

Understanding Loan Against Shares (LAS)

CASE STUDY #1

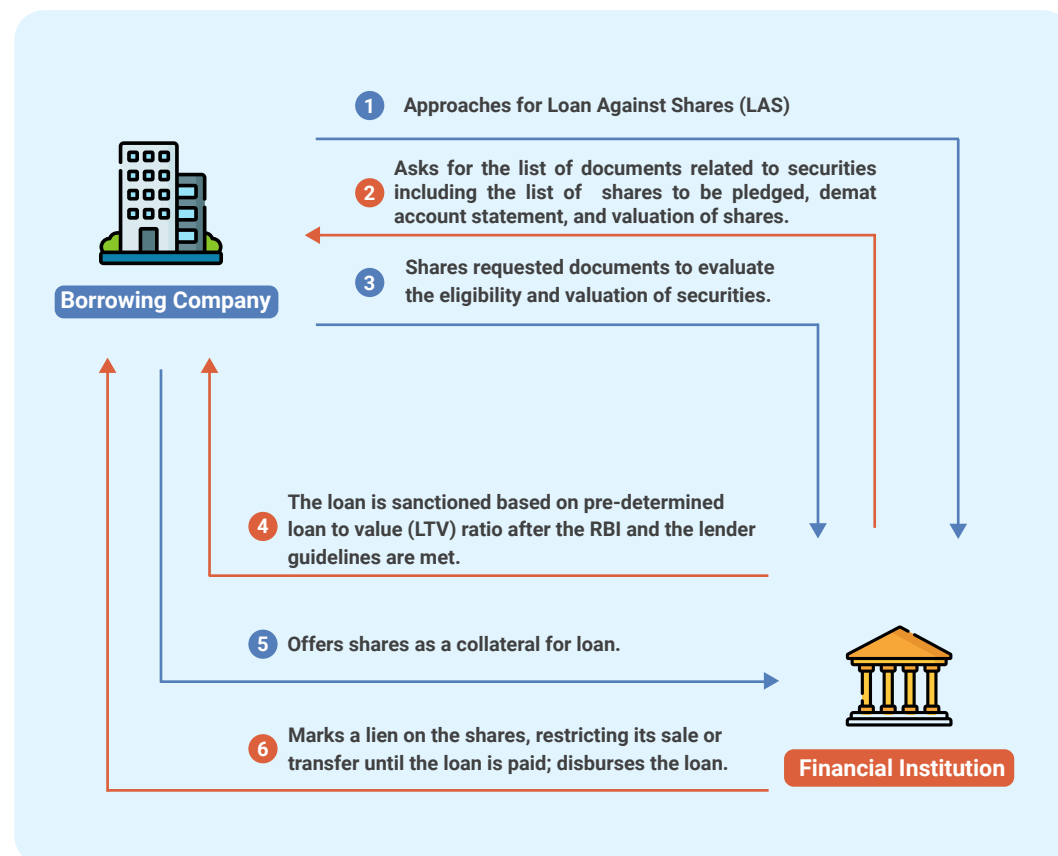


Introduction

Loan Against Shares (LAS) is a financial instrument that allows borrowers to avail credit against listed and / or unlisted shares. The borrowing can be in the form of term loan (TL) or non-convertible debentures (NCDs).

In this case study, we explore a transaction, where the borrowing is structured via the issuance of an NCD. Vivriti Capital (VCL) has provided financing to the borrowing companies (referred to as ABC Pvt Ltd and affiliates) by subscribing to its NCD, backed by the shares it held in three companies namely X Ltd (a listed entity), Y Ltd (a listed entity) and Z Ltd (an unlisted entity). As per the arrangement, ABC Pvt Ltd will make semi-annual interest payments to VCL. The limit sanctioned by VCL to ABC Ltd is in the range of INR 30-40 Cr with a medium-term tenor.

The case study outlines the key findings from our due diligence on X Ltd, Y Ltd and Z Ltd as their shares have been pledged by ABC Pvt Ltd forming the basis for our recommendation.



Company Background

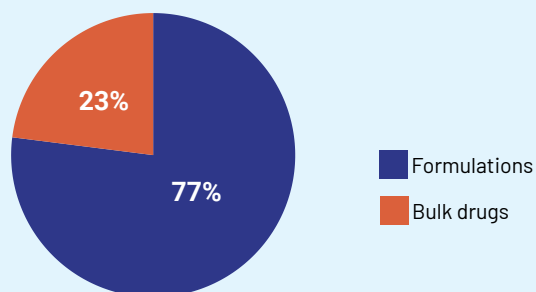
X Ltd., with a presence of over three decades, Y Ltd., operating for over a decade and Z Ltd., with nearly five decades of business vintage have established themselves as an experienced player in the pharmaceutical products industry. Each of these entities cater to different market segments including formulations (injectable, capsules, etc.), active pharmaceutical ingredients (APIs) respectively.

Based out of Tier-1 metropolitan cities, the operating companies are largely export driven with a client base across geographies. The promotor of the company X Ltd, Y Ltd and Z Ltd has an industry experience of over four decades and is playing an active role in all the three business. The promoter has infused capital (equity/debt) when required.

