



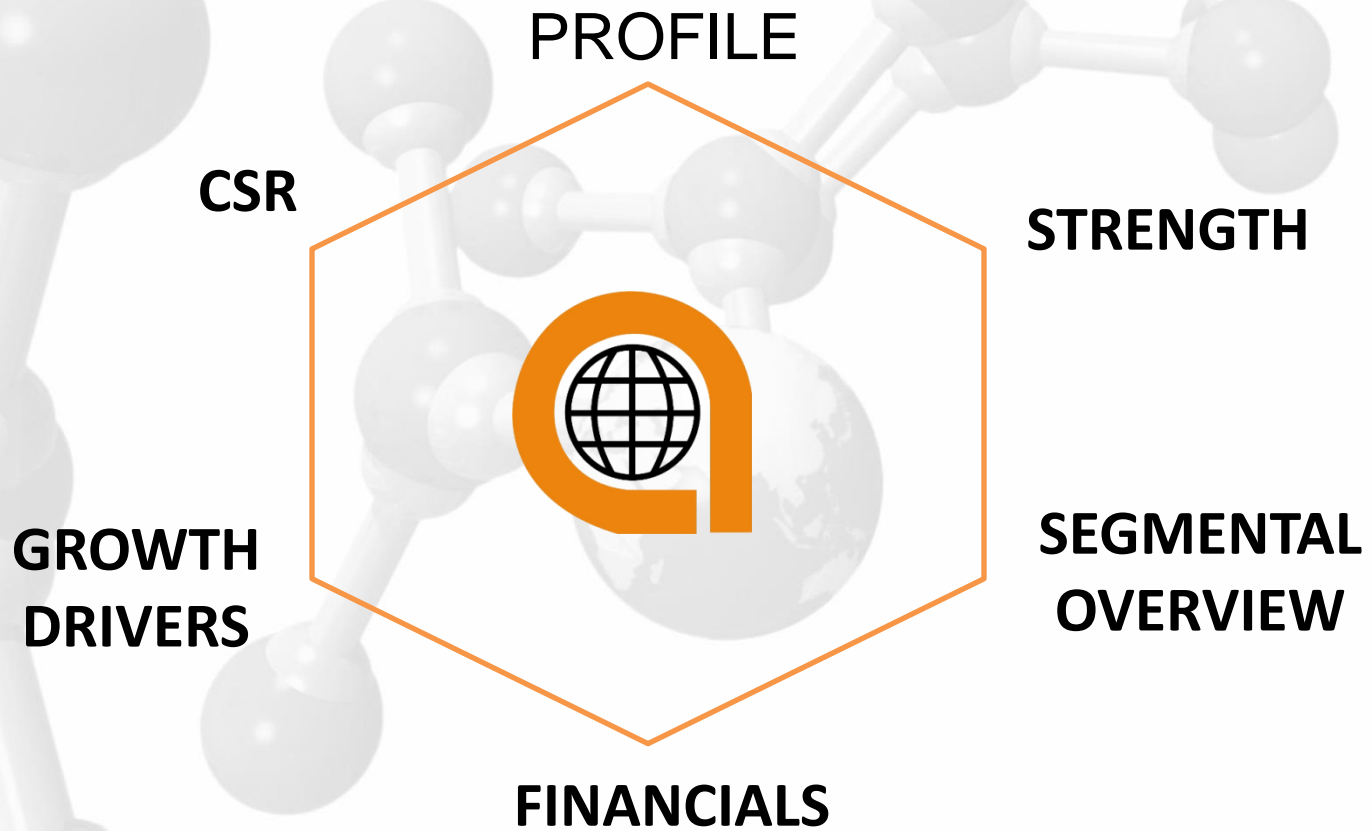
AARTI INDUSTRIES LIMITED

RIGHT CHEMISTRY FOR BRIGHTER TOMMOROW

Analyst Meet June 2014



AARTI INDUSTRIES LIMITED



To emerge as Key source to leading Global consumers of Specialty Chemicals and Intermediates for Pharmaceuticals, Agro Intermediates, Polymers and Dyes, Aromatics & Surfactants.

