

March 13, 2025

Jana Small Finance Bank Limited: Rating upgraded and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Subordinated debt	600.0	600.0	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable) and withdrawn
Total	600.0	600.0	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade factors in the improvement in Jana Small Finance Bank's (Jana SFB) overall risk profile, supported by the steady increase in the share of the secured loan book in the assets under management (AUM), improving earnings performance and adequate capital profile. The share of the secured assets segment improved to 68% of the bank's AUM as of December 2024 from 60% as of March 2024 (56% as of March 2023). It is expected to reach about 80% over the next few years, which shall bolster the bank's risk profile further. Jana SFB reported a net profitability (profit after tax (PAT)/average total assets) of 1.5% in 9M FY2025 (2.3% in FY2024 and 1.1% in FY2023). Jana SFB's capital adequacy ratio remains adequate (18.4% as of December 2024) and ICRA expects it to maintain sufficient capital buffers while meeting its medium-term growth plans.

The rating continues to factor in the requirement for Jana SFB to significantly improve its deposit profile to support the envisaged AUM growth over the medium term. The bank's loan-to-deposit ratio stood at 103% as of December 2024. Further, the combined share of current account savings account (CASA) and retail deposits declined to 63% as of December 2024 from 70% as of March 2023. Going forward, Jana SFB's ability to improve its deposit profile and granularity, while increasing the share of CASA on a sustainable basis, will be important from a credit perspective.

ICRA has upgraded and simultaneously withdrawn the rating outstanding on the subordinated debt of Jana SFB at the request of the bank. In accordance with ICRA's policy on the withdrawal of credit ratings, the rating has been withdrawn for the Rs. 350-crore subordinated debt as the same has been continuously rated by ICRA for five or three years, as applicable. Moreover, the rating withdrawal request was accompanied by a confirmation from Jana SFB that a rating is available on the same instrument from another credit rating agency, an undertaking from the other rating agency confirming the same and a no objection certificate from the security holders. Further, the rating of Rs. 250 crore of unutilised subordinated debt limits has been withdrawn upon Jana SFB's request.

Key rating drivers and their description

Credit strengths

Steady increase in share of secured loans – Jana SFB has been steadily diversifying its portfolio over the years, with an increasing presence in the secured assets segments such as affordable housing loans, loan against property (LAP), loans to micro and small enterprises (MSMEs), etc. As of December 2024, the bank's AUM stood at Rs. 27,984 crore, with the share of secured assets segment at 68% (vis-à-vis 56% as of March 2023). The unsecured segment comprises microfinance loans (32% as of December 2024), which have historically been the bank's key area of operations. However, Jana SFB is looking to increase the share of secured assets to 80% of its AUM over the next few years, which would further support the risk profile of its portfolio. Nevertheless, the performance of these segments on a sustained basis would remain monitorable as these are relatively longer-tenor loans.

Jana SFB's asset quality performance witnessed some moderation in 9M FY2025, given the stress witnessed in the affordable housing (gross non-performing advances (GNPAs) of 1.7% as of December 2024 vis-à-vis 0.3% in March 2024) and LAP segments (GNPAs of 3.0% as of December 2024 vis-à-vis 0.5% in March 2024). Nevertheless, the asset quality remained under control with the GNPAs at 2.7% as of December 2024 vis-à-vis 2.0% as of March 2024 (3.6% as of March 2023). Further, Jana SFB has been doing sale of stressed portfolio to asset reconstruction companies in recent years and the net outstanding security receipts stood at ~Rs. 541 crore as of December 2024. Jana SFB's standard restructured portfolio stood at ~Rs. 77 crore (0.3% of the AUM as of December 2024). Going forward, with incremental resolution of the stressed portfolio and the increasing share of the secured loan book, Jana SFB's asset quality profile is expected to remain under control.

Adequate capital buffers to meet medium-term growth plans – Jana SFB's capital adequacy ratio remains adequate (18.4% as of December 2024 vis-à-vis 20.3% as of March 2024 and 15.6% as of March 2023). The improvement was supported by the total capital infusion of Rs. 1,137.2 crore in FY2024 (Rs. 562.0 crore in Q1 FY2024, pre-initial public offering (IPO) placement of Rs. 113.2 crore and IPO of Rs. 462.0 crore in Q4 FY2024). Correspondingly, the bank's gearing (considering deposits as borrowings) improved and stood at 7.5 times as of December 2024 (7.8 times as of March 2024) from 12.6 times as of March 2023. ICRA expects the bank to maintain adequate capital buffers over the medium term, considering its growth plans.

