



**Q3 & 9M FY17
Earnings Conference
Call Transcript**

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Aarti Industries Ltd



Moderator

Ladies and gentlemen, good day and welcome to the Aarti Industries Q3 & 9M FY17 earnings conference call. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Vikram Rajput of CDR India, thank you and over to you.

Vikram Rajput

Thank you Karuna. Good evening everyone and thank you for joining us on Aarti Industries Q3 & 9M FY17 earnings conference call. We have with us Mr. Rajendra Gogri – Chairman and Managing Director, Mr. Rashesh Gogri – Vice Chairman and Managing Director and Mr. Chetan Gandhi – CFO of the company.

We will begin this call with opening remarks from the management following which we will have the forum open for a Q&A session.

Before we begin this call, I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the results presentation shared earlier. We will begin the call with opening remarks from Mr. Rajendra Gogri who will take you through the strategic imperatives and performance of the company. We will then have the forum open for Q&A session.

Now I will invite Mr. Rajendra Gogri to share his views.

Rajendra Gogri

Good evening and very warm welcome to all of you.

Aarti Industries is global specialty chemicals Company continuing to gain scale by building large capacities tied with customers' expansion objectives while also generating superior returns. It is all about execution at Aarti Industries where we leverage our multi product, multi geography, multi customer multi industry operations. Our focus on building deeper relationships with clients and driving global Safety, Health and Environment objectives have strengthened the "Partner of Choice" relationships with many of our 500 plus customers in India and 150 plus customers globally.

I am happy to report a healthy performance in Q3. While gross revenues were up 3% YoY at Rs. 770. crore in Q3FY17 and almost flat YoY Rs. 2,216 crore in 9MFY17; net revenues for Q3F17 was Rs 718 crore up by 6% YoY and 9MFY17 at Rs 2,068 crore, up 2.4% YoY. Of the total revenue for the quarter, exports were at Rs. 376 crore, accounting 52% of the total net revenue. Similarly, of the total revenue for the nine months, exports amounted to Rs. 1,030 crore, i.e 50% of the total net revenue. This performance is particularly pleasing given a subdued global scenario for some speciality chemicals segments and a challenging environment domestically resulting from demonetization.

As many of you are aware, our realizations are linked to global crude oil prices, so the key parameter to track is profitability. For Q3FY17, EBITDA improved 16% YoY to Rs. 150 crore from Rs. 130 crore, translating to an EBITDA margin of 20.9%. For 9MFY17, EBITDA improved 16% YoY to Rs. 456 crore from Rs. 393 crore, translating to an EBITDA margin of 22.0%. Depreciation has increased as new production facilities have been operationalized during the year. PAT improved by 22% YoY in Q3FY17 to Rs. 74 crore and 27% YoY increase to Rs. 232 crore in





9MFY17.

Aarti Industries has an established track record of executing value accretive growth investments. We are focused on a disciplined capital allocation approach, which is visible in the growing return on capital. With our growth initiatives, we will continue to drive value in the business. Despite expansion of operation, financing costs are under control and debt coverage is improving. Share of dollar denominated loans have reduced significantly over the last two quarters resulting into marginal increase in cost.

Speciality chemicals revenue improved 4% on YoY basis at Rs 629 crore in Q3FY17 and was almost flat Rs. 1,792 crore in 9MFY17. During the quarter, volume expansion was about 10% YoY. EBIT expanded by 12% YoY to Rs. 131 crore in Q3FY17, and 13% YoY to Rs. 394 crore for 9MFY17. Our profitability continues to expand indicating the quantum of value addition from our product mix and the strength of our core competencies. As you are aware, our business is largely operated on formula based model based on variation in raw material prices plus margins, wherein the delta is fixed in absolute basis and per kg margins remain stable. Hence, the raw material price fluctuations are passed on to the customers and the absolute EBITDA is based on volumes and product mix and not the price fluctuation.

We clocked production of about 6,630 MT of NCB during Q3FY17 as against the production of about 16,400 MT for Q3FY16 & 16,680 MT for Q2FY17.

The capex program is progressing as per plan; the pathway to an enhanced future is set where our progress will unfold in line with our growth investments backed by constant innovation. Our other key expansion projects in pipeline are Nitro Toulene & its derivatives and Co-Generation Power Plants, which are expected to be commercialised in Q4FY17/Q1FY18.

