PL Capital PRABHUDAS LILLADHER

Q1FY27 Result Update

Aarti Industries (ARTO IN)

July 31, 2026

☑ Estimate Change | ☑ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	526		529	
Sales (INR mn)	98,784	105,877	98,784	105,877
% Chng.	-	-		
EBITDA (INR mn)	14,555	16,430	14,429	16,302
% Chng.	0.9	0.8		
EPS (INR)	15.1	18.7	15.1	18.8
% Chng.	-	(0.5)		

Key Data

Key Data	ARTI.BO | ARTO IN
BSE Code	524208
NSE Code	AARTIIND
52-W High / Low	INR 523 / INR 338
Face Value	5
Sensex / Nifty	78,095 / 24,384
Market Cap	INR 177 bn / $ 1,860 mn
Shares Outstanding	362.73 mn
3M Avg. Daily Value	INR 626.72 mn

Shareholding Pattern (%)

Promoters	41.82
FIIs	6.99
Mutual Funds	12.12
Domestic Institutions	8.99
Public & Others	30.08
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	6.7	(3.6)	31.5	16.4
Relative	4.5	(5.1)	38.5	21.0

Key Financials - Consolidated

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR mn)	72,690	82,860	98,784	105,877
EBITDA (INR mn)	9,970	11,670	14,555	16,430
Margin (%)	*13.7*	*14.1*	*14.7*	*15.5*
PAT (INR mn)	3,310	4,190	5,492	6,811
EV (INR mn)	211,994	220,434	220,859	215,396
Total Debt (INR mn)	37,890	49,210	43,862	39,549
C&C Eq. (INR mn)	2,950	5,830	304	1,454
EPS (INR)	9.1	11.6	15.1	18.8
Gr. (%)	*(20.4)*	*26.6*	*30.9*	*24.0*
DPS (INR)	0.5	0.6	0.8	0.9
Yield (%)	*0.1*	*0.1*	*0.2*	*0.2*
RoE (%)	*6.1*	*7.2*	*8.8*	*10.0*
RoCE (%)	*6.2*	*6.8*	*8.4*	*9.3*
EV/Sales (x)	2.9	2.7	2.2	2.0
EV/EBITDA (x)	21.3	18.9	15.2	13.1
PE (x)	53.5	42.3	32.3	26.0
P/BV (x)	3.2	3.0	2.7	2.5

Revenue growth despite near-term volume headwinds

Quick Pointers

- Management maintained its FY27 capex guidance of INR7.0–8.0bn
- PEDA project is expected to be completed shortly

ARTO reported revenue of Rs24bn, registering a 43% YoY and 8% QoQ increase, primarily driven by the pass-through of higher input prices. EBITDA margin expanded 340bps YoY, supported by inventory gains and favorable foreign exchange movements. However, Energy business volumes declined 17% QoQ due to geopolitical disruptions in the Middle East, with the region's revenue contribution falling to ~2% from ~15% earlier.

The Non-Energy segment delivered 12% YoY volume growth, although volumes declined 7% QoQ due to elevated raw material costs. Management expects margins to improve from Q2FY27, supported by easing input costs and demand from newly launched products. In the Polymer & Additives business, export contribution declined to 39% in Q1FY27 from 95% in Q4FY26, primarily due to bulk shipments to the US in the previous quarter, with polymer volumes expected to normalize from Q2FY27.

On the growth front, the company continues to advance multiple expansion initiatives, including the commissioning of the Calcium Chloride plant and ongoing projects such as MMA debottlenecking, MPP, PEDA, and Zone IV developments. These projects, along with incremental capacity from MMA and DCB debottlenecking and planned project commissioning during CY26, are expected to support medium-term growth. While near-term margins are likely to remain under pressure from elevated input costs, improving non-energy demand and upcoming capacity additions should support earnings growth over the medium term. We maintain our Accumulate rating with a target price of Rs526, valuing the stock at 28x FY28 EPS. The stock is currently trading at 26x FY28 EPS.

