

February 3, 2025

BSE Limited
Department of Corporate Services
1st Floor, New Trading Ring
Rotunda Building, P J Towers
Dalal Street, Fort,
Mumbai – 400 001

National Stock Exchange of India Limited
Exchange Plaza
Plot No.C-1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051

Security Code: **523405**

Symbol: **JMFINANCIL**

Dear Sirs,

Sub: Transcript of the Earnings Conference Call

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Para A of Part A of Schedule III thereto, we are enclosing the transcript of the earnings conference call of the Company held on January 29, 2025.

The said transcript has also been uploaded on the Company's website and the same is available at <https://jmfl.com/investor-relation/financial-results.html>.

We request you to kindly take the above on your record and disseminate the same on your website, as you may deem appropriate.

Thank you.

Yours truly,
For **JM Financial Limited**

Hemant Pandya
Company Secretary & Compliance Officer

Encl.: as above



JM Financial Limited
Q3 FY25 Earnings Conference Call
January 29, 2025



Moderator:

Ladies and gentlemen, good day, and welcome to JM Financial Limited Q3 FY25 Earnings Conference Call. As a reminder, all participant 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 in the conference call, please signal an operator by pressing star, then zero on your touch-tone phone.

Kindly note that any forward-looking statements made on this call are based on the management's current expectations, however, the actual results may vary significantly. And therefore, the accuracy and completeness of these expectations cannot be guaranteed. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Kampani. Thank you, and over to you, Mr. Kampani.

Vishal Kampani:

Thank you. On behalf of JM Financial, we extend a very warm welcome to all of you to our earnings conference call to discuss results for our Q3 and nine months ended December 2024. Our results have been uploaded, presentation and press release, all of it on the website and stock exchanges. I hope you have had a chance to go through the same.

On the call, we also have Mr. Chirag Negandhi, Managing Director, JM Financial Limited; Ms. Sonia Dasgupta, Managing Director and CEO of Investment Banking, JM Financial Limited; Mr. Manish Sheth, MD and CEO of our Home Finance business; Mr. Dimplekumar Shah, MD and Head of Investment Advisory and Distribution and Retail Broking; Mr. Amitabh Mohanty, CEO of our Mutual Fund and Asset Management Business; Mr. Anuj Kapoor, Head of the Private Wealth Business; and Mr. Nishit Shah, our group CFO. I will give the key updates and hand over the call to Nishit and the management team to take you through the numbers.

As discussed in the earlier calls, we have taken a strategic decision to refocus our expertise in the wholesale credit business by pivoting from an on-balance sheet business model to syndicating transactions to investors. By way of an update, the loan book across wholesale real estate, financial institutions and MSME has run down from INR7,529 crores as of March 31, 2024, to INR4,207 crores as of December 31, 2024. This represents a decline of around 45% over the last 9 months. The loan book of INR4,207 crores carries a provision of approximately INR800 crores, which represents 19% of the loan book.

The provision coverage ratio on the real estate loan book has increased from 54% as of March 31, 2024 to 93% as of December 31, 2024. Gross NPA numbers for the wholesale real estate loan book has remained stable at INR685 crores as of December 31, 2024.

Cash and cash equivalents have increased from INR4,769 crores as of March 31, 2024, to INR5,840 crores as of December 31, 2024, and group borrowing has reduced from approximately INR16,145 crores as of March 31, 2024 to INR12,143 crores as of December 31, 2024.

Now coming to an update on our focused businesses that include corporate advisory and capital markets. This includes the investment banking and equities business. The pipeline of transactions continues to remain very strong, and we are happy to report that we stood at number #1 in QIP deals done in calendar year 2024.

On Wealth and Asset Management, the AUM of our wealth business stood at ~INR1,10,000 crores, an increase of 17% Y-o-Y.

Our SEBI margin finance book saw an increase of 38% Y-o-Y with approximately INR2,100 crores, and our mutual fund AUM grew 3x and is now approximately INR13,800 crores. The closing AUM of equity mutual funds has crossed an important milestone of INR10,000 crores.

Private credit syndication, the business is in a transient phase and with our on-balance sheet loan book reducing, but happy to report the pipeline for syndication transactions is building up well.

On affordable home loans, we have expanded to 128 branches. We have an AUM of approximately INR2,600 crores, a 33% increase Y-o-Y. The net worth in the business now is at approximately INR780 crores.

In addition to the above, the treasury/surplus assets as of December 31, 2024 are at INR6,618 crores.

With that, thank you, and I'll ask Nishit to take you through a few of the numbers and then we open up for Q&A session.

Nishit Shah:

Thank you, Vishal. During the quarter ended December 31, 2024, our revenue stood at INR1,121 crores. Profit after tax and after non-controlling interest for Q3 FY25 stood at INR209 crores. For the nine months ended December 2024, our revenue and PAT stood at INR3,426 crores and INR612 crores, respectively. The gross NPA on the overall loan book for the quarter ended December 2024 stood at INR838 crores, which is flat as compared to INR835 crores as of quarter ended September 2024.

The provision on gross NPA has increased to INR701 crores as compared to INR588 crores for quarter ended September 2024. The incremental provision of INR113 crores has resulted in the provision coverage ratio on the overall gross NPA to increase from 70% to 84% as of December 2024. These provisions have had an impact of approximately INR43 crores on profit after tax and after non-controlling interest for the quarter ended December 2024.

The consolidated net worth, excluding non-controlling interest stood at INR8,874 crores, which translates to a book value of INR92.8 per share. On a consolidated basis, gross debt to equity stood at 1.1x and cash and cash equivalents stood at INR5,840 crores. With this brief update, I would like to hand over the call to the moderator to begin the Q&A session.

