PL Capital
PRABHUDAS LILLADHER

Aarti Industries (ARTO IN)

Q2FY27 Result Update

November 02, 2026

☑ Estimate Change | ☑ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY28E	FY29E	FY28E	FY29E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	476		521	
Sales (INR mn)	114,898	123,226	105,877	116,778
% Chng.	*8.5*	*5.5*		
EBITDA (INR mn)	17,809	19,963	16,430	18,670
% Chng.	*8.4*	*6.9*		
EPS (INR)	19.9	25.5	18.8	24.6
% Chng.	*5.9*	*3.7*		

Key Data	ARTI.BO | ARTO IN
BSE Code	524208
NSE Code	AARTIIND
52-W High / Low	INR 551 / INR 338
Face Value	5
Sensex / Nifty	75,693 / 23,441
Market Cap	INR 156 bn / $ 1,639 mn
Shares Outstanding	362.74 mn
3M Avg. Daily Value	INR 568.06 mn

Shareholding Pattern (%)

Promoters	41.82
FIIs	6.96
Mutual Funds	12
Domestic Institutions	8.89
Public & Others	30.33
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(7.8)	(12.3)	(15.5)	12.9
Relative	(12.4)	(9.5)	(14.1)	25.2

Key Financials - Consolidated

Y/e Mar	FY26	FY27E	FY28E	FY29E
Sales (INR mn)	82,860	120,350	114,898	123,226
EBITDA (INR mn)	11,670	16,007	17,809	19,963
Margin (%)	*14.1*	*13.3*	*15.5*	*16.2*
PAT (INR mn)	4,190	6,238	7,201	9,228
EV (INR mn)	198,606	202,181	194,199	182,943
Total Debt (INR mn)	49,210	47,762	41,045	35,000
C&C Eq. (INR mn)	5,830	1,023	2,287	7,499
EPS (INR)	11.6	17.2	19.9	25.5
Gr. (%)	*26.6*	*48.7*	*15.4*	*28.1*
DPS (INR)	0.6	0.9	1.0	-
Yield (%)	*0.1*	*0.2*	*0.2*	-
RoE (%)	*7.2*	*10.0*	*10.5*	*12.0*
RoCE (%)	*6.8*	*9.7*	*10.2*	*11.8*
EV/Sales (x)	2.4	1.7	1.7	1.5
EV/EBITDA (x)	17.0	12.6	10.9	9.2
PE (x)	37.0	24.9	21.6	16.8
P/BV (x)	2.6	2.4	2.1	1.9

Zone IV expansion to drive growth

Quick Pointers

- Mgmt reiterated its EBITDA guidance of INR18bn
- Zone IV to drive growth through first-time manufacturing of several products in India

Aarti Industries reported Q2FY27 revenue of Rs36.7bn, up 75% YoY, driven by strong volume growth and the pass-through of elevated raw material prices. EBITDA increased 41% YoY to Rs4.1bn, supported by healthy demand across key non-energy value chains and strong performance in the Energy segment, aided by elevated crude oil prices and higher gasoline-naphtha cracks.

Non-Energy volumes remained healthy, driven by traction across the NCB, DCB and pharma value chains, while PDA continued to face competitive pressure from Chinese dumping. Management expects the current business momentum to sustain, supported by improving demand, ramp up of newly commissioned Zone IV facilities and the execution of upcoming long-term contracts.

Elevated raw material prices, higher working capital requirements and potential inventory losses remain key monitorable. However, improving capacity utilization and the commissioning of growth projects are expected to support medium-term earnings growth. We maintain our Accumulate rating with a target price of Rs476, valuing the stock at 21x Sep'28 EPS. The stock is currently trading at 17x FY29 EPS.

Revenue increases by 75%YoY/54%QoQ: Consolidated net revenue 75% YoY/ 54% QoQ to INR37bn (PLe: INR23.6bn, Consensus:24.49bn), actual revenue was 55% higher than our estimates. H1FY27 revenue was up by 60% to INR61bn. Revenue growth was primarily driven by higher volume and input prices passed on to customers. Gross Margin contracted by 620bps YoY to 28.3% and 750bps sequentially (vs 34.5% in Q2FY26 and 35.8% in Q1FY27).

