

January 24, 2025

Wheels India Limited: Long-term rating upgraded to [ICRA]A (Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fixed Deposits	250.00	250.00	[ICRA]A (Stable); Upgraded from [ICRA]A- (stable)
Long Term – Fund Based – Term Loans	56.58	56.58	[ICRA]A (Stable); Upgraded from [ICRA]A- (stable)
Long Term – Fund Based – Cash Credit	560.00	560.00	[ICRA]A (Stable); Upgraded from [ICRA]A- (stable)
Long Term – Unallocated	33.42	33.42	[ICRA]A (Stable); Upgraded from [ICRA]A- (stable)
Short Term – Non-Fund Based	300.00	300.00	[ICRA]A2+; reaffirmed
Total	1,200.00	1,200.00	

*Instrument details are provided in Annexure-I

Rationale

The upgrade in long-term rating outstanding on the fixed deposits and bank facilities of Wheels India Limited (WIL) considers the expected improvement in its overall credit profile over the near to medium term. WIL's operating profit margins improved to 7.0% in H1 FY2025 aided by price corrections, increase in proportion of margin-accretive products and cost optimisation measures such as efficiencies in procurement and production, fixed cost controls among others. This resulted in an improvement in debt metrics, with total debt / OPBITDA of 4.0x in H1 FY2025 and interest coverage of 2.7x in H1 FY2025 improving compared to past levels. The margins are expected to improve going forward aided by supported by periodic price negotiations with customers, continued focus on cost optimisation, improvement of proportion of exports and better operating leverage. While the earlier positive rating sensitivity for upgrade (Total debt to OPDBITA of 3.0x) is not met, ICRA expects the debt protection metrics to improve over the near to medium term supported by the factors mentioned above and its healthy business profile marked by established position as one of the largest steel wheel rim manufacturers in India, and its diversified presence across segments, customers and products.

The ratings remain supported by WIL's exceptional financial flexibility arising from its parentage. The company belongs to the T S Santhanam faction (TSF) of the larger TVS Group of Companies – an established name in the domestic auto ancillary industry. The T S Santhanam group holds 58.32% stake in the company through Trichur Sundaram Santhanam & Family Private Limited (29.86%, rated [ICRA]AA+ (Stable)/[ICRA]A1+), Sundaram Finance Holdings Limited (23.96%) and India Motor Parts and Accessories Limited (IMPAL) (4.50%, rated [ICRA]AA (Stable)/[ICRA]A1+).

The ratings, however, remain constrained by the company's moderate debt metrics and moderate operating margins, albeit improvement in H1 FY2025. Further, the company reported a YoY decline in consolidated operating income in H1 FY2025 to Rs. 2,342.4 crore impacted by demand slowdown in overseas markets. The slowdown in new vehicle registrations in FY2025 could result in some moderation in revenues for WIL in the near term. Its revenues are also exposed the inherent cyclicality of the domestic auto industry. Nevertheless, the company's established relationship with its customers, healthy order book, new customer additions, and increase in share of business with existing customers as part of vendor diversification initiatives by global OEMs mitigate the revenue risk to an extent and are likely to support healthy medium-term revenue prospects.

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 healthy business profile and cash accruals, despite any near-term slowdown in revenues.

Key rating drivers and their description

Credit strengths

Financial flexibility by being part of the T S Santhanam Group (TSF) – WIL enjoys exceptional financial flexibility and lender / investor comfort by belonging to T S Santhanam Group (a faction of the larger TVS Group of Companies – an established name in the domestic auto ancillary industry). TSF group holds 58.32% stake in the company through Trichur Sundaram Santhanam & Family Private Limited (29.86%, rated [ICRA]AA+ (Stable)/[ICRA]A1+), Sundaram Finance Holdings Limited (23.96%) and IMPAL (4.50%, rated [ICRA]AA (Stable)/[ICRA]A1+). Mr. S Ram, a third generation TVS family member is the Chairman of WIL's Board of Directors, while Mr. Srivats Ram, a fourth generation TVS family member, is the Managing Director and handles the day-to-day operations of the company.

