

Press Release

Janakalyan Consultancy & Services Private Limited

June 06, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

ACUITE has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) to the Rs. 10.00 crore bank facilities of Janakalyan Consultancy & Services Limited. The outlook is '**Stable**'.

Incorporated in March 2017, Janakalyan Consultancy and Services Private Limited (JCSPL) is a RBI registered NBFC-MFI. The company is engaged in micro-finance lending activities to poor women primarily in rural belt of Eastern India. JCSPL extends small value collateral free loans for income generating activities related to agriculture, animal husbandry and business purposes under the joint liability group model. The company has presence across three states in 35 districts.

Key Rating Drivers

Strengths

- Experienced and qualified management:**

JSCPL is promoted by Mr. Alok Biswas, Mr. Sunanda Kumar Mitra and Mrs. Bani Sarawasti among others, each of whom possess more than two decade of experience in banking industry. Mr. Alok Kumar Biswas has more than 6 years of experience in microfinance industry by virtue of his association with Jagaran MicroFin Private Limited as its founder and Managing Director. Mrs. Bani Sarawasti has over four decade of experience of microfinance lending in rural pockets of West Bengal through her association with Shree Mahila Samity. The promoters are ably supported by second line of management with rich experience in lending to grass root level.

- Access to established customer base:**

JSCPL has an established customer base in 34 districts across West Bengal and Bihar with over 62,500 active borrowers as on 31st March, 2018. The company has been able to expand in its first year of operations by acquiring Shree Mahila Samity's (SMS) microfinance portfolio - an NGO with 42 years of track record in catering to underprivileged in rural Bengal. Further, the existing employees of SMS have been transferred to JCSPL for carrying out its MFI activities. This will help JSCPL to scale-up its operations at a quick pace over the near to medium term. JSCPL has outstanding loan portfolio of Rs 79.09 Crore as on 31st March, 2018(provisional). It disbursed Rs 139.41 Crore during 2017-18. The company has a highly granular portfolio as reflected in the average ticket size of Rs 12,656 for a tenor of 11 months.

Going forward, ACUITE believes that sustainable growth in loan portfolio while maintaining asset quality (GNPA of Rs 0.01 Crore (on 180+ DPD basis) as on 31st March 2018(provisional) with collection efficiency of 99.73 percent in 2017-18) will remain a key monitorable.

Weaknesses

- **Moderate capital position :**

JSCPL has moderate capitalization on account of low net worth base of Rs 9.96 Crore as on 31st December 2017 (provisional). The company is primarily depended on external borrowing as reflected in gearing of 5.74 as on that date. Capital adequacy was at 20.27 percent. Accruals to net worth are negative given the initial stage of operations and will only improve gradually with the increase in scale of operations. Hence, considering the aggressive expansion plans, significant capital infusion in the near to medium term may be required to maintain 15 percent capital adequacy. The promoters have already significantly diluted their shareholding to 38.22 percent as on 31st March 2018 (provisional) from 54.27 percent as on 31st March 2017 (provisional) to raise capital and may be required to further dilute their stake. The company's ability to maintain healthy capital adequacy while expanding its loan book will be a key rating sensitivity factor.

- **Significant geographic concentration in loan portfolio:**

JSCPL's portfolio is concentrated with 88 per cent of loan being disbursed in 30 district in West Bengal and remaining 12 per cent in 4 districts of Bihar. This may adversely impact their asset quality and hence profitability in case of any economic upheavals or natural calamities in the state.

Analytical Approach

ACUITÉ has considered the standalone business and financial risk profile of JSCPL for arriving at the rating.

Outlook: Stable

ACUITÉ believes that JSCPL will maintain a Stable outlook over the medium term driven by its experienced management. The outlook may be revised to 'Positive' if JSCPL significantly scales up operations while maintaining an adequate capital position, asset quality and profitability. Conversely, the outlook may be revised to 'Negative' in case of any material deterioration in asset quality. Any decline in profitability, or continued small scale of operations may also entail 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY17
Total Assets	Rs. Cr.	15.39
Total Income	Rs. Cr.	0.11
PAT	Rs. Cr.	(0.23)
Net Worth	Rs. Cr.	5.30
Return on Average Assets (RoAA)	(%)	(2.94)
Return on Total Asset(RoTA)	(%)	(1.47)
Total Debt/Tangible Net Worth (Gearing)	Times	1.89
Gross NPA	(%)	0.00
Net NPA	(%)	0.00
Net Worth/ Net NPA	Times	0.00

Note-Financials for FY2016 and FY2015 are not included as operations commenced in March 2017.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.75	ACUITE BB / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	6.25	ACUITE BB / Stable

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About Acuité Ratings & Research:

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