

Press Release

Jayanth Financial Services & Private Limited

November 21, 2019



Rating Assigned

Instruments Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) on the Rs.15.00 crore bank facilities of Jayanth Financial Services & Private Limited (JFSPL). The outlook is '**stable**'.

Tamil Nadu based, Jayanth Financial Services & Private Limited (JFSPL) was promoted by Mr. George Joseph in 1991, as a Non-Banking Financial Institution (NBFC). The company commenced its operations in 2011 by way of extending income generation loans and Micro Enterprises loans to individuals. As on September 30, 2019, The Company has operations through four branches spread across two districts in Tamil Nadu.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Jayanth Financial Services & Private Limited to arrive at the rating.

Key Rating Drivers:

Strengths

- **Experienced management:**

JFSPL is engaged in providing micro loans to individuals for income generation purpose since 2011. Company has been in the operations around a decade and over the years has established its presence in two districts of Tamil Nadu. The operations of the company are managed by a team of experienced personnel's, with wide experience in micro finance activities and social work. The management team is led by Mr George Joseph, Chairman of the company and has more than two decades of experience in micro finance and priority sector lending. The team comprises of other personnel's who have more than a decade of experience in the field of micro finance, social work etc.

Acuité believes that JFSPL will benefit from its experienced management team and established track record of operations.

- **Sound asset quality:**

Company's loan portfolio grew to Rs 3.64 crore as on September 30, 2019 as against Rs 3.57 crore as on March 31, 2019. It has a sound asset quality reflected in NIL Non-Performing Assets (NPAs) as on September 30, 2019 and March 31, 2019. Further, it demonstrated healthy collection efficiency of ~100 per cent on an average for the six months ending September 30, 2019.

Going ahead, Acuité expects JFSPL to benefit from its sound asset quality.

Weaknesses

- **Modest scale of operations and high geographical concentration:**

The company has modest scale of operations with an outstanding loan portfolio of Rs. 3.64 Cr as on September 30, 2019 as compared to Rs 3.56 crore as on March 31, 2019. JF's portfolio is exposed to high geographical concentration risk, as 100 per cent of the total portfolio is concentrated in the state of

Tamil Nadu, spread across two districts & four branches. Generally, the risk profile of NBFCs with a geographically diversified portfolio is more resilient compared to that of entity with a geographically concentrated portfolio.

Acuité believes that modest scale of operations coupled with geographic concentration in its portfolio will continue to weigh on the company's credit profile over the near to medium term.

Rating Sensitivity

- Increase in scale of operations, while maintaining stable profitability.
- Deterioration in financial risk profile and liquidity position.

Material Covenants

None

Liquidity Position: Adequate

The company has an adequate matched liquidity position with no cumulative mismatches in all maturity buckets as on March 31 2019. The tenure of loans ranges between 15-20 months, whereas the incremental bank funding is typically for 15 months. The company's loan book is mainly funded through equity, leading to positive mismatches in all maturity buckets.

Outlook: Stable

Acuité believes that JFSPL will maintain a 'Stable' outlook on account of its experienced management and sound asset quality. The outlook may be revised to 'Positive' in case of healthy growth in loan portfolio along with sustainable improvement in profitability while maintaining asset quality. Conversely, the outlook may be revised to 'Negative' in case of continued growth challenges or deterioration in asset quality or profitability.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	4.48	2.54	2.29
Total Income (Net of Interest Expense)	Rs. Cr.	0.54	0.36	0.29
PAT	Rs. Cr.	0.03	0.01	0.01
Net Worth	Rs. Cr.	2.35	2.05	2.05
Return on Average Assets (RoAA)	(%)	0.90	0.31	0.87
Return on Average Net Worth (RoNW)	(%)	1.43	0.37	0.97
Total Debt/Tangible Net Worth (Gearing)	Times	0.87	0.20	0.09
Gross NPAs	(%)	0.00	0.00	0.00
Net NPAs	(%)	0.00	0.00	0.00

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-10.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
Proposed term loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- / Stable (Assigned)

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About Acuité Ratings & Research:

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