



JM Financial Credit Solutions Limited

September 2019





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1 **Business Overview**

Overview

JM Financial group overview

- Presence of over four decades
- Established financial services player with presence in fund based activities, investment banking and securities business, alternative asset management and asset management businesses
- Relationships across the corporate, institutional, HNI and the retail client base

Strong Financial Profile (As of H1 FY 20)

Revenue
Rs. 1,708 Cr

PAT
Rs. 257 Cr

Shareholders equity⁽²⁾
Rs. 7,597 Cr

Total Assets
Rs. 22,694 Cr



47.05%⁽¹⁾

JM Financial Credit
Solutions Limited

(NBFC)

52.95%

Other Shareholders

- INH Mauritius 1- 48.62%
- Other Shareholders – 4.33%

JM Financial Credit Solutions Limited overview

- A wholesale finance NBFC providing integrated financial solutions to real estate developers with a focus on residential project financing such as funding real estate developers at various stages in the life cycle of a real estate project.

Networth of Rs. 3,127 Cr as of September 2019

- **Geographic presence** : Mumbai, Pune, Bangalore, Chennai, Hyderabad, NCR and Kolkata

Key Statistics as of September 30 2019

Loan book
Rs. 8,042 Cr

GNPA 1.99%
NNPA 1.78%

No. of Borrowers
81

H1 FY20 PAT
218 Cr

Debt / Equity
1.8
CRAR 36.6%

ROE⁽³⁾ 14.5%
ROA⁽³⁾ 5.1%

Notes

1. JM Financial Limited controlled entity with effective ownership of 47.05% (Including partly paid shares);
2. Including minority interests;
3. RoE and RoA are annualized

Key Products



Construction / Project finance

- ✓ This includes offering loans to developers for construction of residential or commercial projects.

Loans against property

- ✓ This includes loans against the residential or commercial properties with occupation certificate.

Loans against shares

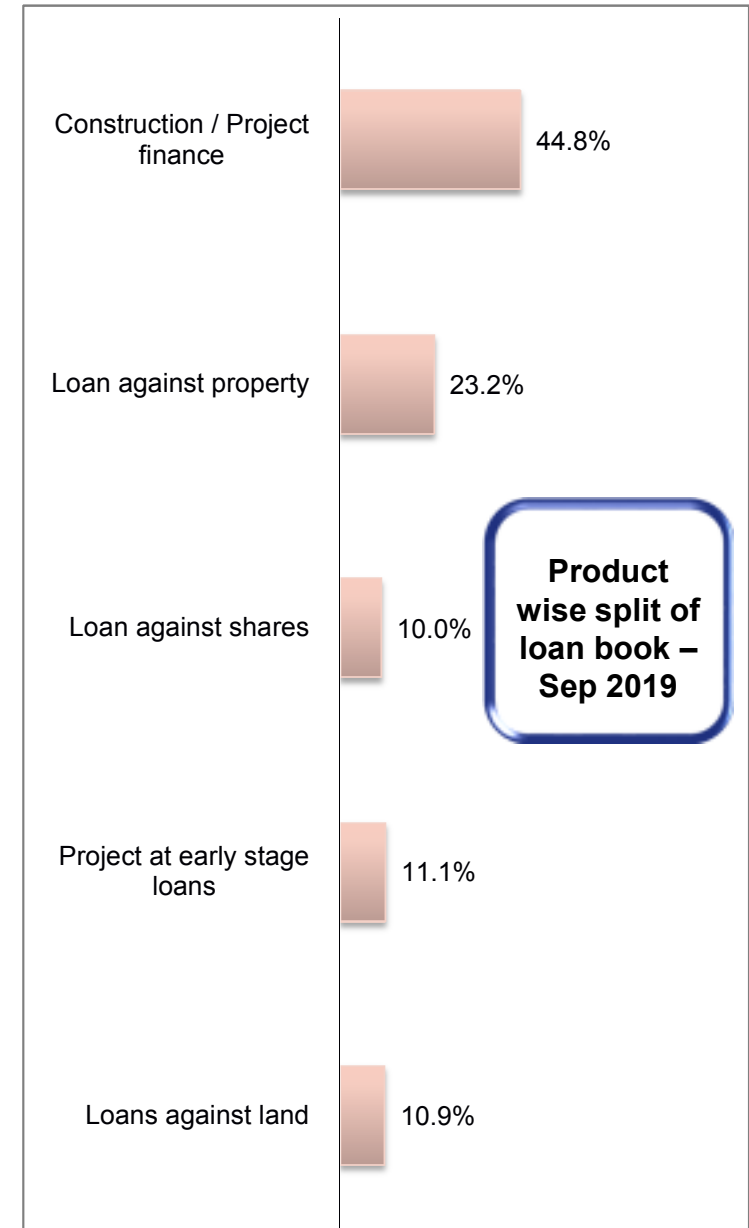
- ✓ This includes loans to promoters against the listed or unlisted shares of corporates

Project at early stage loans

- ✓ This is primarily undertaken against projects which are expected to be launched soon

Loans against land

- ✓ This funding is primarily undertaken for land acquisition or against land parcels which are not expected to be launched in the near future



Key Lending Philosophy



1

- ✓ To be senior secured lender at all times together with focus on risk adjusted profitable growth
- ✓ Avoid entering into consortium arrangements

