Mr. Rajamani Muthuchamy
Managing Director
Jana Holdings Limited
No. 4/1 to 4/8,
Meanee Avenue Road,
Old Tank Road, Ulsoor,
Banglore-560042

May 19, 2023

Dear Sir/Madam,

Re: Rating Letter for NCD of Jana Holdings Limited

India Ratings and Research (Ind-Ra) has taken the following rating actions on Jana Holdings Limited's (JHL) non-convertible debentures (NCDs):

Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Rating Watch	Rating Action
NCDs*				INR5.48	IND B-/Rating Watch with Negative Implications	Maintained on Rating Watch with Negative Implications
NCDs#				INR4.9	IND B-/Rating Watch with Negative implications	Assigned; placed on Rating Watch with Negative Implications

*Details in Annexure

Yet to be issued

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are

responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that India Ratings is continuously evaluating and updating. Therefore, ratings are the collective work product of India Ratings and no individual, or group of individuals, is solely responsible for a rating. All India Ratings reports have shared authorship. Individuals identified in an India Ratings report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. India Ratings is not your advisor, nor is India Ratings providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Investors may find India Ratings ratings to be important information, and India Ratings notes that you are responsible for communicating the contents of this letter, and any changes with respect to the rating, to investors.

It will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

In this letter, “India Ratings” means India Ratings & Research Pvt. Ltd. and any successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please email us at infogrp@indiaratings.co.in

Sincerely,

India Ratings

Prakash Agarwal

Prakash Agarwal
Senior Director

Annexure: ISIN

Instrument	ISIN	Date of	Coupon	Maturity	Ratings	Outstanding/Rated Amount(INR

		Issuance	Rate	Date		million)
NCDs	NE682V08018	30/11/2018	0.05	30/11/2023	IND B-/Rating Watch with Negative Implications	1450
NCDs	INE682V08091	21/12/2021	0	21/12/2023	IND B-/Rating Watch with Negative Implications	2250
NCDs	INE682V07150	17/01/2022	0	01/04/2024	IND B-/Rating Watch with Negative Implications	250
NCDs	INE682V08117	31/01/2022	0	01/04/2024	IND B-/Rating Watch with Negative Implications	580
NCDs	INE682V08125	28/02/2022	0	01/04/2024	IND B-/Rating Watch with Negative Implications	250
NCDs	INE682V08133	28/03/2022	0	01/04/2024	IND B-/Rating Watch with Negative Implications	420
NCDs	INE682V08141	31/05/2022	0	01/04/2024	IND B-/Rating Watch with Negative Implications	280

India Ratings & Research
A Fitch Group Company

Login

India Ratings Assigns Jana Holdings's Additional NCDs 'IND B-'; Places it on Rating Watch with Negative Implications

May 19, 2023 | Holding Company

India Ratings and Research (Ind-Ra) has taken the following rating actions on Jana Holdings Limited's (JHL) non-convertible debentures (NCDs):

Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Rating Watch	Rating Action
NCDs*				INR5.48	IND B-/Rating Watch with Negative Implications	Maintained on Rating Watch with Negative Implications
NCDs#				INR4.9	IND B-/Rating Watch with Negative implications	Assigned; placed on Rating Watch with Negative Implications

Details in Annexure
Yet to be issued

Analytical Approach: To arrive at the rating, Ind-Ra continues to take a consolidated view of the credit profiles of JHL and its 100% parent Jana Capital Limited (JCL, debt rated at 'IND B-'/Rating Watch with Negative Implications) as both the entities have a cross-default clause with each other's indebtedness. Ind-Ra also considers the credit profile of Jana Small Finance Bank (JSFB; 42.88% stake held by JHL), using Ind-Ra's Parent-Subsidiary Linkage criteria.

JCL, a non-deposit taking non-bank finance company-core investment company, holds 100% stake in JHL. JHL, a subsidiary of JCL, has poor financial strength. It is a non-operating financial holding company of JSFB and the value of its investments is derived solely from its shareholding in JSFB. The value of the stake in JSFB is largely subject to the bank's incremental performance (banking operations commenced in March 2018).

