

Q3 & 9M 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

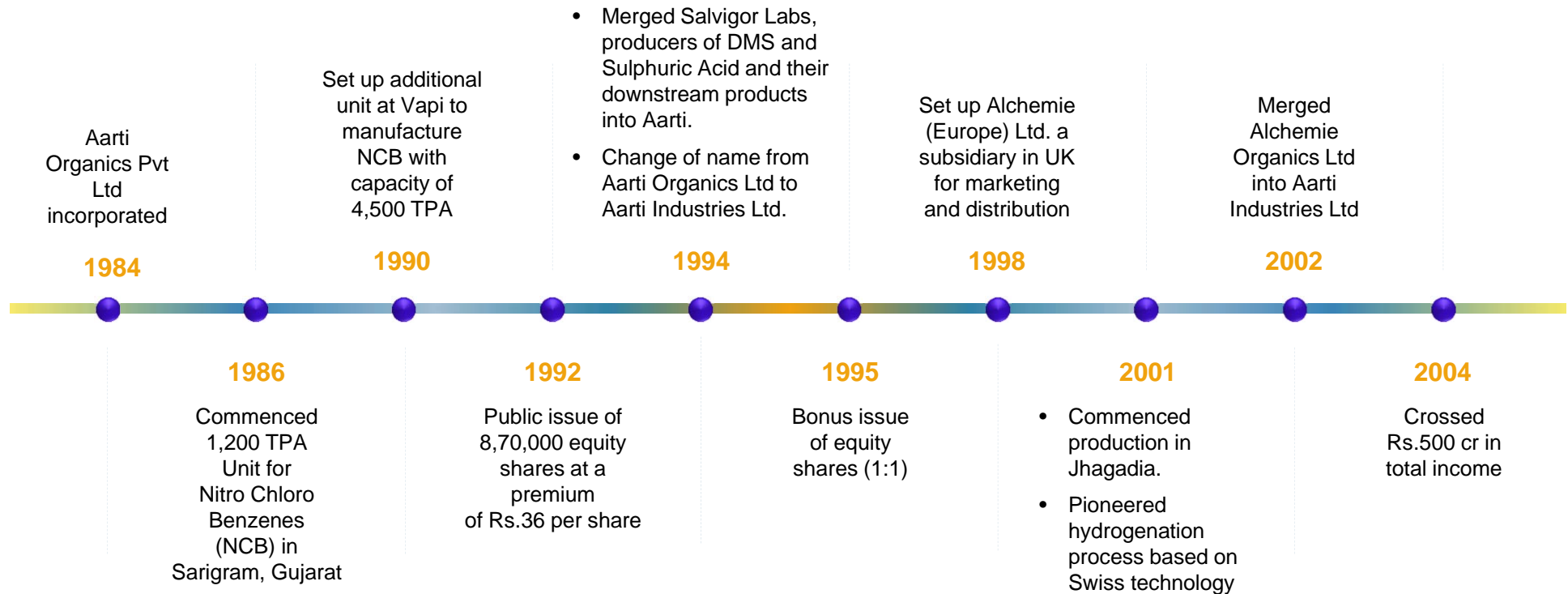
FY 17 Consolidated numbers





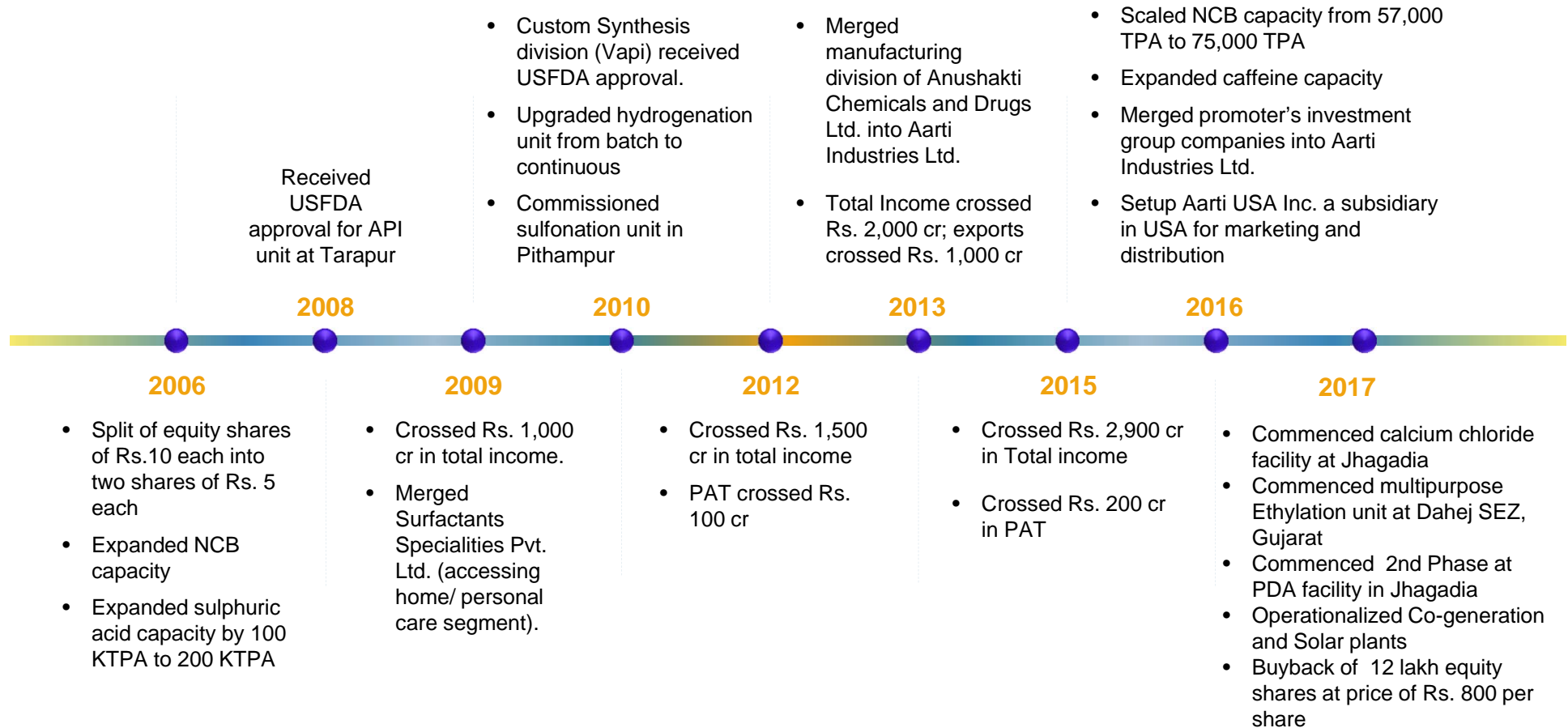
Transformation Journey

Hitting right milestones at right time





Transformation Journey





What differentiates us





Global Partner of Choice

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

Transform from

Make-to-stock to robust
Make-to-order

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

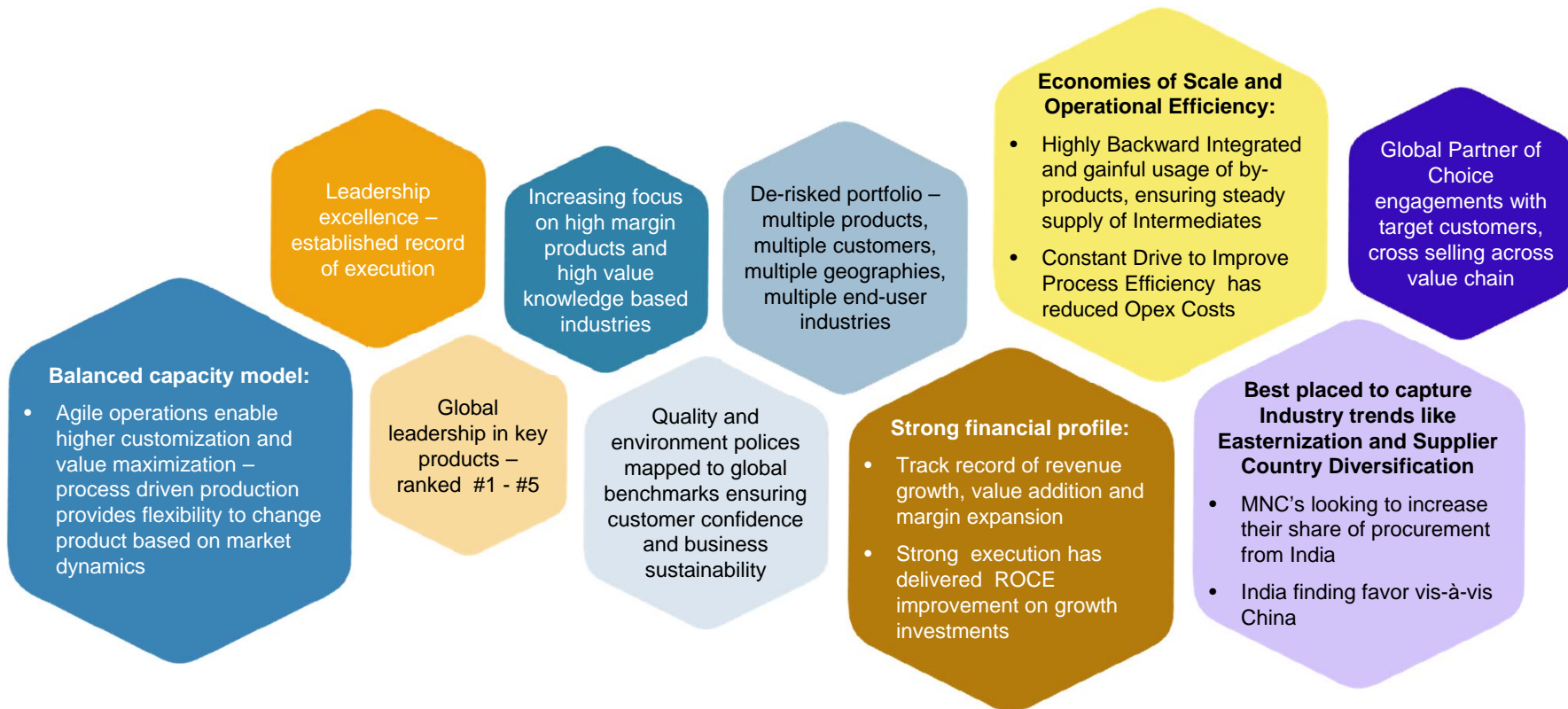
- Invested >Rs. 200 cr in last 5 yrs
- 6 Zero Discharge units
- Reduce-Reuse-Recover





Key Investment Theme

Clear Path to Value Creation





Quarterly Performance



Chairman's Message

Commenting on the performance for Q3 & 9M FY18, Mr. Rajendra Gogri – Chairman & M.D. at Aarti Industries Ltd. said,



"We have delivered 28.5% revenue growth during Q3 with strong momentum across all our business segments. Speciality Chemicals revenues witnessed the 8% volume growth. Q3 financial results have higher revenue contribution from the direct linkage and pass through of raw material prices in long-term contracts. Pharmaceuticals business continues to grow rapidly on increased demand for our products and margins have expanded with scale.

We have recently announced a Rs. 10,000 crore multi-year, exclusive supply contract with a leading global chemical conglomerate over a 20-year period. This follows another Rs. 4,000 crore, 10-year contract signed a few months back and is in line with our objective of developing "Partner of Choice" engagements and contributing to global chemicals supply chains through long-term contracts. Based on such successes, we continue to build best-in-class manufacturing facilities that provide long-term business visibility with positive return on investment.

