Pick of the Week

Jana Small Finance Bank

Fueling India's Growth, Delivering Investor Value

June 28, 2026

Reco BUY

Industry	BFSI - SFB
LTP (Jun 25, 2026)	Rs 448.5
Entry Range	**Rs 445-455**
Add on Dips	**Rs 400-410**
Base Case Target	**Rs 492**
Bull Case Target	**Rs 543**
Time Horizon	4 Quarters

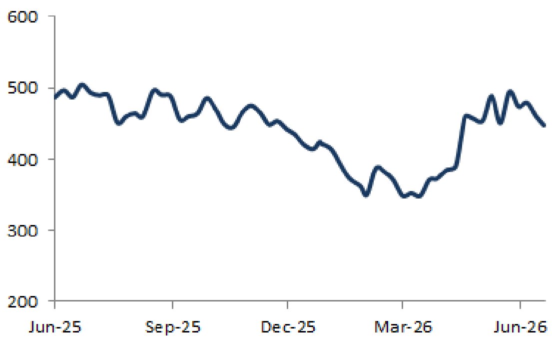
Stock Info

BSE Code	544118
NSE Code	JSFB
Bloomberg	JSFB:IN
CMP Jun 25, 2026	448.5
Equity Capital (Rs Cr)	105.3
Face Value (Rs)	10
Equity Share O/S (Cr)	10.5
Market Cap (Rs Cr)	4725
Adj. Book Value (Rs)	396.5
Avg. 52 Wk Volumes	4,25,000
52 Week High	518.8
52 Week Low	330.0

Share Holding Pattern % (Mar'26)

Promoters	21.8
Institutions	20.6
Non-Institutions	57.6
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

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Beyond Microfinance: Jana SFB Scales New Heights with Diversified Growth.

Our Take

Jana Small Finance Bank presents a compelling turnaround and growth narrative. The bank has successfully outgrown its legacy vulnerabilities by building a nationwide branch layout, shifting its portfolio mix decisively in favor of secured assets, and establishing a credible, fast-growing retail deposit framework. The potential upgrade to a universal banking license serves as a powerful medium-term catalyst that could fundamentally re-rate the stock's valuation multiples.

Secured book growth should outpace unsecured, with secured advances expected to grow 25% to 30% in FY27, led by affordable housing, gold loans, vehicle loans, and a recovery in micro LAP. Strong CASA deposit growth is expected to support margin improvement.

Over the last few years, the bank has Jana Small Finance Bank has executed an aggressive asset clean-up, tackling stressed microfinance portfolios by offloading hundreds of crores in non-performing assets (NPAs) to Asset Reconstruction Companies (ARCs) and shifting its focus toward secured lending to protect its balance sheet. Lower NPA levels and strong collection efficiency have moderated credit costs, which are expected to improve further.

Management highlighted an "anchor bank" model, with multiple products per customer, higher carding, digital adoption, and a higher average relationship count as the route to better retention and cross-sell.

- ***Jana Small Finance Bank's Q4FY26 performance was a clear step-up from the weak quarters before it, with PAT at about Rs 140cr, asset growth around 23% YoY, deposits also up about 23%, and credit costs easing sharply. The management commentary suggests that the microfinance stress is largely behind the bank, while the next phase of growth will come from secured lending, better operating leverage, and stronger digital engagement***
- ***We feel that investors can buy the stock between in the band of Rs 445-455 and add more on dips in Rs 400-410 band. We expect the Base case fair value of Rs 492 (0.95x FY28E ABVPS) and the Bull case fair value of Rs 543 (1.05x FY28E ABVPS) over the next 4 quarters.***

Efficiency in Motion: Improves NIMs to 7.2% while Scaling Assets

Jana reported a sharp rebound in profitability on a sequential basis with PAT at Rs 140cr (Q3FY26: Rs 10cr). The growth was supported by improving asset quality, with net credit cost falling to 0.47%, one of the lowest levels in recent quarters. NII grew by 26.5% YoY to Rs 736cr, driven by 23% growth in advances even as NIM contracted ~20bps to 7.2% on account of higher proportion of secured loans.

