MRF Limited

September 29, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,761.74 (Reduced from 2,799.99)	CARE AAA; Stable	Reaffirmed
Long-term / Short-term bank facilities	1,500.00	CARE AAA; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	1,500.00	CARE A1+	Reaffirmed
Non-convertible debentures	150.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities and instruments of MRF Limited (MRF) continues to draw comfort from robust business risk profile of MRF marked by its strong brand image, long operational track record, continued market leadership position in the domestic tyre industry characterised by presence across all user segments, and strong presence in the replacement market supported by strong distribution network. Ratings also factor company's robust financial risk profile marked by stable earnings, comfortable debt coverage metrics and strong liquidity position.

These rating strengths largely offset susceptibility of its revenues to the cyclicality in the tyre industry, volatility of raw material prices, both natural rubber and crude-linked derivatives, and competitive nature of the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Continuous decline in market share and increase in debt levels with net overall gearing (including dealer deposits) above 0.50x and net debt/profit before interest, lease rentals, depreciation and taxation (PBILDT) over 1x on a sustained basis.
- Sharp deterioration in MRF's profitability indicators or debt coverage metrics- negatively impacting its credit profile.

Analytical approach: Consolidated

Consolidated owing to strong operational and strategic linkages with its subsidiaries. The entities are in the same line of business, sell under common brands, and have common management and control. Consolidated entities are mentioned in **Annexure-6**.

Outlook: Stable

Stable outlook for MRF reflects its likelihood to maintain its market position in the domestic tyre industry which coupled with healthy demand scenario for tyre players should enable it to sustain its healthy operating and financial performance over the medium term.

Detailed description of key rating drivers:

Key strengths

Market leadership position in domestic tyre industry with pan-India market presence

MRF continues to be the market leader in the domestic tyre industry. The company has an established presence in almost all subsegments of the tyre industry, two-wheeler, truck and bus, passenger car and jeep, small commercial vehicles (SCVs) and light commercial vehicles (LCVs), farm, off the road (OTR) and aviation, among others. MRF's share in the total estimated industry sold units stands at ~30%, reflecting continuation of its market leadership position.

Strong brand image and wide distribution network

With long track record of operations and well-established pan-India distribution network, the company enjoys strong brand image. As on March 31, 2025, the company had active network of over 5,000 dealers, translating into strong presence in the replacement market, which is critical to the overall profitability. MRF has a strong presence in the replacement market which contributed to

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

~70% of the total revenue in FY25 (PY: 71%). With such high share of revenue coming from the replacement market, risks arising out of strong competition and the cyclical nature of the automobile industry are relatively limited. In addition to this, the company has strong export revenue which contributed up to 8% of the total revenue in FY25 (PY: 8%). Major export destinations of MRF in FY25 continued to be Philippines, Bangladesh, Nepal, and UAE.

Diversified product portfolio and wide distribution network

The customer-wise revenue mix of MRF stood at 22%: 70%: 8% (PY: 21%: 71%: 8%) for the original equipment manufacturer (OEM): replacement: export customers respectively in FY25. Higher revenue share from the relatively stable and margin-accretive replacement segment continues to lend stability to MRF's revenue profile. In FY25, the exports and OEM segment witnessed volume growth of 22% and 15%, respectively, while, replacement market remained stable with 5% volume growth. MRF's export to the United States of America (USA) is negligible; and hence, the impact of the 50% reciprocal tariff on exports to USA from August 27, 2025, is expected to be negligible. MRF's operational profile remains strong, supported by its established presence across products. The segment-wise revenue mix for FY25 stands at Truck and Bus - 49%, 2-Wheeler and 3-Wheeler - 19%, SCV/LCV - 10%, Passenger car - 13%, and others - 9%. The diversified segmental mix supports MRF favourably, especially in periods of industry slowdown.

Healthy operating performance

In FY25, the total operating income increased by 11.91% to ₹28,163 crore, up from ₹25,166 crore in the previous year (PY). This growth was primarily driven by a 9% increase in the total units sold of tyres and tubes and 3% increase in average realisations of tyres and tubes. The revenue from the OEM and exports segment, accounting for 22% and 8% of the total revenue, recorded growth at 19% and 23% overall and a 15% and 22% increase in volume, due to robust demand. The replacement segment, contributing 70% to the revenue mix, experienced a 9% overall growth and a 5% increase in volume. Within the OEM segment, 2W and 3W tyres showed significant growth, with a 20% increase overall and an 18% rise in volume. Passenger car tyres also reported 29% increase overall and a 31% increase in volume. PBILDT margins moderated to 14.58% in FY25 from 16.99% in the previous year, mainly due to increase in rubber prices. The margin further moderated to 13.96% in Q1FY26, due to continued escalation in rubber prices.