We are focused on efficient capital allocation and, in addition to ongoing capital expenditure initiatives, we have announced a buy-back program of over Rs. 98 crore. In FY17, we had bought back shares worth Rs. 96 crore. The Company's strong balance sheet and cash flows enable us to simultaneously reward the shareholders, while continuing to invest in growth opportunities .

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 and sustained momentum in pharmaceuticals "





Q3 & 9M FY18 Highlights

Financial & Capex

- Improvement in volumes across segments; EBIT momentum continues.
- Nitro toluene facility at Jhagadia which commenced in the month of September has reached 25% utilization.
- Rs. 390 cr capex (incl WIP) for FY19.

Corporate

- The Board at a meeting held on Dec 21, 2017 approved a buyback program through the tender offer route. Program highlights the Company's belief in its long-term growth prospects and commitment to efficient capital allocation
 - Maximum number of fully paid up equity shares to be bought back – over 8.20 lakh equity shares representing up to 1% of the total number of equity shares of the Company
 - Buyback price per share – Rs. 1,200/- for each fully paid equity share payable in cash
 - An aggregate amount of up to Rs. 98.5 crore (excluding transaction costs) has been allocated for the buyback





Q3 FY18 Highlights

Multi-year contracts

- In Dec 2017, signed Rs 10,000 crore exclusive supply contract with a global chemical conglomerate for supply of a high value speciality chemical intermediate over a period of 20 years

Pharmaceuticals

- Improved performance across various markets
- EBIT performance continues to improve





Q3 & 9M FY18 P&L (Standalone)

Particulars (Rs. Crore)	9M FY18	9M FY17	Y-o-Y Growth (%)	Q3 FY18	Q3 FY17	Y-o-Y Growth (%)
Gross Income from Operations	2,669.92	2,215.88	20.5	990.22	770.23	28.6
Exports	1,192.07	1,029.48	15.8	418.07	376.43	11.1
% of Total Income	44.7	48.4		42.22	52.4	
EBITDA	476.48	455.81	4.5	177.81	150.23	18.4
EBITDA Margin (%)	17.9	20.6		18.0	19.5	
EBIT	378.57	373.44	1.4	144.39	121.76	18.6
EBIT Margin (%)	14.2	16.9		14.6	15.8	
PAT	231.75	232.35	(0.3)	90.19	73.84	22.1
PAT Margin (%)	8.7	10.5		9.1	9.6	
EPS (Rs.)	28.22	28.29	(0.3)	10.98	8.99	22.1

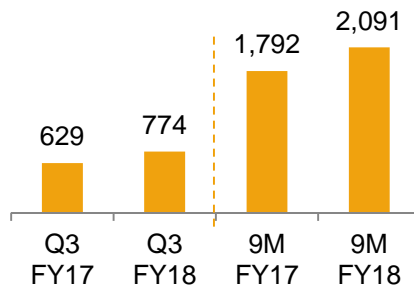
- Higher revenue contribution from the direct linkage and pass through of raw material prices in long-term contracts
- Benefit of marked-to-market gain in our forward contracts that cover medium to long term supply arrangements
- Expenses higher on account of commissioning of projects, volumes to ramp up gradually over 3-4 yrs





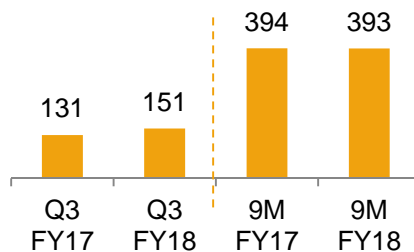
Q3 & 9M FY18 – Speciality Chemicals (Standalone)

Revenue



- Revenues are linked to pass through of key raw-material prices
- Speciality Chemicals volume growth increased by 8% YoY in Q3
 - Expect similar Q4 to sustain Q3 volumes– approx. 8-10% volume growth for H2 FY18

