



Wheels India Ltd

Key Stock Indicators

NSE Ticker:	WHEELS	CMP (as on 31 Mar 2011—Rs/share):	224	Shares outstanding (mn):	9.9
Bloomberg Ticker:	WHL:IN	52-week range up to 31 Mar 2011 (Rs) (H/L):	357.00/205.00	Free Float (%):	14.3
Face value / Share:	10.0	Market Cap as on 31 Mar 2011 (Rs mn):	2,210	Average daily volumes (12 months):	4,591
Div. Yield (%):	2.00	Enterprise Value as on 31 Mar 2011 (Rs mn):	5,924	Beta (2 year):	0.90

Wheels India Limited (WIL), promoted by the TVS group, started operations in early 1960s. The company manufactures wheels for commercial vehicles, passenger cars, jeeps and tractors. It also makes air suspension system sets and auto weld beams and components. The company has eight plants located at Padi, Sriperumbudur and Kanchipuram (Tamil Nadu), Pune and Deoli (Maharashtra), Rampur (Uttar Pradesh), Bawal (Haryana) and Pantnagar (Uttarakhand). The company has an installed capacity of manufacturing 12.1 mn wheels per annum.

KEY HIGHLIGHTS

Air suspension system developed in FY10

In FY10, WIL developed air suspension systems for ambulance applications, in addition to nine new air suspension systems for city buses, under the brand "TVS-Wilride". These systems reduce vibrations, increase driver comfort and extend the life of the body and chassis components. The technical know-how for manufacturing these air suspension systems was acquired from Dunlop, UK (now acquired by Trelleborg). WIL is also looking at widening its product range to other suspension applications. In FY10, revenues from sale of air suspension kits increased ~176%, year-on-year.

Wide base mitigates client concentration risk

The company has a large number of customers. International customers include Caterpillar, Komatsu, Volvo, JCB, TCM, Shin Caterpillar Mitsubishi Ltd, Kawasaki Heavy Industries, Hyundai Heavy Industries, Mitsubishi Heavy Industries, Doosan Infracore, Case New Holland, Bell Equipment, Kato, etc. The company's domestic customers include Caterpillar India, Komatsu India, JCB India, Bharat Earth Movers Ltd, Telecon, Hindustan Motors, Ingersoll Rand, L&T, Escorts, TIL, PL Haulwel Trailers, etc. In FY10, WIL derived ~91% of its revenue from customers located within India and ~9% from customers located outside India. The company's wide customer base reduces its client concentration risk.

KEY RISKS

- Increase in the cost of steel, power, fuel and manpower
- Increasing competition from domestic as well as international players
- Slowdown in demand from the automobile segment will affect revenues
- Recession in international markets

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
WHEELS	-7	6	-16	-5
NIFTY	10	9	-5	11

Note:

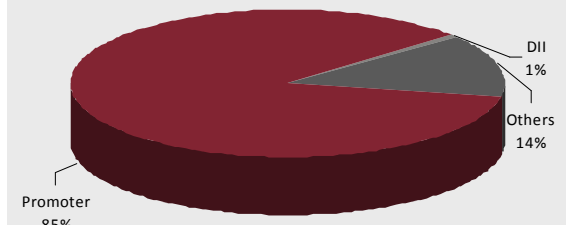
- 1) YTD returns are since Apr 01, 2010 to Mar 31, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Mar 31, 2011

Key Financial Indicators

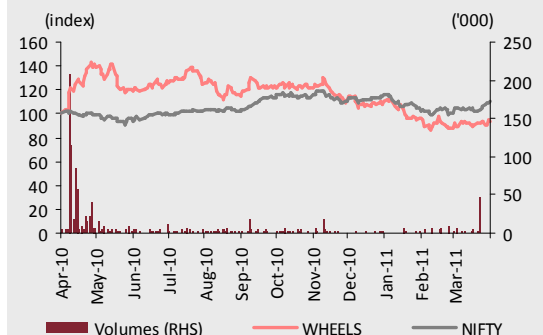
	Mar-08	Mar-09	Mar-10
Revenue (Rs mn)	11,463.4	11,412.2	12,523.5
EBITDA margins (%)	8.8	7.5	7.2
PAT (Rs mn)	258.6	212.6	129.5
PAT margins (%)	2.3	1.9	1.0
Gearing (x)	2.3	2.5	2.6
EPS (Rs/share)	26.2	21.5	13.1
PE (x)	8.5	5.0	17.1
P/BV (x)	1.2	0.6	1.1
RoCE (%)	12.7	11.9	8.1
RoE (%)	15.4	11.9	6.9
EV/EBITDA (x)	5.1	5.7	6.5

n.m. : Not meaningful

Shareholding (As on December 30, 2010)



Indexed price chart



Wheels India Ltd

BACKGROUND

WIL was promoted by the TVS group. The company is a leading manufacturer of steel wheels for passenger cars, utility vehicles, heavy vehicles such as trucks, trailers, buses, agricultural tractors and off-road construction equipment. The company supplies two-thirds of its production to the domestic market and exports the remaining to markets in North America, Europe, Asia-Pacific and South Africa. Exports contributed ~9% to FY10 revenue. The company caters to original equipment manufacturers (OEMs), after-market and niche segments.

