

4th September 2025

Close* – ₹385/-

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Q1FY26 Result update

- During Q1FY26, net sales declined 10% YoY and 14% QoQ to ₹1,675crs, mainly on account of lower raw material prices and the deferment of bulk shipments from June to July. Non-energy business volumes grew to 9% YoY but dropped by 4% QoQ, impacted by weaker demand in NCBs and DCBs and shipment delays in ethylation products. In contrast, energy business volumes increased 3% YoY and 4% QoQ.
- EBITDA came in at ₹211crs, down 31% YoY and 20% QoQ, with margins contracting to 13% compared to 17% in the prior year. Profitability was adversely impacted by a steep 15–20% decline in benzene and aniline prices, resulting in inventory valuation losses of around ₹30crs, coupled with pricing pressure across product chains, logistics disruptions due to Middle East geopolitical tensions, and operational challenges at Kutch arising from the India–Pakistan conflict and MMA catalyst replacement/capacity expansion.
- Reported PAT declined 69% YoY and 55% QoQ to ₹43crs, translating into PAT margins of 3% versus 7% in Q1FY25 and 5% in Q4FY25. EPS stood at ₹1.19 compared to ₹3.81 in the year-ago quarter.

Product-wise Volume and Capacity Utilization – Q1FY26

- **NCB:** Volumes stood at 21.7 kt, down 9% QoQ but up 11% YoY. Capacity utilization was strong at 80%.
- **DCB:** Volumes declined to 19.3 kt, down 5% QoQ and 20% YoY, reflecting weak downstream automotive demand. Utilization was 64%.
- **Hydrogenation:** Volumes increased to 12.3 kt, up 6% QoQ and 19% YoY, with the highest utilization level at 82%.
- **PDA:** Volumes rose sharply to 2.0 kt, more than doubling QoQ and up 233% YoY, supported by tariff advantages versus China. Utilization stood at 67%.
- **NT (Nitrotoluene):** Volumes reached 8.7 kt, up 10% QoQ and 14% YoY. Utilization was healthy at 77%.
- **Ethylation:** Volumes were stable sequentially at 4.6 kt, but rose 77% YoY. Capacity utilization was 67%.
- **MMA (Methyl Methacrylate):** Capacity expanded to 260 KTPA in Q1FY26. Volumes increased to 38.4 kt, up 10% QoQ and 23% YoY. Utilization stood at 60%, impacted by curtailed Kutch operations and debottlenecking shutdowns.
- During Q1FY26, the end-use application mix remained broadly similar to Q1FY25. The energy segment accounted for 36% of revenues and is stabilizing with higher volumes, though margins remain under pressure due to weak pricing. Agrochemicals and fertilizers contributed 18% of revenues, but intermediates for this sector continue to face demand challenges. Dyes, pigments, and printing inks represented 15%, showing steady performance, while pharma applications improved slightly to 12%. The polymer and additives segment contributed 14% and displayed mixed trends across product value chains, whereas the “others” category declined to 5% of the mix.
- **Management guidance:** During FY26–FY28, the company expects to deliver sustainable EBITDA growth through a combination of cost optimisation, volume ramp-up, and CAPEX-led expansion. Cost initiatives such as cogeneration improvement, renewable power phase 2, waste energy utilisation, and fixed cost savings are expected to yield ₹150–200crs in benefits. Volume growth will be supported by the ramp-up of Acid, DCB, NCB,

Important Statistics

Nifty	24,715.05
Sensex	80,567.71
Close* (₹)	385
MCAP (₹ bn)	~₹136
52-Week H/L (₹)	622/344
NSE Code	AARTIIND
BSE Code	524208
Bloomberg Code	ARTO:IN

Close* as on 3rd September 2025

Shareholding Pattern (%)	Jun'25
Promoter Holding	42.24
FII	6.44
DII	20.39
Public & Others	30.92

Financials

	(₹ crs)				
Particulars	FY21	FY22	FY23	FY24	FY25
Net Sales	4,506	5,455	6,619	6,371	7,271
EBITDA	982	1,329	1,089	978	1,000
EBITDA M%	22%	28%	16%	15%	14%
Adjusted PAT	535	555	545	416	331
PATM%	12%	10%	8%	7%	5%
Adjusted EPS (₹)	15.02	15.30	15.04	11.49	9.13
ROE (%)	15%	12%	11%	8%	6%
ROCE (%)	13%	22%	10%	7%	6%
EV/EBITDA (x)	17.9	13.2	16.1	17.9	17.5
P/E (x)	25.7	25.2	25.7	33.6	42.3

Source: Company, Way2wealth Research

Relative Performance

Return (%)	1Yr	3Yr	5Yr
AARTIIND	-38%	-54%	-28%
Nifty 50	-3%	40%	113%
Sensex	-3%	36%	106%

Source: Company, Way2Wealth Research

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Ethylation, NT, MMA, and Specialty Chemicals, contributing ₹350–550crs, while ongoing CAPEX projects including MPP, Zone 4, and the UPL JV are expected to add another ₹300–450crs.

