

Press Release

Janakalyan Financial Services Private Limited
(Erstwhile Janakalyan Consultancy And Services Private Limited)

April 21, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	50.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on the Rs. 150.00 crore bank facilities of Janakalyan Financial Services Private Limited (JFSPL). The outlook is 'Stable'.

Acuite has assigned the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on the Rs. 50.00 crore bank facilities of Janakalyan Financial Services Private Limited (JFSPL). The outlook is 'Stable'.

Acuite has revised the rating on the instruments of JSFPL from 'ACUITE BB+' to 'ACUITE BBB-' on the back of improvement in its assets quality, disbursement volumes and financial performance since Q2FY22. The on time portfolio has been improving q-o-q from ~45% as on September 30, 2020 to ~90% as on FY2021 and to further ~98% as on December 31, 2021. Collection efficiency improved to average 82.39% for 12 months ending December 31, 2021 as against average ~68% for 15 months ended December 2020. Acuite has observed traction in disbursements since Q2FY22 and subsequent rise in on- book portfolio from Rs.80 crore as on September 30, 2021 to Rs.95 crore as on December 31, 2021 [March 31, 2021: Rs.99 crore]. The company reported a PAT of Rs. 2.06 Cr as on December 31, 2021 as against of Rs 0.47 Cr as on March 31, 2021. The revised ratings further take into consideration performance of the company's restructured portfolio whereby the company has been receiving regular collections. While Acuite takes cognizance of high proportion of company's restructured assets at 51.48% as on December 31, 2021 [September 30, 2021: 81.95%], ~85 to 90 per cent is on-time. The company continues to derive strength from its experienced management team and Board of directors. The rating also derives strength from the adequate capitalization levels, regular capital support from the promoters and moderate resources raising ability. During FY2021, the promoter and shareholders infused equity of Rs.7.50 Crore in the company. The Capital Adequacy Ratio (CAR) stood at 40.84 per cent as on December 31, 2021 and 42.42 percent as on March 31, 2021. The rating is however, constrained by modest scale of operations, geographic concentration and risks inherent to micro finance sector.

About the company

JFSPL (Formerly: Janakalyan Consultancy & Services Private Limited) is a Kolkata-based Nonbanking financial company – Micro financial institution (NBFC-MFI) promoted by Mr. Sunanda Kumar Mitra and Mr. Alok Biswas both of whom possess more than twenty year of experience in financial sector. Established in 2017, JFSPL is engaged in providing small ticket loans up to fifty thousand for income generating activities related to agriculture, animal husbandry and business purposes through the Joint Liability Group (JLG) model, primarily with women as Members / Borrowers. In 2017, the company entered into an arrangement with Shree Mahila Samity (SMS) microfinance portfolio, an NGO with 42 years of track record in catering to underprivileged in rural Bengal, to disburse fresh loans to matured borrowers of SMS. The company, headquartered in Kolkata, presently has presence in 22 districts with 75 branches across 6 states (West Bengal, Odisha, Jharkhand, Bihar, Assam and Tripura) as on December 2021

Analytical Approach

Acuité has considered the standalone financial and business risk profile of JFSL to arrive at the rating.

Key Rating Drivers

Strength

- **Experienced management team supported by institutional investors:**

JFSPL is promoted by Mr. Sunanda Kumar Mitra and Mr. Alok Biswas. The promoter's together hold 30.69 per cent of the total equity, as on December 31, 2021. In FY 2021 the company has received additional funding support from Sun Tech City Pvt Ltd for a 12.64 percent stake in equity capital. Mr. Biswas, Managing Director and CEO, is an ex-banker with over three decades' experience in the BFSI sector through his association with Canara banks and Axis bank. Mr. Mitra, Chairman has over three decades' experience in BFSI sector, he was ex AGM of State Bank of India and has been associated as DGM Credit, AXIS Bank and Bandhan Bank. The promoters are supported by a team of independent directors, Mr. R.V. Dilip Kumar, SIDBI Venture Capital Limited; Mr. Atanu Sen, exDMD, State Bank of India; amongst others. Besides the renowned persons on the Board, the company has in place professionals heading key verticals. The company commenced its operations through 24 branches in West Bengal of SMS from March 2017 and since then; the company has expanded its operations to Bihar, Jharkhand and Odisha in FY2019. In FY2020, the company has also set its footprint in Assam and Tripura. As on December 31, 2021, the company operates through a network of 75 branches spread across 22 districts JFSL's loan portfolio stood at Rs. 135.58 Cr. on December 31, 2021 and Rs. 152.98 Cr. as on March 31, 2021 as against Rs. 239.34 Cr. as on March 31, 2020. The Capital adequacy ratio (CAR) of JFSL stood at 40.84 per cent as on December 31, 2021 and 42.42 percent as on March 31, 2021 as against 23.25 per cent as on March 31, 2020. The company has raised further equity of Rs. 7.50 crore as on FY2021 and is expecting to receive further Rs. 10 crore in the coming year through various investors, which will further support the growth plans of the management.

