kotak Securities

Ratings Monitor

One Report – to monitor stocks and identify triggers to re-evaluate ratings

Aarti Industries (ARTO)

Current Market Price	Fair Value (FV)
Rs.430	Rs.450

Date: 04 February 2026

Previous Rating: - REDUCE **Current Rating:** ADD **Change:** Downgrade

Ratings Rationale

- Significantly improved Q3FY26 results, driven by sharp growth in MMA exports.
- Q3FY26 also featured volume growth across various other product categories.
- Management commentary turned more bullish amid favorable macro developments.
- Capacity additions are seen accompanied by margin expansion.
- Revenues grew 26% yoy, driven by 78% yoy growth in MMA, with 11% yoy growth in other products.
- MMA demand benefited from better gasoline-naphtha spreads.
- Gross and EBITDA margins held fairly steady at 34% and 13.9%, respectively.
- Management sees potential for meaningful expansion in margins as product prices recover.
- We raise FY26E-28E EBITDA by 6-14% and upgrade rating to ADD, with an FV of Rs450.

Valuation

Revised DCF-based FV implies 12X FY28E EV/EBITDA and 24X P/E

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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