2

- ✓ In most cases, we conduct micro market surveys and lend largely to residential projects and developers that are not subject to any concentration risks

3

- ✓ Key developer screening criteria
 - Stringent eligibility criteria for borrowers such as minimum delivery track record, experience, commercial presence, networth and profitability
 - Meeting at an appropriate stage with management, promoter reference checks and site visits

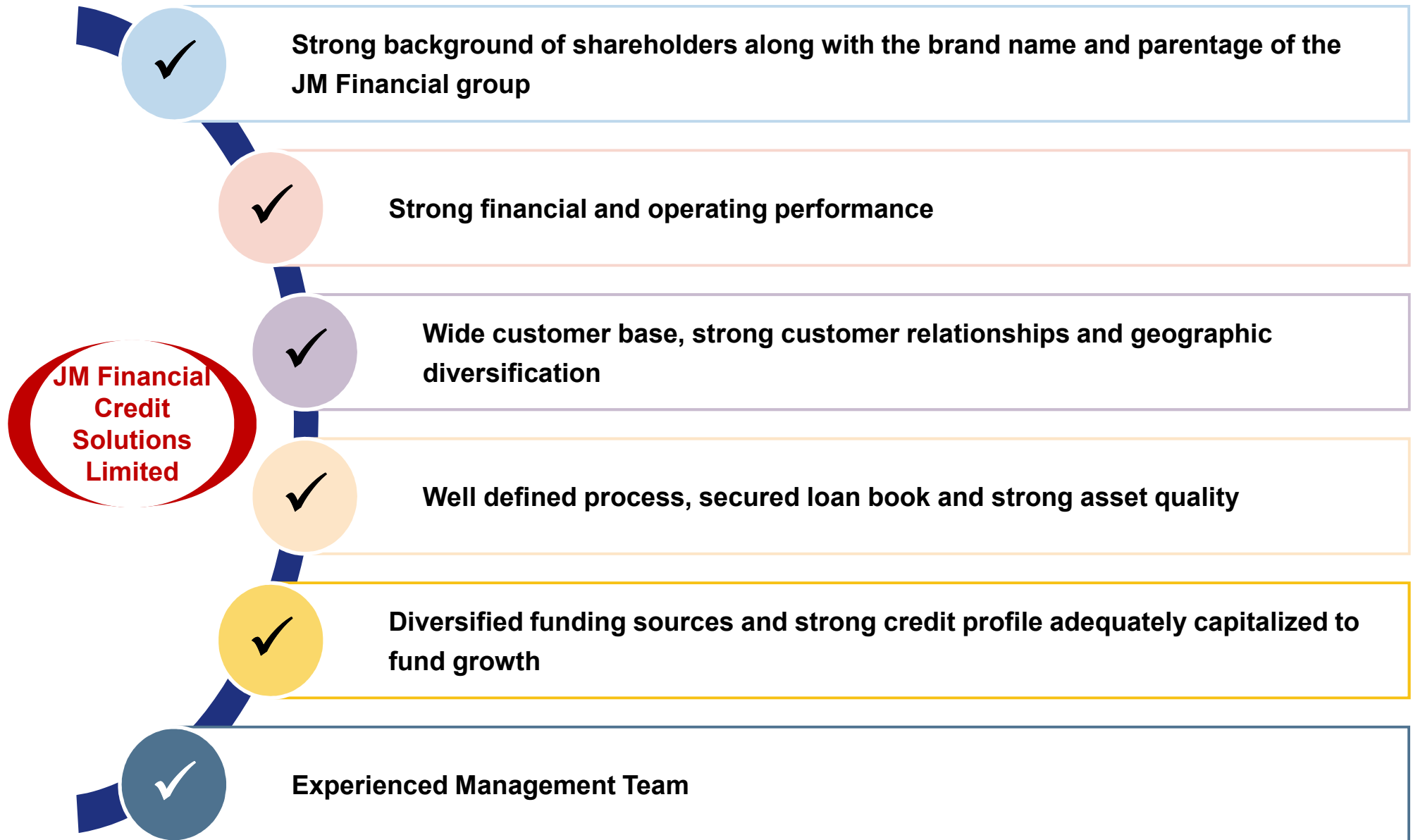
4

- ✓ Typical loan tenure ranging from 24 to 48 months
- ✓ Secured on the back of collateral; 89.1% are cash flow backed advances as of end of September 2019

