March 20, 2025

STCI Finance Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund Based-Others	1,700.00	1,700.00	[ICRA]AA- (Stable); reaffirmed
Non-convertible debentures programme	350.00	350.00	[ICRA]AA- (Stable); reaffirmed
Commercial paper programme	300.00	300.00	[ICRA]A1+; reaffirmed
Total	**2,350.00**	**2,350.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings factor in the support received by STCI Finance Limited (STCI Finance) from its largest shareholder, i.e. Bank of India [BoI; rated [ICRA]AA+ (Stable)], holding a 29.96% stake, and its oversight through three nominee directors on the board of STCI Finance. The ratings are also supported by the comfortable capitalisation with a net worth of Rs. 2,183 crore (net worth of Rs. 1,545 crore reduced for investments[1]) as on December 31, 2024 (adjusted gearing[2] of 1.07 times). ICRA expects the existing capitalisation and internal capital generation to be comfortable to meet the growth plans in the medium term. STCI Finance's core profitability (core return on assets (RoA)[3] stood at 4.4% and 6.2%, respectively, in FY2024 and 9M FY2025) remains supported by the low gearing and recoveries from the erstwhile written-off accounts, which led to low credit costs. The loan book growth has improved with assets under management (AUM) of Rs. 2,887 crore as on December 31, 2024 (YoY growth of ~11%) with growth expected to sustain in the medium term.

The ratings are, however, constrained by the company's concentrated loan portfolio, comprising wholesale products. Real estate loans accounted for 33% of the portfolio, followed by loan against share (LAS; 28%), corporate (26%) and lending to non-banking financial companies (NBFCs; 14%). As LAS is a capital market exposure, its high share in the overall loan book constrains the financial flexibility to avail bank funding against such exposures. The top 10 exposures accounted for 27% of the total loan book and ~51% of the total adjusted net worth as on December 31, 2024. The ratings note the vulnerability of the asset quality to the inherent volatility in the capital markets and its exposure to the relatively riskier real estate financing segment.

The Stable outlook on the long-term rating is driven by the expectation of continued support from BoI, if required, and that the company will maintain stable asset quality and steady profitability while improving its AUM.

Key rating drivers and their description

Credit strengths

Support from largest shareholder – The ratings consider the support from BoI, which is the largest shareholder in the company. Apart from BoI, other public sector banks hold 39.74%, followed by public insurance companies (8.32%) and other banks and financial institutions (the balance). BoI has board oversight on the operations of STCI Finance with three nominee directors and BOI also includes STCI in its consolidated financial reporting. ICRA expects support from BoI to be forthcoming if required. BoI has extended funding support to the company in the past and is also one of its lenders.

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[1] STCI Finance has a 100% subsidiary – STCI Primary Dealer Limited (STCI PD), and a 10% stake in The Clearing Corporation of India Limited (CCIL) rated [ICRA]AAA (stable)

[2] Adjusted gearing = Total debt/Adjusted net worth; Adjusted net worth excludes investment in STCI PD and CCIL

[3] Core RoA is the profitability excluding dividend income from investee companies

Comfortable capitalisation with satisfactory core profitability – STCI Finance has a comfortable capitalisation level with a reported net worth of Rs. 2,183 crore and an adjusted net worth of Rs. 1,545 crore as on December 31, 2024 (as sizeable portion of its net worth is deployed towards investments in CCIL and its subsidiary, i.e. STCI PD). Despite this, STCI Finance had a capital-to-risk weighted assets ratio (CRAR) and a Tier I ratio of 53.4% and 52.4%, respectively, as on December 31, 2024, and the adjusted gearing remains modest and stood at 1.07 times as on December 31, 2024. The company's gearing is expected to increase with the growth in AUM. However, its reported and adjusted gearing are expected to remain below 2.5 times.

The reported profitability improved with an annualised return on equity (RoE) of 9.3% in 9M FY2025. However, netting for capital deployed towards investments, the core profitability is satisfactory with the annualised core RoE at 13.1% in 9M FY2025. STCI Finance's wholly-owned subsidiary, STCI PD, is comfortably capitalised with a net worth of Rs. 973 crore as on March 31, 2024. Given the comfortable capitalisation and profitability, ICRA does not expect STCI PD to have any capital requirement.

