JM Financial Limited
Q4 & FY25 Earnings Conference Call

May 13, 2025

Moderator: Ladies and gentlemen, good day, and welcome to Earnings Conference Call of 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 star, then zero on your touch-tone phone.

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

Please note that this conference is being recorded.

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

Vishal Kampani: Thank you. On behalf of JM Financial, we extend a very warm welcome to all of you to the Earnings Conference Call to discuss our financial results for the quarter and year ended March 2025.

We have uploaded our Results, Presentation and Press Release on the Website and Stock Exchanges. I hope you have had a chance to go through the same.

On the call, we also have with us our senior management team, Mr. Chirag Negandhi – MD, JM Financial Limited; Ms. Sonia Dasgupta – MD and CEO (Investment Banking); Mr. Manish Sheth – MD and CEO, JM Financial Home Loans Limited; Mr. Dimplekumar Shah – Head of Investment Advisory and Distribution, Mr. Anuj Kapoor – Head of Private Wealth, Mr. Amitabh Mohanty – MD and CEO, JM Financial Asset Management Limited and Mr. Nishit Shah – Group CFO.

I will give the key updates, and then I will hand over the call to Nishit to take you through the numbers.

During the quarter, we increased our shareholding in JM Financial Credit Solutions from approximately 47% to 97% and we paid out a sum of Rs. 1,500 crores to the investors who were invested in Credit Solutions. We have also consolidated our asset reconstruction business under JM Financial Credit Solutions.

Our focus will now be on the big opportunities in the Private Markets business comprising of private credit across corporate, bespoke and real estate with a focus on origination-to-syndication and also private investments on the equity side through a growth-focused private equity funds and investments in REITs, etc.

In line with our earlier guidance on the shift to an off-balance sheet model, the loan book across wholesale real estate including land funding, financial institution financing and MSME has run down from approximately Rs. 7,500 crores as of March 31, 2024, to ~Rs. 3,570 crores as of March 31, 2025. This is a significant reduction that we have achieved and with minimal impact on balance sheet. In light of the above rundown of the loan book, from a strategic perspective, it's important that the overall financial and operating metrics should ideally be compared on a Q-on-Q basis as compared on a year-on-year basis.

I would now like to take you through the update on the focused businesses as follows:

Corporate Advisory and Capital Markets business:

This includes Investment Banking and Institutional Equity business. The pipeline of transactions for both our Equity Capital Markets and M&A business continues to remain strong. We are happy to report that we stood # 1 in QIP deals done in terms of volume in FY2025. During the quarter-ended March 2025, we have seen a strong traction in M&A and PE syndication deals.

Wealth and Asset Management:

The AUM of our Wealth Management business stood at approximately Rs. 1.1 lakh crores, 11% increase Y-o-Y. The recurring AUM of our non-retail Wealth has increased from Rs. 12,500 crores to approximately Rs. 19,000 crores, which is an increase of almost 50% on a Y-o-Y basis.

The SEBI margin financing book increased to Rs. 1,583 crores, which is a 12% increase Y-o-Y. There was some volatility that we saw in this book in the fourth quarter. We are hoping that this will stabilize and continue on the growth path from this quarter onwards.

Our Mutual Fund business AUM has doubled in the last one year to ~Rs. 13,400 crores.

Private Markets:

This business includes loans and investments in private securities, largely unlisted securities of mostly private companies. We will focus our energies on the private market business using our capital, our relationships, and our core innovation and solutions-led expertise.

As you know, India has a long history of family-owned and entrepreneurial first-generation businesses that need not only advice, but bespoke solutions and access to private capital, both on the debt and equity side for a period of time before they go public.

Our endeavor at Private Markets is to be the partner of choice. Our rich history of providing solutions to businesses will drive a commingled strategy, providing both advice from our Investment Bank and capital from Private Markets to these businesses and families.

Affordable Home Loans:

The business includes our Home Loans business in the Affordable segment. We now have a branch network of 128 branches, and our AUM is at ~Rs. 2,830 crores, which is an increase of over 26% Y-o-Y. The net worth in this business stands at ~Rs. 800 crores.

With this, I hand over to Nishit, who will take you through some details on the numbers, and then we can open it up for Q&A. Thank you.

Nishit Shah: Thank you, Vishal.

