

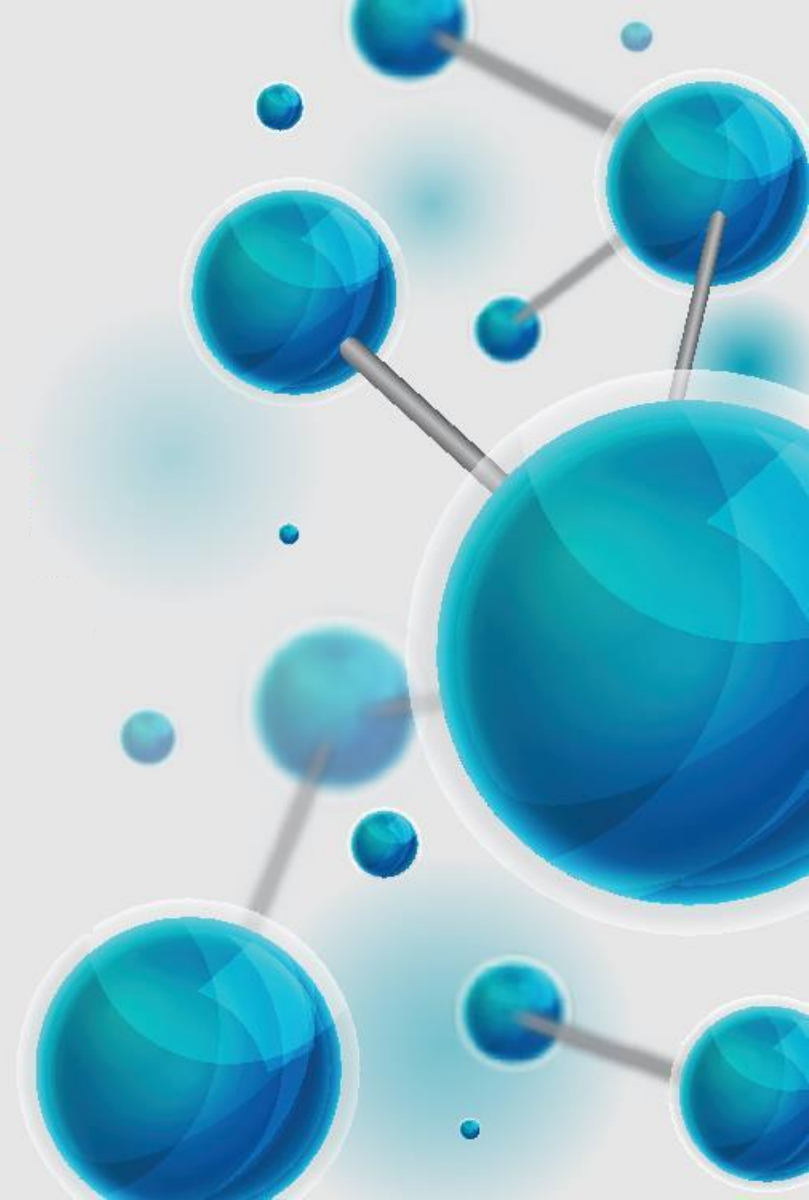


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## Investor Presentation

Q1 FY18 Results Presentation

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# Disclaimer

*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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# 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 Emeritus

Highly integrated operations

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

Present in niche chemistry spaces. Multi-year multi-product 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

