Rico Jinfei Wheels Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	78.01 (Enhanced from 50.00)	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	11.90 (Enhanced from 10.00)	CARE BBB+; Stable / CARE A2	LT rating reaffirmed and ST rating assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Rico Jinfei Wheels Limited (RJWL) derives strength from its strong parentage (being 91.74% subsidiary of Rico Auto Industries Limited (RAIL)) whereby the company benefits from group synergies in the form of common business relationships, Rico group's brand identity and centralized finance, marketing and procurement functions alongside operational support. Moreover, the company has also been able to leverage upon RAIL's longstanding relationship with Hero Moto Corp Limited, which contributed significantly to RJWL's top line during FY24 (refers to the period from April 01, 2023 to March 31, 2024). Further, the ratings also takes cognizance of improved financial risk profile after consummation of proposed merger of RJWL with Rico Fluidtronics Limited (held ~19% stake in RJWL as on March 31, 2024), which is the wholly owned subsidiary of Rico Auto Industries Limited and is engaged into manufacturing of oil and water pumps for automotive industry.

The ratings, however, continue to remain constrained by company's weak financial risk profile, low bargaining power leading to susceptibility of profitability margins to volatile raw material prices and cyclical nature of the auto industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completion of the merger as envisaged thereby leading to improvement in the credit risk profile of Rico Jinfei Wheels Limited.
- Increase in scale of operations with PBILDT margin above 12% on a sustained basis.
- Improvement in capital structure thereby leading to overall gearing below 1.00x.

Negative factors

- Any deterioration in credit risk profile of Rico Auto Industries Limited.
- Decline in scale of operations with PBILDT margin below 5% on a sustained basis.

Analytical approach: Standalone, after factoring linkages with the parent i.e. Rico Auto Industries Limited.

Outlook: Stable

CARE believes that the group will continue to benefit from the experience of its promoters and continue to register improvement in its operational performance in the near to medium term.

Detailed description of key rating drivers:

Key strengths

Strong Parentage

RAIL is the flagship company of the RICO group and is engaged in the business of manufacturing more than 500 aluminium and ferrous based automotive components in India. Mr Arvind Kapur, the Chairman, C.E.O. (Chief Executive Officer) & Managing Director of RAIL, is a graduate from Harvard Business School and has more than four decades of experience in the automotive industry. The group has established relationship with leading auto manufacturers and OEM's (Original equipment manufacturers) including Hero Moto Corp Limited, Maruti Suzuki India Limited, BMW, Renault, Toyota etc. Moreover, RAIL has a track record of supporting Rico Jinfei Wheels Limited by way of infusion of unsecured loans over the years. RAIL (on consolidated basis) reported total operating income of Rs.2,163.37 crore during FY24 (PY: Rs. 2,306.47 crore), thereby reporting y-o-y degrowth by ~6%.

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[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

However, the PBILDT margin improved by 80 bps and stood at 10.58% in FY24 (PY: 9.78%) owing to rationalization of certain expenses. The PAT margin remained slightly moderated by 41 bps and stood at 1.80% in FY24 (PY: 2.21%) owing to increase in depreciation and interest expenses. However, the group expects recovery in the current year backed by new components added from Knorr Bremse, Case New Holland, Piaggio and is also in discussion with prospective new clients which will support revenue growth over the medium term.

Reputed customer base

RJWL is the major supplier of alloy wheels to Bajaj Auto Limited & Hero MotoCorp Limited, which contributed ~99% to sales in FY24 (PY: ~98%). Hero MotoCorp Limited was added as the new customer for RJWL only in FY21 (refers to the period from April 01, 2020 to March 31, 2021) as it is one of the major clienteles for Rico Auto Industries Limited (the ultimate holding company of the group) and its share has increased from 25% of total sales in FY21 to ~67% of total sales in FY24. Though, there is customer concentration risk, however the same is mitigated to an extent as these two players enjoy significant market position in the two-wheeler industry.

Stable Operational performance

The total operating income of the company reported modest growth of ~3% in FY24 which stood at Rs. 310.83 crore (PY: Rs. 300.67 crore). The same was primarily owing to restricted supply of certain components to Hero MotoCorp Limited due to negotiations on raw material price settlement. The same led to loss of revenue by ~Rs.40-50 crore during FY24. The PBILDT margin improved by 146 bps and stood at 8.02% in FY24 (PY: 6.56%). The same was owing to lesser contribution to sales by Hero MotoCorp Limited where the company had lower operating margins. Moreover, the raw material prices also reduced by ~200 bps and stood at ~66% of total operating income in FY24 (PY: ~68%). Further, the company reported net profit of Rs.2.25 crore in FY24 (PY: net loss of Rs.0.22 crore).

