

PRESS RELEASE
For Immediate Release

JM Financial's consolidated revenue decreased by 12.7% and consolidated net profit decreased by 20.7% for Q2 FY20.

Mumbai, October 23, 2019: The Board of Directors of JM Financial Limited, at its meeting held today, approved the unaudited financial results for the second quarter and half year ended September 30, 2019.

Summary of Consolidated results FY 20 – Q2 compared to FY 19 – Q2

(Rs. in Cr)

Particulars	Quarter ended September 30, 2019	Quarter ended September 30, 2018	% Increase / (Decrease)
Total income	851.39	975.70	(12.7%)
Profit before tax	271.45	379.55	(28.5%)
Net profit after tax and before non- controlling interest	197.14	240.27	(18.0%)
Net profit after tax, non-controlling interest and share of associates	129.59	163.36	(20.7%)
Adjusted Net Profit after tax, non- controlling interest and share of associates ^{1,3}	133.75	176.82	(24.4%)

Summary of Consolidated results FY 20 – H1 compared to FY 19 – H1

(Rs. in Cr)

Particulars	Half year ended September 30, 2019	Half year ended September 30, 2018	% Increase / (Decrease)
Total income	1,707.52	1,828.17	(6.6%)
Profit before tax	573.82	695.94	(17.5%)

Particulars	Half year ended September 30, 2019	Half year ended September 30, 2018	% Increase / (Decrease)
Net profit after tax and before non- controlling interest	392.17	439.50	(10.8%)
Net profit after tax, non-controlling interest and share of associates	256.88	306.08	(16.1%)
Adjusted Net Profit after tax, non- controlling interest and share of associates ^{2,3}	278.03	340.21	(18.3%)

1. Includes diminution (net of tax and non-controlling interest) in fair value of investments (excluding security receipts held by ARC) amounting to ~ Rs. 4.16 Cr for Quarter ended September 30, 2019 and ~Rs. 13.46 Cr for quarter ended September 30, 2018.
2. Includes diminution (net of tax and non-controlling interest) in fair value of investments (excluding security receipts held by ARC) amounting to ~ Rs. 21.15 Cr for half year ended September 30, 2019 and ~Rs. 34.13 Cr for half year ended September 30, 2018.
3. Adjusted for diminution / (gain) in fair value of investments (excluding security receipts held by ARC) and is based on management estimates & have not been subjected to audit or review.

The Earnings per share for the half year ended September 30, 2019 is **Rs. 3.06**. The consolidated net worth* as at September 30, 2019 stands at **Rs.5,298 Cr** and the gross debt equity (equity + non-controlling interest of **Rs.2,299 Cr**) ratio** is **1.78** times* and net debt equity of **1.51** times* (post reducing cash and cash equivalents of **Rs.2,035 Cr**). The book value per share is **Rs. 62.99**. Our total loan book stood at **Rs. 13,810 crore** as of September 30, 2019 compared to **Rs. 17,108** crore** as of September 30, 2018. Gross NPA and Net NPA stood at **1.27%** and **1.11%** respectively as of September 30, 2019 compared to **0.54%** and **0.44%** respectively as of September 30, 2018.

* Computed after reducing goodwill of Rs.52.44 Cr from shareholder's funds

**Loan book does not include IPO Financing book and Borrowings do not include borrowings for IPO Financing

Commenting on the results and financial performance, Mr. Vishal Kampani, Managing Director, JM Financial Group, said,

“We continue to remain resilient in a challenging environment for NBFCs and capital markets. We have strong liquidity buffers and are extremely prudent on

our leverage ratios. We have been able to raise long term funds and expect to benefit in the long term as we expect a more benign competitive environment.

The corporate tax rate cut will not only boost corporate earnings but also lead to the stabilisation of the corporate sentiment. Going forward, as the reforms wheel shows sustained signs of building speed, we hope the markets will return to higher participation levels and activities. We remain focused and believe our diverse set of businesses will help us perform and deliver value for our clients.”

Business Update

➤ **Investment banking, Wealth Management and Securities business (IWS)**

The IWS segment gained traction during the quarter. Our recruitment in this segment gained momentum especially in the wealth management business. The pipeline for our investment banking transactions continues to remain healthy. The loan book in this segment remained steady during the quarter.