During the quarter, income from fees, commissions and brokerage has increased by 22%, quarter-on-quarter to Rs. 435 crores. For the full-year ended March 2025, the fees, commission and brokerage (excluding ARC and NBFC) stood at Rs. 1,407 crores, registering a growth of 15% year-on-year. This income stream is a strong focus area for the group going forward. We continue to focus on further scaling up these fee businesses to generate operating leverage.

Interest income for the quarter is lower on account of the planned reduction in the loan book in real estate, financial institutions and MSME. However, interest income for the Home Loans business has increased by 7% quarter-on-quarter and has remained flattish for SEBI margin financing book on account of the volatility in the market. With a significant part of the planned reduction in the loan book already being done with, we anticipate interest income to normalize and increase going forward in line with the trends in the loan book.

As guided in the earlier quarters, we have concluded the two-year cycle of provisions with the impairment on financial instruments reducing significantly for the quarter-ended March 2025 to Rs. 7 crores as compared to Rs. 117 crores for quarter-ended December 2024.

For the full year ended March 2025, the impairment on financial instruments stood at Rs. 425 crores compared to Rs. 577 crores for year ended March 2024. Over the last two years, the provisions taken in the books have aggregated to Rs. 1,000 crores. We continue to focus on recoveries and have reasonable visibility on some recoveries in FY2026.

Despite the volatility in the markets, profit after tax and non-controlling interest for Q4FY25 stood at Rs. 210 crores as compared to Rs. 209 crores for quarter-ended December 2024. It may be noted that the P&L impact on account of the transaction involving increase in stake in JM Financial Credit Solutions Limited has not been considered for quarter-ended March 2025 as these transactions concluded in the last few weeks of March 2025.

The consolidation of P&L shall be done from the quarter-ended June 2025. Considering the impact of consolidation for the quarter-ended March 2025, on a pro forma basis the PAT would be Rs. 238 crores compared to Rs. 210 crores for the quarter-ended December 2024, which is an increase of 13% quarter-on-quarter. The impact of consolidation of higher stake has been given in the balance sheet.

We continue to witness strong traction in JM Financial Home Loans and JM Financial Asset Management as we look to further scale up these businesses.

Total income for JM Financial Home Loans for quarter-ended March 31, 2025 has increased to approximately Rs. 100 crores, which is an increase of 32% year-on-year and stood at Rs. 369 crores for FY25, which is an increase of 43% year-on-year. Profit after tax stood at Rs. 59 crores for FY25, which is an increase of 49% on a year-on-year basis.

JM Financial Asset Management reported an AUM growth of almost 100% on a year-on-year basis. The total revenue for FY25 stood at Rs. 43 crores, which is an increase of 49% year-on-year. The management fees for quarter-ended March 2025 stood at Rs. 13 crores, which is an increase of 1.4x as compared to the earlier year.

During the quarter, JM Financial Asset Management announced the rights issue of Rs. 100 crores of partly paid shares, of which Rs. 50 crores have been paid up by March 31, 2025.

The consolidated net worth of the Group (excluding minority interest) stood at Rs. 9,675 crores, translating to a book value per share of Rs. 101 compared to Rs. 93 for the quarter ended December 2024.

The Board of Directors of the Company have recommended a dividend of Rs. 2.7 per share. This dividend is the highest dividend ever recommended from the operating profits.

With this brief update, I would like to hand over the call to the moderator for Q&A session.

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

Digant Haria: Hi, team. Congratulations on a good set of numbers. So, Vishal, the first question is, there is a bit of positive surprise in the Corporate Advisory business because this was the worst quarter for the stock markets, you know, this January to March quarter. And we have perhaps done like the best profits in the last four quarters. So, I am assuming this entire surprise would have come from the M&A and transaction advisory business. So, if any color you can give on what did we do in the quarter and like how does this part of the business behave in terms of growth over the next two, three years? That's my first question.

Vishal Kampani: Yes, sure. So, you are right. The M&A pipeline, which was built, a significant part of that execution happened in the last quarter. Even in the private equity syndication, a lot of the transactions were completed in the last quarter. Also, a good uptick on the Institutional Equity side in terms of gains in market share across a lot of clients, which has also helped the first segment performed very well.

This segment is, as I have always said, is an extremely profitable segment. It operates at almost 50% ROE and almost 40% PBT margin. And I think our pipeline continues to be very robust.

ECM was weak last quarter, but ECM was weak for the entire industry, not just us. And I think the pipeline is very robust, as I said, and we expect very decent growth to continue in the next foreseeable future. Anything else you want to add, Sonia or Chirag?

