

May 29, 2025

V.S.T. Motors Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term cash credit-fund based	65.00	65.00	[ICRA]A- (Stable); reaffirmed
Total	65.00	65.00	

*Instrument details are provided in Annexure-I

Rationale

For arriving at the rating, ICRA has taken a consolidated view of V.S.T. Motors Private Limited (VSTM) and its subsidiaries V.S.T. & Sons Private Limited (VST&S), and V.S.T. Titanium Motors Private Limited (VSTT) (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. ICRA had earlier consolidated another Group entity, Chennai Auto Agency Private Limited (CAAPL), which was involved in dealership of Ford vehicles and its operations are currently restricted to service and parts distribution. With enhanced clarity around absence of operational/financial linkages of the VSTM Group with CAAPL, ICRA has currently removed CAAPL from the consolidated view.

The rating reaffirmation factors in the VSTM Group's established presence in the automotive dealership segment, stable demand prospects for passenger vehicles over the medium term and expected improvement in the consolidated revenues, accruals, and debt metrics on account of the same. The VSTM Group has strong relationships with its principal suppliers. It has been associated for over six decades with Tata Motors Ltd (TML) and has a long-standing relationship with Jaguar Land Rover (JLR), Mercedes Benz and Kia India Pvt Ltd (Kia). The rating continues to draw comfort from the Group's diversified presence, being the dealer of several key original equipment manufacturers (OEMs) and a healthy share of OEMs' sales in respective geographies across dealerships. Further, the VSTM Group has a steady rental income of ~Rs. 15.0 crore per annum from its commercial real estate assets, which also supports its cash flow. With improving demand environment, the Group's revenues and accruals are likely to improve over the medium term. The VSTM Group's capital structure and coverage metrics are comfortable, aided by healthy accruals amid minimal capex and low working capital intensity. The company's gearing (total debt¹/tangible net worth) stood at 1.1 times as on March 31, 2024, and 1.0 times as on December 31, 2024. The promoter's periodical fund infusion and healthy cash reserves keep the liquidity profile adequate.

However, the rating remains constrained by low profit margins, akin to other automobile dealerships and faces competition from dealerships of the same principal as well as competing OEMs. Further, its revenues remain susceptible to any slowdown in the commercial vehicles (CV) industry, given that ~41% of the VSTM Group's revenues were derived from the CV segment in 9M FY2025. The Group has reported a relatively subdued performance in FY2025 amidst sluggish sales volumes (for TML CVs and Mercedes Benz) and reduction in commission income/retention levels. This moderated its operating margin to 3.5% in 9M FY2025 (from 4.6% in FY2024) and interest coverage to 3.2 times in 9M FY2025 (from 5.0 times in FY2024). The interest coverage ratio for 9M FY2025 (Prov.) is 3.2 times and is lower than ICRA's negative trigger of 3.5 times. However, comfort is drawn from the VSTM Group established position in the automotive dealership industry and continuous promoter support in the form of unsecured loans. It is also noted that of the total interest paid, around one third represents the interest paid to promoters. The adjusted interest coverage ratio is comfortable at 4.4 times.

The Stable outlook on the long-term rating factors in ICRA's expectations that the VST Group will record a steady growth in its revenues and profits, leading to an improvement in its accruals and debt metrics.

¹ Total debt as on December 31, 2024, was Rs. 207.2 crore, which includes unsecured loans from promoters of Rs. 73.0 crore

Key rating drivers and their description

Credit strengths

Established presence of the VST Group in automobile dealership business – The VSTM Group is part of the larger VST Group, which has 11 automobile dealerships across Tamil Nadu and Karnataka. The VST Group has been operational for over 100 years, of which more than six decades have been in Tamil Nadu. The VST 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), Mahindra & Mahindra, and Skoda Auto Volkswagen India Private Limited (Volkswagen), among others. The dealership portfolio has been periodically expanding over the years. The VSTM Group enjoys healthy financial flexibility and lender/investor comfort by being part of the larger VST Group. The promoters have infused unsecured loans in the past for facilitating expansions, as and when required.

