

Press Release

Society for Social Development

February 25, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 15 crore bank facilities of Society for Social Development (SOSOD).

The withdrawal is on account of client's request and as per Acuité's policy on withdrawal.

The rating in respect of the instruments rated factors in the strengths derived from extensive industry experience of promoter, Mr. George Joseph(Secretary, Chief – Functionary) having more than two decades of experience in microfinance and social development sector. The rating also considers adequate credit appraisal processes and monitoring mechanisms that have heled SOSOD to maintain sound asset quality. These strengths are partially offset due to low scale of operations and high geographical concentration risks. The rating is also constrained by moderate IT Systems and audit mechanism.

About the company

Tamil Nadu based, Society for Social Development (SOSOD) is a co-operative society registered in the year 1990, under the Tamil Nadu Societies Act 1965 and governed by its rules and regulations. It is also registered under Foreign Contribution Regulation Act (FCRA). Initially, the Society was established to undertake various social projects like water conservation, providing sustainable construction technology, training and consultancy programs, and rehabilitation of tsunami-affected people. In 2000, SOSOD started working as NGO-MFI towards creating health awareness, skill-oriented training, self-help group (SHG) formation and Joint Liability Group Model (JLG). As of June 30, 2020, SOSOD has operations two districts with a network of four branches.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of SOSOD to arrive at the rating.

Key Rating Drivers

Strength

- **Established track record and experienced Management**

SOSOD started its operations in the year 1990 working towards social development programs to rural areas. Since 2000, they are engaged in providing micro finance loans to individuals for income generation purpose. The society has been in the operations for around three decades and over the years has established its presence in two districts of Tamil Nadu, namely, Kanyakumari and Tirunelveli) with a network of four branches as on December 2021. The operations of the company are overseen by Mr George Joseph, Secretary and Founder of the organization having more than two decades of experience in micro finance and priority sector lending. The promoter is supported by other two board members having experience of more than a decade in the field of micro finance, social work etc.

Acuité believes that SOSOD will benefit from its experienced management team and established track record of operations to expand its operations and grow its loan portfolio.

- **Sound Asset Quality**

The 90+ dpd are nil as SOSOD's portfolio is small and they are able to keep a track of each borrower. They have maintained asset quality with on time dpd at around 99 percent as on December 31, 2021, 30+ dpd has remained at 0.29 percent as on December 2021 and continues to remain below that since last 3 years.

Weakness

- **Modest scale of operations and high geographic concentration**

SOSOD commenced its operations in 1990, over the years the society's operations have remained modest. It has an outstanding loan portfolio of Rs. 5.99 Cr as on December 31, 2021 as compared to Rs 6.25 crore as on March 31, 2021. SOSOD's portfolio is exposed to high geographical concentration risk, as 100 per cent of the total portfolio is concentrated in the state of Tamil Nadu, spread across two districts & four branches. SOSOD has disbursed Rs. 4.25 Crore as on December 31, 2021 as against Rs. 4.35 Crore in FY2021 and Rs. 11.05 Crore in FY2020. Generally, the risk profile of NBFCs with a geographically diversified portfolio is more resilient compared to that of entity with a geographically concentrated portfolio.

Acuité believes that modest scale of operations coupled with geographic concentration in its portfolio will continue to weigh on the company's credit profile over the near to medium term.

- **Moderate Profitability**

Profitability has been affected by the Covid-19 pandemic. NII stood at same level in FY2021 and FY2020 at Rs. 0.56 crore and Rs. 0.57 crore respectively. During H1 FY2022, Net Interest Income declined to Rs. 0.18 crore. It reported net profit Rs 0.06 crore for FY 2021 as against Rs 0.10 crore in previous fiscal. The profitability has declined mainly due to high provision of Rs 0.12 crore in FY2021. Half yearly PAT for FY2022 stood low at Rs. 0.01 crore. This translated into ROAA of 0.25 percent (annualised) in H1-FY2022 as compared to 0.78 percent in FY2021 and 1.27 percent in FY2020.

Rating Sensitivity

- Growth in Loan portfolio
- Scaling up operations
- Movement in Profitability

Material Covenants

SOSOD is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position

Poor

Given the company's small scale of operations , declining profitability and cash flows its liquidity is poor.

Outlook:

Not applicable

Key Financials - Standalone / Originator

	Unit	FY21(Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	7.30	9.03
Total Income (Net of Interest Expense)	Rs. Cr.	0.60	0.68
PAT	Rs. Cr.	0.06	0.1
Networth	Rs. Cr.	1.74	1.67
Return on Average Assets (RoAA)	(%)	0.78	1.27
Return on Net Worth (RonW)	(%)	3.73	6.02
Total Debt/Net Worth (Gearing)	Times	3.12	4.38
Gross NPA's	(%)	0.00	0.00
Net NPA's	(%)	0.00	0.00

* Total income equals to Net interest income plus other income

Status of non-cooperation with previous CRA (if applicable):

Not applicable

Any other information

Not applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Dec 2020	Proposed Bank Facility	Long Term	15.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- I Reaffirmed & Withdrawn

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About Acuité Ratings & Research

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