

December 03, 2024

Stockholding Document Management Services Limited: Placed on Rating Watch with Developing Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based bank lines – Term loan	32.37	32.37	[ICRA]A+(CE); Placed on Rating Watch with Developing Implications
Total	32.37	32.37	

*Instrument details are provided in Annexure I

Rating Without Explicit Credit Enhancement	[ICRA]BBB+
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Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

Material event

On November 22, 2024, Stock Holding Corporation of India Limited's (StockHolding) holding company – IFCI Limited {IFCI; rated [ICRA]B+; RWD/[ICRA]A4; RWD¹} announced that it had received communication from the Department of Financial Services (DFS), Ministry of Finance, granting in-principle approval to consider the consolidation of the IFCI Group² as a way forward for IFCI. This would entail the merger/amalgamation of IFCI and StockHolding and other Group companies as detailed below:

1. Consolidation of StockHolding, IFCI Factors Limited, IFCI Infrastructure Development Limited and IIDL Realtors Limited with IFCI (referred to as the resultant entity)
2. Consolidation of the broking businesses housed under StockHolding Services Limited, IFCI Financial Services Limited, IFIN Commodities Limited and IFIN Credit Limited into a single entity, which will be a direct subsidiary of the resultant entity
3. Other Group entities – Stockholding Document Management Services Limited (SDMSL), StockHolding Securities IFSC Limited, IFIN Securities Finance Limited, IFCI Venture Capital Funds Limited and MPCON Limited may continue to remain direct subsidiaries of the resultant entity

DFS has advised IFCI to take further necessary action and commence the process in accordance with applicable laws, rules and regulations. Accordingly, its board of directors gave in-principle approval to consider the aforementioned consolidation and commence the process in accordance with regulatory/statutory/applicable laws, rules, regulations, guidelines, framework, standards, etc.

Impact of material event

ICRA has placed the long-term rating on Watch with Developing Implications. The rating watch may be resolved once the contours of the transaction are finalised and clarity emerges on the resultant parent entity of SDMSL, its operational profile and financial metrics including capitalisation, leverage, liquidity, etc., as well as the Government of India's (GoI) stake in it. SDMSL, which is currently a wholly owned subsidiary of StockHolding, may become a direct subsidiary of the resultant entity.

¹ Rating Watch with Developing Implications

² IFCI Limited and its subsidiaries and associates are collectively referred to as the IFCI Group or the Group

SDMSL's rating is based on the strength of the corporate guarantee provided by the existing parent – StockHolding, besides the evaluation of its standalone credit profile. The proposed restructuring may entail the execution of a fresh corporate guarantee by the resultant entity in favour of SDMSL's lenders. Further details on the status of the existing corporate guarantee as well as the requirement of a new corporate guarantee would remain monitorable.

ICRA notes that while StockHolding has historically had negligible debt on its consolidated balance sheet, the resultant entity may have higher indebtedness because of IFCI's sizeable borrowings, resulting in an uptick in the financial leverage. However, depending on the timeline for the completion of the transaction, the debt could decrease due to IFCI's scheduled repayments. Other IFCI Group entities are also largely debt-free.

Given the substantial debt and high level of non-performing assets (NPAs) of IFCI, its debt repayments are being managed through a combination of recoveries from its non-performing loan book, divestment of assets and capital infusion from the GoI. The possibility of a further capital infusion by the GoI to support debt servicing, pending the consolidation of the IFCI Group, cannot be ruled out. This may lead to lower debt levels for the resultant entity, depending on the timing of the merger.

Further, StockHolding's financial flexibility has increased considerably because of its sizeable investment in the shares of India's largest stock exchange, i.e. NSE Limited. In this regard, the timing and quantum of the monetisation of the NSE stake and the extent of reduction in IFCI's debt by the time of the consolidation would remain monitorable for the credit profile of the resultant entity. ICRA also notes that the GoI would be the single largest shareholder in the resultant entity.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach – Explicit Third-party Support
Parent/Group support	Support from parent: Stock Holding Corporation of India Limited The rating is based on the strength of the corporate guarantee from the parent – StockHolding. The guarantee is legally enforceable, unconditional and covers the entire amount and tenor of the rated instrument, although it does not have a well-defined invocation and payment mechanism.
Consolidation/Standalone	Standalone

About the company

Stockholding Document Management Services Limited (SDMSL; formerly known as SHCIL Projects Limited) was incorporated on August 10, 2006. It is a wholly-owned subsidiary of Stock Holding Corporation of India Limited (StockHolding). SDMSL offers physical storage and digitisation services and sells software products and services.

