

Jana Small Finance Bank

Empowering Growth through Inclusive Financing



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V2 Retail

BUY @ CMP INR 564

Target: INR 753 in 24 months

Upside Potential: 33.5%

Empowering Growth through Inclusive Financing

Jana Small Finance Bank (JSFB), the fourth-largest Small Finance Bank in India, is strategically pivoting its portfolio towards secured lending products, while systematically decreasing its exposure to microlending. In FY2023-24, JSFB declared its highest ever profit of INR 670 crore along with significant improvement in assets quality. Going forward we expect the high growth trajectory to be retained.

We forecast the lending book to grow at 19.8% CAGR to INR 42,583 cr. over FY24-27, while deposits are expecting to grow at a CAGR of 20.0% to INR 39,000 cr. driven by 31.6% growth in CASA deposits and 16.8% growth in term deposits.

JSFB has strategically shifted focus towards expanding its secured loan portfolio, which has grown from 40% in FY21 to 60% by FY24. We further expect the lending book's exposure to reach 80% by FY27. We expect net interest income (NII) to grow at a CAGR of 18.5% to 3,529 cr with the NIM ratio stabilizing around 8.5% (+40 bps).

Going forward, the asset quality is expected to deteriorate marginally, with GNPA projected to inch up by 80 bps to 2.9%, and NNPA to inch up by 20 bps to 0.8% by FY27. The bank's RoAA is projected to remain stable at around 2%, while RoAE is expected to moderate to 17.7% over the same period.

Given that JSFB remains poised for sustained growth while reinforcing its leadership in financial inclusion through its innovative and customer-centric digital banking solutions we remain positive on the stock. We initiate coverage with a BUY rating and a price target of INR 753 (1.34X FY27 P/Ad. BV), representing an upside of 33.5% from the cmp of INR 564 over the next 24 months.

Risks to Estimates:

1. Slower-than-anticipated economic growth,
2. A sharp rise in interest costs, and
3. Potential deterioration in asset quality.

Industry Other Bank

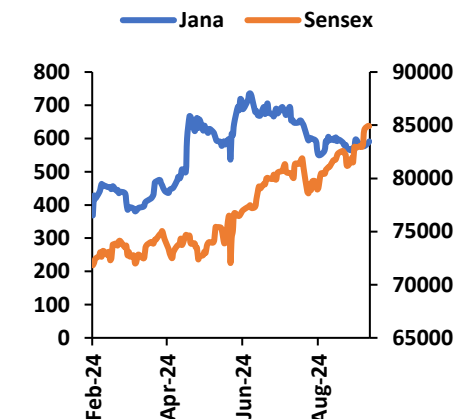
Scrip Details

Face Value (INR)	10
Market Cap (INR Bn)	5,894
Price (INR)	564
No of Shares O/S (Cr)	10.46
2W Avg Qty (000)	1300
52W High/Low (INR)	760.9/365.0
Dividend Yield (%)	0

Shareholding (%) Jun-24

Promoters	22.54
Institution	18.75
Public	58.71
TOTAL	100

Price Chart



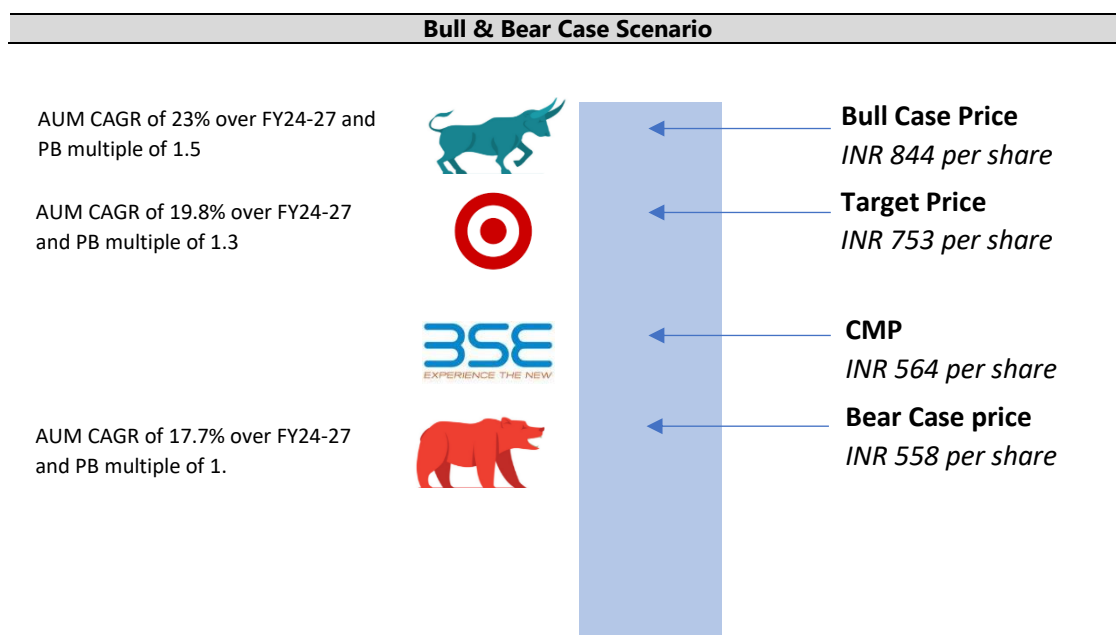
Key consolidated financial data (INR Cr, unless specified)

year	Interest earned	NII	PPOP	Net Profit	NIM (%)	EPS (INR)	Ad. BVPS (INR)	RoAA (%)	RoAE (%)	P/E (X)	P/Ad. BV(X)
FY23	3,075.0	1,660.0	1,000.4	256.0	8.1	46.6	241.8	1.1	17.1	12.1	2.3
FY24	4,013.0	2,127.1	1,193.3	669.5	8.1	64.0	329.6	2.3	24.9	8.8	1.7
FY25E	5,170.3	2,774.5	1,307.2	702.5	8.8	67.2	390.7	2.0	17.9	8.4	1.4
FY26E	5,952.9	3,101.2	1,635.1	901.4	8.5	86.2	470.7	2.1	19.1	6.5	1.2
FY27E	6,889.7	3,529.5	1,928.9	1,004.5	8.1	96.0	561.9	2.0	17.7	5.9	1.0

Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario, with 2 variable sensitivity, AUM and target PB of the standalone entity.

- **Bull Case:** We have assumed FY27 AUM of INR 46,049.5 cr (CAGR of 23.0% over FY24-27) and PB multiple of 1.5, which will result in a Bull Case price target of INR 844 per share (upside of 49.6% from CMP).
- **Bear Case:** We have assumed FY27 AUM of INR 40315.1 cr (CAGR of 17.7% over FY 24-27), PB multiple of 1, which will result in a Bear Case price target of INR 558 per share (downside of 1.1% from CMP).



Investment triggers

- **Healthy loan book growth expectation:** We expect JSFB to grow its loan book at 19.8% CAGR over FY24-27.
- **Stable asset quality:** We expect JSFB to sustain GNPA and NNPA ratios at approximately 2.9% and 0.8%, respectively.
- **Universal Bank Eligibility:** Eligible to apply for Universal Bank, leading to drop in cost of deposit and accelerating deposit momentum.

Key risk

- As of FY24, 40% of JSFB's total AUM consists of unsecured advances, which raises the risk of higher NPAs in the future.
- Growing competition from larger banks, NBFCs, and digital lending platforms could squeeze JSFB's market share and put pressure on its profit margins.
- Interest rate fluctuations can significantly impact borrowing costs for both the bank and its customers, affecting profitability and loan quality.

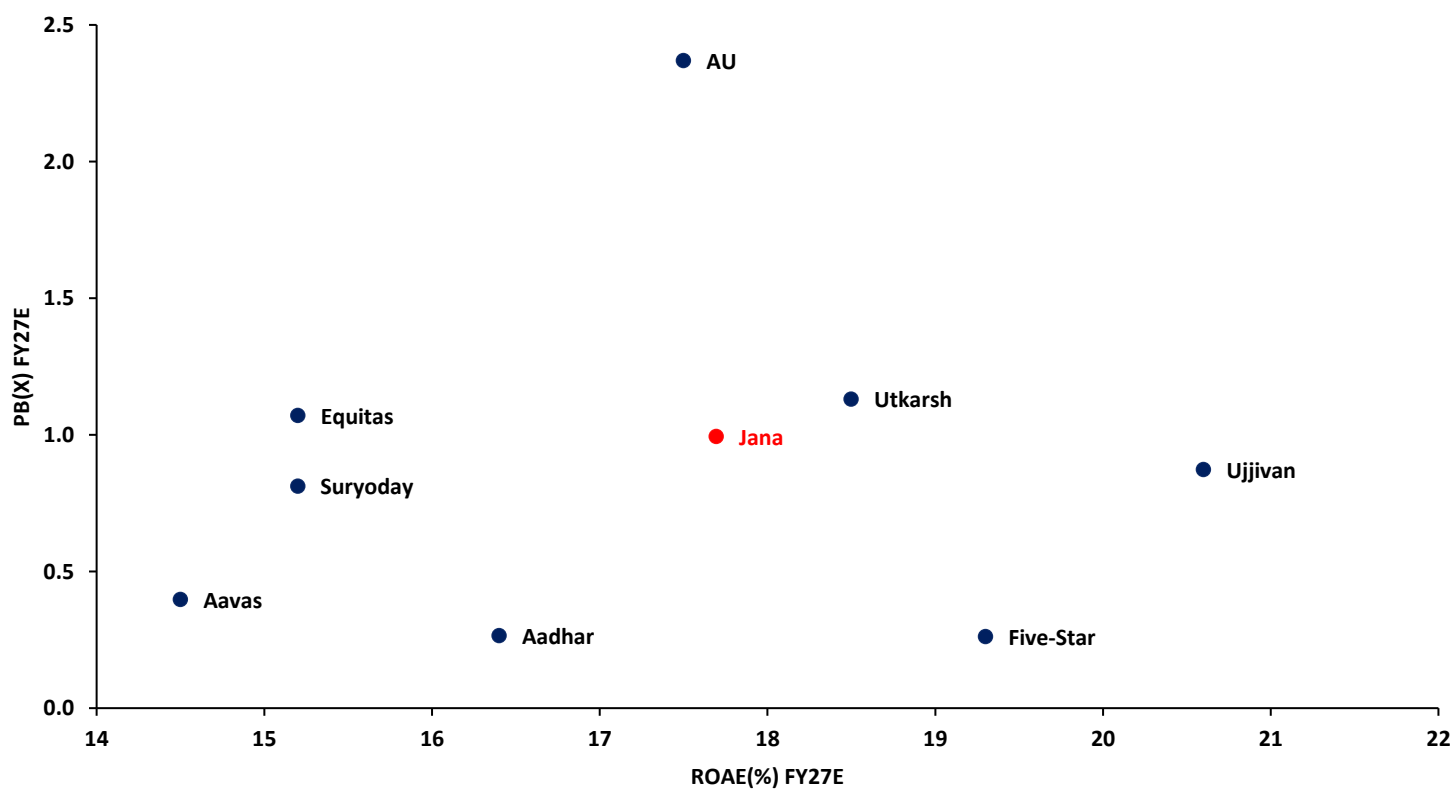
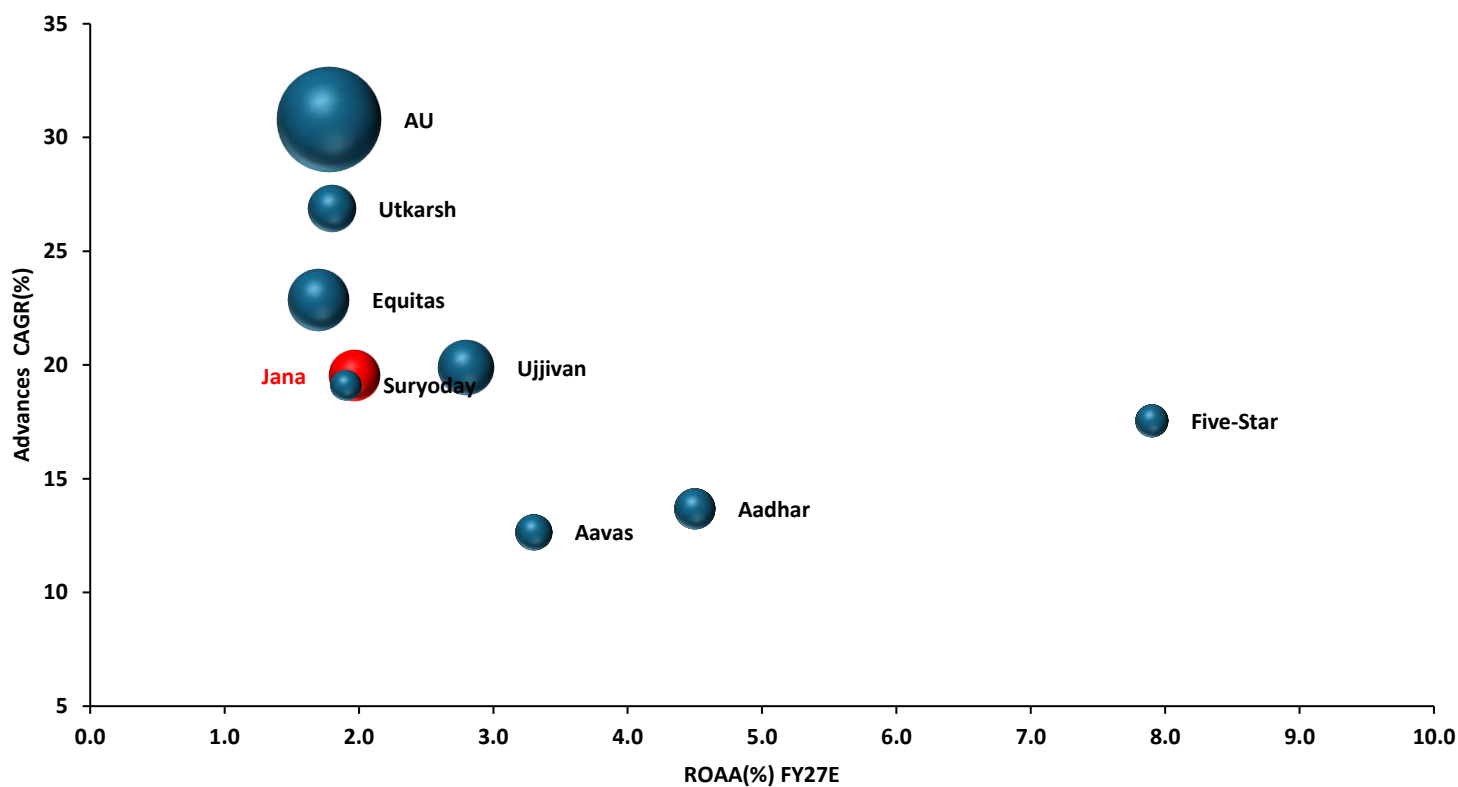
Valuation and comparable metrics

