

Aarti's Q4 EBITDA at Rs2.7bn (+16% QoQ, -5% YoY) was above street and our estimates, owing to higher volume growth across value chains. Non-energy business volumes were up 14% QoQ (led by NCB, NT, and Ethylation) and energy business volumes were up 21% QoQ (on a lower base) owing to bulk shipment of MMA moving from Q3 to Q4. The management guided that there are signs of demand stabilization across product portfolios leading to steady volume growth amid a challenging macro environment. Owing to US tariffs, we expect Aarti to report better volume growth over the next couple of months. The company achieved its guided EBITDA of Rs10bn in FY25 and maintained FY28 EBITDA guidance of Rs18-22bn. We tweak FY25E/26E EBITDA by -2/+2% to factor in back-ended growth. We maintain ADD and revise up our TP by ~11% to Rs500 from Rs450 earlier, at 25x Mar-27E EPS.

Existing capacity utilization expected to improve further in FY26

Aarti posted Rs10bn EBITDA (+2% YoY) in FY25, in line with Q3 guidance, backed by 9% volume growth (pricing across the value chain under pressure). Volume growth was led by higher utilization in MMA, NCB, and DCB. The growth is expected to continue in FY26, given that capacities are in place and the underutilized and overall demand environment is improving. Aarti still has under-utilized capacities in PDA, NT/ethylation (commissioned in Q4FY25), and MMA. In FY26, the PDA and NCB value chains are expected to see strong volume growth owing to direct/indirect impact of US tariffs on China. The management expects further ramp-up in MMA volumes by diversifying on the geography, customer, and end-use (supply chain established, volumes grew 38% in FY25) fronts.

Overall demand environment improving gradually across value chains

Aarti's non-energy businesses will see volume recovery due to US tariff situation in agrochemical intermediates (in terms of new market opportunities), pharmaceuticals (higher demand for paracetamol in Indian markets), and polymers (good traction in PDA exports to the US and stable demand in autos). Though volumes are bound to improve, pricing pressure will persist owing to excessive Chinese capacities. To mitigate the pricing risks, Aarti is working on several cost initiatives across the product portfolio. The share of dyes and pigments should improve in FY26, led by global consolidation within this industry. PNCB, in the PAP/downstream market, will see volume pick-up from H1FY26.

FY28 EBITDA guidance maintained at Rs18-22bn

Aarti's FY25 EBITDA and capex within the guided range; FY28 EBITDA guidance maintained at Rs18-22bn. Progressing well on cost optimization initiatives; expects Rs1.5-2bn benefit to accrue from FY27, with material savings on power cost on the back of a hybrid power project. FY26 capex guidance at Rs10bn (Zone 4: Rs8bn; maintenance: Rs2bn). Zone 4 capex to see staggered commissioning from H2FY26, starting with MPP, calcium chloride. We build in FY28E EBITDA of ~Rs20bn, with growth largely back-ended.

Target Price – 12M	Mar-26
Change in TP (%)	11.1
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	11.4

Stock Data	ARTO IN
52-week High (Rs)	767
52-week Low (Rs)	344
Shares outstanding (mn)	362.5
Market-cap (Rs bn)	163
Market-cap (USD mn)	1,897
Net-debt, FY25E (Rs mn)	34,940
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	667.7
ADTV-3M (USD mn)	7.8
Free float (%)	0.0
Nifty-50	24,273.8
INR/USD	85.7

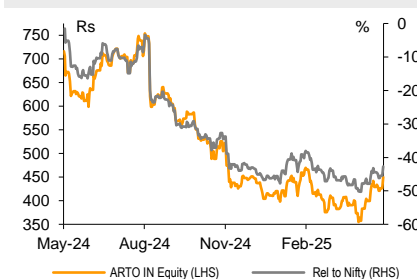
Shareholding, Mar-25

Promoters (%)	42.2
FPIs/MFs (%)	6.3/20.0

Price Performance

(%)	1M	3M	12M
Absolute	23.2	(3.6)	(36.5)
Rel. to Nifty	14.4	(6.5)	(41.6)

