



Q1FY25

Jio Financial Services Ltd.



Jio Financial Services Ltd.

Earnings volatility persists; Approvals still awaited

CMP INR 337*	Target INR 350	Potential Upside 3.9%	Market Cap (INR Mn) 21,41,057	Recommendation HOLD	Sector NBFC
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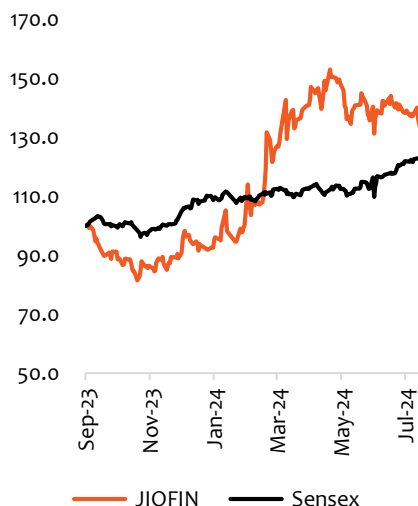
Result Highlights Q1FY25:

- Net Interest Income (NII) for Q1FY25 stood at INR 1,617 Mn, a decline of 15.6% YoY/ 42.4% QoQ on account of lower interest income.
- Pre-Provision Operating Profit (PPOP) was INR 3,388 Mn, a decline of 6.0% YoY but grew by 6.9% QoQ, led by lower operating expenses.
- The cost-to-income ratio stood at 18.9% as against 24.2% in Q4FY24 (vs. 10.8% in Q1FY24).
- Profit after Tax (PAT) for Q1FY25 was INR 3,126 Mn, reporting a de-growth of 5.8% YoY. However, the net profit remained flat on a sequential basis.
- **We have maintained our rating at “HOLD” as we await approvals being accorded to JIOFIN for the licenses applied.**

MARKET DATA

Shares outs (Mn)	6,353
Net worth (INR Mn)	1,394,603
Mkt Cap (INR Mn)	21,41,057
52 Wk H/L (INR)	395/ 203
Volume Avg (3m K)	21,044
Face Value (INR)	10
Bloomberg Code	JIOFIN : IN

SHARE PRICE PERFORMANCE



KEY FINANCIALS

Particulars (INR Mn)	FY21	FY22	FY23	FY24	Q1FY25
Net Interest Income	1,846	1,481	383	9,275	1,617
Pre-Provisioning Operating Profit	1,181	1,771	393	15,294	3,388
Net Profit	1,231	1,680	313	16,046	3,126
Adjusted EPS (INR)	0.19	0.26	0.05	2.53	0.49
Book Value per share	3,981.3	4,310.9	179.6	219.0	219.5

Source: Company, KRChoksey Research; Adjusted EPS for FY21-23 on the back of the equity share allotted post demerger.

Lower operating expense led to marginal increase in profits:

- The total income for the quarter of INR 4,178 Mn was similar to Q4FY24, which is represented by interest income on interest bearing investments.
- On the Treasury Income, high yielding fixed deposits matured in this quarter and the proceeds of which were re-invested in money market liquid mutual fund investments. There was a reduction in treasury income and a corresponding increase in net gain on fair value changes, resulting in treasury income of INR 3,800 Mn as compared to INR 3,880 Mn in Q4FY24. The reduction of INR 80 Mn Q1FY25 and Q4FY24 was broadly due to fall in yields in the treasury book and the overall increase in the average Treasury book size.
- Total expense for Q1FY25 was INR 790 Mn, a decrease of 22.0% QoQ, attributable to higher expenses incurred in Q4FY24, which were done on account of setting up new businesses.

