



Press Release

October 23, 2024

**NATIONAL CO-OPERATIVE DEVELOPMENT CORPORATION
Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8000.00	ACUITE AAA Stable Assigned	-
Bank Loan Ratings	70000.00	-	ACUITE A1+ Assigned
Total Outstanding	78000.00	-	-
Total Withdrawn	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE AAA**' (read as **ACUITE triple A**) on the Rs 8,000.00 Cr. Bank Loan Facilities of National Co-operative Development Corporation (NCDC). The Outlook is '**Stable**'.

Acuite has assigned the short term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) on the Rs 70,000.00 Cr. Bank Loan Facilities of National Co-operative Development Corporation (NCDC).

Rationale for Rating

The rating for National Co-operative Development Corporation (NCDC) factors in the strategic support and ownership from the Government of India (GoI) , being 100% owned by the Government of India (GoI). NCDC was established by an Act of Parliament in 1963 i.e under the NCDC Act 1962. It is a statutory cooperation under the Ministry of Cooperation previously under Ministry of Agriculture, Cooperation and Farmers Welfare .The rating further factors in the steady growth in the business profile indicated through an increase in the asset base to Rs 37,028.88 Cr in Prov. FY 24 as against Rs 28,508.18 Cr. in FY 23, accordingly NCDC registered a robust growth in PAT which stood at Rs 573.93 Cr. for Prov. FY 24 as against Rs 527.34 Cr. for FY 23. The rating also takes into consideration the healthy asset quality levels indicated by the GNPA for Prov. FY 24 at 1.12% as against 1.11% in FY 23 and the NNPA for FY 23 and Prov. FY 24 stand at zero percent. Their collection efficiency / recovery of loans has been at 99.70% for Prov. FY 24 which has steadily improved from 99.67% for FY 23. However, the rating is constrained by limited regulatory supervision over NCDC and significant exposure to the Agriculture and related sectors.

About the company

The National Co-operative Development Corporation (NCDC) was established by an Act of Parliament in 1963 as a statutory Corporation under the Ministry of Agriculture, Cooperation and Farmers Welfare. NCDC is engaged in the planning, promotion and development of cooperatives in agriculture and rural-oriented activities. It provides financial assistance for production, processing, marketing, storage, export and import of agricultural produce, food stuffs and certain other notified commodities besides income-generating activities such as poultry, dairy, fishery, sericulture and handloom. The corporation provides loans in the form of working capital loans to regional and state-level marketing federations, term loans for creation of infrastructure facilities like godowns, cold storages, equipment, transport vehicles boats and other tangible assets and margin money loans to cooperatives to raise working capital finance. The corporation operates through a General Council of 51 members to give shape to its policies and programmes and Board of Management (BoM) of 12 members to cater to the day-to-day activities. Besides its Head Office, NCDC functions through 18 Regional/State Directorates. Various functional divisions look after the programmes. The field offices play an important role in project identification/formulation and oversee its implementation. NCDC provides loans to cooperative societies, state government, and cooperative banks and to multi-state societies. The Registered office is located at New Delhi.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has adopted a standalone approach to analyse the business and financial profile of National Co-operative Development Corporation (NCDC) while factoring the ownership and strategic support from the Government of India. (GoI).

Key Rating Drivers

Strength

Wholly owned by the Government of India

National Co-operation Development Corporation (NCDC) was established by an Act of Parliament in 1963 i.e the NCDC Act 1962. It is a statutory cooperation under the Ministry of Cooperation previously under the Ministry of Agriculture, Cooperation and Farmers Welfare and is 100% owned by the Government of India. NCDC provides assistance to farmer cooperatives to improve productivity and production with respect to agricultural produce and processing, inputs supply such as seeds, fertilizers, kerosene oil, etc. NCDC also helps assist different types of cooperatives such as rural industrial cooperative sectors and services in rural areas such as agro credit, sanitation, etc.