EBIT



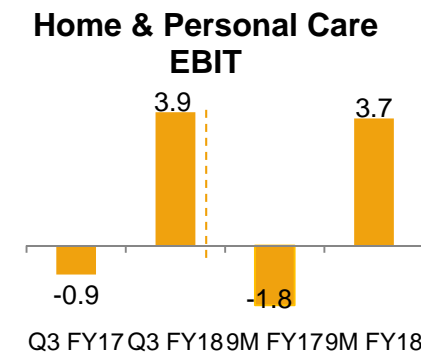
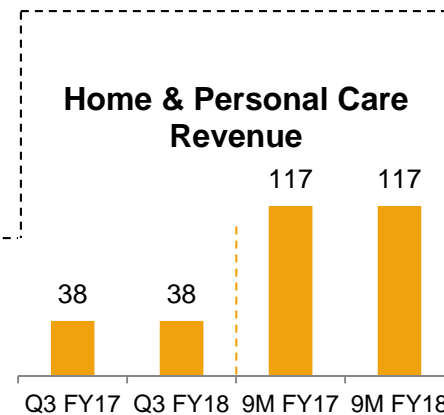
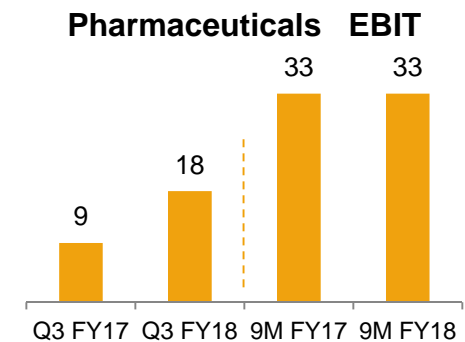
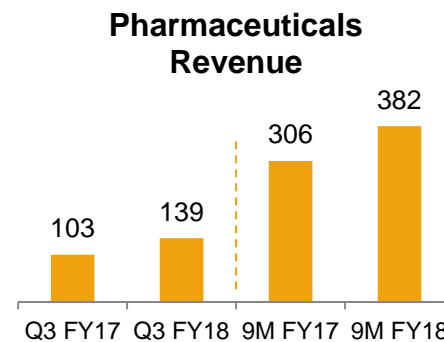
(Rs. Crore)





Q3 & 9M FY18 – Other Businesses (Standalone)

- **Maintained QoQ EBIT run rate 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



- **Significant increase in Segment performance on account of higher volumes and better product mix**
- Non-ionic surfactants, shampoo, hand wash, dish wash
- Recently debottlenecked some operations to expand capacities
- Focus on export-oriented products

(Rs. Crore)

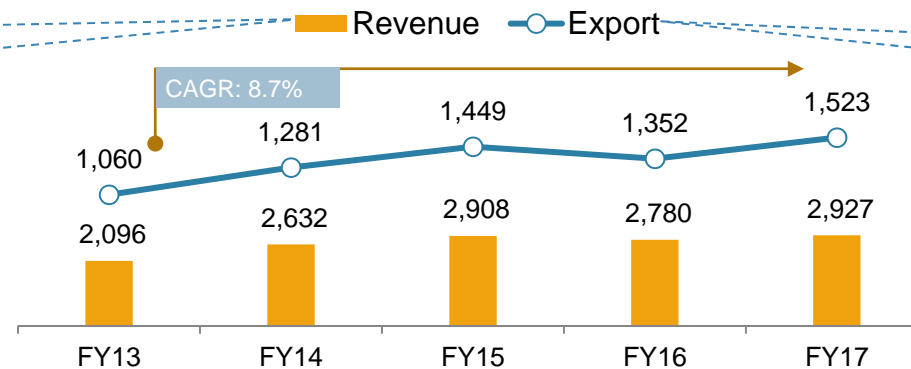


**5 year financial
performance**



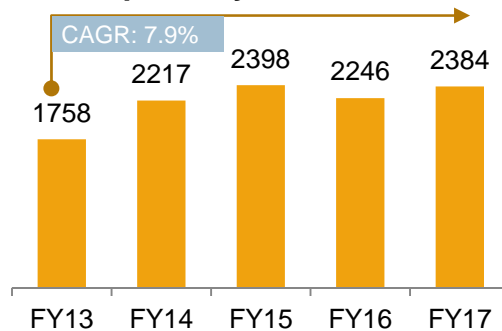
Revenue Performance (Consolidated)

