

March 07, 2025

TVS Automobile Solutions Private Limited: Ratings downgraded, outlook on the long-term rating revised to negative; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term / short term-unallocated	54.00	129.44	[ICRA]BBB+ (Negative)/[ICRA]A2; Ratings downgraded from [ICRA]A-(Stable)/[ICRA]A2+; Outlook on long-term rating revised to Negative from Stable; Assigned for enhanced limits
Issuer rating	-	-	[ICRA]BBB+ (Negative); Rating downgraded from [ICRA]A-(Stable); Outlook on long-term rating revised to Negative from Stable
Long term-term loan-fund based	0.00	372.06	[ICRA]BBB+ (Negative); Assigned for enhanced limits
Long term / short term-others-fund based	0.00	278.50	[ICRA]BBB+ (Negative)/[ICRA]A2; Assigned for enhanced limits
Short term-others-fund based	16.00	70.00	[ICRA]A2; Downgraded from [ICRA]A2+; Assigned for enhanced limits
Short term-others-interchangeable	(25.00)	0.00	-
Long term-others-fund based	60.00	0.00	-
Short term-others-interchangeable	(35.00)	0.00	-
Total	130.00	850.00	

*Instrument details are provided in Annexure-I

Rationale

Vide a composite scheme of arrangement dated November 2024, TVS Automobile Solutions Private Limited (TASPL/the company) has demerged its businesses operated from the standalone entity and its subsidiaries (except Ki Mobility Solutions Private Limited), into a separate company, TASL Automobile Solutions Private Limited. Ki Mobility Solutions Private Limited (Ki Mobility) was amalgamated with TASPL, and the latter's business profile currently comprises only the erstwhile Ki Mobility's business. At present, TASPL is an integrated aftermarket player involved in both distribution of automotive spare parts and accessories as well as servicing. The spare parts business has a presence across India and in overseas markets (the UK, Europe, Western Asia, Africa and USA), while the service operations predominantly take place across India.

The rating action follows TASPL's subdued financial performance in FY2025e following the relatively higher fixed expenses and business expansion cost, amongst other factors. This has resulted in its debt levels increasing sharply and impacting coverage metrics. While the medium to long-term growth is likely to remain healthy with product, service and geographic expansions, the company's ability to achieve material improvement in margins with its ongoing cost-reduction initiatives and deleverage its balance sheet would be key monitorables.

TASPL reported operating income of Rs. 1753.2 crore in FY2024 and Rs. 1412.0 crore in 9M FY2025, with growth stemming from demand for auto components in the aftermarket segment and the company's enhanced market penetration. However, it continued to report operating losses for both the aforementioned periods, in contrast to ICRA's earlier expectations. The losses have cascaded into a significant increase in debt levels to over Rs. 800 crore as on December 31, 2024. ICRA also understands that the losses have reduced in Q3 FY2025 compared to the previous quarters and that the company is expected

to turnaround at the operating level in Q4 FY2025 and achieve cash profits in Q1 FY2026. Over the medium term, initiatives pertaining to asset-light expansion, inventory optimisation and fixed cost rationalisation would support margins, apart from operating leverage benefits. The extent of margin improvement, given the competitive pressures, remains to be seen. The company also has plans for an equity fund raise and reduction in working capital intensity over the next few quarters. Materialisation of the same in a timely manner and the extent of deleveraging, however, remains to be seen.

The ratings remain supported by TASPL's strong parentage, its strong financial flexibility and lender/investor comfort. The T S Rajam Group (faction of the larger TVS Group) holds a 39.85% stake in TASPL through TVS Mobility Private Limited (TVS Mobility/parent, 14.46% stake) and other Group companies/promoters in individual capacity as on December 31, 2024. 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. The ratings also consider the favourable outlook for the domestic auto component aftermarket segment, TASPL's healthy scale of operations, supplier relationships with established auto component manufacturers, and diversified product profile and geographic presence.

