

April 04, 2024

Kalyani Maxion Wheels Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term, Fund-based Limits	115.00	120.00	[ICRA]A+(Stable); reaffirmed
Short-term, Non-fund Based Limits	274.00	269.00	[ICRA]A1; reaffirmed
Total	389.00	389.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation for Kalyani Maxion Wheels Private Limited (KMWPL/ the company) factors in its strong presence in the domestic steel wheel rim industry with a healthy wallet share of business with leading automobile majors in the commercial vehicle (CV) segment, and an increasing presence in the passenger vehicle (PV) segment. The company also benefits from strong operational and technological support from its parent entity, Iochpe Maxion S. A., Brazil.

The ratings factor in KMWPL's moderate operational performance in CY2023 in line with the domestic automobile industry and healthy offtake from original equipment manufacturers (OEMs) in the passenger vehicle (PV) industry. While the company reported a 16% and 7% YoY volume growth in CV wheels and PV wheels sold in CY2023, respectively, there was a moderate decline in the average realisation level amid softening commodity prices, which coupled with muted exports led to KMWPL clocking revenues of Rs. 977.1 crore in CY2023 (a 3% YoY decline). In addition, with 20-30% of revenues currently derived from export markets (~25% revenue share from export sales in CY2023), and the ongoing global macroeconomic headwinds, the sustainability of the improvement in performance in terms of volume offtake and operating margin improvement (especially for exports) remains to be seen.

The rating strengths are partially offset by the susceptibility of KMWPL's operating margins to fluctuations in steel prices and foreign exchange (forex) rates as well as stiff competition from other established players in the industry, which limits its pricing power. ICRA also notes the susceptibility of the company's revenues to cyclical and technology trends in the automobile industry, including the increasing penetration of alloy wheels in the PV sector, which poses risks to its business of steel wheel supplies. To reduce the risk from competition, KMWPL has patented a new style of steel wheel rims (VersaStyle wheels), which can be used as a substitute for alloy wheels, thus strengthening the competitive positioning as well as leading to an improvement in operating margins. The electrification of the MH&CV industry is a slow process (one of the key segments catered by KMWPL). Nonetheless, ICRA expects the company to cater to different powertrains as the requirement of steel wheels will remain (due to higher structural strength of steel compared to aluminium alloy).

The Stable outlook on the long-term reflects ICRA's opinion that the company will continue to benefit from the strong technological support from its promoter entity and the established track record of its operations, while maintaining its comfortable financial risk profile over the medium term.

Key rating drivers and their description

Credit strengths

Leading manufacturer of steel wheel rims with a respectable presence in the domestic M&HCV market – KMWPL is one of the leading manufacturers of steel wheel rims in India, catering to medium and heavy commercial vehicles (M&HCVs), light

commercial vehicles (LCVs), PVs, off-road construction vehicles and military vehicles. The company has a respectable share of business with leading automobile majors in the CV segment, and an increasing presence in the PV segment. While the increasing revenue share from VersaStyle wheels in the PV segment is expected to provide incremental revenue visibility to the PV segment (in addition to a competitive advantage), KMWPL's light-weight steel wheel offerings to the electric vehicle (EV) bus segment is likely to aid in revenue expansion within the CV segment, going forward.

Operational and technological support from parent entity, which is one of the largest wheel rims and structural components suppliers globally – KMWPL is a subsidiary of Maxion Wheels Konigswinter GmbH, with the ultimate holding company being lochpe Maxion S. A., Brazil, a major player in the global wheel rims market. The company has benefitted significantly from its parentage through access to technology, which has helped it develop new products and improve operational efficiencies. Apart from technical support, KMWPL also has access to the vast client base of its parent company.

Comfortable financial risk profile characterised by healthy capital structure and moderate coverage indicators – The capital structure of KMWPL continued to remain comfortable, with gearing of 1.0 times as on December 31, 2023 (provisional financials), while TD/OPBDITA stood at 3.0 times in CY2023 (net debt / OPBITDA was lower at 1.5 times), supported by healthy cash flow generation that has limited KMWPL's dependence on external borrowings. The debt protection indicators also remained healthy with interest coverage of 4.5 times and DSCR at 4.2 times for CY2023. The same is expected to remain comfortable and improve further, going forward, in the absence of any large debt-funded capex envisaged over the near to medium term.

