

January 06, 2023

## Jana Holdings Limited: Rating downgraded to PP-MLD[ICRA]B (Negative)

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	658.00	658.00	PP-MLD[ICRA] B (Negative); downgraded from PP-MLD[ICRA]B+ (Negative)
<b>Total</b>	<b>658.00</b>	<b>658.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The revision in the rating factors in the poor liquidity profile of Jana Holdings Limited (JHL), with the delay in the listing of its subsidiary {Jana Small Finance Bank Limited (JSFB; rated [ICRA]BBB (Stable))} restricting its ability to liquidate its shareholding in the bank. Consequently, JHL is expected to be significantly dependent on refinancing to service its sizable debt obligation of ~Rs. 1,532 crore due for maturity in May 2023 in a timely manner. The rating also takes into consideration the continued capital erosion due to JHL's weak financial risk profile, its significant dependence on JSFB's performance and the sensitivity of the rated instrument to any adverse changes in JSFB's valuation.

JHL's earnings profile remains weak with a net loss of Rs. 163.2 crore in H1 FY2023 (net loss of Rs. 243.3 crore in FY2022). Consequently, its gearing increased to 14.1x as on September 30, 2022 (8.0x as on March 31, 2022). ICRA also notes that JHL is not meeting the minimum consolidated capital adequacy ratio (CAR) of 15% and the standalone leverage ratio of 1.25x as per the regulatory requirements for a non-operative financial holding company (NOFHC). It is also not meeting the minimum net owned funds requirement. The auditor's report on JHL for FY2022 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.

ICRA notes that Jana Capital Limited (JCL; 100% stake in JHL) is also not meeting the minimum adjusted net worth to aggregate risk-weighted assets (ANW%) ratio of 30.0% and the leverage ratio of 2.5x as per the regulatory requirements for a core investment company (CIC) as of September 30, 2022. JHL is expected to merge into JCL in the near term, subject to various regulatory approvals. However, the capital profile of the combined entity, a CIC, would remain in breach of the regulatory capitalisation requirements.

The Negative outlook factors in the continued weakness in JHL's earnings, liquidity and capital profile, which could hinder it in meeting the key prudential and regulatory requirements in the near to medium term, as well as expose it to refinancing risks with respect to its debt servicing obligations. Nevertheless, ICRA notes that a major portion of JHL's near-term debt maturities is held by its key shareholders and expects the same to be rolled over/refinanced in a timely manner.

### Key rating drivers and their description

#### Credit strengths

**Holding company of JSFB** – JHL had a 42.88% stake in JSFB as of September 30, 2022. JSFB has a diversified presence across 24 states and Union Territories in India, with a gross portfolio of Rs. 16,529 crore as of September 30, 2022. The bank has steadily increased its non-microfinance portfolio share, which stood at about 54% as of September 2021. Its non-microfinance portfolio includes secured business loans, micro, small, and medium enterprise (MSME) loans, affordable housing loans, micro housing, gold loans, loans to non-banking financial companies (NBFCs), etc. The share of the microfinance portfolio (group

loans, agricultural loans and individual loans), which is unsecured, reduced to 49.6% (of the gross portfolio) in March 2022 and further to 46.0% in September 2022 from 60.2% in March 2021. The bank's GNPA's increased to 6.1% on September 30, 2022 from 5.0% as on March 31, 2022 (6.7% as on March 31, 2021) largely on account of stress from the restructured loan book. The NNPA's stood at 4.1% as on September 30, 2022 (3.4% as on March 31, 2022). Including the restructured loans, the book under stress stood at 8.2% (GNPA's + standard restructured book) as of September 2022.

The bank's profitability indicators remained subdued in H1 FY2023, despite witnessing some improvement as compared to FY2022, because of higher credit provisions along with the moderation in its net interest margin (NIM). Credit provisions, with respect to average total assets (ATA), remained elevated at 3.54% in H1 FY2023 (3.13% in FY2022) due to the deterioration in the asset quality. This was on account of higher slippages and the poor performance of the restructured loan book. Further, NIM/ATA declined to 7.02% in H1 FY2023 and 7.08% in FY2022 from 7.60% in FY2021 and 8.57% in FY2020 primarily due to the lower interest charged on the secured loan book. The bank reported a net profit of Rs. 55.6 crore in H1 FY2023 and Rs. 5.4 crore in FY2022, translating into a return of 0.52% on ATA and 3.49% on average net worth in H1 FY2023 and 0.03% and 0.45%, respectively, in FY2022 compared to a net profit of Rs. 84.3 crore in FY2021 and return of 0.51% on ATA and 7.48% on average net worth. As on September 30, 2022, JSFB's capital adequacy ratio stood at 16.36%, which was marginally above the regulatory requirement of 15%. Hence, it is critical for the bank to maintain a prudent capitalisation profile and raise capital in a timely manner. Also, JSFB could not complete its initial public offering (IPO) process by March 2021, in line with the licence requirement for small finance banks (SFB), because of the Covid-19-related disruptions. However, it is expected to restart the process of listing its shares on the stock exchange in Q4 FY2023 in order to meet the regulatory requirement and raise primary equity capital. ICRA takes note of the same and will continue to monitor further developments.

