

August 1, 2025

Q1FY26 Result update

■ Change in Estimates | ■ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		REDUCE	
Target Price	420		420	
Sales (Rs. m)	80,449	91,858	80,449	91,858
% Chng.	-	-	-	-
EBITDA (Rs. m)	12,211	15,074	12,211	15,074
% Chng.	-	-	-	-
EPS (Rs.)	12.3	16.8	12.3	16.8
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	63,720	72,710	80,449	91,858
EBITDA (Rs. m)	9,760	10,010	12,211	15,074
Margin (%)	15.3	13.8	15.2	16.4
PAT (Rs. m)	4,160	3,290	4,459	6,086
EPS (Rs.)	11.5	9.1	12.3	16.8
Gr. (%)	(23.6)	(20.9)	35.3	36.5
DPS (Rs.)	0.6	0.5	0.6	0.8
Yield (%)	0.1	0.1	0.2	0.2
RoE (%)	8.1	6.0	7.7	9.6
RoCE (%)	7.2	6.2	6.9	8.1
EV/Sales (x)	2.8	2.5	2.4	2.2
EV/EBITDA (x)	18.2	18.2	16.0	13.1
PE (x)	35.4	44.7	33.1	24.2
P/BV (x)	2.8	2.6	2.4	2.2

Key Data ARTI.BO | ARTO IN

52-W High / Low	Rs.767 / Rs.344
Sensex / Nifty	80,600 / 24,565
Market Cap	Rs.147bn/ \$ 1,684m
Shares Outstanding	363m
3M Avg. Daily Value	Rs.782.75m

Shareholding Pattern (%)

Promoter's	42.19
Foreign	6.44
Domestic Institution	20.36
Public & Others	31.01
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(16.1)	(11.5)	(45.2)
Relative	(12.8)	(14.9)	(44.3)

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Saurabh Ahire

saurabhahire@plindia.com | 91-22-66322537

Ongoing pressure on margins remains a concern

Quick Pointers:

- Capex for the quarter was Rs2.8bn; for FY26, it is expected to be ~Rs10bn
- MMA capacity scaled up from 200ktpa to 260ktpa; it can go up further with minor capex

Due to sharp correction in price, we upgrade to 'HOLD' with TP of Rs420, valuing the stock at 25x FY27E EPS. ARTO reported a topline of Rs16.8bn, reflecting a decline of 10% YoY and 14% QoQ, primarily due to reduction in prices of key RMs, such as benzene and aniline, along with the postponement of some bulk shipments from Jun to Jul. Demand across dyes, pigments, and pharma segments remained stable, while the agrochemicals segment continued to face pressure. Volumes in the Energy business, which largely comprises MMA, increased by 3% YoY and 4% QoQ; however, rising competition led to pressure on margins. The Non-Energy business saw a 4% QoQ decline in volumes, led by lower demand for NCB and DCB. DCB volumes are likely to see an upward trend in H2FY26. The management has reiterated its EBITDA guidance of Rs18–22bn by FY28, implying a 30% CAGR over the next 3 years.

We believe near-term headwinds are likely to persist. Additionally, likely imposition of 25% tariffs by the US (15%-20% revenue mix) on Indian exports, poses a further risk, especially for MMA, a key product already facing pricing pressure. The stock is currently trading at 25x FY27 P/E. Upgrade to 'HOLD' rating.

