

Aarti Industries Ltd.

No. of shares (m)	362.59
Mkt cap (Rs crs/\$m)	16879/1863.1
Current price (Rs/\$)	466/5.1
Price target (Rs/\$)	566/6.2
52 W H/L (Rs.)	494/338
Book Value (Rs/\$)	161/1.8
Beta	1.5
Daily volume NSE (avg. monthly)	1695260
P/BV (FY26e/27e)	2.8/2.6
EV/EBITDA (FY26e/27e)	17.6/14.3
P/E (FY26e/27e)	39.9/27.3
EPS growth (FY25/26e/27e)	-21.9/29.0/45.8
OPM (FY25/26e/27e)	13.8/13.7/14.2
ROE (FY25/26e/27e)	6.1/7.4/9.9
ROCE (FY25/26e/27e)	6.4/7.0/8.8
D/E ratio (FY25/26e/27e)	0.7/0.7/0.6
BSE Code	524208
NSE Code	AARTIIND
Bloomberg	ARTO IN
Reuters	ARTINS

Shareholding pattern

	%
Promoters	42.1
MFs / Banks / FIs/Others	18.3
FPIs	6.7
Govt. Holding	0.0
Public & Others	32.9
Total	100.0

As on Dec 31, 2025

Recommendation

ACCUMULATE

Analyst

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Quarterly Highlights

- US tariff related disruptions and trade actions created margin pressures last quarter. Though revenues surged by 25.8% yoy in Q3, base effect played its role. With commencement of dispatches to US, overall capacity utilization inched up higher. Yet pockets of businesses remained subdued last quarter: agrochemical; polymer; PDA to name a few.
- Operating profit leapt by some 32% to Rs 306 crs in Q3 supported by marginal increase in margins. This was sufficient to boost post tax earnings to Rs 133 crs from some Rs 46 crs in the same quarter a year ago. Surprisingly, interest costs dramatically declined to Rs 69 crs from some Rs 100 crs in the second quarter of current fiscal.
- Yet conclusion of US - India trade deal and Chinese government recent measures to curb excess production capacity of chemicals in the country have improved the economics of the chemical industry in general. Demand recovery be also be fueled by recently concluded EU FTA. With India Indian chemical companies may also benefit from tax rationalization undertaken by the Chinese Government. With lowering of US tariffs, MMA dispatches would get a tailwind. Adverse effect of US tariffs was also felt in polymers business last quarter. With tariff impact wearing off, capacity utilization of PDA is also expected to get a boost.
- Several capacities will see the light of the day. Aarti expects to commission its multipurpose plant (MPP) at Zone IV in a phased manner from the current quarter. Bulk to the planned investments in Zone IV would be incurred by the end of current fiscal. Projects related to PEDAs, MMA debottlenecking would go on stream in the next few months.
- The stock currently trades at 39.9x FY26e EPS of Rs 11.68 and 27.3x FY27e EPS of Rs 17.02. Estimated earnings for the current fiscal took a brutal knock after rising trade friction globally upended supply chains and seated slowdown in agrochemical and polymer industries barely help matters. With easing trade tensions with US, "surfing" would become far less troublesome. As a consequence, recovery in both margin and volumes would help catalyze earnings next fiscal. Weighing odds, we retain our accumulate rating on the stock with revised target of Rs 545 (previous target: Rs 566) based on 32x FY27e earnings over a period of 6-9 months.

Consolidated (Rs crs)	FY23	FY24	FY25	FY26e	FY27e
Income from operations	6618.58	6370.80	7271.32	8321.35	9985.62
Other Income	0.86	10.86	16.49	32.24	28.91
EBITDA (other income included)	1089.83	985.01	1016.94	1157.27	1446.87
Net Profit after EO	545.02	420.46	328.23	408.30	617.16
EPS (Rs)	15.03	11.60	9.05	11.68	17.02
EPS growth (%)	-8.9	-22.9	-21.9	29.0	45.8

Outlook & Recommendation

Global Specialty Chemical Industry Update

Modor Intelligence in its report has stated that global specialty chemicals industry is estimated to grow at a CAGR of 4.1% during 2026-31 period. Much the demand the report posits would come from a surge of infrastructure mega -projects which are currently underway in Asia Pacific and Gulf Cooperation Council regions and advanced economies racing to boost semiconductor capacities.

More elaborately, Saudi Arabia's Vision 2030 has earmarked significant investments for transportation, housing, and energy initiatives. Concurrently, the U.S. CHIPS and Science Act has pledged substantial funding towards domestic semiconductor materials, highlighting the pivotal role of sovereign policies in bolstering demand for high-purity acids, photoresists, and etchants. The U.S. Environmental Protection Agency, in April 2024, set stringent limits on PFOA and PFOS.