Moderator:

Thank you. The first question comes from the line of Digant Haria with GreenEdge Wealth.

Digant Haria: My first question is because we've started reporting two formats, one, is the focus business and one is a regular, old format. I just wanted to check that the investment banking revenue, it looks like we have declined Y-o-Y. Is it largely because of our loan books running down, especially on the capital market financing, FI financing? Is that impact there?

And if you can just say that you said that in QIP, we have been the number 1 bank. But, like, did we lose out on some IPOs or some deals because we had some regulatory action or restrictions which happened in March last year? If you can just quantify in terms of market share and where have we been? And was there any handicap because of that? And like do we do better in the coming years? That's my first question?

Vishal Kampani: Yes. Let me just start, then I'll hand over to Sonia on the specifics of investment banking. So, the reason we have two formats is because we will be moving to the new format, Digant, from next year in June quarter, but we want investors to have a comparable number available to them next June, and therefore, we're reporting the new format right now. And also, we want to continue with the old format, so people can compare from last year to this year how the businesses have moved. So, it's just being more transparent and giving more disclosure.

In the new format, there is no earnings from any loan business in the Corporate Advisory and Capital Markets segment. So, it's purely the investment banking segment, which is reported, and the institutional equity segment, which is being reported. On the specific question of investment banking, Sonia will take the question.

Sonia Dasgupta: In terms of investment banking, our market share in any given year will be anywhere 15% to 20% on the capital market side. M&A deals are lumpy. So, this year, among the Indian banks, we would be number 2 in M&A and PE advisory. Regarding the impact of the SEBI order, which came specifically for managing public issue of debt, but there was a lot of misunderstanding among the client, and therefore, you are right, it did impact our equity business and we may have lost out on some large deals. But subsequently, SEBI, in a subsequent clarification made it very clear in writing that this was only applicable to public issue of debt IPOs. And thereafter, having been clarified, now there is no ambiguity about any negativity on our equity capital markets business.

Vishal Kampani: Digant, to simply put. The order came sometime in the first week of March. So, March, April, if we lost a couple of transactions, those transactions would have showed up in terms of execution in October, November, December. The execution time-line for a transaction is 6 months. But having said that, the market share is still very good. It's very rich. The pipeline is very, very strong. And in this business, you'll win a few, you'll lose a few. As long as the growth is there on an annual basis, that's more important to track.

Secondly, in investment banking, it's very difficult, as you know, to predict quarter-on-quarter growth because sometimes your deals slip. So sometimes a deal which is supposed to happen in December, 2 or 3 deals can slip to January, February. Third, just seasonally, it's been challenging to push all transactions through in Q3 because there has been softness in the markets and also softness in terms of what valuations investors are willing to take for issuers.

Sonia Dasgupta: Having said that, we know we have a very strong pipeline on DRHPs that are already filed which is the public domain. We have close to two dozen DRHPs filed, subject to market conditions, we should be able to launch them, and we are also in the process of filing an equal amount of DRHPs.

Digant Haria: My second question is now on this mortgage finance or the JM Credit Solutions, NBFC, our NPAs have been steady at that INR650 crores to INR700 crores kind of a range. But we have been making provisions almost at INR80 crores to INR90 crores a quarter run rate for the last 6 quarters, and our PCR has gone up to 90%, 95%. So, Vishal, if you can just give some colour, like are we preparing for some write-offs here or if we think that some assets may not reach resolution.

Vishal Kampani: No, I think, Digant, as we have clarified even earlier that whatever write-off we needed to take on these assets has already been taken. Large amount of the write-off has been taken last year. So, this is the net value. The cover on these assets stands well in excess of 1.3x to 1.4x post the write-off. The provision is being done because the loan book is coming down so fast, and therefore, the number, the net NPA numbers look very large.

So, if the loan book keeps coming down and the estimated time to resolve these assets, say, is 4 to 5 quarters more, right? Then what happens, we don't want to take any provisions next year and from June onwards, when we're going through this new sort of 4 segments of business, where we don't have wholesale credit as a business to report, right? So therefore, it's very important that we take all of the provisions upfront.

And to add to that, it's also a very strong countercyclical measure. So, it's good to have complete provision. I mean we can't even provide more, right, because we're almost now at 90%, 95% on the wholesale real estate book. At max, we can do is the balance 7% in March, which is not a big number again. So, I think it's just good to clean it up, have a 100% provision, have a very conservative sort of balance sheet, and we are good to grow on the syndication side very shortly. And those numbers will look even more exciting for the next 2 years once the growth comes in the syndication side.

Digant Haria: Vishal, if I understand, the IB business now has absolutely no handicaps because last year there was a handicap of that regulatory overhang. And this entire Credit Solutions piece can actually start giving us write-back because, at 100% provision cover the only thing that can happen is write-backs, right, if things go well. So, both those businesses should do well.

Vishal Kampani: That's exactly the point. Also, the provision is happening when our ownership in the business is 46%. We are waiting for the RBI orders to come through. We already have the RBI approval to buy the ARC in the Credit Solutions. And we are hoping that this quarter, RBI will give us the approvals to take control of Credit Solutions and have 90% ownership.

Digant Haria: And then the last question is just on this entire Platform AWS business. So, because the markets have been volatile and probably, they may be slow for another 3, 6 months or whatever, we have

not reduced or not going slow on any of our investments in digital or team building in the wealth /IB side. We have been doing - like we've not just stopped the pedal on any of these, right?

