

Aarti Surfactants Limited

December 19, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	208.87	CARE BBB+; Stable	Downgraded from CARE A-; Stable
Long-term instruments	18.50	CARE BBB; Stable	Downgraded from CARE BBB+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings of Aarti Surfactants Limited (ASL) takes into account continued lower-than-expected operating performance marked by continued subdued profitability margin in H1FY26, thereby impacting debt protection metrics on a sustained basis. Profitability margins have continued to remain subdued in H1FY26 against expectations of improvement, which in turn has impacted the cash accruals. ASL's profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin, after witnessing a substantial decline from 10.51% in FY24 to 5.32% in FY25 on the back of sharp increase in raw material prices, has continued to remain subdued at 5.33% in H1FY26 in view of continued elevated raw material prices, GST-related disruptions in fast-moving consumer goods (FMCG) sector and impact of US tariff. Reported PBILDT margin has continued to remain below the negative sensitivity threshold of 7% on a sustained basis in FY25 and H1FY26. Cash accruals have remained subdued at ₹13 crore in H1FY26 vis-à-vis ₹14 crore in H1FY25, despite healthy increase of 34% yoy in the scale of operations. Financial profile is also expected to remain weaker than expected. Total debt/ PBILDT, which moderated from 1.60x in FY24 to 3.18x in FY25, stood at 2.80x in H1FY26, against the expectations of below 2.50x. CARE Ratings Limited (CareEdge Ratings) expects PBILDT margin to remain subdued in FY26, which is expected to result in continued moderate debt protection metrics especially given the large-size term debt repayments due in FY26 and FY27.

Ratings assigned continue to derive strength from ASL's established market position, reputed clientele, experienced promoters, and satisfactory capital structure. However, these rating strengths are partially offset due to susceptibility of its operating performance to volatility in raw material prices, intense competition from domestic and global players, and sizeable capex plans towards capacity expansion.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained healthy revenue backed by growth in volumes with PBILDT margins above 8% on a sustained basis.
- Total debt to PBILDT below 2.5x on a sustained basis.

Negative factors

- Decline in revenue and deterioration in PBILDT margin on a sustained basis.
- Higher-than-anticipated debt-funded capex or investment in group entities impacting the capital structure and/or liquidity profile.
- Total debt to PBILDT deteriorating above 3.5x on a sustained basis.

Analytical approach: Standalone

CareEdge Ratings has considered standalone financials for arriving at ASL's ratings. The company has one subsidiary, Aarti HPC Limited, which holds a land parcel at Pithampur and does not have meaningful operations as on March 31, 2025.

Outlook: Stable

CareEdge Ratings believes that ASL shall benefit from its established market position with reputed clientele and vast experience of promoters supporting growth in scale of operations, while financial risk profile is expected to remain moderate due to its low leverage.

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 strengths

Established market position with reputed clientele

ASL is one of the largest surfactant manufacturers in the country and enjoys a healthy market position in the domestic market with reputed clientele including multinationals and domestic customers in FMCG sector. The company has an installed capacity of 113,000 MT at Pithampur (Madhya Pradesh) and Silvassa (Dadra and Nagar Haveli), for manufacturing surfactants and speciality chemicals, which finds application as an intermediate in home and personal care industry. It is a preferred supplier for Hindustan Unilever Limited, Procter & Gamble Home Products Pvt. Ltd., Colgate Palmolive (India) Limited, and Dabur India Limited, among others. The company also exports its products to the US, Europe and Southeast Asian countries. Contribution of export sales has remained in the range of 18-30% in the past few years. The company is also exploring other geographies to diversify its presence and is working towards obtaining REACH certification to facilitate it.

Long and established track record of promoters

ASL continues to benefit from promoters' rich experience in the chemicals/pharmaceutical sector through Aarti Group. The company was formed through the demerger of the home and personal care division of Aarti Industries Limited (AIL; incorporated in 1984), leading Indian manufacturer of speciality chemicals with a global footprint. AIL possesses a diverse portfolio of basic chemicals, agrochemicals, speciality chemicals, and intermediates, which are extensively used in manufacturing pharmaceuticals, agri-products, polymers, additives, pigments, and dyes. ASL is managed under the guidance of Chandrakant Vallabhaji Gogri, the founder and the current Chairman Emeritus of AIL. The promoter group has a shareholding of 49.92% in ASL as on September 30, 2025.

