

## AARTI PHARMALABS LTD.

Buy at CMP: Rs 739 | Target: Rs 844 (14%) | SL: Rs 685

Sector

March 10, 2025

Healthcare

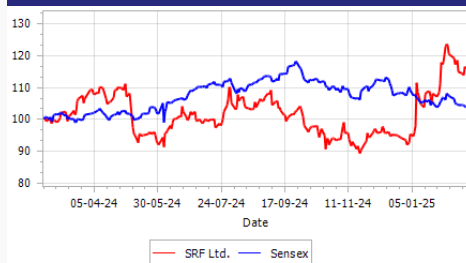
### Script Details

BSE Group	A
BSE Code	543748
NSE Code	AARTIPHARM
Bloomberg Code	AARTIPHA IN
Market Cap (INR Cr.)	6,718
Free Float (%)	55.3%
52wk Low/High	837/381
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	5/0.4
Total paid Up Shares (Mn.)	90.6

### Share Holding Pattern (%)

Promoters	Public	Others
44.7%	55.3%	-

### Share Price Relative Performance



Aarti Pharmalabs Limited is a leading Indian manufacturer of Pharmaceuticals and Nutraceuticals with a global footprint.

### Investment Rationale

- ◆ **Establish market position with diversified business segment:** Aarti Pharmalabs mainly operates in 3 business segments Xanthine derivatives, API, and CDMO/CMO, where major revenue is driven by xanthine to 52.6%. The company is the market leader in this segment with a global market share of 15 to 20% and 80% share in the domestic market. The API & Intermediaries segment accounts for 36.3% of revenue, catering to the growing demand for critical drugs used in oncology, corticosteroids, and cytotoxic medicines. Meanwhile, the CDMO/CMO segment, which generates 11.1% of total revenue, is actively collaborating with 16 leading innovator and big pharma companies.
- ◆ **Expanding capacity to meet growing demand:** Currently, AARTIPHARM's Xanthine production facilities are operating at full capacity. To meet growing demand, the company is undertaking a brownfield expansion, scaling up its Xanthine derivatives capacity from 5,000 to 9,000 metric tonnes per annum. Management anticipates achieving 90% capacity utilization of this expanded capacity by FY 2027. At full utilization this facility can generate additional Rs. 375 crore to Rs. 500 crore revenue. At the Tarapur API site, where operations are already at full capacity, the company is constructing Block 5 to support an additional product line. This expansion will not only alleviate bottlenecks but also boost overall capacity by 10%.
- ◆ **Enhancing Margins Through Portfolio Optimization & High-Margin Focus:** AARTIPHARM's EBITDA margins have improved from 17.6% in FY2023 to 20.6% as of 9M FY2025 due to the growth in higher margin API and CDMO businesses and volume growth. To further enhance profitability, the company is strategically shifting its focus toward regulatory-driven customers in the Xanthine segment, who are willing to pay higher prices. Additionally, AARTIPHARM is accelerating the expansion of its CDMO/CMO business, which yields higher margins compared to API and Xanthine. This growth is supported by an increase in the number of products from 19 in FY2024 to 28 in FY2025 and growing its customer base.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 5%/4% and estimate AARTIPHARM to clock PAT of Rs 267 Cr by FY27E. AARTIPHARM is trading at forward PE (x) of 27 and we value at 30 (x) FY27E and Recommend BUY on AARTIPHARM with Target Price of Rs. 844 (14%) .

### Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	1,950	398	225	29.8	15.7
FY25E	2,037	469	234	28.7	15.0
FY26E	2,129	490	245	27.4	14.4
FY27E	2,225	512	256	26.3	13.8

Source: Company Data, Ace Equity, GEPL Research

# TECHNICAL VIEW

## Observation

- AARTIPHARM is demonstrating a strong uptrend on the monthly scale, consistently forming higher highs and higher lows, a key characteristic of a sustained bullish trend. The stock has been respecting its 20-month EMA, acting as dynamic support, which further reinforces the strength of the prevailing uptrend. This indicates that long-term investors are continuing to show confidence, and the broader trend remains intact.
- On the weekly scale, the stock has been forming a higher top and higher bottom structure, signifying a steady and controlled uptrend. In the most recent week, AARTIPHARMA experienced a polarity shift, finding support at previous swing tops from August 2024 and December 2024. This suggests that what was previously a resistance level has now turned into a support zone, increasing the likelihood of a bullish reversal from these levels. Such polarity shifts often indicate renewed buying interest and can act as a strong foundation for further upside movement.
- From a momentum perspective, technical indicators further validate the strength of this uptrend. The RSI remains above 60, signifying that bullish momentum is well intact. Additionally, the MACD indicator is inching higher, signaling a potential acceleration in momentum.



- **Inference & Expectations**
- Considering these factors, it can be inferred that AARTIPHARMA stock is set to continue uptrend.
- Going ahead we expect the prices to move higher till 3025 level.
- The stop loss must be at 685 level, strictly on the closing basis.

**Invest Now →**

Source: Tradingview.in, GEPL Research

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