Credit challenges

Asset quality exposed to concentration in loan book and exposure to real estate segment – The company's gross and net Stage 3 stood at 5.0% and 0.3%, respectively, as on December 31, 2024 (6.0% and 0.7%, respectively, as on March 31, 2023). While the company has seen fresh slippages, it has been offset by recoveries as well as write-offs.

STCI Finance's AUM grew by 11% on a YoY basis to Rs. 2,887 crore as on December 31, 2024. Real estate loans accounted for ~33% of the total AUM as on December 31, 2024, followed by LAS at ~28%, while corporate and lending to NBFCs accounted for ~26% and ~14%, respectively. Given the high share of LAS and real estate in the overall AUM, the portfolio remains exposed to the inherent volatility in the capital markets and the relatively riskier real estate financing segment. Further, the exposures are concentrated, with the top 10 exposures accounting for 27% of the total loan book and ~51% of the total adjusted net worth as on December 31, 2024. Given the concentration, the company's asset quality remains exposed to lumpy slippages, with the same unlikely to change materially in the medium term. The risks associated with real estate sector lending are partially mitigated by the company's exposure to primarily completed inventory and projects in advanced stages of construction.

Borrowing profile remains concentrated – STCI Finance's borrowings are entirely through term loans from banks. ICRA notes that the LAS exposure is funded by net worth as it is classified as a capital market exposure, thereby constraining the company's ability to avail bank funding against the same. As growth is likely to be driven by non-LAS exposures, the borrowing requirement is expected to increase. Thus, STCI Finance's ability to tie up additional bank funding will be critical for its AUM growth. Further, given its growth plans, the company's ability to diversify its funding profile, which will also enhance its financial flexibility, remains to be seen.

Liquidity position: Adequate

STCI Finance had free cash and cash equivalents of Rs. 363 crore and undrawn sanctioned bank lines of Rs. Rs. 131 crore as on December 31, 2024, which are adequate to meet its debt obligations for the next six months. Given the low leverage, as of now, and the sizeable share of LAS exposure with put/call options, the company has positive cumulative mismatches in the Statement of Structural Liquidity.

Rating sensitivities

Positive factors – A substantial and sustained improvement in its AUM, with diversification in the borrowing profile and accompanied with improvement in the profitability and asset quality with be positive factors.

Negative factors – Material deterioration in the credit profile of BoI or a reduction in BoI's shareholding in STCI Finance will be negative factors. Additionally, a material weakening in the asset quality or a deterioration in the profitability or a substantial increase in the leverage on a sustained basis will also be negative factors.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Non-banking Finance Companies](#)
Parent/Group support	ICRA has factored in the support of STCI Finance's largest shareholder, i.e. BoI. ICRA expects support from BoI to be forthcoming, if required.
Consolidation/Standalone	To arrive at the ratings, ICRA has considered the standalone financials of STCI Finance. However, in line with ICRA's consolidation approach, the capital/funding requirement of STCI PD, going forward, has been factored in. Details are mentioned in Annexure II.

About the company

STCI Finance Limited is a systemically important non-deposit-taking NBFC, providing loans against shares, corporate loans, real estate loans and loans to NBFCs. Bank of India is the largest shareholder with an equity stake of 29.96% in the company as on December 31, 2024. The balance shareholding is distributed among State Bank of India, IDFC First Bank Limited, Punjab National Bank, Life Insurance Corporation of India and other financial institutions and public sector banks. STCI Finance has a wholly-owned subsidiary – STCI Primary Dealer Limited.

Key financial indicators (audited) – Standalone

	FY2023	FY2024	9M FY2025*
Total income	270	336	313
Profit after tax	139	139	147
Total assets	3,092	3,598	3,896
Core return on assets#	5.4%	4.4%	6.2%
Adjusted gearing (times)$	0.91	1.0	1.1
Gross stage 3	6.0%	6.3%	5.0%
CRAR	60.3%	57.9%	53.4%

*Source: STCI Finance Limited, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Provisional; # Core RoA is the profitability excluding dividend income from investee companies; $Adjusted gearing = Total debt/Adjusted net worth; Adjusted net worth excludes investment in STCI PD and The Clearing Corporation of India Limited (CCIL)*