Moving on to the Pharmaceuticals segment, Q3FY17 and 9MFY17 revenue increased by over 3% YoY to Rs. 103 crore and to Rs. 306 crore respectively. Volumes were impacted by slow activity in December being a holiday period and also on account of USFDA inspection at our API facility. In 9MFY17, EBIT increased to Rs. 33 crore from Rs. 25 crore, marking 32% YoY growth. In Q3FY17, EBIT declined marginally to Rs. 9 crore from Rs. 10 crore in Q3FY16. We have been consistently increasing our share of operations and engagement with various customers in regulated market space. Since major fixed costs are already built-in, incremental volumes result in significant increase in segmental profits. We expect to progressively improve on our performance.

In Home and Personal Care, we are making concerted efforts to gain larger scale and drive sustained improvement in this business. This business has only about 3.5% of the overall capital employed in it.

To conclude, our performance is in line with our stated targets and we are set to end the year on strong note. We have the levers to take advantage of the growth opportunities which are clearly identified and we continue to remain focused on them without any change. Aarti Industries is at the cusp of robust sustainable growth in “Partner of Choice” relationships, revenues, profits, returns and value creation.

On that note I conclude my opening remarks. We would be happy to give you our perspective on any questions that you may have. I would request the operator on this





call to open question and answer session. Thank you.

- Moderator** Thank you very much sir. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Surya Patra from Phillip Capital. Please go ahead.
- Surya Patra** On the specialty chemical business front, though we have seen volume growth of 10% and value growth of 4%, and same thing also can be seen in the gross margin front that sequentially we have seen a marginal decline in the gross margin, is it flowing from the fact that the kind of price appreciation that we have seen in the benzene prices that entirely could not be passed in the current quarter itself, so that is why that is the pressure that we are observing?
- Rajendra Gogri** Actually the benzene price increase has mainly started in month of January, so the basic jump has come in January and February, not in the Q3 as such.
- Surya Patra** Basically even the QOQ basis, if we see then there is a 34% kind of growth in benzene prices and in the same QOQ basis, the gross margin also I am seeing there is a decline?
- Rajendra Gogri** Overall, we have got so many different products. We cannot absolutely pin down on a direct correlation with benzene price because we have a variety of products with different value-addition levels.
- Surya Patra** Whenever there is a price appreciation in the raw material, how quickly we can pass on that with one quarter lag, one month lag, or?
- Rajendra Gogri** Domestic pricing is on your monthly basis, so it gets immediately passed on. There is no lag as far as domestic pricing is concerned.
- Surya Patra** About exports?
- Rajendra Gogri** Export, generally depending on the type of products and the contract, it will be a lag of one to three months. Domestic, there is no lag because beginning of the month all the customer and competitors are aware of the raw material prices, so that get immediately passed on both ways, increase or decrease.
- Surya Patra** You have already indicated the export number, can you share what is the China specific export for nine months?
- Rajendra Gogri** That absolute number we don't have right now.
- Surya Patra** Regard the kind of CAPEX projects that we are having, you have in the opening remark itself indicated that toluene project would be commercial starting this quarter Q4, so apart from that there is an expansion plan also, Chloro Toluene project in Dahej and the earlier indicated toluene project in Jhagadia, any specific reasons that you are setting up another toluene plant in Dahej or whether these are not really the chain product, this is a different chain and that is a different chain?
- Rajendra Gogri** We are putting up a Nitro Toluene plant and the downstream of which we have already commissioned in Dahej at our SEZ unit, so we will be commissioning Nitro Toluene and then Nitro Toluene derivatives in Jhagadia. We have just got an environmental clearance for putting up a Chloro Toluene plant in one of our other location in Dahej. The project is still on drawing board. Once we have that detailed





timeline and all, we will inform that what kind of capacity and the timeline as well as project cost will come into that, but that Chloro Toluene is again a totally different value chain, so then that will be again entire new value chain which we look to expand in next two to five years.

Surya Patra On Nitro Toluene, this quarter we will see the commercialization, but what is the kind of outlook that we are having for this business in near future and how quickly it can achieve the better capacity utilization there and whether it will take time to introduce products in the market and establishing customer relationship for this new product line, can you share some thought on that?