EBITDAM contracted 270bps YoY: EBITDA increased 41% YoY and 8% QoQ to INR4.1bn (PLe: INR3.6bn, Consensus: INR3.5bn). EBITDAM stood at 11.2% (PLe: 15.1%) as against a margin of 13.9% in Q2FY26 and 16% in Q1FY27, contracted sequentially by 480bps and 270bps YoY. PAT stood at INRINR1,700mn, increased by 60% YoY/ 10% QoQ, PAT margins were 5% vs 5% & 6.5% in Q2FY26 and Q1FY27 respectively.

Quarter Summary

Y/e Mar	Q2'27E	Q2'27A	% Var.	Q2'26A	YoY gr. (%)
Net Sales (INR mn)	23,622	36,690	*55.3*	21,000	*74.7*
EBITDA (INR mn)	3,557	4,110	*15.5*	2,910	*41.2*
Margin (%)	*15.1*	*11.2*	*(390) bps*	*13.9*	*(270) bps*
PAT (INR mn)	1,391	1,700	*22.2*	1,060	*60.4*

Source: Company, PL

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Key concall takeaways: (1) Working capital increased owing to higher input prices and increased export sales. **(2)** In Energy business volumes increased 51% QoQ and 57% YoY. **(3)** Energy application volumes increased across key geographies, including the US, Europe, MENA and India. **(4)** Energy applications continued to benefit from strong global demand, supported by higher refining margins and favourable gasoline-naphtha cracks. The segment's revenue contribution also increased due to higher selling prices, reflecting elevated raw material costs. **(5)** Polymer & Additives performance was impacted by softness in the PDA chain. Management expects improvement in Q3FY27, supported by higher DCB demand. **(6)** DCB demand remained relatively soft in H1FY27, with an improvement expected in H2FY27. **(7)** In the non-energy business, demand remained steady and strong across both domestic and export markets. Management remains positive on volume growth in this segment. **(8)** Agrochemical contracts are progressing as per schedule, with 1–2 contracts still having significant residual volumes. The contracts have visibility until 2030. **(9)** The company plans to introduce 5–10 new products from Zone IV in FY27, increasing to 20–25 products across five different chemistry blocks by FY28. **(10)** Several products under Zone IV are expected to be manufactured in India for the first time, creating new growth opportunities. **(11)** Zone IV-related expenses are expected to start reflecting in the P&L from Q4FY27. **(12)** The effective tax rate is expected to remain in the range of 15–20% in FY27 and FY28. **(13)** The partnership with Superform is expected to generate steady-state revenue of Rs3–4bn. **(14)** Sulphur prices increased 5–6x, along with a sharp rise in freight costs, putting pressure on the global supply chain. **(15)** The company faced challenges in passing on higher raw material costs in the Acid Value Chain.

Exhibit 1: Quarterly Estimates

Particulars	Q1FY27A	*YoY gr.*	Q2FY27	*YoY gr.*	Q3FY27E	*YoY gr.*	Q4FY27E	*YoY gr.*
Revenue from Operations	23,870	*43%*	36,690	*75%*	30,235	*30%*	29,555	*34%*
EBITDA	3,820	*81%*	4,110	*41%*	4,061	*27%*	4,015	*18%*
Margin (%)	*16%*		*11%*		*13%*		*14%*	
Adjusted PAT	1,550	*260%*	1,700	*60%*	1,531	*15%*	1,287	*-6%*

