



Janalakshmi Financial Services Private Limited

	Amount in Rs. Crore	Rating Action
Non Convertible Debentures	76.00	[ICRA]A(Stable); assigned
Non Convertible Debentures	450.00	[ICRA]A(Stable); assigned

ICRA has assigned a rating of **[ICRA]A** (pronounced ICRA A)^{*} to the Rs. 76 crore and Rs. 450 crore Non Convertible Debentures (NCD) of Janalakshmi Financial Services Private Limited (JFSPL). The outlook on this rating is stable. ICRA also has a [ICRA]A rating with a stable outlook outstanding on Rs. 550 crore long term bank facilities and Rs. 200 crore NCD programmes of the company. ICRA also has rating outstanding of [ICRA]A-[†] with a stable outlook on Rs. 550 crore NCD programmes of the company.

The rating continues to factor in JFSPL's ability to leverage its network (Rs. 1077 crore as on Mar-15) to grow its book to Rs. 3774 crore (84% growth over FY15) while maintaining reasonable asset quality (0.69 % 90 day+ delinquencies) and reporting good earnings (PAT as % of average assets 2% for FY2015). Owing to the latest equity infusion (Dec-14), the gearing of the company was comfortable at about 3.5 times (provisional) as in March 2015 and the current capitalisation along with internal generation (13%-15%) should be sufficient to fuel the growth of the company in the current year (at projected growth rate of 80%), while maintaining a leveraging of 5 times. However, to meet the rapid expansion plans of the company (a compounded annual growth rate of 55%-60% over the next three years), it would need consistent external equity infusion (Rs. 1800-2000 crore over three years, if it maintains leveraging of 4.5-5 times) sizeable increase in funding lines as well as large scale recruitment and training of employees. The rating also factors in JFSPL's sound management and strong board composition, robust systems and processes, which have enabled it maintain a low credit risk profile despite lending to marginal borrower profile customers and relatively high pace of expansion.

ICRA expects liquidity of the company to remain comfortable in light of short tenure of its assets and funding lines from about 49 lenders; additionally the company has also been able to raise funds through various other sources like NCD, securitisation and external commercial borrowing (ECB)- though the cost of funds for Janalakshmi has reduced in recent months, it continues to be relatively higher compared to peers. The company's ability to manage such a high pace of growth will remain a key rating sensitivity. Additionally, their ability to manage the asset quality in their individual loan book that currently forms about 10% of the portfolio and has 90+ dpd of 3.84% as on March 2015 (increased from 2.4% in March 2014) is also a key monitorable. Overall, the rating remains constrained on account of monoline nature of its business, marginal borrower profile, high operational risk inherent in the business, moderate level of earnings, lack of diversification in earnings and challenges associated with aggressive pace of growth.

Owing to its strong systems and processes, the company has been able to demonstrate high collection efficiencies; access to credit bureaus and regulatory ceiling on borrower indebtedness has reduced concerns on overleveraging and multiple lending for MFIs and has helped in curbing delinquencies. Overall, in light of expected increase in the scale of operations, interest spread cap of 10%, rise in operating expenses owing to IT investments and geographical expansion, and a prudent leveraging, ICRA expects the ROE to be about 13-15% over medium term provided it maintains a strict control on asset quality. The company, given the good growth prospects and established relationships with investors and lenders, should be able to continue mobilizing funding and capital commensurate in relation to the envisaged growth.

^{*} For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

[†] Lower rating for these NCD reflects higher probability of default on the NCD on account of (a) presence of 'exercise for put option' if 'rating gets downgraded to BBB and (b) '30 day cure period' to mobilize liquidity to redeem the NCDs.



About the Company

Janalakshmi Financial Services Private Ltd (JFSPL) is a Bangalore-based NBFC 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), the portfolio of which was taken over by JFSPL in 2008. The promoter shareholding continues to be in JSS (now called Jana Urban Foundation or JUF), and funds in JSS/ JUF is used to address social issues.

As on Mar 2015, JFSPL had a portfolio of about Rs. 3,774 crore. JFSPL is diversified across 151 cities in 17 states in India with the share of top 3 states viz. Karnataka, Tamil Nadu and Maharashtra being about 54.8%. JFSPL has registered a high compounded growth of 113% in the last four years. The company has been able to receive equity every year for the last four years and has raised Rs. 462 crore equity in the latest round in November 2014 from existing as well as new investors. The company has reported net profits of Rs. 75 crore (profitability of 2.00%) in FY2015 on a managed assets base of Rs. 5,124 crore as against profits of Rs. 51 crore (profitability of Rs. 2.83%) for FY2014 on a managed assets base of Rs. 2695 crore.

Shareholding Pattern as of April 30, 2015

Jana Urban Foundation (Sec 25 Company) (Promoter)	17.84%
MSPEA Platinum Pte Ltd	17.45%
TPG Asia VI SF Pte Ltd	15.98%
Client Rosehill Ltd.	11.95%
Alpha TC Holding Pte Ltd	9.11%
CVCI GP II Employee Rosehill Ltd.	6.69%
QRG Enterprises Ltd	5.27%
Treeline Asia Master Fund (Singapore) Pte. Ltd.	4.97%
India Financial Inclusion Fund (IFIF)	4.90%
GAWA	2.76%
Global Financial Inclusion Fund	0.80%
Enam Securities	0.63%
Individual Investors	1.65%
Total	100.00%

Source: JFSPL

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