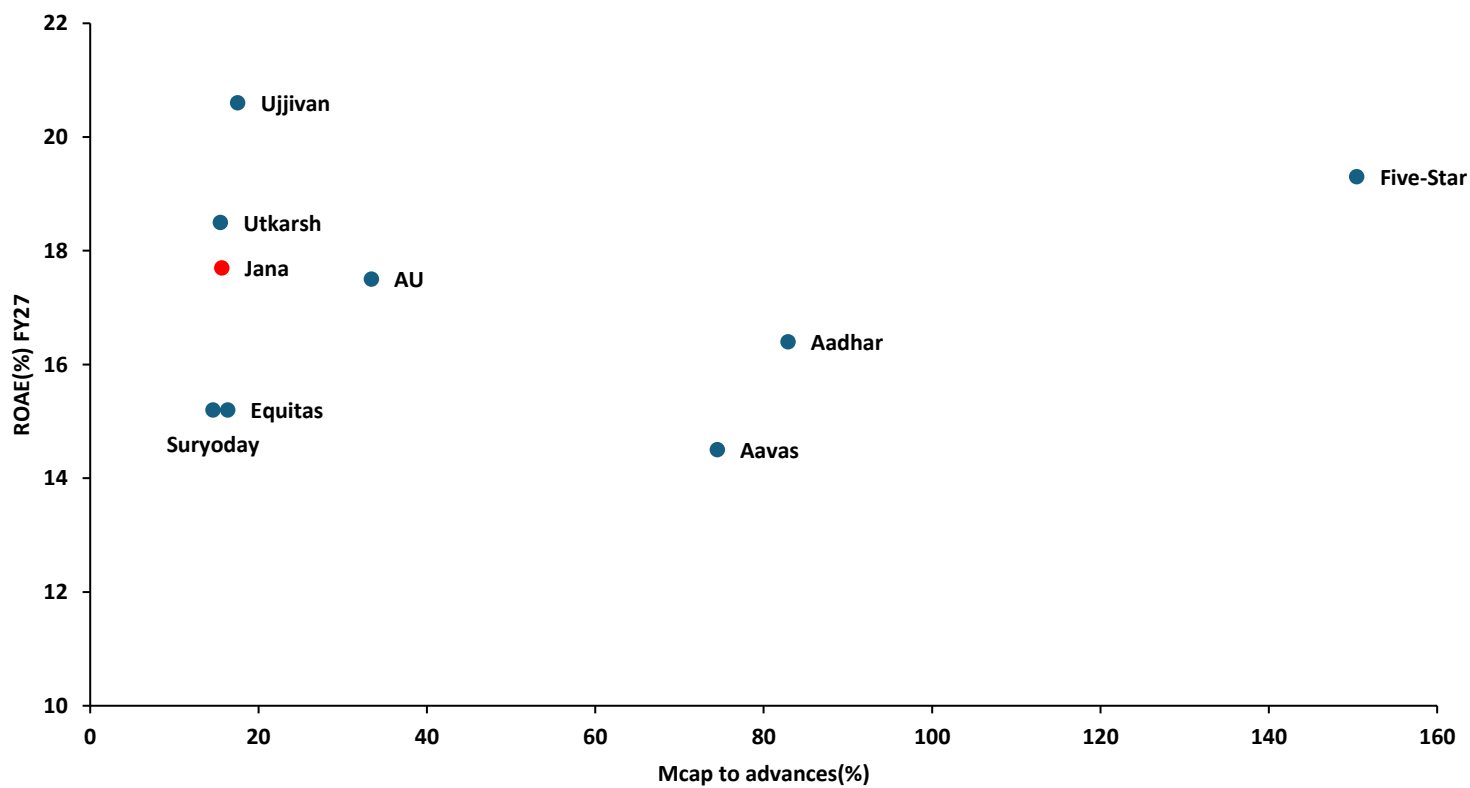
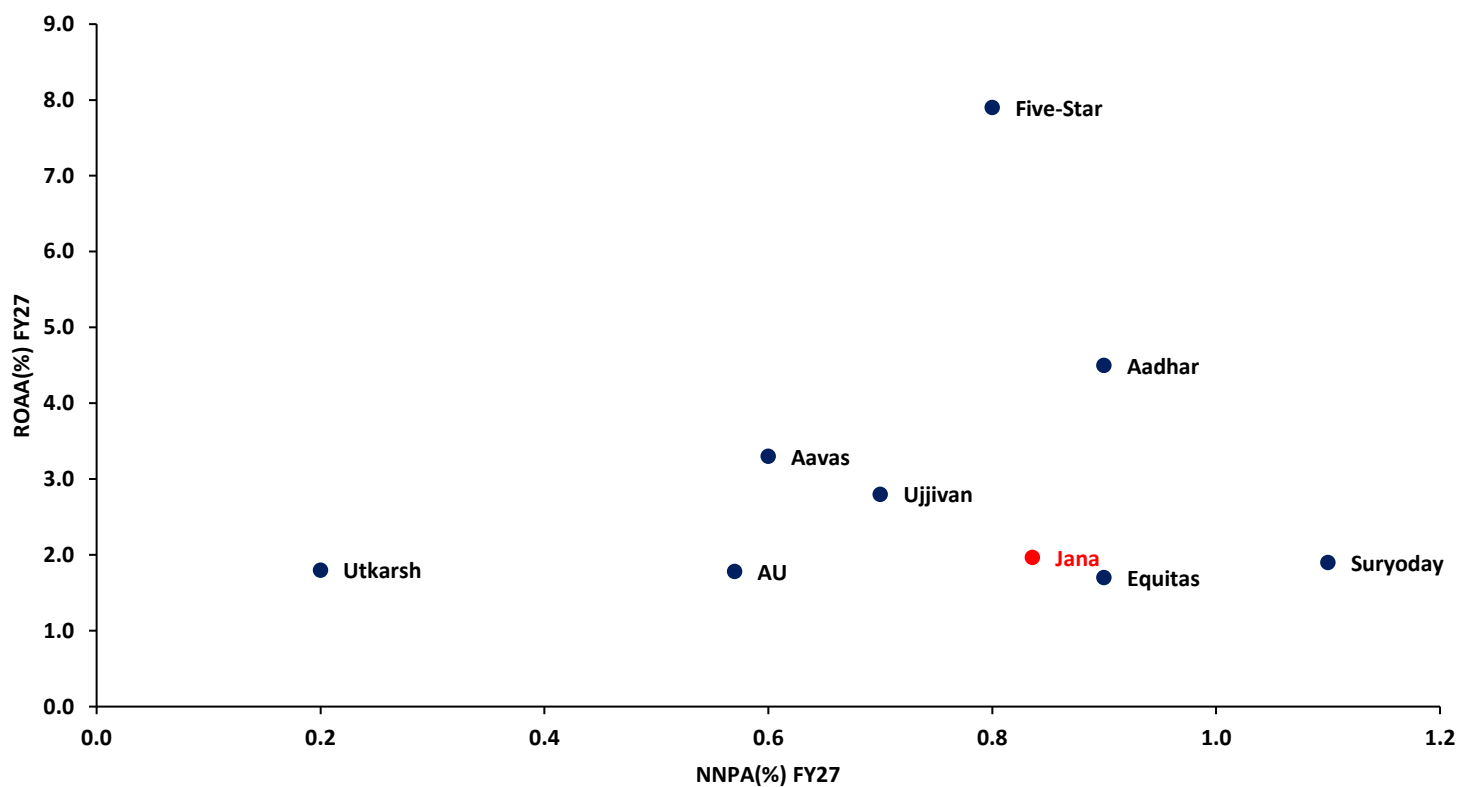
All figures in INR Cr	Mkt Cap	Price INR	P/B Ratio			P/E Ratio			RoAE (%)			RoAA (%)			NIM (%)			Cost/income (%)			Net Income(%)			GNPA(%)			NNPA(%)		
			2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Jana*	5894	564	1.4	1.2	1.0	8.4	6.5	5.9	17.9	19.1	17.7	2.0	2.1	2.0	8.8	8.5	8.1	37.7	34.7	33.8	11.8	13.1	12.6	2.6	2.9	2.9	0.7	0.8	0.8
AU	54377	732	3.3	2.8	2.4	25.4	19.4	14.7	14.7	15.6	17.5	1.6	1.7	1.8	6.6	6.4	6.5	34.9	34.3	34.3	11.4	11.8	12.7	1.9	1.9	1.9	0.6	0.6	0.6
Equitas	8534	75	1.3	1.1	1.0	13.5	9.2	6.9	10.0	13.1	15.2	1.3	1.5	1.7	7.5	7.5	7.4	36.0	34.2	33.6	8.0	9.6	10.8	2.9	3.0	2.9	0.9	0.9	0.9
Ujjivan	7738	40	1.2	1.0	0.8	6.4	5.4	4.4	19.9	20.0	20.6	2.7	2.7	2.8	9.1	8.6	8.3	36.1	35.6	34.9	15.5	15.8	16.5	2.6	2.2	2.1	0.8	0.7	0.7
Utkarsh	5067	46	1.5	1.3	1.1	11.0	9.0	6.5	14.4	15.5	18.5	1.7	1.6	1.8	8.6	8.1	7.9	35.8	35.4	34.8	10.2	10.3	11.7	2.0	1.9	1.9	0.2	0.2	0.2
Suryoday	1853	174	0.9	0.8	0.8	6.5	5.3	5.3	14.6	15.2	15.2	2.0	1.9	1.9	10.1	9.7	9.7	40.0	40.1	40.1	12.3	12.0	12.0	2.8	3.4	3.4	0.7	1.1	1.1
Five-Star	23925	818	0.3	0.2	0.2	1.7	1.4	1.4	19.1	19.3	19.3	8.2	7.9	7.9	16.3	15.7	15.7	24.6	24.1	24.1	38.7	38.0	38.0	1.8	2.0	2.0	0.7	0.8	0.8
Aadhar	18912	443	0.3	0.2	0.2	1.9	1.6	1.6	17.8	16.4	16.4	4.6	4.5	4.5	7.6	7.4	7.4	20.7	20.5	20.5	31.2	31.0	31.0	1.3	1.3	1.3	0.9	0.9	0.9
Aavas	14074	1778	0.4	0.4	0.4	3.3	2.7	2.7	13.8	14.5	14.5	3.2	3.3	3.3	5.6	5.3	5.3	27.4	26.4	26.4	24.4	25.1	25.1	0.9	0.9	0.9	0.6	0.6	0.6

