



Pick of the week

Aarti Industries

Recommendation: **BUY**
Current Price: ₹973
Potential Upside: **18.2%**

Dated: **22nd Nov 2021**
Time Period: **12 Month**
Target Price: **₹1150**

Why invest?

- Management re-iterated their guidance of 25-35% PAT growth for FY2022 and expects growth to accelerate further led by commissioning of new projects in 2HFY22.
- 2QFY22 performance was directionally positive but high commodity prices led to slight miss in estimates.
- Pharma profitability is likely to ramp up hereon given 2Q profitability was impacted by (1) delay in shipments for a large order which would normalize in 3QFY22, (2) ramp up of new capacities for pharma API/intermediates in 2HFY22 and (3) normalization of impact from a new plant commissioning in 2QFY22.
- Specialty Chemicals capacity utilisation has improved and is running at 80-90% level. New projects will start generating revenue from FY2023E.
- Two of three long-term contracts expected to start contributing to revenue in FY2022; Contract 1 will also start getting monetized from FY2023