Sonia Dasgupta: I think JM has been here for five decades and the entire senior management team having experience of more than two decades has helped us leverage a lot of deep relationships that we have and build traction across industries to deliver sound advisory practice, and we are very confident to maintain our market leadership in this space.

Digant Haria: All right. Thank you for the detailed answer. Vishal, the second question is on this entire pivot which we did from last June when we announced moving to this asset light model. So, now the first leg of that pivot was the balance sheet running down and consolidating our stakes in Credit Solutions and ARC. So, I think that has happened pretty well. And now probably a lot of money has come back. So, we are sitting with a good amount of cash. More cash will come over the next 18 months. So, if you can give more color on how we will use this in the private syndication business, number one.

And number two is, we have given good dividend this time, but as I can see from the balance sheet, there is still scope for doing a lot more on the dividend part as well. So, any thoughts here would be appreciated.

Vishal Kampani: Yes, so that's a good question, Digant. I think because of our good capitalization, we are in a very fortunate space where we will not only grow, but despite growth, we will also have a very good dividend payout ratio. And just so investors understand this, you know, our first business, which we talked about earlier in your first question, the Corporate Advisory and Capital Markets business, as I said, we will generate a very decent ROE and does not require much capital. And we feel that we should have a payout ratio in excess of 50% in that business.

And even in Private Markets, we do not need excess capital. We are very well capitalized. And as Nishit explained in his call that we have done over Rs. 1,000 crores of provisioning, and we feel we are fully provided, and the businesses should see very good traction and profitability over the next two years. And again, as we are well capitalized, we should be able to again sustain between 40% to 50% payout ratio in terms of profits of that business as dividend.

And I would say, assuming that the Capital Markets are healthy and the state we have been in the last 3-4 years and the pipeline continues to get executed, then I think dividends will stay higher from the levels we have done in the last three years. So, two years back the dividend was Rs. 1.8 a share, last year was Rs. 2, and we have proposed Rs. 2.7. So, in effect, in the last three years, we have doubled our dividend. And if profitability continues, which I am fairly confident it will, we should be able to double dividend in another three years as well.

Digant Haria: Perfect. That's great to hear, Vishal. And just on this private syndication business, like, you know, at least as of now the numbers look small, but what is the glide path, say, next two years, how much capital gets consumed there? How much fee income or transactions can we do? Any progress in the last 12 months in this if you can highlight that?

Vishal Kampani: Yes, so as you know that last one year, we were very focused on taking control of JM Financial Credit Solutions, which we have. We have used a significant portion of our cash, Rs. 1,500 crores, to buy out the minorities, but that cash is visibly sitting anyway in JM Financial Credit Solutions. And I think the consolidation of the ARC under Credit Solutions gives us an integrated approach on the credit side where we can work with a host of private companies, promoter families.

We have brought down the real estate book to a very comfortable level now. As you know, our real estate book at peak used to be Rs. 10,000 crores. A bulk of the provisions of Rs. 1,000 crores are sitting in real estate, and the real estate book today is at less than Rs. 2,800 crores. So, we have extremely healthy coverage on the book of almost 26%-27%.

So, I expect that this Rs. 1,000 crores we should be able to recover over the next 3 years to 4 years, and there is no further provision needed. And if we are able to maintain even Rs. 2,500 crores to Rs. 3,000 crores real estate book and a corporate plus bespoke book of another 6,000 to 7,000, I think there is a very good earnings potential in the private market business at a net debt equity of 1x.

And on top of that, we will also power through using our Corporate Advisory, Capital Markets and Wealth Management segment to do interesting stuff in the private equity side through a private equity fund. We are also entering into a lot of co-investment partnerships where we will be able to execute not only for balance sheet but even syndication on the unlisted side, a tremendous amount of equity investments for our clients. And we are very excited to even roll that business out from the balance sheet in Private Markets through co-investment models.

So, it looks very exciting. Obviously, we were not disclosing the full strategy of what we want to do with that business in the last two calls because we were purchasing the minority stake from the investors. Now that it is done, we will be fully focused on executing this strategy over the next two years.

Digant Haria: Perfect. That's very heartening to hear, Vishal. Thank you so much and all the best.

Vishal Kampani: Thank you.

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

Chintan Shah: Thank you for the opportunity and also congratulations on the quarter. Just adding on that AIF, private equity syndication business which we are talking about. So, given that now we won't be doing that wholesale lending, wherein we have a strong connect, but we will be doing that business indirectly via this syndication business. So, how big can the total AUM via syndication be over the next two years? Any thoughts on that? So basically, I just want to understand how much can it add to the bottom line in terms of fee income and given that the cost is very limited, it could add to the overall profitability of the group. So, firstly, I just wanted to get some thoughts there.