- Revenue decreased by 14% sequentially:** Consolidated net revenue stood at Rs16.8bn (-10% YoY/ -14% QoQ; PLe: Rs20.9bn, Consensus: 19.5bn); revenue was 20% lower than our estimates. Sequential decline was due to 4% decrease in Non-Energy business volumes as well as pricing pressure across product lines. Gross margin decreased by 470bps YoY to 33% (vs 37.7% in Q1FY25 and 35.8% in Q4FY25), due to inventory valuation loss.
- EBITDAM declined 390bps YoY:** EBITDA decreased 31% YoY and 23% QoQ to Rs2.1bn (PLe: Rs2.8bn, Consensus: Rs2.7bn). EBITDAM stood at 12.6% (PLe: 13.8%) as against a margin of 16.5% in Q1FY25 and 13.5% in Q4FY25, decreased by 90bps sequentially. Other expenses increased as forex losses which were previously accounted for under revenue, are now reported under expenses. Reported PAT at Rs430mn decreased by 69% YoY/55% QoQ. PAT margins were 3% vs 7% in Q1FY25 and 5% in Q4FY25. Tax rate remained negative and is expected to be lower than mid-single digit for the year.
- Key concall takeaways:** (1) Steep correction in prices of key RMs (benzene and aniline), which declined by 20%-30%; the company doesn't expect prices to go down further. (2) Isreal-Iran conflict affected logistics, leading to shipment delays to Q2FY26. India-Pakistan conflict impacted Kutch operations. (3) MMA capacity has been scaled up from 200ktpa to 260ktpa; it can go up further with minor capex. (4) Capex for the quarter was Rs2.8bn; FY26 capex is expected to be ~Rs10bn. (5) The US accounts for 15%-20% of

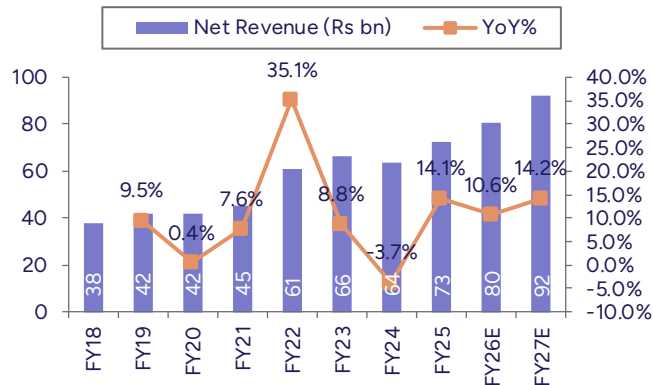
topline; 25% tariffs may exert pressure on performance on products like MMA, but a few products are exempted. **(6)** DCB portfolio faces competition from Europe and will be impacted by the likely differential tariff between India and Europe exports to the US. **(7)** Exports for the quarter stood at ~Rs9.5bn. **(8)** Tax rate could be lower than mid-single digit. **(9)** Demand for MMA is strong, but pricing is under pressure due to low RM prices and global competition; MMA exports stood at 20–22kt in Jul, higher due to spillover from Jun. **(10)** Additional EBITDA of Rs150–200mn can come in next quarter due to delay of MMA shipments from Jun to Jul, and Rs300mn from inventory. **(11)** DCB demand was subdued from US customers, who use it to produce advanced polymers with end applications in the automotive sector.

Exhibit 1: Q1FY26 Result Overview - Consolidated (Rs mn)

Y/e March	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var.	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Net Sales	16,750	18,550	-10%	20,917	-19.9	19,490	-14%	80,449	72,710	11%
Gross Profit	5,530	7,000	-21%	7,488	-26.2	6,980	-21%	30,714	26,160	17%
<i>Margin (%)</i>	33.0%	37.7%		35.8%		35.8%		38.2%	36.0%	
EBITDA	2,110	3,060	-31%	2,889	-27.0	2,630	-20%	12,211	10,010	22%
<i>Margin (%)</i>	12.6%	16.5%		13.8%		13.5%		15.2%	13.8%	
Other Income	40	60		35		30		140	140	0%
Depreciation	1,140	1,020	12%	1,155	-1.3	1,130	1%	5,134	4,340	18%
EBIT	1,010	2,100	-52%	1,769	-42.9	1,530	-34%	7,217	5,810	24%
Interest	600	640	-6%	655	-8.4	640	-6%	2,620	2,750	-5%
PBT before exp	410	1,450	-72%	1,113	-63.2	890	-54%	4,597	3,060	50%
Total Tax	-20	80		41		-70		138	-230	
<i>ETR (%)</i>	-4.9%	5.5%		3.7%		-7.9%		3.0%	-7.5%	
Adj. PAT	430	1,370	-69%	1,072	-59.9	960	-55%	4,459	3,290	36%
Exceptional Items	0			0		0		0	-20	
PAT	430	1,370	-69%	1,072	-59.9	960	-55%	4,459	3,310	35%

