

Q2 & H1 FY18 Results Presentation



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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

17

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

EBIT in Rs. crore

566

48

0.8

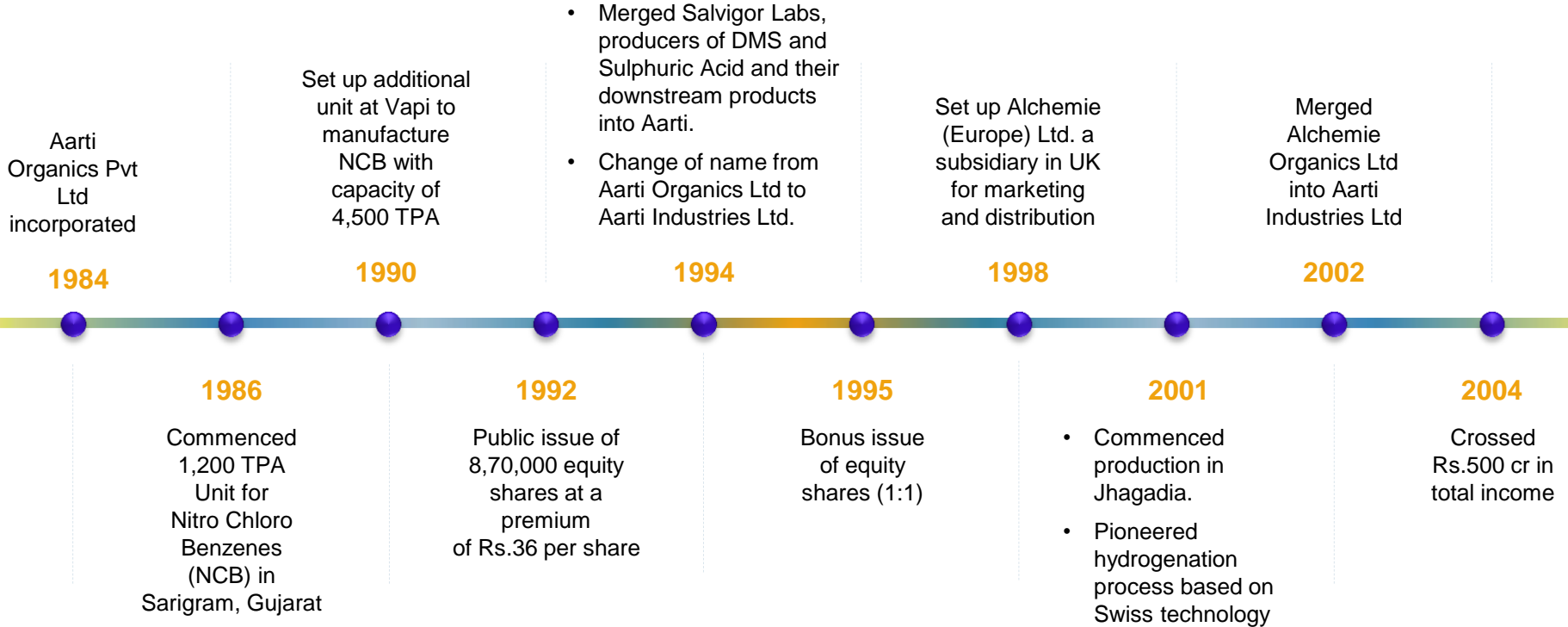
FY 17 Consolidated numbers





Transformation Journey

Hitting right milestones at right time





Transformation Journey

Received USFDA approval for API unit at Tarapur

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

- 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

- 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

2008

2010

2013

2016

2006

2009

2012

2015

2017

- 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 total income
- PAT crossed Rs. 100 cr