A notable positive was the shift in portfolio mix toward secured lending. The secured book rose to about 72.6% of the total portfolio, reflecting the bank's strategy to reduce vulnerability to stress in the unsecured and microfinance segments. Gold loans AUM expanded 141% to Rs 2,358cr and affordable housing AUM grew 33% YoY to Rs 8,174cr.

Asset quality trends looked better than in the previous year. GNPA declined to 2.3% from 2.5% a year earlier while NNPA improved marginally. Management pointed out that overall SMA stood at 3.7% in March 2026, lower than March 2024, indicating that the microfinance pain has cooled meaningfully.

Management Guidance & Outlook

- *Management sounded constructive on FY27. It has guided for gross loan portfolio growth of 19% to 21%, CASA growth of 27% to 30%, and PAT growth of 80% plus for the year ahead.*
- *Management cited strong growth in mobile app registrations and mobile transactions, and it is testing a credit line on UPI while also preparing to go live with an AD1 license for foreign exchange.*
- *RoE can move meaningfully higher as the earnings mix normalizes and credit costs remain controlled.*

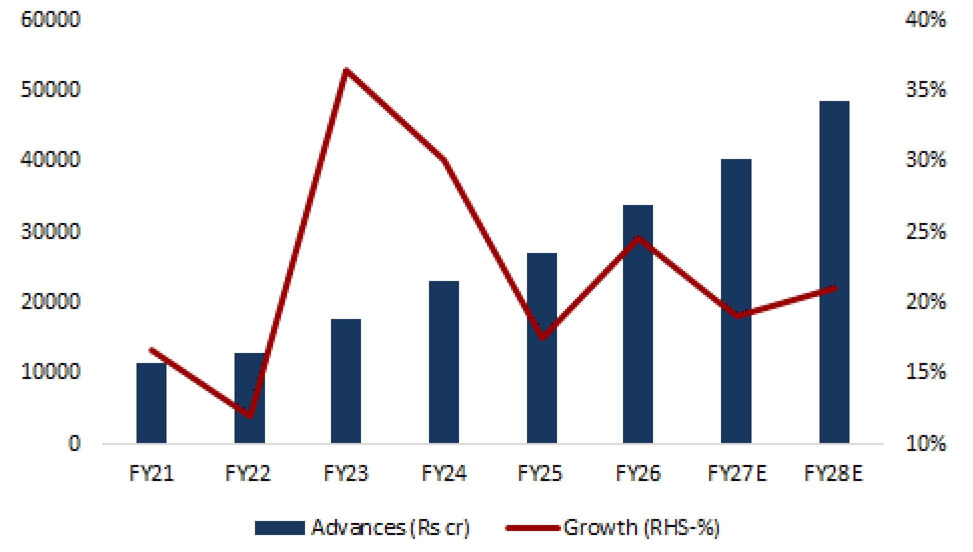
Financial Summary

Particulars (Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26P	FY27E	FY28E
NII	736	581	*26.5*	664	*10.8*	2128	2393	2593	3058	3648
PPOP	335	277	*20.7*	276	*21.3*	1245	1221	1166	1449	1816
PAT	140	120	*16.7*	10	*1344.3*	670	501	326	523	793
EPS (Rs)	13.3	11.4	*16.4*	0.9	*1343.6*	64.0	47.7	31.0	49.7	75.3
ABV (Rs)						329.6	367.8	396.5	445.2	516.7
P/E (x)						7.0	9.4	14.5	9.0	6.0
P/ABV (x)						1.4	1.2	1.1	1.0	0.9
RoAA (%)						2.3	1.4	0.8	1.0	1.3
RoAE (%)						24.9	13.0	7.6	11.1	14.7

