

October 24, 2025 (Revised)

Aarti International Limited: Ratings reaffirmed and assigned for enhanced amount

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-Term - fund-based cash credit	278.40	278.40	[ICRA]A- (Stable); reaffirmed
Long-Term - fund-based term loan	199.27	153.53	[ICRA]A- (Stable); reaffirmed
Long-Term/Short-Term - non-fund based limits	27.30	47.30	[ICRA]A- (Stable)/[ICRA]A2+; reaffirmed and assigned for enhanced amount
Short-Term Fund based – Others - Electronic vendor finance scheme	-	100.00	[ICRA]A2+; reaffirmed and assigned for enhanced amount
Short-Term – Fund Based – Working Capital Demand Loan	-	25.00	[ICRA]A2+; reaffirmed and assigned for enhanced amount
Short-Term fund-based bill discounting	10.00	-	-
Long-Term/Short - unallocated limits	5.03	0.77	[ICRA]A- (Stable)/[ICRA]A2+; reaffirmed
Total	520.00	605.00	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation on the bank lines of Aarti International Limited (AIL) consider a recovery in the company's operational and financial performance in FY2025, and an expected sustained growth in revenues and earnings over the medium term. This remains supported by AIL's track record of three decades in the spinning business, its large-scale operations with a single location spinning capacity of 1.8 lakh spindles, a wide product portfolio of basic and value-added yarn, partial forward integration into knitting and fabric processing and healthy capacity utilisation levels. Operating income of AIL's grew by 6% on a year-on-year (YoY) basis to Rs. 1,362.5 crore in FY2025, and its operating margins improved by 390 bps to 8.1%. A healthy recovery in profitability, coupled with lower utilisation of working capital limits, led to an improvement in debt coverage metrics. The interest coverage ratio improved to 4.0 times and total debt to OPBDITA decreased to 3.5 times in FY2025 compared to 1.8 times and 8.5 times, respectively, in FY2024. However, due to the current muted demand scenario amid various geopolitical factors, AIL is likely to register a flattish performance in FY2026 and remains a key monitorable. The ratings remain supported by the company's conservative capital structure, extensive experience of the promoters, long relationships with customers and favourable demand conditions over the long term.

The ratings, however, remain constrained by the commoditised nature of the company's products, which, coupled with the fragmented industry structure, results in limited pricing power, keeping profitability under check. Besides, various geopolitical issues, including the recent punitive tariff levied by the US that placed Indian apparel exporters at a disadvantage compared to other competing nations, are expected to create a ripple effect across the value chain. The ratings also factor in AIL's high year-end working capital intensity due to the seasonal nature of cotton availability, which necessitates stocking during the harvest season. This keeps the leverage elevated and profitability vulnerable to the volatility in cotton prices.

The Stable outlook on the long-term rating reflects ICRA's opinion that AIL will continue to exhibit healthy capacity utilisation levels. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, to further increase its

capacity will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the current rating.

Key rating drivers and their description

Credit strengths

Large-scale spinning operations with an established market position and sizeable presence in value-added products – AIL is a Ludhiana-based spinner with a single-location capacity of 1.8 lakh spindles, which is large compared to the average capacity of 28,000-30,000 spindles per unit in India. The large scale in yarn manufacturing augurs well for its cost structure in a commoditised market. The company manufactures pure cotton and blended spun yarn across a wide count range, with 30s and 32s counts accounting for a predominant portion of the production. In addition to the basic grey yarn, it manufactures value-added yarn. The ability to manufacture a diversified product range across various counts and varieties improves its value addition and provides AIL with the flexibility to switch among its product offerings, depending upon demand. Further, its forward integration into knitting and fabric dyeing increases the value addition and diversification, while moderating the impact of the cyclical nature in the spinning industry.

Healthy operational performance, corroborated by consistently high utilisation of the spinning mill – AIL's spinning unit's production levels have remained healthy, with more than 90-95% capacity utilisation in most years, owing to its established market position in the industry with extensive relationships with clients and a value-added product profile. In addition, the company's capacity utilisation in the spinning division has been partially supported by increased captive consumption in the knitted fabrics division in recent years. This is corroborated by a healthy capacity utilisation of around 89% and 94% in the company's spinning division in FY2025 and 5M FY2026, respectively. ICRA notes that the capacity utilisation of AIL's fabric division improved on a YoY basis and stood at 83% in FY2025 and 78% in 5M FY2025 against 73% in FY2024. ICRA expects the capacity utilisation to remain at a healthy level for the spinning division going forward. The capacity utilisation for the fabric division is likely to improve further in the near-to-medium term.

