

March 14, 2024

JM Financial Services Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture	250.0	250.0	[ICRA]AA (Stable); outstanding
Market linked debentures – Principal protected programme	100.0	100.0	PP-MLD[ICRA]AA(Stable); outstanding
Long-term fund-based/Non-fund based bank lines	2,000.0	2,000.0	[ICRA]AA (Stable); outstanding
Commercial paper programme	2,500.0	2,500.0	[ICRA]A1+; outstanding
Total	4,850.0	4,850.0	

*Instrument details are provided in Annexure I

Rationale

Material Event

The Reserve Bank of India (RBI), vide its press release dated [March 05, 2024](#), has directed JM Financial Products Limited (JMFPL; a material subsidiary of JM Financial Limited (JMFL) and fellow subsidiary of JM Financial Services Limited (JMFSL)) to cease and desist, with immediate effect, from any form of financing against shares and debentures, including the sanction and disbursal of loans against the initial public offering (IPO) of shares as well as against subscription to debentures. JMFPL can, however, continue to service its existing loan accounts through the usual collection and recovery process. This move came after the RBI carried out a limited review of JMFPL's books based on information shared by the Securities and Exchange Board of India (SEBI). The RBI has expressed concerns regarding the loans sanctioned by JMFPL for IPO financing as well as the non-convertible debenture (NCD) subscriptions. The above-mentioned business restrictions will be reviewed upon the completion of a special audit to be instituted by the RBI and after the rectification of the deficiencies to the satisfaction of the central bank.

Additionally, SEBI has issued an interim ex parte order in the matter of JMFL on [March 07, 2024](#). The regulator has issued interim directions, whereby JMFL is barred from taking any new mandate for acting as a lead manager for the public issuance of debt securities. It can, however, continue to act as a lead manager for the public issuance of debt securities for a period of 60 days from the date of the order, in respect of any existing mandates. JMFL may, within 21 days from the date of the receipt of the order, file its reply / objections, if any, to this interim ex-parte order and may also seek to avail an opportunity of personal hearing. SEBI will undertake an investigation into the issues covered under the aforesaid order and the same shall be completed within a period of six months.

Impact of material event

ICRA takes a consolidated view of the credit profiles of JMFL and its subsidiaries (hereafter referred to as the Group), which are engaged in merchant banking, private wealth, mortgage lending (retail and wholesale), bespoke finance, financial institution financing, capital market financing, institutional and retail broking, financial product distribution and asset management, due to the common promoters and senior management team, shared brand name, and financial and operational linkages. ICRA also factors in the support it extends to its subsidiaries and associates engaged in distressed asset management and other businesses.

Considering the prohibition on JMFL from accepting a new mandate for acting as a lead manager for the public issuance of debt securities and the restriction on JMFPL from doing any form of financing against shares and debentures, the Group's incremental business in these segments would be impacted. In this regard, it is noted that the net total income from the IPO financing business was around Rs. 7 crore in 9M FY2024, constituting 1.5% of JMFPL's net total income and 0.3% of the Group's

consolidated net total income. Additionally, revenue contribution for being the lead manager of the public issuance of debt securities was ~Rs. 9 crore, constituting 1.4% of JMFL's standalone total income and ~0.3% of Group's total income (0.4% of the Group's consolidated net total income) in 9M FY2024.

ICRA notes that both regulators are yet to commence the special audit/investigation and the management has expressed their intent to fully cooperate and explain their position. Moreover, the key businesses of the group, viz equity capital markets, advisory (mergers and acquisitions, private equity syndication), mortgage lending (retail and wholesale), institutional and retail broking, asset management, and distressed assets are not directly impacted by these orders. Having said that, while the direct contribution of the segments covered under these orders is not substantial for the Group, pending the outcomes, the impact on its business and borrowing franchise in the near term will remain a monitorable. The company's overall loan book may decline, given the short to medium tenor of the loans backed by securities, though, these funds can be deployed across other segments. Further, any sustained impact on the Group's financial flexibility and ability to raise funds at competitive rates could have a bearing on the growth in the other segments. Hence, ICRA will continue to monitor the impact of these orders on the Group's operational and financial performance, besides developments related to concerns raised by the regulators on compliance and processes. As of March 7, 2024, the Group had on-balance sheet liquidity of 4,764 crore, comprising bank balance and unliened fixed deposits of Rs. 444 crore, investment in liquid and overnight mutual funds of Rs. 2,773 crore and investment-cum-trading book, comprising Government securities, Treasury bills, state development bills, corporate bonds, debt mutual funds and listed securities, of Rs. 1,547 crore. The aforesaid on-balance sheet liquidity is equivalent to 28% of consolidated debt outstanding and stands comfortable vis-à-vis scheduled debt repayments (including interest) of Rs. 2,874 crore falling due till June 30, 2024.

