

Aro Granite Industries Limited

December 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	34.41 (Reduced from 54.86)	CARE BB-; Negative	Reaffirmed
Short Term Bank Facilities	115.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Aro granite Industries Limited (Aro) factor in continued subdued performance of the company in H1FY26, with company continued to report losses at net level in H1FY26, mainly lead by impact of tariff by US, as US continued to account for about 50% of overall revenue of the company in Q2FY26. However, the net cash flow from operating activities (CFO) remained positive at Rs.15.78 crore in H1FY26 (at Rs.33 crore in FY25), mainly lead by positive working capital changes. Further, there has been infusion of USL to an extent of Rs.7.58 crore in FY25 and Rs.7.28 crore in Q2FY26, to support its large scheduled debt repayment amidst continued subdued market scenario. The ratings continue to factor in working capital (WC) intensive nature of operations due to high inventory holding as the company follows stock and sell model for its granite division. This, along with continuous debt-funded capex undertaken by the company during past few years have resulted in high debt level for Aro; albeit, the debt levels has been on the declining trend owing to large scheduled repayments of its term loan in the past. Additionally, Intense competition in the industry with the presence of innumerable unorganised players. Also, ongoing global trade tariff uncertainties between the nations, sluggish demand scenario, continue to impact demand of granite and Quartz in global markets.

CARE Ratings also notes the cost initiative measures taken by the company, resulting in reduction in employee cost and electricity costs. This apart the company has entered in to business of import of marbles and processing at its existing facilities and exporting of the same to European customers, this is expected to result in improving its overall margins as the same command a better margins and stability in terms of scale in the medium term. However, the impact of the same remain to be seen hence remain a key monitorable.

Nevertheless, the ratings continue to derive strength from Aro's long track record of operations, diversified customer profile and products. The ratings also continue to derive strength from its experienced promoters and experienced management with a qualified team of professionals.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations to more than ₹150 crore, earnings before interest, taxes, depreciation and amortisation (EBITDA) margin, over > 13% and net working capital (NWC)/operating income (OI) to less than 90%.

Negative factors

- Sales less than Rs. 100 crore or deterioration of overall gearing above 1x or NWC/OI of more than 150% on a sustained basis
- Significant decline in PBILDT margins impacting the GCA on a sustained basis.
- Any macroeconomic level policies being imposed on the industry/company.

Analytical approach: Standalone

Outlook: Negative

Continuation of Negative outlook reflects CareEdge Ratings' expectation of sustained pressure on scale of operations and profit margins, considering sluggish demand across the industry segments and subdued sales to US markets due to imposition of 50% reciprocal tariff by the US. The outlook may be revised to 'Stable' if the company is able to achieve a better-than-envisaged operational performance, while improving its debt service coverage ratios and maintaining adequate liquidity by infusing funds through unsecured loans by promoters.

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

Detailed description of key rating drivers:

Key weaknesses

Subdued performance H1FY26 Performance

The overall revenue of the company in FY25 declined to Rs.131.53 Cr. (PY: Rs. 155.13 Cr.), registering a decline of 15% on a YoY basis. The decline in revenue is primarily attributable to continued high interest rates and recessionary trend in US and Europe, which are key markets of Aro. This apart the volatile freight rates as a result of higher coupled with higher lead time due to Red sea crisis continue to impact the demand and resulted in increased lead time, higher inventory levels, thus increasing working capital borrowings. Also, reduction in limits by Rs.20 crores in 2023 and Rs.5 crores in 2024 by the banks resulted in reduced working capital funds availability there by resulting in lower sales. However, the RBI's recent announcement allowing lenders to give additional working capital loans to the exporters, is expected to get additional limit of 20% of its existing facilities which would come to around Rs.21 crores to aid in improving its liquidity position in the near term and help the company with its working capital requirements. Also, there has been decline in revenue in H1FY26, by 28.5% on a YoY basis as compared to H1FY25, mainly on account of lower demand coupled with impact of tariff by US.