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					
				FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount Rated (Rs. crore)**	**Mar 20, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long Term-Fund Based-Others	Long Term	1,700.00	[ICRA]AA-(Stable)	Mar 22, 2024	[ICRA]AA-(Stable)	Mar 17, 2023	[ICRA]AA-(Stable)	Mar 10, 2022	[ICRA]AA-(Negative)
Non-convertible debenture programme	Long Term	350.00	[ICRA]AA-(Stable)	Mar 22, 2024	[ICRA]AA-(Stable)	Mar 17, 2023	[ICRA]AA-(Stable)	Mar 10, 2022	[ICRA]AA-(Negative)
Commercial paper	Short Term	300.00	[ICRA]A1+	Mar 22, 2024	[ICRA]A1+	Mar 17, 2023	[ICRA]A1+	Mar 10, 2022	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper programme	Very simple
Non-convertible debentures programme	Very simple*

Long Term-Fund Based-Others	Simple

** The complexity indicator mentioned here is subject to change when the terms will be finalised*

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	**Long Term-Fund Based-Others**	-	-	-	1,700.00	[ICRA]AA- (Stable)
Yet to be placed	**Non-convertible debentures programme**	NA	NA	NA	350.00	[ICRA]AA- (Stable)
Yet to be placed	**Commercial paper programme**	NA	NA	NA	300.00	[ICRA]A1+

Source: STCI Finance Limited

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
STCI Primary Dealer Limited (STCI PD)	100%	Full consolidation

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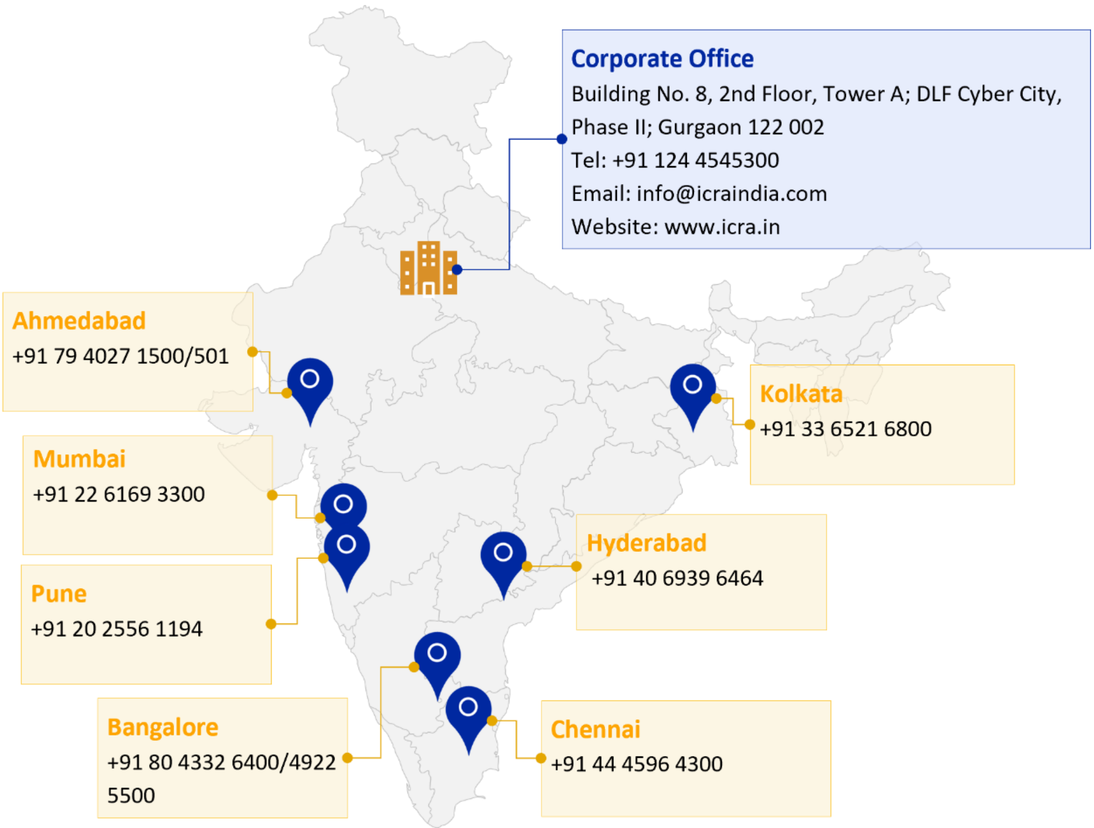

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