

March 14, 2024

## JM Financial Home Loans Limited: Update on Material Event

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures (NCD) programme	300.0	300.0	[ICRA]AA (Stable); outstanding
Long-term fund-based bank lines – Others	1,500.0	1,500.0	[ICRA]AA (Stable); outstanding
Commercial paper (CP) programme	150.0	150.0	[ICRA]A1+; outstanding
<b>Total</b>	<b>1,950.0</b>	<b>1,950.0</b>	

\*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 the holding company of JM Financial Home Loans Limited (JMFHL)) 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 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)<sup>1</sup> 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	<a href="#">Rating Methodology for Non-banking Finance Companies</a> <a href="#">Rating Methodology for Stockbroking and Allied Companies</a>
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

<sup>1</sup> 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.
<b>Consolidation/Standalone</b>	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

Incorporated in December 2016, JM Financial Home Loans Limited (JMFHL) is the housing finance arm of the Group. Registered with National Housing Bank (NHB), it offers affordable housing loans and loan against property (LAP). It is in a growing stage with a gross loan book of Rs. 1,759 crore as on December 31, 2023.

Until FY2020, JM Financial Products Limited (JMFPPL) had held a 99% stake in JMFHL. In FY2021, JM Financial Credit Solutions Limited acquired a ~9% stake in the company. As on December 31, 2023, JMFHL had a network of 112 branches spread across 9 states. It reported a net profit of Rs. 31 crore on total income of Rs. 182 crore in 9M FY2024. It had reported a net profit of Rs. 29 crore on total income of Rs. 170 crore in FY2023 compared to Rs. 4 crore and Rs. 92 crore, respectively, in FY2022. As on December 31, 2023, JMFHL's capitalisation was characterised by a net worth of Rs. 450 crore and a gearing of 3.0 times.

## About 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.

### Key financial indicators (audited)

JMFL – Consolidated	FY2022	FY2023	9M FY2024 <sup>^</sup>
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 <sup>**</sup>	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) <sup>!</sup>	1.2	1.4	1.5
Gross NPA	4.3%	3.4%	4.5%
CRAR <sup>@</sup>	39.4%	38.5%	37.2%

Source: JMFL, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; <sup>^</sup>Limited review; <sup>\*\*</sup>Excluding goodwill on consolidation; <sup>!</sup>Excludes borrowing for initial public offering (IPO) financing segment and includes accrued interest; <sup>@</sup>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						
				Date & Rating in FY2024			Date & Rating in FY2023			Date & Rating in FY2022		Date & Rating in FY2021	
				Mar 14, 2024	Oct 20, 2023	May 05, 2023	Oct 20, 2022	Sep 29, 2022	Jun 30, 2022	Feb 11, 2022	Jan 31, 2022	Feb 26, 2021	
1	NCD programme	300.00	266.30	[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)	
2	Fund-based bank lines – Others	1,500.00	1,310.00	[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	150.00	0.00	[ICRA]A1+	[ICRA]A1+	-	-	-	-	-	-	-	
4	Long-term bank lines (cash credit)^	-	-	-	-	-	-	-	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	
5	Long-term bank lines (term loan)^	-	-	-	-	-	-	-	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	
6	Long-term bank lines (unallocated)^	-	-	-	-	-	-	-	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	

^ Clubbed with fund-based bank lines – Others

## Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD programme	Simple*
Fund-based bank lines – Others	Simple
CP programme	Very simple^

*\*For the utilised portion of Rs. 266.3 crore and subject to change based on the terms of issuance for the balance amount*