The PBILDT margins also declined and stood at 11.26% in FY25 from 19.91% in FY24 mainly on account of the lower scale of operations, compounded by increased logistics costs. The Red Sea crisis has necessitated longer shipping routes, resulting in significantly higher freight expenses throughout the year. Led by subdued demand and impact of tariff by US continued to impact the demand, resulting which, the company continued to report losses at net level at Rs.2.44 crore in H1FY26 (6.44 crore in H1FY25) albeit at reduced level. However, the net cash flow from operating activities (CFO) remained positive at Rs.15.78 crore in H1FY26 (at Rs.33 crore in FY25), mainly lead by positive working capital changes. Further, there has been infusion of USL to an extent of Rs.7.58 crore in FY25 and Rs.7.28 crore in Q2FY26, to support its large scheduled debt repayment amidst continued subdued market scenario.

CARE Ratings also notes the cost initiative measures taken by the company, resulting in reduction in employee cost and electricity costs. This apart the company has entered in to business of import of marbles and processing at its existing facilities and exporting of the same to European customers, this is expected to result in improving its overall margins as the same command a better margins and stability in terms of scale in the medium term. However, the impact of the same remain to be seen hence remain a key monitorable.

Moderate capital structure

The entity's capital structure stood moderate, as marked by an overall gearing of 0.86x as on March, 31, 2025 (1.05x as on March, 31, 2024) with high reliance on external debt. Its debt profile largely comprises external debt in the form of working capital and term debt. The total outside liabilities to net worth stood moderate at 1.19x as on March, 31, 2025 (moderated from 1.32x as on March, 31, 2024). The improvement in capital structure was on account of scheduled repayment of term debt. Going forward, the capital structure is expected to improve further on account of profit accretion to reserves. In terms of cash flows, the company has performed reasonably well, generating operating cash flow of about ₹15 crore, amidst the challenging business environment. Additionally, the promoters have infused ₹7.28 crore in Q2FY26 of unsecured loans, further supporting the company's liquidity and ensuring stability during this period.

Marginally Weak debt coverage indicators

Debt coverage indicators stood marginally weak, as marked by moderate PBILDT interest coverage of 1.15x in FY25 (1.92x in FY24) and very high total debt to GCA (TD/GCA) of 50.6x in FY25(13.85x in FY24). Deterioration during the year was on account of moderation in profitability and reduced debt levels. Going forward, debt coverage indicators are expected to remain strained due to low reliance on debt despite expected improvement in profits.

Working capital intensive nature of operations

The granite industry has moved from an order-driven market to a stock-and-sell market, as the availability of raw materials is not guaranteed, and they must be procured as and when it is available. This necessitates storage of different types of stocks as required by the clients and maintaining adequate level of inventory to meet the demand of customers on timely basis. The companies in the granite industry usually have elongated WC cycle and consequently high WC borrowings. This coupled with lower than expected recovery in demand in Q3FY25, Q4FY25, Q1FY26 and Q2FY26, continue to keep inventory elevated.

Intense competition in the industry with the presence of innumerable unorganised players

The presence of vast mineral resources along with increasing demand globally has provided robust growth opportunities to players in the segment. Globally, granite production is dominated by China, Brazil, India, Saudi Arabia, Italy, and Spain. In case of natural stones there is a geographic barrier to entry. Stones found in India are not found in China, Brazil, Saudi, Italy or Spain and vice versa. While India was previously uncompetitive with China in terms of quartz pricing, the imposition of anti-dumping duties and countervailing duties (CVD) exceeding 500% by the USA on Chinese imports has provided export opportunities for Indian quartz manufacturers. However, ongoing global trade tariff uncertainties may dampen the demand for granite and quartz in international markets. Moreover, the presence of innumerable unorganised players and the granite industry being fragmented in nature, results in intense competition.

