



SMERA MFI Grading

M2

*(High capacity of the
MFI to manage its
operations in a
sustainable manner)*

SMERA MFI Grading

**Janakalyan Financial Services Private
Limited**



To verify the grading, please scan the QR Code

Date of Report:

28 December, 2023

Valid Till:

26 December, 2024

Conflict of Interest Declaration

SMERA (including its holding company and wholly owned subsidiaries) has not been involved in any assignment of advisory nature for a period of 12 months preceding the date of the MFI grading. None of the employees or the Board members of the SMERA have been a member of the Board of Directors of the MFI for a period of 12 months preceding the date of the comprehensive grading.

Disclaimer

SMERA's Ratings / Gradings / Trust Seal and other credit assessment related services do not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a buyer's or lender's independent assessment. Rating / Grading / Due Diligence are based on the information provided by the rated entity and obtained by SMERA from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true and correct, SMERA makes no representation or warranty, expressed or implied with respect to the accuracy, adequacy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability, whatsoever, for any direct, indirect or consequential loss of any kind arising from the use of its Ratings / Gradings / Assessments.

Historical Rating Grades

Date	Rating Agency	Rating/Grading
March 02, 2023	Acuite Ratings & Research Limited	BBB-
April 21, 2022	Acuite Ratings & Research Limited	BBB-
Dec 29, 2022	SMERA	M3C2
Feb 28, 2022	SMERA	C2
November 29, 2021	SMERA	M3
March 31, 2021	SMERA	C2
January 20, 2021	Acuite Ratings & Research Limited	BB+
November 28, 2020	SMERA	M3
October 31, 2019	Acuite Ratings & Research Limited	BBB-
January 17, 2020	CARE	MFI 3+

SMERA's MFI Grading Scale

Grading Scale	Definitions
M1	Highest capacity of the MFI to manage its operations in a sustainable manner.
M2	High capacity of the MFI to manage its operations in a sustainable manner.
M3	Above average capacity of the MFI to manage its operations in a sustainable manner
M4	Average capacity of the MFI to manage its operations in a sustainable manner
M5	Inadequate capacity of the MFI to manage its operations in a sustainable manner
M6	Low capacity of the MFI to manage its operations in a sustainable manner.
M7	Very low capacity of the MFI to manage its operations in a sustainable manner
M8	Lowest capacity of the MFI to manage its operations in a sustainable manner

Disclaimer: MFI Grading is not a comment on debt servicing ability, not a buy-sell recommendation and must not be used for raising fund.



To verify the grading, please scan the QR Code

Company Fact Sheet

Name of the MFI	:	Janakalyan Financial Services Private Limited (JFSPL)	
Operational Head – Microfinance Business	:	Name	Mr. Debdulal Ghosal
	:	Designation	Sr. Vice President & Head – Operations
	:	Mobile No.	9007266359
	:	Email ID	debdulal.ghosal@janakalyan.net
	:	Date of Joining	May 20, 2022
Date of Incorporation/Establishment	:	July 27, 2016	
Date of commencement of microfinance business	:	March 2017	
Legal Status	:	NBFC – MFI	
Business of the company	:	Microfinance lending to Joint Liability Groups (JLG) Model	
Correspondence Address	:	CD-193, Sector-1, Salt Lake City, Kolkata- 700064	
Geographical Reach (As on 31/July/2023)	:	No. of States	6
	:	No. of Districts	22
	:	No. of Branches	75
	:	No. of Active Borrowers	80,718
	:	No. of Total Employees	405
	:	No. of Field/Credit Officers	247
No. of Lenders	:	15	
Statutory Auditors	:	SRB & Associates	

Background:

Janakalyan Financial Services Private Limited herein referred as JFSPL commenced microfinance operations in the month of March, 2017 as an NBFC-MFI. The company has adopted Joint Liability Group (JLG) model, primarily with women as members / borrowers. The company has taken over the microfinance operation of Sreema Mahila Samity (SMS) in the month of April 2017.

