

January 27, 2023

WIL Car Wheels Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	34.69	29.69	[ICRA]BBB (Stable); reaffirmed
Short term – Fund based facilities	135.00	115.00	[ICRA]A2; reaffirmed
Long term/short term unallocated	0.00	25.00	[ICRA]BBB(Stable)/[ICRA]A2; reaffirmed
Total	169.69	169.69	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation of WIL Car Wheels Limited (WCWL) favourably factors in its strong parentage with 74% stake held by Wheels India Limited (WIL, rated [ICRA]A- (Stable) / [ICRA]A2+), an established steel wheel rim manufacturer in India, belonging to the T S Santhanam Group (a faction of the larger TVS Group of Companies). The remaining 26% stake is held by Topy Industries Limited, Japan (Topy). ICRA expects WIL to extend timely and adequate financial support, as and when required, going forward.

WCWL's Board is chaired by Mr. Srivats Ram, WIL's Managing Director and a fourth generation TVS family member with over 30 years in the auto component industry. Further, the company's executive management team comprises of professionals with several decades of experience in the wheel rim industry. The ratings also draw comfort from WCWL's strong customer relationships with several passenger vehicle (PV) original equipment manufacturers. WCWL also has locational advantage with its manufacturing facilities being in proximity to the OEM plants.

The ratings are, however, constrained by WCWL's modest scale, with operating income of Rs. 340.1 crore in FY2022 and Rs. 197.1 crore in H1 FY2023. Further, the company reported cash losses in FY2022 and H1 FY2023 impacted by lag in pass through of commodity prices increase, underutilisation of capacities and relatively high interest expenses, among other reasons. Also, WCWL's debt levels are high for its scale of operations and stood at Rs. 133.7 crore¹ as on September 30, 2022, primarily arising from relatively high short-term borrowings for working capital requirements and loss funding. WCWL's ability to put its business on a focused growth path, achieve net breakeven and significantly reduce working capital borrowings would be critical from the credit perspective.

Key rating drivers and their description

Credit strengths

Strong parentage – 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 amongst 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.

¹ Total debt of Rs. 133.7 crore includes lease liabilities of Rs. 0.3 crore and vendor bills discounted to the tune of Rs. 91.4 crore as on September 30, 2022

Experienced management team – 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 market share; WCWL also has locational advantage with its manufacturing facilities being in proximity to the OEM plants – WCWL's clients comprise reputed PV OEMs like Maruti Suzuki India Limited (MSIL), Hyundai Motor India Limited (HMIL), Renault Nissan Automotive India Private Limited, Toyota Kirloskar Motor Private Limited and Isuzu Motors India private Limited. The company has a healthy market share in the PV steel wheel rim market. While the company is predominantly a steel wheel rim player, its parent, WIL, has recently commenced manufacturing of cast alloy wheels. 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 Renault Nissan Automotive India Pvt Limited, providing logistical advantages.

Credit challenges

Modest scale of operations and weak margins – WCWL has relatively modest scale with an operating income of Rs. 340.1 crore in FY2022 and Rs. 197.1 crore in H1 FY2023. This is despite healthy growth of over 30% in FY2022 and H1 FY2023, on YoY basis, aided by industry uptick, new business wins and realisation improvement from the passthrough of raw material prices. Further, the company reported cash losses in FY2022 and H1 FY2023 impacted by lag in pass through of commodity prices increase, underutilisation of capacities, and relatively high interest expenses, among other reasons. WCWL's ability to put its business on a focused growth path and achieve net breakeven would be critical from the credit perspective.

Relatively high debt levels for scale of operations – The debt levels are high for its scale of operations and stood at Rs. Rs. 133.7 crore² as on September 30, 2022, primarily arising from relatively high short-term borrowings for working capital requirements and loss funding. Part of the borrowings are also because of debt-funded capex undertaken in the first few years of operation. The company's ability to improve its capacity utilisation, generate adequate accruals and significantly reduce working capital borrowings remains critical.