Vishal Kampani: Yes, Chintan, thank you. So, let me explain to you that when we talk about private credit and private credit syndication, it's a limited balance sheet business. It's not a zero-balance sheet business because in most of these cases, when you originate, you have to originate, underwrite and then you have to syndicate.

The idea is that when you are not running a very high leverage model and not trying to build a financial institution where you have to chase loan growth quarter-on-quarter, then the syndication business becomes very important. And we are seeing a lot of traction on syndication, on real estate, in corporate as well as on the equity side in private situations.

So, the idea is how do we build a franchise which is very strong at not only originating, making sure that they have a strong enough hold position on balance sheet through which we generate very good NIM. And we also are able to have good fees on the syndication side that adds to the return on equity in the business.

So, I think, imagine a scenario, just to put numbers down, where if we have, say close to around Rs. 5,000 crores of equity, and we supplement that with Rs. 5,000 crores of debt, I think in a Rs.10,000 crores book, we should be able to earn easily a yield of anywhere between 12% to 13%. And the idea is how do we churn this balance sheet in such a way that we are constantly making at least 1% to 2% of additional fees.

That's how we are thinking about the business and the business is fully staffed. We have all the people that we need to run that business. We don't need to add too many people. And we have all of these relationships which we want to mine, work with, provide interesting solutions, as well as keep the profitability at a very decent level.

Now, this business will never hit a 30%-40% kind of ROE which the advisory business hits because the advisory business does not need capital. But the way we look at it is our endeavor will be to hit the early teens. So, if you are able to hit 13% to 14% kind of returns on the syndication side and we have 30% to 40% returns on the Corporate Advisory and Institutional Equity side, I think the blended return on that capital that we are deploying should be in the high teens.

Chintan Shah: So, sir, if I just understood it correctly, so basically just hypothetical as you told 50 billion of equity and 50 billion of debt. So, basically, assuming a Rs. 10,000 crores book, so half of it would be funded by us and half would be via syndication. Is that a correct understanding?

Vishal Kampani: No, no, so I think the book eventually will be at Rs. 10,000 crores. It will be funded by a 1 is to 1 net debt to equity. The syndication amount will be over and above that.

Chintan Shah: And in syndication also, we would be inputting some number, 20% I guess or 20% would be funded from our side, right?

Vishal Kampani: Not necessarily. In some positions, we could be as low as even 10%. In some cases, we will hold even 30% or 40%. I think it's very deal-to-deal related. It's very hard to say that you will be approximately 20%. So, it depends.

So, right now the balance sheet capacity is very strong to be able to hold and sell down at our terms. So, if we see interesting transactions, we will underwrite and sell down at our terms. If the markets are very, very liquid, and we can do pure syndication and make returns from it, we will do pure syndication and make returns from it.

The numbers I am giving you roughly are not today's numbers. They are the numbers where we want to reach and have an endeavor to reach. Today the numbers are way smaller because the balance sheet has come down dramatically. But the growth plan takes us to around a Rs. 10,000 crores-ish book is the objective in a matter of coming three years.

Chintan Shah: And secondly, I think Nishit sir mentioned that we have reasonable visibility of some recoveries in FY '26. So, given that we have already almost provided more than 90% on the wholesale portfolio as well as in ARC, we have a sizable provision. So, can we also expect some provision writeback and also if you could throw some light on the quantum of how much recoveries are expected and how much is the provisions writeback?

Vishal Kampani: Yes, I think you should safely assume something like a one-third, one-third, one-third. I said this on one of my earlier calls also, I think. Assume out of Rs. 1,000 crores, we will recover one-third this year, one-third in FY27 and one-third in FY28.

Chintan Shah: So, Rs. 1,000 crores each year. And what would be the provision, sir?

Vishal Kampani: Not each year. Rs. 1,000 crores are the total provision. So, we will recover roughly Rs. 300 crores each year. We are fairly confident that we will recover everything that we have provided.

Chintan Shah: Sure, so the entire provision could be written back over the next three years.

Vishal Kampani: Yes.

Chintan Shah: I will join back in the queue. Thank you, and all the best.

Moderator: Next question comes from the line of Ravi Purohit with Securities Investment Management Private Limited. Please go ahead.

