



**JM Financial
Asset Reconstruction Company
Limited (JMFARC)**

Corporate Presentation

October 2021

Safe Harbour

This presentation and the following discussion may contain “forward looking statements” by JM Financial Asset Reconstruction Company Limited (“JMFARC”) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives are based on the current beliefs, assumptions, expectations, estimates and projections of the management of JMFARC about the business, industry and markets in which JMFARC operates.

These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond JMFARC’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements.

Such statements are not and should not be construed as a representation of future performance or achievements of JMFARC. In particular, such statements should not be regarded as a projection of future performance of JMFARC. It should be noted that the actual performance or achievements of JMFARC may vary significantly from such statements.

The Financial Results of JMFARC commencing from April 1, 2018 are being prepared in accordance with the applicable Indian Accounting Standards, whereas the Financial Results till March 31, 2018 were being prepared as per the applicable Indian GAAP. Due to the above change, figures for the period prior to March 31, 2018 are not comparable with the figures post April 1, 2018. Similarly, the figures wherever appearing in the presentation for the period prior due to implementation of the Ind As are not comparable with the figures post April 2018

Business Highlights

Strong Balance Sheet

- JMFARC is the 3rd largest capitalised ARC[^] with net worth of Rs. 1,660 Crore (as on September 30, 2021)
- JM Financial Ltd (JMFL) is the holding company with 59.25% holding, balance equity held by Banks, HNIs & FII
- JMFARC has raised capital twice in the last 4 years - Rs 200 crore (CCD- FY20) and Rs 278 crore (FY18)

Acquisitions & Resolutions

- Aggregate dues of Rs. 62,418 Crore acquired till September 30, 2021 at a price of Rs. 17,568 Crore
- JMFARC's cash investment of Rs. 5,146 Crore and Loan disbursed Rs. 856 Crore till September 30, 2021
- Total recovery from acquired assets Rs. 11,125 Crore till September 30, 2021 with focus on turnaround of underlying companies
- All Acquisition/ Pre-Acquisition Due Diligence (both Legal & Financial) & Resolution/Recovery activities are conducted in-house with the specialised support from outside agencies.
- For revival & restructured assets we closely work with diverse sector specific professionals and sector specialised firms for revival of the acquired units.

Team Strengths

- Management team is guided by Board with huge domain experience
 - Highly professional team of 47 personnel comprising of CAs, CFAs, Engineers, Management & Law Graduates having a wide and varied experience from the banking, asset reconstruction, consultancy and legal background.
 - Of the total number of employees, about 60% of the total number have been with the company for more than 5 years.
- The team is fairly balanced across various functions i.e. Acquisition, Resolution, Legal and Corporate Functions
- Corporate office in Mumbai. Branches in Bangalore, Kolkata and Borivali (Mumbai)

JMFARC Overview

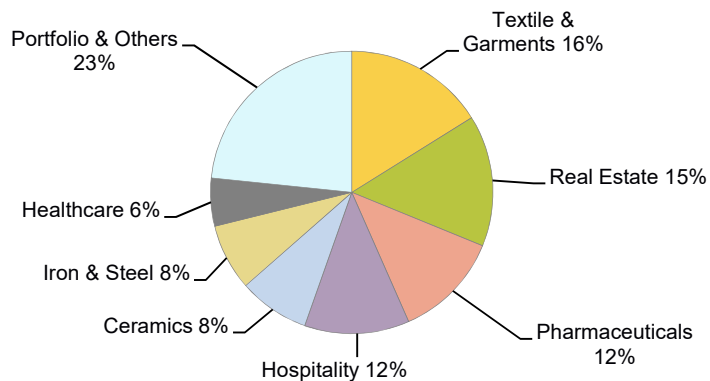
Summary of Assets Acquired & Outstanding

as on September 30, 2021

Assets Acquired (Gross) & Security Receipts Outstanding

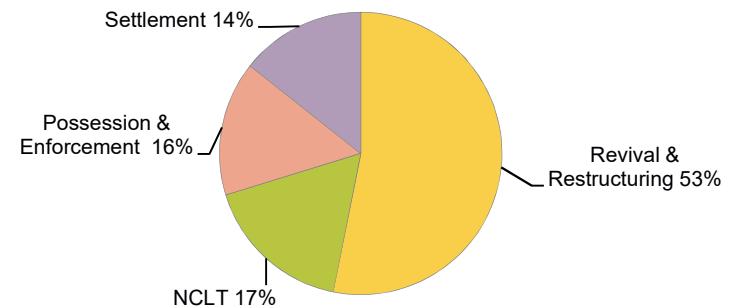
- Acquired financial assets of Rs. 62,418 Crore (Total dues)
- Total Acquisition Cost Rs. 17,568 Crore, acquired in 186 trusts from 79 Banks/FIs/NBFCs
- Contribution by JMFARC in acquisitions Rs. 5,146 Crore
- 34% acquired at 100% dues and balance 66% acquired at 21%. Average acquisition cost of 28%
- Total Security Receipts Outstanding (AUM) - Rs.10,687 Crore
- Total Security Receipts Investments JMFARC - Rs.3,140 Crore. Additional Priority Loans – Rs. 554 Crore

