JM FINANCIAL

November 4, 2024

BSE Limited
Department of Corporate Services
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Rotunda Building, P J Towers
Dalal Street, Fort,
Mumbai 400001

Security Code: **523405**

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

Symbol: **JMFINANCIL**

Dear Sirs,

Sub: **Transcript of the Earnings Conference Call held on October 25, 2024**

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 October 25, 2024.

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 Vijay Pandya
Digitally signed by Hemant Vijay Pandya
Date: 2024.11.04 12:15:22 +05'30'

Hemant Pandya
Company Secretary & Compliance Officer

Encl.: as above

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"JM Financial Limited Q2 FY25 Earnings Conference Call"

October 25, 2024

MANAGEMENT: MR. VISHAL KAMPANI –VICE CHAIRMAN AND MANAGING DIRECTOR – JM FINANCIAL LIMITED MR. CHIRAG NEGANDHI – MANAGING DIRECTOR – JM FINANCIAL LIMITED
MS. SONIA DASGUPTA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, INVESTMENT BANKING – JM FINANCIAL LIMITED
MR. MANISH SHETH – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, JM FINANCIAL HOME LOANS LIMITED
MR. AMITABH MOHANTY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, JM FINANCIAL ASSET MANAGEMENT LIMITED
MR. ANUJ KAPOOR – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, PRIVATE WEALTH – JM FINANCIAL LIMITED
MR. NISHIT SHAH – GROUP CHIEF FINANCIAL OFFICER – JM FINANCIAL LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the earnings conference call for JM Financial Limited. 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 during the conference call, please signal an operator by pressing the star then zero on your touchtone phone.

Kindly note that any forward-looking statements made on this call are based on the management's current expectation. However, the actual results may vary significantly and therefore, the accuracy and completeness of this expectation 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, sir.

Vishal Kampani: Thank you. On behalf of JM Financial, we extend a very warm welcome to all of you to the earnings conference call to discuss our financial results for the half year ended September 2024. We have uploaded our results, results presentation, press release on the website and stock exchanges. On the call, we also have Chirag Negandhi, MD of JM Financial Limited; Sonia Dasgupta, MD and CEO of Investment Banking, JM Financial Limited; Manish Sheth, MD and CEO of JM Financial Home Loans; Amitabh Mohanty, MD & CEO of JM Financial Asset

Management; Anuj Kapoor, MD & CEO of Private Wealth Business; and Nishit Shah, our Group CFO.

I will give the key updates, and I'll hand over the call to Nishit to take you through the numbers and after which we can have a Q&A session. As you would have seen the announcements on October 18, 2024, the Reserve Bank of India has lifted the restrictions on JM Financial Products Limited on providing loan against shares and debentures with immediate effect.

In terms of the transaction of increasing stake in JM Financial Credit Solutions Limited, we have received our approval from the Competition Commission of India, and we are actively engaged with RBI and awaiting approvals from the RBI. I have already updated most of you on our May 2024 and August 2024 call of a few of the strategic initiatives we have taken in the Group, the first being a pivot in our wholesale credit businesses moving from on-balance sheet lending to off-balance sheet loan book driven business to focus more on a syndication-driven model. And we will do this across asset classes like real estate, distressed credit, corporate credit as well as promoter credit.

The idea here again, is to move away from long-term loans and project finance kind of businesses on our NBFC balance sheet and really focus on more short-term liquidity financing, promoter financing, corporate lending and loan against shares kind of businesses and also focusing more on syndication than booking balance sheet-driven loans.

On the focused businesses, we will continue to cover the entire breadth of capital markets, corporate advisory, wealth management and asset management. We are seeing tremendous traction in these businesses. The estimated value of transactions for which DRHP for IPOs is filed by us already stands at over INR50,000 crores, and we expect to file maybe another INR50,000 crores in the next 6 months.

The AUM of our mutual fund business has reached ~INR12,500 crores, of which equity AUM is at almost ~INR9,500 crores. Happy to report that we've opened our 126th branch for our Affordable Home Loans business, and we're expecting strong traction through the festival season. In addition, also happy to report that we've seen some tremendous amount of cross-selling between our wealth and our investment banking divisions, taking lead market shares in pre-IPO placements and a lot of alternative products.

So, all in all, it's been an excellent first half and an excellent second quarter for our focused businesses. Post the RBI approval, once we finish the purchase of the minority investor stakes in JM Financial Credit Solutions, we will very quickly pivot and focus wholeheartedly on the private credit syndication business as well.

