

## Emerald Tyre Manufacturers Limited

September 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	54.35 (Reduced from 71.33)	CARE BBB-; Stable	Reaffirmed
Short-term bank facilities	46.50 (Enhanced from 46.00)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Emerald Tyre Manufacturers Limited (Emerald) continue to draw strength from the promoter's vast experience in industrial tyre segment, established track record of the business, diversified presence across original equipment manufacturer (OEM) and replacement market, and robust distribution network. Ratings also take note of improved net worth position following capital infusion through initial public offering (IPO), while the capital structure is expected to moderate in the near term considering the ongoing debt funded capex.

However, ratings are constrained by the susceptibility of margins to raw material price volatility, and foreign exchange fluctuations. Ratings are further tempered by client concentration risk, project stabilisation risk, and an elongated working capital cycle and susceptibility of the business to tariff related risks in its key export market.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increasing scale of operation above ₹250 crore.
- Improving working capital cycle with rationalisation of inventory levels below 120 days and improved collection to less than 90 days.

#### Negative factors

- Elongating working capital cycle beyond 180 days leading to tightening of liquidity.
- Overall gearing exceeding 1.5x.

**Analytical approach:** Standalone

### Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that the company will maintain its risk profile aided by its established track record in off-the-road (OTR) business.

### Detailed description of key rating drivers:

#### Key strengths

##### Established track record of the business; however, scale of operations remains moderate

Incorporated in 2002, the company has over two decades' experience in manufacturing OTR tyres. Initially focused on material handling equipment, it has since diversified in construction, mining, and agriculture sectors. The product portfolio comprises 1,416 stock keeping units (SKUs) suitable for forklifts, winter conditions, lawn and garden equipment, agricultural implements, and tractor trailers. The company has installed capacity of 10,560 million tonne per annum (MTPA) and capacity utilisation has been stable ~86% for the last two years. Despite its established track record, it remains a modest-sized player in a niche segment. The company has reported total operating income (TOI) of ₹184 crore in FY25, 19% growth over the previous year, aided by improved volume and realisation.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

### **Diversified presence across OEM and replacement market**

Emerald manufactures solid tyres and industrial pneumatic tyres mainly for the material handling industry. The company also manufactures press-on band (a variant of solid tyre) and wheel rims largely catering to the replacement segment in the export market and tier-I/OEM segment in the domestic market. In recent years, Emerald has focused on expanding its OEM presence and has successfully added new clients; however, OEM contribution to revenues remains modest at 15% in FY25 (FY24: 10%).

### **Robust distribution network**

Most of the Emerald's revenue is from exports, which contributed ~76% of the TOI in FY25. The company exports its products to over 70 countries through their different touchpoints across the globe. To cater to the export markets, the company operates two subsidiaries in Dubai and Belgium for marketing and distribution in Middle East and Europe. They operate warehouses of ~14,000 square feet in their respective locations. The company has 25 international dealers across the globe and a PAN India distribution network with 45 exclusive franchises in India.

### **Capital structure strengthened post-initial public offering (IPO); likely to moderate with debt-funded expansion**

The company's capital structure improved following the equity infusion of ₹47.37 crore from its IPO in December 2024, with overall gearing strengthening to 0.69x as of March 2025 (PY: 1.20x). The company is currently undertaking capacity expansion to 16,240 MTPA (from 10,560 MTPA as on March 31, 2025) at a total project cost of ~₹65 crore. The project is planned to be funded through IPO proceeds of ₹44.84 crore, debt of ₹17.5 crore and rest from internal accruals. As on July 31, 2025, ~₹55 crore had been incurred, utilising IPO proceeds fully, ₹3.68 crore of debt drawn and remaining from internal accruals. The commercial operations are expected to commence by October 2025. While the IPO proceeds have strengthened the capital structure, gearing is expected to moderate over the medium term due to the planned debt drawdown for the project and higher working capital requirements associated with the expanded operations.

### **Experienced promoters and management team**

Emerald is promoted by V Thirupathi and his two sons, V T Chandrasekharan and V T Srinivasan. V T Chandrasekharan is the company's Chairman and Managing Director, holding over two decades' experience in the industrial tyre segment. He also has completed programme on production management for manufacturing industry by AOTS Japan. The company also has a well-experienced professional management team led by Krishnaram, CEO of the company, who has over three decades' experience in the tyre industry.

### **Key weaknesses**

#### **Customer concentration risk**

The company has achieved growth in scale, supported by its entry in the tier-I segment of export markets. However, there remains a notable concentration in revenue, with a significant portion of TOI derived from few clients. In FY25, the top 10 customers contributed 70% of TOI, up from 64% in the previous year. However, the share of top two clients reduced to 34% in FY25 from 43% in FY24, indicating a gradual diversification of the customer base. To further reduce dependency and broaden its reach, the company is actively engaging with additional OEMs in domestic and international markets.

### **Business susceptible to tariff implication from US market**

Effective August 27, 2025, the U.S. imposed a 50% reciprocal tariff on tyre imports from India (25% base levy plus 25% penalty), in addition to existing antidumping (~3.7%) and countervailing (~4.7–5.4%) duties. This has raised the effective ad valorem tariff on Indian OTR tyre exports to roughly 58–60%. Emerald, which historically derives 30–40% of its sales from the USA, is likely to witness significant drop in its sales to the USA. To mitigate the impact, the company is expanding its footprint in alternative geographies such as Europe, the UK and Australia. In 4MFY26, Emerald reported ~12% year-on-year (y-o-y) growth in sales, driven by an increase in the European market share to ~40% from 22% in 4MFY25. This expansion has moderated the USA's

contribution to ~28%, compared to 37% in the previous year. While the shift reflects improved geographical diversification, the USA continues to account for a significant portion of revenues, keeping the company exposed to demand and tariff-related risks in that market. The company's ability to offset the anticipated loss of the USA's business through timely scaling of sales in alternative markets, particularly with the additional capacity coming onstream from October 2025, will be critical to sustaining its business profile.