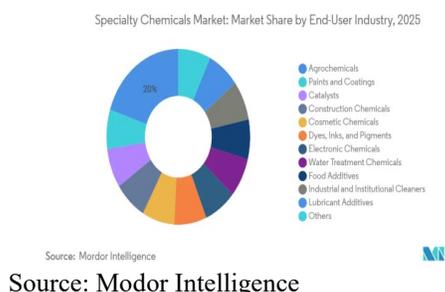
In response to the U.S. Multi-Pollutant standards, which set stricter nitrogen-oxide allowances for light-duty vehicles starting in 2027, OEMs are turning to carbon-fiber composites, glass-fiber-reinforced polyamides, and polyphenylene sulfide components to reduce vehicle mass. So, auto light weighting rules have escalated need for high performance polymers. For instance, circular ready composites with thermoplastic matrices are on the rise in Asian and European regions.



Source: Modor Intelligence

A report by Grand View Research states that technological advancements within oil & gas industry includes rapid R&D activities conducted by multinationals such as Royal Dutch Shell, British Petroleum, and Total SA. Companies have been largely focusing on delivering high-performance chemicals for oil field applications, chemical processing, and more that enhance oil recovery, production, and maximize recovery of oil and gas reserves.

According to a report by IMARC Group, increasing emphasis on R&D is rapidly steering market growth. Major companies are apportioning substantial resources to develop new products that cater to consumer demand and comply to strict quality standards. In addition, partnerships between key industry players and academic institutions are reinforcing innovation, resulting in the development of state-of-the-art chemical solutions that cater to the evolving market demands and regulatory needs.

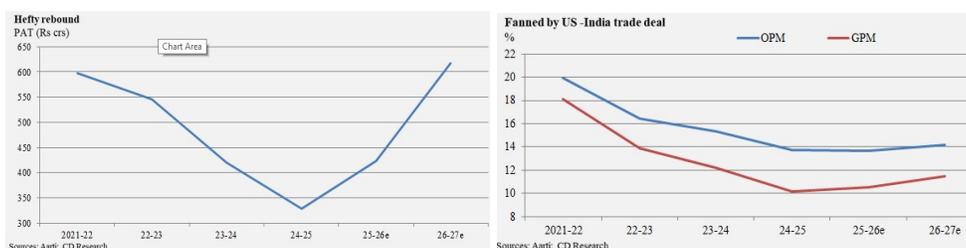


Source: Modor Intelligence

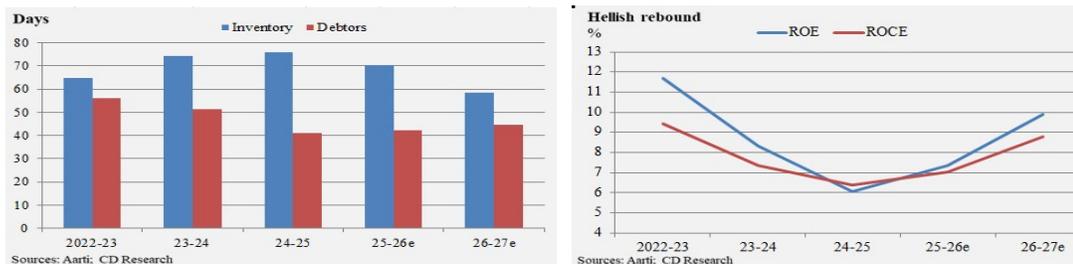
Financials & Valuation

With contours of India-US trade deal barely invisible and India's FTA with EU also finalized, exports of chemical industry would take a flight, more so at a time when Chinese government has taken some steps to curb excess capacity in China. As per the joint statement of China's Ministry of Finance and the State Tax Administration, China will abolish VAT rebates on exports of photovoltaic and battery products and related chemicals such as methanol, ethylene glycol (EG), polyvinyl chloride (PVC) and butandiol (BDO) from April.

