



JM Financial Limited
Q2 FY26 Earnings Conference Call
November 07, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of JM Financial Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone.

Please note that this conference is being recorded. Kindly note that any forward-looking statements made on this call are based on the management's current expectations. However, the actual results may vary significantly. And therefore, the accuracy and completeness of this expectation cannot be guaranteed. I now hand the conference over to Mr. Vishal Kampani. Thank you, and over to you, sir.

Vishal Kampani: Thank you. On behalf of JM Financial, we extend a very warm welcome to all of you to our earnings conference call to discuss the financial results for the quarter and half year ended September 2025. We have updated our results presentation and press release on the website and stock exchanges. I hope you've had a chance to go through the same.

On the call, we also have Chirag Negandhi, our MD; Sonia Dasgupta, MD and CEO of Investment Banking; Manish Sheth, who runs our Home Finance Business; Amitabh, who runs our Asset Management business and Nishit, who is our Group CFO. I will just give you the key updates and I'll hand over the call to Nishit to take you through the quarterly commentary and the numbers.

During this quarter, we are happy to report another strong set of numbers with an operating PAT of INR270 crores. We have declared an interim dividend of INR1.5 per share, which is in line with our strategy of increasing the distribution to shareholders. Fees and commission income has been the highest ever for any quarter at INR341 crores. It continues to show a healthy growth of 20% Y-o-Y for 2 straight quarters.

The pipeline of transactions is extremely strong. Further, only on the IPO front, we have deals of almost INR120,000 crores, for which the documents have been filed with SEBI and hopefully will be executed over the next 6 to 12 months. We have also crossed a very important milestone of 1,000 salespeople across our Wealth Management business and our focus on scaling up Wealth and Asset Management business continues. On our Affordable Housing business, we have crossed an AUM of INR3,000 crores. With that, I'll pass the call on to Nishit.

Nishit Shah: Thank you, Vishal. I will first take the key updates on the respective segments and then move to numbers.

Corporate Advisory and Capital Markets includes the Investment Banking and Institutional Equities business. We are ranked #1 in IPOs for the quarter in terms of value, and we have closed 15 capital market transactions amounting to INR28,000 crores in the September quarter.

In addition, we have filed documents for 56 IPOs aggregating to an issue size of approximately INR120,000 crores, and the pipeline of transactions is increasing. This does not include the M&A and the Corporate Advisory pipeline of transactions.

Wealth and Asset Management which includes the Wealth Management business, broking, PMS, equity and debt AIFs and Mutual Fund business. In line with our earlier guidance, we are rapidly expanding the Wealth and Asset Management business. On the recruitment side, our sales and relationship managers strength has increased by 43% YoY in our Wealth Management business. On physical expansion on a year-on-year basis, branches have increased by 11 to 70 branches and franchisees have increased by 38 to almost 900.

The recurring AUM of all our Wealth business grew by 26% year-on-year to INR32,000 crores. The proportion of recurring AUM to total AUM has increased to 28%. In the mutual fund space, the SIP book has increased 59% year-on-year to INR115 crores per month and the average AUM from non-liquid assets has increased by 36% year-on-year to approximately INR12,100 crores. The employee strength in the Asset Management business has increased 18% year-on-year to 211 employees. We are also in the process of adding more strategies under our AIF umbrella.

Private markets: This business comprises private credit across corporate, bespoke, real estate and distressed strategies and investments. Private market is a very differentiated platform with a focus on providing solutions to our clients. Our focus is on the big opportunities in the private markets business comprising of private credit as well as the private investments. This includes investments on the equity right through a growth focused private equity fund and investments in REIT and other products.

There is a strong buildup of pipeline of syndication transactions in the private credit space. During the quarter, we have seen good traction on recoveries and further efforts continue on the recoveries. Over the last one year, we have recovered approximately INR1,273 crores in JM Financial ARC, and the borrowing to that extent has reduced 27% year-on-year to approximately INR1,589 crores.

Affordable home loans. This business includes our home loan business catering to the affordable segment. We have reached a branch network of 134 and the AUM has increased by 28% year-on-year to INR3,031 crores.

On the numbers, for the quarter ended Sep 2025, fees and commission income increased by 20% year-on-year to INR341 crores. For the half year ended Sep 2025, fees and commission has increased by 21% year-on-year to INR573 crores.