Merger petition filed with Rico Fluidtronics Limited

The merger petition of Rico Jinfei Wheels Limited with Rico Fluidtronics Limited (100% subsidiary of Rico Auto Industries Limited) is currently underway, with the company planning to file it soon, with an appointed date of April 1, 2023. Regarding the merger, the Committee of Creditors (CoC), both secured and unsecured, is set to convene on January 5, 2025, as specified by the Hon'ble NCLT. The company expects the final merger order to be processed by Q4FY25 (refers to period from January 01, 2025 to March 31, 2025).

The primary rationale behind the merger is to enhance the operational performance of Rico Jinfei Wheels Limited, as Rico Fluidtronics Limited has a growing scale of operations and better operating profit margins. The total operating income of the company increased by approximately 62%, reaching Rs. 221.81 crore in FY24 (previous year: Rs. 136.82 crore). The PBILDT margin improved to 11.92% in FY24 (previous year: 11.36%). Additionally, the merger is expected to improve the overall financial risk profile, as the company has a tangible net worth (TNW) base of Rs. 56.52 crore as of March 31, 2024, along with a leaner debt profile with only a lease liability of Rs. 6.38 crore as of March 31, 2024.

Key weaknesses

Weak financial risk profile

The capital structure of the company remained levered marked by overall gearing of 10.86x as on March 31, 2024 (PY: 11.24x). The debt coverage indicators of the company continued to remain modest as reflected by PBILDT interest coverage and total debt/GCA of 1.91x (PY: 1.59x) and 11.02x (PY: 13.89x) in FY24 respectively.

Susceptibility of profitability margins to volatile raw material prices

Aluminium is the key raw material used for manufacturing of alloy wheels. RJWL mainly procures its raw material from domestic market, thereby reducing the lead time for delivery. Some of the major suppliers of the company include Bharat Aluminium Company Limited, Hydro Aluminium Asia Pte Limited and GAIL India Limited with whom it enjoys credit period ranging between 45 to 90 days. The demand for metals, especially aluminium, is cyclical, the prices of which are driven by demand and supply conditions prevalent in the market coupled with strong linkage with the global LME-driven prices. The company has a mechanism wherein any revision in the raw material prices is reset by the OEMs based on last billing and change in prices is accommodated with a lag of one quarter. Major raw material of the company is aluminium, price of which is very volatile in nature.

Cyclical nature of auto industry

The automobile industry is highly cyclical in nature and automotive component suppliers' sales are directly linked to sales of auto OEMs. Furthermore, the auto-ancillary industry is highly competitive with the presence of a large number of players in the organized as well as unorganized sector. While the organized segment majorly caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers.

Liquidity: Adequate

The liquidity position of the company is adequate as reflected by projected gross cash accruals to the tune of Rs.25.27 crore in FY25 against scheduled term loan repayments of Rs.10.84 crore. Further, the average utilization of the working capital borrowings of RJWL stood moderately high at ~75% for the trailing 12 months ended September 30, 2024. The company is planning to incur capex of ~Rs. 20.00 crore in FY25 pertaining to capacity expansion and upgradation to be funded by debt of Rs.11.47 crore and remaining through internal accruals.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Auto Components & Equipments
Short Term Instruments
Factoring linkages Parent Sub JV group

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Rico Jinfei Wheels Limited (RJWL) was incorporated in 2007 and is a JV of RICO Group (holding 91.74% as on March 31, 2024) with Chinese auto player Jinfei Holding Group (5.04%). It is engaged in the manufacturing of alloy wheels. RJWL has its manufacturing facility located at Gurgaon, Manesar.

The flagship company of RICO group, Rico Auto Industries Limited was incorporated in March, 1983 and is engaged in manufacturing and supplying of wide range of fully-machined aluminium and ferrous parts and assemblies to automotive OEMs (2-W, 4-W, tractors and HCVs) for ICE engines and electric vehicles.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	300.67	310.83	179.36
PBILDT	19.72	24.94	7.74
PAT	-0.22	2.25	-2.72
Overall gearing (times)	11.24	10.86	13.61
Interest coverage (times)	1.59	1.91	1.12

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating history for last three years: Annexure-2
Detailed explanation of covenants of rated instrument / facility: Annexure-3
Complexity level of instruments rated: Annexure-4
Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	September, 2029	78.01	CARE BBB+; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	11.90	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	-	-	-	-	1)Withdrawn (28-Mar-23)	1)CARE BBB+; Stable / CARE A2 (24-Feb-22)
2	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (28-Mar-23)	1)CARE A2 (24-Feb-22)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (28-Mar-23)	1)CARE BBB+; Stable (24-Feb-22)
4	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	-	-	-	-	-	1)Withdrawn (24-Feb-22)
5	Fund-based - LT/ ST-Working Capital Limits	LT/ST	11.90	CARE BBB+; Stable / CARE A2	1)CARE BBB+; Stable (17-Apr-24)	-	-	-
6	Fund-based - LT-Term Loan	LT	78.01	CARE BBB+; Stable	1)CARE BBB+; Stable (17-Apr-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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