Jana Small Finance Bank
A SCHEDULED COMMERCIAL BANK

JSFB/SEC/2024-25/145

18th February 2025

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai 400051.

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001.

Sub: Credit rating

Ref: Regulation 30, 51 and 55 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015

Dear Sir/Madam,

Please find below credit rating assigned by CARE Ratings Limited on the Lower Tier-II bond (Basel II) of the Bank. The details required pursuant to Regulation 55 of the Listing Regulations read with SEBI Master Circular no. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated 30th June 2023 is as follows:

Details of credit rating									
S. No.	**ISIN**	**Name of the Credit Rating Agency**	**Credit rating assigned**	**Outlook**	**Rating Action**	**Specify other rating action**	**Date of credit rating**	**Verification status of credit rating agencies**	**Date**
1.	INE953L08329	CARE Ratings Limited	CARE A; Stable	Stable	New	-	18th February 2025	Verified	18th February 2025

The rating rationale has been annexed to this letter and the same will also be uploaded to the Bank's website at www.janabank.com.

You are requested to kindly take the same on your record and oblige.

Thank you
Yours faithfully
For Jana Small Finance Bank Limited

LAKSHMI RAJA NARAYANAMURTHY
Digitally signed by LAKSHMI RAJA NARAYANAMURTHY
Date: 2025.02.18 20:56:27 +05'30'

Lakshmi R N
Company Secretary & Compliance Officer

Registered Office:
Jana Small Finance Bank Limited
The Fairway Business Park, # 10/1, 11/2 & 12/2B,
Off Domlur, Koramangla Inner Ring Road, Next to
Embassy Golf Links, Challaghatta, Bengaluru -560071.
CIN: L65923KA2006PLC040028

Telephone : 080-46020100
080-37620100

E-mail : customercare@janabank.com
Website : www.janabank.com
Toll-free No. : 1800 2080

Annexure
Press Release
Jana Small Finance Bank Limited

Facilities/Instruments	**Amount (₹ crore)**	Rating[1]	Rating Action
Lower tier II bonds (Basel II)	75.00	CARE A; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to debt instruments of Jana Small Finance Bank Limited (Jana SFB) factors in its established track record in the lending business with consistent increase in scale of operations having presence in diversified asset classes, adequate capitalisation levels post successful completion of IPO in February 2024, and adequate liquidity position. The rating also notes improvement in profitability indicators, with a profit before taxes to return on total assets (PBT/ROTA) of 1.76% in FY24, up from 1.12% in FY23. However, the rating is constrained by moderate asset quality levels despite improvement in FY24 and relatively low current account savings account (CASA) ratio. Gross non-performing assets (GNPA) stood at 2.80% as on December 31, 2024, against 2.11% as on March 31, 2024. Although the bank has been able to grow its deposit base in recent years, the CASA ratio continues to be relatively low, with CASA of 18.43% as on December 31, 2024. Additionally, the Credit-Deposit (CD) ratio remains high at 102.5% as of December 31, 2024 (without considering refinance).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could individually or collectively, lead to positive rating action/upgrade:

- Increasing scale of operations, while maintaining adequate capitalisation levels.
- Improvement in deposits profile, with improvement in the CASA proportion and CD ratio on a sustained basis.
- Improvement in the asset quality and profitability on a sustained basis.

Negative factors – Factors that could individually or collectively, lead to negative rating action/downgrade:

- Deterioration in asset quality leading to significant moderation in profitability parameters.
- Deterioration in capital adequacy parameters with capital adequacy ratio (CAR) falling below 17% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook factors in CARE Ratings Limited's (CARE Ratings) expectation that the bank will be able to maintain profitability, while maintaining adequate capitalisation levels with growing scale of operations.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Established track record of operations

Jana SFB (erstwhile Janalakshmi Financial Services Limited) commenced operations as a non-banking financial company (NBFC) in 2008 and was later classified as an NBFC-microfinance institution (NBFC- MFI). It received a licence to set up a small finance bank on April 28, 2017, and commenced banking operations on March 28, 2018. As on December 31, 2024, Jana Holdings Limited, a Non-Operating Financial Holding Company held 22.3% stake in the JSFB. Jana SFB's present senior management team is highly experienced in the financial sector. Ajay Kanwal is the current Managing Director (MD) and Chief Executive Officer (CEO), who has experience of over 35 years in the banking industry. Jana SFB's board comprises 10 directors, which includes the MD, an executive director, two non-executive director, and six independent directors with diverse experience, who bring valuable expertise to the bank. The bank's operations are ably supported by the senior management team.

Jana SFB is currently focused on retail banking business with focus on Housing Loan, Micro Housing/Micro loan against property (M-LAP), microfinance and loans to micro and small enterprises. As on December 31, 2024, the bank had a network of 778 branches, with deposits of ₹25,865 crore and advances of ₹27,984 crore.