Source: Company Reports & Ventura Research

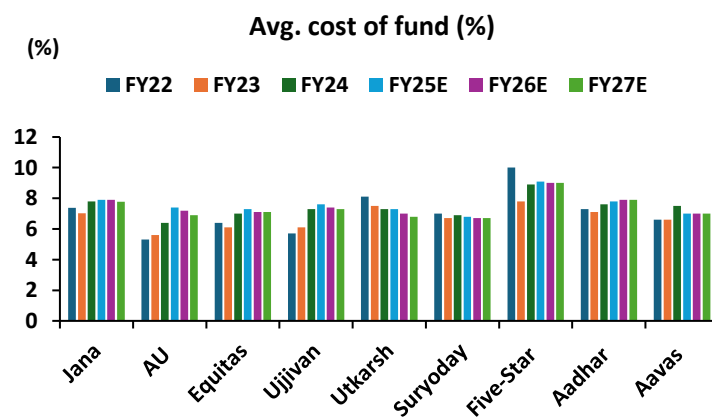
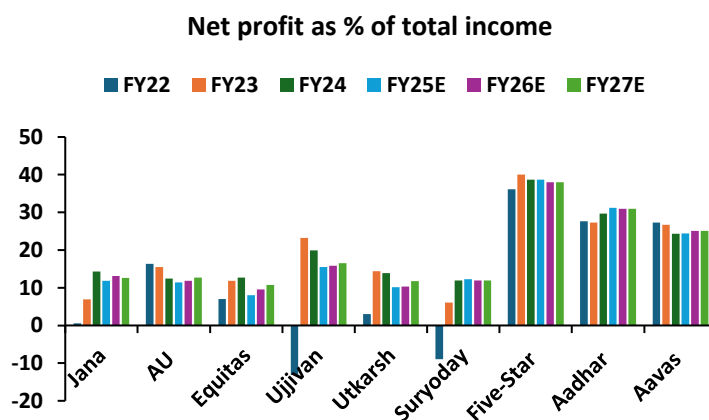
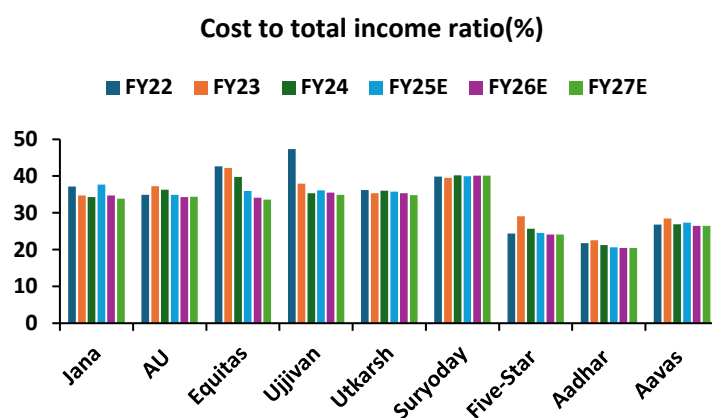
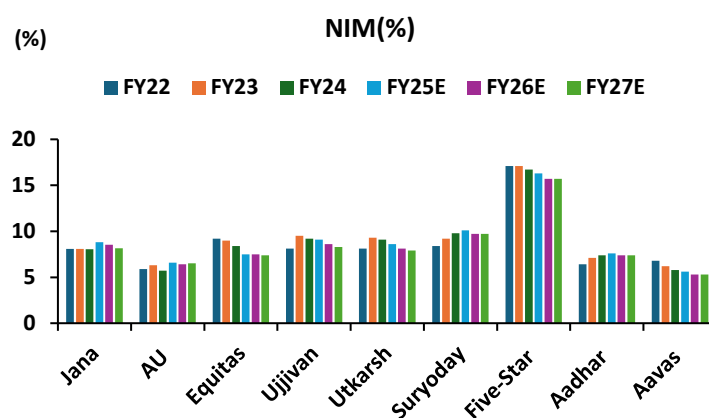
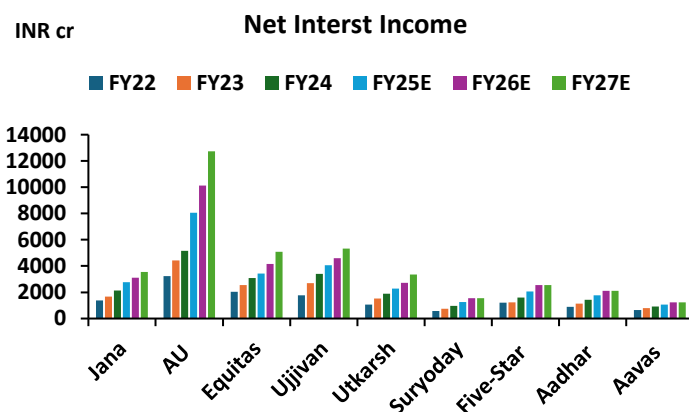
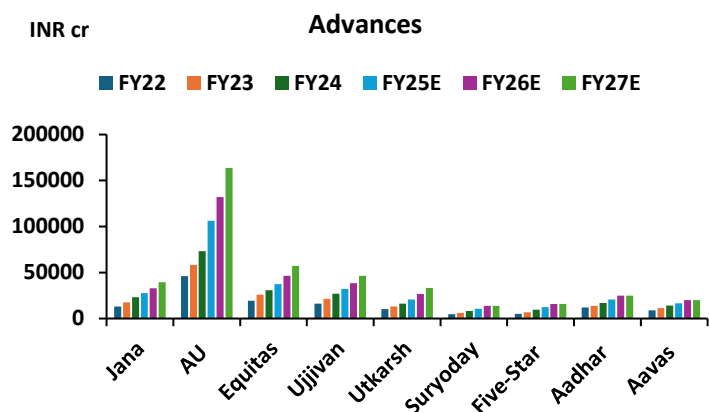
*For Jana bank price to adj. book value is taken

Favourable AUM growth



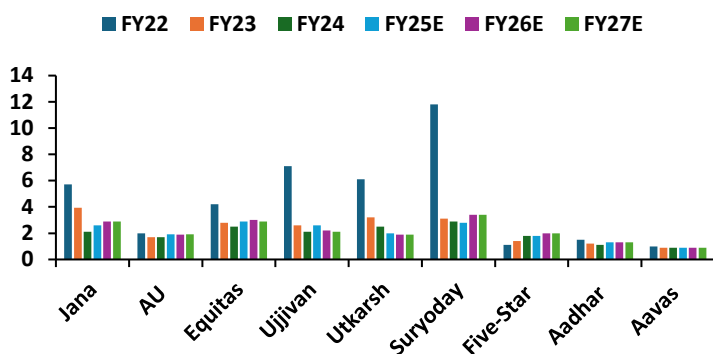


JSFB's Key Ratios (comparison with peers)

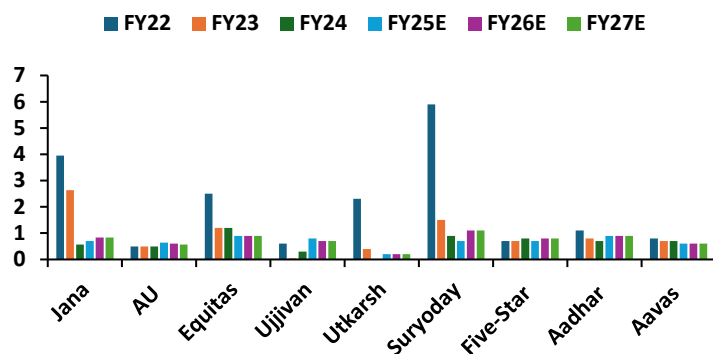


Source: Company Reports & Ventura Research

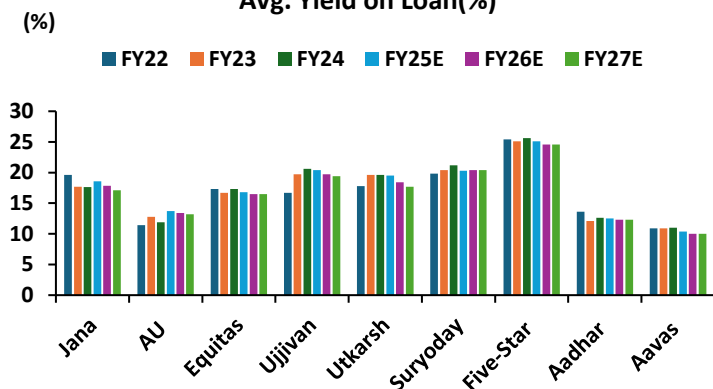
GNPA(%)



NNPA(%)

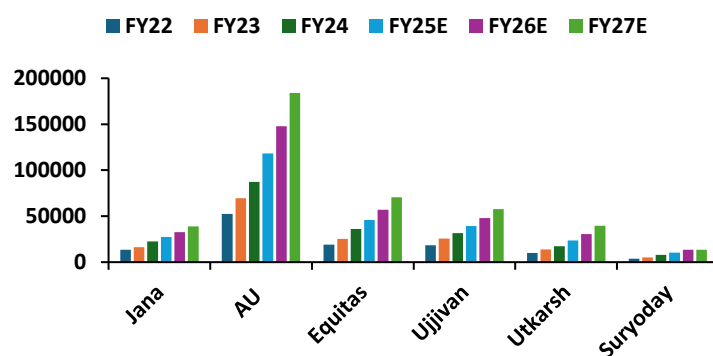


Avg. Yield on Loan(%)

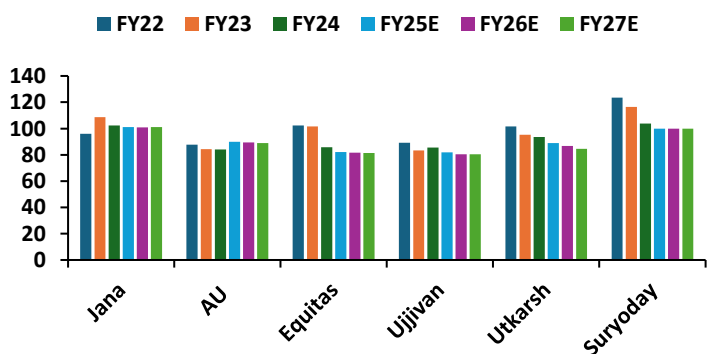


INR cr

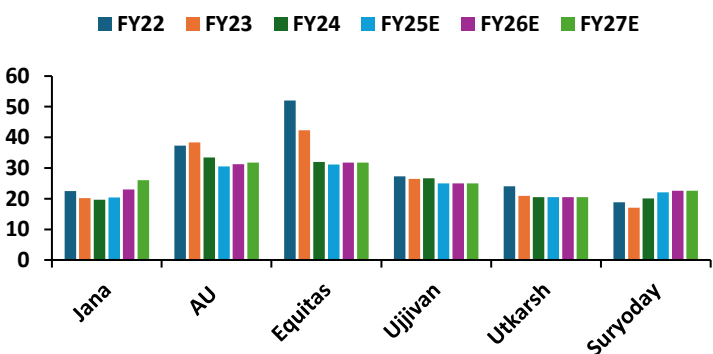
Deposits



CD ratio



CASA(%)



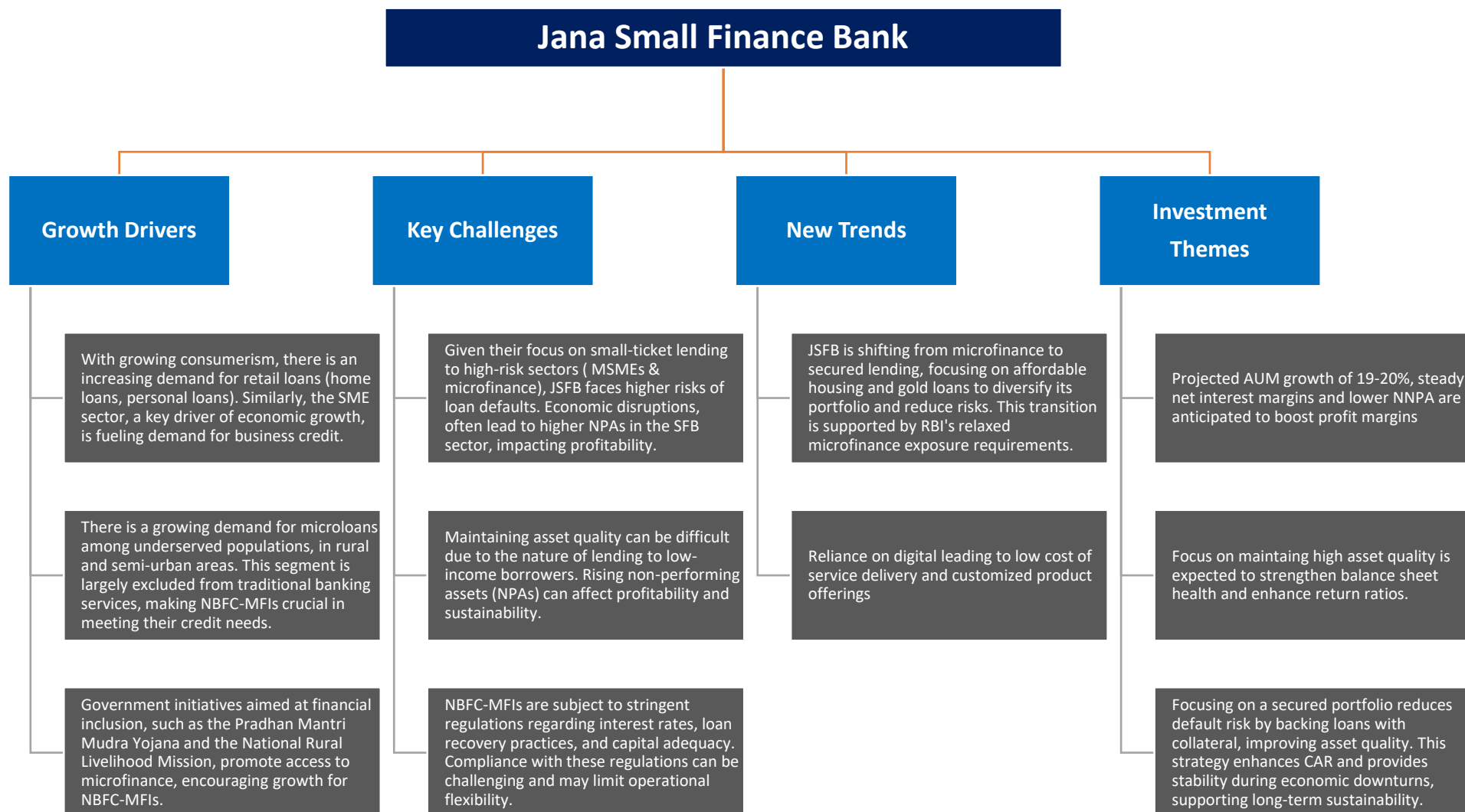
Source: Company Reports & Ventura Research

