January 31, 2020

Jana Small Finance Bank Limited: Ratings reaffirmed at [ICRA]D(SO) for pass through certificates (PTCs) under 7 securitisation transactions

Summary of rated instruments

Issue Name	Instrument*	Initial Amount (Rs. Crore)	Amount O/s after last surveillance (Rs. crore)	Amount after Dec-19 payout (Rs. crore)	Rating action
Smith IFMR Capital 2016	PTC Series A2	5.38	4.79	3.81	Rating reaffirmed at [ICRA]D(SO)
Goldstein IFMR Capital 2016	PTC Series A2	4.10	3.59	2.80	Rating reaffirmed at [ICRA]D(SO)
Syme IFMR Capital 2016	PTC Series A2	1.58	1.58	1.31	Rating reaffirmed at [ICRA]D(SO)
Oceania IFMR Capital 2016	PTC Series A3	20.56	14.30	7.60	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	4.80	3.59	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	1.45	Rating reaffirmed at [ICRA]D(SO)

*Instrument details are provided in Annexure-1

Rationale

The ratings reflect 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 2019 collection month (December 2019 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 securitization	41	42	42	42	40	38	36
Pool Amortization	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
PTC Amortization: PTC A1	100.0%	100.0%	100.0%	100.0%	100.0%	90.2%	100.0%
PTC A2	31.7%	31.7%	16.8%	100.0%	0.0%	0.0%	18.4%
PTC A3	N.A.	N.A.	N.A.	63.0%	N.A.	N.A.	N.A.
Cumulative Collection Efficiency[1]	88.9%	88.9%	89.4%	88.4%	86.0%	72.8%	75.7%
Cumulative Cash Collateral Utilization	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Key rating drivers

Credit Positives

Not applicable

Credit Negatives

- Sustained weak collection performance in the pools;
- 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 (and also PTC Series A2 for the Oceania transaction) in 6 of the 7 live transactions.

Key rating assumptions

Not applicable

Liquidity Position: Poor

On the scheduled maturity dates of these transactions, the CC in all the transactions has been fully utilised. Further repayments would be met through collections from the overdue loan contracts. Considering the collection trend in recent months, full repayment of the PTCs is unlikely in the near to medium term.

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

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 2019. All the live pools have defaulted on the payments promised to PTC investors.

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.

JSFB commenced operations as a small finance bank from March 28, 2018. Apart from group loans, the bank offers small business loans, housing loans, gold loans and agri loans among others. As on September 30, 2019, small batch loans (group loans) accounted for 50.2% of its portfolio of Rs.8,549.8 crore followed by Agri loans (14.3%), MSE loans (10.8%) and individual loans (9.0%).

Key financial indicators (audited)

	FY2019	H1 FY2020
Total Income	1354	977
PAT	(1949)	(54)
Net worth	674	620
Total Managed Assets	9,749	12,232
Return on Net worth	(177.0%)	(16.8%)
Gearing	12.6	16.8
Gross NPA %	8.4%	4.6%
Net NPA %	4.6%	2.0%
CAR %	18.8%	15.5%

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 (FY2020)				Chronology of Rating History for the past 3 years						
	Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018				Date & Rating in FY2017	
				31-Jan-20	23-Jan-19	02-Feb-18	02-Nov-17	28-Jul-17	06-Apr-17	28-Jul-16	18-Jul-16*
Smith IFMR Capital 2016	PTC Series A2	5.38	3.81	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D (SO)	[ICRA]BBB (SO)	[ICRA]BBB (SO)	[ICRA]BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)

**Initial Ratings assigned*

Instrument	Current Rating (FY2020) Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating in FY2020	Chronology of Rating History for the past 3 years Date & Rating in FY2019	Date & Rating in FY2018				Date & Rating in FY2017	
				31-Jan-20	23-Jan-19	18-Jan-18	02-Nov-17	28-Jul-17	06-Apr-17	28-Jul-16	18-Jul-16*
Goldstein IFMR Capital 2016	PTC Series A2	4.10	2.80	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D (SO)	[ICRA]BBB (SO)	[ICRA]BBB (SO)	[ICRA]BB(SO)	[ICRA]BBB (SO)	Provisional [ICRA]BBB (SO)

