February 11, 2021

Jana Small Finance Bank Limited: Rating reaffirmed for PTCs under seven microloan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/S after Last Surveillance (Rs. crore)	Amount after Dec-20 Payouts (Rs. crore)	Rating Action
Smith IFMR Capital 2016	PTC Series A2	5.38	3.81	3.65	[ICRA]D(SO); Reaffirmed
Goldstein IFMR Capital 2016	PTC Series A2	4.10	2.80	2.72	[ICRA]D(SO); Reaffirmed
Syme IFMR Capital 2016	PTC Series A2	1.58	1.31	1.23	[ICRA]D(SO); Reaffirmed
Oceania IFMR Capital 2016	PTC Series A3	20.56	7.60	5.65	[ICRA]D(SO); Reaffirmed
Moses IFMR Capital 2016	PTC Series A2	7.26	7.26	7.17	[ICRA]D(SO); Reaffirmed
Raphael IFMR Capital 2016	PTC Series A1	37.02	3.59	3.42	[ICRA]D(SO); Reaffirmed
	PTC Series A2	2.06	2.06	2.06	[ICRA]D(SO); Reaffirmed
Leonardo IFMR Capital 2016	PTC Series A2	1.78	1.45	1.36	[ICRA]D(SO); Reaffirmed

**Instrument details are provided in Annexure-1*

Rationale

The rating reflects the inadequacy of the pool collections and the credit enhancement available in the transactions to meet the promised payouts to the pass-through certificate (PTC) investors on the scheduled maturity date. A summary of the performance of the pools till the November 2020 collection month (December 2020 payout) has been tabulated below.

Parameters	Smith	Goldstein	Syme	Oceania	Moses	Raphael	Leonardo
Loan Type	Small Group	Small Group	Small Group	Small Group	Small Group	Jana Kisan	Jana Kisan
Months Post Securitisation	53	54	54	54	52	50	48
Pool Amortisation	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
PTC Amortisation:							
PTC A1	100.00%	100.00%	100.00%	100.00%	100.00%	90.76%	100.00%
PTC A2	32.02%	33.58%	21.89%	100.00%	1.17%	0.00%	23.87%
PTC A3	NA	NA	NA	72.52%	NA	NA	NA
Last 3 Month Avg. Collections (Rs crore)	0.03	0.02	0.01	0.12	0.04	0.02	0.01
Cumulative Collection Efficiency	89.12%	89.19%	89.82%	88.79%	86.49%	73.79%	76.29%
Cumulative Cash Collateral Utilisation	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Key rating drivers

Credit strengths

- Not applicable

Credit challenges

- Sustained weak collection performance in the pools
- Pool collections together with available credit enhancement were insufficient to meet the promised payouts to the PTC investors on their respective maturity dates

Description of key rating drivers highlighted above

The collection performance of the underlying loans was healthy till the October 2016 collection month. However, post the demonetisation event, the monthly collection levels declined significantly. Collections from overdue contracts have also been poor. Due to the sustained weaker-than-expected pool performances, there was a shortfall in meeting the scheduled payouts to the PTC investors even after the utilisation of the entire credit enhancement available in the transactions. The collections were also impacted in FY2021 due to the Covid-19 pandemic and subsequent lockdowns.

However, collections from overdue contracts post default have helped redeem the senior series of PTCs (as well as PTC Series A2 for the Oceania transaction) in six of the seven live transactions.

Performance of past rated pools: ICRA has rated 12 pools originated by Jana Small Finance Bank Limited (erstwhile Janalakshmi Financial Services Ltd) and had ratings outstanding on seven pools as on December 31, 2020. All the live pools have defaulted on the payments promised to the PTC investors.

Key rating assumptions

Not applicable

Liquidity position: Poor

On the scheduled maturity dates of these transactions, the CC in all the transactions has been fully utilised. Further repayments would be met through collections from the overdue loan contracts. Considering the collection trend in recent months, the full repayment of the PTCs is unlikely in the near to medium term.

Rating sensitivities

Not applicable

Analytical approach

The rating action is based on the analysis of the performance of Jana Small Finance Bank Limited's pools till December 2020, the key characteristics and composition of the current pools, the performance expected over the balance tenure of the pools, and the credit enhancement cover available in the transactions.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions Policy on Default Recognition
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Jana Small Finance Bank Limited (erstwhile Janalakshmi Financial Services Ltd (JFSL)) is a Bengaluru-based non-banking financial company - microfinance institution (NBFC-MFI) catering to the financial needs of urban poor women through the joint liability mechanism. The company was founded in 2006 by Mr. Ramesh Ramanathan as Janalakshmi Social Services (JSS), whose portfolio was taken over by JFSL in 2008. The promoter shareholding continues to be in JSS (now called Jana Urban Foundation or JUF); the corpus funds in JUF are used for social activities. Jana Small Finance Bank commenced operations as a small finance bank from March 28, 2018. Apart from group loans, the bank offers small business loans, housing loans, gold loans and agri loans among others.