1-Year share price trend (Rs)



Aarti Industries: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	63,720	72,710	90,179	105,976	122,862
EBITDA	9,760	10,010	13,511	17,305	19,931
Adj. PAT	4,160	3,290	5,140	7,168	8,961
Adj. EPS (Rs)	11.5	9.1	14.2	19.8	24.8
EBITDA margin (%)	15.3	13.8	15.0	16.3	16.2
EBITDA growth (%)	(10.4)	2.6	35.0	28.1	15.2
Adj. EPS growth (%)	(23.7)	(20.9)	56.2	39.5	25.0
RoE (%)	8.1	6.0	8.8	11.2	12.6
RoIC (%)	9.5	8.6	9.4	10.2	11.4
P/E (x)	39.0	49.4	31.6	22.7	18.1
EV/EBITDA (x)	19.8	19.3	14.3	11.1	9.7
P/B (x)	3.1	2.9	2.7	2.4	2.2
FCFF yield (%)	(0.3)	(0.8)	(0.8)	4.3	5.1

Source: Company, Emkay Research

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Exhibit 1: Result Update

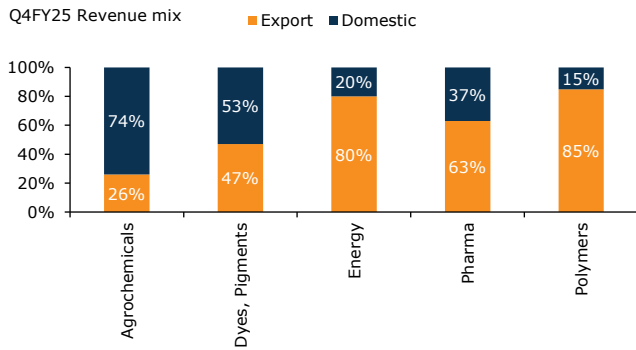
P&L (Rs mn)	Reported					Emkay Est		Full year ended		
	Q4FY24	Q3FY25	Q4FY25	YoY (%)	QoQ (%)	Q4FY25	vs Est (%)	FY25	FY24	YoY (%)
Net revenue	17,730	18,400	19,490	10	6	18,085	8	72,720	63,730	14
Raw Material cost	(10,710)	(12,300)	(12,510)	17	2	(11,946)	5	(46,530)	(38,790)	20
Gross Profit	7,020	6,100	6,980	-1	14	6,139	14	26,190	24,940	5
Gross margin (%)	39.6	33.2	35.8	-379 bps	266 bps	33.9	186 bps	36.0	39.1	-312 bps
Employee cost	(1,000)	(1,050)	(990)	-1	-6	(1,049)	-6	(4,225)	(4,030)	5
Other overheads	(3,190)	(2,730)	(3,310)	4	21	(2,749)	20	(11,955)	(11,120)	8
Total expenses	(14,900)	(16,080)	(16,810)	13	5	(15,744)	7	(62,710)	(53,940)	16
EBITDA	2,830	2,320	2,680	-5	16	2,341	14	10,010	9,790	2
EBITDA margin (%)	16.0	12.6	13.8	-222 bps	114 bps	12.9	80 bps	13.8	15.4	-160 bps
Other income	-	50	(30)		-160	50	-160	130	80	62
Interest	(590)	(850)	(640)	8	-25	(776)	-18	(2,750)	(2,110)	30
Depreciation	(980)	(1,110)	(1,130)	15	2	(1,166)	(3)	(4,340)	(3,780)	15
Exceptional Items	-	-	-			-		20	-	
PBT	1,260	410	880	-30	115	449	96	3,070	3,980	-23
Tax	60	60	70	17	17	-		230	200	15
Share of Associates Profit	-	-	-			-		-	-	
Adj PAT	1,320	470	950	-28	102	449	111	3,300	4,180	-21
EO Items	-	-	-			-		-	-	
Reported PAT	1,320	470	950	-28	102	449	111	3,300	4,180	-21
EPS (Rs)	3.6	1.3	2.6	-28	102	1.2	111	9.0	11.5	-22
Costs as a % of sales										
Raw Material cost	60.4	66.8	64.2	378 bps	-267 bps	66.1	-187 bps	64.0	60.9	311 bps
Employee cost	5.6	5.7	5.1	-57 bps	-63 bps	5.8	-73 bps	5.8	6.3	-52 bps
Other overheads	18.0	14.8	17.0	-101 bps	214 bps	15.2	178 bps	16.4	17.4	-101 bps
Income tax rate (%)	(4.8)	(14.6)	(8.0)	-320 bps	667 bps	-	-796 bps	(7.5)	(5.0)	-247 bps