Rajendra Gogri In two to three years, we should be reaching between 75% to 90% capacity. First year, on lot of places we may have to do qualification specially in exports, so first year would be lower capacity, but second and third year onwards, we should target between 75% to 90% capacity utilization.

Surya Patra We have already started the test marketing of these products or we will be doing subsequently?

Rajendra Gogri The downstream product we have already done it in export. We have made this product few years back and the customers are also very similar, so we do not see any issue on that front.

Surya Patra Any just last thought on the CAPEX front, what would be your CAPEX plan for say next year and following year and which are the key projects that you are looking at?

Rajendra Gogri We are putting up a chlorination facility in Jhagadia and our downstream of Nitro Toluene and Chloro Toluene project those two projects are expected to be commissioned in FY18. Other than that, we have some other projects, which are still in detail engineering levels and that construction and all will start may be after few months and will be getting commissioned in not FY18 but in FY19, some additional specialty chemicals in Dahej.

Surya Patra At least the specialty chemicals are area that you are targeting since some time, so what would be the area?

Rajendra Gogri Basically, two major areas is one is on engineering polymer side and on agrochemical, these are two major areas on which all this expansion will be targeted.

Surya Patra This year how much CAPEX and next year what CAPEX that we are planning?

Rajendra Gogri This year about Rs. 300 crore money has been spent on plant and machinery so far and next year depending on when we start the other projects, but overall I think we can put a Rs. 400 crore as a number for the next year.

Moderator Thank you. The next question is from the line of Ritesh Gupta from Ambit Capital. Please go ahead.

Ritesh Gupta My question is on the crude jump that we have seen, would it increase your working capital significantly or at least by say 10-15% in next few quarters?

Rajendra Gogri This benzene generally will directly link to working capital increase, so that impact will come, maybe some Rs. 30-40 crore working capital increase may come because of





that.

Ritesh Gupta You do not have any inventory gains and losses because of those benzene prices kind of fluctuating in between?

Rajendra Gogri We take a quarterly average for our valuation purpose. In Q3, there is no impact, but for Q4, let us see how the three-month pricing comes.

Ritesh Gupta On this toluene project that you are going to commission, I think can you just give us some ballpark numbers in terms of what kind of revenues you see from it over next say two years and what kind of margins you can make on that project?

Rajendra Gogri This Nitro Toluene we are putting up capacity of 30,000 tons per year and we will be also making some hydrogenation and some further downstream based on that. We are looking at around Rs. 250 to 300 crore turn over from this Nitro Toluene ranged chemistry and operating margin should be similar to what we have right now more or less on the similar line on 18-20% range.

Ritesh Gupta Just picking from the last question itself, so you are putting up hydrogenation also there, you are also doing chlorination project for toluene which is on next project in Jhagadia, this chlorination is on aliphatic compounds or it is predominantly on aromatics only?

Rajendra Gogri Jhagadia what we are doing is chlorination of benzene, which project is already under construction. Chlorination of toluene, we have just got the environmental clearance for a site in Dahej. That is something which will be totally new range of products. For that, further detailing is being still done and we have not fixed up any specific timeline for that Chloro Toluene range.

Ritesh Gupta On agri products, do you see any improvement because I think a lot of your sales also goes agri intermediate, so do you see some bit of uptake in demand on that side because I think on global level things are still bad?

Rajendra Gogri Yes, it is not as much as we anticipated, but some increase in this Q3 was visible, some more increase we see in Q4 also. Then for FY18 based on demand feedback we have got from our customers. We expect to will see a sizeable volume growth in our range of agro intermediaries.

Ritesh Gupta You basically by now you will have a pipeline visibility by second half of FY18 or may be second quarter of FY18, so you have seen that uptake in orders for the next two-three quarters is what you are saying.

Rajendra Gogri Yes.

Moderator Thank you. The next question is from the line of Saravanan Viswanathan from Unified Capital. Please go ahead.

S. Viswanathan Regard to your pharma division, can you give us the update about your USFDA inspection in your API facility?

Rashesh Gogri We had inspection in second half of December and we cannot share much other than that. We hope to get EIR soon.