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

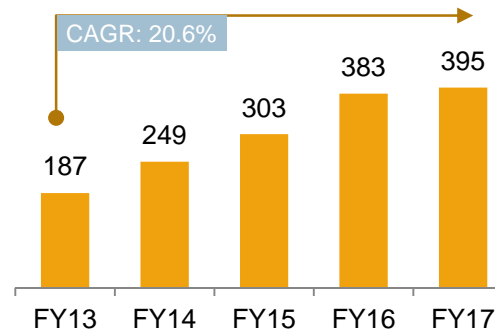


Deep engagement with global customers in Speciality chemicals and pharma. In addition, part of domestic revenues are indirect exports.

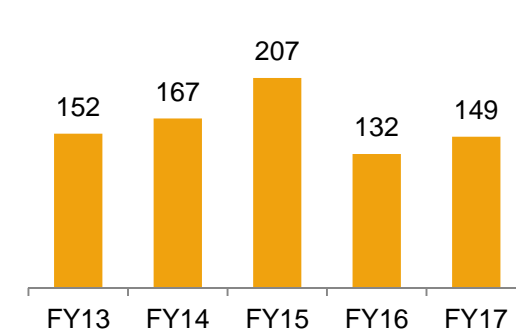
Speciality Chemicals



Pharmaceuticals



