Dated: May 3, 2024

To
Listing Operations,
BSE Limited,
P J Towers, Dalal Street,
Mumbai - 400001.

Dear Sir/Madam,

Sub: Revision of rating- Reg 51(2) read with Schedule III Part B of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015.

Pursuant to Regulation 51(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, we hereby inform that India Rating has upgraded the rating from IND B-/Stable to IND BB-/Stable for the following ISINs vide rating letter dated February 2, 2024.

Instrument	Series	Size of issue (billion)	Rating
INE682V08158	Series Q1	2.43	IND BB-/Stable
INE682V08158	Series Q2	1.95	IND BB-/Stable
INE682V08166	Series R	0.15	IND BB-/Stable

Kindly take the above information on record.

For **Jana Holdings Limited**

VIDYA SRIDHARAN
Digitally signed by VIDYA SRIDHARAN
Date: 2024.05.03 18:11:39 +05'30'

Vidya Sridharan
Company Secretary and
Compliance Officer (Mem. No. 44354)

India Ratings Upgrades Jana Holdings's NCDs to 'IND BB-'/Stable

Feb 02, 2024 | Holding Company

India Ratings and Research (Ind-Ra) has upgraded Jana Holdings Limited's (JHL) non-convertible debentures (NCDs) to 'IND BB-' from 'IND B-' with a Stable Outlook as follows:

Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
NCDs*	-	-	-	INR6.68 (reduced from INR10.38)	IND BB-/Stable	Upgraded

*Details in annexure

Analytical Approach: To arrive at the rating, Ind-Ra continues to take a consolidated view of JHL and its 100% parent Jana Capital Limited (JCL; debt rated at 'IND BB-'/Stable) as both the entities have a cross-default clause with each other's indebtedness. The rating also factors in the credit profile of Jana Small Finance Bank (JSFB; 32% stake held by JHL), using Ind-Ra's Rating FI Subsidiaries and Holding Companies criteria.

The upgrade reflects the significant improvement in the credit profile of the bank during FY23-FY24, supported by its higher capital ratios and improved operating performance. The upgrade also factors in the successful refinancing of sizeable NCDs which had matured in May and November 2023. The rating continues to reflect JCL and JHL's weak financial risk profile as reflected in their net losses, weak capitalisation, stretched liquidity and high refinancing risks, given their limited financial flexibility.

The rated NCDs are held by TPG Asia VI India Markets Pte. Ltd, and are junior to JHL's other debt issuances.

A common independent director serving on the Boards of Ind-Ra and JCL/JHL did not participate in the meeting of their board of directors or in the meeting of the rating committee, when the securities of such rated client were being discussed.

Key Rating Drivers

Higher Capital Ratios, Supported by Fresh Equity Raising and Improving Accretion: JSFB's capital ratios were constrained prior to FY23 and were just above the minimum regulatory capital ratios requirement of 15% the total capital ratio. However, its Tier 1 capital ratio improved to 15.73% in 1HFY24 (FYE23: 13.0%, FY22: 11.83%, FYE21: 11.75%) and total capital adequacy ratio to 17.50% (15.6%,15.26%, 15.51%), supported by an INR5.46 billion equity raise and improved profitability, leading to higher accretion to reserves.

JSFB is also in advanced stages of coming up with an initial public offering (IPO), wherein Ind-Ra expects the bank to raise INR5.4 billion of equity, of which INR1.1 billion has already been raised in the pre-IPO round recently. Post IPO, the tier 1 capital ratio of the bank is expected to be around 20% which will be in line with its peers.

Its capital ratios were also constrained by a high net non-performing assets (NNPA)/equity ratio. However, with the improving provisioning levels, the NNPA/equity has also improved to comfortable levels of 7.1% in 1HFY24 (FY23: 26%, FY22: 42.8%, FY21: 54.9%).

Improving Asset Quality Metrics with Higher Provisioning Cover: JSFB's gross NPA (GNPA) + write-offs declined to 3% in 1HFY24 (FY23: 6.9%; FY22: 8.4%, FY21: 8.3%) and NNPA reduced to 0.87% (2.64%, 3.95%, 5.33%) due to the sale of stressed assets to asset reconstruction companies in FY23 and 1HFY24. The bank also improved its provision coverage ratio mainly in 1HFY24 to 64.9% (34%, 32%, 27.9%). Also, its restructured assets declined substantially to below 0.5% in 1HFY24 (FY23: 2%). Ind-Ra does not expect any covid-related stress in the portfolio now. The bank has revamped its strategy post demonetisation and has moved away from urban microfinance since then. This along with the growing proportion of secured portfolio had led to less volatility in credit costs during the covid period. Ind-Ra expects the bank to maintain a provision coverage ratio of 65%-70% in the near to medium term.