Profit before tax and profit after tax after minority interest has increased by 1.2x and 16% year-on-year, respectively, and stood at INR344 crores and INR270 crores. In quarter 2 of previous year, there was a one-time tax credit of INR39 crores due to change in the tax rate and the PAT adjusted for the such credit stood at INR193 crores. Therefore, the adjusted Y-o-Y increase for quarter 2 FY '26 would be 40%. For the half year, profit before tax and profit after tax after minority interest increased by 1.4x and 80% year-on-year, respectively, to INR937 crores and INR724 crores. Annualized ROE based on half year numbers stood at 14.4%.

The consolidated net worth, excluding minority interest has increased to INR10,241 crores translating to a book value per share of INR107.

On the segment performance, Corporate Advisory and Capital Markets profit before tax stood at INR187 crores and profit after tax stood at INR142 crores, showcasing an increase of 42% and 41%, respectively. For the first half FY '26, profit after tax increased by 54% to INR219 crores.

On Wealth Management, profit before tax stood at INR37 crores as compared to INR45 crores for quarter 2 last year, and profit after tax stood at INR30 crores as compared to INR35 crores for the same period last year. For first half FY '26, profit before tax increased by 8% to INR89 crores and profit after tax increased by 16% to INR73 crores.

On Asset Management, the loss for the quarter stood at INR10 crores, largely on account of investments being made in the mutual fund and the AIF businesses. Our share of the loss is about 60%.

For private market business, profit before tax stood at INR101 crores as compared to a loss of INR68 crores for the same period last year. Profit after tax and minority interest stood at INR77 crores compared to INR11 crores for the same period last year. On a first half FY '26 basis, the profit after tax grew over 5x to INR355 crores.

For affordable home loans business, revenue for the quarter increased 41% year-on-year to INR109 crores, and profit after tax is almost double at INR13 crores. For first half FY '26, revenue increased by 23% year-on-year to INR210 crores, and profit after tax increased by 19% year-on-year to INR27 crores.

With this brief update, I would like to hand over the call to the moderator for questions.

Moderator:

Thank you, sir. We will now begin the question and answer session. The first question is from the line of Mr. Digant Haria from Greenedge Wealth. Please go ahead.

Digant Haria:

Yes. Firstly, congratulations on this capital market and advisory division, you've done strongly well and good to see the pipeline also growing. And secondly, even this interim dividend is a very welcome change. Now I have three questions. So first question, Vishal, is on the Wealth Management side. Like how do we track the Wealth Management business going ahead in the sense, have we made most of the opex, like most of the opex flowing through the P&L or we have more opex to come?

And then can we see this recurring AUM growing at a much faster clip than what it was in the past? And then 1 more thing is that our profits in this entire division is say INR80 crores to INR100 crores, which is much below the potential of this business, right? So when can this start scaling up? Like will it be FY '27, '28? Any thoughts here? That's my first question?

Vishal Kampani:

Yes. Let me just start and then I'll give it Chirag also to answer in more detail. So I think in terms of investments, we will continue. Profits are partly down because of lesser income in some of the transactional and pre-IPO deals, which were more in number in the first quarter compared to second quarter of this financial year.

But investments will continue. I mean we've already broken even in the business, we're already making money. If you see in our presentation on the capital employed, we're almost at 14% ROE in the business anyway. Another reason for a little bit of less revenue in the second quarter was broking volumes were lower Y-o-Y and Q-on-Q. That's an industry phenomenon, not a JM phenomenon. Most brokers you would have seen, and broking is, of course, a subsegment of Wealth Management. Chirag, you wanted to talk on strategy?

Chirag Negandhi:

So we've been saying this across calls that this is a core business for us. This is very critical to how we see this as one of the growth businesses for us. And we will continue to invest. There's no reason for us to believe that there isn't space for us to keep growing and growing at a faster clip on a year-on-year basis.

And to that extent, we will keep investing. So yes, on your question on the AUM also, yes, you should expect that it will keep growing. And whenever we get good talent, we're happy to look at that as well. And whenever we get the opportunity in the markets we feel are right, we'll use that to even grow at a faster clip.

Digant Haria:

All right. Chirag, so just on this recurring AUM a bit like if you can just highlight us like what are the plans in terms of launching, say, new AIF or the private equity-based funds? Or how does this recurring AUM grow? Like we have to do certain things to make it grow. So if you can just highlight that strategy?

Chirag Negandhi:

Yes, sure. I can tell you things that we have already filed because that's out there in the public domain. To start with, there is a pre-IPO fund. That's again part of the strategy given the fact that we are the number one ECM house given the number of deals that we have done over the years, we believe that our right to win in the pre-IPO fund management segment was the highest.