- S. Viswanathan** Whether any observations for which you have already responded?
- Rashesh Gogri** Yes and we have sent the response.
- S. Viswanathan** For Q4 as well as next financial year, can you give some prognosis for the pharma division?
- Rashesh Gogri** Because of the inspection, we had a little slow down in overall production. We had one month notice from FDA to prepare and we had to carry out some renovation, coloring, etc., it slowed down the production a little bit. Q4, we expect to be better than Q3.
- S. Viswanathan** On specialty divisions, can you share the average benzene prices for Q3?
- Rajendra Gogri** It was Rs. 46.5.
- S. Viswanathan** And currently?
- Rajendra Gogri** Currently, it has jumped to around Rs. 67, it was around Rs. 60 in January, February is around Rs. 67.
- Moderator** Thank you. The next question is from the line of Nakul Manaktala from Samaira Investment. Please go ahead.
- Nakul Manaktala** My question stems from your specialty chemical business, why has your EBIT margin reduced by 1.7% quarter-on-quarter, I understand there is an increase in the margin year-on-year, but sequentially why has it been a fall in your margin?
- Rajendra Gogri** Overall, we are making so many different products at different stages, so direct relation on an absolute percentage basis cannot become very constant. Depending on the product mix and various raw material pricing, you will see some marginal variation, but there are no significant variations.
- Nakul Manaktala** In terms of your top line growth for FY17 and FY18, can you give us some guidance?
- Rajendra Gogri** We had a 10% volume growth in Q3 and Q4 also we expect more than 10% YoY volume growth. In FY18 also more than 10% volume growth is anticipated over FY17, and if the benzene prices remains at the higher level than the top line growth will be still higher, that can make the top line grow at more than 20%, so absolute top line depends on the benzene pricing.
- Nakul Manaktala** What tax rate should be factored in going forward for FY17 and FY18?
- Chetan Gandhi** We presently are at MAT and got some MAT credit as well, so the tax rate might be around 18% to 20%.
- Moderator** Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta** First question is on this current quarter we have seen some disappointment in pharma business and also lag in margins in that segment, any particular reason for that?





Rashesh Gogri This quarter there was December holiday season and also USFDA inspection, so certain deliveries were delayed, and also we had increase in maintenance expense in this particular quarter.

Rohan Gupta Was there any particular extraordinary maintenance expenditure incurred in the current quarter?

Rashesh Gogri Yes, to the tune of Rs. 1.5 to 2 crore.

Rohan Gupta You just guided for close to 10% volume growth in Q4, but also looking for similar growth in FY18, however, we have always been targeting close to 15-20% volume growth range, any particular reason you are looking at just limited growth of 10% in terms of volume?

Rajendra Gogri We are still budgeting the actual number, but 10% is the minimum, but I think we should be reaching around 15% in next year. Final budgeting is being done and we would fine tune this lateron.

Rohan Gupta When benzene prices were falling, at that time in some of the quarters, though we pass on the price to the end customer, but we had some benefit of low cost inventory, when in the rising price scenario of benzene, which we are seeing in the current quarter, do you estimate that there will be some of extraordinary or some lag effect will have some extraordinary losses or margin pressure for one quarter?

Rajendra Gogri Yes, that is there, but some inventory gain also will come, so I think both things may offset each other.

Rohan Gupta Overall margins will dip because the end product prices will rise, but at absolute level, EBITDA will be driven by volume growth as we have seen earlier.

Rajendra Gogri Yes.

Rohan Gupta But it will have once again negative impact on working capital?

Rajendra Gogri Yes.

Rohan Gupta Your commissioning of this Nitro Toluene, you are expecting in FY18, right?

Rajendra Gogri Basically, we are looking at the end of this quarter, this Q4FY17 or Q1FY18 where we will commission our Nitro Toluene project.

Rohan Gupta This Nitro Toluene plant commissioning in Q1 in that particular quarter or in initial phase, are we expecting lower utilization level to have some impact on margins or how we are expecting that first half of the year in terms of commissioning of this Nitro Toluene plant?

Rajendra Gogri We will still add absolute operating profit, so as a percentage margin, it may have impact, but on an overall it is going to be an additional EBITDA.

Rohan Gupta Incremental EBITDA?

Rajendra Gogri Yes.