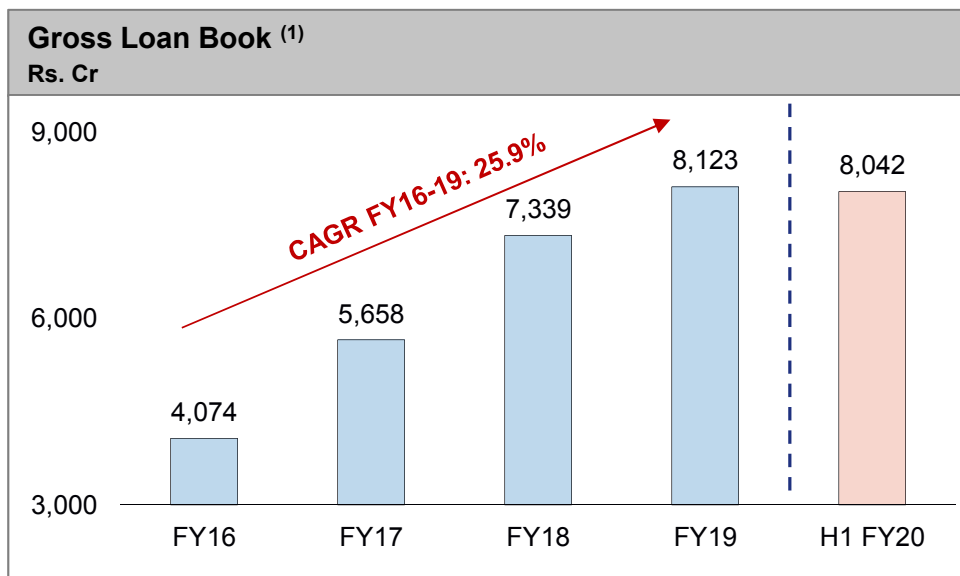
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- ✓ Timely repayment in escrow account through an escrow mechanism

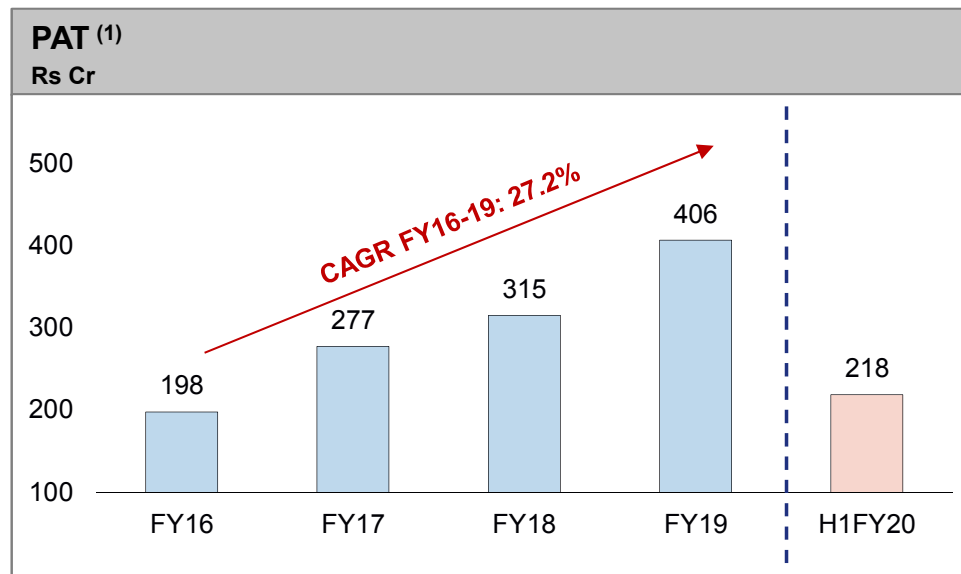
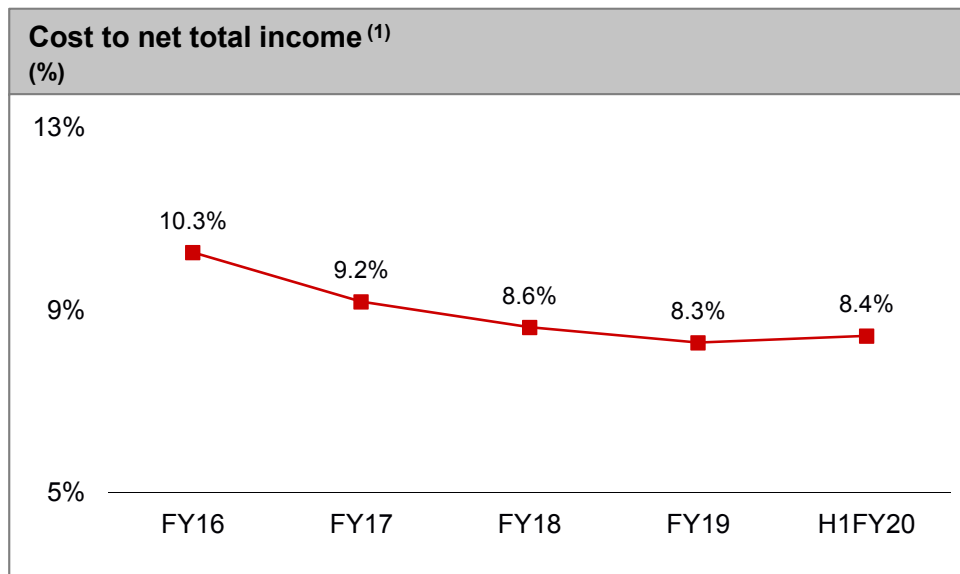
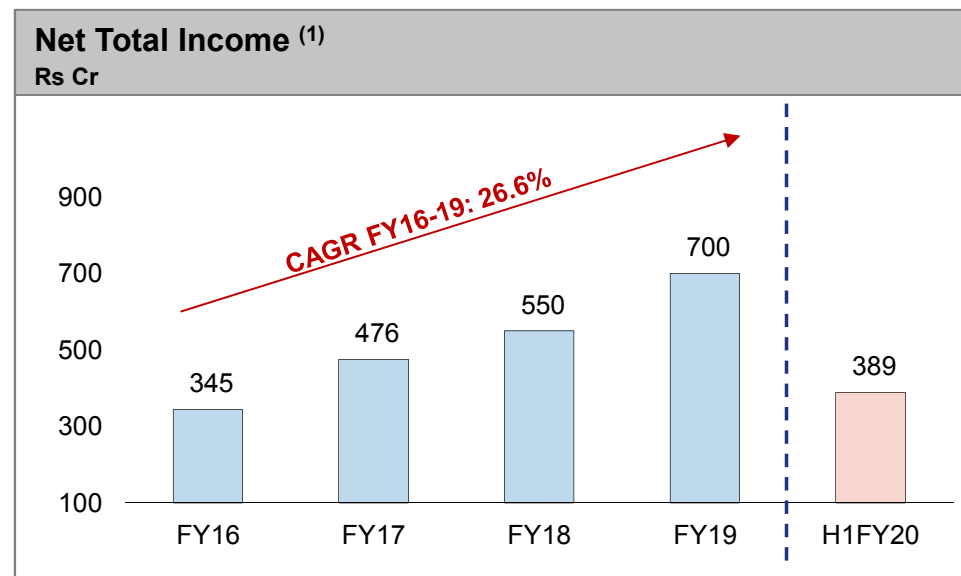
Key Strengths