- Management maintains that EBITDA for FY25 was in line with guidance at ₹1,000–1,050crs, and capex for FY26 is projected at around ₹1,000crs. Looking ahead, consistent capacity-led volume growth, supported by operating leverage and margin improvements, is expected to drive EBITDA to ₹1,800–2,200crs by FY28, with a strong focus on maintaining Debt/EBITDA below 2.5x and delivering ROCE above 15%.
- **Key Upcoming Projects & Initiatives:**
 - Zone-IV Projects: Multipurpose Plant and CaCl₂ unit commissioning by Dec'25, with five additional blocks phased from Jan–May'26. Designed for 35–40 products in advanced polymers, agro, and pharma, targeting 20%+ EBITDA margins post-stabilization.
 - JV with UPL (Augene Chemicals): Commissioning expected in H1 CY26, enhancing specialty chemicals portfolio.
 - Circularity Initiative (Re Aarti Pvt Ltd): Technology selection completed; operations expected to commence by early FY27.
- The management has maintained its three-year EBITDA guidance of ~₹1,800crs by FY28, implying a CAGR of 20–25%. However, given the inherent volatility in raw material prices and global demand cycles, the company has refrained from providing annual EBITDA guidance and will continue to focus on sustainable long-term growth drivers.

View

Over FY14–FY22, Aarti Industries delivered strong growth with revenues rising from ₹2,619crs to ₹6,086crs and operating profit increasing from ₹402crs to a peak of ₹1,720crs. Operating margins improved steadily from 15% in FY14 to 28% in FY22, supported by capacity expansion, strong demand, and better realizations. Net profit also grew sharply, reaching 1,186crs in FY22. However, performance weakened thereafter, with margins compressing to 14% in FY25 due to raw material volatility, pricing pressure, and demand softness. As a result, net profit fell to ₹331crs in FY25, highlighting the sharp deterioration in profitability despite stable topline growth.

We initiated coverage on Aarti Industries on 21-Aug-2020 at ₹1,172 (prior to the bonus issue). Post the June 2021 1:1 bonus, the effective initiation price stood at ₹586. The stock touched a high of ₹1,107 on 14-Oct-2021 and is currently trading at ₹382, which implies a valuation of ~42x FY25 EPS of ₹9.

Aarti Industries faces margin pressure, weak operating profit growth, and expensive valuations (~42x FY25 EPS) despite subdued earnings. The stock has underperformed sharply, down ~40–50% from highs.

Our current recommendation is to **Exit** the stock at CMP for reasons stated above. Going forward, we will track the company closely and will update our guidance if we identify any 'green shoots' or a sustained improvement in its performance.

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 View – **Exit**
Consolidated Quarterly Performance

(₹ crs)

Particulars	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ %
Net sales	1675	1851	-10%	1949	-14%
(Increase)/Decrease in stock in trade & WIP	-11	24		75	
Consumption of raw material	1060	1058	0%	1104	-4%
Purchase of Traded goods	73	75		72	
Employees cost	109	120	-9%	105	4%
other Expense	249	274	-9%	324	-23%
Total Expenditure	1464	1545	-5%	1686	-13%
EBITDA	211	306	-31%	263	-20%
EBITDA margins %	13%	17%		13%	
Depreciation	114	102	12%	113	1%
EBIT/ Operating Profit	97	204	-52%	150	-35%
Interest	60	64	-6%	64	-6%
Other income	4	6		3	33%
PBT	41	146	-72%	89	-54%
Provision for current tax	0	10	-100%	-3	-100%
Provision for Deferred Tax	-2	-2	0%	-4	-50%
PAT	43	138	-69%	96	-55%
reported PAT	43	138	-69%	96	-55%
PAT margins %	3%	7%		5%	
Adjusted PAT	43	138	-69%	96	-55%
Adjusted PAT margins %	3%	7%		5%	
EPS (Basic & diluted)	1.19	3.81		2.65	
Adjusted EPS	1.19	3.81		2.65	

Source: Company, Way2wealth Research

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Disclosure of Interest Statement: Aarti Industries Ltd. as on September 4th, 2025

Name of the Security	Aarti Industries Ltd.
Name of the analyst	Rupali Singh
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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