Industry - wise Exposure



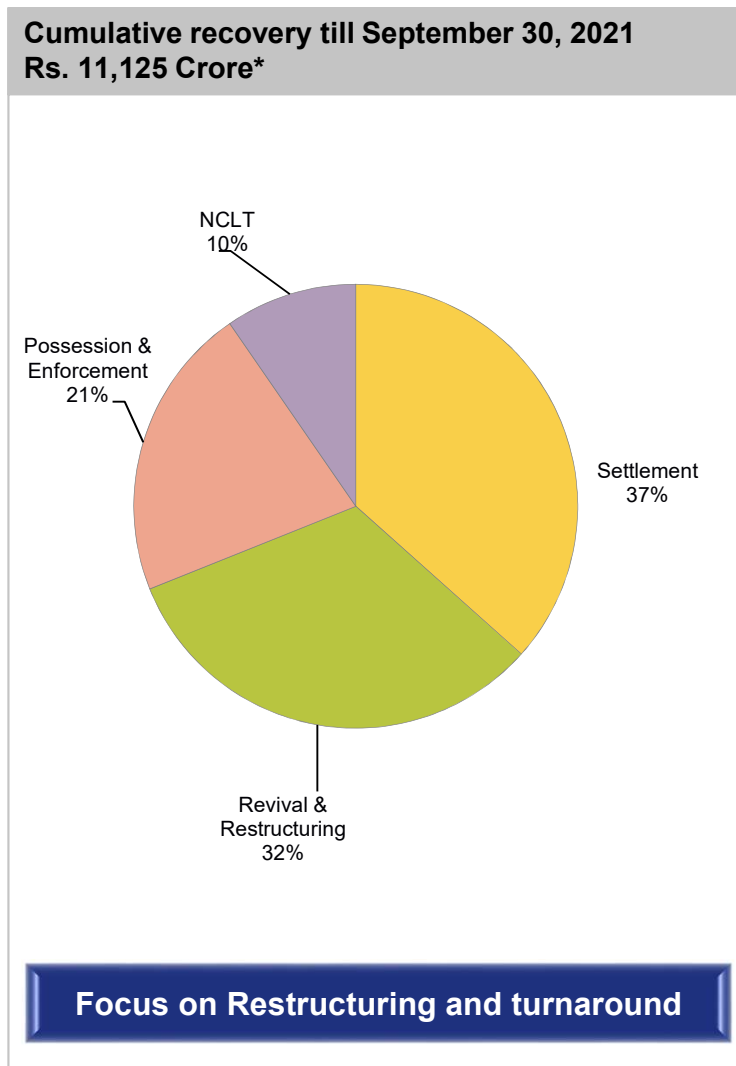
Outstanding SRs – Rs.10,687 Crore – September 30, 2021

Proposed Recovery Strategy of Outstanding SRs (existing AUM)



Outstanding SRs – Rs.10,687 Crore – September 30, 2021

Resolution and Recoveries



Accounting for JMFARC

Accounting Framework

- Accounting within the framework of IND AS issued by MCA

Revenue Recognition

- Main items of revenue - Management Fees, Interest and Upside (grouped under Fair Value Gains/Losses)
- The recognition of revenue is as per the terms of the contract of specific trusts
- Management Fees is charged as a percentage of the NAV of SRs (lower rating range) or AUM if NAV is not yet declared. Appropriate fair valuation of revenue done for the timing of realisation of the revenue
- Upside income recognised on realisation after redemption of SRs over and above the Fair Value gains recognised

Valuation of Investment in SRs

- In both Consolidated and Standalone Financials, Investment in SRs/ Financial Assets are valued at Fair Value
- Latest declared NAV is considered as Fair Value. NAV is declared every six months. Material updations factored in Fair Valuation of the interim period
- Impairment and appreciations accounted at an individual SR level. Gains / losses on Fair Value accounted through P&L

