

September 19, 2025

South Central Railway Employees' Co-operative Credit Society Limited: Rating downgraded to [ICRA]BBB (Stable); rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based/Non-fund based bank facilities	950.00	1,250.00	[ICRA]BBB (Stable) downgraded from [ICRA]BBB+ (Stable); assigned for enhanced amount
Total	950.00	1,250.00	

*Instrument details are provided in Annexure I

Rationale

The rating action reflects the significant weakening in South Central Railways Employees Co-operative Credit Society Limited's (SCRECCSL) capitalisation profile, with its gearing increasing to 8.4 times as of March 2025 from 6.5 times as of March 2024, primarily due to the significant year-on-year (YoY) growth of 35% in the loan portfolio, outpacing the society's internal accruals. Further, given the envisaged portfolio growth going forward, the gearing is expected to remain high over the medium term.

The society's credit profile continues to be supported by its good asset quality and focussed borrower segment, comprising employees of the South Central Railway, which lends stability to its operations. Monthly loan instalments, along with contributions towards thrift deposits from members, are directly deducted by Southern Railway from the members' salaries and remitted to the society. The credit loss on the exposures is, therefore, expected to remain low. The society's 90+ days past due (dpd) stood at 0.0% as of March 2025. The rating continues to consider SCRECCSL's access to low-cost deposits from its members. With a portfolio of Rs. 1,805.7 crore as on March 31, 2025 (Rs. 1,336.4 crore as on March 31, 2024) spread over four states, the society's scale of operations remains moderate.

The rating also factors in SCRECCSL's limited financial flexibility and lower regulatory oversight compared to non-banking financial companies (NBFCs), which are under the Reserve Bank of India's (RBI) purview. ICRA takes note of the prudential norms for multi-state co-operative societies, which were notified recently. This has brought in incremental regulations for various aspects such as capital structure, deposit raising, liquidity, etc, which is a positive over the long term.

The Stable outlook factors in ICRA's expectation that SCRECCSL would continue to maintain stable asset quality and profitability metrics over the medium term.

Key rating drivers and their description

Credit strengths

Established track record of operations – SCRECCSL has been in operation for more than a century. Its growth has been driven by the increase in its loan ticket size. As on March 31, 2025, the society had 45,753 members (45,890 as on March 31, 2024). Railways employees under the South Central Railway jurisdiction are eligible to become members of SCRECCSL, which extends loans and other welfare services to its members and collects compulsory monthly thrift deposits (CMTDs; interest bearing). This has supported its steady growth over the years. As on March 31, 2025, the society had a deposit base and advances of Rs. 755.6 crore and Rs. 1,805.7 crore, respectively, compared to Rs. 714.4 crore and Rs. 1,336.4 crore, respectively, as on March 31, 2024.

Good asset quality – The society has been able to maintain good asset quality supported by its strong collection mechanism, which is characterised by the deduction of monthly instalments at the source of income. As its borrowers are employees of the South Central division of Indian Railways, it has entered into a memorandum of understanding with Indian Railways for the recovery of monthly loan instalments from the salaries of the borrowing members. Additionally, personal guarantees by two members, the availability of the borrower's deposit with the society, and recourse on the borrower's retiral benefits in the event of delinquencies have cushioned its asset quality metrics. The society's 90+ dpd delinquencies stood at 0.0% as on March 31, 2025. Going forward, SCRECCSL's ability to keep the asset quality under control would be crucial from a profitability perspective.

Credit challenges

Stretched capitalisation profile – SCRECCSL's gearing stood at 8.4 times as on March 31, 2025 (6.5 times as on March 31, 2024 and 7.0 times as on March 31, 2023). Its net worth (adjusted for post-profit appropriations towards creation of reserves) increased to Rs. 180.4 crore as on March 31, 2025 from Rs. 160.3 crore as of March 2024. Given SCRECCSL's restricted internal capital generation, which is further exacerbated by the high dividend payout, and modest incremental equity contribution from members, the capital profile is expected to remain stretched over the near-to-medium term. With the planned increase in disbursements and loans, ICRA expects the society's gearing to rise further over the medium term. Going forward, the society's ability to strengthen its member base would be an important factor as this is a key avenue for raising incremental equity capital.

Limited diversification of funding profile – As on March 31, 2025, SCRECCSL's funding profile comprised funding from banks (49.4%) and thrift deposits from members (50.6%). The growth in deposits during FY2021-FY2025 was moderate as the member base remained range-bound during this period. The society had a sanctioned cash credit limit of Rs. 145 crore from State Bank of India (SBI) and an outstanding term loan of Rs. 591.5 crore as of March 2025. ICRA notes that SCRECCSL would have to onboard more lenders as well as diversify its funding profile, given the stagnant member base because of retirements and transfers, etc, relatively lower new member additions and increasing ticket sizes.

