

August 29, 2023

Sushravya Upliftment Foundation: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	10.00	10.00	[ICRA]B (Stable); reaffirmed
Total	10.00	10.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in the financial and operational support received by Sushravya Upliftment Foundation (Sushravya) from its Group entity – Organisation for Development of People (ODP), and the track record of ODP's operations in the microfinance business, albeit on a modest scale. The rating is, however, constrained by Sushravya's geographically concentrated operations, its stretched capital structure and limited financial flexibility. The entity's operations are confined to four districts of Karnataka, exposing it to considerable regional risks. Sushravya's gearing remained stretched at 10.4 times as on March 31, 2023. Its internal generation remained modest and it reported a profit of Rs. 0.1 crore in FY2023 as well as FY2022.

ICRA notes that Sushravya is vulnerable to the risks associated with unsecured lending, a marginal borrower profile and other socio-political and operational risks inherent in microfinance operations. Going forward, it is critical for Sushravya to improve its information technology (IT) and internal control systems to adequately manage the risks associated with the microfinance business.

Key rating drivers and their description

Credit strengths

ODP's regionally established franchise – ODP has a track record of over two decades in microfinance activities with a member base of about 2,600 groups as of March 31, 2023. It used to offer microfinance loans directly to its self-help group (SHG) members. However, it discontinued incremental lending from June 2016. ODP currently focusses on extending credit-plus programmes for the empowerment of rural women, financial literacy and training for various programmes for their livelihood in rural areas. Sushravya was started by ODP's governing body members to provide microfinance loans to its SHG members.

Credit challenges

Modest scale and limited geographical concentration– Sushravya provides microfinance loans and its on-book portfolio outstanding declined to Rs. 6.1 crore as on March 31, 2023 from Rs. 6.6 crore as on March 31, 2022. (Rs. 7.6 crore as on March 31, 2021). The Sushravya Group, through ODP, also undertakes business correspondent (BC) activities for two financial institutions and its BC portfolio stood at Rs. 8.5 crore as of March 31, 2023 (Rs. 6.5 crore as of March 31, 2022). The entity's operations are confined to four districts in Karnataka and it has two branches. The concentration of the assets under management (AUM) in four districts, with limited ability to scale up the operations, exposes the entity to the risk of high geographical concentration.

Critical to improve appraisal, risk management and IT systems – The entity's branches are not connected on a real-time basis and the accounts are prepared only at the head office. Sushravya does not conduct credit bureau checks during its loan appraisal process, exposing it to the overleveraging of borrowers. Sushravya's on book asset quality remained moderate at

2.5% in FY2023. As such, it is critical for the entity to strengthen its loan appraisal and IT systems to ensure good asset quality as the business expands. Sushravva is looking to commence credit bureau checks during the loan appraisal stage.

ICRA also takes note of the instance of fraud of Rs. 0.2 crore by the employees, regarding the repayment of collected amounts. Sushravva recovered Rs. 0.9 lakh of this amount and wrote off Rs. 0.1 crore. Though a legal notice has been issued to the employees, the recovery of the remaining amount of Rs.0.1 crore would be critical. Hence, it is important for the entity to improve the risk management systems, to prevent such incidents in the future.

Weak financial risk profile – Sushravva’s capital structure remains stretched with a low net worth of Rs. 0.8 crore and a gearing of 10.4 times as on March 31, 2023. The entity’s internal generation of funds is modest and it reported a profit of Rs. 0.1 crore in FY2023. Currently, its borrowings include loans from Federation of Maholidaya Self-Help Groups (FMSHG) and Grama Vikasa Swa-Sahaya Sanghagala Maha Okkuta (GVSSMO), which do not have a fixed repayment schedule. As it is a Section 8 company, Sushravva has limited financial flexibility. It is, therefore, critical to diversify its funding sources to scale up its operations while maintaining adequate liquidity.

Liquidity position: Adequate

Sushravva primarily meets its debt obligations through loan repayments from its borrowers. ICRA takes note of the scheduled inflow of Rs. 3.37 crore from July 2023 to December 2023 against the scheduled outflow of Rs. 1.10 crore during this period. The actual collections during October 2022 to March 2023 aggregated Rs. 2.91 crore. However, it would be critical for Sushravva to maintain its collection efficiency while ensuring the regular flow of funds to sustain its operations and meet its internal growth projections. To support liquidity, Sushravva had free cash and liquid investments of Rs. 1.14 crore as of June 30, 2023.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if Sushravva is able to improve its financial risk profile on a sustained basis as it scales up, going forward, while maintaining good asset quality.

Negative factors – Pressure on Sushravva’s rating could arise if there is a deterioration in the asset quality or otherwise, impacting earnings, or a further weakening in the capital or liquidity profile.

Analytical approach

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

About the company

Sushravva Upliftment Foundation is registered under Section 8 of the Companies Act, 2013 as a not-for-profit entity. It commenced operations in June 2016. Headquartered in Mysuru (Karnataka), Sushravva is entirely held by the governing members of Organisation for Development of People (ODP). ODP is a society, registered in 1990, to undertake welfare activities in four districts in Karnataka – Chamrajanagar, Kodagu, Mandya and Mysuru. It formed the Federation of Maholidaya Self-Help Groups (FMSHG) in 1991 to provide microfinance to women SHGs while it formed Grama Vikasa Swa-Sahaya Sanghagala Maha Okkuta (GVSSMO) in 2000 for male SHGs. In June 2016, ODP stopped microfinance disbursements and Sushravva started lending operations.

Key financial indicators (audited)

Sushravya Upliftment Foundation	FY2021	FY2022	FY2023
Total income	2.1	1.7	1.7
Profit after tax	0.1	0.1	0.1
Net worth	0.7	0.7	0.8
Loan book *	7.6	6.6	6.1
Total assets	11.2	9.3	9.5
Return on assets	1.0%	0.7%	0.6%
Return on net worth	20.6%	10.5%	7.8%
Gross gearing (times)	15.8	11.7	10.4
Gross NPA (%)	NA	NA	NA
Net NPA (%)	NA	NA	NA
Gross stage 3 (%)	NA	NA	NA
Net stage 3 (%)	NA	NA	NA
Solvency (Net stage 3/Net worth)	NA	NA	NA
CRAR (%)	NA	NA	NA

Source: Company, ICRA Research

* Loan book, including BC portfolio, was Rs. 14.9 crore as of March 2023 (Rs. 13.3 crore as of March 2022 & Rs.15.0 as of March 2021)

Amount in crore; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)			Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Aug 29, 2023	Jun 09, 2022	May 18, 2021	-
1 Long-term fund based – Term loan	Long term	10.0	-	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	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	Proposed term loan	NA	NA	NA	10.00	[ICRA]B (Stable)

Source: Company

[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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Branches



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