Comfortable financial risk profile

MRF's financial risk profile continues to remain comfortable with low overall gearing levels (including acceptances and DD) on a net basis of 0.08x as on March 31, 2025 (PY: 0.10x). Net debt including (acceptances and DD)/ PBILDT stood at 0.37x (PY: 0.38x) as on March 31, 2025. As on March 31, 2025, total debt (including acceptances and DD) stood at ₹6,407 crore, while the cash and liquid investments stood at ₹4,902 crore. Debt coverage indicators stood comfortable as interest coverage ratio (PBILDT/ interest) stood at 11.17x in FY25 (PY: 11.84x). Going forward, MRF is expected to maintain its robust financial risk profile.

Liquidity: Strong

Liquidity is marked by strong cash accruals, expected to be in the range of ~₹3,000-₹3,500 crore against scheduled repayment obligations of ₹351 crore in FY26. Average fund-based working capital limit utilisation of MRF for the last 12-month period ended August 2025 remained low at ~10%. Net adjusted debt (including dealer deposits) to PBILDT stood at ~0.27x as on March 31, 2025 (PY: ~0.38x), and is expected to remain comfortable with accretion of stable profits. MRF has sufficient gearing headroom to raise additional debt for its capital expenditure and its unutilised bank lines are adequate to meet incremental working capital needs over the next one year.

Key weaknesses

Susceptible to raw material price volatility and vulnerable to cyclicality in the tyre industry

MRF's performance remains susceptible to cyclicality in the tyre industry driven by fluctuating demand form end-user industry, automobile especially for commercial vehicle demand. With over half of the revenues derived from the commercial segment, any slowdown in economic growth or pace of investments in infrastructure and allied sectors can affect demand, as witnessed in the past. However, with bulk of revenues from the replacement segment, MRF is relatively better placed. Inherent to the tyre industry, raw material cost, including natural rubber, and crude oil derivatives such as synthetic rubber, carbon black, and rubber chemicals, forms the largest cost head, accounting for 60-65% of the total cost. Rubber and crude oil are global commodities and prices vary across international markets. The tyre business is highly sensitive to movement in rubber and crude oil prices. Input costs have been on an upward trend since January 2024. International natural rubber prices increased by 25-30% in FY25 where it peaked to ~₹230 per kg (RSS4 and RSS5 grade) owing to global supply shortage amid adverse weather conditions in key rubber-producing nations in south-east Asia. High natural rubber prices and volatile crude prices resulted in moderation in the operating profitability margins in FY25 when compared to FY24, however, rubber prices have started to decline in the last few months and are expected to remain firm in FY26.

Competitive nature of industry

MRF faces competition from other established players in the domestic players and Chinese tyre manufacturers though it has been able to retain its overall market position across segments over the years. In the past, due to imposition of antidumping duty till December 2022 and further imposition of (countervailing duty) anti-subsidy duty in June 2019, competition from Chinese players is mitigated to an extent. In June 2020, the government-imposed curbs on imports of certain new pneumatic tyres used in motor cars, buses, lorries, and motorcycles, in a move to promote domestic manufacturing. Putting goods under restricted category implies an importer would require a licence or permission from the directorate general of foreign trade (DGFT) for imports. Earlier, importing these tyres was allowed without restrictions. On the domestic front, with removal of anti-dumping duty on Chinese tyres or removal of restrictions on imports, domestic players are expected to face increasing competition. MRF continues to face competition from other Indian players. CareEdge Ratings observes that the MRF's long-standing relationships with OEMs helps it to mitigate competitive pressure to an extent.

Exposure to exchange rate movement

MRF is exposed to exchange rate fluctuation risks, as it has significant export income and import payments for raw material requirements (which are ~70% imported). However, natural hedge in its business enables to partially mitigate the risk. The company's margins are highly susceptible to foreign exchange volatility.

Environment, social, and governance (ESG) risks

The tyre sector has an impact on the environment owing to emissions, generation of waste, and consumption of water. Tyre manufacturing process depends on natural resources, such as natural rubber, as key raw material. Due to the nature of operations affecting local community and health hazards involved in the manufacturing process, the sector also has a social impact. MRF has consistently focused on mitigating its environmental and social risks. CareEdge Ratings believes MRF's commitment to ESG should support its credit profile.