### Credit challenges

**Weak financial risk profile** – JHL's earnings profile remains weak with a net loss of Rs. 163.2 crore in H1 FY2023 (net loss of Rs. 243.3 crore in FY2022). Consequently, its gearing increased to 14.1x as on September 30, 2022 (8.0x as on March 31, 2022). ICRA also notes that JHL is not meeting the minimum consolidated CAR of 15% and the standalone leverage ratio of 1.25x as per the regulatory requirements for an NOFHC. It is also not meeting the minimum net owned funds requirement. The auditor's report on JHL for FY2022 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.

JHL is in the process of merging into JCL, which is an NBFC-CIC. Thus, post the merger, the regulatory requirements of an NOFHC would not be applicable. ICRA notes that JCL is also not meeting the minimum ANW% of 30.0% and the leverage ratio of 2.5x as per the regulatory requirements for a CIC and is not expected to meet the CIC requirement post-merger as well. Thus, capital infusion is crucial in the near term. JSFB's valuation, post the IPO and listing, would also be crucial for the merged entity for meeting the regulatory requirement.

JHL has limited financial flexibility as JSFB is not yet listed and the income expectation (dividend income) from JSFB during the tenure of the non-convertible debentures (NCDs) is low. Over the years, JHL has raised NCDs from TPG Asia VI SF Pte. Ltd (TPG), Government of Singapore Investment Co. (GIC), Edelweiss Group (Edelweiss), and Manipal Group (Manipal). As per the debt covenants agreed upon with the existing investors, approval from all NCD investors will be needed for raising any additional debt in JHL. Currently, some of the NCDs are secured by a) JSFB's shares held by JHL over and above the 40% regulatory holding requirement applicable for an NOFHC in an SFB for five years (till March 2023 for JSFB), and b) the shares of JCL. After the expiry of the five-year lock-in period, additional security is proposed to be offered to some of the NCD investors. The redemption of the NCDs would depend on the valuation of JSFB at the time of the NCD maturities.

ICRA notes that JHL's liquidity profile remains poor, with the delay in the listing of JSFB restricting its ability to liquidate its shareholding in the bank. Consequently, JHL is expected to be significantly dependent on refinancing to service a sizable portion of its NCDs of ~Rs. 1,532 crore due for maturity in May 2023. Nevertheless, ICRA notes that a major portion of JHL's near-term debt maturities is held by its key shareholders and expects the same to be rolled over/refinanced in a timely manner.

**Risks related to adverse movement in JSFB’s valuation** – The ICRA-rated NCDs are to be redeemed at the base internal rate of return (IRR) in the range of 16.50-20.35% with a cap in the range of 20.60-25.00%, depending on JSFB’s valuation at the time of redemption over the valuation on the date of allotment. This makes the instrument highly sensitive to any adverse movement in JSFB’s valuation as the NCDs are expected to be redeemed primarily from the sale of JSFB’s shares, post listing. Further, the valuation of JCL’s share would depend on JSFB’s valuation. ICRA notes that JSFB is planning an IPO in the near term. The successful conclusion of the same and the management’s expected valuation could enhance JHL’s financial flexibility.

### Liquidity position: Poor

The rated NCDs have a flexible structure with no committed annual coupons during the tenure of the instruments. However, JHL’s liquidity position remains weak with the funds raised at JHL infused as equity capital into JSFB. JHL has limited financial flexibility as JSFB is not listed and the dividend expectation from JSFB during the tenure of the NCDs is low. ICRA notes that JHL is expected to redeem NCDs worth Rs. 1,532 crore in May 2023. The timely repayment/refinancing of these instruments would be a monitorable along with the IPO process of its subsidiary – JSFB.

### Rating sensitivities

**Positive factors** – ICRA could revise the outlook to Stable if there is a significant improvement in the capitalisation and liquidity profile of JHL or if there is a significant improvement in the credit profile of JSFB.