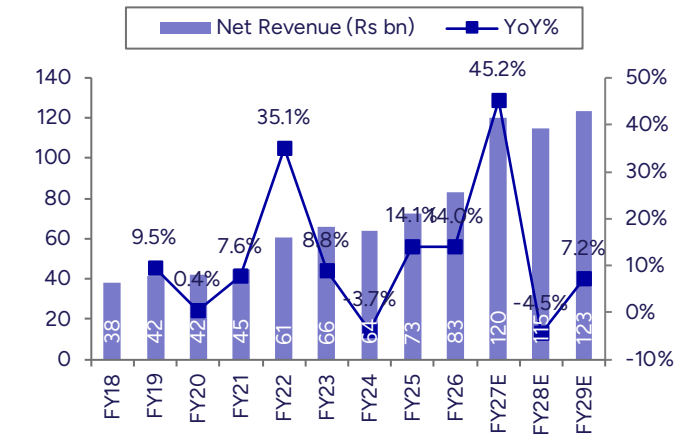
Source: Company, PL

Exhibit 2: Q2FY27 Result Overview - Consolidated (Rs mn)

Y/e March	Q2FY27	Q2FY26	*YoY gr.*	Q2FY27E	*% Var.*	Q1FY27	*QoQ gr.*	H1FY27	H1FY26	*YoY gr. (%)*
Net Sales	**36,690**	**21,000**	***75%***	**23,622**	***55%***	**23,870**	***54%***	**60,560**	**37,750**	***60%***
Gross Profit	10,380	7,250	*43%*	8,521	*22%*	8,550	*21%*	18,930	12,780	*48%*
Margin (%)	*28.3%*	*34.5%*		*36.1%*		*35.8%*		*31.3%*	*33.9%*	
EBITDA	**4,110**	**2,910**	***41%***	**3,557**	***16%***	**3,820**	***8%***	**7,930**	**5,020**	***58%***
Margin (%)	*11.2%*	*13.9%*		*15.1%*		*16.0%*		*13.1%*	*13.3%*	
Other Income	70	0		25		30		100	40	*150%*
Depreciation	1,250	1,200	*4%*	1,289	*-3%*	1,240	*1%*	2,490	2,340	*6%*
EBIT	**2,930**	**1,710**	***71%***	**2,293**	***28%***	**2,610**	***12%***	**5,540**	**2,720**	***104%***
Interest	880	1,000	*-12%*	823	*7%*	830	*6%*	1,710	1,600	*7%*
PBT before exceptional items	**2,050**	**710**	***189%***	**1,470**	***39%***	**1,780**	***15%***	**3,830**	**1,120**	***242%***
Total Tax	350	-130		79	*343%*	250	*40%*	600	-150	*-500%*
ETR (%)	*17.1%*	*-18.3%*		*5.4%*		*14.0%*		*15.7%*	*-13.4%*	
Adj. PAT	**1,700**	**840**	***102%***	**1,391**	***22%***	**1,530**	***11%***	**3,230**	**1,270**	***154%***
Exceptional Items	0	-220		0		-20		-20	-220	
PAT	**1,700**	**1,060**	***60%***	**1,391**	***22%***	**1,550**	***10%***	**3,250**	**1,490**	***118%***