- **Improvement in asset quality metrics:**

The company's GNPA have slightly declined to 1.30 percent as on December 31, 2021 as against 1.32 per cent as on March 31, 2021. NNPA has reduced from 0.30 per cent to 0.07 per cent as on December 31, 2021. The PCR stood at 94.35 per cent as on December 31, 2021 as against 76.92 per cent as March 31, 2021. The company has shown improvement in on time portfolio improving from ~45 per cent as on September 2020 to 98 percent as on December 31, 2021. Acuité believes that JFSPL will continue to benefit from its experienced management; however, going forward the ability to attract funding from the financial institutions would be critical. Going ahead, Acuité believes that the ability of the company to demonstrate growth in its loan assets, while maintaining healthy asset quality, will be crucial to

the credit profile of the company.

Weakness

- **Susceptibility of operating performance to regulatory environment and access to funding at competitive prices:**

JFSL's overall portfolio stood at Rs. 135.58 Cr as on December 31, 2021 as against Rs. 152.98 Cr. as on March 31, 2021. Since, the company has significantly expanded its operations and is continuously expanding to newer locations, the operating expenses have remained at higher levels, which can be seen in the operating expense to earning asset ratio of 11.20 per cent in December 2021 as against 10.37 per cent in FY2021. In spite of improvement in the company's Return on Average Assets (RoAA), was low at 1.93 per cent in December 2021 as against 0.27 per cent in FY2021. The Net Interest Margins (NIM) also declined to 9.12 per cent in FY2021 as against 9.45 per cent in FY2020 with has further improved to 12.08 percent as on December 2021. JFSL is susceptible to changes in the regulatory framework and policies pertaining to Capital Adequacy and Provisioning norms. Further, recent NBFC crisis, coupled with cautious and selective approach adopted by banks and financial institutions has resulted in difficulties faced by players such as JFSL to raise funding at competitive rates thereby pressurising profitability as seen in the past.

Acuité believes that the ability of JFSL to grow its loan book, while improving its profitability, will be a key monitorable

- **Modest geographic concentration risk:**

JFSL's operations are concentrated at West Bengal accounting for 56 per cent of its AUM as on 31 December 2021 followed by Bihar at 34 per cent and Odisha at 5 per cent. While the company is gradually expanding into other states such as Jharkhand, Assam and Tripura, there is an overall concentration of the lending business in West Bengal contributing ~56 per cent of its AUM, followed by Bihar ~34 per cent and remaining amongst other four states. Thus, the company's performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework, thereby impacting the credit profile of JFSL. Generally, the risk profile of a microfinance company with a geographically diversified portfolio is more resilient compared to that of an entity with a geographically concentrated portfolio.

Acuité believes that the high geographical concentration of its portfolio will continue to weigh on its credit profile over the near to medium term.

- **Modest profitability, though improving:**

The company's financial risk profile is modest as marked by improvement in PAT, which has improved from Rs. 0.47 Cr as on March 31, 2021 to Rs. 2.06 Cr as on December 31, 2021. ROAA improved from 0.27 per cent as on March 2021 to 2.05 per cent as on December 2021. Operating expenses to earnings ratio (OPEX) showed an improvement from 5.75 percent as on March 31, 2021 to 9.40 per cent as on December 31, 2021.

Rating Sensitivity

- Decline in Profitability and asset quality.
- Further increase in gearing levels.
- Increase in geographic concentration.
- Changes in regulatory environment governing micro finance activities

Material Covenants

JFSL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position: Adequate

As per the Asset Liability Management (ALM) statement dated December 31, 2021, JSFPL has positive cumulative mismatch in all of its maturity buckets. The company has unencumbered cash and bank balances of ~ Rs. 3.72 Cr. as on December 31, 2021.

Outlook: Stable

Acuité believes JSFPL will maintain a 'Stable' outlook given its experienced management team and comfortable capitalization. The outlook may be revised to 'Positive' if there is significant scale up of the operations while improving profitability and asset quality. Conversely, the outlook may be revised to 'Negative' in case of growth challenges or if the company faces asset quality or liquidity related challenges.