And therefore, we have already filed this. We have a team on board. We are awaiting regulatory approvals. And as soon as we have those approvals, you will see that we will drive a very successful pre-IPO fund launch. So that itself will add to the AUM. There will be another PE fund that gets launched after the pre-IPO fund. There is a real estate fund that we've already got permission for, which is a credit fund.

There are many others that are in the pipeline, but we'll talk about it when we are closer to with the filing bit so that they're in the public domain. But rest assured, that Asset Management and third-party funds here are an integral part of how we see the growth.

We've been building up in terms of teams and processes to make sure that when we hit the ground, our distribution and our fund management team work in tandem so that we're able to raise the right amount of funds. You will be able to see that over the next couple of months with the success of the pre-IPO fund.

Digant Haria:

All right. And last on this wealth is that our relationship managers has gone up from, say, 101 to 204. So their contribution to the AUM would also still be pending, right, because most of them have just joined over the last 12 months

Chirag Negandhi: Absolutely. We're taking their cost, but their contribution still has to come. So you can do the math on that.

Digant Haria: All right. All right. My second question is on private markets. So Vishal, in this, we've seen a good rundown of the book already. So just wondered if you can summarize last 6, 9 months, like rundown has been pretty smooth, but whatever remains do you see anything which is toxic or anything which can give a negative surprise or it's as orderly as we wanted it to be?

Vishal Kampani: Digant, I think this question now has been asked for 6 quarters in a row. And as I told you, I mean this entire book is a post-COVID book. All of the so-called toxic assets where we are having good recoveries from now are from the pre-COVID book. Happy to report that another very significant sticky asset in our ARC has got a bid with a bank guarantee, and that's gone through NCLT process, and that's been closed in October.

So I think we are on track for good recoveries across both the real estate assets that we have and the ARC assets that we have. So that will significantly boost a lot of that asset conversion into cash flow. And in many of those, there is still significant provisions, which have made. So I don't see any sticky asset.

In fact, if you see the non-core loan book, which is run down on Page 17 in our presentation, which we've transparently shared, we've also talked about how the real estate loan book has run down from a pretty significant number. I mean this number used to be INR10,000 crores 2 years ago, and it's less than INR2,000 crores today.

So I don't anticipate any sort of surprises at all. And also the syndication business is picking up very well. Hopefully, we are crossing a few good transactions in the second half because the activity really started 9 months ago in this business, and we're seeing very good traction.

Digant Haria: Right. Okay. That's great to know, Vishal. Sir, second question is that in this private markets division, our net worth is, say, INR6,500 crores and the debt is INR7,000 crores. So we have around INR13,000 crores, INR14,000 crores in that division. Now when we build a P&L for this particular division, is there a metric where we can say, okay, this entire INR13,000 crores, INR14,000 crores will yield x amount, and it can probably result in an ROA on that INR13,000 crores or so much like or when do we reach that stage, any thoughts here would be helpful?

Vishal Kampani: So that's a great question. And it's a question we discuss in all our management committees as well as the Board. So I think the focus, Digant, right now is on recoveries as well as syndication today, and we don't want to distract ourselves from recoveries. We've seen a good recovery in Q1. As I said, we closed a good asset in NCLT in the month of October, which will be a 6-9 month process to finally close in our ARC.

So I think there is still a pretty significant balance number, almost INR1,000 crores to INR1,500 crores of recovery between real estate and distressed assets to take place. And so the idea is that, let's focus that's next 6 months, 9 months, maybe even right up to March '27, make these recoveries happen. This will bolster and make our balance sheet even stronger.

And the idea is that as I've said before, between a 1 to 1.5 debt equity on this private markets business. How do we make sure through co-investments, through syndication to having the right private equity sort of investing as well as credit space investing, we at least are able to generate a mid-teens ROE.

So we are working on that plan. Lots of things happening. So right now, as I said, the focus is on recovery, the focus is on ramping up wealth distribution, while ramping up some of our asset management products. That distribution will also assist the entire private markets business in terms of syndicating more. So yes, there is a strategy behind it. I think you will see it all coming together in the time frame of 18 months. Meanwhile, management will continue strengthening the balance sheet even more from where it is today.

Moderator: The next question is from the line of Mr. Jaiprakash from Korman Capital.

Jaiprakash: So a couple of questions I have. So in the last year FY '25, I noted that the Wealth Management business had a profit of INR133 crores, but in the presentation, you excluded the digital investments you are making. And if you exclude that, the profits would happen INR200 crores. So can you give us what is the current investment? How much Wealth Management profits are currently because of this digital app investment? And how will it look in a couple of years? That's the first question?