- Crossed Rs. 2,900 cr in Total income
- Crossed Rs. 200 cr in PAT

- 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



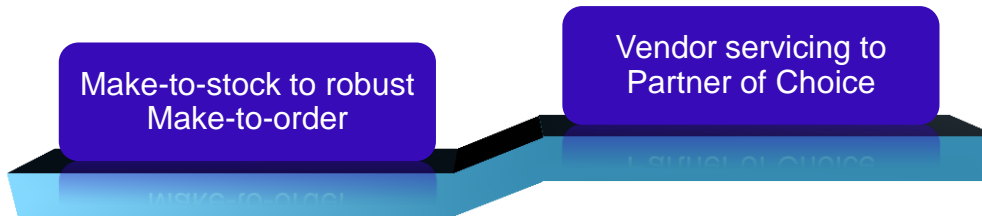


What differentiates us

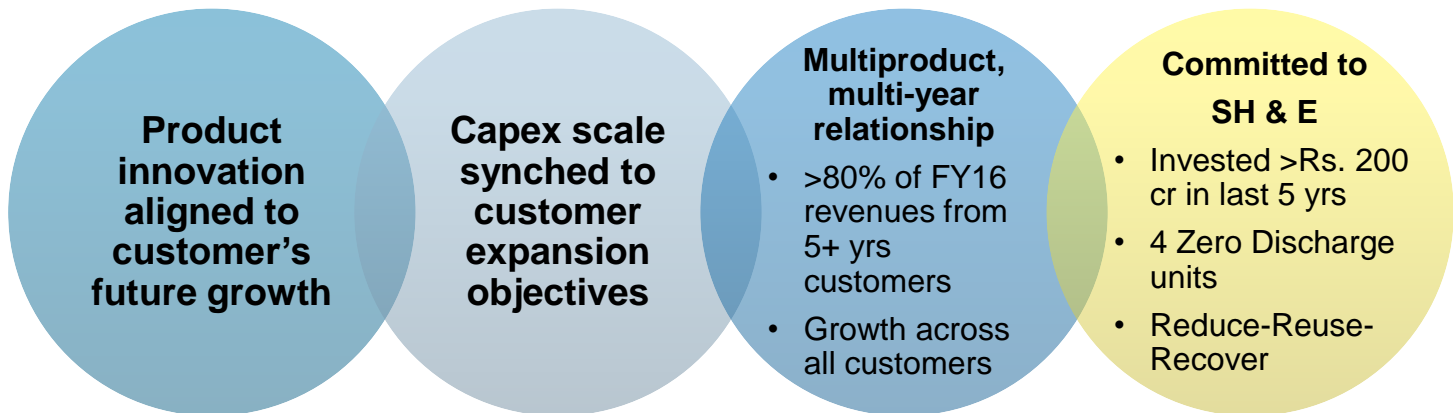


Aarti Industries is a rare instance of a global speciality chemicals company that combines process chemistry competence with scale-up engineering competence

Transform from



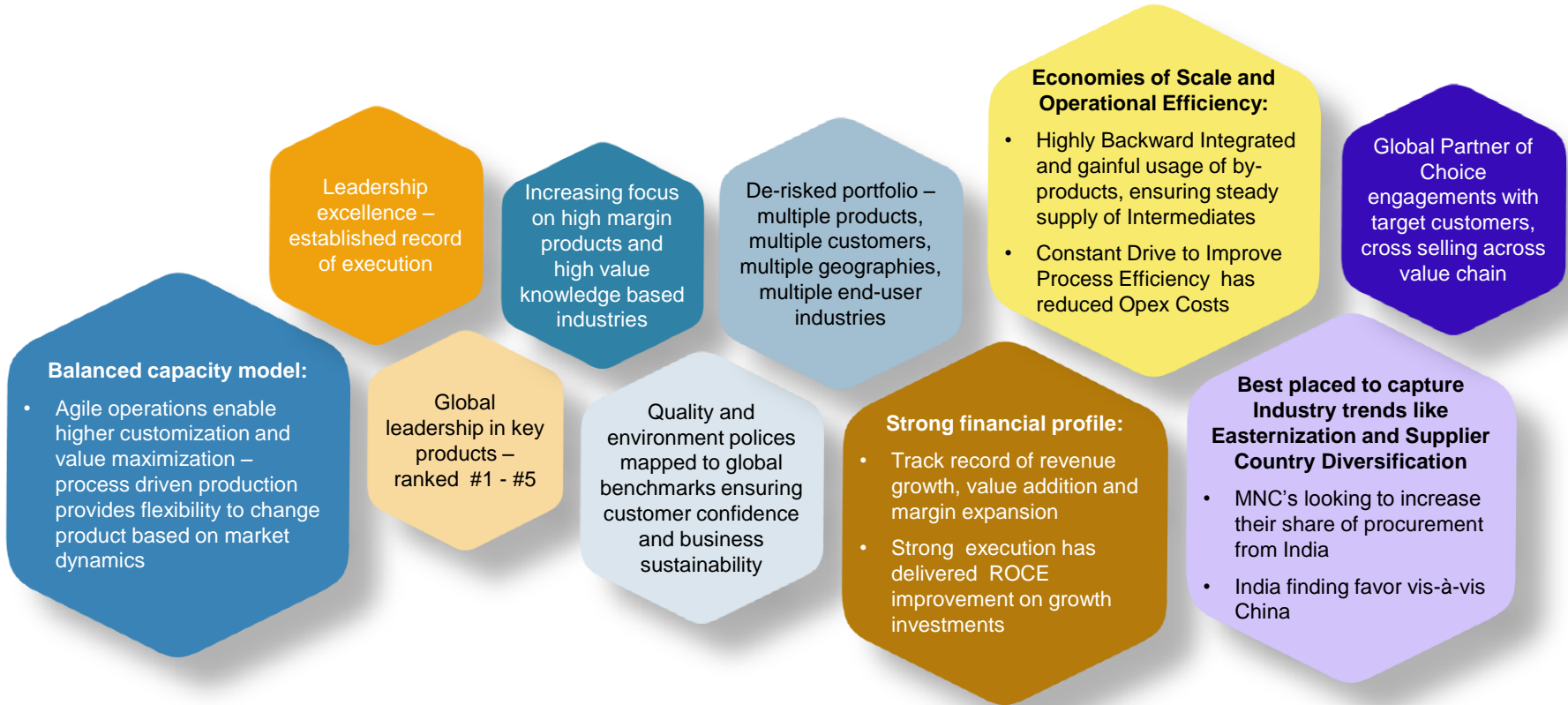
Our business model complements that of our global customers