168

FY 17  
Consolidated  
numbers

EBIT in Rs. crore

566

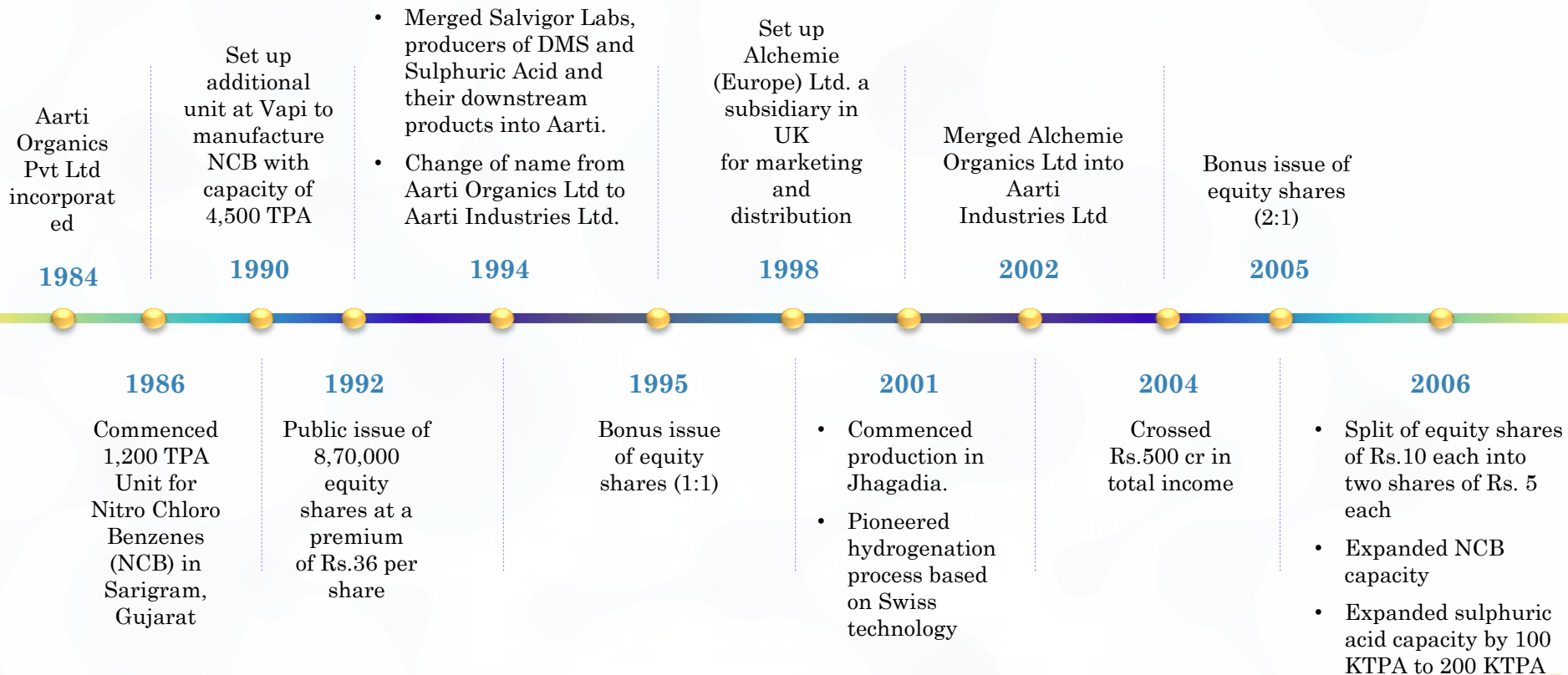
