

Aarti Industries Limited

BUY

CMP	Rs. 1404
Target Price	Rs. 1571
Time Frame	5-8 months
Risk	Medium
Sector	Speciality Chemicals



Price & Volume Analysis

% Change from previous Day	-1.22%
% Change from previous Month	6.58%
52 Week High	1450
52 Week Low	800
Weekly H/L	1450-1316
Deliverable	40.05%
Book Value / Share	179.61
EPS	27.93
Market Cap (Rs. CR)	24,485

Incorporated in the year 1984, AARTI INDUSTRIES (AIL) is a global leader in Benzene based derivative products. The company has a diversified product portfolio with end users in pharma, agrochemicals, specialty polymers, paints & pigments. The stock is currently trading near its all-time-highs as the management is confident of embarking on strong growth trajectory from FY22 given improvement in demand across specialty chemicals and pharma space. The firm commands a market cap of 24485 crores.

Momentum Analysis

RSI (14, E9) Monthly	69.67
Smoothed RSI	65.51
Stochastic oscillator monthly (1,3,3)	58.47

The momentum oscillators are in an excellent bullish cycle mode as the Relative Strength Indicator (RSI) is trending north and Stochastic indicators especially on monthly time frames are indicating reverse divergences. Buy signals are generated in weekly charts too. Long remains the play.

CONCLUSION

The biggest positive catalyst in favor of AARTI INDUSTRIES is the firms' improved outlook on backdrop of issues in China. Also, this sector was amongst the first few that returned to normalcy due to COVID-related economic downturn. Q3FY21 revenue grew by 10% YoY, led by strong off-take from Pharma segment, which grew by ~32% YoY. • EBITDA margins improved by 50bps YoY to 24% due to lower cost and PAT grew by 18% YoY. AIL's management expects to deliver 15% CAGR in overall profitability over FY20-23.

AIL is a preferred supplier for global customers, as exports contribute ~50% to revenue with incremental capex on anvil to enhance standing in the export market. The firm is a well-diversified chemicals company and of the largest producers of Benzene-based basic and intermediate chemicals in India and manufactures 125 products with chemistry of benzene, aniline, sulphuric acid, toluene and methanol. AIL is one of the leading global suppliers of dyes, pigments, agrochemicals, pharmaceuticals and rubber chemicals. AIL's manufacturing units are located in Gujarat and Maharashtra. Look to buy at CMP, and on dips between 1289-1309 zone, targeting psychological 1500 mark. Aggressive targets at 1571-1600 zone. Stop at 1219. Holding period 3-5 Months.

Support & Resistance Analysis

Support 1	1323
Support 2	1111
Resistance 1	1501
Resistance 2	1751

Technically, brace yourselves for a sequence of higher high/low play on the daily, weekly and monthly time frames on backdrop of a massive breakout play on the daily charts. The impulse uptrend should easily lift the stock towards its immediate psychological levels at 1500 mark. Positive SAR series too seen on time frames. Buying aggressively on any declines with long term perspective should be the preferred strategy.

Trend Analysis

Moving Average - 50 Days	1259
Moving Average - 200 Days	1123
ADX (14d)	23.33
Bollinger Band Weekly	1372-1111
MACD Weekly	58.11

The uptrend seems quite sustainable as the price is seen comfortably trading above its 50 and 200-day moving average and most importantly has just signaled massive breakout on the daily charts. The general rule is if a stock is trading above its 200-DMA, the trend is largely upward.



Mehta Equities Ltd

903, 9th Floor, Lodha Supremus, Dr. E. Moses Road,
Adjacent to Konark Empress Building,
Worli Naka, Worli, Mumbai - 400018

info@mehtagroup.in

For Grievances

grievance@mehtagroup.in

T : +91 22 61507101

F : +91 22 61507102

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s) : - No. • Firm interest of the stock / Instrument (s) : - No.

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