Adequate capitalisation levels

The bank has consistently raised equity over the years, including ₹1,137 crore in FY24, with ₹462 crore raised through an initial public offering in February 2024. Further, supported by adequate internal accruals, the bank's capital adequacy levels improved in FY24. CAR and Tier-I CAR improved and stood at 20.31% and 18.97% respectively as on March 31, 2024, against 15.57% and 13.02% as on March 31, 2023. Total CAR stood at 18.4% as on December 31, 2024 (excluding accruals in 9MFY25). The bank's tangible net worth stood at ₹3,577 crore as on March 31, 2024, against ₹1,797 crore as on March 31, 2023. Tangible net worth stood at ₹3,982 crore as on December 31, 2024. CARE Ratings expects the CAR levels to remain adequate and is expected to support growth in the medium term.

The promoter entities Jana Holdings Limited and Jana Capital Limited have weak financial metrics, which is not expected to impact the bank given it is a listed entity with no shareholder holding over 25%.

Diversified product profile

The bank's advances book is relatively diversified with its presence across Secured and Unsecured segments. Secured segment includes affordable housing loans (AHL), Micro LAP including Micro housing (M-LAP), Micro, Small, and Medium Enterprises (MSE) loans, term loans to NBFCs, gold loans, two-wheeler loans, Loan against FD and Supply Chain Finance (SCF), while unsecured segment primarily includes Microfinance Institution (MFI) loans. In the last three years, the bank has been able to reduce the proportion of MFI from 60% as on March 31, 2021, to 40% as on March 31, 2024, and further to 32% as on December 31, 2024. The proportion of AHL, M-LAP and MSE has increased in the years and stood at 20%, 19% and 14% respectively as on December 31, 2024, against 14%, 17% and 14% respectively as on March 31, 2023. The bank also lends to NBFCs, which comprises 6% of advances as on December 31, 2024, remaining proportion includes gold loan, two wheelers and loan against FD.
Advances (including off-book) witnessed a growth of 25% (Y-o-Y) and stood at ₹24,746 crore as on March 31, 2024, against ₹19,808 crore as on March 31, 2023. In 9MFY25, Advances grew by 13% and stood at ₹27,984 crore as on December 31, 2024,

due to growth of 29% in secured segment and de-growth in unsecured segment. CARE Ratings expects the growth in advances to be driven by the secured segment.

Diversified geographical presence

Jana SFB has presence in 22 states and 2 UTs across 808 banking outlets as on March 31, 2024. Top five states, Tamil Nadu, Maharashtra, Karnataka, Gujrat and Madhya Pradesh, contributed to 54% of the overall portfolio with the top state Tamil Nadu contributing to 13% of the loan portfolio as on March 31, 2024. CARE Ratings expects geographical diversification of advances to continue in the medium term.

Improving profitability levels

In the last few years, ending March 31, 2022, the bank's profitability has remained moderate. This was primarily due to asset quality issues, which led to higher credit costs and subsequently impacted profits. However, profitability witnessed improvement in the last two years ending March 31, 2024. In FY24, the bank's total income grew by 27% and stood at ₹4,684 crore (FY23: ₹3,700 crore), aided by a healthy increase in the interest income of 31% and in the non-interest income by 7%. The bank's net interest margin (NIM) remained stable at 7.3% in FY24 against 7.2% in FY23. Improvement in non-interest income is due to improved commission exchange and brokerage income to ₹486 crore in FY24 from ₹308 crore in FY23. The bank has been able to maintain stable operational expenses/average total assets at 5.5% in FY24 against 5.6% in FY23. The bank's pre-provisioning operating profit (PPOP) improved by 19% to ₹1,193 crore in FY24 from ₹1,000 crore in FY23. With a reduction in credit cost to 2.3% in FY24 from 3.2% in FY23, the bank reported an improvement in profitability with a profit-before-tax (PBT) of ₹514 crore in FY24 against a PBT of ₹256 crore in FY23. Thus, the PBT-ROTA improved to 1.8% in FY24 against 1.1% in FY23. Bank had carried forwarded business losses which resulted in bank having unrealised deferred tax assets (DTA) and unabsorbed depreciation, of which, the bank has recognised DTA of ₹155 crore in FY24 resulting in profit after taxes (PAT) of ₹670 crore in FY24 and ROTA of 2.3%.

In 9MFY25, the net interest margin (NIM) moderated due to de-growth in unsecured book and increase in cost of funds. Operating expenses remained stable, and bank reported PPOP of ₹934 crore, however, with decline in NIM and moderation in credit cost impacted by deterioration in asset quality, bank reported PBT-ROTA of 1.4% and ROTA (after considering DTA) of 1.5%. The bank's ability to control cost and improve profitability level remains critical.