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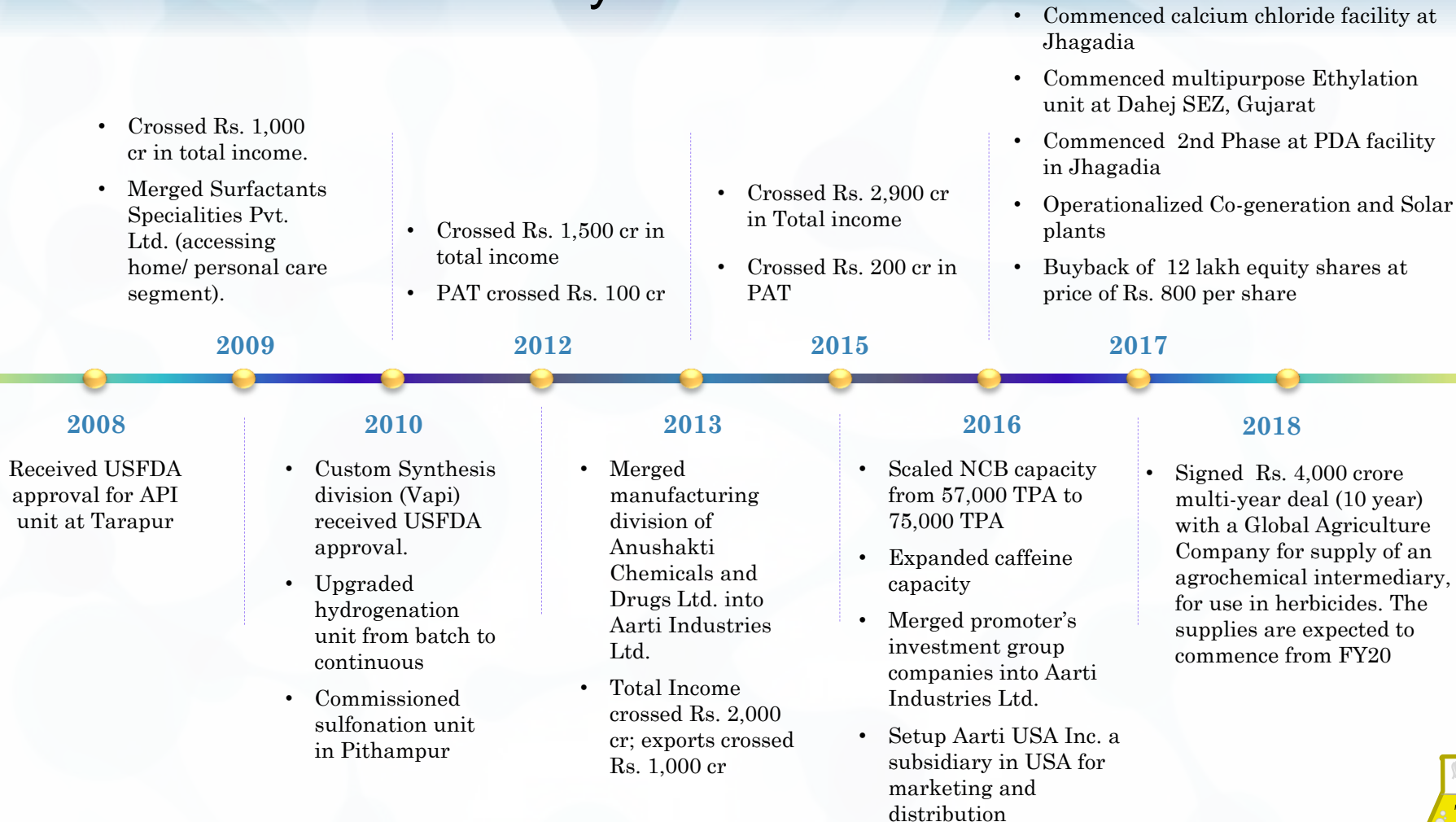


