Dated: January 31, 2025

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 Ratings has upgraded the rating from IND BB- to IND BB/Stable for the following ISINs vide press release dated January 31, 2025.

Instrument	Series	Size of issue (Million) (Rs.)	Rating
INE028U08024	Series B1	INR 500	IND BB/Stable
INE028U08024	Series B2	INR 270	IND BB/Stable
INE028U08032	Series C1	INR 5880	IND BB/Stable
INE028U08032	Series C2	INR 1990	IND BB/Stable
INE028U08040	Series D1,D2,D3 and D4	INR 5460	IND BB/Stable

Kindly take the above information on record.

For **Jana Capital Limited**

RAJAMANI MUTHUCHAMY Digitally signed by RAJAMANI MUTHUCHAMY Date: 2025.01.31 23:29:20 +05'30'

Rajamani Muthuchamy
Managing Director and CEO
(DIN: 08080999)

India Ratings & Research
A Fitch Group Company

India Ratings Upgrades Jana Capital's NCDs to ‘IND BB’/Stable

Jan 31, 2025 | Holding Company

India Ratings and Research (Ind-Ra) has upgraded Jana Capital Limited’s (JCL) non-convertible debentures (NCDs) to ‘IND BB’ from ‘IND BB-’ with a Stable Outlook as follows:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Watch	Rating Action
Non-convertible debentures	-	-	-	INR14,100 (reduced from INR26,500)	IND BB/Stable	Upgraded

*Details in annexure

Analytical Approach

To arrive at the rating, Ind-Ra continues to take a consolidated view of JCL and its 100% subsidiary Jana Holdings Limited (JHL; 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; 22.35% stake held by JHL; debt rated at ‘IND A’/Stable), using Ind-Ra’s Rating FI Subsidiaries and Holding Companies criteria.

Detailed Rationale of the Rating Action

The upgrade reflects the significant improvement in JSFB’s credit profile during FY24-1HFY25, supported by its higher capital ratios and improved operating performance. The rating however 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. The common independent director serving on the boards of Ind-Ra and JHL/JCL did not participate in the rating process or in the meeting of its board of directors or in the meeting of the rating committee, when the securities of such rated client were being discussed.

List of Key Rating Drivers

Weaknesses

- Ability to garner low-cost deposit monitorable
- High refinancing and valuation risks for holding company
- Weak standalone financial profile - JCL

Strengths

- Diversified portfolio mix with growing share of secured products
- Maintained better-than-peers’ asset quality metrics amid challenging macro environment
- Adequate capitalisation post public issue

- Adequate profitability profile

Detailed Description of Key Rating Drivers

Ability to Garner Low-cost Deposit Monitorable: The share of deposits in non-equity liabilities rose to 87% in 9MFY25 (FY24: 81%; 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 (CASA) ratio to the total deposits remained moderate at 18.4% in 9MFY24 (FY24: 19.7%; FY23: 20.2%; FY22: 22.5%; FY21: 16.3%). JSFB's cost of funds increased over FY24- 9MFY25, in line with the increase in policy rates to 8% in 9MFY25 (FY24: 7.8%; FY23: 7.0%; FY22: 7.4%; FY21: 8.6%). The cost of funds remained slightly higher than its peer small finance banks. 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 a key rating monitorable over the medium to long 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. JHL & JCL have upcoming repayments in the near term, with repayments of INR 1.12 billion in April 2025 and INR 0.15 billion in June 2025. 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.

Weak Standalone Financial Profile - JCL: As per 1HFY25 financials, JCL's earnings profile remained weak with a net loss of INR244.1 million (FY24: negative INR10,570 million, FY23: negative INR3,570 million). Moreover, JCL was unable to meet the minimum capital requirement of 30% as per the regulatory requirements for a non-banking financial institute-core investment company in 1HFY25. JCL's FY24 auditor report indicated concerns related to the going concern principle for JCL considering the accumulated losses, and the resultant erosion in the net worth and breach of the regulatory financial parameters.

