

January 25, 2024

## Jana Small Finance Bank Limited: Rating reaffirmed for PTCs issued under seven securitisation transactions

### Summary of rating action

| Trust Name                  | Instrument*   | Initial Rated Amount (Rs. crore) | Amount O/s after Last Surveillance (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action           |
|-----------------------------|---------------|----------------------------------|--|----------------------------------|-------------------------|
| Smith IFMR Capital 2016     | PTC Series A2 | 5.38                             | 3.65   | 3.65                             | [ICRA]D(SO); Reaffirmed |
| Goldstein IFMR Capital 2016 | PTC Series A2 | 4.10                             | 2.72   | 2.72                             | [ICRA]D(SO); Reaffirmed |
| Syme IFMR Capital 2016      | PTC Series A2 | 1.58                             | 1.23   | 1.23                             | [ICRA]D(SO); Reaffirmed |
| Oceania IFMR Capital 2016   | PTC Series A3 | 20.56                            | 2.79   | 1.81                             | [ICRA]D(SO); Reaffirmed |
| Moses IFMR Capital 2016     | PTC Series A2 | 7.26                             | 7.17   | 7.17                             | [ICRA]D(SO); Reaffirmed |
| Raphael IFMR Capital 2016   | PTC Series A1 | 37.02                            | 3.42   | 3.42                             | [ICRA]D(SO); Reaffirmed |
|                             | PTC Series A2 | 2.06                             | 2.06   | 2.06                             | [ICRA]D(SO); Reaffirmed |
| Leonardo IFMR Capital 2016  | PTC Series A2 | 1.78                             | 1.36   | 1.36                             | [ICRA]D(SO); Reaffirmed |

\*Instrument details are provided in Annexure I

### Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under seven securitisation transactions originated by Jana Small Finance Bank Limited {JSFBL; rated [ICRA]BBB+(Positive)}. The PTCs are backed by small group (SG) loans and Jana Kisan (JK) loan receivables. The receivables have been assigned to various trusts as mentioned above, at par, and the trusts have issued PTCs backed by the same. The rating reflects the inadequacy of the collections and the available credit enhancement for meeting the promised payouts to the PTC investors on the scheduled maturity dates. The incremental collections in the pools have remained low and the PTCs remain in default.

### Pool performance summary

A summary of the performance of the pools till the November 2023 collection month (December 2023 payout) has been tabulated below.

| Parameter                              | Smith IFMR Capital 2016 | Goldstein IFMR Capital 2016 | Syme IFMR Capital 2016 | Oceania IFMR Capital 2016 | Moses IFMR Capital 2016 | Raphael IFMR Capital 2016 | Leonardo IFMR Capital 2016 |
|--|-------------------------|-----------------------------|------------------------|---------------------------|-------------------------|---------------------------|----------------------------|
| Months post securitisation             | 89                      | 90                          | 90                     | 90                        | 88                      | 86                        | 84                         |
| Pool amortisation                      | 100.00%                 | 100.00%                     | 100.00%                | 100.00%                   | 100.00%                 | 100.00%                   | 100.00%                    |
| PTC Series A1 amortisation             | 100.00%                 | 100.00%                     | 100.00%                | 100.00%                   | 100.00%                 | 90.76%                    | 100.00%                    |
| PTC Series A2 amortisation             | 32.02%                  | 33.58%                      | 21.89%                 | 100.00%                   | 1.17%                   | 0.00%                     | 23.87%                     |
| PTC Series A3 amortisation             | NA                      | NA                          | NA                     | 90.93%                    | NA                      | NA                        | NA                         |
| Cumulative cash collateral utilisation | 100.00%                 | 100.00%                     | 100.00%                | 100.00%                   | 100.00%                 | 100.00%                   | 100.00%                    |

## Key rating drivers and their description

### Credit strengths

- Not applicable

### Credit challenges

- Sustained weak collection performance in the pools
- Pools' collections together with available credit enhancement were insufficient to meet the promised payouts 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 the October 2016 collection month. However, post demonetisation, the monthly collection levels declined significantly. Collections from overdue contracts have also been poor. Due to the sustained weaker-than-expected performance of the pools, 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. Collections were also impacted in FY2021 due to the Covid-19 pandemic and subsequent lockdowns. However, collections from overdue contracts, post default, have helped redeem the senior series of PTCs (as well as PTC Series A3 for the Oceania transaction) in six of the seven live transactions.