- Rohan Gupta** But considering for the commissioning or the CAPEX commissioning in terms of interest and depreciation, the bottom line contribution may not be as high?
- Rajendra Gogri** That is obviously a new plant, bottom line contribution will get ramped up as utilization level increases.
- Rohan Gupta** Right, so current year the CAPEX which we have mentioned roughly Rs. 300 crore in FY17, how much you could contribute to this Nitro Toluene plant?
- Rajendra Gogri** Nitro Toluene plant this year around Rs. 50 to 70 crore range will be there.
- Rohan Gupta** What will the total plant cost of Nitro Toluene, I mean just looking for that gross block addition because of Nitro Toluene?
- Rajendra Gogri** That actually is going to get commissioned later on this year, may be around Rs. 70 crore will be the gross block addition.
- Rohan Gupta** You mentioned that though global agrochemical outlook is still remains weak, are you seeing that any incremental flows in terms of agrochemical business or there has been absolutely no change in last three to six months in this segment?
- Rajendra Gogri** Everybody knows it is based on product-to-product whether the inventory has bottomed out and as an intermediate filler, the volume increase starts taking place, so accordingly some places we are seeing that process has started, back to some increasing the inventory. In our product range we are seeing the volumes should be further improved in FY18 for various agrochemical.
- Rohan Gupta** This current quarter 10% volume growth, was there any positive growth in agrochemical business for us or it was flat or zero?
- Rajendra Gogri** YoY volume growth was there, but actually it was not as much as we thought, so maybe that is the reason maybe we got 1% or 2% less volume growth, but still there was a growth on agro, and it should happen further next Q4 also.
- Rohan Gupta** One more technical thing, this Chloro Toluene plant which you are looking for, you mentioned that it will create a different value chain of the product, which segment it will be addressing in terms of specialty chemical, agrochemical, pharma or what particular value chain you are looking from Chloro Toluene?
- Rajendra Gogri** That is a wide range of products, but agrochemical will be one of the key in that range.
- Rohan Gupta** Will it replace your current chlorine chain products, it is targeting to replace some of your chlorine based product right now or it will be?
- Rajendra Gogri** Let us understand that one chemical does not replace another chemical for the end use, we are in a B2B space.
- Rohan Gupta** B2B is completely a new chain for you?
- Rajendra Gogri** Yes, it is a totally different and new chemical and there is no one product replacing the other.





Moderator Thank you. The next question is from the line of Bobby Jairam from Falcon Investments. Please go ahead.

Bobby Jairam In the past five or six years from 2010 have been very benign for your business, there has been good growth, is the macro environment now similar to what it was in terms of competition from China and others, how do you see it over the next few years?

Rajendra Gogri I think last few years competition from China as well as the margin pressure from China has been better for Indian companies. Also more and more customers still want to increase their sourcing from India. We see similar scenario going forward and should be good for us as well as other overall specialty chemical and intermediate manufacturing in India.

Bobby Jairam Is more capacity coming on in China or do you see capacity being taken out?

Rajendra Gogri Because of the environmental restriction, they have become much more stricter, so a lot of places in China they have to reduce their capacity utilization, which is pushing up their cost. Second thing is that the customers also they want to consciously increase the sourcing from India, so that is helping the volume gain for Indian chemical industries.

Bobby Jairam How much more expensive is it to manufacture these chemicals in the West say in France or Belgium or one of the European countries, this plants are mostly automated are not they?

Rajendra Gogri Yes, obviously automation also is there, but these equipment's they are not specialized equipment. In chemical business, the chemistry is more important than the equipment, so the equipment cost tend to be cheaper in India and China compared to the West even though automation cost generally will be same across the world, but the other basic equipment, the piping and the actual erection and all, the capital cost by order of magnitude generally tend to be lower, specially where the batch chemistry is also involved. And second thing is on manpower basis also, India will have an advantage of almost may be around one-third of the overall manpower cost, if you count everything from skilled to unskilled workforce, so both on the capital cost as well as operating manpower cost, India is offering right now an advantage and most of the big multinationals, they would not like to increase any further manufacturing footprints in West. They would prefer to outsource more and more.

Bobby Jairam As you see the Indian market expand, do you see the MNC setting up plants in India?

Rajendra Gogri Actually some MNCs are also taking over the plants in India. Some companies are also divesting, Syngenta divested their Goa plant and Clariant is expanding and taking over some facilities, BASF put up a Greenfield plant, so we are seeing some places companies are divesting, some places they are taking over, so different multinationals have different strategies, but in general we do not see that they will be putting up new assets in West. If at all they do, they may put up in India or in China, or they may prefer to outsource the manufacturing.

Moderator Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak Can you give the volume growth again for nine months?





