

December 04, 2024

J.M. Financial & Investment Consultancy Services Private Limited: Rating reaffirmed

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|----------------------------|--------------------------------------|-------------------------------------|-----------------------|
| Commercial paper programme | 200.0 | 200.0 | [ICRA]A1+; reaffirmed |
| Total | 200.0 | 200.0 | |

*Instrument details are provided in Annexure I

Rationale

The rating factors in J.M. Financial & Investment Consultancy Services Private Limited's (JMFIC) significant holding in JM Financial Limited (hereafter referred to as JMFL or the investee company; rated [ICRA]AA (Stable)/A1+). As on September 30, 2024, JMFIC directly held a 24% stake in JMFL (market value¹ of about Rs. 3,459 crore). JMFIC's promoters, Mr. Nimesh Kampani and family, hold a 56% stake in JMFL in their personal capacities and through investment companies such as JMFIC. While Mr. Vishal Kampani is actively involved in the management of JMFL, Mr. Nimesh Kampani manages JMFIC.

While arriving at the rating, ICRA has also factored in the close linkage between JMFIC and JMFL, the company's status of being the principal promoter of JMFL, and the strong cover emanating from the market value of its stake in JMFL in relation to the quantum of debt (including the rated debt programme). JMFIC has a sizeable investment book and the market value of the listed holdings (excluding its stake in JMFL) provides additional financial flexibility. ICRA notes that JMFIC used to occasionally avail modest short-term borrowings from the promoter family, though it has not availed such borrowings in recent years. Also, the company has not raised borrowings through commercial papers in recent years. As per the management, the other family offices of Mr. Nimesh Kampani remain debt free.

These strengths are partially offset by the significant concentration with dividend from JMFL accounting for ~82% of JMFIC's total income in the last five years (FY2021 to H1 FY2025) while its investment in JMFL² accounted for ~67% of the combined fair value of its investments in quoted shares as on March 31, 2024. ICRA also notes the susceptibility of JMFIC's financial flexibility to fluctuations in JMFL's share price movement. A deterioration in JMFL's credit profile, which could impact its dividend paying ability and the market value of the stake held by JMFIC, will be monitorable. Nevertheless, comfort is derived from JMFL's established track record in the domestic financial services industry with its diversified product offerings, adequate profitability and regular dividend payouts.

Key rating drivers and their description

Credit strengths

Strong financial flexibility as principal holding company of JMFL; track record of minimal dependence on borrowings – JMFIC is JMFL's key shareholder. As on September 30, 2024, JMFIC directly held a 24% stake in JMFL. JMFIC's promoters, Mr. Nimesh Kampani and family, hold a 56% stake in JMFL in their personal capacities and through investment companies such as JMFIC. While Mr. Vishal Kampani is actively involved in the management of JMFL, Mr. Nimesh Kampani manages JMFIC.

¹ JMFL's market capitalisation, as on September 30, 2024, was ~Rs. 14,397 crore. Its market capitalisation, based on the 1-year daily average closing price, was Rs. 8,948 crore as on September 30, 2024 (Source: NSE)

² Valued at cost price

ICRA notes the strong cover emanating from the market value of JMFIC's investment in JMFL in relation to the quantum of the rated debt programme. As on October 17, 2024, the market value of JMFIC's direct investment in JMFL was estimated at Rs. 3,581 crore (stock price of Rs. 155.95 against 52-week high and low of Rs. 165.00 and Rs. 69.00, respectively³) compared to the quantum of debt (including the rated commercial paper (CP) programme). The other investment book is also sizeable and the market value of the listed holdings (excluding its stake in JMFL), estimated at ~Rs. 922 crore as on October 17, 2024⁴, provides additional financial flexibility to the company as it can be liquidated in case of any contingency.

Strong credit profile of JM Financial Group – The JM Financial Group is a diversified financial services player with an established track record and franchise and a presence in merchant banking, private wealth mortgage lending (retail and wholesale), bespoke finance, financial institution financing, capital market financing, distressed credit, institutional and retail broking, financial product distribution, asset management and wealth management. It is one of the leading players in capital markets, investment banking and related businesses with a presence of five decades.

In May 2024, the management announced that while the focus on investment bank and the asset management, wealth management and securities businesses (Platform AWS) will continue, the wholesale credit business (real estate financing, bespoke, financial Institutions loans and distressed credit) will be pivoted to the distribution, syndication and alternatives model from the on-balance sheet lending model. The shift to the asset-light model is expected to take 3-4 years. The retail mortgage lending business will continue to be expanded through the Group's balance sheet. In the distressed credit business, focus will be on acquiring retail assets. On a consolidated basis, the Group's revenue stream remains adequately diversified with the investment banking, mortgage lending, alternative and distressed credit, and Platform AWS contributing 40%, 30%, 3% and 26%, respectively, in H1 FY2025. Fees and advisory income from businesses like securities broking, investment banking, wealth management and asset management help support the earnings profile.

