November 02, 2017

Janalakshmi Financial Services Limited

Summary of Rated Instruments

Sr. No.	Issue Name	Instrument	Initial Amount (Rs. Crore)	Amount after Sep-17 payout (Rs. crore)	Rating action
1.	Smith IFMR Capital 2016	PTC Series A1	100.00	16.80	Rating downgraded from [ICRA]BB(SO) to [ICRA]C+(SO)
		PTC Series A2	5.38	5.38	Rating downgraded from [ICRA]B(SO) to [ICRA]C-(SO)
2.	Goldstein IFMR Capital 2016	PTC Series A1	76.17	9.94	Rating downgraded from [ICRA]BB(SO) to [ICRA]C+(SO)
		PTC Series A2	4.10	4.10	Rating downgraded from [ICRA]B(SO) to [ICRA]C-(SO)
3.	Syme IFMR Capital 2016	PTC Series A1	50.00	7.52	Rating downgraded from [ICRA]BB-(SO) to [ICRA]C+(SO)
		PTC Series A2	1.58	1.58	Rating downgraded from [ICRA]B(SO) to [ICRA]C-(SO)
4.	Oceania IFMR Capital 2016	PTC Series A2	174.72	75.71	Rating downgraded from [ICRA]BB+(SO) to [ICRA]B(SO)
		PTC Series A3	20.56	20.56	Rating downgraded from [ICRA]B(SO) to [ICRA]C(SO)
5.	Moses IFMR Capital 2016	PTC Series A1	134.99	37.40	Rating downgraded from [ICRA]BB(SO) to [ICRA]C+(SO)
		PTC Series A2	7.26	7.26	Rating downgraded from [ICRA]B(SO) to [ICRA]C-(SO)
6.	Napoleon IFMR Capital 2016	PTC Series A1	263.49	43.73	Rating downgraded from [ICRA]BB+(SO) to [ICRA]C+(SO)
		PTC Series A2	5.79	5.79	Rating downgraded from [ICRA]BB-(SO) to [ICRA]C-(SO)
7.	Raphael IFMR Capital 2016	PTC Series A1	37.02	18.38	Rating downgraded from [ICRA]BB(SO) to [ICRA]C+(SO)
		PTC Series A2	2.06	2.06	Rating downgraded from [ICRA]B+(SO) to [ICRA]C-(SO)
8.	Leonardo IFMR Capital 2016	PTC Series A1	32.05	18.93	Rating downgraded from [ICRA]BBB-(SO) to [ICRA]BB-(SO)
		PTC Series A2	1.78	1.78	Rating downgraded from [ICRA]BB(SO) to [ICRA]B(SO)

Rating Action

ICRA has downgraded the ratings for PTCs issued under 8 securitisation transactions originated by Janalakshmi Financial Services Limited (JFSL), as tabulated above. Raphael IFMR Capital 2016 and Leonardo IFMR Capital 2016 transactions are backed by Jana Kisan (JK) loan contracts. The remaining six transactions are backed by the Small Group (SG) loan contracts offered by JFSL. All the transactions involved 'at Par' transfer of receivables to the trust. PTCs carry an eventual promise of principal payouts and monthly promise of interest payouts.

Rationale

The rating downgrades are driven by continued weakness in pool collections and higher-than-expected delinquencies. Earlier, ICRA had downgraded the ratings for all the transactions in July 2017. The performance of JFS pools has been consistently weak post the demonitisation event, and has not shown any material improvement despite the efforts taken by the company to beef up its collection infrastructure.

The average collection efficiency between May 2017 and August 2017 collection period for the SG loan pools has been in the region of 71% to 75%, and 58% and 76% respectively for the two JK loan pools. Despite significant pool amortisation, the build up of credit enhancement cover in these transactions is moderate due to lower than expected PTC amortisation. As a result, break-even collection efficiency levels (to ensure that all payouts to the PTC investors are met on time) are high in relation to the collections witnessed in most of the transactions in the past few months.

A summary of the performance of the pools till August 2017 collection month (September 2017 payouts) has been tabulated below.