Key Investment Theme

Clear Path to Value Creation



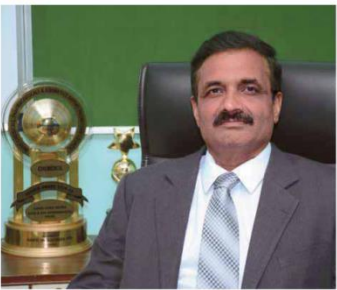


Quarterly Performance



Chairman's Message

Commenting on the performance for Q2 & H1 FY18, Mr. Rajendra Gogri – Chairman & M.D. at Aarti Industries Ltd. said,



“Our performance in Q2 captures resumption of normalized operations in the Speciality Chemicals business following the acid facility shutdown during the Q1 FY18. Revenues in this segment expanded 17%, inclusive of 13% raw material price increase and 4% volume growth, which should accelerate further in H2. Pharmaceuticals business revenues grew by 35% based on increased demand for our products across various markets and significant operating leverage. Home & Personal Care Chemicals segment was impacted by GST-related demand weakness in user markets.

We have continued to execute our capacity expansion plan and invested about Rs. 245 crore during H1, which was substantially funded by cash flows generated by the business. Debt has increased largely to fund the additional working capital requirement linked to topline growth in this period.

Towards the end of September, we commissioned our greenfield nitro-toluene facility in Jhagadia from which we see higher business contribution over H2 and next year. We expect to end the year with an improved performance over the previous year driven by volume growth of ~10% in the second half of the year in Speciality Chemicals as we continue to expand several partner of choice customer relationships, backed by production volumes and organizational capabilities.”





H1 FY18 Highlights

Financial

- Strong EBIT performance normalizing from the Q1 shutdown impact
- Rupee appreciation impact of approx. 4-5 crs on account of the appreciation witnessed from Q4 FY17 onwards. Overall impact estimated to be approx. Rs 16 - 20 crs for FY18

Capex

- Commissioned greenfield Nitro toluene facility at Jhagadia in the month of September
- Rs. 245 cr capex for H1 FY18 – strong growth plans continue to be funded by internal accruals

Pharmaceuticals

- Improved performance across various markets
- Best ever quarter in terms of EBIT performance





Q2 & H1 FY18 P&L (Standalone)