Vishal Kampani: No, we haven't. But I'll have Chirag and team take that question.

Chirag Negandhi: So actually, Digant, Chirag here. We've actually been a little bit more aggressive. We've actually found that as an opportunity where some of the competitors have been disrupted, whether it is on the equity side or on the wealth side, and we've actually used this opportunity to go and get some top-quality talent. And that you will see going forward helps all aspects of the business, even on the equity side, besides the secondary markets business.

It will also help the procurement in the equity capital market business, which you will then start seeing subsequent improvement in the market share as well. So, no, to clearly answer your question, we've actually gone more aggressive. We've seen opportunities. We've seen this as a time when we're getting good quality people, and we've actually used this as a time to boost our talent.

Moderator: Next question comes from the line of Himanshu Upadhyay from Bugle Rock PMS.

Himanshu Upadhyay: It's somewhat follow-up on what Digant asked. See, in the investment banking and let us break it into some segments where we have done well and where the revenue is lacking, okay? So, can you give some thoughts on that? Because when we look at investment advisory, it seems it has been good or corporate advisory part revenue. But again, we don't have any Y-o-Y part.

So, some colour on which segments have lagged and which segments have done well on the investment banking side because overall, it seems degrowth of 11% Y-o-Y and again, Q-on-Q also similar for much bigger fall, okay? So how should we understand where we lagged in this year or in the quarter?

Vishal Kampani: Yes. I think you're looking at the old segment

Himanshu Upadhyay: It is Slide 32.

Vishal Kampani: Yes. That is old segment. So, in the old segment, we had financing revenues also as part of the investment bank. And that financing book has decreased a lot. As you have seen, the financing book has gone down by almost 33% to 34% in the last one year. And therefore, there is a decline in the Investment Banking segment. So, I think the right way to look at it is, this quarter and how we'll perform next quarter.

And Sonia, will add on segments within investment banking, how we're looking at them in terms of growth and in terms of market share.

Sonia Dasgupta: Yes. So, the pure investment banking, which is the capital markets and the advisory across M&A and PE, we have grown year-on-year. The booking of the revenues is always a function of which deals closed in a particular quarter and how we book the revenue. But otherwise, there has been a secular growth quarter-on-quarter. For example, some of the transactions which we have in

specifically financial services, which we can't launch because microfinance is under stress. So those deals while we are mandated, we have DRHPs which are filed, we have not been able to launch them. But certain other segments, for example, in healthcare or real estate, which we have launched them, and we will see the revenues.

Having said that, I think we have a team which will cover all segments, whether it's industrial, consumer, health care, financials. We are a team that will be focused on every segment. Our enhanced focus will be on cross-sell to make sure our clients get the benefit of our entire wealth franchise also and the wealth clients get the benefit of our investment bank and also our entire syndication.

So, we are ensuring that the investment banking team remains the fulcrum through which we are able to deliver every product of the integrated investment bank be it syndication and our whole wealth franchise.

Himanshu Upadhyay: Okay. And I had a question on affordable housing. In Q2, we stated that we had INR150 crores of BT, okay? It's a basic question. How much was this quarter?

And secondly, we were planning to sell down opportunistically every quarter-on-quarter. In case a person comes down for renegotiating a rate or BT in sell-down book, can we renegotiate on the rates or not? If yes, then who takes the NPV loss of lower yield. Does it get shared or some thoughts on that, how it happens?

Manish Sheth: Yes. So, BT rate continues to be 1% a month. It was last year, 1.5% a month, meaning 18% a year was a BT out. That has come down a bit. It is like 1% a month. To answer your second question, when you sell down, actually, risk and return goes to the extent of sell down. For example, under a 90-10 deal, 90% of the risk and return goes to the person who buy this portfolio. And in those cases, you cannot change the rate unless you take the approval of the buyer. And if you change the rate with the approval, obviously, this benefit goes in the same ratio of to 10:90 which is a true sale concept.

Himanshu Upadhyay: Okay. And one thing, Vishal, on the real estate segment, okay, how is the demand for credit by builders? Because what we are seeing is the launches are - the launched inventory is now becoming more than the absorption, which is happening, okay, in markets. And unsold inventory for many of the players is unsold, under construction inventory starting to increase for many players. So, what is the scenario?

And secondly, till the time approvals come and we start our AIF funding, how to maintain our relationship with the builders with which we have past done business and keep our teams also gainfully involved and motivated? Some thoughts on that business because at the end it will restart at some time and what we are doing there.

Vishal Kampani: Yes. So, I'll start with the last question first. Part of the team has already moved from our NBFC business to the asset management side. They've already full-fledged working on the application for the AIF, which should happen hopefully by next quarter. On the real estate side, we have an

extremely strong equity and debt franchise. So many of the players are anyway engaged with us on the equity side to raise some form of capital.

On the debt side, we still have a book that is running down. And these are very old relations. Everybody has been spoken to and we've told them that we actually want to focus on land and approval finance through an AIF structure and people who we are speaking to clients who we're speaking to are very excited.

In fact, they're keen that it's set up fast sometime in this year and that we are able to move ahead with financing them. So, I'm not concerned at all about those relationships. I think they've been there for more than almost 2 decades. And once the AIF is up and ready, I think we'll start doing business very soon. So not much of a concern there.

On your first point, yes, there is definitely some concern coming up in terms of inventory levels rising. We hear from some of the unlisted midsized players that sales also have gone down in the last quarter. Even this season, the Diwali season, was not great in terms of sales. Having said that, there is a market share shift, which we've talked about in the last 3, 4 years, even longer 5 years, that the larger players will get more market share.

