



Press Release

Stree Nidhi Credit Co-Operative Federation Limited

(Telangana)

February 12, 2025

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|---|---|--|---|----------------------|---|
| Long Term Fund Based Facility – Term Loans | 397.16 (Increased form 307.11) | IVR A/Stable (IVR A with Stable Outlook) | IVR A/Stable (IVR A with Stable Outlook) | Rating reaffirmed | Simple |
| Long Term Fund Based Limits – CC/OD | 3650.00 (Decreased form 3750.00) | IVR A/Stable (IVR A with Stable Outlook) | IVR A/Stable (IVR A with Stable Outlook) | Rating reaffirmed | Simple |
| Long Term Fund Based Facility – Proposed Term Loans | 302.84 (Decreased form 342.89) | IVR A/Stable (IVR A with Stable Outlook) | IVR A/Stable (IVR A with Stable Outlook) | Rating reaffirmed | Simple |
| Long Term Fund Based Facility – Proposed CC/OD | 150.00 (Increased from 100.00) | IVR A/Stable (IVR A with Stable Outlook) | IVR A/Stable (IVR A with Stable Outlook) | Rating reaffirmed | Simple |
| Total | 4500.00 (Rupees Four Thousand Five Hundred Crore only) | | | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.



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Detailed Rationale

Infomerics ratings has reaffirmed its ratings assigned to the bank facilities of Stree Nidhi Credit Co-operative Federation Limited (Telangana) (SNCCFL) as it continues to derive comfort from the support of Government of Telangana (GoT) and the strategic importance of the society to GoT, professional management, comfortable capitalisation levels and strong systems, policies and process in place. However, these strengths are partially offset by moderation in AUM, average asset quality and inherent risks associated with the micro finance industry.

The stable outlook reflects the continued benefits derived by SNCCFL from its members and Govt of Telangana and expectations of AUM growth along with stable earnings profile over FY25-FY27 on the back of comfortable capitalisation levels.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up of its operations, while maintaining healthy profitability, asset quality, comfortable capital position and liquidity.

Downward Factors

- Substantial decline in the scale of operations and capitalization of society.
- Adverse movement in the collection efficiency which impacts the asset quality and thereby increasing the credit costs impacting the profitability of the Society.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Comfortable capitalisation:

Even though the society is governed by “The registrar of Co-operative societies and does ‘not have to comply with RBI norms/guidelines, since the society acts as an NBFC in its operations, it follows and adheres to all regulations/norms/guidelines applicable to NBFCs-MFIs. The Society is comfortably capitalised with total CRAR of 31.07% in H1FY25 (34.47% - FY24 (refers to period from April 1st, 2023, to Mar 31, 2024)) as against the minimum requirement



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of 15%. The Society has tangible net worth of Rs 1110.60 Crores as on 31 March 2024 (PY – 966.94), further it increased to Rs. 1172.00 crore in H1FY25 due to increase in deposits from members.

Support of Government of Telangana (GoT) and strategic importance of the society to GoT:

The Society is sponsored and supported by the Telangana State Govt. and SHG members at the grassroot level through developed institutions such as Village Organizations (VO), Mandal Samakhyas (MS) and Town-Level Federations (TLF). The Society is governed by the State Co-operative Societies Act and is not a RBI-registered NBFC.

Society has also been identified as a Channelizing Agency for financing livelihood activities under “Unnathi – SCSP” programme, NRLM projects of the State Government in order to have transparency with regard to assisted families, credit flow, tracking the repayment status and to enable multiple doses of assistance out of recycled amount to the members for improving their social and economic status. Hence, the Society is strategically important for the government of Telangana in executing its schemes.

Professional management

Stree Nidhi Credit Co-operative Federation Limited (Telangana), registered under State Cooperative Societies Act' 1964 is governed by underlying principles of Cooperation through General Body and Managing committee. The Managing Committee consists of 20 elected Directors from SHG federations and 3 nominee Directors by the State Govt viz., secretary panchayati raj, rural development; Secretary, Finance and Registrar of Cooperative Societies with M.D, Stree Nidhi and 3 Special invitees viz. CEO, SERP; Mission Director, MEPMA and CEO, MAS. SHG leaders in the Managing Committee are women district directors whose involvement in running the Federation greatly helps in the communication and enforcement of policies and monitoring the loan activity as a whole. The General Body of Stree Nidhi consists of the elected presidents of all mandal Samakhyas and town level federations who are the shareholders of Stree Nidhi.



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Strong systems, policies and process in place:

Over the years, the society has put in place strong credit appraisal, credit monitoring and recovery systems in place. Using technology as a key component the society is able to sanction and disburse loans to the SHG members generally within 48 hrs of application of loan. Stree Nidhi, considering the necessity to reach large number of SHG women, believed in information technology and adopted technology platform for delivering financial services since inception, in a timely manner at their doorstep. Initially, loan origination was done using mobiles and later through Tablet PCs and entire process was automated to make it user friendly as SHG women are largely illiterate. Stree Nidhi uses mobile App (Mana Stree Nidhi) to apply loans at VO/SLF level and Web application at MS/TLF level which helps in faster processing of loan applications over long distances.

Key Rating Weaknesses

Moderation in AUM:

The society's AUM has moderated in FY24 and H1FY25, with the assets under management (AUM) decreasing to Rs. 5102.65 crore in FY24 from Rs. 5241.60 crore in FY23. It has further moderated to Rs 5200.00 crore in H1FY25, the moderation in AUM is primarily due to curtailed disbursements given the high attrition in the staff at the base/filed level during FY24. The management has informed that they have started the recruitment process, and the vacancies will be filled by the end of FY25 and the growth in AUM will be back on track from Q1FY26. Society's ability to grow its AUM over the near to medium term will be a key rating monitorable.