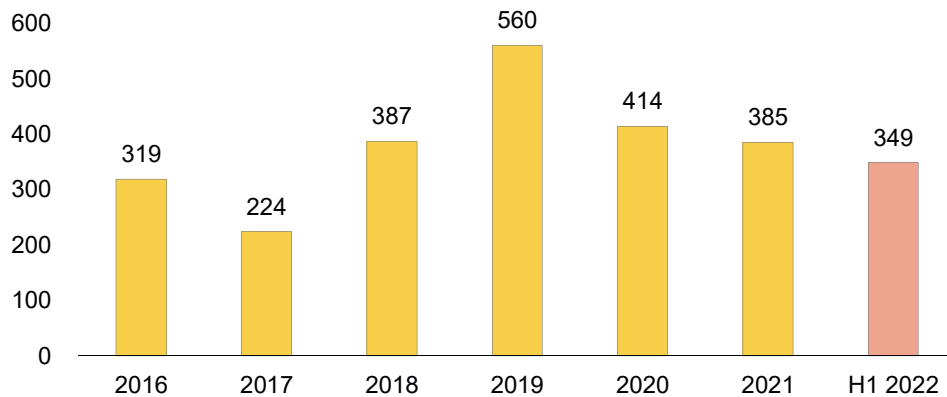
Impairments under Expected Credit Loss Method (ECL)

- Provision against unrealised management fees are made in cases where the NAV of the respective trust is zero
- Similar provisions are made for loans and advances to trust for expenses
- Provision on balance receivables for management fees from and loans and advances to the trust is worked out on the basis of historical information under Expected Credit Loss method. Appropriate provision also made for timing delays
- Provision on additional loans from Balance Sheet made on the basis of Expected Credit Loss Method

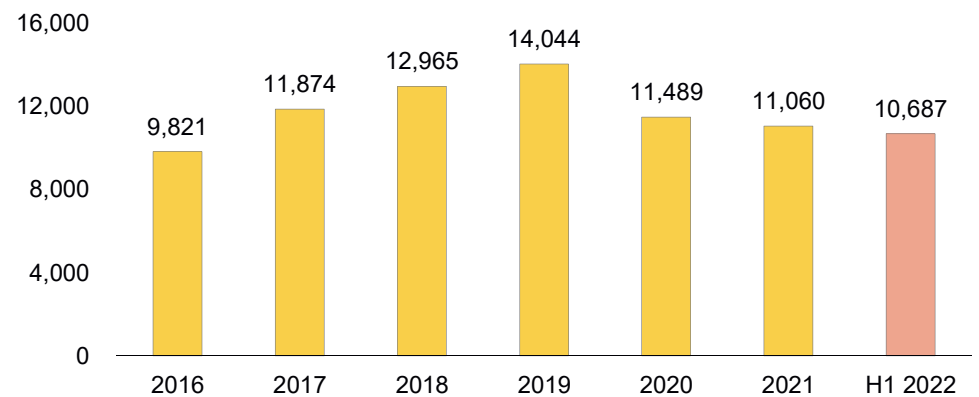
JMFARC Financial Performance

Last 7 years trend

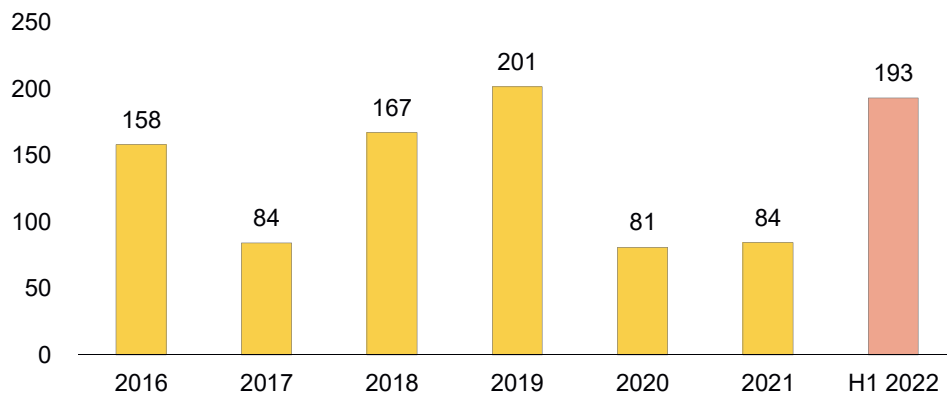
Total Income
(Rs.Crore)



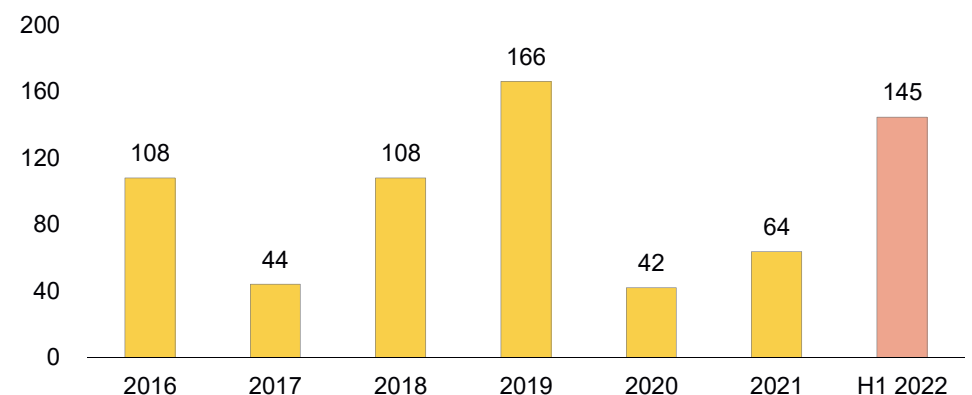
AUM
(Rs.Crore)



