July 09, 2025

Classic Industries and Exports Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term/ Short term- Fund based/ Non-Fund based	30.00	30.00	[ICRA]A(Stable)/[ICRA]A1; reaffirmed
Total	**30.00**	**30.00**	

Instrument details are provided in Annexure-I

Rationale

To determine the ratings, ICRA has consolidated the financials of Classic Industries and Exports Ltd. (CIEL) and its two wholly owned subsidiaries, Premedium Pharmaceuticals Private Limited and CIAEL Singapore Pte. Ltd.

The ratings consider CIEL's established position as a captive supplier of tyre moulds, tubes, rubber compounds and tyre-building machines (TBMs) to Apollo Tyres Limited (ATL), the second largest tyre manufacturer in India, leading to strong operational synergies. The company has also been expanding its distribution network under its in-house brand, Classic, to expand its customer base and leverage its expertise in tyre moulds, tubes and TBMs. The ratings also consider CIEL's comfortable credit metrics supported by healthy earnings, minimal debt obligations, modest capex plans and strong liquidity. CIEL is expected to record a mid-to-high single-digit revenue growth in FY2026, supported by healthy demand in the rubber mixing and TBM divisions.

The ratings are, however, constrained by the vulnerability of the company's margins to volatility in raw material prices. CIEL's margins declined to 4% in FY2025 from 5.2% in FY2024 due to the increase in raw material prices, which could not be fully passed on to customers. While elevated input costs are expected to impact margins in FY2026, revenue improvement from the margin-lucrative moulds and TBM division would support the enhancement in the company's margins to an extent.

In addition, the company has a track record of investing in, or extending loans to, Group companies. Any new investments or significant increase in support extended to Group entities that adversely impact its financial risk profile remains a key monitorable. The ratings also factor in the company's high revenue dependence on ATL. However, ATL's strong market position in the Indian tyre industry helps mitigate this risk to an extent.

The Stable outlook on the ratings considers ICRA's expectation that CIEL's growth in revenues and earnings will be supported by its consistent share of business with ATL leading to revenue visibility. This will be supported by the robust demand outlook for the tyre segment in the near term and healthy order book for margin lucrative TBM segment.

Key rating drivers and their description

Credit strengths

Steady business from promoter group's flagship and being part of Apollo Tyres Group provides strong financial flexibility – CIEL enjoys strong operational synergies with the Group's flagship company, ATL, as a captive supplier of tyre moulds and TBMs, as well as a manufacturer of rubber compounds, tubes and bladders. The company enjoys a strong wallet share with ATL for these products. Its established relationship with ATL provides a healthy revenue visibility for the company. Moreover, CIEL enjoys a strong financial flexibility being a part of Apollo Tyres Group. The company's revenue grew by 7% in FY2025 to Rs. 739.9 crore on the back of strong growth in rubber mixing division and bladder sales. However, sales of tubes and moulds declined marginally owing to weak demand, limiting its revenue growth. Going forward, ICRA expects steady revenue growth for the company in the medium term, supported by robust order book in the machining division from ATL as well as non ATL customers. Additionally, stable demand in the tubes segment is expected to contribute positively to revenue growth.

Comfortable financial profile with strong debt protection metrics – The company remained debt-free on a standalone basis in FY2025, although its subsidiaries had some working capital borrowings. Despite some moderation in margins, the consolidated credit metrics remain strong with TD/OPBITDA and interest cover at 0.3 times and 38.1 times, respectively, in FY2025. Also, the company has a healthy liquidity profile owing to sizeable cash balances and investment in the form of ATL shares, providing good financial flexibility. In the absence of any major capex plans or incremental support requirements for Group entities, ICRA expects the company's coverage metrics to remain comfortable. However, ICRA notes that the company is exploring new investment opportunities and will monitor the developments.

Credit challenges

Vulnerability of margins to fluctuations in raw material prices – The company uses synthetic rubber and carbon black as key raw materials, which are crude derivates. Natural rubber is processed in the rubber division. In FY2025, synthetic rubber prices rose sharply due to the increase in anti-dumping duty levied on certain varieties of synthetic rubber, which was effective from October 2024. Natural rubber prices surged by 28%, driven by supply constraints, declining production and rising global demand. The company passed on the increased costs partially to its customers with a time lag, which led to the correction in operating margin to ~4% in FY2025 from 5.2% in FY2024. Intense competition limits CIEL's pricing flexibility as although it benefits from assured business from ATL, pricing is at arm's length. Going forward, ICRA expects margins to improve, supported by a growing share of revenues from the margin lucrative moulds and TBMs division.

