

March 07, 2025

TASL Automobile Solutions Private Limited: [ICRA]BBB+ (Stable)/[ICRA]A2 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Short term-fund based	20.00	[ICRA]A2; Assigned
Short term-interchangeable	(35.00)	[ICRA]A2; Assigned
Long term / short term-unallocated	40.00	[ICRA]BBB+ (Stable)/[ICRA]A2; Assigned
Issuer Rating	-	[ICRA]BBB+ (Stable); Assigned
Long term-cash credit-fund based	90.00	[ICRA]BBB+ (Stable); Assigned
Total	150.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned to the bank facilities of TASL Automobile Solutions Private Limited (TASPL/the company) draw comfort from its strong parentage with TVS Mobility Private Limited (TVS Mobility/parent) holding 21.57% stake in the company (as on December 31, 2024), and the larger T S Rajam Group (a faction of the TVS Group – an established name in the domestic auto ancillary industry) holding 56.20% stake in the company (as on the same date). TVS Mobility Private Limited has committed that it will extend timely and adequate support to TASPL, to ensure that its operating and financial commitments are met in a timely manner, should there be a need. TVS Mobility's representatives are part of TASPL's board of directors, and TASPL has strong financial flexibility and lender/investor comfort arising from its parentage. The ratings also consider TASPL's diversified product profile and its established relationships with auto component manufacturers, which, along with favourable demand outlook are likely to drive revenue growth going forward. TASPL has a comfortable capital structure and adequate liquidity.

TASPL has moderate scale of operations with revenues of Rs. 479.0 crore in FY2024 (7.4% YoY growth in FY2024) and Rs. 379.3 crore in 9M FY2025 (5.6% annualised growth in 9M FY2025). Growth in the auto component aftermarket industry, product expansions and deeper market penetration supported the topline improvement. However, TASPL reported operating losses in FY2024 and low operating margin of 2.2% in 9M FY2025, impacted by its relatively higher fixed expenses and business expansion cost, amongst other factors. Initiatives pertaining to inventory optimisation and fixed cost rationalisation are expected to support margins over the medium term, besides operating leverage benefits. However, the extent of margin improvement, given the competitive pressures and limited value addition stemming from its trading nature of operations, remains to be seen. While the debt levels remain relatively high for the scale of operations, the anticipated reduction in working capital intensity (from ~41% in FY2024) and improvement in accruals going forward, are likely to aid debt reduction and improvement in coverage metrics. However, the extent of improvement in coverage metrics remains to be seen.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile, supported by its strong parentage, diversified product profile and established relationship with auto component manufacturers, favourable demand outlook and adequate liquidity.

Key rating drivers and their description

Credit strengths

Strong parentage – TVS Mobility Private Limited is the holding company of the T S Rajam faction of the larger TVS Group of companies – an established name in the domestic auto ancillary industry. TVS Mobility Private Limited (TVS Mobility/parent company) holds a 21.57% stake in the company (as on December 31, 2024), while other Group companies/promoters hold a 34.63% stake, resulting in a 56.20% stake by the T S Rajam Group. TVS Mobility Private Limited has committed to extend timely and adequate support to TASPL, to ensure that their operating and financial commitments are met in a timely manner, should there be a need. Further, TVS Mobility's representatives are part of TASPL's board of directors, and TASPL has strong financial flexibility and lender/investor comfort arising from its parentage.

Diversified product profile; established relationships with auto component manufacturers – TASPL has over 16,000 dealers across South and East India. Further, the company has a diversified product profile comprising brake systems, power train components, tyres, fasteners, and lubricants, among others. The company caters to products of more than 30 auto component manufacturers including Bosch Limited, Valeo India Private Limited, and ZF Commercial Vehicle Control Systems India Limited to name a few. Apart from this, the company is one of the prime distributors for the original equipment (OE) spares of Mahindra & Mahindra Limited in South India.

Comfortable capital structure – The company's net worth was healthy at Rs. 426.8 crore as on December 31, 2024. As a result, it has a comfortable capital structure as illustrated by a gearing of 0.3 times as on December 31, 2024, despite its relatively high debt levels for the scale of operations. ICRA expects TASPL's capital structure to remain comfortable going forward, with anticipated improvement in accruals and in the absence of any significant capex plans over the medium term.

Favourable demand outlook – The aftermarket segment constitutes ~15% of the overall demand and remains a vital cog in the Indian auto component industry. ICRA expects the aftermarket demand to grow at 7-9% in FY2026, supported by increase in vehicle parc, higher average age of vehicles/used car purchases, preventive maintenance and growth in organised spare parts, among other factors. The industry is expected to grow at a healthy pace over the medium term as well, with underlying demand drivers remaining intact. This is likely to augur well for TASPL's revenue growth.