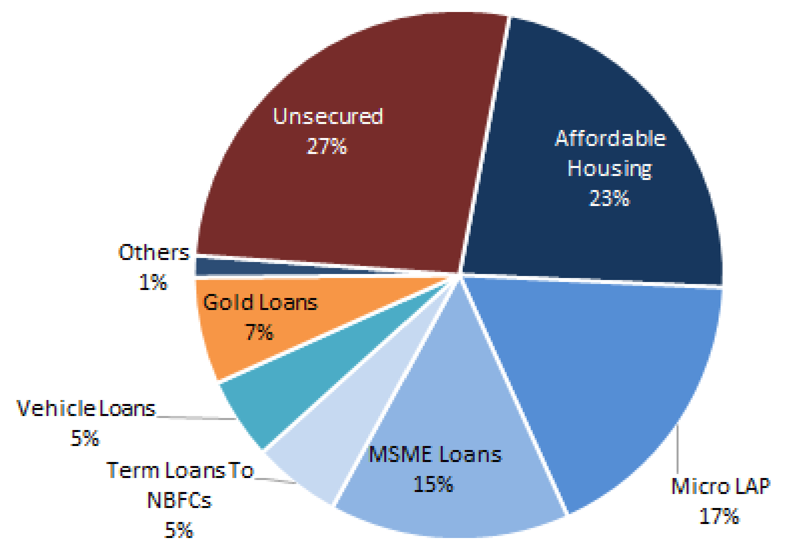
(Source: Company, HDFC sec)

