

March 28, 2024

## WIL Car Wheels Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund based – Term Loans	29.69	20.74	[ICRA]BBB (Stable); reaffirmed
Short term fund based limits	115.00	115.00	[ICRA]A2; reaffirmed
Long term/Short term – Unallocated	25.00	33.95	[ICRA]BBB (Stable)/[ICRA]A2; reaffirmed
<b>Total</b>	<b>169.69</b>	<b>169.69</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmation of ratings outstanding on the bank lines of WIL Car Wheels Limited (WCWL/the company) considers ICRA's expectation of a sustained financial performance in the near to medium term, supported by its strong parentage, experienced management team, established customer relationships and healthy market share with its clients. The ratings favourably factor in WCWL's strong parentage with 74% stake held by Wheels India Limited (WIL, rated [ICRA]A- (Stable) / [ICRA]A2+), an established steel wheel rim manufacturer in India, belonging to the T S Santhanam Group (a faction of the larger TVS Group of Companies). The remaining 26% stake is held by Topy Industries Limited, Japan (Topy). Going forward, ICRA expects WIL to extend timely and adequate financial support, as and when required.

WCWL's Board is chaired by Mr. Srivats Ram, WIL's Managing Director and a fourth generation TVS family member with over 30 years in the auto component Industry. Further, the company's executive management team comprises of professionals with several decades of experience in the wheel rim industry. The ratings also draw comfort from WCWL's strong customer relationships with several passenger vehicle (PV) original equipment manufacturers. Moreover, WCWL has locational advantage with its manufacturing facilities being in proximity to the OEM plants.

The ratings are, however, constrained by WCWL's modest scale, with an operating income of Rs. 381.2 crore in FY2023 and Rs. 314.2 crore in 9M FY2024. Further, the company reported cash losses in FY2023 and 9M FY2024 impacted by sub-optimal capacity utilisation, relatively high interest expenses and lag in the pass through of cost inflation, among other reasons. Also, WCWL's debt levels are high for its scale of operations and stood at Rs. 158.1 crore<sup>1</sup> as on December 31, 2023, primarily arising from relatively high short-term borrowings for working capital requirements and cash losses. WCWL's ability to put its business on a focused growth path, achieve net breakeven and significantly reduce working capital borrowings would be critical from the credit perspective.

The stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile, supported by its strong parentage, experienced management team, healthy share of business and its established relationship with its customers.

<sup>1</sup> Total debt of Rs. 133.7 crore includes lease liabilities of Rs. 0.3 crore and vendor bills discounted to the tune of Rs. 91.4 crore as on December 31, 2023

## Key rating drivers and their description

### Credit strengths

**Strong parentage** – WCWL is a 74% subsidiary of WIL (rated [ICRA]A- (Stable)/[ICRA]A2+) and is part of the T S Santhanam Group (faction of the larger TVS Group of Companies). The remaining 26% stake is held by Topy Industries Limited (Japan). The company benefits from its strong parentage with operational and technological support from both its stakeholders. WIL is among the largest manufacturers of automotive steel wheel rims in India and earth mover steel wheel rims globally. On the other hand, Topy is also a leading manufacturer of steel wheels globally. ICRA expects WIL to extend timely and adequate financial support, as and when required.

**Experienced management team** – WCWL has an experienced management team chaired by Mr. Srivats Ram (Managing Director, WIL), a fourth generation TVS family member with over 30 years in the auto component Industry. The company has one representative from Topy and has three additional independent directors. WCWL has a professional management team comprising wheel rim industry veterans.

**Established customer relationships and healthy share of business with customers; WCWL also has locational advantage with its manufacturing facilities being in proximity to the OEM plants** – WCWL manufactures passenger car steel wheel rims, predominantly for the domestic market and its clients comprise of reputed PV OEMs such as Maruti Suzuki India Limited (MSIL), Suzuki Motors Gujarat Private Limited, Hyundai Motor India Limited (HMIL), Renault Nissan Automotive India Private Limited (RNAIPL), Toyota Kirloskar Motor Private Limited and Isuzu Motors India Private Limited among others. The company has a healthy market share in the PV steel wheel rim segment. While the company is predominantly a steel wheel rim player, its parent, WIL, has commenced supply of cast alloy wheels for the domestic market in FY2024. WCWL has three manufacturing plants in Bawal (Haryana), Padi (Tamil Nadu) and Vanod (Gujarat). The former is closer to MSIL's plant, while the Padi facility is closer to plants of HMIL and RNAIPL, providing logistical advantages.

### Credit challenges

**Modest scale of operations and weak margins** – WCWL has relatively modest scale with an operating income of Rs. 381.2 crore in FY2023 and Rs. 314.2 crore in 9M FY2024. This is despite growth of over 10% in FY2023 and 9M FY2024, on YoY basis, aided by industry uptick and increase in the share of business with some customers. Further, the company continued to report cash losses in FY2023 and 9M FY2024 impacted by sub-optimal capacity utilisation, relatively high interest expenses and lag in the pass through of cost inflation, among other reasons. WCWL's ability to put its business on a focused growth path and achieve net breakeven would be critical from the credit perspective.