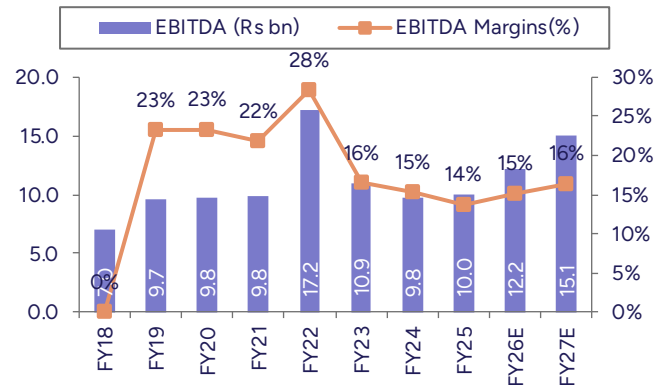
Source: Company, PL

Exhibit 2: Revenue to grow at CAGR of 12% over FY25-27E



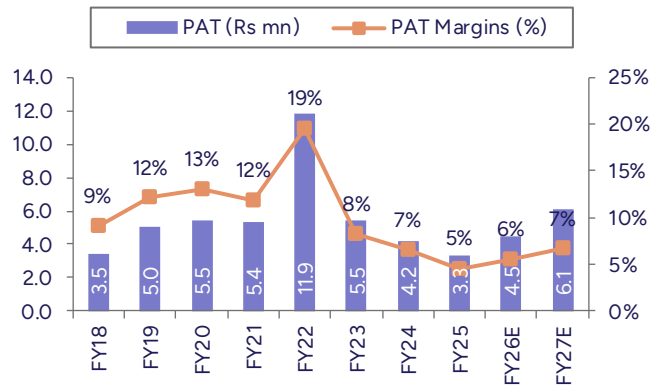
Source: Company, PL

Exhibit 3: EBITDA margin to reach 15% in FY27



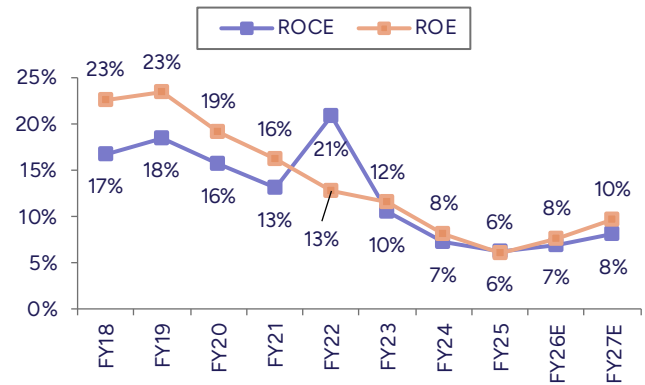
Source: Company, PL

Exhibit 4: PAT margin to reach 7% in FY27



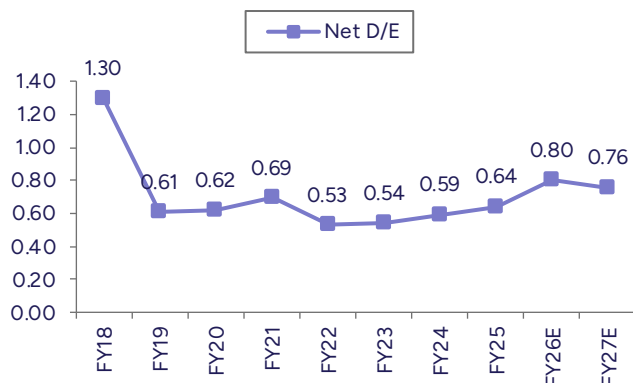
Source: Company, PL

Exhibit 5: Return ratios to hover at 8-10%



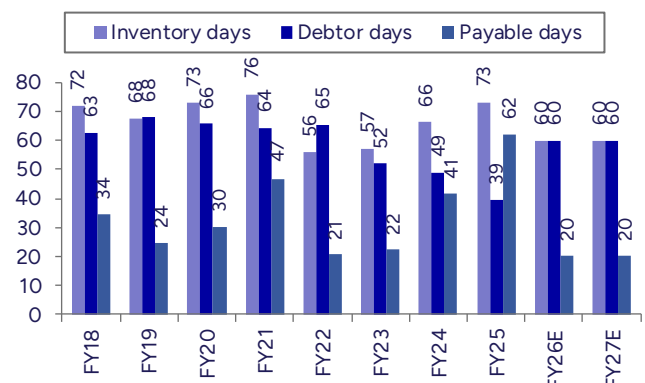
Source: Company, PL

Exhibit 6: Net D/E to be at 0.7-0.8 over FY26-27E



Source: Company, PL

Exhibit 7: Working capital days estimated at 100 days



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	63,720	72,710	80,449	91,858
YoY gr. (%)	(3.7)	14.1	10.6	14.2
Cost of Goods Sold	38,800	46,550	49,735	55,657
Gross Profit	24,920	26,160	30,714	36,201
Margin (%)	39.1	36.0	38.2	39.4
Employee Cost	4,040	4,220	4,827	5,511
Other Expenses	11,120	11,930	13,676	15,616
EBITDA	9,760	10,010	12,211	15,074
YoY gr. (%)	(10.4)	2.6	22.0	23.4
Margin (%)	15.3	13.8	15.2	16.4
Depreciation and Amortization	3,780	4,340	5,134	5,890
EBIT	5,980	5,670	7,077	9,184
Margin (%)	9.4	7.8	8.8	10.0
Net Interest	2,110	2,750	2,620	3,049
Other Income	80	140	140	140
Profit Before Tax	3,950	3,040	4,597	6,275
Margin (%)	6.2	4.2	5.7	6.8
Total Tax	(210)	(230)	138	188
Effective tax rate (%)	(5.3)	(7.6)	3.0	3.0
Profit after tax	4,160	3,270	4,459	6,086
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,160	3,290	4,459	6,086
YoY gr. (%)	(23.7)	(20.9)	35.5	36.5
Margin (%)	6.5	4.5	5.5	6.6
Extra Ord. Income / (Exp)	-	(20)	-	-