SDMSL's promoter, StockHolding, was incorporated as a public limited company in 1986 and was jointly promoted by leading banks and financial institutions. It is a subsidiary of IFCI Limited, which had a 52.86% stake in the company as on September 30, 2024. StockHolding commenced operations by offering custodial and post-trading services and added depository and other services to its portfolio over a period of time. At present, it provides various services such as custodial, depository, broking, e-services, distribution of financial products, clearing and recordkeeping. These services are offered to both retail and institutional clients. The company has three wholly-owned subsidiaries – Stockholding Services Limited (SSL) involved in broking services, SDMSL, providing physical and electronic recordkeeping of documents, and StockHolding Securities IFSC Limited, offering service solutions to all eligible investors at IFSC, Gift City.

IFCI Limited

The GoI established the Industrial Finance Corporation of India (IFCI) on July 01, 1948, as a development financial institution (a statutory corporation) to cater to the long-term financial needs of the industrial sector. IFCI's constitution was changed in 1993 to a company under the Indian Companies Act, 1956, from a statutory corporation. Its name was changed to IFCI Limited with effect from October 1999. The company's financing activities covered various kinds of projects spanning airports, roads, telecom, power, real estate, manufacturing, services and other such allied industries. However, IFCI has not lent since FY2022 due to capital and liquidity constraints.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Dec 03, 2024	FY2025		FY2024*		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term fund-based bank lines – Term loan	Long term	32.37	[ICRA]A+(CE) ; Rating Watch with Developing Implications	31-May-24	[ICRA]A+(CE) (Stable)	-	-	31-Mar-23	[ICRA]A+(CE) (Stable)	19-Apr-21	[ICRA]A+(CE) (Stable)
			-	-	-	-	-	29-Jun-22	[ICRA]A+(CE) (Stable)	-	-

*Review was under process in FY2024

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based bank lines – 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](https://www.icra.in)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan-I	October 2020	9.20%	June 2029	32.37	[ICRA]A+(CE); Rating Watch with Developing Implications

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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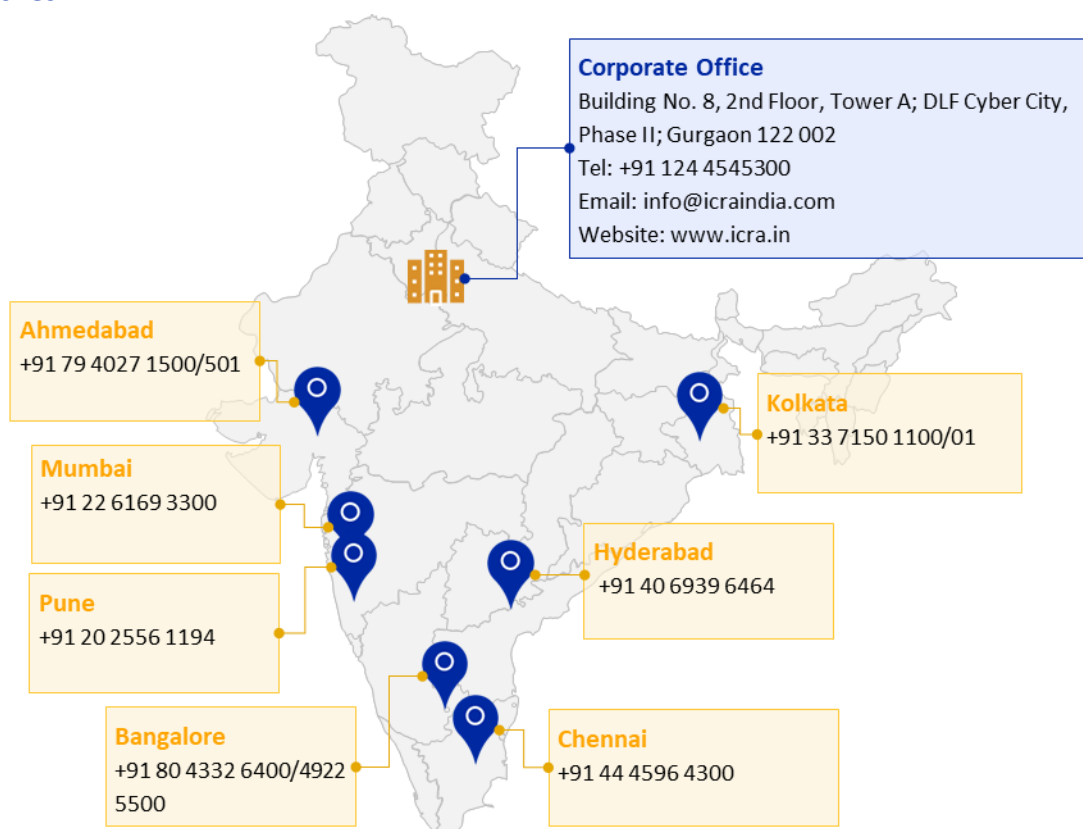


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