The rated NCDs are held by Manipal Health Systems Pvt. Ltd. and TPG Asia VI SF Pte Ltd and are junior to JHL's other

issuances. TPG through its investment funds held 9.9% in JSFB at end-March 2023.

A common independent director serving on the boards of JHL and Ind-Ra did not participate in the rating process.
The Rating Watch with Negative Implications reflect the consistently deteriorating financial risk profile of JCL as well as JHL, with net losses, weak capitalisation, stretched liquidity and high refinancing risks over the near term, given the limited financial flexibility of the company to repay its near-term debt maturities in May 2023. A major portion of JHL's and JCL's near-term debt maturities is held by its key shareholders. The group is exploring refinancing to ensure the timely repayment of the maturing NCDs. The agency also notes that the requirement of minimum promoter shareholding of 40% in the bank for five years after the commencement of operations expired at end-March 2023. The promoter has to maintain a minimum shareholding of 20% in the bank March 2023 onwards. The Rating Watch will be resolved before the near-term debt maturities are due in May 2023.

Key Rating Drivers

High Refinancing and Valuation Risks for Holding Companies: The issued NCDs face refinancing risks. The NCDs need to be repaid to the extent of the principal and the rate of return promised to the investors. JHL has sizeable repayments of INR15.3 billion due towards end-May 2023.

Weak Standalone Financial Profile for JHL: JHL's earnings profile remains weak with a net loss of INR3,325 million in FY23 (FY22: net loss of INR2,433.2 million). Its net worth turned negative to negative INR245 million in FY23 (FY22: INR2,361.5 million). Moreover, 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-operating financial holding company. It is also not meeting the minimum net owned funds requirement. The auditor's report on JHL for FY22 mentions a 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 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 and is in the process of listing the bank. JHL and JCL are also in the process of getting merged, for which consent from 90% creditors is pending. Ind-Ra expects this merger to be completed over the near term. Furthermore, the debt raised by both the holding companies are in the form of zero-coupon bonds that would have lumpy pay-outs on maturity, adding to the liquidity demands.

Bank's Portfolio Mix in Favour of Secured Loans: JSFB is strategically shifting towards a secured loan portfolio, and the share of secured portfolio in its portfolio increased to 55% at FYE23 (FYE22: 47%). JSFB has also been lowering its group loan exposure (FYE23: 3%, FYE22: around 16%, FYE21: 36%). Ind-Ra believes the group loan portfolio will continue to decline with the increasing share of secured portfolio. Ind-Ra believes this will improve the bank's asset quality over the medium term.

COVID-19 Impact Continues to Weigh on JSFB's Asset Quality; Seasoning of Secured Portfolio Remains to be Seen: JSFB's gross non-performing assets stood at 3.6% at FYE23 (FYE22: 5.0%), majority comprising unsecured individual loans at 46%. JSFB had written off assets worth INR5.85 billion in 2022, mainly unsecured loans (group loan). The net non-performing assets stood at 2.4% at FYE23 (FYE22: 3.4%, FYE21: 5%, FYE20: 1.4%). The provision stood at INR2.4 billion in March 2023 with a moderately low provision coverage ratio of 34% in FY23 (FY22: 32%). However, given the increasing proportion of secured loans in the portfolio, the bank is likely to increase the provision cover only modestly over the medium term.

Modest Profitability Expectations; Credit Costs from Secured Portfolio to be Seen: At FYE23, JSFB reported improved-but-modest profit of INR2.56 billion (FY22: INR0.05 billion, FY21: INR0.84 billion, FY20: INR0.3 billion). The bank's credit cost increased to 3.3% in FY23 from 2.5% in FY20, mainly due to the write-offs from the unsecured portfolio.

The agency believes the bank has the scale to be modestly profitable and expects the credit costs to moderate with the rise of secured loans in the portfolio, which could boost the profitability over the medium term.

