TVS Holdings Limited

November 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures – I (Proposed)	750.00	CARE AA+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the debt instrument of TVS Holdings Limited (TVSHL) factors in the strength of the group, which has diversified business investments in various sectors. TVSHL is a core investment company and has received its license from Reserve Bank of India (RBI) in March 2024 and subsequently on October 10, 2024, the Company has wound up its business of trading in automotive spare parts in compliance with the aforesaid condition stipulated by the RBI. TVSHL holds importance as the holding entity of TVS Motor Company Limited (TVSM; rated 'CARE AA+; Stable'), the flagship entity of the group having strong credit profile and consistent track record of dividend payment. The rating assigned also takes comfort from TVSHL's strong financial flexibility with healthy capital structure driven by investments in group companies, along with expected sustenance of comfortable cover. TVSHL holds a 50.26% stake in TVSM, valued at ₹59,524 crore as on November 11, 2024, providing substantial coverage in terms of the market value of holdings relative to outstanding debt. TVSHL also holds three other entities, TVS Emerald Limited (TEL), TVS Digital Limited (TVSDL), and TVS Holdings (Singapore) Pte. Limited. The entities under TVSHL are expected to be self-sustaining and any further support, if any, is expected to be provided by TVSHL on need basis.

On May 10, 2024 TVSHL announced in stock exchanges that its board of directors have approved the acquisition of 80.74% stake in Home Credit India Finance Private Limited (HCIF) for ₹554 crore from its parent companies, Home Credit India BV and Home Credit International AS, subject to regulatory approval. The company received approval from the CCI on September 24 , 2024, and is awaiting approval from the RBI to complete the process.

HCIF is a non-deposit-taking systemically important non-banking financial company (NBFC-ND-SI) registered with the RBI. HCIF provides loans to the retail segment for consumer durables, such as mobile phones, laptops and tablets, and cash loans. It operates through both point-of-sale (POS) and online models, with an AUM of ₹ 5,961 crore as on March 31, 2024. HCIF has been operating for over 11 years, with a distribution network of around 50,000 POS across 545 cities and 21 states. This acquisition is expected to strengthen the presence of the group in the financial services sector. CARE Ratings Limited (CARE Ratings) notes that the group already has an NBFC, TVS Credit Services Limited (rated 'CARE AA+; Stable'), which has presence in two-wheelers, tractors, used cars, used commercial vehicles, business loans, consumer durables, and personal loans.

TVSHL is planning to raise up to ₹750 crore through non-convertible debenture (NCD) to fund this transaction. Considering the same, debt cover (market value of investments to debt) is expected to be at 42.52x based on the market value of investments as on November 11, 2024.

The rating is constrained by the dependence on dividend income from TVSM and exposure to fluctuation in market value of its investments. Going forward, maintaining the holding in TVSM, sustenance of revenue and profitability through regular dividend income from investments and ability to maintain its leverage levels while funding any incremental requirement of the group would remain crucial.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could individually or collectively, lead to positive rating action/upgrade:

- Significant improvement in credit risk profile of TVSM.

Negative factors: Factors that could individually or collectively, lead to negative rating action/downgrade:

- Significant decline in credit risk profile of TVSM.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

- Substantial increase in debt levels of the company or decline in the market value of investments resulting in debt cover below 10x.

Analytical approach: Standalone. TVSHL has been assessed based on investment holding company criteria basis of its investment holdings in the group entities. For calculation of debt cover over outstanding and any proposed borrowings, market value of TVSHL's stake in TVSM has been considered. In its analysis, CARE Ratings has also factored in the potential support that may be provided to the investee companies if needed.

Outlook: Stable

The stable outlook indicates that TVSHL is expected to maintain its financial flexibility through consistent dividend inflows from TVSM and ensure adequate coverage of its outstanding debt relative to market value of its investments in the medium term.

Detailed description of key rating drivers:

Key strengths

Strong group with diversified business investments

TVSHL serves as the holding company for several key group entities, including TVSM, TEL, TVSDL, and TVS Holdings (Singapore) Pte Limited. The group has a strong presence in industries such as manufacturing two-wheelers, auto components and others. In FY24, as part of a Composite Scheme of Arrangement, TVSHL (formerly Sundaram Clayton Limited), TVS Holdings Private Limited, VS Investments Private Limited, and Sundaram-Clayton Limited (formerly Sundaram-Clayton DCD Limited) underwent a reorganisation. Under this scheme, TVS Holdings Private Limited was amalgamated into TVSHL (formerly Sundaram Clayton Limited) effective June 16, 2023, and VS Investments Private Limited followed on August 4, 2023. Following the amalgamation of TVS Holdings Private Limited, the company name "Sundaram-Clayton Limited" was changed to "TVS Holdings Limited," approved by the Registrar of Companies on July 17, 2023.