Vishal Kampani: Sure. So let me highlight that the current level of Wealth Management losses profits include the losses of the investment in the digital businesses. And what we have decided to do is because digital is a core part of our strategy, whether it is BlinkX or JM Pro. We've decided not to disclose numbers ex the losses of that division, but we can share those numbers what the profits would have been if they were not including the losses of digital. Nishit, do you have those numbers handy, you can give it to them.

Nishit Shah: So basically, for the first half, the profit would have been INR91-odd crores compared to INR73 crores reported numbers. The gap would be the digital investments.

Jaiprakash: Understood. And how long this will continue? If you can just give color on that?

Vishal Kampani: Yes. So the important thing is that the losses have come down from where they were for the last 2, 3 years. There's approximately between INR200 crores to INR250 crores of investments that have been made so far. There was, as you know, a change in regulations in terms of options trading, which has obviously reduced volumes considerably in the last four quarters due to which we slowed down a bit on the marketing spend and this strategy is being remodelled a bit.

So I think we will be careful. Our plan is to reduce the burn as much as we can over the next 6 months to 12 months and try and bring it to a breakeven by FY '27. Chirag, anything you want to add on this?

Chirag Negandhi: The point to note is important that, yes, ex digital profits for Wealth Management are higher. But we are not reporting it that way.

- Jaiprakash:** Okay. Not a problem. So just a question. Next question is this pipeline you have, like, IPO pipeline, right, generally how much time does it take to really exhaust this pipeline? Is it 1 year, 6 months, 9 months? And what is generally the commission, which we can earn on that? Just a broad guide that will be helpful?
- Vishal Kampani:** Yes. Sonia will answer that question.
- Sonia Dasgupta:** So see, usually, what happens is we get the regulatory approval, say, in 3 or 4 months and thereafter then there is marketing. And then depending upon how the market is, we usually try to launch. So from start to finish, markets allowing the IPOs clear out in a cycle of anywhere around 6 to 12 months. So on an average around 9 months is a good time from start to finish. And most of these deals where there are 3 or 4 book running lead managers. And the commission usually in this is anywhere in the region of 2% to 3% for the BRLMs.
- Jaiprakash:** And the 2%, 3% is basically split between these managers, right?
- Sonia Dasgupta:** Sorry, I couldn't hear your question.
- Jaiprakash:** So this 2%, 3% commission is basically split between the bankers, right, the book running managers?
- Sonia Dasgupta:** That's correct.
- Vishal Kampani:** Yes. So if there are 3 bankers in the deal or 4 bankers in the deal, it's usually split equally, in some cases, two or three banks make more and two, three banks make less. It's very sort of deal defined, but you can assume that on average, we should be making between 80 bps to 1% on our pipeline.
- Moderator:** The next question is from the line of Mr. Himanshu Upadhyay from Steadfort Investments.
- Himanshu Upadhyay:** So my question was to Manish. I just saw the presentation last night on the home loans business. And what I see is 20% or nearly one-fifth of our book is new to credit people. Generally, what is the nature of new to credit to the people and their behavior in the subsequent 3 years. Is it more towards greater than 750 CIBIL score people or 650, 750 or below 600. So any thoughts on that will be helpful?
- Manish Sheth:** Yes, Himanshu. So basically, nowadays, a lot of app-based loans are anyway being taken by a lot of customers in Tier 2, Tier 3 cities. So new to credit is around 20% for us. And after a year, generally, they end up having a CIBIL score of anywhere between 600 to 700, if they are good. Generally I have seen new to credit customers, they bounce, but they pay. Because of the financial indiscipline, they keep on bouncing. But my 6 MOB performance is like 98% collection efficiency.
- Himanshu Upadhyay:** And one more thing, Manish, on the portfolio quality, the EMI bounce remains around 20%. So out of 28,000 loans, it seems 5,000 are EMI bounce ratio, they were 5,000. So how big is our collections team and out of 1,700 people, will it be predominantly or a very large proportion will be collection?

