November 07, 2025

Aarti Steel International Limited: Ratings reaffirmed/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	130.00	120.00	[ICRA]A+ (Stable); reaffirmed
Short term- Non-fund based - Others	40.00	40.00	[ICRA]A1; reaffirmed
Long term/Short term – Unallocated - limits	0.37	10.00	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed/assigned for enhanced amount
Long term - Fund based - Term loan	126.63	182.00	[ICRA]A+ (Stable); reaffirmed/assigned for enhanced amount
Short term - Fund based - Cash credit	0.00	50.00	[ICRA]A1; assigned
Total	**297.00**	**402.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings of Aarti Steel International Limited (ASIL) continues to consider the long track record of the promoters in the steel business as well as its presence in the manufacturing of value-added products (rolled carbon, alloy steel, spring wires and tyre bead wires), commanding better realisation, along with a partially integrated nature of operations that supports the overall operating margin of the entity.

The ratings also consider ASIL's status as an approved supplier of steel products to the ancillaries of major automobile original equipment manufacturers (OEMs) and tyre manufacturers, which reduces the counterparty risk and provides revenue visibility. In FY2025, while the financial performance was impacted owing to a decline in realisations, the operating margin of the entity improved on the back of better cost management, lower raw material prices and healthy volume sales. However, the coverage indicators moderated because of an increase in the total debt position of the entity. The liquidity position also remained comfortable with cushions available in the working capital limits.

In the current fiscal, the financial performance is expected to improve compared to the previous fiscal, led by higher volume sales in the wire division and decrease in power costs due to the ongoing solar power plant installation. In H1 FY2026, the company has already reported an operating income of Rs. 725 crore and an operating profit margin (OPM) of ~10%.

While reaffirming the ratings, ICRA has also considered the planned capital expenditure of Rs. 129 crore to set up the solar power capacity in the current fiscal. Once operational, the solar power unit is expected to provide significant cost savings in the overall power and fuel expenses, thus supporting the margins. The capex in the wire division has already been concluded, enhancing the capacity by 18,000 MTPA. While the capacity expansion was debt funded, the company has drawn only Rs. 87 crore compared to a sanctioned Rs. 112 crore. Also, the company has prepaid certain earlier term loans in the current fiscal, thus supporting the overall debt coverage indicators in near to medium term. The total debt/OPBDITA is likely to remain at 1.1-1.3 times in FY2026 and FY2027, supported by healthy accruals and limited borrowings compared to its net worth.

The ratings, however, remain constrained by the company's exposure to the cyclicality in the automobile sector from which ASIL derives a major part of its revenue, and the inherent risks of price fluctuations and cyclicality in the steel industry. ICRA also notes ASIL's highly working capital-intensive nature of operations with significant receivables and stocking requirements with limited creditors, impacting its liquidity to an extent.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's financial profile will remain healthy with strong earnings from operations, a conservative capital structure and comfortable debt coverage metrics despite the planned debt-funded capex.

Key rating drivers and their description

Credit strengths

Long operational track record and experience of promoters in the steel business – The Aarti Group has been involved in steel manufacturing for more than four decades since the commissioning of the plant in Ludhiana in 1979. Such a long operational track record of the Group and the promoter's experience in the steel business lend operational strength to ASIL.

Established association with reputed players in automotive industry and track record of repeat business – The company's plant in Ludhiana is approved by major automobile OEMs and leading tyre manufacturers in northern India for supplying rolled steel products and wires. It supplies rolled carbon and alloyed steel products, which are used in critical automobile parts like engines, axels etc. and in two-wheeler components. The company also supplies spring wires to automobile ancillaries and tyre bead wires to tyre manufacturers. The Group's established association with reputed clients and product quality have led to repeat business over the years.

Presence of value-added products and partially integrated operation positively impact margins – The rolled products manufactured by ASIL are made of carbon and alloy steels, which are relatively value-added items used in automobile parts. The steel wires manufactured by the company are used as spring wires in automobiles and as tyre bead wires. The value-added products keep the average realisations healthy. However, the absence of any captive power plant restricts translating the entire benefit to its profits. It has partial backward integration as the ingots/billets manufactured by the company are almost entirely consumed internally to produce rolled products, providing some cost advantage. Healthy realisations due to value-added products and the partial backward integration positively impact ASIL's operating margin, which remained in the range of 10-12% over the last three fiscals.

Healthy financial risk profile characterised by a conservative capital structure and strong debt coverage metrics – ASIL's debt level remained limited compared to its net worth, leading to a low gearing of 0.26 times as on March 31, 2025. The conservative capital structure coupled with the healthy profits led to strong debt coverage indicators, reflected in an interest coverage of 14.8 times (14.0 times in FY2024), total debt to OPBDITA of 1.4 times (0.9 times in FY2023 and FY2024) and net cash accrual relative to the total debt of 55% (79% in FY2024) in FY2025. Going forth, the leverage and coverage are expected to remain healthy even with the addition of a new term loan.