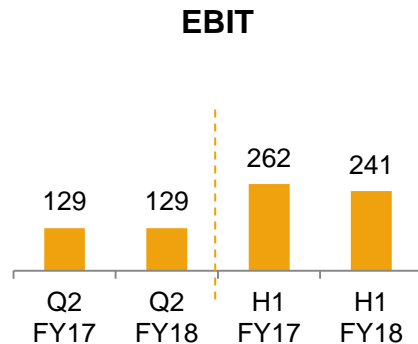
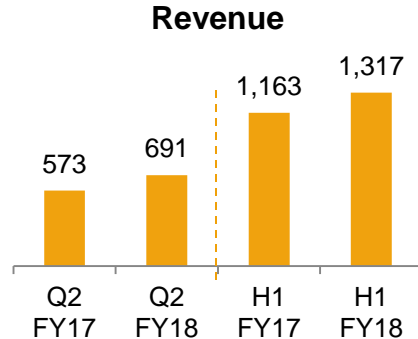
Particulars (Rs. Crore)	H1 FY18	H1 FY17	Y-o-Y Growth (%)	Q2 FY18	Q2 FY17	Y-o-Y Growth (%)
Gross Income from Operations	1,679.70	1,445.65	16.2	887.89	710.25	25.0
Exports	774.0	653.04	18.5	412.63	312.36	32.1
% of Total Income	46.1	48.4		46.5	47.3	
EBITDA	298.87	305.58	(2.2)	160.39	150.94	6.3
EBITDA Margin	17.8	22.6		18.1	22.8	
EBIT	234.18	251.68	(7.0)	127.39	123.48	3.2
EBIT Margin	13.9	18.7		14.4	18.7	
PAT	141.56	158.51	(10.7)	78.51	76.00	3.3
PAT Margin	8.4	11.7		8.8	11.5	
EPS (Rs.)	17.24	19.02	(9.4)	9.56	9.12	4.8

- Rupee appreciation impact of Rs. 4-5 crs
- Expenses higher on account of commissioning of projects, volumes to ramp up gradually over 3-4 yrs
- Pharmaceuticals EBIT hits milestone at Rs. 19 crs





Q2 & H1 FY18 – Speciality Chemicals (Standalone)



- Revenues are linked to pass through of key raw-material prices
- Speciality Chemicals volume growth increased by 4% YoY in Q2 , whereas value growth of 13% YoY
 - Operations back to steady state post full scale annual maintenance shutdown for Acid division in Q1 FY18
 - Expect Q3 to better Q2 volumes – approx. 10% volume growth for H2 FY18
 - Commissioned greenfield Nitro toluene facility at Jhagadia in the month of September.

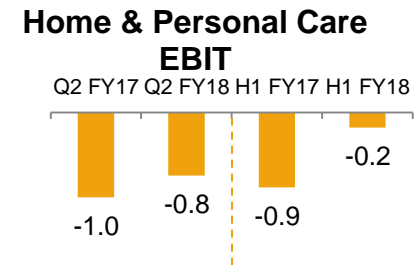
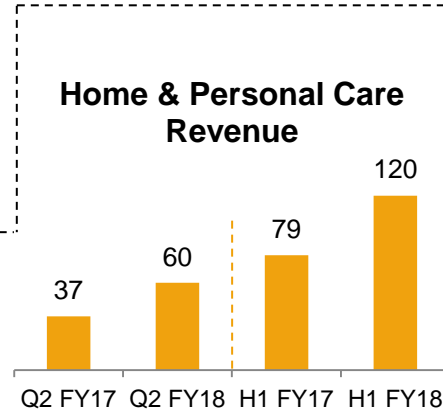
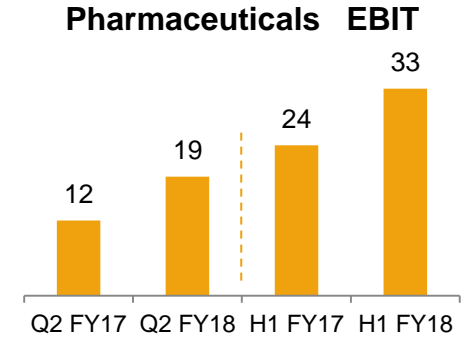
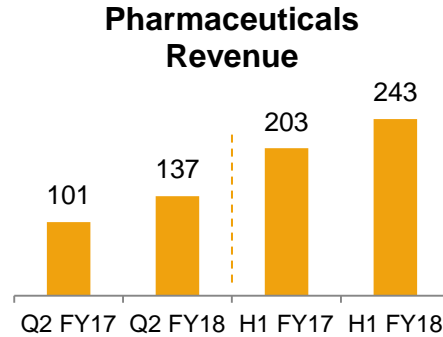




