

December 15, 2021

Wheels India Limited – Update on material event

Summary of ratings outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Commercial Paper	100.00	100.00	[ICRA]A1
Medium Term – Fixed deposit	210.00	210.00	MA+ (Stable)
Term loans	204.87	204.87	[ICRA]A (Stable)
Long term-Fund based facilities	260.00	260.00	[ICRA]A (Stable)
Long term – Unallocated	25.13	25.13	[ICRA]A (Stable)
Short term - Non-fund based facilities	150.00	150.00	[ICRA]A1
Total	950.00	950.00	

*Instrument details are provided in Annexure-1

Rationale

Vide an announcement dated December 08, 2021 in the BSE, Wheels India Limited's (WIL/the company) Board has approved the scheme of amalgamation of Sundaram Hydraulics Limited ("SHL", rated [ICRA]BBB-%¹/[ICRA]A3%) with WIL. The appointed date for amalgamation is October 01, 2021 and the scheme is subject to receipt of approvals of shareholders and creditors of companies involved and approval of other regulatory authorities. The transaction is entirely non-cash and is based on a share swap arrangement, wherein 151 equity shares in WIL of face value of Rs. 10.0 each will be allocated for every 15,000 shares of face value of Rs. 10.0 each of SHL.

ICRA notes that the amalgamation is unlikely to have any material impact on WIL's financials or day-to-day operations. There is no material change expected in WIL's shareholding as well (57.54% promoter stake pre-amalgamation vs 57.12% post-amalgamation). SHL reported an operating income of Rs. 57.5 crore and OPBDITA of Rs. 6.3 crore in FY2021 as against WIL's operating income and OPBITDA of Rs. 2,413.4 crore and Rs. 143.0 crore respectively in FY2021. SHL's total debt stood at Rs. 23.1 crore as on March 31, 2021 as against Rs. 1,133.6 crore for WIL as on the same date. On the other hand, it is likely to bring about operational and financial synergies for SHL and WIL. The amalgamation will help WIL in widening the product offering to its existing strategic customers. SHL's business is also likely to expand by using the customer base of WIL. The amalgamation is also expected to result in operational efficiency, partly aided by rationalization of administrative expenses.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

¹ % denotes rating watch under positive implications

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Suppliers
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of WIL. Details are enlisted 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 earth mover 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 over 75% of its consolidated revenues from the domestic market and its manufacturing facilities are located at Padi (TN), Rampur (UP), Pune (Maharashtra), Sriperumbudur (TN), Pantnagar (Uttarakhand), Deoli (Maharashtra), Thirumudivakkam (TN), Vanod (Gujarat), Bawal (Haryana) and Thervoy Kandigai (TN). The company is part of the larger TVS Group (T S Santhanam arm), with 57.54% stake held by the TVS Group: TV Sundram Iyengar and Sons Private Limited (20.41%, rated [ICRA]AA&/ [ICRA]A1+&)), Sundaram Finance Holdings Limited (23.28%), Southern Roadways Limited (9.28%) and India Motor Parts & Accessories Limited (4.57%, rated [ICRA]AA (Stable)/[ICRA]A1+) as on September 30, 2021. WIL has a subsidiary by name WIL Car Wheels Limited (WCWL, rated [ICRA]BBB+ (Stable)/[ICRA]A2+), 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.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Date & Rating in FY2022	Chronology of Rating History for the past 3 years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2021 (Rs. crore)	Date & Rating		Date & Rating in FY2021			Date & Rating in FY2020	Date & Rating in FY2019	
							December 15, 2021	April 05, 2021	July 08, 2020		June 12, 2020	April 30, 2020
1	Fixed deposit	Medium term	210.00	199.04	MA+ (Stable)	MA+ (Stable)	MA+ (Negative)	MA+ (Negative)	MA+ (Negative)	MA+ (Stable)	MA+ (Stable)	MA+ (Stable)
2	Term loan	Long term	204.87	208.72	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
3	Fund based-CC	Long term	260.00	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
4	Unallocated	Long term	25.13	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	-	-	-
5	Non-fund based facilities	Short term	150.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6	Unallocated	LT/ST	-	-	-	-	-	-	-	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+
7	Commercial Paper	Short term	100.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial Paper	Simple
Medium Term – Fixed deposit	Simple
Term loans	Simple
Long term-Fund based facilities	Simple
Long term – Unallocated	Simple
Short term - Non-fund based facilities	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-1: Instrument details

ISIN No/ Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fixed deposit	-	6.75-7.25%	-	210.00	MA+ (Stable)
Not placed	Commercial Paper	-	-	-	100.00	[ICRA]A1
HDFC Bank	Term loan	FY2014	7.5-8.0%	FY2026	11.25	[ICRA]A (Stable)
HDFC Bank	Term loan	FY2014		FY2026	15.62	[ICRA]A (Stable)
Kotak Mahindra Bank	Term loan	FY2014		FY2026	28.00	[ICRA]A (Stable)
Exim Bank	Term loan	FY2020		FY2024	75.00	[ICRA]A (Stable)
Axis Bank	Term loan	FY2021		FY2026	75.00	[ICRA]A (Stable)
United Bank of India	Cash Credit	NA			88.00	ICRA]A (Stable)
Standard Chartered Bank	Cash Credit				55.00	ICRA]A (Stable)
State Bank of India	Cash Credit				69.00	ICRA]A (Stable)
HDFC Bank	Cash Credit				48.00	ICRA]A (Stable)
-	Unallocated				25.13	ICRA]A (Stable)
United bank of India	LC/BG				72.00	[ICRA]A1
Standard Chartered Bank	LC/BG				42.00	[ICRA]A1
State Bank of India	LC/BG				24.00	[ICRA]A1
HDFC Bank	LC/BG				12.00	[ICRA]A1

Source: Wheels India Limited

Annexure-2: 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: Wheels India Limited

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