# Transformation Journey

## Hitting right milestones at right time



# Transformation Journey



# 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

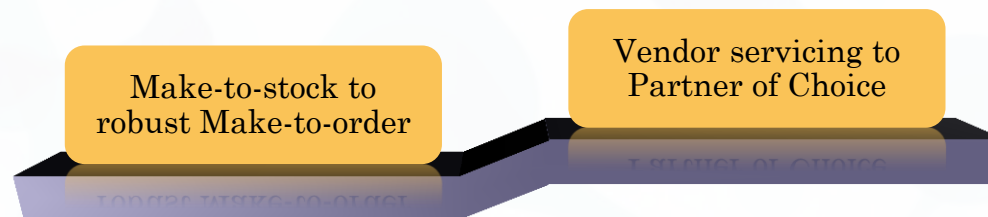




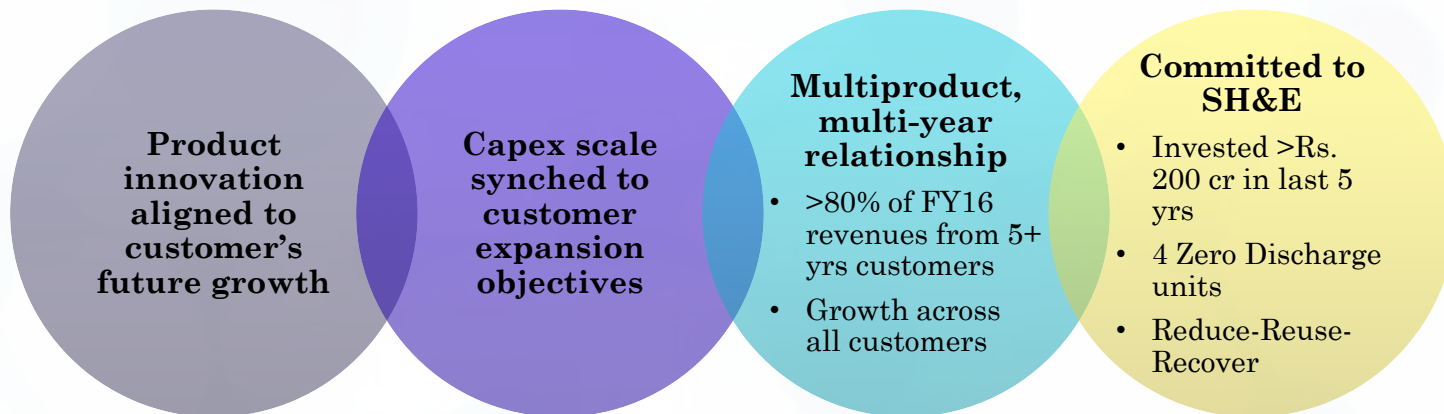
# Global Partner of Choice

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

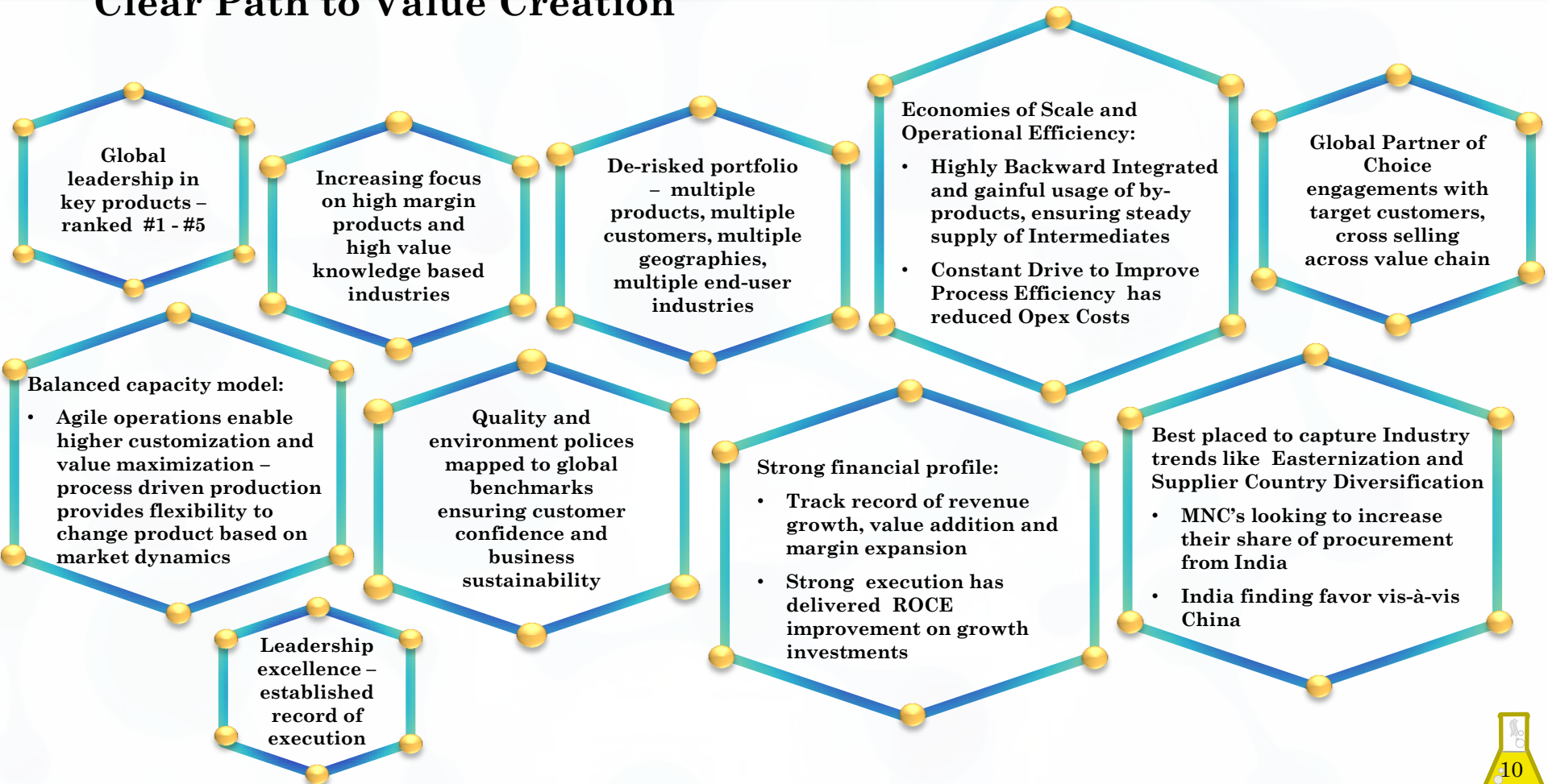


Our business model complements that of our global customers



# Key Investment Theme

## Clear Path to Value Creation



# 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.”*

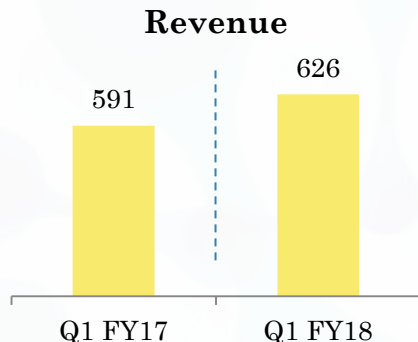
# Q1 FY18 P&L (Standalone)

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)

