

ELGI Rubber Company Limited

June 08, 2026

Rating Action

Total Bank Loan Facilities Rated	Rs. 326.36 Crore	Regulator[^]
Long Term Rating	IVR BB-/Negative (Rating Downgraded)	RBI
Short Term Rating	IVR A4 (Rating Downgraded)	RBI
[^] Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.		

Refer Annexures for details of facilities/instruments, facility wise lender details, and detailed explanation of covenants.

Note: None of the Directors on Infomerics Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

Rationale

Infomerics has downgraded the ratings assigned to the bank facilities of ELGI Rubber Company Limited (ERCL). The downgrade reflects the sharp deterioration in the consolidated financial risk profile during FY26, especially in Q4FY26, driven primarily by large impairment losses (~Rs, 170 crore) recognised on account of liquidation of the step-down subsidiary Rubber Resources BV, Netherlands, coupled with ERCL's weak profitability and elevated leverage levels. The consolidated EBITDA declined to negative Rs.36.21 crore in FY26 from Rs.4.49 crore in FY25, while PAT deteriorated sharply to negative Rs.240.02 crore compared to a loss of Rs.4.36 crore in FY25. Gross cash accruals turned negative as well at Rs.69.29 crore in FY26. . Further, the agency notes that nearly 24% of the consolidated revenue was contributed by the Netherland subsidiary. Going forward, ability to regain and sustain its operating performance at current levels shall remain a key monitorable. The rating continues to account ERCL's working capital intensive business profile as reflected in an elongated operating cycle of 124 days in FY26, and exposure of its profitability to intense competition and raw material price volatility.

The ratings, however, continues to draw strength from ERCL's established operating track record in the Rubber Industry with a diversified product portfolio catering to the rubber and tyre industry, and the extensive experience of the promoters to support the business growth. Infomerics also notes the management's stated focus on curtailing overseas exposure, discontinuing cash support to loss-making subsidiaries, and prioritising debt reduction through asset sales and internal accruals, which shall remain a key sensitivity.

Outlook: Negative

The Negative outlook reflects the risk of further pressure on the business and financial profile owing to partial loss of revenue following the liquidation of the overseas subsidiary, execution risks associated with the planned asset monetisation programme, and the need for timely recovery in operating profitability to sustain improvements in liquidity and leverage.

Analytical Approach

Approach	Comments
Consolidation/ Standalone	Consolidated
Parent/ Group Support	Not Applicable

Key Rating Drivers with Detailed Description

Strengths

- **Experienced Promoters and Long Track Record of the Company**

ELGI Rubber Company Limited benefits from an experienced promoter group with extensive expertise in the rubber, engineering, and manufacturing sectors. The company is led by Mr. Sudarsan Varadaraj, who has over 44 years of industry experience, and is supported by Mr. Harsha Varadaraj and Jairam Varadaraj, who bring strong financial, operational, and leadership capabilities. Backed by a competent board and sound governance practices, the group has established a strong market presence and reported revenue of Rs. 391.94 crore in FY2026.

- **Comprehensive Product Portfolio and Diverse Customer Base:**

The company benefits from a comprehensive product portfolio catering to the tyre retreading ecosystem, including retreading machinery, tools, curing systems, consumables such as pre-cured tread rubber, and rubber recycling solutions. Its diversified customer base comprises leading tyre manufacturers such as CEAT Limited and MRF Limited, along with specialist retreaders and franchise partners. The company's integrated offerings, longstanding customer relationships, and technical support capabilities support its strong market position in the tyre retreading and rubber recycling industry.

- **Established market presence and customer support network**

ELGI Rubber benefits from an established presence across domestic and select international markets, supported by its technical expertise, distribution network, and customer support capabilities. While the company is rationalising its overseas exposure to improve operational efficiency, its longstanding customer relationships and partner network continue to support business stability and market reach.