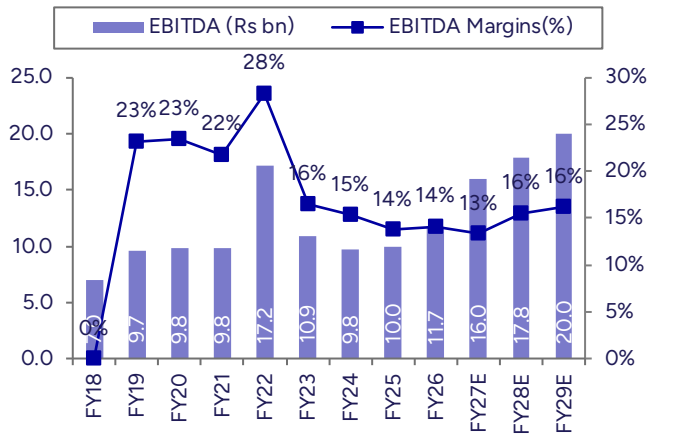
Source: Company, PL

Exhibit 3: Revenue to grow at CAGR of 14% over FY26-29E



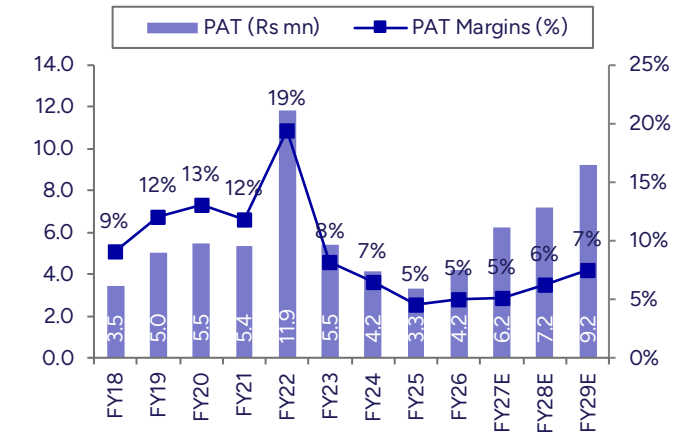
Source: Company, PL

Exhibit 4: EBITDA margin to reach 16% in FY29E



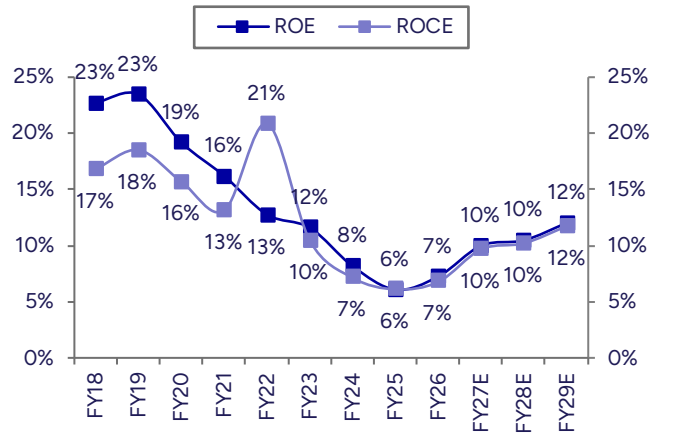
Source: Company, PL

Exhibit 5: PAT margin to reach 7% in FY29E



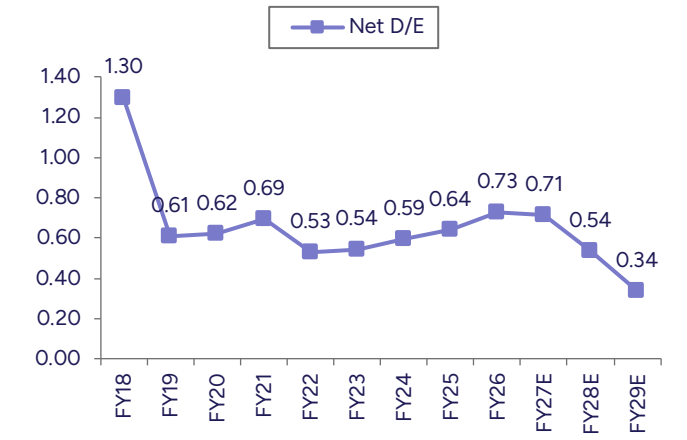
Source: Company, PL

Exhibit 6: Return ratios to hover at 11-12%



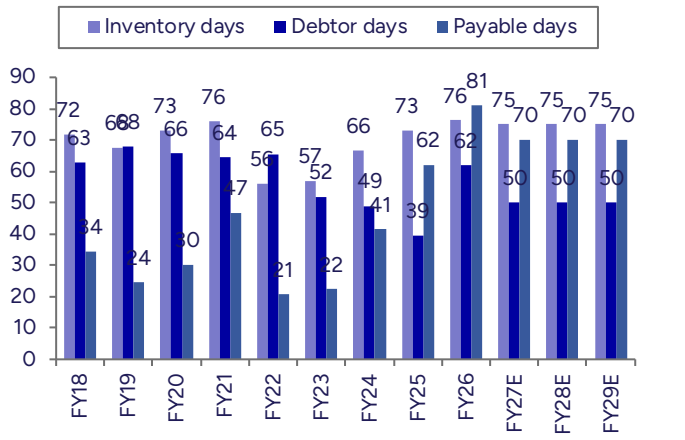
Source: Company, PL

Exhibit 7: Net D/E estimated at 0.3 for FY29E



Source: Company, PL

Exhibit 8: Working capital days at 50-70 days



Source: Company, PL

Financials

Income Statement (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Net Revenues	**82,860**	**120,350**	**114,898**	**123,226**
YoY gr. (%)	*14.0*	*45.2*	*(4.5)*	*7.2*
Cost of Goods Sold	53,490	81,236	74,109	78,865
Gross Profit	29,370	39,114	40,789	44,361
Margin (%)	*35.4*	*32.5*	*35.5*	*36.0*
Employee Cost	4,220	5,055	5,400	5,299
Other Expenses	13,480	18,052	17,579	19,100
EBITDA	**11,670**	**16,007**	**17,809**	**19,963**
YoY gr. (%)	*17.1*	*37.2*	*11.3*	*12.1*
Margin (%)	*14.1*	*13.3*	*15.5*	*16.2*
Depreciation and Amortization	4,740	5,231	6,207	6,454
EBIT	**6,930**	**10,775**	**11,602**	**13,508**
Margin (%)	*8.4*	*9.0*	*10.1*	*11.0*
Net Interest	3,400	3,636	3,330	2,852
Other Income	50	200	200	200
Profit Before Tax	**3,650**	**7,339**	**8,472**	**10,857**
Margin (%)	*4.4*	*6.1*	*7.4*	*8.8*
Total Tax	(540)	1,101	1,271	1,629
Effective Tax Rate (%)	*(14.8)*	*15.0*	*15.0*	*15.0*
Profit After Tax	**4,190**	**6,238**	**7,201**	**9,228**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**4,190**	**6,238**	**7,201**	**9,228**
YoY gr. (%)	*26.6*	*48.9*	*15.4*	*28.1*
Margin (%)	*5.1*	*5.2*	*6.3*	*7.5*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**4,190**	**6,238**	**7,201**	**9,228**
YoY gr. (%)	*26.6*	*48.9*	*15.4*	*28.1*
Margin (%)	*5.1*	*5.2*	*6.3*	*7.5*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,190	6,238	7,201	9,228
Equity Shares O/s (mn)	**362**	**363**	**363**	**363**
EPS (INR)	**11.6**	**17.2**	**19.9**	**25.5**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Non-Current Assets				
Gross Block	**87,550**	**109,850**	**115,850**	**118,850**
Tangibles	87,530	109,830	115,830	118,830
Intangibles	19	19	19	19