Revenue increases by 43%YoY/8%QoQ: Consolidated net revenue 43% YoY/ 8% QoQ to INR23.9 bn (PLe: INR20.9bn, Consensus: 21.5bn), actual revenue was 14% higher than our estimates. Revenue growth was primarily driven by higher input prices passed on to customers. Gross Margin decreased by 430bps QoQ to 35.8% (vs 40.1% in Q4FY26 and 33% in Q1FY26), decreased due to higher raw material cost.

Quarter Summary

Y/e Mar	Q1'27E	Q1'27A	% Var.	Q1'26A	YoY gr. (%)
Net Sales (INR mn)	20,884	23,870	*14.3*	16,750	*42.5*
EBITDA (INR mn)	3,220	3,820	*18.6*	2,110	*81.0*
Margin (%)	*15.4*	*16.0*	*58 bps*	*12.6*	*341 bps*
PAT (INR mn)	1,118	1,550	*38.6*	430	*260.5*

Source: Company, PL

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EBITDA increases by 81%YoY/12% QoQ: EBITDA increased 81% YoY and 12% QoQ to INR3.8bn (PLe: INR3.2bn, Consensus: INR3bn). EBITDAM stood at 16% (PLe: 15.4%) as against a margin of 12.6% in Q1FY26 and 15.5% in Q4FY26, increased by 340bps YoY. PAT stood at INR1,550mn increased by 260% YoY/ 13% QoQ. PAT margins were 6.5% vs 2.6% & 6.2% in Q1FY26 & Q4FY26 respectively. The effective tax rate was 14% in Q1FY27, compared with -23% in Q4FY26 and -5% in Q1FY26.

Key concall takeaways: (1) Working capital increased owing to higher input prices and increased export sales. **(2)** In Energy business volumes declined 17% QoQ. **(3)** Middle East contribution in the Energy & Additives business declined to ~2% from ~15% earlier due to geopolitical disruptions. **(4)** Gasoline–naphtha cracks at ~US$15–18/bbl during the quarter. **(6)** Fuel additive capacity expansion from 290 KTPA to 360 KTPA has been completed, with management expecting high-capacity utilization in the coming quarters. **(7)** Management has 3–5 new fuel additive products under development (excluding octane boosters). **(8)** In the non-energy business, volumes declined due to delayed customer procurement amid supply chain disruptions, while Middle East exposure remains minimal. **(9)** Polymer & Additives demand in the US and China softened during Q1; management expects recovery from Q2FY27. **(10)** Anti-involution in China to support volume and margin in NCB Chain. **(11)** Lower polymer volumes were mainly due to bulk shipments executed in the US during the previous quarter, with volumes expected to normalize in Q2FY27. **(12)** In Agro chemical demand remained stable despite lower quarterly volumes **(14)** In Dyes & Pigment. margins in select value chains improved following China's VAT removal policy implemented from April 2026 **(15)** PEDA project is expected to be completed shortly. **(16)** The NPP (Multipurpose Plant) and the Calcium Chloride unit in Zone IV are expected to be commissioned shortly.

Exhibit 1: Quarterly Estimates

Particulars	Q1FY27A	*YoY gr.*	Q2FY27E	*YoY gr.*	Q3FY27E	*YoY gr.*	Q4FY27E	*YoY gr.*
Revenue from Operations	23,870	*43%*	23,354	*11%*	24,696	*7%*	26,864	*22%*
EBITDA	3,820	*81%*	3,210	*10%*	3,480	*8%*	4,046	*19%*
Margin (%)	*16%*		*14%*		*14%*		*15%*	
Adjusted PAT	1,550	*260%*	1,057	*0%*	1,252	*-6%*	1,653	*21%*