So, with that, I will hand over to our CFO, Nishit Shah to take you all through the numbers, and then myself and the entire team is available for questions. Thank you.

Nishit Shah: Thank you, Vishal. During the quarter ended September 2024 our revenue stood at INR1,211 crores. Profit after tax and after non-controlling interest increased by 19% year-on-year and 36% quarter-on-quarter to INR232 crores. For the half year ended September 2024, our revenue stood at INR2,305 crores, whereas profit after tax and after non-controlling interest increased 12% year-on-year from INR361 crores to INR403 crores.

The gross NPA for the quarter ended September 2024 stood at INR835 crores compared to INR813 crores for quarter ended June 30, 2024. The provision on gross NPA has been conservatively increased to INR588 crores as compared to INR479 crores for quarter ended June 30, 2024. The incremental provision of INR109 crores has resulted in the provision coverage ratio to increase from 59% as of June 30, 2024 to 70.4% as of September 30, 2024. We believe that the additional provision coverage on the existing GNPA assets is more than adequate, both from a regulatory and a provisioning perspective.

We are at various stages of recovery of these assets. Had we not taken the provision, the profit after tax and after non-controlling interest will be higher by approximately INR47 crores. During the quarter, we have taken provisions, aggregating to INR101 crores in relation to security receipts, which are accounted under impairment on financial instruments.

The provisions on the security receipts is primarily due to delay in resolution of the underlying assets. During the quarter, due to a change in the capital gains tax rate, there is a reversal of deferred tax liability on unrealized gain on investments, aggregating to INR39 crores.

In terms of the focused loan book, the Affordable Home Loan AUM stood at INR2,366 crores compared to INR1,714 crores as on September 30, 2023, which is an increase of 38% year-on-year. The SEBI margin trade financing loan book has further increased by 58% year-on-year to INR1,918 crores.

On an overall consolidated basis, the net worth, excluding non-controlling interest stood at INR8,658 crores, which translates to a book value of INR90.6 per share. On a consolidated basis, the gross debt to equity stood at 1.25x and the cash and cash equivalents stood at INR5,448 crores as of September 30, 2024.

I now hand the call over to the moderator for questions.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Digant Haria from GreenEdge Wealth. Please go ahead.

Digant Haria: Good to see the performance in Investment Banking and the AWS division. So, congrats on that. My question is on the loan book rundown. So, we have probably run down almost INR2,500 crores this quarter if I look at the consolidated loan book. If you can just help us like did we sell down? Was it a natural rundown? And did this accelerated rundown lead to certain additional provisions that we took in the Credit Solutions. Any colour on what's happening there? And what in next two quarters look like in this particular piece, that would be great.

Vishal Kampani: Yes. So, as I mentioned earlier that over the next 2 to 2.5 years, you would see most of our loan book would degrow. I'd also mention that a significant portion of our loan book now is the post-COVID loan book, and it's actually performing decently well.

Third, frankly, there is a dearth of a lot of new credit opportunities on the wholesale side, in the real estate side, sales have been very strong, and therefore, the pricing for many of these loans is at certainly low levels from banks and some of the other larger kind of NBFCs. So, it's natural that many of these assets are being taken over, and we don't want to match rates or keep these loans anyway on our books.

And therefore, you've seen this rundown. It's a very healthy rundown, and we are very happy with it because the more cash we can accumulate and the more we can buyback debt, it's better for us. So, this is a combination of real estate book rundown, which has been approximately almost INR 700 crores. And FIFG has a natural rundown of another INR300 to 400 crores. Bespoke has seen a rundown of almost INR1,000 crores, but that will build back, so that a lot of deals are already in the pipeline for syndication.

So, as I mentioned, that Bespoke will be a book, which we will maintain around INR2,500-3,000 crores on the corporate side, but a lot of it will get syndicated out. So, we don't see the need to have debt on our balance sheet to grow that book. Our equity is good enough to be able to generate a good ROA and a good ROE.

On the MSME side, as you all know, we announced on 28th September 2024, that we would assign our MSME book and the first tranche of the assignment has been executed. So that is, again, part of the degrowth. So, all in all, very healthy and extremely happy with the rundown of the book.

Even the loan assignment on the MSME side, has been a profitable transaction. And what we have conservatively done is that the profit that we have got from the assignment, we've made the provisions on the loans against the profit.

So, we will sell down the balance book in the next 2 quarters, and then we will see healthy returns accumulate from that book as well. So, all in all, very good. I will also address the question on some provisions, while you are here. So, this incremental provision is just from a regulatory and conservative perspective. If you see the gross NPA, it has barely moved, it has moved only from INR813 crores to INR835 crores.

