DCM Shriram International Limited

April 06, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	125.44	CARE A-; Stable	Assigned
Short-term bank facilities	127.72	CARE A2+	Assigned
Fixed deposit	15.00	CARE A-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has assigned long-term rating of 'CARE A-; Stable' and short-term rating of 'CARE A2+' to bank facilities and instruments of DCM Shriram International Limited (DCMSIL).

Ratings derive strength from DCMSIL's established operating track record and strong business risk profile, supported by its presence in a niche segment characterised by high entry barriers. The company is engaged in manufacturing and supplying rayon tyre yarn, tyre cord, and tyre cord fabrics, which demonstrated strong acceptance in international markets. Ratings also factor in DCMSIL's long-standing relationships with multiple international tyre manufacturers across diverse geographies, supporting stable demand visibility.

CareEdge Ratings has considered successful implementation of composite Scheme of Arrangement approved by the Hon'ble National Company Law Tribunal (NCLT), New Delhi Bench, in December 2025, pursuant to which the rayon and defence manufacturing undertaking was transferred from DCM Shriram Industries Limited (DCMSR) to DCMSIL. DCMSIL was subsequently listed on the stock exchanges on February 17, 2026, resulting in a distinct corporate structure for the transferred businesses.

Ratings further factor in the company's comfortable financial risk profile, underpinned by a strong capital structure, which cushions the balance sheet against near-term earnings volatility. The company's near-term profitability remains subdued due to ongoing geo political issue and corresponding lower demand of end-user high end automobile sector; however, profitability is expected to normalise to profit before interest, lease rentals, depreciation and taxation (PBILDT) margins of 10-15% in the medium term as the geo-political situation stabilise and demand bounces back.

However, ratings remain constrained by exposure to raw material price volatility and foreign exchange fluctuations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The company's ability to diversify and significantly enhance its scale of operations above ₹700 crore with operating PBILDT margin over 12% on a sustained basis.
- Improvement in Net Debt/PBILDT below 1.50x on a sustained basis.

Negative factors

- Un-envisaged debt funded expansion leading to Net Debt/PBILDT above 3x.
- Decline in PBILDT margins below 8% beyond FY26 on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CareEdge Ratings expectation that DCMSIL will continue to benefit from its strong position in the rayon business and maintain adequate liquidity. Considering absence of major debt-funded capex, leverage and coverage metrics are expected to remain comfortable in the near-to-medium-term.

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

Detailed description of key rating drivers:

Key strengths

Strong competitive position with long track record of operations

DCMSIL has a long track record of operations of over three decades. It operates within a specialised segment of the industrial rayon market, focusing on manufacturing and supplying rayon tyre yarn, tyre cord, and tyre cord fabrics, products that enjoy strong acceptance in international markets. The company holds an estimated 20-25% global market share, supported by high entry barriers, including lengthy customer approvals and certification processes spanning 2-3 years. Entry barriers in this industry are significantly high. New entrants are required to undergo extensive customer approval processes, including prolonged field trials and product certification, which typically span 2-3 years. Establishing a greenfield manufacturing facility involves substantial capital expenditure, particularly towards infrastructure development and advanced pollution control systems. These factors collectively restrict new competition, support long-term stability of established players and enhance customer stickiness once approvals are secured.

Reputed consumer base

The company benefits from well-established and long-standing relationships with multiple reputed international tyre manufacturers across diverse geographies, which supports consistent order flow and earnings visibility. Exports constituted ~91% of gross sales in FY25 (PY: 92.97%), indicating strong global acceptance of the company's products. The customer portfolio includes established and credit-worthy tyre manufacturers such as Pirelli, Drautex, Bridgestone, MRF, among others, which mitigates counterparty risk and strengthens the company's overall credit profile.

Comfortable financial risk profile with healthy capital structure

The company's capital structure remained comfortable as of March 31, 2025, marked by an overall gearing of 0.32x (PY: 0.40x). Low leverage profile is supported by a strong net worth base and low term debt (~₹17 crore as on December 31, 2025), which provides financial flexibility and cushions the balance sheet against near-term earnings volatility. Going forward, capital structure is expected to remain broadly stable, with no major debt-funded expansions planned. The company proposes to set up a boiler to improve fuel efficiency, which shall be funded from term loan from banks. Incremental debt is moderate in nature and is expected to be absorbed without materially impacting overall gearing profile. Though leverage indicators moderated slightly in FY25 due to lower profitability it remained comfortable at ~1.26x (PY: 0.82x). While further pressure on credit metrics is envisaged in the near term in view of the decline in profitability in 9MFY26, which is expected to improve with envisaged improvement in profitability in the near-to-medium term, as the current geo-political situation stabilises. Gearing levels are expected to remain comfortable, supported by the company's strong capital base and no major debt funded capex plans.

