

January 18, 2018

Janalakshmi Financial Services Limited

Summary of Rated Instruments

Sr. No.	Issue Name	Instrument	Initial Amount (Rs. Crore)	Amount after Jan-18 payout (Rs. crore)	Rating action
1.	Goldstein IFMR Capital 2016	PTC Series A1	76.17	1.20	Rating downgraded from [ICRA]C+(SO) to [ICRA]D(SO)
		PTC Series A2	4.10	4.10	Rating downgraded from [ICRA]C-(SO) to [ICRA]D(SO)

Rating Action

ICRA has downgraded the rating for PTCs issued under a securitisation transaction originated by Janalakshmi Financial Services Limited (JFSL), as tabulated above. The transaction is backed by the Small Group (SG) loan contracts offered by JFSL. The transaction involved 'at Par' transfer of receivables to the trust. The PTCs carried an eventual promise of principal payouts and monthly promise of interest payouts. PTC Series A2 is subordinate to PTC Series A1, and interest payments were promised to PTC Series A2 only after maturity of PTC Series A1.

Rationale

The rating downgrade reflects the inadequacy of the pool collections and the credit enhancement available in the transaction to meet the promised payouts to the PTC investors on the scheduled maturity date. A summary of the performance of the pool till December 2017 collection month (January 2018 payout) has been tabulated below.

Table 1: Pool Performance Summary

Parameter	Goldstein
Loan Type	Small Group
Months post securitisation	19
Pool Amortization	100%
PTC Amortization: Total	93.4%
PTC A1	98.4%
PTC A2	0.0%
Cumulative Collection Efficiency ¹	84.4%
Loss cum 0+ dpd ² (% of initial Pool Principal)	17.9%
Loss cum 30+ dpd ³ (% of initial Pool Principal)	17.8%
Cumulative Cash Collateral Utilization	100.0%

¹(Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)

²Inclusive of Unbilled and Overdue Principal portion of delinquent contracts, as a % of Initial Pool Principal

³Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 30 days, as a % of Initial Pool Principal

Key rating drivers**Credit Weaknesses**

- Sustained weak collection performance leading to higher than expected delinquency levels; pool collections together with the available credit enhancement are insufficient to meet the promised payout to the PTC investors on the maturity date

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 declined significantly. Collection from overdue contracts has also been poor. Due to the sustained weaker-than-expected pool performance, there has been a shortfall in meeting the scheduled payouts to the PTC investors even after the utilisation of the entire credit enhancement available in the transaction.

Key rating assumptions

Not applicable

Analytical approach:

Not applicable

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 November 30, 2017, JFSL had a portfolio of about Rs. 9,158 crore. The company has a diversified presence across 18 states and 2 union territories in India with the share of the top 3 states of Tamil Nadu, Karnataka and Maharashtra comprising of about 49% of the overall portfolio as on November 30, 2017. JFSL registered a high compounded growth of 110% over the last four years ended FY2017. The company raised Rs. 1,030 crore equity during Apr-Nov 2017 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. During H1FY2018, JFSL reported a loss of Rs.1,192 crore on a managed asset base of Rs. 10,332 crore.

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, three transactions have matured.

Key Financial Indicators (Audited)

	FY2016	FY2017	H1FY2018
Total Income	1,785	2,978	816
PAT	160	170	-1,192
Net worth	1,228	2,397	1,747
Total Managed Portfolio	11,007	12,551	10,333
Total Managed Assets	13,345	15,730	14,452
Return on Managed Assets	1.7%	1.2%	N.A
Return on Net worth	13.9%	9.4%	-57.2%
Gearing	7.95	4.97	6.1
Gross NPA %	0.2%	0.7%	29.9%
Net NPA %	0.1%	0.5%	20.2%
CAR %	17.4%	23.9%	17.5%

Amount in Rs.crore

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			Chronology of Rating History for the past 3 years				
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating				
				Jan-18	Oct-17	July-17	Mar-17	July-16	June 2016*
1	Goldstein IFMR Capital 2016	PTC Series A1	1.20	[ICRA] D (SO)	[ICRA]C+ (SO)	[ICRA] BB (SO)	[ICRA] BBB (SO)	[ICRA] A(SO)	Provisional [ICRA]A (SO)
		PTC Series A2	4.10	[ICRA]D (SO)	[ICRA]C- (SO)	[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 Jan-18 payout (Rs. crore)	Current Rating
1.	Goldstein IFMR Capital 2016	PTC Series A1	Jun-16	10.50%	Jan-18	76.17	1.20	[ICRA]D(SO)
		PTC Series A2		14.00%	Jan-18	4.10	4.10	[ICRA]D(SO)



Name and Contact Details of the Rating Analyst(s):

Analyst Contacts

Vibhor Mittal
+91 22 6114 3440
vibhorm@icraindia.com

Abhijeet Ajinkya
(+91) 22 6114 3434
abhijeet.ajinkya@icraindia.com

Satchit Sawant
(+91) 22 6114 3435
satchit.sawant@icraindia.com

Arjun Bhatia
(+91) 22 6114 3449
arjun.bhatia@icraindia.com

Name and Contact Details of Relationship Contacts:

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

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**](http://www.icra.in)

© Copyright, 2018, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20- 6606 9999; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500