Among the largest steel wheel rim manufacturers in India – With an operating income of Rs. 2,342.4 crore in H1 FY2025 (Rs. 4,981.7 crore in FY2024) and over five decades of presence in the steel wheel rim industry, the company is amongst the largest manufacturers of automotive steel wheel rims in India and earthmover steel wheel rims globally. It has established relationships with automotive and construction equipment original equipment manufacturers (OEMs) in India and globally. WIL enjoys a dominant domestic market share of 36% in medium & heavy commercial vehicles (M&HCV), 76% in light commercial vehicles (LCV), 52% in tractors and 34% in passenger vehicles (PV) steel rims at the consolidated level in H1 FY2025. Further, the company is among the larger manufacturers of air suspension products used in both buses and trucks and has healthy market share with domestic OEMs in the business.

Diversified segment and customer base; non-wheel rim business constitutes around 25% of revenues – The company derives 76% of its consolidated revenues from India, while the remaining was from overseas markets in H1 FY2025. In terms of product segments, wheels constitute ~75% of the revenues, while non-wheel business segment such as fabrications, windmill components, air suspension, bogie frames and hydraulic cylinders among other constituted the remaining in H1 FY2025. Segment-wise, the company is fairly diversified across tractors (17% revenues in H1 FY2025), passenger vehicles (17%), earthmover wheels (16%), commercial vehicles (13%) and air suspension (9%). Within domestic wheel rims, the company has a diversified customer base spread across 30 OEMs. Caterpillar India Private Limited, Tata Motors Limited (TML), Ashok Leyland Limited (ALL), Mahindra and Mahindra Limited (M&M), and Maruti Suzuki India Limited (MSIL) were the top five customers in India, while Vestas Wind Systems A/S, Caterpillar Inc., John Deere were the top customers in the export segment during H1 FY2025. The diversification mitigates risks arising from revenue decline from any single customer/segment to an extent.

Credit challenges

Moderate debt metrics, albeit improvement from past levels in H1 FY2025 – The company's debt metrics continue to be moderate with total debt / OPBITDA of 4.0x in H1 FY2025 and interest coverage of 2.7x in H1 FY2025, although there has been an improvement in the same compared to that during H1 FY2024. The improvement in coverage metrics was aided by improvement in operating profits and accruals and effective working capital management resulting in no significant increase in debt levels. The metrics is expected to improve going forward with stable debt levels and healthy improvement in accruals.

Moderate operating profit margins and accruals, albeit improvement in H1 FY2025 – The operating margins remain moderate at 7.0% in H1 FY2025 despite significant improvement from 4.3% in H1 FY2024, aided by price corrections, increase in proportion of margin-accretive products and cost optimisation measures such as efficiencies in procurement and production, fixed cost controls among others. WIL's accruals were also moderate at Rs. 74.7 crore in H1 FY2025 (H1 FY2024: Rs. 39.1 crore). The company's operating profits are expected to improve going forward, supported by periodic price negotiations with customers, continued focus on cost optimisation, improvement of proportion of exports and better operating leverage. However, the extent of improvement remains to be seen.

Revenues exposed to demand dynamics in overseas markets and domestic auto industry cyclicality – WIL derived ~24% of its revenues from the export markets in H1 FY2025, exposing it to any demand slowdown in overseas markets. The company predominantly supplies to earthmovers, passenger vehicles and tractors in exports. The slowdown in new vehicle registrations in FY2025 could result in some moderation in near-term revenues for WIL. Nevertheless, the company’s established relationship with its customers, healthy order book, new customer addition, and increase in share of business with existing customers as part of vendor diversification initiatives by global OEMs mitigate the revenue risk to an extent and are likely to support healthy medium-term revenue prospects. Its revenues are also exposed the inherent cyclicality of the domestic auto industry.

ESG related comments

Environmental considerations – WIL, being an auto component supplier, remains indirectly exposed to climate-transition risks by virtue of its automotive OEM customers manufacturing products used across different fuel powertrains. Accordingly, the prospects for WIL are linked to the ability of its customers to meet tightening emission requirements. The company also remains exposed to tightening environmental regulations with regard to waste and pollution norms, which can lead to an increase in operating costs and new capacity instalment costs. However, WIL has been taking steps to minimise the impact of environmental risks on its operations and carbon footprint, by enhancing its reliance on renewable sources and other energy saving efforts such as adoption of energy-efficient fixtures/equipment and water recycling.