Source: Company, PL

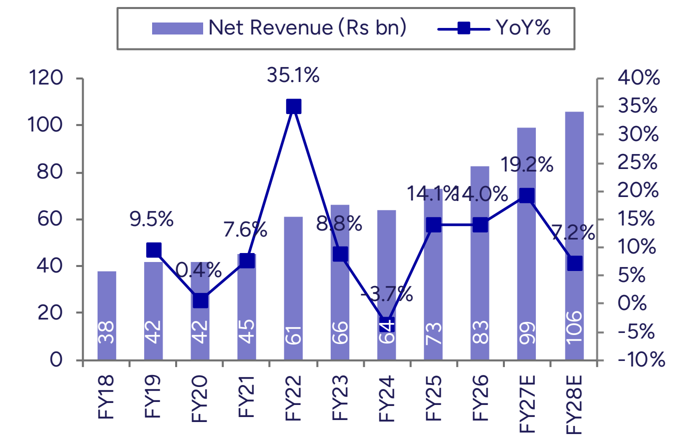
Exhibit 2 : Q1FY27 Result Overview - Consolidated (Rs mn)

Y/e March	Q1FY27	Q1FY26	*YoY gr.*	Q1FY27E	*% Var.*	Q4FY26	*QoQ gr.*	FY27E	FY26	*YoY gr. (%)*
Net Sales	**23,870**	**16,750**	**43%**	**20,884**	**14%**	**22,050**	**8%**	**98,784**	**82,860**	**19%**
Gross Profit	8,550	5,530	55%	8,063	6%	8,840	-3%	35,201	29,370	20%
Margin (%)	*35.8%*	*33.0%*		*38.6%*		*40.1%*		*35.6%*	*35.4%*	
EBITDA	**3,820**	**2,110**	**81%**	**3,220**	**19%**	**3,410**	**12%**	**14,555**	**11,670**	**25%**
Margin (%)	*16.0%*	*12.6%*		*15.4%*		*15.5%*		*14.7%*	*14.1%*	
Other Income	30	40		20		-10		100	50	100%
Depreciation	1,240	1,140	9%	1,221	2%	1,190	4%	5,428	4,740	15%
EBIT	**2,610**	**1,010**	**158%**	**1,979**	**32%**	**2,230**	**17%**	**9,227**	**6,980**	**32%**
Interest	830	600	38%	896	-7%	1,120	-26%	3,258	3,400	-4%
PBT before exceptional items	**1,780**	**410**	**334%**	**1,083**	**64%**	**1,110**	**60%**	**5,969**	**3,580**	**67%**
Total Tax	250	-20		5	4842%	-260	-196%	478	-540	-188%
ETR (%)	*14.0%*	*-4.9%*		*0.5%*		*-23.4%*		*8.0%*	*-15.1%*	
Adj. PAT	**1,530**	**430**	**256%**	**1,078**	**42%**	**1,370**	**12%**	**5,492**	**4,120**	**33%**
Exceptional Items	-20	0		0		0		0	70	
PAT	**1,550**	**430**	**260%**	**1,078**	**44%**	**1,370**	**13%**	**5,492**	**4,190**	**31%**