Key rating drivers and their description

Credit strengths

Strong parentage – The T S Rajam Group (faction of the larger TVS Group) holds a 39.85% stake in TASPL through TVS Mobility Private Limited (TVS Mobility/parent, 14.46% stake) and other Group companies/promoters in individual capacity as on December 31, 2024. 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. 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.

Supplier relationships with established auto component manufacturers; diversified product profile with pan-India and overseas presence – TASPL has supplier relationships with established auto component manufacturers. Its operations are spread across India as well as in overseas markets like the UK, Europe, Western Asia, Africa and USA. The company has over 21,000 active dealers, 45 fulfilment centres and a network of over 1,000 dedicated workshops/service points. This apart, the international operations are sizeable and constituted ~39% of revenues in FY2024. Further, its product portfolio is diverse, comprising brake systems, fasteners, power train components, engine parts, fuel systems and lubricants, to name a few. The company caters to products of more than 70 auto component manufacturers including Castrol India Limited, JK Tyre & Industries Limited, Bosch Limited, Delphi Technologies, Sundram Fasteners Limited and ZF Commercial Vehicle Control Systems India Limited (erstwhile Wabco India Limited) to name a few. Private label parts under the brands 'myTVS', 'MFC' and 'UCAP' are also part of TASPL's operations.

Healthy scale of operations; favourable demand outlook – TASPL reported operating income of Rs. 1753.2 crore in FY2024 and Rs. 1412.0 crore in 9M FY2025, with growth stemming from demand for auto components in the aftermarket segment and the company's enhanced market penetration. The company would continue to benefit from the favourable demand outlook for the Indian auto component aftermarket over the medium term. The integrated nature of operations, with presence in both spares and services would also augur well for the company.

Credit challenges

Continued operating losses – The company reported operating losses during FY2024 and 9M FY2025, impacted by its relatively high fixed expenses and business expansion cost, amongst other factors. ICRA understands that the losses have reduced in Q3 FY2025 compared to the previous quarters and that the company is expected to turnaround at the operating level in Q4 FY2025 and achieve cash profits in Q1 FY2026. Over the medium term, initiatives pertaining to asset-light expansion, inventory optimisation and fixed cost rationalisation would support margins, apart from operating leverage benefits. The extent of margin improvement, given the competitive pressures, however remains to be seen.

Stretched coverage metrics – The higher losses have cascaded into significant increase in debt levels to over Rs. 800 crore as on December 31, 2024, and consequently stretched coverage metrics. The company has plans for an equity fund raise and reduction in working capital intensity over the next few quarters. This, along with anticipated improvement in accruals, is likely to result in better coverage metrics going forward. However, the extent of improvement remains to be seen. Despite the stretched coverage metrics, the company's adequate liquidity, strong financial flexibility, its track record of fund raising and the parent's commitment to extending timely and adequate support, as and when required, provide comfort to a large extent.

Working capital intensive nature of operations – The company holds relatively higher levels of inventory because of its diversified product profile and pan-India presence. The company also offers relatively higher credit periods to its customers, compared to other aftermarket distributors. This has resulted in working capital intensity of 25.9% 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 original equipment spares (OES), other organised and unorganised distributors/dealers/workshops and imports, restricting its pricing flexibility and margins. However, its wide distribution network, brand equity and higher value addition compared to traditional aftermarket distributors, mitigate the risk to an extent. Further, the company has undertaken several 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, with free cash and bank balance of Rs. 41.6 crore as on December 31, 2024. Further, it has undrawn working capital lines of ~Rs. 40 crore as against the sanctioned limit and undrawn general purpose lines of Rs. 170 crore as on December 31, 2024. Against these sources of cash, the company has repayment obligations of Rs. 9.7 crore in Q4 FY2025, Rs. 84.8 crore in FY2026, Rs. 91.8 crore in FY2027 on existing loans. The annual capex is expected to be ~Rs. 20-30 crore over the medium term. 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. The company's plans for equity fund raise and reduction in working capital intensity over the next few quarters, upon materialisation, would also support its liquidity position over the medium term.