Acc: Dep / Amortization	**24,900**	**30,131**	**36,337**	**42,792**
Tangibles	24,820	30,051	36,257	42,712
Intangibles	80	80	80	80
Net Fixed Assets	**63,020**	**80,089**	**79,882**	**76,428**
Tangibles	63,081	80,150	79,943	76,489
Intangibles	(61)	(61)	(61)	(61)
Capital Work In Progress	22,840	7,540	7,540	7,540
Goodwill	-	-	-	-
Non-Current Investments	1,420	1,320	1,320	1,320
Net Deferred Tax Assets	3,040	3,040	3,040	3,040
Other Non-Current Assets	800	800	800	800
Current Assets				
Investments	-	-	-	-
Inventories	17,320	24,729	23,609	25,320
Trade Receivables	14,030	16,486	15,739	16,880
Cash & Bank Balance	5,830	1,023	2,287	7,499
Other Current Assets	4,380	7,952	7,591	8,142
Total Assets	**132,730**	**143,130**	**141,953**	**147,123**
Equity				
Equity Share Capital	1,810	1,813	1,813	1,813
Other Equity	57,740	63,666	70,508	79,736
Total Networth	**59,550**	**65,479**	**72,320**	**81,548**
Non-Current Liabilities				
Long Term Borrowings	21,880	23,000	20,000	18,000
Provisions	140	140	140	140
Other Non Current Liabilities	1,040	1,040	1,040	1,040
Current Liabilities				
ST Debt / Current of LT Debt	27,330	24,762	21,045	17,000
Trade Payables	18,400	23,081	22,035	23,632
Other Current Liabilities	4,650	5,628	5,373	5,763
Total Equity & Liabilities	**132,990**	**143,130**	**141,953**	**147,123**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
PBT	3,580	7,339	8,472	10,857
Add. Depreciation	4,740	5,231	6,207	6,454
Add. Interest	3,400	3,636	3,330	2,852
Less Financial Other Income	50	200	200	200
Add. Other	150	(200)	(200)	(200)
Op. Profit before WC Changes	11,870	16,007	17,809	19,963
Net Changes-WC	(4,090)	(8,239)	957	(1,461)
Direct Tax	30	(591)	(1,294)	(1,593)
Net Cash from Op. Activities	**7,810**	**7,177**	**17,472**	**16,908**
Capital Expenditures	(11,210)	(7,000)	(6,000)	(3,000)
Interest / Dividend Income	40	200	200	200
Others	(240)	100	-	-
Net Cash from Invt. Activities	**(11,410)**	**(6,700)**	**(5,800)**	**(2,800)**
Issue of Share Cap. / Premium	(110)	3	-	-
Debt Changes	10,090	(1,448)	(6,717)	(6,045)
Dividend Paid	(360)	(312)	(360)	-
Interest Paid	(2,170)	(3,636)	(3,330)	(2,852)
Others	(10)	110	-	-
Net Cash from Fin. Activities	**7,440**	**(5,284)**	**(10,408)**	**(8,896)**
Net Change in Cash	**3,840**	**(4,807)**	**1,264**	**5,212**
Free Cash Flow	(3,430)	177	11,472	13,908

