

CareEdge Global downgrades WheelsEMI Private Limited's rating to 'CareEdge CCC+'

**USD 30 million External Commercial
Borrowing Bonds**

**CareEdge CCC+ (downgraded from
CareEdge B-/Stable)**

CareEdge Global has downgraded the rating of WheelsEMI Private Limited (WheelsEMI) to '**CareEdge CCC+**' from '**CareEdge B-/Stable**'.

Rationale

The rating reflects a decline in the company's liquidity position, as lenders have become cautious in extending funds amid asset quality woes and continuing weak operating performance. This is despite timely servicing of debt obligations by the company without any covenant breach so far.

WheelsEMI has been experiencing a weakening in asset quality, as reflected in the Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPAs) ratios, which have increased to 2.7% and 2.1%, respectively, as of September 2025, compared to 1.5% and 1.1% as of March 2025. This increase was despite the sale of a sizeable part of AUM to ARC. Adjusted for the same, the ratio of stressed assets (including security receipts issued by ARC) to AUM rose sharply to 14% in September 2025, from 9% in March 2025. Further, company continues to report losses at net level. These factors led lenders to adopt a cautious approach to extending fresh debt to the company, thereby clipping its growth.

The Assets Under Management (AUM) of WheelsEMI shrank to Rs 10.5 billion as of December 2025 from Rs 14.6 billion in March 2025. This is due to lower disbursements during 9MFY26, compared to previous periods. The collections during 9MFY26 averaged Rs 1.1 billion per month and were utilised primarily towards the scheduled repayment of debt. As new borrowings were tepid, the company could disburse new loans at an average of Rs 0.5 billion per month in 9MFY26 compared to an average of Rs 1.0 billion in the previous fiscal, leading to a sharp decline in AUM. Along with reduced disbursements and AUM, the current collection efficiency has also declined from 88% in fiscal 2025 to 80% in 9MFY26.

Rating Sensitivities

Downward factors

- Demand for accelerated payment from bondholders
- Any delay in the timely servicing of debt obligations

Upward factors

- Timely infusion of equity, to support the balance sheet as well as growth in the loan book
- Improvement in liquidity and operating performance on a sustained basis

Analytical Approach

CareEdge Global has consolidated the business and financial risk profiles of WheelsEMI and its wholly owned subsidiary, BluBird Auto Trade Private Limited.

Key Rating Drivers

Weaknesses

Weakening of asset quality

The company primarily caters to the middle-class and lower-middle-class segments to finance used and new two-wheelers; therefore, the asset quality remains susceptible to risks associated with borrowers with relatively weak credit profiles. Further, the loan-to-value on new two-wheelers was high, at 90-95%, resulting in higher losses in the event of borrower non-performance. This reflected in the company's reported GNPA's rising from 1.5% (Mar-25) to 2.7% (Sep-25), and NNPA rising from 1.1% (Mar-25) to 2.1% (Sep-25). This increase was despite the sale of a sizeable part of AUM to ARC. Further, the company continues to have exposure to the stressed assets sold to ARC in the form of security receipts (SR). Adjusted for the same, the ratio of stressed assets to AUM rose sharply to 14% in September 2025, from 9% in March 2025. The stressed assets (including SRs) account for 86% of net worth as of Sep-25, versus 63% (Mar-25) and 30% (Mar-24) earlier, indicating elevated insolvency risk. However, the company has collected Rs 0.7 billion against these SRs as on date. To arrest the weakening asset quality, the company has recalibrated its decision engine and stopped disbursements in the new two-wheeler segment, while also slowing incremental disbursements in other segments. The effectiveness of these measures has to be seen over the upcoming quarters on a sustained basis.

Modest liquidity and reliance on collections for debt repayments

The company's liquidity position has deteriorated. Unencumbered cash and bank balances stood at Rs. 0.3 billion as on January 16, 2026, declining from Rs 0.5 billion in September 2025 and Rs. 0.7 billion as on March 31, 2025. Such modest liquidity provides limited coverage against sizeable near-term debt obligations as new borrowings remain tepid. This has necessitated a heavy reliance on cash collections to meet ongoing debt servicing obligations. Management expects repayments to be supported by internal collections. However, collection estimates (stressed to 80% current collection efficiency) indicate inflows of Rs. 1.3 billion over three months and Rs. 6.7 billion over twelve months, underscoring the likely continuation of tight liquidity coverage.

To improve liquidity, management is in discussions with investors regarding a potential equity infusion of Rs. 0.25 billion in the near term. The company has received a non-binding letter of intent (LOI) from clutch investors. Additionally, the management is working with lenders to raise approximately Rs. 0.6 billion via NCDs, CPs and PTCs over the coming weeks. Nevertheless, the extent of success of these initiatives has to be seen in form of sustained improvement in liquidity position of the company while returning to a growth path.