Strong financial and operating performance



Gross loan book calculated without impact of EIR, Interest accrued and ECL



Notes

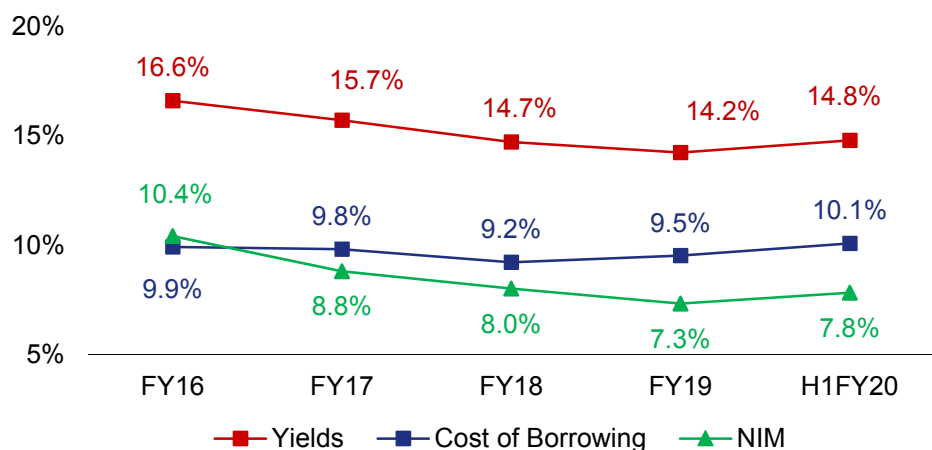
1. Financial and operating information upto FY17 is based on IGAAP.

Strong financial and operating performance (cont'd)



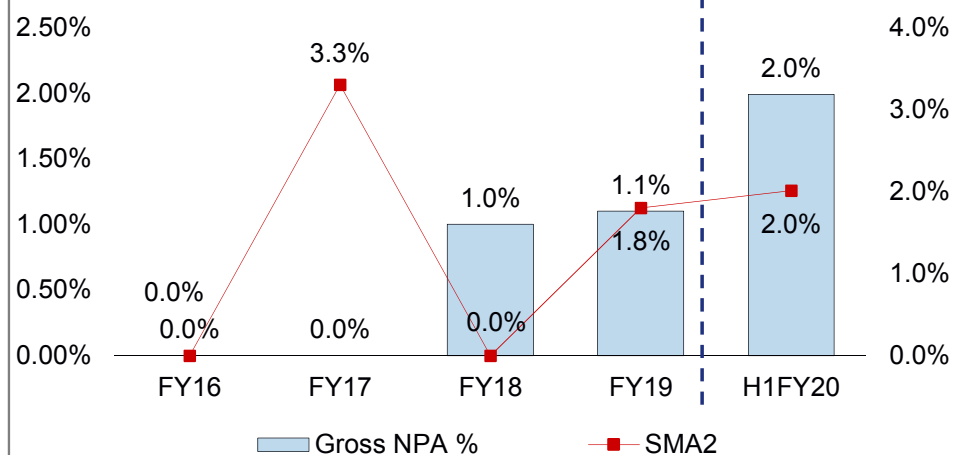
Yields and Margins^(1,2)

Yields, Cost of Borrowing, Net Interest Margin (NIM)(%)