Home & Personal Care

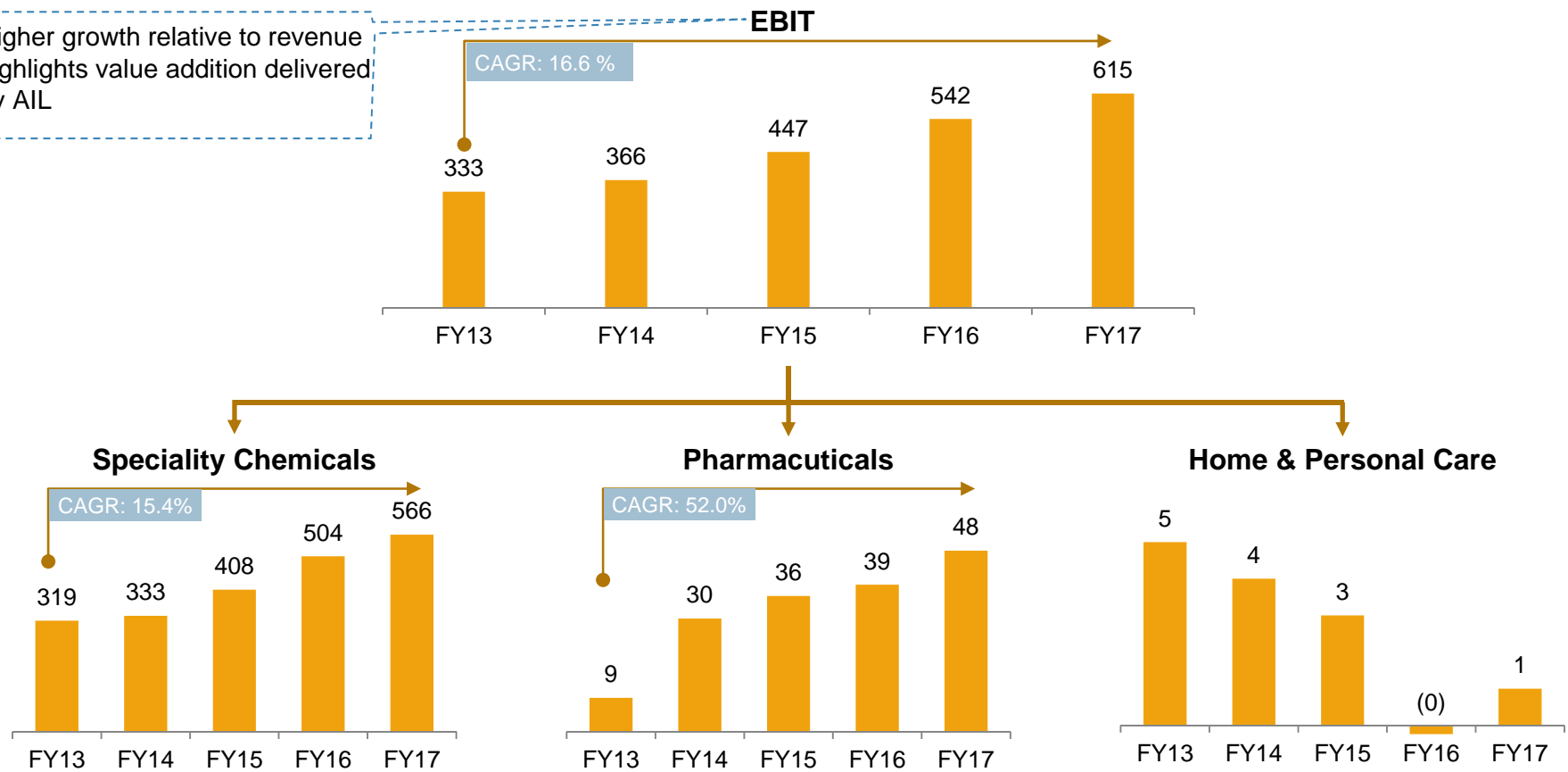


(Rs. Crore)



EBIT Performance (Consolidated)

Higher growth relative to revenue highlights value addition delivered by AIL

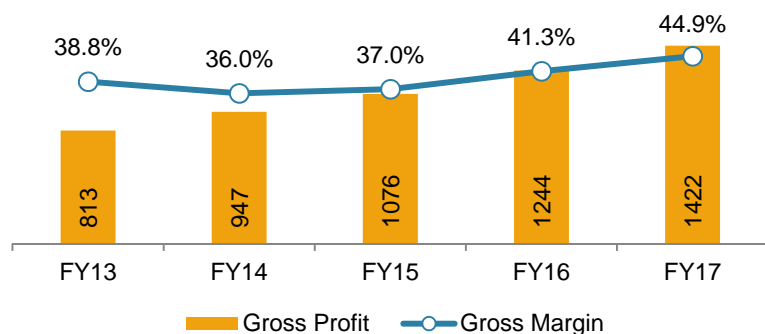


(Rs. Crore)

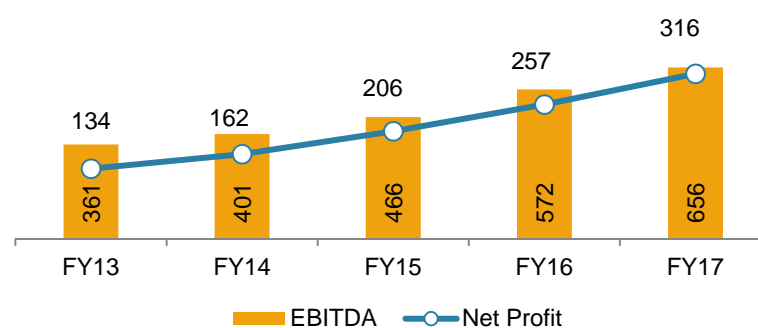


Financial Highlights – (Consolidated)