So that kind of slowdown in terms of sales is not visible with the larger players. But one has to check how much of inventory booking is actually happening with brokers versus real sales in some parts of India. People could report very strong numbers, but we have to understand whether they are real sales or right now its inventory booking like auto companies do with their dealers and sales will happen onwards over the next 3, 4 quarters. That will give you a better sign on how listed companies are doing.

But having said that, I think the demand for real estate still remains strong. A lot of the inventory that comes as total inventory in terms of calculation is not ready inventory, it's new launches. So as long as the economy is growing and we are at a healthy 7%, 8% growth, it will flatline prices and sales will take maybe a few quarters delay to pick up. But anyway, I don't think it's an alarming level. It's not something where you will see IL&FS or pre-IL&FS kind of prices where sales were very, very slow and it really impacted the sector.

Yes, Chirag, do you want to add anything on the real estate besides this?

Chirag Negandhi:

You've covered it all.

Vishal Kampani:

Yes. Okay. That's it.

Himanshu Upadhyay:

So, have the yields increased? And are we seeing increased demand from the builders now on the wholesale side?

Vishal Kampani:

See, builders will always have demand. The challenge is that as per the new regulations last couple of years, we can't cater to that demand as NBFC. But I always maintain that real estate is one sector which always needs money, whether it's debt, whether it's equity, whether it's structured credit, they always need money. So, demand is always there. It's just what kind of

demand. So, construction finance, particularly the drawdowns have been slow and the drawdowns are always slow when sales are very strong.

Another reason why our loan book has run down so fast is just because sales is very strong. And once the project matures and it's roughly 30% or 40% sold, that's when banks come and take over the project at very, very low yields. So, we've seen that happen. Bulk of the rundown that we faced in the book is also because sales have been strong and banks have taken over most of those loans which were originally made for land and approval and then into construction.

So, the cycle has been tremendous last 2, 3 years. And because of that, even the lending rates, frankly, were very low. I mean the risk adjusted rates to lend to real estate in the last 2, 3 years have not been very attractive. So, having said that, there is a big gap today in the market for land and approval because there is no bank, there is no NBFC, who is funding it. And these were the largest players giving money for land and approval. So, there is a huge opportunity for the AIF. We're just looking forward this year to set it up and be sort of ready by the end of the year to start deploying money.

Himanshu Upadhyay:

And see, the NPAs, which are there on this book, wholesale book, okay? And some of these have been with us for more than 6 months, 9 months, okay? And the times are good, okay, whatever we give and say, you also stated. What can we do to hasten our resolutions, okay? And what are the pain points still there even in good markets to resolve these assets? Some of your thoughts will be helpful.

Vishal Kampani:

Yes. See bulk of the challenges are where we are working with the land owners or the project owners to find a solution which works for them and works for the new buyers to come in. I think in almost 50% of the portfolio, we are pretty much in advanced stage. So, when I say advanced stages, we should see resolution this calendar year.

And in the balance, 50%, we should see it in the following calendar year. So, if you go back to one of my earlier calls, one of the reasons we also feel that, in real estate the risk-adjusted return needs to be calculated properly because the resolution time-lines in distressed assets in India are far longer than what most people estimate.

So, what happens is when an asset goes bad, you have a liability in your balance sheet, but your asset is not paying off and your asset has a delayed resolution time-line, which eats into your returns. And if that is not appropriately priced in to the risk when you make the loan, then you have lower risk-adjusted returns. So that is what you are seeing that most of the 6 to 9 months old NPAs will take between 2 years to 3 years to resolve.

But we are fairly confident that this provided amount, I mean most of it, I would imagine between 80% and 90% of it, should be back within the next 2 years because there are some cases where we tried to do a resolution with the developer with the best effort. And if that is failing, then we are going to NCLT.

But once you go to NCLT, you start the IBC process, you know how it is. It's a minimum 18-month process till you get your money back. We've taken provisions up to almost 93%. And if required in the real estate book, we'll take it to 100% in March. So, it's completely cleaned up.

And whenever the write-backs come, which they will come in the next 2 years to 3 years, we will be happy to receive that. For example, there has been such a phenomenally positive development for us in our largest asset in our ARC, which is Unitech, which happened last week, where after almost a 3.5 year time frame, the Honourable Supreme Court has said that the management of Unitech and the lenders should sort of sit down and agree to a onetime settlement, right? So that's an excellent development.

So, these things take time. Now in Unitech's case, our most conservative estimate is that the value of the underlying assets that we have are probably in excess of INR2,000 crores because all of those lands have appreciated, the loan was made 6, 7 years ago.

So, I think you just have to be patient and work with some of these assets. As long as you've underwritten it very well, you have your mortgages in place and you have those lands or those projects completely under control, I think you will recover your money. It's just about playing that patience game in India.

Moderator: Next question comes from the line of Chintan Shah with ICICI Securities.

Chintan Shah: So firstly, on this ARC business. So, I think we had some good recovery from the ARC business for this quarter of around INR1,129 crores recoveries were there. So, what would be this recovery largely from? And secondly, I believe the ARC is now a defocused business. So incrementally, we won't be adding much assets to this pool, right? Is that the right assumption?

Vishal Kampani: Yes. So, ARC, as I told you earlier also, the ARC recoveries are lumpy in nature. So, you may have 1 quarter or 2 quarters where you don't have a lot of recovery and then you may have a quarter which is very, very good and you have tons of assets coming through and cash flow coming through. So, what we have said in the past as well is that we are not going to be taking turnaround risk in corporate assets as an ARC.