Credit challenges

Profit margins vulnerable to fluctuations in steel prices and exchange rates amid stiff competition in the industry – The company's margins are susceptible to volatility in steel prices, though the same is generally passed on to its customers with a lag. The company faces stiff competition from other established wheel rim suppliers in the Indian market, which limits pricing flexibility. Moreover, its profits are susceptible to the forex rate fluctuations since ~20-30% of its total revenues are through exports, wherein the company does not follow any defined hedging policy at present. Aided by softening of commodity costs, the operating margin improved to an extent, from 6.8% (CY2022) to 7.7% (CY2023), with further gradual improvement in margins envisaged over the near to medium term.

Exposure to cyclicity and technological changes in the auto industry – The CV wheel rims business dominates the revenue base of the company with an average contribution of 55-60% to total revenues, followed by the PV segment at 30-35%. The overall exposure to the automobile industry remains high, thereby exposing the company to the cyclical trends in the automobile industry. Furthermore, the trend in increasing penetration of alloy wheels in the PV segment also poses risks to the company since its presence is restricted to the steel wheel rim segment. Nevertheless, the company's offerings of VerseStyle wheel rims, which enhances styling and can be used as a substitute for aluminium wheels, mitigates this risk to some extent. Through its sister company, Maxion Wheels Aluminium India Private Limited (rated [ICRA]BBB+(Positive)), KMWPL caters to the alloy wheel requirement of the PV segment.

Liquidity position: Adequate

ICRA expects KMWPL's liquidity position to remain adequate with limited capex plans and no long-term debt repayments in the near term. The company's cash flow from operations has remained healthy in the past, supported by a healthy revenue base and improving profitability (ICRA expects the company to generate ~Rs. 55-65 crore of net cash accrual in CY2024). Additionally, the company had free cash and equivalents of ~Rs. 100 crore as on December 31, 2023, and undrawn fund-based working capital limits of ~Rs. 90 crore as on December 31, 2023, which further provides support to its liquidity position.

Rating sensitivities

Positive factors – The ratings may be upgraded upon sustained improvement in its scale of operations and profit margins, while maintaining a strong credit profile.

Negative factors – Negative pressure on the ratings could arise from sustained weakening of performance and deterioration in liquidity or coverage metrics. Net-Debt/OPBDITA above 2.0 times on a sustained basis could also exert downgrade pressure.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of Kalyani Maxion Wheels Private Limited.

About the company

KMWPL is involved in manufacturing steel wheel rims for M&HCVs, LCVs and utility vehicles (UVs). The company's manufacturing facility is located at Chakan in Pune (Maharashtra). One unit is dedicated to CVs with a manufacturing capacity of 1.2 million steel wheel rims per annum, while the second unit is dedicated to PVs with a manufacturing capacity of 4.0 million steel wheel rims per annum. It is promoted by Maxion Wheels Konigswinter GmbH (85% stake, with the ultimate holding company being lochpe Maxion S. A., Brazil) and Bharat Forge Investment Limited (15% stake).

Key financial indicators

KMWPL	CY2021 Audited	CY2022 Audited	CY2023 Provisional
Operating Income (Rs. crore)	801.2	1,010.4	977.1
PAT (Rs. crore)	18.4	29.9	35.1
OPBDIT/OI (%)	6.7%	6.8%	7.7%
PAT/OI (%)	2.3%	3.0%	3.6%
Total Outside Liabilities/Tangible Net Worth (times)	1.8	1.6	1.3
Total Debt/OPBDIT (times)	3.3	2.5	3.0
Interest Coverage (times)	4.8	5.2	4.5

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on December 31, 2023 (Rs. crore)	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
					Apr 4, 2024	-	Feb 16, 2023	Dec 24, 2021	Oct 06, 2021
1	Fund based	Long-term	120.0	28.6	[ICRA]A+ (Stable)	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
2	Non-fund based	Short-term	269.0	185.4	[ICRA]A1	-	[ICRA]A1	[ICRA]A1	[ICRA]A1

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term, Fund-based Limits	Simple
Short Term, Non-fund-based 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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long Term, Fund-based Limits	NA	NA	NA	120.00	[ICRA]A+(Stable)
NA	Short Term, Non-fund-based Limits	NA	NA	NA	269.00	[ICRA]A1

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

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545328

shamsherd@icraindia.com

Sahil Udani

+91 22 6114 3465

sahil.udani@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Yashowardhan Swami

+91 20 6606 9923

yashowardhan.swami@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

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

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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