Mission



AARTI INDUSTRIES LIMITED

- To constantly strive to set up and maintain global size facilities.
- To become customer-driven company by providing customized solutions and service to meet changing customer requirements.
- To maintain consistent quality and timely delivery at competitive prices.
- To use best cost effective manufacturing methods supported by proven, eco-friendly and safe technologies.
- Commitment to growth by Research & new product development & progressive increase in Exports.
- Continuous focus on people to encourage and nurture winning organizational culture.
- To meet the challenges of competition by dynamic management drive.



- **Leading manufacturer of Speciality Chemicals & Pharmaceuticals** with diversified end-uses in Pharmaceuticals, Agrochemicals, Polymer, Additives, Surfactants, Pigments, Dyes, etc.
- Promoters are [First Generation Technocrats](#) with sound entrepreneurial Skills.
(Out of Seven Promoter Directors, Five are from Engineering Background)
- Manufacturing units of **Global Scale & Size** and are situated in the [State of Gujarat, Maharashtra, Madhya Pradesh and U.T. of Silvassa](#).
- **Highly integrated Plants** with Cost-Efficient Manufacturing Process,.
- Pioneer to introduce **latest technology** and manufacturing processes in India with the help of [World Class R & D](#)
- Globally ranks at **1st - 5th Position** for majority of its key products

Management Profile



AARTI INDUSTRIES LIMITED



Mr. Rajendra Gogri - Chairman & M.D.

- Founder Director
- Chemical Engineer-UDCT, Masters-Chem. Engg (IOWA State USA)
- Portfolios - Speciality Chemicals Segment , Strategic Planning, Financial Management



Mr. Rashesh Gogri - Vice Chairman & M.D.

- Production Engineer
- Portfolios - Imports, Information Technology, Head - Pharma Segment
- Had been instrumental in turning around the Pharma business



Mr. Shantilal Shah - Vice Chairman

- Founder Director
- Commerce Graduate
- Portfolio: Financial Management



Mr. Parimal Desai - Director

- Founder Director
- Chemical Engineer from UDCT (now known as ICT)
- Portfolios: Technical and Research & Development, Projects, Head- Home & Personal Care Segment.

Management Profile

(continued...)



AARTI INDUSTRIES LIMITED



Mr. Manoj Chheda - Director

- Commerce Graduate
- Portfolios - Marketing of various Performance & Agrochemicals



Mrs. Hetal Gogri Gala - Director

- Electronics Engineer and MDP from IIM - Ahmedabad
- Portfolio: Purchases, Supply Chain Management, HR & Admin



Mr. Kirit Mehta - Director

- Commerce Graduate
- Portfolio: Factory Administration



Mr. Renil Gogri - Director

- Mechanical Engineer from IIT, Mumbai
- Portfolio: Process Automation, IT.

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Manufacturing Facilities



AARTI INDUSTRIES LIMITED



★ HEAD OFFICE - MUMBAI

○ PRODUCTION SITES

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Quality Control And R&D



AARTI INDUSTRIES LIMITED

2 STATE of ART DSIR R&D Centres

➤ KEY ANALYTICAL INSTRUMENTS

- Gas Chromatograph
- HPLC
- Auto Titrator
- FT IR Spectrophotometer
- UV – Visible Spectrophotometer
- Atomic Absorption Spectrophotometer
- Digital Polar meter
- Digital Melting Point
- L.C.M.S.

➤ R & D PROCSS EQUIPMENT

- Glass Reaction Equipment
- High Pressure Autoclave
- Glass Lined Reactors
- SS 316 Reactors
- Fractional Distillation
- Sparkler Filter
- Centrifuges



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A faint, light gray background image of a molecular structure, showing various spheres (atoms) connected by lines (bonds).

EXCELLENCE
INNOVATION SUSTAINABILITY
CUSTOMER ORIENTATION
SAFETY CARING
SOCIAL RESPONSIBILITY
INTEGRITY COMMITMENT



- First Generation Technocrats-Mr. Chandrakant Gogri, Founder Chairman retired in Aug 2012 and advising in the capacity of Chairman Emeritus.
- Presence in high margin specialty chemicals with diverse applications
- Global Scale Units, manufacturing more than 125 products
- Ability to Supply Basket of products to Global Customers & MNCs
- Tagged as “Strategic Supplier” by various Global MNCs
- Backward Integration
- Latest Manufacturing Technology & World Class R&D
- Superior Cost Management Skills & Economies of Scale
- Capability to convert by-products into commercially viable product
- IPRs for Developing Customized Products & Products under Secrecy Agreements
- Captive Power Plants