Q2 & H1 FY18 – Other Businesses (Standalone)

- **Best ever EBIT performance enabled by improved business across markets and operating leverage - committed to sustain momentum**
- 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

- **Segment performance impacted by GST**
- Non-ionic surfactants, shampoo, hand wash, dish wash
- Recently debottlenecked some operations to expand capacities
- Focus on export-oriented products



(Rs. Crore)



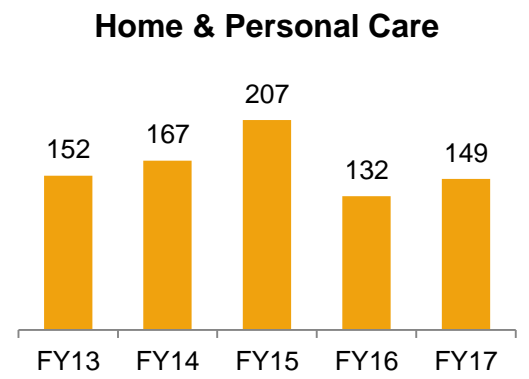
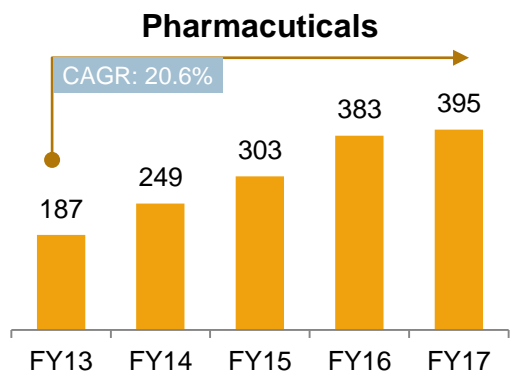
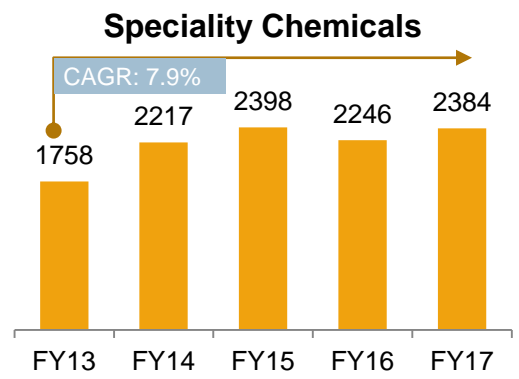
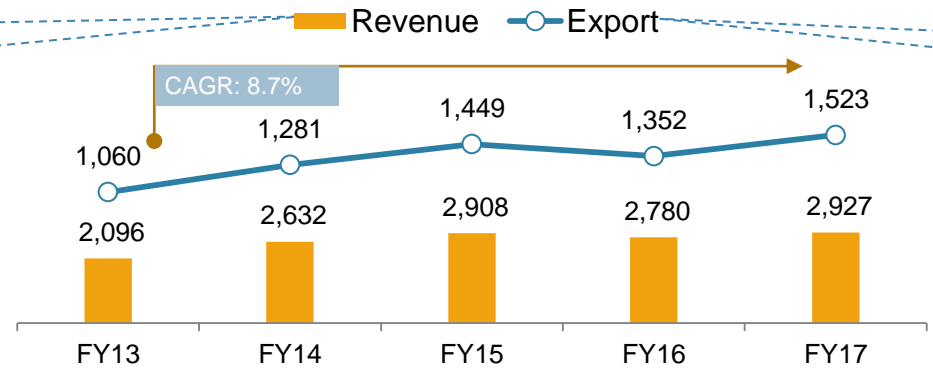
**5 year financial
performance**



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.



