

VST & Sons Private Limited

Instrument	Amount (In Rs Crore)	Rating Action
Long-term – Fund-Based Facilities	10.00	[ICRA]BBB (Stable); assigned

ICRA has assigned a long-term rating of [ICRA]BBB (pronounced ICRA triple B) to the Rs 10.00 crore¹ fund-based facilities of VST & Sons Private Limited (“VST & Sons”/“The Company”). The outlook on the long-term rating is Stable².

While arriving at the rating, ICRA has consolidated the financials of VST Motors and its subsidiaries – VST & Sons Pvt. Ltd. and VST Auto Parts Pvt. Ltd, and Chennai Auto Agency Private Limited (a group company of the VST Group) – given that all the four entities operate in the similar line of business of automobile dealership and affiliated services.

The rating factors in the significant experience of the VST Group promoters, spanning six decades in the automotive dealership business. This is demonstrated by the strong foothold of the VST Group in South India, with its presence as authorised dealers for various renowned OEMs and the company being a wholly-owned subsidiary of VST Motors Private Limited (rated at [ICRA]BBB (Stable Outlook) by ICRA), the flagship entity of the VST Group. The rating also takes note of the company’s exclusive dealership with JLR vehicles in Tamil Nadu, with a very high brand equity and traction in the company’s revenue growth since FY2015, on account of its new showroom in Coimbatore in FY2014, besides the existing showroom in Chennai.

However, the rating is constrained by the relatively small scale of its operations with a niche OEM dealership, thin operating margin due to the trading nature of the business, and the leveraged capital structure with high gearing of 2.5 times as of March 2015 (albeit improved from 4.1 times in March 2014) due to a high level of inventory-funding requirement. Going forward, the ability of the company to increase its revenues and accruals by improving the scale of operations, aided by the anticipated improvement in the domestic sales volumes of the luxury car segment (given the rising disposable income level of a segment of the Indian population), will be the key rating sensitivities.

Company Profile

VST & Sons Private Limited (VST & Sons) incorporated in 2004, is the wholly-owned subsidiary of VST Motors Private Limited (VST Motors), which is the flagship entity of the VST Group and is one of the largest automotive dealers of Tata Motors Limited’s commercial vehicles (CV) and passenger vehicles (PV) in Tamil Nadu and Pondicherry. Till 2010-11, the company was catering to the sales of used vehicles (CV vehicles) and pre-owned vehicles (PV vehicles) of VST Motors. In 2011-12, VST & Sons received the exclusive authorised automotive dealership of Jaguar and Land Rover (JLR) vehicles in Tamil Nadu and set up its own showroom in Chennai (VST Grandeur) to deal with the premier car segment of JLR. In FY2014, the company opened another showroom in Coimbatore for JLR cars. Both these showrooms offer 3S (sales, service and spares) facilities. Currently, this JLR dealership business is contributing to around 95% of its total operating income.

Recent Results (Standalone)

For the year ended FY2016, VST & Sons achieved a net loss (provisional) of Rs. 0.9 crore on a total operating income of Rs. 136.0 crore, compared to the net profit of Rs 1.7 crore on a total operating income of Rs. 131.7 crore during the previous fiscal.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications



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