We've only increased the provision coverage from 59% to 70% to be very conservative and make sure the regulators are very comfortable.

Digant Haria: All right. Yes, that's good colour. And on these provisions on SRs that we had to make on the ARC. Do we think that for the time being we are done or we have to like assess, reassess every quarter and make those provisions?

Vishal Kampani: ARC actually is every 6 months. You know this business Digant. It's really in March quarter and September quarter, it's not much in the June and the December quarters, and you have to reassess the book. So, we are being very conservative. Wherever we are seeing time line delays, we are in fact pushing auditors that we want to actually provide more.

And it is just better to keep doing that instead of it becoming lumpy sometime at the end of 2 years and 3 years. But again, I think the value in many of these security receipts has not gone down. The accounting of provisions is really because of time delay. And there is considerable time delay in many of the assets. So, it's just prudent to make sure that we are taking these provisions.

Digant Haria: Perfect, perfect. And now the second question is in our housing finance book, the income, the PPOP has been slightly declining versus the first quarter, is it because of the sell down of those education loans?

Vishal Kampani: No, no. Housing finance is a housing loan sell down, which we have done because we face issues of Balance Transfer. We are trying to make sure that we are selling down portfolios profitably, and we're trying to make sure that over the next couple of quarters, we align this quite carefully. So, we don't see ups and downs between quarters.

We'll try and make sure we're selling every quarter and make it more consistent. But as management, we obviously want to make sure that we are able to do the best deal and sell at the lowest rate, right? So, when we get the opportunity and we have 4, 5 bidders interested, we always try and time it from a best timeline perspective from balance sheet perspective.

So, the only reason there is a drop is purely because in June quarter, we had assigned assets. And in September quarter, we've not assigned any assets on the affordable loan side. The assets that we've assigned was our MSME portfolio, which is a high-ticket portfolio, which is above INR50 lakhs in loans, and from JM Financial Products that has been assigned, and we stopped doing that business.

Affordable housing is not stopped. We are growing and we are looking forward to the festive season as well as next quarter to grow the book and our target remains to be at INR3,000 crores by the year end.

Digant Haria: Perfect. Perfect. And my last question is now on the AWS or the retail broking/distribution business. Have you reached an inflection point because I see the profits have jumped significantly in this quarter? The revenue has obviously jumped, but the profit jump has been much, much sharper. So, is this a trend which we should expect now going forward? Obviously, assuming markets stay good

Vishal Kampani: Yes. I think this is a combination of both. It's an investment in more branches, investment in franchisee network, a steady increase in recurring assets under management, and of course more relationship managers. So, I think we are going to invest in the business. Markets, as you know, and all of us know on this call will be volatile in the short term, but it's okay.

We are building the business from a long-term 5 to 10-year perspective. So, we're not going to slow down. In fact, if markets cool off a bit, it's good for us because I think we'll be able to hire at better terms and we will keep building.

So, we're going to use any slowdown in this market over the next 2 years to build a business even stronger and even larger for the next bull market, which comes back here. Having said that, it's anyone's guess where the market will be in the next two quarters. I personally and frankly feel that this correction is very healthy. It was much required for us both from a timing perspective as well as a value perspective.

Many of the IPOs are getting priced very expensive. Deals were getting difficult to do. So, I think this correction is very healthy. And in fact, it will even boost more business for our corporate advisory and capital market business over the long term.

Moderator: The next question is from the line of Himanshu Upadhyay from BugleRock PMS. Please go ahead.

Himanshu Upadhyay: My question was on what you clarified on affordable housing because the AUM what we see has increased, okay? Q-on-Q, but the income has fallen. And that MSME is included in JM Financial Products where you sold the portfolio...

Vishal Kampani: So, Manish will explain the detail of both why there is Q-on-Q fall in Affordable Home Loans income, and he'll also explain the transaction in MSME in detail. Manish over to you.

Manish Sheth: Himanshu, there are two different transactions. MSME is a business consisting of loan against property above INR50 lakhs as well as loan to the schools. That is a business which sits within a company called JM Financial Products which is a NBFC and not a HFC. That business, we have technically exited, meaning we are no longer originating that business. And that business will be assigned in two or more tranches, around INR1,000 crores. First tranche has come through in quarter 2, which is around INR342 crores.