Susceptibility to foreign exchange fluctuation risk

Aro being a 100% export-oriented unit (EOU) is exposed to the risk associated with fluctuation in foreign exchange rates as they are involved in exports as well as imports with export sales being higher than imports. In case of adverse foreign exchange fluctuations there remains risk of impact on profitability due to absence of any active hedging policy followed by the company. However, there is natural hedging to some extent as the repayment is made directly from customer receipts in the same currency. The company has reported foreign exchange fluctuation gain in FY25 of Rs. 8.44 Cr as against Rs.0.03 Cr in FY24.

Key strengths

Long and satisfactory track record of operations

Incorporated in 1988, Aro has a long track record with significant experience in the granite industry. The company's operations had scaled up over the years; it commenced operations with 72,000 sq m per annum of granite tiles in 1991. The company now operates two units, in Hosur and Jaipur, with an installed capacity of 7.35 lakh sq m per annum for granite slabs and 3.60 lakh sq m per annum for granite tiles. Aro also processes quartz stone in its Hosur plant with a production capacity of 1.80 sq m per annum.

Diversified customer profile and products

Being a 100% EOU, Aro has customer network spread across more than 50 countries, including the US, Europe, Africa and Russia, among others. The major share of sales for Aro comes from export markets. Aro receives repeat orders from most of its customers due to its long-standing association, resulting in steady growth in business over the years. The company has a wide product portfolio of granite slabs, granite tiles, cut-to-size granite tiles and quartz slabs and tiles. CARE Ratings expects the quartz segment of the company to contribute better with rising sales from the Jaipur plant along with increased production from the quartz unit.

Liquidity: Stretched

The company's liquidity remains under pressure due to the high levels of inventory it holds, which are largely financed through debt, leading to almost complete utilization of its working capital limits. Utilization of Working capital limits remained high at 97%. Moreover, the company reported a GCA of Rs.2.47 crore in H1FY26 as against this the company has a large repayment of Rs. 13.69 crore scheduled for FY26. Necessitating continued dependency on USL from promoters. Additionally, the promoters have infused ₹7.28 crore in Q2FY26 of unsecured loans, further supporting the company's liquidity and ensuring stability during this period.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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
Consumer Discretionary	Consumer Durables	Consumer Durables	Granites & Marbles

Aro, incorporated in the year 1988, is engaged in processing of granite tiles and slabs and exports to more than 50 countries across the world. The company is 100% EOU located in Hosur, Tamil Nadu. In 2019, Aro started a new EOU unit in Jaipur, Rajasthan. With the commissioning of its quartz plant in January 2021 in its existing facility in Hosur, the company currently offers engineered stone. Aro has a wide product portfolio of granite slabs, granite tiles, cut-to-size granite tiles and quartz slabs and tiles. The company has an installed capacity of 7.35 lakh sq. mtr per year for granite slabs and 3.60 lakh sq. mtr for granite tiles. Quartz processing capacity is 1.8 lakh square metres per year. Its major export markets are USA, Poland, Germany, Italy, and Australia.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	155.13	131.53
PBILDT	30.89	14.82
PAT	1.37	-6.36
Overall gearing (times)	1.05	0.86
Interest coverage (times)	1.92	1.15

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	September 2027	34.41	CARE BB-; Negative
Fund-based - ST-Packing Credit in Foreign Currency		-	-	-	115.00	CARE A4

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	34.41	CARE BB-; Negative	1)CARE BB-; Negative (26-May-25)	1)CARE BB+; Stable (23-Sep-24)	1)CARE BB+; Stable (12-Sep-23)	1)CARE BB+; Stable (09-Feb-23) 2)CARE BBB-; Negative (06-Dec-22)
2	Fund-based - ST-Packing Credit in Foreign Currency	ST	115.00	CARE A4	1)CARE A4 (26-May-25)	1)CARE A4+ (23-Sep-24)	1)CARE A4+ (12-Sep-23)	1)CARE A4+ (09-Feb-23) 2)CARE A3 (06-Dec-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-Term Loan	Simple
2	Fund-based - ST-Packing Credit in Foreign Currency	Simple

Annexure-5: Lender detailsTo 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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