

National Cooperative Development Corporation (Revised)

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	-	-	Reaffirmed at CARE AA+; Stable / CARE A1+ and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn outstanding ratings of 'CARE AA+; Stable/ CARE A1+ (Double A Plus; Outlook: Stable/ A One Plus) assigned to bank facilities of National Cooperative Development Corporation (NCDC) with immediate effect. This action has been taken at the request of NCDC and the 'No Objection Certificate' and 'No Dues Certificate' received from banks that have extended these facilities rated by CARE Ratings.

Analytical approach:

Standalone; factoring in sovereign ownership of Government of India (GoI) via Ministry of Cooperation (MoC).

Outlook: Stable

CARE Ratings expects NCDC's strategic importance for GoI to continue and is expected to continue to play an important role in the development of the cooperative sector.

Detailed description of key rating drivers:

Key strengths

Sovereign ownership and role as nodal agency in promoting cooperative sector

Established in 1963 by an Act of Parliament under NCDC Act, 1962, NCDC is a statutory corporation wholly owned by the GoI. As the apex financing body and a key nodal agency under the MoC, NCDC's operations are well-supported, enhancing its significance to the government through the MoC.

With the sovereign ownership and the strategic role, NCDC receives representation in a 12 membered board of management (BoM) and 51-membered General Council (GC) across ministries of GoI, central public sector enterprise, national and state level federations and state governments. Since FY22, the Joint Secretary of MoC, Pankaj Kumar Bansal, has been appointed as the Managing Director for NCDC. The President of the GC is Amit Shah, Union Minister for Cooperation and Dr Ashish Kumar Bhutani, Secretary for MOC is Chairman of the BoM and Vice President of GC.

NCDC received capital support in the form of one-time capital infusion of ₹40 crore during inception and continues to receive subsidies and grants for onward lending towards schemes for cooperative sector rolled out by central government.

NCDC is the nodal agency for planning, promotion and financing cooperatives in India. NCDC is the nodal agency for monitoring and recovery of assistance of Sugar Development Fund to sugar mills in the cooperative sector and Nodal Loaning Entity for borrowing resources from the Central Sector Scheme Dairy Processing and Infrastructure Development Fund. The corporation is one of the nodal agencies for Fisheries & Aquaculture Infrastructure Development Fund Scheme.

High proportion of state government/ state government guaranteed exposure

NCDC provides loans to private cooperative societies, state governments, cooperative banks and multi-state societies, by having security in form of mortgage, hypothecation or guarantee from either Central government or state government. NCDC has the business mandate of catering to the cooperative sector and being the nodal agency for governmental schemes for the cooperative sector, lending to state governments and to cooperatives with guarantee from either Central government or state government, alleviating its credit risk to some extent. CARE Ratings notes that loans to state government portfolio has traditionally remained of good quality with no slippages. The central government guaranteed loans are classified as non-performing assets only when government repudiates its guarantee, when invoked.

Long track record and healthy growth in loan book

Incorporated in 1963, NCDC has a long track record of nearly six decades in lending to the cooperative sector. The loan book registered growth by 30% y-o-y to ₹37,029 crore as on March 31, 2024, from ₹28,508 crore as on March 31, 2023.

Proportion of loans directly to State Government was on a rising trend till FY22, although it came down to 23% as on March 31, 2023, and further down to 18% as on June 30, 2023. Proportion of loans to other Cooperative Societies have always remained

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

highest in the loan book of NCDC with 55% as on March 31, 2023, increased from 50% as on March 31, 2022. It further rose to 74% of loan book as on June 30, 2023. However, despite lending to cooperative sector, portfolio vulnerability remains limited with the entire exposure being backed by state government guarantee/mortgage. Overall share of state government/ state government guaranteed exposure to gross loan portfolio increased to 77% as on March 31, 2023, from 72% as on March 31, 2022. CARE Ratings notes that loans to state government portfolio has traditionally remained of good quality with no slippages. The central government guaranteed loans are classified as non-performing assets, only when the government repudiates its guarantee, when invoked.

Healthy asset quality with reduction in exposure to economically vulnerable cooperative sector

NCDC has been maintaining a healthy asset quality over the years, as reflected in low gross non-performing assets (GNPA). The GNPA ratio remained similar as on March 31, 2024, with 1.12% against 1.11% as on March 31, 2023, with growth in the loan book, despite increased slippages to 0.36% as on March 31, 2024, from 0.26% as on March 31, 2023.

