



Press Release

Stree Nidhi Credit Co-Operative Federation Limited

January 25, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Fund Based - Long Term facilities – Working Capital Facilities	2287.50	IVR A/ Stable (IVR A with Stable Outlook)	Assigned	Simple
Fund Based - Long Term facilities –Term Loans	380.09	IVR A/ Stable (IVR A with Stable Outlook)	Assigned	Simple
Proposed Long Term facilities	332.41	IVR A/ Stable (IVR A with Stable Outlook)	Assigned	Simple
Total	3000.00 (Rupees Three Thousand Crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment of ratings to the bank loan facilities of Stree Nidhi Credit Co-operative Federation Limited (SNCCFL) has taken into the ownership of Government of Andhra Pradesh and its strategic importance of the society, professional management, comfortable capitalisation, strong systems, policies and processes in place and healthy asset quality. However, the ratings are constrained by inherent risks associated with micro finance lending and exposure to socio-political risks.

Key Rating Sensitivities:

Upward Factors

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

Downward Factors



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- Adverse movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost and impacts the profitability of the Society.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Ownership of Government of Andhra Pradesh and strategic importance of the society:

The Society is sponsored and supported by the Andhra Pradesh 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 / TSP” programme, NRLM and IWMP 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 Andhra Pradesh in executing its schemes.

Professional management

Society, is guided in its operations by the Managing Committee. The Managing Committee consists of three top-level officials of the state government, 17 SHG leaders, two special invitees and the managing director of SNCCFL. 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. The board consists of 21 members. 17 Directors elected from the Community (13 from Rural MS & 4 from Urban TLFs). The federation has three state government nominated directors 1) Secretary Rural Development, 2) Secretary Institutional Finance, 3) Registrar of Cooperatives and a



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managing director. It has placed 135 staff members (including 77 deputation staff from SERP) in the cadres of DGMs, AGMs, managers and assistant managers to monitor Stree Nidhi operations in coordination with the staff of DRDAs (District Rural Development Agencies), the SERP (Society for Elimination of Rural Poverty) and the MEPMA: Mission for Elimination of Poverty in Rural Areas.

Comfortable capitalisation: Even though the society is governed by “The registrar of Co-operative societies, Andhra Pradesh” 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 20.44% as against the minimum requirement of 15%. The Society has tangible network of Rs 692.40 Crores as on 31 March 2022.

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 uses mobile App 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. Stree Nidhi is also using technical platform for operations with TCS and Sampath Software Solutions. They have recently started a web link for receiving recoveries from beneficiaries through internet Banking facility. Slowly it has become very useful to members. Society has also deployed an app for recovery with support of TCS.

Healthy Asset quality:

Given the unique business model of the society, whereby the society is owned and operated by the members through Village organizations, Mandal Samakhya and Town level federations, under the supervision of Government of Andhra Pradesh through its nominees and the fact that even the onus of collections/recovery is also on the members, the society has maintained healthy asset quality over the years despite being in NBFC-MFI space. The



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Society's GNPA as on 31 March 2022 stood at 0.16% when compared to 0.09% as on 31 March 2022.

Key Rating Weaknesses

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. This was on account of COVID-19 pandemic with the loan moratorium announced by the RBI affecting their collection efficiencies and impacting asset quality and profitability.

Exposure to socio-political Risks:

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 Non-Banking Finance companies](#)

[Criteria of assigning rating outlook](#)

Liquidity –Adequate

The society is adequately capitalized with a CAR (%) of 20.44% as on March 31st, 2022, and Networth of Rs 692.40 Crores. Also, it has adequately matched asset liability profile as on 30 September 2022. As on 30 September 2022, the Society has cash and bank balances



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of Rs 49.32 Crores, liquid investments of Rs 328.41 Crores and Rs 575.28 Crores of unutilised bank lines. The collection efficiency of the society stood comfortable at ~93% for the last 8 months ending November 2022.

About the Company

Stree Nidhi Credit Co-operative Federation Limited (Stree Nidhi) is an Apex Credit Co-operative Federation registered under the Andhra Pradesh Co-operatives Societies Act' 1964 and is promoted by the Mandal Samakhyas (MS) and Town Level Federation (TLF) of self-help groups (SHG) in association with the Government of Andhra Pradesh. Stree Nidhi Credit Co-operative Federation Limited is headed by a Managing Committee consisting of representations from MS/TLFs, nominees from Government of AP and a Managing Director.

The SHGs are formed exclusively by women. The SHGs in Andhra Pradesh are federated into Village Organisation (VO) and Slum Level Federation (SLF). These VOs and SLFs are further federated into Mandal Samakhyas (MS) and Town Level Federations (TLF) respectively. The VOs / SLFs and MSs / TLFs are the federated structures of SHGs and also legal entities as they were registered under Andhra Pradesh Mutually Aided Cooperative Societies Act, 1995(APMACS). Stree Nidhi is the federation of the MS/TLFs.

Financials (Standalone)*:

Rs in Crores

For the year ended As on	31-03-2021	31-03-2022
	Audited	Audited
Total Income	305.70	335.39
PAT	93.15	71.04
Tangible Net Worth	633.73	692.36
Total Debt	2,464.55	3,047.14
Total Loan Assets	2,792.90	3,386.98
Total Deposits	567.03	652.81
ROTA (%)	3.41	1.89
Total CAR (%)	22.69%	20.44%



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Gross NPA (%)	0.09%	0.16%
Net NPA (%)	0.00%	0.00%
Overall Gearing (Times)	3.89	4.40

***Classification as per Infomerics' standards**

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank Facilities – Working Capital Facilities	Long Term	2287.50	IVR A/ Stable	-	-	-
2.	Long Term Bank Facilities – Term Loans	Long Term	380.09	IVR A/ Stable	-	-	-
3.	Proposed Long Term facilities	Long Term	332.41	IVR A/ Stable	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities:

Name of Facility/Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Working Capital Facilities	-	-	Revolving	2287.50	IVR A/Stable
Term Loans	-	-	Up to 2030	380.90	IVR A/Stable
Proposed Long term loans	-	-	-	332.41	IVR A/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Stree-Nidhi-jan23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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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.