Rating sensitivities

Positive factors – The outlook on the long-term rating could be revised to stable, if there is significant improvement in the company's earnings and material deleveraging leading to improvement in debt metrics and liquidity position. Further, improvement in the credit profile of the parent (TVS Mobility) or strengthening of TASPL's operational/ financial linkages with the parent could also be a positive factor.

Negative factors – Negative pressure on the rating could arise in case of company's inability to achieve cash profits on sustained basis, or sizeable debt funded capex or stretch in working capital cycle leading to weakening of liquidity and credit profile. Further, any 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 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

TVS Automobile Solutions Private Limited (TASPL/the company) is an integrated aftermarket player engaged in both distribution of automotive spare parts and accessories and servicing. The spare parts business is present in both India (pan-India) and overseas markets (the UK, Europe, Western Asia, Africa and USA), while the service operations are predominantly done pan-India for 2W, passenger vehicles and commercial vehicles. TASPL has over 21,000 active dealers, 45 fulfilment centres and a network of over 1,000 dedicated workshops /service points. Spare parts distribution constituted ~78% of the revenues in FY2024, while services constituted the remaining.

The T S Rajam Group (faction of the larger TVS Group) holds a 39.85% stake in TASPL through TVS Mobility Private Limited (TVS Mobility/parent, 14.46% stake) and other Group companies/promoters in individual capacity as on December 31, 2024. The company also has strategic investors including Kitara ASL, Mitsubishi Corporation, Lingotto Co Invest Fund I ILP, and Castrol India Limited among its shareholders.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	1,552.1	1,753.2
PAT	-164.9	-138.7
OPBDIT/OI (%)	-5.1%	-4.0%
PAT/OI (%)	-10.6%	-7.9%
Total outside liabilities/Tangible net worth (times)	1.0	2.3
Total debt/OPBDIT (times)	-4.6	-8.1
Interest coverage (times)	-1.8	-1.4

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	Date	Rating
Issuer rating	Long term	-	[ICRA]BBB+ (Negative)	Mar 26, 2024	[ICRA]A- (Stable)	Feb 22, 2024	[ICRA]A- (Stable)	-	-		-
Term Loan	Long term	372.06	[ICRA]BBB+ (Negative)								
Working Capital Facilities	Long term	-		Mar 26, 2024	[ICRA]A- (Stable)			-	-		-
Overdraft/ Purchase bills discounting	Short term	70.00	[ICRA]A2	Mar 26, 2024	[ICRA]A2+			-	-		-
Purchase bills discounting	Short term	-		Mar 26, 2024	[ICRA]A2+			-	-		-
Bank guarantee/Letter of credit	Short term	-		Mar 26, 2024	[ICRA]A2+			-	-		-
Fund based - others	Long term/Short term	278.50	[ICRA]BBB+ (Negative)/ [ICRA]A2								
Unallocated	Long term/Short term	129.44	[ICRA]BBB+ (Negative)/ [ICRA]A2	Mar 26, 2024	[ICRA]A- (Stable)/ [ICRA]A2+						

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term / Short Term-Unallocated	Not Applicable
Issuer Rating	Not Applicable
Long Term-Term Loan-Fund Based	Simple
Long Term / Short Term-Others-Fund Based	Simple
Short Term- 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/Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer Rating	NA	NA	NA	-	[ICRA]BBB+ (Negative)
NA	Long-term - Term loans	FY2023	9.60%-11.62%	FY2029	372.06	[ICRA]BBB+ (Negative)
NA	Long-term/Short-term fund based	NA	NA	NA	278.50	[ICRA]BBB+ (Negative) / [ICRA]A2
NA	Short-term fund based	NA	NA	NA	70.00	[ICRA]A2
NA	Long Term / Short Term-Un-allocated	NA	NA	NA	129.44	[ICRA]BBB+ (Negative) / [ICRA]A2

