kotak Securities

Dated: 10 Nov 2025

Aarti Industries (ARTO) - SELL

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.392	**Rs.340**

Rationale:

- Q2FY26 benefited from the spillover of bulk shipments from the previous quarter and likely front-loading ahead of US tariffs.
- Even though more than half the year has passed by, management still has not offered EBITDA guidance for FY26, reflecting high uncertainty.
- We continue to expect flat EBITDA yoy in FY26 at Rs1030 cr.
- Capex in FY27 expected substantially lower than the Rs1000 cr budgeted for FY26.
- Weak demand scenario & heavy competition from China.
- Our EBITDA estimates undergo only modest revisions, and we retain SELL with a revised FV of Rs340 (22X December 2027E P/E versus Rs330 previously).

Positives:

- Q2FY26 revenues grew 29% yoy, aided by deferred shipments from Q1FY26 and increased volumes specifically in MMA (monomethyl aniline).
- Non-energy business volumes grew 17% yoy and 15% qoq.
- EBITDA margins rose 182 bps yoy and 121 bps qoq to 13.9% on operating leverage.
- The PEDA project could potentially add revenues of Rs150-200 cr per year.

Negatives:

- Finance cost jumped 61% yoy and 67% qoq to Rs100 cr.
- US tariffs weighed on volumes and margins.
- Net debt-to-equity ticked up to 0.67X in September 2025 from 0.66X in June 2025.
- Our revised FY28E EBITDA of Rs1530 cr remains well below the guidance range of Rs1800-2200 cr, which we consider out of reach.

(EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortization; PEDA – 2-Phenyl Ethyl Diethyl Aniline; P/E – Price-to-Earnings Ratio)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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