Reported PAT	4,160	3,270	4,459	6,086
YoY gr. (%)	(23.7)	(21.4)	36.4	36.5
Margin (%)	6.5	4.5	5.5	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,160	3,270	4,459	6,086
Equity Shares O/s (m)	362	362	363	363
EPS (Rs)	11.5	9.1	12.3	16.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	73,984	85,614	1,03,074	1,13,074
Tangibles	73,965	85,595	1,03,055	1,13,055
Intangibles	19	19	19	19
Acc: Dep / Amortization	18,024	22,364	27,498	33,388
Tangibles	17,944	22,284	27,418	33,308
Intangibles	80	80	80	80
Net fixed assets	56,490	63,760	76,086	80,197
Tangibles	56,551	63,821	76,147	80,257
Intangibles	(61)	(61)	(61)	(61)
Capital Work In Progress	12,300	14,540	6,800	6,800
Goodwill	-	-	-	-
Non-Current Investments	230	480	480	480
Net Deferred tax assets	1,430	2,180	2,180	2,180
Other Non-Current Assets	1,110	1,220	1,220	1,220
Current Assets				
Investments	-	-	-	-
Inventories	11,600	14,540	13,224	15,100
Trade receivables	8,540	7,860	13,224	15,100
Cash & Bank Balance	5,160	2,950	1,016	2,079
Other Current Assets	4,210	3,530	5,315	6,069
Total Assets	1,01,150	1,11,120	1,19,648	1,29,340
Equity				
Equity Share Capital	1,810	1,810	1,813	1,813
Other Equity	51,090	54,240	58,476	64,258
Total Network	52,900	56,050	60,288	66,071
Non-Current Liabilities				
Long Term borrowings	15,240	18,670	23,000	22,000
Provisions	630	150	150	150
Other non current liabilities	1,750	1,590	1,590	1,590
Current Liabilities				
ST Debt / Current of LT Debt	20,400	19,220	26,449	30,200
Trade payables	7,240	12,370	4,408	5,033
Other current liabilities	2,980	3,070	3,762	4,296
Total Equity & Liabilities	1,01,150	1,11,120	1,19,648	1,29,340