The intent of an ARC when RBI gave the license was that banks can sell their NPAs and ARCs along with their own collection networks can collect on those NPAs. And second is, ARC is a very good vehicle to get foreign investors to partner along with you and purchase many of the corporate assets and then work around a turnaround and sale. And the third option was ARC puts their own balance sheet to work and works on turnaround.

So, we're going to stop the financing of projects or takeover of assets where we have to be responsible for the turnaround. So, the only two businesses we will do in the ARC will be the syndicated business where we will partner with corporates or we will partner with foreign funds who want to take over assets where our commitment will not be more than 15%, and we can go down to as low as 2.5%. So, it will be between 2.5% to around 15%.

And we will do a syndicated business, where we will bring these corporates and these funds and buy assets, and we'll make fees on it. And the second business we will do is we'll buy retail assets where we will partner with collection agencies or, in some cases, even the issuing company, the selling company to resolve the retail NPAs. So that's the strategy.

So, we have added an asset on the syndicated side this quarter. But we don't have any responsibility for turning it around or operating it. We are very, very clear that we will not take that responsibility like we have in the past.

Chintan Shah: Sure. So just - how much could be the - so for example, when you told that Unitech we have a security of around INR2,000 crores So how much will that turn into profitability since even after recovering around INR1,129 crores, it doesn't seem to flow on the bottom line. So how do we read that, yes? Is that a part of wholesale business? Or how is it?

Vishal Kampani: Yes. So, all these recoveries of INR1,129 that you see is all with the partner banks. So, the INR1,129 recovery is not our balance sheet recovery. Our hold generally in these assets will be between 2.5% to 15%; 5% to 15% actually in the older assets. So, our recovery is usually in the 5% to 15% share of the same.

In Unitech specific case, because we had given priority loans, the recovery amounts will be higher. It's very hard to estimate what that will be, and that is exactly the exercise we will carry out with the management of Unitech depending on what their strategy is for liquidity for financing some of their projects. But the overall amount due to us is over INR1,000 crores. There will be a share between us and HDFC. But the value of the security today in that portfolio is above INR2,000 crores is our view.

Chintan Shah: Sure, sure. And sir, on the cash pool, which we currently have, we have a cash pool of roughly around INR5,840 crores as of now. And considering that we are probably done with the transaction of payment, which is pending to the Credit Solutions shareholders and ARC transactions, both these are done with. So, where do we think we end up on the cash balance by March 2025, assuming that those transactions are over by that time?

Vishal Kampani: Yes. So, the net impact of that will be around INR600-odd crores. But the gross sort of outflow from the group will be around INR1,400-odd crores, yes. So, the cash will go down by INR1,400 crores from sort of the group, but the consolidation increases because our ownership goes from 45% to 90-plus percent in Credit Solutions.

But the net impact on the holding company will be lower in terms of its cash going out because the purchase of the ARC will happen with the use of Credit Solutions cash. So, from your perspective, on a gross level, it will be a reduction of approximately INR1,400 crores, which will take us to between 90% and 95% ownership.

Chintan Shah: Sure. So once both these transactions are done with, then probably we are not left with any transaction, right? So, then anything on the cash distribution part or dividend or buyback? Anything we are looking to do or would we keep on holding the cash with us on a treasury book?

Vishal Kampani: Yes. So, as I said that the cash from treasury is going to be used for investing and expanding the businesses of the group. It also will be used to build a bigger syndication business. So, we will use treasury and drive it to bolster our business. But the returns from the cash that we make every year, we will use that as per regulations, if they allow us to pay dividends. But to do all of that, first, we need to purchase Credit Solutions because a significant amount of our cash, almost INR3,000 crores, plus sits in that entity.

Moderator: Next question comes from the line of Kshitij Saraf from Tusk Investments.

Kshitij Saraf: Just wanted to know on the private wealth side, our ARR AUM is up 33% Y-o-Y. This kind of slightly lower than industry, if you will, it's been on a low base. So, I just wanted to understand because we've increased our RM count from 36 to 54 Y-o-Y. So, is there some impact of weaker IB sort of disrupting the flywheel here?

Anuj Kapoor: Sure. So, I think especially in the quarter that's gone by, the mark-to-market impact has actually been slightly overwhelming. We have actually added net new money of about INR6,000 crores in assets, but the mark-to-market impact has negated pretty much 90%, 95% of that. Our entire focus is to really, as we are scaling up this business bottoms up, focus on the recurring asset book. And as you see, that is growing at a fast clip.

In terms of the RM count as well, we've added about 8 or 9 RMs this quarter, but you'll see that scaling up in the coming quarters as well. So yes, going forward, with the addition of RMs, both in the mass affluent as well as the ultra-high-net-worth and family office businesses, we do expect the asset ramp-up to happen quicker.

Kshitij Saraf: Understood. And on the investment banking side, we haven't had large deals this quarter and they don't seem to be very large deals in the pipeline. So, any sort of outlook you want to share there and sort of with the RBI overhang now behind, are we pushing more on the larger deals which come through?

Sonia Dasgupta: Sorry, I don't know why you say that we're not the large because we have filed HDB which is an INR12,500 crores IPO, as you know, one of the largest deals in that sector. We closed one of the largest M&A transactions on the PE side where Shriram sold their housing finance asset, which is the largest deal by Warburg in the history of their investments over the last 20 years.

So, like, Vishal explained, there will always be deals which will be captured and will be missed because there are just so many transactions. As you know, there have been 91 IPOs that happened last year, and our market share will consistently remain in the 15% to 20%. So, I think, like I said, we have filed DRHPs, which are in the public domain, which around two dozen, and we have an equal number which we have mandated and hope to file.