Product Profile

Products	Description	Loan Size (Rs)	Interest Rate (A) (In %)	Processing Fee (B) (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Kalyan Loan	Loan for Income Generating Activity	10,000-50,000	26.50	1.50	28.00
Swachh Loan (Water & Sanitation)	Water & sanitation Purpose	20,000-30,000	26.00	1.50	27.50
BC/Co-lending Loan	Loan for Income Generating Activity	15,000-75,000	23.00 to 27.00	1.00 to 1.50	24.00 or 24.50 to 28.00 or 28.50

Capital Structure as of 31/Mar/2023

Authorized Capital	Rs. 50.00 crore
Paid Up Capital	Rs. 25.35 crore

Shareholding Pattern (as on 31/Mar/2023)

Name of Proprietor/ Partner / Shareholders	Shares in %
S K Mitra	21.70
SIDBI TRUSTEE COMPANY LIMITED-A/C SAMRIDHI FUND	18.44
Sun Tech City Private Limited	12.64
Alok Biswas	9.06
Loknath Agarwalla	6.36
Susim Mukul Datta	5.46
Others	26.34
Total	100.00

Board of Director's/Promoter's Profile

Director Details		Profile
Name:	Mr. S.K.Mitra	<p>He started his professional career in commercial banking since 1974 spanning over 40 years, of which he spent the first 20 years with the State Bank of India. Was handling wide-ranging roles including assignments in Branch Banking, Retail Banking, SME and Large Corporate Credit. Subsequently, he joined UTI Bank (Axis Bank) and served in various roles as, Zonal Head, Eastern Zone, President and National Head (Rural Banking and Financial Inclusion).</p> <p>Post retirement from Axis Bank, Mr. Mitra joined Bandhan Bank as Business Head to assist in the transformation of the NBFC to a Scheduled Universal Bank in August,2015.</p>
Designation:	Chairman	
Qualification:	B.Sc (Hons), PGDBM and CAIIB	
Name:	Mr. Alok Biswas	<p>He started his career with Canara Bank (1989-1993) and worked in rural credit in remote villages of West Bengal. Subsequently, he joined Indian Bank as Probationary Officer in June 1993 and worked there till 2001 to join UTI Bank/ Axis Bank. Worked in all areas of banking, like Credit, Forex, Liabilities, Operation, Compliance, etc., including Corporate Credit. His last assignment in Axis Bank was that as the Vice President & Cluster Head, in charge of the state of Odisha, Chhattisgarh and Jharkhand.</p> <p>He subsequently moved into the microfinance Sector and set up Jagaran Microfin Private Limited in 2010, where he was the Founding Managing Director. He steered the growth of the company for five years and thereafter left in order to promote Janakalyan.</p>
Designation:	Managing Director & CEO	
Qualification:	B. Com (Hons), C.A.I.I.B, PGDM (XIMB), Diploma in Microfinance from IIBF, Mumbai	
Name:	Mr. Atanu Sen	<p>Mr. Atanu Sen served State Bank of India for a period of 37 years from where he retired in 2014 as MD & CEO of SBI Life Insurance. He had earlier served as the Bank's DMD and Chief Credit and Risk Officer and as Chief General Manager of Mumbai Circle. Mr. Sen has wide-ranging experience in commercial banking and finance including Credit and</p>
Designation:	Independent Director	
Qualification:	Post Graduate in Economics (C.U)	

		Risk Management, Infrastructure financing, International Banking and Banking Operations and Administration.
Name:	Mr. Asok Kumar Das	Mr. Asok Kumar Das has been a career banker and amongst the positions held by him during his long illustrious career are that of Deputy Managing Director, State Bank of India; Managing Director, State Bank of Patiala and Executive Director, SBI European Bank, London. Post superannuation from SBI, he held the positions of Director of Institutional Finance, Government of West Bengal and Ex-Officio Special Secretary (Finance), Government of West Bengal and Managing Director of WBIDFC.
Designation:	Additional Director	
Qualification:	CAIIB, M. A. (Economics)	
Name:	Mr. R V Dilip Kumar	He is working as SVP & CFO in SIDBI Venture Capital Limited. He has been with SIDBI Venture Capital Limited (SVCL) since its inception in 1999 and was part of the core team which had set up SIDBI Ventures, SIDBI Trustee Company and NFSIT. He represents SVCL on the Boards of some portfolio companies, where he has played an active role in building up systems and processes. Prior to joining SVCL in 1999, he was with SIDBI for nearly 8 years with experience in credit appraisal, accounts and audit functions.
Designation:	Nominee Director	
Qualification:	M.Com. AICWA, CS(Inter), PGDBA, and CAIIB	

SMERA Observations:

- JFSPL has five-member board. Board members have adequate experience in microfinance, Banking and development sectors.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective.