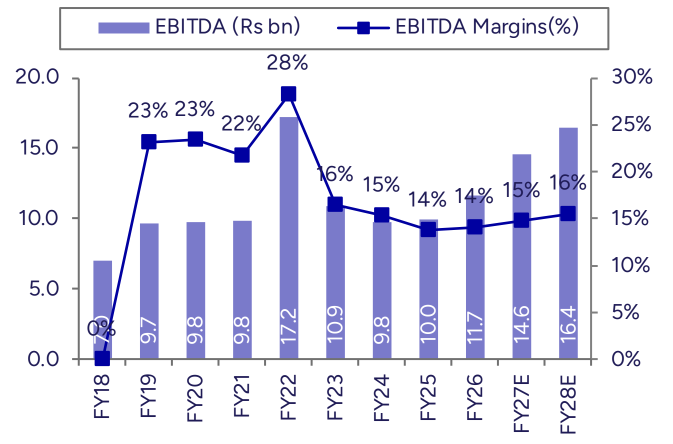
Source: Company, PL

Exhibit 3: Revenue to grow at CAGR of 13% over FY26-28E

Exhibit 4: EBITDA margin to reach 16% in FY28E

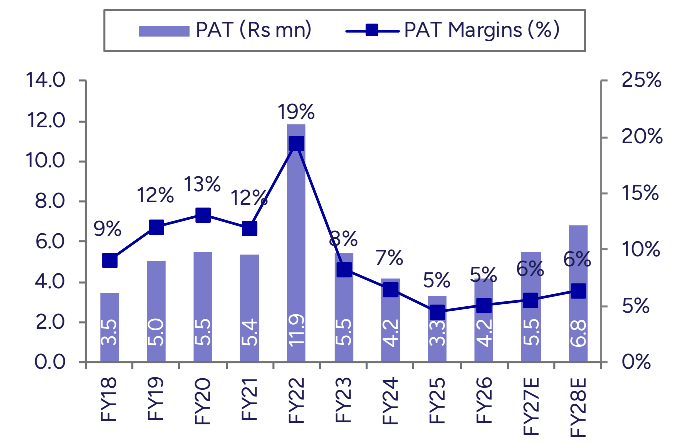


Source: Company, PL



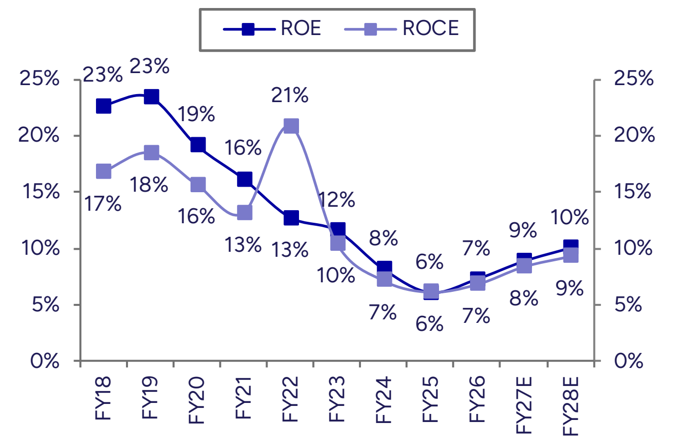
Source: Company, PL

Exhibit 5: PAT margin to reach 6% in FY28E



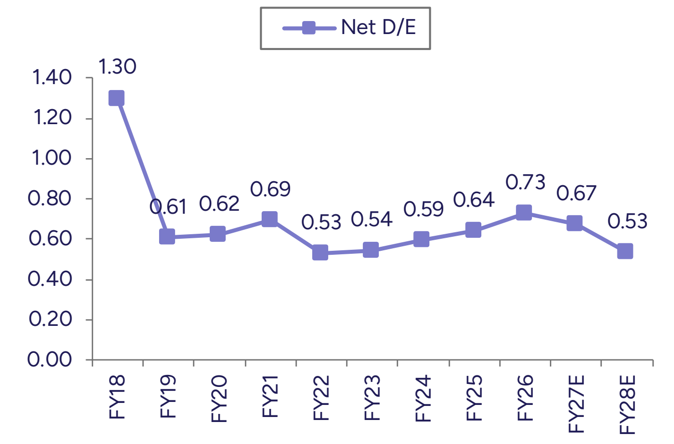
Source: Company, PL

Exhibit 6: Return ratios to hover at 9-10%



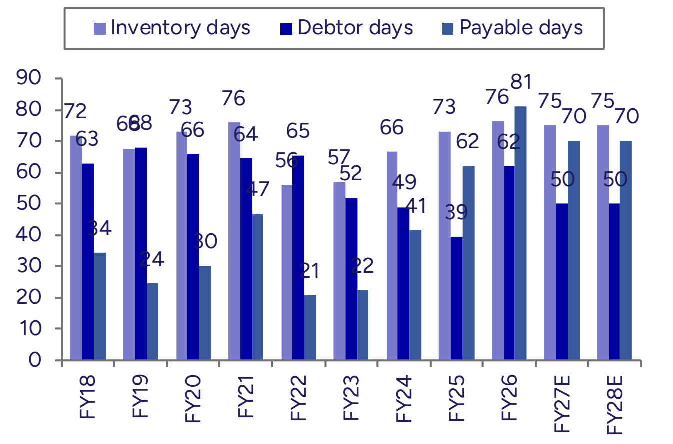
Source: Company, PL

Exhibit 7: Net D/E estimated at 0.5 for FY28E



Source: Company, PL

Exhibit 8: Working capital days at 50-60 days



Source: Company, PL

Financials

Income Statement (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Net Revenues	**72,690**	**82,860**	**98,784**	**105,877**
YoY gr. (%)	*14.1*	*14.0*	*19.2*	*7.2*
Cost of Goods Sold	46,550	53,490	63,583	67,425
Gross Profit	26,140	29,370	35,201	38,452
Margin (%)	*36.0*	*35.4*	*35.6*	*36.3*
Employee Cost	4,470	4,220	4,840	5,082
Other Expenses	11,700	13,480	15,805	16,940
EBITDA	**9,970**	**11,670**	**14,555**	**16,430**
YoY gr. (%)	*2.2*	*17.1*	*24.7*	*12.9*
Margin (%)	*13.7*	*14.1*	*14.7*	*15.5*
Depreciation and Amortization	4,340	4,740	5,428	6,207
EBIT	**5,630**	**6,930**	**9,127**	**10,223**
Margin (%)	*7.7*	*8.4*	*9.2*	*9.7*
Net Interest	2,750	3,400	3,258	2,919
Other Income	180	50	100	100
Profit Before Tax	**3,080**	**3,650**	**5,969**	**7,403**
Margin (%)	*4.2*	*4.4*	*6.0*	*7.0*
Total Tax	(230)	(540)	478	592
Effective Tax Rate (%)	*(7.5)*	*(14.8)*	*8.0*	*8.0*
Profit After Tax	**3,310**	**4,190**	**5,492**	**6,811**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**3,310**	**4,190**	**5,492**	**6,811**
YoY gr. (%)	*(20.4)*	*26.6*	*31.1*	*24.0*
Margin (%)	*4.6*	*5.1*	*5.6*	*6.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**3,310**	**4,190**	**5,492**	**6,811**
YoY gr. (%)	*(20.4)*	*26.6*	*31.1*	*24.0*
Margin (%)	*4.6*	*5.1*	*5.6*	*6.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,310	4,190	5,492	6,811
Equity Shares O/s (mn)	**362**	**362**	**363**	**363**
EPS (INR)	**9.1**	**11.6**	**15.1**	**18.8**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Non-Current Assets				
Gross Block	**83,214**	**87,550**	**109,850**	**115,850**
Tangibles	83,195	87,530	109,830	115,830
Intangibles	19	19	19	19