Profit Before Tax
(Rs. Crore)



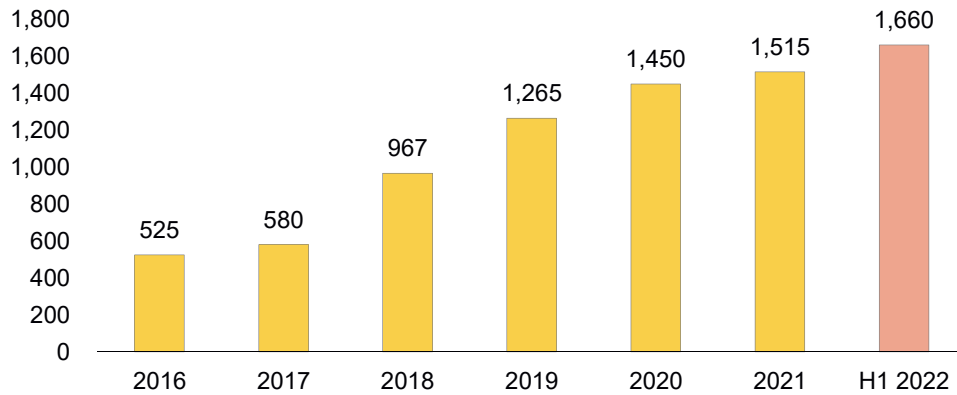
Profit After Tax
(Rs.Crore)



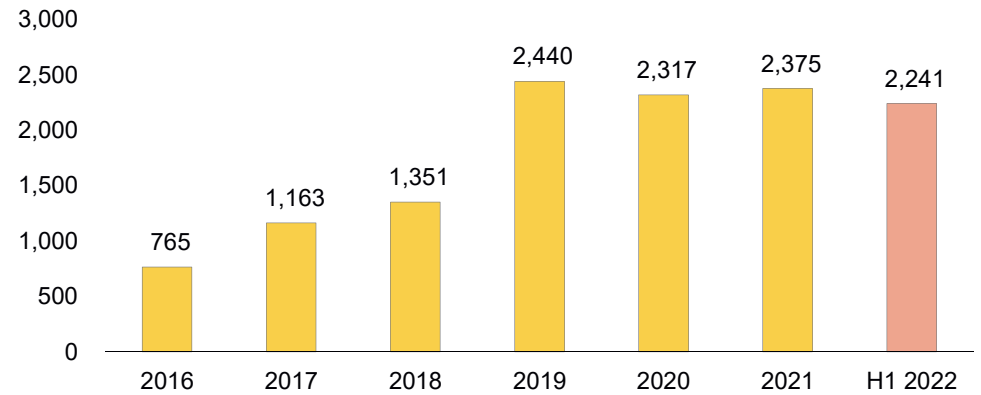
JMFARC Financial Performance

Last 7 years Trend

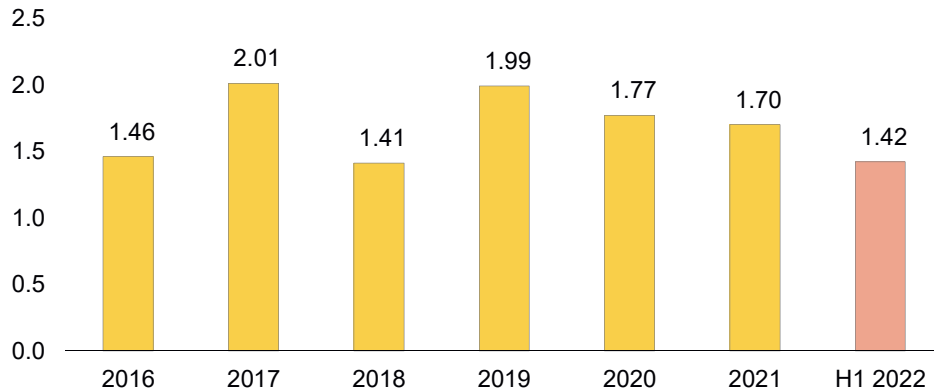
Networth (Rs.Crore)