ICRA notes the weak financial profile of Jana Holdings Limited (JHL) and Jana Capital Limited (JCL), the promoter entities of the bank (stake of 22.35%), which are non-operating financial holding companies.

Adequate earnings profile – Jana SFB reported a profit before tax of 1.4% in 9M FY2025 vis-à-vis 1.8% in FY2024. The PAT was Rs. 378 crore, translating into a return on assets (RoA) of 1.5% in 9M FY2025 (Rs. 670 crore and 2.3%, respectively, in FY2024). The net interest margin (NIM; % of average total assets) witnessed some moderation to 7.1% in 9M FY2025 (7.3% in FY2024) as the bank is focused on improving the share of the low yielding secured assets segments. Operating expenses (as percentage of average total assets) remained steady at 5.5% in 9M FY2025 and FY2024. The bank continues to derive benefits from the accumulated deferred tax assets (on account of past losses), which has limited its income tax liabilities over the past few years; the benefits are expected to be available until FY2027. ICRA expects Jana SFB's internal generation to be adequate in the near to medium term, supported by stable operating profitability and credit costs, as the share of secured loans increases.

Credit challenges

Scope to improve deposit profile – Jana SFB's total deposits stood at Rs. 25,865 crore as of December 2024, increasing by 24% year-on-year (YoY) from Rs. 20,785 crore as of December 2023. The share of CASA in the total deposits declined to 18% as of December 2024 from 20% as of March 2024 (20% as of March 2023). ICRA notes that the CASA share of peers in the industry has also declined in the recent past. The share of retail term deposits and CASA declined to 63% as of December 2024 (61% as of March 2024) from 70% as of March 2023 as the share of bulk deposits increased in line with the incremental funding requirements. ICRA notes that there is scope for improvement in Jana SFB's deposit profile from the current levels by increasing the share of granular and retail deposits on a sustained basis.

As of December 2024, deposits constituted 87% of the outside borrowings with 12% from financial institutions (FIs), including National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), and National Housing Bank (NHB), with the remaining through subordinated debt.

Environmental and social risks

Environmental considerations – Given the service-oriented business of Jana SFB, its direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material. While the bank does not face material physical climate risks, it is exposed to environmental risks indirectly through its portfolio of assets. However, this is minimised to a certain extent, given the large customer base to which it caters.

Social considerations – Jana SFB contributes towards enhancing financial inclusion by providing several products and services that are specifically targeted towards the marginalised sections of society and attempts to address and cater to social concerns. Prudent lending to such underserved segments could create growth opportunities. However, such growth opportunities must

be seen in conjuncture with the asset quality risks that could impact the bank's credit quality. Data security and customer privacy are among the key factors under social considerations. Customer preference is increasingly shifting towards digital banking. While this provides an opportunity to reduce operating costs, it requires regular investment and augmentation.

Liquidity position: Adequate

Jana SFB's liquidity coverage ratio was healthy at 279% as on December 31, 2024 (391% as on March 31, 2024) against the regulatory requirement of 100.0%. The surplus liquidity stood at Rs. 1,350 crore as on December 31, 2024.

Rating sensitivities

Positive factors – NA

Negative factors – NA

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating methodology – Banks and financial institutions Policy on withdrawal of credit ratings
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of Jana SFB

About the company

Jana Small Finance Bank Limited (erstwhile Janalakshmi Financial Services Limited) commenced operations as a non-banking financial company (NBFC) on March 4, 2008 and was later classified as an NBFC-microfinance institution (NBFC-MFI). It received the licence to set up a small finance bank on April 28, 2017 and commenced banking operations on March 28, 2018. Jana Holdings Limited, an NBFC-non-operative financial holding company (NBFC-NOFHC), had a 22.35% stake in Jana SFB as on December 31, 2024. Jana SFB has a diversified portfolio with a presence in 24 states/Union Territories across India. The top 3 states (Tamil Nadu, Karnataka, and Maharashtra) accounted for 37.7% of the AUM as on December 31, 2024.