Story in Charts

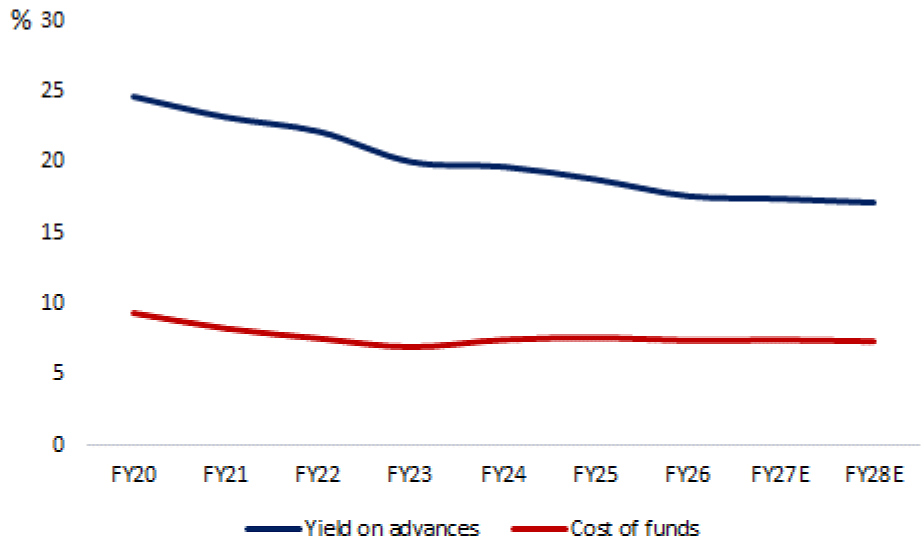
Advances trend



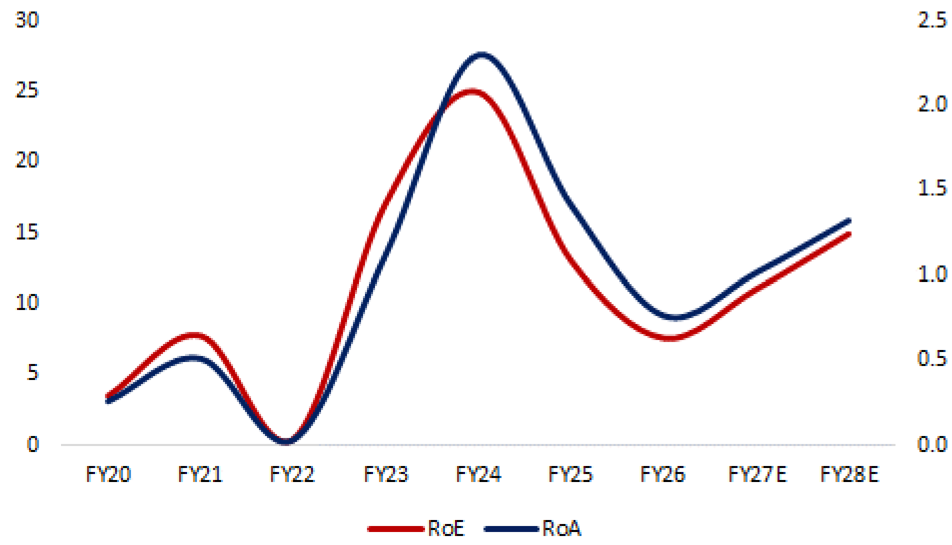
AUM breakup



Yield and Borrowing trend



Return ratios (%)



(Source: Company, HDFC sec)

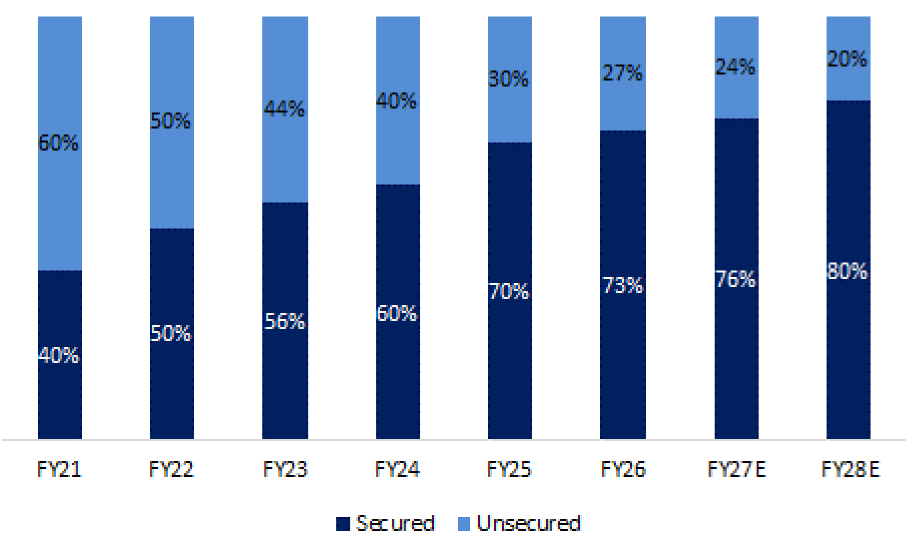
Key Drivers

Secured loan account for 73% of AUM

Successful Strategic Shift from Unsecured to Secured Lending

The core driver of Jana SFB's long-term investment thesis is its deliberate and aggressive structural pivot from unsecured microfinance to secured retail loans. At the time of its SFB transition, the bank's loan book was overwhelmingly dominated by unsecured microfinance loans, which left it highly exposed to economic shocks.

Focus on increasing secured loan share



(Source: Company, HDFC sec)

Secured loans accounted for ~73% of the book, and secured assets grew faster than unsecured assets in Q4FY26. This is strategically important because it reduces dependence on the most volatile part of the portfolio and should make the bank's earnings profile less cyclical over time. This secured portfolio consists of:

- Micro LAP (Loans Against Property) and MSME loans.
- Affordable Housing Loans, which provide steady, long-term yields.
- Gold Loans and Two-Wheeler Loans, allowing for quick monetization and lower defaults.

Secured lending usually brings lower loss severity, better recovery prospects, and improved confidence in future credit quality. Jana's growth in gold loans and other secured categories strengthens the case that the bank is building a more durable franchise. The Bank may gradually transition from being viewed primarily as a microfinance-sensitive lender to a more balanced small finance bank with broader lending resilience.

For the remaining unsecured portfolio, the bank is actively utilizing government and institutional guarantee programs (such as Credit Guarantee Funds), aiming to have a massive chunk of its unsecured book covered under guarantee mechanisms. This structural adjustment materially de-risks the balance sheet.