Financial Highlights (consolidated)



AARTI INDUSTRIES LIMITED

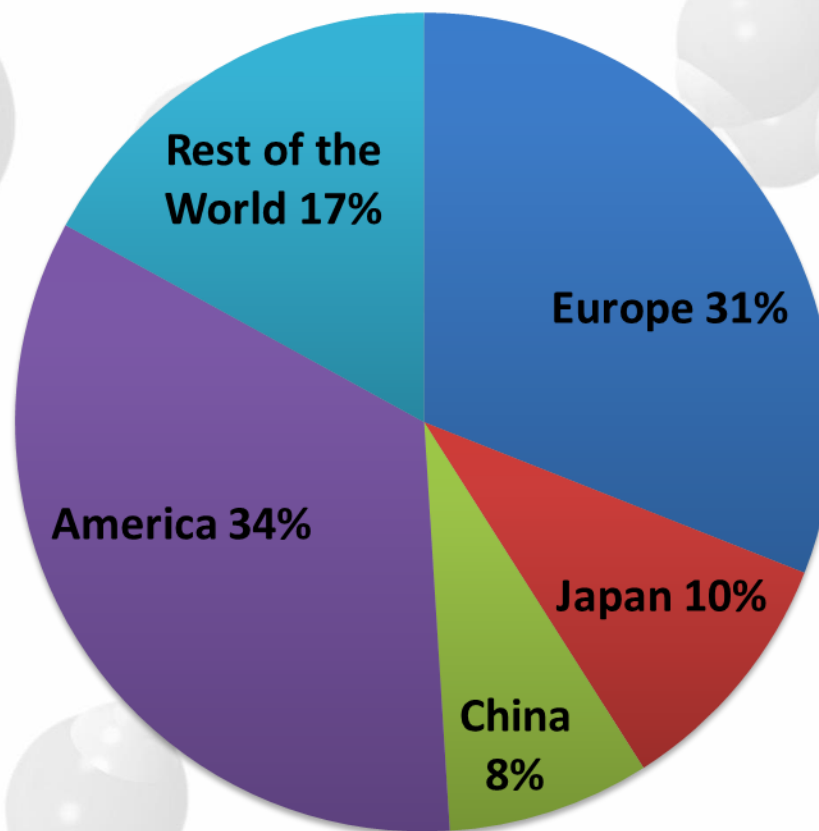
In Rs. Lakh

Particulars	Annual FY13-14	Annual FY12-13	Annual FY11-12	Annual FY10-11
Total Income	263,249	209,625	167,331	145,300
• Exports	129,650	105,961	72,778	56,801
<i>% of Total Inc.</i>	<i>49.25%</i>	<i>50.55%</i>	<i>43.49%</i>	<i>39.09%</i>
EBITDA	40,148	36,121	24,927	19,789
<i>EBITDA Margin</i>	<i>15.25%</i>	<i>17.23%</i>	<i>14.90%</i>	<i>13.62%</i>
EBIT	31,296	27,837	19,442	14,808
<i>EBIT Margin</i>	<i>11.89%</i>	<i>13.28%</i>	<i>11.62%</i>	<i>10.19%</i>
PAT	16,244	13,441	10,326	8,149
<i>PAT Margin</i>	<i>6.17%</i>	<i>6.41%</i>	<i>6.17%</i>	<i>5.61%</i>
EPS	18.34	15.17	13.45	10.62

Geographical Spread of Exports



AARTI INDUSTRIES LIMITED



AARTI's esteemed Customer list includes Leading Multinationals and Global Giants 13

Reclassification of Segments



AARTI INDUSTRIES LIMITED

The Company is a multi product and multi faceted one.

The operations were earlier classified into four segments viz, Performance Chemicals, Agri Intermediates & Fertilizers, Pharmaceuticals and Home & Personal Care Segment based on enduse applications.

However in case of Performance Chemicals and Agri Intermediates & Fertilizer Segment, a majority of manufacturing facilities are common and interlinked, as a result the segmental performance for these two segments would fluctuate depending on the product mix adopted at each reporting period.

Thus for better interpretation of operations resulting on account of the interchangeable operations, it is decided to merge these two segments into a reportable segment as “Speciality Chemicals”.