Acc: Dep / Amortization	**20,160**	**24,900**	**30,328**	**36,535**
Tangibles	20,080	24,820	30,248	36,455
Intangibles	80	80	80	80
Net Fixed Assets	**63,565**	**63,020**	**79,892**	**79,685**
Tangibles	63,625	63,081	79,952	79,745
Intangibles	(61)	(61)	(61)	(61)
Capital Work In Progress	15,020	22,840	7,540	7,540
Goodwill	-	-	-	-
Non-Current Investments	480	1,420	1,320	1,320
Net Deferred Tax Assets	2,180	3,040	3,040	3,040
Other Non-Current Assets	1,220	800	800	800
Current Assets				
Investments	-	-	-	-
Inventories	14,540	17,320	20,298	21,755
Trade Receivables	7,860	14,030	13,532	14,504
Cash & Bank Balance	2,950	5,830	304	1,454
Other Current Assets	3,530	4,380	6,527	6,995
Total Assets	**111,405**	**132,730**	**133,377**	**137,226**
Equity				
Equity Share Capital	1,810	1,810	1,813	1,813
Other Equity	54,240	57,740	62,957	69,428
Total Networth	**56,050**	**59,550**	**64,770**	**71,240**
Non-Current Liabilities				
Long Term Borrowings	18,670	21,880	23,000	20,000
Provisions	150	140	140	140
Other Non Current Liabilities	1,590	1,040	1,040	1,040
Current Liabilities				
ST Debt / Current of LT Debt	19,220	27,330	20,862	19,549
Trade Payables	12,370	18,400	18,945	20,305
Other Current Liabilities	3,070	4,650	4,620	4,952
Total Equity & Liabilities	**111,120**	**132,990**	**133,377**	**137,226**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	3,050	3,580	5,969	7,403
Add. Depreciation	4,340	4,740	5,428	6,207
Add. Interest	2,750	3,400	3,258	2,919
Less Financial Other Income	180	50	100	100
Add. Other	90	150	(100)	(100)
Op. Profit before WC Changes	10,230	11,870	14,555	16,430
Net Changes-WC	2,070	(4,090)	(4,455)	(1,245)
Direct Tax	70	30	(59)	(562)
Net Cash from Op. Activities	**12,370**	**7,810**	**10,042**	**14,623**
Capital Expenditures	(13,750)	(11,210)	(7,000)	(6,000)
Interest / Dividend Income	150	40	100	100
Others	(340)	(240)	100	-
Net Cash from Invt. Activities	**(13,940)**	**(11,410)**	**(6,800)**	**(5,900)**
Issue of Share Cap. / Premium	(100)	(110)	3	-
Debt Changes	2,490	10,090	(5,348)	(4,313)
Dividend Paid	(360)	(360)	(275)	(341)
Interest Paid	(2,750)	(2,170)	(3,258)	(2,919)
Others	-	(10)	110	-
Net Cash from Fin. Activities	**(720)**	**7,440**	**(8,767)**	**(7,573)**
Net Change in Cash	**(2,290)**	**3,840**	**(5,526)**	**1,150**
Free Cash Flow	(1,450)	(3,430)	3,042	8,623