During the quarter, some of our completed investment banking transactions were as follows:

- Global Coordinator and Book Running Lead Manager to the Initial Public Offer of Spandana Sphoorty Financial Limited (~Rs. 1,200 Cr) and Qualified Institutions Placement of Yes Bank Limited (~Rs. 1,930 Cr).
- Manager to the buy back of equity shares of Wipro Limited (~Rs. 10,500 Cr).
- Manager and Selling Broker to the Offer for Sale of equity shares of Reliance Nippon Life Asset Management Company Limited (~Rs. 1,011 Cr).
- Lead Manager to the public issue of Non-Convertible Debentures of Shriram Transport Finance Company Limited (~Rs. 340 Cr) and JM Financial Products Limited (~Rs. 128 Cr).
- Exclusive Financial Advisor to Sona BLW Precision Forgings and JM Financial Private Equity on controlling stake sale to Blackstone.

- Exclusive Financial Advisor to Jaypore and its shareholders for sale of 100% equity shares of Jaypore to Aditya Birla Fashion and Retail Limited.
- Exclusive Financial Advisor and Exclusive Manager for the Open Offer by Baring Private Equity Asia to the shareholders of NIIT Technologies Limited
- Exclusive Manager to the Open Offer made by Epsilon Bidco Pte. Ltd. (part of the Blackstone group) to the public shareholders of Essel Propack Limited.

The AUM/AUA of our wealth management business stood at **Rs. 46,818 Cr** (excluding custody assets) as on September 30, 2019 as compared to **Rs. 43,941 Cr** as on September 30, 2018 and **Rs. 43,038 Cr** as on June 30, 2019.

During the quarter, the average daily trading volume stood at **Rs. 10,748 Cr**.

During the quarter, in IPO financing business, we funded **3 public issues (including 1 NCD issue)** wherein the aggregate amount of funding was around **Rs. 3,370 Cr**.

➤ **Mortgage Lending**

The total mortgage lending book (comprising of loan book of JM Financial Credit Solutions Limited and JM Financial Home Loans Limited) stood at **Rs. 8,302 Cr** as on September 30, 2019. Our wholesale mortgage lending focuses on Tier - 1 cities, viz., Mumbai, Thane, Pune, Bangalore, Chennai, Hyderabad, Kolkata and NCR. We are at the initial stages of our retail mortgage lending and are currently focused on acquiring the right talent, employing technology and processes before we ramp up our presence in terms of products and geography.

The real estate sector is majorly affected due to the liquidity crunch being faced by the sector. This has been due to various factors starting from the introduction of RERA to demonization to GST. The final blow came in the form of the liquidity issues being faced by NBFCs and HFCs. This has also impacted the pace of the ongoing projects as most NBFCs have slowed down disbursements to committed sanctions and almost stopped any new sanctions. Moreover, some of the HFCs have also slowed down home loan disbursements

leading to difficulties in new sales and collections. There is also a major crisis of confidence with regards to the end user towards under construction projects. However, a silver lining is that affordable and low to mid segments in select geographies are still performing well and sales continue to be healthy.

We have always guided that there will be a rapid consolidation in the real estate space and believe that the market share of the larger developers will increase substantially. With almost negligible amount of price appreciation in residential real estate over the last 6-7 years, investors are completely out of the market. The margins of developers have reduced and they are forced to look at business differently. We also believe that the liquidity crunch in the sector will continue for another one year and the developers with lower leverage and ability to sell will be the ones who will be better placed to tide through this time.

In the backdrop of the above mentioned scenario the impact on our portfolio can be summarised as under:

- Since majority of the portfolio is cashflow backed even since September 2018, we have continued to witness healthy weekly collections in our escrow accounts. This demonstrates that sales and collections are still happening at the right price point at good locations and in projects being developed by reputed builders. However, in few of the cases the pace of collections has gone down substantially. In these cases we have actively been involved with the developers and will use in-house expertise to push sales.
- Low concentration risk and geographic diversification has enabled us not to be impacted significantly due to slowdown in a particular market or a particular developer. We have always focused on keeping the average exposure to each project below Rs. 100 Cr and have avoided concentration to any one geography. 23% of the portfolio are loans given against ready inventory which witnesses robust sales and collection.