Retail deposits comprise 63% of total deposits

Robust liability franchise and rapid Retail Deposit growth

A strong liability franchise is the bedrock of any successful bank. Jana SFB has successfully leveraged its legacy brand and competitive interest rate strategies to build a highly diversified deposit franchise. Total deposits have registered exceptional growth, compounding significantly over the last few years to surpass Rs 29,000cr.

The bank has transitioned away from volatile, expensive bulk deposits toward retail term deposits and CASA (Current Account Savings Account) franchises. Retail deposits comprise nearly 63% of the bank's deposit profile. Its ability to mobilize public deposits gives it a distinct cost-of-funds advantage over Non-Banking Financial Companies (NBFCs) and traditional MFIs. This provides healthy buffers to protect its Net Interest Margins (NIMs), which hover comfortably between 7.5% and 8.0%.

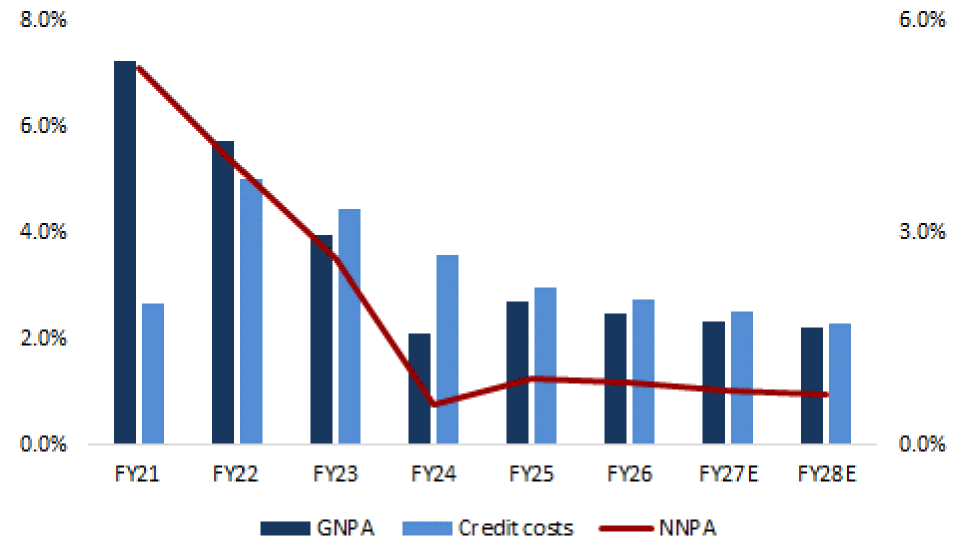
Stabilising NPA levels – lower credit costs

Normalising credit costs

Jana SFB has witnessed sharp improvement in asset quality and the reduction in credit costs. The bank's credit cost fell from 0.79% in Q3FY26 to 0.47% in Q4FY26, while slippages were lower by 24% sequentially. GNPA and NNPA also stood at 2.3% and 0.9%, with PCR at 76%, indicating that the bank is carrying a more controlled provisioning burden than earlier. For a lender that has recently gone through stress, this trend is important because it directly supports earnings sustainability.

The bank appears to be exiting the period of peak stress in its MFI-linked exposures. Management noted that overall SMA at March 2026 was lower than March 2024, when the MFI flows began, which suggests that stress has not worsened structurally. We believe Jana would be able to hold credit costs around current levels, driving further improvement in earnings quality.

Improving NPA to drive lower credit costs



(Source: Company)

Strong capitalisation levels gives room to execute

With CRAR at 19.4% and Tier-1 CRAR at 17.5%, Jana appears reasonably well capitalized for its growth ambitions. Strong capital reduces the risk that growth will require immediate dilution, assuaging dilution concerns. If asset quality stays stable and growth remains on track, the bank has the potential to convert operating improvements into higher return ratios over the next few quarters.

