

March 31, 2023

VE Commercial Vehicles Limited: Change in limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based Limits- Cash Credit	405.00	575.00	[ICRA]AA+(Stable)/[ICRA]A1+; Outstanding
Non Fund-Based Facilities	11.00	11.00	[ICRA]AA+(Stable)/[ICRA]A1+; Outstanding
Fund/Non Fund-based Limits	590.00	540.00	[ICRA]AA+(Stable)/[ICRA]A1+; Outstanding
Term Loans	120.00	-	-
Total Bank Facilities	1,126.00	1,126.00	
Commercial Paper Programme	100.00	100.00	[ICRA]A1+; Outstanding

*Instrument details are provided in Annexure-I

Rationale

This rationale is being released to convey the change in the rated limits as depicted in the table above, based on the latest information received from the entity.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Commercial Vehicle Manufacturers
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of VECV. As on March 31, 2022, the company had two subsidiaries, which are enlisted in Annexure-2.

About the company

VE Commercial Vehicles Limited, a joint venture between Eicher Motors Limited (EML, 54.4%) and AB Volvo, Sweden (45.6%), was incorporated with effect from July 1, 2008. VECV is jointly managed by EML and AB Volvo. The company is a CV OEM with a product portfolio spanning 5–49T trucks and buses. The company manufactures its entire range of vehicles under the 'VE Series' brand. Apart from vehicle manufacturing, the company is also involved in the manufacture of auto components, Euro VI emission compliant engines for the export markets, along with sales and marketing of Volvo branded premium range of trucks in India. In 2020, Volvo Buses India was integrated into VECV including manufacture, assembly, distribution, and sale of Volvo Buses in India. While the company has been strengthening its position in the HD segment aided by the technology support from AB Volvo, it is particularly strong in the MD truck segment, commanding a market share of 31% in FY2022.

The company's manufacturing facilities for CVs are at Pithampur and Bhopal (both in Madhya Pradesh) and have a combined production capacity of 1,30,000 units p.a. Its manufacturing facilities for auto components are at Dewas, Special Economic Zone Indore and Thane (Maharashtra).

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)						Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 30, 2023 (Rs. crore)	Date & Rating in			Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					Mar 31, 2023	Jul 11, 2022	May 25, 2022			Jun 28, 2021	Aug 20, 2020 Jun 25, 2020
1	Fund Based Limits- Cash Credit	Long-term/ Short-term	575.00	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
2	Non Fund-Based Facilities	Long-term/ Short-term	11.00	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
3	Fund/Non Fund-based Limits	Long-term/ Short-term	540.00	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
4	Term Loans	Long-term	-	-	-	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-
5	Commercial Paper Programme	Short-term	100.00	0.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	[ICRA]A1+; withdrawn
6	Unallocated	Long-term/ Short-term	-	-	-	-	-	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
7	NCD Programme	Long-term	-	-	-	-	-	[ICRA]AA+ (Stable); Withdrawn	[ICRA]AA+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based Limits- Cash Credit	Simple
Non Fund-Based Facilities	Simple
Fund/Non Fund-based Limits	Simple
Commercial Paper Programme*	Very Simple

** Complexity categorisation is as per the latest understanding of ICRA and is subject to change once the issuance terms are 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	Fund Based Limits- Cash Credit	NA	NA	NA	575.00	[ICRA]AA+ (Stable)/[ICRA]A1+
NA	Non Fund-Based Facilities	NA	NA	NA	11.00	[ICRA]AA+ (Stable)/[ICRA]A1+
NA	Fund/Non Fund-based Limits	NA	NA	NA	540.00	[ICRA]AA+ (Stable)/[ICRA]A1+
NA	Commercial Paper Programme*	NA	NA	NA	100.00	[ICRA]A1+

Source: Company; *Not placed by the 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	VECV Ownership	Consolidation Approach
VE Commercial Vehicles Limited	100.00% (rated entity)	Full Consolidation
VECV Lanka (Private) Limited	100%	Full Consolidation
VECV South Africa (Pty) Limited	100%	Full Consolidation
VE Electro-Mobility Limited*	100%	Full Consolidation

Source: VECV financial results of FY2022; *incorporated on April 27, 2022

Note: ICRA has considered consolidated financials of VECV and its subsidiaries while assigning the ratings.

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