*^ Subject to change based on the terms of issuance*

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
INE01A207013	NCD	Aug-30-2018	9.51%	Aug-30-2028	25.00	[ICRA]AA (Stable)
INE01A207039	NCD	Dec-28-2018	10.10%	Apr-29-2024	6.30	[ICRA]AA (Stable)
INE01A207062	NCD	Oct-21-2020	8.00%	Oct-20-2025	10.00	[ICRA]AA (Stable)
INE01A207104	NCD	May-31-2022	MCLR linked	May-31-2026	50.00	[ICRA]AA (Stable)
INE01A207112	NCD	Mar-28-2023	8.75%	Jun-28-2026	10.00	[ICRA]AA (Stable)
INE01A207120	NCD	May-15-2023	8.80%	May-15-2027	15.00	[ICRA]AA (Stable)
INE01A207138	NCD	Sep-23-2023	Linked to repo rate	Sep-28-2027	34.00	[ICRA]AA (Stable)
INE01A207146	NCD	Nov-01-2023	8.86%	Oct-26-2026	100.00	[ICRA]AA (Stable)
INE01A207153	NCD	Dec-29-2023	Linked to repo rate	Dec-29-2027	16.00	[ICRA]AA (Stable)
NA	NCD programme*	-	-	-	33.70	[ICRA]AA (Stable)
NA	Fund-based bank lines	NA	NA	NA	1,500.0	[ICRA]AA (Stable)
NA	CP programme*	-	-	7-365 days	150.0	[ICRA]A1+

Source: Company; \*Proposed; As of Feb 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%	
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

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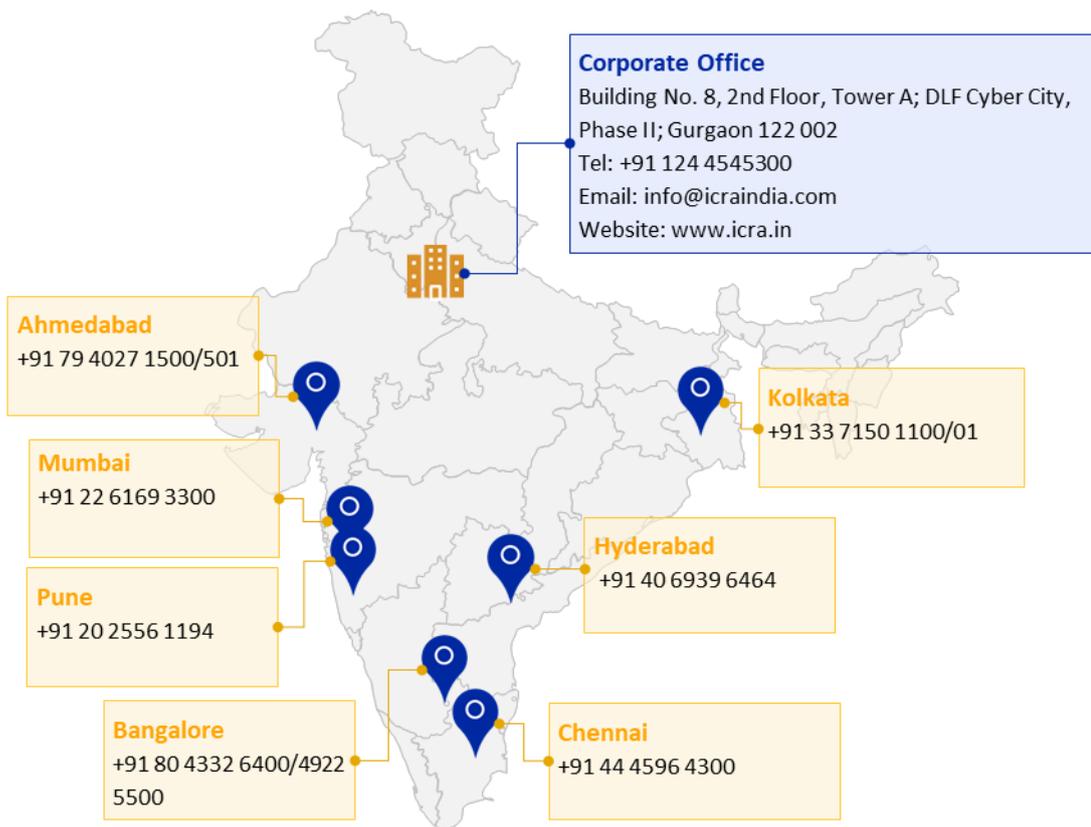
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