Healthy financial risk profile – AIL's financial risk profile has improved over the years, marked by a healthy scale of operations and profit margins, leading to a significant net worth base. Operating income of AIL grew by 6% on a YoY basis to Rs. 1,362.5 crore in FY2025, aided by stable yarn sale volumes and a healthy rise in fabric sales volumes. While AIL's performance has been subdued in the previous two fiscals due to unfavourable demand conditions, leading to volatility in cotton prices and lower realisations, the financial profile has improved in FY2025 with a recovery in demand. Operating margins improved by 390 bps to 8.1% in FY2025. A healthy recovery in profitability, coupled with lower utilisation of working capital limits, led to an improvement in debt coverage metrics. The interest coverage ratio improved to 4.0 times and total debt to OPBDITA decreased to 3.5 times in FY2025 compared to 1.8 times and 8.5 times, respectively, in FY2024. However, due to the current muted demand scenario amid various geopolitical issues, AIL is likely to register a flattish performance in FY2026 and remains a key monitorable. As the entity does not have any major debt-funded capex planned in the near-to-medium term, the capital structure and coverage indicators are expected to improve going forward.

Credit challenges

Working capital-intensive operations; susceptibility to volatility in cotton and cotton yarn prices and currency movements – AIL, like other entities in the spinning sector, stocks cotton during the harvest season from October to March. This practice exposes it to the fluctuations in cotton yarn prices. This results in high dependence on working capital borrowings and keeps the leverage high, particularly at year-end. The stocking practice also results in a high inventory position for the company, particularly during the peak season. As a result, AIL's year-end working capital borrowings and working capital intensity (with NWC/OI at 36% as of March 31, 2025) remain elevated due to increased cotton stocking. This continues to weigh on its capital structure and coverage metrics toward the end of the financial year. Further, as AIL derived 7% of its revenues in FY2025 from

exports (declined from 30-35% in the past), the entity’s profitability remains dependent on its ability to effectively hedge export receivables on a consistent basis, as well as on the demand in export markets.

Commoditised nature of yarn, coupled with fragmented industry structure and geopolitical developments, keeps profitability under check – The spinning and knitting industries are highly fragmented, with a significant share of the unorganised segment. AIL manufactures a wide variety of products, encompassing yarns with varying levels of value addition and knitted fabrics. However, its product portfolio remains concentrated towards medium-count and low-to-medium value-added yarns and fabrics. As a result, limited pricing power is likely to keep its profitability under check. Further, AIL’s operations remain susceptible to the geopolitical environment, climatic conditions, changes in duty tariffs, among others.

Liquidity position: Adequate

AIL’s liquidity position is adequate, with stable operating cash flows and healthy buffer on working capital sanctioned limits with an average utilisation of 60% on the Rs. 278.4 crore limits during the 6-month period ending in August 2025. Against the expected net cash accruals of around Rs. 70 crore in FY2026, it has debt repayment obligations of Rs. 47.5 crore in FY2026 and Rs. 41.6 crore in FY2027. Overall, ICRA expects AIL to be able to meet its near-term commitments through internal as well as external sources.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company reports a healthy increase in its scale of operations, along with a sustained recovery in its profitability, leading to an improvement in its return and debt protection metrics. Further, efficient working capital management, which improves AIL’s liquidity position, could be a positive trigger. A specific credit metric for ratings upgrade would be RoCE of more than 16% on a sustained basis.

Negative factors – The ratings could witness a downward revision if any sharp decline in revenues and profits or any large debt-funded capex adversely impacts its credit metrics or liquidity position. Specifically, AIL’s DSCR remaining below 1.8 times, on a sustained basis, would be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles - Spinning Textiles - Fabric
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of AIL

About the company

AIL, incorporated in 1993, is a Ludhiana-based vertically integrated manufacturer of ring-spun yarns and knitted fabrics. The company has a large single location spinning capacity of 1.8 lakh spindles, whereby it manufactures cotton and blended spun yarns, with a focus on medium counts. To achieve partial forward integration, AIL forayed into fabric knitting with the commissioning of 15 knitting machines in FY2017. The company has, thereafter, installed a fabric knitting capacity of 5.8 million kg per annum and fabric dyeing capacity of about 28 MT per day (enhanced from 21 MT per day over last four years) and a rooftop solar plant with an installed capacity of 13 MW.

AIL is a part of the Ludhiana-based Aarti Group [that also owns Aarti Steels Limited (ASL)¹ and Aarti Steel International Limited

¹ ASL’s bank facilities are rated [ICRA]A(Stable)/[ICRA]A2+. For detailed rating rationale, please refer to ICRA’s website – www.icra.in

(ASIL)²] which manufactures sponge iron, steel billets/ingots, rounds and bars, steel wires and ferro alloy.