On a consolidated basis, the Group's revenue stream remains adequately diversified with the investment bank, mortgage lending, alternative and distressed credit, and asset management, wealth management and securities businesses (Platform AWS) and others contributing 39%, 32%, 10%, 19% and sub-1%, respectively, in 9M FY2024. JMFL reported a consolidated net profit (including share of non-controlling interest; NCI and share in profit of associate) of Rs. 705 crore in 9M FY2024 on total income of Rs. 3,556 crore compared to Rs. 676 crore and Rs. 2,629 crore, respectively, in 9M FY2023. It reported a consolidated net profit (including share of NCI and share in profit of associate) of Rs. 709 crore in FY2023 (Rs. 992 crore in FY2022) on total income of Rs. 3,343 crore (Rs. 3,763 crore in FY2022).

The consolidated net worth (including NCI, NCI of security receipt holders and net of goodwill on consolidation) stood at Rs. 11,673 crore as on December 31, 2023 while the capital-to-risk weighted assets ratio (CRAR)¹ was 37.2%. The consolidated gearing was lower at 1.5 times as on December 31, 2023 vis-à-vis the peak gearing of 2.5 times as of March 2018.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies Rating Methodology for Stockbroking and Allied Companies
Parent/Group support	Not applicable; while arriving at the ratings, ICRA has considered the consolidated financials of JMFL. It has taken a consolidated view of the credit profiles of JMFL and its subsidiaries, which are engaged in merchant banking, mortgage lending (retail and wholesale), bespoke finance, institutional and retail broking, asset management and wealth management, due to the close linkages between the entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies. ICRA has also factored in

¹ Consolidated CRAR of the NBFCs and the housing finance company (HFC) in the Group

	the support it extends to its subsidiaries and associates engaged in distressed asset management and other businesses.
Consolidation/Standalone	ICRA has considered the consolidated financials of JMFL. As on March 31, 2023, JMFL had nine subsidiaries, six step-down subsidiaries, one partnership firm (with two of JMFL's subsidiaries as partners), one AOP (with two of JMFL's subsidiaries as members) and an associate company. Details of these companies are provided in Annexure II.

About the company

JM Financial Services Limited (JMFSL), a 100% subsidiary of JMFL, provides retail broking, securities-based lending i.e. margin trade funding (MTF; approved by the Securities and Exchange Board of India, SEBI); investment advisory, wealth management and distribution services to retail and elite investors. JMFSL used to provide equity broking services to institutional clients through its wholly-owned subsidiary – JM Financial Institutional Securities Limited (JMFISL). However, with effect from April 1, 2023, JMFISL was demerged from JMFSL and became a direct subsidiary of JMFL. Further, in the backdrop of the SEBI advisory refraining broking companies from having subsidiaries engaged in lending activities, JMFL (the entity managing the Group's capital market related lending business) was merged with JMFSL².

As on January 31, 2024, JMFSL had an active client base of 88,727 (total client base: 2.7 lakh) in its retail broking segment with operations in 232 cities. It reported a net profit of Rs. 53 crore in 9M FY2024 on total operating income of Rs. 634 crore. On a standalone basis, as per restated financials, it reported a profit of Rs. 38 crore in FY2023 on total operating income of Rs. 435 crore.

JM Financial Group

JM Financial Limited (JMFL) is the holding company of the operating entities in the JM Financial Group, which is an integrated and diversified financial services group. While JMFL is engaged in investment banking, portfolio management, wealth management and the management of private equity fund(s) at the standalone level, the consolidated operations encompass (a) investment bank, which includes investment banking, institutional equities and research, private equity business, fixed income, syndication and corporate/promoter finance, capital market related lending, wealth management services for high-net-worth individual (HNI)/ultra HNI clients, and portfolio management services, (b) mortgage lending, which includes wholesale as well as retail mortgage lending (affordable housing loans), (c) alternative and distressed credit, which includes the asset reconstruction business, and (d) Platform AWS (asset management, retail wealth management and retail securities business) which includes mutual funds, wealth management for retail and elite clients, investment advisory, distribution business and equity broking.