Concentrated resource profile and tight access to new borrowings

WheelsEMI relies heavily on non-banking financial companies (NBFCs) for its debt requirements, which come at a relatively high cost compared to other financing sources. As of September 30, 2025, WheelsEMI's average borrowing cost stood at 12.3%, with borrowings from NBFCs contributing to 70% of total borrowings. While the company is trying to diversify its borrowing profile by exploring other financing options, including PTCs and ECBs, and adding new banks and small finance banks, the pace is likely to be gradual. The Company has undertaken ECB Transactions with Impact Investors such as ResponsAbility and Triple Jump in this fiscal. The high concentration of borrowings from NBFCs has impacted the company's ability to raise new debt in the current fiscal year. This is because many NBFCs have turned cautious and selective in taking fresh exposure to smaller NBFCs - especially those having weak borrower profiles, unsecured asset classes, or weak operating performance – owing to hardening of interest rates. The same was reflected in WheelsEMI's fresh borrowings, which declined to Rs 2.9 billion in 9MFY26 (monthly average Rs 0.3 billion) from Rs 7.7 billion in FY25 (monthly average Rs 0.6 billion).

Continuation of weak operating performance

The company has reported a net loss of nearly Rs 15 million at a consolidated level for the first half of fiscal 2026. These losses were incurred due to a sharp decline in total income, driven by low disbursements, resulting in a decline in on-book and off-book portfolios. Given the weakening of asset quality in the new 2-wheeler segment, credit costs remain elevated, adding pressure on return metrics.

The annualised total income (net of interest expenses) declined 22% in H1FY26 compared with FY25. However, annualised credit costs remained flat, leading to a moderation in the return ratios. The company aims to improve profitability by cutting operational costs through a combination of manpower rationalisation, branch network optimisation, and changes to systems and software. As of this date, the company is in the process of onboarding new LMS/LOS partners. The company has cut the ground staff by nearly 50% from nearly 2,000 employees in March 2025 to 1,178 as of December 2025.

Strengths

Established track record of the management and support from the promoters

WheelsEMI benefits from an established and seasoned management team with domain expertise in the two-wheeler financing ecosystem. The company is founded and led by Mr Srinivas Kantheti and Mr V. Karunakaran, who bring over three decades of experience in this industry. Both founders have previously held senior leadership roles at one of the most prominent players in the two-wheeler financing industry, equipping them with a strong operational understanding, lender relationships, and risk management capabilities that are critical for navigating cyclical credit environments. The promoters are supported by a professional management team with experience in two-wheeler and retail asset financing, which has enabled the company to build and scale operations across urban and semi-urban markets.

The promoter group's commitment is further reinforced by the presence of large and diversified institutional investors, including Faering Capital, Elevar Capital, DEG (Deutsche Investitions- und Entwicklungsgesellschaft MBH) and Women's World Banking Asset Management, which lend comfort to the capital table.

Liquidity

The company has modest liquidity at Rs 0.3 billion as on January 16, 2026, down from Rs 0.5 billion in September 2025 and Rs 0.7 billion in March 2025. Given the tight funding scenario, the near-term debt repayments are expected to be fulfilled by collections. As of December 31, 2025, there are no Asset Liability Management (ALM) mismatches as per the company's ALM statement. The stressed ALM (assuming collections at 80%) reflect tightly matched cashflows.