**Performance of past rated pools:** ICRA has rated twelve pools originated by JSFBL (erstwhile Janalakshmi Financial Services Limited) of which five have matured and the ratings for the same have been withdrawn. ICRA has ratings outstanding on seven pools, post the December 2022 payout month. All the live pools have defaulted on the payments promised to the PTC investors.

### Key rating assumptions

Not applicable

### Liquidity position: Poor

The cash collateral available in the transactions has been completely utilised as of the scheduled maturity dates. Further payouts to the PTC investors are to be met through collections from the overdue loan contracts in the underlying pools. Considering the collection trend in recent months, the full repayment of the PTCs is unlikely in the near to medium term.

### Rating sensitivities

**Positive/Negative factors:** Not applicable

### Analytical approach

The rating action is based on the analysis of the performance of JSFBL's pools till the November 2023 collection month for the above mentioned pools (except Syme IFMR Capital 2016, which is till the October 2023 collection month), the key characteristics and composition of the current pools, the performance expected over the balance tenure of the pools, and the credit enhancement cover available in the transactions.

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">Rating Methodology for Securitisation Transactions</a><br><a href="#">Rating Methodology for Default Recognition</a> |
| Parent/Group support            | Not Applicable   |
| Consolidation/Standalone        | Not Applicable   |

## About the originator

Jana Small Finance Bank Limited (erstwhile Janalakshmi Financial Services Limited) commenced operations as a non-banking financial company (NBFC) on March 4, 2008 and was later classified as an NBFC-microfinance institution (NBFC-MFI). It 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, an NBFC-non-operative financial holding company (NBFC-NOFHC), held a 33.8% stake in JSFBL as on June 30, 2023.

JSFBL has a diversified portfolio with a presence in 24 states/Union Territories across India with the top 3 states (Tamil Nadu, Karnataka, and Maharashtra) accounting for 38.0% of the assets under management (AUM) as on June 30, 2023.

## Key financial indicators (audited)

| JSFBL               | FY2021 | FY2022 | FY2023 | Q1 FY2024 |
|---------------------|--------|--------|--------|-----------|
| Net interest income | 1,263  | 1,390  | 1,660  | 462       |
| Profit after tax    | 84     | 5      | 256    | 90        |
| Total assets        | 19,091 | 20,189 | 25,644 | 26,429    |
| Gross NPAs          | 7.2%   | 5.7%   | 3.9%   | 2.9%      |
| Net NPAs            | 5.3%   | 3.9%   | 2.6%   | 1.2%      |

Source: JSFBL, ICRA Research

Amount in Rs. crore; All calculations are as per ICRA Research

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

|   | Trust Name              | Current Rating (FY2024) |                                  |                                | Chronology of Rating History for the Past 3 Years |                         |                         |                         |
|---|-------------------------|-------------------------|----------------------------------|--------------------------------|---|-------------------------|-------------------------|-------------------------|
|   |                         | Instrument              | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2024                           | Date & Rating in FY2023 | Date & Rating in FY2022 | Date & Rating in FY2021 |
|   |                         |                         |                                  |                                | January 25, 2024                                  | January 18, 2023        | February 25, 2022       | February 11, 2021       |
| 1 | Smith IFMR Capital 2016 | PTC Series A2           | 5.38                             | 3.65                           | [ICRA]D(SO)                                       | [ICRA]D(SO)             | [ICRA]D(SO)             | [ICRA]D(SO)             |