FY13 Segmental Revenue (consolidated)



AARTI INDUSTRIES LIMITED

In Rs. Lakh

Segments	Annual FY13-14	% of Total Income	Annual FY12-13	% of Total Income
Speciality Chemicals	221,667	84.20%	175,779	83.85%
Pharmaceuticals	24,898	9.46%	18,684	8.91%
Home & Personal Care	16,683	6.34%	15,162	7.23%
Total Income	263,249	100.00%	209,625	100.00%



Speciality Chemicals

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

Home & Personal Care

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

Pharmaceuticals

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

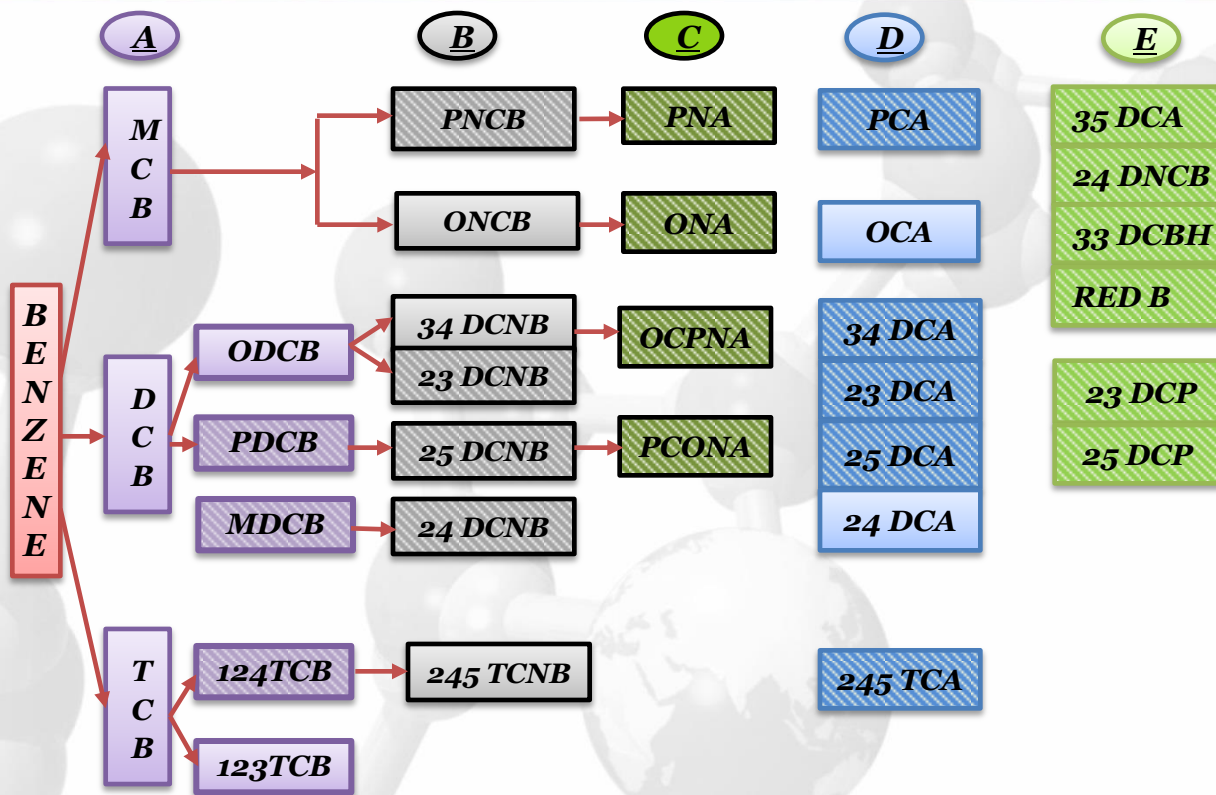


- ☐ Global Size Plants
- ☐ Highly Integrated Operations
- ☐ Wide usage/ end user applications
- ☐ Strong Customer base
- ☐ Co Product Balancing
- ☐ By-product usage.