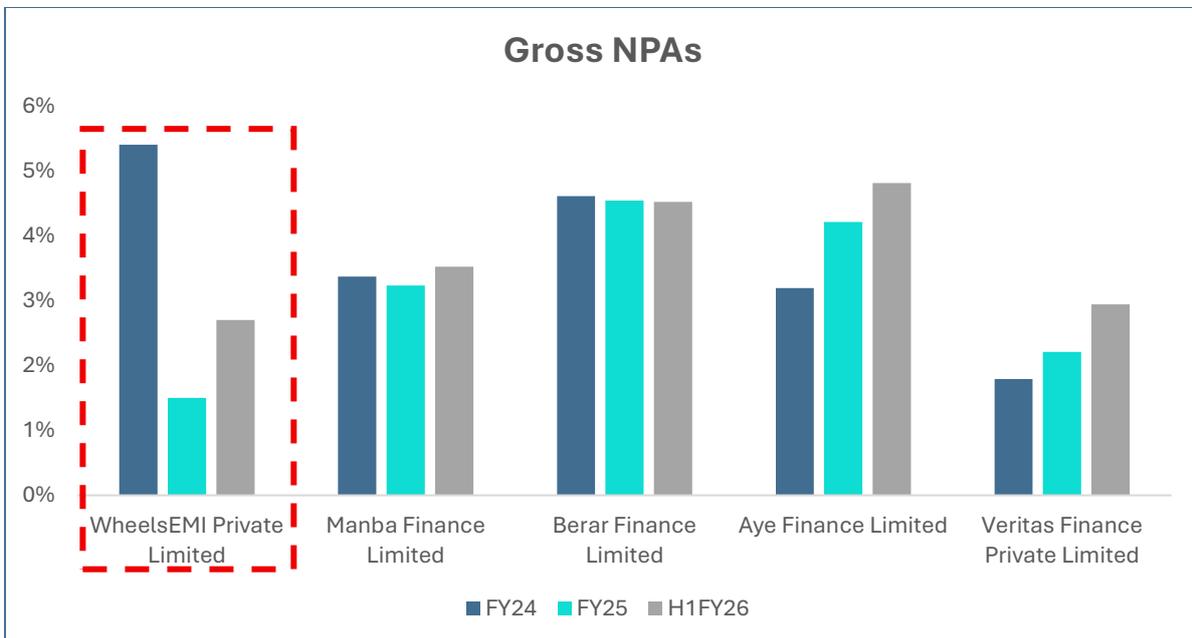
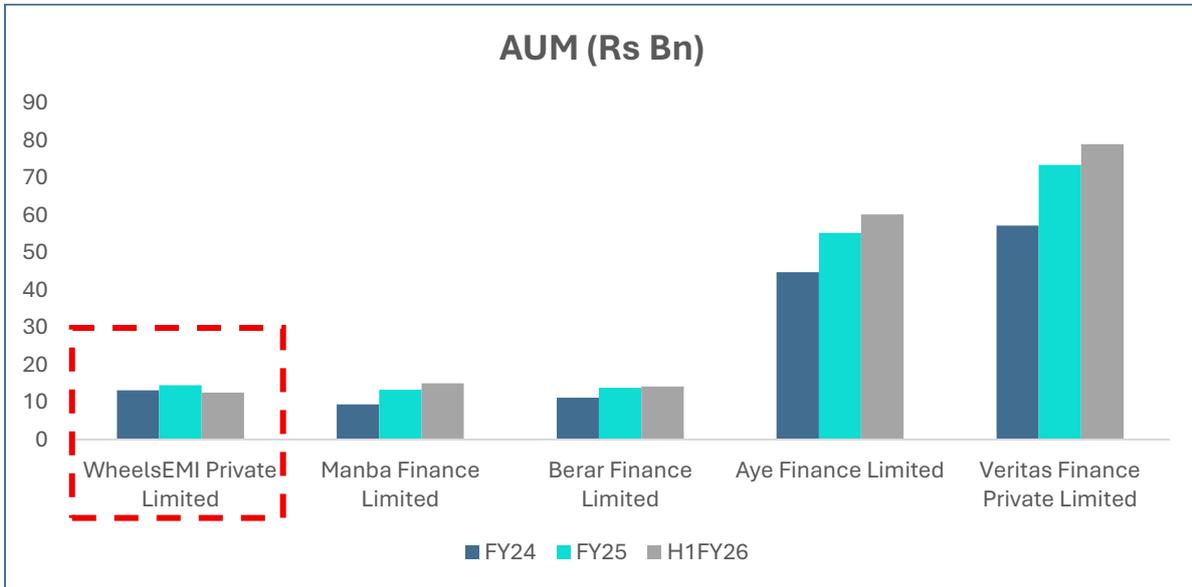
Environmental, Social and Governance (ESG) considerations