Likely Improvement in Profitability in Near-to-medium term: JSFB's net interest margins have slightly declined over the past few years due to the higher proportion of secured portfolio. However, they remain higher than the mainstream banks at 8% in 1HFY24 (FY23: 8.1%, FY22: 8.1%, FY21: 8.7%), as its lending remains skewed mainly towards the high-yield informal segment. The bank has contained their operating costs since demonetisation by taking various cost-cutting measures, as reflected in the 2.6% CAGR growth in operating expenses as against 24% CAGR growth in the loan book over FY19-FY23, which resulted in better-than-peers opex to average assets of 5.8% in 1HFY24 (FY23: 5.6%; FY19: 11.8%).

The bank's credit costs remained elevated during the COVID-19 period, but were manageable at 3.5% in 1HFY24 (FY23: 4.8%; FY22: 4.6%). Overall, the bank reported improved profit of INR2.13 billion in 1HFY24 (FY23: INR2.56 billion; FY22: INR0.05 billion, FY21: INR0.84 billion, FY20: INR0.3 billion) with improving return on average asset of 1.7% (1.1%, 0.03%, 0.5%, 0.3%). The agency believes the bank has the scale to be adequately profitable and expects the credit costs to moderate with the rise of secured loans in the portfolio, which could help it maintaining a RoAA of around 2% in the near to medium term.

High Refinancing and Valuation Risks for Holding Company: The issued NCDs continue to face refinancing risks. The NCDs need to be repaid to the extent of the principal and at the rate of return promised to the investors. JCL does not have any major upcoming repayments in the near term, with repayments of INR0.77 billion in April 2025 and INR13.33 billion in June 2026. Although the company was able to service its debt repayments in the past through NCD issuances, it faces refinancing risk, given the limited financial flexibility of the holding companies as they do not have any operations of their own and the repayment of NCDs is contingent upon the bank's standalone performance.

Liquidity Indicator for JHL - Poor: JHL does not have cash flows to service its debt obligations and will have to depend on the monetisation of its stake in JSFB or the secondary sale of shares, refinance among other options, before the maturity date of the respective instruments. The agency expects no/limited dividend income from JSFB over the medium term. JHL holds a 32% stake in JSFB and is in the process of listing the bank.

Weak Standalone Financial Profile - JHL: JHL's earnings profile remains weak with a net loss of INR508 million in September 2023 (FY22: net loss of INR2,433.2 million). Moreover, JHL is not meeting the minimum consolidated capital adequacy ratio (CAR) of 15% and minimum standalone leverage ratio of 1.25x, as per the regulatory requirements for a non-operating financial holding company. It is also not meeting the minimum net owned funds requirement. The auditor's report on JHL for FY23 mentions the material uncertainty related to a going concern, considering the accumulated losses, the resultant erosion in the net worth and the breaches in the regulatory financial parameters as stated above.

Liquidity Indicator - Adequate: JSFB maintained an adequate liquidity coverage ratio of 500% as of 1HFY24 (FY23: 553%; FY22: 555%, FY21: 1,199.67%), well above the minimum regulatory requirement of 100%. The bank however had asset liability mismatch of 14% in up to one-year bucket as on 30 September 2023, given most of the term deposits have been booked for two-year tenor. However, this is adequately covered by its excess SLR of INR14 billion (in 1HFY24) and unutilised lines available from refinancing institutions of over INR11 billion. The agency believes that this mismatch will be also supported by the funds to be raised through IPO.

Diversified Portfolio Mix with Growing Share of Secured Products: At 1HFYE24, JSFB's total advances stood at INR214.4 billion (FY23: INR180.0 billion; FY22: INR132.5 billion). It has a well-diversified portfolio across products such as housing loans (14%), micro loan against property (18%), secured SME (15%), Vehicle loans (2%), gold loans (1%), loans to non-bank financial companies (7%) and unsecured microfinance loans (42%). JSFB was mainly operating in the microfinance segment after becoming a bank in 2018.

JSFB is strategically shifting towards a secured loan portfolio; the share of secured loans in its portfolio increased to 58% at 1HFY24 (FYE23: 55%; FYE22: 53%). Ind-Ra expects this to further increase to around 80% over the next two to three years, with a focus mainly towards home loans, loan against property and secured SME. Ind-Ra expects JSFB to maintain 25%-30% loan growth over the medium term and might not launch any new products.