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Net Revenues	**21,000**	**23,180**	**22,050**	**23,870**
YoY gr. (%)	*29.0*	*25.8*	*13.1*	*42.5*
Raw Material Expenses	13,750	15,310	13,210	15,320
Gross Profit	7,250	7,870	8,840	8,550
Margin (%)	*34.5*	*34.0*	*40.1*	*35.8*
EBITDA	**2,910**	**3,210**	**3,410**	**3,820**
YoY gr. (%)	*48.5*	*36.0*	*29.7*	*81.0*
Margin (%)	*13.9*	*13.8*	*15.5*	*16.0*
Depreciation / Depletion	1,200	1,210	1,190	1,240
EBIT	**1,710**	**2,000**	**2,220**	**2,580**
Margin (%)	*8.1*	*8.6*	*10.1*	*10.8*
Net Interest	1,000	690	1,120	830
Other Income	-	20	(10)	30
Profit before Tax	**930**	**1,180**	**1,110**	**1,800**
Margin (%)	*4.4*	*5.1*	*5.0*	*7.5*
Total Tax	(130)	(150)	(260)	250
Effective Tax Rate (%)	*(14.0)*	*(12.7)*	*(23.4)*	*13.9*
Profit After Tax	**1,060**	**1,330**	**1,370**	**1,550**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**1,060**	**1,330**	**1,370**	**1,550**
YoY gr. (%)	*107.8*	*183.0*	*42.7*	*260.5*
Margin (%)	*5.0*	*5.7*	*6.2*	*6.5*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,060**	**1,330**	**1,370**	**1,550**
YoY gr. (%)	*107.8*	*183.0*	*42.7*	*260.5*
Margin (%)	*5.0*	*5.7*	*6.2*	*6.5*
Other Comprehensive Income	(120)	(70)	(270)	-
Total Comprehensive Income	**940**	**1,260**	**1,100**	**1,550**
Avg. Shares O/s (mn)	363	363	363	363
EPS (INR)	**2.9**	**3.7**	**3.8**	**4.3**

