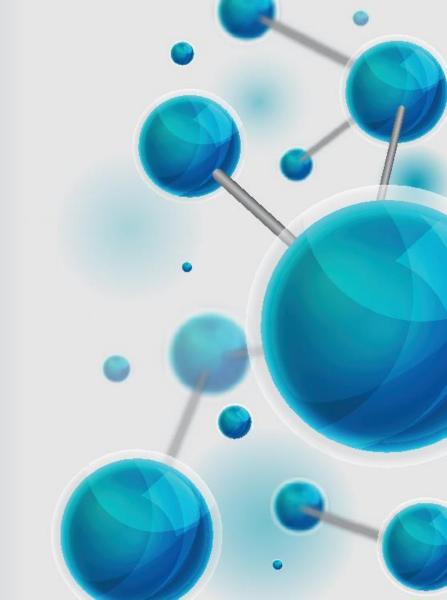


**Investor Presentation** 

Q1 FY18 Results Presentation







AARTI INDUSTRIES LIMITED may, from time to time, make additional written and oral forward looking statements, including statements contained in the company's filings with Bombay Stock Exchange and National Stock Exchange, and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the AARTI INDUSTRIES LIMITED.

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## Content









At a glance





### Profile

Aarti is one of the most competitive benzene-based speciality chemical companies in the world

Globally ranks at 1st – 4th position for 75% of its portfolio. "Partner of Choice" by various Major Global & Domestic Customers.

Promoters are First Generation Technocrats

- 5 of 6 Promoter Directors are engineers. 3 of 4 Founder Promoters are chemical engineers from ICT (formerly known as UDCT)
- Shri Chandrakant Gogri, Founder Chairman, retired in August 2012 and advises in the capacity as Chairman Emertius

Highly integrated operations

- Cost-efficient processes
- Extensively integrated across more than 70 products

Present in niche chemistry spaces. Multi-year multiproduct relationships with several leading global customers

16

Manufacturing Plants

2

**USFDA** Units

4,000+

Employees

125 -

Products

150+

Global Customers 500+

Domestic customers

### **Speciality Chemicals**

- Polymer & additives
- Agrochemicals & intermediates
- Dyes, Pigments, Paints & Printing Inks
- · Pharma Intermediates
- · Fuel Additives, Rubber chemicals, Resins, etc.
- Fertilizer & Nutrients

### **Pharmaceuticals**

- Active Pharmaceutical Ingredients (APIs)
- Intermediates for Innovators & Generic Companies

### **Home & Personal Care**

- Non-ionic Surfactants
- Concentrates for shampoo, hand wash & dish wash

Revenue in Rs. crore 2,569 426 FY 17

[EBIT in Rs. crore 566 48 0.8





# Transformation Journey Hitting right milestones at right time

Aarti Organics Pvt Ltd incorporat ed

1984

Set up additional unit at Vapi to manufacture NCB with capacity of 4,500 TPA

1990

- Merged Salvigor Labs, producers of DMS and Sulphuric Acid and their downstream products into Aarti.
- Change of name from Aarti Organics Ltd to Aarti Industries Ltd.

1994

Set up
Alchemie
(Europe) Ltd. a
subsidiary in
UK
for marketing
and
distribution

1998

Merged Alchemie Organics Ltd into Aarti Industries Ltd

2002

Bonus issue of equity shares (2:1)

2005

### 1986

Commenced 1,200 TPA Unit for Nitro Chloro Benzenes (NCB) in Sarigram, Gujarat

### 1992

Public issue of 8,70,000 equity shares at a premium of Rs.36 per share

### 1995

Bonus issue of equity shares (1:1)

### 2001

- Commenced production in Jhagadia.
- Pioneered hydrogenation process based on Swiss technology

### 2004

Crossed Rs.500 cr in total income

### 2006

- Split of equity shares of Rs.10 each into two shares of Rs. 5 each
- Expanded NCB capacity
- Expanded sulphuric acid capacity by 100 KTPA to 200 KTPA



