

February 08, 2021

T V Sundram Iyengar & Sons Private Limited - Ratings placed on watch with developing implication

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term / Short-term: Fund based limits	500.00	500.00	[ICRA]AA& / [ICRA]A1+&, Placed on watch with developing implication
Short-term: Non-fund-based limits	90.00	90.00	[ICRA]A1+&, Placed on watch with developing implication
Short-term: Commercial paper	660.00	660.00	
Total	1250.00	1250.00	

*Instrument details are provided in Annexure-1

Rationale

On January 30, 2021, the Board of directors of T V Sundram Iyengar & Sons Private Limited (TVS Sons) approved the Memorandum of family arrangement (MFA) dated December 10, 2020 entered between the family members of TVS group, wherein the ownership and management of various entities of TVS group shall get aligned with specific family groups. As per the composite scheme of amalgamation and arrangement, Sundram Industries Private Limited (rated [ICRA]AA& / [ICRA]A1+&) along with Southern Roadways Private Limited will get amalgamated with TVS Sons while the existing business operations shall get demerged and rest with specific family group. As per the management, the scheme is likely to be filed with the Honorable National Company Law Tribunal (NCLT) shortly and it expects a time frame of around a year for implementation of the scheme.

The ratings outstanding consider TVS Sons' financial flexibility backed by a strong investment portfolio, significant buffer from market value of its investments in comparison to the book value and debt outstanding, and stable dividend receipts from its investee companies. The ratings also favourably factor the strong operational profile of the company marked by its established track record in automotive dealerships (namely commercial vehicles, passenger vehicles and spare parts), its wide dealership network, healthy market share in the regions it operates, presence in after-market and spare distribution business. The ratings remain unchanged as the restructuring process has currently been initiated and further clarity is awaited. ICRA will continue to monitor the developments in this regard and evaluate the implications of the same on TVS Sons.

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:

<https://www.icra.in/Rationale/ShowRationaleReport?Id=92892>

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Holding Companies Rating Methodology for Automobile Dealerships
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on standalone financial profile of the company. Though TVS Sons holds stake in its group companies, no financial support has been extended in the recent years. The investee companies have a stable credit profile, operate independently and does not require any assistance from TVS Sons.

About the company

Established in 1911, T V Sundram Iyengar & Sons Private Limited (TVS Sons) is the holding company of a large number of entities in the TVS Group. TVS Sons is one of the largest dealers for medium and heavy commercial vehicles (M&HCVs) and passenger vehicles (PVs) in India, while acting as a key distributor of automotive spare parts and components as well. The TVS Group is a diversified business conglomerate in southern India with interests in the automotive, auto ancillary and financial services industries.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years				
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Feb 8, 2021 (Rs. crore)	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018	
				Feb 8, 2021	Dec 18, 2020	Mar 2, 2020	Feb 25, 2019	Feb 16, 2018	
1 Fund based – working capital limits	Long term / Short term	500.00	-	[ICRA]AA& / [ICRA]A1+&	[ICRA]AA (Stable) / [ICRA]A1+	[ICRA]AA (Stable) / [ICRA]A1+	[ICRA]AA (Stable) / [ICRA]A1+	[ICRA]AA (Stable) / [ICRA]A1+	
2 Non-Fund based working capital limits	Short Term	90.00	-	[ICRA]A1+&	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	
3 Commercial Paper	Short Term	660.00	-	[ICRA]A1+&	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	
4 Term Loans	Long Term	-	-	-	-	-	-	[ICRA]AA (stable) / withdrawn	

&= Under watch with developing implications

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Cash Credit/WCDL	-	-	-	500.00	[ICRA]AA& / [ICRA]A1+&
NA	Non-fund based	-	-	-	90.00	[ICRA]A1+&
NA	Commercial paper	-	~7%	7-365 days	660.0	[ICRA]A1+&

Source: Company

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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