

Jana Small Finance Bank Limited

September 24, 2018

Summary of rated instruments

Issue Name	Instrument*	Initial Amount (Rs. Crore)	Amount O/s after last surveillance (Rs. crore)	Amount after Sep-18 payout (Rs. crore)	Rating action
Leonardo IFMR Capital 2016	PTC Series A1	32.05	8.72	0.74	Rating downgraded to [ICRA]D(SO) from [ICRA]C+(SO)
	PTC Series A2	1.78	1.78	1.78	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 JSFB. 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 August 2018 collection month (September 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	92.6%
	PTC A1	97.7%
	PTC A2	0.00%
Cumulative Collection Efficiency ¹		71.6%
Loss cum 0+ dpd ² (% of initial Pool Principal)		25.8%
Loss cum 30+ dpd ³ (% of initial Pool Principal)		25.6%
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 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 A1 and 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:

JSFB (erstwhile Janalakshmi Financial Services Limited) commenced operations as a non-banking finance company (NBFC) on March 4, 2008, and was later classified as a non-banking finance company-microfinance institution (NBFC-MFI). The bank received a licence to set up a small finance bank on April 28, 2017 and commenced banking operations on March 28, 2018. Jana Holdings Limited (JHL), a non-banking finance company-non-operative financial holding company (NBFC-NOFHC), holds a 44.9% stake in JSFB.

JSFB has a diversified presence across 18 states and 2 union territories in India, with a portfolio of Rs. 7,636 crore as on March 31, 2018. The share of the top 3 states of Tamil Nadu, Karnataka and Maharashtra was about 49% as on March 31, 2018. The bank raised Rs. 1,636 crore equity during FY2018 from existing and new investors.

In FY2018, JSFB reported a net loss of Rs. 2,503.8 crore on a total managed asset base of Rs. 10,022.4 crore compared to a net profit of Rs. 170.1 crore on a total managed assets base of Rs. 15,730 crore during FY2017.

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

	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 Outstanding (Rs. Crore)	Date & Rating	Date & Rating in FY2018		Date & Rating in FY2017		
		Amount Rated (Rs. crore)		Sep-18	May-18	Nov-17	Jul-17	Feb-17	Jan-17*
Leonardo IFMR Capital 2016	PTC Series A1	32.05	0.74	[ICRA]D (SO)	[ICRA]C+ (SO)	[ICRA]BB- (SO)	[ICRA]BBB-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)
	PTC Series A2	1.78	1.78	[ICRA]D (SO)	[ICRA]C- (SO)	[ICRA]B (SO)	[ICRA]BB (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 ⁴)	Current Rating
Leonardo	PTC Series A1	Dec 2016	9.75%	Sep 2018	0.74	[ICRA]D(SO)
IFMR Capital 2016	PTC Series A2		14.00%		1.78	[ICRA]D(SO)

[#] the actual tenure is likely to be shorter owing to prepayments and accelerated amortisation

⁴ 100 lakh = 1 crore = 10 million

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