- Manish Sheth:** So I was talking NHB, the industry level bounce itself is 22%, okay? Our bounce is also around 20%. That number is around 5,000. And you are right. We have 1,700 people. In collection department, we have 160 people. So basically, out of 135 branches, every branch has 1 collection person and then there is a structure above the branch, which is area and state level collection person.
- Himanshu Upadhyay:** Okay. And again, on the product summary. So currently, we are 2:1 home loan to LAP ratio. So going ahead also, do you think the ratios will remain 2:1, home loan versus LAP? Or do you think the nature of book might change over a period of time as we progress? Or how has it behaved in last year in terms of ratio?
- Vishal Kampani:** So ratio will be like this only because regulatory, I have to manage more than 60% HL, home loans, to have that license. That is our principal business criteria as prescribed by NHB. And that is why we are at like two-third, one-third. Minimum 65% is HL and balance is LAP. That will not change.
- Himanshu Upadhyay:** Okay. So, the next slide, when you see it gives the portfolio cuts, okay, in terms of customer type, sourcing type, LTV and CIBIL. If I say that out of these 4 portfolio cuts, which is the most important in terms of understanding the credit nature of the people, loan to value plays a much important role in the ticket size where we are working or it is CIBIL score, or salaried, self-employed. So some thoughts will be helpful here, the important criteria?
- Manish Sheth:** So honestly, it is not one, all the four are important and that's why we publish. So I tell you all the four quickly. Salaried versus self-employed, generally, even in salaried, we get cash salaried, which are not the bank credit salary. So basically, we are in the assessment-based underwriting, affordable housing finance company like others. So that is, of course, important if your view on the economy itself is very important for this customer to behave. That is first.
- Second is on LTV. Generally, LTV is in the range of 55% - 60%. Some of the Tier 1 cities where there is a builder purchase, LTV can set up to 85% also. But our experience of last 8 years, loss given default is 12%. So basically, LTV is an important parameter, but we end up recovering almost 90% of the cost given there is a loss.
- CIBIL is again one more different way of understanding business. Anybody about 750 CIBIL is obviously not our customer because he will easily get a credit line or a home loan anywhere in the market. So new to credit and 600 to 750 CIBIL is where we lend.
- Himanshu Upadhyay:** Okay. And I have a query on Asset Management also. The peak of our SIP book was around INR122 crores, INR123 crores around Jan-Feb-March. And which has come down to INR115 crores, okay? Any specific reason that we have seen some fall in SIPs per month? And secondly, even if we look at the our AUM non-liquid at Q1 end was around INR12,000 crores. And even at this point of time or the Q2 end, we are around INR12,100 crores. So what is the specific reason? And how are we working on those?
- Amitabh Mohanty:** So, we have done a few product launches in June, which started accruing slowly. We being a slightly smaller asset management company, we have faced some headwinds, if I may say so.

We had a large percentage of our assets in digital. So a large percentage of the fall of the SIPs is from the DIY clients, who come from the digital space.

So that's where we have lost some ground because of the market volatility, etc. But going forward, some of the IFA category clients are coming back, and that gives rise to more sticky SIPs and AUM. So we'll be able to get over this in the next quarter, going forward.

Himanshu Upadhyay: Okay. And there have been some redemption also on digital side because the AUM remains flattish

Amitabh Mohanty: Yes, that's what I'm saying that the digital clients have shown some volatility and friskiness as they normally show. And with the markets being turbulent, that behavior has been exhibited. So while we recognize and we continue to access that channel, but the effort is to increase more SIPs, etc., from the IFA channel.

Moderator: The next question is from the line of Mr. Rupesh from Long Equity Partners.

Rupesh: My question, sir, is on private markets. In the annexure there is one slide, Slide number 21. There, it shows segment PAT of INR77 crores, right? So maybe if you can help me what in this is kind of like a one-off provision write-back or something? And what is like the core earning power of this business?

Vishal Kampani: INR19 crores of provision write-back. The rest is all normal operations.

Rupesh: So this business can do INR70 crores profit per quarter?

Vishal Kampani: Yes. It will do more.

Rupesh: So sir, I mean, I'm a little bit surprised. So you have a roughly INR4,000 crores of book, and you are saying the business can do 2% ROI per quarter? 8% ROA per year. Is that a fair understanding?

Vishal Kampani: Because you make a huge amount of syndication deals as well, right? This is not a business where we are just lending money. Second, we have a lot of recoveries in our ARC, which is also boosting profit because this is consolidated profit of our NBFC and our ARC both combined. So you have a lot of income that is generated in the ARC when assets are resolved, and we don't necessarily book that income on a Q-on-Q basis.

Rupesh: So annually, what is the ROA I should take from?

Vishal Kampani: The target ROA on the business is not 8%, the target ROA on this business is anywhere between 3% to 4%.

Rupesh: 3% to 4%. Okay. Okay. And where do you see this book going in, let's say, FY '27?

Vishal Kampani: Yes. So last call also, we had talked about it, we expect the book to grow at 20% comfortably.