Benzene Based Value Chain



AARTI INDUSTRIES LIMITED



A

Chlorination
(Ranked amongst Top 3 Globally)

D

Hydrogenation
(Ranked amongst Top 2 Globally)

B

Nitration
(Ranked amongst Top 4 Globally)

E

Others

C

Ammonolysis
(Ranked amongst Top 2 Globally)

[Managing Isomer/
Coproduct Imbalance](#)

[Gainful Usage of
By Product](#)



- Manufacturing of isomers as well as their downstream products
- Isomers (Joint Products)
 - PNCB/ONCB
 - PDCB/ODCB
 - PNT/ONT
- Different isomers has different growth rate. Hence, one isomer is generally in short supply
- Natural insulation against short supply of precursor raw-material
- Thus, **consistent supply** resulting into **customer confidence** and hence **more market share**.

Gainful usage of by-products



AARTI INDUSTRIES LIMITED

Aarti has been able to convert its by-products from various processes into commercially viable product, thereby contributing to the profitability of the company.

By-Products	Gainful Usage
Steam From Sulphuric Acid Plant	Power generation (6MW Power Plant) & distillation (ONCB/PNCB)
Dilute Hydrochloric Acid	Chloro Sulfonic Acid / Calcium Chloride <i><u>Pioneer to manufacture Calcium Chloride Granules used for Oil Exploration and De-icing activities.</u></i>
Dilute Sulphuric Acid from Nitration	Single Super Phosphate (SSP) fertilizer
Dilute Sulphuric Acid	Di Calcium Phosphate (Nutrients)

Other Complex Chemistry



AARTI INDUSTRIES LIMITED

- ☐ Halex Chemistry
- ☐ Phthalates
- ☐ Daizotisation
- ☐ Denitro Chlorination
- ☐ Methoxylation
- ☐ Alkylated Anilines & toulidines.

Speciality Chemicals

(Polymers & additives)



AARTI INDUSTRIES LIMITED

Salient Features	<ul style="list-style-type: none">• Largest manufacturer of various polymer intermediates in India and a leading global manufacturer
Growth Drivers	<ul style="list-style-type: none">• Demand for high performance polymers expected to grow with:<ul style="list-style-type: none">• Increase in demand for fuel efficient modes of transportations• Robust demand from sunrise industries - electronics, mobile communication technologies etc.• Developing new products & expanding capacities in high performance engineering polymers space• Additional hydrogenation capacities at Jhagadia will help to cater to the growing demand of these chemicals globally.



Speciality Chemicals

(dyes, paints, pigments & printing inks)



AARTI INDUSTRIES LIMITED

Salient Features	<ul style="list-style-type: none">• Largest manufacturer of Specialized Pigment & paint Intermediates in India and leading global manufacturer.• Demand for pigments, Paints, etc are steadily growing globally and would generally continue to grow in proportion to the GDP
Growth Drivers	<ul style="list-style-type: none">• Demand for pigments, Paints, etc are steadily growing globally and would generally continue to grow in proportion to the GDP• A major Japanese company is discontinuing the production due to unfavorable currency adjustment, resulting in an opportunity to grow at a faster pace than normal growth• Commissioned Additional Capacities for key Pigment intermediate at Vapi, to capitalize on the demand-supply gap in global markets.

SUDARSHAN

Atul

A member of Lalbhai Group



MICRO INKS

A Huber + Bilakhia Company



**Apollo
Colors
Inc**

**Flint
ink**

SunChemical

DIC group



Clariant

BASF
The Chemical Company

HUNTSMAN

Enriching lives through innovation

Speciality Chemicals

(Agrochemicals Intermediates & Fertilizers)



AARTI INDUSTRIES LIMITED

Growth Drivers

Agrochemicals & intermediates

- Is fuelled by widespread global demand
- Expanding capacities to manufacture agrochemical intermediates in view of the increase in global demand of various pesticides, herbicides etc.
- Exports accounts for about 49% of the total revenues, also large quantum of domestic sales is ultimately exported

Fertilizers & Nutrients

- Single Super Phosphate: One of the most widely used fertilizer. India is the 3rd Largest consumer after China & Brazil.
 - In India, the annual consumption of SSP is over 30 lakhs MT. Our Market Share in about 2-3 %.
 - Production limited to by-product manufactured.
- Nutrients: (Di Calcium Phosphate, a broadly used cattle-feed)
 - Our sales for FY 13-14 was 4,397 MT (FY 12-13 3,582 MT).
 - In process of expanding the capacity to increase our presence in this segment (targeting 20% Y-o-Y growth).