The entire business of manufacturing non-ferrous gravity and pressure die castings, referred to as the Demerged Undertaking in the scheme, was demerged, transferred, and vested into Sundaram-Clayton Limited (formerly Sundaram-Clayton DCD Limited) effective August 11, 2023. All assets and liabilities, including profits realised up to August 10, 2023, were transferred to the resulting company. Following the demerger, TVSHL retained only its investments in group companies and its trading business in automative parts. This restructuring led to TVSHL becoming a Core Investment Company (CIC). Consequently, the company was registered as a CIC from RBI on March 14, 2024. The company has also discontinued the trading businesses since October 10, 2024.

The promoters and promoter group hold 74.45% of the total shareholding of TVSHL as on September 30, 2024. This includes VS Trust (Venu Srinivasan, Trustee) with 57.01%, Venu Srinivasan with 6.79%, Sundaram Finance Holding Limited with 6.49%, Srinivasan Trust (VS Trustee Private Limited, Trustee) with 3.07%, and others with 1.09%.

Strong financial flexibility with healthy capital structure driven by investments in group companies

TVSM is the third-largest two-wheeler manufacturer in India, boasting a strong credit profile and healthy liquidity position. As of November 11, 2024, the market value of TVSHL's stake in TVSM was ₹59,524 crore. The second-largest investee company is TEL, with a book value investment of ₹226 crore (5% of the overall investment). TEL is a wholly owned subsidiary of TVSHL. The third-largest investee company is TVSDL, which TVSHL acquired from TVSM in H1FY25.

Expected sustenance of comfortable cover and likely support from the group

The market value of investments of TVSHL in TVSM stood at ₹59,524 crore as on November 11, 2024, which provides the holding company a debt cover of 92x over the gross debt availed (₹650 crore as on September 30, 2024). The tangible net worth (TNW) of TVSHL as on March 31, 2024 stood at ₹1,445 crore (PY: ₹710 crore) and as on September 30, 2024, stood at ₹1,467 crore. Gearing (gross debt/TNW) stood at 0.38x as on March 31, 2024 and 0.44x as on September 30, 2024. Being a CIC, CAR calculation is not applicable for the company. The planned acquisition of HCIF is to be funded through debt of upto ₹750 crore. However, the debt cover of investments continues to remain comfortable at 42.52x after factoring in this acquisition considering the current market value of ₹59,524 crore of TVSHL's market investments as on November 11, 2024. Any significant reduction in debt cover due to new acquisitions, additional investments in subsidiaries, or a drop in TVSM's share price will remain monitorable.

Key weaknesses

Exposure to fluctuation in market value of investments

TVSHL's investment value in the group companies is vulnerable to economic downturns and declines in the performance of key operating entities within the group. Financial flexibility, in terms of available cover, largely depends on market sentiments and the share prices of listed entities. Any increase in market-related risks that leads to a significant drop in the share prices of its investments will be a key rating sensitivity factor.

High dependence on TVSM for dividend income

TVSHL's income sources include dividends from TVSM, and royalties and management fees from the group companies. Of these, TVSHL's primary source of income is the dividend income from TVSM. TVSM's consistent dividend payments support the income stability of TVSHL. In FY24, TVSHL received a dividend of ₹191 crore, compared to ₹120 crore in FY23.

Liquidity: Strong

Per the asset liability management (ALM) statement dated September 30, 2024, TVSHL has no cumulative negative mismatches in time buckets up to one year. The company had cash and bank balance of ₹104 crore as on September 30, 2024. Currently, TVSHL has a ₹650 crore NCD outstanding, with annual coupon payments and a bullet principal repayment at the end of a 5-year tenure. The terms for the additional borrowings to be raised for the acquisition of HCIF is yet to be finalised. TVSHL's liquidity is supported by healthy dividend income inflows, and brand royalties and management fees paid by the group companies. Given the group's ability to raise funds from the market, TVSHL's liquidity is expected to remain strong in the medium term.

Environment, social, and governance (ESG) risks

As principle, in line with the policies, practices and processes of the company, it engages with its stakeholders and strives to resolve differences with them in a just, fair, equitable and consistent manner and if warranted takes corrective measures. Considering the nature of business of the company, there are no material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity for the company.

Applicable criteria

Definition of Default
Investment Holding Companies
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Investment company

TVSHL (formerly Sundaram-Clayton Limited) is a registered CIC as on March 14, 2024. Part of the group, it has three direct subsidiaries: TVSM (holding 50.26%), TEL (formerly Emerald Haven Realty Limited) (wholly owned), and TVS Holdings (Singapore) Pte Limited (wholly owned). Additionally, the company acquired TVS Digital Limited from TVSM in the first half of FY25.

Brief Financials (₹ crore) (Standalone)	FY23(A)	FY24(A)	H1FY25 (UA)
Total Operating income	2,207	1,647	193
PAT	273	339	25
Interest coverage (times)	8.13	5.14	2.07
Total assets	4,275	2,409	2,199
Net NPA (%)	NA	NA	NA
ROTA (%)	6.42	10.14	2.19

A: Audited UA: Unaudited; NA: Not applicable; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures - I	Proposed	-	-	-	750.00	CARE AA+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non-convertible debentures	LT	750.00	CARE AA+; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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