Geographical Diversification and Mitigated Concentration Risk

Unlike many regional Small Finance Banks that suffer from extreme concentration in one or two states (e.g., heavily reliant on southern or western clusters), Jana SFB has established a truly pan-India footprint.

- The bank operates in 23 states and 2 Union Territories.
- Its highest exposure to a single state does not exceed 14% of its overall business.
- The top three states combined contribute under 38% of advances and 33% of deposits.

This deep geographical distribution insulates the bank against localized disruptions such as regional political interventions, loan waivers, state-specific economic slowdowns, or natural calamities.

Advanced Digital Infrastructure and Operational Scalability

Jana SFB operates primarily as a digital-first bank. Over 90% of its asset originations and nearly 99% of its savings accounts are processed and opened digitally via tablets and mobile interfaces. High digital adoption has enabled the bank to scale up operations without a proportional increase in physical capital expenditure. The integration of core banking software, robust mobile banking applications, and digital payment frameworks has enhanced business per employee and average deposit books per branch. This technical infrastructure improves customer retention and unlocks robust cross-selling opportunities for third-party products (insurance, mutual funds, and POS terminal services).

Transition Toward a Universal Banking License

A major milestone for the institution is its eligibility and formal application to the Reserve Bank of India (RBI) for conversion into a Universal Bank. Having fulfilled the required criteria regarding profitability, track record, capital adequacy (CRAR consistently above 20%), and Net NPA thresholds, a successful transition to a universal bank would unlock:

- A lower cost of capital and enhanced systemic trust.
- Removal of restrictive SFB lending ceilings (such as mandatory 50% loans to ticket sizes under Rs 25 lakhs and 75% Priority Sector Lending targets).
- Greater operational freedom to capture high-value corporate and retail business.

Risks & Concerns

Residual Stress in the Microfinance Segment and Unsecured Books

Despite the aggressive scale-up of the secured book, roughly 27% to 30% of Jana SFB’s portfolio remains exposed to unsecured lending, primarily microfinance. Any widespread distress in this segment triggers immediate asset quality degradation.

High Historical Credit Costs and Legacy Asset Quality Issues

Jana's historical asset quality metrics require careful monitoring. During its structural cleanup phase, the bank carried a high Gross NPA (GNPA) ratio and elevated credit costs. Maintaining these improved asset quality metrics is highly dependent on continuous collection efficiency and the performance of newer vintage loans in the MSME and LAP segments.

Intense Competition for Low-Cost Deposits (CASA)

The Indian banking landscape is witnessing fierce competition for deposits. Large private and public sector banks and peer SFBs are aggressively chasing retail deposits by offering competitive products. Jana SFB's CASA ratio stands at approximately 18%, which is relatively lower compared to some top-tier peers. To fund its high asset growth (targeted at 35% to 40% in secured assets), the bank must continuously offer higher deposit rates, which can exert downward pressure on its interest margins if asset yields face compression.

Onerous Regulatory Compliance and SFB Mandates

Until Jana SFB receives an official nod for its Universal Banking license, it remains bound by strict regulatory guidelines set by the RBI for Small Finance Banks which could limit the bank’s ability to maximize risk-adjusted returns on large-ticket commercial assets and place a heavy operational burden on maintaining a highly granular, volume-driven loan book.

Company Description

Jana Small Finance Bank (JSFB) is the fourth-largest Small Finance Bank (SFB) in India in terms of both Assets Under Management (AUM) and deposit size. Established initially as Janalakshmi Financial Services in 2006, it underwent a severe crisis post-demonetisation due to its heavily concentrated microfinance portfolio. However, since transitioning into a Small Finance Bank in 2018, the institution has executed a major turnaround strategy.

Today, Jana SFB has evolved from an unsecured microfinance institution (MFI) into a diversified digital retail bank. The bank boasts a pan-India network of over 800 banking outlets across 23 states and Union Territories, serving more than 4.2 million active customers. Analyzing Jana SFB requires an evaluation of its strategic transformation, ongoing financial metrics, its application for a universal banking license, and the systemic risks inherent to its customer base.