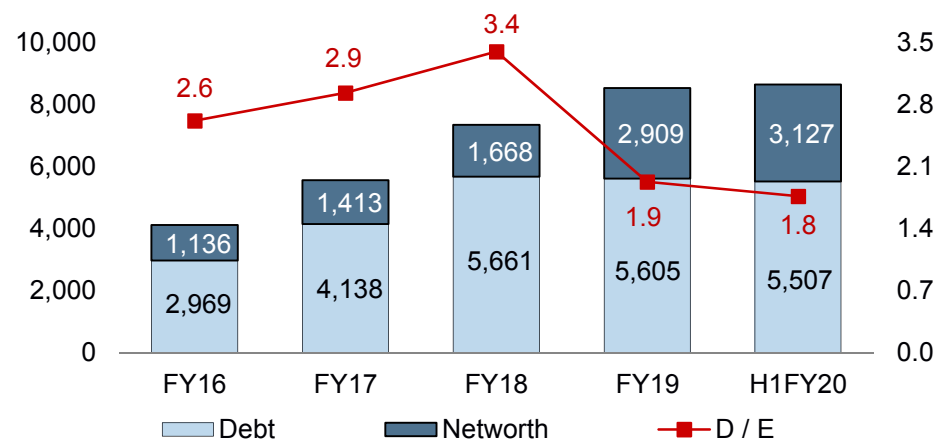
Asset Quality⁽¹⁾

Gross NPA (%) and SMA2 (%)



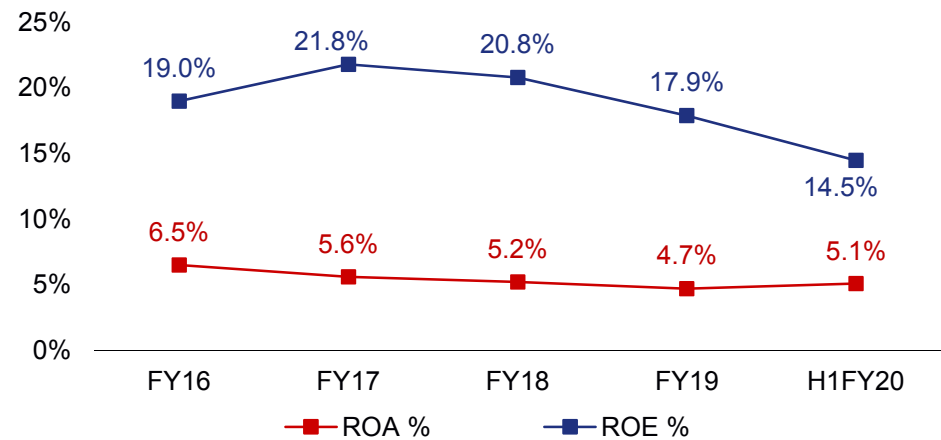
Leverage Analysis⁽¹⁾

Rs Cr



Return Ratios^(1,2)

(%)



Notes

1. Financial and operating information upto FY17 is based on IGAAP.
2. Ratios for FY19 are on an annualized / weighted average basis (on account of equity funds raised in September 2018)

Wide customer base, strong customer relationships and geographic diversification



✓ 81 borrower groups*



✓ Predominant focus on financing residential development

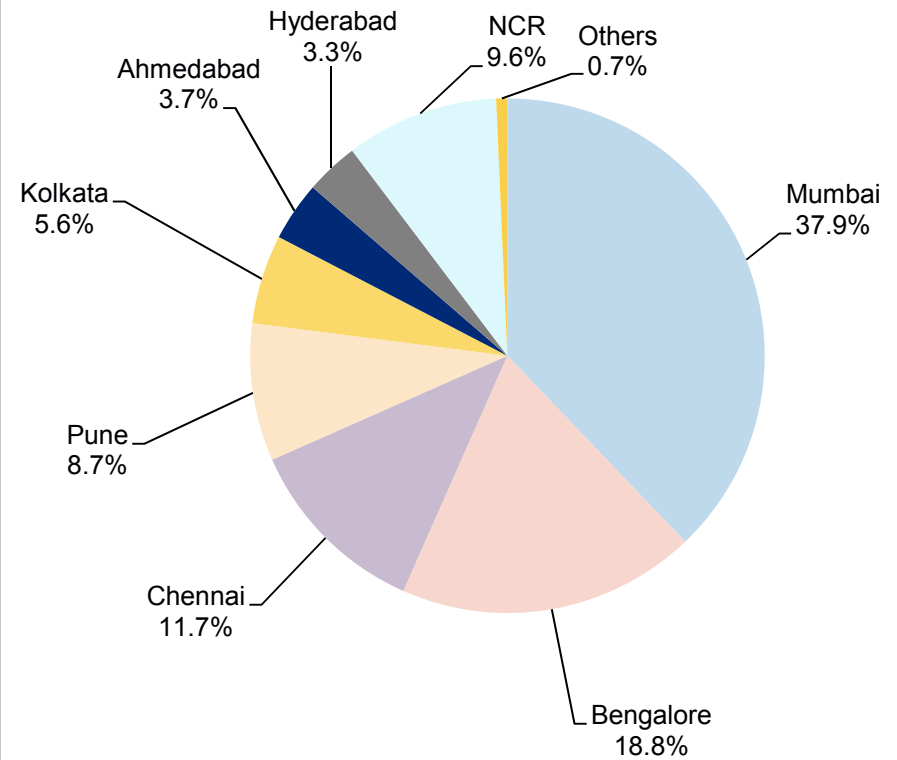


✓ Advances towards residential projects represented 68.0% of total advances and cash flow backed advances represented 89.1% of total advances*



✓ Average ticket size of advances per borrower group - Rs. 99 crore*
✓ Average asset cover - 2.36 times