JSFB's Financial Summary

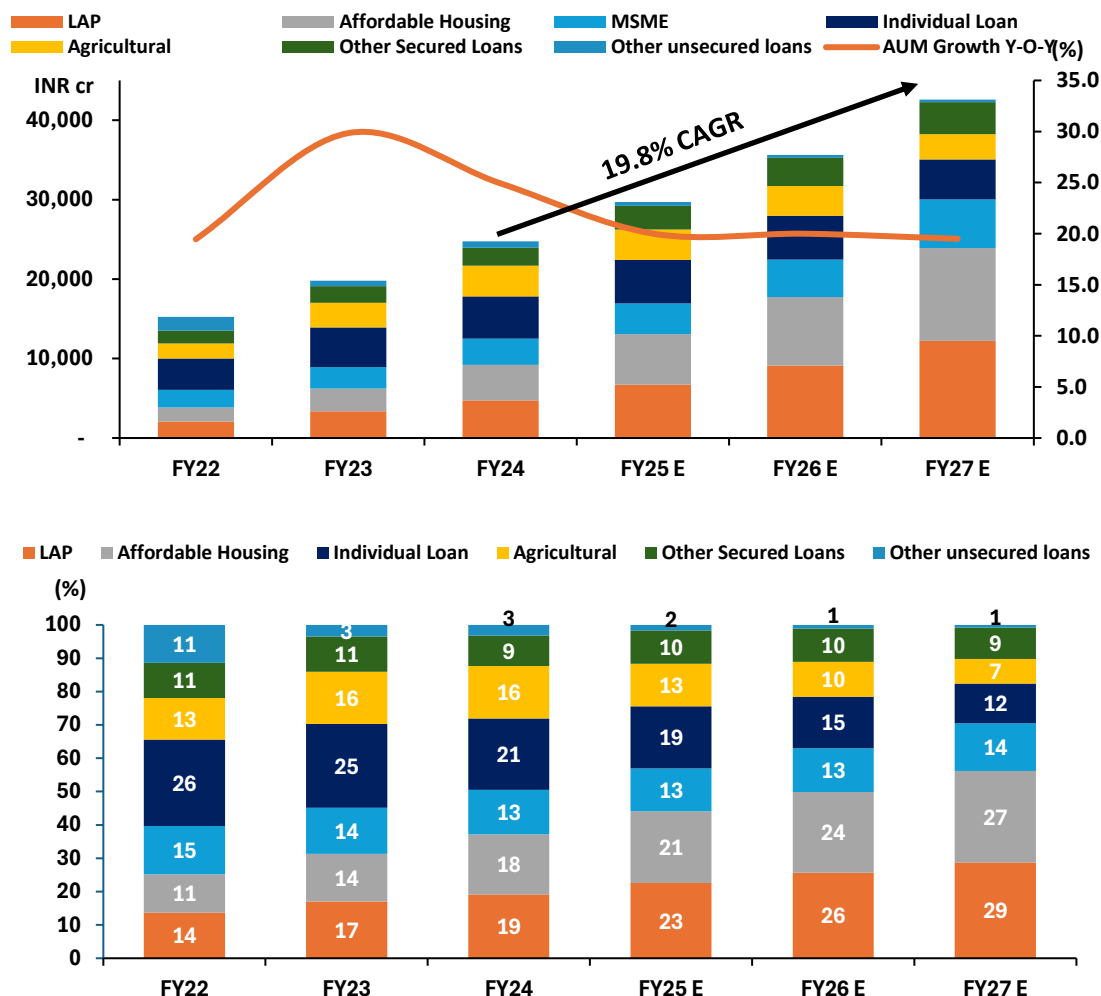
Fig in INR Cr (unless specified)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross advances	13,250.3	18,000.7	23,475.6	28,170.7	33,804.8	40,396.8
<i>YoY Growth (%)</i>	11.9	35.9	30.4	20.0	20.0	19.5
Net advances	13,006.7	17,759.6	23,111.3	27,629.7	33,080.9	39,531.7
<i>YoY Growth (%)</i>	12.1	36.5	30.1	19.6	19.7	19.5
LAP	2,086.0	3,380.0	4,738.0	6,710.6	9,129.8	12,218.5
<i>YoY Growth (%)</i>	69.4	62.0	40.2	41.6	36.1	33.8
Affordable Housing Loan	1,754.0	2,828.0	4,453.0	6,376.8	8,630.2	11,698.9
<i>YoY Growth (%)</i>	85.8	61.2	57.5	43.2	35.3	35.6
MSME Loan	2,219.0	2,734.0	3,317.0	3,839.1	4,700.5	6,117.3
<i>YoY Growth (%)</i>	57.3	23.2	21.3	15.7	22.4	30.1
Term Loan to NBFC	990.0	1,399.0	1,083.0	1,521.2	1,765.5	1,821.9
<i>YoY Growth (%)</i>	54.0	41.3	(22.6)	40.5	16.1	3.2
Other Secured Loans	613.0	705.0	1,153.0	1,448.4	1,787.3	2,210.2
<i>YoY Growth (%)</i>	(28.6)	15.0	63.5	25.6	23.4	23.7
Individual Loan	3,945.0	4,982.0	5,299.0	5,507.8	5,511.0	5,034.0
<i>YoY Growth (%)</i>	258.1	26.3	6.4	3.9	0.1	(8.7)
Agricultural Loan	1,909.0	3,094.0	3,899.0	3,802.2	3,726.5	3,159.2
<i>YoY Growth (%)</i>	12.1	62.1	26.0	(2.5)	(2.0)	(15.2)
Group Loans	1,739.0	686.0	803.0	469.3	376.2	320.9
<i>YoY Growth (%)</i>	(61.9)	(60.6)	17.1	(41.6)	(19.8)	(14.7)
Interest Income	2,726.5	3,075.0	4,013.0	5,170.3	5,952.9	6,889.7
<i>YoY Growth (%)</i>	9.2	12.8	30.5	28.8	15.1	15.7
Yield on Advances	19.6	17.7	17.6	18.6	17.8	17.1
Interest Expense	1,336.8	1,415.0	1,885.9	2,395.8	2,851.7	3,360.3
<i>YoY Growth (%)</i>	8.3	5.9	33.3	27.0	19.0	17.8
Cost of Funds	7.4	7.0	7.8	7.9	7.9	7.8
Net Interest Income	1,389.8	1,660.0	2,127.1	2,774.5	3,101.2	3,529.5
NIM(%)	8.1	8.1	8.1	8.8	8.5	8.1
Non Interest Income	335.8	624.9	671.0	770.3	921.6	1,102.3
Total Operating Expenses	1,138.8	1,284.5	1,604.8	2,237.6	2,387.7	2,702.8
Cost to Income Ratio(%)	66.0	56.2	57.4	63.1	59.4	58.4
Pre Provision profit	586.8	1,000.4	1,193.3	1,307.2	1,635.1	1,928.9
<i>YoY Growth (%)</i>	33.7	70.5	19.3	9.5	25.1	18.0
As a % of NII	42.2	60.3	56.1	47.1	52.7	54.7
Provisions	569.3	744.4	679.0	644.7	773.7	924.5
Net profit	17.5	256.0	669.5	702.5	901.4	1,004.5
<i>YoY Growth (%)</i>	(42.0)	1,365.1	161.6	4.9	28.3	11.4
RoAA (%)	0.1	1.1	2.3	2.0	2.1	2.0
RoAE (%)	1.5	17.1	24.9	17.9	19.1	17.7
Gross NPA (Rs. Cr)	756.9	709.2	494.3	734.1	982.3	1,173.8
Gross NPA (%)	5.7	3.9	2.1	2.6	2.9	2.9
Net NPA (Rs. Cr)	513.3	468.0	130.0	193.1	258.4	308.8
Net NPA (%)	3.9	2.6	0.6	0.7	0.8	0.8
Provision Coverage Ratio(PCR)	32.2	34.0	73.7	73.7	73.7	73.7
Credit Cost	3.4	2.1	2.0	2.5	2.5	2.5
Capital Adequacy Ratio (%)	15.26	15.6	20.31	19.3	18.7	19.1
Tier I Capital (%)	11.83	13.02	18.97	18.1	17.3	17.8

Source: ACE Equity, Company Reports & Ventura Research

JSFB SWOT Analysis in a nutshell



Diversified Portfolio - 4th largest Small Finance Bank in India in terms of AUM



Source: Company Reports & Ventura Research

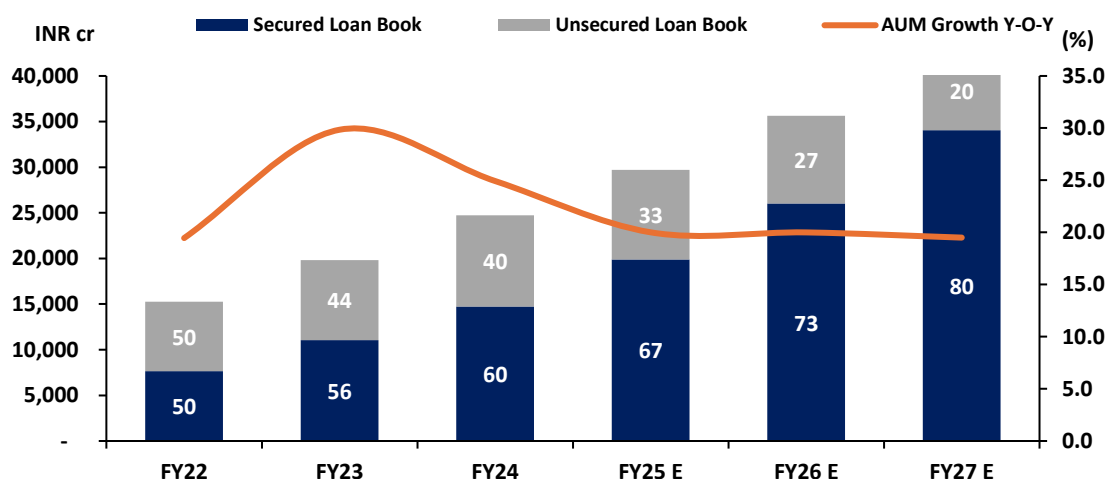
Strong Growth in Secured Lending to Drive JSFB's Loan Book Expansion

- JSFB's loan book is projected to grow at a robust CAGR of 19.8% over FY24–FY27, primarily driven by strong growth in secured lending segments. Loans against property are expected to grow at a CAGR of 37%, while affordable housing loans are anticipated to expand at 38%. The MSME loan segment is forecasted to grow at 22.6% CAGR, and other secured lending is projected to see a 21% CAGR over the same period. In contrast, the unsecured loan portfolio is expected to decline year-on-year, highlighting the bank's strategic shift towards a more secure and diversified lending mix.
- The Bank's AUM has lowest geographical concentration amongst its peers with top 3 states exposure of only 39%
- JSFB has strategically shifted focus towards expanding its secured loan portfolio, which has grown from 40% in FY21 to 60% in FY24.
- This portfolio includes key products such as housing loans, Micro LAP, MSME loans, and gold loans, all designed to cater to a variety of customer segments.
- Looking ahead, JSFB aims to accelerate this growth by focusing on new products like two-wheeler loans, targeting existing customers. expanding its presence into Tier 1 and Tier 2 cities, further refining its location strategy based on industry performance data. By doing so, JSFB aims to capture a larger share of the growing demand for secured loans in these regions.

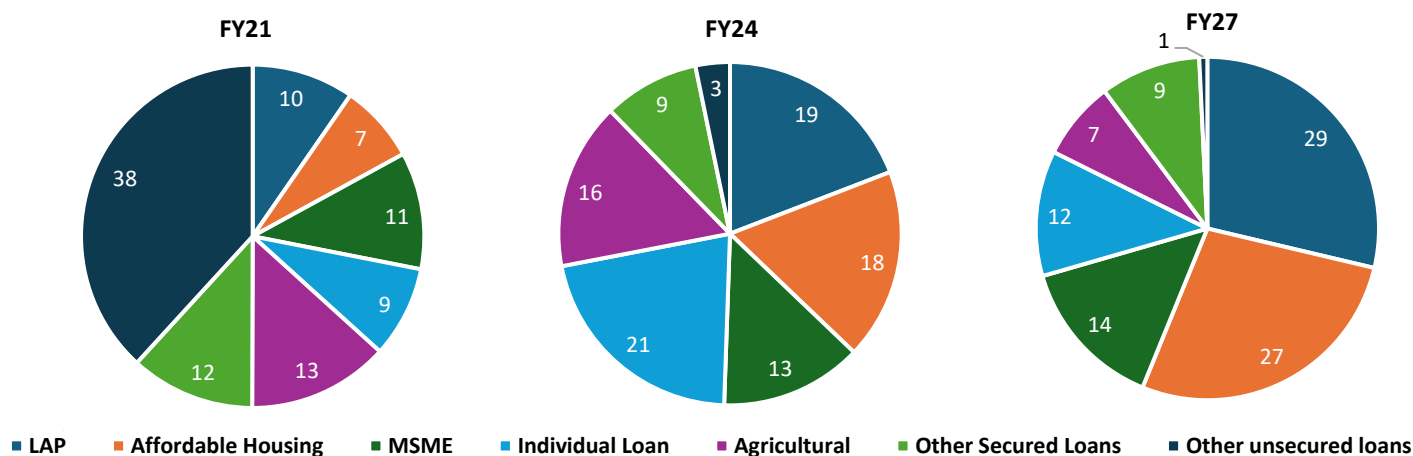
JSFB's Lending Strategy: Secured vs. Unsecured Loan Mix

From Microfinance to Secured Lending: JSFB's Strategic Evolution

- JSFB has undergone a significant strategic transformation in its lending portfolio, shifting from a predominantly microfinance-focused institution to a more diversified model that includes secured lending products. Initially, JSFB's primary focus was on microloans, aimed at empowering underserved and financially excluded segments of the population. This approach helped the bank build a strong foothold in the rural and semi-urban markets, addressing the credit needs of small businesses and low-income individuals.
- However, as the market dynamics evolved, so did JSFB's strategy. Recognizing the need to mitigate risks and diversify its asset base, the bank expanded its product offerings to include secured loans such as housing loans, vehicle loans, and gold loans. This shift not only allowed JSFB to cater to a broader customer base but also helped stabilize its financial performance by increasing the proportion of secured assets on its balance sheet.
- This strategic pivot has strengthened JSFB's position in the competitive financial landscape, enabling it to build a more resilient loan book while continuing to serve its core mission of financial inclusion. By expanding into secured lending, the bank is well-positioned for sustained growth and long-term stability.