Key financial indicators

	FY2019 Ind-GAAP	FY2020 Ind-GAAP	H1 FY2021 Ind-GAAP
Total Income	1,354	2,255	1,335
Profit after Tax	(1,949)	(30)	82
Net advances	6,217	9,959	10,221
% Gross NPAs	8.4%	3.2%	2.7%
% Net NPAs	4.6%	1.4%	0.8%

Source: *ICRA research; Amount in Rs. crore*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Feb 11, 2021	Jan-31-2020	Jan-23-2019	Feb-02-2018
1	Smith IFMR Capital 2016	PTC Series A2	5.38	3.65	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Feb 11, 2021	Jan-31-2020	Jan-23-2019	Feb-02-2018
2	Goldstein IFMR Capital 2016	PTC Series A2	4.10	2.72	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Feb 11, 2021	Jan-31-2020	Jan-23-2019	Feb-02-2018
3	Syme IFMR Capital 2016	PTC Series A2	1.58	1.23	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Feb 11, 2021	Jan-31-2020	Jan-23-2019	Feb-02-2018
4	Oceania IFMR Capital 2016	PTC Series A3	20.56	5.65	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Feb 11, 2021	Jan-31-2020	Jan-23-2019	Feb-02-2018
5	Moses IFMR Capital 2016	PTC Series A2	7.26	7.17	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Feb 11, 2021	Jan-31-2020	Jan-23-2019	Feb-02-2018
6	Raphael IFMR Capital 2016	PTC Series A1	37.02	3.42	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)
		PTC Series A2	2.06	2.06	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Feb 11, 2021	Jan-31-2020	Jan-23-2019	Feb-02-2018
7	Leonardo IFMR Capital 2016	PTC Series A2	1.78	1.36	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

Issue Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Smith IFMR Capital 2016	PTC Series A2	Jun 2016	14.00%	Feb 2018	3.65	[ICRA]D(SO)
Goldstein IFMR Capital 2016	PTC Series A2	Jun 2016	14.00%	Jan 2018	2.72	[ICRA]D(SO)
Syme IFMR Capital 2016	PTC Series A2	Jun 2016	14.00%	Jan 2018	1.23	[ICRA]D(SO)
Oceania IFMR Capital 2016	PTC Series A3	Jun 2016	14.00%	Feb 2018	5.65	[ICRA]D(SO)
Moses IFMR Capital 2016	PTC Series A2	Jul 2016	14.00%	Mar 2018	7.17	[ICRA]D(SO)
Raphael IFMR Capital 2016	PTC Series A1	Sep 2016	10.10%	Jul 2018	3.42	[ICRA]D(SO)
	PTC Series A2		14.00%		2.06	[ICRA]D(SO)
Leonardo IFMR Capital 2016	PTC Series A2	Dec 2016	14.00%	Sep 2018	1.36	[ICRA]D(SO)

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Abhishek Dafria
+91 22 6114 3440
abhishek.dafria@icraindia.com

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Himanshi Doshi
+91 22-6114 3410
himanshi.doshi@icraindia.com

Yuvraj Handa
+91 22 6114 3400
yuvraj.handa@icraindia.com

Mithil Thakkar
+91 22-6114 3432
mithil.thakkar@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6169 3304
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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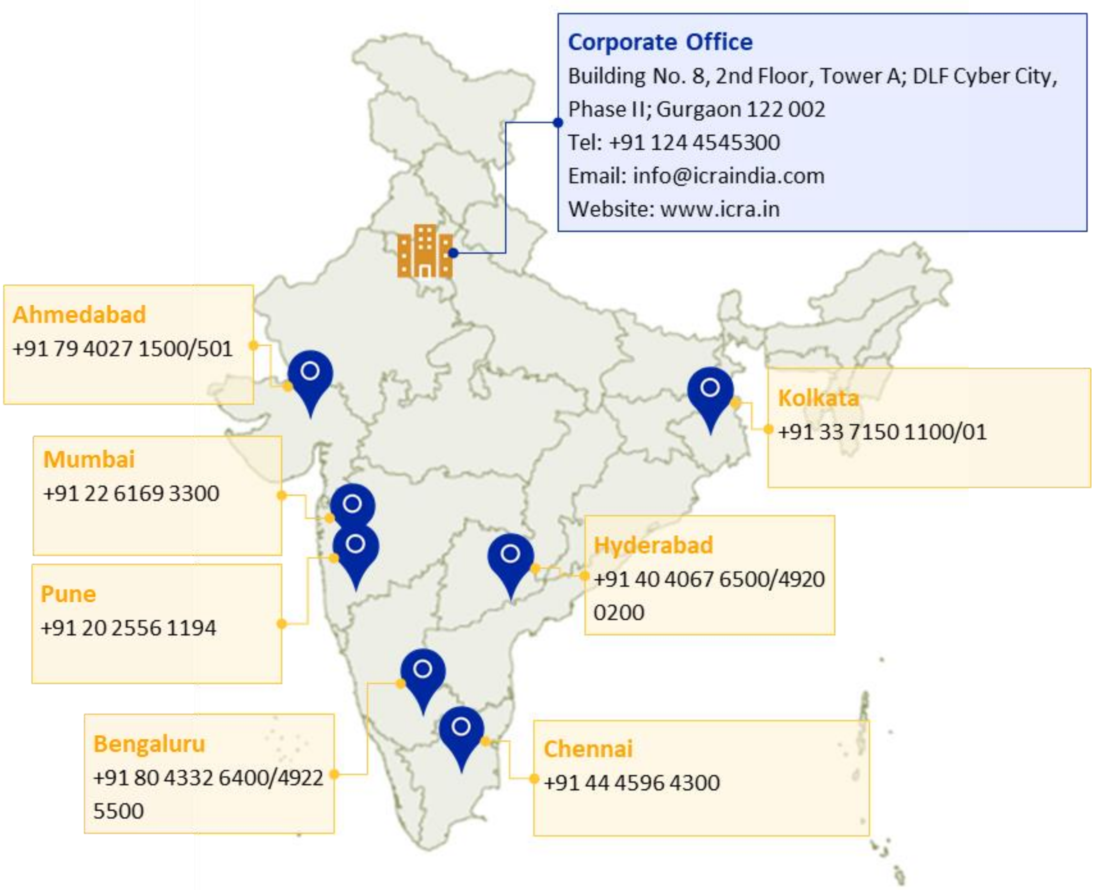
ICRA Limited

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches



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