

September 29, 2026

Indag Rubber Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator [#]
Long-term fund-based – Cash credit	3.40	3.40	[ICRA]A- (Negative); reaffirmed	RBI
Short-term – Non-fund based bank guarantee	25.00	25.00	[ICRA]A2+; reaffirmed	RBI
Total	28.40	28.40		

*Instrument details are provided in Annexure I

[#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The reaffirmation of the ratings factors in Indag Rubber Limited's (Indag/IRL/the company) established position in the organised tyre-retreading industry, supported by its strong brand, extensive pan-India distribution network and experienced promoter group. The ratings also draw comfort from the company's debt-free standalone balance sheet, healthy liquidity position, comfortable capital structure and coverage metrics. Further, the commencement of commercial operations at Millenium Manufacturing Systems Private Limited (Millenium/MMSPL), the company's 51% subsidiary engaged in manufacturing power conversion systems (PCS) for renewable energy and battery energy storage applications, provides business diversification beyond the tyre-retreading segment and is expected to support revenue growth over the medium term.

During FY2026, the company's operating income moderated to Rs. 214.5 crore in FY2026 from Rs. 228.4 crore in FY2025, primarily owing to the company's strategic reduction in exposure to the relatively lower-margin State Transport Undertaking (STU) segment and increased focus on private fleet and aftermarket customers. Supported by the same, Indag's OPBDITA increased to Rs. 9.1 crore in FY2026 from Rs. 1.7 crore in FY2025, while PAT improved to Rs. 8.1 crore from Rs. 4.7 crore during the same period. The improvement in operating margin to 4.2% in FY2026 from 0.8% in FY2025 was supported by an improved customer mix, calibrated pricing actions, premium product positioning and higher contribution from allied products. Despite the sequential improvement in performance in FY2026, the company's OPBDITA and PAT remained weaker than its historic levels and ICRA's median levels for the rating category. However, ICRA continues to take comfort from the company's strong liquidity position characterised by cash and liquid investments of around Rs. 100 crore as on March 31, 2026.

ICRA also notes the commencement of commercial operations at MMSPL in Q1 FY2027, with initial deliveries and export shipments already being undertaken. MMSPL remained in the project implementation and stabilisation phase during FY2026 and consequently reported revenue of Rs. 0.26 crore and a net loss of Rs. 4.32 crore. MMSPL recorded a revenue of Rs. 12.5 crore in Q1 FY2027. Going forward, the pace of order execution, revenue ramp-up and profitability trajectory in addition to the quantum of working capital debt required by MMSPL as operations ramp up and impact of the same on Indag's overall profile remain key monitorable factors.

The ratings also continue to be constrained by the company's modest scale of operations and the fragmented, intensely competitive nature of the domestic tyre-retreading industry. While the strategic reduction in exposure to the STU segment has led to a more favourable revenue mix and supported profitability, it has also moderated the standalone scale of operations. The profitability remains susceptible to volatility in natural rubber prices and crude-linked inputs such as synthetic rubber and

carbon black. While the company has demonstrated the ability to undertake price revisions, its ability to fully pass through sharp increases in input costs remains constrained by competitive pressures from unorganised players and tyre OEMs with retreading operations. While profitability improved in FY2026, it continued to remain below historical levels. ICRA notes that the company's operating margin improved to 8.1% in Q1 FY2027, supported by the consumption of lower-cost raw material inventory accumulated prior to the sharp increase in crude-linked input prices following the West Asia crisis, along with price increases undertaken by the company.

The continuation of the Negative outlook reflects the uncertainty surrounding the sustainability of the recent improvement in profitability, particularly with the sharp increase in crude oil and crude-linked raw material prices witnessed in the recent past. While the company's performance in Q1 FY2027 benefited, in part, from the consumption of lower-cost inventory, its ability to maintain operating margins once this inventory is exhausted and to effectively pass on higher raw material costs to customers remains to be demonstrated. Additionally, the company's ability to scale-up operations at MMSPL in a timely and efficient manner, without exerting pressure on its liquidity position or debt protection metrics, will remain a key monitorable.

Key rating drivers and their description

Credit strengths

Established presence and track record in retreading industry as well as pan-India distribution network; extensive experience of promoters – Indag is an established player in the domestic tyre-retreading industry, with operations dating back to 1978 and a strong presence across India through its wide network of dealers, distributors and retreaders. The company benefits from its established brand, technical expertise and long operating track record, including the technical know-how gained through its erstwhile joint venture with Bandag Corporation, USA. The promoters have extensive experience in the tyre-retreading material industry, while the Khemka Group also has interests in renewable energy and other businesses. The company's established market position and technical capabilities support its ability to scale up the core retreading business as demand improves, while its diversification into the manufacturing of power conversion systems through MMSPL provides an additional avenue for growth.

