Jana Small Finance Bank Limited

January 23, 2019

Summary of rated instruments

Issue Name	Instrument*	Initial Amount (Rs. Crore)	Amount O/s after last surveillance (Rs. crore)	Amount after Dec-18 payout (Rs. crore)	Rating action
Smith IFMR Capital 2016	PTC Series A2	5.38	5.38	4.79	Rating reaffirmed at [ICRA]D(SO)
Goldstein IFMR Capital 2016	PTC Series A2	4.10	4.10	3.59	Rating reaffirmed at [ICRA]D(SO)
Syme IFMR Capital 2016	PTC Series A2	1.58	1.58	1.58	Rating reaffirmed at [ICRA]D(SO)
Oceania IFMR Capital 2016	PTC Series A3	20.56	20.56	14.30	Rating reaffirmed at [ICRA]D(SO)
Moses IFMR Capital 2016	PTC Series A2	7.26	7.26	7.26	Rating reaffirmed at [ICRA]D(SO)
Raphael IFMR Capital 2016	PTC Series A1	37.02	6.41	4.80	Rating reaffirmed at [ICRA]D(SO)
	PTC Series A2	2.06	2.06	2.06	Rating reaffirmed at [ICRA]D(SO)
Leonardo IFMR Capital 2016	PTC Series A2	1.78	1.78	1.78	Rating reaffirmed at [ICRA]D(SO)

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the ratings for PTCs issued under 7 securitisation transactions originated by Jana Small Finance Bank Limited (JSFB), as tabulated above. The Smith, Goldstein, Syme, Oceania and Moses transactions are backed by the Small Group (SG) loans while the Raphael and Leonardo transactions are backed by Jana Kisan (JK) loan contracts offered by JSFB. The transactions involved 'at Par' transfer of receivables to the respective trusts. The PTCs carried an eventual promise of principal payouts and monthly promise of interest payouts.

Rationale

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

Pool Performance Summary

Parameter		Smith	Goldstein	Syme	Oceania	Moses	Raphael	Leonardo
Loan Type		Small Group	Small Group	Small Group	Small Group	Small Group	Jana Kisan	Jana Kisan
Months post securitisation		29	30	30	30	28	26	24
Pool Amortization		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
PTC Amortization:	Total	95.5%	95.5%	96.9%	96.5%	94.9%	82.5%	94.7%
	PTC A1	100.0%	100.0%	100.0%	100.0%	100.0%	87.0%	100.0%
	PTC A2	10.9%	12.3%	0.0%	100.0%	0.0%	0.0%	0.00%
	PTC A3	N.A.	N.A.	N.A.	30.4%	N.A.	N.A.	N.A.
Cumulative Collection Efficiency[1]		87.4%	87.6%	88.2%	86.9%	84.3%	69.5%	73.3%
Cumulative Cash Collateral Utilization		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Key rating drivers

Credit challenges

- Weak collection performance in the pools leading to higher than expected delinquency levels;
- Pool collections together with the available credit enhancements were insufficient to meet the promised payout to the PTC investors on their respective maturity dates

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 levels declined significantly. Collections from overdue contracts have also been poor. Due to the sustained weaker-than-expected pool performances, there was a shortfall in meeting the scheduled payouts to the PTC investors even after the utilisation of the entire credit enhancement available in the transactions.
However, collections from overdue contracts post default have helped redeem the senior series of PTCs (PTC Series A2 in case of the Oceania transaction) in 6 of the 7 live transactions.

Key rating assumptions

Not applicable

Liquidity Position:

Not applicable

Performance of past rated pools: ICRA has rated 12 pools originated by Jana Small Finance Bank Limited (Erstwhile Janalakshmi Financial Services Ltd) and has ratings outstanding on 7 pools as on 31st December 2018. All the live pools have defaulted on the payments promised to PTC investors.

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

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation / Standalone	Not Applicable

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 a rating outstanding of [ICRA]BBB-(Negative) on the bank lines and NCD programme of Jana Small Finance Bank Ltd.