Satisfactory capital structure albeit debt coverage metrics expected to remain moderate

ASL's capital structure remains satisfactory with an overall gearing of 0.50x as on September 30, 2025 (March 31, 2025: 0.47x, March 31, 2024: 0.45x), while total outside liabilities to tangible net worth (TOL/ TNW) stood at 0.98x (March 31, 2025: 0.96x, March 31, 2024: 0.85x). PBILDT interest coverage stood at 3.46x for H1FY26 (FY25: 3.00x, FY24: 4.41x), while total debt/ PBILDT stood high at 2.80x (FY25: 3.18x, FY24: 1.60x). The company repaid ~₹13 crore of term loan in H1FY26 and total debt stood at ~₹118.19 crore as on September 30, 2025 (March 31, 2025: ~₹110.39 crore). The company is undertaking debt funded capex with an additional debt of ~₹60 crore. With expectations of subdued operating performance in FY26, coupled with debt-funded capex, debt coverage metrics are expected to remain moderate in the medium term with total debt/ PBILDT expected to stay above 2.5x in FY26 with weak debt service coverage for FY26 and FY27.

Liquidity: Adequate

The company has scheduled term debt principal repayment of ₹21 crore and ₹28 crore (including preference share redemption of ₹24 crore) in FY26 and FY27, respectively. Of the scheduled repayment of ₹21 crore in FY26, the company has repaid ~₹13 crore in H1FY26, while the balance will be repaid in H2FY26. Generated cash accruals are expected to remain tightly matched to meet the debt obligations. For the preference shares redemption in August 2026, the company plans to raise funds in near term, which will be utilised for its repayment along-with its internal accruals. As on September 30, 2025, overall gearing stood comfortable at 0.50x. The utilisation of its fund-based working capital limits stood at ~56% in the past 12 months, ended October 2025, providing adequate cushion to its liquidity.

Key weaknesses

Continued subdued operating profitability in FY25 and H1FY26

ASL's operating performance is marked by subdued operating profit even though the scale of operations stood healthy. In H1FY26, total operating income (TOI) stood at ~₹395 crore, witnessing ~34% year-on-year (yoy) growth. However, PBILDT margin continued to stay moderated at 5.23% in H1FY26 (FY25: 5.22%, FY24: 10.51%) impacted by sharp increase in raw material prices coupled lower demand from FMCG sector following temporary disruptions caused by changes in GST rates and impact of US tariffs. While the scale of operations is expected to witness a healthy improvement in FY26, operating profit margin is expected to remain subdued in FY26.

Operating profitability susceptible to volatility in raw material prices

ASL's raw materials include lauryl alcohol (LA), fatty acids (HCFA), and alpha olefin (AO) that form a major portion of its costs. These raw material prices are linked to palm prices and are volatile in nature. Any raw material price volatility in the absence of increase in the product prices can have an impact on ASL's profitability. Such raw material price volatility have severely impacted the profitability of the company as witnessed in FY25 and H1FY26, as profitability contracted on the back of sharp increase in raw material prices, coupled with limited ability to pass on the price changes.

Risks associated with large-size capex plan

ASL is undertaking a sizeable capex of ~₹85 crore spread over the next two years, primarily towards capacity expansion of products and launching new products across both its manufacturing facilities in Pithampur and Silvassa. The capex is being funded with a debt of ~₹60 crore and balance from its internal accruals. Till H1FY26, the company has already expended ~₹23 crore on the said capex. The major capacity expansion is being undertaken at Pithampur and is expected to get completed by December 2026. The company's ability to timely execute the capex without significant cost overruns and its translation into increased revenue and profitability would remain crucial going forward.

Intense competition from domestic and international players

The speciality chemicals industry is highly competitive. ASL's primary competitors are multi-national companies such as BASF Corporation, Godrej Industries Limited, Clariant Limited, Croda International Plc, Evonik Industries, Solvay S.A., Stepan Company, and The Dow Chemical Company. In the domestic market, Galaxy Surfactant Limited is the largest pure play surfactant manufacturer. Flexibility to respond to changing business conditions, including research and creation capabilities, is an important element towards maintaining a competitive position in the surfactants industry. In addition to competition within the surfactants industry, ASL is also affected by competition faced by its customers, specifically manufacturers of FMCG products, which also limits its pricing power.