Ravi Purohit: Hi, thanks for taking my question. I have two questions. So, one is, if you could just spend some time on our mortgage lending business, both wholesale as well as retail, as to what is our long-term game here. This is probably one of those businesses which will require constant infusion of capital and ROEs are still subpar. So, if you could just share some thoughts on that.

And broadly, if you look at JM, as a whole today has, let's say, about Rs. 10,000 odd crores net worth with about Rs. 5,000 crores in treasury. Now, if this is not deployed over a longer period of time and the net worth keeps expanding, at what point of time or what path will the company take to achieve that 15%-20% ROE, assuming this net worth is not paid out and this cash stays on the balance sheet, which effectively means what's the path to kind of making Rs. 1,500 crores to Rs. 1,800 crores profit?

Because, I mean, the ROEs will come either you shrink the denominator, or we deploy significant amounts of money over a period of time and generate significantly higher ROEs on that. So, if you could just spend some time on both these, it would be great.

Vishal Kampani: Yes, let me start with your second question first. I think of the Rs. 5,000 crores that we have in treasury assets, I think we will take an additional close to Rs. 2,800 crores back into business, and we will leave surplus of around Rs. 2,000 to Rs. 2,200 crores in cash. And we will give all of those details in our June quarter in terms of where the cash is being deployed and in terms of which business and how.

And you should also understand the ROE, right? I mean, if you look at our profitability ex the investments that we are making in digital, in physical branches in terms of our broking platform, the additions in manpower and Wealth Management, as well as the burn that is on in Asset Management to scale the business, ex that burn and ex those businesses, the ROE is anyway already in the early teens.

The idea really is to make sure that we scale businesses and our businesses become much larger than where they are today over the next two years. And we started this journey of investment two years ago. It's kind of a three to five-year plan and we will continue investing over the next two years because right now size, scale and the momentum to be much larger in some of these segments is very important to us and strategically important to us. And therefore, that investment is reducing profits a little bit.

But as these businesses break even, many of them scale in terms of their revenues. You will see a lot of increase in profitability over time. And some of these things we are already seeing when we see data on a lag basis. You are already seeing a lot of these investments become profitable. It's just a matter of time. A year or two down the line where there will be much more profitability from the same.

So, coming to your question on mortgage lending, I will have Manish talk about retail, but before he starts, on the wholesale side, we have shrunk the mortgage lending business for a couple of reasons. One is that there are changes in regulation which came from RBI over the last two years. Some of them increasing provisions and some of them sort of raising a question mark on what kind of financing is possible through an NBFC structure. And land finance, early stage approval finance is all not clearly permitted by these regulations and therefore there is a necessity to shrink the book.

Also, I think we have realized that the recoveries from many of these segments take much longer compared to what we had estimated earlier and that dips into ROA. That really reduces ROA by almost 100 to 150 basis points and therefore reduces the profitability of the model over cycles. And therefore, we are focusing on high quality real estate developers who we will work with, where we can do equity transactions with them, where we can do credit transactions with them. And we will do more construction finance, more syndication of the construction finance and syndication of land finance.

And therefore, keeping a book at less than Rs. 3,000 crores are probably healthier long-term from a balance sheet perspective, but doing more fee-based business with these same developers and relationships is a better sort of business model. And that's why we pivoted the business model a year ago.

I will pass it on to Manish now, who will talk you through our retail home loans plan.

Manish Sheth: Hi, Ravi. This is Manish here. In affordable home loan business, we are in the 8th year, and as we speak, this year, we are now operating out of 128 branches, roughly Rs. 2,800 crores of AUM. Our net worth is around Rs. 800 crores and rightly said by you, our ROE is 8.5% and our ROA is 2.5% and leverage is ~2x.

The question is that, how will you grow this business? So, even in the last call, what we said, and we are maintaining the same, that we will grow at least 30% CAGR. So, we will take this business AUM from Rs. 2,800 crores and by FY27 we will be at Rs. 5,000 crores and by FY30 we will be at Rs. 10,000 crores at that rate. While we grow this business, our branches will grow from 128 today to roughly 200 branches by FY28 and roughly 275 branches by FY30.

The question was more on ROE, which is today at 8.5%. We are budgeting that we will be at roughly 11.5% to 12% in FY28 assuming a leverage of 3x and roughly 14% by FY30. And that means we will take our ROA up from 2.5% to around ~3.0% by FY27. We have capacity to increase the leverage which can increase the RoE.

