

October 18, 2024

## WheelsEMI Private Limited: Rating reaffirmed; [ICRA]BBB (Stable) assigned to Rs. 100-crore NCD programme

### Summary of rating action

| Instrument*               | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action                  |
|---------------------------|-----------------------------------|----------------------------------|--------------------------------|
| Long-term bank loans      | 100.00                            | 100.00                           | [ICRA]BBB (Stable); reaffirmed |
| Non-convertible debenture | 100.00                            | 100.00                           | [ICRA]BBB (Stable); reaffirmed |
| Non-convertible debenture | -                                 | 100.00                           | [ICRA]BBB (Stable); assigned   |
| <b>Total</b>              | <b>200.00</b>                     | <b>300.00</b>                    |                                |

\*Instrument details are provided in Annexure I

### Rationale

To arrive at the rating, ICRA has considered the consolidated financials of WheelsEMI Private Limited and its subsidiary—BluBird Auto Trade Private Limited, given their common senior management team, business linkages and operational synergies.

The rating factors in WheelsEMI Private Limited's (WheelsEMI) adequate capitalisation profile, supported by regular capital infusions. The company's consolidated net worth<sup>1</sup> stood at Rs. 239 crore as on March 31, 2024 and its capital-to-risk weighted assets ratio (CRAR) of 37.6% was well above the regulatory requirement. ICRA notes that WheelsEMI's managed gearing<sup>2</sup> has been increasing, given the high pace of growth and subdued earnings profile. In ICRA's opinion, the company would require an equity infusion in the near term to support its growth plans for maintaining a prudent capitalisation profile. ICRA takes comfort from WheelsEMI's demonstrated record of raising equity and takes note of its plans to raise equity capital in the near term.

The rating continues to factor in the company's limited track record and the inherent risks associated with two-wheeler (2W) financing. Further, the earnings profile remains subdued because of the elevated operating expenses. While the company reported a loss at the consolidated level, ICRA notes that it reported a standalone profit of Rs. 0.6 crore in FY2024 (Rs. 0.3 crore in Q1 FY2025), though the sustainability of the same remains a monitorable. Further, WheelsEMI's ability to raise funds from diverse sources at competitive rates will remain crucial in view of its growth plans. ICRA also takes note of the company's strategy of growing its assets under management (AUM) through co-lending, which would help it improve its operating efficiency and earnings profile.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that the company will be able to maintain an adequate capital profile while expanding its scale of operations and sustaining the improvement in its earnings metrics.

### Key rating drivers and their description

#### Credit strengths

**Adequate capitalisation profile supported by regular capital infusions** – The company's net worth stood at Rs. 239 crore and the CRAR was 37.6% as on March 31, 2024. However, given the high pace of growth and the subdued earnings profile, the managed gearing has been increasing and stood at 5.4 times as on March 31, 2024 (3.0 times as on March 31, 2023). In ICRA's opinion, WheelsEMI would require an equity infusion in the near term to support its growth plans while maintaining an adequate capitalisation profile. ICRA takes comfort from the company's demonstrated record of raising equity (Rs. 225 crore

<sup>1</sup> Net worth adjusted for equity shares and reserves held by WheelsEMI Employee Welfare Trust

<sup>2</sup> Managed gearing: (Total on-book borrowings + Interest accrued on borrowings + Assigned portfolio) / Net worth

in FY2023; Rs. 23 crore in FY2022; Rs. 105 crore in FY2021) and takes note of its plans to raise equity capital of ~Rs. 350-400 crore in the near term, which shall support its growth plans.

### Credit challenges

**Monoline nature of business and relatively risky exposure profile** – The company’s portfolio vulnerability remains high owing to the monoline nature of its business and the relatively weaker credit profile of the borrowers. Starting operations in 2017, WheelsEMI’s AUM increased to Rs. 1,375 crore as on June 30, 2024 (Rs. 929 crore as on March 31, 2023). Given the high pace of growth, portfolio seasoning remains low. The company’s 90+ days past due (dpd) increased to 5.4% as on June 30, 2024 from 3.6% as on March 31, 2023. Its ability to control delinquencies as it continues to scale up its operations remains monitorable.

**Subdued earnings profile, notwithstanding the improvement** – The company’s earnings profile remains subdued on account of high operating expenses. While it reported a loss at the consolidated level, ICRA notes that WheelsEMI reported a standalone profit of Rs. 0.6 crore in FY2024 (Rs. 0.3 crore in Q1 FY2025), though the sustainability of the same remains a monitorable. On a consolidated basis, the company reported a net loss of Rs. 2 crore in FY2024 (net loss of Rs. 44 crore in FY2023). Going forward, ICRA expects the profitability to increase gradually with improving operating efficiency, provided credit costs are controlled.