- Rajendra Gogri** Overall, we had around 7% combined we can say.
- Dheeresh Pathak** Earlier you said guidance for FY18, 10% to 15% volume growth, this is keeping in mind the full benefit from Nitro Toluene plant, which is Rs. 250-300 crore revenue?
- Rajendra Gogri** No, we do not anticipate that kind of a volume from that but whatever other expansion we have already done. Such as Nitro Chloro Benzene and its downstream, then PDA and so on, is where volumes will grow. Our Nitro Chloro Benzene downstream, some chlorobenzene downstream, and PDA, plus some Nitro Toluene, it will be a mixture of all these different products for volume growth.
- Dheeresh Pathak** But this 250 to 300 crore on an annualized basis, this we will not see in FY18, we will probably see in FY19?
- Rajendra Gogri** Yes, it will be more towards FY19, FY20. Generally, whenever we do step-up expansion, it will take two to three years to reach to 75% to 90%, so whatever we have expanded already, so those are the thing will be contributing also in the volumes and then newer expansion, both.
- Moderator** Thank you. The next question is from the line of Rahul Singh from Ampersand Capital. Please go ahead.
- Rahul Singh** I just had a question on the global agrochemical demand which you mentioned might improve next year, so just wanted to understand where you are seeing already some demand pickup, whether which geographies are you referring to in global agrochemical and whether you are seeing it in the budgeting or the requirement exercise which the clients might be doing with you for 2017, so if you can just give slightly more detail on the global agrochemical demand that will be helpful?
- Rajendra Gogri** Certain herbicide we are seeing a potential increase demand in certain segment which are going to be used for against GM seeds and also some fungicide demand increase, we are looking at. Insecticide has subdued, but herbicide and fungicide range seems to be doing better.
- Rahul Singh** Which geographies are looking up globally?
- Rajendra Gogri** It will be all, Latin America and North America, Europe depending on the various products. We have products going into various geography, so all the three geographies we are seeing that some potential in this herbicide and fungicide area.
- Moderator** Thank you. We have the next question from the line of Ranjit Cirumalla from B&K Securities. Please go ahead.
- Ranjit Cirumalla** Just the question on the chlorination of the toluene project which we have recently got an EC, just to understand, is it the same project which we have talked in our annual report of for setting up some dedicated plants for one of the MNC client?
- Rajendra Gogri** No, this is not going to be a dedicated plant, it will be a feeder plant for our downstream or supplying through the variety of customers.
- Ranjit Cirumalla** But those MNC clients would be one of them?





- Rajendra Gogri** They are not related to that.
- Ranjit Cirumalla** Okay, it is a completely different thing?
- Rajendra Gogri** Yes.
- Ranjit Cirumalla** Second thing on the margin front, if you see the margins have been increasing steadily, if you take last couple of years partly due to our cost per absolute kind of a margin which we charge, but even if on a 5 to 10 years basis, they have gradually moved upwards, so when there is a scenario the crude is rising, so have we changed our product mix so that there will not be any significant pressure or there would be in fact some margin expansion?
- Rajendra Gogri** Basically, always the product mix will be taken up in such a way that we are able to utilize all our capacity and more maximum value-added products, so that we can utilize more facility, that is what we have been always targeting. Crude price and all those things generally are irrelevant. Idea will be to fill the entire value chain capacities and drive more and more value-added product markets.
- Ranjit Cirumalla** Probably that is where our flexibility of process would come to play?
- Rajendra Gogri** Yes.
- Ranjit Cirumalla** From the last thing, some of the data points which you normally share on a quarterly basis, PDA capacity have missed on the NCB for the quarter and the hydrogenation?
- Rajendra Gogri** NCB was 16,630 tons, hydrogenation was for month basis, 2,030 tons.
- Ranjit Cirumalla** And PDA?
- Rajendra Gogri** PDA was around 380 tpm.
- Ranjit Cirumalla** Why the PDA I am seeing a fall from a sequential basis, any specific reason?
- Rajendra Gogri** PDA last was 350 tpm.
- Ranjit Cirumalla** Yes, 350 tpm, so on for quarterly we have to multiply by this.
- Moderator** Thank you. We take the next question from the line of Surya Patra from PhillipCapital. Please go ahead.
- Surya Patra** What is the mix between Nitro Chloro Benzene and other downstream products in the specialty chemical segment?
- Rajendra Gogri** That specific numbers we will not have.
- Surya Patra** You mentioned something about the demonetization effect in the opening remark, so did you see anything because of that any impact because of that?
- Rajendra Gogri** This quarter basically two segments which were effected most were textile and FMCG, so the product going towards those segments has seen decreased demand, so may be around Rs. 8-10 crore turnover was affected in Q3 because of that and may be similar level of impact in the Q4 will be there, but overall being a very highly





export driven and very wide end-use market we have, the impact was not very high.

