January 17, 2025

Standard Chartered Capital Limited (erstwhile Standard Chartered Investments and Loans(India) Ltd): Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	605	605	[ICRA]AAA (Stable); reaffirmed
Non-convertible debentures*	50	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Commercial paper	5,500	5,500	[ICRA]A1+; reaffirmed
Total	**6,155**	**6,105**	

**Instrument details are provided in Annexure I*

Rationale

The ratings factor in Standard Chartered Capital Limited's (SCCL) position as a wholly-owned subsidiary of Standard Chartered Bank (UK) (SCB UK; rated A1 (Positive)/P-1 by Moody's Investors Service) and the expectation that the parent will extend support to SCCL as and when required. Moreover, the company benefits from the shared brand name and operational and management support and risk oversight from the parent. The ratings also consider SCCL's adequate capitalisation profile (net worth of Rs. 1,893 crore and gearing of 3.6x as on September 30, 2024), good financial flexibility by virtue of its parentage, and comfortable asset quality indicators.

ICRA notes that the company's gross loan book grew significantly in FY2024 to Rs. 7,391 crore as on March 31, 2024 from Rs. 5,349 crore as on March 31, 2023 and further to Rs. 7,452 crore as on September 30, 2024. The growth was aided by the capital infusion of Rs. 329 crore (USD 40 million) by the parent in FY2024 and Rs. 167 crore (USD 20 million) in Sep-24, indicating continued support. ICRA expects support from the parent to continue, given that the company would need capital to grow as per business plans.

Concentration risk remains high due to the larger share of wholesale exposures (56% of total book as on September 30, 2024) in the loan book. In this regard, SCCL's track record of maintaining the collection efficiency and reporting comfortable asset quality metrics, with nil gross and net stage 3 as on September 30, 2024, provides comfort. ICRA also notes that the exposures in the corporate loan book are largely to entities with existing relationships within the Standard Chartered Group, providing visibility on its performance and repayment track record.

As for borrowings, SCCL is dependent on short-term sources of funding {partly in line with the short-term nature of advances, mainly private banking and retail loan against securities (LAS)}, though the same is declining with the improved diversification of funds via bank lines and inter-corporate deposits (ICDS). Apart from sourcing funds from other banks and financial institutions, SCCL has a Rs. 600-crore credit line arrangement with Standard Chartered Bank, India (SCB India), to be used in case of exigencies, which supports its overall liquidity profile.

The ratings also factor in SCCL's adequate profitability (return on average managed assets (RoMA)[1] of 2.4% in H1 FY2025), supported by the relatively low operating expenses and controlled credit costs on account of the comfortable asset quality indicators.

[1] All ratios are as per ICRA calculations

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 50-crore non-convertible debentures (NCDs) as they have been fully redeemed with no amount outstanding against the same. The rating was withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

The Stable outlook reflects ICRA's expectation that SCCL would continue to benefit from its parentage and receive timely support from the parent, while growing as per business plans and maintaining control on the underwriting and credit processes.

Key rating drivers and their description

Credit strengths

Strong parentage; SCCL benefits from operational and management support from parent – The company benefits from being a part of the Standard Chartered Group with strong linkages with the parent on the operational and management front. Moreover, SCCL's risk management systems are in line with the Group's global policies. Further, considering the shared brand name and linkage with the Standard Chartered Group, ICRA expects support from the parent to be forthcoming, as and when required. Any change in the likely support from the Group would be a key rating sensitivity.

Adequate capitalisation levels – SCCL's capitalisation profile is adequate for its current scale of operations, with a net worth of Rs. 1,893 crore and a gearing of 3.6x as on September 30, 2024 (Rs. 1,655 crore and 4.3x, respectively, as on March 31, 2024). SCCL received growth capital of Rs. 167 crore from the parent in H1 FY2025 (Rs. 329 crore in FY2024). ICRA expects timely capital support from the Group to be forthcoming, going forward as well, as internal accruals are likely to increase over the medium term.

