

February 20, 2024

## TVS Credit Services Limited: Change in limits

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	3,300.00	3,300.00	[ICRA]A1+; outstanding
Long term – Term loans	8,021.00	7,871.00	[ICRA]AA (Stable); outstanding
Short-term bank facilities	2,125.00	2,275.00	[ICRA]A1+; outstanding
Perpetual debt	100.00	100.00	[ICRA]AA- (Stable); outstanding
Subordinated debt	500.00	500.00	[ICRA]AA (Stable); outstanding
<b>Total</b>	<b>14,046.00</b>	<b>14,046.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings take into consideration TVS Credit Services Limited's (TVSCSL) improving earnings profile, amid the growth in its assets under management (AUM), and its strengthened capital profile, following the recent capital infusion. TVSCSL recorded a higher net profitability of 2.2% in 9M FY2024 and 2.0% in FY2023 vis-à-vis 0.9% in FY2022 (0.9% in FY2021). The ratings continue to factor in the operational, managerial and financial support from the promoter, TVS Motor Company Limited (TVSM), which had a stake of 81.0% (including through its subsidiary) in the company as of September 2023. TVSM is the third largest domestic two-wheeler (2W) manufacturer, producing a wide range of 2Ws and three-wheelers (3Ws). As the sole financing entity in the TVSM Group, TVSCSL is strategically important for TVSM's operations.

ICRA takes note of the capital infusion of Rs. 580 crore in H1 FY2024 from TVSM and a new investor, PI Opportunities Fund-I Scheme II<sup>1</sup> (PI). The ratings continue to take comfort from the steady and regular capital support from the TVSM Group since the company commenced operations. ICRA notes that TVSCSL has received a total equity infusion of Rs. 1,492 crore from the TVSM Group since FY2011 (including Rs. 500 crore in FY2023 and Rs. 200 crore in H1 FY2024). Regular equity infusions have helped the company support its capital profile (Tier-1 capital of 12.3% as of December 2023), especially given the strong growth witnessed during FY2022-9M FY2024. ICRA expects TVSCSL to secure equity capital on a timely basis, which, in addition to a steady improvement in its internal generation, would support its near-to-medium-term growth plans.

The ratings, however, continue to factor in the company's exposure to borrowers with a modest credit profile as they are predominantly self-employed with a presence in semi-urban and rural areas. This was demonstrated during the Covid-19 pandemic, when delinquencies and write-offs jumped significantly, resulting in higher collection and credit costs. Nevertheless, the asset quality performance has largely gone back to the pre-pandemic levels with the gross stage 3 (GS3) improving to 2.7% as on March 31, 2023 (3.7% in March 2022). TVSCSL's asset quality witnessed some weakening in 9M FY2024 with the GS3 and credit costs increasing to 3.1% and 4.2% (3.3% in FY2023), respectively, due to stress largely in the tractors, cross-sell and consumer durables (CDs) segments. It sold written-off accounts/non-performing assets to an asset reconstruction company in an all-cash deal of Rs. 85 crore (0.35% of average managed assets) in H1 FY2024. Further, it augmented its overall credit provisions to 3.7% as of September 2023 from 3.3% as of March 2023 (2.7% as of March 2022 and 2.5% as of March 2021).

<sup>1</sup> Premji Invest

ICRA also notes that the company continues to incur high operating costs (8.7% in 9M FY2024 and 9.7% in FY2023 as a proportion of average managed assets) related to the significant employee costs due to the expansion of the employee base to support growth in recent years. Going forward, TVSCSL’s ability to improve its earnings as its business expands and maintain tight control on its asset quality would remain crucial.

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

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">ICRA’s Credit Rating Methodology for Non-banking Finance Companies</a>
Parent/Group support	TVS Motor Company Limited (parent)
Consolidation/Standalone	While arriving at the ratings, ICRA has considered the standalone financials of TVSCSL. TVSCSL has three subsidiaries, which were yet to commence operations as of December 2023.

## About the company

TVSCSL, a Chennai-based non-deposit taking non-banking financial company (NBFC) incorporated in November 2008, is a part of the TVSM Group of companies. It is a subsidiary of TVS Motor Company Limited (TVSM), which held a stake (diluted basis) of 81.0% (including through its subsidiary) as of September 2023. Other minority shareholders include PI Opportunities Fund-I Scheme II, Lucas TVS Limited, TVS Motor Services Limited, HDFC Bank and PHI Research Private Limited. The company’s operations are spread across 28 states and Union Territories in India. Its loan portfolio stood at Rs. 25,957 crore as of December 2023 (Rs. 21,255 crore as of March 2023).

### TVS Motor Company Limited

TVS Motor Company Limited, the flagship entity of the Chennai-based TVSM Group, manufactures 2Ws and 3Ws. It sold 20.3 lakh 2Ws and 3Ws in H1 FY2024 vis-à-vis 36.8 lakh in FY2023. TVSM reported a consolidated net profit of Rs. 857.4 crore in H1 FY2024 on total income of Rs. 19,126.0 crore vis-à-vis Rs. 1,309.5 crore and Rs. 32,112.0 crore, respectively, in FY2023.

