

Jana Small Finance Bank Limited



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Small Bank financing big dreams

Jana Small Finance Bank Limited, incorporated in July 2006, primarily focuses on providing MSME loans, affordable housing loans, term loans to NBFCs, loans against fixed deposits, two-wheeler loans, and gold loans.

The bank categorizes loans into three distinct groups:

1. Loans intended for home improvement or repair for individuals,
2. Loans designated for school fees for individuals, and
3. Personal loans tailored for various purposes such as debt consolidation, family events, incidental expenses, and business needs.

From March 31, 2021 to March 31, 2023, the bank's gross secured advances grew at a compound annual growth rate (CAGR) of 39.69%. With 754 banking outlets across 22 states and two union territories, including 272 in unbanked rural centers, the bank has minimized its concentration risk.

Since 2008, it has served nearly 12 million customers, with 4.57 million active customers as of March 31, 2023. Over the last three fiscal years, the bank has added 0.91 million, 0.51 million, and 0.08 million new customers, respectively.

The bank has prioritized the growth of its Retail Deposits, consisting of single Rupee term deposits below INR 2cr (Retail Term Deposits) and CASA accounts, due to their lower interest rates and higher retention rates compared to Bulk Deposits.

As of March 31, 2023, the bank ranked among the top five Small Finance Banks in terms of the share of Retail Deposits as a percentage of total deposits. Retail Deposits increased steadily over the past three years, reaching INR 11469 Cr in 2023, representing 70.22% of total deposits. CASA, a component of Retail Deposits, also showed significant growth, reaching INR 3300cr in 2023.

Key Financial Data (INR Cr, unless specified)

	Interest Earned	NII	PAT	NIM (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoAA (%)	RoAE (%)	P/E (X)	P/BV (X)
FY21	2,497.7	1,263.1	72.3	6.6	2.9	6.9	106.6	0.5	6.5	59.9	3.9
FY22	2,726.5	1,389.8	17.5	7.1	0.6	1.7	114.8	0.1	1.5	247.8	3.6
FY23	3,075.0	1,660.0	240.7	7.2	8.3	23.0	171.8	1.1	16.8	18.0	2.4

Industry	Banking
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Issue Details

Listing	BSE & NSE
Open Date	7 th Feb 2024
Close Date	9 th Feb 2024
Price Band	INR 393-414
Face Value	INR 10.0
Market Lot	36 Shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	18.9%
Fresh Issue	81.1%
Issue Size (Amt)	INR 570cr
Issue Size (Shares)	1,37,68,049
QIB Share (%)	50%
Non-Inst Share (%)	15%
Retail Share (%)	35%
Pre issue sh (nos)	9,34,30,855
Post issue sh (nos)	10,45,90,275
Post issue M Cap	INR 4,330.0cr

Shareholding (%)	Pre(%)	Post(%)
Promoter	25.2	22.5
Public	74.8	77.5
TOTAL	100	100

OFFER DETAILS AND VALUATION SUMMARY

The proposed offer for sale size is INR 570cr and the price band for the issue is in the range of INR 393-414 and the bid lot is 36 shares and multiples thereof. The size of fresh Issue is INR 462cr and OFS is INR 108 cr.

The company intends to utilize the net proceeds from the issue towards the funding of the following objects:

- Augmenting Bank's Tier – 1 capital base to meet bank's future capital requirements.
- Expenses in relation to the Offer.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Offer
NII	Not less than 15% of the Offer
Retail	Not less than 35% of the Offer

Number of shares based on a higher price band of INR 414

Source: Company Reports

Details of Selling Shareholders		
Selling Shareholder	Amount Offered (cr)	No of shares
CRL	72,77,10,570	17,57,755
ERL	38,48,77,584	9,29,656
GAWA 2	5,84,91,990	1,41,285
GP II Trust (Ajay Tandon)	3,41,550	825
GP II Trust (Siva Shankar)	8,25,930	1,995
Hero	50,50,80,000	12,20,000

Number of shares based on a higher price band of INR 414

Source: Company Reports

GROWTH STRATEGIES

1. Focus on accelerating secured loans book with the purpose of meeting customers' needs and diversifying lending book by:

- Offering multiple products to existing customers including evaluating new products, such as used two-wheeler loans.
- Focusing penetration into current states and expanding the oversight of hubs to around 100 km covering Tier 1 and Tier 2.
- Enhancing location strategy by mapping industry performance and tightening policies.
- Focusing growth plans on the right combination of customer segment and collateral type, by assessing loss given defaults based on a strengthened collections and recovery processes.
- Enhancing digital capabilities to source and serve customers.

2. Reshape unsecured loans (Microfinance Loans) business

- Plan to have at least two business correspondents per state in all states/union territories where present.
- Identified villages and rural locations around the radius of branches to offer agricultural and allied loans in agri dominated areas, called "Greenspots".