Social considerations – Social considerations for WIL relate primarily to maintaining healthy industrial relations and product safety. Attracting and nurturing skilled manpower is critical as it seeks to keep pace with innovation and technological changes. On the product front, vehicle recalls by OEMs because of defective auto parts could create additional cost burden and liabilities. The company also has exposure to changing consumer preferences, including but not restricted to, increasing awareness of the potential environmental damage from emissions, shift towards Electric Vehicles (EVs), usage of sustainable materials and societal trends like preference for ride sharing.

Liquidity position: Adequate

WIL’s liquidity remains adequate supported by its anticipated cash accruals and undrawn working capital lines of around Rs. 150.0 crore as on September 30, 2024. The company had cash balance of Rs. 17.3 crore as on September 30, 2024. In relation to these sources of cash, the company has moderate capex plans of ~Rs. 100 crore in H2 FY2025, Rs. 225 crore in FY2026 and ~Rs. 125 crore in FY2027, which is likely to be funded through a combination of internal accruals and debt. Further, the company has consolidated repayments of Rs. 25.4 crore in H2 FY2025, 32.1 crore in FY2026 and Rs. 31.6 crore in FY2027 on its existing loans. Overall, ICRA expects WIL to be able to meet its near-term commitments through internal sources of cash and yet be left with sufficient cash/liquid investments surplus.

Rating sensitivities

Positive factors – Sustained improvement in profit margins and accruals along with significant reduction in debt levels could lead to an upgrade.

Negative factors – Negative pressure on WIL’s rating could arise from lower-than-expected scale up in revenues/profits and increase in debt levels, leading to deterioration in liquidity or leverage metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable

Consolidation/Standalone

The ratings are based on the consolidated financial profile of the company. Details of subsidiary/associate provided in Annexure-2

About the company

Wheels India Limited (WIL) is among the largest manufacturers of steel wheel rims in the country and is present across automotive (except 2W), tractor and earthmover segments. Further, WIL also manufactures air suspension systems for luxury buses in India, supplies fabricated and machined parts for windmills, and produces bogie frame and bogie bolsters for Indian Railways. The company derives ~75% of its consolidated revenues from the domestic market and its manufacturing facilities are located at Padi (TN), Rampur (UP), Pune (Maharashtra), Sriperumbudur (TN), Namachivayapuram (TN), Pukkathurai (TN), Mambakkam (TN), Thervoy Kandigai (TN) Irungattukottai (TN), Vanod (Gujarat), and Bawal (Haryana). The company is part of the TSF Group, which holds 58.32% stake through Trichur Sundaram Santhanam & Family Private Limited (29.86%, rated [ICRA]AA+ (stable)/A1+), Sundaram Finance Holdings Limited (23.96%) and IMPAL (4.50%, rated [ICRA]AA (Stable)/[ICRA]A1+) as on December 31, 2023. WIL has a subsidiary, namely WIL Car Wheels Limited (WCWL), which manufactures passenger car steel wheel rims; 74% stake is held by WIL in this entity and the remaining is held by Topy Industries Limited, Japan. Sundaram Hydraulics Limited, a group company, was amalgamated with WIL in FY2024.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	4,658.8	4,981.7
PAT	46.4	50.7
OPBDIT/OI	5.1%	5.4%
PAT/OI	1.0%	1.0%
Total outside liabilities/Tangible net worth (times)	2.8	2.7
Total debt/OPBDIT (times)	5.5	4.7
Interest coverage (times)	2.2	2.2

Source: Company, ICRA Research; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with numbers reported by the company in some instances

