

May 15, 2024

Gove Finance Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fixed deposit programme	NA	NA	[ICRA]BBB (Stable); outstanding

*Instrument details are provided in Annexure I

Rationale

Material Event

The Reserve Bank of India following its recently conducted annual inspection, has directed Gove Finance Limited (GFL) to refund the deposits outstanding, which were sourced from outside the state of Tamil Nadu within a one-month period. The mentioned direction follows RBI's finding that the company was in violation of para 30.1 of the "Master Direction - NBFC-Acceptance of Public Deposits Directions, 2016", whereby entities are required to meet the criteria on net owned funds (more than Rs. 50 crore) and credit rating (AA or above) to be eligible for collecting deposits outside the state where the entity is registered.

Impact of material event

GFL has about Rs.13.05 crores (including principal portion of Rs.12.45 crore, with the balance being accrued interest) of deposits, which were sourced outside the state of Tamil Nadu and the same is expected to be refunded to the depositors on or before May 31, 2024. To meet the same, the company intends to utilise the on-balance sheet liquidity of Rs.7.14 crore (including cash & equivalents of Rs.2.14 crore and fixed deposits maintained with bank of Rs.5.00 crore) as well as raise incremental inter-corporate deposits of Rs. 8-10 crore from its group company - Chennai Auto Agency Private Limited.

ICRA is of the view that the company would have adequate liquidity to refund the deposits in a timely manner, given the support from the VST Group¹. Going forward as well, ICRA expects the group entities and the promoters to support GFL financially, when required.

The company plans to increase its borrowings from bank and raise incremental deposits in Tamil Nadu, which would enable it to meet their near-term growth plans. Overall, GFL's risk profile benefits from the support extended by the VST Group, coupled with the company's comfortable capitalisation and profitability indicators. Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key Financial Indicators: click [here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	VST Group
Consolidation/Standalone	The rating is based on the standalone financial statements of GFL

¹ Consisting of V.S.T. Motors Private Limited {VSTM; upgraded to [\[ICRA\]A- \(Stable\)](#) from [\[ICRA\]BBB+ \(Stable\)](#) in February 2024}, its subsidiary – V.S.T. & Sons Private Limited {VST&S; upgraded to [\[ICRA\]A- \(Stable\)](#) from [\[ICRA\]BBB+ \(Stable\)](#) in February 2024}, and V.S.T. Titanium Motors Private Limited (VSTT), and Chennai Auto Agency Private Limited (CAAPL)

About the company

Gove Finance Limited (GFL) is a non-banking financial company (NBFC) incorporated in 1983. It is a part of the VST Group, which has operations across sectors such as automobile dealerships, manufacturing, tillers, construction, and non-banking finance. GFL is primarily involved in the financing of CVs and cars, both new and used. The company has historically relied on retail funding sources (fixed deposits) while access to banking/wholesale credit facilities is limited. Operations are restricted to Tamil Nadu and Karnataka.

The company reported a net profit of Rs. 4.2 crore in FY2023 on a total asset base of Rs. 70.9 crore (Rs. 2.9 crore in 9M FY2024 on a total asset base of Rs. 106.7 crore).

Key financial indicators (IGAAP)

Gove Finance Limited	FY2022	FY2023	9M FY2024
	Audited	Audited	Provisional
Accounting as per	IGAAP	IGAAP	IGAAP
Total income	7.3	12.2	11.8
Profit after tax	1.6	4.2	2.9
Total managed assets ²	60.5	70.9	106.7
Return on managed assets	2.6%	6.4%	4.4%
Gearing (reported; times)	0.8	0.9	1.6
Gross NPA (90+ dpd)	1.7%	0.6%	2.6%
CRAR	63.8%	58.6%	43.4%

Source: Company, ICRA Research; P – Provisional; Dpd – Days past due; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current Rating (FY2025)						Chronology of Rating History for the Past 3 Years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
				May-15-2024	Apr-17-2024				
1 Fixed deposit programme	Long term	NA	NA	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	MA- (Stable)	

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fixed deposit programme	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](#)

² Total managed assets = Total assets + Off-book AUM

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fixed deposit programme	NA	NA	NA	NA	[ICRA]BBB (Stable)

Source: GFL

Annexure II: List of entities considered for consolidated analysis

Not applicable

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