And again, that business which we exited profitably, Vishal said, out of that profit, we have made some more provisions because that is a business where employees also have moved out and we are no longer keeping that kind of a business. That is on the MSME side of business.

When it comes to JM Financial Home Loans, a pure-play Affordable Housing Finance business, we are growing that business, okay? Quarter 1 and quarter 2, if you really see the AUM has gone up from INR2,200 crores to INR2,366 crores. See that is the business where in quarter 1, we have assigned INR100 crores of pool under direct assignment transaction to one of the AAA housing finance company.

In the current quarter, we have not assigned. So that is what Vishal was explaining that this business which is Affordable Housing Finance company, where we are seeing a lot of BT out or a foreclosure. We cannot charge a prepayment penalty in this business, where we have seen last quarter only INR150-odd crores kind of BT out or foreclosures. So, what we are going to do going forward is to even-out the Affordable Housing Finance profitability, we will sell it down opportunistically every quarter-on-quarter. And that is a business model which everybody in the affordable space is kind of following and which is what we're going to follow.

Himanshu Upadhyay: Okay. Okay. And next question is we have decided this syndication of our FIF and Wholesale model. Can you give an idea in volatile market, how difficult is syndication of transactions or to down sell them? And secondly, when can we expect the first sell-down for the deals, or are we looking at any deals in Wholesale business or FIF and again on the distressed credit.

Vishal Kampani: I'll take that question. So, I think we are already doing a lot of syndication on the corporate side. When I meant, we will pick up on syndication, that is going to be more on the real estate side, which we will pick up from next quarter.

And that activity is on. I think the debt markets are principally less volatile compared to the equity market. This is all private credit syndication and not debt syndication. Also, our AMC is building a good strategy on the AIF side, on the credit side. As they scale, a lot of the origination can be partnered with our AMC and a lot of the assets can be even shown to our AMC as well as reverse flow from our AMC for distribution.

So, I think we are working on that whole strategy. And we will present a lot more detailed work after 6 months on how we plan to execute that strategy and how healthy our ROAs will be in that business without the use of a substantial amount of leverage.

Himanshu Upadhyay: And Vishal, a lot of things are changing. What will be the top 3 priorities for you as of now and if you would like to compete in FY '25?

Vishal Kampani: The first clarity is to complete the purchase of our partners' stake in JM Financial Credit Solutions. We are working on providing all the data to the regulators, so they can come back and give their sort of positive go ahead, so we can complete that transaction. The second, obviously, is making sure that we have the best resources and best people working for us across our corporate advisory, capital markets, wealth and asset management business, and making sure we're scaling in terms of distribution across wealth as well as asset management.

And the third will be the continuous robust growth that we are seeing on the affordable housing loans business and scaling that business and making sure we are at INR3,000 crores AUM by March '25. These would be our 3 priorities right now.

Himanshu Upadhyay: And what would be your thoughts on inorganic opportunities in the next few years

Vishal Kampani: Nothing as of now. Nothing as of now, at least for the next 6 months to 9 months, organizationally, we have no bandwidth to look at anything inorganically.

Moderator: The next question is from the line of Sagar Tanna from Alchemie. Please go ahead.

Sagar Tanna: With respect to the lending book, we will continue with the MTF and Bespoke, right?

Vishal Kampani: Yes. We'll continue with Affordable Home Loans, which will continue, which has an average ticket size of INR11 lakhs, all lending over there is below INR50 lakhs, but average ticket size is INR11 lakhs. Bulk of the new loans being originated are between INR8 lakhs to INR15 lakhs. And we will continue our Bespoke business, which is assumed at INR3,000 crore book. Today, it's shrunk to INR1,500 crores, but we can pick it up back to INR3,000 crores, but this book will be largely used to sell down and MTF will grow. And as RBI has given us a permission again to restart our loan against shares business, that book will start growing from this month itself.

Sagar Tanna: So what would be the yields in these 3, 4 buckets that we are talking about?

Vishal Kampani: Affordable housing is 13.5% to 14% yield. Bespoke is around 12.5% to 13% yield. Loan against shares is around 12% to 12.5% yield and margin trade finance is also 12% to 12.5% yield.

Sagar Tanna: So, a blended yield of ballpark 13% odd?

Vishal Kampani: Yes, correct. So lastly, you can assume our cost of borrowing is 8.5% - 9%. Yield is 13%. We look to make fees around 1% to 1.5% over and above that. So we try to maintain a 500 basis point total spread on lending including fees on origination and fees on sell-down.

