

September 18, 2025

Southern Railway Employees' Co-operative Credit Society Limited: Rating reaffirmed; assigned for enhanced amount

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based bank limits	155.00	400.00	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced amount
Total	155.00	400.00	

*Instrument details are provided in Annexure I

Rationale

The rating action factors in Southern Railway Employees' Co-operative Credit Society Limited's (SRECCS) track record of maintaining stable profitability indicators and adequate capitalisation on a sustained basis over the years. Profit after tax (PAT)/average managed assets (AMA) remained in the range of 2.7-3.2% over the last five years, supported by healthy margins and negligible credit costs. Consequently, internal accruals remained healthy, helping SRECCS maintain the gearing in the range of 3.0-3.2 times during this period.

SRECCS' asset quality indicators are supported by the nature of its member base, who are permanent employees of the Southern Railways division of the Indian Railways (Southern Railways). The monthly loan instalments, along with contributions towards thrift deposits from members, are deducted by the Southern Railways from the members' salaries and remitted directly to the society. The credit risk on the exposures is, therefore, expected to remain low. The loan portfolio had increased consistently over the last five years (FY2021-FY2025) at a moderate compound annual growth rate (CAGR) of 10.4%. However, ICRA notes that the portfolio growth in recent years was largely supported by the increasing ticket sizes of the loans while the borrower base has declined steadily. This was on account of the large number of retirements and transfers in the Southern Railways while fresh recruitments have been modest.

While the deposits from members remain the society's key source of funding, it has secured funding lines from three banks (25.3% of total borrowings as of March 2025), diversifying its borrowing profile to some extent. SRECCS only accepts thrift deposits from its members, which are redeemable after retirement or when the member exits the society, providing comfort from a liquidity perspective as well. The rating considers the moderate regulatory supervision for cooperative societies; prudential norms for multi-state cooperative societies were notified recently, leading to incremental regulations on aspects such as capital structure, deposit raising, liquidity, etc. This is expected to support the governance of multi-state cooperative societies like SRECCS over the medium term.

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

Key rating drivers and their description

Credit strengths

Established collection mechanism supports asset quality – The society's asset quality is supported by its established collection mechanism, which is characterised by the deduction of monthly instalments from the borrowers at the source of their income. The asset quality is expected to remain healthy as the borrowers are employees of Southern Railways and the loan instalments,

along with the monthly contributions of thrift deposits, etc, are directly deducted by the Southern Railways from the members' salaries and remitted to the society. Additionally, personal guarantees by two other members for the key loan product offered by the society (covering about 85% of the book as on March 31, 2025), availability of borrowers' deposits, and their investment in SRECCS' share capital provide comfort from an asset quality perspective.

Stable profitability indicators – SRECCS' profitability has remained stable and range-bound with PAT/AMA of 3.1% in FY2025 compared to 3.0% in FY2024 (3.0% in FY2023). The profitability has been supported by low credit costs and stable portfolio yields. The net interest margin remained steady at 6.3% in FY2025 (6.0% in FY2024) vis-à-vis 6.6% in FY2022. In the near term, given the expected increase in the share of bank borrowings (which would be at a higher interest rate vis-à-vis member deposits) with the growth in the portfolio, it would be crucial for SRECCS to keep its costs of borrowing under control while expanding its portfolio.

Adequate capitalisation profile – SRECCS' gearing has remained stable at 3.0-3.2 times over the last five years (3.1 times as of March 2025), supported by healthy internal accruals and the relatively moderate asset growth. The net worth increased to Rs. 244.4 crore as on March 31, 2025 from Rs. 223.2 crore as on March 31, 2024. Considering the borrowing members' contribution of 10% of the loans availed towards the equity capital and SRECCS' internal generation, ICRA expects the capitalisation profile to remain adequate over the near-to-medium term.

Credit challenges

Augmentation of member base is key – SRECCS had a slightly lower member base of 24,630 as on March 31, 2025 compared to 24,933 as on March 31, 2024. This decline can be attributed to sizeable retirements and transfers compared to lower onboarding of members during the corresponding period. Total disbursements stood at Rs. 917.8 crore in FY2025 compared to Rs. 717.1 crore in FY2024. The portfolio grew by 10.2% in FY2025 (5.7% in FY2024) and stood at Rs. 1,047.7 crore vis-à-vis Rs. 950.5 crore as of March 2024. However, the portfolio growth was mainly supported by the increase in the exposure per member to Rs. 4.3 lakh in FY2025 from Rs. 3.8 lakh in FY2024 (Rs. 3.6 lakh in FY2023). The ability to add new members would be key for maintaining sustained portfolio growth over the long term.

Limited diversification of funding profile – SRECCS' funding profile comprised funding from banks (25.3%) and deposits from members (74.7%) as on March 31, 2025. The growth in deposits (compulsory monthly thrift deposits; CMTDs) during FY2021-FY2025 was moderate (CAGR of 3.2%) due to the declining member base. As it is a society, SRECCS has access to limited funding avenues compared to corporates. ICRA notes that the society would have to diversify its funding further besides augmenting its member base to provide stability to its deposit profile.

Moderate regulatory oversight – SRECCS is a multi-state cooperative society. The regulatory framework for cooperative societies is quite limited compared to the requirements of Reserve Bank of India (RBI)-regulated non-banking financial companies (NBFCs). ICRA notes that prudential norms for multi-state cooperative societies were notified recently. This would bring in 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 cooperative societies like SRECCS.