Diversification within the dealership business; healthy share of OEMs' sales in respective geographies across dealerships – VSTM is an established dealer for TML's CVs and Kia passenger vehicles in Tamil Nadu. It has 15 showrooms spread across 10 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 (VST&S), the sole authorised dealer for JLR in Tamil Nadu with two showrooms in Chennai and Coimbatore; and ii) V.S.T Titanium Motors Private Limited (VSTT), the authorised dealer for Mercedes Benz cars in Chennai. The diversified presence across the CV and PV (including luxury cars) segments and multiple OEMs within that, mitigates revenue risks which could arise from downturn/issues in specific sub-segments or specific OEM-related challenges. The company also has healthy share of OEMs' business in respective geographies across dealerships.

Comfortable debt metrics; rental income from commercial real estate supports profits – The VSTM Group's capital structure and coverage metrics were comfortable, aided by healthy accruals amid minimal capex and low working capital intensity. The company's gearing (total debt/total net worth) stood at 1.1 times as on March 31, 2024, and 1.0 times as of December 31, 2024. While its interest coverage ratio moderated to 3.2 times due to lower operating profits in 9M FY2025, ICRA draws comfort from the VSTM Group's steady rental income of ~Rs. 15.0 crore per annum from its commercial real estate asset in Mount Road, Chennai, which would support its cash flows to an extent during downturns. The debt metrics are expected to remain comfortable going forward as well, in the absence of significant capex plans, amid anticipated healthy accruals.

Credit challenges

Thin margins inherent to dealership business; intense competition – The VSTM Group's profit margins have historically been thin, akin to other automobile dealers. It reported operating profit margins of 3.5% and net profit margins of 1.3% in 9M FY2025. While the margins remain vulnerable to competition from dealerships of the same principal as well as competing OEMs, the VSTM Group's established presence, diversification across multiple OEMs, steady rental income and benefits from healthy operating leverage are likely to support margins to an extent.

Revenues exposed to cyclicity inherent of the CV industry – The VSTM Group derived ~41% of its revenues from the CV segment in 9M FY2025, while the remaining was from the passenger vehicles (PV) segment. The CV segment remains inherently cyclical in nature, with industry volumes strongly correlated to the level of economic activity, industrial growth and infrastructure investments. Accordingly, the VSTM Group's revenues remain susceptible to any industry slowdown going forward as well, akin to that witnessed in FY2020 and FY2021.

Liquidity position: Adequate

VSTM Group's liquidity is adequate, supported by its anticipated cash flow from operations, free cash and bank balances and undrawn lines of credit. It had free cash and bank balances of Rs. 28.8 crore as on December 31, 2024. In relation to these sources of cash, it has repayments of Rs. 5.8 crore in Q4 FY2025, and Rs. 9.4 crore and Rs. 8.8 crore in FY2026 and FY2027, respectively, on external debt. The VSTM Group has capex plans of Rs. 15-20 crore in FY2026 and FY2027, which are likely to be funded via internal accruals. Overall, ICRA expects the company to meet its medium-term commitments through internal sources of cash and yet be left with a cash surplus.

Rating sensitivities

Positive factors – The rating could be upgraded, if the VSTM Group demonstrates a healthy revenue growth, while sustaining healthy margins and improvement in liquidity position on a sustained basis.

Negative factors – The rating may be downgraded, if there is significant decline in scale of operations or profitability, due to subdued demand, resulting in pressure on cash accruals and debt metrics, or if the VSTM Group extends additional support to other related entities, thus deteriorating the liquidity profile. Specific credit metric includes weakening of interest coverage below 3.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Automobile Dealers
Parent/Group support	Not Applicable
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, as 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 11 automobile dealerships across Tamil Nadu and Karnataka. The VST Group has been operational 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, and Skoda Auto Volkswagen India Private Limited (Volkswagen) among others. 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 10 districts of Tamil Nadu for the TML dealership and four showrooms for Kia in Chennai, Salem, Hosur 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. The VST Group is also engaged in manufacturing tractors and tillers through V.S.T. Tillers Tractors Limited ([ICRA]AA-(Stable)/[ICRA]A1+). VST Motors Private Limited holds a 4.5% stake in VST Tillers Tractors Private Limited.