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
Direct Subsidiaries		
myTVS Parts Mart Private Limited	100.00%	Full Consolidation
Scuderia Car Parts Limited	100.00%	Full Consolidation
Nesh Technologies Private Limited	60.00%	Full Consolidation
MFC Auto Parts Limited (Formerly known as Mahindra First Choice)	100.00%	Full Consolidation
Europe Africa Distribution Limited	100.00%	Full Consolidation
TVS Europe Distribution Limited	100.00%	Full Consolidation
Step down subsidiaries		
Epitomy Solutions Limited	100.00%	Full Consolidation
Scuderia Tuning Parts Ltd	100.00%	Full Consolidation
Diplomat Lease and Hire Ltd	100.00%	Full Consolidation
Universal Components UK Limited	100.00%	Full Consolidation
Kellett (UK) Limited	100.00%	Full Consolidation
TVS-EPD Inc	100.00%	Full Consolidation
Wrea Hurst Parts Distribution Limited	100.00%	Full Consolidation
TVS Auto Electrics Limited	100.00%	Full Consolidation
ACB Auto Electrics Limited	100.00%	Full Consolidation

Source: Company, Annual report FY2024

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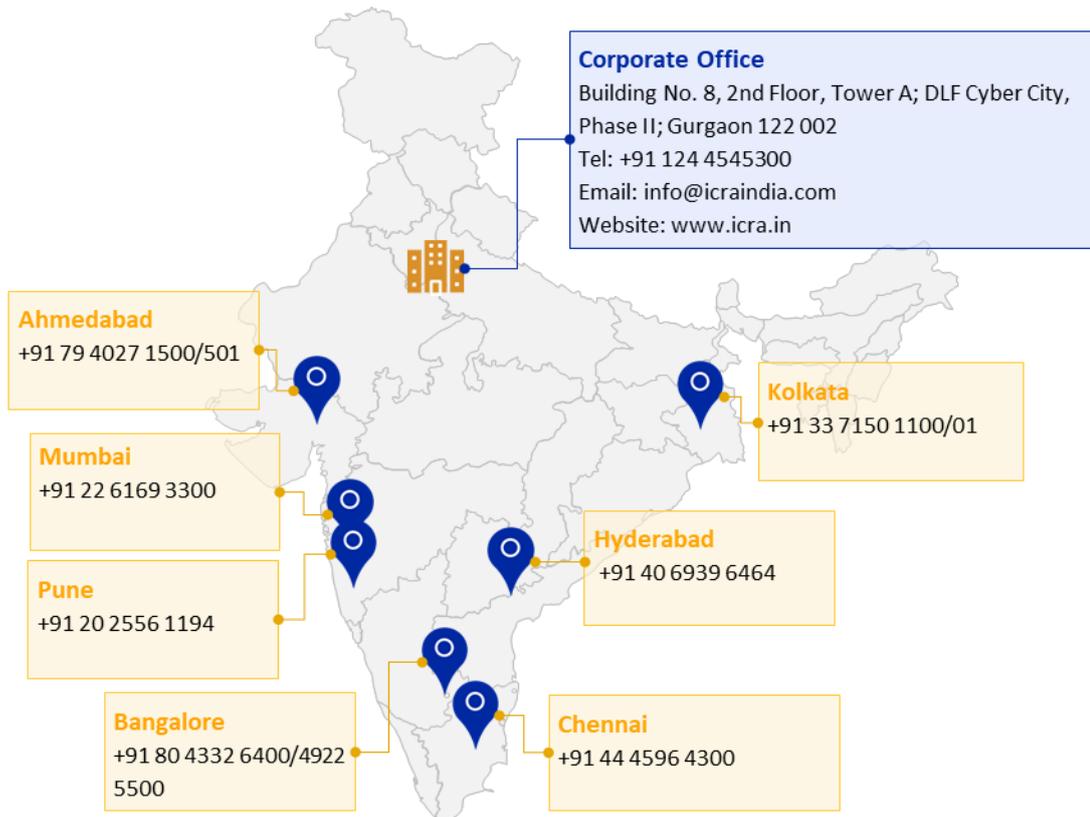
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