Liquidity position: Adequate

As on July 31, 2025, SRECCS had cash and liquid investments of Rs. 60.4 crore. Further, its average monthly collections stood at Rs. 37.0 crore. The society's repayment obligations (bank borrowings and thrift deposits) and operating expenses during August 2025 to October 2025 are Rs. 45.0 crore and Rs. 9.0 crore, respectively. As such, its on-book liquidity, along with the scheduled collections, is sufficient to cover the debt repayment obligations between August 2025 and October 2025.

Rating sensitivities

Positive factors – The rating could be positively impacted if SRECCS demonstrates steady portfolio growth over the medium term while maintaining its earnings and capitalisation and improving its funding profile further.

Negative factors – The rating could be negatively impacted if the gearing increases beyond 6.0 times or the earnings or liquidity profile weakens on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements

About the company

Southern Railway Employees' Co-operative Credit Society Limited is currently registered as a multi-state cooperative society and is governed by the Multi-State Co-operative Societies Act, 2002. As on March 31, 2025, it operated through eight branches across Tamil Nadu, Kerala, Karnataka and Puducherry. SRECCS collects subscriptions from its society members in the form of compulsory monthly thrift deposits (CMTDs) and offers loans under various schemes to its members, who are employees and officers working in the southern division of the Indian Railways (Southern Railways). As on March 31, 2025, the society had a CMTD base and advances of Rs. 562.9 crore and Rs. 1,047.7 crore, respectively. It reported a net profit of Rs. 35.8 crore on a total asset base of Rs. 1,207.6 crore as on March 31, 2025 compared to Rs. 31.7 crore and Rs. 1,102.5 crore, respectively, as on March 31, 2024.

Key financial indicators (audited)

Southern Railway Employees' Co-operative Credit Society Limited	FY2024	FY2025
Total income	117.6	132.7
PAT	31.7	35.8
Total managed assets	1,102.5	1,207.6
Return on managed assets	3.0%	3.1%
Managed/Adjusted/Reported gearing (times)	3.1	3.1
Gross stage 3	NA	NA
CRAR	NA	NA

Source: SRECCS, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: NA

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026		FY2025		FY2024		FY2023		
	Type	Amount rated (Rs. crore)	Sep, 18 2025	Date	Rating	Date	Rating	Date	Rating
Long term fund based – Bank limits	Long term	400.00	[ICRA]BBB+ (Stable)	Dec 19, 2024	[ICRA]BBB+ (Stable)	Sep 22, 2023	[ICRA]BBB (Stable)	Jun 08, 2022 Apr 29, 2022	[ICRA]BBB (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund based – Bank limits	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	Long term fund based – Bank limits	FY2023	NA	FY2027	400.00	[ICRA]BBB+ (Stable)

Source: SRECCS

[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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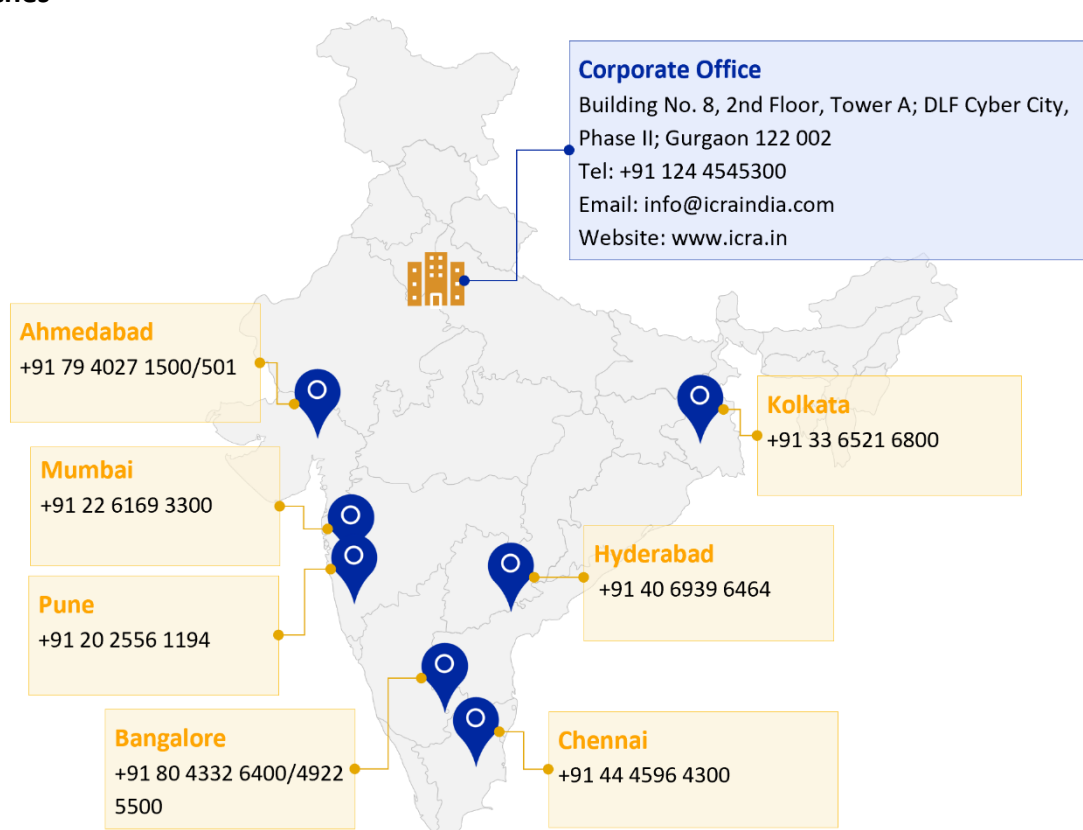
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