



Press Release

Stree Nidhi Credit Co-Operative Federation Limited (Telangana)

January 30, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Term Loans	307.11	IVR A/Stable (IVR A with Stable Outlook)	Assigned	Simple
Long Term Fund Based Limits – CC/OD	3750.00	IVR A/Stable (IVR A with Stable Outlook)	Assigned	Simple
Long Term Fund Based Facility – Proposed Term Loans	342.89	IVR A/Stable (IVR A with Stable Outlook)	Assigned	Simple
Long Term Fund Based Facility – Proposed CC/OD	100.00	IVR A/Stable (IVR A with Stable Outlook)	Assigned	Simple
Total	4500.00 (Rupees Four Thousand Five Hundred Crore 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 (Telangana) (SNCCFL) derives strength from support of Government of Telangana 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.



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Key Rating Sensitivities:

Upward Factors

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

Downward Factors

- 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

Support of Government of Telangana and strategic importance of the society:

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 under lying 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., Prl. Secretary, Rural development; Secretary, Finance and Registrar of Cooperative Societies



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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 Samakhya and town level federations who are the shareholders of Stree Nidhi.

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 30.37% as against the minimum requirement of 15%. The Society has tangible network of Rs 966.95 Crores as on 31 March 2023.

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.

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 Telangana 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 2023 stood at 3.34% with NIL NNPA by providing 100% provision for the doubtful assets.

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 30.37% as on March 31st, 2023, and Net worth of Rs 966.65 Crores. As on 31 December 2023, the Society has cash and bank balances of Rs 281.21 Crores, Unmarked FDs of Rs 147.03 Crores and Rs 841.03 Crores of unutilised bank lines. The collection efficiency of the society stood comfortable at ~92%.



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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	31-03-2022	31-03-2023
	Audited	Audited
Total Income	453.13	550.68
PAT	115.59	135.13
Tangible Net Worth	809.51	966.95
Total Debt	4692.88	4561.58
Total Loan Assets	5355.43	5241.60
ROTA (%)	2.89	3.41
Total CAR (%)	26.27%	30.37%
Gross NPA (%)	2.97%	3.34%
Net NPA (%)	0.19%	0.00%
Overall Gearing (Times)	5.80	4.72



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***Classification as per Infomerics' standards**

Status of non-cooperation with previous CRA: SCCFL have an INC rating from Brickwork Ratings due to lack of required information on press release dated 10 Jan 2024.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based Facility – Term Loans	Long Term	307.11	IVR A/ Stable	-	-	-
2.	Long Term Fund Based Limits – CC/OD	Long Term	3750.00	IVR A/ Stable	-	-	-
3.	Long Term Fund Based Facility – Proposed Term Loans	Long Term	342.89	IVR A/ Stable	-	-	-
	Long Term Fund Based Facility – Proposed CC/OD	Long Term	100.00	IVR A/ Stable			

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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.

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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
Long Term Fund Based Facility – Term Loans	-	-	Up to Sept 2028	307.11	IVR A/Stable
Long Term Fund Based Limits – CC/OD	-	-	Revolving	3750.00	IVR A/Stable
Long Term Fund Based Facility – Proposed Term Loans	-	-	-	342.89	IVR A/Stable
Long Term Fund Based Facility – Proposed CC/OD	-	-	-	100.00	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-StreeNidhi-jan24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.