April 15, 2025

Wendt (India) Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-Term – Fund-Based/CC	2.00	2.00	[ICRA]AA-(Stable); reaffirmed
Long-Term – Fund-Based/CC (Sub-limit of Non-Fund Based)	(2.00)	(2.00)	[ICRA]AA-(Stable); reaffirmed
Short-Term – Non-Fund Based	19.00	19.00	[ICRA]A1+; reaffirmed
Total	**21.00**	**21.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation considers Wendt (India) Limited's (WIL/the company) strong business and financial profile and ICRA's expectation of a sustained financial performance in the near to medium term, supported by its established presence, diversified customer base and robust capital structure and coverage indicators. Further, the company has a strong parentage with Carborundum Universal Limited (CUMI) holding 37.5% stake in the company and WIL being part of the larger Murugappa Group. WIL has strong financial profile marked by healthy profitability, debt free status and strong liquidity. While it does not require financial support from its parent (CUMI), WIL enjoys implicit financial and operational support stemming from its parentage. With no major debt-funded capex plans in the medium term, ICRA expects the company's debt coverage metrics and liquidity to remain strong going forward as well.

The ratings also consider the vulnerability of WIL's revenues and earnings to economic activities and capex cycles in the end-user industries. Further, it derived 31.0% of its revenues in 9M FY2025 from the automotive/auto ancillary segment, exposing its revenues to the inherent cyclicality in demand from the sector. While the company is focussing on increasing its share of revenues from other industries, the ability to achieve material diversification remains to be seen. Also, the domestic abrasives industry is highly fragmented with a large number of players. Despite its strong market position, WIL faces intense competition from other industry incumbents and imports, thereby restricting pricing flexibility to an extent.

ICRA notes that Wendt GmbH has decided to divest its ownership interest in the company (37.5% as on December 31, 2024). While the shareholders' approval has been received for the same, the transaction is yet to be completed. In addition to the potential divestiture by Wendt GmbH, the company has entered into a trademark assignment agreement with Wendt GmbH and has acquired the absolute ownership of the 'Wendt' brand and trademarks with over 60 registrations in 40 countries, owned by Wendt GmbH and/or its affiliates worldwide in accordance with the agreement, for Euro 3.8 million.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company will be able to maintain its credit profile, supported by its strong parentage, established presence, strong capital structure and coverage metrics and absence of debt-funded capex plans going forward.

Key rating drivers and their description

Credit strengths

Strong parentage – The ratings continue to derive comfort from WIL's strong parentage with Carborundum Universal Limited (CUMI) holding 37.5% stake in the company and WIL being part of the larger Murugappa Group. WIL has healthy financial profile and is expected to remain net debt negative going forward as well. While it does not require financial support from its parent (CUMI), WIL enjoys implicit financial and operational support stemming from its parentage.

One of the leading players in domestic super-abrasive segment – WIL is one of the leading players in the domestic super abrasive industry in India. The company's established presence in the industry as well as its strong research and development (R&D) and technical capabilities enable it to maintain a healthy market position in the industry. WIL's presence in machine tools and precision components also augurs well for the company.

Diversified customer base – The company has established relationships with a highly reputed customer base across industries, which support its revenues. The company derived 32.7% of its revenues from its top 10 customers in FY2024 and thus, the revenue remains diversified with limited dependence on a single customer.

Strong financial profile – The company's operating and net margins were healthy at 21.7% and 16.8%, respectively for 9M FY2025, supported by its value addition. Also, WIL has remained debt free since FY2023, primarily aided by healthy net cash accruals (Rs. 30.1 crore in FY2024) and moderate capex. Consequently, the company has strong capital structure and coverage metrics. Further, with no major debt-funded capex plans in the medium term, WIL's capital structure and debt coverage metrics are expected to remain strong going forward as well.

Credit challenges

Inherent volatility in end-user industry – WIL's revenues are vulnerable to the cyclicality and volatility in performance in end-user industries like auto, steel, ceramics, glass, cutting tools, engineering, etc, where its products find application. Within sectors, it derived 31.0% of its revenues in 9M FY2025 from the automotive/auto ancillary segment, exposing its revenues to the inherent cyclicality in demand from this sector. While the company is focussing on increasing its share of revenues from other industries, the ability to achieve material diversification remains to be seen.

High competition – The domestic abrasives industry is highly fragmented with a large number of players. Despite its strong market position, WIL faces intense competition from other industry incumbents and imports, thereby restricting pricing flexibility to an extent.

Environmental and social risks

Environmental considerations – Even though WIL is not directly exposed to climate transition risks from the likelihood of tightening emission control requirements, its automotive manufacturing customers who mainly drive its revenues, remain highly exposed to the same. Accordingly, the company's prospects remain linked to the ability of its customers to meet tightening emission requirements. Over the years, the company has been continuously making improvements in recycling and reusing of waste, consumption of water and energy, and optimal use of available natural resources. The company has also been certified in recognised standards such as ISO 9001, ISO 14001, ISO 45001, EN13236, EN9100 and IATF 16949.