Strong capital structure and coverage metrics with healthy liquidity – At a standalone level, the company has remained debt-free over the last several years. Consequently, the company's capital structure and coverage metrics remain comfortable. Following the recovery in OPBDITA, the interest coverage improved to 7.62 times in FY2026 from 1.77 times in FY2025, while DSCR remained comfortable and improved marginally to 7.70 times from 7.18 times over the same period. Going forward, working capital borrowings at MMSPL are expected to increase as operations scale up. Despite this additional debt, Indag's capital structure and coverage indicators are expected to remain comfortable at the consolidated level. Further, the company is likely to continue maintaining strong liquidity, which lends additional comfort.

Diversification towards renewable energy space through investment in subsidiary provides revenue visibility - IRL's investment in MMSPL provides diversification beyond the mature tyre-retreading business into the renewable energy and electronic manufacturing services (EMS) segment. The commencement of commercial operations and continued order execution at MMSPL are expected to support consolidated revenue growth and improve business diversification over the medium term.

Credit challenges

Modest scale of operations; expected to improve supported by ramp up of operations at Millenium – IRL's scale of operations remains modest, constrained by the fragmented and intensely competitive nature of the domestic tyre-retreading industry. While the reduction in exposure to the relatively lower-margin STU segment has led to a more favourable business mix and improved profitability, it has also moderated the standalone scale of operations. While Indag's scale at a standalone level remains modest, ramp up in operations at MMSPL is expected to support the overall improvement in scale of operations, going forward. The commercial operations at MMSPL commenced during Q1 FY2027, which are expected to support consolidated revenue growth and diversify the Group's business profile. However, MMSPL remains in the initial ramp-up phase, and the

extent of improvement in the consolidated scale of operations will depend on sustained order inflows, timely execution, improvement in capacity utilisation and the subsidiary's ability to achieve profitable operations over the medium term.

Profitability remains exposed to raw material price volatility – IRL's profitability remains susceptible to fluctuations in the prices of natural rubber and crude-linked products such as synthetic rubber and carbon black. Although the company has demonstrated an ability to undertake price revisions, intense competition from unorganised players constrains its ability to fully pass on sharp increases in input costs. After declining to 0.7% in FY2025, the operating margin recovered to 4.2% in FY2026, supported by calibrated pricing actions, an improved customer mix and a higher contribution from allied products. The operating margin further improved to 8.1% in Q1 FY2027, aided by price increases and the availability of relatively lower-cost inventory procured before the sharp increase in raw material prices. However, with the benefit of such inventory expected to taper and crude-linked input costs remaining elevated, the sustainability of the recent margin improvement remains to be demonstrated.

Exposed to competition from unorganised players – The industry is highly unorganised with a sizeable portion of retreading executed by small-sized regional players. Indag encounters stiff competition from several small players and tyre OEMs who have retreading operations, which in turn restricts its pricing flexibility and impacts operating margins. However, Indag's strong brand image and long-term track record of performance provide it with a competitive advantage.

Environmental and social risks

Environmental considerations: The company's operations are subject to environmental regulations governing emissions, waste management and handling of chemicals used in the manufacturing process. Further, adverse weather conditions and climate-related events in natural rubber-producing regions may affect raw material availability and supply dynamics.

Social considerations: Exposure to social risks is moderate for the tyre retreading industry owing to its dependence on a skilled workforce, extensive dealer and retreader network, and the need to maintain high product quality standards. Any major labour disruption, workplace safety incident, product-quality issue or significant deterioration in relationships with dealers, retreaders and fleet customers could adversely impact operations and reputation.

Liquidity position: Strong

The company's liquidity position remains Strong, supported by free cash and liquid investments of around Rs. 100 crore as on March 31, 2026, along with fully unutilised standalone cash credit limits of Rs. 3 crore. IRL has no long-term debt repayment obligations and plans to incur capex of Rs. 9-10 crore in FY2027. While working capital borrowings at MMSPL are expected to increase as operations scale up with peak utilisation estimated to remain within Rs. 20 crore by FY2027, the overall funding requirement remains manageable relative to the Group's liquidity position. Going forward, any further funding support to MMSPL, resulting in a deterioration in IRL's liquidity, will remain a key rating monitorable.

Rating sensitivities

Positive factors – The outlook may be revised to Stable, if there is a demonstration of a sustained improvement in scale of operations and margins while maintaining its strong liquidity position.

Negative factors – The ratings might be downgraded, if the company is unable to materially improve its scale of operations and profitability. Further, a stretch in the working capital intensity or higher dividend payout or any incremental long-term investments in Group companies or JVs, resulting in weakening liquidity, may also trigger ratings downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Component
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Indag. The list of companies consolidated have been mentioned in Annexure-II.

About the company

Indag Rubber Limited was incorporated in July 1978 as a JV between the Khemka Group and Bandag Inc, US, one of the biggest players in the US retreading industry. In 2006, the Khemka Group took over Bandag's shareholding. The company provides retreading materials ranging from pre-cured retreaded rubber strips to other retreading accessories like envelopes. Indag uses the cold cure technique to manufacture retreading materials. The company's processes are ISO 9001-2008-certified and its products are tested at multiple stages to ensure superior quality. Its manufacturing facility is in Nalagarh, Himachal Pradesh.