Credit challenges

Concentrated investment portfolio; volatile income profile, given dependence on dividend payouts – Since JMFIC is primarily an investment company, its income profile is dominated by dividend income. The focus remains on investment instead of trading; thus, the share of profit on the sale of other investments (excluding JMFL) remains modest. Further, dividend from JMFL accounted for 66-93% of the total dividend income in the last five years, given the concentration of the investment in JMFL. This can result in income volatility. The presence of advisory fees and rental income in the revenue mix, however, provides some cushion to the otherwise volatile revenue profile of JMFIC.

JMFIC's investment book remains concentrated with its investment in JMFL accounting for ~67% of the combined fair value of its investments as on March 31, 2024. Hence, its financial flexibility is susceptible to fluctuations in JMFL's share price movement. However, this is partially cushioned by the company's sizeable investment in other listed entities (excluding JMFL).

Liquidity position: Adequate

JMFIC has remained largely debt free and has no major committed investment towards its portfolio of investments. Further, it has investments in listed entities (excluding JMFL), which can be sold to generate liquidity if required. Moreover, its key investee company, JMFL, has paid regular dividends, supporting its cash flows.

³ Source: NSE

⁴ Assuming that the composition of the investment book is unchanged from March 31, 2024

Rating sensitivities

Positive factors – Not applicable

Negative factors – Negative pressure on JMFC's rating could arise for reasons including a deterioration in the credit profile of the key investee company, i.e. JMFL, or significant decline in dividend income of JMFC, or a reduction in market value of its investments, leading to market value of their equity shares in the investee company (JMFL) falling below 4.0 times the outstanding debt on a sustained basis.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Rating Methodology for Investment Company |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | Standalone |

About the company

J.M. Financial & Investment Consultancy Services Private Limited (JMFC) is an investment company of Mr. Nimesh Kampani and family. It is the largest shareholder of JM Financial Limited (JMFL; rated [ICRA]AA (Stable)/A1+) with a 24% stake as on September 30, 2024. The Kampani family, through Mr. Vishal Kampani (son of Mr. Nimesh Kampani), is actively involved in the management of JMFL and its Group entities. The company also has a sizeable investment book (excluding its stake in JMFL) with the market value of its listed holdings (excluding JMFL) aggregating Rs. 922 crore as on October 17, 2024.

JMFC reported a total comprehensive income of Rs. 125 crore on an investment book of Rs. 1,419 crore in H1 FY2025. The total comprehensive income was Rs. 385 crore in FY2024 on an investment book of Rs. 1,269 crore compared to a loss of Rs. 27 crore on an investment book of Rs. 864 crore in FY2023.

Key financial indicators (audited)

| JMFC | FY2023 | FY2024 | H1 FY2025^ |
|--|--------|--------|------------|
| Operating income | 56 | 33 | 56 |
| PAT | 34 | 16 | 39 |
| Total comprehensive income | -27 | 385 | 125 |
| Net worth | 887 | 1,296 | 1,384 |
| Investments | 864 | 1,269 | 1,419 |
| Total assets | 941 | 1,347 | 1,492 |
| Return on average assets (RoA; including other comprehensive income) | -2.9% | 33.6% | 17.6% |
| Gearing (times) | 0.0 | 0.0 | 0.0 |
| CRAR | 100.9% | 81.6% | NA |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; ^Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Current Rating (FY2025) | | | | Chronology of Rating History for the Past 3 Years | | | | | |
|--------------|-------------------------|--------------------------|-------------------------|-----------|---|-----------|-------------------------|-----------|-------------------------|-----------|
| | Type | Amount Rated (Rs. crore) | Date & Rating in FY2025 | | Date & Rating in FY2024 | | Date & Rating in FY2023 | | Date & Rating in FY2022 | |
| | | | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| CP programme | Short term | 200 | Dec 04, 2024 | [ICRA]A1+ | Dec 18, 2023 | [ICRA]A1+ | Jan 30, 2023 | [ICRA]A1+ | Jan 31, 2022 | [ICRA]A1+ |
| | | | | | Mar 14, 2024 | [ICRA]A1+ | | | | |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|----------------------------|----------------------|
| Commercial paper programme | Very Simple* |

*Subject to change based on 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 |
|------|-----------------|-----------------------------|-------------|---------------|--------------------------|----------------------------|
| NA | CP programme^ | - | - | 7-365 days | 200.0 | [ICRA]A1+ |

Source: Company; ^Yet to be placed

Annexure II: List of entities considered for consolidated analysis

Not applicable

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Branches



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