

June 07, 2022

Elgi Rubber Company Limited: Migration of the rating outstanding on the medium-term rating scale to the long-term rating scale

Summary of rating action

Instrument [^]	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)	Rating Action
LT-Foreign Currency Term Loan	USD 3.40 million	USD 3.40 million	[ICRA]B+ (Stable) ISSUER NOT COOPERATING *; Outstanding
LT-Term Loan	Rs. 33.80 crore	Rs. 33.80 crore	
LT-Fund Based Facility	Rs. 46.50 crore	Rs. 46.50 crore	
LT-Non-Fund Based Facility	USD 3.70 million	USD 3.70 million	
LT-Non-Fund Based Facility	EUR 12.20 million	EUR 12.20 million	
ST-Fund Based Facility	Rs. 15.00 crore	Rs. 15.00 crore	[ICRA]A4 ISSUER NOT COOPERATING *; Outstanding
ST-Fund Based sub limits	Rs. (15.00) crore	Rs. (15.00) crore	
ST-Non-Fund Based Facility	Rs. 18.00 crore	Rs. 18.00 crore	
ST-Non-Fund Based sub limits	Rs. (12.50) crore	Rs. (12.50) crore	
LT/ST- Unallocated Facilities	Rs. 0.60 crore	Rs. 0.60 crore	[ICRA]B+ (Stable)/[ICRA]A4 ISSUER NOT COOPERATING *; Outstanding
Fixed Deposit	Rs. 24.00 crore	Rs. 24.00 crore	[ICRA]B+ (Stable) ISSUER NOT COOPERATING *; Migrated from MB+ (Stable) ISSUER NOT COOPERATING
Total	Rs. 137.90 Crore + USD 7.10 Mn + EUR 12.20 Mn	Rs. 137.90 Crore + USD 7.10 Mn + EUR 12.20 Mn	

[^]Instrument details are provided in Annexure-1

*Issuer did not co-operate; based on best available information

Rationale

In compliance with the circular [SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594] issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent circular SEBI/HO/MIRSD/MIRSD_CRADT /P/CIR/2022/43 of April 1, 2022, for standardizing the rating scales used by the Credit Rating Agencies, ICRA has discontinued the medium-term rating scale which was being used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA has migrated the rating currently outstanding for the fixed deposits programme of Elgi Rubber Company Limited from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another, and not as a reflection of a change in the credit risk of the fixed deposit programme.

Please refer to the following link for the previous detailed rationale that captures the Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy in respect of non-cooperation by the rated entity
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the Consolidated financial profile of the company.

About the company

ERCL manufactures retreading products and reclaim rubber and also provides retreading services through a franchisee network. The company has seven wholly-owned subsidiaries, three step-down subsidiaries and one wholly-owned LLP, Titan Tyre Care Products LLP, India. The company operates in various countries, including the Netherlands, Brazil, Kenya, the US and Sri Lanka. The company is listed on National Stock Exchange (NSE).

The standalone entity manufactures reclaim rubber, tread rubber, bonding gum and other rubber products. ERCL has other rubber products manufacturing facility in Annur; retreading machinery and accessories manufacturing facility in Kovilpalayam; tread rubber and bonding gum manufacturing facilities in Kuruchi, Coimbatore and Kottayi, Palakkad with a capacity of 1,000 tpm. The reclaim rubber is manufactured at manufacturing facilities in Chengalpet and Kanjikode, Palakkad district with a total capacity of ~1000 tpm. Elgi's products are sold under the brands Jet, Pincott, Carbrasive, Midwest Rubber, CRS, Armonas, Western Weld and Ecorr. The company also has captive windmills of 5-MW capacity and an aircraft tyre retreading facility in Coimbatore.