Update on businesses:

- The Company has successfully secured the final approval from the RBI to transition Jio Financial Services from an NBFC to a Core Investment Company (CIC).
- Jio Finance Ltd (JFL) has introduced a new lending service that allows customers to use their mutual funds as collateral for loans. This service has undergone extensive beta testing and is now accessible through the JFS app for consumer convenience.
- JFL is making significant headway with home loans, currently in a sandbox phase and set for consumer launch after successful completion of its beta phase.
- Jio Payments Bank has received approval from RBI to expand its network by about 16,000 Business Correspondent outlets. This roll out will be undertaken in a phased manner by leveraging the vast distribution network of its ecosystem.
- JIOFIN has worked towards obtaining necessary regulatory approvals from the insurance regulator IRDAI to sell insurance policies online.
- The Asset Management Company, in partnership with BlackRock, has made significant strides. JIOFIN's process with the regulator for the necessary approvals is well underway.

MARKET INFO

SENSEX	81,343
NIFTY	24,801

SHARE HOLDING PATTERN (%)

Particulars	Jun-24	Mar-23	Dec-23
Promoters	47.1	47.1	47.1
FIIIs	17.6	19.5	19.8
DIIIs	11.8	12.6	13.1
Others	23.5	20.8	20.0
Total	100.0	100.0	100.0

*Based on Previous closing



Revenue CAGR between FY24 and FY26E



PAT CAGR between FY24 and FY26E

Jio Financial Services Ltd.

Concall Highlights:

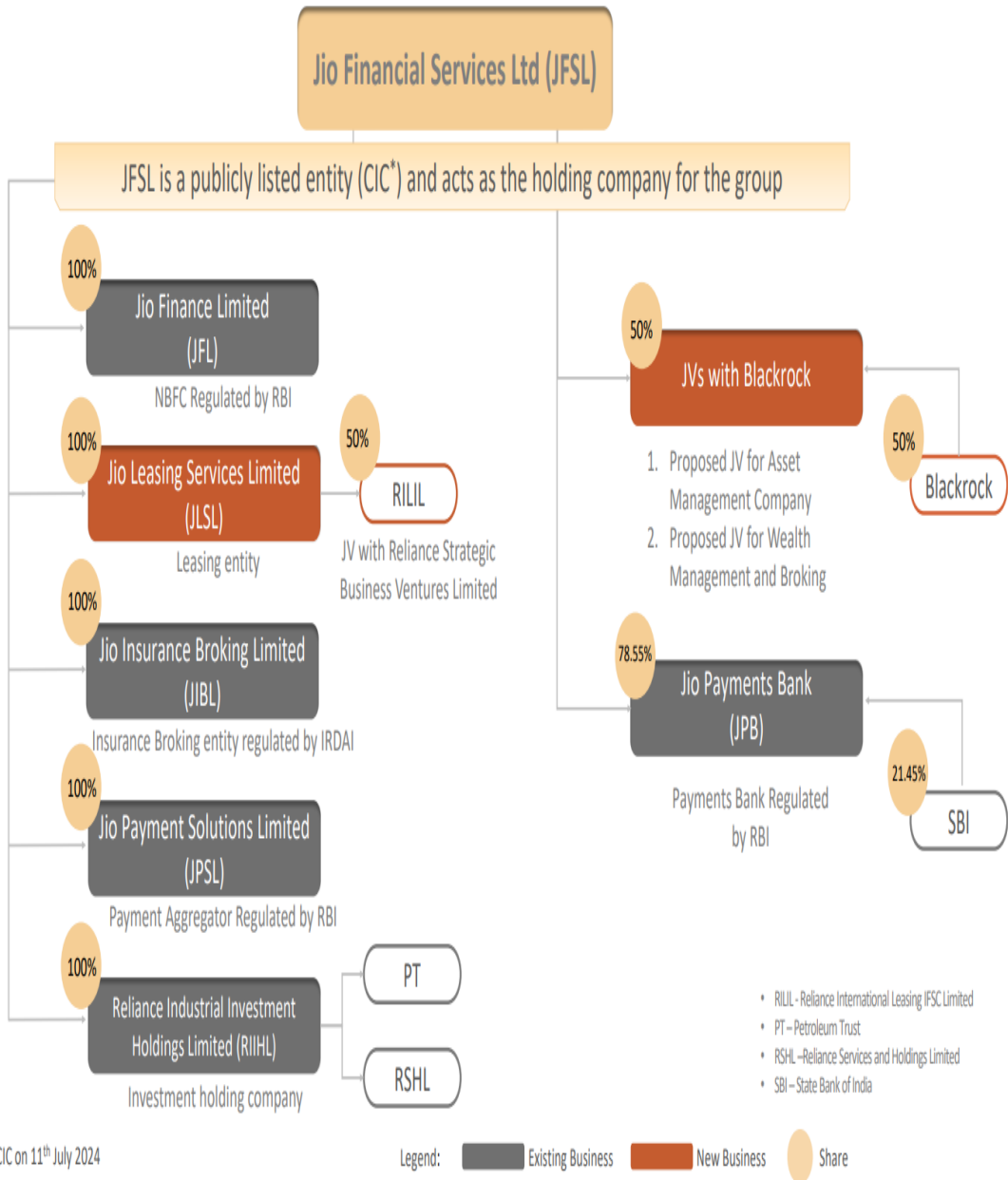
- JIOFIN will continue to expand its product suite in the coming quarters with a few more launches across all its business verticals, the bank, NBFC and the insurance solutions.
- The non-banking financial entity has strategically positioned itself to capitalize on opportunities in the lending market.
- JIOFIN's focus remains on expanding secured lending products, such as Loan Against Securities (LAS) and Loan Against Property (LAP). In all the areas, the NBFC will leverage the vast ecosystem in which JIOFIN operates at an arm's length basis and within risk and regulatory guardrails.
- Jio Leasing Services Ltd (JLSL) has kickstarted the operating lease business with AirFiber devices. For Jio Leasing Services, this gives access to potentially a large customer base at low acquisition and collection costs, while at the same time, mitigating risks given that asset ownership is with the leasing Company.
- JLSL has a 50:50 JV with Reliance Strategic Business Ventures Ltd in the GIFT city and this entity is called Reliance International Leasing IFSC Limited. This entity was formed with an intent to undertake leasing in the IFSC, the International Financial Services Centre, in GIFT city. This GIFT city JV has already initiated the operations of ship leasing in Q1FY25.
- Jio Payment Bank Ltd has been working towards expanding its physical distribution reach through a network of business correspondents. To this effect, the Jio Payments Bank has received approval from RBI to expand its footprint by about 16,000 Business Correspondent outlets.
- Jio Insurance Broking's first offering on the app is in the category of auto insurance. In the coming months, it will be able to expand this offering across both the dimensions i.e., increase the number of insurance companies and the number of products to offer a full range of policies.
- During the quarter, green shoots were observed in each of JIOFIN's businesses – setting the stage for business growth.
- The AMC business has identified top talent and is focused on integrating advanced technology platform solutions to deliver superior asset management services.
- Jio Bharat phone facilitates peer-to-peer merchant onboarding for MSMEs and unorganized retail, empowering the small businesses across the country with seamless payment solutions.
- JIO Payment Solutions Ltd has piloted tailored Point of Sale solutions, such as PIN POS for home delivery service merchants, ensuring secure payment processing

Valuation and view:

Jio Financial Services experienced muted results in Q1FY25, with a decrease in interest income due to the maturity of high-yielding FDs, a decrease in treasury income, and a prompt investment of the matured funds in liquid instruments. Meanwhile, the PAT growth remained stable due to lower operating expenses. The operating expenses for the quarter decreased QoQ on the high base in Q4FY24 on account of higher investment to set up new businesses. Looking ahead, the management is fully committed to expanding its range of secured lending products, with a strategic focus on the launch of new products. JIOFIN is poised for substantial traction across all business segments, leveraging the robust backing of its parent company and its extensive customer base. The NBFC anticipates maintaining strong capital adequacy, providing vital support for its growth endeavors, and acting as a crucial buffer for any unforeseen circumstances. **Nevertheless, we anticipate that earnings will continue to fluctuate until JIOFIN obtains all approvals and progresses into the ramp-up phase. We value the NBFC based on its June 2024 book value of INR 219.5 per share. Applying a P/BV multiple of 2.0x, we further discount the value by 20% for the Holdco to arrive at a revised Target Price of INR 350 per share (earlier INR 395). Given the 3.9% upside over CMP, we maintain our "HOLD" rating on the shares of Jio Financial Services Ltd.**

Jio Financial Services Ltd.

Business Structure:



* Received approval for CIC on 11th July 2024

Source: Company Presentation

Jio Financial Services Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY21	FY22	FY23	FY24	Q1FY25
Interest Income	2,952	1,481	383	9,377	1,617
Finance Cost	1,106	0	0	103	0
Net Interest Income (NII)	1,846	1,481	383	9,275	1,617
Dividend Income	0	0	3	2,169	0
Fees and commission income			0	1,517	382
Net gain on fair value changes	0	5	30	5,476	2,179
Other income	156	357	32	8	0
Total Operating Income	2,002	1,843	448	18,444	4,178
Total Operating Expenses	822	71	56	3,150	790
Pre-Provisioning Operating Profit (PPOP)	1,181	1,771	393	15,294	3,388
Impairment of financial instruments	0	3	-101	21	3
Profit Before tax & share of profit of Associates and Joint venture	1,181	1,769	493	15,274	3,385
Share of profit of Associates and Joint Venture	0	0	0	4,285	619
Tax Expenses	-50	88	181	3,513	878
Profit After Tax	1,231	1,680	313	16,046	3,126
Reported Basic & Diluted Earnings Per Share (EPS)	238.1	325.1	60.5	2.5	0.5
Calculated EPS (INR)	0.19	0.26	0.05	2.53	0.49

Source: Company, KRChoksey Research

Jio Financial Services Ltd.

Exhibit 2: Balance Sheet

INR Mn	FY21	FY22	FY23	FY24
Cash and Cash equivalents	4	5	632	672
Bank Balances other than cash and cash equivalents	0	0	59,807	108,926
Loans	19,511	20,010	411	1,733
Investments	575	1,809	1,081,409	1,332,922
Other financial assets	0	0	3,690	1,318
Total financial assets	20,090	21,824	1,145,950	1,445,570
Current tax assets	348	404	839	852
Deferred tax assets	39	53	0	2
Property, plant and equipment		0	396	313
Intangible assets		0	179	1,438
Other non-financial assets	125	0	1,932	455
Total non-financial assets	513	457	3,346	3,060
Total Assets	20,602	22,281	1,149,296	1,448,630
Liabilities				
Payables	0	0	164	163
Borrowings	0	0	7,428	0
Other financial liabilities	1	1	176	964
Total financial liabilities	1	1	7,767	1,127
Deferred tax liability	0	0	66	55,576
Provisions	0	0	8	296
Other non-financial liabilities	2	0	251	154
Total non-financial liabilities	2	0	325	56,026
Total Liabilities	2	1	8,092	57,153
Equity share capital	20	20	20	63,533
Share capital pending allotment		0	63,533	0
Instruments entirely equity in nature	3	3	3	0
Other equity	20,577	22,257	1,077,647	1,327,944
Total Equity	20,600	22,280	1,141,203	1,391,477
Total Liabilities and equity	20,602	22,281	1,149,296	1,448,630

Source: Company, KRChoksey Research

Jio Financial Services Ltd.

Jio Financial Services Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
19-Jul-24	337	350	HOLD
24-Apr-24	382	395	HOLD
16-Jan-24	249	290	BUY
03-Jan-24	235	290	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

I, Unnati Jadhav (MMS, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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