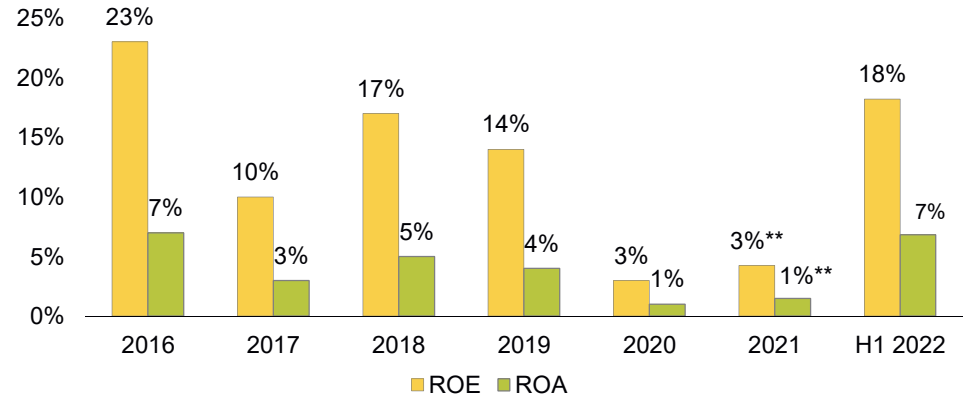
Total Borrowings (Rs.Crore)



Debt Equity (x)



ROE & ROA (%)



Liability Profile and Credit Rating

Credit Rating

Bank Loan of Rs. 700 Crore

Non Convertible Debentures of Rs. 1,500 Crore

Commercial Paper of Rs. 300 Crore

Market Linked Debentures of Rs.600 Crore

ICRA & CRISIL AA- (Stable)

(ICRA rating is for bank limits of Rs 500 crore & CRISIL Rating for Rs 200 crore)

ICRA & CRISIL AA- (Stable)

(ICRA rating is for NCD of Rs 1000 crore CRISIL Rating for Rs 500 crore)

ICRA & CRISIL A1+ (Stable)

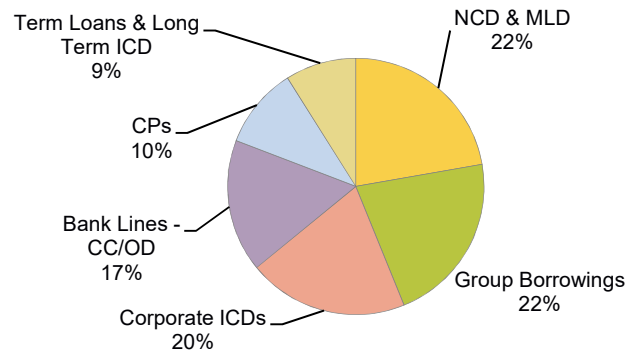
(CRISIL & ICRA rating for CP limits of Rs 300 crore)

PP-MLD [ICRA]AA-(Stable)

(ICRA limit of Rs. 600 crore)

Liability Profile (instrument wise)

As on September 30, 2021



• **Net Gearing Ratio:**
1.38

September 30, 2021 : Total Borrowings: Rs.2,241 Crore

Gearing Philosophy

- Gearing of maximum 2 times
- Majority to be funded by way of Medium / Long term NCDs, Term Loans, Long term ICD and Bank CC lines
- CP borrowings would be capped to 10% of the total borrowing.

Total Borrowing represents principal amount and excludes interest accrued & debt component of CCDs