**Negative factors** – Pressure on JHL’s rating could arise if there is a material deterioration in the credit profile of JSFB or a further weakening in the refinancing ability/liquidity profile of JHL.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Non-banking finance companies rating methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of JHL

### About the company

Incorporated on March 10, 2016, Jana Holdings Limited (JHL) is a non-banking financial company – non-operative financial holding company (NBFC-NOFHC) with a 42.88% stake in JSFB as on September 30, 2022. The company received its certificate of registration from the Reserve Bank of India (RBI) on January 27, 2017. JHL is a wholly-owned subsidiary of JCL, which is a non-deposit taking systemically important CIC registered with the RBI.

JHL reported a net loss of Rs. 163.2 crore in H1 FY2023 (net loss of Rs. 243.3 crore in FY2022 and Rs. 232.7 crore in FY2021). Consequently, its net worth eroded to Rs. 148 crore, recording a gearing of 14.1x as of September 30, 2022, from Rs. 1,193 crore as of March 31, 2018.

### Key financial indicators (audited)

Jana Holdings Limited	FY2020	FY2021	FY2022	H1 FY2023*
Total income	0.0	0.1	0.0	0.0
Profit after tax	(199.6)	(232.7)	(243.3)	(163.2)
Net worth	712.2	479.5	236.1	148.0
Total managed assets	2,033.2	2,031.2	2,136.2	2,234.5
Return on assets	-10.2%	-11.4%	-11.7%	-14.9%
Return on net worth	-27.1%	-39.1%	-68.0%	-169.9%
Gross gearing (times)	1.9	3.2	8.0	14.1
Gross NPA	-	-	-	-
Net NPA	-	-	-	-
Consolidated CRAR	-4.1%	-5.2%	-8.0%	-5.14%#

Source: Company, ICRA Research; \* Provisional numbers; # Standalone CRAR; All ratios as per ICRA's calculations; Amount in Rs. crore

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Jan 06, 2023 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Jan 06, 2023	Mar 22, 2022	Mar 23, 2021	Mar 16, 2020 Jan 31, 2020
1 Non-convertible debentures	Long term	658.0	658.0	PP-MLD[ICRA]B (Negative)	PP-MLD[ICRA]B+ (Negative)	PP-MLD[ICRA]B+ (Negative)	PP-MLD[ICRA]B+ (Negative)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures	Moderately complex

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
INE682V07010	Non-convertible debenture	Sep 28, 2017	Equity linked*	May 26, 2023	50.00	PP-MLD [ICRA]B (Negative)
INE682V07028	Non-convertible debenture	Sep 28, 2017	Equity linked*	May 26, 2023	60.00	PP-MLD [ICRA]B (Negative)
INE682V07036	Non-convertible debenture	Sep 28, 2017	Equity linked*	May 26, 2023	60.00	PP-MLD [ICRA]B (Negative)
INE682V07044	Non-convertible debenture	Sep 28, 2017	Equity linked*	May 26, 2023	100.00	PP-MLD [ICRA]B (Negative)
INE682V07051	Non-convertible debenture	Sep 28, 2017	Equity linked*	May 26, 2023	50.00	PP-MLD [ICRA]B (Negative)
INE682V07069	Non-convertible debenture	Oct 06, 2017	Equity linked*	May 26, 2023	100.00	PP-MLD [ICRA]B (Negative)
INE682V07077	Non-convertible debenture	Oct 06, 2017	Equity linked*	May 26, 2023	83.00	PP-MLD [ICRA]B (Negative)
INE682V07085	Non-convertible debenture	Mar 27, 2018	Equity linked^	May 26, 2023	155.00	PP-MLD [ICRA]B (Negative)

\* Coupon in the range of 4.95-5.05% although coupon payment is not committed; overall IRR is equity linked with base IRR of 16.5% and a cap of 25%

^ IRR is equity linked with base IRR of 20.35% and a cap of 20.60%

Source: Company

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

## ANALYST CONTACTS

**Karthik Srinivasan**  
+91 22 6114 3444  
[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**R Srinivasan**  
+91-44-4596 4315  
[r.srinivasan@icraindia.com](mailto:r.srinivasan@icraindia.com)

**Krishan Kumar Saini**  
+91 124 4545 442  
[krishan.saini@icraindia.com](mailto:krishan.saini@icraindia.com)

**Ramya G**  
+91 44 4596 4309  
[ramya.g@icraindia.com](mailto:ramya.g@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.