Ravi Purohit: Thanks, Manish, for that. Just one clarification on the numbers in the P&L. There is a line item in our P&L called net gain on fair value changes. If you see that number for the full year financial year, it is about Rs. 735 crores versus last year Rs. 560 crores. Now what is this net gain on fair value changes? Because what we are trying to establish or at least what I am trying to understand is what is really our operating income versus some of these fair value changes in investment book and all this.

So, this net gain on fair value changes, is it mark-to-market changes, these are actual changes? Because bulk of our profit, if I look at the reported profits and the net gain on fair value change number, they are probably the same. So, if you could just clarify what exactly this line item constitutes.

Nishit Shah: Yes, hi, this is Nishit here. So, net gain on fair value changes includes the realized as well as the unrealized profit. So, under Ind AS, we have to mark-to-market the financial instruments, so that everything comes under this net gain on fair value changes.

Now, even the investments that we do of surplus liquidity for some of our NBFCs, which are technically operating in nature, actually move through the net gain on fair value changes. So, it's more accounting from that perspective.

Ravi Purohit: So, how do we assess the core profitability of our businesses? And this is when we adjust for, so, should we take out net gain on fair value changes from our operating profits to assess the true profitability of the business? I am just a little confused on that angle.

So, like we many times do like non-recurring incomes or non-cash income or expenses we net out from P&Ls of companies to establish what their true business incomes are. Here, this net gain on fair value change is such a large number, I understand we have given business-by-business breakup in the PPT, but all of those will also include this in their segment-wise numbers, right? So, if you could just share?

Vishal Kampani: I think what Nishit was trying to explain to you even the Mutual Fund investments that we make, which are in the nature of liquid Mutual Funds, right, which is the earnings from the cash that we have had on balance sheet. So, we have had on an average basis the highest cash on balance sheet last year because the payout of Rs. 1,500 crores for Credit Solutions also happened in the last two weeks of March, right?

Even the liquid investments that we make, all of that goes through the same line item, right? So, it's literally kind of a treasury income. So, it is a mix of core and non-core income. It is income from your treasury investments in Mutual Funds and of course gains in some of the other instruments whether debt or equity that you have. But large part of it is investments in Mutual Funds.

That number over time will reduce because we won't be holding so much cash like we have been holding in the last two years. The cash will get deployed more and more in business and therefore what you are seeing today as treasury income will actually become interest income as we start deploying to build a private markets business.

Ravi Purohit: Fair point. I think I got that.

Vishal Kampani: If you see the way the balance sheet has moved over four, five years, right? So, Rs. 10,000 crores real estate book has become less than Rs. 3,000 crores and Credit Solutions on average had Rs.3,000 crores of cash last year. So, it is loans which reduced which became cash. We tried to prepay as much of loans that we could where banks were accepting and Mutual Funds were accepting. And then, whatever cash remained on the balance sheet was invested in Mutual Funds which gave you a return. And we have 10% of the treasury which we invest in equity, which did very well, which gave you a return. So, major portion of that return is from liquid Mutual Funds and balance of it is from equity and other investments.

Ravi Purohit: So, in a sense, if I look at the line items and the revenue from operations, the first line item is interest income, which is right now actually on a reducing glide path, whereas other income is going up. Over a period of time, the two will reverse.

Vishal Kampani: This is the reset year. Over the next four to five years, you will again see it reverse. You will see interest income going up and other income coming down.

Ravi Purohit: Okay, fair enough. I think that's very, very clear. Thank you so much for this explanation. Really appreciate it. Thank you.

Vishal Kampani: Of course.

Moderator: Next question comes from the line of Prolin Nandu with Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Yes, Vishal, thank you so much for giving me the opportunity. Just your comment on you wanting to take the Credit Solutions book back to Rs. 10,000 crores, right, with Rs. 5,000 crores of equity and Rs. 5,000 crores of debt. So, will it be that the syndication will start once you build this Rs. 10,000 crores book?

Vishal Kampani: No, syndication is already on.

Prolin Nandu: Understood. So, what I am saying is that, do you have a number in mind as to how do you want to balance the yield income that we will earn on this mix and the syndication fee, this is like a 50-50 mix that you have in mind or 70-30 mix? Any comment on that as to how should one think about it?

Vishal Kampani: No, I think that's a good question. It's very hard to put a number down in terms of what the mix will be. But I think on average, we should be able to syndicate at least 1 to 1.5x what is on balance sheet. So, you can churn the number out. So, assuming if your balance sheet is, say, Rs.100 and you have Rs. 150 of syndication, that means you make your fees on syndication, and you make your NIM on the Rs. 100 that you have invested. So, that's roughly the kind of math you can work in your model.