Ability to Garner Low-cost Deposit Monitorable: The share of deposits in non-equity liabilities rose to 78% in 1HFY24 (FY23: 68%; FY22: 71%; FY21: 69%), largely due to the bank's increased focus on digital banking and higher deposit rates than mainstream banks. The current account and saving account ratio to the total deposits though has improved over the years, remained moderate at 20.5% in 1HFY24 (FY23: 20.2%, FY22: 22.5%, FY19: 16.3%). JSFB's cost of funds improved to 7.2% in FY23 (FY22: 7.4%, FY21: 8.6%), despite the increase in policy rates as this was supported by a rollover of 50%-60% of its fixed deposits, which were raised at high interest rates two-to-three years ago. The cost of funds increased to 7.6% in 1HFY24 as the bank increased its deposit rates during the year, which Ind-Ra expects to further increase by 10-20bp in 2HFY24. The cost of funds, although improved, remains slightly higher than peer SFBs'. The management aims to improve the bank's CASA ratio to around 30% in the near to medium term. Its ability to continue to garner deposits while reducing the spread between the mainstream banks remains to be seen and will be a key monitorable over the medium to long term.

Rating Sensitivities

Positive: The following events could lead to a negative ratings action:
- substantial improvement in the holding companies' debt metrics,
- a continued improvement in the bank's scale of operations with increased proportion of secured asset mix while maintaining its profitability,
- bank's ability to garner low-cost deposits,

- JSFB maintaining adequate capitalisation, and
- bank's demonstrated ability to manage its asset quality better than peers.

Negative: The following events could lead to a negative ratings action:
- JSFB's inability to raise adequate funds before refinancing leading to default,
- bank's inability to manage the asset quality, leading to a sharp rise in the credit costs,
- its failure to mobilise sufficient deposits,
- bank's capitalisation levels (tier I capital risk adequacy ratio) falling below 15.0%, and
- sustained deterioration in the bank's liquidity buffers.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on JHL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

Company Profile

JHL is registered as a non-operating financial holding company according to the regulatory guidelines, and is promoted by JCL, to hold the promoter stake in JSFB.

FINANCIAL SUMMARY (STANDALONE)
JHL

Particulars	FY23	FY22
Total assets (INR billion)	22.3	21.4
Total equity (INR billion)	-0.245	2.36
Net income (INR billion)	-3.32	-2.43
Return on average assets (%)	-15.1	-11.7
Source: JHL, Ind-Ra		

JCL

Particulars (INR billion)	FY23	FY22
Total assets	0.017	2.36
Total equity	-3.38	0.18
Net income	-3.6	-2.7
Return on average assets (%)	-96.1	-54.96
Source: JCL, Ind-Ra		

JSFB

Particulars	FY23	FY22
Total assets (INR billion)	256.4	201.9
Total equity (INR billion)	17.9	12.0
Net profit (INR billion)	2.6	0.17
Return on average assets (%)	1.1	0.03
Tier 1 capital (%)	13.0	11.8
Source: JSFB, Ind-Ra		

Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Rating Watch			History Rating/Rating Watch /Outlook								
	Rating Type	Rated Limits (billion)	Rating	8 June 2023	19 May 2023	21 March 2023	22 March 2022	24 January 2022	30 December 2021	1 December 2021	8 October 2021	8 October 2020
NCDs	Long-term	INR6.68	IND BB-/Stable	IND B-/Stable	IND B-/Rating Watch with Negative Implications	IND B-/Rating Watch with Negative Implications	IND B+/Stable	IND B+/Stable	IND B+/Stable	IND B+/Stable	IND B+/Stable	IND B+/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
NCDs	Low

For details on the complexity levels of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outloo
NCDs	INE682V08018	30 November 2018	5%	30 November 2023	INR1.45	WD (repaid in f
NCDs	INE682V08091	21 December 2021	0%	21 December 2023	INR2.25	WD (repaid in f
NCDs	INE682V07150	17 January 2022	0%	1 April 2024	INR0.25	IND BB-/Stab
NCDs	INE682V08117	31 January 2022	0%	1 April 2024	INR0.58	IND BB-/Stab
NCDs	INE682V08125	28 February 2022	0%	1 April 2024	INR0.25	IND BB-/Stab
NCDs	INE682V08133	28 March 2022	0%	1 April 2024	INR0.42	IND BB-/Stab
NCDs	INE682V08141	31 May 2022	0%	1April 2024	INR0.28	IND BB-/Stab
NCDs	INE682V08158	25 May 2023	3%	30 June 2026	INR2.43	IND BB-/Stab
NCDs	INE682V08158	30 May 2023	3%	30 June 2026	INR1.95	IND BB-/Stab
NCDs	INE682V08166	13 December 2023	3%	13 June 2025	INR0.15	IND BB-/Stab
NCDs (Unutilised)					INR0.37	

APPLICABLE CRITERIA

Financial Institutions Rating Criteria

Rating FI Subsidiaries and Holding Companies

Non-Bank Finance Companies Criteria

Evaluating Corporate Governance

The Rating Process

DETAILED FINANCIAL SUMMARY

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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