Surya Patra Also you indicated something repayment of debt, so can you tell me what is the current debt and how much that you have paid in the YTD period so far?

Chetan Gandhi The current debt is about Rs. 1,430 crore and there was nothing in terms of repayment of debt what we had also discussed last time during the Q2 conference call is that we have increased the proportion of rupee debt in our working capital presuming that rupee might depreciate and then reduce the exposure on foreign currency debt and as a result there has been some marginal increase in the interest cost as well.

Moderator Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta Just a follow up question, on this Nitro Toluene and this Chloro Toluene plants, what will be the full utilization revenue potential from this one?

Rajendra Gogri Nitro Toluene, I always say it is around Rs. 275 to 300 crore, but Chloro Toluene, no concrete plan has been yet finalized on that. We just got the environmental clearance, but the exact capacity and the time line and everything has yet to be worked out, so that we may do in FY18 and the actual work may start may be in sometime towards the end of FY18.

Rohan Gupta Nitro Toluene, the total investment in plants was close to Rs. 70 crore?

Rajendra Gogri Yes.

Rohan Gupta That has almost good 4x of the revenue potential as well as the Nitro Toluene plant is concerned, right?

Rajendra Gogri No, there is Nitro Toluene then there will be hydrogenation and also part of the Dahej facility also will be utilized.

Rohan Gupta That is already functioning.

Moderator Thank you. The next question is from the line of Ritesh Gupta from Ambit Capital. Please go ahead.

Ritesh Gupta Just wanted to understand, if I look at your last five years CAPEX, your CAPEX usually used to be around Rs. 200 crore and for like '13-'15 and then probably 300 crore in '16, and now you are like talking about 400 crore sort of CAPEX, so that is a fairly good step up, my I understand you named the projects, but what exactly this, say for example, if you see this in next two years you are spending about Rs. 800 crore in CAPEX, so what exactly is it going into, is it like you are acquiring more land as well for the expansion, just want to get some sense on that?

Rajendra Gogri This year we have already procured land, big parcel in Jhagadia, which is of 75 acre and then also some additional land that Jhagadia and Dahej, we are in the process of finalizing some deals. That will add may be another 30 to 40 acre land to 75 acre already we have procured in this year.

Ritesh Gupta That is on the land, but say if I look at Rs. 400 crore of CAPEX in FY18 and like say we are riding for 400 crore of CAPEX for next two years, it sounds like some 800





crore of CAPEX, now if I were to break it down into specific projects, broad heads, what would be those of the broad heads?

Rajendra Gogri

One is our Nitro Toluene would be getting over and our Nitro Toluene downstream that will be another hydrogenation unit and the chlorobenzene and another chlorinated compound, so those are project which are already on and some other products we are still under detail engineering. For those will be starting the construction sometime in FY18. Another thing is two power plants, which are also going to get commissioned in this year.

Ritesh Gupta

What would be the CAPEX on that power plant?

Rajendra Gogri

Two power plant combined the capacity will be around Rs. 70-80 crore on those.

Ritesh Gupta

This does not include any custom manufacturing plants that you are creating or dedicating plant that you are creating?

Rajendra Gogri

No, that will come in overall Rs. 400 crore plus Rs. 400 crore, Rs. 800 crore we are talking.

Moderator

Thank you. Ladies and Gentlemen, this was the last question. I would now like to hand over the floor to the management for their closing comments, over to you, Sir.

Rajendra Gogri

It has been a pleasure interacting with you over the call. We believe that with our growth initiative, we will continue to drive value in the business. We value your continued interest and support. We thank you for taking time out and engaging with us today. If you have any further questions or would like to know more about the company, kindly reach our Investor Relations Desk, thank you.

Moderator

Thank you very much, Sir. Ladies and Gentlemen, on behalf of Aarti Industries Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

- ENDS -

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