- Rupesh:** Okay, clear. And I mean I think we were involved in maybe, I don't know, 10-15 IPOs in Q1, some fairly large. So the distribution looks pretty much similar for next 2, 3 quarters? Or this is kind of near term this quarter?
- Sonia Dasgupta:** No. We are looking at similar momentum for the next 2 quarters also, in terms of just the filings that we have and the mandates that we have on hand.
- Vishal Kampani:** Are you looking for our pipeline, you're looking for a comment on market behavior?
- Rupesh:** No, I'm looking for comment of your book, your visibility. I'm not going to comment on the asset?
- Vishal Kampani:** Our pipeline is even stronger from last quarter.
- Rupesh:** Okay. That is good to know. Thank you for answering my questions.
- Moderator:** The next question is from the line of Mr. Himanshu Upadhyay from Steadfort Investments.
- Himanshu Upadhyay:** The question is to Vishal. Vishal, the way we expected the private markets or, let's say, the loan syndication to start happening. And the AIF structure on the builder loans and all those things. It seems the traction has been much lower than what we anticipated 2 to 3 years back. I mean the book growth rate and what we have also seen is last few quarter means months now the market has cooled down. The velocity of new sales has come off. But still, our book has not started growing up, okay. And any thoughts on that on the structure? And where are we in terms of getting more business on syndication?
- Vishal Kampani:** On the syndication side, we started real efforts only 9 months to 12 months back, not 2, 3 years ago. In fact, if you go back 3 years and you look at the book growth from 3 years back to 2 years back, the book had grown 20%, 25% or even higher in that year, if I remember correctly. So I think the traction has been very good.
- It just takes time to do transactions, and we are just being very careful on every single credit risk parameter because we do not want to be in a similar situation ever again where we've made loans just for the sake of growing the book. And here, we have to make sure we are making loans with absolutely best standards of credit risk, even better than what we used to have pre COVID period.
- So that is probably one of the reasons why there is a bit of a lull and pickup. On the real estate AIF, we just got our approval a couple of months ago. So there's full fundraising mode, which we are in right now. And I think we will close the fund by June of next year. That is the time line for us to close the fund. So first close.
- So we will achieve a decent first close, and we are seeing very, very good traction on it. And as I've repeatedly said that we are in no rush to add loans on our books. If the loans merit a good risk-adjusted return, we will add the loans. We will not add risk on our books just for the sake of return, short-term return.
- Himanshu Upadhyay:** But is the market more conducive now?

Vishal Kampani: Not yet. See, also understand there is a lot of liquidity in the market right now, right? I mean there's a lot of liquidity with the banks. They want credit growth. So I think sales have still been pretty robust. They have slowed down, but we are not seeing any developer who is in any form or manner willing to pay a higher rate for his loans.

Those are very, very few. Not that we want to lend to them, but there could be some risk-adjusted decent opportunities, which we will factor in the same. Also, we've already done a lot of syndications. I mean we've done Hotel Horizon. We've done a couple of other syndications in our distressed asset book. And you will see the returns of that coming out in the next 12 months.

It's just not booked income into our P&L in the first half of the year. So we are fairly confident of the returns on the private market side. We do have a REIT and an equity portfolio. That market-to-market can add some volatility. But luckily for us, it's not a very large portfolio. We disclosed that portfolio breakup in the private markets presentation on Page 17. So the equity markets are hugely volatile, that can add some bit of volatility to it. Outside of that, we remain fairly confident of the performance of private markets.

Himanshu Upadhyay: Okay. Thanks from my side.

Moderator: Thank you. The next question is from the line of Mr. Kishan from Polar Ventures LLP. Please go ahead.

Kishan: In the last quarter, you said you will be demerging some of the part of your company in the later future. Could you make me understand which is the part that you want to demerge so that the value gets unlocked for your company and for the shareholders like us? And the second question is, should I ask the second question together?

Vishal Kampani: In the last quarter, I said at the appropriate time, we may consider a demerger of certain of our businesses from the overall JM Financial parent, but we have to keep a few things in mind. One is we need much bigger scale. This demerger will be in principle for our wealth management business. But we need a lot more scale, number one, in the wealth management business.

Second, we don't want a smaller listed entity. There are some benefits of size in terms of a listed company as well as the way we operate. So yes, it is always a thought on our mind, but it's nothing that we are exploring in the short term. Nothing that we are going to do in the next 6 months to 18 months.

Kishan: Okay. My next question is the AUM that we have in our mutual fund division. Yes. That AUM, the problem that the SEBI has just now issued a circular that is on discussion. What will be the impact of that in our business? Or will there be any impact from that?