Social considerations – Akin to most engineering companies, WIL has high dependence on human capital. Retaining human capital, maintaining healthy employee relationships and a safe work environment remain essential for disruption-free operations. As per the disclosures in its FY2024 annual report, the company places strong emphasis on the safety and health of its employees. It provides comprehensive health and safety training, including on-site and job-specific training, to ensure that all employees are equipped with the knowledge and skills necessary to prevent accidents.

Liquidity position: Strong

WIL's liquidity profile remains strong supported by anticipated cash flows from the business and free cash and liquid investment of Rs. 91.3 crore as on March 31, 2024. The company has sanctioned fund based working capital limit of Rs.5.0 crore and the same remained unutilised between January 2024 and January 2025. The company has outlined regular annual capex of about Rs. 20-25 crore during FY2026 and FY2027, which will be funded through internal accruals. The company currently does not have any outstanding term loans.

Rating sensitivities

Positive factors – The lower scale of operations currently restricts an upgrade in the long-term rating. However, a substantial scale up in revenues while maintaining healthy credit metrics and liquidity position on a sustained basis would result in WIL being considered for a rating upgrade.

Negative factors – Pressure on WIL's ratings could arise in case of any sharp deterioration in the credit profile of CUMI, and/or weakening of the linkages between CUMI and the company. Pressure on WIL's ratings could arise if its financial profile weakens sharply on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Carborundum Universal Limited (CUMI) holds 37.5% stake in the company. The ratings are based on implicit support from the parent, CUMI
Consolidation/Standalone	The ratings are based on the consolidated financial statements of the rated entity, which are listed in Annexure-2.

About the company

Wendt India Limited (Wendt/company), established in 1980, was originally promoted by Mr. S. C. Khatau and Wendt GmbH of Germany. The company started its operations by setting up a super-abrasives manufacturing facility at Hosur (Tamil Nadu) for grinding wheels and tools with technological support from Wendt GmbH. In 1991, Carborundum Universal Limited (CUMI, a Murugappa Group company), a leading conventional abrasives player in India, acquired 30% in the company from Mr S. C. Khatau and subsequently an additional ~10% from the open market to expand its presence in the super-abrasives segment. Currently, the company is jointly held by CUMI and Wendt GmbH, with each holding a 37.50% stake in the company (as on December 31, 2024).

However, Wendt GmbH has decided to divest its ownership interest in the company. While the shareholders' approval has been received for the same, the transaction is yet to be completed. In addition to the potential divestiture by Wendt GmbH, the company has entered into a trademark assignment agreement with Wendt GmbH and has acquired the absolute ownership of the 'Wendt' brand and trademarks with over 60 registrations in 40 countries, owned by Wendt GmbH and/or its affiliates worldwide in accordance with the agreement, for Euro 3.8 million.

Key financial indicators (Audited)

Consolidated	FY2023	FY2024
Operating income	211.4	227.8
PAT	40.1	41.0
OPBDIT/OI	27.6%	25.4%
PAT/OI	19.0%	18.0%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	121.4	140.9

Source: Company, ICRA Research; Note: Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results 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

		Current (FY2026)		Chronology of rating history for the past 3 years					
		FY2026		FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**Apr 15, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Short-Term – Non-Fund Based	Short Term	19.00	[ICRA]A1+	05-APR-2024	[ICRA]A1+	-	-	28-MAR-2023	[ICRA]A1+
Long-Term – Fund-Based/CC	Long Term	2.00	[ICRA]AA- (Stable)	05-APR-2024	[ICRA]AA- (Stable)	-	-	28-MAR-2023	[ICRA]AA- (Stable)
Long-Term – Fund-Based/CC (Sub-limit of Non-Fund Based)	Long Term	(2.00)	[ICRA]AA- (Stable)	05-APR-2024	[ICRA]AA- (Stable)	-	-	28-MAR-2023	[ICRA]AA- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-Term – Fund-Based/CC	Simple
Long-Term – Fund-Based/CC (Sub-limit of Non-Fund Based)	Simple
Short-Term – Non-Fund Based	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	**Long-Term – Fund-Based/CC**	NA	NA	NA	2.00	[ICRA]AA- (Stable)
NA	**Long-Term – Fund-Based/CC (Sub-limit of Non-Fund Based)**	NA	NA	NA	(2.00)	[ICRA]AA- (Stable)
NA	**Short-Term – Non-Fund Based**	NA	NA	NA	19.00	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	WIL Ownership	Consolidation Approach
Wendt Grinding Technologies, Thailand	100.00%	Full Consolidation

Source: WIL annual report FY2024

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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