Source: Company, Emkay Research

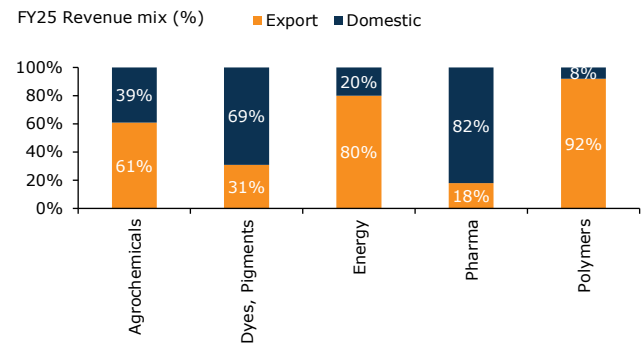
Exhibit 2: Capacity and utilization trends show significant upside, leading to operating leverage

Product Groups	Capacity (KT; expanded period)	FY22	FY23	FY24	FY25	YoY	Q4FY24	Q3FY25	Q4FY25	YoY	QoQ	FY25 Utilization
NCB	108 (from Q3FY24)	76.6	77.8	73.5	85.3	16%	18.8	22.9	23.9	27%	4%	79%
DCB	120	74.6	84.2	80.7	88.6	10%	24.4	20.8	20.4	-16%	-2%	74%
Hydrogenation	60	35.7	37.2	39.1	44.4	14%	10.5	11.3	11.6	10%	3%	74%
PDA	12	6.5	4.2	4.4	3.9	-11%	1.9	1.3	1.0	-47%	-23%	33%
NT	45 (from Q4FY25)	16	23.9	30.5	29.4	-4%	6.7	6.5	7.9	18%	22%	65%
Ethylation	25-30 (from Q4FY25)	7.2	11.9	10.5	14.5	38%	3.2	4.1	4.6	44%	12%	48%
MMA	200 (from Q3FY25)	23.1	37.8	89.3	123.0	38%	30.4	36.6	34.8	14%	-5%	62%

