

## Press Release

Janakalyan Financial Services Private Limited

March 02, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB-   Assigned   Rating Watch with Developing Implications	-
Bank Loan Ratings	200.00	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	205.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 200.00 crore bank facilities of Janakalyan Financial Services Private Limited (JFSPL). The Rating has been placed under watch with Developing Implications. Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 5.00 crore bank facilities of Janakalyan Financial Services Private Limited (JFSPL). The Rating has been placed under watch with Developing Implications.

### Rationale behind Rating Watch with Developing Implications

The board of directors of JFSPL has approved the scheme of amalgamation of Janakalyan Financial Services Private Limited with Inditrade Microfinance Limited (IML) with effect from 1st July, 2022. The proposed merger's impact on JFSPL is still uncertain. Hence, the rating has been placed under 'Rating Watch with Developing Implications'.

The rating continues to take into account company's experienced management team, comfortable asset quality, adequate capitalisation. The company's GNPA has declined to 0.10 percent as on March 31, 2022 as against 1.32 per cent as on March 31, 2021. NNPA has reduced from 0.30 percent to 0.04 percent as on March 31, 2022. The company's GNPA and NNPA stood at 0.28 percent and 0.06 percent respectively as on December 31, 2022. The PCR stood at ~79 percent as on December 31, 2022. The company's capitalisation stood comfortable at 47.70 percent as on December 31, 2022. The rating is, however, constrained by JFSPL's geographically concentrated portfolio and modest scale of operations and financial risk profile. JFSPL's operations are concentrated at West Bengal accounting for 58 percent of its AUM as on 31 December 2022 followed by Bihar at 32 per cent and Odisha at 5 percent.

Acuite believes, going forward, the ability of the company to maintain comfortable capitalization levels along with stable asset quality in the light of continuously evolving economic scenario will be a key monitorable.

### 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 2022)

### **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 promoters together hold 30.69 per cent of the total equity, as on December 31, 2022. In FY 2021 the company had 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, ex-DMD, 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, 2022, the company operates through a network of 75 branches spread across 22 districts. JFSL's loan portfolio stood at Rs. 136.80 Cr. on December 31, 2022 as against Rs.134.47 Cr. as on March 31, 2022. The Capital adequacy ratio (CAR) of JFSL stood at 47.70 per cent as on December 31, 2022 majorly comprising of tier I capital (46.78 percent).

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.

##### **Improvement in asset quality metrics**

The company's GNPA have declined to 0.10 percent as on March 31, 2022 as against 1.32 per cent as on March 31, 2021. NNPA has reduced from 0.30 per cent to 0.04 per cent as on March 31, 2022. The company's GNPA and NNPA stood at 0.28 percent and 0.06 percent respectively as on December 31, 2022. The PCR stood at ~79 percent as on December 31, 2022. The company has shown improvement in on time portfolio improving from ~45 per cent as on September 2020 to 99.14 percent as on December 31, 2022.

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. 136.80 Cr as on December 31, 2022 as against Rs. 134.47 Cr. as on March 31, 2022. 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 12.23 percent in September 30, 2022 (annualized) as against 11.25 percent in FY2022. The company's Return on Average Assets (RoAA), was low at 0.54 percent in September 30, 2022 (annualized) as against 1.46 per cent in FY2022. The Net Interest Margins (NIM) also declined to 7.84 percent in H1FY23 as against 9.31 percent in FY2022. 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.

### **Geographic concentration risk**

JFSPL's operations are concentrated at West Bengal accounting for 58 percent of its AUM as on 31 December 2022 followed by Bihar at 32 per cent and Odisha at 5 percent. 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 ~58 per cent of its AUM, followed by Bihar ~32 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 JSFPL. 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 parameters**

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. 2.05 Cr as on March 31, 2022. The PAT moderated to Rs. 0.36 Cr as on September 30, 2022. ROAA declined to 0.54 percent as on September 2022 from 1.46 percent as on March 31, 2022. Operating expenses to earnings ratio (OPEX) showed an increased to 12.23 percent as on September 30, 2022 from 11.25 percent as on March 31, 2022.

### **Rating Sensitivity**

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

### **Material Covenants**

JSFPL 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 September 30, 2022 JSFPL has no negative cumulative mismatch in all of its maturity buckets. The company has unencumbered cash and bank balances of ~ Rs. 15.43 Cr. as on September 30, 2022.

## Outlook:

Not Applicable

## Other Factors affecting Rating

None

## Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	133.45	146.56
Total Income (Net of Interest Expense)	Rs. Cr.	14.55	18.01
PAT	Rs. Cr.	2.05	0.47
Net Worth	Rs. Cr.	44.50	42.45
Return on Average Assets (RoAA)	(%)	1.46	0.27
Return on Average Net Worth (RoNW)	(%)	4.71	1.21
Total Debt/ Net Worth (Gearing)	Times	1.94	2.34
Gross NPAs	(%)	0.10	1.32
Net NPAs	(%)	0.04	0.30

## 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>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Apr 2022	Term Loan	Long Term	5.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.25	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.25	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Term Loan	Long Term	50.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.75	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.19	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	4.73	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	18.77	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Term Loan	Long Term	66.26	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.65	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	16.08	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	11.04	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.67	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.63	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.37	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	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)
		Long		ACUITE BBB-   Stable (Upgraded from



04 Apr 2022	Term Loan	Term	2.25	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	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)
	Term Loan	Long Term	2.93	ACUITE BB+   Stable (Downgraded from 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)
	Term Loan	Long Term	27.63	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB-   Assigned   Rating Watch with Developing Implications
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	10.26	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	66.26	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
State Bank of India	Not Applicable	Term Loan	13 Sep 2021	Not available	16 Sep 2024	Simple	10.18	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Canara Bank	Not Applicable	Term Loan	22 Sep 2021	Not available	30 Sep 2024	Simple	6.67	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Punjab National Bank	Not Applicable	Term Loan	07 Sep 2021	Not available	30 Sep 2024	Simple	11.82	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
State Bank of India	Not Applicable	Term Loan	13 Sep 2021	Not available	16 Sep 2024	Simple	3.00	ACUITE BBB-   Reaffirmed   Rating

								Watch with Developing Implications
Bank of Baroda	Not Applicable	Term Loan	29 Sep 2021	Not available	10 Nov 2024	Simple	0.92	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Union Bank of India	Not Applicable	Term Loan	28 Feb 2022	Not available	28 Feb 2025	Simple	3.67	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
MAS Financials Services Limited	Not Applicable	Term Loan	12 Jun 2021	Not available	20 May 2023	Simple	0.52	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Usha Financial Services Private Ltd.	Not Applicable	Term Loan	23 Jun 2021	Not available	10 Feb 2023	Simple	0.13	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
MANAVEEYA DEVELOPMENT AND FINANCE PRIVATE LIMITED	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.00	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Incred Capital Financial Services Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.39	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Nova Vyapar Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.15	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Ananya Finance For Inclusive Growth Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.01	ACUITE BBB-   Reaffirmed   Rating Watch with



Ananya Finance For Inclusive Growth Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.19	Developing ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Ananya Finance For Inclusive Growth Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.20	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Nova Vyapar Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.90	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.52	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.29	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
ESAF Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.69	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Ananya Finance For Inclusive Growth Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.22	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Usha Financial Services Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.53	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications

Ananya Finance For Inclusive Growth Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.23	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Ananya Finance For Inclusive Growth Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.25	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications
Cholamandalam Investment Finance Company Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.00	ACUITE BBB-   Reaffirmed   Rating Watch with Developing Implications

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### About Acuité Ratings & Research

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