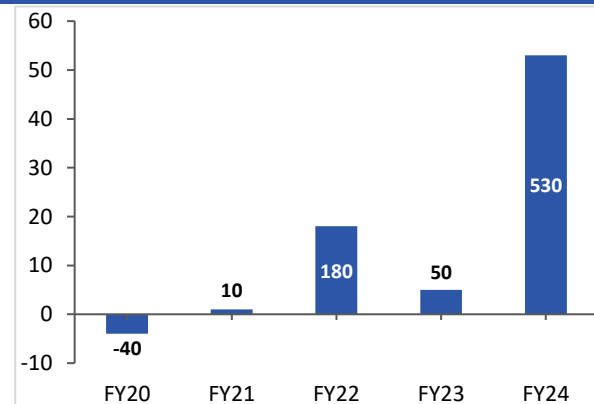
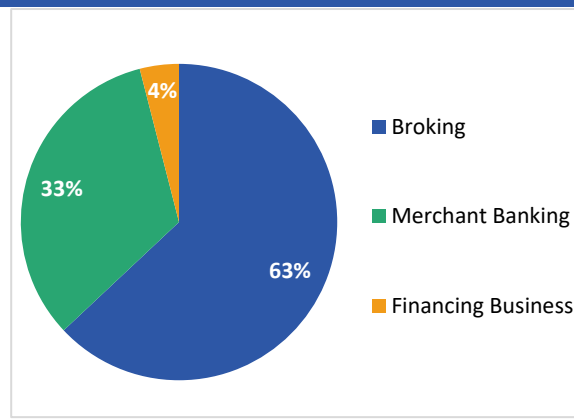


Figure 3: Product-wise Revenue



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