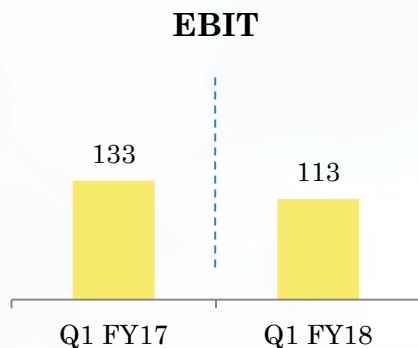
Profitability impacted by:

- 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

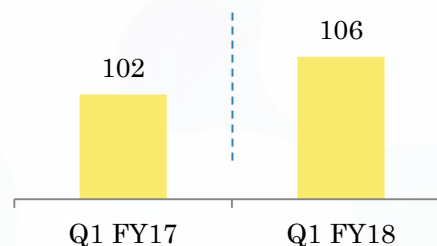


# Q1 FY18 – Other Businesses (Standalone)

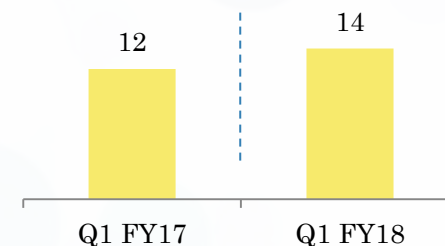
- Debottlenecking and expansion activities have facilitated growth in pharma volumes
- Since major fixed costs already built-in, incremental volumes will result in significant increase in segmental profits
- Focusing on off-patented generics to be supplied in regulated markets
- cGMP compliant plants 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