Table 1: Pool Performance Summary – Small Group loan pools

Parameter		**Smith**	**Goldstein**	**Syme**	**Oceania**	**Moses**	**Napoleon**
Loan Type		SG	SG	SG	SG	SG	SG
Months post securitisation		14	15	15	15	13	14
Pool Amortization		87.2%	91.6%	91.2%	80.7%	75.9%	86.7%
PTC Amortization:	Total	79.0%	82.5%	82.4%	76.1%	68.6%	81.6%
	PTC A1	83.2%	87.0%	85.0%	100.0%	72.3%	83.4%
	PTC A2	0.0%	0.0%	0.0%	56.7%	0.0%	0.0%
	PTC A3	--	--	--	0.0%	--	--
Monthly Collection Efficiency[1] for Jun-17		74.7%	69.9%	69.8%	70.8%	73.8%	70.5%
Monthly Collection Efficiency for Jul-17		70.0%	68.4%	69.1%	72.1%	70.1%	68.8%
Monthly Collection Efficiency for Aug-17		68.5%	74.4%	74.6%	79.4%	69.2%	73.5%
Cumulative Collection Efficiency[2]		84.1%	84.2%	84.2%	84.7%	82.4%	82.1%
Loss cum 0+ dpd[3] (% of initial Pool Principal)		22.2%	21.5%	21.4%	25.0%	28.3%	25.3%
Loss cum 30+ dpd[4] (% of initial Pool Principal)		20.9%	20.5%	20.4%	23.4%	26.1%	23.8%

[1] *(Total Current and Overdue collections for the month as a % of Total Billing for the month)*

[2] *(Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)*

[3] *Inclusive of Unbilled and Overdue Principal portion of delinquent contracts, as a % of Initial Pool Principal*

[4] *Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 30 days, as a % of Initial Pool Principal*

Parameter	Smith	Goldstein	Syme	Oceania	Moses	Napoleon
30+ dpd[5] (% of Balance Pool Principal)	75.8%	96.0%	93.7%	57.0%	63.6%	81.9%
Final Maturity Month for PTCs	Feb-18	Jan-18	Jan-18	Feb-18	Mar-18	Jan-18
Cumulative Cash Collateral Utilization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Breakeven Collection Efficiency[6] PTC A1 PTC A2 PTC A3	 96.2% 133.2% --	 106.7% 163.3% --	 126.3% 158.9% --	 - 70.1% 96.4%	 91.2% 110.6% --	 88.8% 103.2% --
Cash Collateral (% of Balance Pool Principal)	23.4%	35.6%	34.2%	15.6%	12.5%	22.5%
Principal Subordination (% of Balance Pool) for PTC A1	--	--	--	N.A.	--	--
Excess Interest Spread (% of Balance Pool) for PTC A1[7]	2.3%	1.5%	1.0%	N.A.	4.1%	2.4%

Table 2: Pool Performance Summary – Jana Kisan loan pools

Parameter	Raphael	Leonardo
Loan Type	JK	JK
Months post securitisation	11	9
Pool Amortization	58.6%	41.8%
PTC Amortization: Total PTC A1 PTC A2	47.7% 50.4% 0.0%	3878.0% 40.9% 0.0%
Monthly Collection Efficiency[8] for May-17	59.9%	73.9%
Monthly Collection Efficiency for Jun-17	56.3%	76.0%
Monthly Collection Efficiency for Jul-17	58.1%	76.5%
Monthly Collection Efficiency for Aug-17	59.8%	75.3%
Cumulative Collection Efficiency	70.6%	76.8%
Loss cum 0+ dpd (% of initial Pool Principal)	50.0%	38.2%
Loss cum 30+ dpd (% of initial Pool Principal)	47.4%	35.4%
30+ dpd (% of Balance Pool Principal)	81.1%	47.5%
Final Maturity Month for PTCs	Jul-18	Sep-18
Cumulative Cash Collateral Utilization	0.0%	0.0%
Breakeven Collection Efficiency PTC A1 PTC A2 PTC A3	 95.4% 106.5% --	 74.6% 82.3% --
Cash Collateral (% of Balance Pool Principal)	8.5%	12.5%
Principal Subordination (% of Balance Pool) for PTC A1	--	8.7%
Excess Interest Spread (% of Balance Pool) for PTC A1	4.4%	7.2%

[5] *Inclusive of Unbilled Principal portion of contracts delinquent for more than 0 days, as a % of Balance Principal*
[6] *(Balance Cashflows payable to investor– Cash collateral available)/ Balance Pool Cashflows*
[7] *(Pool Cashflows – Cashflows to PTC A1 – PTC A2 principal - PTC A3 principal – originator's residual share)/ Pool Principal outstanding*
[8] *(Total Current and Overdue collections for the month as a % of Total Billing for the month)*

Key rating drivers
Credit Weaknesses

- Sustained weak collection performance leading to higher than expected delinquency levels in all the transactions
- Limited credit enhancement cover available for meeting the balance PTC payouts

Description of key rating drivers highlighted above:
The collection performance of the underlying loans was healthy till October 2016 collection month. However, post the demonetisation event, the monthly collection level for all the pools declined significantly and has remained low till date. JFSL has demonstrated limited ability to collect from the overdue contracts, raising concerns over the future recovery from such contracts. Due to weak performance, the PTC amortisation has happened at a slower pace compared to what was initially expected. As a result, despite significant pool amortisation, the build-up in credit enhancement levels has been moderate.