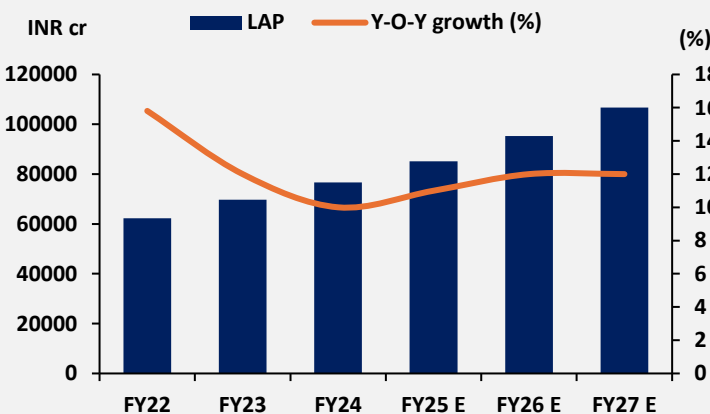
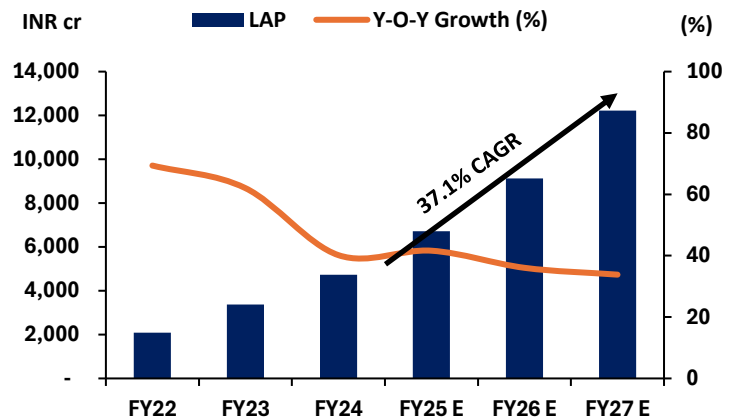
Changing Dynamics of Loan Mix: A Three-Year Overview (FY22, FY24, FY27)(%)



Source: Company Reports & Ventura Research

JSFB's Strategic Shift: Riding the LAP Growth Wave

- In recent years, the journey of JSFB has been marked by a strategic pivot towards secured lending, with a sharp focus on LAP. From FY21 to FY24, this segment of the loan book surged at a remarkable CAGR of 57%, signaling the bank's aggressive move into safer, asset-backed lending. But this story doesn't end here, JSFB is projecting that its LAP portfolio will continue to grow at a robust CAGR of 37.1% over the coming years.
- Currently, LAP makes up 19% of the bank's total loan book. However, the bank's long-term vision aims to push this figure to 29% by FY27.

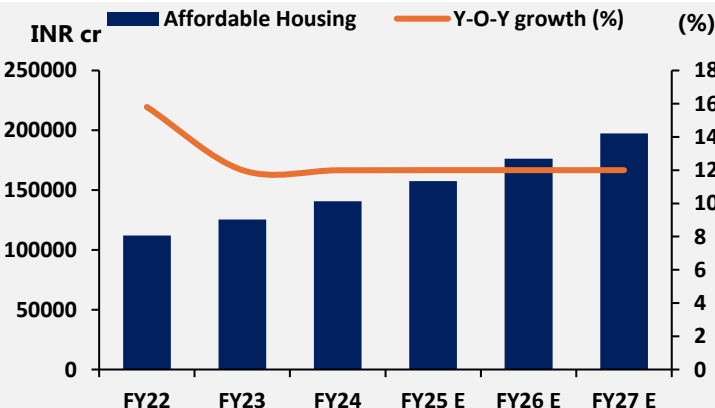
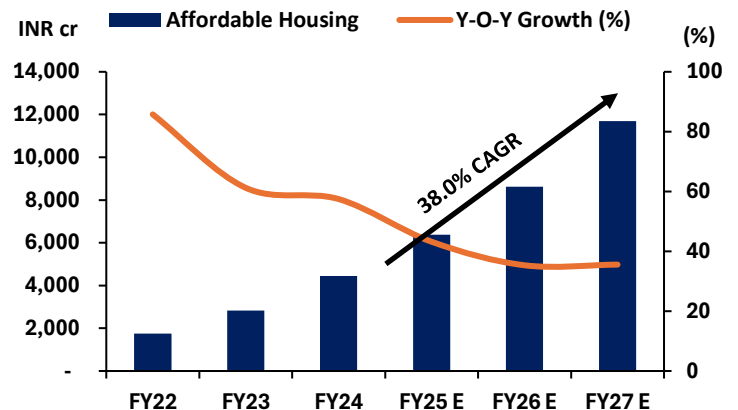


LAP Industry overview

- The Indian Loan Against Property market has experienced significant growth, with a CAGR of 13.6%, expanding from INR 2,850 bn in March 2016 to INR 6,971.4 bn in March 2023. This segment is projected to grow further at a CAGR of 11%, reaching INR 9,533.5 bn by March 2026.
- The market is primarily driven by formal channel penetration and banks offering lower interest rates, capturing a dominant share, especially after NBFCs faced liquidity constraints and asset quality deterioration in recent years.
- Key risks to the sector include the high delinquency rate, with non-standardized property valuations and a growing share of non-residential properties as collateral.

JSFB's Bold Push into Affordable Housing: 38% CAGR

- As of FY24, 18% of JSFB's loan book is made up of affordable housing loans. The bank plans to expand this segment to 27% by FY27, targeting a strong CAGR of 38% over the next three years. This move aligns with JSFB's strategy to tap into the growing demand for affordable housing and diversify its portfolio, positioning it for significant growth in this high-potential sector.
- Despite the growth potential, the affordable housing segment faces moderate delinquency risks, particularly among low-income borrowers. However, with urbanization increasing and the housing sector expanding, the outlook remains positive for both lenders and borrowers in this space.

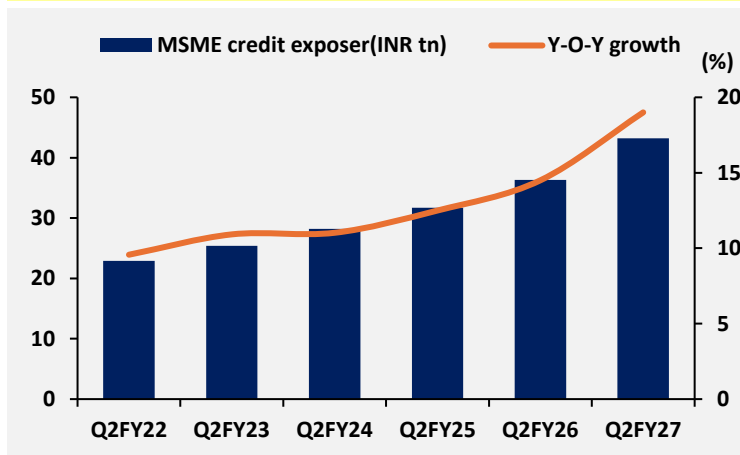
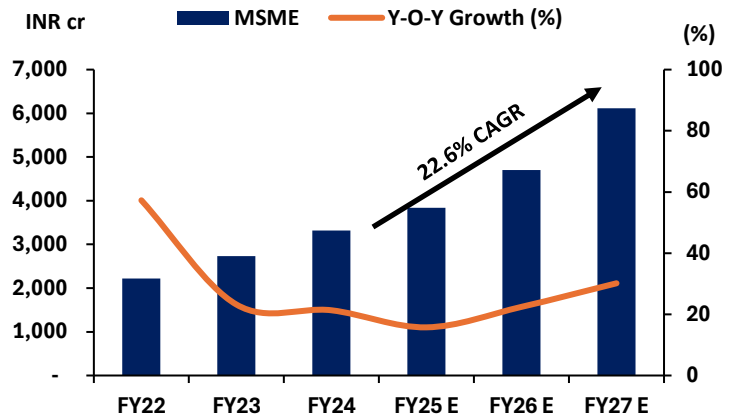


Affordable Housing: Industry overview

- The segment, in FY23 valued at INR12,549 bn, is expected to grow at a 12% CAGR, reaching INR17,630 bn by 2026.
- The affordable housing market in India is driven by the government's commitment to "Housing for All," with schemes like PM Awas Yojana.
- SFBs are emerging as key players in this market due to their access to cheaper funds through deposits, allowing them to offer competitive rates.
- The stability of the home loan sector, with low NPAs & consistent demand, positions the affordable housing market as key growth driver in India's financial sector.

JSFB's MSME loan book : strong growth trajectory

- For JSFB, MSME lending plays a crucial role in its portfolio, accounting for 13% of the total loan book as of FY24. The bank aims to grow this segment to 14% by FY27, amounting to INR 6,117 cr, with an impressive CAGR of 22.6%.
- In order to expand outreach to MSME borrowers, JSFB is strengthening its Direct Sales Agent (DSA) network, which allows the MSME vertical to access new borrowers without significant increases in fixed costs.

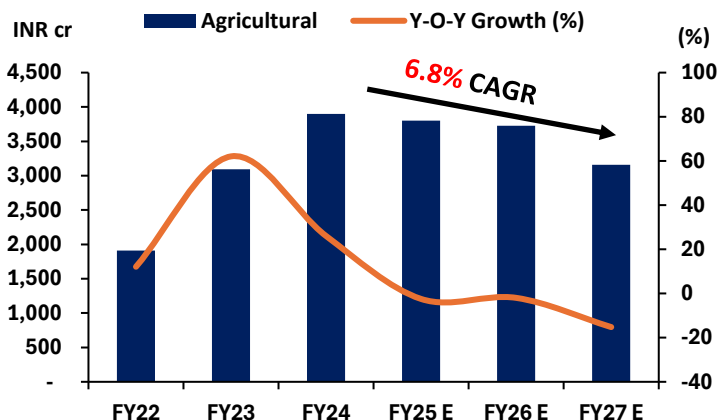
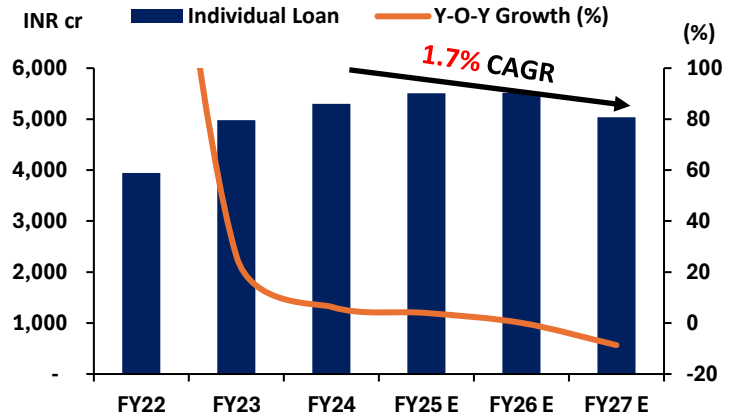


MSME Industry overview

- The latest SIDBI-MSME Pulse Report (Feb 2024) highlights a positive shift in the commercial credit landscape, total credit exposure reaching INR 28.2 lakh crores as of September 2023, growing at CAGR of 10.5%.
- In Robust portfolio growth supported by improved performance, overall balance-level delinquencies have improved, stands at 2.3% as on Q2FY24, the lowest delinquency rate in the last 2 years
- Rising demand can be attributed to extension of the ECLGS scheme, initiatives such as the Atmanirbhar Bharat and Make in India, availability of enriched credit data and higher adoption towards digital lending

Projected Decline in Individual Loans

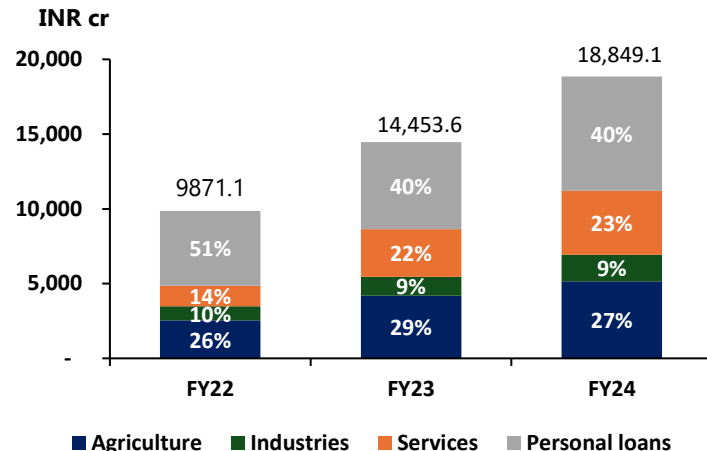
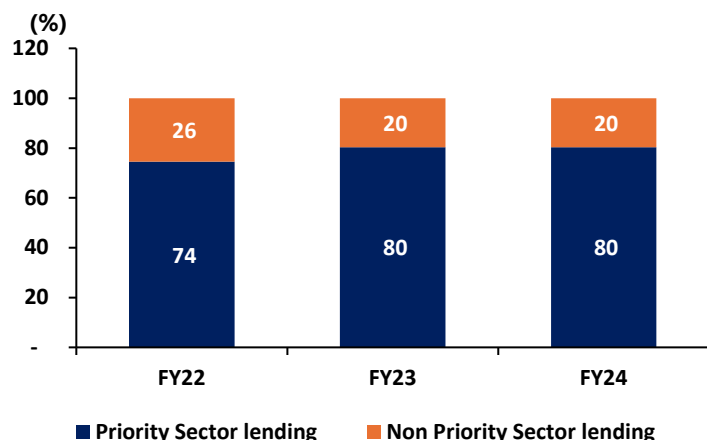
- JSFB offers individual loans to clients with strong repayment histories, divided into three categories: home improvement, school fees, and personal needs like debt consolidation.
- The bank expects a decline in individual loans from 21% in FY24 to 12% by FY27.
- JSFB's strategic shift of its focus to secured lending, will not only strengthened its balance sheet but also empowered existing customers to achieve their dreams



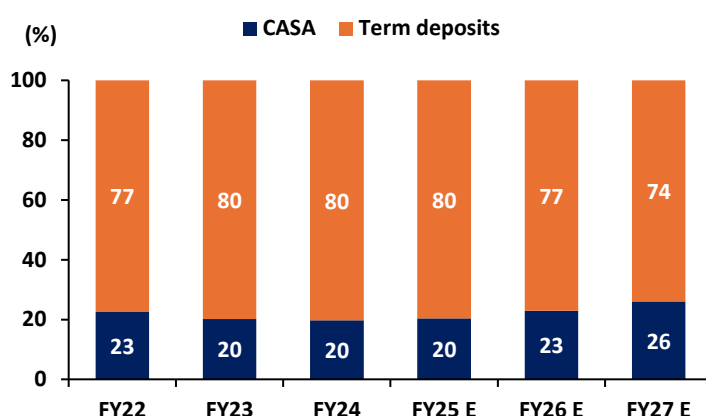
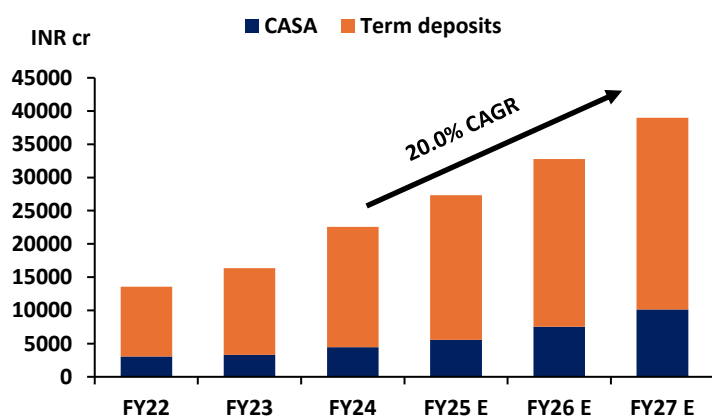
Agriculture Loan under JLG model

- JSFB offers agriculture loans to diverse customer segments, including small and marginal farmers, dairy farmers, landless agricultural laborers, and shared croppers. The loans range from INR 30,000 to INR 75,000, with a maximum tenure of 24 months
- As of FY24, agriculture loans constitute 16% of JSFB's total AUM, totaling INR 3,899 cr. However, the bank plans to decrease this share to 7% by FY27, anticipating a reduction to INR 3,159 cr as it shifts focus towards more stable lending options.