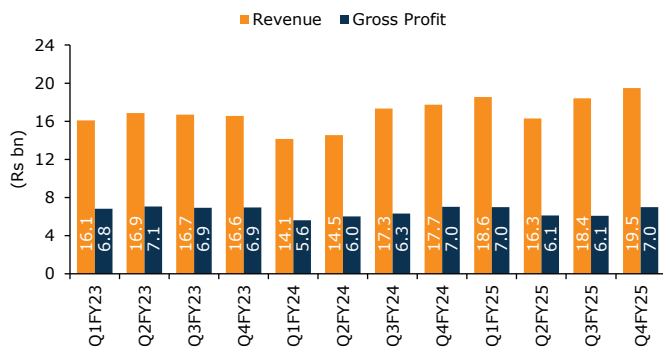
Source: Company, Emkay Research

Exhibit 3: Share of exports improved in Q4 due to pharma sales

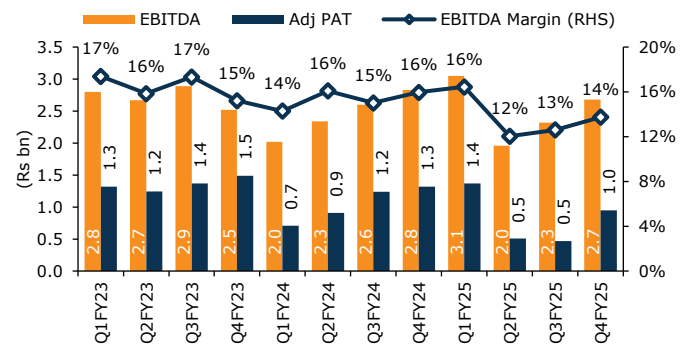
Source: Company, Emkay Research

Exhibit 4: Aarti's revenue mix (54% domestic : 46% export)