- Crossed Rs. 1.000 cr in total income.
- Merged Surfactants Specialities Pvt. Ltd. (accessing home/personal care segment).
- Crossed Rs. 1,500 cr in
- PAT crossed Rs. 100 cr

total income

Crossed Rs. 2.900 cr in Total income

Crossed Rs. 200 cr in PAT

2015

- Commenced calcium chloride facility at Jhagadia
- Commenced multipurpose Ethylation unit at Dahej SEZ, Gujarat
- Commenced 2nd Phase at PDA facility in Jhagadia
- · Operationalized Co-generation and Solar plants
- Buyback of 12 lakh equity shares at price of Rs. 800 per share

2017

2009

2012

### 2008

Received USFDA approval for API unit at Tarapur

### 2010

- Custom Synthesis division (Vapi) received USFDA approval.
- Upgraded hydrogenation unit from batch to continuous
- Commissioned sulfonation unit in Pithampur

### 2013

- Merged manufacturing division of Anushakti Chemicals and Drugs Ltd. into **Aarti Industries** Ltd.
- Total Income crossed Rs. 2.000 cr; exports crossed Rs. 1.000 cr

#### 2016

- Scaled NCB capacity from 57,000 TPA to 75,000 TPA
- Expanded caffeine capacity
- Merged promoter's investment group companies into Aarti Industries Ltd.
- Setup Aarti USA Inc. a subsidiary in USA for marketing and distribution

### 2018

Signed Rs. 4,000 crore multi-year deal (10 year) with a Global Agriculture Company for supply of an agrochemical intermediary, for use in herbicides. The supplies are expected to commence from FY20





## What differentiates us

Product mix comprises more than 125 research-led products

Most chemical companies focus on a handful of products

We have focused on the manufacture of integrated derivatives

Most chemical companies focus on a fragmented standalone product mix

We have global capacities & are better placed for scale-up

Most chemical companies serve local markets

We have selected to focus on customers across continents

Most chemical companies do not have a diversified geographic mix

We are seamlessly backward integrated for precursor materials

Most chemical companies are completely dependent on external resource supplies

We have selected to be present in niche chemistry spaces with relatively low competition

Most chemical companies select to be present in large spaces marked by extensive competition

We have been engaged in multiyear relationships with a large number of leading global downstream customers

Most chemical companies seek to work with small global companies as a market-entry strategy

## Global Partner of Choice



Aarti Industries is a rare instance of a global speciality chemicals company that combines process chemistry competence (recipe focus) with scale-up engineering competence (asset utilization)

Transformed from

Make-to-stock to Partner of Choice

Vendor servicing to Partner of Choice

Our business model complements that of our global customers

Product innovation aligned to customer's future growth

Capex scale synched to customer expansion objectives

### Multiproduct, multi-year relationship

- >80% of FY16 revenues from 5+ yrs customers
- Growth across all customers

## Committed to SH&E

- Invested >Rs. 200 cr in last 5 yrs
- 4 Zero Discharge units
- Reduce-Reuse-Recover





# Key Investment Theme Clear Path to Value Creation

Global leadership in key products – ranked #1 - #5

Increasing focus on high margin products and high value knowledge based industries De-risked portfolio

– multiple
products, multiple
customers, multiple
geographies,
multiple end-user
industries

## **Economies of Scale and Operational Efficiency:**

- Highly Backward Integrated and gainful usage of byproducts, ensuring steady supply of Intermediates
- Constant Drive to Improve Process Efficiency has reduced Opex Costs

Global Partner of Choice engagements with target customers, cross selling across value chain

### Balanced capacity model:

Agile operations enable higher customization and value maximization – process driven production provides flexibility to change product based on market dynamics

Leadership excellence – established record of execution Quality and
environment polices
mapped to global
benchmarks
ensuring customer
confidence and
business
sustainability

### Strong financial profile:

- Track record of revenue growth, value addition and margin expansion
- Strong execution has delivered ROCE improvement on growth investments

Best placed to capture Industry trends like Easternization and Supplier Country Diversification

- MNC's looking to increase their share of procurement from India
- India finding favor vis-à-vis China



# **Quarterly Performance**





## Chairman's Message

Commenting on the performance for Q1 FY18, Mr. Rajendra Gogri – Chairman & M.D. at Aarti Industries Ltd. said,



"In Q1, we saw a subdued 2% y-o-y growth in volumes in our core speciality chemicals business. Underlying this was the impact of a periodical shutdown in our acid production facility during the quarter. These facilities have since been operating at optimized production levels in Q2. We also had the impact of build-up of inventories by end of June, which subsequently reduced by mid-July on dispatches. The third main influencing factor was significant currency movement.