**Limited financial flexibility** – WheelsEMI’s financial flexibility remains limited with the resource profile largely comprising funding from non-banking financial companies (NBFCs). ICRA takes note of the company’s plans to grow its co-lending portfolio (Rs. 785 crore; 57% of AUM as of June 30, 2024), which would help expand the AUM. However, in the long term, it is crucial to diversify the funding profile and raise resources at better pricing for scaling up the loan book.

### Liquidity position: Adequate

As on June 30, 2024, WheelsEMI held ~Rs. 63 crore of free cash and cash equivalents. This, along with the scheduled monthly collections (excluding interest) of Rs. 399 crore from the on-book loan portfolio, is sufficient to meet the debt repayments (excluding interest expenses) of ~Rs. 376 crore till June 30, 2025. The presence of sanctioned but unutilised funding lines of Rs. 10 crore also supports the liquidity profile. The company had no negative cumulative mismatches in the asset-liability management (ALM) statement as on June 30, 2024.

### Rating sensitivities

**Positive factors** – A sustained improvement in the earnings profile and an increase in the scale of operations, while maintaining good asset quality, could positively impact the rating.

**Negative factors** – A deterioration in the asset quality or an increase in the managed gearing to more than 6 times on a sustained basis could exert pressure on the rating.

### Analytical approach

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">ICRA’s Credit Rating Methodology for Non-banking Finance Companies</a>         |
| Parent/Group support            | Not Applicable   |
| Consolidation/Standalone        | For arriving at the ratings, ICRA has considered the consolidated financials of WheelsEMI. |

### About the company

WheelsEMI Private Limited is a Pune-based, registered non-deposit taking non-banking financial company (NBFC), which provides financing for new as well as pre-owned two-wheelers. It is promoted by Mr. Srinivas Kantheti and Mr. V Karunakaran, who acquired Vardnarayan Savings and Investment Co Pvt Ltd., a small finance company based out of Nanded, Maharashtra with a loan book of Rs. 35 lakh (at the time of acquisition) in 2017. WheelsEMI provides 2W financing to low-income customers.

The company has a wholly-owned subsidiary, BluBird Auto Trade Private Limited (BluBird), incorporated in April 2019. BluBird's primary business is leasing and renting of vehicles, primarily to logistics companies. BluBird also deals in the purchase and sale of used vehicles.

### Key financial indicators (audited)

| WheelsEMI Private Limited (consolidated) | FY2023 | FY2024 |
|--|--------|--------|
| Total income                             | 186    | 255    |
| Profit after tax                         | (44)   | (2)    |
| Total managed assets                     | 1,095  | 1,662  |
| Return on managed assets                 | -4.8%  | -0.2%  |
| Managed gearing (times)                  | 3.0    | 5.4    |
| Gross stage 3                            | 3.6%   | 5.4%   |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

| WheelsEMI Private Limited (standalone) | FY2023 | FY2024 | Q1 FY2025* |
|--|--------|--------|------------|
| Total income                           | 183    | 253    | 66         |
| Profit after tax                       | (37)   | 0.6    | 0.3        |
| Total managed assets                   | 1,096  | 1,636  | 1,668      |
| Return on managed assets               | -4.0%  | 0.04%  | 0.1%       |
| Managed gearing (times)                | 2.7    | 4.8    | 4.9        |
| Gross stage 3^                         | 3.6%   | 5.4%   | 5.4%       |
| CRAR                                   | 48.4%  | 37.6%  | 30.9%      |

Source: Company, ICRA Research; \* Provisional numbers; ^on AUM; All ratios as per ICRA's calculations; Amount in Rs. crore

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for past three years

| Instrument                | Current (FY2025) |                          |                    | Chronology of rating history for the past 3 years |                    |             |                    |        |        |
|---------------------------|------------------|--------------------------|--------------------|---|--------------------|-------------|--------------------|--------|--------|
|                           | Type             | Amount rated (Rs. crore) | 16-OCT-2024        | FY2024  |                    | FY2023      |                    | FY2022 |        |
|                           |                  |                          |                    | Date  | Rating             | Date        | Rating             | Date   | Rating |
| Long-term bank loans      | Long term        | 100.00                   | [ICRA]BBB (Stable) | 06-OCT-2023                                       | [ICRA]BBB (Stable) | 10-OCT-2022 | [ICRA]BBB (Stable) | -      | -      |
| Non-convertible debenture | Long term        | 100.00                   | [ICRA]BBB (Stable) | 06-OCT-2023                                       | [ICRA]BBB (Stable) | 10-OCT-2022 | [ICRA]BBB (Stable) | -      | -      |
| Non-convertible debenture | Long term        | 100.00                   | [ICRA]BBB (Stable) | -   | -                  | -           | -                  | -      | -      |