So, the momentum remains strong. The deals we launch will be a function of which sectors are favoured by the market. And our focus continues to remain on both ECM, M&A as well as cross-sell of our entire platform of every product on our platform.

Moderator: Next question comes from the line of Ashwini Damani with Modifi.

Ashwini Damani: So, the bulk of our future business now depends on the investment banking mix. That is the bulk of our revenue is also coming into profitability. Could you give us on a going forward basis, some insights into how the deal pipeline looks like? And so today, there might be views that we are on the top of the cycle. But probably from your end, you all are better aware of the number of IPOs and QIPs that are about to be launched in the next 3, 6 months, 1-year basis. So, if you could give that going forward, that would help us in understanding where our future lies. And maybe some comments.

Vishal Kampani: I'll pass it to pass it to Sonia and Chirag both to separately take that question. But I don't think our business will be concentrated as much in investment banking. I think investment banking, obviously is doing very well because of the issuance activity. There are a lot of investments being made in other parts of the business, which Sonia and Chirag will talk you through.

I think it will be pretty much well-diversified sort of earnings stream that you will see. But if there is a deal activity in investment banking, which happens, obviously, it increases the profitability. But as I said, it will be more diversified.

Ashwini Damani: And one more last question, sir. I think the credit.

Vishal Kampani: Let us answer first question properly and then you can go to your next question.

Chirag Negandhi: Just to add to what Vishal said, I think the focus really is also on the flywheel here. There is a big build-out happening both on the private wealth, in the retail broking and as well as in the equities part. And the impact and the upside of all of this, we will start seeing in the coming quarters. So, while the leadership in investment banking is maintained and built on, the impact of the investments in some of these businesses, you will start seeing the positive impact of these investments.

Ashwini Damani: Sure. Sir, you mentioned that we will on the question by the previous speaker on distribution of cash, you mentioned that you'll redeploy it in new businesses. So would the loan syndication business, etcetera, require that large an amount of infusion, INR5,000 crore, INR6,000 crores?

Vishal Kampani: Yes. So, we've given the approximate breakup, I think, last quarter or the quarter before that. I think we'll need approximately INR3,000 crores of book that we will maintain on the corporate syndication side, which is a bespoke finance business. And I think our loan against shares book will scale back to an equal number of around INR3,000 crores. And I think our margin trade finance business, again, will be approximately INR3,000 crores.

So, I think we'll easily be able to manage with the current debt equity we have, which is approximately 1x. So, we don't want gearing to go beyond that. And we don't need gearing to go beyond that because of the cash surplus that we have. But today, a significant portion of that cash surplus, while we are changing the strategy is just sitting in mutual funds. So, to give you an example, we have probably INR3,500 crores to INR4,000 crores in mutual funds, which is earning a lower yield and it should be a much higher yield once we start deploying that cash into the syndication side.

- Moderator:** Next question comes from the line of Digant Haria with GreenEdge Wealth.
- Digant Haria:** I've just one follow-up that with this specific fall in small caps, it's been quite large compared to other large caps. On our retail broking side, do we see any like system-level risk or at our company level also, especially on the margin trade funding book and the F&O part? Just the general comments, nothing much. So that's it.
- Dimplekumar Shah:** No. Our margin funding book is just 2.5% of the industry book, and it is very well diversified, and we have more than 7,000-plus clients. So average per client book is only INR30 lakhs. And our exposure is mostly on BSE 500 stocks.
- Moderator:** The next question comes from the line of Chintan Shah with ICICI Securities.
- Chintan Shah:** Sir, just to understand more on the provisioning part. So probably we have seen in the last few quarters, we have PBT we have kept on doing excess provisioning just to keep, as you told, the net NPA down, any negatives or probably spillovers which could drag the profitability
- Vishal Kampani:** We lost you. Will you repeat the question? We couldn't hear you in the middle.
- Chintan Shah:** Sure, sir, on the provisioning front, so probably what we have seen in FY '24, we had some bouts of excess provisioning, one-off provisioning towards some of the other businesses, largely ARC or the wholesale portfolio. The wholesale portfolio is more or less provided to the extent of 93%. But on the ARC pool, we have a book of INR12,842 crores. And just in case, if there is a delayed recovery cycle there as well, then could we anticipate any further provisioning or leakages from there, which would hamper the overall profitability? Yes, I just wanted to get some sense on that.
- Vishal Kampani:** I think in the past, we've guided ARC only has provisions on a 6-monthly basis that happen when the assets are reviewed, September and March. We don't have significant assets that require more provision because we have taken a lot of the upfront provision where we felt there will be weakness in the recovery in the March quarter of last year itself. So, these will be standard provisions as required by the business when assets reach a certain time-line of resolution. There's nothing more than that.
- Moderator:** Next question comes from the line of Rishkesh with Robo Capital.
- Rishkesh:** Sir, my first question is, if you could share going ahead two, three years, what sort of revenue and profitability do we see for AMC business, wealth management and private syndication business as well?
- Vishal Kampani:** Sorry, can you repeat the question? It's not very clear.
- Rishkesh:** Could you please share how we see the revenue and profitability going ahead for next 2 to 3 years for AMC, wealth management and private syndication business?

Vishal Kampani: Yes. So, Amitabh, do you want to take the question on AMC profitability and revenues next couple of quarters. Anuj followed by that on wealth.

Amitabh Mohanty: So, we are still in the build-up phase in the asset management company, but our burn rates are significantly lower than what we had projected at the start of the year because of the higher build-up of equity assets. And the good thing is that we are able to build up equity assets with a reasonable margin. The way we look at it is this burn phase will continue for the next 2, 2.5 years.