As on December 31, 2023, the consolidated loan book stood at Rs. 15,111 crore (Rs. 15,653 crore as on March 31, 2023), distressed credit business AUM at Rs. 15,059 crore (Rs. 13,558 crore as on March 31, 2023), private wealth management AUM at Rs. 65,009 crore (Rs. 56,515 crore as on March 31, 2023), retail and elite wealth AUM at Rs. 29,514 crore (Rs. 25,056 crore as of March 31, 2023) and mutual fund quarterly average AUM (QAAUM) at Rs. 4,584 crore (Rs. 2,969 crore as on March 31, 2023). The Group is headquartered in Mumbai and has a presence in ~878 locations spread across ~232 cities in India. JMFL's equity shares are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

JMFL reported a consolidated net profit (including share of non-controlling interest and share in profit of associate) of Rs. 709 crore (Rs. 992 crore in FY2022) on total income of Rs. 3,343 crore in FY2023 (Rs. 3,763 crore in FY2022). It reported a consolidated net profit (including share of non-controlling interest and share in profit of associate) of Rs. 705 crore in 9M FY2024 on total income of Rs. 3,556 crore compared to Rs. 676 crore and Rs. 2,629 crore, respectively, in 9M FY2023.

²The loan book of JMFL was largely repaid before merger or refinanced via JMFL

Key financial indicators (audited)

JMFL – Consolidated	FY2022	FY2023	9M FY2024 [^]
Total income	3,763	3,343	3,556
Profit after tax (including the share of non-controlling interest and share in profit of associate)	992	709	705
Profit after tax (adjusted for the share of non-controlling interest)	773	597	639
Net total assets ^{**}	25,762	29,318	31,843
Return on net worth	9.8%	6.5%	8.3%
Return on net worth (adjusted for the share of non-controlling interest)	10.6%	7.6%	10.2%
Gross gearing (times) [!]	1.2	1.4	1.5
Gross NPA	4.3%	3.4%	4.5%
CRAR [@]	39.4%	38.5%	37.2%

Source: JMFL, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; [^]Limited review; ^{**}Excluding goodwill on consolidation; [!]Excludes borrowing for initial public offering (IPO) financing segment and includes accrued interest; [@]For JM Financial Credit Solutions Limited (JMFCSL), JM Financial Capital Limited (JMFCCL), JM Financial Products Limited (JMFPPL) and JM Financial Home Loans Limited (JMFHLL)

Status of non-cooperation with previous CRA: Not applicable

Any other information

Certain entities in the Group also face prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial covenants, operating covenants and rating-linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders/investors or the lenders/investors do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the ratings would face pressure.

Rating history for past three years

Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as on Feb 26, 2024 (Rs. crore)	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years						
				Current Rating	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021		
				Mar 14, 2024	Feb 12, 2024	Oct 20, 2023	Jan 19, 2023	Oct 20, 2022	Jun 10, 2022	Jan 31, 2022	Jul 8, 2021	Feb 26, 2021 Aug 20, 2020 Jul 10, 2020
1 NCD programme	Long term	250.0	80.0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-	-	-
2 Long-term fund-based/Non-fund based bank lines	Long term	2,000.0	1,310.0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
3 CP programme	Short term	2,500.0	1,956.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1 + PP-MLD[ICRA]AA (Stable)	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4 PP-MLD programme	Long term	100.0	0.0	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD programme	Simple*
Long-term fund-based/Non-fund based bank lines	Simple
PP-MLD programme	Complex^
Commercial paper	Very Simple**

* For the utilised portion of Rs. 80.0 crore and subject to change based on the terms of issuance for the balance amount

^Subject to change based on terms of issuance

**For the utilised portion of Rs. 1,831.0 crore and subject to change based on the terms of issuance for the balance amount

