

November 10, 2020

BSE Limited
Department of Corporate Services
1st Floor, New Trading Ring
Rotunda Building, P J Towers
Dalal Street, Fort,
Mumbai 400001

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: Disclosure of impact due to COVID–19 pandemic

In continuation of our letter dated October 27, 2020 enclosing therewith the unaudited financial results for the quarter and half year ended September 30, 2020 along with the press release and the corporate presentation, we are enclosing a copy of the “Disclosure of material impact of COVID–19 pandemic” pursuant to the SEBI circular dated May 20, 2020.

We request you to kindly take the above on your record and acknowledge receipt of the same.

Thank you.

Yours faithfully,
for JM Financial Limited



Prashant Choksi
Group Head – Compliance, Legal
& Company Secretary

Encl.: as above.

Impact of the COVID-19 pandemic on the businesses

In late 2019, COVID-19 emerged and by March 11, 2020 was declared a global pandemic by the World Health Organization. Governments and municipalities around the world instituted measures in an effort to control the spread of COVID-19, including restrictions on international and local travel, public gatherings and participation in physical meetings, as well as closure of non-essential services, universities, schools, stores, restaurants and other key service providers, with some countries imposing strict curfews. In India, the Government of India initially announced a 21-day country-wide lockdown starting on March 25, 2020, which has been subject to successive extensions since then, particularly in Maharashtra, where we are headquartered. These measures have led to a significant decline in economic activities.

In compliance with the lockdown orders announced by the Indian Government, we temporarily closed most of our branches and offices and a large part of our employee base were working remotely. Due to this, while our financial results for FY 2019-20 reflect historical trends for the most part, we saw a decline in financial and operating performance, reduced disbursements, collection and increased provisioning in March 2020 due to the impact of COVID-19 and the related reductions in global and Indian economic activity.

In addition, the RBI issued guidelines as regulatory packages in response to the COVID-19 pandemic. In accordance with these guidelines, certain of our subsidiaries provided a moratorium of six months on the payment of all principal amounts and/ or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers classified as standard, even if the said amounts were overdue on February 29, 2020.

The Group, based on information available, estimated an impact on the future cash flows and applied overlays in order to determine (i) the provision for impairment of financial assets carried at amortised cost and, (ii) the fair value of certain financial assets carried at fair value through profit or loss. Accordingly, the Consolidated Financial Results for the quarters ended March 31, 2020, June 30, 2020 and September 30, 2020 were prepared taking into consideration the potential impact on account of the pandemic.

Ability to maintain operations / Steps taken to ensure smooth functioning of operations

The COVID-19 pandemic has been unprecedented and required immediate action to be taken across the group. We activated the business continuity plan and a large part of our employees are working from home or remotely. We have also issued multiple advisories to employees and our crisis management team is active for health-related assistance required during this period. Work from home facility and IT Infrastructure have been provided to the employees working from home. In addition, we have implemented several precautionary measures for essential staff working in our offices, including, fumigation, temperature checks, supplying and wearing of masks, use of sanitizers. We are also promoting 'learning from home' to ensure self-development for our employees. As and when the lock down relaxations were announced our branches were made functional, as appropriate.

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Schedule, if any, for restarting the operations

We progressively aim to resume operations in a calibrated manner while continuing to exercise all necessary precautions and measures at work in the post COVID-19 world. In line with the various directives of the State and Central Government regarding the resumption of operations post the COVID-19 lockdown, we have framed and circulated guidelines to our employees which includes series of measures and precautions we have taken while doing our business. Each of these measures and precautions are put into place to ensure that the transition from home to workplace is gradual, smooth and as far as possible eventless. All offices are fumigated and sanitation equipment and thermostat are made available at all our offices. Further, offices are opened to render essential services ensuring minimum attendance as specified by respective state authorities. In the locations where we have been majorly affected, we have commenced a ‘Staggered Start’ to return to fully operational office environment.

Estimation of the future impact of COVID-19 on its operations

The extent to which the COVID-19 impacts our businesses and results will depend on future developments, which are highly uncertain and cannot be predicted, such as new information which may emerge concerning the severity of the coronavirus and the actions taken globally to contain the coronavirus, among others. We continue to closely monitor any material changes to future economic conditions and assess the impact COVID-19 may have on our results and financial condition.

Details of impact of COVID-19 on listed entity

- Capital and financial resources

Currently, we do not foresee any significant impact on the Group’s capital and financial resources. In June 2020, we raised ₹770 Crore via QIP Issue. The fund raise has strengthened our balance sheet amid the uncertainties related to COVID-19. During the half year ended September 2020, we have raised ₹ 952 Crore through long term borrowing.

