

January 08, 2025

Maxion Wheels Aluminum India Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	133.00	76.00	[ICRA]BBB+ (Positive); reaffirmed
Long-term fund-based - Working capital	140.00	0.00	-
Long-term fund-based /non-fund based - Working capital	0.00	279.50	[ICRA]BBB+ (Positive); reaffirmed
Unallocated limits	197.00	35.00	[ICRA]BBB+ (Positive); reaffirmed
Total	470.00	390.50	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation of Maxion Wheels Aluminum India Private Limited (MWA IPL) reflects the steady ramp-up in its operations in recent years, and presence of key passenger vehicle (PV) original equipment manufacturers (OEMs) such as Tata Motors Limited, Honda Cars India Limited, Volkswagen India, and Mahindra & Mahindra Limited in its clientele. The company is the sole supplier of alloy wheel rims for various models of these OEMs and demonstrates a strong order book position for various upcoming models. Increasing wallet share with OEMs such as Tata Motors Limited and Mahindra & Mahindra Limited is also expected to support MWA IPL's revenue growth momentum, going forward.

The rating continues to factor in the company's strong parentage as a wholly-owned subsidiary of lochpe-Maxion Austria GmbH, with the ultimate holding company being lochpe-Maxion S. A., Brazil. MWA IPL benefits from the lochpe-Maxion Group's operational and technical expertise in wheel rim manufacturing for the automobile industry as well as the record of timely financial support to the company in the form of regular equity infusion. MWA IPL has received Rs. 445.6 crore of equity infusion between CY2018 and 9M CY2024 (with the latest round of equity infusion being Rs. 40.0 crore in the present fiscal, FY2025), which has been utilised to partially fund its capital expenditure (capex) and meet operational requirements. ICRA expects lochpe-Maxion to continue to extend timely financial support to MWA IPL, should there be a need, given the operational linkages between them. This is in addition to the equity infusion for funding the company's capex requirements.

The company's revenues moderated in 9M CY2024, largely due to loss of wallet share with few customers on the back of lower margins involved, along with a drop in average realisations from the softening of commodity prices. However, the same is expected to improve, going forward, as the company gains wallet share with other OEMs like Tata Motors, Volkswagen India and Mahindra & Mahindra, wherein it is the sole supplier for particular models. Following the ramp-up in operations over the past two years, the company's operating profitability has also stabilised in the range of 10-13%, generating positive net cash accruals.

The rating remains constrained by the vulnerability of the company's profits to adverse fluctuations in aluminium ingot prices, the key raw material, and to foreign exchange rates in the absence of a specific hedging policy. However, price revisions with customers mitigate this risk to an extent. MWA IPL had undertaken a debt-funded capex starting from CY2018 and has sizeable debt repayment obligations over the near term (Rs. 40-50 crore per annum in the near to medium term), which are likely to be funded partially from the internal cash flow generations, which are susceptible to cyclicity and technological changes in the PV industry.

The Positive outlook for MWAIPL reflects the anticipated ramp-up in the scale of operations, aided by incremental revenue generation through new orders won, and the operating leverage benefits which would strengthen MWAIPL's capital structure, going forward.

Key rating drivers and their description

Credit strengths

Operational expertise and financial support from parent, lochpe-Maxion Group - MWAIPL is a wholly-owned subsidiary of lochpe-Maxion Austria GmbH, with the ultimate holding company being lochpe-Maxion S. A., Brazil. The lochpe-Maxion Group has an established presence in the automotive segment with extensive experience, specifically in the wheel manufacturing space. Through its parentage, MWAIPL has access to the Group's advanced technology in aluminium wheel manufacturing and vast client base. Further, ICRA draws comfort from the timely financial support extended by the parent in the form of equity (Rs. 445.6 crore between CY2018 and 9M CY2024) towards partially funding capex requirements and meeting its operational expenses, and the likelihood of further support in case of any exigencies. While the parent entity recorded a revenue of B\$ 11.4 billion for the nine-month period ending September 2024, operating margins stood at 10.0%.

Attractive location of the plant near OEMs - The company's plant is located at Khed Taluka, Pune (Maharashtra), which is close to several OEMs, including Volkswagen/Skoda, Mahindra & Mahindra Limited, Fiat India Automobiles Private Limited, Mercedes Benz, Tata Motors Limited and Jaguar Land Rover. The company's strong parentage, and the established global relationships between the Maxion Group and these global OEMs augur well for MWAIPL's business prospects.

