

Jio Financial Services

FREE MULTIBAGGER

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May 2024 NSE: JIOFIN BSE: 543940
CMP: ₹ 356.00 BUY BELOW: 400.00





ABOUT

JFSL is a NBFC registered with RBI. The company is a holding company and will operate its financial services business through its consumer-facing subsidiaries namely Jio Finance Limited (JFL), Jio Insurance Broking Limited (JIBL), and Jio Payment Solutions Limited (JPSL) and joint venture namely Jio Payments Bank Limited (JPBL). Jio Financial Serv. **Mr. Kundapur Vaman Kamath** is the current Independent Director and Non-executive chairman. **Ms. Isha M. Ambani** is the current Non-Executive Director.

Jio Finance headquartered in Mumbai. Company have branches in many parts of India. Financial Services Ltd. is the holding company for Jio Finance Ltd., Jio Insurance Broking Ltd., Jio Payments Bank, Jio Payment Solutions Ltd., Reliance Industrial.



POSITIVES to become a multibagger

- JIOFIN plans to **democratize** financial services for 1.42 Bn Indians, giving them access to simple, affordable, innovative, and intuitive products and services.
- JIOFIN to get all the required **approvals** and licenses in next 6 months which will help to ramp up the businesses faster.
- **Brand & Reputation** of Mukesh Ambani led Reliance wing creating monopoly & strategic partnerships evident in the success of Reliance Industries, Jio Telecom, Jio Mart etc.



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- Lending business to see an AUM of around **INR 46.0 Bn** considering the expected industry AUM of INR 38,000 Bn in FY24.
- The **AI** and Analytics-driven businesses will create an enriched customer profiles for its tailored offerings.
- JIOFIN has **no debt** compared to 5 years ago when its debt to equity ratio was 137%.



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- The increased use of mobile apps and push towards **UPI-based payments** will enable JIOFIN to witness robust traction in volumes given the strong customer base of the parent group, which has above 450 Mn telecom subscribers as well as ~250 Mn retail customers as of FY23.
- JIOFIN plans to **primarily target** key customer segments – unserved and underserved individuals and small-sized businesses in urban, semi-urban, and rural India to offer a sustainable, and comprehensive range of financial services.



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- Jio Financial Services has been **growing** earnings at an average annual rate of 63.5%, while the Diversified Financial industry saw earnings growing at 19.3% annually. Revenues have been growing at an average rate of 63.3% per year.
- Jio Financial Services has high it has net margins of **87.1%** are **higher** than last year (60.5%).
- JIOFIN has **high quality** earnings & growth over the past year (5034.6%) exceeded the Diversified Financial industry 15%.



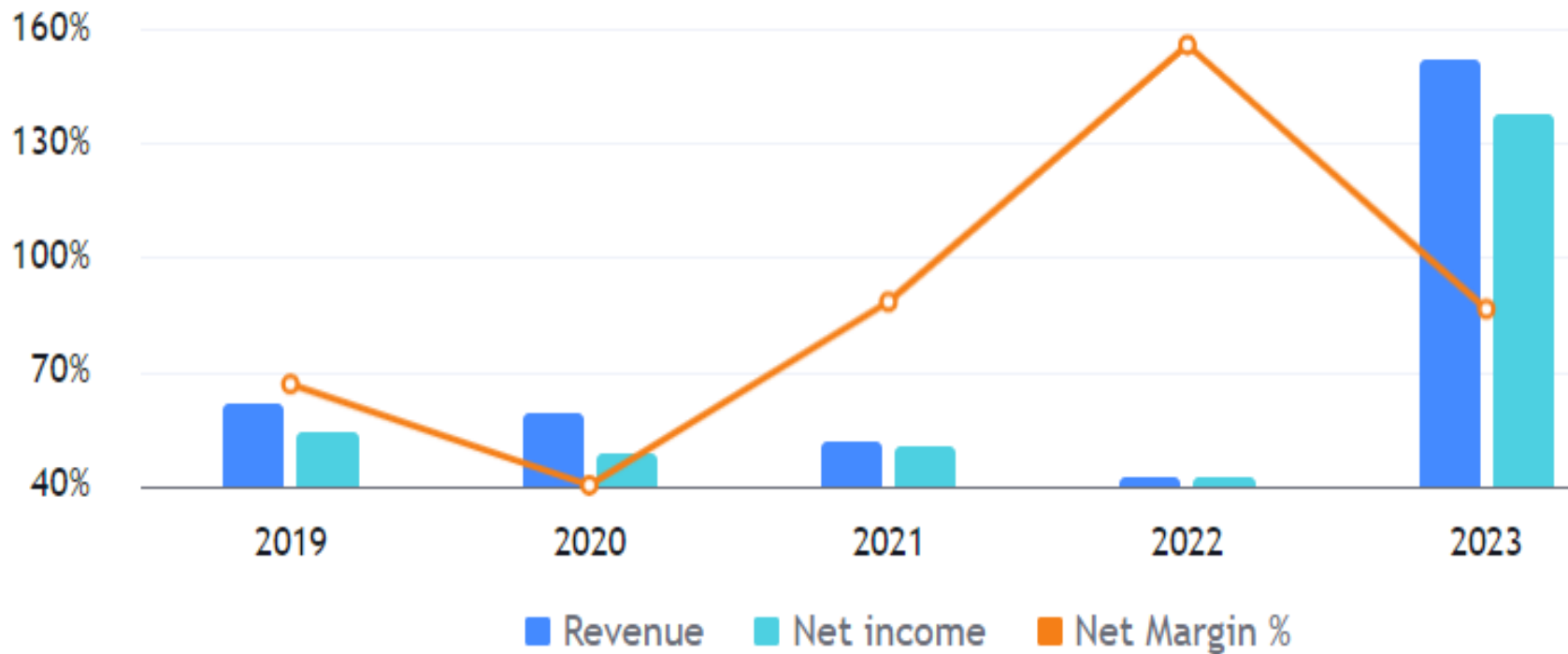
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- JIOFIN plans to offer **simple transparent** financial services products catering to rapidly evolving customer needs.
- JIOFIN's earnings **growth** over the past year (5034.6%) exceeds its 5-year average (63.5% per year).
- JIOFIN has become **profitable** over the past 5 years, growing earnings by 63.5% per year.