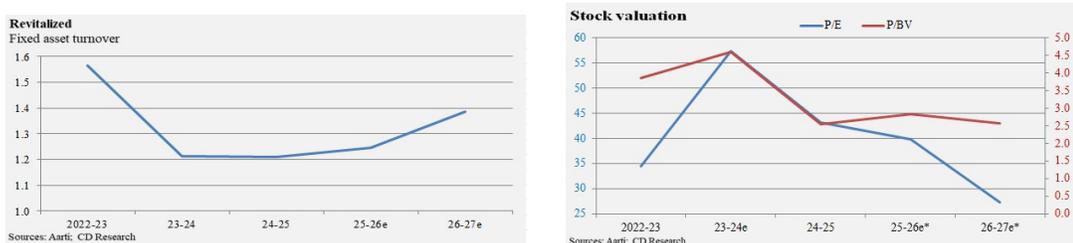
Aarti's volume growth for next fiscal would barely remain subdued not least due to waning uncertainty on India-US trade deal, which would support of take of key export driven products like MMA, PDCB and PDA. With easing tariff risks on MMA, which saw higher of take in Q3 on better gasoline-naphtha deltas, and higher available capacity post debottlenecking, margins would barely appear strained. Utilization of PDA would also get a boost for easing trade friction.



Various capital projects are in the offing ranging from Zone 4 projects (MPP) to ethylation downstream (PEDA) to MMA scale up to 360 ktpa to DCB debottlenecking to 140 ktpa. Various other blocks of Zone 4 projects will take flight next fiscal. The commissioning of a PEDA capacity of 4000 tpa would provide forward integration of company's already commercial product, 2,6 Diethyl Aniline. Capital requirement is estimated to ease from next year as the company trims capex and makes effort to stabilize Zone 4 projects.



With turbulence in global markets, raw material security has been increasingly becoming a pressing point. Aarti recently tied up with manufacturers and suppliers across the GCC Countries and South-East Asia for securing key chemical commodities, including methanol and toluene. This came on back of a strategic agreement between the company and DCM Shriram Ltd for supply of chlorine. Under this agreement, the companies will establish a state-of-the-art underground chlorine pipeline.



The stock currently trades at 39.9x FY26e EPS of Rs 11.68 and 27.3x FY27e EPS of Rs 17.02. With opening up of US markets and reducing friction post trade deal, volumes may start to gain momentum. Wherefore, margin may also start to face less resistance. Yet sub - utilization of capacities may continue to hurt return on capital from sometime to come - ROE is estimated at an abysmal 9.9% for FY27 at a time when post tax earning is estimated to leapfrog next fiscal, though on a puny base. Reducing friction of Chinese competition may reverse deflationary trend in chemical industry. Weighing odds, we retain our accumulate rating on the stock with revised target of Rs 545 (previous target: Rs 566) based on 32x FY27e earnings over a period of 6-9 months. For more info, refer to our Oct 24 report.

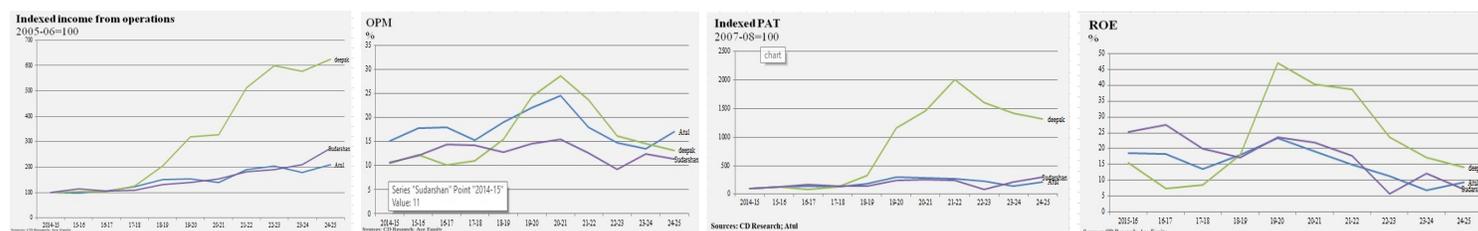
Cross Sectional Analysis

Company	Equity (Rs crs)	CMP (Rs crs)	Mcap (Rs crs)	Inc. from ops. (Rs crs)	Profit (Rs crs)	OPM (%)	NPM (%)	Int. cov.	ROE (%)	Mcap / IO	P/BV	P/E
Atul Ltd	29	6637	19,540	6055	597	16.8	9.9	43.9	10.2	3.2	3.2	32.7
Deepak Nit	27	1656	22,587	7946	542	11.6	6.8	19.8	10.0	2.8	4.0	41.7
Aarti Inds.	181	466	16,879	8029	370	13.6	4.6	2.1	6.5	2.1	2.9	45.6

*figures in crores; calculations on ttm basis; standalone or consolidated data as available

Better performance of subsidiaries / JVs, particularly, Amal and Atul Products, explain much of the bump up in earnings in performance and other chemicals at a time when steady outcome of the life science chemicals was driven by higher sales and improved product mix in pharmaceuticals and crop protection segment. Consequently, post-tax earnings (consolidated) advanced by 47.8% to Rs 160.74 crs from Rs 108.74 crs in the same period a year before; though earnings would look patently modest when matched with that in the second quarter. Atul recently commercialized production of three new products namely, toluloxo benzyl amine hydrochloride, dichloroprop-P and chlorsulfuron.