Geography wise split of loan book – September 2019



Concentration Analysis – Top 10 Accounts Group-wise



Sr No	Group	Location	As on Sep 30, 2019 (Rs. Cr)	% of total
1	Adarsh Group	Bangalore	471	5.9%
2	Divyasree Group	Bangalore	319	4.0%
3	Adani Group	Ahmedabad	300	3.7%
4	RMZ Group	Bangalore	284	3.5%
5	Kalpataru Group	Mumbai	283	3.5%
6	Raunak Group	Mumbai	228	2.8%
7	Gaursons Group	NCR	225	2.8%
8	JP Infra (Mumbai) Group	Mumbai	225	2.8%
9	Subhash Goel Group & Marvel Group	Pune	224	2.8%
10	Spenta Group	Mumbai	222	2.8%
			2,781	34.6%

Loan book details



Locations	Book Size (Rs Cr.)	GNPA (Rs Cr.)	GNPA %	SMA2 (Rs Cr.)	SMA2 %	Average Cover (In times)
Mumbai / Ahmedabad	3,401	47	0.59%	140	1.76%	2.13
Bangalore	1,509	-	-	-	-	2.69
Chennai	944	111	1.40%	20	0.25%	2.35
NCR	774	-	-	-	-	3.14
Pune	696	-	-	-	-	2.10
Kolkata	450	-	-	-	-	2.40
Hyderabad	268	-	-	-	-	2.09
Total	8,042	159	1.99%	160	2.01%	2.36

Overview of Stressed Assets

NPA stood at 1.99% and SMA2 2.01% of loan book



Micro market Dynamics

Chennai

- Investment climate affected since 2016 and no major employment opportunities created.
- FSI hike announced in 2018. Accordingly, projects can be 30-40% larger on the same land parcel which has pushed home prices down, impacting project cycles thereby getting longer
- Projects that are substantially into the construction stage (and hence locked into the existing approvals) are at disadvantage with respect to early stage projects that can utilize the higher FSI

- NPA % of loan book: 1.40% v/s 1.40% QoQ
- SMA 2 % of loan book: 0.25% v/s 0.12% QoQ
- Security Cover: 2.2x to 2.7x

Mumbai

- HFCs slow on home loan disbursals thereby impacting sales and sales collection
- Delays in projects due to implementation of the new DP 2034
- Due to current lack of investors in early life cycle of a project, additional development financing has become critical for these residential projects

- NPA % of loan book: 0.59% v/s nil QoQ
- SMA 2 % of loan book: 1.76% v/s 1.75% QoQ
- Security Cover: ~1.5x to 3.3x

Resolution strategy

- Healthy security cover to minimize loss given default. Security primarily includes residential property
- Legal action initiated
- Sale of non-core assets to generate liquidity
- Working along with borrowers for sale of property / Joint Development Agreements (JDA) with stronger peers / sale of unsold inventory
- Most of the underlying projects are either ready property or under construction which can be monetized in a time bound manner / potential for partnerships/JDA

Overview of Stressed Assets (cont'd)



Micro market Dynamics

Bangalore

- Sales in Bangalore continue to be strong and the profile of developers is relatively stronger.
- The SMA2 pertained to transactions where there were approval delays and hence monetization of the assets was taking longer.

- NPA % of loan book: Nil
- SMA 2 % of loan book: Nil v/s 1.46% QoQ

Pune

- The loan is against ready commercial assets – which are in the process of being sold. The delay in closure of a sale transaction led to the delay.

- NPA % of loan book: Nil
- SMA 2 % of loan book: Nil v/s 0.41% QoQ

Kolkata

- The SMA2 loan pertained to one transaction where there were delays in approvals and hence there were delays in cash flows of the project.

- NPA % of loan book: Nil
- SMA 2 % of loan book: Nil v/s 0.32% QoQ

Resolution strategy

- **Resolved SMA2 :**
Developer brought in equity by leveraging/selling non core assets

- **Resolved SMA2 :**
Ready inventory sold to end user. Used brokers / investor network to showcase the property and sell.

- **Resolved SMA2 :**
Joint Development Agreement with another Developer. Execution and sales risk moved to a stronger brand

Diversified funding sources and strong credit profile - Adequately capitalized to fund growth



Liquidity

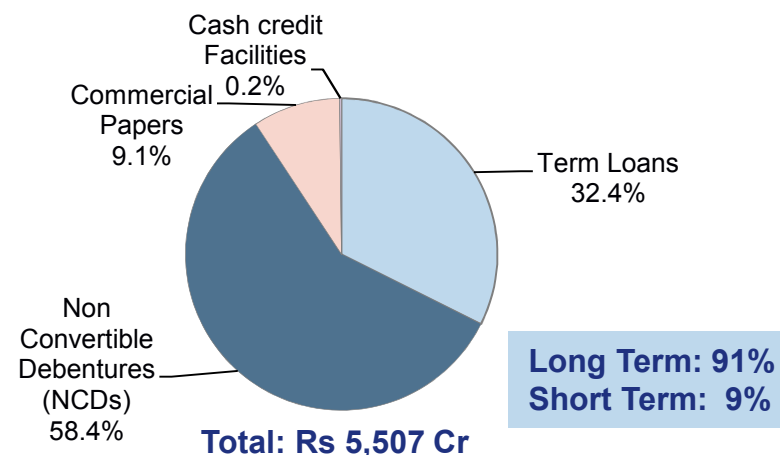
- ✓ Surplus liquidity as on September 30 2019 Rs. 796 crore comprising of bank balances/FDs and unutilised cash credit lines of Rs.174 crore,
- ✓ Current ratio as on September 30, 2019 – 1.79