Amitabh Mohanty: So, it's too early to comment. I think it's a consultation paper right now. And the SEBI Chairman on various public forums has already said that they will do it in a manner which is not disruptive for either the investors or the AMCs. So I think it's slightly early to comment. Let's get the final numbers in place before we decide that. I think a lot of discussions are happening with the regulator in the industry.

- Moderator:** The next question is from the line of Mr. Kartik from Profitence Wealth.
- Kartik:** My question is regarding over the next decade, the structural shift in our industry could make part of your current business model less relevant and what concrete strategic steps is management taking today to stay ahead of those changes. Is there any?
- Vishal Kampani:** Sorry, I didn't understand your question.
- Kartik:** Okay. So my question is, over the next decade, structural shift in the industry could make part of our current business model less relevant. And what concrete strategic steps is management taking today to stay ahead of those changes?
- Vishal Kampani:** No, I think the next decade in India actually belongs firmly to capital markets, asset management and wealth management businesses as a lot of the Indians who are gaining more disposable income and gaining more wealth will look to earn a higher yield on their investment. So the structural shift in the savings and investment pattern in India is actually in favor of companies like us. And it's still in very, very early stages.
- It requires large, strong capitalized entities with very good management teams to be able to execute on multiple fronts of this opportunity, which is exactly where we are placed very strongly. We have a good capital base. We have strong management team, good depth in management, have a franchise for over 50 years.
- And we are focusing on each of the segments, whether it's Corporate Advisory, Capital Markets, Wealth Management, Asset Management, Private Markets, both on the credit side, real estate side and private equity as part of private markets.
- Now with this, there will be investments in technology. There will be investments in physical infrastructure, which we will continuously make. And the idea is to be the banker to all the large corporations and the banker to all the large promoters in terms of Wealth Management and to be the institution of choice for the entire buy side to work with.
- Kartik:** Okay. And my one more question is there. With aggressive provision bringing the provision coverage ratio on troubled real estate loan to 94%, right, and the significant deleveraging with a debt-to-EBITDA ratio improved to 1.18%. So how confident are you on that the balance sheet repair is completed? And additionally, what are your expectations for credit costs and asset quality trend over the next few quarters?
- Vishal Kampani:** No. So as we've been highlighting for the last couple of calls, I think the balance sheet, first of all, it's more balance sheet strengthening. It's not really balance sheet repair. I mean our balance sheet has always been strong last 5 years, even through all of the COVID troubles, is really strengthening and focusing on the right segments and using the balance sheet for the right reasons.
- So the provision anyway is very high. Please understand that the entire asset portfolio on which we have ~84% provision is a secured asset portfolio, okay? And these are not assets in thin air. These assets are backed by land, projects, factories, a lot of physical assets.

So recovery will happen. What we've learned in the last 5 years that you can't put a firm time line on recoveries in India. And that is exactly the reason why we want to move away from wholesale lending on balance sheet to funds and do cash flow backed lending only, because we don't want the ROA to slip because of delayed recovery methods. So I think the balance sheet strengthening is a continuous activity, which we will do. And we will keep investing in growth.

Moderator: Next question is from the line of Mr. Umang Adatia, an Individual Investor.

Umang Adatia: Sir, first of all, steady sets of number. I have just a couple of follow-up questions. First, on the Asset Management side. I just want to know regarding profitability. As you know, we have increased 30% Y-o-Y mutual fund business. But still, it is showing negative in profitability. Can you just pinpoint the specific reasons for the same?

Amitabh Mohanty: We are still in the buildup phase. We are adding to our teams. As the presentation says we are at 211. We will go to somewhere between 250 to 275. So that's still a buildup phase. We are building new locations. By God's grace, we are doing well. So we are shifting to larger premises in a few of our branches. So opex is being done carefully, but we have not been penny wise pound foolish.

And as has been mentioned by Chirag earlier, a few new strategies on our AIF will kick in. Our AUMs will continue to have growth. I think we need to invest while building the business. And most likely in the next couple of years, we will start seeing breakeven and come out of the losses.

Umang Adatia: Sir, one more follow-up question. Where do we see asset management business in next 2 to 3 years? I mean in terms of AUM, can you just guide a ballpark number or basically anything from your side?

Amitabh Mohanty: So it's very difficult to do that, but I would be very disappointed if it is not at least double from where we are now. Plus, as I said, a lot of our AIF strategies will kick in and we'll start reaching scale in those businesses as well. So it's not only the mutual fund. As an AMC, we have a mutual fund and AIF platform. We are looking to grow and attain profitability on both platforms.