Deepak too would rush to cling to the intricacies of India- US deal not least due to its reliance on exports. It will be a beneficiary of US Dept. of Commerce's recent decision to remove anti-dumping duty on export of sodium nitrite to US. Plans are underway to commission MIBK/ MIBC project in the current quarter. Deepak's acetone and IPA continued to face pricing pressures in Q3, though higher capacity utilization of phenol and acetone helped the company report stable earnings. Realizations of phenol and acetone too remained subdued last quarter. Its advanced intermediates business also faced pangs of aggressive Chinese imports.



Financials

Consolidated Quarterly Results

Figures in Rs crs

	Q3FY26	Q3FY25	% chg.	9MFY26	9MFY25	% chg.
Income from operations	2319.00	1843.00	25.8	6080.00	5322.00	14.2
Other Income	2.00	5.00	-60.0	28.00	17.00	64.7
Total Income	2321.00	1848.00	25.6	6108.00	5339.00	14.4
Total Expenditure	2013.00	1611.00	25.0	5270.00	4589.00	14.8
EBIDTA (other income included)	308.00	237.00	30.0	838.00	750.00	11.7
Interest	69.00	85.00	-18.8	228.00	211.00	8.1
Depreciation	121.00	111.00	9.0	356.00	321.00	10.9
PBT	118.00	40.00	195.0	254.00	219.00	16.0
Tax	-14.00	-6.00	133.3	-28.00	-16.00	75.0
PAT	133.00	46.00	189.1	282.00	235.00	20.0
Minority Interest	-	-	-	-	-	-
PAT post MI	133.00	46.00	189.1	282.00	235.00	20.0
Extraordinary Item	-15.00	-	-	7.00	2.00	250.0
Adjusted Net Profit	148.00	46.00	221.7	275.00	233.00	18.0
EPS (F.V. 5)	4.08	1.27	221.7	7.59	6.43	18.0

Consolidated Income Statement

Figures in Rs crs

	FY23	FY24	FY25	FY26e	FY27e
Income from operations (net)	6618.58	6370.80	7271.32	8321.35	9985.62
Growth (%)	21.3	-3.7	14.1	14.4	20.0
Other Income	0.86	10.86	16.49	32.24	28.91
Total Income	6619.44	6381.66	7287.81	8353.59	10014.53
Total Expenditure	5529.61	5396.65	6270.87	7196.33	8567.66
EBITDA (other income included)	1089.83	985.01	1016.94	1157.27	1446.87
Interest	168.28	211.47	275.44	295.38	298.38
EBDT	921.55	773.54	741.50	861.88	1148.49
Depreciation	310.45	378.12	434.27	493.58	551.33
Tax	65.87	-21.05	-23.64	-40.00	-20.00
Net profit	545.23	416.47	330.87	408.30	617.16
Minority interest	-	-	-	-	-
Net profit after MI	545.23	416.47	330.87	408.30	617.16
Extraordinary item	0.21	-3.99	2.64	-	-
Adjusted Net Profit	545.02	420.46	328.23	408.30	617.16
EPS (Rs.)	15.03	11.60	9.05	11.68	17.02