Sagar Tanna: Got it. That was helpful. Second thing is, if I want to understand now, this time, we've given in our PPT the breakup of the various focus businesses. But if I want to just ask you the PAT for first half for the focused business, excluding the treasury, how much would that be?

Vishal Kampani: Yes, I think we have that number. So, if you look at corporate advisory and capital markets on our presentation Page 7, the PAT for that business is INR142 crores. And if you look at Page 8, the PAT for the Wealth Management business will be INR68 crores.

And if you see the INR11 crores loss for Asset Management, it will be INR68 crores minus INR11 crores, which will be INR57 crores for Wealth and Asset Management business. And if you want to look at the numbers ex Digital and AMC, it's INR101 crores. So, if you assume that -- just look at the actual profit and let's ignore the losses we are making in Digital and ignore the losses we are making in Asset Management, the half year PAT is INR142 crores plus INR101 crores, which is INR243 crores.

Sagar Tanna: And how much would it be in FY '24 last year, on a full year basis, excluding treasury income and non-focused businesses?

Vishal Kampani: Let me just come back on that number to you because last year, we are reporting it as IB and AWS. We had some amount of lending income from Bespoke, which is not there in these numbers. But I think if you include those lending numbers itself, I think it will be flattish. So, if you remove the lending numbers of Bespoke, that should be at least 30% to 35% growth roughly.

Sagar Tanna: I'd appreciate if you could give that absolute number for FY '24?

Vishal Kampani: Yes, we'll have to break it up last year and give it to you, so we can't do it right now.

Moderator: Next question is from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah: Congratulations on very strong set of numbers, especially on the Investment Banking business. I have 2, 3 questions, sir. Firstly, on the capital allocation plan. So now we are expecting a rundown of the wholesale book and the rundown has been quite steep even in this quarter. So probably over the next 1 or 2 years, we could see a cash flow of around INR3,000 crores to INR4,000 crores odd. So apart from the repayments, what would be the surplus cash, which we would be left with and any thoughts of how that allocation would be done apart from the once the transaction is complete?

Vishal Kampani: Yes. So, I think we've put a slide on Page 12, which talks about our treasury assets. So if you look at the treasury assets, roughly it's INR6,600 crores roughly right now. But you have to remove INR400 crores from that because those are property assets.

So, I think INR6,200 crores odd is group liquidity. And when I say group liquidity, we can make all of this liquid in 10 days, less than 10 days, an almost more than half of it is absolutely liquid within a 24-hour notice. So I think that out of number of INR6,200 crores to INR6,300 crores, we will need INR1,300 crores of that to purchase the stake of Credit Solutions. So, when we remove INR1,300 crores, we are left with roughly INR5,000 crores of cash.

And today, this INR5,000 crores cash is actually cash. We don't really require it for anything because our loan book is actually equal to the debt that we have to pay down. So, now whatever cash that we generate will be surplus cash from a perspective of ALM because we have much longer liability maturities compared to the cash that we're going to generate.

So, what we will do is that we will use the cash that we are generating in advance and use that cash to deploy in loan against shares business. Some part of it will be deployed to gain back the bespoke business on a syndicated basis. And some part of it, we'll try and buy back whatever debt we can. So that will be kind of the use of the INR3,000 crores to INR4,000 crores further we will generate over the next 2 years.

But now I can't put a number to it, but roughly, I mean, if you assume that we get INR3,000 crores further over the next, 18 months to 2 years, you can just assume we will use at least INR1,500 crores to build back Bespoke. We'll probably use another INR1,000 crores to build LAS immediately next 6 months to a year and maybe INR500 crores we will do a debt buyback of later year maturities.

Chintan Shah: Sure. So that is quite clear. So basically, now we are moving from the wholesale lending to the other venues of lending, right broadly?

Vishal Kampani: So, if you go to Page 5 on our presentation where we explain what on-balance sheet to off-balance sheet means for us. What it really means for us that we want to improve the risk-reward metric.

So, on that page, we've broken down what is the part of the loan book that will run down and what is the part of the loan book that will continue? So Real Estate will run down, FIFG will run down. And MSME, which we have assigned and Digital is already running down very, very fast.

What we will grow is Affordable Home Loans. What we will grow is Bespoke, but Bespoke to my mind, gets capped at INR3,000 crores, for which we will use our cash liquidity and we will grow SEBI MTF plus Capital Markets, which is basically LAS business for our Wealth Clients.

So, these are the 3 segments that will grow. So basically, Affordable Home Loans is a very liquid asset. I mean, we have tons of demand for our mature portfolio. When I say mature, I mean more than 12 months old. So, we'll also have a capital market model there where almost a certain percentage between 10% and 20% of that book will be assigned down every year.

