

# Q2FY25 Jio Financial Services Ltd.



## Jio Financial Services Ltd.

Business ramp up underway

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 330	INR 345	4.6%	20,94,042	HOLD	NBFC

### Result Highlights Q2FY25:

- Net Interest Income (NII) for Q2FY25 stood at INR 2,050 Mn, a growth of 10.2% YoY/ 26.7% QoQ. Pre-Provision Operating Profit (PPOP) was INR 3,388 Mn, a decline of 6.0% YoY but grew by 6.9% QoQ, led by higher dividend income. The cost-to-income ratio stood at 31.4% as against 18.9% in Q1FY25 (vs. 18.3% in Q2FY24). The operating expenses saw an increase of 99.3% YoY/ 80.1% QoQ. Profit after Tax (PAT) for Q2FY25 was INR 6,891 Mn, reporting a growth of 3.1% YoY/ 120.4% QoQ. The sequential improvement was led by the low base of Q1FY25 due to seasonal weakness.
- We anticipate that earnings will continue to be variable until JIOFIN secures all necessary approvals and successfully transitions into the ramp-up phase. Hence, we have maintained our rating at “HOLD”.

### MARKET DATA

Shares outs (Mn)	6,353
Mkt Cap (INR Mn)	20.94,042
52 Wk H/L (INR)	395/ 204
Volume Avg (3m K)	18,880
Face Value (INR)	10
Bloomberg Code	JIOFIN : IN

### KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23	FY24	H1FY25
Net Interest Income	1,481	383	9,275	3,667
Pre-Provisioning Operating Profit	1,771	393	15,294	8,904
Net Profit	1,680	313	16,046	10,017
Adjusted EPS (INR)	0.26	0.05	2.53	1.58
Book Value per share	4,310.9	179.6	219.0	215.9

Source: Company, KRChoksey Research; Adjusted EPS for FY22-23 on the back of the equity share allotted post demerger.

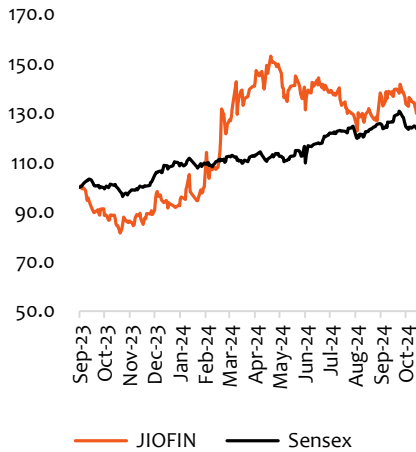
### Higher cost ratio on the back of scale-up in operations during the quarter:

- The total income for the quarter stood at INR 6,939 Mn, a growth of 14.1% YoY/ 66.1% QoQ. The rise in income was driven by higher interest income from loans and investments, as well as strong performance from mutual fund gains and increased fees/commissions from their diversified financial product offerings.
- The increase in net interest income is attributed to the company's expansion in interest-bearing assets, such as loans and investments, as it launched new retail and corporate products. Higher systemic liquidity also boosted treasury performance, contributing to better returns on investments.
- The company has reported a dividend income of INR 2,409 Mn, majorly coming from Reliance Industries Ltd shares held by JIOFIN.
- The operating expenses in Q2FY25 increased by 99.3% YoY/ 80.1% QoQ to INR 1,423 Mn. The rise in operating expenses was largely due to increased employee costs and other operating expenses linked to the scaling up of operations. The company is growing its workforce and infrastructure to support new product launches and digital initiatives. It also included INR 140 Mn in CSR expenses, which further increased costs.
- Net profit stood at INR 6,891 Mn, driven by the operational performance and higher share of profit of associates and joint ventures at INR 2,257 Mn.

### Update on businesses:

- JIOFIN has entered into a 50:50 joint venture with BlackRock, one of the largest global asset management firms. The joint venture, called Jio BlackRock Investment Advisors Private Ltd, aims to create digital-first, innovative investment solutions for Indian customers.
- SEBI, in a letter dated October 3, 2024, has provided in-principle approval for Jio Financial Services Ltd and BlackRock to act as Co-sponsors for establishing the proposed mutual fund. The final registration approval from SEBI will be granted once the company and BlackRock meet the specified requirements.