Weaknesses

- **Decline in Profitability Margins:**

The company reported a decline in profitability during FY26 due to operational disruptions, elevated manufacturing costs, and losses arising from the liquidation of step-down subsidiary Rubber Resources BV. Consequently, the consolidated EBITDA margin moderated to (-)9.24% in FY26 from 1.17% in FY25, while the company reported a net loss during the year. However, improvement in profitability supported by operational stabilisation and better capacity utilisation at the new facility shall remain a key monitorable.

- **Moderate Capital Structure and Weak Debt Coverage Indicators:**

The group's capital structure remains moderate, with the adjusted tangible net worth declining to Rs. (-)2.80 crore as of March 31, 2026, primarily due to losses incurred due to liquidation of step-down subsidiary. While leverage deteriorated, with TOL/ATNW at 60.49x as on March 31, 2026 (FY25: 3.68x) and overall gearing at 53.45x as on March 31, 2026 (FY25: 2.91x), the debt coverage indicators weakened considerably. The debt protection metrics remained weak during FY26, with negative EBITDA resulting in the Interest Service Coverage Ratio (ISCR) and Debt Service Coverage Ratio (DSCR) being not meaningful. However, Infomerics notes the MOA signed by ELGI Rubber Company Limited for sale of an asset for Rs 43.5 crore set to be completed by end of June 2026.

- **Susceptibility of Profitability to Raw Material Price Volatility:**

The company's profitability remains vulnerable to fluctuations in raw material prices, which can significantly impact operating margins. Key inputs used in tyre retreading and rubber processing are subject to high price volatility, influenced by global crude oil trends and supply-demand dynamics. Although this risk is partially mitigated through long standing customer relationships, price escalation clauses, and the ability to pass on cost variations in both directions, sudden spikes in input costs can still pressure margins.

Furthermore, while shorter-duration contracts allow some flexibility in adjusting prices, sustained volatility poses a continued risk to profitability stability.

Liquidity – Stretched

Liquidity weakness is evidenced by negative cash accruals in FY26, high reliance on working-capital borrowings of Rs.220.63 crore, and a current ratio of 0.88x as on March 31, 2026. The company is reliant on monetisation of non-core assets to meet near-term obligations. Management has entered into agreements to sell assets. Timely receipt and prudent utilisation of these proceeds towards debt reduction will be critical for liquidity improvement.

Rating Sensitivities

Upward Factors

- Sustained recovery in operating performance, leading to positive EBITDA and cash accruals, along with meaningful reduction in leverage resulting in TD/EBITDA improving below 4.0x
- Improvement in DSCR to above 1.5x on a forward looking and sustainable basis, supported by restoration of operating margins and stable scale. Further, Successful and timely execution of the asset monetisation plan, resulting in tangible deleveraging and improvement in liquidity shall remain amongst the key monitorable

Downward Factors

- Moderation in total operating income and/or moderation in profitability resulting in lower cash accruals or delay/failure in asset sales leading to continued pressure on liquidity.
- Weakening of the capital structure further on sustained basis leading to deteriorating in leverage and coverage indicators.

About the Company

ELGI Rubber Company Limited, listed on the NSE, is a global provider of tyre retreading and rubber recycling solutions. Established in 2006, the company offers end-to-end products and services including materials, machinery, consumables, and technical support, along with reclaim rubber for sustainable tyre recycling. Headquartered in India, it operates six manufacturing units in Tamil Nadu and Kerala and manages subsidiaries across the USA, Kenya, Bangladesh, Brazil, the Netherlands, Australia and Sri Lanka. With integrated capabilities spanning raw materials to

technical services and a broad franchise network, ELGI Rubber holds a strong competitive position in both domestic and international markets.

Key Financial Indicators (Consolidated):

For the year ended/ As on*	31-03-2025	31-03-2026
	Audited	Audited
Total Operating Income	383.92	391.94
EBITDA	23.41	-36.21
PAT	-4.36	-240.02
Total Debt	269.80	312.78
Adjusted Tangible Net Worth (ATNW)	92.27	-2.80
EBITDA Margin (%)	1.17	-9.24
PAT Margin (%)	-1.09	-61.24
Adjusted Overall Gearing (times)	2.91	53.45
Interest Coverage (times)	0.19	-1.13

*Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company

*The tax impact has been considered for FY26.