**Initial Ratings assigned*

Instrument	Current Rating (FY2020) Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating in FY2020	Chronology of Rating History for the past 3 years Date & Rating in FY2019	Date & Rating in FY2018				Date & Rating in FY2017	
				31-Jan-20	23-Jan-19	22-Jan-18	02-Nov-17	28-Jul-17	06-Apr-17	12-Oct-16	18-Jul-16*
Syme IFMR Capital 2016	PTC Series A2	1.58	1.31	[ICRA]D (SO)	[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 (FY2020) Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating in FY2020 31-Jan-20	Chronology of Rating History for the past 3 years: Date & Rating in FY2019 23-Jan-19	Date & Rating in FY2018 22-Feb-18	Date & Rating in FY2018 02-Nov-17	Date & Rating in FY2018 28-Jul-17	Date & Rating in FY2018 06-Apr-17	Date & Rating in FY2017 28-Jul-16	Date & Rating in FY2017 18-Jul-16*
Oceania IFMR Capital 2016	PTC Series A3	20.56	7.60	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]C (SO)	[ICRA]B (SO)	[ICRA]BB (SO)	[ICRA]BB (SO)	Provisional [ICRA]BB (SO)

Initial Ratings assigned

Instrument	Current Rating (FY2020) Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating in FY2020 31-Jan-20	Chronology of Rating History for the past 3 years: Date & Rating in FY2019 23-Jan-19	Date & Rating in FY2018 05-Mar-18	Date & Rating in FY2018 02-Nov-17	Date & Rating in FY2018 28-Jul-17	Date & Rating in FY2018 06-Apr-17	Date & Rating in FY2017 12-Oct-16	Date & Rating in FY2017 19-Aug-16*
Moses IFMR Capital 2016	PTC Series A2	7.26	7.26	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]C-(SO)	[ICRA]B (SO)	[ICRA]BB(SO)	[ICRA]BB (SO)	Provisional [ICRA]BB (SO)

Initial Ratings assigned

Instrument	Current Rating (FY2020)				Chronology of Rating History for the past 3 years						
	Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018				Date & Rating in FY2017	
				31-Jan-20	23-Jan-19	03-Jul-18	02-Nov-17	28-Jul-17	06-Apr-17	6-Dec-16	14-Oct-16*
Raphael IFMR Capital 2016	PTC Series A1	37.02	3.59	[ICRA]D(SO)	[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]D(SO)	[ICRA]C-(SO)	[ICRA]B+ (SO)	[ICRA]BB-(SO)	[ICRA]BBB+ (SO)	Provisional [ICRA]BBB+ (SO)

Initial Ratings assigned

Instrument	Current Rating (FY2020)				Chronology of Rating History for the past 3 years						
	Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018				Date & Rating in FY2017	
				31-Jan-20	23-Jan-19	24-Sep-18	18-May-17	02-Nov-17	28-Jul-17	15-Feb-17	17-Jan-17*
Leonardo IFMR Capital 2016	PTC Series A2	1.78	1.45	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]C-(SO)	[ICRA]B (SO)	[ICRA]BB(SO)	[ICRA]BB (SO)	Provisional [ICRA]BB (SO)

Initial Ratings assigned

Complexity level of the rated instrument

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	3.81	[ICRA]D(SO)
Goldstein IFMR Capital 2016	PTC Series A2	Jun-16	14.00%	Jan-18	2.80	[ICRA]D(SO)
Syme IFMR Capital 2016	PTC Series A2	Jun-16	14.00%	Jan-18	1.31	[ICRA]D(SO)
Oceania IFMR Capital 2016	PTC Series A3	Jun-16	14.00%	Feb-18	7.60	[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	3.59	[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	1.45	[ICRA]D(SO)

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

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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.

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.

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