Annexure 1

Select Case Studies – Closed/Exited Accounts

Select Case Studies

	Project Resin	Project Retail												
Company Background	<ul style="list-style-type: none"> Engaged in manufacturing and trading of resins Non-operational unit 	<ul style="list-style-type: none"> Acquisition of 3.76 lakh Personal Loan & Credit Cards accounts spread across 24 locations 												
Challenges & Opportunities	<ul style="list-style-type: none"> Price expectation mismatch between bank and JMFCARC for acquisition of debt Class A-Class B transaction structure to meet bank's expectations – Providing the banks substantial cash upfront and opportunity to share the upside Risk of long drawn resolution because of ongoing litigations and an existing court order in favour of the borrower 	<ul style="list-style-type: none"> Establishing point of contact with large number of customers, as many of them were non-traceable Grievance handling Adhering to strict compliance requirements for Recovery Agencies and Agents stipulated by RBI and Indian Banks' Association Setting up robust IT infrastructure for capturing customer profile, agency allocation and follow up trail, collection and reconciliation 												
Resolution Plan and Recovery	<ul style="list-style-type: none"> Initiated legal actions against the company and promoters on multiple forums <ul style="list-style-type: none"> Pursued sale of mortgaged properties through SARFAESI Act Attached personal properties of promoter through DRT Negotiated settlement with the promoter through sale of mortgaged property Account resolved within 2 years 	<ul style="list-style-type: none"> JMFCARC took over the servicing, collection and monitoring and appointed a nodal management agency Tele Calling, Field Visits and Skip Tracing Agencies appointed to achieve the last mile connectivity with customers Following infrastructure and mechanisms were set up for effective recovery and real time monitoring: <ul style="list-style-type: none"> More than 100 collection agencies with more than 750 agents 3 tier mechanism for redressal of consumer grievance Periodic audits/checks conducted on agencies/ agents to ensure recovery / compliance with regulations Decentralization of settlement process to ensure faster decision making 												
Resolution	<table border="1"> <tr> <td>Year of Acquisition</td> <td>Sep-10</td> </tr> <tr> <td>Year of Resolution</td> <td>May-12</td> </tr> <tr> <td>IRR</td> <td>30%</td> </tr> </table>	Year of Acquisition	Sep-10	Year of Resolution	May-12	IRR	30%	<table border="1"> <tr> <td>Year of Acquisition</td> <td>Jun-11</td> </tr> <tr> <td>Year of Resolution</td> <td>Mar-13</td> </tr> <tr> <td>IRR</td> <td>68%</td> </tr> </table>	Year of Acquisition	Jun-11	Year of Resolution	Mar-13	IRR	68%
Year of Acquisition	Sep-10													
Year of Resolution	May-12													
IRR	30%													
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IRR	68%													
Critical Success Factor	<ul style="list-style-type: none"> Transaction Structure Negotiated settlement at a higher amount despite court order 	<ul style="list-style-type: none"> Low Cost of Acquisition Establishing pan-India reach for collection/recovery Strategizing recovery efforts for front ended returns Strict monitoring & compliance resulting in minimal complaints 												

Select Case Studies (cont'd)

	Project Poultry	Project Paint												
Company Background	<ul style="list-style-type: none"> Integrated poultry breeder located in Western India Promoter having more than 45 years of experience in the business Group's businesses include Hatching Eggs, Day-Old-Chicks (DOC), Grand Parent Stock and Broilers in India 	<ul style="list-style-type: none"> Engaged in manufacturing of paints Plants located at Rajasthan, Maharashtra & Tamil Nadu and windmills at Satara Operational only on job work basis 												
Challenges & Opportunities	<ul style="list-style-type: none"> Inefficiently managed Company The land was split (due to family partition) and mortgaged to different lenders making it tough to sell and reducing realizable value of the land Excellent land parcel in heart of Nasik city available as security 	<ul style="list-style-type: none"> Despite being operational, no surplus cash available for debt servicing Fragmented debt holding of the Company with 5 banks sharing same security Disagreement between lenders on a common way forward for resolution Loans secured mainly by 2nd charge on the fixed assets Mortgaged assets spread across 3 states, time consuming enforcement 												
Resolution Plan and Recovery	<ul style="list-style-type: none"> Aggregation of debt from lenders and sale of the split land parcels as a single plot which increased realization and unlocked value Adequate time given to the Borrower to sell the land parcel in order to ensure that the land is not sold at distressed value Company paid off the dues through sale of assets Resolution of account within 2.5 years 	<ul style="list-style-type: none"> Aggregated part of the debt ensuring first charge over assets Took lead and steered the resolution process – Persuaded the balance debt holders to arrive at a common resolution strategy Buyer of assets given flexibility to make payment over a period of 1 year in order to ensure timely sale and good realization Resolution of the account within 3 years Full Redemption of Class A and Class B SRs and upside sharing with banks 												
Resolution Period	<table border="1"> <tr> <td>Year of Acquisition</td> <td>Sep-10 / Nov-11</td> </tr> <tr> <td>Year of Resolution</td> <td>Jan-13</td> </tr> <tr> <td>IRR</td> <td>44%</td> </tr> </table>	Year of Acquisition	Sep-10 / Nov-11	Year of Resolution	Jan-13	IRR	44%	<table border="1"> <tr> <td>Year of Acquisition</td> <td>Mar-09 / Mar-10</td> </tr> <tr> <td>Year of Resolution</td> <td>Oct-11</td> </tr> <tr> <td>IRR</td> <td>126%</td> </tr> </table>	Year of Acquisition	Mar-09 / Mar-10	Year of Resolution	Oct-11	IRR	126%
Year of Acquisition	Sep-10 / Nov-11													
Year of Resolution	Jan-13													
IRR	44%													
Year of Acquisition	Mar-09 / Mar-10													
Year of Resolution	Oct-11													
IRR	126%													
Critical Success Factor	<ul style="list-style-type: none"> Good underlying Security Aggregation from other banks to ensure full security of underlying land Negotiated settlement on attractive terms 	<ul style="list-style-type: none"> Transaction Structure 												

Select Case Studies (cont'd)