Key financial indicators

Consolidated	FY2024 (Audited)	9M FY2025 (Provisional)
Operating income	1,741.9	1,250.5
PAT	40.2	15.7
OPBDIT/OI	4.6%	3.5%
PAT/OI	2.3%	1.3%
Total outside liabilities/Tangible net worth (times)	1.9	1.8
Total debt/OPBDIT (times)	2.8	3.6
Interest coverage (times)	5.0	3.2

Amounts in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results 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

	Type	Amount rated (Rs. Crore)	Chronology of rating history for the past 3 years			
			Current rating (FY2026)		Date & rating in	
			Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
			May 29, 2025	May 24, 2024	February 02, 2024	November 30, 2022
1 Cash credit	Long-term	65.00	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Cash Credit-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	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	Ownership	Consolidation Approach
V.S.T. Motors Private Limited	100% (rated entity)	Full consolidation
V.S.T. & Sons Private Limited	99.8%	Full consolidation
V.S.T. Titanium Motors Private Limited	100%	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) (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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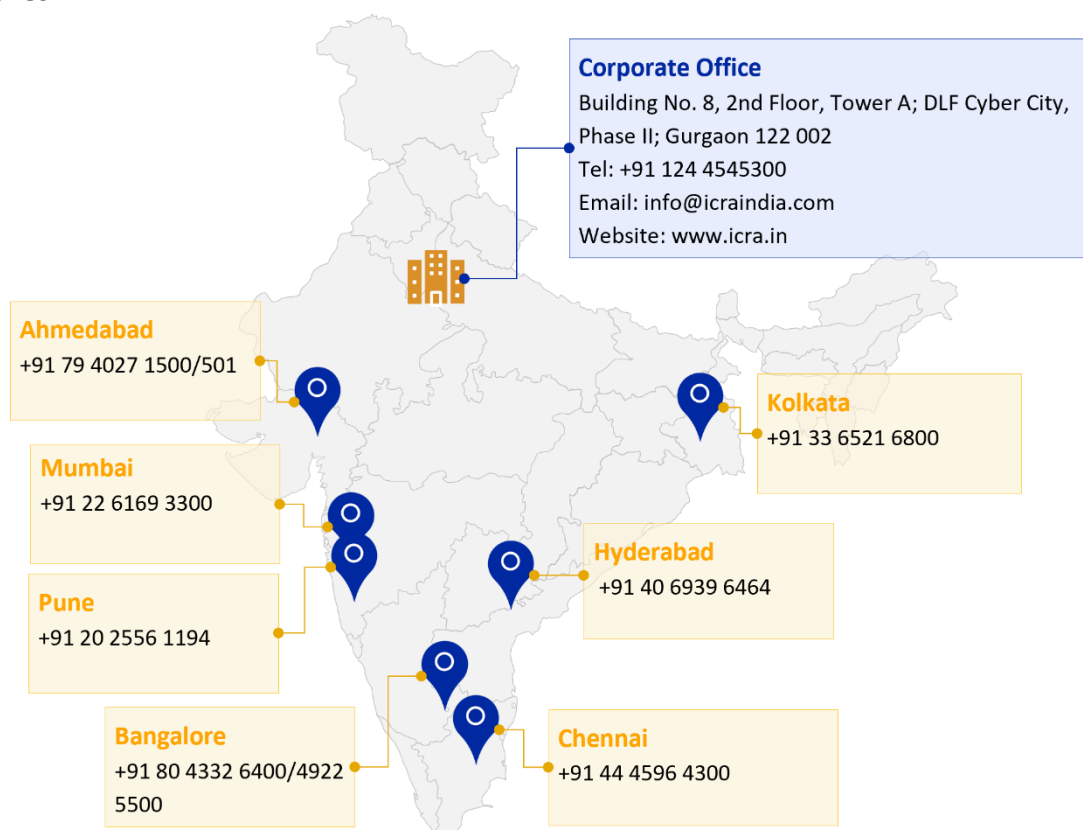
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Branches



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