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term fund-based/Non-fund based bank lines	-	-	-	2,000.0	[ICRA]AA (Stable)
INE012I07041	NCD programme	Sep 11, 2023	9.10%	Mar 11, 2026	49.0	[ICRA]AA (Stable)
INE012I07058	NCD programme	Nov 20, 2023	8.75%	Nov 20, 2025	31.0	[ICRA]AA (Stable)
NA	NCD programme*	-	-	-	170.0	[ICRA]AA (Stable)
NA	PP-MLD programme*	-	-	-	100.0	PP-MLD[ICRA]AA (Stable)
INE012I14OL1	CP programme	Mar 27, 2023	8.85%	Mar 26, 2024	25.00	[ICRA]A1+
INE012I14OT4	CP programme	Jun 13, 2023	8.75%	Jun 12, 2024	50.00	[ICRA]A1+
INE012I14OS6	CP programme	Jun 13, 2023	8.40%	Apr 11, 2024	15.00	[ICRA]A1+
INE012I14OU2	CP programme	Jun 16, 2023	8.55%	Feb 28, 2024	25.00	[ICRA]A1+
INE012I14PE3	CP programme	Aug 30, 2023	8.65%	Mar 05, 2024	100.00	[ICRA]A1+
INE012I14PL8	CP programme	Oct 23, 2023	8.75%	Apr 22, 2024	50.00	[ICRA]A1+
INE012I14PM6	CP programme	Oct 30, 2023	8.75%	Apr 29, 2024	60.00	[ICRA]A1+
INE012I14PO2	CP programme	Nov 02, 2023	8.75%	May 02, 2024	20.00	[ICRA]A1+
INE012I14PQ7	CP programme	Nov 21, 2023	8.75%	May 17, 2024	25.00	[ICRA]A1+
INE012I14PU9	CP programme	Nov 23, 2023	9.20%	Nov 22, 2024	200.00	[ICRA]A1+
INE012I14PS3	CP programme	Nov 24, 2023	8.75%	May 15, 2024	50.00	[ICRA]A1+
INE012I14PT1	CP programme	Nov 24, 2023	8.75%	May 22, 2024	50.00	[ICRA]A1+
INE012I14PR5	CP programme	Nov 24, 2023	8.75%	May 13, 2024	40.00	[ICRA]A1+
INE012I14PE3	CP programme	Dec 01, 2023	8.40%	Mar 05, 2024	25.00	[ICRA]A1+
INE012I14PV7	CP programme	Dec 07, 2023	8.64%	Mar 07, 2024	175.00	[ICRA]A1+
INE012I14PW5	CP programme	Dec 07, 2023	8.64%	Mar 13, 2024	25.00	[ICRA]A1+
INE012I14PW5	CP programme	Dec 11, 2023	8.64%	Mar 13, 2024	25.00	[ICRA]A1+
INE012I14PX3	CP programme	Dec 21, 2023	8.64%	Mar 18, 2024	8.00	[ICRA]A1+
INE012I14PY1	CP programme	Jan 08, 2024	8.70%	Apr 08, 2024	75.00	[ICRA]A1+
INE012I14PZ8	CP programme	Jan 16, 2024	9.40%	Jan 15, 2025	225.00	[ICRA]A1+
INE012I14QA9	CP programme	Jan 23, 2024	9.25%	Jan 17, 2025	125	[ICRA]A1+
INE012I14PL8	CP programme	Jan 25, 2024	8.70%	Apr 22, 2024	5.00	[ICRA]A1+
INE012I14QB7	CP programme	Jan 30, 2024	9.40%	Jan 29, 2025	150.00	[ICRA]A1+
INE012I14QD3	CP programme	Feb 05, 2024	9.20%	May 06, 2024	100.00	[ICRA]A1+
INE012I14QC5	CP programme	Feb 07, 2024	9.20%	May 08, 2024	100.00	[ICRA]A1+
INE012I14QD3	CP programme	Feb 08, 2024	8.95%	May 06, 2024	8.00	[ICRA]A1+
INE012I14QE1	CP programme	Feb 13, 2024	9.20%	May 14, 2024	100.00	[ICRA]A1+
INE012I14PQ7	CP programme	Feb 16, 2024	9.20%	May 17, 2024	100.00	[ICRA]A1+
NA	CP programme*	NA	NA	7-365 days	544.0	[ICRA]A1+

Source: Company; *Proposed; As of February 26, 2024

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership as on March 31, 2023	Consolidation Approach
JM Financial Limited	Holding Company	ICRA has taken a consolidated view of the parent, its subsidiaries and an associate
JM Financial Asset Management Limited	59.54%	
JM Financial Products Limited	99.71%	
JM Financial Capital Limited*	100%	
JM Financial Services Limited*	100%	
JM Financial Credit Solutions Limited	46.68%	
JM Financial Asset Reconstruction Company Limited	58.28%	

