August 07, 2026

V.S.T. & Sons Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long-term Fund-based – Cash Credit	44.00	44.00	[ICRA]A-(Stable); reaffirmed	RBI
Long term – Unallocated	1.00	1.00	[ICRA]A-(Stable); reaffirmed	RBI
Total	**45.00**	**45.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

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 (VSTS) 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 dealerships and affiliated services.

The rating reaffirmation factors in the VSTM Group's established presence in the automotive dealership segment, stable demand prospects for passenger vehicles (PVs) and commercial vehicles (CVs) over the medium term, and the expected improvement in its consolidated revenues, earnings and debt metrics. The VSTM Group has strong relationships with its principal suppliers, having been associated with Tata Motors Ltd (TML) for over six decades, while also maintaining extensive relationships 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 as a dealer for several key original equipment manufacturers (OEMs), with a healthy share of OEMs' sales in their respective geographies. Further, the VSTM Group earns a steady rental income of more than Rs. 15.0 crore per annum from its commercial real estate assets, which supports its cash flows. Given the stable demand environment, the Group's revenues and earnings are expected to remain healthy over the medium term. The VSTM Group's capital structure and coverage metrics are comfortable, aided by healthy accruals, minimal capex and low working capital intensity, as reflected in the company's gearing (total debt[1]/tangible net worth) of 1.1 times as on March 31, 2026. These metrics are expected to remain comfortable going forward as well.

The rating, however, remains constrained by the low profit margins, akin to those of other automobile dealerships, and competition from dealerships of the same principal as well as competing OEMs. Further, its revenues remain susceptible to any slowdown in the CV industry, given that almost 50% of the VSTM Group's revenues were derived from the CV segment in FY2026. After a relatively subdued performance in FY2025 amid sluggish sales volumes (for TML CVs and Mercedes Benz), the company's revenues improved by 15.9% in FY2026 to Rs. 1,945.2 crore. While the operating margin remained largely stable at 3.6% in FY2026 (vis-à-vis 3.7% in FY2025), external debt to TNW improved to 0.7 times in FY2026 from 1.1 times in FY2025, supported by better net cash accruals. Further, comfort is drawn from the VSTM Group's established position in the automotive dealership industry and continued promoter support in the form of unsecured loans.

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[1] *Total debt as on March 31, 2026, was Rs. 265.6 crore, which includes unsecured loans from promoters of Rs. 85.7 crore*

The Stable outlook on the long-term rating factors in ICRA's expectations that the VSTM Group will maintain a steady credit profile, supported by a steady growth in its revenues and accruals, while maintaining healthy debt metrics.

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, including more than six decades 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 Limited (M&M), and Skoda Auto Volkswagen India Private Limited (Volkswagen), among others. The dealership portfolio has expanded over the years. The VSTM Group enjoys healthy financial flexibility and lender/investor comfort as part of the larger VST Group. The promoters have infused unsecured loans in the past to facilitate 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's passenger vehicles in Tamil Nadu. It has 17 showrooms spread across 10 districts of Tamil Nadu for the TML dealership and four showrooms for Kia in Chennai, Salem and Vellore. VSTM has two subsidiaries: i) V.S.T. & Sons Private Limited (VSTS), the sole authorised dealer for JLR in Tamil Nadu, with two showrooms in Chennai and one in Coimbatore; and ii) V.S.T. Titanium Motors Private Limited (VSTT), one of only two authorised dealers for Mercedes Benz cars in Chennai, with two showrooms. The diversified presence across the CV and PV (including luxury cars) segments, along with multiple OEMs, mitigates revenue risks arising from downturns in specific sub-segments or OEM-related challenges. The company also has a healthy share of OEMs' business in its respective geographies across dealerships.