| Trust Name                    | Current Rating (FY2024) |                                  |                                |                         | Chronology of Rating History for the Past 3 Years |                         |                         |  |
|-------------------------------|-------------------------|----------------------------------|--------------------------------|-------------------------|---|-------------------------|-------------------------|--|
|                               | Instrument              | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2024 | Date & Rating in FY2023                           | Date & Rating in FY2022 | Date & Rating in FY2021 |  |
|                               |                         |                                  |                                | January 25, 2024        | January 18, 2023                                  | February 25, 2022       | February 11, 2021       |  |
| 2 Goldstein IFMR Capital 2016 | PTC Series A2           | 4.10                             | 2.72                           | [ICRA]D(SO)             | [ICRA]D(SO)                                       | [ICRA]D(SO)             | [ICRA]D(SO)             |  |

| Trust Name |                        | Current Rating (FY2024) |                                  |                                | Chronology of Rating History for the Past 3 Years |                         |                         |                         |
|------------|------------------------|-------------------------|----------------------------------|--------------------------------|---|-------------------------|-------------------------|-------------------------|
|            |                        | Instrument              | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2024                           | Date & Rating in FY2023 | Date & Rating in FY2022 | Date & Rating in FY2021 |
|            |                        |                         |                                  |                                | January 25, 2024                                  | January 18, 2023        | February 25, 2022       | February 11, 2021       |
| 3          | Syme IFMR Capital 2016 | PTC Series A2           | 1.58                             | 1.23                           | [ICRA]D(SO)                                       | [ICRA]D(SO)             | [ICRA]D(SO)             | [ICRA]D(SO)             |

| Trust Name                  | Current Rating (FY2024) |                                  |                                | Chronology of Rating History for the Past 3 Years |                         |                         |                         |
|-----------------------------|-------------------------|----------------------------------|--------------------------------|---|-------------------------|-------------------------|-------------------------|
|                             | Instrument              | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2024                           | Date & Rating in FY2023 | Date & Rating in FY2022 | Date & Rating in FY2021 |
|                             |                         |                                  |                                | January 25, 2024                                  | January 18, 2023        | February 25, 2022       | February 11, 2021       |
| 4 Oceania IFMR Capital 2016 | PTC Series A3           | 20.56                            | 1.81                           | [ICRA]D(SO)                                       | [ICRA]D(SO)             | [ICRA]D(SO)             | [ICRA]D(SO)             |

| Trust Name | Current Rating (FY2024) |                                  |                                | Chronology of Rating History for the Past 3 Years |                         |                         |                         |             |
|------------|-------------------------|----------------------------------|--------------------------------|---|-------------------------|-------------------------|-------------------------|-------------|
|            | Instrument              | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2024                           | Date & Rating in FY2023 | Date & Rating in FY2022 | Date & Rating in FY2021 |             |
|            |                         |                                  |                                | January 25, 2024                                  | January 18, 2023        | February 25, 2022       | February 11, 2021       |             |
| 5          | Moses IFMR Capital 2016 | PTC Series A2                    | 7.26                           | 7.17  | [ICRA]D(SO)             | [ICRA]D(SO)             | [ICRA]D(SO)             | [ICRA]D(SO) |

| Trust Name | Current Rating (FY2024)   |                                  |                                |                         | Chronology of Rating History for the Past 3 Years |                         |                         |             |
|------------|---------------------------|----------------------------------|--------------------------------|-------------------------|---|-------------------------|-------------------------|-------------|
|            | Instrument                | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2024 | Date & Rating in FY2023                           | Date & Rating in FY2022 | Date & Rating in FY2021 |             |
|            |                           |                                  |                                | January 25, 2024        | January 18, 2023                                  | February 25, 2022       | February 11, 2021       |             |
| 6          | Raphael IFMR Capital 2016 | PTC Series A1                    | 37.02                          | 3.42                    | [ICRA]D(SO)                                       | [ICRA]D(SO)             | [ICRA]D(SO)             | [ICRA]D(SO) |
|            |                           | PTC Series A2                    | 2.06                           | 2.06                    | [ICRA]D(SO)                                       | [ICRA]D(SO)             | [ICRA]D(SO)             | [ICRA]D(SO) |