The corporation provides loans in the form of working capital loans to regional and state-level marketing federations, term loans for creation of infrastructure facilities like godowns, cold storages, equipment, transport vehicles boats and other tangible assets and margin money loans to cooperatives to raise working capital finance. NCDC provides the financial assistance under various Central Sector Schemes and NCDC Schemes. NCDC receives the support from the Government of India for recovery of loans. The corporation receives grants from the Government of India as and when a certain scheme is been instituted and the funding for the respective schemes is channelled through NCDC. Acuite notes that NCDC has a sanctioned grant of Rs 1000 Cr. (of which Rs. 500 Cr. was received in FY 23 and the remaining Rs. 500 Cr. will be received in FY 25) from the Government of India for the sugar sector.

The corporation operates through a General Council consisting of 51 members to give shape to its policies and programmes and Board of Management of 12 members to cater to the day-to-day activities. The Managing Director of NCDC is also the additional secretary Ministry of Cooperation appointed by Government of India. Besides its Head Office, NCDC functions through 18 Regional/State Directorates. Various functional divisions look after the programmes. The field offices play an important role in project identification/formulation and oversee its implementation. NCDC provides loans to cooperative societies, state government, cooperative banks and to multi-state societies.

Sound Asset Quality metrics

The Corporation keeps 100% provisions of its NPA. NCDC is not a Non- Banking Financial Company (NBFC) and does not come under the purview of Reserve Bank of India (RBI) but, maintains steady asset quality metrics indicated by the GNPA for Prov. FY 24 at 1.12% as against 1.11 % in FY 23. Their collection efficiency/ Recovery of loans has been at 99.70% for Prov. FY 24 as against 99.67% for FY 23. NCDC tries to recover its NPA from borrowers and does not have any policy of write off and has not done any write offs till date.

Steady earning profile

National Co-operative Development Corporation (NCDC) has seen a steady increase in profitability and has earned a PAT of Rs 573.93 Cr. for Prov. FY24 as against Rs 527.34 Cr. for FY 23. Owing to the lower cost of borrowings, NCDC has credit cost of the tune of 0.39% for Prov. FY 2024 as against 0.36% for FY 2023.

Broad Resource profile

NCDC's resource profile consists of internal accruals, budgetary support from the central government, issuing NCDC bonds (backed by the government guarantee) and commercial paper as well as market borrowings. But currently as of FY 2024, haven't issued any Bonds/ Commercial papers. And presently has market borrowings mainly in the form of lines of credit and term loans. The corporation receives grants from the central government as and when a certain scheme is been instituted and the funding for those schemes is channelled through NCDC. The corporation currently has a sanctioned limited of around Rs. 65, 510 Cr. and can avail the credit facilities from various financial institutions including public and private banks as well.

Weakness

Significant exposure to Agriculture and related sectors

National Co-operative Development Corporation (NCDC) primarily provides financial assistance to the cooperative sector. For FY 24, NCDC has a majority lending exposure of ~78% of their loan portfolio to cooperative societies which include District Cooperative Banks and ~18% toward various State Governments. NCDC has majority of its disbursements extended to State Governments, or Government guaranteed loans or Government controlled loans.

NCDC has an increased sector concentration from marketing towards agriculture produce which contributes 77.36% of its credit portfolio for Prov. FY 24 as against 50.83% of its credit portfolio for FY 23. However, owing to strong risk management practices, the asset quality of the portfolio has remained healthy.

Regulatory supervision

As NCDC does not come under the purview of RBI, it is not required to maintain asset classification, capitalisation

levels, it does not have sector specific thresholds while providing financial assistance. Hence it is crucial to monitor the impact on NCDC's asset quality periodically which would impact profitability going forward. Additionally, NCDC has its financials audited by the Comptroller and Auditor General (CAG) and the audited financials are presented before both houses of the Parliament. Though NCDC has internal protocols and various committees setup to scrutinize proposals and to periodically monitor and assess sector/section specific exposures and risks involved.

Rating Sensitivity

- Continued support from the Government of India
- Changes in asset quality metrics
- Improvements in profitability and scale of operations

Liquidity Position

Adequate

Acuite believes that National Co-operative Development Corporation has an adequately place liquidity position marked by a total sanctioned limit of Rs. 65,510 Cr. as on September 30, 2024. Out of which the total utilisation has been to the tune of Rs. 27,645 Cr. NCDC additionally has cash and bank balances of Rs 147.13 Cr. (undisbursed grant) as on March 31, 2024 (Prov.).