Comfortable debt metrics; rental income from commercial real estate supports profits – The VSTM Group's capital structure and coverage metrics remain comfortable, aided by healthy accruals, minimal capex and low working capital intensity. The company's gearing (total debt/tangible net worth) improved to 1.1 times as on March 31, 2026, from 1.4 times as on March 31, 2025, supported by improved profitability. The promoters' periodic fund infusions and healthy cash reserves (Rs. 94.3 crore as on March 31, 2026) keep the liquidity profile comfortable. Further, ICRA draws comfort from the VSTM Group's steady rental income of more than Rs. 15.0 crore p.a. from its commercial real estate asset on Mount Road, Chennai, which supports 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 and 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 3.6% and net profit margins of 1.5% in FY2026. 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 and steady rental income are likely to support margins to an extent.

Revenues exposed to cyclicality inherent of the CV industry – The VSTM Group derived close to 50% of its revenues from the CV segment in FY2026, while the remaining was from the 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 slowdowns.

Liquidity position: Strong

The VSTM Group's liquidity is strong, supported by anticipated cash flow from operations of Rs. 45.0-50.0 crore per annum and free cash and liquid investments of Rs. 94.3 crore as on March 31, 2026. Against these sources of cash, it has scheduled repayments of Rs. 6.0 crore, Rs. 7.3 crore and Rs. 0.8 crore in FY2027, FY2028 and FY2029, respectively, on external debt. The VSTM Group has capex plans of Rs. 15-20 crore p.a. during FY2027-FY2029, which are likely to be funded through internal accruals. Overall, ICRA expects the company to meet its medium-term commitments through internal sources of cash while maintaining a cash surplus.

Rating sensitivities

Positive factors – The rating could be upgraded, if the VSTM Group adequately scales up its revenues further, while sustaining healthy margins, coverage indicators and liquidity on a sustained basis.

Negative factors – The rating may be downgraded if there is a significant decline in the 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, thereby weakening its liquidity profile. A specific credit metric for a downgrade would be the interest coverage ratio declining 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 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

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, including more than six decades 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 Limited (M&M), and Skoda Auto Volkswagen India Private Limited (Volkswagen), among others. The dealership portfolio has expanded periodically over the years. V.S.T. Motors Private Limited (VSTM) is an established dealer for TML's CVs and Kia Motors' PVs in Tamil Nadu. It has 17 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) V.S.T. & Sons Private Limited (VSTS), the sole authorised dealer for JLR in Tamil Nadu, with 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 VST Group is also engaged in manufacturing tractors and tillers through V.S.T. Tillers Tractors Limited ([ICRA]AA-(Stable)/[ICRA]A1+). V.S.T. Motors Private Limited holds a 4.5% stake in V.S.T. Tillers Tractors Limited.

Key financial indicators

V.S.T. Motors Private Limited (consolidated)	FY2025 (audited)	FY2026 (provisional)
Operating income (OI)	1,678.4	1,945.2
PAT	19.8	28.9
OPBDITA/OI	3.7%	3.6%
PAT/OI	1.2%	1.5%
Total outside liabilities/Tangible net worth (times)	2.3	2.0
Total debt/OPBDITA (times)	5.0	3.8
Interest coverage (times)	3.2	3.1

Amount 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; OPBDITA: 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 rating (FY2027)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. Crore)	Date & Rating in FY2027	Date & Rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
				August 07, 2026	May 29, 2025	May 24, 2024	February 02, 2024
1	Cash Credit	Long term	44.00	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	Unallocated	Long term	1.00	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
3	Term Loans	Long term					[ICRA]A- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based – Cash credit	Simple
Long-term Unallocated	Not Applicable

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	Financial sector regulator#
NA	**Fund-based – CC**	NA	NA	NA	44.00	[ICRA]A-(Stable)	RBI
NA	**Unallocated**	NA	NA	NA	1.00	[ICRA]A-(Stable)	RBI

Source: Company

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Annexure II: List of entities considered for consolidated analysis

Company name	VSTM ownership	Consolidation approach
V.S.T. Motors Private Limited	100.00% (rated entity)	Full consolidation
V.S.T. & Sons Private Limited	100.00%	Full consolidation
V.S.T. Titanium Motors Private Limited	100.00%	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 (VSTS), 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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