

March 08, 2024

## Collective Good Foundation: [ICRA]BB (Stable); assigned

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Ratings	-	-	[ICRA]BB (Stable); Assigned
<b>Total</b>	-	-	

\*Instrument details are provided in Annexure-I

### Rationale

The assigned rating factors in the extensive experience of Collective Good Foundation (CGF/foundation) and its trustees and management in the social sector. The rating favourably factors the foundation's established presence in the social sector and its reputed donor base. United States Agency for International Development (USAID) is a key donor of CGF and has provided ~Rs. 25 crore to the foundation in the last three years. The foundation has also received funding from Michael & Susan Dell Foundation, Greater Washington Community Foundation, and the Tides Foundation. The foundation has been instrumental in implementing Corporate Social Responsibility (CSR) projects of Indian counterparts of reputed MNCs and Indian firms such as Google IT services India, Tata Motors, Microsoft Corporation India, Adidas India, Wipro GE healthcare, etc. The rating also considers CGF's debt-free position.

The rating, however, remains constrained due to moderate scale of operations of the foundation and concentration of 60-80% of the foundation's funds being received from the top-10 donors. In FY2021 and FY2022, around 60% of the foundation's funds were received from the top-10 donors, which increased to 80% in FY2023. Further, the rating also factors in the foundation's high exposure to regulatory changes such as any changes to Foreign Contribution (regulation) Act (FCRA) in line with other industry players. ICRA has taken note that in September 2020, the Government of India made changes in the act which led to tightening of FCRA rules. ICRA notes that CGF's FCRA license was renewed on September 30, 2023, and is valid for five years. CGF receives 30-40% of total revenues from foreign donors under the FCRA scheme, and approximately all its secretariat funding is received through the FCRA route, which makes the foundation's revenues susceptible to future changes in regulations.

ICRA notes that the operating margins and net margins have remained volatile over the years for the foundation, as its revenue is recognised as and when grant is received and expenses for the same may be apportioned over forthcoming years. In FY2020, CGF reported a significant excess of income over expenditure as it received donations as part of Covid relief, which could not be spent in their entirety in FY2020. This trend continued in FY2021 as well which witnessed significant operating and net margins. These excess funds were spent over FY2022 and FY2023 which resulted in negative margins for these years.

The Stable outlook reflects ICRA's opinion that CGF will continue to benefit from its strong trustee profile in attracting future donations, and the foundation's established presence in the social sector with backing from several international and domestic reputed donors.

### Key rating drivers and their description

#### Credit strengths

**Established presence in social sector wherein the foundation facilitates corporates' CSR programmes** – The rating factors in the foundation's established presence in the social sector and its reputed donor base. United States Agency for International Development (USAID) is a key donor of CGF and has provided ~Rs. 25 crore to the foundation in the last three years. Further, the foundation has also received funding from Michael & Susan Dell Foundation, Greater Washington Community Foundation, and Tides Foundation. The foundation has been instrumental in implementing Corporate Social Responsibility (CSR) projects

of Indian counterparts of reputed MNCs and Indian firms such as Google IT services India, Tata Motors, Microsoft Corporation India, Adidas India, Wipro GE healthcare, etc.

**Financial profile supported by debt free status**– ICRA takes comfort from CGF’s unleveraged capital structure, reflected in zero debt on its books and ample liquidity with free cash balances of Rs. 11.2 crore as on December 31, 2023. CGF does not have any major capital expenditure (capex) plans.

### Credit challenges

**Concentration risk with 60-80% of funding from top-10 donors** – The rating factors in the moderate scale of operations and the concentration risk with 60-80% of the foundation’s funds being received from the top 10 donors. In FY2021 and FY2022, around 60% of the foundation’s funds were received from the top-10 donors, which increased to 80% in FY2023, leading to concentration risk. The top-10 donor list of the foundation undergoes a complete change every year, with few donors such as US AID, Tata Motors Finance Ltd, and Addidas India Marketing Pvt Ltd, being repeat donors in FY2021, FY2022 and FY2023.

**Exposure to regulatory changes** – The ratings factor in the foundation’s exposure to regulatory changes such as changes to Foreign Contribution (regulation) Act (FCRA) in line with other industry players. ICRA has taken note that in September 2020, the Government of India made changes in the act which led to tightening of FCRA rules. ICRA notes that CGF’s FCRA license was renewed on September 30, 2023, and is valid for five years. CGF receives 30-40% of total revenues from foreign donors under the FCRA scheme, and approximately all its secretariat funding is received through the FCRA route, which makes the foundation susceptible to future changes in regulations.

### Liquidity position: Adequate

The foundation had total fixed deposits of Rs. 15.8 crore and cash balance of Rs. 17.2 crore as on December 31, 2023, out of which Rs. 21.8 crore is programmatic funds i.e., it is earmarked for specific projects. Further, Rs. 11 crore was in the form of secretariat funding which constitutes free cash for the foundation. The company is debt free and does not have any sanctioned limits and hence, has no debt obligations. Further, the foundation has no capex plans as well.

### Rating sensitivities

**Positive factors** – The rating could be upgraded in case of a significant scale up in the revenues of the foundation, supported by a healthy liquidity profile on a sustained basis.

**Negative factors** – The rating could witness a downward revision in case of sustained and significant decline in revenue, or if there is sustained deterioration in the liquidity position of the foundation.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

Collective Good Foundation (CGF/the foundation) is a non-profit organisation dedicated to fostering positive social changes through community-driven initiatives and philanthropic endeavors. The foundation was established as Nadathur Trust – the philanthropic arm of the Nadathur Group and was set up in 2006. The Nadathur Group is a private investment firm established by Mr. N.S. Raghavan, one of the co-founders of Infosys Technologies. However, it was transformed into CGF in August 2015 and is an independent charitable trust.

The key focus areas of CGF are livelihood, financial inclusion, digital empowerment, enterprise development, accelerating climate transition, equitable ecosystem through gender sensitisation training for females, access to jobs and Government schemes for marginalised communities.

CGF provides comprehensive project implementation support to companies and social organisations to address issues across cause areas by utilising their Project Management Unit (PMU) in helping companies manage their CSR programmes from end to end, which includes inception of programme ideas, partner selection, due diligence, and monitoring, evaluating, and reporting the impact.

#### Key financial indicators (audited)

	FY2022	FY2023
<b>Operating income</b>	80.6	49.8
<b>PAT</b>	-2.4	-3.4
<b>OPBDIT/OI</b>	-4.4%	-8.8%
<b>PAT/OI</b>	-3.0%	-6.8%
<b>Total outside liabilities/Tangible net worth (times)</b>	0.0	0.0
<b>Total debt/OPBDIT (times)</b>	-	-
<b>Interest coverage (times)</b>	-276.0	-67.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation

#### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

#### Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Mar 08, 2024	-	-	-
<b>1 Issuer Ratings</b>	Long term	-	-	[ICRA]BB (Stable)	-	-	-

#### Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Ratings	NA

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	Issuer Ratings	NA	NA	NA	-	[ICRA]BB (Stable)

Source: Company

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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