March 30, 2026

STCI Finance Limited: Ratings reaffirmed; rated amount enhanced for bank facilities

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	2,000.00	[ICRA]AA- (Stable); reaffirmed/assigned for enhanced amount
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**	**2,650.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings factor in the support extended to STCI Finance Limited (STCI Finance) by its largest shareholder, Bank of India [BoI; rated [ICRA]AA+ (Stable)], which holds a 29.96% stake and provides oversight through three nominee directors on the company's board. The ratings also consider the comfortable capitalisation, reflected by the net worth of Rs. 2,339 crore (Rs. 1,625 crore net of investments[1]) as on December 31, 2025, and the adjusted gearing[2] of 1.20 times. ICRA expects the current capital position, along with internal capital generation, to remain adequate to support the company's medium-term growth plans. STCI Finance's core profitability (core return on assets (RoA)[3] of 5.2% in FY2025 and 3.8% (annualised) in 9M FY2026) remains supported by low gearing, limited slippages and recoveries from previously written-off and NPA accounts, which have kept credit costs low. The loan book has registered improved traction, with assets under management (AUM) reaching Rs. 3,250 crore as on December 31, 2025 (YoY growth of ~13%), and growth is expected to remain steady over the medium term.

The ratings are, however, constrained by the company's concentrated loan portfolio, which remains skewed towards wholesale products. As on December 31, 2025, real estate loans accounted for 34% of the portfolio, followed by loan against shares (LAS; 28%), corporate loans (25%), and lending to non-banking financial companies (NBFCs; 13%). Given that LAS constitutes capital market exposures, its high share in the overall book limits the company's financial flexibility in availing bank funding against such assets. Concentration remains elevated, with the top 10 exposures forming 29% of the total loan book and 59% of the adjusted net worth as on December 31, 2025. The ratings also take note of the asset quality risks arising from the inherent volatility of capital markets and STCI Finance's significant exposure to the relatively riskier real estate financing segment.

Following the RBI's December 2025 guidelines, the company has initiated discussions with BoI to reassess its business plan and evaluate activities that should be continued, phased out, or newly undertaken in line with the revised regulatory framework. Since the issuance of these guidelines, STCI Finance has not undertaken any new LAS sanctions. ICRA will monitor developments and any material weakening of linkages with BoI would remain a negative rating factor.

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, the company's largest shareholder. In addition to BoI, other public sector banks hold 39.74%, followed by public insurance companies at 8.32%, with the balance held by

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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

other banks and financial institutions. BoI exercises board-level oversight through three nominee directors and also includes STCI Finance in its consolidated financial statements. Following the RBI's December 2025 guidelines, the company has initiated discussions with BoI to reassess its business plan and determine which activities should be continued, discontinued, or newly undertaken under the revised regulatory framework. ICRA expects BoI's support to remain forthcoming if required, given its track record of extending funding support and its position as one of the company's lenders. A material dilution in linkages with BoI would be a negative rating factor.

Comfortable capitalisation with satisfactory core profitability – STCI Finance maintains a comfortable capitalisation profile, with a reported net worth of Rs. 2,339 crore and an adjusted net worth of Rs. 1,625 crore as on December 31, 2025 [a sizeable portion of the net worth is deployed as investments in The Clearing Corporation of India Limited (CCIL), and STCI Finance's subsidiary – STCI Primary Dealer Limited (STCI PD)]. Despite this adjustment, the company reported a strong capital-to-risk weighted assets ratio (CRAR) of 53.1% and a Tier I ratio of 51.9% as on December 31, 2025, while the adjusted gearing remained modest at 1.2 times. The gearing is expected to increase with the expansion in AUM; however, both reported and adjusted gearing levels are projected to remain below 2.5 times.