We see these factors and the current year as a transitional phase in our journey to deliver secular growth through deep, partner of choice engagements with a large number of global customers. Building on this objective, we have recently announced a multi-year contract with a global agriculture company to supply a high value agrochemical intermediary. We see this as a sustainable model providing strong visibility of returns on our capex commitments – which were at Rs. 110 crore in Q1 and continue to be implemented as per plan.

Going forward, we see India further establishing its position as global hub for speciality chemicals. We have built in superior compliance, development processes and people resources to benefit from ensuing opportunities in higher-value chemical processes."



# Q1 FY18 P&L (Standalone)

Particulars (Rs. Crore)	Q1 FY18	Q1 FY17	Y-o-Y Growth (%)	Q4 FY17	Q-o-Q Growth (%)
Gross Income from Operations	791.81	735.4	7.7	834.35	(5.1)
Exports	361.37	340.68	6.1	385.28	(6.2)
% of Total Income*	45.6	46.3		46.2	
EBITDA	138.39	154.64	(10.5)	152.6	(9.3)
EBITDA Margin*	17.5	22.3		18.3	
EBIT	106.70	127.84	(16.5)	121.72	(12.3)
EBIT Margin*	13.4	19.0		14.6	
PAT	63.05	82.51	(23.6)	74.33	(15.2)
PAT Margin*	8.0	12.3		8.9	
EPS (Rs.)	7.68	9.9	(22.4)	9.05	(15.1)

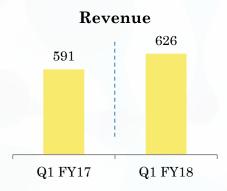
### Profitability impacted by:

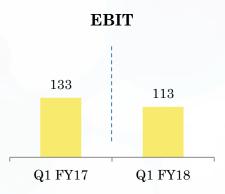
- A full scale annual maintenance shutdown for Acid division in Q1 FY18 impacted EBIT by 8-10 crs. (This is typically scheduled in Q4 of every year and was postponed last year)
- Build up of inventories exports effected in Q2
- Rupee appreciation impact of Rs. 4-5 crs





# Q1 FY18– Speciality Chemicals (Standalone)





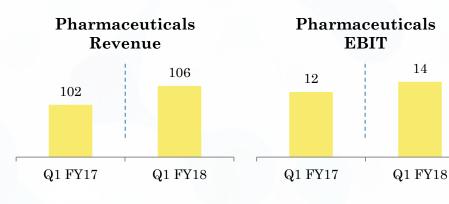
- Revenues are linked to pass through of key raw-material prices
- Speciality Chemicals volume growth increased by 2% YoY in Q1
  - A full scale annual maintenance shutdown for Acid division in Q1 FY18 impacted volumes (This is typically scheduled in Q4 of every year and was postponed last year)
  - Build up of inventories dispatches effected in Q2

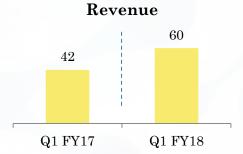




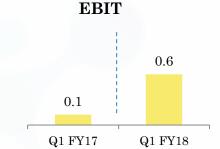
## Q1 FY18 – Other Businesses (Standalone)

- Debottlenecking and expansion activities have facilitated growth in pharma volumes
- Since major fixed costs already built-in, incremental volumes will result in significant increase in segmental profits
- Focusing on off-patented generics to be supplied in regulated markets
- cGMP compliant plants meeting ICH Q7 standards enabling buyers to use API in all regulated markets
- 48 commercial APIs with 33 EDMF, 28 USDMF and 16 CEP.
   12 new APIs under development
- 60% exports coming from US and EU with 4 commercial products in US and several other awaiting partners approval
- Distinct advantage having dedicated USA, Japan and EU approval for steroids and anti-cancer products
- Own Backward integrated facilities for most APIs
- · Non-ionic surfactants, shampoo, hand wash, dish wash
- Recently debottlenecked some operations to expand capacities
- Focus on export-oriented products