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q3FY26	Q4FY26	Q1FY27	Q2FY27
Net Revenues	**23,180**	**22,050**	**23,870**	**36,690**
YoY gr. (%)	*25.8*	*13.1*	*42.5*	*74.7*
Raw Material Expenses	15,310	13,210	15,320	26,310
Gross Profit	7,870	8,840	8,550	10,380
Margin (%)	*34.0*	*40.1*	*35.8*	*28.3*
EBITDA	**3,210**	**3,410**	**3,820**	**4,110**
YoY gr. (%)	*36.0*	*29.7*	*81.0*	*41.2*
Margin (%)	*13.8*	*15.5*	*16.0*	*11.2*
Depreciation / Depletion	1,210	1,190	1,240	1,250
EBIT	**2,000**	**2,220**	**2,580**	**2,860**
Margin (%)	*8.6*	*10.1*	*10.8*	*7.8*
Net Interest	690	1,120	830	880
Other Income	20	(10)	30	70
Profit before Tax	**1,180**	**1,110**	**1,800**	**2,050**
Margin (%)	*5.1*	*5.0*	*7.5*	*5.6*
Total Tax	(150)	(260)	250	350
Effective Tax Rate (%)	*(12.7)*	*(23.4)*	*13.9*	*17.1*
Profit After Tax	**1,330**	**1,370**	**1,550**	**1,700**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**1,330**	**1,370**	**1,550**	**1,700**
YoY gr. (%)	*183.0*	*42.7*	*260.5*	*60.4*
Margin (%)	*5.7*	*6.2*	*6.5*	*4.6*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,330**	**1,370**	**1,550**	**1,700**
YoY gr. (%)	*183.0*	*42.7*	*260.5*	*60.4*
Margin (%)	*5.7*	*6.2*	*6.5*	*4.6*
Other Comprehensive Income	(70)	(270)	-	(20)
Total Comprehensive Income	**1,260**	**1,100**	**1,550**	**1,680**
Avg. Shares O/s (mn)	363	363	363	363
EPS (INR)	**3.7**	**3.8**	**4.3**	**4.7**