Financial Statements

Income Statements

Particulars (in Rs Cr)	FY23	FY24	FY25	FY26P	FY27E	FY28E
Interest Income	3075	4014	4710	5353	6429	7600
Interest Expenses	1415	1886	2317	2760	3370	3953
Net Interest Income	**1660**	**2128**	**2393**	**2593**	**3058**	**3648**
Non interest income	625	670	776	1022	1222	1468
Operating Income	**2285**	**2798**	**3169**	**3615**	**4281**	**5116**
Operating Expenses	1344	1553	1948	2449	2831	3299
Pre Provisioning operating profit	941	1245	1221	1166	1449	1816
Provisions & Contingencies	685	730	747	839	926	1023
Profit Before Tax	256	514	474	326	523	793
Tax	0	-155	-28	0	0	0
PAT	**256**	**670**	**501**	**326**	**523**	**793**

(Source: Company, HDFC sec)

Balance Sheet

Particulars (in Rs Cr) - As at March	FY23	FY24	FY25	FY26P	FY27E	FY28E
Share Capital	55	105	105	105	105	105
Reserves & Surplus	1472	3473	4013	4365	4888	5682
Shareholder funds	**1797**	**3577**	**4118**	**4470**	**4994**	**5787**
Deposits	16334	22571	29120	35784	43057	51396
Borrowings	6277	5211	3867	5497	5837	7063
Other Liab & Prov.	1235	1350	1359	1696	1759	2145
SOURCES OF FUNDS	**25644**	**32710**	**38464**	**47448**	**55647**	**66391**
Cash & Bank Balance	2087	2053	4459	2558	2818	3166
Investment	5221	6738	5945	9812	11271	13151
Advances	17760	23111	27155	33828	40255	48708
Fixed Assets	128	142	153	199	199	207
Other Assets	448	667	751	1051	1104	1159
TOTAL ASSETS	**25644**	**32710**	**38464**	**47448**	**55647**	**66391**

(Source: Company, HDFC sec)

Key Ratios

Particulars	FY23	FY24	FY25	FY26P	FY27E	FY28E
Return Ratios (%)						
Yield on advances	20.0	19.6	18.7	17.6	17.4	17.1
Cost of funds	7.0	7.5	7.6	7.4	7.5	7.4
NIM	7.7	7.7	7.3	6.6	6.4	6.4
RoAE	17.1	24.9	13.0	7.6	11.1	14.7
RoAA	1.1	2.3	1.4	0.8	1.0	1.3
Asset Quality Ratios (%)						
GNPA	3.9	2.1	2.7	2.5	2.3	2.2
NNPA	2.6	0.6	0.9	0.9	0.8	0.7
PCR	34.0	73.7	66.1	65.2	68.1	68.5
Growth Ratios (%)						
Advances	36.5	30.1	17.5	24.6	19.0	21.0
Borrowings	39.2	-17.0	-25.8	42.2	6.2	21.0
NII	19.4	28.2	12.5	8.4	17.9	19.3
PPP	51.5	32.3	-1.9	-4.5	24.3	25.3
PAT	4640.2	161.6	-25.1	-34.9	60.3	51.6
Valuation Ratios (x)						
EPS (Rs)	46.6	64.0	47.7	31.0	49.7	75.3
P/E	9.6	7.0	9.4	14.5	9.0	6.0
Adj. BVPS (Rs)	241.8	329.6	367.8	396.5	445.2	516.7
P/ABV	1.9	1.4	1.2	1.1	1.0	0.9
Dividend per share (Rs)	0.0	0.0	0.0	0.0	0.0	0.0
Other Ratios (%)						
Cost-Income	58.8	55.5	61.5	67.8	66.1	64.5
Credit-Deposit	108.7	102.4	93.3	94.5	93.5	94.8

(Source: Company, HDFC sec)

HDFC Sec Prime Research Rating description
Green Rating stocks
This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks
This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks
This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria
Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential
Sell - >10% downside return potential

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