

January 24, 2025

WIL Car Wheels Limited: Long-term rating upgraded to [ICRA]BBB+ (Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund based – Term Loans	20.74	20.74	[ICRA]BBB+ (Stable); Upgraded from [ICRA]BBB (Stable)
Short term fund based limits	115.00	115.00	[ICRA]A2; reaffirmed
Long term/Short term – Unallocated	33.95	33.95	[ICRA]BBB+ (Stable)/ [ICRA]A2; Long-term upgraded from [ICRA]BBB (Stable) and short-term reaffirmed
Total	169.69	169.69	

*Instrument details are provided in Annexure-I

Rationale

The upgrade in the long-term rating outstanding on the bank lines of WIL Car Wheels Limited (WCWL/the company) considers improvement in credit profile of its parent, Wheels India Limited (WIL; rated [ICRA]A (Stable)/[ICRA]A2+), the improvement in WCWL's operating performance in H1 FY2025 and the expectation that this would sustain going forward as well. WIL, which holds 74% stake in WCWL, is an established steel wheel rim manufacturer, belonging to the T S Santhanam Group (a faction of the larger TVS Group of Companies). The upgrade of WIL's long-term to [ICRA]A (Stable) from [ICRA]A- (Stable) following the expected improvement in its overall credit profile over the near to medium term. WIL's operating profit margins and debt metrics improved in H1 FY2025, and it is expected to improve further going forward. WCWL's performance has also improved in H1 FY2025, with the company reporting operating and net profits, aided by price revisions, cost-optimisation measures (including efficiency improvement) and operating leverage benefits with higher scale. The improvement in operating profits has resulted in improvement in debt metrics as well. The accruals and debt metrics are expected to improve going forward. The ratings also favourably factor in WCWL's experienced management team, established customer relationships with several passenger vehicle (PV) original equipment manufacturers and healthy market share with its clients.

The ratings are, however, constrained by WCWL's modest scale, with an operating income of Rs. 426.1 crore in FY2024 and Rs. 238.2 crore in H1 FY2025, despite double-digit growth in both the periods. Also, its debt levels remain relatively high for its scale of operations at Rs. 155.3 crore as on September 30, 2024. While ICRA notes that debt has reduced from peak levels in the last few months, it remains high for WCWL's scale. Also, while the debt metrics have improved, primarily aided by improvement in profits and accruals, ability to improve them further would remain critical.

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 and experienced management team; healthy share of business and its established relationship with its customers; and anticipated accruals and adequate liquidity.

Key rating drivers and their description

Credit strengths

Strong parentage; experienced management team – 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. 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. 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.

Improvement in margins in H1 FY2025; expected to sustain going forward – The company's operating margins improved to 5.0% in H1 FY2025 from operating losses in FY2023 and FY2024, aided by price revisions, cost-optimisation measures (including efficiency improvement) and operating leverage benefits with higher scale. The improved operating profits has also cascaded into net profits, albeit minimal at Rs. 2.2 crore. WCWL's accruals are expected to increase going forward as well.

Credit challenges

Modest scale of operations – WCWL has relatively modest scale with an operating income of Rs. 426.1 crore in FY2024 and Rs. 238.2 crore in H1 FY2025, despite double-digit growth in both the periods. The growth was aided by industry uptick, increase in the share of business with some customers and price revisions. A higher scale would enhance resilience to volatility in demand and enable better cost absorption. Nevertheless, the company's established relationships with OEMs and its healthy share of business with customers are likely to support revenue growth going forward.

Relatively high debt levels for scale of operations – The debt levels are relatively high for its scale of operations and stood at Rs. 155.3 crore as on September 30, 2024, primarily arising from relatively high short-term borrowings for working capital requirements and cash losses in the past. Part of the borrowings are also because of debt-funded capex undertaken in the first few years of operation. While ICRA notes that debt has reduced from peak levels in the last few months, it remains high for WCWL's scale. Also, while the debt metrics have improved, primarily aided by improvement in profits and accruals, ability to improve them further would remain critical.

Liquidity position: Adequate

The company's liquidity is expected to remain adequate supported by its anticipated cash accruals, free cash and bank balances of Rs. 6.9 crore as of September 30, 2024 and working capital buffer. The company has also received sizeable proceeds from sale of plant to WIL. As against these sources of cash, the company has only maintenance capex of ~Rs. 5 crore p.a over the medium term and repayment obligations of Rs. 8.1 crore in H2 FY2025, Rs. 6.6 crore in FY2026, Rs. 7.2 crore in FY2027 on existing debt. WIL is expected to extend timely and adequate financial support to WCWL, 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	Corporate Credit Rating Methodology Auto Components
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)

Standalone	FY2023	FY2024
Operating income	381.2	426.1
PAT	-15.1	-14.9
OPBDIT/OI	-1.1%	-0.1%
PAT/OI	-4.0%	-3.5%
Total outside liabilities/Tangible net worth (times)	3.7	5.8
Total debt/OPBDIT (times)	-33.4	-293.0
Interest coverage (times)	-0.4	-0.04

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	Jan 27, 2023	Jan 31, 2022	Apr 09, 2021
1 Term Loan	Long Term	20.74	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB+ (Stable)
2 Fund based limits	Short Term	115.00	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2+
3 Unallocated	Long Term/ Short Term	33.95	[ICRA]BBB+ (Stable)/ [ICRA]A2	[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

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