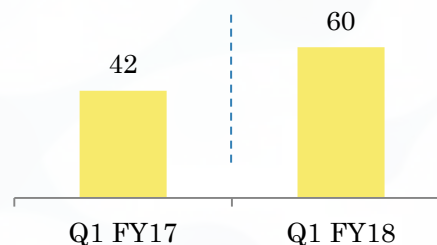
### Pharmaceuticals Revenue



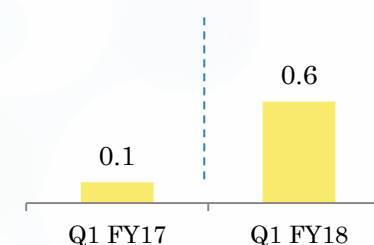
### Pharmaceuticals EBIT



### Home & Personal Care Revenue



### Home & Personal Care EBIT



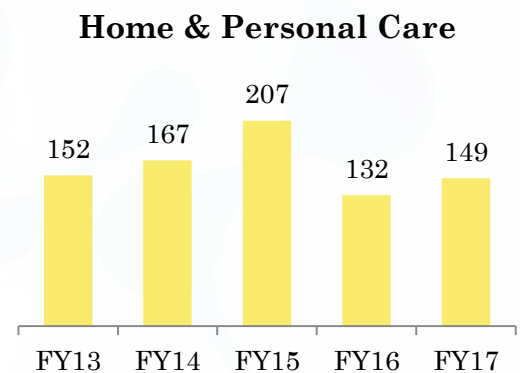
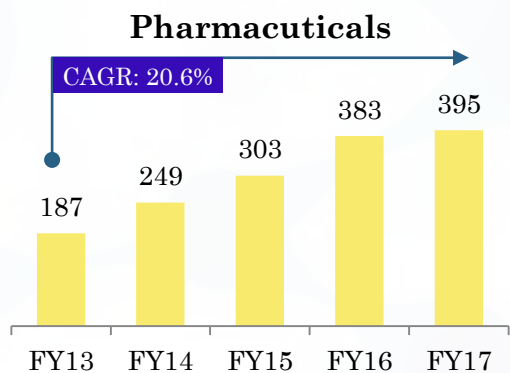
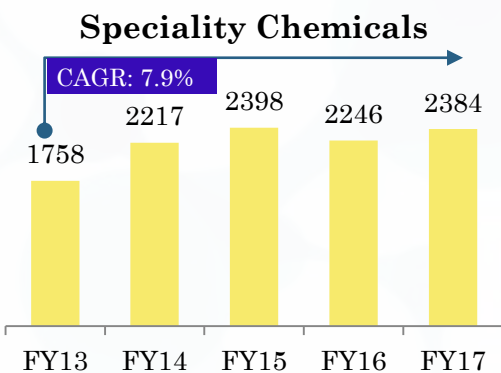
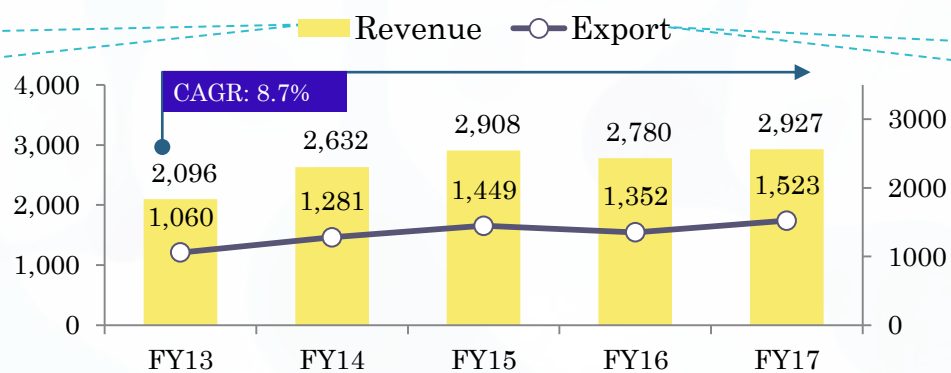
# **5 year financial performance**



# Revenue Performance (Consolidated)

Operating revenues have grown on the back of strong volume growth in key business segments and better product mix. Top line is a function of variations in raw material prices especially crude

Deep engagement with global customers in Speciality chemicals and pharma. In addition, part of domestic revenues are indirect exports.

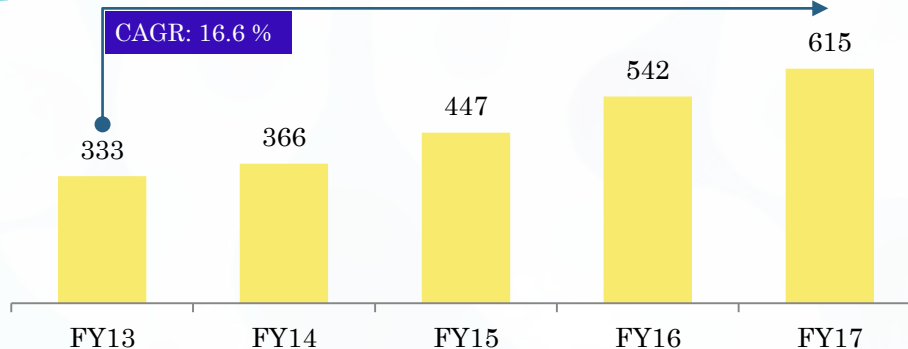


(Rs. Crore)