**Relatively high debt levels for scale of operations** – The debt levels are relatively high for its scale of operations and stood at Rs. 158.1 crore<sup>2</sup> as on December 31, 2023, primarily arising from relatively high short-term borrowings for working capital requirements and cash losses. Part of the borrowings are also because of debt-funded capex undertaken in the first few years of operation. The company's ability to improve its capacity utilisation, generate adequate accruals and significantly reduce working capital borrowings remains critical.

### Liquidity position: Stretched

The company has reported cash losses since FY2020, and its accruals are expected to be relatively low over the next 1-2 years. The company had minimal undrawn working capital lines of Rs. 5.6 crore as on December 31, 2023. WCWL had negligible cash and bank balances as on December 31, 2023. Further, leasing of part of WCWL's unutilised capacity could result in additional liquidity, upon materialisation. Against these sources of cash, WCWL has principal repayment obligations of Rs. 9.8 crore in

<sup>2</sup> Total debt of Rs. 133.7 crore includes lease liabilities of Rs. 0.3 crore and vendor bills discounted to the tune of Rs. 91.4 crore as on December 31, 2023

FY2025 and Rs. 10.8 crore in FY2026 on existing loans. The company has a capex commitment of Rs. 3.0 crore each for FY2025 and FY2026 respectively. ICRA expects WCWL to be able to meet its medium-term commitments through internal sources of cash, efficient working capital management, and timely and adequate financial support from WIL, as and when required.

### Rating sensitivities

**Positive factors** – Significant improvement in profit margins and leverage metrics on sustained basis could lead to an upgrade.

**Negative factors** – Negative pressure on WCWL’s ratings could arise from weak revenues/profits and deterioration in liquidity or leverage metrics; or weakening in the parents (WIL) credit profile or WCWL’s operational/financial linkages with the parent, WIL, could result in a downgrade.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Auto Component</a>
Parent/Group support	Wheels India Limited (rated [ICRA]A- (Stable)/[ICRA]A2+) holds 74.0% stake in the company
Consolidation/Standalone	Standalone

### About the company

WIL Car Wheels Limited manufactures passenger car steel wheel rims, predominantly for the domestic market. Its manufacturing facilities are located at Padi (Tamil Nadu), Vanod (Gujarat) and Bawal (Haryana) and the company supplies to OEMs like Maruti Suzuki India Limited, Hyundai Motors India Limited, Renault Nissan Automotive India Private Limited, Toyota Kirloskar Motor Private Limited and Isuzu Motors India Limited to name a few. WCWL is part of the T S Santhanam Group (a faction of the larger TVS Group- an established name in the domestic auto ancillary industry), with a 74.0% stake held by Wheels India Limited (rated [ICRA]A- (Stable)/[ICRA]A2+). Topy Industries Limited, Japan, a global automobile and industrial machinery parts manufacturer, holds the remaining stake in the company. WCWL is chaired by Mr. Srivats Ram, a fourth generation TVS family member and Managing Director of WIL.

### Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	340.1	381.2
PAT	-8.8	-15.1
OPBDIT/OI	0.7%	-1.1%
PAT/OI	-2.6%	-4.0%
Total outside liabilities/Tangible net worth (times)	2.8	3.7
Total debt/OPBDIT (times)	58.4	-33.4
Interest coverage (times)	0.3	-0.4

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; OPBDIT: 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	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021
				Mar 28, 2024	Jan 27, 2023	Jan 31, 2022	Apr 09, 2021	May 04, 2020
1 <b>Term Loan</b>	Long Term	20.74	20.74	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB+ (Stable)	[ICRA]A- (Negative)
2 <b>Fund based limits</b>	Short Term	115.00	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2+	[ICRA]A1
3 <b>Unallocated</b>	Long Term/ Short Term	33.95	-	[ICRA]BBB (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A2	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund based - Term loans	Simple
Short term fund based limits	Very Simple
Long term/short term – unallocated	NA

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
NA	Term Loan – I	FY2019	9.20%	FY2025	1.24	[ICRA]BBB (Stable)
NA	Term Loan – II	FY2023	9.25%	FY2029	10.39	[ICRA]BBB (Stable)
NA	Term Loan – III	FY2023	9.25%	FY2029	9.11	[ICRA]BBB (Stable)
NA	Fund based limits	NA	NA	NA	115.00	[ICRA]A2
NA	Unallocated	NA	NA	NA	33.95	[ICRA]BBB (Stable)/[ICRA]A2

Source: Company

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

**Annexure II: List of entities considered for consolidated analysis: Not Applicable**

## ANALYST CONTACTS

**Shamsher Dewan**  
+91 124 4545 328  
[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**K Srikumar**  
+91 44 4596 4318  
[k.srikumar@icraindia.com](mailto:k.srikumar@icraindia.com)

**Vinutaa S**  
+91 44 4596 4305  
[vinutaa.s@icraindia.com](mailto:vinutaa.s@icraindia.com)

**Kishore Kumar A**  
+91 44 4596 4312  
[kishore.a@icraindia.com](mailto:kishore.a@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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