Prolin Nandu: So then it means that it will still largely be in, let's say, next five years, still largely be a yield business rather than a fee business, right? Is that assessment correct?

Vishal Kampani: No, because there will be a lot of deals where we will be only syndicating. This is the combination deals where we are holding on balance sheet and we are doing syndication. Now the only syndicating business is very hard to put a number because it's like the Equity Capital Markets number. You may have two quarters of great syndication going on and you may have two quarters of no syndication going on. So, it's very hard to tell you how much of your syndication will happen and when.

Prolin Nandu: No, so, Vishal, I am not talking about a quarterly number, but can it be a 50-50 mix, let's say, right, in some sense?

Vishal Kampani: No. The interest income will be a higher mix for the foreseeable future, at least the next two to three years.

Prolin Nandu: That's it from my side. Thank you so much.

Moderator: Next question comes from the line of Himanshu Upadhyay with Bugle Rock PMS. Please go ahead.

Himanshu Upadhyay: Hi, good afternoon. My first question was on the ARC side, we see a purchase of asset of Rs.260 crores. Is it a single asset or it's a retail side of asset what we have acquired?

Vishal Kampani: No, this is an asset which we bought in partnership with a corporate group where we are helping the corporate group with the recovery process. So, it's not a retail asset. It is a wholesale asset.

So, as we explained our strategy a couple of quarters back, we will only do two strategies in our ARC. One is partnerships with our corporate clients, high-quality corporate clients, in identifying and helping them acquire stressed assets where we will have some form of hold with them in those assets. And we will do retail assets more on the secured side, where again, we are able to get some kind of a minimum return, at least in the low teens, which is sort of very NBFC-like kind of returns and not really taking on the whole load of restructuring and collections.

The collection piece has to be in partnership with the NBFC or the bank, that we acquire the asset from. Of course, we will follow all our processes in the ARC in terms of collection, but we don't want to build today a full-blown retail collections business because the operating costs of building that can be very significant.

Himanshu Upadhyay: And one more thing. This is on the private market side. So, we have two assets, one was wholesale and the financial institutional financing, okay. One of the things what we were seeing on builder loans was, the demand was very low and the cost or the lending rates were very low and it had become very unattractive. But with some softening in purchases, are we seeing the builders are coming to the market for incremental higher capital and higher rate? What is the sentiment on that side? And some thoughts over that business or how are you looking at the opportunity in the next 6 months to 1 year?

Vishal Kampani: Yes, so far we have not seen a surge in requirements from builders because of the slowdown in sales, but your question is a very good one. If a lag in sales or a slowdown in sales has to continue for the next couple of quarters, then you will see a surge in financing requirements to go up on the construction finance side because for completion, builders will have to draw on the construction finance. But so far, I mean at least till the last quarter, we have not seen a big surge.

Having said that, most developers are in very good shape from a credit perspective. I think the large developers specifically have done very well in the last three to four years. So, they have a lot of buffers in terms of cash flow management. So, we will have to see over the next one year how the growth trajectory for this business pans out.

Himanshu Upadhyay: And in this environment, what we are looking at, or what seems now, do we think this business will start getting growth, seeing growth in this business?

Vishal Kampani: There is a lot of growth in real estate, in land financing as well as the mid-tier and some of the smaller developers who you can lend to. The point is we don't want to be in that business.

Having seen a long cycle now for the last over 15 years, we believe it is better to stick to the quality end of the developers, work with them with interesting bespoke solutions and maintain a construction finance book with the quality developers and not go down the curve to chase higher yield. But if you are willing to lend, there are a lot of transactions available at 18% and 19% and 20%. There are a lot of land finance transactions also available at similar rates. But those are all better done through fund structures and not on balance sheet structures.

Our very clear strategy is to number one, keep it balance sheet light, 1:1 net debt to equity is what we want to work with. Number two, work with absolutely high quality customers, high quality clients and manage that higher risk-adjusted returns through bespoke solutions and high-quality advice and not take unnecessary risk at all chasing higher yield. We are very, very clear about that.

Himanshu Upadhyay: And I missed a point or I don't know if you have said. What would be the group level borrowing currently?

