Aarti Industries Ltd — 29 Oct 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	**CRISIL AA** (Maintained); Outlook remains **Negative**
Outlook (Current vs Previous)	**Negative** vs. **Stable** (Outlook was revised to Negative in the Sept 2025 review)
Key Drivers of Change	1. **Margin Compression:** Global supply glut and Chinese dumping impacting realizations in the Chlorinated Benzene chain. 2. **Leverage Overhang:** Net Debt/EBITDA expected to remain elevated (>2.5x–3.0x) due to ongoing □2,500 Cr – □3,000 Cr capex cycle. 3. **Agrochemical Slowdown:** Subdued demand in key end-user segments (Agro/Pigments) delaying volume recovery. 4. **Working Capital Intensity:** High inventory holding costs impacting operating cash flows.
Rated Instruments	• **Term Loan (Citibank):** □350 Cr
Key Observations	**Strengths:** 1. Strong market leadership in benzene-based derivatives. 2. Diversified customer base across 60+ countries. 3. High degree of backward integration lowering raw material volatility. **Risks:** 1. Persistent pricing pressure from Chinese exports. 2. Project execution/stabilization risk for new capacities. 3. Interest coverage ratio under pressure due to rising debt service requirements.
Investor Impact	• **Valuation:** "Negative" outlook suggests potential for a rating downgrade if EBITDA doesn't recover by FY26, likely capping P/E multiples. • **EPS Growth:** Elevated interest costs from □1,000+ Cr of rated debt will drag on net margins. • **Dilution Risk:** If leverage thresholds are breached, the company may seek equity infusion to deleverage.
Agency / Cross Analysis	**Same Agency (Oct 29 vs Sept 11, 2025):** The Oct 29 bulletin is an administrative update to align with RBI bank-wise disclosure norms. The fundamental credit view remains unchanged from the Sept 11 "Negative" outlook shift. **Conclusion: Deterioration.** While the AA rating is high-investment grade, the "Negative" outlook reflects a lack of near-term catalysts to reduce the debt-to-earnings gap.
Final Inference	**Risk Signal.** The credit profile is at a "wait-and-watch" juncture. While operational scale is intact, the mismatch between heavy capex outflow and suppressed global demand creates a liquidity squeeze that threatens equity returns in the short-to-medium term.