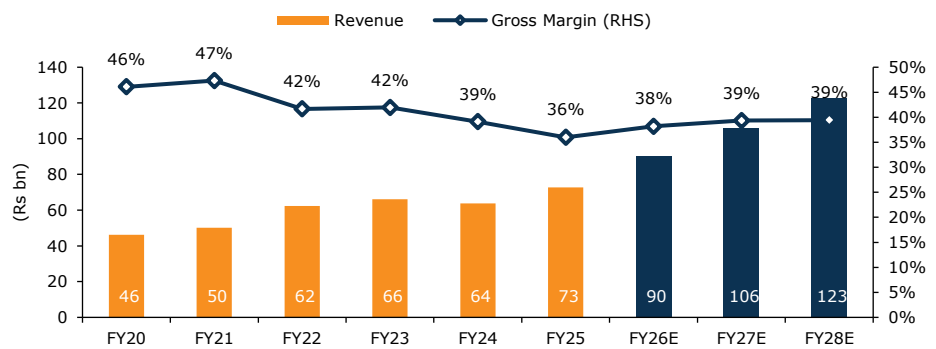
Source: Company, Emkay Research

Exhibit 5: Absolute gross profit flat YoY

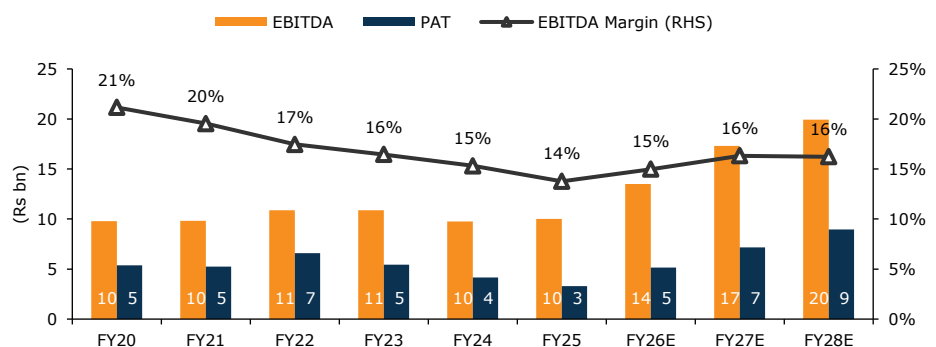
Source: Company, Emkay Research

Exhibit 6: EBITDA up 16% sequentially

Source: Company, Emkay Research

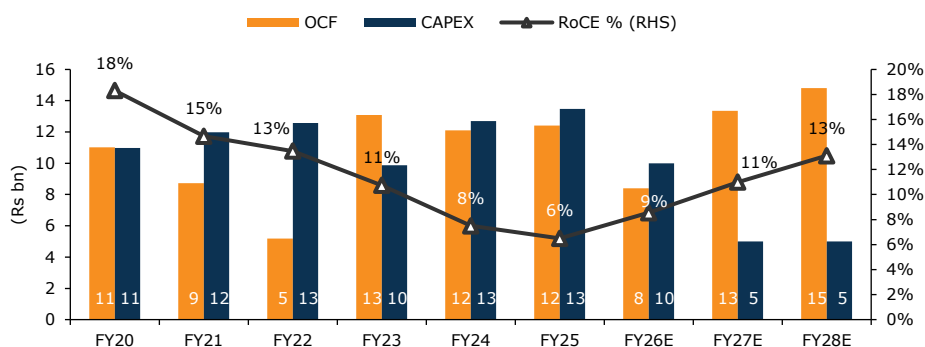
Exhibit 7: Revenue CAGR to clock 19% over FY25-28E

Source: Company, Emkay Research

Exhibit 8: Volume growth and cost optimization to lead to EBITDA growth

Source: Company, Emkay Research

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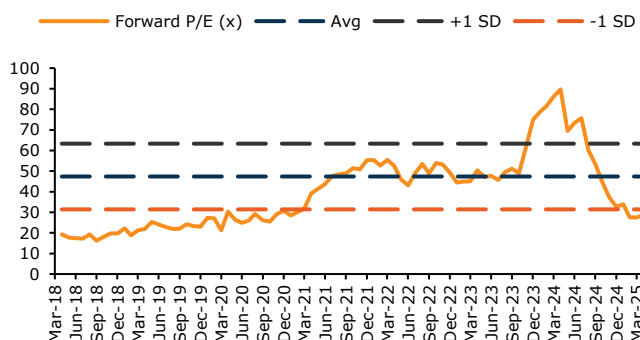
Exhibit 9: Conscious capex with stable cash flows to help improve RoCE over the next 3-4 years

Source: Company, Emkay Research

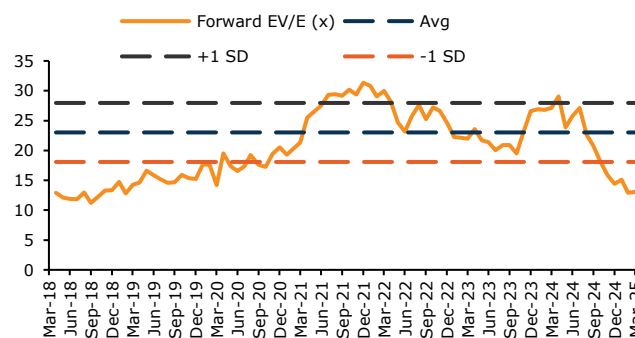
Exhibit 10: We tweak FY26E/27E EBITDA by -2%/+2%, respectively, to factor in the back-ended growth

Particulars (Rs mn)	FY26E			FY27E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Revenue	90,179	88,442	2	105,976	103,934	2
EBITDA	13,511	13,731	-2	17,305	16,982	2
EBITDA margin (%)	15.0	15.5	-55 bps	16.3	16.3	-1 bps
PAT	5,140	5,390	-5	7,168	7,100	1
EPS (Rs)	14	15	-5	20	20	1