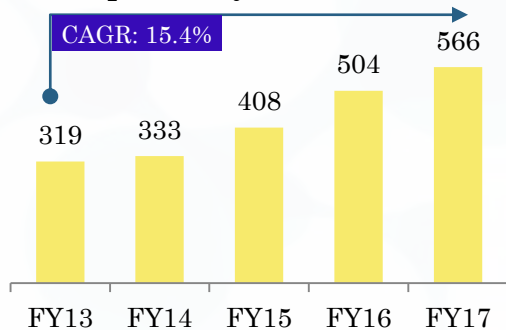
# EBIT Performance (Consolidated)

Higher growth relative to revenue highlights value addition delivered by AIL

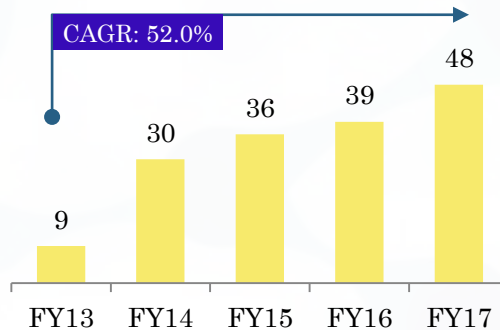
## EBIT



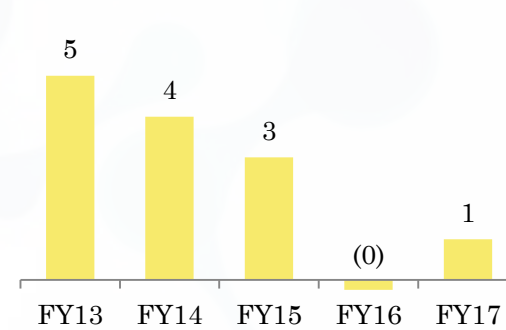
## Speciality Chemicals



## Pharmaceuticals

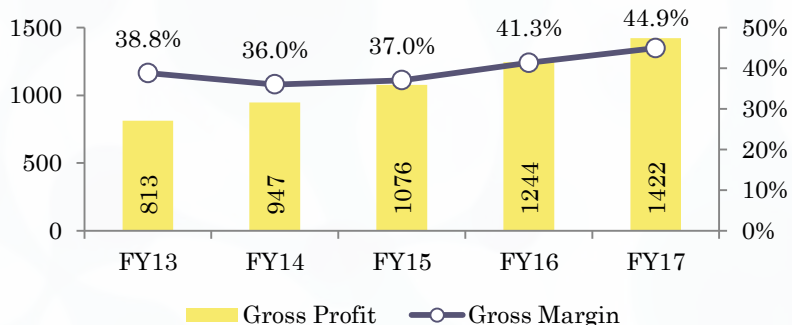


## Home & Personal Care

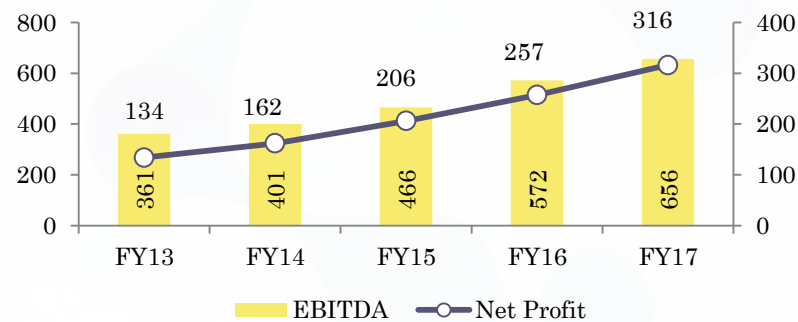


# Financial Highlights – (Consolidated)

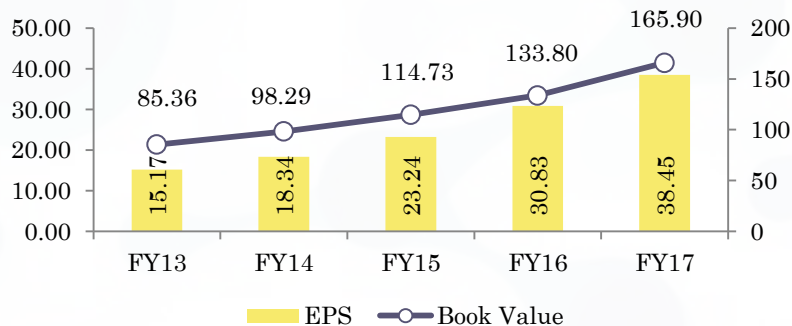
### Gross Profit (Rs. Cr.) & Gross margin