Management Profile

Management Details		Profile
Name:	Mr. Alok Biswas	<p>He started his career with Canara Bank (1989-1993) and worked in rural credit in remote villages of West Bengal. Subsequently, he joined Indian Bank as Probationary Officer in June 1993 and worked there till 2001 to join UTI Bank/ Axis Bank. Worked in all areas of banking, like Credit, Forex, Liabilities, Operation, Compliance, etc., including Corporate Credit. His last assignment in Axis Bank was that as the Vice President & Cluster Head, in charge of the state of Odisha, Chhattisgarh and Jharkhand. He subsequently moved into the microfinance Sector and set up Jagaran Microfin Private Limited in 2010, where he was the Founding Managing Director. He steered the growth of the company for five years and thereafter left in order to promote Janakalyan.</p>
Designation:	Managing Director & CEO	
Qualification:	B. Com (Hons), C.A.I.I.B, PGDM (XIMB), Diploma in Microfinance from IIBF, Mumbai	
Name:	Mr. Arup Kumar Dutta	<p>He Has 27 years of experience in the financial sector. His last assignment was with Utkarsh Small Finance Bank as Head-Liabilities where he played a key role in its transformation from NBFC-MFI into a SFB. Previously, he has worked with Axis Bank in senior profiles in retail and corporate banking and UTIAMC.</p>
Designation:	Chief Financial Officer	
Qualification:	He graduated with Honours in Economics, standing First Class First and was awarded the National Scholarship. He subsequently post graduated in Public Administration and later earned PGDBM (IISWBM, Kolkata), PGCHRM (XLRI, Jamshedpur, Gold Medallist) and JAIB (IIB&F, Mumbai)	
Name:	Mr. Sudhir Ghosh	<p>He has over 18 years of experience in microfinance acquired during stints with Bandhan MFI and Jagaran Microfin.</p>
Designation:	Vice President Operations	
Qualification:	He is an Arts Graduate (B.A.)	
Name:	Mr. Utpal Kumar Bose	<p>He has more than 3 decade of banking experience. His last employer was Jagaran Microfin as DGM-process Compliance, HR & Admin</p>
Designation:	Head – HR and Admin	
Qualification:	He is Science graduate from Calcutta University	
Name:	Mr. Debdulal Ghosal	<p>He has Over 20 years of experience in microfinance acquired during stints with Bandhan MFI and Jagaran Microfin.</p>
Designation:	Sr. Vice President & Head – Operations	

Qualification:	He is graduate from Burdwan University. He has completed Masters in Business Administration (HR)	
Name:	Mr. Monoranjan Roy	He has more than 35 years of experience with Reserve Bank of India. Lastly, he was worked as AGM in RBI.
Designation:	Head -Accounts	
Qualification:	He is a first-class Masters in Commerce from University of Calcutta. He is a qualified Cost Accountant. He is also as Associate Member of Institute of Costs and Works Accounts of India i.e. AICWA. Now the same is renamed as ACMA. He is a Certified Associate of Indian Institute of Bankers (CAIIB) from Indian Institute of Banking and Finance and is a life member of the Institute	
Name	Mr. Sukumar Biswas	Has more than 30 years of on the ground microfinance experience with BRAC, Bandhan MFI and Head of Operations at Jagaran Microfin.
Designation	Sr. Vice President & Inspection & Training	
Qualification:	M.Com (Accounting)	
Name	Mr. Palash Saha	He has more than a decade's experience in microfinance business, acquired during his stints with Sreema Mahila Samity
Designation	Zonal Head – Central Zone	
Qualification:	He is a Post graduate from Burdwan University	
Name	Mr. Abhijit Sarkar	Over 17 years of experience in microfinance acquired during stints with Utrayan MFI and Jagaran Microfin.
Designation	Assistant Vice President-Operations	
Qualification:	Graduate in Arts.	
Name	Mr. Ajoy Sarkar	He has over 20 years of experience working in microfinance acquired during stints with Sreema Mahila Samity.
Designation	Zonal Head-Ranaghat Zone	
Qualification:	Graduate from Calcutta University	
Name	Ms. Nikita Sureka Roy	She has worked for 6 years with Kamini Finance & Investment Company Ltd as Company Secretary.
Designation	Company Secretary & Compliance Officer	

Qualification:	B.Com. (Hons.) - Accountancy from University of Calcutta.	
Name	Mr. Debesh Gon	He has over 20 years of experience in microfinance acquired during stints with Sreema Mahila Samity.
Designation	Head- Centralised operations Hub and Nodal Officer	
Qualification:	He is a post graduate from Netaji Subhas Open University	
Name	Mr. Chandan Nag	He has more than 10 years of experience in microfinance acquired during stints with Jagaran Microfin.
Designation	Zonal Head – Barsoi Zone	
Qualification:	He has earned Master's degree from Netaji Subhas Open University	
Name	Mr. Durgadutta Mohapatra	He has 5 years' experience in the Micro-finance sector in the state of Odisha (Janakalyan). He has previously worked in ITES sector for 6 years.
Designation	Zonal Manager - Odisha Zone	
Qualification:	Graduation in Arts (Utkal University), Odisha Diploma In Computer Application. Professional Certificate In Web Designing (PCWD) From Arena Animation Delhi	
Name	Mr. Anutosh Pal	Has more than a decade's experience in microfinance business, acquired during his stints with Sreema Mahila Samity
Designation	Zonal Head-Kishanganj Zone	
Qualification:	He is a Post Graduate in MSW.	

