February 25, 2022

# Jana Small Finance Bank Limited: Ratings reaffirmed at [ICRA]D(SO) for pass through certificates (PTCs) under 7 securitisation transactions

## Summary of rating action

| Trust Name | Instrument* | Initial Rated Amount (Rs. crore) | Amount O/s after Last Surveillance (Rs. crore) | Amount after Jan-22 Payout (Rs. crore) | Rating Action |
|---|---|---|---|---|---|
| Smith IFMR Capital 2016 | PTC Series A2 | 5.38 | 3.65 | 3.65 | [ICRA]D(SO); Reaffirmed |
| Goldstein IFMR Capital 2016 | PTC Series A2 | 4.10 | 2.72 | 2.72 | [ICRA]D(SO); Reaffirmed |
| Syme IFMR Capital 2016 | PTC Series A2 | 1.58 | 1.23 | 1.23 | [ICRA]D(SO); Reaffirmed |
| Oceania IFMR Capital 2016 | PTC Series A3 | 20.56 | 5.65 | 4.18 | [ICRA]D(SO); Reaffirmed |
| Moses IFMR Capital 2016 | PTC Series A2 | 7.26 | 7.17 | 7.17 | [ICRA]D(SO); Reaffirmed |
| Raphael IFMR Capital 2016 | PTC Series A1 | 37.02 | 3.42 | 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 | 1.36 | 1.36 | [ICRA]D(SO); Reaffirmed |

**Instrument details are provided in Annexure-1*

## Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under a securitisation transaction originated by Jana Small Finance Bank Limited (JSFBL) [rated [ICRA]BBB(Stable)]. The PTCs are backed by microloan receivables. The receivables have been assigned to the various trust as mentioned above at par and the trust has issued PTCs backed by the same.

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 December 2021 collection month (January 2022 payout) has been tabulated below.

## Pool performance summary

| Parameter | 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 | 67 | 68 | 68 | 68 | 66 | 64 | 62 |
| 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) | 0.02 | 0.02 | 0.01 | 0.10 | 0.04 | 0.001 | 0.002 |

| Parameter | Smith | Goldstein | Syme | Oceania | Moses | Raphael | Leonardo |
|---|---|---|---|---|---|---|---|
| Cumulative Collection Efficiency | 89.39% | 89.46% | 90.11% | 89.11% | 86.80% | 74.08% | 76.38% |
| 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 post January 2022 payout month. 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, 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 2021, 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]<br>[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 Limited) commenced operations as a non-banking finance company (NBFC) on March 4, 2008 and was later classified as a non-banking finance company-microfinance institution (NBFCMFI). The bank received a license to set up a small finance bank on April 28, 2017 and commenced banking operations on March 28, 2018. Jana Holdings Limited (JHL), a non-banking finance company-non-operative financial holding company (NBFCNOFHC), holds a 42.1% stake in JSFB as on September 30, 2020. Incorporated on March 10, 2016, Jana Holdings Limited (JHL) is a non-banking finance company – non-operative financial holding company (NBFC-NOFHC).

JSFB has a diversified presence across 22 states and union territories in India, with a gross portfolio of Rs. 11,263 crore as on September 30, 2020.

### Key financial indicators

| JSFBL | FY2019 (Audited) | FY2020 (Audited) | 6M FY2021 |
|---|---|---|---|
| Total income (Rs. crore) | 1,354.3 | 2,255.1 | 1,308.9 |
| Profit after tax (Rs. crore) | (1,949.1) | 30.1 | 82.4 |
| Total managed assets (Rs. crore) | 9,748.8 | 15,306.1 | 16,194.0 |
| Gross NPA (%) | 8.4% | 2.8% | 2.5% |
| Net NPA (%) | 4.6% | 1.3% | 0.8% |

***Source:*** *Bank financial statements; Note: Amounts in Rs. Crore; *net of provisions*

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

| | Trust Name | Current Rating (FY2022) | | | | Chronology of Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|---|
| | | Instrument | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | February 25, 2022 | February 11, 2021 | Jan 31, 2020 | Jan 23, 2019 |
| 1 | Smith IFMR Capital 2016 | PTC Series A2 | 5.38 | 3.65 | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) |

| | Trust Name | Current Rating (FY2022) | | | | Chronology of Rating History for the past 3 years | | |
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| | | Instrument | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | February 25, 2022 | February 11, 2021 | Jan 31, 2020 | Jan 23, 2019 |
| 2 | Goldstein IFMR Capital 2016 | PTC Series A2 | 4.10 | 2.72 | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) |

| | Trust Name | Current Rating (FY2022) | | | | Chronology of Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|---|
| | | Instrument | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | February 25, 2022 | February 11, 2021 | Jan 31, 2020 | Jan 23, 2019 |
| 3 | Syme IFMR Capital 2016 | PTC Series A2 | 1.58 | 1.23 | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) |

| | Trust Name | Current Rating (FY2022) | | | | Chronology of Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|---|
| | | Instrument | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | February 25, 2022 | February 11, 2021 | Jan 31, 2020 | Jan 23, 2019 |
| 4 | Oceania IFMR Capital 2016 | PTC Series A3 | 20.56 | 4.18 | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) |

| | Trust Name | Current Rating (FY2022) | | | | Chronology of Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|---|
| | | Instrument | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | February 25, 2022 | February 11, 2021 | Jan 31, 2020 | Jan 23, 2019 |
| 5 | Moses IFMR Capital 2016 | PTC Series A2 | 7.26 | 7.17 | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) | [ICRA]D(SO) |

| | Trust Name | Current Rating (FY2022) | | | | Chronology of Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|---|
| | | Instrument | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | February 25, 2022 | February 11, 2021 | Jan 31, 2020 | Jan 23, 2019 |
| 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) |

| | Trust Name | Current Rating (FY2022) | | | | Chronology of Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|---|
| | | Instrument | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | February 25, 2022 | February 11, 2021 | Jan 31, 2020 | Jan 23, 2019 |
| 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

| Trust Name | Instrument | Complexity Indicator |
|---|---|---|
| Smith IFMR Capital 2016 | PTC Series A2 | Moderately Complex |
| Goldstein IFMR Capital 2016 | PTC Series A2 | Moderately Complex |
| Syme IFMR Capital 2016 | PTC Series A2 | Moderately Complex |
| Oceania IFMR Capital 2016 | PTC Series A3 | Moderately Complex |
| Moses IFMR Capital 2016 | PTC Series A2 | Moderately Complex |
| Raphael IFMR Capital 2016 | PTC Series A1 | Moderately Complex |
| | PTC Series A2 | Moderately Complex |
| Leonardo IFMR Capital 2016 | PTC Series A2 | Moderately Complex |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

## Annexure-1: Instrument details

| Trust Name | Instrument | Date of Issuance | Coupon Rate (p.a.p.m.) | Scheduled 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 | 4.18 | [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) |

** Scheduled maturity at transaction initiation; may change on account of prepayment*

***Source:*** *Company*

### Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

## ICRA Limited

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### Branches