### SHARE PRICE PERFORMANCE



\*data since listing

### MARKET INFO

SENSEX	81,225
NIFTY	24,854

### SHARE HOLDING PATTERN (%)

Particulars	Sep-24	Jun-24	Mar-24
Promoters	47.1	47.1	47.1
FIIIs	16.9	17.6	19.5
DIIIs	11.5	11.9	12.6
Others	24.5	23.4	20.8
Total	100.0	100.0	100.0

\*Based on previous closing  
Note: All the market data is as of previous closing



Revenue CAGR between FY24 and FY26E



PAT CAGR between FY24 and FY26E

## Jio Financial Services Ltd.

### Concall Highlights:

- JIOFIN established a wholly-owned subsidiary called Jio Finance Platform and Service Limited on August 14, 2024, to engage in the distribution of financial products and to offer related services.
- Multiple product launches took place during H1FY25, including loans against mutual funds, home loans, insurance products, and payment banking solutions.
- Jio Finance Limited (JFL), their NBFC, offers various retail and corporate financial products, including vendor financing, working capital loans, and corporate finance solutions.
- JFL launched home loans, including balance transfer options, which allow customers to transfer their existing home loans from other institutions to Jio at competitive rates.
- Another major product launch is loans against property, enabling customers to leverage their real estate assets for financing needs.
- The "Jio Finance" app, a digital platform for financial services, was relaunched after a beta phase, with 6.5 Mn users engaging with it by Q2FY25.
- Integration with the Jio network further expanded the customer base and added new features like international UPI payments, home loans, and biometric KYC services.
- Jio Insurance has significantly expanded its product offerings, distributing health insurance, life insurance, and auto and two-wheeler insurance through its digital platform. The business now offers a comprehensive range of 24 insurance plans covering life, health, and general insurance. These products are available through the Jio Finance app and the Jio Insurance website.
- Jio Insurance has seen strong growth in its institutional business, onboarding large payment platforms and offering services like extended warranties for consumer durables and electronic devices. Jio Insurance is also working on further refining its product offerings based on data analytics to cater to evolving customer needs and enhance user experience.
- JIOFIN plans to continue expanding its product offerings and enhancing its digital distribution network through the Jio Finance app. It is also optimizing costs across its businesses, leveraging data analytics to cater to diverse customer needs.
- The company also rolled out new credit card pillars and mobile recharge facilities for customers of other telecom providers like Airtel and Vodafone.
- Jio Payment Bank expanded its features, allowing for instant digital savings account opening within five minutes, enhanced with secure biometric authentication. It also enabled easier merchant onboarding with UPI payment solutions and auto-verification of bank accounts, significantly speeding up payment processing for businesses.
- JIOFIN received approval from the Department of Economic Affairs to increase the limit for foreign investments up to 49.0% of its equity share capital, which could support further capital raising.
- The company highlighted the establishment of robust group-level compliance, audit, and risk functions to ensure effective oversight across its diverse subsidiaries.
- Ship leasing continues under Reliance International Leasing IFSC Limited (RILIL) - JV with Reliance Strategic Business Ventures Limited in GIFT City. JIOFIN continues to invest in this business to scale operations, as evidenced by the INR 675 Mn investment in the subsidiary during the quarter. The leasing business is expected to grow further by providing customized leasing solutions to corporate clients, leveraging JFS's existing synergies within the Reliance ecosystem.
- The lending business AUM stood at INR 12,060 Mn as of September 30, 2024.

### Valuation and view:

JIOFIN's growth in Q2FY25 was driven by new product launches, increasing interest income from loans and investments, treasury gains, and growing fee and commission income. The rise in expenses was primarily due to scaling operations and increasing staff to support expansion efforts, but this was outweighed by stronger income growth. JIOFIN is positioned for strong growth, driven by its diversified product portfolio, digital-first approach, and strategic partnerships. Key growth drivers include the expansion of retail lending (home loans, loans against property), corporate financing solutions (working capital loans, invoice factoring), and the integration of insurance products. The company's digital-first strategy, which leverages JIOFIN's wide network and customer base, positions it to capture significant market share in areas like lending, insurance, and asset management. The mutual fund business, through its BlackRock JV, will enable JIOFIN to tap into India's increasing demand for investment products while its expanding insurance and corporate finance offerings provide diversified revenue streams.

Several of its businesses are still in the approval and launch stage, and the ramp-up process is ongoing. This situation leads to anticipated fluctuations in earnings, exacerbated by higher cost ratios resulting from substantial investments in growth initiatives. We value the NBFC based on its September 30, 2024, book value of INR 215.9 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 345 per share (earlier INR 350). Given the 4.6% upside over CMP, we maintain our "HOLD" rating on the shares of Jio Financial Services Ltd.

