ICRA

Jana Small Finance Bank Limited

July 03, 2018

Summary of rated instruments

Issue Name	Instrument*	Initial Amount (Rs. Crore)	Amount O/s after last surveillance (Rs. crore)	Amount after Jul-18 payout (Rs. crore)	Rating action
Raphael IFMR Capital 2016	PTC Series A1	37.02	18.38	6.41	Rating downgraded to [ICRA]D(SO) from [ICRA]C+(SO)
	PTC Series A2	2.06	2.06	2.06	Rating downgraded to [ICRA]D(SO) from [ICRA]C-(SO)

*Instrument details are provided in Annexure-1

Rating action

ICRA has downgraded the ratings for PTCs issued under a securitisation transaction originated by Jana Small Finance Bank Limited (erstwhile Janalakshmi Financial Services Limited (JFSL)), as tabulated above. The transaction is backed by the Jana Kisan (JK) 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.

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 June 2018 collection month (July 2018 payout) has been tabulated below.

Pool Performance Summary

Parameter		
Loan Type		Jana Kisan loans
Months post securitisation		21
Pool Amortization		100.0%
PTC Amortization:	Total	78.3%
	PTC A1	82.7%
	PTC A2	0.00%
Cumulative Collection Efficiency[1]		65.6%
Loss cum 0+ dpd[2] (% of initial Pool Principal)		32.2%
Loss cum 30+ dpd[3] (% of initial Pool Principal)		32.1%
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)*

[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*

Key rating drivers

Credit challenges

- Sustained weak collection performance in the pool leading to higher than expected delinquency levels;
- Pool collections together with the available credit enhancements is insufficient to meet the promised payout to the PTC Series A2 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:

Jana Small Finance Bank (Erstwhile 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 February 2018, JFSL had a portfolio of about Rs. 7,742 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 50% of the overall portfolio as on February 2018. 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

	FY2017	FY2018
Total Income	2,978	1,597
PAT	170	(2,504)
Net worth	2,397	(1,529)
Total Managed Assets	15,730	10,147
Return on Net worth	9.4%	(127.6%)
Gearing	4.97	5.01%
Gross NPA %	0.7%	42.2%
Net NPA %	0.5%	27.7%
CAR %	23.9%	34.7%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years				
	Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating	Date & Rating in FY2018		Date & Rating in FY2017		
				Jul-18	Nov-17	July-17	Apr-17	Dec-16	Oct-16*
Raphael IFMR Capital 2016	PTC Series A1	37.02	6.41	[ICRA]D(SO)	[ICRA]C+ (SO)	[ICRA]BB (SO)	[ICRA]BBB+ (SO)	[ICRA]A (SO)	Provisional [ICRA]A(SO)
	PTC Series A2	2.06	2.06	[ICRA]D(SO)	[ICRA]C- (SO)	[ICRA]B+ (SO)	[ICRA]BBB- (SO)	[ICRA]BBB+ (SO)	Provisional [ICRA]BBB+ (SO)

**Initial Ratings 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-1: Instrument Details

Issue Name	Instrument	Month of Issuance	Coupon Rate	Scheduled Maturity Date	Rated Amount (Rs. crore)	Current Rating
Raphael IFMR Capital 2016	PTC Series A1	Sep-16	10.10%	Jul-18	6.41	[ICRA]D(SO)
	PTC Series A2		14.00%		2.06	[ICRA]D(SO)

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

RELATIONSHIP CONTACT

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

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@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

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

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

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 6606 9999

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