

Shanghvi Finance Private Limited

March 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating	0.00	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The above rating factors-in the total consolidated borrowings of Shanghvi Finance Private Limited (SFPL) (existing and future contingent exposures including but not limited to guarantees extended on behalf of its subsidiaries and group companies) not exceeding ₹7,250 crore.

Reaffirmation of the issuer rating of SFPL derives strength from the track record of the strong promoter, Dilip Shanghvi Group (DS group), and SFPL being one of the major shareholders in the DS group's primary operating company, Sun Pharmaceutical Industries Limited (SPIL, key investee company). The rating takes comfort from the strong credit profile of SPIL and its track record of dividend pay-out, which forms the major portion of dividend income for SFPL. Reaffirmation also favourably factors-in SFPL's strong financial flexibility emanating from the high market value of its investments in SPIL, the healthy capital structure and comfortable total market value of investment to debt ratio. The company repaid all the loans received from the promoters amounting to ₹538 crore in December 2022 and currently has no debt outstanding. CG extended on behalf of subsidiaries has reduced from ₹2945 crores as on February 28, 2024 to ₹1976 crores as on February 28, 2025. Owing to the reduced CG debt, the debt cover has improved significantly from 54.5x as of March 06, 2024, to 80x as on March 07, 2025.

The above rating strengths are partially offset by the exposure to fluctuation in the market value of investments, as SFPL has significant revenue and investment concentration in SPIL, with the latter's dividend accounting for over 80% of SFPL's total operating income (TOI) in FY24. The rating remains constrained due to the exposure in the form of loans and advances towards the group companies. CARE Ratings Limited (CARE Ratings) would continue to monitor development in SFPL's key investee company, which in CARE Ratings' opinion, may affect SFPL's financial risk profile.

Also, the company, with effect from May 17, 2023, has become an unregistered CIC (Core Investment Company). As per RBI's regulatory framework for CIC, an unregistered CICs cannot access public funds.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ratio of income to total debt above 1x.
- Significant increase in the market value of stake of SFPL in SPIL and SPARC (investee companies), leading to increase in the debt cover (marketable value of its unpledged stake in investee companies to total debt) on a sustainable basis.

Negative factors

- Fall in debt cover below 10x owing to decline in the share price of SPIL and SPARC
- Rise in debt levels (including the extent of corporate guarantees provided) of SFPL above ₹7250 crore on the consolidated basis due to the support to group companies
- Deterioration in credit profile of SPIL

Analytical approach: Standalone

SFPL has been assessed based on the investment holding company criteria of CARE Ratings based on its investment holdings in quoted investments (primarily SPIL). For analysis, CARE Ratings has included the corporate guarantees extended by SFPL on behalf of its group companies as part of debt. For calculation of the debt cover over guarantee extended, SFPL's stake in SPIL and SPARC has been considered.

Outlook: Stable

CARE Ratings expects SFPL will continue to derive strength from the track record of the strong promoter group and the company's credit profile is also expected to be robust given the company has NIL external debt as on February 2025 and strong credit profile of investee company.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful promoter group with strong brand equity and established standing in pharmaceutical sector

SFPL, a part of the DS group, is majorly held by Dilip Shanghvi, who holds 98.28% of the shares of SFPL, as on March 31, 2024. He is also the promoter of SPIL and SPARC, holding 9.60% and 19.05%, respectively, in his personal capacity, as on December 31, 2024. SPIL is the flagship company of the DS group and is a leading Indian pharmaceutical company involved in developing, manufacturing and marketing formulations and active pharmaceutical ingredients (APIs). SPIL is the market leader in the domestic formulations segment, with a market share of 8.20%, as on December 31, 2024 (Source: All India Organisation of Chemists and Druggists [AIOCD]). SPIL is also among the top five speciality generic company in the world. It has a leading position in the chronic segment, backed by specialisation in technically-complex products and a large product portfolio. The company has 28 of the top 300 brands in the domestic market.

Strong financial flexibility emanating by virtue of substantial investments in SPIL

As on December 31, 2024, SFPL directly holds 40.30% in SPIL. Owing to its investments in the above-mentioned flagship companies of the DS group, SFPL enjoys a level of financial flexibility. Dilip Shanghvi also holds 9.60% in SPIL, in his personal capacity, as on December 31, 2024. The market value of the quoted investments held by SFPL (₹1,57,534 crore as on March 7, 2025) is much higher than the CG given (₹1,976 crore as of February 2025). The company does not have any loans and only provides corporate guarantee on behalf of its group companies, majority of which (₹1646 crores) are performance guarantee to Sun petrochemicals private limited.

Being an investment holding company, SFPL extends support to its subsidiaries and group companies via investments, loans and advances or corporate guarantees to lenders for raising loan in its subsidiaries and group companies. Shanghvi finance has dividend income of over ₹1200 crore in FY24 which is invested in group companies in the form of debt/ equity. This along with significant holding in listed entities provides comfort for liability from the corporate guarantees extended. However, any significant rise in the debt levels or substantial decline in the market capitalisation will remain a key rating monitorable.