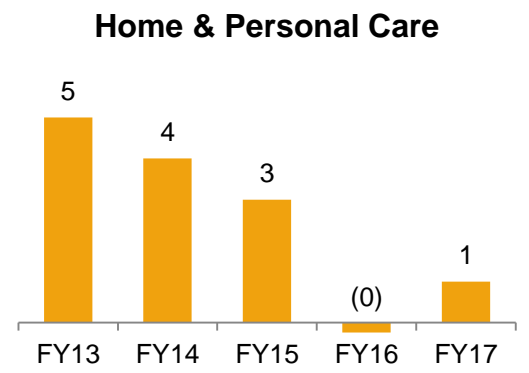
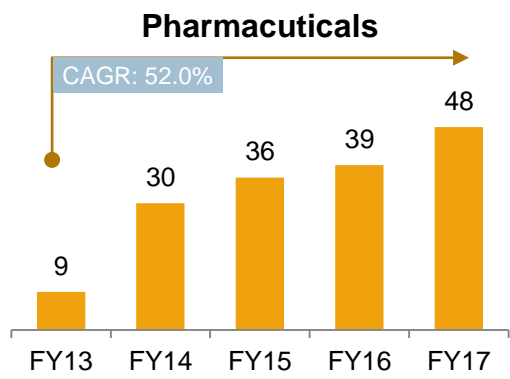
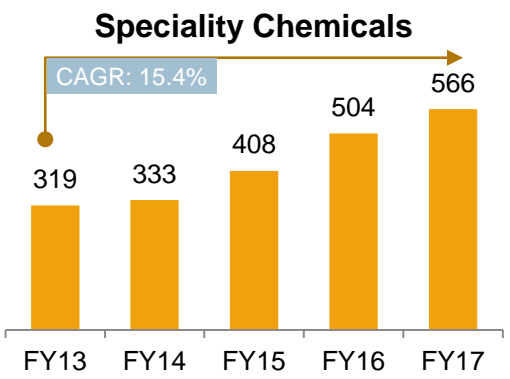
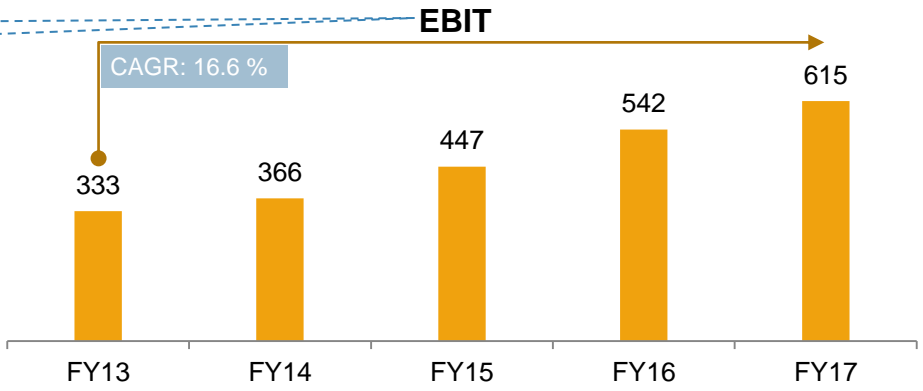
(Rs. Crore)





EBIT Performance (Consolidated)

Higher growth relative to revenue highlights value addition delivered by AIL

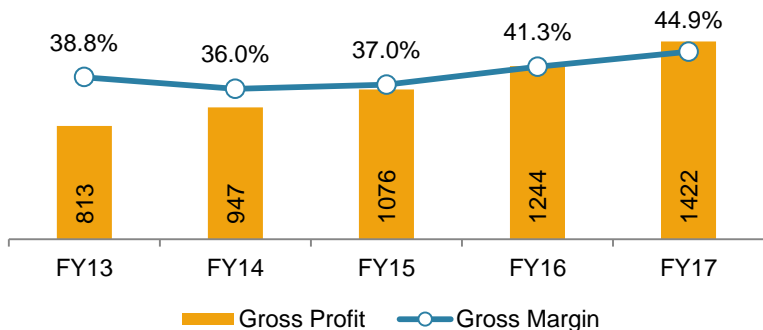


(Rs. Crore)

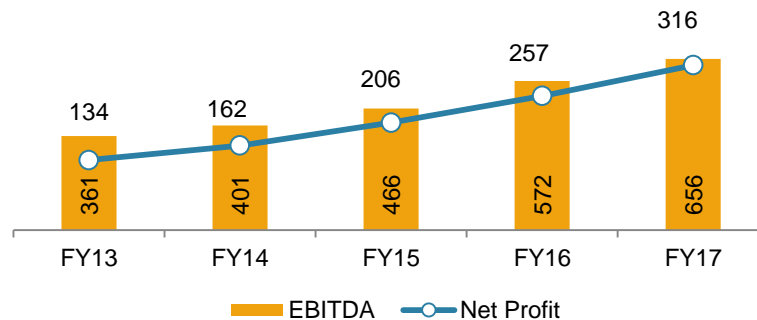


Financial Highlights – (Consolidated)