Gearing Philosophy

- ✓ Gearing of maximum 3 times
- ✓ Effective April 2019, the CP borrowing would be capped to 10% of the total borrowing except opportunity based short term spikes towards short term assets subject to max cap of 20%

Borrowings – September 30, 2019

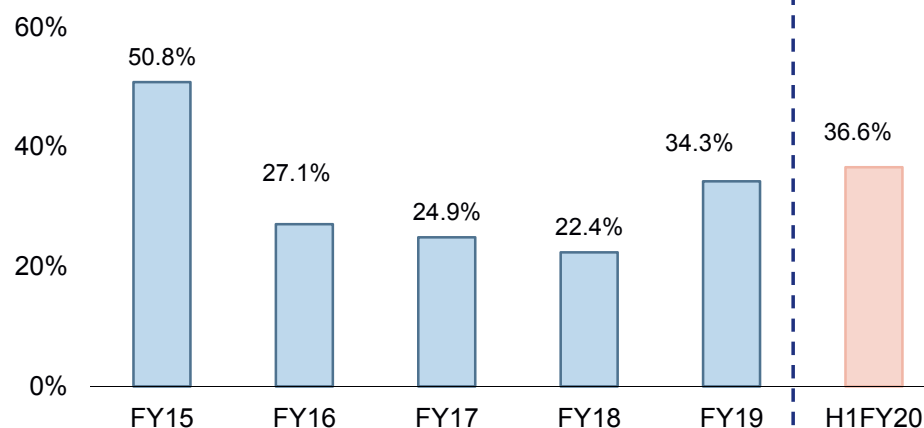
%



Credit Rating History	February 2015	July 2015	September 2015	February 2017	September 2019
India Ratings	–	AA/Stable	–	–	AA / Stable
ICRA	AA-/ Stable	–	AA/Stable	–	AA / Stable
CRISIL	–	–	–	AA / Stable	AA/ Stable

Well Capitalised

Capital Adequacy Ratio (%)



Funds raised for the half year ended Sep 19 Rs.1,985 Cr

Structural Liquidity (ALM 2) - September 2019



(Rs. in Crore)	1 to 14 days	14 days to 1 month	1-2 months	2-3 months	3-6 months	6 months - 1 year	1-3 years	3 - 5 years	Over 5 years	Total
OUTFLOWS										
1. Networth	-	-	-	-	-	-	-	-	3,127	3,127
2. Borrowings	13	39	53	171	923	793	1,800	1,061	668	5,521
3. Current Liabilities & provisions	15	4	-	-	51	71	76	1	84	301
A.TOTAL OUTFLOWS (A)	28	43	53	171	974	863	1,876	1,062	3,879	8,950
B. Cumulative Outflows	28	71	124	296	1,270	2,133	4,009	5,071	8,950	
INFLOWS										
4. Cash & Balances with banks	22	-	2	2	-	-	-	-	-	26
5. Investment	600*	-	-	-	-	-	-	-	25	625
6. Advances	0	252	191	254	932	1,175	4,273	425	455	7,957
7. Others	-	30	-	3	34	2	29	1	50	149
8. Committed Line of Credit	174	-	-	-	-	-	-	-	-	174
C. TOTAL INFLOWS	796	282	191	260	968	1,177	4,320	426	530	8,950
D. Mismatch (C - A)	768	239	138	89	(6)	314	2,442	(636)	(3,349)	-
E. Mismatch as % to Outflows (D as % of A)	2,694%	557%	260%	52%	-1%	36%	130%	-60%	-86%	0%
F. Cumulative Mismatch	768	1,007	1,144	1,233	1,227	1,541	3,985	3,349	-	
G. Cumulative Mismatch as % to Cum. Outflows (F as % of B)	2,694%	1,410%	920%	417%	97%	72%	99%	66%	0%	

Board of Directors



Board of Directors



Mr. Vikram Pandit
*Non-Executive
Chairman*

- Nominee Director representing INH Mauritius 1 in the Company since January 6, 2015. He serves as a Director on the Board of Directors of Bombardier, Inc. and Virtusa Corporation



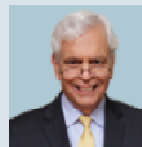
Ms. Dipti Neelakantan
*Non-Executive
Director*

- Nominee Director representing JM Financial Limited in the Company since October 28, 2015. She has been associated with the JM Financial group since 1981 working in various capacities, locations and disciplines



Mr. Vishal Kampani
*Non-Executive Vice
Chairman*

- Nominee Director representing JMFL in the Company since August 1, 2019. He serves as a director on the board of directors of JM Financial Limited and its various subsidiaries, J.M. Financial & Investment Consultancy Services Private Limited and Capital Market Publishers India Private Limited.



Mr. Darius E Udawadia
*Independent
Director*

- Independent Director of our Company since July 16, 2015. He serves as a Director on the Board of Directors of several companies such as JM Financial Limited and ABB India Limited.