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	3,950	3,050	4,597	6,275
Add. Depreciation	3,780	4,340	5,134	5,890
Add. Interest	2,110	2,750	2,620	3,049
Less Financial Other Income	80	140	140	140
Add. Other	(110)	(90)	(140)	(140)
Op. profit before WC changes	9,880	10,050	12,211	15,074
Net Changes-WC	3,220	2,310	(13,326)	(3,409)
Direct tax	(860)	70	203	(140)
Net cash from Op. activities	12,240	12,430	(912)	11,525
Capital expenditures	(13,060)	(13,790)	(10,000)	(10,000)
Interest / Dividend Income	71	150	140	140
Others	(710)	(340)	-	-
Net Cash from Invst. activities	(13,699)	(13,980)	(9,860)	(9,860)
Issue of share cap. / premium	-	(100)	3	-
Debt changes	6,950	2,490	11,559	2,751
Dividend paid	(540)	(360)	(223)	(304)
Interest paid	(2,110)	(2,750)	(2,620)	(3,049)
Others	(90)	(20)	1,080	-
Net cash from Fin. activities	4,210	(740)	9,798	(603)
Net change in cash	2,751	(2,290)	(974)	1,062
Free Cash Flow	(1,040)	(1,430)	(10,912)	1,525

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	11.5	9.1	12.3	16.8
CEPS	21.9	21.1	26.5	33.0
BVPS	146.1	154.8	166.3	182.3
FCF	(2.9)	(4.0)	(30.1)	4.2
DPS	0.6	0.5	0.6	0.8
Return Ratio(%)				
RoCE	7.2	6.2	6.9	8.1
ROIC	7.9	7.0	6.9	7.9
RoE	8.1	6.0	7.7	9.6
Balance Sheet				
Net Debt : Equity (x)	0.6	0.6	0.8	0.8
Net Working Capital (Days)	74	50	100	100
Valuation(x)				
PER	35.4	44.7	33.1	24.2
P/B	2.8	2.6	2.4	2.2
P/CEPS	18.5	19.3	15.4	12.3
EV/EBITDA	18.2	18.2	16.0	13.1
EV/Sales	2.8	2.5	2.4	2.2
Dividend Yield (%)	0.1	0.1	0.2	0.2

