

January 18, 2023

Jana Small Finance Bank Limited: Rating reaffirmed at [ICRA]D(SO) for PTCs issued under 7 securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (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	4.18	2.79	[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 I

Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under seven securitisation transactions originated by Jana Small Finance Bank Limited {JSFBL; rated [ICRA]BBB (Stable)}. The PTCs are backed by small group (SG) loans and Jana Kisan (JK) loan receivables. The receivables have been assigned to various trusts as mentioned above at par and the trusts have issued PTCs backed by the same. The rating reflects the inadequacy of the collections and the available credit enhancement for meeting the promised payouts to the PTC investors on the scheduled maturity dates. The incremental collections in the pools have remained low and the PTCs remain in default.

Pool performance summary

A summary of the performance of the pools till the November 2022 collection month (December 2022 payout) has been tabulated below.

Parameter	Smith IFMR Capital 2016	Goldstein IFMR Capital 2016	Syme IFMR Capital 2016	Oceania IFMR Capital 2016	Moses IFMR Capital 2016	Raphael IFMR Capital 2016	Leonardo IFMR Capital 2016
Months post securitisation	77	78	78	78	76	74	72
Pool amortisation	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
PTC Series A1 amortisation	100.00%	100.00%	100.00%	100.00%	100.00%	90.76%	100.00%
PTC Series A2 amortisation	32.02%	33.58%	21.89%	100.00%	1.17%	0.00%	23.87%
PTC Series A3 amortisation	NA	NA	NA	86.44%	NA	NA	NA
Cumulative cash collateral utilisation	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Key rating drivers and their description

Credit strengths

- Not applicable

Credit challenges

- Sustained weak collection performance in the pools
- Pools' 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 demonetisation, the monthly collection levels declined significantly. Collections from overdue contracts have also been poor. Due to the sustained weaker-than-expected performance of the pools, 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. 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 A3 for the Oceania transaction) in six of the seven live transactions.

Performance of past rated pools: ICRA has rated twelve pools originated by JSFBL (erstwhile Janalakshmi Financial Services Limited) of which five have matured and the ratings for the same have been withdrawn. ICRA has ratings outstanding on seven pools post the December 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

The cash collateral available in the transactions has been completely utilised as of the scheduled maturity dates. Further payouts to the PTC investors are to be met through collections from the overdue loan contracts in the underlying pools. Considering the collection trend in recent months, the full repayment of the PTCs is unlikely in the near to medium term.

Rating sensitivities

Positive/Negative factors: Not applicable

Analytical approach

The rating action is based on the analysis of the performance of JSFBL's pools till the November 2022 collection month, 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
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Jana Small Finance Bank Limited (erstwhile Janalakshmi Financial Services Limited) commenced operations as a non-banking financial company (NBFC) on March 4, 2008 and was later classified as an NBFC-microfinance institution (NBFC-MFI). It received a licence to set up a small finance bank (SFB) on April 28, 2017 and commenced banking operations on March 28, 2018. Jana

Holdings Limited (JHL), an NBFC-non-operative financial holding company (NBFC-NOFHC), had a 42.88% stake in JSFBL as on September 30, 2022.

JSFBL has a diversified portfolio with a presence in around 24 states/Union Territories (UTs) across India with the top 3 states (Tamil Nadu, Karnataka & Maharashtra) accounting for 42.16% of the assets under management (AUM) as on September 30, 2022.

Key financial indicators (audited)

JSFBL	FY2020	FY2021	FY2022	H1 FY2023*
Net interest income	1,011	1,263	1,390	752
Profit after tax	30	84	5	56
Total assets	14,145	19,091	20,189	22,683
Gross NPAs [#]	2.8%	6.7%	5.0%	6.1%
Net NPAs [#]	1.3%	4.8%	3.4%	4.1%

Amount in Rs. crore; All calculations are as per ICRA Research; [#]On AUM; Source: Bank, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name		Current Rating (FY2023)			Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					January 18, 2023	February 25, 2022	February 11, 2021	January 31, 2020
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 (FY2023)			Chronology of Rating History for the Past 3 Years			
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					January 18, 2023	February 25, 2022	February 11, 2021	January 31, 2020
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 (FY2023)			Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
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3	Syme IFMR Capital 2016	PTC Series A2	1.58	1.23	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

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4 Oceania IFMR Capital 2016	PTC Series A3	20.56	2.79	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

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				January 18, 2023	February 25, 2022	February 11, 2021	January 31, 2020
5 Moses IFMR Capital 2016	PTC Series A2	7.26	7.17	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

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				January 18, 2023	February 25, 2022	February 11, 2021	January 31, 2020
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)

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				January 18, 2023	February 25, 2022	February 11, 2021	January 31, 2020
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: [Click Here](#)

Annexure I: 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	2.79	[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

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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