Diversified Portfolio Mix with Growing Share of Secured Products: At 9MFYE25, JSFB's total advances stood at INR279.8 billion (FY24: INR247.5 billion; FY23: INR198.1 billion; FY22: INR152.6 billion). It had a well-diversified portfolio across products such as affordable housing loans (20%), micro loan against property (LAP; 19%), secured small, medium enterprise (SME) loans (14%), vehicle loans, gold loans and loans to non-bank financial companies (15%) and unsecured microfinance loans (32%) as of 1HFY25. JSFB was mainly operating in the microfinance segment after becoming a bank in 2018.

JSFB is strategically shifting to a secured loan portfolio; the share of secured loans in its portfolio increased to 68% at 9MFYE25 (FYE24: 60%; FYE23: 55%; FYE22: 53%). Ind-Ra expects this to further increase to around 80% by FY27-FY28, with it mainly focusing on home loans, LAP and secured SME loans. Ind-Ra expects JSFB to maintain loan growth of around 20% over the medium term and might not launch any new products.

Maintained Better-than-peers' Asset Quality Metrics amid Challenging Macro Environment: JSFB's gross non-performing assets (NPA)/net NPA continuously improved to 2.0%/0.5% in FY24 (FY23: 3.6%/2.4%; FY22: 5%/3.4%; FY21: 6.7%/4.8%). The bank has also improved its provision coverage ratio (PCR) to 73.7% in FY24 (FY23: 34%; FY22: 32.2%; FY21: 27.9%). As of 9MFY25, the gross NPA/net NPA increased to 2.7%/0.99%, mainly amid an increase in delinquencies in the microfinance portfolio with credit costs reducing to 3.1% (FY24: 3.3%; FY23: 4.8%; FY22: 4.3%). JSFB's shift to the secured portfolio mix over the past few years with cautious growth in the microfinance portfolio (CAGR of 3.95% over FY21-9MFY25, much lower than the industry's 20%-25%) supported the bank in managing the current asset quality stress cycle compared to its peers, as per the agency. Ind-Ra does not expect any further major stress in the microfinance portfolio and any further increase in delinquencies would be manageable. The bank's PCR stood at 66.9% in 9MFY25, Ind-Ra expects the bank to maintain the PCR of 65%-70% in the near to medium term. With a substantial and growing proportion of secured portfolio mix and the adequate provisioning in place, the agency expects its credit costs to remain at 2%-3% in the near to medium term.

Adequate Capitalisation post Public Issue: JSFB's capital ratios were constrained prior to FY23 and were just above the minimum regulatory capital ratios of 15%. However, its Tier 1 capital ratio improved to 19% at FYE24 (FYE23: 13.02%; FYE22: 11.83%; FYE21: 11.75%) and the total capital adequacy ratio to 20.4% (15.57%; 15.26%; 15.51%), supported by it raising INR5.46 billion through a pre-initial public offering (IPO), INR4.6 billion through the IPO and the improved profitability, leading to higher accretion to reserves. In 9MFY25, the total capital adequacy stood at 20.4% (including 9MFY25 profits).

Its capital ratios were also constrained by a high net NPA/equity ratio. However, with the improving provisioning levels, the net NPA/equity improved to comfortable levels of 6.3% in 9MFY25 (FY24: 3.7%; FY23: 26.0%; FY22: 42.8%; FY21: 54.9%).

Adequate Profitability Profile: JSFB's net interest margins (NIMs) slightly declined to 7.6% in 9MFY25 (FY24: 8.0%; FY23: 7.7%; FY22: 7.3%; FY21: 8.4%) amid a decline in disbursements in high-yielding microfinance loans, but it remained higher than other mainstream banks as it caters to high-yielding informal segment borrowers. The cost-to-income ratio increased slightly to 60.1% in 9MFY25 (FY24: 57.4%; FY23: 56.2%; FY22: 66.0%) amid the decline in NIMs. Overall, the pre-provision operating profit (PPOP) buffers improved over FY22- 9MFY25, with PPOP/credit cost standing at 1.6x in 9MFY25 (FY24: 1.8x; FY23: 1.3x; FY22: 1x). The bank's profit stood at INR3.78 billion in 9MFY25 (FY24: INR6.7 billion; FY23: INR2.56 billion; FY22: INR0.05 billion; FY21: INR0.84 billion; FY20: INR0.3 billion) with a slight decline its return on average asset (RoA) to 1.5% (1.8%; 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 to 1.5%-2% with the rise of secured loans in the portfolio, which could help it maintain an RoA of 1.8%-2 % in the near- to medium term.