Adequate exposure to priority sector lending



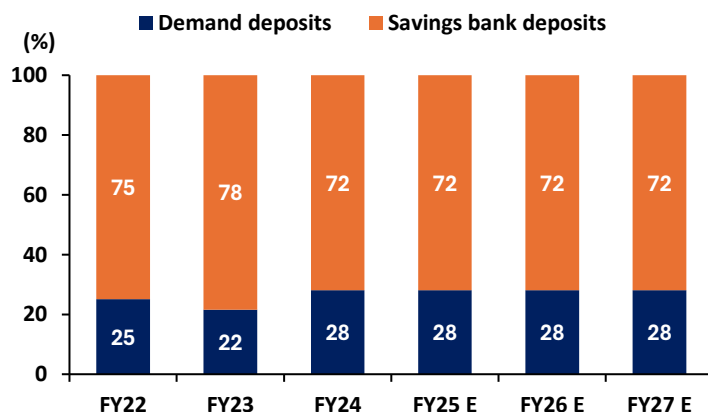
JSFB's Deposits growth expected to remain strong at 20% CAGR for the period FY24-27E



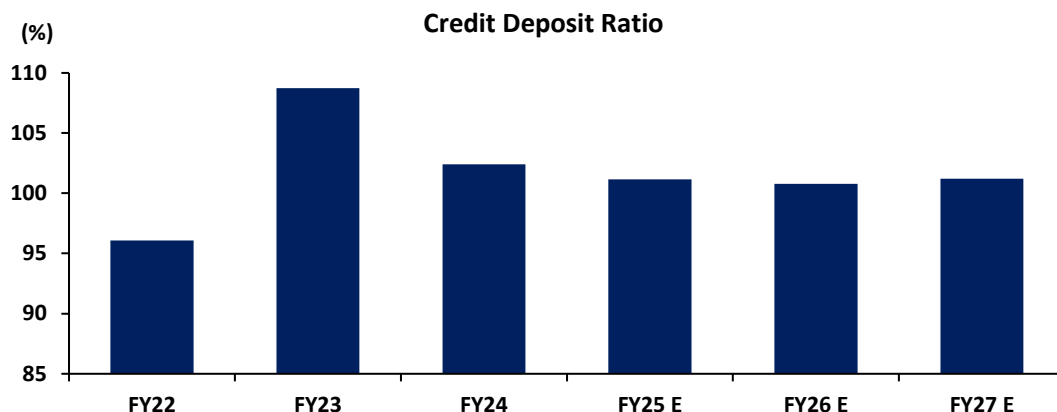
Deposits are projected to grow at a CAGR of 20%, reaching to INR 39,000 cr. by FY27, driven primarily by robust CASA growth at a CAGR of 31.6% and term deposit growth at 16.8%. This deposit expansion reflects the bank's focus on strengthening its low-cost funding base while maintaining a healthy balance between CASA and term deposits, supporting overall growth and profitability.

CASA Goals: Charting a Path to 26% by FY27

JSFB aims to further enhance this advantage by increasing its CASA ratio from 16% in FY21 to 26% by FY27, strengthening its financial position and supporting growth.



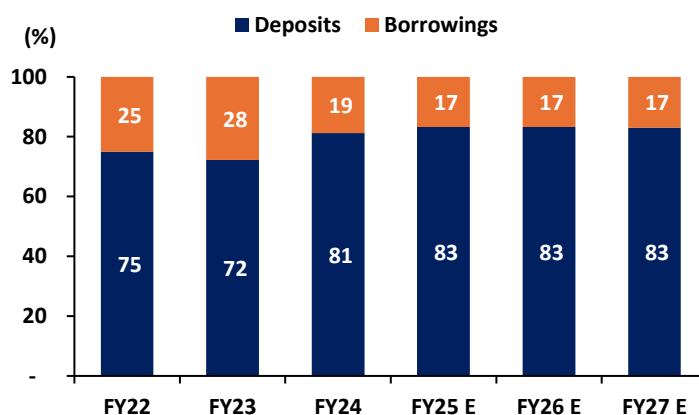
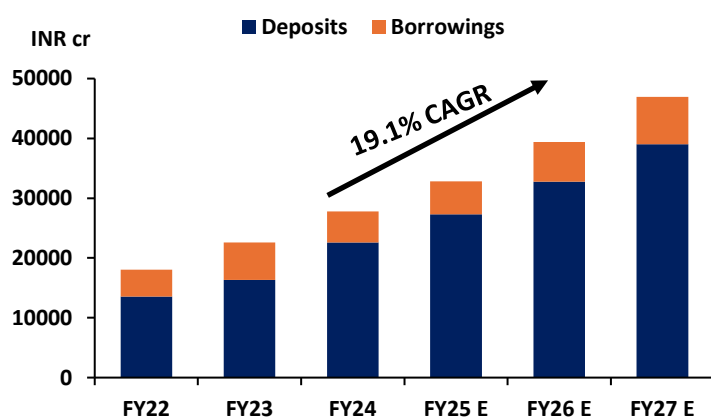
Credit Deposit Ratio expected to be stable around 101%



High CD Ratio Not a Concern Due to Aligned Borrowing and Deposit Costs

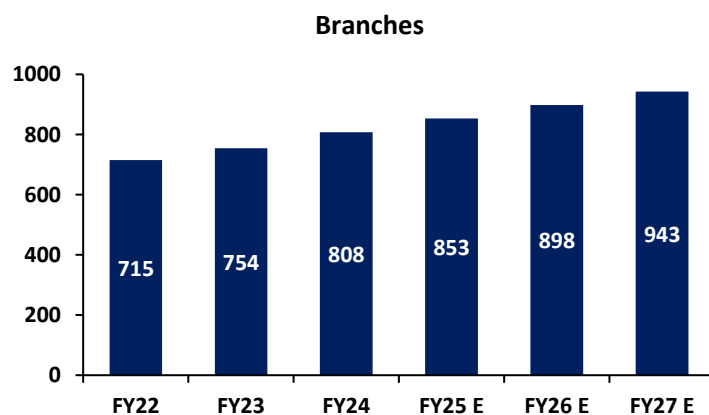
- JSFB remains unconcerned about its elevated CD ratio, as its borrowing costs are expected to align closely with its cost of deposits. This parity between borrowing rates and deposit costs minimizes any significant impact on the bank's margins.
- The strategic focus on maintaining a balanced funding mix ensures that despite a high CD ratio, JSFB can continue to manage liquidity efficiently without facing undue pressure on profitability.

Deposits on the Rise: Balance borrowings with deposit growth

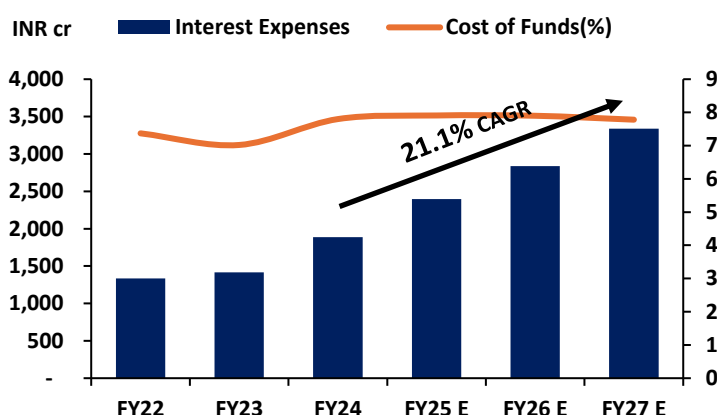
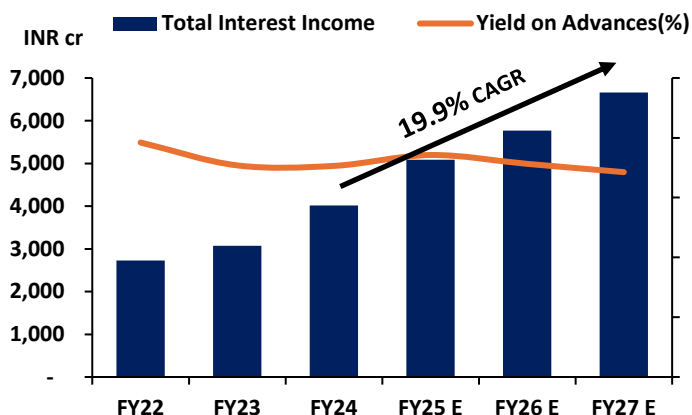


Geographical Presence and Branch Network Expansion

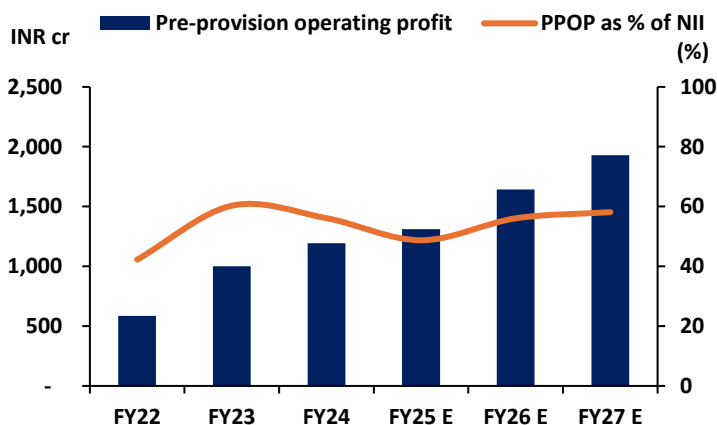
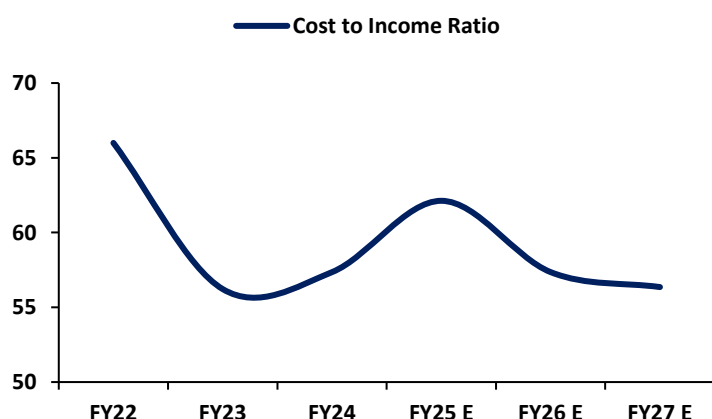
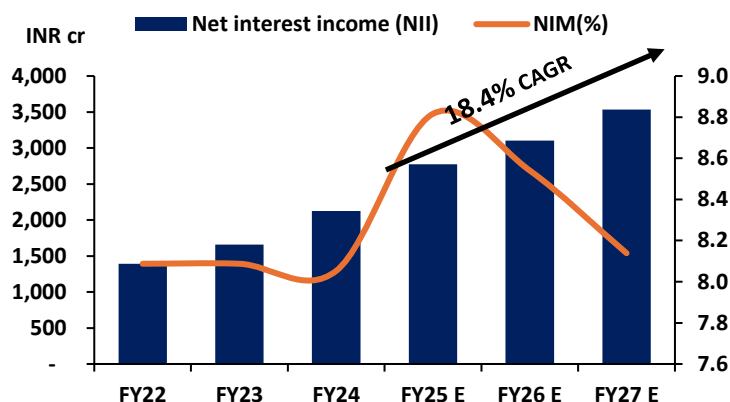
- As of FY24, JSFB operates a total of 808 outlets, comprising 634 bank branches and 174 Business Correspondent (BC) outlets.
- The bank also has 14 zonal offices and is geographically present across 22 states and 2 Union Territories in India.
- Looking ahead, JSFB plans to expand its branch network at a CAGR of 5.3%, reaching 943 branches by FY27.