Outlook: Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Prov)	FY23 (Actual)
Total Assets	Rs. Cr.	37793.93	29483.75
Total Income*	Rs. Cr.	1366.24	906.52
PAT	Rs. Cr.	573.93	527.34
Net Worth**	Rs. Cr.	5849.63	5392.32
Return on Average Assets (RoAA)	(%)	1.71	2.04
Return on Average Net Worth (RoNW)	(%)	10.21	10.81
Debt/Equity	Times	5.33	4.37
Gross NPA	(%)	1.12	1.11
Net NPA	(%)	0.00	0.00

*Total income equals to Net Interest Income plus other income.

**Networth here means NCDC Corpus/funds

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

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
National Bank for Agriculture and Rural Development (NABARD)	Not avl. / Not appl.	Cash Credit	05 Feb 2024	Not avl. / Not appl.	Not avl. / Not appl.	4800.00	Simple	ACUITE A1+ Assigned
Punjab National Bank	Not avl. / Not appl.	Cash Credit	19 Aug 2023	Not avl. / Not appl.	Not avl. / Not appl.	11000.00	Simple	ACUITE A1+ Assigned
Union Bank of India	Not avl. / Not appl.	Line of Credit	23 Sep 2024	Not avl. / Not appl.	10 Sep 2025	3060.00	Simple	ACUITE A1+ Assigned
State Bank of India	Not avl. / Not appl.	Line of Credit	13 Aug 2024	Not avl. / Not appl.	Not avl. / Not appl.	20000.00	Simple	ACUITE A1+ Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Line of Credit	10 Mar 2023	Not avl. / Not appl.	Not avl. / Not appl.	1000.00	Simple	ACUITE A1+ Assigned
Bank of India	Not avl. / Not appl.	Line of Credit	25 Jun 2024	Not avl. / Not appl.	24 Jun 2025	8500.00	Simple	ACUITE A1+ Assigned
Bank of Baroda	Not avl. / Not appl.	Line of Credit	11 Mar 2024	Not avl. / Not appl.	Not avl. / Not appl.	3000.00	Simple	ACUITE A1+ Assigned
South Indian Bank	Not avl. / Not appl.	Line of Credit	28 Aug 2024	Not avl. / Not appl.	11 Aug 2025	100.00	Simple	ACUITE A1+ Assigned
Karnataka Bank Ltd	Not avl. / Not appl.	Line of Credit	28 Mar 2024	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE A1+ Assigned
Axis Bank	Not avl. / Not appl.	Line of Credit	04 Apr 2024	Not avl. / Not appl.	11 Dec 2024	400.00	Simple	ACUITE A1+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3450.00	Simple	ACUITE AAA Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Short Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9040.00	Simple	ACUITE A1+ Assigned
Deutsche Bank	Not avl. / Not appl.	Short-term Loan	23 Aug 2024	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE A1+ Assigned
Sumitomo Mitsui Banking Corporation	Not avl. /	Short-term Loan	25 Jul 2023	Not avl. / Not appl.	31 Jan 2025	1500.00	Simple	ACUITE A1+

	Not appl.							Assigned
Central Bank of India	Not avl. / Not appl.	Short-term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4000.00	Simple	ACUITE A1+ Assigned
Indian Bank	Not avl. / Not appl.	Short-term Loan	19 Jun 2023	Not avl. / Not appl.	Not avl. / Not appl.	500.00	Simple	ACUITE A1+ Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Short-term Loan	03 Jul 2024	Not avl. / Not appl.	26 Jun 2025	2000.00	Simple	ACUITE A1+ Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Short-term Loan	05 Dec 2023	Not avl. / Not appl.	Not avl. / Not appl.	300.00	Simple	ACUITE A1+ Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	19 Aug 2023	Not avl. / Not appl.	Not avl. / Not appl.	950.00	Simple	ACUITE AAA Stable Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	10 Mar 2023	Not avl. / Not appl.	Not avl. / Not appl.	300.00	Simple	ACUITE AAA Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	13 Aug 2024	Not avl. / Not appl.	Not avl. / Not appl.	3300.00	Simple	ACUITE AAA Stable Assigned
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	05 Jun 2024	Not avl. / Not appl.	Not avl. / Not appl.	600.00	Simple	ACUITE A1+ Assigned

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About Acuité Ratings & Research

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