Liquidity

JCL - Poor: JCL 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, refinancing, among other options, before the maturity date of the respective instruments. The agency expects no dividend income from JSFB over the medium term. JHL and JCL are also getting merged, for which, INC-22 has been filed, and relevant approval from the Registrar of Companies has been passed on 24 January 2025. Furthermore, the debt raised by both the holding companies are in the form of zero-coupon bonds, which is leading to lumpy pay-outs on maturity.

JSFB - Adequate: JSFB maintained strong liquidity coverage ratio of 279% in 9MFY25 (FY24: 296%, FY23: 510%; FY22: 555%, FY21: 1,200%), well above the minimum regulatory requirement of 100% supported by 61% of bulk deposit are non-callable and 89.8% of bulk deposits are contracted at one-year and above. The bank, however, had an asset-liability mismatch of 15.4% in the up to one-year bucket as on 30 December 2024, given substantial amount of long -tenor affordable housing and SME loans. However, this is adequately covered by its excess statutory liquidity requirement of INR12 billion as of 9MFY25 and unutilised lines available from refinancing institutions of over INR11 billion.

Rating Sensitivities

Negative: The following events could lead to a negative rating action:

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

Positive: The following events could lead to a positive rating 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,
- the bank's ability to garner low-cost deposits,
- JSFB maintaining adequate capitalisation, and
- the bank's demonstrated ability to manage its asset quality better than peers.

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 JCL, 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.

About the Company

JCL was incorporated on 26 March 2015 to carry on the business of an investment company and to invest, buy, sell or deal in any share, stock, and debenture. The company received a certificate of registration dated 24 March 2017 from the Reserve Bank of India as a non-banking financial institution – non-deposit taking – systematically important core investment company under section 45IA of the Reserve Bank of India Act, 1934.

Key Financial Indicators

Particulars - JHL	**FY24**	**FY23**
Total assets (INR billion)	9.71	22.3
Total equity (INR billion)	4.36	-0.245
Net income (INR billion)	-4.60	-3.32
Return on average assets (%)	-29	-15
Source: JHL, Ind-Ra		

JCL

Particulars (INR billion)	**FY24**	**FY23**
Total assets	4.49	0.017
Total equity	-13.98	-3.38
Net income	-10.57	-3.6
Return on average assets (%)	-471	-302
Source: JCL, Ind-Ra		

JSFB

Particulars	**FY24**	**FY23**
Total assets (INR billion)	325.7	256.4
Total equity (INR billion)	35.7	17.9
Net profit (INR billion)	5.14	2.56
Return on average assets (%)	1.8	1.1
Tier 1 capital (%)	19.3	13.0
Source: JSFB, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	**Rating Type**	**Rated Limits (million)**	**Current Ratings**	**Historical Rating/Outlook**			
				2 February 2024	**23 November 2023**	**8 June 2023**	**11 May 2023**
Non-convertible debenture	Long-term	INR14,100	IND BB/Stable	IND BB-/Stable	IND B-/Stable	IND B-/Stable	IND B-/Rating Watch with Negative Implications

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debenture	Low

For details on the complexity level 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 (million)	Rating/Outlook
NCDs	INE028U08024	30 June 2022	0%	1 April 2025	INR500	IND BB/Stable
NCDs	INE028U08024	29 July 2022	0%	1 April 2025	INR270	IND BB/Stable
NCDs	INE028U08032	26 May 2023	3%	30 June 2026	INR5,880	IND BB/Stable
NCDs	INE028U08032	31 May 2023	3%	30 June 2026	INR1,990	IND BB/Stable
NCDs	INE028U08040	30 November 2023	1%	30 June 2026	INR5,460	IND BB/Stable
NCDs (Unutilised)					INR12,400	WD (The company did not proceed with the instrument as envisaged)
Source: JCL, NSDL						

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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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APPLICABLE CRITERIA AND POLICIES

Rating FI Subsidiaries and Holding Companies

Non-Bank Finance Companies Criteria

Evaluating Corporate Governance

Financial Institutions Rating Criteria

The Rating Process