And once we cross around INR20,000 crores to INR25,000 crores of equity, we should reach breakeven and build out from that. For the next couple of years, we will be looking to use capital. But at the same time, we will be using capital to build up our investment team and our branches, etcetera, because next couple of years, there's a lot of work we have to do on scaling the business.

Anuj Kapoor: As far as the Wealth business is concerned, clearly, we're in an investment phase. However, I must point out that it's already a profitable business. And while we are scaling up quite fast, and we will hire quality talent and spread our footprint as far as cities in India and our overseas footprint is concerned, we will be investing in talent. The pace at which we hire is also increasing. And hence, we will be investing. Having said that, we don't expect the profitability to scale up in the first couple of years at the same pace at which the revenues will scale up because there will be investment in talent and other infrastructure costs and technology.

Chirag Negandhi: And needless to say, you should expect above industry average growth for us in the years coming.

Rishkesh: And sir, private credit syndication business, what would be the revenue and profitability and you shared that you will be having around INR3,000 crores book in syndication business?

Vishal Kampani: Yes. So, I think it's fairly simple, you should model - as I've maintained before that you should model anywhere between a 400 to 500 basis points spread on the capital that we should be able to deploy, including fees. So, if we are looking at INR3,000 crores of steady state book that we are able to achieve, then that is the kind of spread we will make on it.

So, in this case, it will be full spread on the book. So, it should be at least 13% to 14%, which will be the earnings and then we try and makes fees over and above that. And this will be unlevered. So, we will use our balance sheet capital and build this business. We don't need to take any leverage. The leverage will be taken for the margin trade finance business as well as the affordable housing loans business.

The important thing here is how effectively we're able to churn the capital, the more you're able to churn the capital, the more fees you are able to make. Instead of just holding assets for a period of 4 to 5 years and earning yields on them, the idea is use active distribution to churn the assets you get on balance sheet.

Moderator: Next question comes from the line of Dhruvesh Sanghvi with Prospero Tree.

- Dhruvesh Sanghvi:** I missed the first half, so what is the update on the RBI side, on the capital market finance?
- Nishit Shah:** So, Dhruvesh, RBI lifted the prohibition with respect to financing loan against shares. So, this order had come in the month of October itself.
- Dhruvesh Sanghvi:** Sorry, there was a disturbance, can you repeat?
- Vishal Kampani:** No, I think the loan against share order has been revoked and we've started loan against share business from last quarter, we have already disbursed about INR600 crores of loan against shares last quarter.
- Dhruvesh Sanghvi:** So, we will completely rebuild, right, in terms of...
- Vishal Kampani:** There's nothing to be rebuild. The entire team was always in place. It's just about starting business with the clients, which has already started last quarter.
- Dhruvesh Sanghvi:** Okay. Fine. And in terms of the pending credit book that we have, do we see another INR300 crores, INR400 crores of NPAs adding up in the GNPA levels or no?
- Vishal Kampani:** We only have one SMA 2 asset where also we have a lot of security cover of roughly INR150 crores. Rest of the book is completely post-COVID book. It's been performing exceedingly well. In fact, the same question was asked even a year ago and people were concerned how will the book run down. I mean the book has run down in front of everybody and has run down quite substantially and run down extremely well.
- So, on the remaining book, there is absolutely zero concern. In fact, we think it will run down even faster. So, the earlier estimate was a total period of 4 years to run down. I think the whole rundown may happen in the next 12 to 15 months, so a lot faster compared to what we had thought.
- Dhruvesh Sanghvi:** And sir, last part. Over the next 2 to 3 years, do we see the IB business now, which is probably doing INR150 crores to INR200 crores profits per quarter, considering the markets don't tank too much and some kind of volatility is fine, but do we see that now we achieve a potential number of INR1,000 crores just out of IB in profits per year?
- Vishal Kampani:** Well, INR1,000 crores of profits is hard to say. I mean we are very bullish on the IB business. I mean we've never seen a sort of market that we are seeing for capital raising in most of our careers sitting around this table here. But, it is extremely exciting to be winning large deals, which we are and some very, very large left leads, even the private equity capital that is looking to invest in India is so significant that even if ECM sees a bit of a slowdown because of corrections, there will be a massive uptick in the way private equity will invest in the country.
- So, I think the capital raising environment is looking phenomenal for the next 5 years. So very hard to say to put a number on it, but I can definitely tell you that there will be a ridiculous amount of growth that we will see in capital raising, and we as a leading IB will benefit heavily from it.

Chirag Negandhi: And I'll just add to this to what Vishal said, what you're seeing is a trend where the deals are getting larger and the fees being paid out are higher as well. So, for a firm that has a market leadership like we do and for the investments that we are making in the business, there is no reason to believe that the 5 years that Vishal spoke about, we continue to grow and become stronger both in absolute and relative terms.

Dhruvesh Sanghvi: And last one. There was Economic Times side note without names where there were certain wars on talent acquisition between a company and 2, and I believe it was JM versus Axis. I mean always this keeps happening in the industry. But the key raw material to IB is the talent. And what kind of things do we foresee here considering that each investment bank is completely full in terms of their time and they are now picking and choosing on deals?

And how do we manage the talent piece here correctly and internally? And what has the impact been due to this kind of an event where senior leadership got involved probably? So, if you can highlight some thoughts around the overall management of talent pool within the company.