Average asset quality:

Given the society's exposure to Micro-finance loans and the ongoing stress faced by the MFI industry with respect to collection efficiencies, the asset quality of the society has deteriorated in FY24 and further in H1FY25 with GNPA increasing to 3.84% in FY24 (PY - 3.34%) and to 3.96% in H1FY25. Since the society provides 100% provisioning against GNPA's, the NNPA's of the society are nil. However, given the fact that the society is owned and operated by the



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members through village organizations, mandal samakhya and town level federations, under the supervision of Government of Telangana through its nominees and the fact that even the onus of collections/recovery is also on the members, the recoveries of these loans are certain. Going forward society's ability to maintain and improve its asset quality amidst growing AUM will be key rating monitorable.

Inherent Risks in the Micro Finance Lending Industry:

Society remains exposed to inherent risks in the micro lending industry, including sensitivity to the prompt recovery/collection of loans. Currently, Non-Banking Financial Institutions (NBFIs) /Societies under micro lending in India are facing liquidity and funding challenges, resulting in subdued growth/degrowth and potential liquidity mismatches in the short term.

The loan policies and recovery policies of society are formed with the active participation of the managing committee and the state machinery. The society is governed by the state cooperative societies act and the state's intervention in the policies of the society remain exposed to regulatory risk. Also, the income group to which society lends to is also vulnerable to any changes in political policies.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

Liquidity: Adequate



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SNCCFL is adequately capitalized with total CRAR (%) of 34.47% as on 31 March 2024 (H1FY25 – 31.07%). As on 30 Nov 2024, SNCCFL has liquidity of Rs. 1661.70 crore in the form of cash and bank balances, Unutilised bank limits and Un marked FDs.

About the Company

Stree Nidhi Credit Cooperative Federation Ltd was registered as a apex cooperative society, under AP Cooperative Societies Act, 1964, vide Registration Number TAB No / 305/2011 dated 07/09/2011. Stree Nidhi commenced its operations with effect from 06th October 2011. Government of India notified the Andhra Pradesh Reorganisation Act' 2014 (Act 6 of 2014) and also notified June 02, 2014 as the appointed day. It is decided to bifurcate Stree Nidhi, accordingly. The issue was discussed in the Managing Committee meeting held on 20th May 2014 and General Body held on 21st May 2014 and the bifurcation proposal including division of Assets and Liabilities and staff was approved.

It was bifurcated into two separate independent Federations in consonance with the bifurcation of the erstwhile state of Andhra Pradesh into Telangana state and the new Andhra Pradesh state in June 2014. Stree Nidhi Credit Co-operative Federation Limited, Telangana, is sponsored by the Government of Telangana (GoTel) as a Credit Institution, as a society of the SHG women, by the SHG women and for the SHG women; it was aimed at providing credit gap funding. It started its commercial operations under the current structure from June 2014. The Federation is governed by the State Co-operative Societies Act and is not an RBI-registered NBFC.

Financials (Standalone)*:

Rs in Crores

| For the year ended/As on* | 31-03-2023 | 31-03-2024 |
|----------------------------------|-------------------|-------------------|
| | (Audited) | (Audited) |
| Total Income | 550.68 | 521.74 |
| PAT | 135.13 | 147.99 |
| Tangible net worth | 966.94 | 1110.60 |
| Total debt | 4561.58 | 4341.63 |
| AUM | 5241.60 | 5102.65 |
| <u>Ratios</u> | | |



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| | | |
|---------------------------|--------|--------|
| NIM (%) | 4.07 | 3.71 |
| Total CRAR (%) | 30.37% | 34.47% |
| Gross NPA [Stage III] (%) | 3.34% | 3.85% |
| Net NPA [Stage III] (%) | 0.00% | 0.00% |
| Overall gearing (x) | 4.72 | 3.91 |
| Interest Coverage (x) | 1.56 | 1.51 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NIL

Any other information: NA

Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | |
|---------|---|--------------------------------|--------------------------------|---------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 (30 Jan 2024) | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| 1. | Long Term Fund Based Facility – Term Loans | Long Term | 397.16 | IVR A/ Stable | IVR A/ Stable | - | - |
| 2. | Long Term Fund Based Limits – CC/OD | Long Term | 3650.00 | IVR A/ Stable | IVR A/ Stable | - | - |
| 3. | Long Term Fund Based Facility – Proposed Term Loans | Long Term | 302.84 | IVR A/ Stable | IVR A/ Stable | - | - |
| 4. | Long Term Fund Based Facility – Proposed CC/OD | Long Term | 150.00 | IVR A/ Stable | IVR A/ Stable | | |



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Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities:

| Name of Facility/Instrument | ISIN | Date of Issuance | Coupon Rate/IRR | Maturity Date | Size of Facility (Rs. Crore) | Listing Status | Rating Assigned/Outlook |
|---|------|------------------|-----------------|-----------------|------------------------------|----------------|-------------------------|
| Long Term Fund Based Facility – Term Loans | - | - | - | Up to Sept 2027 | 397.16 | - | IVR A/Stable |
| Long Term Fund Based Limits – CC/OD | - | - | - | Revolving | 3650.00 | - | IVR A/Stable |
| Long Term Fund Based Facility – Proposed Term Loans | - | - | - | - | 302.84 | - | IVR A/Stable |
| Long Term Fund Based Facility – Proposed CC/OD | - | - | - | - | 150.00 | - | IVR A/Stable |

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Stree-Nidhi-Credit-12feb25.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com