Consolidated Balance Sheet

Figures in Rs crs

	FY23	FY24	FY25	FY26e	FY27e
SOURCES OF FUNDS					
Share Capital	181.25	181.25	181.25	181.25	181.25
Reserves	4738.83	5108.52	5423.86	5795.91	6376.83
Total Shareholders Funds	4920.08	5289.77	5605.11	5977.17	6558.08
Minority Interest	0.72	0.72	0.10	0.10	0.10
Long term debt	634.71	1523.87	1867.42	1850.00	1875.00
Total Liabilities	5555.51	6814.36	7472.63	7827.27	8433.18
APPLICATION OF FUNDS					
Gross Block	6306.26	7291.07	8427.86	9527.86	10527.86
Less: Accumulated Depreciation	1445.31	1641.67	2051.09	2544.67	3096.01
Net Block	4860.95	5649.40	6376.77	6983.19	7431.85
Capital Work in Progress	1096.22	1229.05	1454.21	1400.00	1100.00
Investments	17.17	22.92	47.63	82.19	84.19
Current Assets, Loans & Advances					
Inventory	1031.05	1159.65	1454.02	1308.62	1439.48
Sundry Debtors	940.49	854.18	786.06	1139.79	1310.76
Cash and Bank	200.73	516.24	294.97	313.88	441.63
Other Assets	287.00	428.99	359.69	380.04	399.10
Total CA & LA	2459.27	2959.06	2894.74	3142.33	3590.96
Current liabilities	2753.46	3035.94	3450.49	3933.81	3933.04
Provisions	29.86	26.51	15.91	10.50	15.50
Total Current Liabilities	2783.32	3062.45	3466.40	3944.31	3948.54
Net Current Assets	-324.05	-103.39	-571.66	-801.97	-357.58
Net Deferred Tax (net of liability)	52.78	143.55	217.99	220.00	230.00
Other Assets (Net of liabilities)	-147.57	-127.17	-52.32	-56.14	-55.28
Total Assets	5555.51	6814.36	7472.63	7827.27	8433.18

Key Financial Ratios

	FY23	FY24	FY25	FY26e	FY27e
Growth Ratios					
Revenue (%)	21.3	-3.7	14.1	14.4	20.0
EBIDTA (%)	0.1	-9.2	2.6	15.6	23.4
Net Profit (%)	-8.9	-22.9	-21.9	29.0	45.8
EPS (%)	-8.9	-22.9	-21.9	29.0	45.8
Margins					
Operating Profit Margin (%)	16.5	15.4	13.8	13.7	14.2
Gross Profit Margin (%)	13.9	12.2	10.2	10.5	11.5
Net Profit Margin (%)	8.2	6.6	4.5	5.1	6.2
Return					
ROCE (%)	9.4	7.4	6.4	7.0	8.8
ROE (%)	11.7	8.3	6.1	7.4	9.9
Valuations					
Market Cap / Sales	2.8	3.8	1.9	2.0	1.7
EV/EBIDTA	19.7	27.5	17.4	17.6	14.3
P/E	34.5	57.4	43.2	39.9	27.3
P/BV	3.9	4.6	2.5	2.8	2.6
Other Ratios					
Interest Coverage	4.6	2.9	2.1	2.3	3.0
Debt-Equity Ratio	0.6	0.7	0.7	0.7	0.6
Current Ratio	0.9	1.0	0.8	0.8	0.9
Turnover Ratios					
Fixed Asset Turnover	1.6	1.2	1.2	1.2	1.4
Total Asset Turnover	1.2	1.0	1.0	1.1	1.2
Debtors Turnover	6.5	7.1	8.9	8.6	8.1
Inventory Turnover	5.6	4.9	4.8	5.2	6.2
Creditors Turnover	19.7	11.5	6.4	5.4	5.7
WC Ratios					
Debtor Days	56.0	51.4	41.2	42.2	44.8
Inventory Days	64.9	74.1	76.1	70.2	58.5
Creditor Days	18.5	31.8	57.1	67.6	64.3
Cash Conversion Cycle	102.4	93.7	60.1	44.8	39.1

Financial Summary- US Dollar denominated

million \$	FY23	FY24	FY25	FY26e	FY27e
Equity capital	22.0	21.7	21.2	20.0	20.0
Shareholders funds	591.8	630.1	650.7	655.8	719.9
Total debt	349.6	427.5	442.8	447.0	427.7
Net fixed assets (incl CWIP)	724.6	825.0	915.0	925.4	941.8
Investments	2.1	2.7	5.6	9.1	9.3
Net current assets	-46.0	-16.7	-71.0	-92.5	-43.5
Total assets	669.1	813.0	868.9	860.0	926.9
Revenues (Gross)	823.3	769.5	859.8	918.5	1102.2
EBITDA	135.5	119.5	119.9	129.4	159.7
EBDT	114.6	93.9	87.4	96.8	126.8
PBT	76.0	48.2	36.0	42.3	65.9
Profit after MI	67.8	50.8	38.8	45.1	68.1
EPS(\$)	0.19	0.14	0.11	0.13	0.19
Book value (\$)	1.63	1.74	1.80	1.81	1.99

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 90.59/\$). All dollar denominated figures are adjusted for extraordinary items.

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buy: >20% accumulate: >10% to ≤20% hold: ≥-10% to ≤10% reduce: ≥-20% to <-10% sell: <-20%

Rs/\$	FY21	FY22	FY23	FY24	FY25
Average	74.20	74.51	80.39	82.79	84.57
Year end	73.50	75.81	82.22	83.37	85.58