Speciality Chemicals

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

Home & Personal Care

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

Pharmaceuticals

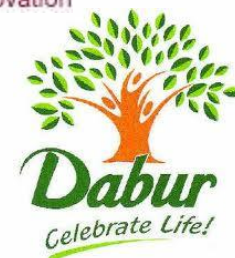
- Active Pharmaceutical Ingredients (APIs)
- Intermediates for Innovators & Generic Companies

Home & Personal Care Chemicals AARTI INDUSTRIES LIMITED

Facilities	One unit each at Pithampur (Madhya Pradesh) & at Silvassa
End User Industry	FMCGs - Shampoos, Anti-Dandruff Shampoos, Disinfectants, Hand & Body wash, Dish Wash, Detergents Bars & Powders, Soaps, Tooth Powders & Paste etc.
Salient Features	<ul style="list-style-type: none">• Relatively low margin business.
Growth Drivers	<ul style="list-style-type: none">• Plans are afoot to optimize on the production capabilities to suitably alter/revise the product mix and explore new markets to improve the margins.



Hindustan Unilever Limited





Speciality Chemicals

- Polymer & additives
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Pharmaceuticals

- Active Pharmaceutical Ingredients (APIs)
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Facilities	In all four Manufacturing units of which - two are USFDA approved facilities & other two are WHO GMP approved facilities
End User Industry	Global Generic Pharmaceutical Companies, Innovator and Large Pharmaceuticals MNCs, Branded Generic Indian Pharma Companies.
Salient Features & Strengths	<ul style="list-style-type: none"> • cGMP compliant plants meeting ICH Q7 standards enabling buyers to use API in all regulated markets • Exports contribute about 50% of its total revenue from pharmaceuticals segment & about 60% of the total exports is in lucrative regulated markets of USA & EU. • Breakeven in FY 2012. • 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. • Revenues from Pharma segment were at Rs. 249 crores for FY14 v/s Rs. 187 crores for FY13, a Y-o-Y growth of 33% and EBIT increased from 9.5 crs for FY 13 to 29.8 crs for FY14. EBIT margins increased from 5% for FY 13 to 12% for FY14.

RANBAXY
LABORATORIES LIMITED

TEVA
TEVA PHARMACEUTICALS



SANDOZ

Cipla
Caring for life



Actavis

Financial Highlights (consolidated)