Key financial indicators (audited)

Aarti International Limited (Standalone)	FY2024	FY2025	H1 FY2026*
Operating income	1,287.2	1,362.5	630.0
PAT	(19.7)	24.4	6.5
OPBDIT/OI	4.2%	8.1%	7.4%
PAT/OI	(1.5%)	1.8%	1.0%
Total outside liabilities/Tangible net worth (times)	1.1	1.0	-
Total debt/OPBDIT (times)	8.5	3.5	-
Interest coverage (times)	1.8	4.0	3.7

Source: Company, ICRA Research; * Provisional number; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

² ASIL's bank facilities are rated [ICRA]A+(Stable)/[ICRA]A1. For detailed rating rationale, please refer to ICRA's website – www.icra.in

Rating history for past three years

Current (FY2026)			Chronology of rating history for the past 3 years							
Instrument	Type	Amount rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long-Term	278.40	Oct 24, 2025	[ICRA]A-(Stable)	Jul 29, 2024	[ICRA]A-(Negative)	Jul 13, 2023	[ICRA]A-(Stable)	Jan 17, 2023	[ICRA]A-(Stable)
					Jan 27, 2025	[ICRA]A-(Stable)				
Term loan	Long-Term	153.53	Oct 24, 2025	[ICRA]A-(Stable)	Jul 29, 2024	[ICRA]A-(Negative)	Jul 13, 2023	[ICRA]A-(Stable)	Jan 17, 2023	[ICRA]A-(Stable)
					Jan 27, 2025	[ICRA]A-(Stable)				
Non-fund based limits	Long-Term/Short-Term	47.30	Oct 24, 2025	[ICRA]A-(Stable)/[ICRA]A2+	Jul 29, 2024	[ICRA]A-(Negative)/[ICRA]A2+	Jul 13, 2023	[ICRA]A-(Stable)/[ICRA]A2+	Jan 17, 2023	[ICRA]A-(Stable)/[ICRA]A2+
					Jan 27, 2025	[ICRA]A-(Stable)/[ICRA]A2+				
Fund based – Others - Electronic vendor finance scheme	Short-Term	100.00	Oct 24, 2025	[ICRA]A2+	-	-	-	-	-	-
Fund Based – Working Capital Demand Loan	Short-Term	25.00	Oct 24, 2025	[ICRA]A2+	-	-	-	-	-	-
Fund-based bill discounting	Short-Term	-	Oct 24, 2025	-	Jul 29, 2024	[ICRA]A2+	Jul 13, 2023	[ICRA]A2+	Jan 17, 2023	-
					Jan 27, 2025	[ICRA]A2+				
Unallocated limits	Long-Term/Short-Term	0.77	Oct 24, 2025	[ICRA]A-(Stable)/[ICRA]A2+	Jul 29, 2024	[ICRA]A-(Negative)/[ICRA]A2+	Jul 13, 2023	[ICRA]A-(Stable)/[ICRA]A2+	Jan 17, 2023	[ICRA]A-(Stable)/[ICRA]A2+
					Jan 27, 2025	[ICRA]A-(Stable)/[ICRA]A2+				

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-Term - fund-based cash credit	Simple
Long-Term - fund-based term loan	Simple
Long-Term/Short-Term - non-fund based limits	Very simple
Short-Term Fund based – Others - Electronic vendor finance scheme	Simple
Short-Term – Fund Based – Working Capital Demand Loan	Simple
Long-Term/Short - unallocated limits	Not applicable

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
NA	Long-Term - fund-based cash credit	NA	NA	NA	278.40	[ICRA]A- (Stable)
NA	Long-Term - fund-based term loan	FY2019-FY2026	7-9%	FY2027-FY2035	153.53	[ICRA]A- (Stable)
NA	Long-Term/Short-Term - non-fund based limits	NA	NA	NA	47.30	[ICRA]A- (Stable)/[ICRA]A2+
NA	Short-Term Fund based – Others - Electronic vendor finance scheme	NA	NA	NA	100.00	[ICRA]A2+
NA	Short-Term – Fund Based – Working Capital Demand Loan	NA	NA	NA	25.00	[ICRA]A2+
NA	Long-Term/Short - unallocated limits	NA	NA	NA	0.77	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis – Not Applicable

Corrigendum

Rationale dated October 24, 2025 has been revised with changes as below:

In the Key financial Indicator table, updated PAT (Profit After Tax) amount for the year FY2025 and H1 FY2026.

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