## Jio Financial Services Ltd.

### KEY FINANCIALS

#### Exhibit 1: Profit & Loss Statement

INR Mn	FY22	FY23	FY24	H1FY24	H1FY25
Interest Income	1,481	383	9,377	3,879	3,667
Finance Cost	0	0	103	103	0
<b>Net Interest Income (NII)</b>	<b>1,481</b>	<b>383</b>	<b>9,275</b>	<b>3,777</b>	<b>3,667</b>
Dividend Income	0	3	2,169	2,169	2,409
Fees and commission income		0	1,517	799	788
Net gain on fair value changes	5	30	5,476	3,375	4,248
Other income	357	32	8	0	4
<b>Total Operating Income</b>	<b>1,843</b>	<b>448</b>	<b>18,444</b>	<b>10,119</b>	<b>11,117</b>
<b>Total Operating Expenses</b>	<b>71</b>	<b>56</b>	<b>3,150</b>	<b>1,150</b>	<b>2,213</b>
<b>Pre-Provisioning Operating Profit (PPOP)</b>	<b>1,771</b>	<b>393</b>	<b>15,294</b>	<b>8,969</b>	<b>8,904</b>
Impairment of financial instruments	3	-101	21	0	41
<b>Profit Before tax &amp; share of profit of Associates and Joint venture</b>	<b>1,769</b>	<b>493</b>	<b>15,274</b>	<b>8,969</b>	<b>8,863</b>
Share of profit of Associates and Joint Venture	0	0	4,285	2,848	2,876
Tax Expenses	88	181	3,513	1,816	1,722
<b>Profit After Tax</b>	<b>1,680</b>	<b>313</b>	<b>16,046</b>	<b>10,001</b>	<b>10,017</b>
Reported Basic & Diluted Earnings Per Share (EPS)	325.1	60.5	2.5	1.6	1.6
Calculated EPS (INR)	0.26	0.05	2.53	1.57	1.58

#### Exhibit 2: Balance Sheet

INR Mn	FY21	FY22	FY23	FY24	H1FY25
Cash and Cash equivalents	4	5	632	672	772
Bank Balances	0	0	59,807	108,926	50,551
Loans	19,511	20,010	411	1,733	12,061
Investments	575	1,809	1,081,409	1,332,922	1,374,387
Other financial assets	0	0	3,690	1,318	1,008
<b>Total financial assets</b>	<b>20,090</b>	<b>21,824</b>	<b>1,145,950</b>	<b>1,445,570</b>	<b>1,438,779</b>
Current tax assets	348	404	839	852	1,187
Deferred tax assets	39	53	0	2	0
Property, plant and equipment		0	396	313	323
Intangible assets		0	179	1,438	1,388
Other non-financial assets	125	0	1,932	455	548
<b>Total non-financial assets</b>	<b>513</b>	<b>457</b>	<b>3,346</b>	<b>3,060</b>	<b>3,446</b>
<b>Total Assets</b>	<b>20,602</b>	<b>22,281</b>	<b>1,149,296</b>	<b>1,448,630</b>	<b>1,442,224</b>
<b>Liabilities</b>					
Payables	0	0	164	163	389
Borrowings	0	0	7,428	0	0
Other financial liabilities	1	1	176	964	550
<b>Total financial liabilities</b>	<b>1</b>	<b>1</b>	<b>7,767</b>	<b>1,127</b>	<b>939</b>
Deferred tax liability	0	0	66	55,576	69,311
Provisions	0	0	8	296	302
Other non-financial liabilities	2	0	251	154	233
<b>Total non-financial liabilities</b>	<b>2</b>	<b>0</b>	<b>325</b>	<b>56,026</b>	<b>69,845</b>
<b>Total Liabilities</b>	<b>2</b>	<b>1</b>	<b>8,092</b>	<b>57,153</b>	<b>70,784</b>
Equity share capital	20	20	20	63,533	63,533
Share capital pending allotment		0	63,533	0	0
Instruments entirely equity in nature	3	3	3	0	0
Other equity	20,577	22,257	1,077,647	1,327,944	1,307,908
<b>Total Equity</b>	<b>20,600</b>	<b>22,280</b>	<b>1,141,203</b>	<b>1,391,477</b>	<b>1,371,440</b>
<b>Total Liabilities and equity</b>	<b>20,602</b>	<b>22,281</b>	<b>1,149,296</b>	<b>1,448,630</b>	<b>1,442,224</b>

Source: Company, KRChoksey Research

## Jio Financial Services Ltd.

Jio Financial Services Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
21-Oct-24	330	345	HOLD
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%

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