Key Financials - Standalone / Originator

	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	146.56	195.22
Total Income (Net of Interest Expense)	Rs. Cr.	18.01	21.51
PAT	Rs. Cr.	0.47	6.02
Net Worth	Rs. Cr.	42.45	34.49
Return on Average Assets (RoAA)	(%)	0.27	3.58
Return on Average Net Worth (RoNW)	(%)	1.21	20.33
Total Debt/ Net Worth (Gearing)	Times	2.34	4.44
Gross NPAs	(%)	1.32	0.68
Net NPAs	(%)	0.30	0.28

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Term Loan	Long Term	16.08	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	3.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.65	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	10.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)

04 Apr 2022	Term Loan	Long Term	2.25	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	11.04	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.25	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.37	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	18.77	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Term Loan	Long Term	66.26	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	3.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.36	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.67	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.19	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	4.73	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.75	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.63	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
20 Jan 2021	Term Loan	Long Term	27.63	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	12.52	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	50.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	6.25	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	22.19	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
		Long		ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Term	2.93	ACUITE BBB- Stable
	Term Loan	Long Term	8.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	3.44	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	1.56	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	8.40	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	7.08	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)

05 Nov 2019	Term Loan	Long Term	11.39	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	14.33	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	14.56	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	14.56	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.67	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.71	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.78	ACUITE BBB- Stable (Reaffirmed)
23 Oct 2019	Term Loan	Long Term	5.11	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	15.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	3.47	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	15.67	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Bank Facility	Long Term	5.20	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Term Loan	Long Term	10.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	3.33	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	12.22	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
06 Sep 2019	Term Loan	Long Term	12.22	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	15.67	ACUITE BB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	5.20	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	3.33	ACUITE BB+ Stable (Assigned)
17 Jul	Term Loan	Long Term	5.11	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	3.47	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	15.00	ACUITE BB+ Stable (Assigned)
	Proposed Term Loan	Long Term	10.00	ACUITE BB+ Stable (Assigned)
17 Jul	Proposed Term Loan	Long Term	6.25	ACUITE BB (Issuer not co-operating*)

2019	Term Loan	Long Term	3.75	ACUITE BB (Issuer not co-operating*)
06 Jun 2018	Proposed Term Loan	Long Term	6.25	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	3.75	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	66.26	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	18-04-2020	Not available	30-12-2022	11.04	ACUITE BBB- Stable Reaffirmed
National Bank for Agriculture and Rural Development (NABARD)	Not Applicable	Term Loan	05-03-2021	Not available	30-09-2022	3.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	13-09-2021	Not available	16-09-2024	16.08	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	22-09-2021	Not available	30-09-2024	10.00	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	07-09-2021	Not available	30-09-2024	18.77	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	13-09-2021	Not available	16-09-2024	4.73	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	29-09-2021	Not available	10-11-2024	1.37	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	28-02-2022	Not available	28-02-2025	5.00	ACUITE BBB- Stable Reaffirmed
Hinduja Leyland Finance Ltd.	Not Applicable	Term Loan	29-01-2020	Not available	28-03-2022	0.19	ACUITE BBB- Stable Reaffirmed
MAS Financial Service Ltd.	Not Applicable	Term Loan	17-07-2017	Not available	01-08-2022	3.00	ACUITE BBB- Stable Reaffirmed
MAS Financials Services Limited	Not Applicable	Term Loan	22-02-2020	Not available	25-03-2022	0.25	ACUITE BBB- Stable

							Reaffirmed
UC Inclusive Private Ltd.	Not Applicable	Term Loan	12-03-2020	Not available	01-08-2022	0.36	ACUITE BBB- Stable Reaffirmed
MAS Financials Services Limited	Not Applicable	Term Loan	22-12-2020	Not available	25-11-2022	0.63	ACUITE BBB- Stable Reaffirmed
MAS Financials Services Limited	Not Applicable	Term Loan	12-06-2021	Not available	20-05-2023	1.67	ACUITE BBB- Stable Reaffirmed
Nova Vyapar Private Limited	Not Applicable	Term Loan	05-07-2021	Not available	06-07-2022	1.00	ACUITE BBB- Stable Reaffirmed
Usha Financial Services Private Ltd.	Not Applicable	Term Loan	23-06-2021	Not available	11-07-2022	0.65	ACUITE BBB- Stable Reaffirmed
Nova Vyapar Private Limited	Not Applicable	Term Loan	04-12-2021	Not available	07-12-2022	1.75	ACUITE BBB- Stable Reaffirmed
Usha Financial Services Private Ltd.	Not Applicable	Term Loan	23-06-2021	Not available	10-02-2023	1.50	ACUITE BBB- Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	01-06-2018	Not available	01-10-2022	2.25	ACUITE BBB- Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	28-02-2019	Not available	10-03-2022	0.50	ACUITE BBB- Stable Reaffirmed

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