Affordable home loans will grow at around 25% to 30% consistently, and we are targeting INR3,000 crores for March '25, and we feel comfortable. SEBI MTF has almost hit INR2,000 crores. Our plan is to take it to INR2,500 crores by March '25, and our plan is to add another INR500 crores of LAS business by March '25. And Bespoke, as I said, it's kind of non-linear. We will increase the book only if you are finding interesting deals, which we can syndicate and make distribution fees on.

So that's kind of the breakup. Real estate will keep running down, the balance INR4,000 crores we expect to run down over the next 3 years. FIFG, which is INR777 crores, we expect to fully run down in the next 1 year. And MSME, Digital, we fully expect to run down again over the next 6 months to 9 months.

Chintan Shah: Sure. So, sir, secondly, on this dividend, I think we have also written that we will distribute the surplus as per the regulatory requirement. So, any thoughts as per the subject to the regulation. So, any thoughts what could be how are you planning to distribute dividend to shareholders, reward them or any thoughts on that, yes?

Vishal Kampani: Yes. So, I think, see, as a group, we don't need equity for a significantly long period of time, which is a big positive. We have fully funded for our growth businesses. And whatever additional funding we need, we already have those cash resources. So what we will do is once we are through with the purchase of JM Financial Credit Solutions transaction, and the provisioning, as I said, on the asset side is almost 100% complete this September. Going ahead, we will have a proper dividend policy from next year where a significant portion of the earnings from our treasury assets, from our NBFC profitability as well as our capital market profitability will be paid out as dividend. So, as I've mentioned before, we will not pay out our capital. We will pay out the profits that we make from our capital and business as dividend.

Chintan Shah: Sure, sir. It's all about the profit, yes. And also, the secondly, I think in the last quarter, we had mentioned that to reward the employees, probably we have been giving some or we are planning to give ESOP of those individual businesses that we are heading into. So, has there been anything done on that have the employee been given.

Vishal Kampani: On the Asset Management business, phase 1 is already implemented and on Wealth Management and stock broking, it's under implementation, and we are confident that by December, it should be implemented.

Chintan Shah: Okay. Sure. But sir, while at the time of probably if they want to sell out the stake, so would it be like, are we planning to list them separately or somewhat future demerger or it would be...

Vishal Kampani: So we have no plans to list any subsidiaries, except for Affordable Housing Finance at the right time because outside of Affordable Housing Finance, all of our businesses are nicely integrated. It's one nice tight business. If at all, we need to create liquidity for this ESOP, we may consider a demerger, but it's too early to think about it right now. Right now, we only want to achieve much higher scale in terms of our revenues and just be a bigger business in each of these segments.

Chintan Shah: Sure, sir. And just lastly, on the cost to income ratio. On the cost to income on the AWS front, we are already almost spending at 60% to 70%, current quarter 76.7% cost to income. So gradually as and obviously, in the initial phase since we're making investments, but where do we see this cost to income probably in FY '26 or '27, so till what level can it moderate to, yes?

Vishal Kampani: Yes, I think it's a function of two things, a function of revenue growth and how much growth we are seeing and how much market share of that growth we want to capture. I personally don't see at least for the next 6 quarters any easing in the cost to income purely because we'll keep making investments.

But you're right, I think we will review it maybe sometime around March '26. So at least for the next 18 months, I assume that the investments will continue. And we are seeing very, very good traction. I mean, Dimple unfortunately could not join the call, but I think almost every new branch that he's adding on the broking and third-party product side, I think the breakeven is literally right now, less than 12 months.

So I think we don't want to stop investing. We're getting good momentum. Client addition is very strong. Cash market share has been maintained at very good levels, even F&O market share is at very good levels. We'll continue investing in Digital. It's a long-term build, and we don't want to shy away from it because of short-term losses, a necessary business to build that also is elevating cost to income at the higher levels.

Amitabh, you may want to talk a little bit about asset management and how you're thinking about investments there for the next 6 quarters. Anuj, if you want to speak also for a few minutes about wealth management and your investments in wealth management over the next 18 months or so.

Amitabh Mohanty: So, on the Asset Management side, it is our strategy to be in the active part of the business predominantly. And that's why we'll be investing very significantly in the investment teams, systems, processes. So that will take up a lot of our investments in the next at least 2 years. Plus, as Vishal had mentioned earlier, we are looking to build alternative platform in the AMC business. And we will be building up a very strong investment, mid office, compliance teams over there. And some of these teams, we will inherit from other parts of the group.