SMERA Observations:

- JFSPL's senior management has adequate experience across sectors such as Microfinance, Banking, finance, HR and IT.
- A majority of the senior management members have been associated with it for long tenure and have risen from ranks.
- JFSPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.

Financial Snapshot (In Rs. Crores)

Particulars	31/03/2021	31/03/2022	31/03/2023
Total AUM (in Crores)	152.98	134.47	147.05
On Balance Sheet Portfolio Outstanding (in Crores)	98.70	91.62	93.52
Managed Balance Sheet (in Crores)	53.41	42.25	53.53
Securitized Portfolio (in Crores)	0.87	0.60	0.00
Total Net Worth (in Crores)	42.45	44.50	45.52
Total External Borrowings (in Crores)	99.18	86.19	86.28

Particulars	31/03/2021	31/03/2022	31/03/2023
Financial Revenue from Operations (in Crores)	38.30	26.11	23.76
Finance Expenses (in Crores)	20.17	10.82	9.24
Operating Expenses (in Crores)	12.23	12.33	12.73
Operating Income (in Crores)	0.94	2.30	1.23
Net Operating Income (in Crores)	0.47	2.05	1.02

Particulars	31/03/2021	31/03/2022	31/03/2023
Cost of funds ratios (%)	14.14	12.85	11.85
Capital Adequacy Ratio (%)	42.42	47.32	46.06
Operational Self Sufficiency (%)	102.52	109.68	105.48
Operating Expense Ratio (OER) (%)	5.75	9.19	9.62
Portfolio at Risk (>30 days) (%)	17.03	15.42	6.44
Debt to Equity ratio (in times)	2.34	1.94	1.90

Highlights of Microfinance Operations

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/July/2023
No. of States	6	6	6	6
No. of Districts	22	22	22	22
No. of Branches	75	75	75	75
No. of Active Members	1,69,224	1,74,889	1,90,917	2,02,261
No. of Active Borrowers	1,10,758	82,204	74,574	80,718
No. of Total Employees	463	438	400	405
No. of Field/Credit Officers	282	269	244	247
No. of JLGS	13,260	13,629	14159	14392
No. of Individual Loans	0	0		0
Owned Portfolio				
Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/July/2023
Total loan disbursements during the year (in crore)	57.32	62.87	84.68	27.14
Total portfolio outstanding (in crore)	98.70	91.62	93.52	94.50
BC/Managed Portfolio				
Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/July/2023
Total portfolio outstanding (in crore)	53.41	42.25	53.53	74.93
Securitized Portfolio				
Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/July/2023
Total portfolio outstanding (in crore)	0.87	0.60	0.00	0.00

As informed by the management the total AUM stood at Rs.198.57 Cr. as on Sept 30, 2023. Including own portfolio of Rs.95.10 Cr and BC portfolio of Rs.103.47 Cr. further company has received sanctioned of Rs.30.60 Cr. from various Banks and FIs/NBFC during last 6 months. Further management has informed that total Rs.115.50 Cr. of proposal has been placed in various banks and financial institution including SIDBI, SBI, Canara Bank, Arohan Financial and others. and expected to receive Rs.80 Cr. by end of March 2024.

The Company has 5 BC Partner (Utkarsh Small Finance Bank, ESAF Small Finance Bank, IDBI Bank Avanti Finance and Ananya Finance). The BC portfolio stood at Rs.103.47 cr. as on Sept 30, 2023. Further management has informed that company has an equity infusion plan of Rs.40. Cr. by end of February from the existing investor.