Mr. Hariharan Aiyar
*Non-Executive Vice
Chairman*

- Nominee Director representing INH Mauritius 1 in the Company since November 20, 2014. He serves as a Director on the Board of Directors of SV India Opportunities Advisors Private Limited, INH Mauritius 1, INH Mauritius 2 and Managing Partner in Build India Capital Advisors LLP



Dr. Anup Shah
*Independent
Director*

- Independent Director of our Company since March 29 2016. He serves as a Director on the Board of Directors of several companies such as JM Financial Services Limited, JM Financial Capital Limited, JM Financial Home Loans Limited and Claris Lifesciences Limited.



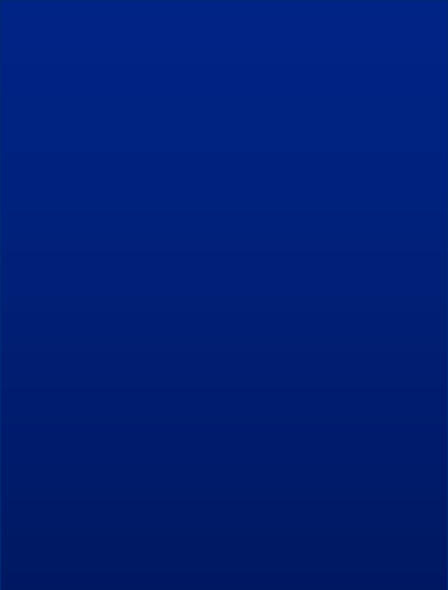
Mr. V P Shetty
*Non-Executive
Director*

- Nominee Director representing JMFL in the Company since July 15, 2014. He is the Non-Executive Chairman of JM Financial Asset Reconstruction Company Limited, JM Financial Products Limited, JM Financial Home Loans Limited and JM Financial Asset Management Limited



Mr. Satish Chand Mathur
Independent Director

- Independent Director of our Company since August 1, 2019. He serves as a Director on the Board of Directors of several companies such as JM Financial Asset Reconstruction Company Limited, Indiabulls Housing Finance Limited, Tilaknagar Industries Limited and Topsgroup Service (India) Limited.



2 **Annexure – Financial Information**

Profit and Loss Statement – Ind AS



Particulars (Rs. Crore)	Half year ended		
	H1FY20	H1 FY19	FY19
Interest income	650.00	605.86	1,258.01
Fees and commission income	0.15	2.10	5.11
Net gain on fair value changes	21.54	2.67	13.90
Net gain on derecognition of financial instruments under amortised cost category	2.22	-	1.79
Other operating income	0.19	0.11	0.28
Total Income	674.10	610.74	1,279.09
Finance costs	285.30	293.93	578.74
Impairment on financial instruments	41.01	25.49	15.99
Employee benefits expense	18.20	15.27	31.52
Depreciation, amortization and impairment	1.10	0.11	0.23
Operating and other expenses	13.47	13.84	26.26
Total expenses	359.08	348.64	652.74
Profit before tax	315.02	262.10	626.35
Tax expenses	96.63	91.88	219.96
Net Profit for the period	218.39	170.22	406.39
OCI	(0.04)	0.01	(0.03)
Total Comprehensive Income	218.35	170.23	406.36

Balance Sheet – Ind AS



Particulars (Rs Crore)	As at	As at
	September 30, 2019	March 31, 2019
ASSETS		
Financial Assets		
Cash and cash equivalents (CCE)	21.72	178.33
Bank Balance other than CCE	4.50	4.50
Loans	7,946.08	8,016.04
Investments	25.00	295.29
Other Financial assets	604.20	4.06
Total Financial Assets	8,601.50	8,498.22
Non-financial Assets		
Current tax assets (net)	28.77	1.29
Deferred tax Assets (Net)	40.57	59.01
Property, Plant and Equipment	18.22	0.76
Other Intangible assets	0.18	0.22
Other non-financial assets	2.16	3.02
Total Non-financial Assets	89.90	64.30
TOTAL	8,691.40	8,562.52

Balance Sheet – Ind AS (cont'd)



Particulars (Rs Crore)	As at	As at
	September 30, 2019	March 31, 2019
LIABILITIES AND EQUITY		
LIABILITIES		
Financial Liabilities		
Trade Payables	12.53	11.23
Debt Securities	3,714.13	3,248.56
Borrowings (Other than Debt Securities)	1,793.30	2,356.43
Other financial liabilities	40.44	31.49
Total Financial Liabilities	5,560.40	5,647.71
Non-Financial Liabilities		
Current tax liabilities (Net)	-	3.17
Provisions	1.84	1.61
Other non-financial liabilities	1.84	0.73
Total Non-Financial Liabilities	3.68	5.51
EQUITY		
Equity Share capital	2.83	2.83
Other Equity	3,124.49	2,906.47
Total Equity	3,127.32	2,909.30
TOTAL	8,691.40	8,562.52

For Further Queries



Mr. Shashwat Belapurkar

Chief Executive Officer

Email: shashwat.belapurkar@jmfl.com

Contact No: 022 66303545

Mr. Gagan Kothari

Chief Financial Officer

Email: gagan.kothari@jmfl.com

Contact No: 022 66303360