

## The Batasingaram Farmers Service Co-Operative Society Limited

October 25, 2021

### Rating

Instrument/facilities	Amount (Rs. Crore)	Rating <sup>[1]</sup>	Rating Action
Long Term Bank Facilities	15.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>15.00</b> <b>(Rs. Fifteen Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 28, 2020, placed the rating(s) of The Batasingaram Farmers Service Co-Operative Society Limited (BFSCSL) under the 'issuer non-cooperating' category as BFSCSL had failed to provide information for monitoring of the rating. BFSCSL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated October 14, 2021, October 17, 2021 and October 18, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

### Detailed description of the key rating drivers

*At the time of last rating on July 28, 2020, the following were the rating strengths and weaknesses*

#### Key Rating Weakness

**Relatively small scale of operation:** BFSCSL was founded on January 04, 1978 and despite the long existence and improved scale of operation; the society remains relatively small in size with an outstanding loan portfolio of Rs.29.21 crore as on March 31, 2018.

**Concentrated loan portfolio:** The loan portfolio of BFSCSL is diversified into crop loans, gold loans, agricultural loans, non-agricultural loans and loans against fixed deposits to its members. However, the loan portfolio has been concentrated to the agriculture loan constituting about 45%-80% during the period FY15-FY18. Apart from concentrated loan portfolio, the society also has regional concentration in Ranga Reddy District, Telangana with total three operational branches.

**Leveraged capital structure:** The overall gearing of the society has been on the higher side as March 31, 2018 mainly due to high deposit received from the members along with increase in the bank borrowings. The society has total debt of Rs.28.30 crore as on March 31, 2018 as against a small networth base of Rs.6.55 crore as on March 31, 2018. The capitalization level has been low in the past with a moderate capital adequacy ratio 13.49% as on March 31, 2017. However, the same witnessed improvement to 18.61% as on March 31, 2018. The Net NPA to networth remains high at 43.91% as on March 31, 2018.

**Weak asset quality & liquidity:** The society has weak asset quality with high NPA ratio reported in the last three years ending March 31, 2018. The GNPA ratio, although has been improving from 30.59% in FY15 to 11.53% in FY18; the same remains on the higher side.

In the event of outbreak of pandemic COVID-19, the society has taken moratorium on loans availed from Central Bank of India for the period March 2020 – June 2020.

**Inadequate MIS system and safety mechanisms:** The society has evolved with time and has adopted computerized system which records the data and retrieves whenever required. However, the society is still not fully integrated with the other branches and still requires maintaining and recording of data manually. The society has surveillance system installed at its branches and other properties which is a major safety measure adopted in the last few years.

**Increasingly rural focused and competitive sector:** The operations of the co-operative societies are similar to that of Non-Banking Financial Companies (NBFC) which have rapidly emerged as an important segment of the Indian financial system. Moreover, NBFCs assume significance in the small business segment as they primarily cater to the credit requirements of the

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

unorganized sector such as wholesale & retail traders, small-scale industries and small borrowers at the local level. The sector is also characterized by intense competition and fragmentation due to the presence of large number of unorganized money lenders, NBFCs and other players attributable to low entry barriers. Similarly, the emerging new age small finance banks have further increased the competition in the sector.

#### Key rating strengths:

**Experienced management team and long track record of operation:** The Batasingaram Farmer's Service Co-op Society Limited (BFSCSL) was founded by a group of farmers on January 04, 1978 with an objective to help small and marginal farmers, rural artisans and agriculture labourers. BFSCSL has long track record of operation and since 4 decades it has been engaged in lending money to its members. At present, Mr. Vithal Reddy is the president of BFSCSL who joined the society in the year 2013. He has an industry experience of more than two decades and is also the director of a co-operative bank in Ranga Reddy district. He is also supported by qualified management team in day to day business activities.

**Minimum regulatory restrictions:** BFSCSL is registered under Andhra Pradesh Co-operative Societies Act of 1964 where each society is governed by its own set of bye-laws. There is no intervention from any government regulatory bodies. However, the society has NPA provisioning norms for loans overdue for more than 180 days which is similar to NBFCs.

**Improved operating income during FY15-FY18:** The total operating income of the society increased at a CAGR of 31.43% from Rs.2.33 crore in FY15 to Rs.4.70 crore in FY18 on account of increase in the addition of number of members along with increased ticket size of loan. Similarly, the PAT margin and the Return on Total Assets (ROTA) witnessed significant growth during the Period FY15-FY18.

**Moderate growth in loan portfolio:** The society registered significant growth in loan portfolio at CAGR of about 45% during FY15-FY17. However, the loan portfolio growth has been relatively moderate in FY18 with growth of about 8% registered during the year. The resource profile of the society has been satisfactory with major portion of funding done through deposit from members. However, despite the growth, the size and scale of operation remains small.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings and watch](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology – Non-Banking Finance Companies \(NBFCs\)](#)

[Financial ratios –Financial Sector](#)

#### About the company

The Batasingaram Farmer's Service Co-op Society Limited (BFSCSL) was founded on January 04, 1978, with an objective to help farmers particularly small and marginal farmers, rural artisans and agriculture labourers. BFSCSL is registered under Andhra Pradesh Co-operative Societies Act of 1964. It is engaged in lending money to its registered members from the corpus formed by taking deposits from its members and loans from banks. BFSCSL also procures and supplies agricultural inputs like fertilizers, seeds, manures, cattle feeds, pesticides etc. The society runs by its own bye-laws which are framed conforming the principles laid down in the Act and it is governed by the co-operative registrar. The loan portfolio of BFSCSL is diversified into crop loan, gold loan, agricultural loan, non-agricultural loan and loan against fixed deposits. Any member who needs financial assistance should have 10% of the loan value as share capital.

Brief Financials (Rs. crore)	31-03-2017 (A)	31-03-2018 (A)
Total operating income	3.81	4.70
PAT	1.45	1.94
Interest coverage (times)	1.98	2.17
Total Assets	34.43	36.70
Net NPA (%)	13.51	0.00
ROTA (%)	4.84	5.45

A: Audited

**Status of non-cooperation with previous CRA:** BRICKWORK has conducted the review on the basis of best available information and has classified BFSCSL as Issuer not cooperating vide its press release dated August 04, 2021.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of Rated Instrument:** Detailed explanation of covenants of the rated instrument is given in Annexure-3

**Complexity level of various instruments rated for this Bank:** Annexure-4

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2022	8.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	7.00	CARE B; Stable; ISSUER NOT COOPERATING*

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	8.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (28-Jul-20)	1)CARE B; Stable; ISSUER NOT COOPERATING* (01-Jul-19)	1)CARE B; Stable (07-Jan-19)
2	Fund-based - LT-Cash Credit	LT	7.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (28-Jul-20)	1)CARE B; Stable; ISSUER NOT COOPERATING* (01-Jul-19)	1)CARE B; Stable (07-Jan-19)

#### Annexure 3: Detailed explanation of covenants of the rated instrument - NA

#### Annexure 4: Complexity level of various instruments rated for the bank

Sr. No.	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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