

## Aarti Industries (AARTI) – BUY

### Initiating Coverage

Current Market Price (CMP)

**Rs930**

Target Price

**Rs.1,080**

**Our fair value of Rs1,080 offers upside of 17.2% from current market price.**

### Rationale:

- Aarti is among the most scalable chemical companies.
- Aarti is now poised for a sharp trajectory along with RoCE improvement.
- We expect earnings to grow 26.1% and 43.6% in FY22E and FY23E, respectively.
- We value the stock on DCF (Discounted Cash flow) & arrive at a fair value of Rs1,080.

### Initiating Coverage:

#### 👍 Positives:

- Presence across basic-to-specialty products opens up much larger addressable market.
- Integrated manufacturing leads to cost efficiency & supply chains independent of China.
- Favorable macro factors like depreciation of INR versus RMB, import substitution and 'China+1' support overall growth.
- Gross block turnover would improve from current levels & drive 180 bps RoCE improvements over FY2021-24E.

#### 👎 Negatives:

- Key risks are global economic slowdown and raw material inflation.

[Click here](#) For detailed report dated 25th September 2021. Note: CMP & valuation may differ due to difference in dates.



This is a synopsis of the Research report issued by Kotak Securities Limited. This is not a comprehensive report and before taking any investment decision we request you to refer the detailed report including disclaimers by clicking here: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 Months / Disclaimer: <http://bit.ly/2n5AxIE>