Home & Personal Care



Home & Personal Care



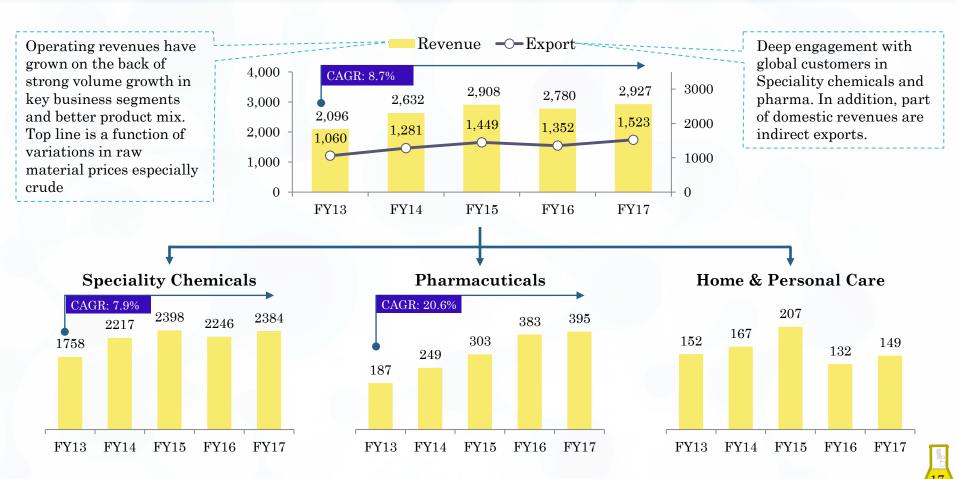


5 year financial performance



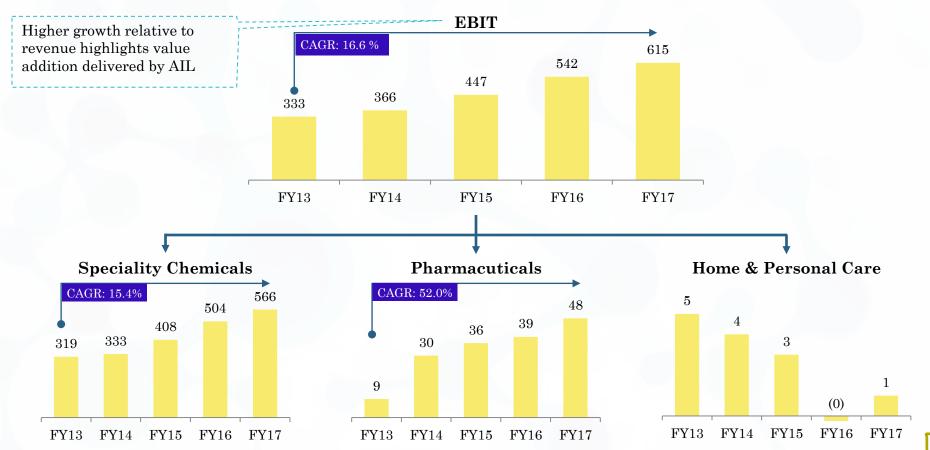


## Revenue Performance (Consolidated)





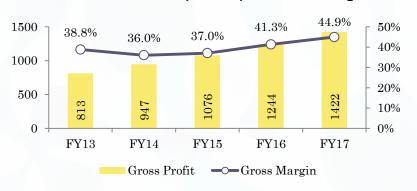
# **EBIT Performance (Consolidated)**



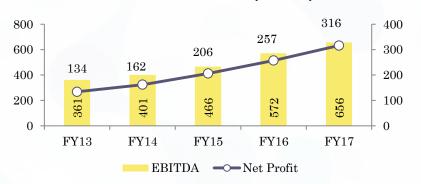


## Financial Highlights – (Consolidated)

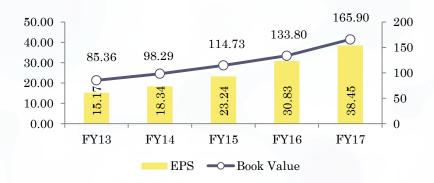
### Gross Profit (Rs. Cr.) & Gross margin