WIL has a technical and financial collaboration with Titan Europe, which owns a 35.9% stake in WIL. WIL has an installed annual capacity of manufacturing 12.1 mn wheels, 23,500 sets of air suspension system and 12,000 tonnes of auto weld beams. In FY10, the company started operations at its Pantnagar facility and moved a truck wheel line to Rampur in an effort to reduce costs and get closer to customers' plants. It also commenced operations at its Deoli plant in Wardha district, Maharashtra. This plant manufactures components for the power equipment segment. In the wheel business, the company plans to de-bottleneck major lines in FY11 to meet increased demand.

COMPETITIVE POSITION

Peer Comparison

	Wheels (India) Ltd.	Jay Bharat Maruti Ltd.	Lumax Auto Technologies Ltd	Automotive Axles Ltd.
Revenue (Rs mn)	Mar-10	Mar-10	Mar-10	Sep-09
Revenue (Rs mn)	12,523.5	8,046.4	4,172.6	2,760.4
EBITDA margins (%)	7.2	10.2	8.7	12.3
PAT (Rs mn)	129.5	210.1	231.5	96.6
PAT margins (%)	1.0	2.6	5.5	3.5
Gearing (x)	2.6	0.6	0.1	0.4
EPS (Rs/share)	13.1	9.7	19.9	6.4
PE (x)	17.1	9.8	7.1	56.6
P/BV (x)	1.1	2.3	2.1	3.1
RoCE (%)	8.1	27.5	33.4	7.9
RoE (%)	6.9	25.6	32.5	5.6
EV/EBITDA (x)	6.5	3.2	4.4	17.2

n.m.: Not meaningful

FINANCIAL PROFILE

EBITDA margin, PAT show declining trend

The company registered top line growth of 9.7% in FY10. Top line stood at Rs 12.5 bn, vis-à-vis Rs 11.4 bn in FY09. Growth was largely on account of increase in sales volumes of wheels (9.6 mn units, versus 7.6 mn units in FY09) and air suspension kits (15,071 units against 5,274 units in FY09). Export revenues plummeted ~49% year-on-year due to recession in the international markets.

EBITDA margin for FY10 decreased a marginal 30 basis points to 7.2%, from 7.5% for FY09. Marginal increase in employee costs, material costs as well as power and fuel costs contributed to this decrease.

The company reported a net profit of Rs 129.5 mn in FY10 vis-à-vis Rs 212.6 mn in FY09. Profit in FY09 had received a boost from sale of fixed assets

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	11,463.4	11,412.2	12,523.5
EBITDA margins	Per cent	8.8	7.5	7.2
PAT	Rs million	258.6	212.6	129.5
PAT margins	Per cent	2.3	1.9	1.0
Revenue growth	Per cent	13.3	-0.4	9.7
EBITDA growth	Per cent	22.1	-15.1	6.3
PAT growth	Per cent	-0.6	-17.8	-39.1
Gearing	Times	2.3	2.5	2.6
RoCE	Per cent	12.7	11.9	8.1
RoE	Per cent	15.4	11.9	6.9

INDUSTRY PROFILE

Auto Component

The auto components industry production, in India, is estimated at around Rs 1212 billion in 2009-10. The industry has been reducing its dependence on the domestic automobile industry over the long term; it also continues to maintain its ability of being cost-competitive and technically proficient in niche segments. These factors along with foray of Indian auto component players in the international markets through acquisitions have enhanced the industry's popularity among international original equipment manufacturers (OEMs) in terms of their outsourcing needs. Currently, domestic OEMs account for around 67% of the total auto component production off take, whereas the replacement and export segments account for around 21% and 12%, respectively. The industry is largely fragmented with over 558 players operating in the organised segment and many unorganised players catering to the replacement demand. However, with auto OEMs adopting vendor rationalisation, proportion of the organised segment is likely to increase over the long term. In the long term, exports are expected to grow at a faster pace as global OEMs are expected to implement cost rationalisation strategies by increasing their sourcing from low cost regions. The bargaining power of players is moderate with OEM's and has been historically high in the replacement market. The technological edge of a particular auto component segment determines the bargaining power of its players. Further, players with higher exposure to replacement segment are able to have better margins given higher bargaining power in the segment. However, increasing competition from imports is impacting the ability to pass on input cost increases in replacement market as well.