ICRA will continue to monitor the performance of these transactions. The future performance of these transactions would be dependent on the recovery from overdue contracts and control on further slippages of contracts in the various delinquency buckets.

Key rating assumptions
ICRA expects pool losses (uncollected pool principal amount as on the pool maturity date) to be in the region of 35% - 55% of the balance pool principal amount across all the transactions. While the estimated losses are high, bulk of the losses are likely to be absorbed by the credit enhancement available in the transaction.
Analytical approach:
The rating actions are based on the performance of JFSL's pools till August 2017 collection month, the present delinquency profile of the pool contracts, performance expected over the balance pool tenure, and the credit enhancement available in these transactions.

Links to applicable Criteria
Rating Methodology for Securitisation Transactions

About the Company:
Janalakshmi Financial Services Ltd (JFSL) is a Bangalore-based 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.

As on September 30, 2017, JFSL had a portfolio of about Rs. 10,332 crore. The company has a diversified presence across 278 branches in 18 states and 2 union territories in India as on June 30, 2017 with the share of the top 4 states of Tamil Nadu, Karnataka, Uttar Pradesh and Maharashtra comprising of about 60% of the overall portfolio as on September 30, 2017. JFSL has registered a high compounded growth of 110% over the last four years ended FY2017. The company has received fresh equity every year for the last four years and raised Rs. 1,000 crore equity in the last round in April 2016 from existing and new investors.

In FY2017, JFSL reported a net profit of Rs. 170.0 crore on a total managed asset base of Rs. 15,729.8 crore as against a net profit of Rs. 160.3 crore on a total managed assets base of Rs. 13,345 crore during FY2016.

ICRA has rated twelve standalone JFSL transactions till date backed by Small Group (SG) loans, Enterprise Financial Services (EFS) loans, Nano loans and Jana Kisan (JK) loans. Out of these, two transactions have matured.

Key Financial Indicators (Audited)

	FY2016	**FY2017**
Total Income	1,785	2,978
PAT	160	170
Net worth	1,228	2,397
Total Managed Portfolio	11,007	12,551
Total Managed Assets	13,345	15,730
Return on Managed Assets	1.7%	1.2%
Return on Net worth	13.9%	9.4%
Gearing	7.95	4.97
Gross NPA %	0.2%	0.7%
Net NPA %	0.1%	0.5%
CAR %	17.4%	23.9%

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

Sr. No.	Name of Instrument	Current Rating: Type	Current Rating: Rated amount (Rs. Crores)	Current Rating: Month-year & Rating October-17	Chronology of Rating History for the past 3 years: Month-year & Rating July-17	March-17	July-16	June 2016*
1	Smith IFMR Capital 2016	PTC Series A1	16.80	[ICRA]C+ (SO)	[ICRA]BB (SO)	[ICRA]BBB (SO)	[ICRA]A (SO)	Provisional [ICRA]A (SO)
		PTC Series A2	5.38	[ICRA]C- (SO)	[ICRA]B(SO)	[ICRA]BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)

** Initial Rating assigned*

Table: Rating History

Sr. No.	Name of Instrument	Current Rating: Type	Current Rating: Rated amount (Rs. Crores)	Current Rating: Month-year & Rating October-17	Chronology of Rating History for the past 3 years: Month-year & Rating July-17	March-17	July-16	June 2016*
2	Goldstein IFMR Capital 2016	PTC Series A1	9.94	[ICRA]C+ (SO)	[ICRA]BB (SO)	[ICRA]BBB (SO)	[ICRA]A (SO)	Provisional [ICRA]A (SO)
		PTC Series A2	4.10	[ICRA]C- (SO)	[ICRA]B(SO)	[ICRA]BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)

** Initial Rating assigned*

Table: Rating History

Sr. No.	Name of Instrument	Current Rating: Type	Current Rating: Rated amount (Rs. Crores)	Current Rating: Month-year & Rating October-17	Chronology of Rating History for the past 3 years: Month-year & Rating July-17	March-17	September-16	June 2016*
3	Syme IFMR Capital 2016	PTC Series A1	7.52	[ICRA]C+ (SO)	[ICRA]BB- (SO)	[ICRA]BBB- (SO)	[ICRA]A- (SO)	Provisional [ICRA]A-(SO)
		PTC Series A2	1.58	[ICRA]C- (SO)	[ICRA]B (SO)	[ICRA]BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB(SO)

** Initial Rating assigned*

Table: Rating History

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating			
				October-17	July-17	March-17	July-16	June 2016*
4	Oceania IFMR Capital 2016	PTC Series A1	0.00	Withdrawn ^	Withdrawn ^	[ICRA]BBB + (SO)	[ICRA]A (SO)	Provisional [ICRA]A (SO)
		PTC Series A2	75.71	[ICRA]B(SO)	[ICRA]BB + (SO)	[ICRA]BBB + (SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)
		PTC Series A3	20.56	[ICRA]C(SO)	[ICRA]B(SO)	[ICRA]BB(SO)	[ICRA]BB B (SO)	Provisional [ICRA]BBB(SO)