Performance ?

Annual



Contd..

- Its insurance broking business offers **insurance led solutions** to the walk-in customers at retail store outlets servicing them both digitally and with dedicated sales associates and trained staff.
- Considering the rise of **digital payments** in the country, Jio Financial is offering personal and consumer durable loans through online channels.



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- Under its Jio Finance **Merchant Trade Credit Facility**, the company offers credit line for registered merchants of JioMart Partner – B2B Wholesale. It provides unsecured credit to finance inventory purchases.
- JIOFIN has launched an **end-to-end digital** journey by offering personal loans for salaried and self-employed individuals
- **Facebook** (Meta) invested \$5.7 billion into JIOFIN increases the credibility & confidence in business growth.



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- Jio Finance Ltd. will leverage best-in-class **technology** with no legacy book or technology.
- In July 2023, JIOFIN has announced a **joint venture** with its partner BlackRock and has committed an initial investment of up to USD 150 Mn each towards this joint venture.
- JIOFIN will also continue to offer **insurance products** through its insurance broking business to meet the needs of consumers and merchants.



Income Growth i



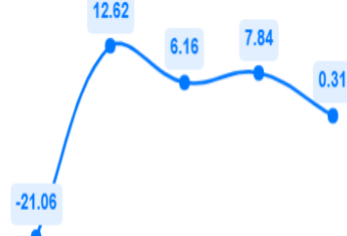
1 YEAR 3 YEAR 5 YEAR
-71.99% -50.79% -32.46%

Profit Growth i



1 YEAR 3 YEAR 5 YEAR
-81.4% -48.59% -33.58%

ROE% i



1 YEAR 3 YEAR 5 YEAR
0.31% 4.77% 1.18%

ROCE % i



1 YEAR 3 YEAR 5 YEAR
0.37% 5.25% 4.07%

ROA% i

0.23

PEG Ratio i

NA

PAT Margin (%) i

75.07

EPS Growth(%) i

NA



Negatives

- Any **delay** in getting business licenses will have an impact on the overall business operations.
- The **high valuation** of the Company may be impacted by various factors such as complex structure, lack of control, dividend taxation, etc., leading to potential variations in the Holdco discount provided to JIOFIN as an investment holding company.
- JIOFIN's ROCE & ROI are **lower** than 1.5 which is very much below industry standards.
- JIOFIN is **expensive** based on its PE Ratio at 140 compared to the Indian Diversified Financial industry average 24.



Negatives

- JIOFIN **operates** in various business verticals through its subsidiaries joint venture and associates, and its inability to effectively manage its diversified operations may have an adverse effect on its business.
- JIOFIN may be considered as part of the **RIL group** for the purpose of the large exposure framework applicable to commercial banks, as stipulated by the RBI. Its borrowings will also be counted towards exposure to the group including RIL and its subsidiaries, which limits its ability to avail debt funding from scheduled commercial banks which may adversely affect its business.



Profit & Loss

	Mar-23	Mar-24
Sales	45	1,854
Expenses	6	296
Operating Profit	39	1,558
OPM %	88%	84%
Other Income	10	429
Interest	0	10
Depreciation	0	22
Profit before tax	49	1,956
Tax %	37%	18%
Net Profit	31	1,605

WARREN BUFFETT CHECKLIST

Type	Value
ECONOMIC MOAT	Good
GROWTH	Good
VALUATION	High
DEBT	Good
INTEGRITY	Good

MULTIBAGGER

The company has the potential to become multibagger in the order of 500-2500% in 5-10 year term.

BUYING STRATEGY

70% on current price levels, Remaining on 30% correction levels

[Conservative Investors can Buy 50% then remaining on 30% correction levels]

HOLDING PERIOD

5 Years

[We are into LONG TERM INVESTING and Investor should not expect quick up movements in price. Incremental Investing is advised & Any corrections should be considered as Opportunity to add more – Remember our focus should be the 500% Future returns – so any price correction investments will zoom the returns



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