

April 20, 2023

Remain retail focused, dropping small/non-retail players

JM Financial (CMP – ₹ 62, MCap – ₹ 5,912 crore)

JM Financial is a diversified financial group engaged in various businesses providing a host of services including mortgage lending (wholesale and retail), distress asset management (ARC), investment banking, wealth management and securities (IWS) and AMC.

In terms of active clients, JM Financial (broking segment) has seen a decline in the past couple of years (at ~0.2% as of January 2023). At the consolidated level, the Company's asset, wealth and securities business together contribute <20% at topline and ~5% at bottomline (as of December 2022), which is not very significant.

Edelweiss Financial Services (CMP – ₹ 58, MCap – ₹ 5,487 crore)

Edelweiss Financial Services is a financial conglomerate, which provides 1) credit (retail & corporate) & ARC, 2) advisory (wealth management, asset management & capital markets, custodian asset) and 3) Insurance (life & general insurance) services.

The company is a diversified play and has strong positioning in institutional broking & investment banking but market share in pure retail broking business has gradually reduced. In terms of active clients, it has seen a decline (from ~1% in January 2021 to ~0.6% as of January 2023).

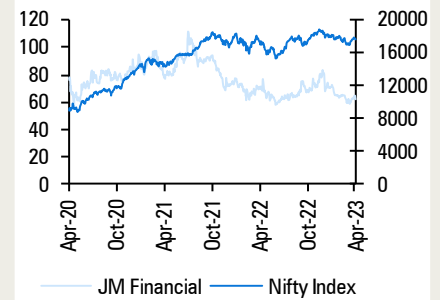
Geojit Financial Services (CMP – ₹ 44, MCap – ₹ 1,057 crore)

Geojit Financial Services is an investment service provider in India with an expanding presence in the Middle East. Its distribution network comprises 497 offices with ~13 lakh customer base.

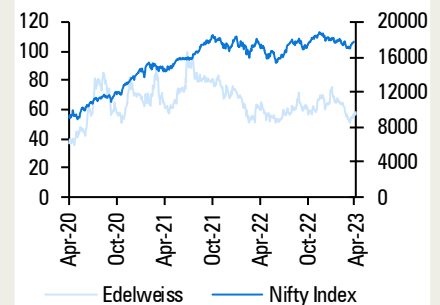
It remains a small player in terms of clientele with acquisition pace lagging behind large peers (active client share is ~0.7% in the past few months). In the current scenario, where industry growth is skewed towards derivative volumes, Geojit has higher volume in cash segment and derivative volumes is <1% of total Industry (~75% of broking income comes from cash segment). In order to diversify revenues, the company also offers wealth management, distribution of financial products, research services, etc, where competition is already intense from large players.

The regulatory changes in terms of increasing oversight and tightening of guidelines may remain a concern for many industry players and lead to a gradual consolidation in the industry. Also, growth of new age brokers has changed the dynamics of the sector. Hence, we remain focused on retail players having opportunities to grow and have a scale currently. Hence, we drop coverage on JM Financial, Edelweiss Financial Services and Geojit Financial Services. We continue to maintain our coverage on Motilal Oswal Financial Services (BUY), IIFL Securities (HOLD) and 5paisa Capital (HOLD).

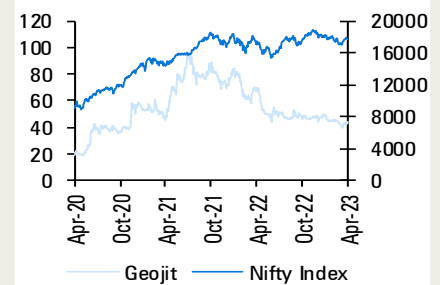
JM Financial - Price performance



Edelweiss Financial - Price performance



Geojit Financial - Price performance



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Key Financial Summary

₹ crore	JM Financial			Edelweiss Financial			Geojit Financial		
	FY21	FY22	Q3FY23	FY21	FY22	Q3FY23	FY21	FY22	Q3FY23
Revenue	1311.5	1912.3	458.1	7014.8	4320.5	1495.5	423.7	495.9	114.3
PPP	1323.6	1704.0	364.0	1406.9	173.0	189.3	167.1	204.1	30.5
PAT	806.1	995.6	240.3	253.9	212.1	121.5	126.5	154.4	250.0
P/E (x)	10.2	7.7	11.1	18.9	26.7	49.9	8.5	6.9	43.7
P/BV (x)	0.9	0.8	0.7	0.8	0.8	0.8	1.8	1.5	1.6
RoE (%)	9.4	10.6	11.7	4.2	2.9	1.5	20.7	21.6	32.6
RoA (%)	3.7	3.7	4.4	0.5	0.4	0.3	10.8	10.9	17.1

Source: Company, ICICI Direct Research; Note: consolidated financials

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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