

Company Details

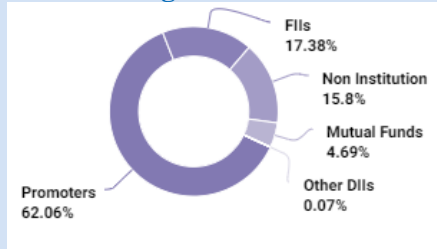
| | |
|---------------|-------------------|
| CMP: | Rs.85 |
| Face value: | Rs.1 |
| Market cap: | Rs.6,845.44 Crs. |
| TTM EPS | Rs.7.64 |
| 52 week high: | Rs.150 |
| 52 week low: | Rs.64 |
| BSE Code: | 523405 |
| Sector | Holding Companies |

9 Months FY19

Financial Highlights (YoY)

| Rs. in crores | | | |
|----------------|---------|---------|-------|
| | 9M FY19 | 9M FY18 | % Var |
| Net Sales | 2638.38 | 2163.30 | 22.0% |
| Total Expendit | 579.03 | 523.27 | 10.7% |
| PBDIT | 2107.41 | 1696.94 | 24.2% |
| Op.Profit | 2152.75 | 1782.76 | 20.8% |
| OPM (%) | 11.14% | 11.06% | 0.7% |
| PBT | 1037.95 | 927.57 | 11.9% |
| PAT | 660.20 | 611.58 | 7.9% |
| EPS (Rs.) | 7.86 | 7.67 | 2.5% |
| Equity | 83.99 | 79.76 | 5.3% |

Shareholding Pattern



Price Vs Sensex Chart



Research Analyst

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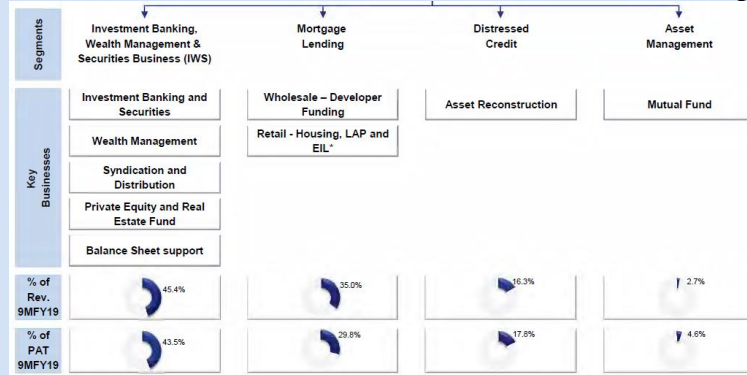
Satco Capital Markets Ltd.

Board Line: +91 022 2645 6666 |

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Company Background

JM Financial Ltd. a Mumbai based financial services company was incorporated in 1986. The business of the company is divided into four reportable segments, viz Investment Banking and securities business, Fund based activities, Alternative asset management and Asset management.



For first 9 Months in FY19, Investment Banking, Wealth Management and Securities Business contributed 45.4% of the company's revenue, Mortgage Lending business contributed 35%, Distressed Credit business shares 16.3% and Asset management business contributes the remaining

3% of the revenue.

Financial Performance

The company has reported Net sales of Rs. 2638.38 crores for 9M FY19 which was higher by 22% against Rs. 2163.30 crores for 9M FY18, while **Operating profit at Rs.2152.75 crores in 9M FY19 was up by 20.8% against that of Rs.1782.76 crores in corresponding 9 months of FY18. The EPS has also gone up from Rs. 7.67 in 9M FY18 to Rs. 7.86 in 9M FY19.**

Investment Rationale

- The company has acted as an advisor to Marquee transactions like Govt. of India stake sale in HPCL to ONGC, Reliance Jio Infocomm Ltd. for the acquisition of the assets of Reliance Communications Ltd., Tata Chemicals Ltd. on the sale of its urea and customized fertilizer business to Yara Fertilizers India Private Ltd. etc.
- Investment Advisory and distribution business is expected to witness a noticeable grow as the financial investment gets channelized into organized financial instruments.
- Currently, the NBFCs in India are going through a lot of pain because of the liquidity issue in the economy, but RBI has taken several steps to meet the liquidity demand. With expectation of further rate cut by RBI, spurt in demand for loans in the Housing sector can be expected. The Company has its housing Finance business which primarily focuses on underserved segments in Tier II and III towns, which is expected to grow significantly because of the vast potential. The company continues to explore variety of new avenues of financing to further diversify its borrowing profile.
- The company has always maintained average of 15%-20% growth and ROCE of ~15%. The current debt to equity ratio stands out to be 3.3:1, which is lower than industry average and Interest coverage ratio of 2.14x gives comfortable headroom.
- As on Dec 31st, 2018, the promoters hold 62.06% and FIIs holds 17.38% equity of the company, whereas Mutual Funds and other DIIs own 4.69% and 0.07% respectively, and the balance 15.8% shares are held by the public.

Concerns

Slowdown in economy, political uncertainty, liquidity & corporate governance issues in NBFCs sector.

Valuation

The share of the Company is trading at **TTM P/E of 11x** and Price to book 2.4x. Keeping the improving financials of the company, improvement in margins and ability to scale the top-line, we expect the company to report an **EPS of about Rs. 10.48 for FY19 and based on PE of 12x**, we estimate the price of the scrip to appreciate to about Rs. 125 over the next 6-12 months.

EXTENDED WINGS

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NASHIK | NAGPUR | PUNE | WARANGAL | VISHAKHAPATNAM | RAJAMUNDHARY | KARIMNAGAR
HYDERABAD | VIJAYWADA | CHENNAI | BANGALORE | COCHIN | TRIVENDRUM

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