Telephone Nos. :
Regd. Office : (044) 28522745
Factory : (044) 26234300
(044) 26258511

Telefax : 044 - 26257121
Web : www.wheelsindia.com

WHEELS INDIA LIMITED

Corporate Identity Number : L35921TN1960PLC004175

Registered Office :
21, Patullos Road, Chennai - 600 002.

Factory :
Padi, Chennai - 600 050.

February 26, 2024

To
National Stock Exchange of India Limited
The Manager, Listing Department,
"Exchange Plaza", C-1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051

Symbol: WHEELS

To
BSE Limited
The Corporate Relationship Department,
1st Floor New Trading Wing, Rotunda Building,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400 001

Scrip Code: 590073

Dear Sir / Madam,

Subject: Intimation of credit rating(s) – Regulation 30 of the SEBI LODR

Pursuant to Regulation 30 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"), we wish to inform you that, vide release dated February 23, 2024, the Company, on February 26, 2024, received the following credit ratings assignment by M/s. India Ratings and Research Pvt. Ltd. ("Credit Rating Agency"):

Type of Instruments	Rating / Outlook	Remarks / Reason
Fund-based / non-fund based working capital limit	IND A / Stable / IND A1	Rating assigned for the facilities of INR 6,600 million
Non-fund-based working capital limit	IND A1	Rating assigned for the facilities of INR 3,000 million
Fixed Deposits	IND A / Stable	Rating assigned for the facilities of INR 2,500 million
Term loan	IND A / Stable	Rating assigned for the facilities of INR 900 million

Kindly take into your record.

Thanking you.

Yours faithfully,

For **Wheels India Limited**

LAKSHMI VISWANATHAN KUNISSERY
Digitally signed by LAKSHMI VISWANATHAN KUNISSERY
Date: 2024.02.26 19:38:47 +05'30'

K V Lakshmi
Company Secretary & Compliance Officer

India Ratings Assigns Wheels India's Bank Facilities 'IND A'; Outlook Stable

Feb 23, 2024 | Auto Components & Equipments

India Ratings and Research (Ind-Ra) has rated Wheels India Limited's (WIL) bank facilities as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based/non-fund-based working capital limit	-	-	-	INR6,600	IND A/Stable/IND A1	Assigned
Non-fund-based working capital limit	-	-	-	INR3,000	IND A1	Assigned
Fixed deposit	-	-	-	INR2,500	IND A/Stable	Assigned
Term loan	-	-	March 2026	INR900	IND A/Stable	Assigned

ANALYTICAL APPROACH: Ind-Ra has taken a consolidated view of WIL and its subsidiary WIL Car Wheels Limited (74% stake), along with its associate Axles India Limited (9.51% stake, by equity method), referred to as WIL hereafter, to arrive at the ratings given the strong operational linkages among them.

Key Rating Drivers

Strong Market Position: WIL is the largest manufacturer of automotive steel wheel rims in India and earth mover steel wheel rims globally. The company has a strong share of business with key original equipment manufacturers (OEMs) in the domestic market. The company has leveraged this market position, enabling it to grow at a much higher growth rate than the industry growth rate. The company has also forayed into the aluminium wheel rim segment, although it is still a smaller player in the industry.

Diversified Product Portfolio and Customer Base Supports Revenue Base: The company operates through four main product verticals: automotive (55% of 1HFY24 revenue), earth mover products (26%), windmill and railway components (9%) and air suspension (10%). For keeping the technological advancement pace and adding new lines of products, WIL has also got into various technological collaborations.

WIL's revenue is fairly diversified into automotive (9MFY24: 83.5%, FY23: 84.4%, FY22: 81.1%) and industrial components (16.5%, 15.6%, 18.9%). In the forged and cast aluminium wheels segment, the company is likely to expand in the domestic market as it has also received orders from domestic OEMs, which it was previously only exporting. The company supplies steel wheel rims to a diversified customer base across industry segments, including Ashok Leyland Limited (ALL), Tata Motors Limited (TML), Mahindra and Mahindra Limited (M&M; 'IND AAA'/Stable), Maruti Suzuki India Limited (MSIL) and Caterpillar India Private Limited (CIPL) in the domestic market; and Vestas Wind Systems A/S, Caterpillar Inc. and John Deere globally. The diversification mitigates the risks arising from revenue decline from any single customer/segment to an extent.

The company annually spends on research and development activities, helping it introduce margin-accretive new components. The company has also recently started supplying aluminium cast wheels, and continues to work on product development to expand its offerings to this segment. Given its diversified product portfolio, Ind-Ra opines that this would safeguard WIL's revenue.

Healthy Revenue Growth Likely to Continue over Medium Term: The consolidated revenue grew at a CAGR of 13% to INR46,511 million over FY16-FY23 (FY22: INR 39,665 million), on the back of strong sales in both domestic and exports market, the company's ability to add new customers and an increase/sustaining of a strong share of business with the existing customers, along with diversification across business segments. During 9MFY24, the revenue rose to INR37,058 million (9MFY23: INR 33,960 million,) mainly on account of a recovery in demand across all domestic auto segments.

Ind-Ra expects WIL to achieve a consolidated revenue of over INR50,000 million in FY24 and increase further by 8%-10% yoy in FY25, on account of the full-year utilisation of the expanded alloy wheel facilities, coupled with a continued recovery in the domestic automobile market and aided exports. Although, the likely reduction in commodity prices could affect sales realisation. The revenue is also likely to benefit from alloy wheel capacity ramp up over the medium term, with the company's diversification plans in the domestic OEM market for the alloy wheel segment.