Credit challenges

Moderate scale of operations; low margins and relatively high debt levels for scale of operations – TASPL has moderate scale of operations with revenues of Rs. 479.0 crore in FY2024 (7.4% YoY growth in FY2024) and Rs. 379.3 crore in 9M FY2025 (5.6% annualised growth in 9M FY2025). Growth in the auto component aftermarket industry, product expansions and deeper market penetration supported the topline improvement. However, TASPL reported operating losses in FY2024 and low operating margin of 2.2% in 9M FY2025, impacted by its relatively high fixed expenses and business expansion cost, amongst other factors. As a cascading effect of its relatively high working capital intensity (~41% in FY2024) and low margins, the company's debt levels have been relatively high for its scale of operations and stood at Rs. 113.1 crore as on December 31, 2024. Over the medium term, initiatives pertaining to inventory optimisation and fixed cost rationalisation would support margins, besides operating leverage benefits. The extent of margin improvement, given the competitive pressures and limited value addition stemming from its trading nature of operations, however, remains to be seen. Also, the anticipated reduction in working capital intensity and improvement in accruals going forward, are likely to aid debt reduction and improvement in coverage metrics. However, the extent of improvement in coverage metrics remains to be seen.

Working capital intensive nature of operations – The company holds relatively higher levels of inventory because of its diversified product profile and wide geographic presence. The company also offers relatively higher credit periods to its customers, compared to other aftermarket distributors. As a result, TASPL's working capital intensity was at ~41% in FY2024. While TASPL has initiatives on inventory reduction and working capital optimisation in the pipeline, the extent of improvement remains to be seen.

Exposed to competitive risks – Akin to other players in the auto-component aftermarket business, the company witnesses intense competition from OE spares, other organised and unorganised players and imports, which restricts its pricing flexibility and margins. However, its wide distribution network and brand equity mitigate the risk to an extent. Further, the company has undertaken cost-optimisation initiatives in its supply chain and distribution network to mitigate margin pressures that could arise because of competition to an extent.

Liquidity position: Adequate

TASPL's liquidity is adequate supported by cash flow from operations and free cash and bank balance of Rs. 17.8 crore as of December 31, 2024. The company has an undrawn working capital of Rs. 58.5 crore as on the same date against sanctioned limits. TVS Mobility Private Limited has committed to extend timely and adequate support to TASPL, to ensure that its operating and financial commitments are met in a timely manner, should there be a need. Against this, the company does not have any long-term debt repayment and only has minimal capex plans over the medium term, which are to be funded through internal accruals.

Rating sensitivities

Positive factors – Sustained and significant improvement in the company's earnings and debt indicators resulting in improvement of credit metrics could result in rating upgrade. Further, improvement in the credit profile of the parent (TVS Mobility) or strengthening of TASPL's operational/ financial linkages with the parent could result in an upgrade.

Negative factors – Negative pressure on the ratings could arise in case of the company's inability to sustain cash accruals, or sizeable debt funded capex or stretch in the working capital cycle leading to weakening of liquidity and credit profile. Further, significant deterioration in the credit profile of the parent (TVS Mobility) or weakening of TASPL's operational/financial linkages with the parent, could also result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	TVS Mobility Private Limited has committed that it will extend timely and adequate support to TASPL, to ensure that its operating and financial commitments are met in a timely manner, should there be a need.
Consolidation/Standalone	The rating is based on the consolidated financial profile of the company. Details of consolidation provided in Annexure-II.

About the company

TASL Automobile Solutions Private Limited (TASPL/the company) is a traditional aftermarket distributor of spare parts and components for 2W/3W, passenger vehicles, commercial vehicles and tractors. The company derived 96% of its consolidated revenues from the spare parts distribution business and the remaining 4% from the insurance business in FY2024. TVS Insurance Broking is an IRDAI registered broking entity with pan-India presence.

TVS Mobility Private Limited (TVS Mobility/parent company) holds a 21.57% stake in the company (as on December 31, 2024), while other Group companies/promoters hold a 34.63% stake, resulting in a 56.20% stake by the T S Rajam Group. The company also has strategic investors including Kitara ASL and Mitsubishi Corporation among its shareholders.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	446.0	479.0
PAT	-30.2	19.7
OPBDIT/OI (%)	-5.1%	-1.8%
PAT/OI (%)	-6.8%	4.1%
Total outside liabilities/Tangible net worth (times)	0.4	0.5
Total debt/OPBDIT (times)	-3.6	-12.1
Interest coverage (times)	-1.3	-1.0