JSFB's Capital Ratios Remain Constrained: At FYE23, JSFB reported a tier-1 capital ratio of 13.0% (FY22: 11.83%, FYE21: 11.75%) and a total CAR of 15.6% (15.26%, 15.51%), both lower than its peers'. Furthermore, since the bank's provisioning levels are low and its net non-performing asset/equity was high at 26% at FYE23 (FYE22: 42.7%), it will need to build higher capital buffers, especially if the recovery slows. JSFB has been supported by regular equity infusions in the past from investors with a capital infusion of INR4.03 billion from January to December 2022. The bank had also raised INR3.40 billion equity in FY20 (FY19: INR10.90 billion, FY18: INR16.40 billion) from existing and new investors. As per the licensing guidelines, the bank was going to list itself on the stock exchanges (BSE Ltd/National Stock Exchange of India Ltd) by March 2021. However, it has been delayed due to the pandemic, and thus, is still under process.

Liquidity Indicator for JSFB – Adequate: JSFB maintained excess statutory liquidity reserves of INR25.75 billion in FY23, in addition to the cash reserves that it needs to maintain as part of the regulatory requirement. The bank's liquidity coverage ratio stood at 553% at FYE23 (FYE22: 555%; FYE21: 1,199.67%). The bank also had unutilised lines worth INR6.5 billion from refinancing institutions at end-March 2023.

JSFB has also been able to mobilise substantial deposits, with the term deposits increasing to INR130.4 billion in FY23 (FY22: INR104.8 billion), and the current and savings accounts to INR32.9 billion (INR30.5 billion). The total deposits stood at INR163.3 billion at FYE23, of which more than 80% have a tenor of more than one year. Given the substantial traction in low-cost deposits, JSFB's cost of funds improved to 6.7% in FY23 (FY22: 7.1%, FY20: 7.6%). It was also supported by a rollover of 50%-60% of its fixed deposits, which were raised at high interest rates two-to-three years ago. However, Ind-Ra expects the share of the current account saving account to decline over the medium term with a rise in the interest rates exerting some pressure on the cost of funds.

Rating Sensitivities

The Rating Watch with Negative Implications indicates that the ratings may either be downgraded or affirmed upon more clarity on the repayments of the upcoming NCD maturities. The agency will continue to monitor the developments across the arrangements for the same.

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)

Particulars	FY23 (Provisional)	FY22
Total assets (INR billion)	22.3	21.4
Total equity (INR billion)	-0.245	2.36
Net income (INR billion)	-3.57	-2.43

Return on average assets (%)	-15.1	-11.7
Source: JHL, Ind-Ra		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Rating Watch			History Rating/Rating Watc				
	Rating Type	Rated Limits (billion)	Rating	21 March 2023	22 March 2022	24 January 2022	30 December 2021	De
NCDs	Long-term	INR10.38	IND B-/Rating Watch with Negative Implications	IND B-/Rating Watch with Negative Implications	IND B+/Stable	IND B+/Stable	IND B+/Stable	B-

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Rating Watch
NCDs	NE682V08018	30 November 2018	5%	30 November 2023	INR1.45	IND B-/Rating Watch with Negative Implications
NCDs	INE682V08091	21 December 2021	0%	21 December 2023	INR2.25	IND B-/Rating Watch with Negative Implications
NCDs	INE682V07150	17 January 2022	0%	1 April 2024	INR0.25	IND B-/Rating Watch with Negative Implications
NCDs	INE682V08117	31 January 2022	0%	1 April 2024	INR0.58	IND B-/Rating Watch with Negative Implications

NCDs	INE682V08125	28 February 2022	0%	1 April 2024	INR 0.25	IND B-/Rating Watch with Negative Implications
NCDs	INE682V08133	28 March 2022	0%	1 April 2024	INR 0.42	IND B-/Rating Watch with Negative Implications
NCDs	INE682V08141	31 May 2022	0%	1April 2024	INR 0.28	IND B-/Rating Watch with Negative Implications

Complexity Level of 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.

Contact

Primary Analyst
Aishwary Khandelwal
Senior Analyst
India Ratings and Research Pvt Ltd
Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East,Mumbai - 400051
+91 22 40001700
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Jindal Haria
Director
+91 22 40001750

Chairperson
Prakash Agarwal
Senior Director
+91 22 40001753

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

APPLICABLE CRITERIA

Financial Institutions Rating Criteria

Rating FI Subsidiaries and Holding Companies

Non-Bank Finance Companies Criteria

Evaluating Corporate Governance

The Rating Process

DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.indiaratings.co.in/rating-definitions. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.