Vishal Kampani: Around Rs. 11,400 crores. So, when I talk about the 1:1 net debt to equity, it is about the NBFC business. Of course, the HFC and the loan against shares and the margin trade financing business will keep growing and they would be at anywhere between 4x, 3.5x to 4.5x debt to equity. But those are retail granular businesses. They can afford to have high leverage.

Himanshu Upadhyay: No, I get your point. Actually, yes, okay, so currently we are around Rs. 11,400 crores. Last quarter it was Rs. 12,000 crores. Yes, okay. Thank you from my side.

Moderator: Next question comes from the line of Hari Kumar, an individual investor. Please go ahead.

Hari Kumar: Thank you for the opportunity, sir. My question, sir, regarding this AD (Alternative and Distressed Credit) division is doing good. About this Distressed Credit business, sir, how much of the legacy amounts we are yet to recover because we are not yet seeing any positive return on the invested amounts? That's the only question I have.

Vishal Kampani: Sorry, I didn't get the question. Could you repeat that?

Hari Kumar: Sir, about this Alternative and Distressed Credit business, sir.

Vishal Kampani: Yes, ARC business. Yes, tell me.

Hari Kumar: Yes, we are not seeing any positive returns on this division, sir. All other divisions are doing good. But how much is the legacy assets like we are yet to recover in this business, sir? And can we expect any positive surprises going ahead?

Vishal Kampani: Yes, hopefully we should have some positive surprises this year and next year. Though we have not had profitability, we have had our best collection year last year. I think we were able to collect almost Rs. 1,300 crores. We have paid down a significant amount of our debt using the collection and the cash flow. The debt equity is at very, very comfortable levels, more than comfortable levels in the business. And this year and next year, I think we should see a good turnaround in profitability in that business.

Hari Kumar: By when, so what period can we expect the legacy assets to be fully resolved, sir?

Vishal Kampani: I think barring three assets, I think everything is resolved. In fact, cash is also getting collected. The only big asset which we mentioned last time as well is Unitech, which has not seen any progress on resolution. Otherwise, every other single asset is either in NCLT, in the mid-stage or advanced stage or there is some settlement going on where resolution is taking place.

So, the only asset where we have no visibility on resolution is Unitech. But there is positive news wherein last quarter the Supreme Court said that the management as well as the lender should try and come on the table and reach some kind of a settlement. So, we are waiting to hear back from the management of Unitech on what they have in mind.

Hari Kumar: Why are we not seeing any profitability even after recovering all the amounts, sir?

Vishal Kampani: Because we made provisions against some of the assets where we don't expect recovery to be as high. And therefore, it is cautiously provided in the ARC as well, just the way we provided against the real estate book.

Hari Kumar: Nothing of them have thrown any positive surprise. Okay.

Vishal Kampani: Yes. So far nothing, but this year and next year should be good.

Moderator: Next question comes from the line of Himanshu Upadhyay with Bugle Rock PMS. Please go ahead.

Himanshu Upadhyay: Any update on that Bombay Rayon write-off what we took on the ARC side, one big write-off?

Vishal Kampani: Yes, that is fully resolved. That was a large part of the collection we had last year.

Himanshu Upadhyay: So that is done now.

Vishal Kampani: Yes, that is done.

Himanshu Upadhyay: Yes, that was it from my side.

Moderator: Next question comes from the line of Sandip, an individual investor. Please go ahead.

Sandip: Yes, sir, Sandip here.

Vishal Kampani: Hi.

Sandip: How much cash do we have now, sir?

Nishit Shah: Rs. 3,600 crores.

Sandip: Rs. 3,600 crores. And any update about BlinkX app, digital app of our brokerage firm?

Vishal Kampani: Yes, BlinkX.

Sandip: Yes.

Vishal Kampani: So, I think we made very good progress. The app is fully stabilized. It is in sort of flow of marketing. But because of the low volumes on the options side in the last three to four months, we did not push the pedal very hard on the marketing side. And this year, I think we will see a lot more traction on BlinkX, hopefully markets being very supportive. But the app has come out very well. The ratings are very positive. The initial traders' feedback that we have on the app is absolutely fantastic.

Sandip: How much customers on this app are trading now? Any update for this? How many customers are now trading on app? New customer added only for the app.

Vishal Kampani: Yes, we are not giving the breakup data of that as of now. We will start providing it from June quarter.

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

Vishal Kampani: Thank you very much everyone for attending the call. As we said earlier, we have had an excellent year in terms of resetting and making clear our business priorities, and we look forward to tremendous growth over the next two to three years in all of our businesses. And we look forward to our call in the June quarter. Thank you.

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