**Exposure to subsidiaries**

Emerald has two wholly-owned subsidiaries—Emerald Middle East FZ LLC and Emerald Tyres Europe BVBA—that act as its marketing and distribution arms in the Middle East and Europe, respectively. As on March 31, 2025, receivables of ~₹28.80 crore were outstanding from these entities, largely represented by inventory. While the parent company has begun recovering these long-standing dues and inflows have already commenced, the significant exposure continues to keep a portion of Emerald's working capital tied up and makes realisations depend on the business performance of its overseas subsidiaries.

**Margins susceptible to raw material price volatility**

Emerald's primary cost component is raw materials, including natural rubber, synthetic rubber, and carbon black. Carbon black and synthetic rubber are crude oil derivatives, and their prices tend to fluctuate with crude oil price movement. The company sources rubber almost exclusively from domestic suppliers in Kerala, resorting to imports only when international prices are especially favourable. In FY2025, natural rubber prices were volatile, reaching a peak of ~₹2.28 lakh per tonne in September 2024. In Q1FY26, prices began to moderate and averaged ~₹2 lakh per tonne. The company follows a cost-plus mechanism that allows the raw material price fluctuations to be passed on to customers, though with a time lag of few months. In FY25, profit before interest, lease rentals, depreciation and taxation (PBILDT) margin has come down to 14.94% from 18.48% in the previous year due to the delay in passing on the raw material cost with onetime development cost towards new product lines. Over the medium term, margins are expected to benefit from backward integration, as the expanded capacity will enable complete in-house mixing—currently partly outsourced—lowering logistics and processing costs.

**Liquidity: Adequate**

The liquidity position of the company is marked adequate by sufficient cash accruals to meet the repayment obligations. The company's working capital cycle, while still elongated due to the need to maintain substantial inventory for quick order execution, improved to 174 days in FY25 from 194 days in FY24, aided by lower inventory days and faster receivable collections. Emerald's diversified customer base and wide product portfolio necessitate maintaining many SKUs, resulting in elevated working capital requirements. Utilisation of working capital facilities remains high at ~92% for the 12 months ended May 31, 2025. Post IPO and raise of funds as well, the company's WC utilisation levels remain high, as most funds have been deployed towards capital expenditure.

**Applicable criteria**[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
Industrials	Capital goods	Industrial products	Rubber

Emerald Tyre Manufacturers Limited (formerly known as Emerald Resilient Tyre Manufacturers Private Limited), promoted in 2002 by V Thirupathi (former Managing Director of ICICI Credit Corporation Limited), is engaged in manufacturing solid tyres and industrial pneumatic tyres catering to the material handling industry. The company has converted from private limited to public limited in November 2023 and listed in the EMERGE Platform of National Stock Exchange of India Limited on December 12, 2024. The industrial pneumatic tyres are made up of rubber and tyre chord and inflated with air pressure inside the tyre, while solid tyres are completely made up of solid materials, mainly rubber. These tyres are used mainly in equipment such as forklifts, trolleys, reach trucks, trailers, ground support equipment (GSE), and road pavers, among others.

Brief Financials Standalone (₹crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	152.23	154.56	184.33
PBILDT	22.20	28.56	27.55
PAT	7.10	12.78	9.33
Overall gearing (times)	1.57	1.20	0.69
Interest coverage (times)	2.65	3.31	3.23

A: Audited; 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
Fund-based - LT-Cash Credit		-	-	-	7.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	Mar-2033	47.35	CARE BBB-; Stable
Fund-based - ST-PC/Bill Discounting		-	-	-	40.00	CARE A3
Fund-based - ST-Standby Line of Credit		-	-	-	1.50	CARE A3
Non-fund-based - ST-BG/LC		-	-	-	5.00	CARE A3

**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-Term Loan	LT	47.35	CARE BBB-; Stable	-	1)CARE BBB-; Stable (26-Jul-24)	1)CARE BBB-; Stable (07-Jul-23)	1)CARE BBB-; Stable (22-Jul-22)
2	Fund-based - LT-Cash Credit	LT	7.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (26-Jul-24)	1)CARE BBB-; Stable (07-Jul-23)	1)CARE BBB-; Stable (22-Jul-22)
3	Fund-based - ST-PC/Bill Discounting	ST	40.00	CARE A3	-	1)CARE A3 (26-Jul-24)	1)CARE A3 (07-Jul-23)	1)CARE A3 (22-Jul-22)
4	Non-fund-based - ST-BG/LC	ST	5.00	CARE A3	-	1)CARE A3 (26-Jul-24)	1)CARE A3 (07-Jul-23)	1)CARE A3 (22-Jul-22)
5	Fund-based - ST-Standby Line of Credit	ST	1.50	CARE A3	-	1)CARE A3 (26-Jul-24)	1)CARE A3 (07-Jul-23)	1)CARE A3 (22-Jul-22)

LT: Long term; ST: 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	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-PC/Bill Discounting	Simple
4	Fund-based - ST-Standby Line of Credit	Simple
5	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

**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](mailto:care@careedge.in) for clarifications.

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