



Q3FY25

Jio Financial Services Ltd.



Jio Financial Services Ltd.

Businesses ramping up well

CMP* INR 276	Target INR 286	Potential Upside 3.7%	Market Cap (INR Mn) 17,52,197	Recommendation HOLD	Sector NBFC
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Result Highlights Q3FY25:

- Net Interest Income (NII) for Q3FY25 was INR 2,050 Mn, marking a decline of 21.9% YoY, though it saw a 2.5% increase QoQ. Pre-Provision Operating Profit (PPOP) stood at INR 3,305 Mn, reflecting a 4.7% YoY growth driven by higher non-interest income. However, it declined by 40.1% QoQ. Profit After Tax (PAT) for Q3FY25 was INR 2,948 Mn. While PAT remained relatively stable on a YoY basis, it decreased by 57.2% QoQ due to the base effect.
- NBFC AUM stood at INR 41,990 Mn as of December 31, 2024, a significant rise from INR 12,060 Mn in the previous quarter
- **We believe that while the company's long-term growth potential remains strong, ongoing investments and operational ramp-up efforts justify maintaining a "HOLD" rating on the shares.**

MARKET DATA

Shares outs (Mn)	6,353
Mkt Cap (INR Mn)	17,52,197
52 Wk H/L (INR)	395/ 237
Volume Avg (3m K)	13,207
Face Value (INR)	10
Bloomberg Code	JIOFIN : IN

KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23	FY24	9MFY25
Net Interest Income	1,481	383	9,275	5,768
Pre-Provisioning Operating Profit	1,771	393	15,294	12,208
Net Profit	1,680	313	16,046	12,965
Adjusted EPS (INR)	0.26	0.05	2.53	2.04
Book Value per share	4,310.9	179.6	219.0	216.3

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

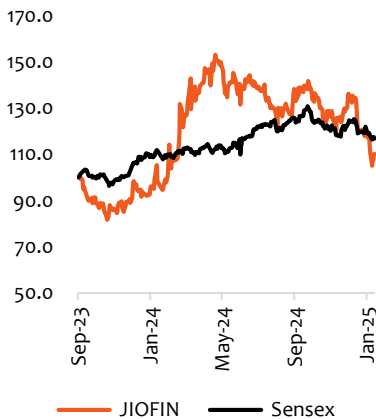
Absence of dividend income led to a fall in the operating income:

- The total income for Q3FY25 stood at INR 4,489 Mn, reflecting a YoY growth of 8.3% but a QoQ decline of 35.3%. The sequential decline was due to the one-time dividend income of INR 2,409 Mn from Reliance Industries Ltd, recorded in Q2FY25. Excluding this, Q3FY25 demonstrated stable growth in core operations.
- Interest income for Q3FY25 amounted to INR 2,101 Mn (+2.5% QoQ), driven by the expanding loan book and prudent treasury operations. Market-linked investments contributed INR 1,910 Mn through fair value changes, reflecting effective cash management amidst challenging market conditions.
- Fee-based income reached INR 370 Mn, supported by growth in insurance broking and payment services. The introduction of new insurance products, such as sachet insurance, further boosted commission earnings.
- Operating expenses decreased by 16.8% QoQ to INR 1,184 Mn in Q3FY25, primarily due to the absence of annual CSR expenses and incorporation-related costs incurred in Q2FY25.
- Provisions increased to INR 123 Mn from INR 38 Mn in Q2FY25, reflecting higher provisioning requirements aligned with the expanding loan book.
- JIOFIN reported a consolidated net profit of INR 2,948 Mn for Q3FY25, remaining largely stable compared to INR 2,938 Mn in Q3FY24. However, the PAT declined from INR 6,891 Mn in Q2FY25, attributable to the absence of the one-time dividend income recorded in the previous quarter.

Growth Strategies:

- JIOFIN will focus on scaling its core businesses—lending, payments, and insurance—by leveraging customer-centric digital innovations and technology-driven efficiencies.
- The company is committed to further investing in rural expansion and capitalizing on Jio's extensive ecosystem to drive customer acquisition.

SHARE PRICE PERFORMANCE



*data since listing

MARKET INFO

SENSEX	77,073
NIFTY	23,345

SHARE HOLDING PATTERN (%)

Particulars	Dec-24	Sep-24	Jun-24
Promoters	47.1	47.1	47.1
FIIIs	15.6	16.9	17.6
DIIIs	12.6	11.5	11.9
Others	24.7	24.5	23.4
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

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Concall Highlights:

- Jio Payment Bank expanded its correspondent network to over 7,300 points, with a focus on enhancing rural reach.
- The MyJio app and Jio Connect platform drove customer acquisition and engagement, with more than 7.4 Mn monthly active users.
- Jio BlackRock Asset Management Pvt Ltd, after receiving in-principle approval, applied for final regulatory clearance for mutual funds. Leadership recruitment and technology platform development are in progress, aimed at simplifying investment solutions.
- JIOFIN introduced innovative sachet insurance products, including solar panels and cyber insurance, to meet specific customer needs.
- It also launched digital gold purchasing, allowing customers to buy gold through lump sum payments or systematic investment plans.
- Jio Finance partnered with external entities for home loan distribution, leveraging its extensive physical network. The company introduced financing solutions backed by property, shares, and mutual funds, addressing a broader spectrum of customer requirements.
- The insurance business saw the addition of 29 new corporate clients, offering a range of institutional insurance products, including group medical and personal accident plans. Additionally, the company doubled its offerings in two-wheeler, health, and life insurance categories to 54 plans.
- To enhance transaction speed and distribution efficiency, JIOFIN upgraded its payment platform. AI integration has enabled quick merchant onboarding in under five minutes.
- Jio Payment Solutions secured an online payment aggregator license, enabling it to offer payment gateway services to online merchants. The company also applied for third-party app provider licenses to further strengthen its payment solutions.
- By leveraging the broader Jio ecosystem, JIOFIN has boosted customer engagement, particularly in underserved markets, through its embedded financial services available on the MyJio app, providing a unified platform for customers.
- The company reiterated its commitment to strong governance and regulatory compliance to build a trusted brand in the financial services industry.
- JIOFIN has formed strategic partnerships with wealth management firms, real estate providers, and financial institutions to distribute loans and other financial products. These alliances have been crucial in acquiring customers, especially in the affordable housing and small business segments.
- Jio Payment Bank saw a 25.0% QoQ increase in its CASA customer base, reaching 1.89 Mn customers.

Valuation and view:

Jio Financial Services Ltd (JIOFIN) delivered a healthy performance in Q3FY25, driven by a sharp increase in Assets Under Management (AUM) to INR 41,990 Mn, which contributed to a stable interest income from loans and treasury operations. This was further supported by fee-based income from its insurance and payment services verticals. The company's strategic focus on a digital-first approach and partnerships, such as the BlackRock JV for mutual funds, positions it to capitalize on India's growing financial services landscape effectively. Key growth drivers during the quarter included retail lending (home loans and loans against property), small business financing, and innovative insurance offerings such as sachet insurance and institutional coverage. Additionally, JIOFIN continued to expand its payment and insurance platforms, leveraging AI-driven efficiencies and collaborations to improve financial access in rural and underserved markets. Despite a YoY rise in operational expenses due to investments in scaling operations, revenue growth mitigated the impact, highlighting effective cost management strategies.

Despite Jio Financial Services ramping up its operations and expanding its product portfolio, including mutual funds, insurance, and digital solutions, the company remains in a growth and scaling phase. With ongoing investments, regulatory approvals, and operational ramp-up efforts, it is challenging to accurately value or make precise earnings estimates at this stage. While the company's long-term prospects are promising, the volatility in earnings and the uncertain near-term outlook warrant a more cautious approach. Based on this we reduce our P/BV multiple of 1.7x (earlier 2.0x previously) and continue to give a 20.0% Holdco discount to arrive at a revised target price of INR 286 per share (earlier INR 345). Currently, we value the NBFC based on its December 31, 2024, book value of INR 216.3 per share. Consequently, we maintain a "HOLD" rating on the stock, awaiting better visibility into its financial performance as operations mature.

Jio Financial Services Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY22	FY23	FY24	9MFY24	9MFY25
Interest Income	1,481	383	9,377	6,570	5,768
Finance Cost	0	0	103	103	0
Net Interest Income (NII)	1,481	383	9,275	6,467	5,768
Dividend Income	0	3	2,169	2,169	2,409
Fees and commission income		0	1,517	1,212	1,157
Net gain on fair value changes	5	30	5,476	7	109
Other income	357	32	8	4,408	6,162
Total Operating Income	1,843	448	18,444	14,262	15,606
Total Operating Expenses	71	56	3,150	2,137	3,397
Pre-Provisioning Operating Profit (PPOP)	1,771	393	15,294	12,126	12,208
Impairment of financial instruments	3	-101	21	3	164
Profit Before tax & share of profit of Associates and Joint venture	1,769	493	15,274	12,123	12,044
Share of profit of Associates and Joint Venture	0	0	4,285	3,509	3,467
Tax Expenses	88	181	3,513	2,693	2,546
Profit After Tax	1,680	313	16,046	12,939	12,965
Reported Basic & Diluted Earnings Per Share (EPS)	325.1	60.5	2.5	2.0	2.0
Calculated EPS (INR)	0.26	0.05	2.53	2.0	2.0

Exhibit 2: Balance Sheet

INR Mn	FY21	FY22	FY23	FY24	H1FY25
Cash and Cash equivalents	4	5	632	672	772
Bank Balances other than cash and cash equivalents	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
Total financial assets	20,090	21,824	1,145,950	1,445,570	1,438,779
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
Total non-financial assets	513	457	3,346	3,060	3,446
Total Assets	20,602	22,281	1,149,296	1,448,630	1,442,224
Liabilities					
Payables	0	0	164	163	389
Borrowings	0	0	7,428	0	0
Other financial liabilities	1	1	176	964	550
Total financial liabilities	1	1	7,767	1,127	939
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
Total non-financial liabilities	2	0	325	56,026	69,845
Total Liabilities	2	1	8,092	57,153	70,784
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
Total Equity	20,600	22,280	1,141,203	1,391,477	1,371,440
Total Liabilities and equity	20,602	22,281	1,149,296	1,448,630	1,442,224

Source: Company, DevenChoksey Research

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Date	CMP (INR)	TP (INR)	Recommendation
21-Jan-25	276	286	HOLD
18-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%

ANALYST CERTIFICATION:

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