Healthy share of business with multiple OEMs aiding business prospects - The company has garnered healthy wallet share with Tata Motors Limited, Volkswagen India and Hyundai Motors India for the supply of PV alloy wheels and made inroads into the supply of alloy wheels to Mahindra & Mahindra Limited as well. Moreover, the company has been able to secure supply orders for various upcoming models of these OEMs. The healthy wallet shares with these OEMs, along with the improving penetration of alloy wheels in the domestic PV market are expected to augur well for the company's growth.

Ramp-up in operations and improvement in operating margins - The company's ramp-up in volumes has been healthy, with volumes from OEM sales at 1.17 million units in CY2023, reflecting a robust compound annual growth rate (CAGR) of 80% over the past four years. Aided by operating leverage benefits, the company's profitability has also improved from CY2022. Although volumes were largely flattish in YTD CY2024 due to the change in client mix undertaken by the company, ICRA expects the operating margins to remain steady at 11-13% over the near term. Going forward, volumes are expected to remain healthy with the strong order book that the company has for upcoming models of various other OEMs.

Credit challenges

Limited track record of profitable operations - The commercial production at MWAIPL's manufacturing plant in Khed Taluka, Pune (Maharashtra) started from July 2019 with an annual production capacity of 5 lakh aluminium wheel rims, which gradually increased to 20 lakh per annum in CY2023. The company generated cash losses till CY2021, before generating cash profits from CY2022. Nevertheless, the company's ability to operate on higher capacities, on a sustained basis, remains to be seen.

Profit margins vulnerable to fluctuations in aluminium ingot prices and exchange rates amid intense industry competition - The company is susceptible to volatility in prices of its key raw material, aluminium ingot, although the same is passed on to its end customers with a time lag. MWAIPL also remains exposed to forex rate fluctuations as the aluminium ingot requirement is met through imports, while its entire sales are restricted to the domestic market. At present, it does not have any forex hedging policy, although it is able to pass on the fluctuations to some extent. Nevertheless, stiff competition from other established wheel rim suppliers in the Indian market, limits the pricing flexibility.

Sizeable debt repayment obligations over near to medium term - Given the large debt-funded capex undertaken over the past few years, MWAIPL has sizeable repayment obligations over the near term, with Rs. 40-50 crore per annum over the next two years. Although this would be partially met through the company's cash flows, comfort is drawn from the healthy

anticipated cash accruals of Rs. 40-50 crore annually, buffer available from its undrawn working capital lines and record of funding support from the parent.

Exposure to cyclicity and technological changes in PV industry - The company’s entire sale of aluminium wheel rims is supplied to the domestic industry, thereby exposing it to the cyclical trends in the passenger vehicle industry. Nevertheless, MWA IPL’s expanding client base, coupled with established relations with leading automotive PV OEMs in the domestic market with substantial share of business, mitigates the risk to an extent.

Liquidity position: Adequate

MWA IPL’s liquidity is likely to remain adequate, supported by its improving cash flow generation as operations continue to ramp up and profitability improves. As on September 30, 2024, the company had free cash and equivalents of Rs. 26.1 crore and ~Rs. 34.0-crore buffer in working capital lines, which further supports its liquidity position. Against these sources of liquidity, the company has repayment obligations of Rs. 40-50 crore and planned capex outlay of Rs. 10-12 crore per annum over the near to medium term. Even as the company is expected to largely fund these requirements from its existing sources of liquidity, ICRA continues to draw comfort from the likely financial support from the parent towards funding deficits, in case of any exigencies.

Rating sensitivities

Positive factors – The ratings can be upgraded if the company demonstrates improvement in its scale of operations and earnings on a sustained basis, while maintaining a comfortable liquidity position. Improvement in the credit profile of the parent entity (Iochpe Maxion S.A.) would also be a positive rating trigger.

Negative factors – The outlook could be revised to Stable in case of any sustained weakening in MWA IPL’s performance and deterioration in liquidity or coverage metrics. Downward pressure could also arise from weakening of credit profile or strategic ties with the parent company, or in case of inadequate timely support from the parent company for meeting any requirements.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group Support	Parent Company: Iochpe Maxion Austria GmbH (ultimate holding company: Iochpe-Maxion S.A., Brazil). ICRA expects MWA IPL’s parent company to extend timely financial support to it, should there be a need, given the operational linkages between them. There also exists a record of the parent company having extended financial support to MWA IPL in the form of equity
Consolidation/Standalone	The ratings are based on the standalone financial statement of MWA IPL.

About the company

MWA IPL, incorporated in December 2017, is a wholly-owned subsidiary of Iochpe-Maxion Austria GmbH, with the ultimate holding company being Iochpe-Maxion S. A., Brazil. MWA IPL has set up a greenfield plant to manufacture aluminium wheel rims for PVs in Khed Taluka, Pune (Maharashtra). Commercial production under Phase 1 of the project commenced from July 2019 (against scheduled date of September 2019) with a capacity of 0.5 million wheel rims per year. MWA IPL gradually ramped up the capacity to 2.0 million wheel rims per year by CY2023. At present, the company caters to OEMs such as Tata Motors, Volkswagen India, Mahindra & Mahindra, Honda India, Kia Motors and Hyundai Motors for their aluminium alloy wheel requirements.