Applicable Criteria

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning Rating outlook](#)

[Policy on Default Recognition and Post Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Guidelines on Consolidation of companies](#)

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years

SI No	Name of Facilities/Instruments	Current Ratings (Year 2026-27)			Rating History for the past 3 years					
		Type	Amount Outstanding (in cr)	Rating	Date(s) & Rating(s) assigned in 2025-26		Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24		
				(June 05, 2026)	(November 20, 2025)	(June 05, 2025)	(August 22, 2024)	(Feb 21, 2024)	(Oct 31, 2023)	(Jul 18, 2023)
1	Fund Based Bank Facilities	LT	171.82	IVR BB-/Negative	IVR BB+/Stable	IVR BB/Negative / INC*	IVR BB+/Negative/ INC*	IVR BBB-/Negative	IVR BBB-/Stable	IVR BBB-/Stable
2	Non fund-based Bank facilities	ST	12.00	IVR A4	IVR A4+	IVR A4/ INC*	IVR A4+/ INC*	IVR A3	IVR A3	IVR A3



SI No	Name of Facilities/Instruments	Current Ratings (Year 2026-27)			Rating History for the past 3 years							
		Type	Amount Outstanding (in cr)	Rating	Date(s) & Rating(s) assigned in 2025-26		Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24				
				(June 05, 2026)	(November 20, 2025)	(June 05, 2025)	(August 22, 2024)	(Feb 21, 2024)	(Oct 31, 2023)	(Jul 18, 2023)		
3	Fixed Deposit	LT	142.54	IVR BB-/Negative	IVR BB+/Stable	IVR BB-/Negative / INC*	IVR BB+/Negative / INC*	IVR BBB-/Negative	IVR BBB-/Stable	-		

Annexure 1: Instrument/Facility Details

Name of Facility/Security	ISIN	Date of Issuance	Coup on Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/Outlook	Listing Status	Regulator^	Compl exity Indicat or
Term Loan	-	-	-	2026	1.59	IVR BB-/Negative	N/A	RBI	Simple
Term Loan	-	-	-	2027	6.96	IVR BB-/Negative	N/A	RBI	Simple
Term Loan	-	-	-	2028	28.17	IVR BB-/Negative	N/A	RBI	Simple
Term Loan	-	-	-	2029	21.55	IVR BB-/Negative	N/A	RBI	Simple
Term Loan	-	-	-	2030	18.68	IVR BB-/Negative	N/A	RBI	Simple
Term Loan	-	-	-	2037	9.87	IVR BB-/Negative	N/A	RBI	Simple
Cash Credit	-	-	-	Revolving	85.00	IVR A4	N/A	RBI	Simple
Fixed Deposit	-	-	-	-	12.00	IVR BB-/Negative	N/A	RBI	Simple
SBLC	-	-	-	-	124.54	IVR A4	N/A	RBI	Simple
LC	-	-	-	-	18.00	IVR A4	N/A	RBI	Simple

^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure 2: Facility wise lender details:

https://infomericstorage.blob.core.windows.net/uploads/Len_ELGI_Rubber_08_Jun26_722c4f5599.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for Consolidated/Combined analysis: Not Applicable

Annexure 5: List of activities / instruments and names of regulators

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference Shares	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) *	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) *	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ^	RBI
9	External Commercial Borrowings/Loans from overseas lenders/Loans from Multilaterals	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	Refer foot note
15	Issuer Ratings #	Refer foot note
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts	SEBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
24	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) @	Investor-side Regulator such as IRDAI, PFRDA

Footnotes:

** Includes securitisation transactions involving assignee payout, acquirer's payout.*

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In Press Release(s) subsequent to issuance(s), CRA shall separately capture the rated quantum details along with names of respective regulators.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

@ These ratings were assigned during regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side regulators have been included.

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