But we are not going to shy away from building a very strong investment team and the support function. So that will take up a large part of our investments on the AMC side for the next almost 2 years.

Vishal Kampani: Anuj, if you on the call? Yes, go ahead.

Anuj Kapoor: Yes. On the Wealth Management side, I think we continue to give significant focus on expanding our workforce. We're currently present across 10 cities in India and Singapore and Dubai, overseas. We are targeting some team movements and hiring experienced bankers, hence we would be looking to offer competitive, but not excessive compensation to them. So, we have seen some successes already down South in those hires. We are engaging significantly across the board in enhancing our penetration into Tier 2 and Tier 3 cities, and that will be on board.

So clearly, we would continue to invest in quality talent and expanding our presence across India in wealth. And as the team grows and as we achieve scale, we will be investing in the right kind of technology to support, for instance, we migrated to WealthSpectrum as our back-end software last year, which is used by some of our peers in the industry. And overall, in terms of the customer experience and client reporting as well, we are making investments in both technology and our operations, and we'll continue to do so in the next few years.

Vishal Kampani: Yes. Sonia, anything else you want to add on the corporate advisory and capital market investments?

Sonia Dasgupta: So, I think momentum is very strong. We continue to lead the league tables. We have seen a strong traction, in the kind of transactions we are doing in the capital markets, IPOs, QIPs, and we continue to see a strong tailwind also in the Advisory business and hoping to close some of the deals that we've already announced and many more. And we continue to focus on making sure the focus on cross-sell and integrated investment bank continues and we are able to deliver the firm to all our clients in totality.

Vishal Kampani: So, I think, overall, if you see that every single CEO getting involved whether it be in Corporate Advisory, Capital Markets, Wealth and Asset Management, the vision is very clear that we have to go for scale. I think the India opportunity is extremely exciting over the next 10 years and scale, more market share for us is very critical.

And we will do that profitably. We think our brand allows that to happen faster. And in every single business, whether it's investment banking and equities, where we're anyways very strong, on wholesale credit, which we are pivoting, we've got a phenomenal response from all of the customers and they are waiting for that platform to grow on the real estate side for us, whether it's asset management, a traction we have seen on the equity side and the traction we've already seen in the alternative credit side there, whether it's wealth management, broking, every single place there is tremendous excitement and we're looking forward to much more scale.

So again, a long answer to a short question, very good reasons why cost-to-income will stay a bit elevated, but it's very necessary for building a much larger business 3 to 4 years out.

Chintan Shah: Sure, sir. And that's a very elaborate one. Sir, just lastly, if I may ask one question. On the Affordable Housing piece. So, on Affordable Housing, I think we have mentioned that, we have seen some rise in the BT rate. So, could you give just some trends on how I mean, the trends in the BT out? And what are the key reasons for the same? And secondly, how much would be our Affordable Housing cross-sell to the existing retail brokerage customers or any other to the existing customer base, what would be that percentage of the total, yes?

Vishal Kampani: Yes. So, I'll just quickly give one pointer and Manish will take it from there. So, see, we're not saying that we are seeing some incremental rise in BT rate, we are saying that there is a very healthy BT rate in this business. The idea for us is that you have to have a good eye on what you can sell now before it is anyway going to get transferred from your book. And therefore, the sell-down strategy is extremely crucial in the affordable housing business to make sure that you manage BT very well. I'll pass it to Manish to answer that in detail and take your other question as well.

Manish Sheth: Correct. I think, Vishal, you said it. So, in the affordable housing business, the call which you take on the credit is either minus 1 CIBIL or what we call it is NTC, new to credit. So, he is with you for 6 to 12 months, once he makeup his credit CIBIL score; obviously, he is getting poached by any other better private sector or a public sector bank. That is one of the primary reasons of BT out and foreclosure, and it is not specific to JM, it is across industry.

As well as these are the customers, which is more sought after from a PSL perspective. So, we have seen in the last so many years, our BT out rate is 1.5% per month, roughly 18% to 20% is BT out rate which is what we have seen even during the current quarter. What we are doing is, we spot the opportunity and sell down some of the good customers so that we can upfront book the profit. Because otherwise, we cannot charge any prepayment penalty and that is a trend which we are seeing.

On your second question, there is absolutely no cross-sell. Forget the JM Financial Services, there is absolutely no cross-sell among any of the customer of JM Financial Home Loans with any of the customer of any other JM Financial Group entities. It is absolutely different self-originated on the ground in Tier 2, Tier 3 cities.