Source: Company, ICRA Research; Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with numbers reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	FY2025		FY2024		FY2023		FY2022	
		Amount Rated (Rs. Crore)	March 07, 2025	Date	Rating	Date	Rating	Date	Rating
Short term- fund based	Short Term	20	[ICRA]A2	-	-	-	-	-	-
Short term- inter-changeable	Short Term	-35	[ICRA]A2	-	-	-	-	-	-
Long term / short term-unallocated	Long Term/Short Term	40	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-	-	-
Issuer Rating	Long Term	-	[ICRA]BBB+ (Stable)	-	-	-	-	-	-
Long term-cash credit-fund based	Long Term	90	[ICRA]BBB+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short Term-Others-Fund Based	Simple
Short Term-Others-Interchangeable	Very Simple
Long Term / Short Term-Unallocated-Unallocated	Not applicable
Issuer	Not applicable
Long Term-Cash Credit-Fund Based	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

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Short Term-Fund Based	NA	NA	NA	20.00	[ICRA]A2
NA	Short Term-Interchangeable	NA	NA	NA	(35.00)	[ICRA]A2
NA	Long Term / Short Term-Unallocated	NA	NA	NA	40.00	[ICRA]BBB+ (Stable) / [ICRA]A2
NA	Issuer Rating	NA	NA	NA	-	[ICRA]BBB+ (Stable)
NA	Long Term-Cash Credit-Fund Based	NA	NA	NA	90.00	[ICRA]BBB+ (Stable)

Source: Company

[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
Subsidiaries		
Rajgarhia Automobile Solutions Limited	52.55%	Full Consolidation
Essex Automobile Solutions Limited	63.00%	Full Consolidation
TVS Insurance Broking Private Limited	100.00%	Full Consolidation
Jai and Sons Private Limited	100.00%	Full Consolidation
Universal Components Distribution Private Limited	100.00%	Full Consolidation
Topsel Marketing Private Limited	100.00%	Full Consolidation
TVS ASPL Employees Benefit Trust	100.00%	Full Consolidation
Joint Ventures		
Myers Tyre Supply (India) Limited	68.23%	Equity Method

Source: Company, Annual report FY2024

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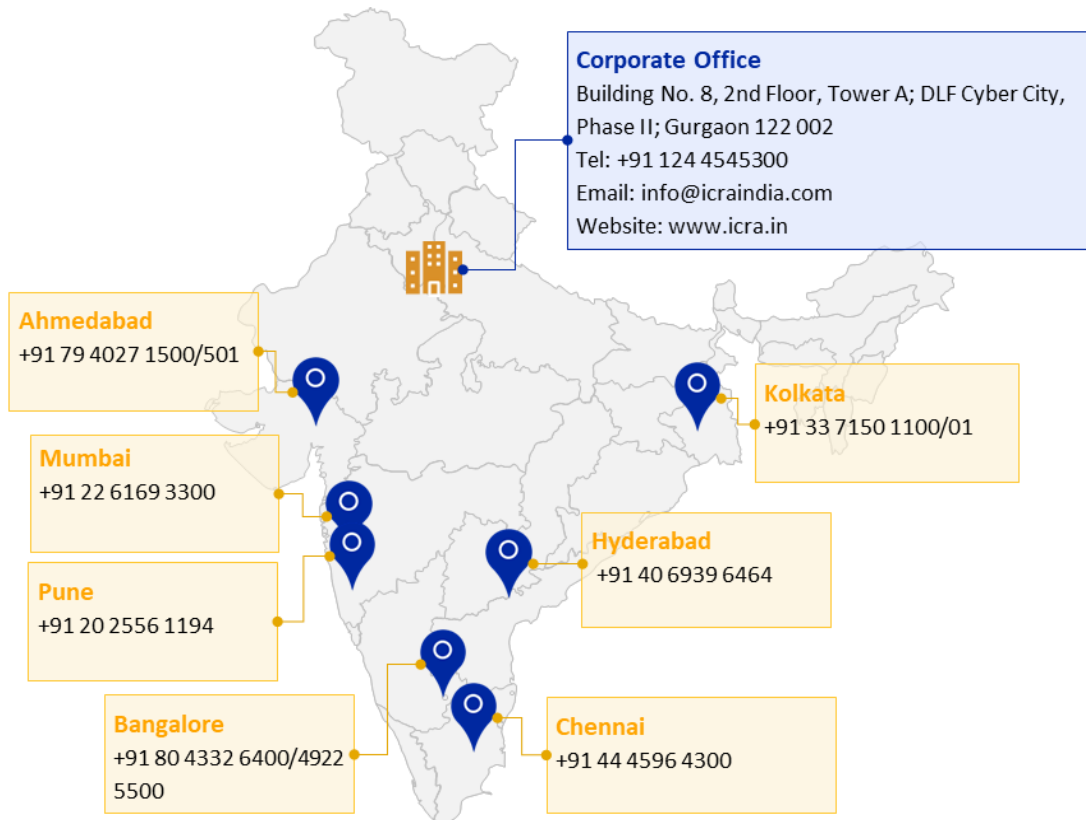
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