Comfortable asset quality indicators – SCCL's reported asset quality indicators were comfortable with nil gross stage 3 as on September 30, 2024 (0.0% as on March 31, 2024). While the company's track record of comfortable asset quality metrics over several years provides comfort, the wholesale nature of the loans exposes it to the risk of lumpy slippages. Thus, SCCL's ability to maintain good asset quality while growing the business would be a key monitorable.

Adequate profitability indicators – ICRA expects SCCL's profitability to remain adequate, in line with past trends. With the increase in the share of the relatively higher-yielding corporate loan book and incremental disbursements at higher rates, the book yield increased in FY2024 and H1 FY2025. However, the impact was partly offset by the rise in the cost of funds, given the elevated systemic rates. Despite this, the spreads and net interest margin (NIM) improved during this period. This, coupled with declining operating expenses and credit costs, resulted in a RoMA[2] of 2.4% in H1 FY2025 compared with 2.2% in FY2024 (2.0% in FY2023). Going forward, notwithstanding the competitive intensity in the existing lines of business, especially in the LAS segment, the overall lending spreads are expected to remain stable as SCCL can pass on the increase in the same to its clients through regular interest rate resets for a significant portion of the book.

Credit challenges

Relatively high reliance on short- term funding; gradual shift towards long-term funding sources seen – SCCL has previously been significantly dependent on short-term borrowings {largely commercial paper (CP)} to meet the funding requirement of its loan book (mainly comprising short-tenured LAS), which exposes it to the market risks associated with such instruments. However, it has diversified its borrowing profile over the last couple of years to include borrowings in the form of long-term ICDs as well as long-term bank borrowings. Subsequently, the share of CP in the borrowing base reduced significantly to 43% as on September 30, 2024 from 48% as on March 31, 2024 (62% as on March 31, 2023), with the balance consisting of bank borrowings, ICDs and NCDs. Nevertheless, SCCL would need to increase the share of long-term funding in the overall mix as incremental growth in the loan book is likely to come from longer-tenure assets. With the relatively short-term private banking

[2] All ratios are as per ICRA calculations

book and retail book (mainly comprising LAS) expected to continue accounting for a sizeable share, CP borrowings are likely to account for a large share of the borrowing mix.

High concentration risk arising from wholesale book – SCCL's total gross loan book increased to Rs. 7,452 crore as on September 30, 2024 from Rs. 7,391 crore as on March 31, 2024. In terms of products, the company provides promoter financing, LAS, loan against property (LAP) and other corporate loans. However, it is planning to exit the LAP segment and growth will be driven by the corporate loan book and the private banking/LAS book. As on September 30, 2024, wholesale loans constituted 56% of the total loan book with retail loans such as LAS and LAP accounting for the balance.

Given the wholesale nature of the loans, credit concentration has been relatively high for SCCL, making the portfolio vulnerable to asset quality shocks, however, existing portfolio quality remains stable with SCCL having constant portfolio churning and having reporting nil gross and net stage 3 in previous quarter as well. The top 20 exposures constituted 235% of the total net worth as on March 31, 2024, though the company's track record of comfortable asset quality metrics over several years, with nil gross and net stage 3 as on September 30, 2024, provides comfort. ICRA also notes that the loan book remains diversified with respect to sectoral exposures and the exposures in the corporate loan book are also to entities with existing relationships within the Standard Chartered Group, providing visibility on its performance and repayment track record.

Liquidity position: Adequate

SCCL's liquidity profile is adequate. As per the asset-liability management (ALM) statement as on October 31, 2024, the company had a cash and bank balance of about Rs. 241 crore and liquid investments of Rs. 284 crore in the form of Treasury bills (T-Bills) against debt obligations of Rs. 4,510 crore over the next one year. Additionally, it expects inflows from advances of Rs. 3,933 crore during the aforementioned period and has unutilised bank lines of Rs. 1,250 crore (including the Rs. 600-crore committed line from SCB India). The liquidity profile is also supported by SCCL's good financial flexibility by virtue of its parentage.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A significant deterioration in the credit profile of the parent or a reduction in the support from the parent would be a credit negative for the company. Also, a significant deterioration in SCCL's asset quality and profitability metrics could exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies ICRA's Credit Policy on Withdrawal of Credit Ratings
Parent/Group support	Parent/Group company: SCB UK The ratings derive significant strength from the company's ultimate parentage in the form of SCB UK. SCCL also enjoys a high level of operational synergies with its parent, with access to senior management guidance and robust risk management systems and standards. ICRA expects liquidity support from the parent to be forthcoming, if required.
Consolidation/Standalone	Standalone

