

BID

Issue Details

Issue open	28-May-18
Issue closes	20-June-18
Issue price (Rs)	1000/-
Face value (Rs)	1000/-
Issue size (Rs.)	Base Issue Size of Rs.300cr with an option to retain oversubscription up to Rs 450cr aggregating up to Rs.750Cr ("tranche issue") which is within the shelf limit of Rs. 2000Cr
Allotment	First Come First Serve basis
Minimum application	10 NCDs (Rs. 10,000) & in multiple of 1NCD
Listing	BSE
Issuance and trading	In physical and Demat form
Rating	"AA/Stable" by ICRA and India Ratings

Other Details

Lead manager	AK Capital, JM Financial, Edelweiss Financial, Trust Investment Advisory
Registrar	Karvy Computershare Private Limited

Category	Allocation
QIB Portion	I
Corporate Portion	II
HNI	III
Retail Individual	IV

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JM FINANCIAL CREDIT SOLUTIONS LTD

(Public Issue of Secured Redeemable Non-Convertible Debentures)

Company Background:

Incorporated in 1980, JM Financial Credit Solutions is a systematically important non-deposits taking NBFC. JM Financial Credit Solutions is a non-banking finance company registered with RBI and engaged in lending activities focused on real estate financing, which include loan against commercial real estate/properties. It is a part of JM Financial Group. Initially, the company commenced the business under the name of "FICS Consultancy Services Limited" and thereafter, changed its name to "JM FINANCIAL CREDIT SOLUTIONS Limited" in 2015. The company commenced lending to real estate developers in 2014.

The company provides secured and unsecured lending to the real estate developers. Their product portfolio comprises -

- **Project finance:** This includes offering loans to developers for construction of residential or commercial projects.
- **Loans against property:** This includes loans against the residential or commercial properties with occupation certificate.
- **Loans against shares:** This includes loans to investors against the listed or unlisted shares of corporates;
- **Project at early stage loans:** This is primarily undertaken against projects which are expected to be launched soon; and
- **Loans against land:** This funding is primarily undertaken for land acquisition or against land parcels, which are not expected to be launched in the near future. These parcels are mostly without approvals at the time of funding.

Object of the Issue:

The company proposes to utilize the funds towards lending, financing, repayment/prepayment of interest, and principal of its existing borrowings.

Rationale:

"AA/Stable" by ICRA and India Ratings.

- The company has strong parentage support from the promoter group JM Financial Ltd, which holds 50.01% stake in the company. JM Financial group is an established financial services group providing a range of financial services. The group's long-standing operations in the financial services sector have resulted in establishing JM Financial as a recognized brand
- Currently, the company has a strong focus on funding projects located in Tier I cities such as Mumbai, Pune, Bengaluru, and Chennai. Further, the company has successfully carried out lending against a few completed, commercial properties, in Mumbai and Bengaluru and has recently commenced financing projects in Kolkata, Hyderabad, and NCR.
- The company has well diversified funding sources with a strong credit profile. Predominantly, it sources its funding through credit facilities from banks, issuance of redeemable non-convertible debentures, and commercial papers. The company accesses money market borrowings from mutual funds. It believes that its quality loan portfolio, stringent credit appraisal, and risk management processes allow the company to reduce cost of borrowings. The company's cost of borrowing has reduced from 9.8% in FY17 to 9.2% in FY18.

- The company provides secured finance, which ensures lower NPAs and fewer recovery related problems. As on March 31, 2018, 98.3% of total loan book was secured and thus, the gross NPAs and net NPAs constituted 1.0% and 0.9% of total loan book, respectively.
- In the past four years (FY15-18), the company's loan book has grown at a CAGR of 58.5%. Further, as on FY18, company's loan book stand at Rs 7339cr compared with Rs 5658cr in FY17. As of March 31, 2018, the company has 77 borrower groups in this business, and the average ticket size of their advances per borrower group was Rs 95cr for FY18.
- In the last four years (FY15-18), the company's net revenue and profits have grown at a CAGR of 109% and 89% respectively. Moreover, as on FY18, the company's net interest margin stands at 8% and capital adequacy ratio stands at 22.4%.

Conclusion:

JM Financial Credit Solutions has a good track record of registering robust profits on YoY basis in the past few years. The company's net profit has increased from Rs. 198cr in FY16 to Rs. 328cr in FY18. This indicates strong capacity for repayment of interest. We recommend investors to **BID** the issue.

Issue Break up:

Category	Allocation	Issue Size (Rs Cr)	
		Base Issue	Total
QIB	20%	60	150
Corporate	20%	60	150
HNI	30%	90	225
Retail Individual	30%	90	225
Total	100%	300	750

Effective yield (P.A.)

Series	I	II	III	IV	V	VI
Frequency of interest payment	Annual	Cumulative	Annual	Monthly	Annual	Monthly
Tenor	38 mths	38 mths	60 mths	60 mths	120 mths	120 mths
Coupon Rate	9.25%	NA	9.50%	9.11%	9.75%	9.34%
Effective Yield (p.a.)	9.26%	9.24%	9.49%	9.49%	9.74%	9.74%

Past fund raising details:

The company had earlier issued and allotted on private placement basis secured, rated, listed, redeemable, nonconvertible debentures as given in the below table. The said debentures have been listed at BSE.

Financial Year	Issue Amount (Rs in Cr)
FY15	50
FY16	885
FY17	554
FY18	1090
Total	2579

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Equi-Tea	Smart Delivery trades
Market Watch	Positional technical calls
Investor First	Investment ideas
Preview	Master trades High & Medium Risk
Market Pulse	Techno Funda
RBI Monetary Policy	Equity SIP
Budget Report	Mutual fund model portfolios
Weekly Derivatives Synopsis	Portfolio Doctor
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