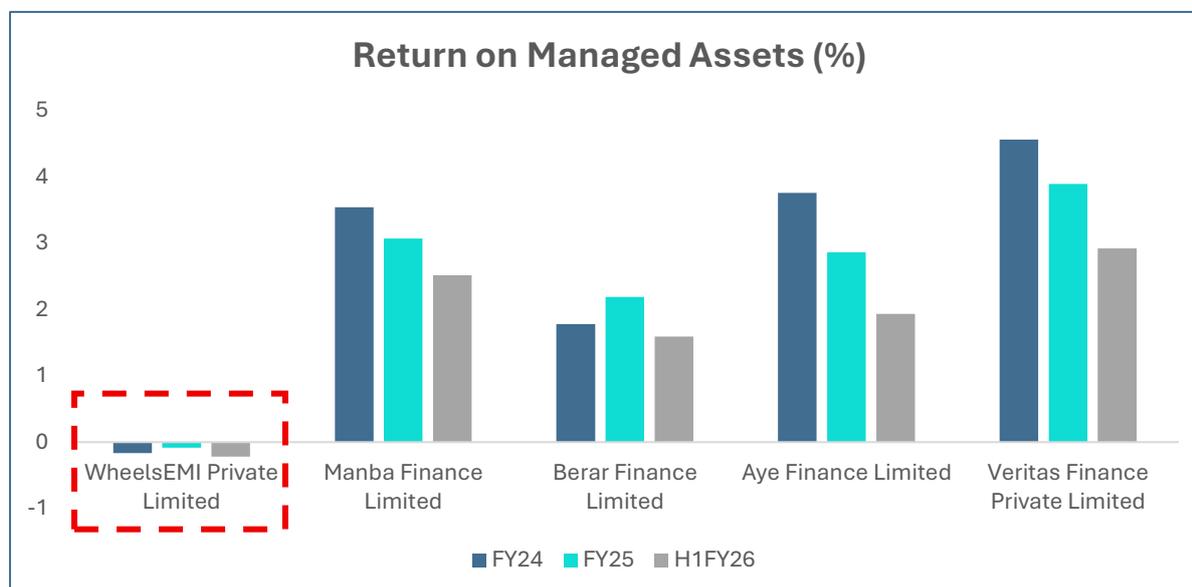
CareEdge Global observes that WheelsEMI is making efforts toward green financing for electric vehicles (2W & 3W), which contributes to a sustainable future. The company serves borrowers in semi-urban areas with relatively weaker credit profiles, including women, individuals engaged in agriculture and related activities, and informal microenterprises. Many of these borrowers are new to credit. So, the company is actively promoting sustainable practices among them.

From a social perspective, the company addresses critical social risks by focusing on low-ticket financing for two-wheelers. This approach enhances access to credit for underserved segments in rural areas, thereby contributing to financial inclusion and socioeconomic development.

On the governance front, while the company demonstrates reasonable commitment to governance practices, further improvements in board structure and practices could enhance resilience and stakeholder confidence.

Peer Comparison





About the company

WheelsEMI Private Limited is an RBI-registered non-banking financial company that specialises in financing of pre-owned, new and electric two-wheelers/three-wheelers. Bike Bazaar is the brand name of WheelsEMI Private Limited. Mr K Srinivas and Mr V Karunakaran lead the management team. The company is backed by prominent investors, including Elevar Equity, Faering Capital, Women's World Banking Asset Management Company and DEG. As of December 2025, Wheels EMI is present in 11 states, viz. Delhi, Gujarat, Karnataka, Maharashtra, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Bihar, etc., with a network of 14 branches and a book size of Rs 10.5 billion.

About BluBird Auto Trade Private Limited

It is a wholly owned subsidiary of WheelsEMI. It provides leasing of two-wheelers to delivery partners of platforms like Zomato, Swiggy, etc., for their last-mile delivery. BluBird mainly operates in Bangalore and Hyderabad. It has a network of Rs 30 million as of September 2025 and is currently incurring losses. The loss reported for H1FY26 was Rs 20 million.

Key Summary Financial Metrics

Particulars	Unit	March 31, 2023	March 31, 2024	March 31, 2025
AUM	Rs billion	9.3	13.2	14.6
Net Interest Margin	%	9.9	12.2	9.8
Cost to Income	%	121.7	83.6	90.7
GNPA	%	3.6	5.4	1.5
Return on Assets	%	-4.9	-0.2	-0.1
CAR	%	48.4	37.6	22.5

Solicitation Status

These ratings are solicited. Management has provided information and held meetings with the CareEdge Global analytical team for the rating.

Details of the instrument

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Issue Size	Rating
External Commercial Borrowing Bonds	INIFD2005012	January 22, 2025	6-month Term SOFR + 500 bps	January 24, 2028	USD 10 mn	CareEdge CCC+
External Commercial Borrowing Bonds (proposed)	-	-	-	-	USD 20 mn	CareEdge CCC+

Rating History

Instrument	Type	Rating	Date
External Commercial Borrowing Bonds	Long-Term Foreign Currency	CareEdge CCC+	January 28, 2026
External Commercial Borrowing Bonds	Long-Term Foreign Currency	CareEdge B-/Stable	January 28, 2025

Criteria Applied

[CareEdge Global's Financial Institutions Rating Methodology](#)

Analytical Contacts

Ankit Kedia
ankit.kedia@careedgeglobal.com

Abhilash Dash
abhilash.dash@careedgeglobal.com

Smit Doshi
smit.doshi@careedgeglobal.com

Media Contact

Mradul Mishra
mradul.mishra@careedge.in

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CareEdge Global IFSC Limited
(A subsidiary of CARE Ratings Ltd.)
501, FlexOne, GIFT SEZ, Block 15, Gandhinagar, Gujarat – 382050, India. Phone: +91-79-6519 0701 | www.careedgeglobal.com
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