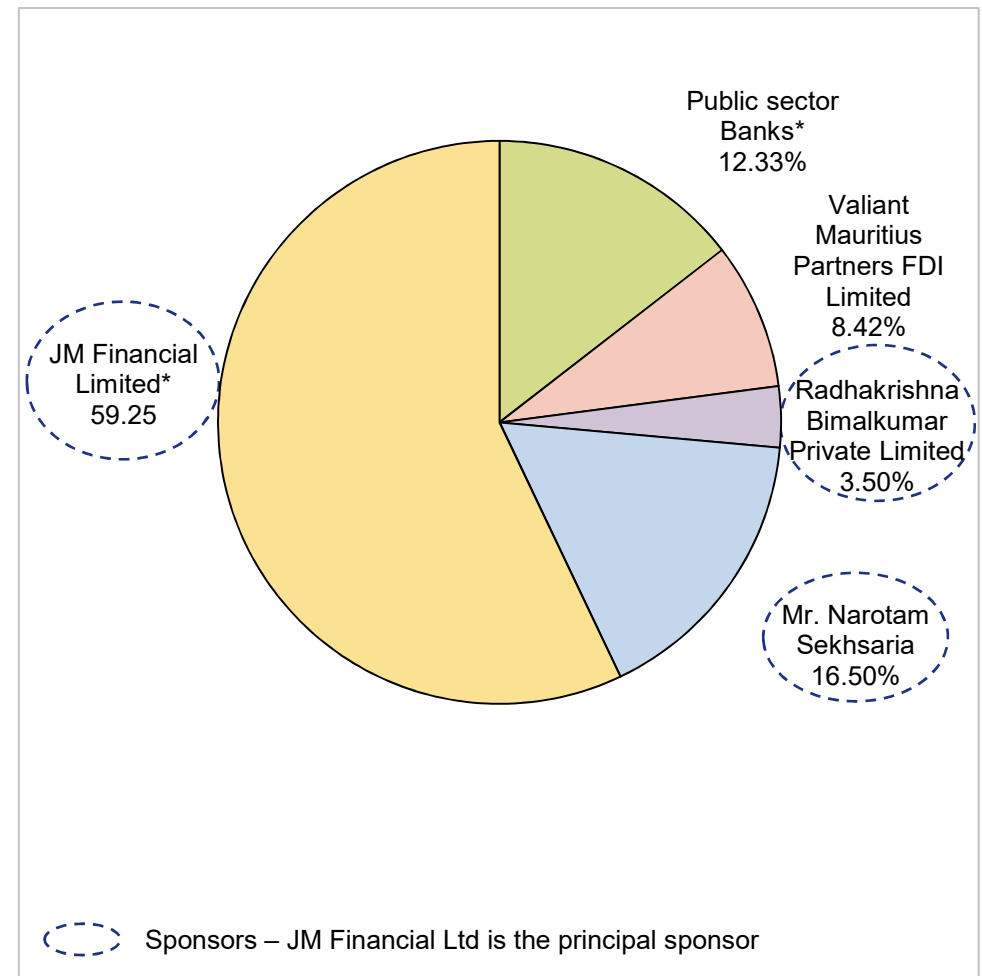
	Project Metal	Project Real Estate												
Company Background	<ul style="list-style-type: none"> Operating in a niche industry - Engaged in production of minor metal oxides which are used for making carbide grade tool steel, electronic and optical applications Only player in India in the industry. Unit located at Taloja, Navi Mumbai Promoters having > 20 years exp. in mining business in Nigeria 	<ul style="list-style-type: none"> Engaged in the development of Real Estate Projects. Operating Company with good asset base 												
Challenges & Opportunities	<ul style="list-style-type: none"> Lack of funding availability due to NPA tag to revive and scale up operations Surplus assets available for monetization to reduce the debt level Possibility of revival of operations 	<ul style="list-style-type: none"> Aggregation of Debt from several lenders Low fidelity of cash flow projection due to uncertainty involved with real estate segment Good collateral base limiting downside involved in the transactions 												
Resolution Plan and Recovery	<ul style="list-style-type: none"> Subdivision of land property and sale of excess land to raise funds for revival, financing working capital and reduction of debt Restructuring of debt Optimization of plant operations to generate cash flows for debt servicing Restructured debt serviced as per the agreed schedule for 2 years Revived and stabilized operations, dues to JMFARC refinanced through NBFC at the end of 2.5 years 	<ul style="list-style-type: none"> Restructuring the debt of the company at sustainable level Back ended structuring of principal repayment Achieving Exit through refinancing of debt from other financial institution post improvement in financial performance of company 												
Resolution Period	<table border="1"> <tr> <td>Year of Acquisition</td> <td>Mar-10</td> </tr> <tr> <td>Year of Resolution</td> <td>Sep-12</td> </tr> <tr> <td>IRR</td> <td>26%</td> </tr> </table>	Year of Acquisition	Mar-10	Year of Resolution	Sep-12	IRR	26%	<table border="1"> <tr> <td>Year of Acquisition</td> <td>Nov 12 – May 13</td> </tr> <tr> <td><i>Year of Resolution</i></td> <td>February 2018</td> </tr> <tr> <td>IRR</td> <td>30%</td> </tr> </table>	Year of Acquisition	Nov 12 – May 13	<i>Year of Resolution</i>	February 2018	IRR	30%
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Year of Resolution	Sep-12													
IRR	26%													
Year of Acquisition	Nov 12 – May 13													
<i>Year of Resolution</i>	February 2018													
IRR	30%													
Critical Success Factor	<ul style="list-style-type: none"> Sale of Non Core Asset Operational Flexibility of an ARC vis-a-vis Bank 	<ul style="list-style-type: none"> Structuring of transaction Good underlying security 												