Key financial indicators (audited)

	FY2017	FY2018	H1FY2019
Total Income	2,978	1,597	663
PAT	170	(2,504)	(1292)
Net worth	2,397	1,529	548
Total Managed Assets	15,730	10,147	9,840
Return on Net worth	9.4%	(127.6%)	(248.8%)
Gearing	4.97	5.01	12.94
Gross NPA %	0.7%	42.2%	35.3%
Net NPA %	0.5%	27.7%	13.8%
CAR %	23.9%	36.3%	21.2%

Source: ICRA research and company

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	
				Jan-19	Feb-18	Nov-17	Jul-17	Apr-17	Jul-16	Jun-16*
Smith IFMR Capital 2016	PTC Series A2	5.38	4.79	[ICRA] D(SO)	[ICRA] D(SO)	[ICRA]C- (SO)	[ICRA] B (SO)	[ICRA] BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)

*Initial Ratings assigned

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	
				Jan-19	Jan-18	Nov-17	Jul-17	Apr-17	Jul-16	Jun-16*
Goldstein IFMR Capital 2016	PTC Series A2	4.10	3.59	[ICRA] D(SO)	[ICRA] D(SO)	[ICRA]C- (SO)	[ICRA] B (SO)	[ICRA] BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)

*Initial Ratings assigned

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	
				Jan-19	Jan-18	Nov-17	Jul-17	Apr-17	Oct-16	Jul-16*
Syme IFMR Capital 2016	PTC Series A2	1.58	1.58	[ICRA] D(SO)	[ICRA] D(SO)	[ICRA]C- (SO)	[ICRA] B (SO)	[ICRA] BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)

*Initial Ratings assigned

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	
				Jan-19	Feb-18	Nov-17	Jul-17	Apr-17	Jul-16	Jun-16*
Oceania IFMR Capital 2016	PTC Series A3	20.56	14.30	[ICRA] D(SO)	[ICRA] D(SO)	[ICRA]C (SO)	[ICRA] B (SO)	[ICRA] BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)

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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	
				Jan-19	Mar-18	Nov-17	Jul-17	Apr-17	Oct-16	Aug-16*
Moses IFMR Capital 2016	PTC Series A2	7.26	7.26	[ICRA] D(SO)	[ICRA]D (SO)	[ICRA]C- (SO)	[ICRA] B (SO)	[ICRA] BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)

**Initial Ratings assigned*

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	
				Jan-19	Jul-18	Nov-17	Jul-17	Apr-17	Dec-16	Oct-16*
Raphael IFMR Capital 2016	PTC Series A1	37.02	4.80	[ICRA] D(SO)	[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] D(SO)	[ICRA]C- (SO)	[ICRA] B+ (SO)	[ICRA] BBB- (SO)	[ICRA]BBB+ (SO)	Provisional [ICRA]BBB+ (SO)

**Initial Ratings assigned*

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	
				Jan-19	Sep-18	May-17	Nov-17	Jul-17	Feb-17	Jan-17*
Leonardo IFMR Capital 2016	PTC Series A2	1.78	1.78	[ICRA] D(SO)	[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[2])	Current Rating
Smith IFMR Capital 2016	PTC Series A2	Jun-16	14.00%	Feb-18	4.79	[ICRA]D(SO)
Goldstein IFMR Capital 2016	PTC Series A2	Jun-16	14.00%	Jan-18	3.59	[ICRA]D(SO)
Syme IFMR Capital 2016	PTC Series A2	Jun-16	14.00%	Jan-18	1.58	[ICRA]D(SO)
Oceania IFMR Capital 2016	PTC Series A3	Jun-16	14.00%	Feb-18	14.30	[ICRA]D(SO)
Moses IFMR Capital 2016	PTC Series A2	Jul-16	14.00%	Mar-18	7.26	[ICRA]D(SO)
Raphael IFMR Capital 2016	PTC Series A1	Sep-16	10.10%	Jul-18	4.80	[ICRA]D(SO)
	PTC Series A2		14.00%		2.06	[ICRA]D(SO)
Leonardo IFMR Capital 2016	PTC Series A2	Dec-16	14.00%	Sep-18	1.78	[ICRA]D(SO)

[2] *100 lakh = 1 crore = 10 million*

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) 2556 0194/ 6606 9999