AARTI INDUSTRIES LIMITED

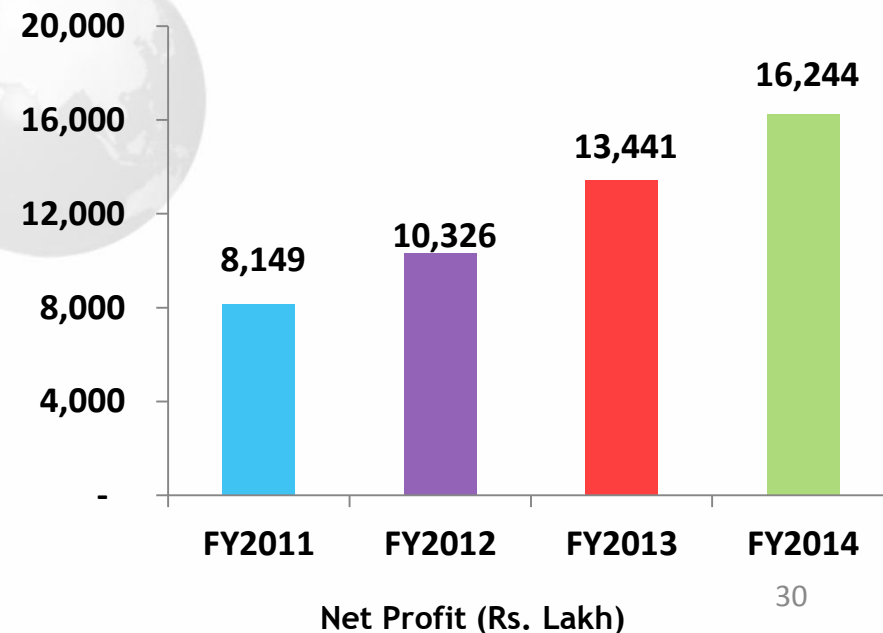
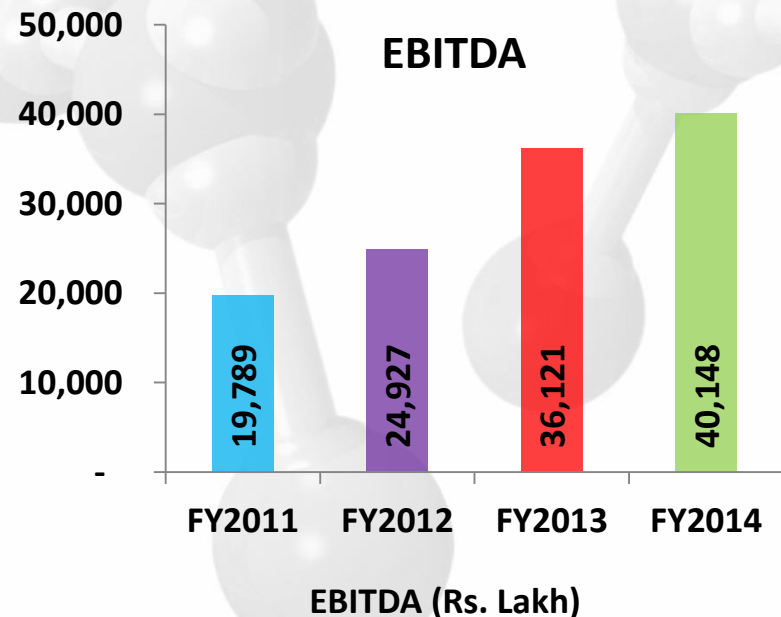
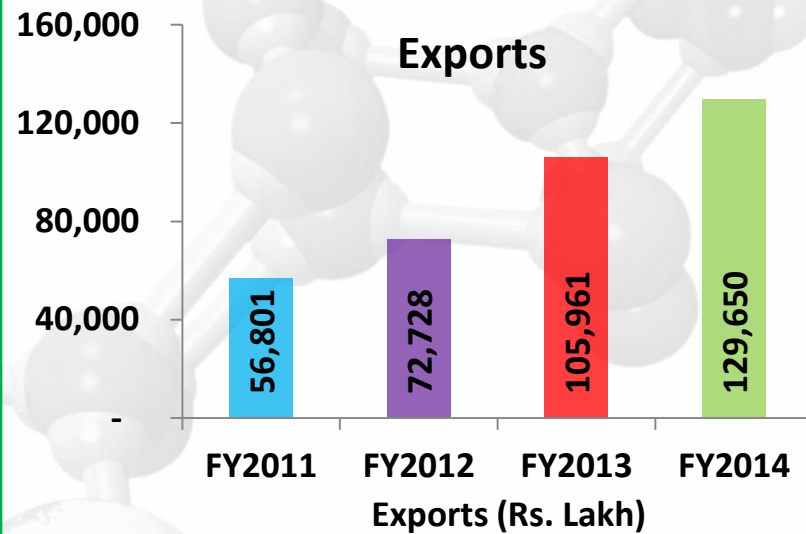
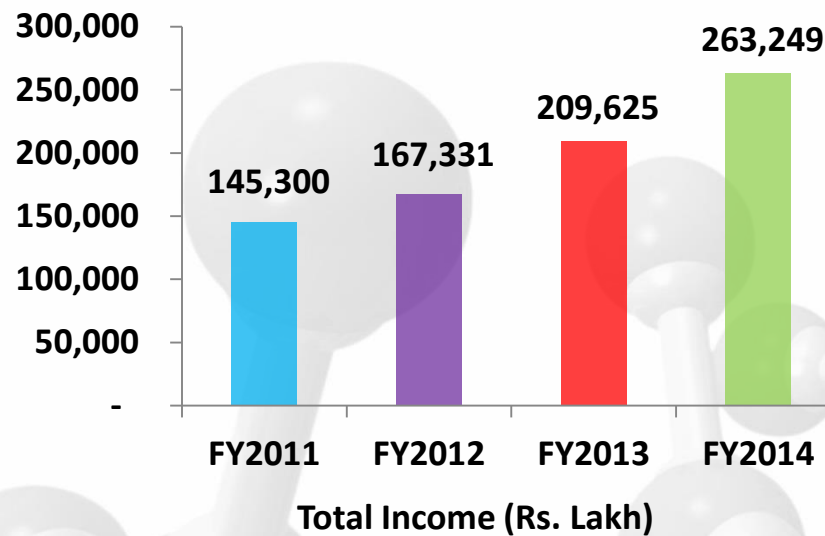
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Financial Highlights – Graphical Layout (consolidated)