Vishal Kampani: That is a great question. And frankly, that is a question we are actually discussing a lot these days. So, a few things have happened. I think the investment banking business has exploded, for lack of a better word, but the talent in this space has not exploded as much. Luckily for us, we saw that coming at least 2 to 3 years earlier. And if you guys have been tracking my calls, I've been speaking about it for the last 3 to 4 years that there will be a decadal shift in the amount of investment banking activity that we will see.

So, we've prepared ourselves in terms of pushing ahead on recruitment a lot in advance in anticipation of the business that we'll be able to underwrite. You're completely right in saying that even after the advancements of recruitment, our teams are still completely busy with literally no free time, sometimes to even take on new business. But having said that, we have more recruitments in place. And around May, June this year, we have more people joining us on the IB side.

Third, we've actually strengthened our bench with the analysts and associate levels quite significantly. We've run massive recruitment programs at some of the best universities and MBA schools in the country. So, we are increasing our bench dramatically. On the institutional equity side, we have significant hires made with, I would say, some of the best talent in the industry, which is going to lead the business, building a strong derivatives platform, which we did not have earlier. We were a more cash equities focused business. We've made significant resource hiring on the research side. I think on wealth; you've already seen the numbers and there is even more recruitment happening over the next 6 months. So just the size of our teams and the depth and breadth of coverage every 6 months will be growing at a very, very rapid rate.

Moderator: The last question comes from the line of Himanshu Upadhyay with Bugle Rock PMS.

Himanshu Upadhyay: See, just one observation was there. AUM for PMS business, there is a sharp fall from INR2,400 crores to INR2000 crores in the last quarter. Any specific reason for it because the market has not fallen

- Vishal Kampani:** No. the number is not correct. The fall is not to INR200 crores. That is a mark-to-market.
- Himanshu Upadhyay:** No, INR2,400 crores to INR2,000 crores. Nearly 20%? And in the last quarter, the market had not fallen by that much. So, any specific reason for that?
- Chirag Negandhi:** No. I think, look, there is some mark-to-market in that and, there are some on the non-discretionary side where there were low paying fees on certain accounts. We've let go off those funds so that we continue to focus on our yield while growing assets under management. And you'll see going forward that the improvement in the uptick in the yields comes in as well.
- So, the profitability of the business gets better going forward. There were particular two accounts that were low yield, and we've actually walked away from those. And those were actually - about INR275 crores of this was about the low fees account and INR125-odd crores of this impact is on mark-to-market.
- Himanshu Upadhyay:** Okay. Finally, in last quarter, we said we continue to invest in AWS and are seeing breakeven of newer branches in less than 12 months, okay. What percentage of this breakeven will be related to equity market transactions what we are doing there? And what could be the overall RM-related revenue generation, which helps the breakeven of newer branches. Some thoughts on that?
- Dimplekumar Shah:** You must have observed that Tier 2 and Tier 3 cities are attracting so many new clients now, so, all our new branches from April 2022 onwards, we opened more than 29 branches, have been in only Tier 2 and Tier 3 cities. So out of 29 branches, 9 branches were opened in the current year. Of this, 20 branches are almost at breakeven for us. Like our main cost is only manpower cost. Otherwise, it's all rented offices.
- And you see last year, like Q2 was excellent for us. So Q1, Q2 were excellent. And earlier, local brokers were offering any level of leverage, now, as per the new regulation, everybody is on the same page. So that is advantage for us. And JM has many product baskets. So, that would be, again, be an advantage for us.
- So almost out of 29 branches, new branches we opened this current year, almost all are at breakeven for us.
- Vishal Kampani:** Also, the equity brokerage business, where we are building many of these branches, they've built a very strong TPP which is a Third-Party Product distribution pipeline. And this business started getting built almost 3 years ago and specifically built to counter cyclicity of the equity markets. We haven't seen the cyclicity as yet, but many of our branches, all of the salespeople have been fully trained to distribute mutual funds, to distribute other products.
- So even if you see some sort of a correction or a slowdown, the TPP volumes pick up quite dramatically and the sales teams are very engaged with their customers all the time. So what is happening is the broking branches, which were really created from a perspective of an equity brokerage product are sort of becoming wealth management branches because they're catering to the HNI, the smaller HNI customers in all of those cities, they take many of the other products,

like, mutual funds, insurance, IPOs, OFS', many of them managed by our investment bank to these customers.

And they're kind of redesigning their entire relationship to an overall wealth relationship and not a concentrated equity relationship alone. And this is quite game-changing and if this continues at this rate then we definitely see a lot lower cyclicality on the equity broking side.

Himanshu Upadhyay: And one last question to Amitabh. Amitabh, have we seen banking and large wealth counters now opening for our AMC business to sell our products on equity side? And what is the progress there means on banking channel and large wealth?

Amitabh Mohanty: So, some of the midsized banks have started. Some of the larger banks are yet to start, but the engagement is quite intense and we expect them to start in the next couple of quarters. A lot of national distributors and wealth counters have started doing business. In fact, a lot of wealth counters, which we would say around 15 to 20 wealth counters have started onboarding. Some of them have even put up our funds on their focus list.

So that is one area of growth that we see this year because a lot of these engagements have fructified in the last 1 or 2 quarters. And in the next financial year, these are the banks and wealth counters which will help us grow our business other than our existing IFAs and digital businesses as well.

Moderator: Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Vishal Kampani for closing comments.

Vishal Kampani: Yes. Thank you. Thank you very much for participating in our third quarter call. And I reiterate that we are extremely excited about the prospects of all our businesses and the capital markets, the wealth management, the broking, what we are doing on the syndication side as well as our affordable home loans business and look forward to more interactions, and thank you very much.

Moderator: Thank you. On behalf of JM Financial Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.