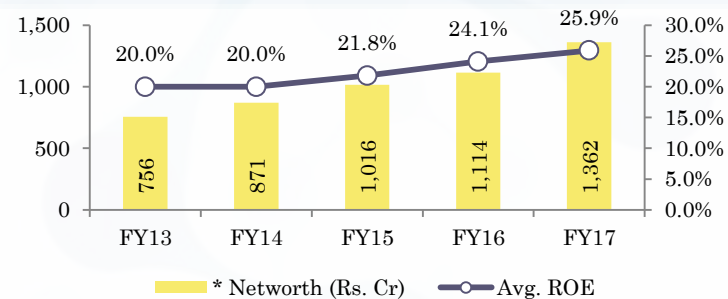
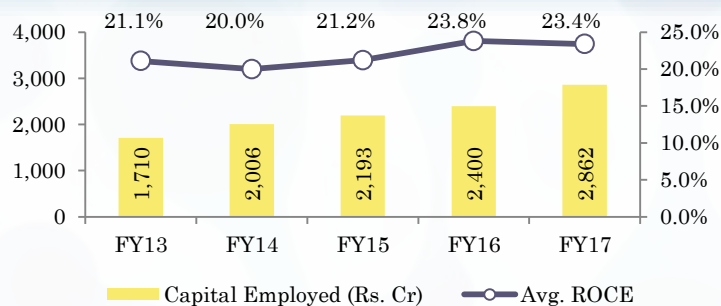
### EBITDA & Net Profit (Rs. Cr.)



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

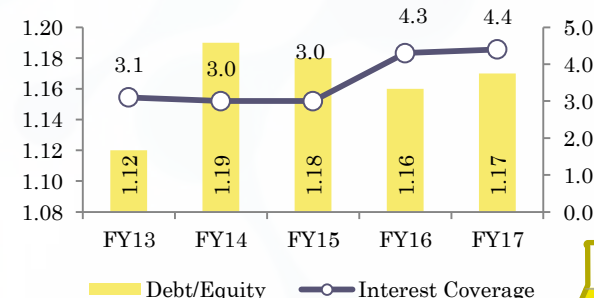
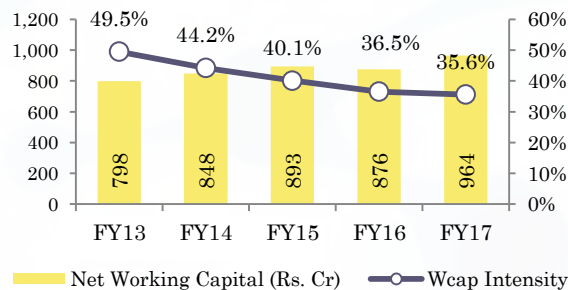
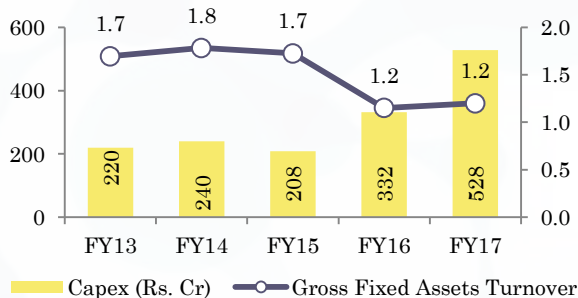


# Financial Highlights – (Consolidated)



\* Pre-IndAS to make it comparable

- 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.

# Contact Us

**For further information please log on to [www.aartigroup.com](http://www.aartigroup.com) or contact:**

**Mr. Chetan Gandhi / Mrs. Mona Patel**

**Aarti Industries Limited**

Tel: +91 22 6797 6666

Email: [info@aarti-industries.com](mailto:info@aarti-industries.com)

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**Vikram Rajput / Shiv Muttoo**

**CDR India**

Tel: +91 22 6645 1223/1207

Email: [vikramr@cdr-india.com](mailto:vikramr@cdr-india.com)

[shiv@cdr-india.com](mailto:shiv@cdr-india.com)

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**Thank You**