Industry Outlook

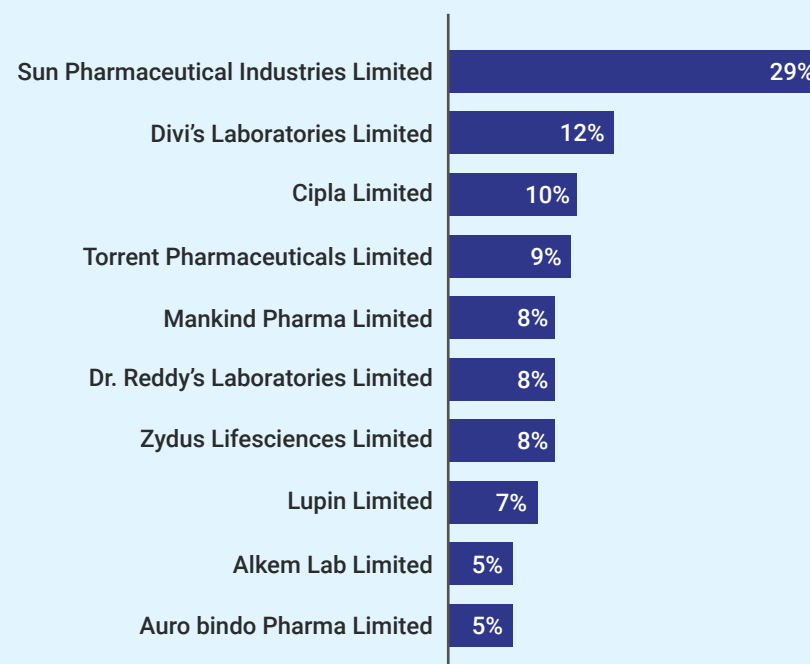
- India pharmaceutical industry ranks third in terms of production volume that has expanded at an annual rate of 9.4% over the past nine years.
- The products manufactured by the pharmaceutical industry are broadly classified in two categories: i) Bulk drugs or API – an ingredient that acts as a raw material for finished product and ii) Formulations – final product such as such as tablets, capsules, syrups, or injectables. Of the total number of pharmaceutical manufacturers, majority of them produce formulations.

Pharamceutical Manufacturing Output



- The largest pharma company in India by market capitalisation is Sun Pharmaceutical Industries followed by Divi's Laboratories Limited and Cipla Limited.

Top 10 Pharmaceutical Companies by Market Capitalisation (2025)



- India has positioned itself as a global pharmaceutical hub with over 10,000 manufacturing facilities, 3,000 pharma companies, and 650 plants (the largest outside US) that comply with US Food and Drug Administration (US-FDA).

- Pharmaceutical exports in India reached INR 2.5 Lakh Cr in FY25 registering a six-year CAGR of 6%. India's major export destinations include the US, UK, South Africa, Russia, Nigeria, the European Union, other African nations, and Latin American countries.
- With growing global partnerships, strong domestic manufacturing capabilities, export expertise, expanding R&D capabilities, and government initiatives such as Production Linked Incentive (PLI) Scheme and Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP), India will continue to strengthen its position as a rising player in the global pharmaceuticals sector. According to the recent reports, the Indian pharmaceutical market was valued at ~INR 5 Lakh Cr in 2025, which is expected to double by 2030.

Credit Profile

Credit Rating: The credit ratings of X Ltd, Y Ltd and Z Ltd are A-, BBB and BB+ respectively.

Funding History: The promoter/borrowing group has the lender base of tier-1 private sector banks and privately-owned non-banking financial companies.

Key Credit Committee Recommendations

Promoter & Management Expertise: The promoter of the company X Ltd, Y Ltd and Z Ltd has an extensive experience in the pharma industry and a track record of reviving and scaling businesses. The management is actively involved in the businesses and have supported the company with equity/debt infusion when required.

Diversified Business Model: The operating companies each cater to different market segments with products ranging from injectable, capsules, tablets to medical devices.

Diversified Customer Base: X Ltd, Y Ltd and Z Ltd have a client base that includes major pharma players across diverse geographies.

Financial Strengths:

X Ltd:

1. X Ltd has consistently kept their gearing ratio (Debt/Equity) at ~<1x for the past three years.
2. The company has achieved a three-year CAGR of 10% in revenue.

3. The EBITDA and PAT margins for X Ltd have been increasing 36% and 40% YoY respectively from FY22 to FY24.

Y Ltd:

The company has consistently kept their gearing ratio (Debt/Equity) at <1x for the past three years.

Z Ltd:

The net worth of Z Ltd has grown ~30% YoY from FY23 to FY24.

Conclusion

X Ltd, Y Ltd and Z Ltd are well established businesses with a strong hold on exports and dependable customer base. The operating companies have a track record of timely debt payments and of regulatory compliance. The outlook of the pharma industry where the companies operate in is stable and has growth potential.

ABC Pvt Ltd is seeking funds to restructure and pay off its existing debt obligations. Due to the company's valuable shareholdings in X Ltd, Y Ltd and Z Ltd that meets VCL's policy of providing LAS and the ability of those shares to retain its value for the loan term, VCL has considered them for Loan Against Shares (LAS). The ticket size of the loan is on the loan to value (LTV) ratio of the shares pledged and other structural comforts.



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