Customer concentration risk

ASL's revenue remains heavily concentrated, with ~92% of total revenue in FY25 being derived from its top five customers. This exposes the company to risk arising of the customer concentration. However, this risk is partially offset by its long-standing relationships and the high entry barriers associated with becoming a supplier to such clients.

Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
Environmental	ASL has set the target of achieving carbon neutrality by 2030. To achieve this, the company is focusing on increased use of solar and wind energy, improved energy efficiency across its operations, tracking its greenhouse gas emissions and investing in green technologies and efficient manufacturing processes. The company is also managing chemical waste from its facilities by properly disposing the hazardous waste through authorised vendors.
Social	As on March 31, 2025, the company has ~350 permanent employees with an additional ~200 contract-based labour working at its facilities. It has undertaken initiatives to promote a safe working environment, including regular training programmes. Through its CSR activities, ASL has engaged with local communities through programmes aimed at improving social welfare, education, healthcare, and environmental sustainability.
Governance	The Board of Directors of the company comprises six directors, including two independent directors, of which one is a woman director. The board oversees risk management, ethical business practices, and ESG initiatives.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & petrochemicals	Commodity chemicals

ASL was formed upon demerger of home and personal care division of Aarti Industries Limited. ASL is engaged in manufacturing ionic and non-ionic surfactants and specialty products serving home and personal care (HPC) industry. Its product portfolio includes surfactants, mild surfactants, rheology modifiers, pearlescing agents, UV filters, soap bases, and conditioning agents. Apart from India, it also exports its products to the US, Europe, and Southeast Asian countries with exports accounting for 18% and 21% of the sales in FY25 and H1FY26, respectively. Its manufacturing units are at Pithampur in Madhya Pradesh and Silvassa in Dadra & Nagar Haveli.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	H1FY26 (UA)
Total operating income	588.75	651.63	395.07
PBILDT	61.90	34.68	21.04
PAT	22.27	14.99	4.69
Overall gearing (times)	0.45	0.47	0.50
Interest coverage (times)	4.41	3.00	3.46

A: Audited UA: Unaudited; Note: these are latest available financial results
Financials are reclassified per CareEdge Ratings' standards

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-Cash Credit		-	-	-	70.00	CARE BBB+; Stable
Fund-based - LT-Cash Credit		-	-	-	55.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	FY31	83.87	CARE BBB+; Stable
Preference Shares-Redeemable	INE09EO01013	August 20, 2019	0.00#	August 19, 2026	18.50	CARE BBB; Stable

It carries 4% premium which is cumulative in nature and payable at the time of redemption.

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	83.87	CARE BBB+; Stable	1)CARE A-; Stable (27-Jun-25)	1)CARE A-; Stable (28-Jun-24)	1)CARE BBB+; Stable (07-Aug-23)	1)CARE BBB+; Stable (24-Aug-22)
2	Preference Shares-Redeemable	LT	18.50	CARE BBB; Stable	1)CARE BBB+; Stable (27-Jun-25)	1)CARE BBB+; Stable (28-Jun-24)	1)CARE BBB; Stable (07-Aug-23)	1)CARE BBB; Stable (24-Aug-22) 2)CARE BBB; Stable (15-Apr-22)
3	Fund-based - LT-Cash Credit	LT	70.00	CARE BBB+; Stable	1)CARE A-; Stable (27-Jun-25)	1)CARE A-; Stable (28-Jun-24)	1)CARE BBB+; Stable (07-Aug-23)	1)CARE BBB+; Stable (24-Aug-22)
4	Fund-based - LT-Cash Credit	LT	55.00	CARE BBB+; Stable	1)CARE A-; Stable (27-Jun-25)	1)CARE A-; Stable (28-Jun-24)	1)CARE BBB+; Stable (07-Aug-23)	1)CARE BBB+; Stable (24-Aug-22)

LT: Long 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	Preference Shares-Redeemable	Highly Complex

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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