

October 18, 2024

WheelsEMI Private Limited: Rating reaffirmed; [ICRA]BBB (Stable) assigned to Rs. 100-crore NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term bank loans	100.00	100.00	[ICRA]BBB (Stable); reaffirmed
Non-convertible debenture	100.00	100.00	[ICRA]BBB (Stable); reaffirmed
Non-convertible debenture	-	100.00	[ICRA]BBB (Stable); assigned
Total	200.00	300.00	

*Instrument details are provided in Annexure I

Rationale

To arrive at the rating, ICRA has considered the consolidated financials of WheelsEMI Private Limited and its subsidiary—BluBird Auto Trade Private Limited, given their common senior management team, business linkages and operational synergies.

The rating factors in WheelsEMI Private Limited's (WheelsEMI) adequate capitalisation profile, supported by regular capital infusions. The company's consolidated net worth¹ stood at Rs. 239 crore as on March 31, 2024 and its capital-to-risk weighted assets ratio (CRAR) of 37.6% was well above the regulatory requirement. ICRA notes that WheelsEMI's managed gearing² has been increasing, given the high pace of growth and subdued earnings profile. In ICRA's opinion, the company would require an equity infusion in the near term to support its growth plans for maintaining a prudent capitalisation profile. ICRA takes comfort from WheelsEMI's demonstrated record of raising equity and takes note of its plans to raise equity capital in the near term.

The rating continues to factor in the company's limited track record and the inherent risks associated with two-wheeler (2W) financing. Further, the earnings profile remains subdued because of the elevated operating expenses. While the company reported a loss at the consolidated level, ICRA notes that it reported a standalone profit of Rs. 0.6 crore in FY2024 (Rs. 0.3 crore in Q1 FY2025), though the sustainability of the same remains a monitorable. Further, WheelsEMI's ability to raise funds from diverse sources at competitive rates will remain crucial in view of its growth plans. ICRA also takes note of the company's strategy of growing its assets under management (AUM) through co-lending, which would help it improve its operating efficiency and earnings profile.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that the company will be able to maintain an adequate capital profile while expanding its scale of operations and sustaining the improvement in its earnings metrics.

Key rating drivers and their description

Credit strengths

Adequate capitalisation profile supported by regular capital infusions – The company's net worth stood at Rs. 239 crore and the CRAR was 37.6% as on March 31, 2024. However, given the high pace of growth and the subdued earnings profile, the managed gearing has been increasing and stood at 5.4 times as on March 31, 2024 (3.0 times as on March 31, 2023). In ICRA's opinion, WheelsEMI would require an equity infusion in the near term to support its growth plans while maintaining an adequate capitalisation profile. ICRA takes comfort from the company's demonstrated record of raising equity (Rs. 225 crore

¹ Net worth adjusted for equity shares and reserves held by WheelsEMI Employee Welfare Trust

² Managed gearing: (Total on-book borrowings + Interest accrued on borrowings + Assigned portfolio) / Net worth

in FY2023; Rs. 23 crore in FY2022; Rs. 105 crore in FY2021) and takes note of its plans to raise equity capital of ~Rs. 350-400 crore in the near term, which shall support its growth plans.

Credit challenges

Monoline nature of business and relatively risky exposure profile – The company’s portfolio vulnerability remains high owing to the monoline nature of its business and the relatively weaker credit profile of the borrowers. Starting operations in 2017, WheelsEMI’s AUM increased to Rs. 1,375 crore as on June 30, 2024 (Rs. 929 crore as on March 31, 2023). Given the high pace of growth, portfolio seasoning remains low. The company’s 90+ days past due (dpd) increased to 5.4% as on June 30, 2024 from 3.6% as on March 31, 2023. Its ability to control delinquencies as it continues to scale up its operations remains monitorable.

Subdued earnings profile, notwithstanding the improvement – The company’s earnings profile remains subdued on account of high operating expenses. While it reported a loss at the consolidated level, ICRA notes that WheelsEMI reported a standalone profit of Rs. 0.6 crore in FY2024 (Rs. 0.3 crore in Q1 FY2025), though the sustainability of the same remains a monitorable. On a consolidated basis, the company reported a net loss of Rs. 2 crore in FY2024 (net loss of Rs. 44 crore in FY2023). Going forward, ICRA expects the profitability to increase gradually with improving operating efficiency, provided credit costs are controlled.