** Initial Rating assigned*

^PTC Series A1 rating was withdrawn in May 2017, after being fully paid out

Table: Rating History

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating			
				October-17	July-17	March-17	September-16	July 2016*
5	Moses IFMR Capital 2016	PTC Series A1	37.40	[ICRA]C+(SO)	[ICRA]BB (SO)	[ICRA]BB B (SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)
		PTC Series A2	7.26	[ICRA]C-(SO)	[ICRA]B(SO)	[ICRA]BB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)

** Initial Rating assigned*

Table: Rating History

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating			
				October-17	July-17	March-17	September-16	July 2016*
6	Napoleon IFMR Capital 2016	PTC Series A1	43.73	[ICRA]C+(SO)	[ICRA]BB+ (SO)	[ICRA]A- (SO)	[ICRA]A+ (SO)	Provisional [ICRA]A+ (SO)
		PTC Series A2	5.79	[ICRA]C- (SO)	[ICRA]BB-(SO)	[ICRA]BBB (SO)	[ICRA]A- (SO)	Provisional [ICRA]A- (SO)

** Initial Rating assigned*

Table: Rating History

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating			
				October-17	July-17	March-17	December-16	September 2016*
7	Raphael IFMR Capital 2016	PTC Series A1	18.38	[ICRA]C+ (SO)	[ICRA]BB (SO)	[ICRA]BBB+ (SO)	[ICRA]A (SO)	Provisional [ICRA]A (SO)
		PTC Series A2	2.06	[ICRA]C-(SO)	[ICRA]B+ (SO)	[ICRA]BBB- (SO)	[ICRA]BBB+ (SO)	Provisional [ICRA]BBB+ (SO)

** Initial Rating assigned*

Table: Rating History

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating		
				October-17	July-17	February-17	December-16*
8	Leonardo IFMR Capital 2016	PTC Series A1	18.93	[ICRA]BB-(SO)	[ICRA]BBB-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)
		PTC Series A2	1.78	[ICRA]B(SO)	[ICRA]BB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)

** Initial Rating assigned*

Complexity level of the rated instrument: Highly Complex

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 I
Details of Instruments

Sr. No.	Issue Name	Instrument	Month of Issuance	Coupon Rate	Scheduled Maturity Date	Initial Amount (Rs. Crore)	Amount after Sep-17 payout (Rs. crore)	Current Rating
1.	Smith IFMR Capital 2016	PTC Series A1	Jun-16	10.20%	Feb-18	100.00	16.80	[ICRA]C+(SO)
		PTC Series A2		14.00%	Feb-18	5.38	5.38	[ICRA]C-(SO)
2.	Goldstein IFMR Capital 2016	PTC Series A1	Jun-16	10.50%	Jan-18	76.17	9.94	[ICRA]C+(SO)
		PTC Series A2		14.00%	Jan-18	4.10	4.10	[ICRA]C-(SO)
3.	Syme IFMR Capital 2016	PTC Series A1	Jun-16	10.00%	Jan-18	50.00	7.52	[ICRA]C+(SO)
		PTC Series A2		14.00%	Jan-18	1.58	1.58	[ICRA]C-(SO)
4.	Oceania IFMR Capital 2016	PTC Series A1	Jun-16	10.69%	Feb-18	207.75	0.00	Withdrawn
		PTC Series A2		10.69%	Feb-18	174.72	75.71	[ICRA]B(SO)
		PTC Series A3		14.00%	Feb-18	20.56	20.56	[ICRA]C(SO)
5.	Moses IFMR Capital 2016	PTC Series A1	Jul-16	10.20%	Mar-18	134.99	37.40	[ICRA]C+(SO)
		PTC Series A2		14.00%	Mar-18	7.26	7.26	[ICRA]C-(SO)
6.	Napoleon IFMR Capital 2016	PTC Series A1	Jul-16	9.60%	Jan-18	263.49	43.73	[ICRA]C+(SO)
		PTC Series A2		14.00%	Jan-18	5.79	5.79	[ICRA]C-(SO)
7.	Raphael IFMR Capital 2016	PTC Series A1	Sep-16	10.10%	Jul-18	37.02	18.38	[ICRA]C+(SO)
		PTC Series A2		14.00%	Jul-18	2.06	2.06	[ICRA]C-(SO)
8.	Leonardo IFMR Capital 2016	PTC Series A1	Dec-16	9.75%	Sep-18	32.05	18.93	[ICRA]BB-(SO)
		PTC Series A2		14.00%		1.78	1.78	[ICRA]B (SO)

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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.
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