

**NOT  
RATED**
**JIO FINANCIAL  
SERVICES**

| NBFC

| 17 October 2023

## Q2 earnings highlights: Fast-tracking growth

- Multi-faceted business model backed by aggressive growth plans in lending, insurance broking and payments
- Strong technology backbone that includes end-to-end digital underwriting and AI models for collection measures
- PAT doubled QoQ to Rs 6.7bn in Q2FY24 on higher revenue, dividend income, profit share from JVs and lower taxes

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**Diversified business:** In its Q2FY24 earnings commentary, Jio Financial Services (JFS, Not Rated) stated that it intends to offer innovative financial solutions through a wide range of offerings. The company, which has ~450 employees (Q2), launched personal loans for the salaried and self-employed via the MyJio app in Mumbai, along with consumer durable loans in 300 stores pan-India. Further, it has partnered with 24 insurers (5 life, 15 general, 4 health) for insurance broking, reopened savings accounts and bill payment services as a payments bank with a ground network of ~2,400 correspondents, and is piloting Sound Box in payment solutions.

**Strong pipeline:** On the lending front, the company has ambitions to add merchant, auto and home loans to its portfolio as well as loans against shares for small businesses, single proprietors and self-employed individuals. On the payments bank front, it plans to launch debit cards.

**Efficient risk management:** JFS pre-assesses customers by leveraging conventional and alternate data sources. A customer's underwriting occurs in real time via an end-to-end digital experience. The company uses AI models to monitor potential risks and AI-led preemptive collection measures based on behavioural analytics. JFS is also developing a unified app to cater to the diverse financial needs of customers. Helming its digital efforts is newly appointed Group Chief Technology Officer (CTO) AR Ganesh, a former ICICI Bank executive.

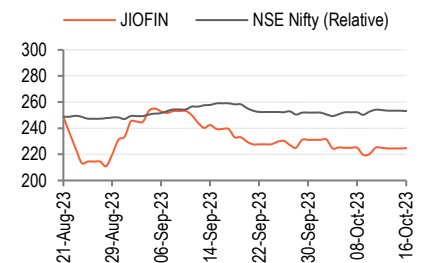
**PAT doubles QoQ:** Consolidated PAT increased 101% QoQ to Rs 6.7bn in Q2FY24 as operating profit grew 49% QoQ to Rs 5.4bn on a 51% rise in net revenue to Rs 6.1bn that absorbed the 64% spike in opex to Rs 714mn. Net revenue was boosted by dividend income of Rs 2.2bn (nil in Q1). Further, the share of profit from joint ventures came in at Rs 2.2bn (vs. Rs 0.7bn in Q1), and JFS's effective tax rate halved to 11.4% vs. 22.3% in Q1. Consolidated total assets stood at Rs 1.2tn as of Q2FY24 whereas net worth was at Rs 1.1tn.

**Valuation:** The stock is trading at a P/B of ~1.2x on H1FY24-end book value. We do not have a rating on JFS.

|                  |                  |
|------------------|------------------|
| Ticker/Price     | JIOFIN IN/Rs 225 |
| Market cap       | US\$ 17.8bn      |
| Free float       | 54%              |
| 52wk high/low    | Rs 267/Rs 203    |
| Promoter/FPI/DII | 46%/26%/16%      |

Source: NSE | Price as of 16 Oct 2023

## Stock performance



Source: NSE



**Fig 1 – Profit and Loss account**

| Consolidated (Rs mn)                              | Q2FY24       | Q1FY24       | QoQ (%)      | FY23       |
|---|--------------|--------------|--------------|------------|
| Interest Income                                   | 1,861        | 2,019        | (7.8)        | 383        |
| Interest Expense                                  | 0            | 103          | NA           | 0          |
| <b>NII</b>  | <b>1,861</b> | <b>1,916</b> | <b>(2.9)</b> | <b>383</b> |
| Dividend  | 2,169        | -            | NA           | 3          |
| Fees & Commission Income                          | 416          | 383          | 8.5          | -          |
| Net gain on fair value changes                    | 1,636        | 1,740        | (6.0)        | 30         |
| Other income                                      | -            | -            | -            | 32         |
| <b>Total Income</b>                               | <b>6,080</b> | <b>4,039</b> | <b>50.6</b>  | <b>448</b> |
| Staff expenses                                    | 312          | 117          | 166.8        | -          |
| Other Operating Expenses                          | 403          | 319          | 26.4         | 56         |
| <b>Total opex</b>                                 | <b>714</b>   | <b>435</b>   | <b>64.0</b>  | <b>56</b>  |
| <b>PPOP</b>                                       | <b>5,366</b> | <b>3,603</b> | <b>48.9</b>  | <b>393</b> |
| Provisions  | 0            | -            | NA           | (101)      |
| Share of Associates & Joint ventures, net of tax* | 2,178        | 670          | 225.2        | -          |
| <b>Profit before tax</b>                          | <b>7,544</b> | <b>4,273</b> | <b>76.6</b>  | <b>493</b> |
| Provision for taxation                            | 863          | 954          | (9.6)        | 181        |
| <b>Profit after tax</b>                           | <b>6,682</b> | <b>3,319</b> | <b>101.3</b> | <b>313</b> |

Source: Company, BOBCAPS Research | \*Includes dividend income of Rs 1.5bn

**Fig 2 – Balance sheet**

| Consolidated (Rs mn)     | As on Sep'23     | As on Mar'23     |
|--------------------------|------------------|------------------|
| <b>Assets</b>            |                  |                  |
| Cash and Bank Balances   | 62,551           | 60,438           |
| Investments              | 1,124,899        | 1,081,409        |
| Loans                    | 4                | 411              |
| Other assets             | 8,522            | 7,040            |
| <b>Total Assets</b>      | <b>1,195,976</b> | <b>1,149,297</b> |
| Net worth                | 1,156,308        | 1,141,203        |
| Equity Share Capital     | 63,533           | 20               |
| Other Capital            | 1,092,775        | 1,141,183        |
| Other Liabilities        | 39,668           | 8,094            |
| <b>Total Liabilities</b> | <b>1,195,976</b> | <b>1,149,297</b> |

Source: Company, BOBCAPS Research

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