Microfinance Capacity Assessment Grading Rationale

Operating Environment

- The outbreak of COVID-19 had significantly impacted the operations of Micro Finance Institutions (MFIs). The MFI sector which has registered the CAGR growth of over 35% in last five years, amidst this pandemic crisis, faces serious challenges on collections, asset quality and cash flow management. Due to the moratorium, the collection level has been severely impacted in turn affecting cash flow and ALM.
- The industry started to gain momentum in Q2-FY2021 with the ease of nationwide lockdown. Broadly, the disbursement was back to pre-covid level as on December, 2020. Disbursements have partly picked up since many players are resorting to lending to existing borrowers so as to help them repay and tide over the stress.
- In the context of the re-emergence of asset quality stress in the second wave of COVID 19, RBI's measures to provide better funding access to the sector came in a timely manner. RBI has announced in its latest relief package on May 5, 2021 that SFBs can tap a Rs 10,000 Cr special long -term repo operations (SLTRO) funding programme which can provide funds at the repo rate of 4.0% for a tenor upto 3 years.
- The sector started showing improvements right from the Q1 of FY 2023 as Y-O-Y growth was almost close to the pre-pandemic level and overall on-time repayment rate surpassed than 95% backed by the revival of demand and improvement in overall business environment. By the end of Q3 of FY 2023 PAR> 30 days and PAR> 60 days improved to 3.43% and 2.60% whereas overall NPA of the sector also improved to 1.76% by the same period of time. Total AUM of the sector stood at Rs. 3.24 Lakh Crore by the end of Q3 of FY 2023 registering a growth of 26.19% on Y-O-Y basis.
- SMERA estimates the industry's PAR>30 days and PAR>90 days to be less than 3% and 1.50% respectively at the end of FY 2023. Further, the asset quality is expected to stabilise in FY2024 and on-time repayment rate expected to be close to the pre-covid level.

Long Track Record of Operations and Extensive Industry Experience of Promoters

- Janakalyan Financial Services Private Limited herein referred as JFSPL commenced microfinance operations in the month of March, 2017 as an NBFC-MFI. The company has adopted Joint Liability Group (JLG) model, primarily with women as members / borrowers. The company has taken over the microfinance operation of Sreema Mahila Samity (SMS) in the month of April 2017.
- JFSPL's core management team and second line of management has an adequate understanding of MFI ecosystem with rich experience in banking and financial sector. Mr. S.K Mitra associated as a chairman, He started his professional career in commercial banking since 1974 spanning over 40 years, of which he spent the first 20 years with the State Bank of India holding wide-ranging roles including assignments in Branch Banking, Retail Banking, SME and Large Corporate Credit. Subsequently, he joined UTI Bank (Axis Bank) and served in various roles as, Zonal Head, Eastern Zone, President and National Head (Rural Banking and Financial Inclusion), President and National Head (Distribution and Retail Banking). Post retirement from Axis Bank, Mr. Mitra joined Bandhan Bank as Business Head to assist in the transformation of the NBFC to a Scheduled Universal Bank in August,2015.
- Mr. Alok Biswas associated as Managing Director, started his career with Canara Bank (1989-1993) and worked in rural credit in remote villages of West Bengal. Subsequently, he joined Indian Bank as Probationary Officer in June 1993 and worked there till 2001 to join UTI Bank/Axis Bank. Worked in all areas of banking, like Credit, Forex, Liabilities, Operation, Compliance, etc., including Corporate Credit. His last assignment in Axis Bank was that as the Vice President & Cluster Head, in charge of the States of Odisha, Chhattisgarh and Jharkhand. He subsequently moved into the microfinance sector and set up Jagaran Microfin Private Limited in 2010, where he was the Founding Managing Director. He steered the growth of the company for five years and thereafter left in order to promote JFSPL.
- JFSPL has five-member on its board as on July 31, 2023 having extensive experience in the Banking and finance segment. The board has two promoter directors, one nominee director, one independent director and one additional director with Banking & Finance/Microfinance expertise.

Diversified resource profile

Resource Profile	% (as on 31/July/2023)
Banks	74.99
FIs/NBFCs	25.01
Total	100.00

- JFSPL has developed funding relationships with 15 lenders (including 7Banks and 8NBFCs/Financial Institutes) for on-lending its microfinance operations. The cost of funds (COF)

of JFSPL stood at 11.85% as on Mar 31, 2023 as compared to 12.85% recorded in the previous year.

- Apart from owned portfolio, JFSPL has a BC portfolio. The total BC portfolio outstanding is of Rs. 74.93 crore as on July 31, 2023.

Adequate capitalisation and comfortable liquidity profile

- JFSPL has adequate capitalization marked by capital adequacy ratio (CRAR) of 46.06% as on March 31, 2023; from 47.32% recorded as on 31st March, 2022. CRAR is more comfortable than the RBI stipulated CRAR for NBFC-MFI of 15 per cent. JFSPL's total equity capital has increase to Rs. 45.52 crore as on March 31, 2023 as compared to Rs. 44.50 crore in the previous year.
- JFSPL's has a comfortable liquidity position due to well-matched maturity of assets and liabilities. The tenure of loans is about 12-24 months, whereas the incremental bank funding is typically with tenure of about 24-36 months.
- However regular flow of funds is critical to maintain the projected growth and the same would have a key bearing on its liquidity profile.

