

May 24, 2024

V.S.T. Motors Private Limited: Update on Material Event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based – Cash Credit	65.00	65.00	[ICRA]A- (Stable)
Total	65.00	65.00	

Rationale

The Reserve Bank of India (RBI) following its recently conducted annual inspection, has directed Gove Finance Limited (GFL)¹ to refund the deposits outstanding, which were sourced from outside the state of Tamil Nadu, within a one-month period. The mentioned direction follows the 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.

GFL has about Rs. 13.05 crore (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 it is expected to be refunded to the depositors on or before May 31, 2024. To meet the same, GFL intends to utilise the on-balance sheet liquidity of Rs. 7.14 crore (including cash and equivalents of Rs. 2.14 crore and fixed deposits of Rs. 5.00 crore maintained with bank) as well as raise incremental inter-corporate deposits of Rs. 8-10 crore from its group company - Chennai Auto Agency Private Limited (CAAPL) in the near term. GFL also had unsecured loans of Rs. 10.0 crore outstanding from CAAPL as on March 31, 2024.

ICRA notes that the aforesaid development is unlikely to have any material impact on VSTM Group's² financials, day-to-day operations or liquidity position. VSTM Group has adequate liquidity with free cash and bank balances of Rs. 21.0 crore and undrawn working capital lines of Rs 49.6 crore as on September 30, 2023, apart from investments with tenor over one year, in mutual funds. Further, its net cash accruals for FY2024 are expected to be over Rs. 40 crore. ICRA will continue to monitor developments on this front in GFL and any sizeable incremental cash outflow to GFL from VSTM Group.

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

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Automobile Dealers
Parent/Group support	NA

¹ ICRA's release on the material event for Gove Finance Limited was dated May 15, 2024

² ICRA has taken a consolidated view of V.S.T. Motors Private Limited (VSTM), its subsidiary V.S.T. & Sons Private Limited (VST&S), and V.S.T. Titanium Motors Private Limited (VSTT), and Chennai Auto Agency Private Limited (CAAPL) (collectively referred to as the VSTM Group) as all these entities have common promoters/management and operate in the same business of automobile dealership and affiliated services.

Consolidation/Standalone

ICRA has taken a consolidated view of 1. V.S.T. Motors Private Limited and its subsidiaries V.S.T. And Sons Private Limited and V.S.T. Titanium Motors Private Limited and 2. Chennai Auto Agency Private Limited as all these entities have common promoters/management and operate in the same business of automobile dealership and affiliated services.

About the company

VSTM Group is part of the larger VST Group, which has in total 11 automobile dealerships across Tamil Nadu and Karnataka. The VST Group has had presence for over 100 years, of which more than six decades have been in Tamil Nadu. The Group has dealerships of various reputed auto OEMs, namely Tata Motors Limited (TML), Kia Motors India Private Limited (Kia), Jaguar Land Rover India Limited (JLR), Mercedes Benz India Private Limited (Mercedes Benz), Porsche India Private Limited (Porsche), Ducati India Private Limited (Ducati), Mahindra & Mahindra, Skoda Auto Volkswagen India Private Limited (Volkswagen) among others, and the dealership portfolio has been periodically expanding over the years. VST Motors Private Limited (VSTM) is an established dealer for CVs of TML and PVs of Kia Motors in Tamil Nadu. It has 15 showrooms spread across ten districts of Tamil Nadu for the TML dealership and three showrooms for Kia in Chennai, Salem and Vellore.

VSTM has two subsidiaries i) VST & Sons Private Limited (VSTS), the sole authorised dealer for JLR Limited in Tamil Nadu with two showrooms in Chennai and Coimbatore; and ii) VST Titanium Motors Private Limited (VSTT), the authorised dealer for Mercedes Benz cars in Chennai. CAAPL used to be the dealer for Ford Cars in Chennai earlier. Currently, it has two workshops, one each in Chennai and Poonamallee, for Ford service and spares and this is likely to continue until September 2024. The VST Group is also engaged in manufacturing of tractors and tillers through V.S.T. Tillers Tractors Limited ([ICRA]AA-(Positive))/[ICRA]A1+). VST Motors Private Limited holds a 4.5% stake in VST Tillers Tractors Private Limited.

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	1,137.9	1,424.6
PAT	32.0	38.6
OPBDIT/OI	5.2%	5.3%
PAT/OI	2.8%	2.7%
Total outside liabilities/Tangible net worth (times)	1.4	1.5
Total debt/OPBDIT (times)	2.9	2.2
Interest coverage (times)	4.9	7.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; Consolidated includes VSTM consolidated figures and line by line addition of CAAPL figures; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 24, 2024	Feb 02, 2024	Nov 30, 2022	Aug 02, 2021
1 Cash Credit	Long term	65.00	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term fund-based – CC	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 analyzing 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, is 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 – CC	NA	7.75%-9.00%	NA	65.00	[ICRA]A- (Stable)

Source: Company

Annexure-II: List of entities considered for consolidated analysis

Company Name	VSTM Ownership	Consolidation Approach
V.S.T. Motors Private Limited	100% (rated entity)	Full consolidation
V.S.T. & Sons Private Limited	99.6%	Full consolidation
V.S.T. Titanium Motors Private Limited	100%	Full consolidation
Chennai Auto Agency Private Limited	-	Full consolidation

Source: Company; ICRA has taken a consolidated view of V.S.T. Motors Private Limited (VSTM), its subsidiary V.S.T. & Sons Private Limited (VST&S), and V.S.T. Titanium Motors Private Limited (VSTT), and Chennai Auto Agency Private Limited (CAAPL) (collectively referred to as the VSTM Group) as all these entities have common promoters/management and operate in the same business of automobile dealership and affiliated services.

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