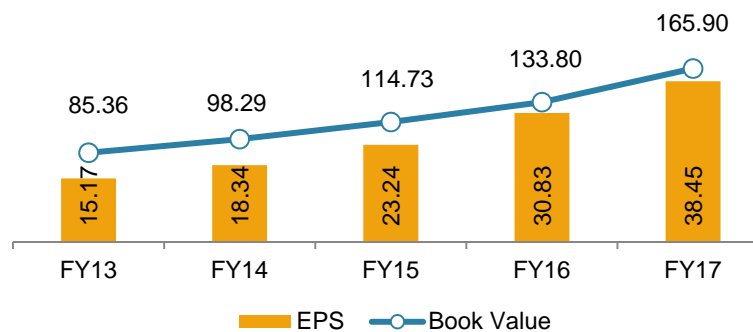
Gross Profit (Rs. Cr.) & Gross margin



EBITDA & Net Profit (Rs. Cr.)

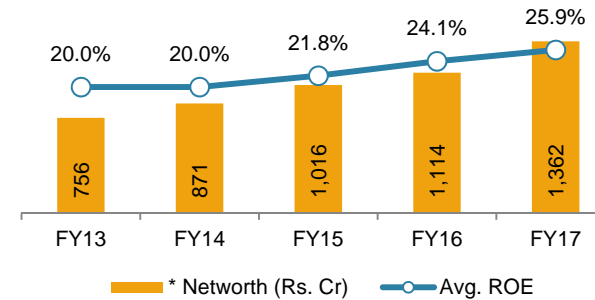
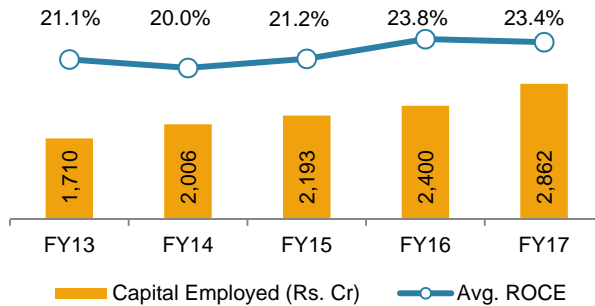


Earnings Per Share (EPS) & Book Value



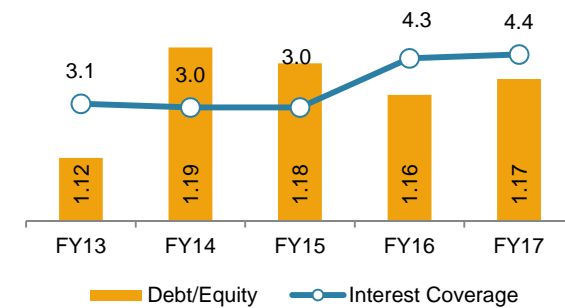
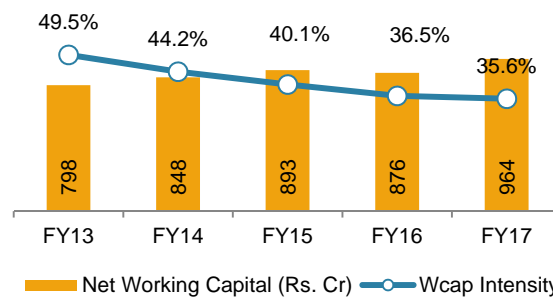
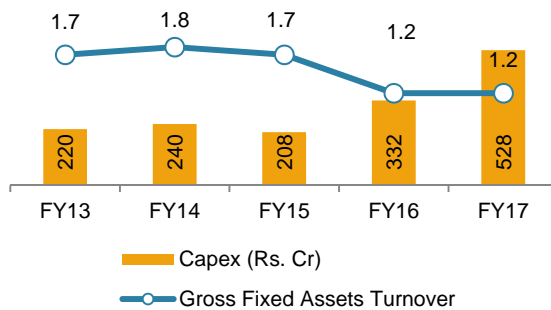


Financial Highlights – (Consolidated)



* 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





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