### **EBITDA & Net Profit (Rs. Cr.)**



### Earnings Per Share (EPS) & Book Value

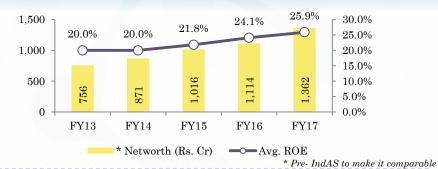




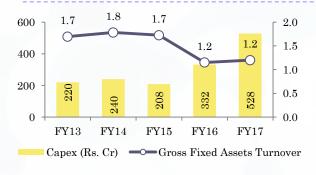


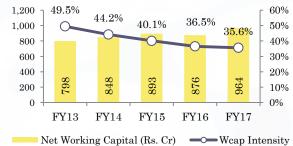
# Financial Highlights – (Consolidated)

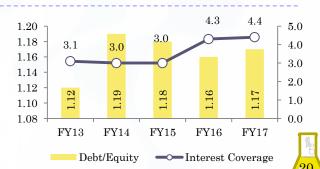




- Growth-oriented investments have been committed by the management, strong execution has resulted in • positive impact on returns on capital
- Annual Capex plan of Rs. 400-450 crore over the next 3 years, investments focused on value-added products. Brownfield expansion will allow leverage of previously committed investments
- Fixed Capital leverage and value addition focus is evident in rapid revenue expansion
- Working Capital management initiatives have allowed better efficiency
- Leverage has remained stable while growing profitability has allowed debt to be serviced comfortably







## **About Us**



Aarti Industries (AIL) is one of the most competitive benzene-based speciality chemical companies in the world. AIL is a rare instance of a global speciality chemicals company that combines process chemistry competence (recipe focus) with scale-up engineering competence (asset utilization). Over the last decade, AIL has transformed from an Indian company servicing global markets to what is fundamentally a global company selecting to manufacture out of India. The Company globally ranks at 1st – 4th position for 75% of its portfolio and is "Partner of Choice" for various Major Global & Domestic Customers.

AIL has de-risked portfolio that is multi-product, multi-geography, multi-customer and multiindustry. AIL has 125+ products, 500+ domestic customers, 150+ export customers spread across the globe in 60 countries with major presence in USA, Europe, Japan. AIL serves leading consumers across the globe of Speciality Chemicals and Intermediate for Pharmaceuticals, Agro Chemicals, Polymers, Pigments, Printing Inks, Dyes, Fuel additives, Aromatics, Surfactants and various other speciality chemicals.

AIL is committed to Safety Health & Equipment Quality with environment polices mapped to global benchmarks ensuring customer confidence and business sustainability. The Company has 4 Zero Discharge units and a strong focus on Reduce-Reuse-Recover across its 16 manufacturing sites.

AIL is a responsible corporate citizen engaged in community welfare through associated trusts (Aarti Foundation and Dhanvallabh Charitable Trust) as well as focused NGOs engaged in diverse social causes.

Over the years, AIL has received multiple awards and recognitions. CHEMEXCIL presented the Company 'Trishul Award' for outstanding export performance for FY14-15 and 'Award of Excellency' for the consistency in export performance for FY13-14. CHEMTECH Foundation accorded AIL with the 'Outstanding Achievement for Innovation' award for the company's commendable efforts in conserving the environments as well as ensuring sustainable growth through path breaking innovation. Indian Institute of Chemical Engineers bestowed the prestigious Lala Shriram National Award for 'Leadership in Chemical Industry' to Chairman Emeritus and founder Shri Chandrakant V. Gogri.







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**Thank You** 