Key financial indicators

	FY2023	FY2024	9M FY2025*
Total income	3,700	4,684	4,052
Profit after tax	256	670	378
Total assets	25,644	32,710	35,051
CET I	11.0%	19.0%	17.5%
CRAR	15.6%	20.3%	18.4%
PAT/ATA	1.1%	2.3%	1.5%
Gross NPAs	3.6%	2.0%	2.7%
Net NPAs	2.4%	0.5%	0.9%

Source: Bank, ICRA Research; Gross NPA and Net NPA as a % of AUM
Amount in Rs. crore; All calculations are as per ICRA Research; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar-13-2025	Date	Rating	Date	Rating	Date	Rating
Subordinated debt	Long term	600.00	[ICRA]A (Stable); upgraded & withdrawn	Sep-07-2023	[ICRA]BBB+ (Positive)	Dec-30-2022	[ICRA]BBB (Stable)	Mar-22-2022	[ICRA]BBB (Stable)
				Mar-15-2024	[ICRA]A- (Stable)	Mar-01-2023	[ICRA]BBB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Subordinated debt	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE953L08329	Subordinated debt	Dec 22, 2015	13.80%	Jul 07, 2027	75.0	[ICRA]A (Stable); upgraded and withdrawn
INE953L08295	Subordinated debt	Jun 19, 2019	14.50%	Jun 29, 2025	175.0	[ICRA]A (Stable); upgraded and withdrawn
INE953L08303	Subordinated debt	Jul 10, 2019	13.15%	Jul 10, 2025	50.0	[ICRA]A (Stable); upgraded and withdrawn
INE953L08311	Subordinated debt	Aug 31, 2021	13.50%	Nov 30, 2026	50.0	[ICRA]A (Stable); upgraded and withdrawn
NA	Subordinated debt*	NA	NA	NA	250.0	[ICRA]A (Stable); upgraded and withdrawn

Source: Jana SFB; *unutilised

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

R Srinivasan
+91 44 4596 4315
r.srinivasan@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Richardson Xavier J
+91 44 4596 4315
richardson.xavier@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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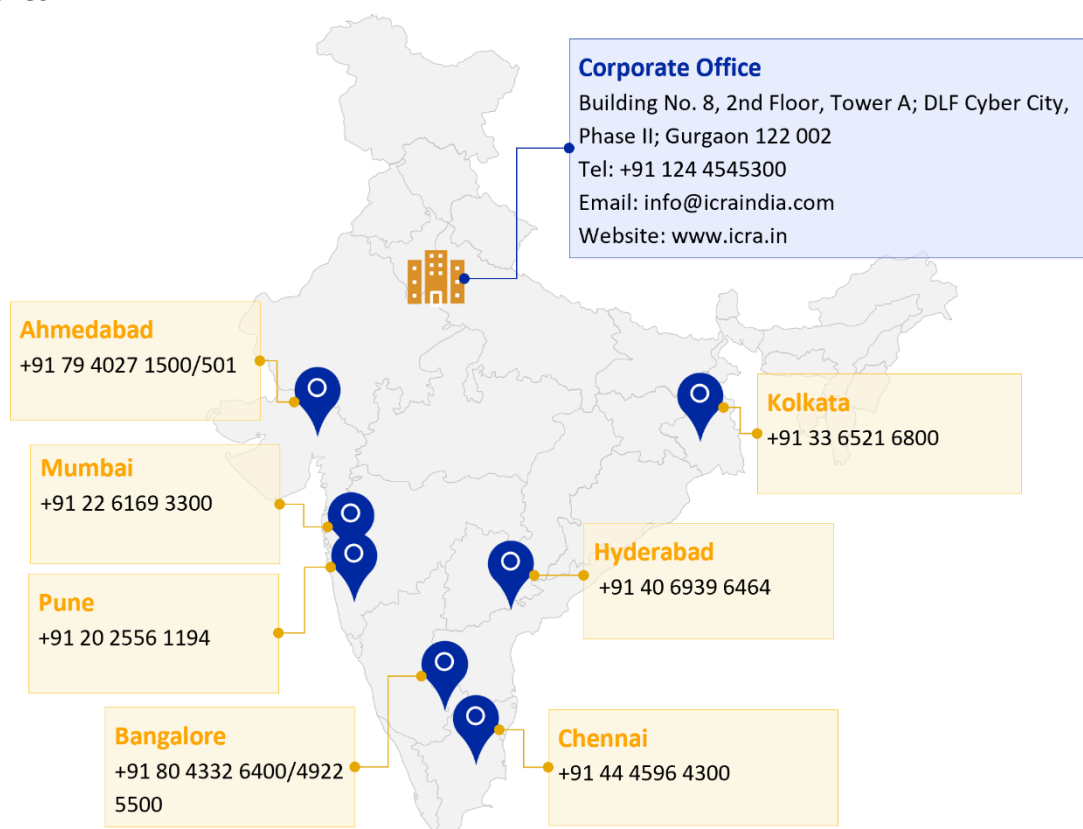


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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