Company Name	Ownership as on March 31, 2023	Consolidation Approach
JM Financial Home Loans Limited	94.04%	
JM Financial Institutional Securities Limited	100%	
JM Financial Trustee Company Private Limited	25%	
JM Financial Overseas Holding Private Limited	100%	
JM Financial Securities Inc.	100%	
JM Financial Singapore Pte Ltd	100%	
JM Financial Commtrade Limited	100%	
JM Financial Properties and Holdings Limited	100%	
Astute Investments	100%	
ARB Maestro	100%	
CR Retail Malls (India) Limited	100%	
Infinite India Investment Management Limited	100%	

Source: Company

Note: ICRA has taken a consolidated view of the parent (JMFL), its subsidiaries and an associate while assigning the ratings

* Pursuant to the National Company Law Tribunal (NCLT) order, JM Financial Capital Limited was merged with JM Financial Services Limited with effect from April 1, 2023

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Deep Inder Singh
+91 124 4545 830
deep.singh@icraindia.com

Kruti Jagad
+91 22 6114 3447
kruti.jagad@icraindia.com

Komal Mody
+91 22 6114 3424
komal.mody@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



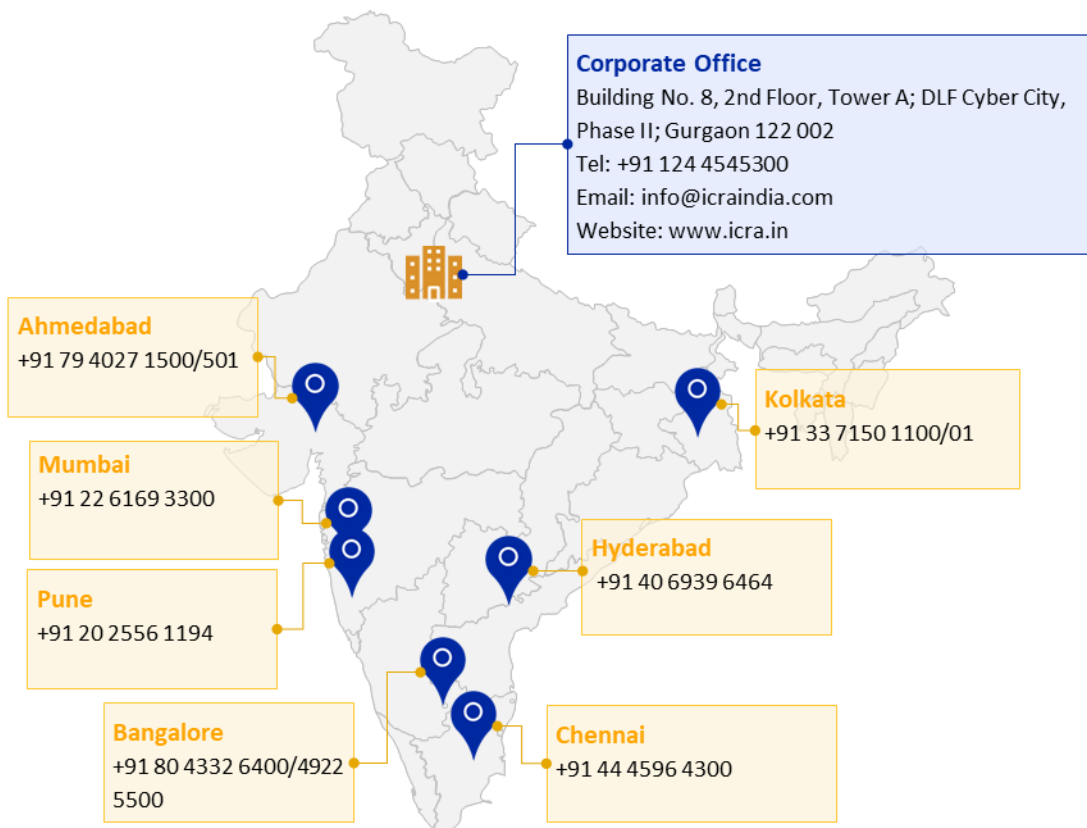
Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.