Wheels India Ltd

ANNUAL RESULTS

Income Statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	11,302.1	11,280.2	12,413.8
Operating Income	11,463.4	11,412.2	12,523.5
EBITDA	1,003.4	851.8	905.4
EBITDA Margin	8.8	7.5	7.2
Depreciation	312.7	337.9	331.9
Interest	306.9	467.6	377.7
Other Income	13.6	247.9	6.6
PBT	397.4	295.9	202.3
PAT	258.6	212.6	129.5
PAT Margin	2.3	1.9	1.0
No. of shares (Mn No.)	9.9	9.9	9.9
Earnings per share (EPS)	26.2	21.5	13.1

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax profit	397.4	294.2	202.3
Total tax paid	-109.1	-57.1	0.0
Depreciation	312.7	337.9	331.9
Change in working capital	190.0	-490.9	61.4
Cash flow from operating activities	791.0	84.1	595.6
Capital Expenditure	-1,145.1	-881.9	-539.3
Investments and others	-39.7	-38.8	42.0
Cash flow from investing activities	-1,184.8	-920.7	-497.3
Equity raised/(repaid)	0.0	0.0	0.0
Debt raised/(repaid)	474.3	945.9	-79.4
Dividend (incl. tax)	-80.8	-63.5	-51.8
Others (incl extraordinary)	0.0	-44.5	49.7
Cash flow from financing activities	393.5	837.9	-81.5
Change in cash position	-0.3	1.3	16.8
Opening cash	8.3	8.1	9.4
Closing cash	8.1	9.4	26.4

n.m : Not meaningful

Balance sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	98.7	98.7	98.7
Reserves and surplus	1,670.4	1,719.8	1,856.3
Tangible net worth	1,769.1	1,818.5	1,955.0
Deferred tax liability: asset	288.3	314.4	387.2
Long-term debt	1,965.0	2,836.0	2,865.1
Short-term-debt	908.6	983.5	875.1
Total debt	2,873.6	3,819.5	3,740.2
Current liabilities	2,305.4	1,859.4	2,440.5
Total provisions	46.2	63.5	51.8
Total liabilities	7,282.6	7,875.3	8,574.7
Gross block	5,000.0	5,694.7	6,795.4
Net fixed assets	3,518.1	4,008.5	4,224.9
Investments	113.9	152.7	110.7
Current assets	3,650.5	3,714.1	4,239.1
Receivables	1,436.1	1,628.4	1,964.6
Inventories	1,615.4	1,398.1	1,714.2
Cash	8.1	9.4	26.4
Total assets	7,282.5	7,875.3	8,574.7