Income and Profitability

Particulars	FY 2021	FY 2022	FY 2023
Net financial margin (In thousands)	1,31,701	1,46,383	1,39,640
Operating expenses (In thousands)	1,22,288	1,23,337	1,27,296
Operational Self Sufficiency (%)	102.52	109.68	105.48
Operating Expense Ratio (OER) (%)	5.75	9.19	9.62

- JFSPL has reported net profit of Rs. 1.01 crore on operating income of Rs. 23.76 crore in FY2023. In FY2022, JFSPL had reported net profit of Rs. 2.05 crore on operating income of Rs. 26.12 crore.
- Total AUM of JFSPL has increased to Rs.169.43 crore as on July 31, 2023 as compared to Rs. 134.47 crore as recorded on March 31, 2022.
- The operational self-sufficiency (OSS) of the company stood stable at 105.48% in FY2023 as compared to 109.68% in the previous year. The company's operating expense stood at 9.62% in FY 2023.

Moderate geographical presence

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/July/2023
No. of States	6	6	6	6
No. of Districts	22	22	22	22
No. of Branches	75	75	75	75

- JFSPL has moved its operations to 6 states over the years and has increased no. of branches to 75 in 22 districts of 6 different states as on July 31, 2023.
- More than 60% of the portfolio is concentrated in West Bengal. However, no district has accounted for greater than 5% of the company's total loan book.
- In order to mitigate any potential risk arising out of geographical concentration, JFSPL has been diversifying its presence across states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Assam	2	1171	1.91	20.98	1.13
Bihar	22	23772	46.84	7.56	27.65
Jharkhand	5	4036	7.80	5.79	4.60
Odisha	8	3974	6.79	12.07	4.01
Tripura	2	1097	2.02	4.75	1.19
West Bengal	36	46668	104.07	5.26	61.43
Total	75	80718	169.43	6.36	100.00

Note: Above table includes own branches alongwith the branches of managed and securitised portfolio.

- It would also be key grading sensitivity factor for the company to replicate its systems, processes and sound asset quality in the newer geographies while improving portfolio diversity.

Productivity and efficiency of employees

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/July/2023
No. of States	6	6	6	6
No. of Districts	22	22	22	22
No. of Branches	75	75	75	75
No. of Active Members	1,69,224	1,74,889	1,90,917	2,02,261
No. of Active Borrowers	1,10,758	82,204	74,574	80,718
No. of Total Employees	463	438	400	405
No. of Field/Credit Officers	282	269	244	247
No. of JLGS	13,260	13,629	14159	14392
No. of Individual Loans	0	0	0	0

Financial Ratios	31/Mar/2021	31/Mar/2022	31/Mar/2023
No. of Active Borrowers Per Staff Member	239	188	186
No. of Active Borrowers per field executives	393	306	306
No. of members per Branch	1,476	1096	994
Gross Portfolio o/s per field executive (in thousands)	5,425	4,999	6,027
Average Outstanding Balance per client (in Rs)	14,321	16,359	19,719
Cost per Active client	3,373	3,020	2,896

- JFSPL has moved its operations to 6 states over the years and has increased no. of branches to 75 in 22 districts of 6 different states as on July 31, 2023.
- JFSPL's field productivity remains average in comparison to its peers; the company has been able to improve its field outreach and asset productivity indicators over the years.
- The company would be required to register a consistent improvement in productivity whilst diversifying its operations.

Sound asset quality

- JFSPL has maintained moderate asset quality with on-time repayment rate of 92.99% as on July 31, 2023 as compared to 83.39% as on March 31, 2022.

Period	FY 2021	FY 2022	FY 2023	July 31, 2023
	Portfolio o/s	Portfolio o/s	Portfolio o/s	Portfolio o/s
On-time (in crore)	115.24	112.13	133.21	157.55
1-30 days (in crore)	10.24	1.61	4.37	1.10
31-60 days (in crore)	6.81	1.09	2.95	0.86
61-90 days (in crore)	4.35	1.29	1.61	0.93
91-180 days (in crore)	9.58	1.93	0.10	4.21
181-360 days (in crore)	6.65	6.18	0.52	0.91
> 360 days (in crore)	0.10	10.24	4.29	3.87
Write-off (in crore)	3.86	1.88	1.39	0.00
Total	152.98	134.47	147.05	169.43
On-time (in %)	75.33	83.39	90.59	92.99
PAR 0-30 days (in %)	6.69	1.20	2.97	0.65
Total Portfolio PAR >30 days (in %)	17.97	15.42	6.44	6.36
PAR >90 days (in %)	10.67	13.65	3.34	5.31

*Note: As provided by the management, SMERA analytical team has not verified the asset quality of the all branches.