Status of non-cooperation with previous CRA:

CRA	Status	Date of Release
CARE	CARE BB+(FD);Stable	November 02, 2021

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated	Amount Outstanding	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					07-Jun-2022	29-Oct-2021	05-Oct-2020	10-Aug-2020	13-Sep-2019
1	Term Loan Foreign Currency	Long term	USD 3.40 Million	-	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB+ (Negative)
2	Term Loan	Long term	Rs.33.80 crore	-	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB+ (Negative)
3	Cash Credit/WCDL/OD	Long term	Rs. 46.50 crore	-	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB+ (Negative)
4	Bank Guarantee	Long term	USD 3.70 Million	-	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB+ (Negative)
5	Bank Guarantee	Long term	Euro 12.20 Million	-	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB+ (Negative)
6	Export Packing Credit	Short term	Rs. 15.00 crore	-	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+
7	Letter of Credit/BG	Short term	Rs. 18.00 crore	-	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+
8	Sublimit	Short term	(Rs. 27.50 crore)	-	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+
9	Unallocated	Long / Short term	Rs. 0.60 crore	-	[ICRA]B+ (Stable)/[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]B+ (Stable)/[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BB+ (Stable)/[ICRA]A4+	[ICRA]BB+ (Stable)/[ICRA]A4+	[ICRA]BB+ (Negative)/[ICRA]A4+
10	Fixed Deposit	Long term	Rs. 24.00 crore	-	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	MB+ (Stable) ISSUER NOT COOPERATING	MB+ (Stable)		

Complexity level of the rated instrument

Instrument	Complexity Indicator
Cash Credit	Simple
Working Capital Demand Loan	Very Simple
Foreign Currency Term Loan	Simple
Term Loan	Simple
Bank Guarantee	Very Simple
EPC	Very Simple
FBDN	Very Simple
LC	Very Simple
Standby LC	Very Simple
Long Term / Short Term – Unallocated	Not Applicable
Fixed Deposit	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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Bank Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated	Current Rating and Outlook
NA	Cash Credit	-	-	-	Rs. 25.00 crore	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
NA	Working Capital Demand Loan	-	-	-	Rs. 12.00 crore	[ICRA]A4 ISSUER NOT COOPERATING
NA	Working Capital Demand Loan	-	-	-	Rs. 3.00 crore	[ICRA]A4 ISSUER NOT COOPERATING
NA	Working Capital Demand Loan	-	-	-	Rs. 1.50 crore	[ICRA]A4 ISSUER NOT COOPERATING
NA	Working Capital Demand Loan	-	-	-	Rs. 5.00 crore	[ICRA]A4 ISSUER NOT COOPERATING
NA	Foreign Currency Term Loan	-	-	-	USD 3.40 million	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
NA	Term Loan	-	-	-	Rs. 15.00 crore	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
NA	Term Loan	-	-	-	Rs. 5.70 crore	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
NA	Term Loan	-	-	-	Rs. 4.00 crore	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
NA	Term Loan	-	-	-	Rs. 9.10 crore	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
NA	Bank Guarantee	-	-	-	EUR 7.30 million	[ICRA]A4 ISSUER NOT COOPERATING
NA	Bank Guarantee	-	-	-	USD 3.70 million	[ICRA]A4 ISSUER NOT COOPERATING
NA	Bank Guarantee	-	-	-	EUR 4.90 million	[ICRA]A4 ISSUER NOT COOPERATING
NA	EPC	-	-	-	Rs. 15.00 crore	[ICRA]A4 ISSUER NOT COOPERATING
NA	FBDN	-	-	-	(Rs. 15.00 crore)	[ICRA]A4 ISSUER NOT COOPERATING
NA	LC	-	-	-	Rs. 15.00 crore	[ICRA]A4 ISSUER NOT COOPERATING
NA	Standby LC	-	-	-	(Rs. 12.50 crore)	[ICRA]A4 ISSUER NOT COOPERATING
NA	BG	-	-	-	Rs. 3.00 crore	[ICRA]A4 ISSUER NOT COOPERATING
NA	Fixed Deposit	-	-	-	Rs. 24.00 crore	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
NA	Long Term / Short Term - Unallocated	-	-	-	Rs. 0.60 crore	[ICRA]B+ (Stable)/[ICRA]A4 ISSUER NOT COOPERATING

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
Elgi Rubber Company LLC, USA	100.00%	Full Consolidation
Elgi Rubber Company Limited, Kenya	99.99%	Full Consolidation
Elgi Rubber Company Limited, Sri Lanka	99.99%	Full Consolidation
Treadsdirect Limited, Bangladesh	100.00%	Full Consolidation
Borrachas e Equipamentos Elgi Ltda, Brasil	99.99%	Full Consolidation
Pincott International Pty Limited, Australia	100.00%	Full Consolidation
Titan Tyrecare Products LLP, India	99.99%	Full Consolidation
Elgi Rubber Company Holding BV, Netherlands	100.00%	Full Consolidation

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