Environment

- Agreements have been signed for purchasing solar power for the plants in Tamil Nadu and hybrid power (solar and wind) for the Gujarat plant which will reduce the carbon footprint.
- Replacement of furnace oil-based steam generation with alternate gas-based steam generation and use of biomass as alternate fuel for boilers have been initiated.
- Construction of waste-water treatment facility in several plants is underway. Agreements have been signed for using treated municipal sewage water at the Perambalur plant. The treated water will be used in the manufacturing process.
- MRF is actively pursuing decarbonisation through a focused increase on renewable energy adoption across all manufacturing locations. In FY25, the company has invested to scale up the share of electricity sourced from green energy.
- MRF is focusing on the horizontal deployment of piloted decarbonisation projects such as gas-based steam generation, biomass blending, and nitrogen curing to ensure long-term carbon reduction.
- MRF continues to focus on the reduction of reliance on freshwater sources. The key projects taken up in FY25 includes the implementation of enhanced wastewater treatment and recovery systems. The company is currently using 100% desalinated seawater at one of its facilities which enabled it to avoid dependency on freshwater.

Social

On the social front, the company has a rich organisational culture rooted in its core values of respect for people. The company's CSR activities are directed towards fulfilling the needs of communities regarding promotion of education, healthcare and public infrastructure. MRF also supports skill-development initiatives for increasing employability of rural youth and also for sports.

Governance

The company has always adopted high standards of governance. Its business processes are crafted to deliver long-term value for investors through prudent fiscal practices and sound business strategy combined with fair disclosure practices. MRF's governance structure is characterised by majority of its Board of Directors comprising independent directors, and extensive disclosures. Company has seven independent directors (50% of the total 14 directors) with three-woman non-executive and non-independent directors among them.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies

Financial Ratios – Non financial Sector
Auto Components & Equipments
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Automobile and auto components	Auto components	Tyres and rubber products

MRF, India's largest manufacturer of automotive tyres and tubes, was incorporated as a private limited company in 1960 to take over a partnership firm 'The Madras Rubber Factory', started by the late K M Mammen Mapillai. Over the years, the company has established a country-wide dealer network and enjoys a strong brand equity. MRF had an installed tyre manufacturing capacity of 95.85 million tyres and tubes manufacturing capacity of 47.90 million units as on March 31, 2025, spread over nine plants across India. The company's other business operations consist of manufacturing pre-cured treads, tread rubber, and specialty paints, among others.

Brief Consolidated Financials (₹ crore)	FY24 (A)	FY25 (A)	Q1FY26 (UA)
Total operating income	25,166	28,163	7,676
PBILDT	4,275	4,106	1,071
PAT	2,081	1,869	500
Overall gearing (times)	0.19	0.23	NA
Interest coverage (times)	11.84	11.17	10.89

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures	INE883A08016	24-02-2023	6-months T Bill + 84 bps	24-02-2026	150.00	CARE AAA; Stable
Fund-based - LT-Term Loan		-	-	26-09-2027	421.74	CARE AAA; Stable
Fund-based - LT-Working Capital Limits		-	-	-	2340.00	CARE AAA; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	1500.00	CARE AAA; Stable / CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	1500.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Working Capital Limits	LT	2340.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Sep-24)	1)CARE AAA; Stable (04-Oct-23)	1)CARE AAA; Stable (06-Oct-22)
2	Non-fund-based - ST-BG/LC	ST	1500.00	CARE A1+	-	1)CARE A1+ (30-Sep-24)	1)CARE A1+ (04-Oct-23)	1)CARE A1+ (06-Oct-22)
3	Fund-based/Non-fund-based-LT/ST	LT/ST	1500.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (30-Sep-24)	1)CARE AAA; Stable / CARE A1+ (04-Oct-23)	1)CARE AAA; Stable / CARE A1+ (06-Oct-22)
4	Fund-based - LT-Term Loan	LT	421.74	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Sep-24)	1)CARE AAA; Stable (04-Oct-23)	1)CARE AAA; Stable (06-Oct-22)
5	Debentures-Non-convertible debentures	LT	150.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Sep-24)	1)CARE AAA; Stable (04-Oct-23)	1)CARE AAA; Stable (17-Oct-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Limits	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple
5	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	MRF Corp Ltd.	Full	Subsidiary
2	MRF International Ltd.	Full	Subsidiary
3	MRF Lanka Pvt. Ltd.	Full	Subsidiary
4	MRF SG PTE. Ltd.	Full	Subsidiary

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Hardik Manharbhai Shah Director **CARE Ratings Limited** Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in Arti Roy Associate Director **CARE Ratings Limited** Phone: +91-22-6754 3657 E-mail: arti.roy@careedge.in

About us:

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