Source: Company, Emkay Research

Exhibit 11: One-year forward P/E

Source: Company, Emkay Research

Exhibit 12: One-year forward EV/EBITDA

Source: Company, Emkay Research

Aarti Industries: Consolidated Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	63,720	72,710	90,179	105,976	122,862
Revenue growth (%)	(3.7)	14.1	24.0	17.5	15.9
EBITDA	9,760	10,010	13,511	17,305	19,931
EBITDA growth (%)	(10.4)	2.6	35.0	28.1	15.2
Depreciation & Amortization	3,780	4,340	5,313	6,157	6,445
EBIT	5,980	5,670	8,198	11,148	13,487
EBIT growth (%)	(23.2)	(5.2)	44.6	36.0	21.0
Other operating income	-	-	-	-	-
Other income	80	140	140	140	140
Financial expense	2,110	2,750	2,928	2,855	2,426
PBT	3,950	3,060	5,410	8,433	11,201
Extraordinary items	0	(20)	0	0	0
Taxes	(210)	(230)	271	1,265	2,240
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	4,160	3,270	5,140	7,168	8,961
PAT growth (%)	(23.7)	(21.4)	57.2	39.5	25.0
Adjusted PAT	4,160	3,290	5,140	7,168	8,961
Diluted EPS (Rs)	11.5	9.1	14.2	19.8	24.8
Diluted EPS growth (%)	(23.7)	(20.9)	56.2	39.5	25.0
DPS (Rs)	1.5	1.0	1.4	2.0	2.5
Dividend payout (%)	13.0	11.0	10.0	10.0	10.0
EBITDA margin (%)	15.3	13.8	15.0	16.3	16.2
EBIT margin (%)	9.4	7.8	9.1	10.5	11.0
Effective tax rate (%)	(5.3)	(7.5)	5.0	15.0	20.0
NOPLAT (pre-IndAS)	6,298	6,096	7,788	9,476	10,789
Shares outstanding (mn)	362	362	362	362	362

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	1,810	1,810	1,810	1,810	1,810
Reserves & Surplus	51,080	54,240	58,866	65,317	73,381
Net worth	52,890	56,050	60,676	67,127	75,191
Minority interests	10	0	0	0	0
Non-current liab. & prov.	(1,440)	(2,180)	(2,180)	(2,180)	(2,180)
Total debt	35,640	37,890	40,193	35,951	28,738
Total liabilities & equity	87,100	91,760	98,688	100,898	101,749
Net tangible fixed assets	55,875	62,765	76,992	75,835	74,391
Net intangible assets	85	485	485	485	485
Net ROU assets	530	510	510	510	510
Capital WIP	12,290	14,540	5,000	5,000	5,000
Goodwill	0	0	0	0	0
Investments [JV/Associates]	230	480	480	480	480
Cash & equivalents	5,160	2,950	359	1,029	443
Current assets (ex-cash)	25,530	27,230	31,550	36,863	42,542
Current Liab. & Prov.	12,600	17,200	16,688	19,305	22,102
NWC (ex-cash)	12,930	10,030	14,862	17,558	20,441
Total assets	87,100	91,760	98,688	100,898	101,749
Net debt	30,480	34,940	39,834	34,922	28,295
Capital employed	87,100	91,760	98,688	100,898	101,749
Invested capital	68,890	73,280	92,340	93,879	95,316
BVPS (Rs)	146.1	154.8	167.6	185.4	207.7
Net Debt/Equity (x)	0.6	0.6	0.7	0.5	0.4
Net Debt/EBITDA (x)	3.1	3.5	2.9	2.0	1.4
Interest coverage (x)	2.9	2.1	2.8	4.0	5.6
RoCE (%)	7.3	6.4	8.6	11.1	13.2

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	3,870	2,920	5,270	8,293	11,061
Others (non-cash items)	3,780	4,340	5,313	6,157	6,445
Taxes paid	(850)	60	(271)	(1,265)	(2,240)
Change in NWC	1,828	2,160	(4,832)	(2,696)	(2,882)
Operating cash flow	12,100	12,420	8,408	13,344	14,809
Capital expenditure	(12,761)	(13,880)	(10,000)	(5,000)	(5,000)
Acquisition of business	(58)	(250)	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	(13,690)	(13,980)	(9,860)	(4,860)	(4,860)
Equity raised/(repaid)	(3)	0	0	0	0
Debt raised/(repaid)	6,900	2,250	2,303	(4,241)	(7,214)
Payment of lease liabilities	(227)	20	0	0	0
Interest paid	(2,110)	(2,750)	(2,928)	(2,855)	(2,426)
Dividend paid (incl tax)	(540)	(360)	(514)	(717)	(896)
Others	(47)	130	-	0	-
Financing cash flow	3,973	(710)	(1,139)	(7,814)	(10,536)
Net chg in Cash	2,383	(2,270)	(2,591)	671	(587)
OCF	12,100	12,420	8,408	13,344	14,809
Adj. OCF (w/o NWC chg.)	10,272	10,260	13,240	16,040	17,691
FCFF	(661)	(1,460)	(1,592)	8,344	9,809
FCFE	(2,771)	(4,210)	(4,520)	5,489	7,383
OCF/EBITDA (%)	124.0	124.1	62.2	77.1	74.3
FCFE/PAT (%)	(66.6)	(128.7)	(87.9)	76.6	82.4
FCFF/NOPLAT (%)	(10.5)	(23.9)	(20.4)	88.1	90.9