High customer concentration risk with ATL being single-largest customer; high share of business with ATL and initiatives to increase non-ATL business would mitigate risk to an extent – At present, CIEL depends on ATL and its international subsidiaries for 72-74% of its revenues. However, as a captive unit of ATL, it holds a strong share of business, particularly in the tubes and TBMs segments. The customer concentration risk is largely mitigated by ATL's position as the second-largest player in the domestic tyres market, as well as by the common promoters shared between ATL and CIEL. Further, the company supplies tubes in the aftermarket and rubber compounds to non-ATL customers, providing diversification to some extent. In FY2025, non-ATL revenues improved owing to the increase of rubber mixing business from non-ATL clients. As a result, the revenue share from non-group customers increased to 28% in FY2025 from 24% in FY2024. The company is undertaking initiatives to expand its distribution network for tubes across India as well as in export markets such as Europe and West Asia to support the growth of its non-ATL business under the Classic brand.

Support to Group companies may constrain financial position – CIEL has a track record of providing support to Group companies in the form of corporate guarantees, inter-corporate deposits, loans and advances. While a sizeable portion of its net worth is deployed in ATL shares, any large outflows to its promoter group and investee companies, in the form of investments, loans, advances or corporate guarantees, might constrain its financial position and would remain a key monitorable.

Liquidity position: Strong

CIEL's liquidity remains strong, supported by cash and bank balances of Rs. 59.4 crore and unutilised sanctioned working limits of Rs. 30.0 crore as on March 31, 2025. The company is expected to incur a capex of Rs. 20-22 crore in FY2026. It does not have any scheduled debt repayments. Additionally, the company had ~ Rs. 796.5 crore of liquid investments as on March 31, 2025 in the form of ATL's equity shares, which lends significant financial flexibility. Further, the company is exploring new investment avenues but has yet to identify opportunities that align well with its strategic synergies.

Rating sensitivities

Positive factors – The company's ability to scale up its business and diversify its business profile by securing new and sustained business from customers other than ATL while improving its profitability indicators and maintaining comfortable credit metrics will be considered favourably for ratings upgrade.

Negative factors – Pressure on ratings could arise in case of a weakening of the financial risk profile due to any large debt addition or pressure on profitability margins, resulting in TD/OPBITDA over 2.0 times on a sustained basis. Also, any considerable support to the investee companies and promoter Group companies in the form of investments, loans, advances or corporate guarantees, might constrain its financial position and will remain a key rating sensitivity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology –Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of CIEL. CIEL's two subsidiaries are consolidated, and their details are enlisted in Annexure–II.

About the company

CIEL is involved in the manufacturing and marketing of automotive butyl tubes, mixing rubber compounds, and manufacturing moulds and TBMs. As part of the Apollo Tyres Group, CIEL was created to undertake its low-value additions to ensure that ATL's focus remains on high-end activities. The company has three manufacturing units, one each at Pune (tube and bladder plant), Kochi (mixing plant) and Chennai (mould and tyre building machines plant).

CIEL is a part of the Apollo Group, whose flagship company is Apollo Tyres Limited, a leading Indian tyre manufacturer. Headquartered in Gurgaon, Haryana, the company was registered in 1976. Over the last four decades, ATL has been working on a portfolio of products, including a wide range of tyres, alloy wheels and retreading materials. At present, the company manufactures an entire range of automotive tyres for ultra and high-speed passenger cars, trucks, and buses, as well as farm, off-the-road, industrial and speciality applications like mining, retread tyres and retreading material.

Key financial indicators (audited)

CIEL Consolidated	FY2024	FY2025
Operating income	699.5	749.3
PAT	28.7	24.6
OPBDIT/OI	5.5%	4.3%
PAT/OI	4.1%	3.3%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.0	0.3
Interest coverage (times)	24.7	38.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount Rated (Rs. crore)	July 09, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based/ Non-Fund based	Long Term/ Short Term	30.00	[ICRA]A (Stable)/ [ICRA]A1	Jul 05, 2024	[ICRA]A (Stable)/ [ICRA]A1	Jul 28, 2023	[ICRA]A (Stable)/ [ICRA]A1	Jul 28, 2022	[ICRA]A (Stable)/ [ICRA]A1
Unallocated	Long Term	0.00	-	-	-	Jul 28, 2023	[ICRA]A (Stable)	Jul 28, 2022	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/ Short term - Fund based/Non Fund based	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/ Short term - Fund based/ Non-Fund based**	April 2020	9.90%	NA	30.00	**[ICRA]A(Stable)/ [ICRA]A1**

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	CIEL'S Ownership	Consolidation Approach
Premedium Pharmaceuticals Private Limited	100.00%	Full consolidation
CIAEL Singapore Pte. Ltd	100.00%	Full consolidation

Source: Company

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