3. Improve risk profile

- Implemented a digital lending platform, known as Lend Perfect to substantially automate the customer journey, reduce manual interface, thereby reducing errors significantly.
- LendPerfect enables to do eKYC of a customer, fetch a customer profile information through APIs, perform online income assessment using bank statements and enables a straightforward underwriting process, as the income assessment is digitally available for review.
- A scorecard for secured loans has been launched in the same platform and it provides assistance for relevant decision-making (approval, rejection, refer) in loan applications.

4. Enhance the growth of Retail Deposits

- Increase product and service offerings to non-Resident Indians (NRIs).
- Continue digital on boarding for entities and grow corporate salary business.

- Alliances with third parties from banking to broking and Increase distribution of third-party products.

KEY RISKS AND CONCERNS

1. If company is unable to maintain adequate provisioning coverage or if there is any change in regulation-mandated provisioning requirements, company's financial condition and results of operations could be adversely affected.
2. If company fails to recover unsecured advances in a timely manner, financial condition, results of operations and cash flows would be adversely affected.
3. Company has not been able to comply with certain provisions of the SFB Licensing Guidelines and the RBI Final Approval. As a result, the RBI may take regulatory action, which could include imposition of monetary penalties, revocation of the RBI Final Approval or such other penal actions and restrictions deemed fit by the RBI, the imposition of any of which could have a material adverse effect on business, financial condition, results of operations and cash flows.
4. At least 25.00% of total banking outlets, which comprises branches and business correspondent-operated banking outlets, are required to be located in Unbanked Rural Centres. Left Wing Extremism affected districts as notified by the Government are considered as equivalent to Unbanked Rural centres as per RBI guidelines.
5. Any downgrade in debt ratings could increase the possibility of additional terms and conditions being added to any new or replacement financing agreements and may increase interest rates for refinancing outstanding debt, which would increase financing costs.
6. Difficulties in assessing credit risks associated with day-to-day lending operations may lead to an increase in the level of NPAs, which could have a material adverse effect on business, financial condition, results of operations and cash flows.

Y/E March (INR crore)	FY21	FY22	FY23	Y/E March (Rs crore)	FY21	FY22	FY23
Income Statement				Ratio Analysis			
Interest Income	2,497.7	2,726.5	3,075.0	Int Expended / Int Earned	49.4	49.0	46.0
Interest Expense	1,234.6	1,336.8	1,415.0	Int Income / Total Funds	13.1	13.5	12.0
Net Interest Income	1,263.1	1,389.8	1,660.0	NII / Total Income	46.4	45.4	44.9
YoY change (%)		10.0	19.4	Other Inc. / Total Income	8.2	11.0	16.9
Other income	223.0	335.8	624.9	Ope. Exp. / Total Income	38.5	37.2	34.7
Total Net Income	1,486.2	1,725.6	2,284.9	Net Profit / Total Funds	0.4	0.1	0.9
Total Operating Expenses	1,047.3	1,138.8	1,284.5	Credit / Deposit	0.9	1.0	1.1
Pre Provision profit	438.9	586.8	1,000.4	Investment / Deposit	0.4	0.4	0.3
YoY change (%)		33.7	70.5	NIM %	6.6	7.1	7.2
Provisions	366.6	569.3	744.4	Solvency			
Profit Before Tax	72.3	17.5	256.0	Gross NPA	858.0	756.9	709.2
YoY change (%)		-75.8	1,365.1	Net NPA	618.7	513.3	468.0
Taxes	0.0	0.0	0.0	Gross NPA (%)	6.7	5.0	3.7
Net profit	72.3	17.5	240.7	Net NPA (%)	5.0	3.4	2.5
YoY change (%)		-75.8	1,277.5	Per Share Data (`)			
Balance Sheet				EPS	6.9	1.7	23.0
Cash and Bank	2,259.8	1,537.1	2,087.3	BVPS	106.6	114.8	171.8
Advances	11,599.7	13,006.7	17,759.6	Valuation Ratio			
Investments	4,697.8	5,065.3	5,221.2	Adj P/E (x)	59.9	247.8	18.0
Other financial assets	309.4	408.0	447.9	Adj P/BV (x)	3.9	3.6	2.4
Net block	212.1	171.6	127.8	Return Ratio			
Total Assets	19,078.7	20,188.7	25,643.7	RoAA (%)	0.5	0.1	1.1
Deposits	12,316.3	13,536.5	16,334.0	RoAE (%)	6.5	1.5	16.8
Other Borrowings	4,815.3	4,509.8	6,277.5	Growth Ratio (%)			
Other liabilities	832.3	941.7	1,235.0	Interest Income	-	9.2	12.8
Networth	1,114.8	1,200.7	1,797.3	Interest Expenses	-	8.3	5.9
Total liabilities	19,078.7	20,188.7	25,643.7	Total Income	-	12.6	20.8
% of Average Assets				Net profit	-	-75.8	1,277.5
Net Interest Income	6.6	7.1	7.2	Net advances	-	12.1	36.5
Other Income	-	1.7	2.7				
Net Income	-	8.8	10.0				
Operating Expenses	-	5.8	5.6				
Operating Profit	-	3.0	4.4				
Provisions	-	2.9	3.2				
Taxes	-	0.0	0.0				

Source: Ventura Research & Company reports

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