Moderate internal accruals – SCRECCSL's net profitability declined slightly to 1.9% in FY2025 from 2.2% in FY2024 due to the reduction in interest margins to 3.8% from 4.4% during this period. The operating expense (opex) ratio remained stable at 1.3% in FY2025 vis-à-vis 1.1% in FY2024. ICRA, however, notes that only 25% of the net profit goes towards internal accruals while the balance is distributed as dividend or appropriated for various reserves for the benefit of the members. Thus, it would be crucial for the society to improve its margins and keep the operating costs under control to shore up its internal accruals further.

Limited regulatory oversight – SCRECCSL is a multi-state co-operative society. The regulatory framework for co-operative societies is quite limited compared to the requirements for RBI-regulated NBFCs. ICRA notes that prudential norms for multi-state co-operative societies were notified recently. This has brought about incremental regulations for various aspects such as capital structure, deposit raising, liquidity, etc, over the medium term, which would support the governance of multi-state co-operative societies like SCRECCSL.

ICRA notes that SCRECCSL's current board was formed in February 2024 after a seven-month delay on account of disputes during elections. The disputes were finally settled through a ruling issued by the High Court of Secunderabad. During the interim period, the Vice President managed all the operations of the society. The new board has also paused certain loans, such as gold loans, tour loans, and vehicle loans, to streamline the product offerings and limit the overall offerings. In March 2024, the new board ordered a special audit of the society to review the transactions made in FY2024, with particular emphasis on the interim period (i.e. from July 2023 to February 2024). The outcome of the special audit (especially in case of any materially adverse findings) would be a key monitorable. ICRA also takes note of the qualifications by the statutory auditor in the annual report for FY2025, indicating scope for the society to improve its internal controls and processes.

Liquidity position: Adequate

The society's liquidity profile is supported by the on-book liquidity of Rs. 82.7 crore and the unutilised bank line of Rs. 180 crore as on July 31, 2025 vis-à-vis debt repayments of Rs. 53.8 crore between August 2025 and October 2025. Further, it is expected to have monthly collections of ~Rs. 72 crore. The on-book liquidity and collections are sufficient to cover the obligations in the near term. Additionally, the liquidity profile remains supported by the long-term deposit base, which has increased steadily over the years.

Rating sensitivities

Positive factors – An improvement in the capitalisation and earnings profile, while scaling up the portfolio and maintaining strict control over the asset quality indicators, would have a positive impact.

Negative factors – Sustained weakening in the society's capital or liquidity profile from the current levels would have a negative impact.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Not Applicable

About the company

South Central Railway Employees' Co-operative Credit Society Limited (SCRECCSL) was established in 1923 under the State Cooperative Society Act, 1912. It is currently governed by the Multi-State Co-operative Societies Act, 2002 as it has operations in more than one state (Andhra Pradesh, Maharashtra, Madhya Pradesh, Karnataka and Goa). As on March 31, 2025, SCRECCSL operated through 16 branches across Telangana, Andhra Pradesh, Maharashtra, and Karnataka. As on March 31, 2025, it had a deposit base and advances of Rs. 755.6 crore and Rs. 1,805.7 crore, respectively. SCRECCSL reported a net profit of Rs. 32.4 crore on a total asset base of Rs. 1,925.6 crore in FY2025 compared to a net profit of Rs. 31.6 crore in FY2024 on a total asset base of Rs. 1,418.8 crore.

Key financial indicators (audited)

SCRECCSL	FY2024	FY2025
Total income	119.9	143.5
PAT	31.6	32.4
Total managed assets	1,418.8	1,925.6
Return on managed assets	2.2%	1.9%
Managed gearing (times)	6.5	8.4
Gross stage 3	NA	NA
CRAR	NA	NA

Source: SCRECCSL, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA:

CRISIL has rated South Central Railway Employees' Co-operative Credit Society Limited (SCRECCS) at CRISIL B/Stable (ISSUER NOT COOPERATING) as per the rationale published on August 14, 2025.

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep-19-2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long-term fund-based term loan	Long term	-	-	-	-	Mar-01-2024	[ICRA]BBB+ (Stable)	Jan-24-2023	[ICRA]BBB+ (Stable)
Long-term fund-based cash credit	Long term	-	-	-	-	Mar-01-2024	[ICRA]BBB+ (Stable)	Jan-24-2023	[ICRA]BBB+ (Stable)
Long term – Unallocated	Long term	-	-	-	-	Mar-01-2024	[ICRA]BBB+ (Stable)	Jan-24-2023	[ICRA]BBB+ (Stable)
Long-term fund-based/Non-fund based others	Long term	1,250.00	[ICRA]BBB (Stable)	Oct-30-2024	[ICRA]BBB+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based/Non-fund based bank facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	FY2021	NA	FY2030	1030.00	[ICRA]BBB (Stable)
NA	Cash credit	FY2022	NA	NA	145.00	[ICRA]BBB (Stable)
NA	Unallocated	NA	NA	NA	75.00	[ICRA]BBB (Stable)

Source: SCRECCSL

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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