

September 14, 2010

**CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF
VST MOTORS LTD**

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	25.00	'CARE BBB' (Triple B)	Reaffirmed
Short-term Bank Facilities	10.00	PR3 (PR Three)	Reaffirmed
Total Facilities	35.00		

Rating Rationale

The ratings continue to derive strength from promoter's experience, VST Motors Limited's (VST) long association with TATA Motors Limited, its strong brand image in the region and operational support from group companies.

The ratings are however constrained by high overall gearing ratio on account of high working capital borrowings, low profitability levels and intense competition in the dealership space.

Going forward, improvement in operating profitability amid intense competition in the dealership market and effect of any slowdown and competition in the automobile industry on Tata Motors' market position and in turn VST's volume growth will be key rating sensitivities.

¹Complete definition of the ratings assigned are available at www.careratings.com and other publications of CARE

Company Profile

VST was incorporated in the year 1949 by Mr. V.S.Tiruvengadasamy Mudaliar. VST is the flagship company of VST Group which comprises 25 companies that operate in various fields like automotive dealership, automotive manufacturing and finance. An authorized dealer of TATA Motors' vehicles in Tamil Nadu, VST operates from its head office located at Chennai and has six branches in Tamilnadu and Pondicherry. During FY09, VST posted a PAT of Rs.3.20 cr on a total income of Rs.575 cr. During FY10 (Prov), VST registered a PAT of Rs.4.02 cr on a total income of Rs.695 cr.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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