Credit challenges

Exposed to cyclicality in automobile sector, key contributor to ASIL's revenues – ASIL derives a major portion of its revenue from automobile ancillaries. Hence, the company remains exposed to the cyclicality associated with the automobile sector, as reflected in the volatility in its revenue in the past years. Nevertheless, the company's products find use in various types of automobiles like commercial vehicles, passenger vehicles, tractors, two-wheelers and are also used in tyres, reducing the product concentration risks to an extent.

Vulnerable to price fluctuation risks and cyclicality inherent in the steel industry – The company consumes steel scrap as the main raw material in addition to sponge iron, pig iron, ferro alloys and other metals used to manufacture ingots/billets. It also purchases wire rods to produce wire. The volatility in raw material prices and the cyclicality inherent in the steel industry may impact the company's profits and cash accruals.

Liquidity position: Adequate

ASIL's liquidity position is expected to remain adequate. Its cash flow from operations remained healthy in FY2025, aided by better asset sweating and lower input prices. The company's cash flow from operations is expected to be comfortable in FY2026 at ~Rs. 100 crore and is likely to remain firm in the medium term. Its debt repayment obligation is around Rs. 27 crore in FY2025 and would remain at a similar level due to the long term nature of the loans. The capex will entail a cash outlay of around Rs. 129 crore in FY2026, to be funded by a 2:1 debt-equity ratio. The company's expected healthy cash flow from operations and considerable undrawn working capital (~Rs. 90 crore as of September 2025) would, however, ensure adequate fund availability for the capex and debt repayment obligations.

Rating sensitivities

Positive factors – A healthy growth in the company's revenues and profits, leading to an improvement in the debt coverage metrics and liquidity position on a sustained basis may result in an upgrade.

Negative factors – The ratings may be downgraded if a sustained decline in the company's revenues or profitability adversely impacts its debt protection metrics and liquidity. Specific credit metrics which may trigger a downgrade include total debt/OPBDITA of more than 1.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Iron & Steel
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the company

About the company

Aarti Steel International Limited (ASIL), incorporated in December 2020, is a part of the Aarti Group promoted by the Ludhiana-based Mittal family. ASIL's plant in Ludhiana, Punjab, was earlier under Aarti Steels Limited (ASL). However, it has been demerged from ASL and transferred to ASIL as part of the Aarti Group's restructuring. The regulatory approval for the restructuring was received through the NCLT's judgment in February 2023 and a formal order in March 2023. ASIL's plant in Ludhiana has the capacity to manufacture billets and ingots of 1,40,000 tonne per annum (TPA), rolled products of 3,40,000 TPA, and steel & bead wires of 70,000 TPA, which has been enhanced by 18,000 TPA in FY2025 from 52,000 TPA. The company manufactures carbon and alloy steel, which are mainly sold to automobile ancillaries. The steel wires manufactured by the company are used as spring wires and tyre bead wires.

Key financial indicators (audited)

ASIL	Standalone	
	FY2024	FY2025
Operating income	1350.5	1307.0
PAT	76.0	73.7
OPBDIT/OI	9.7%	10.4%
PAT/OI	5.6%	5.6%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	0.9	1.4
Interest coverage (times)	14.0	14.8

Source: Company, ICRA Research; 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

Rating history for past three years

	Instrument	Current ratings (FY2026)			Chronology of rating history	for the past 3 years	
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				Nov 07, 2025	Nov 29, 2024	Aug 02, 2023	-
1	**Fund based-Cash credit**	Long term	120.00	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	-
2	**Non-fund based - Others**	Short term	40.00	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**	-
3	**Fund based Cash credit-**	Short term	50.00	**[ICRA]A1**	-	-	-
4	**Fund based - Term loan**	Long term	182.00	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	-
5	**Unallocated - limits**	Long term/Short term	10.00	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Term loans	Simple
Long term – Fund based - Cash credit	Simple
Short term – Fund based - Cash credit	Simple
Short term – Non-fund based limits	Very simple
Long term/Short term – Unallocated limits	NA

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	Fund based - Term loan-1	Mar-2023	-	Jun-2030	81.60	[ICRA]A+ (Stable)
NA	Fund based - Term loan-2	Sep-2021	-	Sep-2029	12.40	[ICRA]A+ (Stable)
NA	Fund based - Term loan-3	Jan-2025	-	Mar-2035	44.00	[ICRA]A+ (Stable)
NA	Fund based - Term loan-3	Mar-2025	-	Mar-2035	44.00	[ICRA]A+ (Stable)
NA	Fund based/Cash credit	-	-	-	120.00	[ICRA]A+ (Stable)
NA	Fund based/Cash credit	-	-	-	50.00	[ICRA]A1
NA	Non-fund based limits	-	-	-	40.00	[ICRA]A1
NA	Unallocated limits	-	-	-	10.00	[ICRA]A+ (Stable)/ [ICRA]A1

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

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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