Janalakshmi Financial Services Limited

February 02, 2018

Summary of Rated Instruments

Sr. No.	Issue Name	Instrument	Initial Amount (Rs. Crore)	Amount after Feb-18 payout (Rs. crore)	Rating action
1.	Smith IFMR Capital 2016	PTC Series A1	100.00	1.64	Rating downgraded from [ICRA]C+(SO) to [ICRA]D(SO)
		PTC Series A2	5.38	5.38	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 January 2018 collection month (February 2018 payout) has been tabulated below.

Table 1: Pool Performance Summary

Parameter		Smith
Loan Type		Small Group
Months post securitisation		19
Pool Amortization		100%
PTC Amortization:	Total	93.3%
	PTC A1	98.4%
	PTC A2	0.0%
Cumulative Collection Efficiency[1]		84.2%
Loss cum 0+ dpd[2] (% of initial Pool Principal)		17.9%
Loss cum 30+ dpd[3] (% of initial Pool Principal)		17.9%
Cumulative Cash Collateral Utilization		100.0%

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

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

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

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

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, four 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				
				Feb-18	Oct-17	July-17	Mar-17	Jul-16	June 2016*
1	Smith IFMR Capital 2016	PTC Series A1	1.64	[ICRA]D(SO)	[ICRA]C+(SO)	[ICRA]BB (SO)	[ICRA]BBB (SO)	[ICRA]A (SO)	Provisional [ICRA]A(SO)
		PTC Series A2	5.38	[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 Feb-18 payout (Rs. crore)	Current Rating
1.	Smith IFMR Capital 2016	PTC Series A1	Jun-16	10.20%	Feb-18	100.00	1.64	[ICRA]D(SO)
		PTC Series A2		14.00%	Feb-18	5.38	5.38	[ICRA]D(SO)

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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.

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