Part of the TS Santhanam Group: WIL is a part of T.S. Santhanam Group, a part of erstwhile TVS group. The group operates across segments, including component manufacturing, parts distribution, vehicle dealership and vehicle financing. Being a part of TSF group, allows WIL's access to the group's vast customer and supplier base, and also provides financial flexibility in the form of strong banking and investor relations. The group, post the restructuring, holds 57.53% stake in WIL through Trichur Sundaram Santhanam & Family Private Limited (29.36%), Sundaram Finance Holdings Limited (23.96%) and IMPAL (4.5%). The company's board's representation also has members of the promoter family and group companies.

Liquidity Indicator - Adequate: The consolidated cash balance was INR208 million at 1HFYE24 (FYE23: INR40.4 million, FYE22: INR35.7 million). WIL's average month-end utilisation of the fund-based limits against its drawing power was around 74% over the 12 months ended December 2023. The company generated positive free cash flow of INR926 million in FY23 (FY22: negative INR1784 million), mainly on account of favourable working capital movement. The net adjusted working capital cycle improved to 84 days in FY23 (FY22: 105 days) as the company has been focusing on reducing inventory and debtor days.

The capex outgo is likely to remain around INR1,500 million per annum until FY26, as per management. This would be largely towards debottlenecking and increasing of capacities across segments. While most of the capex will be incurred through internal accruals, the company plans to raise debt of around INR650 million in FY24. Ind-Ra expects the free cash flow to remain positive in FY24 and FY25, supported by improving EBITDA levels and better working capital management.

WIL has scheduled repayments of INR732 million and INR494 million in FY24 and FY25, respectively, pertaining to the term loan, which will be met from internal accruals.

Continued Modest Operating Margins: WIL has historically been operating at an EBITDA margin of 6%-8% over FY16-FY22. However, the company's EBITDA margin declined to below 5% during FY23-9MFY24 (9MFY24: 4.5%, FY23: 4.7%; FY22: 6.4%), mainly on account of increasing raw material prices, one-off expenses related to product quality control and losses in the new product segments. As per management, the company has been able to attain breakeven in the aluminium wheel rim segment in 1HFY24. Ind-Ra believes with the likely price revision and addition of domestic clientele, and the fourth quarter being a seasonally better quarter for the company, the overall EBITDA margins are likely to be at 4.8%-5.3% in FY24. Ind-Ra believes the EBITDA margins could increase further by 100-120bp in FY25 with the ramp up of capacities in the aluminium wheel segment, higher capacity utilisation leading to better operating leverage, along with stabilisation of raw material prices. The EBITDA margins are susceptible to fluctuations in raw material costs; however, it is able to pass on the same to OEMs with a lag.

Modest Credit Metrics, Although Likely to Improve in FY25: Ind-Ra expects the credit metrics to improve from FY25 with improving profitability on account of ramp up in the higher margin aluminium wheel segment, along with working capital rationalisation, supporting improvement in the credit metrics. Ind-Ra expects the net adjusted leverage (net debt including bills discounting, and lease liabilities/EBITDA) to reduce below 5.0x in FY24 (1HFY24: 5.31x, FY23: 5.45x, FY22: 5.01x) and further to 3.5x-4.0x in FY25. WIL's interest coverage is also likely to improve to above 2.25x in FY24 (1HFY24: 1.83x, FY23: 2.12x, FY22: 3.56x) and further to 3.0x-3.25x in FY25.

Historically, the net adjusted leverage increased to above 5.0x over FY22-FY23 as the company had incurred a large capex of over INR7 billion during FY18-FY20, majorly towards aluminium wheel plant, leading to higher debt levels. However, a delay in the ramp up/utilisation under these capacities led to deterioration in the credit metrics.

The company's reported gross debt reduced to INR7,684 million at 1HFYE24 (FYE23: INR7,644 million, FYE22: INR8,490 million) as it used free cash flow to repay a certain portion of its debt. Adjusting for bills discounted and lease liabilities, the debt was around INR12,182 million at 1HFYE24 (FYE23: INR11,947 million, FYE22: INR12,751 million) owing to higher working capital borrowing. As per management, the debt capex is likely to be largely funded via internal accruals.

Rating Sensitivities

Positive: A significant improvement in the profitability, along with revenue diversification and a further reduction in the gross working capital cycle leading to the interest coverage increasing above 4.0x, all on a consolidated and sustained basis, could lead to a positive rating action.

Negative: A decline in the profitability margins and/or a stretch in the gross working capital cycle, leading to the interest coverage remaining below 3.0x, and/or deterioration in the liquidity position, could lead to a negative rating action.

Company Profile

WIL manufactures steel and aluminium wheel rims across automotive (except two-wheeler), tractor and earth mover segments. It caters to both the domestic as well as overseas markets. The company also has a presence in air suspension systems for luxury buses in India, supplies fabricated and machined parts for windmills, and produces bogie frame and bogie bolsters for the Indian Railways.

WIL, along with its subsidiary, WIL Car Wheels has a total capacity of manufacturing 10.8 million steel wheels rims and 0.4million aluminium alloy wheels rims as of December 2023.

CONSOLIDATED FINANCIAL SUMMARY

Particulars	FY23	FY22
Revenue (INR million)	46,511	39,664
EBITDA (INR million)	2,185	2,546
Gross debt (INR million)	7,644	8,490
Cash and equivalents (INR million)	40	36
Gross interest coverage (x)	2.12	3.56
Net adjusted leverage (x)	5.45	4.99
Source: WIL; Ind-Ra		

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loan	Low
Non-Fund Based Working Capital Limit	Low
Fund/Non-Fund Based Working Capital Limit	Low
Fixed Deposit	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Contact

Primary Analyst
Nikhil Sahu
Analyst
India Ratings and Research Pvt Ltd
DLF Epitome, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002
+91 124 6687219
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Shefali Joshi
Senior Analyst
+91 124 6687261

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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