The reported profitability, as measured by the annualised return on equity (RoE), stood at 5.8% in 9M FY2026. Adjusting for the capital deployed towards investments, the core profitability remained satisfactory, with the annualised core RoE at 8.2% during the period. STCI Finance's wholly-owned subsidiary, STCI PD, is comfortably capitalised with a net worth of Rs. 1,212 crore as on March 31, 2025. Given its strong capital position and healthy profitability, ICRA does not expect STCI PD to require additional capital support.

Credit challenges

Asset quality exposed to concentration in loan book and exposure to real estate segment – The company's gross and net stage 3 ratios stood at 5.5% and 0.3%, respectively, as on December 31, 2025 compared with 6.3% and 0.5%, respectively, as on March 31, 2024.

STCI Finance's AUM grew by 13% YoY to Rs. 3,250 crore as on December 31, 2025. Real estate loans accounted for ~34% of the AUM, followed by LAS at ~28%, while corporate exposures and lending to NBFCs constituted ~25% and ~13%, respectively. Given the sizeable share of LAS and real estate exposures, the portfolio remains susceptible to the inherent volatility of capital markets and the relatively higher risks associated with real estate financing. Following the issuance of the RBI's guidelines in December 2025, the company has not sanctioned any new LAS transactions. In parallel, it is evaluating activities that should be continued, phased out, or newly undertaken in line with the revised regulatory framework.

Concentration remains high, with the top 10 exposures accounting for 29% of the loan book and 59% of the adjusted net worth as on December 31, 2025. As a result, the asset quality remains exposed to the risk of lumpy slippages, with the level of concentration unlikely to reduce materially in the medium term. The risks linked to real estate lending are partly mitigated by the company's exposure to completed inventory and projects in advanced stages of construction.

Borrowing profile remains concentrated – STCI Finance's borrowings are primarily in the form of term loans from banks (~90% as on December 31, 2025), with the remainder sourced through term loans from NBFCs (~10%). ICRA notes that the LAS portfolio is funded through the company's net worth, given its classification as capital market exposure, which restricts its ability to obtain bank funding against such assets. As the AUM grows, STCI Finance's ability to secure additional bank funding will be important for supporting AUM expansion. Further, given its growth plans, the company's ability to diversify its funding profile, which would also strengthen its financial flexibility, remains a key monitorable.

Liquidity position: Adequate

STCI Finance had free cash and cash equivalents of Rs. 515 crore and undrawn sanctioned bank lines of Rs. 284 crore as on December 31, 2025, 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 as per the statement of structural liquidity.

Rating sensitivities

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

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

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 (BoI) is the largest shareholder with an equity stake of 29.96% in the company as on December 31, 2025. The balance 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

STCI Finance	FY2024	FY2025	9M FY2026*
Total income	336	416	301
Profit after tax	139	182	101
Total assets	3,598	4,050	4,373
Core return on assets# (annualised)	4.4%	5.2%	3.8%
Adjusted gearing (times)$	1.0	1.1	1.2
Gross stage 3	6.3%	5.4%	5.5%
CRAR	57.9%	54.0%	53.1%

*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 investments in STCI PD and CCIL*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Mar 30, 2026	Date	Rating	Date	Rating	Date	Rating
Long term fund based – Others	Long term	2,000.00	[ICRA]AA- (Stable)	Mar 20, 2025	[ICRA]AA- (Stable)	Mar 22, 2024	[ICRA]AA- (Stable)	Mar 17, 2023	[ICRA]AA- (Stable)
Non-convertible debenture programme	Long term	350.00	[ICRA]AA- (Stable)	Mar 20, 2025	[ICRA]AA- (Stable)	Mar 22, 2024	[ICRA]AA- (Stable)	Mar 17, 2023	[ICRA]AA- (Stable)
Commercial paper	Short term	300.00	[ICRA]A1+	Mar 20, 2025	[ICRA]A1+	Mar 22, 2024	[ICRA]A1+	Mar 17, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper programme	Simple
Non-convertible debentures programme	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**	-	-	-	2,000.00	[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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ABOUT ICRA LIMITED

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