Umang Adatia: Sir, 1 more last question from my side. On home loan business. Sir, our housing finance is looking for IPO in FY '27 or '28 and what is our aim?

Vishal Kampani: FY '28 after we finish 10 years of operational history, we will look to IPO.

Moderator: The next question is from the line of Mr. Rupesh from Long Equity Partners.

Rupesh: Again, I think my first question is again on private markets. Sorry for getting stuck with this. This is on Slide number 24. So I think employee cost, I see has gone down from INR50 crores to INR23 crores, operating expenses have gone down from INR38 crores to INR19 crores. Then I think the impairment is, I think, minus INR19 crores. So can you explain at least these 2 employee costs and operating expenses. And then net revenue of INR124 crores, can you split it into ARC revenue and non-ARC revenue?

Vishal Kampani: Yes, we'll have Nishit give you those details separately. But employee costs have only gone down because we've reduced lending, right? We don't need to have large teams because we don't need the large monitoring teams and collection teams because we are not growing the real estate book like an institution.

We are growing it from a syndication perspective. Also, the reason some of the costs on the Asset Management side have gone up is because a few of the people who helped us build real estate over time, experienced people, have moved on to the asset management platform to raise the real estate AIF.

And therefore, there's been some shift of costs from the private market business to the AIF business and some because of a natural attrition of the 2 non-core businesses that we closed down, which is MSME lending as well as FIF financing and some lesser number of people required to run a real estate credit and syndication platform and not a real estate growth platform where we are adding assets.

Rupesh: Okay. Split sir between ARC and non-ARC?

Nishit Shah: And I'll come back to you on the split.

Rupesh: Okay. And Vishal, this is the new base now, right? And from here, we will grow?

Vishal Kampani: Yes, absolutely. Also, while we give you the numbers of ARC split, it doesn't make any sense because we will look at this business from a consolidated perspective. The biggest advantage we have of creating private markets is that this business will run through cycles.

And it's not dependent on a single balance sheet to grow. So we will allocate capital where we see the best risk-adjusted return. So we don't have to grow real estate in the JM Financial Credit Solutions balance sheet. We don't have to grow distressed credit in the JM Financial ARC balance sheet. And we don't have to grow bespoke and LAS loans and capital market loans in JM Financial Products balance sheet.

It all depends on wherever we get the best risk-adjusted returns, we will grow. All of these teams will come under one management. And all of these teams will work together to figure out how they can profitably achieve a good ROE with the lowest risk profile across asset categories.

It's a very interesting and a very powerful platform. And the entire private equity business, the co-investment business will be a significant sort of yield improver, if I may use that word in this business. We have seen a lot of opportunities on the private equity side coming out of the work that we do in credit, which we passed on in the past because of having not an integrated structure under one group. I think this entire integrated structure under one group creates a lot of synergies and allows us to make much higher returns.

Rupesh: Okay. That's helpful. The second question, sir, is on affordable home loans. In affordable home loans, can you give SMA 1, 2, 3, DPD 0 to 30, 30 to 90, I think 90 plus you have given. And what would be the gross slippage in Q1, Q2?

Manish Sheth: Our GNPA is 1.6% and 30-plus is around 6%.

Rupesh: Maybe you can just give me some color around how is the ROA tree works in this? I mean I can see the spread is around 4.4%, half yearly impairment is roughly, I think, INR30 crores. If my number is right, which is roughly 1% for half year. So it will be 2%, I guess, annual. Okay, it's INR14 crores, so INR30 crores, 1% per year. Can you just walk me through the ROA tree?

Manish Sheth: So I'll tell you ROA tree. For the Sep 2025 period, total revenue to the total average assets is around 16%. Finance cost to the total asset is around 6%. Net income to the total average asset is around 10%, which is what we call Net total income. Our opex is 6% to the total asset. Our credit cost is 1%. PBT is around 2.8%. ROA is 2.1%.

Rupesh: And this will hold more or less for a full year, right? This is our model?

Manish Sheth: Yes, more or less, it should be okay, except for the credit cost, which was a little bit higher in the first 6 months. That should come down. Hopefully, that should get controlled in the next quarter.

Rupesh: Okay. Thank you for answering my question.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for the closing comments.

Vishal Kampani: Thank you very much for attending our call for the second quarter and look forward to seeing you all again after we report our third quarter earnings.

Moderator: Thank you, sir. On behalf of JM Financial Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.