

Jagaran Microfin Private Limited

August 26, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	100.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Total Bank Facilities	100.00 (₹ One Hundred Crone Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has been seeking information from Jagaran Microfin Private Limited (Jagaran) to monitor the rating vide e-mail communications dated May 21, 2022, May 11, 2022 and May 01, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings and had not paid the surveillance fees. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Jagaran instruments will now be denoted as CARE BB- Stable/Issuer not cooperating*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The revision in the rating assigned to Jagaran takes into account the continued shrinking loan book, deteriorating asset quality low profitability as well as non-availability of other operational information.

The rating is constrained by the moderate Capital Adequacy Ratio (CAR), moderate scale of operations, concentration of operation in West Bengal, competition from other players operating in the region and regulatory risks as well as socio political risks inherent in the industry. The rating draws strength from the experienced Board of Directors.

Detailed description of the key rating drivers

Key rating weaknesses

Low profitability, though improved in FY22: Net interest margin declined to 8.34% in FY22 from 10.02% in FY21 amidst declining interest rate environment and rise in slippages. Operating expense over average total assets has increased to 12.81% as on as on March 31, 2022 (5.27% as on March 31, 2021). RoTA, however improved in FY22 with 0.94% from negative figure in FY21 of -1%, due to lower credit costs. In FY22, the company reported profit to Rs. 3.65 crore as against loss of Rs. 4.91 crore in FY21 owing to shrinking loan book size coupled with no provisions in FY22.

In Q1FY23, the company reported PAT of Rs. 0.44 crore on total income of Rs. 15.57 crore. The operating expenses are lower in Q1FY23 to Rs. 2.39 crore from Rs. 24.83 crore in Q4FY22.

Deteriorating asset quality: The company's overall asset quality has weakened over the years. The company reported gross stage 3 assets of 4.62% as on March 31, 2022 (3.27% as on March 31, 2021) which further increased to 4.94% as on June 30, 2022 and NNPA 1.65% as on March 31, 2022 (0.36% as on March 31, 2021). However, as on June 30, 2022 the NNPA% improved to 0.49% due to increase in PCR.

Moderate Scale of operations: Loan portfolio continued to decline from FY21 and it stood at Rs. 297.44 crore as on March 31, 2022 from Rs. 320.72 crore as on March 31, 2021.

Geographical Concentration risk: As per publicly available information, the portfolio is concentrated in West Bengal accounting for 58% of the portfolio as on March 31, 2022 (60% as on April 30, 2021) followed by Bihar at 29% (28% as on April 30, 2021). Further, the top 10 districts comprised 70% of the portfolio outstanding as on March 31, 2022 (71% as on April 30, 2021), exposing the company to local risks.

Regulatory risks & socio-political risks inherent in the industry: Jagaran faces competition from larger MFIs who have better and cheaper access to resources and enjoy the economies of large-scale operations. Further, banks and NBFCs are also trying to increase their direct presence in rural areas to meet the priority sector lending requirement.

Further, it remains exposed to event-based risks, marginal profile of borrowers and risks associated with unsecured lending, socio-political intervention, geographic concentration and operational risks related to cash-based transactions.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key rating strengths

Experience promoters and management: Jagaran's Board comprises ten members having experience in banking and financial sector. Mr. Dipankar Chatterji, Chairman, is a chartered accountant with experience of almost five decades. He is a senior partner with L.B. Jha and Co., a firm of chartered accountant. Mr. Jaydeep Ghosh, CEO, has over two decades of experience in the BFSI segment.

Comfortable capitalization: CAR improved to 26.2% in FY22 from 22.68% in FY21 due to reduction in loan book. Overall gearing improved from 3.9 times as on March 31, 2021 to 3.39 times as on March 31, 2022.

Analytical approach- Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios – Financial Sector](#)

[Rating Methodology – Non-Banking Finance Companies \(NBFCs\)](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

About the company

Jagaran (erstwhile SBT Consultants Private Ltd.), incorporated in 1993, is a Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI). Jagaran is a subsidiary of GTFS Multi Services Limited (GTFS).

Jagaran is engaged in the business of lending to individual women borrowers engaged in small businesses under the 'Joint Liability Group' model and is operating in rural & urban areas in West Bengal, Jharkhand, Odisha, Assam and Bihar. Jagaran provides loans to the individual members of groups for undertaking various income generating activities. As on March 31, 2020, Jagaran was managing an AUM of Rs.474.94 crore operating in 38 districts spanning across five states. Operations of Jagaran are managed through its network of 139 branches having 2,32,233 active borrowers.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (U/A)
Total operating income	104.88	87.39	15.57
PAT	-4.91	3.65	0.44
Interest coverage (times)	0.88	1.16	NA
Total Assets	399.68	376.86	NA
Net NPA (%)	0.36	1.65	0.49
ROTA (%)	-1.00	0.94	NA

A: Audited; NA; Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	100.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	100.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (15-Jun-21)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (24-Mar-20) 2)CARE BBB-; Stable (04-Apr-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities- Not applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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