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 24, 2025	Mar 28, 2024	Mar 20, 2023	Jan 27, 2023	Jun 13, 2022	Jan 31, 2022	Dec 15, 2021	Apr 05, 2021		
1	Fixed deposit	Long term	250.00	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	MA+ (Stable)	MA+ (Stable)	MA+ (Stable)
2	Term loans	Long term	56.58	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3	Fund based Cash credit	Long term	560.00	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
4	Unallocated	Long term	33.42	[ICRA]A (Stable)	[ICRA]A- (Stable)	-	-	-	-	-	-	-
5	Unallocated	Short term	0.00	-	-	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-	-	-
5	Non-fund- based facilities	Short term	300.00	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	[ICRA]A1
6	Commercial Paper (CP)	Short term	0.00	-	-	-	[ICRA]A2+; reaffirmed and withdrawn	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	[ICRA]A1	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fixed Deposits	Very Simple
Term Loans	Simple
Long term - Fund based facilities	Simple
Short term – Unallocated	NA
Short term – Non-fund based facilities	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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fixed Deposit	-	7.50-8.30%	-	250.00	[ICRA]A(Stable)
NA	Term loans	FY2019-FY2021	6.60-9.10%	FY2025-FY2026	56.58	[ICRA]A(Stable)
NA	Cash Credit	NA	NA	NA	560.00	[ICRA]A(Stable)
NA	Unallocated	NA	NA	NA	33.42	[ICRA]A(Stable)
NA	Letter of Credit & Bank Guarantee	NA	NA	NA	300.00	[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

Company Name	Ownership	Consolidation Approach
WIL Car Wheels Limited	74.00%	Full Consolidation
Axles India Limited	9.51%	Equity Method

Source: Company

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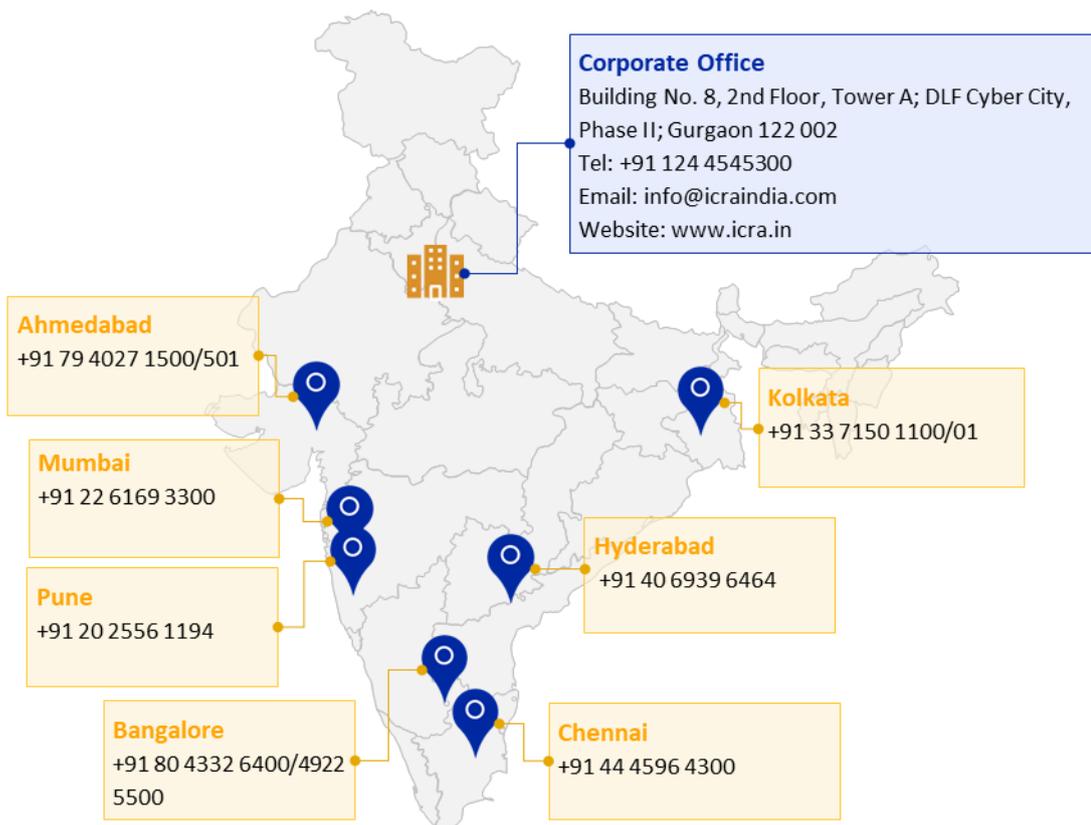
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