However, volatility and uncertainties in the credit market may impact our ability to borrow funds at reasonable costs, required tenure and quantum.

- Profitability

Considering the uncertainty over the potential macro-economic impact of COVID-19, we had made gross provision of ₹ 175 Crore during the quarter ended March 31, 2020 as an incremental impairment provision and fair value loss, which significantly took into account the potential impact of the pandemic on our businesses. During the half year ended September 30, 2020, we have made additional gross provisions of ₹ 123

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Crore on account of the uncertainties around COVID-19, thereby taking the total provisions to ₹ 298 Crore on account of the pandemic.

The impact of the pandemic can be seen in our half year results. Even though the second quarter of FY21 gained some traction, there is still year-on-year decline in our consolidated revenues and profits for the half year. There may be further impact on our income, EPS and growth rates in the coming quarters. However, such impact cannot be ascertained at present.

- **Liquidity Position**

We have maintained adequate liquidity buffers on our balance sheet to be able to withstand uncertainties in the current business and market environment. As of September 30, 2020, we had cash and cash equivalents of ₹ 2,831 Crore.

As mentioned above, we had extended moratorium to our existing borrowers as per the regulatory packages issued by the RBI. Now that moratorium is lifted, there can be no assurance that these borrowers will make timely repayments, if the ventures in relation to which borrowings were sanctioned have been significantly and adversely impacted. These may have an impact on our liquidity position.

- **Ability to service debt and other financing arrangements**

As mentioned above, we had cash and cash equivalents of ₹ 2,831 Crore as of September 30, 2020. Our net debt-equity ratio stood at 0.89x, which is amongst the lowest in financial services space. At present, we have not opted for moratorium on any of our borrowings and we have sufficient liquidity to meet our obligations and do not foresee any significant impact to service our debt commitments.

However, any adverse impact on our liquidity position as a consequence of repayment default in our lending business and uncertainties in the credit market impacting our ability to roll over borrowings may cause a severe impact in our ability to service debt.

- **Assets**

As mentioned above, we have made gross provisions (including fair value loss) of ~₹ 298 Crore on our balance sheet on account of COVID-19. Based on the current indicators of future economic conditions, we consider these provisions to be adequate. Given the uncertainty over the potential macro-economic condition and external developments including the final decision of the Honourable Supreme Court in relation to moratorium and other related matters, the impact of the global health pandemic may be different from that estimated impact.

Volatility in debt and equity markets could affect the values of our debt, equity holdings, investments, security receipts and the realized gains or losses on the disposition of those holdings. Also, valuation of assets that have been provided as collateral for loans provided by us are likely to be impacted. We may also face delays in disposing the security. In addition, our overall asset quality with respect to our lending business may be adversely affected if our borrowers are unable to withstand the financial pressures of the pandemic.

- **Internal financial reporting and control**

Presently, no impact as internal controls are functional through remote access. Policies are in place to ensure that all transactions recorded and reported correctly as well as they provide for adequate checks and balances.

However, the changed environment under which we are operating may have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance and reporting requirements in a timely or quality manner and may give rise to risks that we may not have anticipated, including an increase in cyber-security risks given a large proportion of our employees are working from home.

- **Supply chain (Disbursement and collections / Execution)**

In our lending business, imposition of lockdown has impacted the site visits causing delay in sales of projects. Also, the uncertainties surrounding the end user demand and in the credit environment has impacted the loan origination and disbursements. Our collections had been impacted given the lockdown and shelter-in-place measures imposed as our collections especially in the retail mortgage business involve physical presence of our employees and collection agents. While we are encouraging customers to adopt digital channels for payment, this decline in collections could continue to persist following the easing up of lockdown measures.

In our Distressed Credit business, businesses under restructuring will be impacted given unit closures, cancellation of existing obligations, reduced demand and less off-take of goods and services and accordingly, will impact cash flows resulting in a failure to meet ongoing obligations under existing resolution/ restructuring plans. There is likely to also be a delay in implementation of resolution plans pending approval by the NCLT and on account of delays in receiving other regulatory approvals.

- **Demand for our products/services (these are wealth/broking products, loan products)**

Any instability or prolonged periods of unfavourable market or economic conditions as a result of the COVID-19 pandemic could lead to a significant decrease in the volume and value of our products and services.

The extent and/ or duration of the pandemic could impact our ability to successfully introduce and grow our new products and services, and cause delays in transactions, proceeds of which were to be applied for repayment of loans. Further, movement restrictions could also impact the ability of our customers to avail our products and services.

Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business

Nothing significant

Other relevant material updates about the listed entity's business

Nothing material

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