- The PAR 0-30 days stood at 0.65% as on July 31, 2023 as compared to 1.20% as on March 31, 2022. The PAR >30 days has improved to 6.33% as on July 31, 2023 as compared to 15.42% as on March 31, 2022.
- Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.

Adequate IT Systems Audit Mechanism

- JFSPL's management information system (MIS) and Information Technology (IT) infrastructure is adequate for its current scale of operations. It has dedicated MIS and IT team at Head Office to ensure smooth flow of operational data between Head Office and branches. The company uses customized software "BIJLI" to maintain its MIS in Head Office and branches.
- **Credit Bureau Checks**
The company conducts compulsory credit bureau check of its borrowers from CRIF High Mark. The company shares the credit data with all four credit bureaus i.e. CIBIL, Experian, CRIF High Mark and Equifax on monthly basis as per the RBI norms.
- **Helpline Number**
The company has a dedicated helpline number, where calls are recorded automatically and addressed within 7 working days.
- **Internal Audit Process**
The company has a dedicated team of internal auditors who undertakes compulsory branch and borrower audit once in every quarter. All audits are surprise audits.

Inherent risk prevalent in the microfinance sector

- JFSPL's business risk profile is susceptible to regulatory and legislative risks, along with the inherent risk exist such as unsecured nature of lending, vulnerable customer profile and exposure to vagaries of political situation in the area of operation.

Financials

Profit & Loss Account (Rs. In Thousands)

Particulars	FY 2021	FY 2022	FY 2023
Months	12	12	12
Financial revenue from operations	3,83,045	2,61,122	2,37,562
Less - Financial expenses from operations	2,01,687	1,08,160	92,369
Gross financial margin	1,81,358	1,52,962	1,45,193
Provisions	49,657	6,579	5,553
Net financial margin	1,31,701	1,46,383	1,39,640
<u>Less - Operating Expenses</u>			
Personnel Expense	83,320	76,895	79,806
Depreciation and Amortization Expense	2,436	2,345	2,243
Other Administrative Expense	36,532	44,097	45,247
Net Operating Income	9,413	23,046	12,344
Current Tax	4,763	2,992	2,825
Deferred Tax	(1)	(404)	(674)
Extraordinary Items	0	0	0
Net Income	4,651	20,458	10,193

Note: Above financials are audited.

Balance Sheet (Rs in Thousands)

As on date	31-Mar-21	31-Mar-22	31-Mar-23
Sources of funds			
Capital			
Equity Capital	2,53,509	2,53,509	2,53,509
Reserve & Surplus	1,71,034	1,91,492	2,01,685
Total Capital	4,24,543	4,45,001	4,55,194
Liabilities			
Short-Term Liabilities			
Commercial Term Loans from Banks/FI	7,92,264	4,90,452	6,21,356
Account payable & Other short-term liabilities	13,785	4,634	5,266
Total Short-Term Liabilities	8,06,049	4,95,086	6,26,622
Long-Term Liabilities			
Long-Term Borrowings			
Commercial Loans from Banks/FI	1,99,530	3,71,467	2,41,487
Subordinated Debt	0	0	0
Unsecured Loan from Directors	0	0	0
Total Long-Term Borrowings	1,99,530	3,71,467	2,41,487
Total Other Liabilities	10,05,579	8,66,553	8,68,109
Provision for Loan Loss	35,283	23,099	14,705
Other Provisions	0	0	2,825
Deferred Tax Liability	235	0	0
TOTAL LIABILITIES	14,65,640	13,34,653	13,40,833

As on date	31-Mar-21	31-Mar-22	31-Mar-23
APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Net Block	7,399	6,153	5,822
Investments	0	0	0
Cash and Bank Balances	1,16,956	1,12,911	1,81,128
Security Deposits	1,75,949	1,51,191	1,39,679
<u>Loan Portfolio</u>			
Net Loan Portfolio	9,86,979	9,16,201	9,35,219
Loans & Advances to Related Parties	5,614	6,257	5,246
Accounts Receivable and Other Assets	1,70,678	1,39,929	71,759
Intangible Assets	2,065	1,842	1,136
Deferred Tax Asset	0	169	844
TOTAL ASSETS	14,65,640	13,34,653	13,40,833