Key financial indicators

MWAIPL – Standalone	CY2022 Audited	CY2023 Audited
Operating income (Rs. crore)	573.5	531.3
PAT (Rs. crore)	9.9	-5.4
OPBDIT/OI (%)	12.8%	11.2%
PAT/OI (%)	1.7%	-1.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.4	1.6
Total Debt/OPBDIT (times)	2.9	4.1
Interest Coverage (times)	3.6	2.3

PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Source: MWAIPL, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
			Jan 8, 2025	Dec 18, 2023	Jan 25, 2023	Dec 24, 2021	
1 Fund-based – Term Loan	Long-term	76.00	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	
2 Fund-based -Working Capital	Long-term	0.00	-	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	
3 Fund-based / Non fund based - Working Capital	Long-term	279.50	[ICRA]BBB+ (Positive)	-	-	-	
4 Unallocated limits	Long-term	35.00	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)	-	

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple
Long-term Fund-based / Non fund based -Working Capital	Simple
Unallocated limits	Very Simple

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-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Term Loan	CY2018	NA	CY2025	76.00	[ICRA]BBB+ (Positive)
NA	Fund-based/ Non Fund-based -Working Capital	NA	NA	NA	279.50	[ICRA]BBB+ (Positive)
NA	Unallocated limits	NA	NA	NA	35.00	[ICRA]BBB+ (Positive)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

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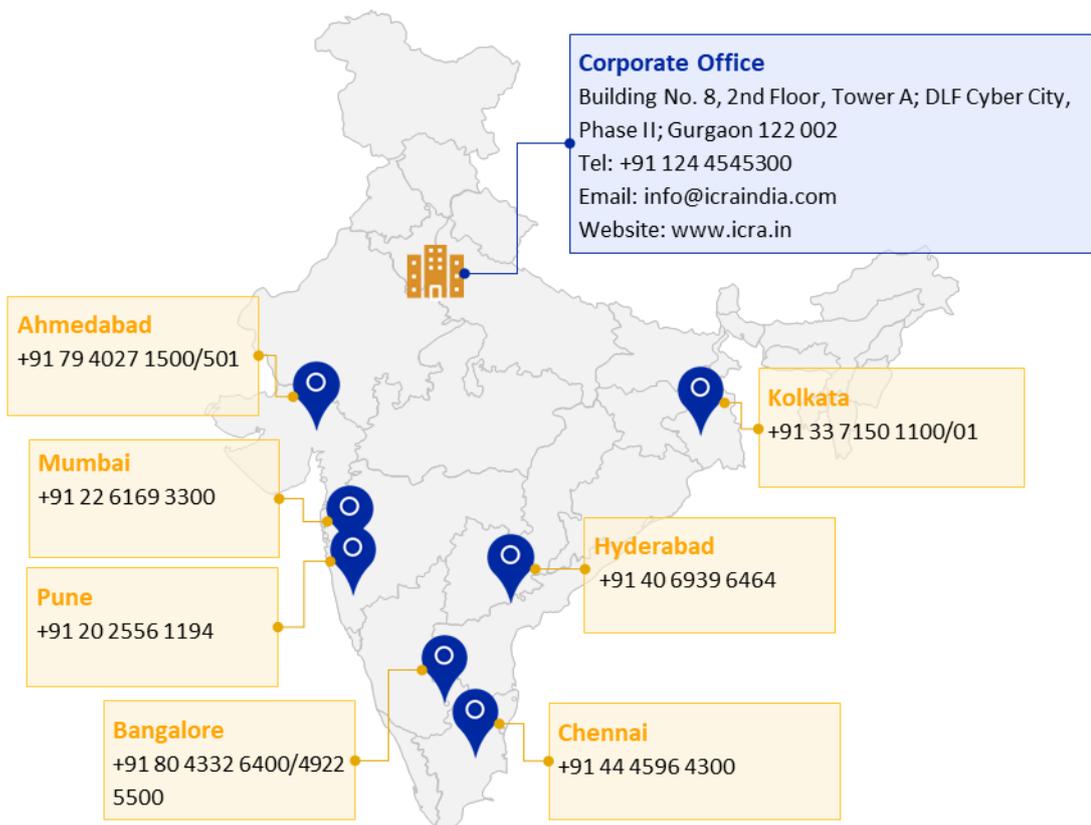
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