Source: Company Data, PL Research

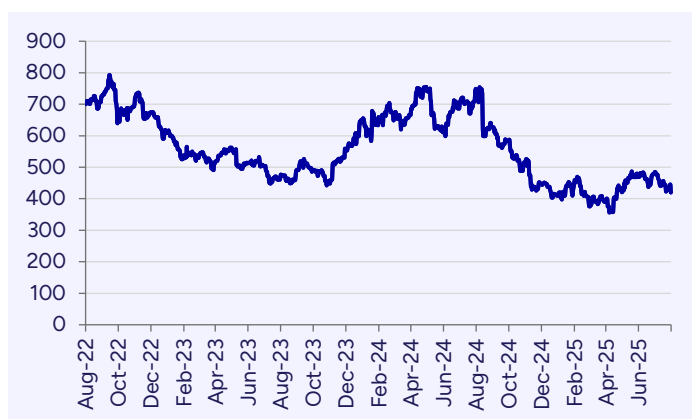
Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	16,280	18,430	19,490	16,750
YoY gr. (%)	12.0	6.4	9.9	(9.7)
Raw Material Expenses	10,170	12,290	12,510	11,220
Gross Profit	6,110	6,140	6,980	5,530
Margin (%)	37.5	33.3	35.8	33.0
EBITDA	1,960	2,360	2,690	1,950
YoY gr. (%)	(16.2)	(9.2)	(4.9)	(36.3)
Margin (%)	12.0	12.8	13.8	11.6
Depreciation / Depletion	1,080	1,110	1,130	1,140
EBIT	880	1,250	1,560	810
Margin (%)	5.4	6.8	8.0	4.8
Net Interest	620	850	640	600
Other Income	50	10	30	40
Profit before Tax	330	410	950	250
Margin (%)	2.0	2.2	4.9	1.5
Total Tax	(180)	(60)	(70)	(20)
Effective tax rate (%)	(54.5)	(14.6)	(7.4)	(8.0)
Profit after Tax	510	470	1,020	270
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	510	470	1,020	270
YoY gr. (%)	(44.6)	(62.1)	(22.7)	(80.4)
Margin (%)	3.1	2.6	5.2	1.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	510	470	1,020	270
YoY gr. (%)	(44.6)	(62.1)	(22.7)	(80.4)
Margin (%)	3.1	2.6	5.2	1.6
Other Comprehensive Income	(30)	(80)	240	-
Total Comprehensive Income	480	390	1,260	270
Avg. Shares O/s (m)	363	363	363	363
EPS (Rs)	1.4	1.3	2.8	0.7

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-25	Reduce	420	477
2	02-Jul-25	Reduce	420	484
3	09-May-25	Reduce	394	449
4	08-Apr-25	Reduce	330	356
5	04-Feb-25	Reduce	411	453
6	08-Jan-25	Reduce	381	405
7	09-Nov-24	Reduce	411	474
8	05-Oct-24	Reduce	512	551
9	13-Aug-24	Reduce	635	735

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	420	477
2	Bharat Petroleum Corporation	Reduce	311	332
3	Bharti Airtel	Accumulate	2,148	2,030
4	Clean Science and Technology	Hold	1,425	1,445
5	Deepak Nitrite	Reduce	1,799	1,963
6	Fine Organic Industries	BUY	5,440	5,269
7	GAIL (India)	Hold	180	181
8	Gujarat Fluorochemicals	Reduce	3,541	3,522
9	Gujarat Gas	Sell	404	499
10	Gujarat State Petronet	Hold	348	335
11	Hindustan Petroleum Corporation	Sell	360	437
12	Indian Oil Corporation	Reduce	138	148
13	Indraprastha Gas	Reduce	186	205
14	Jubilant Ingrevia	Hold	743	777
15	Laxmi Organic Industries	Reduce	179	196
16	Mahanagar Gas	Accumulate	1,559	1,483
17	Mangalore Refinery & Petrochemicals	Accumulate	152	139
18	Navin Fluorine International	Accumulate	5,559	5,198
19	NOCIL	Reduce	172	200
20	Oil & Natural Gas Corporation	Accumulate	284	241
21	Oil India	BUY	566	436
22	Petronet LNG	Hold	311	302
23	Reliance Industries	Accumulate	1,555	1,476
24	SRF	Hold	3,071	3,150
25	Vinati Organics	Accumulate	1,882	1,944

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

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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