About the company

SCCL was incorporated in October 2003 by Standard Chartered Bank (UK) as its wholly-owned subsidiary. It was registered with the Reserve Bank of India as a non-banking financial company not accepting public deposits in February 2004. The Standard Chartered Group has management control over SCCL. The company's board of directors comprises, among others, senior management personnel from the Group's senior management. SCCL is mainly a wholesale lender, primarily extending loans to entities and high net worth individuals against shares.

SCCL reported a profit after tax (PAT) of Rs. 103 crore in H1 FY2025 and Rs. 155 crore in FY2024 on a total asset base of Rs. 8,712 crore as on September 30, 2024 and Rs. 8,735 crore as on March 31, 2024 compared with a PAT of Rs. 106 crore in FY2023 on a total asset base of Rs. 5,633 crore as on March 31, 2023. Its portfolio increased to Rs. 7,396 crore as on September 30, 2024 and Rs. 7,316 crore as on March 31, 2024 from Rs. 5,301 crore as on March 31, 2023. The share of Corporate and Institutions (C&I), Corporate Borrowers (CB), Private Banking (PB), Retail LAS and LAP stood at 13%, 43%, 17%, 21% and 6%, respectively, of the portfolio as on September 30, 2024.

Key financial indicators (audited)

SCCL	Mar-23	Mar-24	Sep-24
Total assets	5,633	8,735	8,712
Profit after tax	106	155	103
Total income	466	721	468
RoMA	2.0%	2.2%	2.4%
Gearing (times)	3.8	4.3	3.6
Gross stage 3	0.2%	0.0%	0.0%
CRAR	20.5%	20.1%	21.0%

Source: SCCL, ICRA Research
Amount in Rs. crore; All calculations are as per ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of Rating History for the Past 3 Years					
	FY2025				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	Outstanding Amount (Rs. crore)	Jan 17 2025	Date	Rating	Date	Rating	Date	Rating
Bonds/NCD/LTD	Long term	605.00		[ICRA]AAA (Stable)	29-MAY-2023	[ICRA]AAA (Stable)	09-MAY-2022	[ICRA]AAA (Stable)	02-JUN-2021	[ICRA]AAA (Stable)
					19-JAN-2024	[ICRA]AAA (Stable)	30-MAY-2022	[ICRA]AAA (Stable)	06-SEP-2021	[ICRA]AAA (Stable)
					-	-	30-MAY-2022	[ICRA]AAA (Stable)	-	-
Bonds/NCD/LTD	Long term	50.00		[ICRA]AAA (Stable); reaffirmed and withdrawn	-	-	-	-	-	-
Commercial paper	Short term	5,500.00	0.00	[ICRA]A1+	29-MAY-2023	[ICRA]A1+	09-MAY-2022	[ICRA]A1+	02-JUN-2021	[ICRA]A1+
					19-JAN-2024	[ICRA]A1+	30-MAY-2022	[ICRA]A1+	06-SEP-2021	[ICRA]A1+

Source: ICRA Research; LT – Long term, ST – Short term; LTD – Long-term debt

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD programme	Simple
Commercial paper programme	Very 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 as on Jan 17, 2025