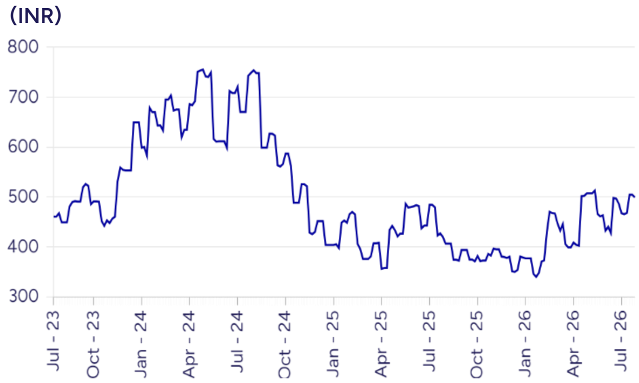
Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26	FY27E	FY28E
Per Share (INR)				
EPS	9.1	11.6	15.1	18.8
CEPS	21.1	24.7	30.1	35.9
BVPS	154.8	164.5	178.7	196.5
FCF	(4.0)	(9.5)	8.4	23.8
DPS	0.5	0.6	0.8	0.9
Return Ratio (%)				
RoCE	6.2	6.8	8.4	9.3
ROIC	6.9	8.2	7.9	8.6
RoE	6.1	7.2	8.8	10.0
Balance Sheet				
Net Debt : Equity (x)	0.6	0.7	0.7	0.5
Net Working Capital (Days)	50	57	55	55
Valuation (x)				
PER	53.4	42.2	32.2	26.0
P/B	3.1	2.9	2.7	2.4
P/CEPS	23.1	19.8	16.2	13.6
EV/EBITDA	21.2	18.8	15.1	13.1
EV/Sales	2.9	2.6	2.2	2.0
Dividend Yield (%)	-	0.1	0.1	0.1
FCFF Yield (%)	-	(2.0)	1.7	4.8
PEG Ratio	(2.7)	1.5	1.0	1.0

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	07-Jul-26	Accumulate	529	478
2	05-May-26	Accumulate	529	488
3	09-Apr-26	ACCUMULATE	452	422
4	03-Feb-26	Accumulate	466	430
5	07-Jan-26	Accumulate	401	375
6	23-Dec-25	Accumulate	403	375
7	07-Nov-25	Hold	403	392
8	07-Oct-25	Hold	395	377
9	01-Aug-25	Hold	420	407
10	07-Jul-25	Reduce	420	477

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Aarti Industries	Accumulate	529	478
2	Bharat Petroleum Corporation	HOLD	305	310
3	Bharti Airtel	BUY	2226	1884
4	Clean Science and Technology	HOLD	804	804
5	Deepak Nitrite	REDUCE	1514	1613
6	Fine Organic Industries	BUY	6001	5000
7	GAIL (India)	BUY	206	174
8	Gujarat Energy	Hold	293	286
9	Gujarat Fluorochemicals	HOLD	3772	3961
10	Gujarat State Petronet	Hold	242	236
11	Hindustan Petroleum Corporation	Reduce	350	385
12	Indian Oil Corporation	REDUCE	125	142
13	Indraprastha Gas	BUY	181	152
14	Jubilant Ingrevia	Hold	711	745
15	Laxmi Organic Industries	Reduce	169	182
16	Mahanagar Gas	Accumulate	1283	1134
17	Mangalore Refinery & Petrochemicals	HOLD	150	157
18	Navin Fluorine International	Accumulate	8200	7547
19	NOCIL	HOLD	176	176
20	Oil & Natural Gas Corporation	Accumulate	266	244
21	Oil India	Accumulate	455	423
22	Petronet LNG	Accumulate	300	280
23	Reliance Industries	BUY	1675	1327
24	SRF	Reduce	2482	2632
25	Sudeep Pharma	REDUCE	760	811
26	Vinati Organics	Accumulate	1443	1296

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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