Since NCDC is not registered as non-banking financial institution (NBFC), it is not required to follow NPA classification norms as prescribed by Reserve Bank of India (RBI). The GNPA ratio remained similar as on March 31, 2024, with 1.12% against 1.11% as on March 31, 2023, with growth in the loan book, despite increased slippages ratio to 0.36% as on March 31, 2024, from 0.26% as on March 31, 2023.

NCDC recognises an account as NPA, when interest repayment is delayed by over six months past due date and principal repayment is delayed by over one year past due date. It maintains 100% provision coverage for its NPAs, leading to nil net NPA (NNPA) percentage as on March 31, 2022. For provisioning, in case of loans backed by central government guarantee, loans are classified as NPA, only when the government repudiates its guarantee, when invoked.

Adequate profitability

In FY24, the corporation reported a profit after tax (PAT) of ₹573 crore, marking a 9% y-o-y increase from ₹527 crore in FY23. Yields rose to 9.20% in FY24 from 7.31% in FY23, driven by an incremental interest rate range of 11.50% to 11.97%, up from 8.64% in FY23. Although, with rise in cost of funds, net interest margin moderated to 2.76% in FY24 from 3.23% in FY23. Owing to wholesale nature of the loan book, operating expenses over total assets ratio for the corporation has remained low over the years and reduced to 0.26% in FY24 from 0.39% in FY23. With rise in provision, the credit costs ratio increased to 0.43% in FY24 from 0.39%. With this, the return on total assets (ROTA) reduced to 1.73% in FY24 from 2.04% in FY23.

Key weaknesses

Limited regulatory oversight

Since NCDC is not registered as an NBFC nor is it formed under the Companies Act, it does not come under regulatory supervision of RBI, and hence, faces limited regulatory oversight. As a result, NCDC is not required to follow single party and group exposure concentration limits, asset classification, capitalisation and liquidity related norms as mandated by RBI for NBFCs or financial institutions. However, NCDC's financials are audited annually by the Comptroller and Auditor General and presented to MoC and presented to the Parliament.

High borrower concentration risk

As NCDC is not governed by the RBI, exposure norms are not applicable to NCDC. As mandated by the GoI, the corporations' entire portfolio is towards cooperative sector with its loan book comprising of loans to cooperatives societies including state-level marketing federations, societies engaged in sugar, textile, dairy and other activities, state governments and state cooperative banks.

Liquidity: Not applicable

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Financial institution

NCDC was established by an Act of Parliament in 1963 as a statutory corporation. NCDC is the nodal institution set up by the GoI, incorporated and regulated by NCDC Act, 1962 for promoting, strengthening and developing farmer cooperatives for increasing production and productivity and instituting post-harvest facilities. The corporation's focus is on programmes of agricultural marketing and inputs, processing, storage, cold chain and marketing of agriculture produce and the supply of seeds, fertilizer and other agricultural inputs among others. In the non-farm sector, the Corporation endeavours to equip cooperatives with facilities to promote income generating activities, with special focus on weaker sections such as dairy, livestock, handloom, sericulture, poultry, fishery, scheduled caste & scheduled tribes, and women cooperatives among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	1,843.74	3,034.24
PAT	527.15	573.44
Interest coverage (times)	1.75	1.42
Total Assets	29,483.74	37,783.98
Net NPA (%)	0.00	0.00
ROTA (%)	2.04	1.70

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST	-	-	-	02-Dec-2025	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds	LT	-	-	-	1)Withdrawn (27-Oct-23)	1)CARE AA+; Stable (07-Nov-22) 2)CARE AA+; Stable (27-Jul-22)	1)CARE AA; Stable (29-Jul-21)
2	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	1)Withdrawn (27-Oct-23)	1)CARE A1+ (07-Nov-22) 2)CARE A1+ (27-Jul-22)	1)CARE A1+ (29-Jul-21)
3	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	1)CARE AA+; Stable / CARE A1+ (09-01-25)	1)CARE AA+; Stable / CARE A1+ (27-Oct-23)	1)CARE AA+; Stable / CARE A1+ (07-Nov-22) 2)CARE AA+; Stable / CARE A1+ (27-Jul-22)	1)CARE AA; Stable / CARE A1+ (29-Jul-21)
4	Bonds	LT	-	-	-	1)Withdrawn (27-Oct-23)	1)CARE AA+; Stable (07-Nov-22) 2)CARE AA+; Stable (27-Jul-22)	1)CARE AA; Stable (29-Jul-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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