Aro Granite Industries Limited

May 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	54.86	CARE BB-; Negative	Downgraded from CARE BB+; Stable
Short Term Bank Facilities	115.00	CARE A4	Downgraded from CARE A4+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings of Aro granite Industries Limited (Aro) reflects a significant deterioration in its financial performance during FY25. Aro's Total Operating Income (TOI) declined to ₹132.74 crore in FY25, compared to ₹155.13 crore in FY24 and decline in PBILDT reducing to ₹15.96 crore in FY25, as against ₹29.15 crore in FY24. Furthermore, ARO has reported losses at net level of Rs. 6.42 Cr as against Profit of Rs. 1.31 Cr in FY24 which resulted in substantial decline in Gross Cash accruals (GCA), which reported at Rs. 3.52 Cr in FY25 as against Rs.13.04 crore in FY24.

Ratings also continues to take into account 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 last few years have resulted in high debt level for Aro. 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.

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

The outlook has been revised to 'Negative' from 'Stable' due to continuing deterioration in financial risk profile with net loss and lower gross cash accruals (GCA) in FY25 with stretched liquidity. Though there has been some softening in freight rates compared to its peak in 2024, the geopolitical tensons and sluggish economic growth scenario in its key consuming nations is expected to weigh on overall demand for granite and quarts in the near to medium term horizon. Also, continued high utilisation of limits, high debt repayment and tightly matched accruals, which can potentially lead to moderation in the company's financial and liquidity profile. 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.

[1]Complete 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

Deterioration in FY25 Performance

The overall revenue of the company in FY25 declined to Rs.133 Cr. (PY: Rs. 155 Cr.), registering a decline of 21% 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, the decline in sales was primarily due to liquidity crunch as banks had reduced limits by 20cr in 2023 and 5cr in 2024, resulting which company was unable to execute orders on time resulting in lower sales. However, in 2025, interest rate cuts by the US Fed and ECB are expected to drive demand in the short to medium term. Also, the company has a confirmed order book of ₹35.72 crore, scheduled for execution in Q1 FY26.

The PBILDT margins also declined and stood at 12.87% in FY25 from 18.79% 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. Although, PBILDT margins are expected to improve primarily led by improved shipping conditions & reduced freight costs in recent months. Hence, the ability of the company to improve its scale along with improvement in PBIDLT margins from current levels remain a key monitorable.

WC-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 and Q4FY25, 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 a 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 in the range 90 - 95%. Moreover, the company has large scheduled repayments of Rs.18.48 crore due in FY26; although expected to reduce to Rs.14.07 crore in FY27. Necessitating dependency on USL from promoters. In H1FY25, Promoter has infused Rs.5.89

Cr as Unsecured loan. As on March 31st, 2024 USL was at 15.62 and as on March 31th 2025 USL is amounting to Rs.24 Cr. As on 31st March 2025 Company has Cash and Bank Balance of Rs.7.76 Cr.

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, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	163.90	155.13	132.74
PBILDT	19.05	30.89	15.96
PAT	-5.72	1.37	-6.42
Overall gearing (times)	1.16	1.05	0.86
Interest coverage (times)	1.49	1.92	1.24

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	54.86	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	54.86	CARE BB-; Negative	-	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+ (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 details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE 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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