Indag holds a 51% stake in Millenium Manufacturing Systems Private Limited (MMSPL), which is engaged in the contract manufacturing of power conversion systems (PCS), which facilitate the conversion of power between direct current and alternating current and are used in renewable energy and battery energy storage applications. The remaining shareholding is held equally by Elcom Innovations Private Limited and Sun Renewables WH Private Limited, with each entity holding a 24.5% stake.

Key financial indicators (audited)

Consolidated	FY2025	FY2026
Operating income	228.4	214.5
PAT	4.7	8.1
OPBDITA/OI	0.77%	4.22%
PAT/OI	2.07%	3.76%
Total outside liabilities/Tangible net worth (times)	0.19	0.30
Total debt/OPBDITA (times)	5.37	1.99
Interest coverage (times)	1.77	7.62

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: 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 ratings (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 29, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Cash credit	Long-term	3.40	[ICRA]A- (Negative)	Aug 25, 2025	[ICRA]A- (Negative)	Feb 20, 2025	[ICRA]A (Negative)	-	-
						May 08, 2024	[ICRA]A (Stable)	-	-
Bank guarantee	Short-term	25.00	[ICRA]A2+	Aug 25, 2025	[ICRA]A2+	Feb 20, 2025	[ICRA]A1	-	-
						May 08, 2024	[ICRA]A1	-	-
Unallocated	Short-term	-	-	Aug 25, 2025	[ICRA]A2+	Feb 20, 2025	[ICRA]A1	-	-
						May 08, 2024	[ICRA]A1	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based – Cash credit	Simple
Short-term – Non-fund based bank guarantee	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	Financial sector regulator [#]
NA	Cash credit	NA	NA	NA	3.40	[ICRA]A- (Negative)	RBI
NA	Bank guarantee	NA	NA	NA	25.00	[ICRA]A2+	RBI

Source: Company

[#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Indag Rubber Limited	-	Full consolidation
Millenium Manufacturing Systems Private Limited	51.00%	Full consolidation

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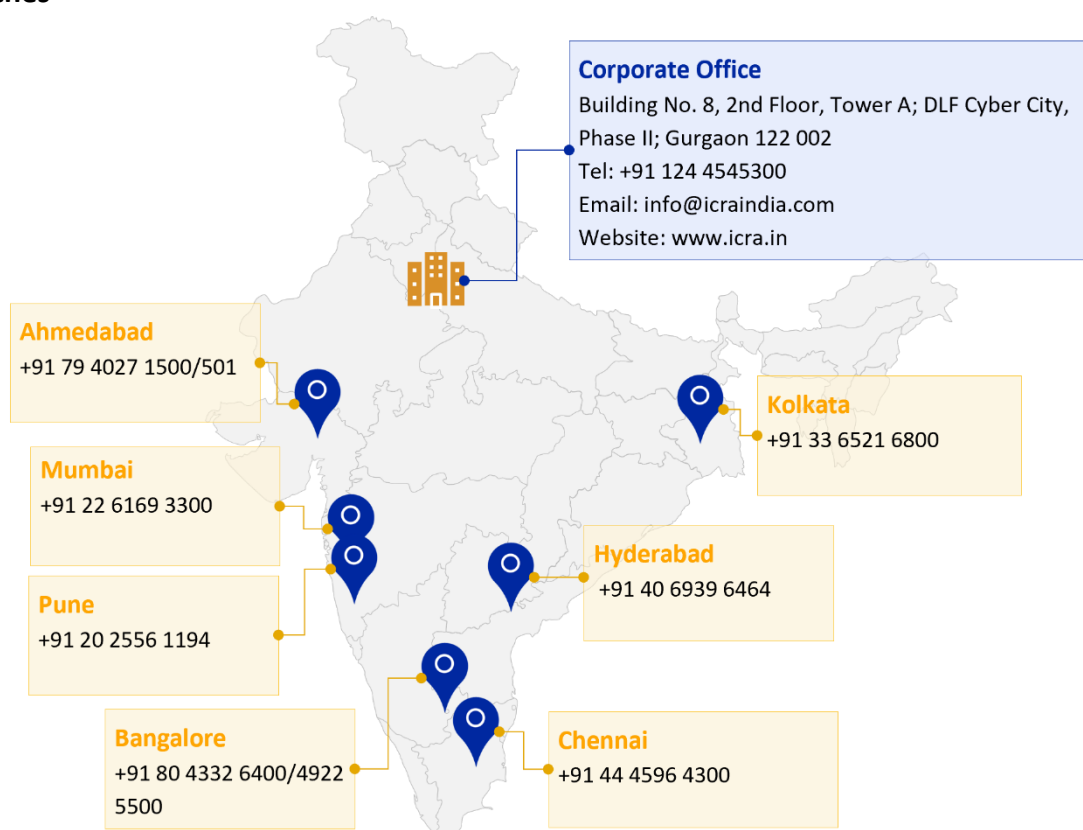
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