Liquidity position: Stretched

The company has reported cash losses since FY2020, and its accruals are expected to be relatively low over the next 1-2 years.. As on September 30, 2022, the company had minimal cash and liquid investments of Rs. 4.3 crore. In addition, the company had undrawn ECLGS loan of Rs. 9.4 crore and working capital lines of Rs. 5.3 crore as on September 30, 2022. In relation to these sources of cash, WCWL has capex commitment of ~Rs. 2.0 crore for H2 FY2023 and Rs. 7.0 crore each for FY2024 and FY2025 and term loan repayments of Rs. 3.4 crore in Q4 FY2023, Rs. 6.5 crore in FY2024 and Rs. 4.5 crore in FY2025 on its existing/sanctioned loans. WCWL has healthy financial flexibility and lender/investor comfort by virtue of it being WIL's subsidiary, and this is expected to continue going forward as well. ICRA expects WCWL to be able to meet its medium-term commitments through internal sources of cash, incremental debt, and timely and adequate financial support from WIL, as and when required.

Rating sensitivities

Positive factors – Significant improvement in profit margins and leverage metrics on sustained basis could lead to an upgrade.

² Total debt of Rs. 133.7 crore includes lease liabilities of Rs. 0.3 crore and vendor bills discounted to the tune of Rs. 91.4 crore as on September 30, 2022

Negative factors – Negative pressure on WCWL’s rating could arise from weak revenues/profits and deterioration in liquidity or leverage metrics; or weakening in the parent’s (WIL) credit profile or WCWL’s operational/financial linkages with the parent, WIL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating methodology for Auto Component Suppliers Rating Methodology for implicit or explicit support from parent or group on an entity’s credit rating
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 India Limited manufactures of passenger car steel wheel rims, predominantly for the domestic market. Its manufacturing facilities are located at Padi (Tamil Nadu)³, 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 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)

Consolidated	FY2021	FY2022
Operating income	246.9	340.1
PAT	-6.5	-8.8
OPBDIT/OI	0.9%	0.7%
PAT/OI	-2.6%	-2.6%
Total outside liabilities/Tangible net worth (times)	2.5	2.8
Total debt/OPBDIT (times)	62.3	58.4
Interest coverage (times)	0.4	0.3

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

³ WIL undertakes contract manufacturing at its Padi facility

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years				
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on December 31, 2022	Date & Rating	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
				January 27, 2023,	January 31, 2022	April 09, 2021,	May 04, 2020,	-	March 22, 2019
1 Term Loan	Long Term	29.69	29.69	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB+ (Stable)	[ICRA]A- (Negative)	-	[ICRA]A- (Stable)
2 Fund based facilities	Short Term	115.00	-	[ICRA]A2	[ICRA]A2	[ICRA]A2+	[ICRA]A1	-	[ICRA]A1
3 Unallocated	Long Term/ Short Term	25.00	-	[ICRA]BBB (Stable)/ [ICRA]A2	-	-	-	-	[ICRA]A- (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Short term – Fund based facilities	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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan - I	FY2019	7.70%	FY2024	2.50	[ICRA]BBB (Stable)
NA	Term Loan - II	FY2019	7.70%	FY2025	3.75	
NA	Term Loan - III	FY2019	7.65%	FY2024	1.88	
NA	Term Loan - IV	FY2019	7.65%	FY2024	1.80	
NA	Term Loan - V	FY2023	8.40%	FY2029	10.39	
NA	Term Loan - VI	FY2023	9.25%	FY2029	9.37	
NA	Short term fund based facilities – Vendor Bills Discounting	NA	NA	NA	115.00	[ICRA]A2
NA	Unallocated	NA	NA	NA	25.00	[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

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545 328

shamsherd@icraindia.com

K Srikumar

+91 44 4596 4318

ksrikumar@icraindia.com

Vinutaa S

+91 44 4596 4305

Vinutaa.s@icraindia.com

Kishore Kumar A

+91 44 4596 4340

Kishore.a@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

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.