



Wheels India Limited

Instruments	Amounts (Rs. Crore [*])	Rating Action
Commercial Paper	50.00	[ICRA]A1; assigned

ICRA has assigned a rating of [ICRA]A1 (pronounced ICRA A one) to Wheels India Limited's ("WIL" / "the Company")[†] proposed Rs. 50 crore Commercial Paper programme. ICRA also has [ICRA]A+ (pronounced ICRA A plus) with stable outlook and [ICRA]A1 ratings outstanding on the Company's Rs. 571.56 crore bank limits. Further, ICRA has a rating of MA+ (pronounced M A plus) outstanding on WIL's Rs. 126.50 crore fixed deposit programme.

The Indian automotive industry has continued its growth momentum during the current fiscal (following a recovery in 2014-15) led by improving economic sentiments wherein the Medium and Heavy Commercial Vehicle (M&HCV) industry continues to be the main beneficiary of this revival, with production growing by 23.5% during YTD-August 2015. The Passenger Vehicle (PV) segment has also bottomed out, growing by 8.3% during the same period. Given WIL's healthy market share in these segments and its considerable capacity buffer coupled with its close association with leading domestic original equipment manufacturers, the Company is well positioned to leverage the healthy demand potential from the automotive industry over the medium term. In assigning the ratings, ICRA also takes into account the Company's ongoing efforts to grow its higher margin domestic replacement and non-auto businesses, which are expected to augment profitability over the medium term. The ratings also factor the current soft commodity price regime which is expected to lower the Company's working capital burden, thereby leading to interest cost reduction.

While arriving at the ratings, ICRA also continues to factor WIL's leading market position in the domestic wheel rim industry, its established presence in the global earthmoving (EM) wheel rim industry and its well diversified product and customer mix. ICRA also takes into account the considerable financial flexibility enjoyed by WIL by virtue of being part of the TVS group. The ratings, however, continue to be constrained by the intensifying competition in the domestic market (especially the passenger vehicle segment) which has marginally impacted pricing. Weak near term outlook for the Company's export business owing to tepid global demand also adversely weighs on near term volumes, although overall export revenues are likely to be supported by favourable currency trends. WIL's moderate operating profit margins-owing to the commoditized nature of its products- further impacts the company's overall profitability. ICRA also takes into account the Company's relatively heavy dependence on the automobile industry, which exposes revenues to cyclicity in these industries. In this context, ongoing efforts by the management to de-risk revenue concentration through entry into counter-cyclical segments and to increase the share of higher margin products are expected to help mitigate the aforementioned risks over the medium to longer term.

Company Profile

Wheels India Limited (WIL) was incorporated in 1960 as a joint venture between the TVS group (50%) and Dunlop, UK. In 1999, Titan Europe Plc. (Titan Europe) of Titan International Inc (rated by Moodys at B1 with 'stable' outlook) bought out Dunlop's stake of 35.9% in WIL. Titan Europe PLC was fully acquired by Titan International Inc. Consequently, Titan International Inc inherited the 35.91% stake in the Company. In compliance with SEBI regulations, following an open offer, Titan International Inc increased its stake in WIL to 41.73%. Titan International is a global major in the off-highway wheel manufacturing business. Its primary markets include agriculture, earthmoving/construction and consumer applications. In March 2014, in order to comply with the Minimum Public shareholding (MPS) requirement, WIL undertook a rights issue. Following the rights issue, the combined stake of the promoters (Titan and TVS group) has been pared down to 75%.

WIL is the largest manufacturer of wheel rims in the country and is present across all automotive segments namely passenger cars, CVs, utility vehicles (UV), tractors and Earth Movers (EM), except

^{*} 100 lakhs = 1 crore = 10 millions

[†] For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications



two-wheelers. Further, WIL is a leading manufacturer of air suspension systems for luxury buses in India and has recently ventured into manufacturing of power structures. The company is geographically well-diversified and has manufacturing facilities at Chennai (Tamil Nadu), Rampur (Uttar Pradesh), Ranjangaon (Maharashtra), Bawal (Haryana), Sriperumbudur (Tamil Nadu), Deoli (Maharashtra) and Pant Nagar (Uttaranchal).

Recent Results

For the quarter ended June 30, 2015, the Company reported net profits of Rs. 7.8 crores on an operating income of Rs. 491.6 crores as against a net profit of Rs. 7.8 crores on an operating income of Rs. 488.8 crores for the similar period ended June 30, 2014. For the financial year 2014-15, the Company reported net profit of Rs. 29.7 crores on an operating income of Rs. 1,979.9 crores as against a net profit of Rs. 28.4 crores on an operating income of Rs. 1,823.2 crore for the previous financial year.

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