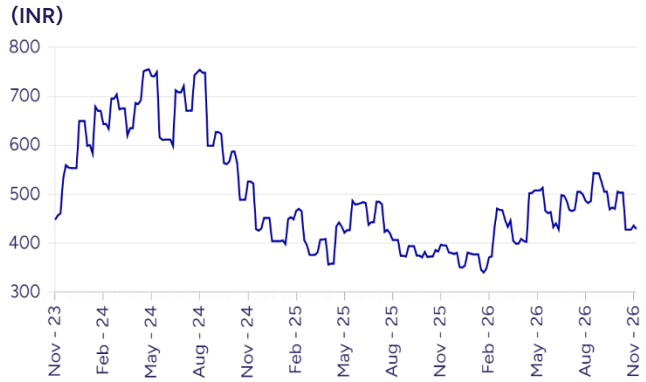
Source: Company, PL

Key Financial Metrics

Y/e Mar	FY26	FY27E	FY28E	FY29E
Per Share (INR)				
EPS	11.6	17.2	19.9	25.5
CEPS	24.7	31.6	37.0	43.3
BVPS	164.5	180.6	199.5	225.0
FCF	(9.5)	0.5	31.6	38.4
DPS	0.6	0.9	1.0	-
Return Ratio (%)				
RoCE	6.8	9.7	10.2	11.8
ROIC	8.2	8.5	8.8	10.4
RoE	7.2	10.0	10.5	12.0
Balance Sheet				
Net Debt : Equity (x)	0.7	0.7	0.5	0.3
Net Working Capital (Days)	57	55	55	55
Valuation (x)				
PER	37.0	24.9	21.6	16.8
P/B	2.6	2.4	2.1	1.9
P/CEPS	17.4	13.6	11.6	9.9
EV/EBITDA	17.0	12.6	10.9	9.2
EV/Sales	2.4	1.7	1.7	1.5
Dividend Yield (%)	0.1	0.2	0.2	-
FCFF Yield (%)	(2.2)	0.1	7.4	8.9
PEG Ratio	1.4	0.5	1.4	0.6

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	07-Oct-26	Accumulate	521	491
2	31-Jul-26	Accumulate	526	489
3	07-Jul-26	Accumulate	529	478
4	05-May-26	Accumulate	529	488
5	09-Apr-26	ACCUMULATE	452	422
6	03-Feb-26	Accumulate	466	430
7	07-Jan-26	Accumulate	401	375
8	23-Dec-25	Accumulate	403	375
9	07-Nov-25	Hold	403	392
10	07-Oct-25	Hold	395	377

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Aarti Industries	Accumulate	521	491
2	Acutaas Chemicals	BUY	4693	3793
3	Bharat Petroleum Corporation	Accumulate	305	290
4	Bharti Airtel	BUY	2367	1834
5	Clean Science and Technology	Accumulate	769	715
6	Deepak Nitrite	REDUCE	1419	1519
7	Fine Organic Industries	BUY	6629	5626
8	GAIL (India)	BUY	206	168
9	Gujarat Energy	HOLD	239	228
10	Gujarat Fluorochemicals	HOLD	4665	4556
11	Hindustan Petroleum Corporation	HOLD	342	338
12	Indian Oil Corporation	Accumulate	140	130
13	Indraprastha Gas	BUY	165	146
14	Jubilant Ingrevia	HOLD	649	632
15	Laxmi Organic Industries	REDUCE	177	190
16	Mahanagar Gas	Accumulate	1187	1039
17	Mangalore Refinery & Petrochemicals	HOLD	180	185
18	Navin Fluorine International	Accumulate	9554	8680
19	NOCIL	HOLD	140	137
20	Oil & Natural Gas Corporation	Accumulate	250	222
21	Oil India	Accumulate	512	454
22	P.I. Industries	HOLD	2305	2210
23	Paradeep Phosphates	Accumulate	173	155
24	PCBL Chemical	BUY	375	327
25	Petronet LNG	Accumulate	313	297
26	Reliance Industries	BUY	1490	1165
27	SRF	HOLD	2349	2331
28	Sudeep Pharma	SELL	943	1130
29	Vinati Organics	Accumulate	1278	1142

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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