Financial Ratios

Financial Ratios	31/Mar/2021	31/Mar/2022	31/Mar/2023
<u>Capital Adequacy Ratio (CAR)</u>			
Capital Adequacy Ratio (%)	42.42	47.32	46.06
<u>Productivity / Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	239	188	186
No. of Active Borrowers per field executives	393	306	306
No. of active borrowers per branch	1,477	1,096	994
Gross Portfolio o/s per field executive (Rs in thousands)	5,425	4,999	6,027
Average Outstanding Balance Per borrower (In Rs)	14,321	16,358	19,719
Cost Per Active borrower (In Rs)	3,373	3,020	2,896
<u>Asset / Liability Management</u>			
Yield on Portfolio (%) (Including BC)	21.75	24.49	21.20
Cost of Fund (COF) (%)	14.14	12.85	11.85
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	102.52	109.68	105.48
Operating Expense Ratio (OER) (%) (including BC)	5.75	9.19	9.62
Return on Assets (RoA) (%)	0.27	1.53	0.81
Portfolio at Risk (>30 days) (%)	17.97	15.42	6.44
Return on Equity (RoE) (%)	1.20	4.82	2.26
<u>Leverage Ratios</u>			
Total Outside Liabilities to Tangible Network Ratio (Times)	2.37	1.95	1.91
Debt/Equity Ratio (Times)	2.34	1.94	1.90

Grading Methodology

A) Operational Track Record

Business Orientation and Outreach of the MFI is an important parameter to gauge the growth strategies of the MFI and to assess its strategies for development. This parameter is analysed using the following sub-parameters.

- Direction & Clarity
- Ability to raise funds
- Degree of association with promoter institution
- Alternate avenues for funds
- Outreach (No. of offices, No. of clients, No. of employees, Portfolio diversification)

B) Promoters & Management Profile

The elements in this parameter helps in assessing the Promoter & management quality evaluated on the basis of the basic educational qualification, professional experience of the entrepreneur; and business attitude that is related to the motivation of carrying out the business and pursuing business strategies. This parameter is analysed using the following sub-parameters.

- Past experience of the management
- Vision and mission of the management
- Profile of the Board Members
- Policies and Processes
- Transparency and corporate governance

C) Financial Performance

SMERA analyses the credit worthiness of the organization through the following financial parameters. Various financial adjustments are done to get more accurate ratios for comparison. Financial analysis helps the MFI to know its financial sustainability. This parameter is analysed using the following sub-parameters.

- Capital adequacy
- Profitability/Sustainability ratios
- Productivity and efficiency ratios
- Gearing and Liquidity ratios

D) Asset Quality

The loan portfolio is the most important asset for any MFI. SMERA analyses the portfolio quality of the MFIs by doing ageing analysis, sectoral analysis, product wise analysis etc. SMERA compares the portfolio management system with organizational guidelines and generally accepted best practices. This parameter is analysed using the following sub-parameters.

- Ageing schedule
- Arrears Rate / Past Due Rate
- Repayment Rate
- Annual Loan Loss Rate

E) System & Processes

SMERA analyses the policies and processes followed by the MFIs, their ability to handle volume of financial transactions, legal issue and disputes, attrition among the employees and client drop out which impact the productivity of the organization. SMERA also analyses asset liability maturity profile of the MFI, liquidity risk and interest rate risk. This parameter is analysed using the following sub-parameters.

- Operational Control
- Management Information System
- Planning & Budgeting
- Asset Liability Mismatch

About SMERA Ratings

SMERA, widely known as 'The SME Rating Agency', was conceptualised by Ministry of Finance, Govt. of India and the Reserve Bank of India to help Indian MSMEs grow and get access to credit through independent and unbiased credit opinion that banks can rely on. Thus, SMERA became world's first MSME focused rating agency and introduced the concept of SME Ratings in India. SMERA offers SME Ratings, New Enterprise Credibility Scores, SME Credit Due Diligence and SME Trust Seal to Indian MSMEs to help lenders take informed decisions.

SMERA is a wholly owned subsidiary of Acuité Ratings & Research Limited. Acuité, a joint initiative of Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India, is registered with SEBI as a credit rating agency.

© 2023 SMERA Ratings Private Limited

Registered Office
905, Lodha Supremus, Lodha
iThink Techno Campus, Near
Kanjurmarg Railway Station,
Kanjurmarg (East)
Mumbai - 400 042
Tel: +91 22 6714 1111
Email - info@acuite.in

Website:
www.microfinanalytics.com