ISIN	Instrument Name	Date of Issuance	Coupon Rate (%)	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE403G07087	NCD	Mar-24-2023	8.80	Apr-23-2024	50	[ICRA]AAA (Stable); reaffirmed and withdrawn
INE403G07095	NCD	Mar-07-2024	8.25	Mar-11-2029	60	[ICRA]AAA (Stable)
Yet to be placed	NCD	NA	NA	NA	545	[ICRA]AAA (Stable)
INE403G14RY2	CP	Jan-30-2024	8.40	Jan-29-2025	25	[ICRA]A1+
INE403G14SQ6	CP	Oct-29-2024	8.05	Sep-16-2025	100	[ICRA]A1+
INE403G14SC6	CP	Mar-05-2024	8.62	Mar-04-2025	25	[ICRA]A1+
INE403G14SC6	CP	Mar-05-2024	8.62	Mar-04-2025	25	[ICRA]A1+
INE403G14SU8	CP	Nov-27-2024	8.00	Jun-17-2025	50	[ICRA]A1+
INE403G14RZ9	CP	Feb-12-2024	8.75	Feb-11-2025	150	[ICRA]A1+
INE403G14SA0	CP	Feb-20-2024	8.84	Feb-19-2025	150	[ICRA]A1+
INE403G14SB8	CP	Feb-28-2024	8.70	Jan-23-2025	150	[ICRA]A1+
INE403G14SP8	CP	Oct-29-2024	8.10	Oct-29-2025	100	[ICRA]A1+
INE403G14SR4	CP	Nov-14-2024	8.10	Nov-14-2025	150	[ICRA]A1+
INE403G14SF9	CP	Mar-13-2024	8.47	Jan-28-2025	150	[ICRA]A1+
INE403G14SJ1	CP	May-29-2024	8.48	May-29-2025	50	[ICRA]A1+
INE403G14ST0	CP	Nov-18-2024	8.10	Nov-18-2025	100	[ICRA]A1+
INE403G14SV6	CP	Nov-29-2024	8.10	Nov-28-2025	50	[ICRA]A1+
INE403G14SB8	CP	Apr-29-2024	8.27	Jan-23-2025	200	[ICRA]A1+
INE403G14SZ7	CP	Dec-10-2024	8.06	Dec-10-2025	100	[ICRA]A1+
INE403G14SN3	CP	Sep-05-2024	8.00	Jun-05-2025	50	[ICRA]A1+
INE403G14SB8	CP	Feb-28-2024	8.70	Jan-23-2025	50	[ICRA]A1+
INE403G14SD4	CP	Mar-11-2024	8.54	Mar-11-2025	150	[ICRA]A1+
INE403G14SC6	CP	Mar-05-2024	8.62	Mar-04-2025	100	[ICRA]A1+
INE403G14SD4	CP	Mar-11-2024	8.54	Mar-11-2025	50	[ICRA]A1+
INE403G14SE2	CP	Mar-13-2024	8.47	Feb-27-2025	150	[ICRA]A1+
INE403G14SW4	CP	Dec-03-2024	8.05	May-27-2025	150	[ICRA]A1+
INE403G14SO1	CP	Sep-06-2024	8.25	Jun-10-2025	100	[ICRA]A1+
INE403G14ST0	CP	Nov-18-2024	8.10	Nov-18-2025	100	[ICRA]A1+
INE403G14SY0	CP	Dec-09-2024	8.06	Dec-09-2025	250	[ICRA]A1+
INE403G14SC6	CP	Mar-05-2024	8.62	Mar-04-2025	25	[ICRA]A1+
INE403G14TA8	CP	Dec-23-2024	7.74	Mar-21-2025	200	[ICRA]A1+
INE403G14RY2	CP	Jan-30-2024	8.40	Jan-29-2025	30	[ICRA]A1+
INE403G14SX2	CP	Dec-04-2024	8.05	May-26-2025	200	[ICRA]A1+
INE403G14SQ6	CP	Oct-29-2024	8.05	Sep-16-2025	50	[ICRA]A1+
INE403G14SP8	CP	Oct-29-2024	8.10	Oct-29-2025	50	[ICRA]A1+
INE403G14SS2	CP	Nov-13-2024	8.10	Nov-13-2025	50	[ICRA]A1+
INE403G14SH5	CP	May-15-2024	8.35	May-15-2025	50	[ICRA]A1+
Yet to be placed	CP	NA	NA	NA	2,120	[ICRA]A1+

Source: SCCL; CP – Commercial paper; NCD – Non-convertible debenture

Annexure II: List of entities considered for consolidated analysis

Not applicable

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