### Key financial indicators (audited)

	FY2022	FY2023	9M FY2024 (P)
Total income	2,755	4,160	4,276
Profit after tax	121	389	424
Total managed assets	15,460	22,750	29,328 <sup>#</sup>
Return on managed assets	0.9%	2.0%	2.2%
Managed gearing (times)	7.0	6.9	6.2
Gross stage 3	3.7%	2.7%	3.1%
CRAR	18.6%	18.8%	18.6%

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore; P – Provisional, <sup>#</sup>As per security cover certificate

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Chronology of Rating History											
				Current Rating (FY2024)						for the Past 3 Years					
				Date & Rating in FY2024						Date & Rating in FY2023			Date & Rating in FY2022	Date & Rating in FY2021	
				Feb 20, 2024	Dec 13, 2023	Dec 06, 2023	Jul 21, 2023	May 18, 2023	Mar 10, 2023	Oct 28, 2022	Aug 18, 2022	Jun 20, 2022	Jul 14, 2021	Oct 30, 2020	
1	Commercial paper	3,300.00	3,300.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Long term – Term loans	7,871.00	7,871.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)
3	Short-term bank facilities	2,275.00	2,275.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-
4	Perpetual debt	100.00	100.00	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	-	-	-	-
5	Subordinated debentures	500.00	500.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-	-	-	-	-	-	-	-
6	Long term – Unallocated	0.00	0.00	-	-	-	-	-	-	-	-	-	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial paper	Very Simple
Long term – Term loans	Simple
Short-term bank facilities	Simple
Perpetual debt	Moderately Complex
Subordinated debt	Very 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
INE729N14HY7	Commercial paper	Nov-21-2023	7.93%	Feb-20-2024	250.00	[ICRA]A1+
INE729N14HZ4	Commercial paper	Nov-22-2023	7.93%	Feb-21-2024	400.00	[ICRA]A1+
INE729N14IA5	Commercial paper	Nov-24-2023	7.93%	Feb-23-2024	250.00	[ICRA]A1+
Unallocated	Commercial paper	NA	NA	NA	2,400.00	[ICRA]A1+
NA	Short-term bank facilities	Jun-21-2022	NA	NA	375.00	[ICRA]A1+
NA	Short-term bank facilities	Feb-13-2023	NA	NA	300.00	[ICRA]A1+
NA	Short-term bank facilities	Mar-30-2023	NA	NA	200.00	[ICRA]A1+
NA	Short-term bank facilities	Mar-15-2023	NA	NA	500.00	[ICRA]A1+
NA	Short-term bank facilities	Jul-27-2023	NA	NA	300.00	[ICRA]A1+
NA	Short-term bank facilities	Dec-26-2023	NA	NA	100.00	[ICRA]A1+
NA	Short-term bank facilities	May-31-2023	NA	NA	500.00	[ICRA]A1+
INE729N08014	Perpetual debt	Nov-24-2017	11.50%	NA (call option – 10 years from the date of issuance)	100.00	[ICRA]AA- (Stable)
NA	Term loan-1	Feb-23-2022	NA	Feb-28-2025	156.25	[ICRA]AA (Stable)
NA	Term loan-2	Jul-21-2022	NA	Jul-30-2025	350.00	[ICRA]AA (Stable)
NA	Term loan-3	Dec-31-2022	NA	Dec-31-2025	560.00	[ICRA]AA (Stable)
NA	Term loan-4	Jan-30-2023	NA	Jun-30-2024	80.00	[ICRA]AA (Stable)
NA	Term loan-5	Nov-30-2023	NA	Nov-30-2027	300.00	[ICRA]AA (Stable)
NA	Term loan-6	Aug-30-2023	NA	Aug-30-2025	150.00	[ICRA]AA (Stable)
NA	Term loan-7	May-20-2022	NA	May-20-2025	225.00	[ICRA]AA (Stable)
NA	Term loan-8	Mar-30-2022	NA	Apr-30-2025	216.15	[ICRA]AA (Stable)
NA	Term loan-9	Jun-29-2022	NA	Jul-29-2025	385.13	[ICRA]AA (Stable)
NA	Term loan-10	Dec-23-2022	NA	Jan-26-2026	400.87	[ICRA]AA (Stable)
NA	Term loan-11	Feb-20-2023	NA	Mar-20-2026	110.68	[ICRA]AA (Stable)
NA	Term loan-12	Mar-29-2023	NA	Apr-29-2026	281.25	[ICRA]AA (Stable)
NA	Term loan-13	Sep-27-2023	NA	Sep-26-2027	360.94	[ICRA]AA (Stable)
NA	Term loan-14	Sep-27-2023	NA	Sep-26-2027	107.81	[ICRA]AA (Stable)
NA	Term loan-15	Nov-30-2023	NA	Nov-30-2027	400.00	[ICRA]AA (Stable)
NA	Term loan-16	Dec-30-2023	NA	Dec-30-2027	100.00	[ICRA]AA (Stable)
NA	Term loan-17	Sep-29-2022	NA	Sep-30-2025	250.00	[ICRA]AA (Stable)
NA	Term loan-18	Jun-30-2023	NA	Jun-30-2026	250.00	[ICRA]AA (Stable)
NA	Term loan-19	Sep-29-2023	NA	Jul-29-2026	250.00	[ICRA]AA (Stable)
NA	Term loan-20	Dec-20-2023	NA	Oct-20-2026	250.00	[ICRA]AA (Stable)
NA	Term loan-21	May-31-2023	NA	May-29-2026	400.00	[ICRA]AA (Stable)
NA	Term loan-22	Dec-20-2023	NA	Dec-20-2027	300.00	[ICRA]AA (Stable)
NA	Term loan-23	Aug-31-2023	NA	Mar-27-2027	1,000.00	[ICRA]AA (Stable)
NA	Term loan-24	Aug-31-2023	NA	Feb-28-2025	300.00	[ICRA]AA (Stable)
Unallocated	Term loan	NA	NA	NA	686.92	[ICRA]AA (Stable)

<b>INE729N08105</b>	<b>Subordinated debt</b>	Dec-27-2023	9.30%	Jun-27-2029	500.00	[ICRA]AA (Stable)
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Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not applicable**

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