NII growth subject to yield increase and elevation in cost of funds

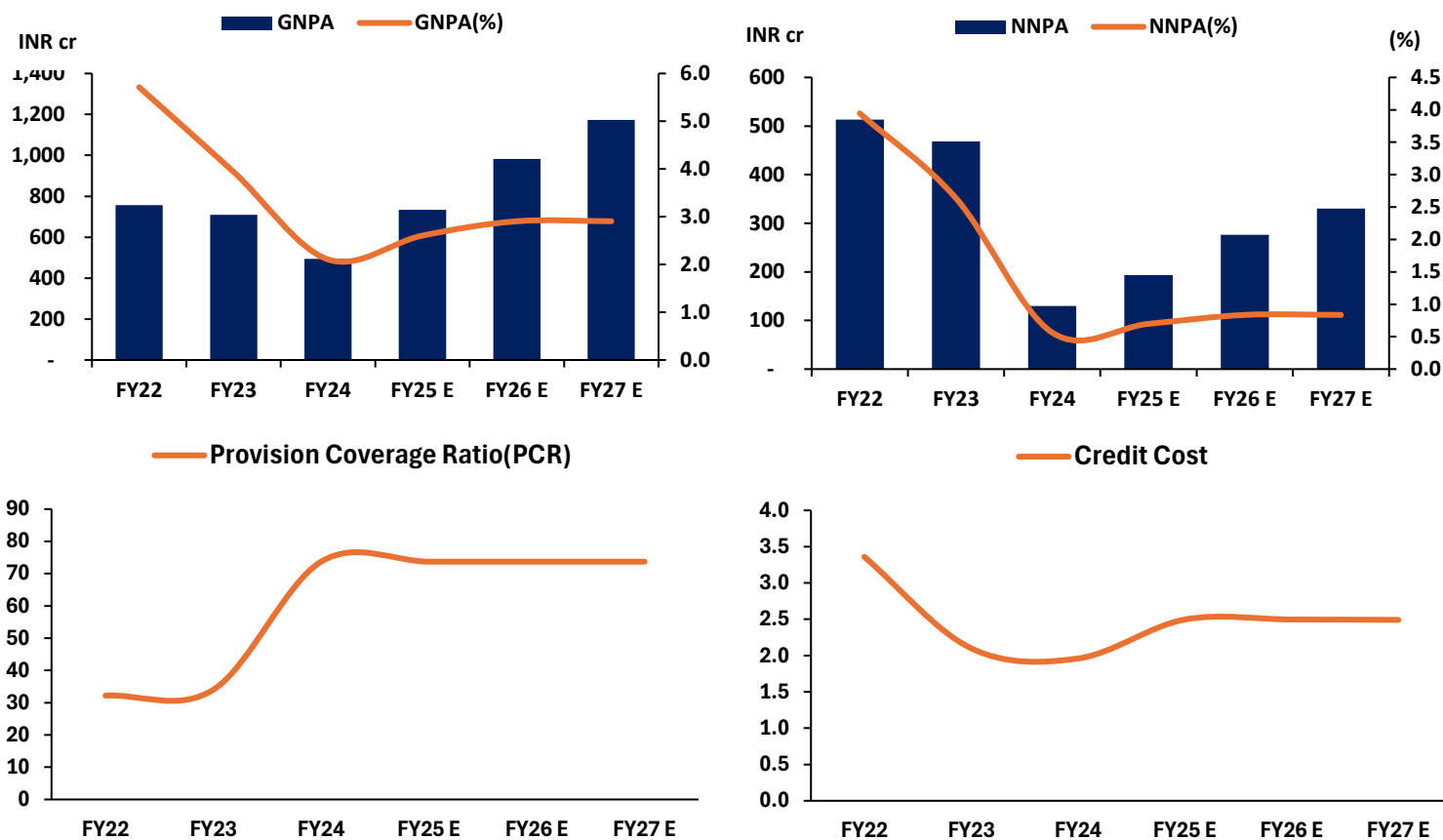


- Looking ahead, the bank anticipates strong momentum in interest income, projected to grow at a compound annual growth rate (CAGR) of 19.9%. Meanwhile, interest expenses are expected to rise at a CAGR of 21.2%. As a result, the Net Interest Income (NII) is set to increase by an impressive 18.5%.
- From a high of 70% in FY21, the bank has successfully slashed its cost-to-income ratio to an impressive 57% by FY24. SFBs usually maintain a cost-to-income ratio in the range of 50% to 65%.
- JSFB's NIM is projected to stabilize around 8.5 % in the coming years, driven by its focus on high-yielding microfinance and small business loans.



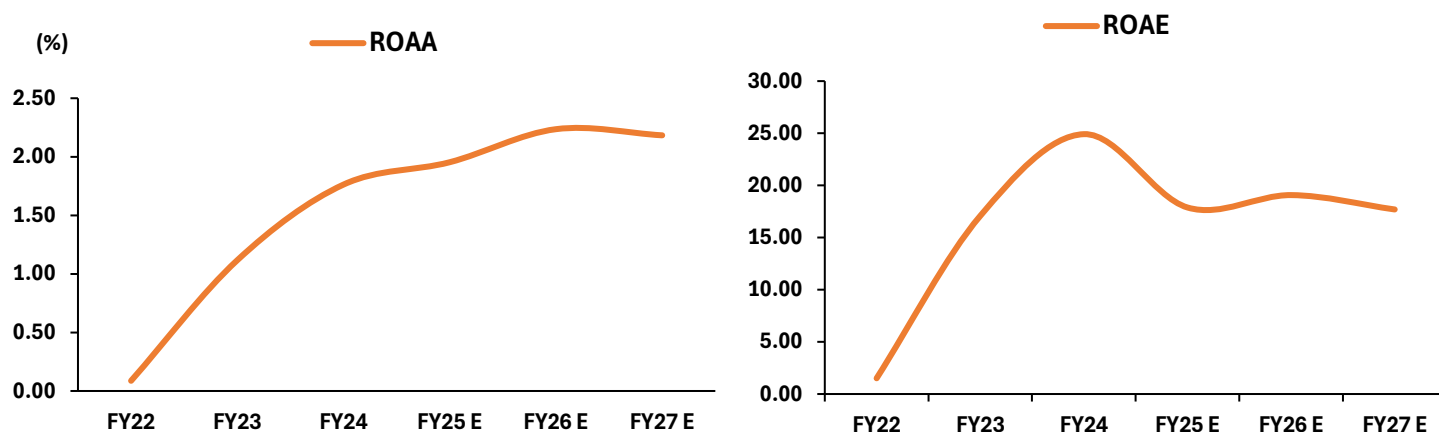
Source: Company Reports & Ventura Research

Asset Quality and Risk Management

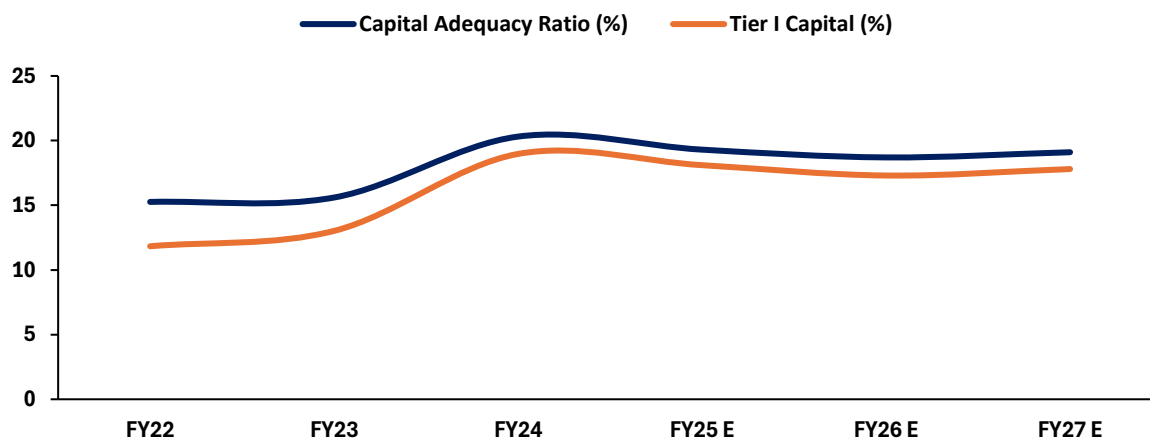


Source: Company Reports & Ventura Research

Return ratios are expected to improve from FY22 levels



Capital Adequacy Ratio (CAR)



Source: Company Reports & Ventura Research

No Tax till FY 2027

The Bank's carried forward losses of approximately Rs. 3,200 crores as of FY 24 and can be utilized till FY 27.

FY24 annual report analysis

We analysed the FY24 annual report of JSFB and our key observations are as follows:

Key takeaways

- Banking industry continues to look healthy with robust credit growth nearing 20% for the industry. The deposits remain a challenge for the banking industry with growth of 13.8%. A healthy growth in the economy provides an opportunity for Banks to grow their asset books
- JSFB, registered as a corporate agent with IRDAI, offers Life and Non-Life insurance products to its customers, through its current tie-up with ICICI Prudential Life, Bajaj Allianz Life, Kotak Life, ICICI Lombard, and Bajaj Allianz General.
- For Investment products, the bank has partnered with Axis securities to offering 3 in 1 a/c to its customer which is a combination of Savings, Demat & Trading A/c. The Bank has also started distribution of Mutual funds recently and has partnered with Axis AMC, IPRU AMC & SBI AMC for MF Distribution.
- JSFB uses product-specific scorecards to analytically track and improve sourcing across all businesses, except secured loans over INR5 million, gold loans, and group loans. Additionally, credit bureau scores from CRIF Highmark and CIBIL are used. To maintain consistent credit standards, a centralised credit underwriting unit approves secured loans up to INR2.50 million.
- JSFB has shifted its primary focus from unsecured to secured loans, aiming to cross-sell secured products like two-wheeler, gold, house repair, and affordable housing loans to existing unsecured customers. In MSME loans, the focus has moved to end-use controlled loans, such as supply chain and equipment purchase loans, to minimize the risk of fund diversion, which is a key driver of poor loan performance. This strategy is expected to reduce loan default risk.

Auditors and their qualified opinion/comments

Joint Auditors of Bank are:

1. M/s. Brahmayya and Co.
2. M/s. M. M. Nissim and Co. LLP

And as per auditors opinion Financial Statements of FY'24 give a true and fair view in conformity with accounting principles generally accepted in India.

Contingent liabilities

JSFB's contingent liabilities, as a percentage of its net worth, are high, during FY'24, raising concerns. A significant portion of these liabilities is related bank guarantees given on behalf of customers. The BG's provided typically against Fixed Deposits with the Bank.

Particulars	FY21	FY22	FY23	FY24
Claims not acknowledged as debt	35.9	30.5	56.0	34.2
Liability for partly paid investmen	-	-	-	-
Gurarantees	-	-	-	-
In India	2.5	2.5	2.7	194.0
Outside India	-	-	-	-
Acceptances, endorsements	-	-	-	-
Other items	9.1	8.8	18.6	35.3
Total	47.5	41.7	77.2	263.5
Networth	1,114.8	1,200.7	1,797.3	3,577.1
As a % of networth	4.3%	3.5%	4.3%	7.4%

Board members

The consistent presence of five board members over the past four years, The Board comprises members with diverse business experience, many of whom have held senior positions in well-known financial services institutions and banks, including the RBI.

Particulars	FY21	FY22	FY23	FY24
Dr. Subhash Khuntia		Part Time Chairman, Independent Director	Part Time Chairman, Independent Director	Part Time Chairman, Independent Director
Mr. Ajay Kanwal	MD & CEO	MD & CEO	MD & CEO	MD & CEO
Mr. Krishnan Subramania Raman				Executive Director
Mr. Ramesh Ramanathan	Non-Executive Dir	Non-Executive Dir	Non-Executive Dir	Non-Executive Dir
Mr. R Ramaseshan	Independent Dir	Independent Dir	Independent Dir	Independent Dir
Mrs. Chitra Talwar	Independent Dir	Independent Dir	Independent Dir	Independent Dir
Mr. Rahul Khosla	Non-Executive Dir	Non-Executive Dir	Non-Executive Dir	Non-Executive Dir
Mr. K. Srinivas Nayak			Independent Dir	Independent Dir
Mr. P. Vijaya Kumar			Independent Dir	Independent Dir
Mr. Vikram Gandhi	Independent Dir	Independent Dir		
Mr. Eugene Karthak	Independent Dir	Independent Dir		
Mr. P R Seshadri	Independent Dir			
Mrs. Vijayalatha Reddy	Independent Dir			

Ventura Business Quality Score

Key Criteria	Score	Risk	Comments
Management & Leadership			
Management Quality	9	Low	The management is of high quality. Mr. Ajay Kanwal, MD & CEO of bank for over 6 year, has 35 year of experience in consumer and commercial banking.
Promoters Holding Pledge	9	Low	The promoter, Jana Holdings Limited, hold 22.54% and there is no pledge against this holding.
Board of Directors Profile	8	Low	The average experience of directors is >30 years with significant experience in their respective sectors and expert areas.
Industry Consideration			
Industry Growth	8	Low	Banking industry continues to look healthy with robust credit growth nearing 20% for the industry
Regulatory Environment or Risk	7	Low	Banks operate under strict regulations set by central banks and financial authorities to ensure financial stability, customer protection and compliance with anti-money laundering (AML) and capital adequacy standards.
Entry Barriers / Competition	7	Medium	High capital requirements, strict regulatory approvals and the need for robust infrastructure pose significant entry barriers for new banks. Existing banks face competition from fintech firms, digital-only banks, and other non-traditional financial institutions, driven by technological advancements and changing customer preferences.
Business Prospects			
New Business / Client Potential	8	Low	JSFB is well-positioned to increase its market share by leveraging digital banking innovations and expanding its product offerings to cater to evolving customer needs.
Business Diversification	8	Low	While the bank's core strength lies in microfinance and serving low-income customers, it has expanded its offerings to include savings products, fixed deposits, SME loans and housing finance, which broadens its revenue base.
Market Share Potential	8	Low	Due to its expertise and deep knowledge of the vertical, JSFB has been gaining market share among small finance banks.
Earnings Growth	8	Low	The benefits of offering high-yield products will ultimately lead to an improved Net Interest Margin (NIM), which boosts the company's overall profit margins.
Valuation and Risk			
Asset Quality	8	Low	The bank successfully brought down its Gross Non-Performing Assets (GNPA) to 2.1% and Net Non-Performing Assets (NNPA) to 0.6%, a significant improvement from last year's figures of 3.9% and 2.6%, respectively.
Portfolio Mix	8	Low	The bank is focusing on expanding its secured loan book, which is expected to enhance asset quality and reduce credit costs. By prioritizing secured lending, the bank can mitigate risk and improve repayment rates, ultimately leading to a healthier financial profile and stronger profitability.
Dividend Policy	8	Low	The bank has not been paying any dividend for over five years.
Total Score	104		
Ventura Score (%)	80	Low	The overall risk profile of the company is good and we consider it as a LOW risk company for investments