| Trust Name                   | Current Rating (FY2024) |                                  |                                | Chronology of Rating History for the Past 3 Years |                         |                         |                         |
|------------------------------|-------------------------|----------------------------------|--------------------------------|---|-------------------------|-------------------------|-------------------------|
|                              | Instrument              | Initial Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2024                           | Date & Rating in FY2023 | Date & Rating in FY2022 | Date & Rating in FY2021 |
|                              |                         |                                  |                                | January 25, 2024                                  | January 18, 2023        | February 25, 2022       | February 11, 2021       |
| 7 Leonardo IFMR Capital 2016 | PTC Series A2           | 1.78                             | 1.36                           | [ICRA]D(SO)                                       | [ICRA]D(SO)             | [ICRA]D(SO)             | [ICRA]D(SO)             |

## Complexity level of the rated instrument

| Trust Name                  | Instrument    | Complexity Indicator |
|-----------------------------|---------------|----------------------|
| Smith IFMR Capital 2016     | PTC Series A2 | Moderately Complex   |
| Goldstein IFMR Capital 2016 | PTC Series A2 | Moderately Complex   |
| Syme IFMR Capital 2016      | PTC Series A2 | Moderately Complex   |
| Oceania IFMR Capital 2016   | PTC Series A3 | Moderately Complex   |
| Moses IFMR Capital 2016     | PTC Series A2 | Moderately Complex   |
| Raphael IFMR Capital 2016   | PTC Series A1 | Moderately Complex   |
|                             | PTC Series A2 | Moderately Complex   |
| Leonardo IFMR Capital 2016  | PTC Series A2 | Moderately Complex   |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

| Trust Name                  | Instrument    | Date of Issuance | Coupon Rate (p.a.p.m.) | Scheduled Maturity Date* | Amount Rated (Rs. crore) | Current Rating |
|-----------------------------|---------------|------------------|------------------------|--------------------------|--------------------------|----------------|
| Smith IFMR Capital 2016     | PTC Series A2 | Jun 2016         | 14.00%                 | Feb 2018                 | 3.65                     | [ICRA]D(SO)    |
| Goldstein IFMR Capital 2016 | PTC Series A2 | Jun 2016         | 14.00%                 | Jan 2018                 | 2.72                     | [ICRA]D(SO)    |
| Syme IFMR Capital 2016      | PTC Series A2 | Jun 2016         | 14.00%                 | Jan 2018                 | 1.23                     | [ICRA]D(SO)    |
| Oceania IFMR Capital 2016   | PTC Series A3 | Jun 2016         | 14.00%                 | Feb 2018                 | 1.81                     | [ICRA]D(SO)    |
| Moses IFMR Capital 2016     | PTC Series A2 | Jul 2016         | 14.00%                 | Mar 2018                 | 7.17                     | [ICRA]D(SO)    |
| Raphael IFMR Capital 2016   | PTC Series A1 | Sep 2016         | 10.10%                 | Jul 2018                 | 3.42                     | [ICRA]D(SO)    |
|                             | PTC Series A2 |                  | 14.00%                 |                          | 2.06                     | [ICRA]D(SO)    |
| Leonardo IFMR Capital 2016  | PTC Series A2 | Dec 2016         | 14.00%                 | Sep 2018                 | 1.36                     | [ICRA]D(SO)    |

\* Scheduled maturity at transaction initiation

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Not Applicable

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Himanshi Doshi**

+91 22 6114 3410

[himanshi.doshi@icraindia.com](mailto:himanshi.doshi@icraindia.com)

**Ekta Baheti**

+91 22 6114 3423

[ekta.baheti@icraindia.com](mailto:ekta.baheti@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Shruti Jain**

+91 22 6114 3472

[shruti.jain@icraindia.com](mailto:shruti.jain@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



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