### Complexity level of the rated instruments

| Instrument                | Complexity Indicator |
|---------------------------|----------------------|
| Long-term bank loans      | Simple               |
| Non-convertible debenture | 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 bank loans      | NA               | NA          | NA         | 100.00                   | [ICRA]BBB (Stable)         |
| INE367Y07137 | Non-convertible debenture | 10-16-2023       | 10.70%      | 10-16-2025 | 15.00                    | [ICRA]BBB (Stable)         |
| INE367Y07145 | Non-convertible debenture | 11-10-2023       | 12.60%      | 05-23-2026 | 12.50                    | [ICRA]BBB (Stable)         |
| INE367Y07152 | Non-convertible debenture | 11-10-2023       | 12.35%      | 05-23-2025 | 12.50                    | [ICRA]BBB (Stable)         |
| INE367Y07160 | Non-convertible debenture | 06-21-2024       | 10.70%      | 12-21-2026 | 25.00                    | [ICRA]BBB (Stable)         |
| INE367Y07178 | Non-convertible debenture | 07-26-2024       | 13.17%      | 10-26-2025 | 10.00                    | [ICRA]BBB (Stable)         |
| NA*          | Non-convertible debenture | NA               | NAs         | NA         | 125.00                   | [ICRA]BBB (Stable)         |

Source: Company; \* Yet to be placed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

| Company Name                       | Ownership (Mar 31, 2024) | Consolidation Approach |
|------------------------------------|--------------------------|------------------------|
| BluBird Auto Trade Private Limited | 100.00%                  | Full Consolidation     |

Source: WheelsEMI Private Limited consolidated annual report FY2024

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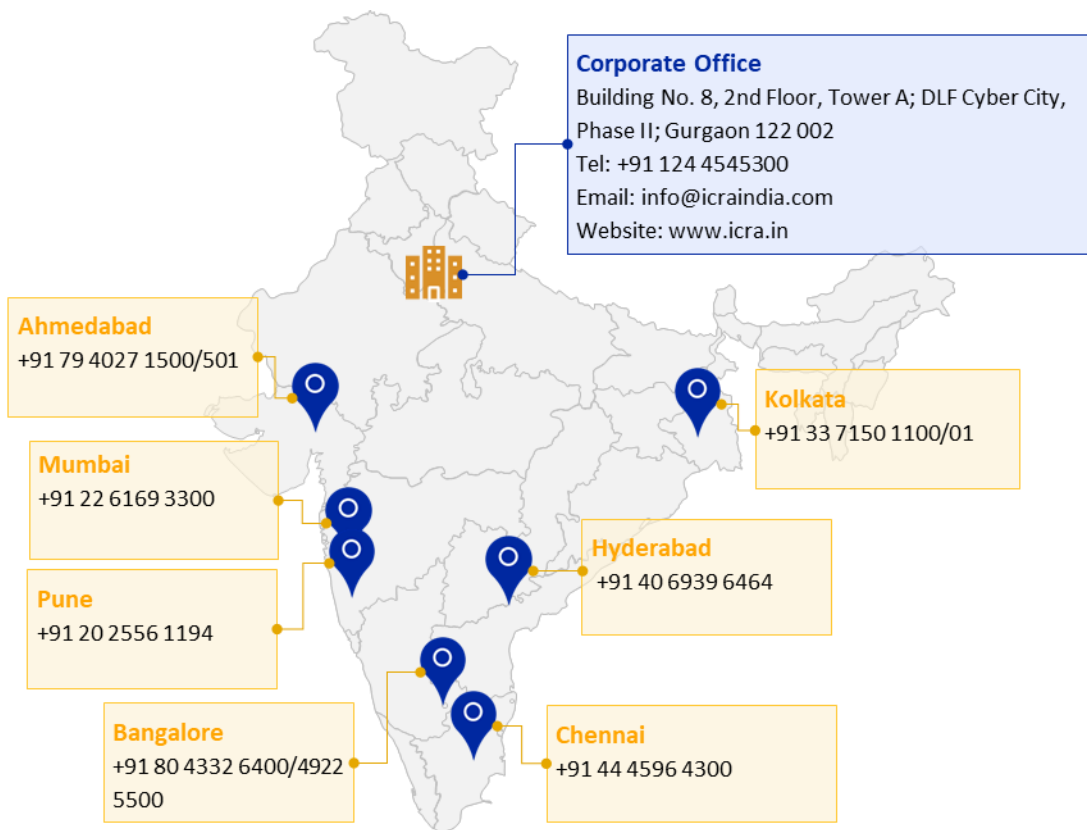
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### Branches



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