Limited financial flexibility – WheelsEMI’s financial flexibility remains limited with the resource profile largely comprising funding from non-banking financial companies (NBFCs). ICRA takes note of the company’s plans to grow its co-lending portfolio (Rs. 785 crore; 57% of AUM as of June 30, 2024), which would help expand the AUM. However, in the long term, it is crucial to diversify the funding profile and raise resources at better pricing for scaling up the loan book.

Liquidity position: Adequate

As on June 30, 2024, WheelsEMI held ~Rs. 63 crore of free cash and cash equivalents. This, along with the scheduled monthly collections (excluding interest) of Rs. 399 crore from the on-book loan portfolio, is sufficient to meet the debt repayments (excluding interest expenses) of ~Rs. 376 crore till June 30, 2025. The presence of sanctioned but unutilised funding lines of Rs. 10 crore also supports the liquidity profile. The company had no negative cumulative mismatches in the asset-liability management (ALM) statement as on June 30, 2024.

Rating sensitivities

Positive factors – A sustained improvement in the earnings profile and an increase in the scale of operations, while maintaining good asset quality, could positively impact the rating.

Negative factors – A deterioration in the asset quality or an increase in the managed gearing to more than 6 times on a sustained basis could exert pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA’s Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of WheelsEMI.

About the company

WheelsEMI Private Limited is a Pune-based, registered non-deposit taking non-banking financial company (NBFC), which provides financing for new as well as pre-owned two-wheelers. It is promoted by Mr. Srinivas Kantheti and Mr. V Karunakaran, who acquired Vardnarayan Savings and Investment Co Pvt Ltd., a small finance company based out of Nanded, Maharashtra with a loan book of Rs. 35 lakh (at the time of acquisition) in 2017. WheelsEMI provides 2W financing to low-income customers.

The company has a wholly-owned subsidiary, BluBird Auto Trade Private Limited (BluBird), incorporated in April 2019. BluBird's primary business is leasing and renting of vehicles, primarily to logistics companies. BluBird also deals in the purchase and sale of used vehicles.

Key financial indicators (audited)

WheelsEMI Private Limited (consolidated)	FY2023	FY2024
Total income	186	255
Profit after tax	(44)	(2)
Total managed assets	1,095	1,662
Return on managed assets	-4.8%	-0.2%
Managed gearing (times)	3.0	5.4
Gross stage 3	3.6%	5.4%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

WheelsEMI Private Limited (standalone)	FY2023	FY2024	Q1 FY2025*
Total income	183	253	66
Profit after tax	(37)	0.6	0.3
Total managed assets	1,096	1,636	1,668
Return on managed assets	-4.0%	0.04%	0.1%
Managed gearing (times)	2.7	4.8	4.9
Gross stage 3^	3.6%	5.4%	5.4%
CRAR	48.4%	37.6%	30.9%

Source: Company, ICRA Research; * Provisional numbers; ^on AUM; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	16-OCT-2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Long-term bank loans	Long term	100.00	[ICRA]BBB (Stable)	06-OCT-2023	[ICRA]BBB (Stable)	10-OCT-2022	[ICRA]BBB (Stable)	-	-
Non-convertible debenture	Long term	100.00	[ICRA]BBB (Stable)	06-OCT-2023	[ICRA]BBB (Stable)	10-OCT-2022	[ICRA]BBB (Stable)	-	-
Non-convertible debenture	Long term	100.00	[ICRA]BBB (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term bank loans	Simple
Non-convertible debenture	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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term bank loans	NA	NA	NA	100.00	[ICRA]BBB (Stable)
INE367Y07137	Non-convertible debenture	10-16-2023	10.70%	10-16-2025	15.00	[ICRA]BBB (Stable)
INE367Y07145	Non-convertible debenture	11-10-2023	12.60%	05-23-2026	12.50	[ICRA]BBB (Stable)
INE367Y07152	Non-convertible debenture	11-10-2023	12.35%	05-23-2025	12.50	[ICRA]BBB (Stable)
INE367Y07160	Non-convertible debenture	06-21-2024	10.70%	12-21-2026	25.00	[ICRA]BBB (Stable)
INE367Y07178	Non-convertible debenture	07-26-2024	13.17%	10-26-2025	10.00	[ICRA]BBB (Stable)
NA*	Non-convertible debenture	NA	NAs	NA	125.00	[ICRA]BBB (Stable)

Source: Company; * Yet to be placed

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership (Mar 31, 2024)	Consolidation Approach
BluBird Auto Trade Private Limited	100.00%	Full Consolidation

Source: WheelsEMI Private Limited consolidated annual report FY2024

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Branches



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