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	39.0	49.4	31.6	22.7	18.1
EV/CE(x)	2.2	2.1	1.9	1.9	1.9
P/B (x)	3.1	2.9	2.7	2.4	2.2
EV/Sales (x)	3.0	2.7	2.1	1.8	1.6
EV/EBITDA (x)	19.8	19.3	14.3	11.1	9.7
EV/EBIT(x)	32.3	34.0	23.5	17.3	14.3
EV/IC (x)	2.8	2.6	2.1	2.1	2.0
FCFF yield (%)	(0.3)	(0.8)	(0.8)	4.3	5.1
FCFE yield (%)	(1.7)	(2.6)	(2.8)	3.4	4.5
Dividend yield (%)	0.3	0.2	0.3	0.4	0.6
DuPont-RoE split					
Net profit margin (%)	6.5	4.5	5.7	6.8	7.3
Total asset turnover (x)	0.8	0.8	1.0	1.1	1.2
Assets/Equity (x)	1.6	1.6	1.6	1.6	1.4
RoE (%)	8.1	6.0	8.8	11.2	12.6
DuPont-RoIC					
NOPLAT margin (%)	9.9	8.4	8.6	8.9	8.8
IC turnover (x)	1.0	1.0	1.1	1.1	1.3
RoIC (%)	9.5	8.6	9.4	10.2	11.4
Operating metrics					
Core NWC days	74.1	50.4	60.2	60.5	60.7
Total NWC days	74.1	50.4	60.2	60.5	60.7
Fixed asset turnover	0.9	0.9	0.9	1.0	1.1
Opex-to-revenue (%)	23.8	22.2	23.2	23.0	23.2

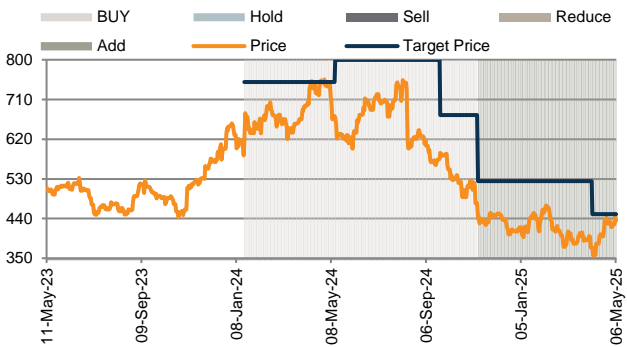
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
06-Apr-25	374	450	Add	Meet Vora
03-Feb-25	453	525	Add	Meet Vora
11-Nov-24	440	525	Add	Meet Vora
24-Sep-24	589	675	Buy	Meet Vora
27-Aug-24	640	800	Buy	Meet Vora
13-Aug-24	621	800	Buy	Meet Vora
14-Jul-24	706	800	Buy	Meet Vora
07-Jun-24	635	800	Buy	Meet Vora
13-May-24	669	800	Buy	Meet Vora
07-Apr-24	696	750	Buy	Meet Vora
26-Feb-24	672	750	Buy	Meet Vora
09-Feb-24	663	750	Buy	Meet Vora
18-Jan-24	612	750	Buy	Meet Vora

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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