Key weaknesses

Significant growth in deposits in FY24; however, current account savings account (CASA) proportion remains moderate

The bank's resource profile mainly consists of deposits (78% of the total liabilities as on March 31, 2024), followed by borrowings in the form of refinance from financial institutions and inter-bank participation certification (IBPC). The total deposits grew by 38% in FY24 and stood at ₹22,571 crore as on March 31, 2024, against ₹16,334 crore as on March 31, 2023. Deposits further grew by 15% in 9MFY25 and stood at ₹25,865 crore as on December 31, 2024. In terms of granularity of deposits, 55% of the total term deposits stood below the ticket size of ₹3.0 crore as on December 31, 2024, which is relatively lower. The bank's CASA (as a percentage of total deposits) stood at 19.70% as on March 31, 2024, against 20.21% as on March 31, 2023 (18.43% as on December 31, 2024). Despite the growth in deposits over the years, the bank's CD ratio (without considering refinance) remained high at 102.4% as on March 31, 2024 (102.5% as on December 31, 2024).

Moderate asset quality

Jana SFB has seen continuous improvement in its asset quality in the last few years, due to higher write-offs and sale of stressed assets to ARC. As of March 31, 2024, the bank's GNPA and Net NPA (NNPA) improved to 2.11% and 0.56%, respectively, compared to 3.94% and 2.64% as of March 31, 2023. However, as on December 31, 2024, GNPA and NNPA moderated to 2.80% and 0.94%, respectively, due to stress in the MFI segment. Considering this, the bank has made accelerated provisions aggregating ₹208 crore for 9M FY25, to maintain NNPA below 1% to meet the criteria laid out by RBI for SFBs to obtain Universal Bank license which requires maintaining GNPA and NNPA of less than 3% and 1%, respectively, in the last two years. Within the microfinance segment, NPAs were much higher in group loans through business correspondence (BC).

The bank been selling its stressed book to asset reconstruction companies. The net book value of the security receipts (SR) stood at ₹438 crore (2.1% of net advances) as on March 31, 2024, and ₹541 crore (2.0% of net advances) as on December 31, 2024. Standard restructured advances stood at ₹96 crore (0.4% of advances) as on March 31, 2024, and ₹76 crore (0.3%) as on December 31, 2024. Going forward, the bank's ability to limit incremental slippages would be critical for maintaining asset quality.

Liquidity: Adequate

As per the structural liquidity statement of the bank as on December 31, 2024, the bank has negative cumulative mismatches up to one year. Bank's liquidity coverage ratio remained comfortable at 279% as on December 31, 2024, against the minimum regulatory requirement of 100%. In addition, the bank consistently maintains excess statutory liquidity ratio (SLR) investments, which provide a cushion to the bank's liquidity profile. Bank had excess SLR investments of ₹1,329 crore as on December 31, 2024, aggregating 5.13% of NDTL. The bank has access to systemic liquidity by way of RBI's LAF and MSF schemes.

Environment, social, and governance (ESG) risks

Jana SFB is dedicated to serving vast underbanked and unbanked population across India. Jana SFB's vision is to promote financial inclusion and provide inclusive banking services to unserved and underserved segments, particularly in semi-urban and rural areas. The bank has adopted digitisation, significantly reduced usage of paper. JSFB regularly conducts training sessions through physical and digital platforms to enhance financial literacy and operational efficiency. The bank places a strong emphasis on corporate governance and ethical practices, which are integral to its sustainable performance. By focusing on these areas, Jana SFB aims to create a positive impact and drive long-term growth, while fostering financial inclusion.

Applicable criteria

- Definition of Default
- Rating Outlook and Rating Watch
- Bank
- Financial Ratios - Financial Sector
- Rating Basel III - Hybrid Capital Instruments issued by Banks

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Other bank

Jana SFB is a Bengaluru-based Small Finance Bank (SFB), which commenced its banking operations in 2018. Jana SFB completed the process of IPO in February 2024 and raised ₹462 crore through fresh issue of shares. As on December 31, 2024, Jana Holdings Limited, a non-operating financial holding company held 22.3% stake in the Jana SFB.
Jana SFB is currently focused on retail banking business with focus on microfinance, Housing Loan, Micro Housing/M- LAP, and loans to micro and small enterprises. As on December 31, 2024, the bank had a network of 778 branches, with deposits of ₹25,865 crore and advances of ₹27,984 crore.

Brief Financials (₹ crore) (Standalone)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024(UA)
Total operating income	3,700	4,684	4,052
PAT	256	670	378
Total Assets	25,644	32,710	35,051
Net NPA (%)	2.64	0.56	0.94
ROTA (%)	1.12	2.29	1.49

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Lower Tier-II bonds (Basel II)	INE953L08329	22-12-2015	13.80	07-07-2027	75.00	CARE A; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding **(₹ crore)**	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Lower Tier II	LT	75.00	CARE A; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Lower Tier II	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Unit No: O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone: +91-44-2849 0811 / 13 / 76

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in

CIN-L67190MH1993PLC071691

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Vineet Jain Senior Director CARE Ratings Limited Phone: +91-44-6754 3456 E-mail: vineet.jain@careedge.in
Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: +91- 44-2850 1001 E-mail: pradeep.kumar@careedge.in	Ravi Shankar R Associate Director CARE Ratings Limited Phone: +91-44-2850 1016 E-mail: ravi.s@careedge.in Sakshi Arora Lead Analyst CARE Ratings Limited E-mail: sakshi.arora@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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