Vishal Kampani: Yes. So, I think just to quickly add on that question, I think if you see Page 6, which we've highlighted our focused businesses, I think that is tremendous synergies between the first three businesses over the long term, but there is not much synergy with our Home Loans business. That's an independent business where we've invested 7 years ago, showing great traction. We will keep building it. And at the right time, we will list it.

Moderator: The next question is from the line of Pallav Garg from Star Health. Please go ahead.

Pallav Garg: Congratulations for a good set of numbers. Specifically, I wanted to check on the FIFG. So obviously, that is the one which you guys are running down. So is that right now we have that on our book. But going forward, while we are maintaining this syndication function as our business in the group, but we are kind of moving the book outside, right? So, is there something which is going to be housed under AIF or is that the strategy?

Vishal Kampani: You're absolutely correct. So, on the AIF strategy, the idea is to focus on performing credit as well as the next AIF will be a Land finance AIF. I think Amitabh and team are already working on that. And we will quickly follow through after that with AIF for financials. So FIFG actually was one of the first businesses we started degrowing even before we took a decision to degrow real estate.

I think from January onwards itself, we started degrowing the book, but we will morph that into an AIF and we will also continue doing syndication for the same. There is demand for some of those smaller NBFCs, and we'll continue doing syndication for the same. But we will not take any form of significant exposure in our books. It will be absolutely minimalistic if at all.

Pallav Garg: So if you can quickly just throw some light procedures to set up the AIF and the probable timeline. Like you said, 6 months down the line probably you will be looking at that.

Vishal Kampani: Yes, I'll have Amitabh talk to you.

Amitabh Mohanty: So, we already have an ongoing fund, which is on the performing credit side. So that is still on, and we hope to do the final close in the next few months. So that strategy is still on. The new one, which is early-stage land funding, we are in the process of taking all the regulatory approvals. The good thing here is that the team is already in place. So there's a very experienced well-equipped team ready to move in on day one.

So that will not take a lot of time to set up and with our distribution capabilities and brand, I think once the approvals are in place and the teams and the processes are in place, I think within the next 2 quarters, maybe latest by first quarter FY '26, we should be able to start the fund.

Vishal Kampani: We'll take the last question now.

Moderator: The last question is from the line of Keval Shah, who is an Individual Investor. Please go ahead

Keval Shah: Congratulations for the numbers. I have only one question regarding the financial instrument's impairment itself, which we have shown in this quarter. I mean, first 6 months of about INR301 crores and also in 2023, it was around INR500 crores. So, want to just know the bifurcation of this impairment in different segments. And also, to how many quarters this impairment is going to continue?

Nishit Shah: These provisions are primarily in the wholesale mortgage segment.

Keval Shah: Okay. The entire amount?

Nishit Shah: Majority of them. I can come back to you on the exact breakup.

Vishal Kampani: It will be a large majority, it can easily assume 80%.

Keval Shah: And any idea how many quarters will it continue?

Vishal Kampani: I think this is perhaps the last quarter on the wholesale mortgage side. In fact, on the entire run, the book which is running down, this probably should be the last quarter. So, as I explained when I started the call, and Nishit also explained that we've just taken the provision coverage ratio up from 59% to 70%. The new stock addition in terms of NPA has barely moved. It's just from INR813 crores to INR835 crores.

So, it's like INR20 crore movement in NPA, but the provision, we have increased to INR109 crores. So, there is no asset quality impact. It's just the provision we have taken, which I think is the more prudent thing to do and it's the right thing to do. And I think even the regulators would like a significant amount of provisions created in a book, which is running down, it's just more prudent to have high provisions, and these provisions do not reflect or are not even connected to the recoveries that we may have. The recoveries, albeit are delayed, but they are definitely going to be higher than the net NPA numbers that you see on our balance sheet. We are very confident of the same. It is only a timing delay. We're not going to see a value loss.

Moderator: Ladies and gentlemen, that was the last question for today. We have reached the end of our Q&A session. I would now like to hand the conference over to Mr. Vishal Kampani for closing comments.

Vishal Kampani: Yes. Thank you, everyone, for attending this call I'm sorry, we had to rush this call through for today because a lot of our senior team members present here are traveling next week for Diwali. We wish all of you a very happy Diwali. And we remain very excited about our new journey and the focused businesses, and we will again see all of you next quarter. Thank you again. Wish you all a very happy Diwali once again.

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