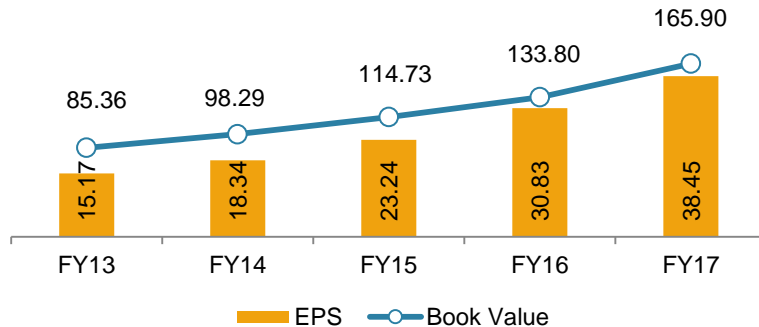
Gross Profit (Rs. Cr.) & Gross margin



EBITDA & Net Profit (Rs. Cr.)

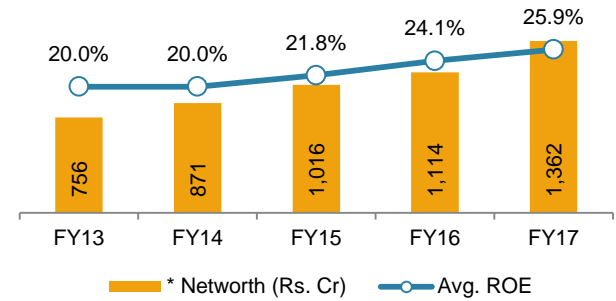
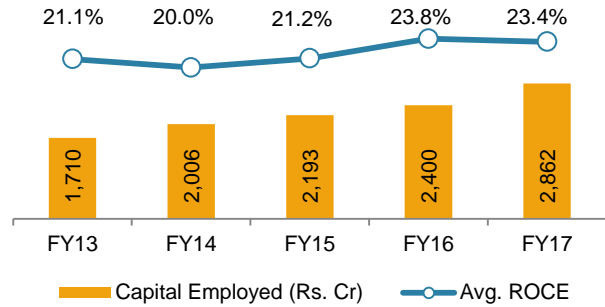


Earnings Per Share (EPS) & Book Value



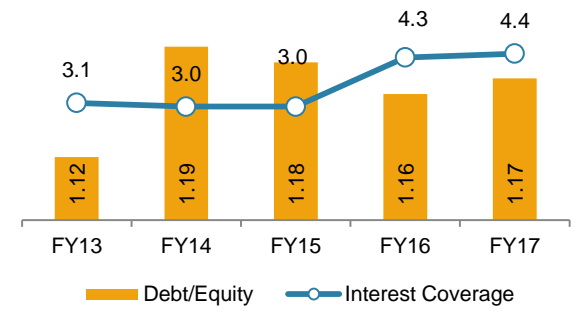
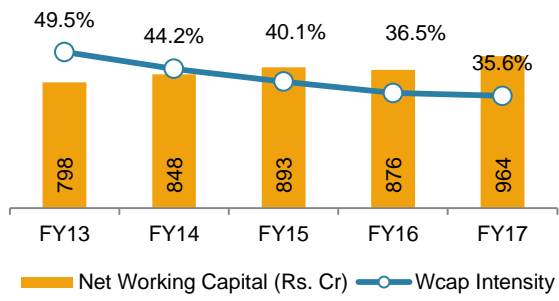
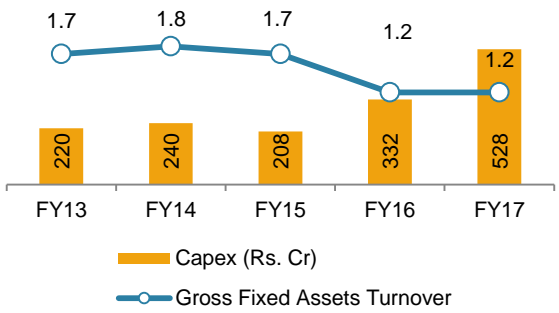


Financial Highlights – (Consolidated)



* 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



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