Ratio

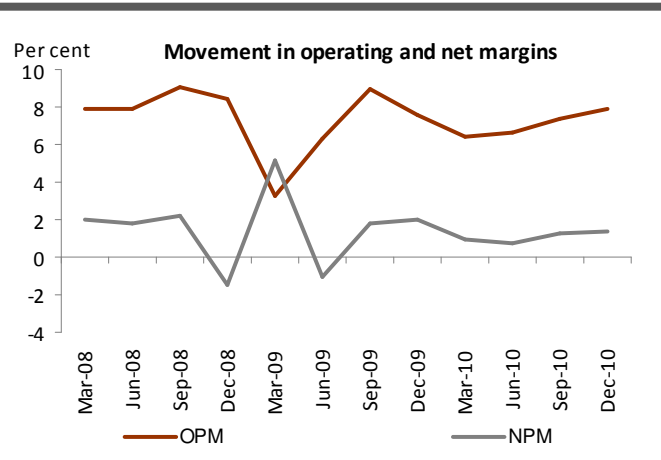
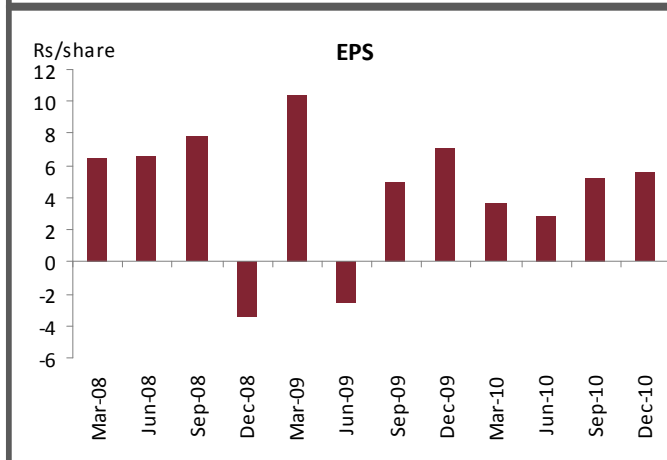
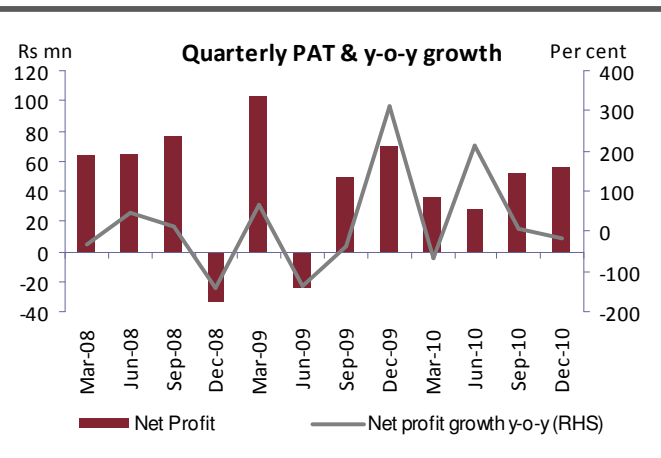
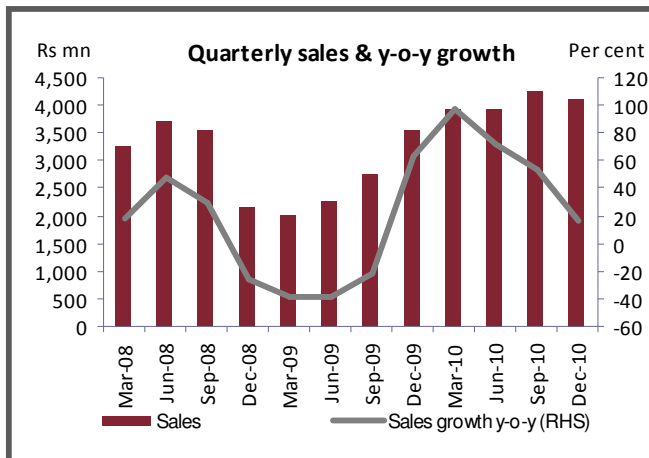
	Mar-08	Mar-09	Mar-10
Revenue growth (%)	13.3	-0.4	9.7
EBITDA growth(%)	22.1	-15.1	6.3
PAT growth(%)	-0.6	-17.8	-39.1
EBITDA margins(%)	8.8	7.5	7.2
Tax rate (%)	27.5	19.3	0.0
PAT margins (%)	2.3	1.9	1.0
Dividend payout (%)	26.7	25.5	34.3
Dividend per share (Rs)	7.0	5.5	4.5
BV (Rs)	179.3	184.3	198.1
Return on Equity (%)	15.4	11.9	6.9
Return on capital employed (%)	12.7	11.9	8.1
Gearing (x)	2.3	2.5	2.6
Interest coverage (x)	3.3	1.8	2.4
Debt/EBITDA (x)	2.9	4.5	4.1
Asset turnover (x)	2.5	2.1	2.0
Current ratio (x)	1.1	1.2	1.2
Gross current assets (days)	116	119	122

QUARTERLY RESULTS

Profit and loss account

	Dec-10	% of Rev	Dec-09	% of Rev	Sep-10	% of Rev	Dec-10	% of Rev	Dec-09	% of Rev
No of Months	3		3		3		9		9	
Revenue	4,115.2	100.0	3,539.5	100.0	4,238.8	100.0	12,269.6	100.0	8,581.6	100.0
EBITDA	323.5	7.9	267.9	7.6	312.3	7.4	893.7	7.3	659.5	7.7
Interest	125.1	3.0	100.9	2.9	128.6	3.0	375.8	3.1	290.9	3.4
Depreciation	112.2	2.7	84.5	2.4	110.8	2.6	328.8	2.7	258.6	3.0
PBT	86.4	2.1	82.5	2.3	72.9	1.7	176.5	1.4	110.0	1.3
PAT	55.8	1.4	69.8	2.0	51.4	1.2	113.7	0.9	93.7	1.1

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Promoter	85.7	85.7	85.7	85.7
DII	0.6	0.6	0.6	0.6
Others	13.7	13.7	13.7	13.7

Board of Directors

Director Name	Designation
S Ram(Mr.)	Executive Chairman
S Viji (Mr.)	Non Executive
T T Rangaswamy(Mr.)	Non Executive,Independent Director
J M A Akers(Mr.)	Non Executive
Srivats Ram(Mr.)	Managing Director
T K Seshadri(Mr.)	Non Executive,Independent Director
T S Vijayaraghavan(Mr.)	Non Executive,Independent Director
S Prasad(Mr.)	Non Executive,Independent Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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