Source: Company Reports & Ventura Research

Management Team

Key Person	Designation	Details
Ajay Kanwal	Managing Director & Chief Executive Officer	He is bringing over 32 years of extensive experience in consumer and commercial banking. He has held various senior leadership roles, including Regional CEO of ASEAN & South Asia at Standard Chartered Bank and advisory roles at TPG and Mastercard. Ajay began his career at Citibank and has served on the boards of multiple companies across Asia. He holds a Master of Management Studies from Mumbai University and a B.E. in Electronics & Telecommunications from Marathwada University.
Krishnan Subramania Raman	Executive Dir and Chief Credit and Collections Officer	With over 35 years of banking experience across India, Singapore, Indonesia, and the UAE, he previously held senior risk management roles at Mashreq Bank and Standard Chartered Permata Bank. Raman, who joined Jana in 2017 as Chief Risk Officer, holds a Post Graduate degree in Business Management from IIM Calcutta and is an Associate member of the Institute of Chartered Accountants of India.
Amit Raj Bakshi	Chief Human Resources Officer	Amit has over 20 years' experience in Banking, FMCG, ITES and Telecom sector, with expertise in Talent Acquisition & Management, HR Policies & Governance, Compensation & Benefits, Strategic Workforce Planning and HR Technology.
Ashish Gopal Saxena	Chief Information & Digital Officer	Ashish has 22 years of experience in technology functions to design, deliver and implement high-performance solutions. Ashish's experience includes AU Small Finance Bank where he was responsible for setting up the Bank's technology set up. Ashish has also held various senior positions in reputed organizations such as UGRO Capital Ltd, Aviva Life Insurance, Max New York Life and TCS.
Abhilash Sandur	Chief Financial Officer	Abhilash is a qualified Chartered Accountant and has done his Masters in Commerce from Bangalore University. Abhilash has over 15 years of experience with last 6 years in Jana Small Finance Bank. He has extensive experience in multiple in Finance areas including Controllorship, Business Planning and Analytics, Cost Controls, Business Finance, Process Re-Engineering, and Balance sheet controls. Prior to joining Jana, Abhilash has worked at ING Vysya Bank, Kotak Mahindra Bank and Bharti Axa General Insurance.
Chitra Menon	Chief Compliance Officer	Chitra has over 26 years of Banking experience across Operations, Retail Branch Banking, Risk Management, Process Re-engineering, Service quality and Internal Controls.
Satish Ramachandran	Chief Risk Officer	He has worked with leading financial institutions in India such as Citibank NA, Standard Chartered Bank and Fullerton India and comes with over 20 years of experience across credit policy, collections, underwriting and sales. Prior to joining Jana, he was heading new policy initiatives in Fullerton India and was instrumental in launching new products in Fullerton. Satish has an engineering degree from BITS Pilani and a PGDM from IIM Lucknow.
Ganesh Nagarajan	Chief Operating Officer	Ganesh has over 30 years of banking experience in setting-up and running Retail Operations Units, include Centralised Operations, Branch banking, Clearing, Trade, Currency Chest operations and Contact Centre. Prior to Jana, he was associated with Yes Bank as Group President & Head – Liabilities and Digital Banking & Wealth Management Operations. In the past, he has worked in Equitas Small Finance Bank, Kotak Mahindra Bank and IDBI Bank.

Source: Company Reports

Key Risks & Concerns

- The bank is subject to inspections by various regulatory authorities, such as the RBI, PFRDA, IRDAI and National Pension System Trust. Non-compliance with the observations of such regulators could adversely affect the business, financial condition, results of operations and cash flows.
- JSFB faces stringent regulatory requirements and prudential norms, which are often more demanding for small finance banks than for other banking institutions.
- The Reserve Bank of India (RBI) must approve candidates nominated for key positions such as Chairman, Managing Director and Executive Director at JSFB. Furthermore, the RBI holds the authority to remove any employee or managerial personnel under specific circumstances, underscoring the regulatory oversight and control the RBI has over the bank's governance and management.

JSFB's quarterly and annual performance

Y/E March (INR crore)	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	FY25E	FY26E	FY27E
Income Statement										
Interest Income	3,075.0	884.9	979.0	1,038.0	1,111.1	4,013.0	1,170.8	5,170.3	5,952.9	6,889.7
Interest Expense	1,415.0	423.0	453.3	489.5	520.1	1,885.9	557.3	2,395.8	2,851.7	3,360.3
Net Interest Income	1,660.0	461.9	525.8	548.5	591.0	2,127.1	613.5	2,774.5	3,101.2	3,529.5
YoY change (%)	19.4					28.1		30.4	11.8	13.8
Non Interest Income	624.9	188.1	163.6	139.5	179.9	671.0	185.3	770.3	921.6	1,102.3
Total Net Income	2,284.9	649.9	689.3	688.0	770.9	2,798.2	798.8	3,544.8	4,022.8	4,631.7
Total Operating Expenses	1,284.5	376.9	406.2	392.7	428.9	1,604.8	443.0	2,237.6	2,387.7	2,702.8
Pre Provision profit	1,000.4	273.0	283.1	295.3	341.9	1,193.3	355.8	1,307.2	1,635.1	1,928.9
YoY change (%)	70.5					19.3		9.5	25.1	18.0
Provisions	744.4	182.7	160.2	160.6	175.4	679.0	195.6	644.7	773.7	924.5
Profit Before Tax	256.0	90.4	122.9	134.6	166.5	514.4	160.1	662.5	861.4	1,004.5
YoY change (%)	1,365.1					100.9		28.8	30.0	16.6
Tax	0.0				-155.2	-155.2	-10.4	-40.0	-40.0	0.0
Net profit	256.0	90.4	122.9	134.6	321.7	669.5	170.5	702.5	901.4	1,004.5
YoY change (%)	1,365.1					161.6		4.9	28.3	11.4
Return Ratio										
RoAA (%)	1.1					2.3		2.0	2.1	2.0
RoAE (%)	17.1					24.9		17.9	19.1	17.7
NIM(%)	8.1					8.1		8.8	8.5	8.1
Balance Sheet										
Cash & Balances with RBI	1,010.9	993.1	976.8	1,284.6	1,025.6	1,025.6	1,027.5	1,229.0	1,474.8	1,755.0
Inter bank borrowing	1,076.4	967.0	35.3	1,109.0	1,028.5	1,028.5	529.8	3,580.5	4,620.2	5,554.9
Investments	5,221.2	5,495.5	5,509.2	5,190.6	6,737.7	6,737.7	6,765.9	5,462.2	6,554.7	7,800.1
Loan and Advances	17,759.6	18,476.0	21,008.7	21,964.3	23,111.3	23,111.3	24,207.4	27,629.7	33,080.9	39,531.7
Other Assets	575.6	496.0	575.8	604.9	806.7	806.7	763.3	821.3	870.1	929.0
Total Assets	25,643.7	26,427.6	28,105.9	30,153.4	32,709.8	32,709.8	33,293.9	38,722.9	46,600.9	55,570.7
Deposits	16,334.0	16,809.4	18,936.7	20,784.6	22,571.2	22,571.2	23,709.6	27,311.2	32,773.5	39,000.4
Borrowings	6,277.5	5,963.5	5,313.5	5,360.8	5,211.5	5,211.5	4,629.0	5,498.5	6,611.1	7,957.1
Other Liability	1,235.0	1,209.6	1,286.6	1,289.1	1,350.0	1,350.0	1,197.9	1,633.8	2,035.5	2,427.4
Equity	325.0	451.8	343.5	355.8	104.6	104.6	104.6	104.6	104.6	104.6
Reserves	1,472.3	1,993.3	2,225.4	2,363.1	3,472.5	3,472.5	3,652.9	4,175.1	5,076.5	6,080.9
Share warrant O/s	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	25,643.7	26,427.6	28,105.9	30,153.4	32,709.8	32,709.8	33,293.9	38,722.9	46,600.9	55,570.7
Check	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
Gross NPA (Rs. Cr)	709.2					494.3		734.1	982.3	1,173.8
Gross NPA (%)	3.9					2.1		2.6	2.9	2.9
Net NPA (Rs. Cr)	468.0					130.0		193.1	258.4	308.8
Net NPA (%)	2.6					0.6		0.7	0.8	0.8

Source: ACE Equity, Company Reports & Ventura Research

JSFB's consolidated financials & projections

Y/E March (INR crore)	FY23	FY24	FY25E	FY26E	FY27E	Y/E March (INR crore)	FY23	FY24	FY25E	FY26E	FY27E
Income Statement						Ratio Analysis					
Interest Income	3,075.0	4,013.0	5,170.3	5,952.9	6,889.7	Efficiency Ratio (%)					
Interest Expense	1,415.0	1,885.9	2,395.8	2,851.7	3,360.3	Int Expended / Int Earned	46.0	47.0	46.3	47.9	48.8
Net Interest Income	1,660.0	2,127.1	2,774.5	3,101.2	3,529.5	Int Income / Total Funds	12.0	12.3	13.4	12.8	12.4
YoY change (%)	19.4	28.1	30.4	11.8	13.8	NII / Total Income	44.9	45.4	46.7	45.1	44.2
Non Interest Income	624.9	671.0	770.3	921.6	1,102.3	Other Inc. / Total Income	16.9	14.3	13.0	13.4	13.8
Total Net Income	2,284.9	2,798.2	3,544.8	4,022.8	4,631.7	Ope. Exp. / Total Income	34.7	34.3	37.7	34.7	33.8
Total Operating Expenses	1,284.5	1,604.8	2,237.6	2,387.7	2,702.8	Credit / Deposit	108.7	102.4	101.2	100.9	101.4
Pre Provision profit	1,000.4	1,193.3	1,307.2	1,635.1	1,928.9	Investment / Deposit	32.0	29.9	20.0	20.0	20.0
YoY change (%)	70.5	19.3	9.5	25.1	18.0	NIM(%)	8.1	8.1	8.8	8.5	8.1
Provisions	744.4	679.0	644.7	773.7	924.5	Solvency					
Profit Before Tax	256.0	514.4	662.5	861.4	1,004.5	Gross NPA (Rs. Cr)	709.2	494.3	734.1	982.3	1,173.8
YoY change (%)	1,365.1	100.9	28.8	30.0	16.6	Gross NPA (%)	3.9	2.1	2.6	2.9	2.9
Tax	0.0	-155.2	-40.0	-40.0	0.0	Net NPA (Rs. Cr)	468.0	130.0	193.1	258.4	308.8
Net profit	256.0	669.5	702.5	901.4	1,004.5	Net NPA (%)	2.6	0.6	0.7	0.8	0.8
YoY change (%)	1,365.1	161.6	4.9	28.3	11.4	Capital Adequacy Ratio (%)	15.6	20.3	19.3	18.7	19.1
Balance Sheet						Tier I Capital (%)	13.0	19.0	18.1	17.3	17.8
Cash & Balances with RBI	1,010.9	1,025.6	1,229.0	1,474.8	1,755.0	Tier II Capital (%)	2.6	1.3	1.2	1.4	1.3
Inter bank borrowing	1,076.4	1,028.5	3,580.5	4,620.2	5,554.9	Per Share Data					
Investments	5,221.2	6,737.7	5,462.2	6,554.7	7,800.1	EPS	46.6	64.0	67.2	86.2	96.0
Loan and Advances	17,759.6	23,111.3	27,629.7	33,080.9	39,531.7	Book Value	326.9	342.0	409.2	495.4	591.4
Other Assets	575.6	806.7	821.3	870.1	929.0	Adj Book Value of Share	241.8	329.6	390.7	470.7	561.9
Total Assets	25,643.7	32,709.8	38,722.9	46,600.9	55,570.7	Valuation Ratio					
Deposits	16,334.0	22,571.2	27,311.2	32,773.5	39,000.4	Price/Earnings (x)	12.1	8.8	8.4	6.5	5.9
Borrowings	6,277.5	5,211.5	5,498.5	6,611.1	7,957.1	Price/Book Value (x)	1.7	1.6	1.4	1.1	1.0
Other Liability	1,235.0	1,350.0	1,633.8	2,035.5	2,427.4	Price/Adj.Book Value (x)	2.3	1.7	1.4	1.2	1.0
Equity	325.0	104.6	104.6	104.6	104.6	Return Ratio					
Reserves	1,472.3	3,472.5	4,175.1	5,076.5	6,080.9	RoAA (%)	1.1	2.3	2.0	2.1	2.0
Share warrant O/s	0.0	0.0	0.0	0.0	0.0	RoAE (%)	17.1	24.9	17.9	19.1	17.7
Total Liabilities	25,643.7	32,709.8	38,722.9	46,600.9	55,570.7	Growth Ratio (%)					
Dupont Analysis						Interest Income	12.8	30.5	28.8	15.1	15.7
% of Average Assets						Interest Expenses	5.9	33.3	27.0	19.0	17.8
Net Interest Income	7.2	7.3	7.8	7.3	6.9	Other Income	86.1	7.4	14.8	19.6	19.6
Non Interest Income	2.7	2.3	2.2	2.2	2.2	Total Income	20.8	26.6	26.8	15.7	16.3
Net Income	10.0	9.6	9.9	9.4	9.1	Net profit	1,365.1	161.6	4.9	28.3	11.4
Operating Expenses	5.6	5.5	6.3	5.6	5.3	Deposits	20.7	38.2	21.0	20.0	19.0
Operating Profit	4.4	4.1	3.7	3.8	3.8	Advances	36.5	30.1	19.6	19.7	19.5
Provisions & Contingencies	3.2	2.3	1.8	1.8	1.8						
Taxes	0.0	-0.5	-0.1	-0.1	0.0						
ROAA	1.1	2.3	2.0	2.1	2.0						

Source: Company Reports & Ventura Research

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