Annexure 2

Corporate Details

Shareholders, Board of Directors & Management

Board of Directors	
Mr. V. P. Shetty	Chairman
Mr. Narotam Sekhsaria	Sponsor Director
Mr. Pulkit Sekhsaria	Sponsor Director
Ms. Rupa Vora	Independent Director
Mr. Adi Patel	Sponsor Director
Dr. Vijay Kelkar	Independent Director
Mr. Ameet Desai	Independent Director
Mr. Satish Chand Mathur	Independent Director
Mr. Vishal Kampani	Sponsor Director
Management	
Mr. Anil Bhatia	Chief Executive Officer
Mr. Vivek Grover	Chief Operating Officer
Mr. Sabyasachi Ray	Chief Financial Officer
Mr. Harish Lalchandani	Head - Legal



RBI registration in September 2008

Profile of Board of Directors



V. P. Shetty
Chairman

- Banking experience of 40 years.
- Ex - CMD of UCO Bank, Canara Bank and IDBI Bank.
- Recipient of "Banker of the Year – 2003" Award from the Business Standard Group in recognition of successful turnaround of UCO Bank.
- Commerce Graduate and holds a CAIIB degree.



Pulkit Sekhsaria
Sponsor Director

- Graduated from Mumbai University with management courses undertaken at Wharton, ISB, LBS and INSEAD.
- He was whole time Director on the Board of Ambuja Cements Ltd.
- Instrumental in execution and management of 3 import and export terminals and shipping division.
- Actively involved in the investments in various fields.



Adi Patel
Sponsor Director

- Qualified Chartered Accountant and associated with the JM Financial Group for over 25 years.
- Instrumental in implementing the financial transactions for some of the leading business houses in India.
- He has developed strong relationships with leading Indian and global clients and has advised them on numerous financial, strategic, M&A & restructuring transactions.



Ameet Desai
Independent Director

- Advisor to Chairman at the Adani Group with industry expertise in ports, thermal energy, transmission, renewables and pharma sectors.
- Held positions of Executive Director and Group CFO of Adani Group.
- Served as the Global Head of M&A and Business Planning for Ranbaxy Laboratories.



Satish Chand Mathur
Independent Director

- Joined the Indian Police Service in 1981.
- Retired as DGP, Maharashtra, holding the apex post for nearly 2 years.
- Served the Central Bureau of Investigation from 1996 to 2003.
- He has left his indelible mark on each aspect of police and general administration.



Narotam Sekhsaria
Sponsor Director

- Founder-Promoter and Chairman of Ambuja Cements Ltd and ACC Ltd.
- Instrumental in two of the largest model cement sector turnarounds – Modi Cements & DLF Cement Ltd.
- Played a major role in the Ambuja Cements spectacular growth, turning it into one of India's success stories in the cement industry.
- Holds a bachelor's degree in chemical engineering.



Rupa Vora
Independent Director

- Eminent Chartered Accountant with over 3 decades of experience.
- Group Director & CFO for IDFC Alternatives business for a decade.
- Associated with Antwerp Diamond Bank NV as CFO.
- Practicing exp. of 9 years as an independent Chartered Accountant.



Dr. Vijay Kelkar
Independent Director

- B.E. from College of Engineering Pune, M.S. from University of Minnesota and Ph.D. (Economics) from UC Berkeley.
- Chairman of the NIPFP & India Development Foundation.
- Former Chairman of the Finance Commission until January 2010.
- Awarded the Padma Vibhushan, the second highest civilian award.



Vishal Kampani
Sponsor Director

- M.com, M. S. (Finance) from London Business School
- Launched the Asset Reconstruction business in 2008 and the Real Estate Finance business in 2009.
- Expanded the International Operations and built a global profile
- Joined the JM Financial group in 1997 as an analyst in the Merchant Banking Division and has since moved up the rank