- Smaller developers are finding it difficult to record good sales when the project is under construction. In such cases we are working proactively to get in another reputed developer to buy the project or enter into Joint Developer Agreements or Development Management Agreements to ensure timely execution and sales of the project.
- In some cases due to the various reasons mentioned above additional construction funding is required for the projects to take them to completion. We are strategically focusing on ensuring that all our projects have full financial closure to ensure we get the project to Occupation Certificate stage. In most cases we have witnessed very rapid and robust sales once OC is received.

We have carried out stress tests under multiple scenarios on our loan book and have realized that though developers might face liquidity mismatch, the portfolio has healthy security / cashflow covers to enable us to recover our entire loan.

We will carry out these stress tests at regular intervals to reassess the situation, especially as there is some probability that current situation could worsen before it gets better.

➤ **Distressed Credit**

We chose not to participate in any fresh acquisitions during the quarter. The complete focus of the business was on recoveries and resolutions. The recoveries during the quarter stood at **Rs. 483 Cr.** We have also been experiencing resolution delays in some of our key accounts further impacting our focus to look at fresh acquisitions. Further, the global investors in distressed assets have virtually stopped their fresh investments pending clarity and final judgement on certain cases.

The outstanding Security Receipts (SRs) stood at **Rs. 14,037 Cr** as on September 30, 2019 as compared to **Rs. 14,191 Cr** as on June 30, 2019. The contribution of JM Financial Asset Reconstruction Company Limited stood at **Rs. 3,107 Cr** as on September 30, 2019 and **Rs. 3,140 Cr** as on June 30, 2019.

➤ **Asset Management**

The average AUM of our Mutual Fund schemes during the quarter ended September 30, 2019 stood at **Rs. 6,488 Cr**; comprising of **Rs. 4,509 Cr** in equity schemes (including hybrid schemes) and **Rs. 1,979 Cr** in debt schemes (including liquid scheme). The average AUM of our Mutual Fund schemes during the quarter ended June 30, 2019 stood at **Rs. 7,710 Cr**; comprising of **Rs. 4,642 Cr** in equity schemes (including hybrid schemes) and **Rs. 3,068 Cr** in debt schemes (including liquid scheme).

Borrowing Profile

We continued our efforts of diversifying our sources and maturities for our borrowing profile. Our long term borrowing as a proportion of total borrowing stood at **approximately 82%** as on September 30, 2019.

Awards & Recognitions

- JM Financial Asset Management Limited ranked amongst India's Top 30 Great Mid-Size Workplaces, 2019 by The Great Place to Work Institute.

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The unaudited financial results are attached. The press release and unaudited financial results are available on our website www.jmfl.com

About JM Financial

JM Financial is an integrated and diversified financial services group. The Group's primary businesses include (a) Investment banking, wealth management and securities (IWS) which includes fee and fund based activities for its clients (b) Mortgage Lending which includes both

wholesale mortgage lending and retail mortgage lending (home loans, education institutions lending and LAP) (c) Distressed credit which includes the Asset Reconstruction business (d) Asset Management includes the mutual fund business.

As of September 30, 2019, the consolidated loan book stood at **~Rs. 138.1 BN**, distressed credit business AUM at **~Rs. 140.4 BN**, wealth management AUM at **~Rs. 468.2 BN**, mutual fund AAUM at **~Rs. 64.9 BN**.

The Group is headquartered in Mumbai and has a presence across **356** locations spread across **123** cities in India. The equity shares of JM Financial Limited are listed in India on the BSE and NSE.

For more information, log on to www.jmfl.com or **contact:**

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Forward - Looking statements

This press release ('document') containing JM Financial Group's activities, projections and expectations for the future, may contain certain forward-looking statements based upon the information currently available with the Company or any of its subsidiaries and associate companies. The financial results in future may vary from the forward-looking statements contained in this document due to uncertainties and unforeseen events that may impact the businesses of the JM Financial Group. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

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