Comfortable financial risk profile, healthy capital structure with low gearing

SFPL's financial risk profile is marked by low adjusted overall gearing and healthy capital structure. SFPL derives revenue either through dividend, interest income or sale of investments given the predominance of their investments (equity) in their asset base. The adjusted overall gearing (guaranteed debt divided by tangible network) stands at 0.03x as on March 31, 2024 (0.04x as on March 31, 2023). The company repaid the loans received from the promoters amounting to ₹538 crore in December 2022 and currently has no debt outstanding. Owing to the share price appreciation in key investee companies and reduced CG debt, the debt cover has improved significantly from 54.5x as on March 06, 2024, to 80x as on March 07, 2025. CG debt has reduced from ₹2945 crore as on February 28, 2024 to ₹1976 crore as on February 28, 2025.

Key weaknesses

Concentration of investment in SPIL which exposes SFPL to fluctuation in market value of its investments and significant dependence on its dividend pay-out

SFPL's dividend income is majorly contributed by SPIL (95% and above). Consequently, SFPL's revenue stream predominantly depends on SPIL's performance and the pharmaceutical industry for the cash flows. SFPL's market value of investments is exposed market volatility. SPIL's strong credit profile and consistent track record of declaring dividends provide comfort. CARE Ratings notes the improvement in SPIL's share price resulted in an improvement in the debt cover, as mentioned above. CARE Ratings also expect that in case of substantial diminution in the value of investments, SFPL's financial flexibility may be impacted.

Significant exposure towards group companies

With dividend/interest income being the major source of income for SFPL, its projected performance is directly linked to the performance of its investee companies, majorly that of SPIL. Given the regulatory exposure of the industry in which the DS group is operating, decline in the performance of the industry or adverse regulatory stance may affect SFPL's revenue stream. SFPL's total debt (consisting of corporate guarantees extended on behalf of its subsidiaries and others) stands at ₹1976 crore as on February 28, 2025, and ₹2,276 crore as on March 31, 2024. Additionally, SFPL has extended loans and advances to its group companies, which totalled to ₹2,202 crore as on January 31, 2025.

Liquidity: Strong

SFPL's liquidity profile is expected to remain strong backed by the financial flexibility emanating from its status as an investment holding company of Sun-Pharma group (majorly in SPIL) with an investment value of quoted instruments at ₹157,534 crore as on March 07, 2025. As on December 31, 2024, SFPL's borrowings was nil. Even after considering the corporate guarantee extended by the company as part of debt, the company's debt cover ratio (as explained above) is comfortable at 80x as of March 07, 2025. The returns from investments in group companies may be considered as a source of liquidity that can be availed in case of requirement. The company has become unregistered CIC from May 17, 2023, and as per RBI guidelines, the company cannot borrow or have access to public funds. This also provides additional comfort. Going ahead, SFPL may provide support in the form of corporate guarantee to the group companies. The transaction would be supported by the inflows of the loan and advances extended to the group companies and by pledging its investments in SPIL and SPARC.

Assumptions/Covenants – not applicable

Environment, social, and governance (ESG) risks - Not applicable

Applicable criteria

[Definition of Default](#)

[Investment Holding Companies](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Issuer Rating](#)

[Financial Ratios – Financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Investment Company

Incorporated on August 21, 1989, Shanghvi Finance Private Limited (SFPL) is a part of the Dilip Shanghvi group (DS group), with Dilip S Shanghvi holding 98.28% shares of SFPL, as on March 31, 2024. SFPL was initially registered as a non-deposit accepting NBFC with Reserve Bank of India (RBI). The company vide letter dated February 09, 2023, had applied to RBI for voluntary surrender of the Certificate of registration. With effect from May 17, 2023, the company has become an unregistered Core Investment Company (CIC). The company's primary business is making investments and providing loans to group companies, any surplus funds is invested in bank deposits or money market funds. SFPL holds major investments in SPIL and SPARC, holding 40.30% and 42.28% share capital, respectively, as on December 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	1,269.47	1,426.32
PAT	919.47	1,069.97
Interest coverage (times)	741.39	30,143.60
Total Assets	75,340.46	76,418.65
Net NPA (%)	NA	NA
ROTA (%)	1.22	1.41

A: Audited UA: Unaudited; NA: Not applicable Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Issuer Rating- Issuer Ratings		-	-	-	0.00	CARE AA+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA+; Stable	-	1)CARE AA+; Stable (28-Mar-24)	1)CARE AA+; Stable (31-Mar-23) 2)CARE AA+; Stable (10-Jan-23) 3)CARE AA+; Stable (26-Dec-22)	1)CARE AA+ (Is); Stable (17-Feb-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities - Not applicable**Annexure-4: Complexity level of instruments rated - Not applicable****Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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Disclaimer:

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