Key weaknesses

Moderation in revenue in top line and profitability in FY25 with continued pressure in 9MFY26

Before demerger, DCMSIL achieved a compounded annual growth rate (CAGR) of 14% from FY21-FY25, with FY24 being benefitted from higher realisations, following price increases implemented to offset elevated inflationary pressures in Europe, particularly higher chemical and energy costs. These price hikes were largely aligned with those undertaken by European peers, while the Company's cost structure in India remained comparatively stable, enabling margin expansion. However, in FY25, the company reported total operating income (TOI) of ₹583.76 crore, declining from ₹698.96 crore in FY24. Reduction in revenues was primarily driven by lower dispatch volumes, reflecting muted customer demand amid a global slowdown in the automotive industry, exacerbated by prevailing geopolitical uncertainties. Decline in topline adversely impacted profitability, with PBILDT declining to ~₹97 crore in FY25 from ~₹157 crore in FY24. Consequently, PBILDT margins moderated to 16.61% in FY25 from 22.46% in FY24, reflecting operating leverage pressures. In 9MFY26, the company's operating performance was impacted by ongoing geopolitical uncertainties and tariff-related challenges. The global automobile sector experienced lower demand as consumers deferred high-value purchases amid uncertainty. This led to reduced off-take, with customers moderating production and rationalising pipeline inventories. In response, the company adjusted production levels to align with demand and optimise working capital utilisation. However, the situation is expected to improve going forward as the situation normalises. Apart from rayon the company has presence in defence segment where the company has been developing prototypes of multi-role armoured vehicles, and unmanned aerial vehicles (UAVs) among others and is awaiting receipt of orders.

Exposure to foreign exchange fluctuation and raw material price volatility

The company remains exposed to foreign exchange risk due to the inherent nature of its business model, where a significant portion of its raw material requirements and revenue streams are denominated in foreign currencies. DCMSIL imports wood pulp, which constitutes one of the primary raw materials used in the manufacture of rayon yarns and fabrics. Simultaneously, ~90% of the company's topline is derived from export sales, resulting in substantial exposure to fluctuations in foreign currency exchange rates. Volatility in exchange rates can materially impact the company's profitability and cash flows. To mitigate this risk, the company follows a prudent risk management policy by adopting a combination of natural hedging mechanisms and forward contracts. As a result of these measures, the company reported foreign exchange gains of ₹10.09 crore in FY25, despite lower than the ₹11.54 crore reported in FY24, reflecting currency movements and hedging effectiveness in respective periods. For 9MFY26 forex gain was ~ ₹4.91 crore against ₹8.17 crore.

In addition to foreign exchange exposure, the company's operating performance in FY25 was adversely affected by heightened volatility in input prices. Key raw materials such as caustic soda, sulphur, and sulphuric acid witnessed significant price fluctuations, leading to increased cost pressures.

Liquidity: Adequate

The company's liquidity profile is marked adequate with modest repayment obligations of ~₹4.42 crore and ~₹13.14 crore in FY27 and FY28 respectively, which can be comfortably met from internal accruals of the company, which are expected to be in the range of ₹40-45 crore. Apart from this company also had free cash and bank balance of ~ ₹42 crore as on March 25, 2026, which further strengthens the company's liquidity profile. The company also minimal capex requirements of ~ ₹25 crore in FY27, which shall be met from undrawn term loan limits. Comfort is also drawn from availability of working capital limits, utilisation of which was ~ 53% for 12 months ending January 2026, leaving sufficient buffer in case of exigencies.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

DCMSIL is engaged in manufacturing and marketing rayon tyre yarn, greige fabric and treated fabric used primarily as reinforcement materials in high-speed tyres. The company exports its products to major international tyre manufacturers across multiple geographies and has established itself as a specialised supplier of technically demanding reinforcement materials. The company operates a diversified product portfolio across three principal segments-Industrial Rayon, Industrial Nylon and Chemicals-serving a range of end-use industries with differentiated performance requirements. However, Industrial Rayon contributes over 90% of the company's topline DCMSIL has also strategically entered the defence manufacturing sector in alignment with India's Make in India vision. The company holds Industrial Licences under the Arms Act, 1959, authorised to manufacture multi-role armoured vehicles, UAVs, communication equipment and opto-electronic systems, this segments however does not so far meaningfully contribute to the company's core operations.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	698.66	583.76	339.71
PBILDT*	156.93	96.95	17.32
Profit after tax (PAT)	102.51	62.12	4.15
Overall gearing (x)	0.40	0.32	NA
Interest coverage (x)	23.57	16.19	3.90

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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
Fixed Deposit		-	-	-	15.00	CARE A-; Stable
Fund-based - LT-Cash Credit		-	-	-	76.60	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	31-01-2031	48.84	CARE A-; Stable
Non-fund-based-Short Term		-	-	-	127.72	CARE A2+

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	48.84	CARE A-; Stable				
2	Fixed Deposit	LT	15.00	CARE A-; Stable				
3	Fund-based - LT-Cash Credit	LT	76.60	CARE A-; Stable				
4	Non-fund-based-Short Term	ST	127.72	CARE A2+				

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	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based-Short Term	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 for clarifications.

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About us:
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