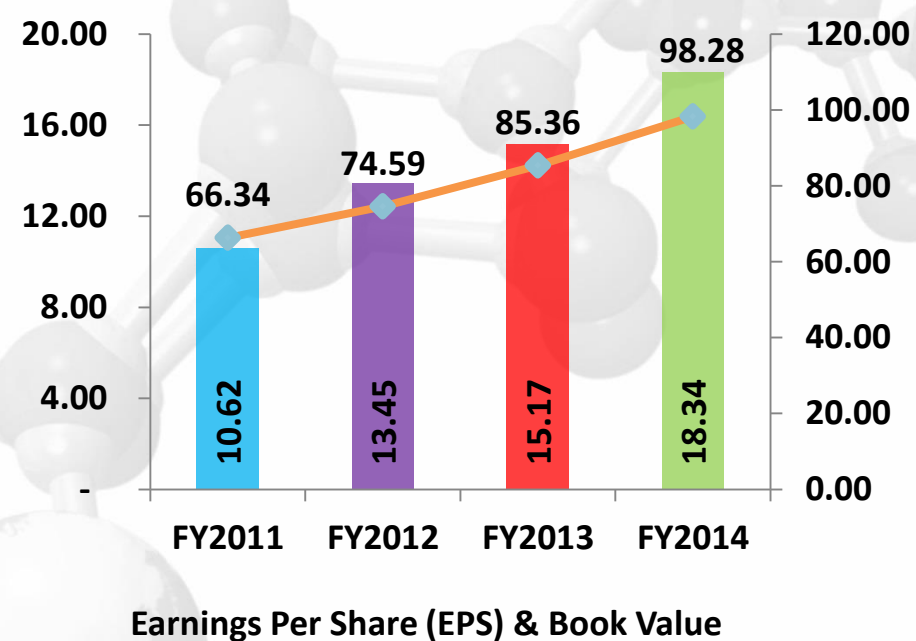
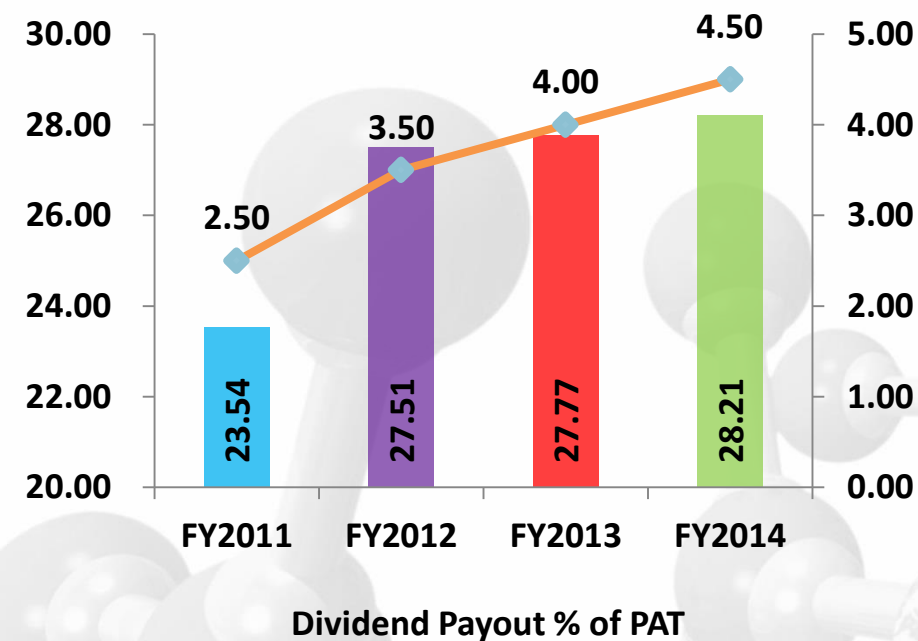
AARTI INDUSTRIES LIMITED



Financial Highlights – Graphical Layout (consolidated)



AARTI INDUSTRIES LIMITED





- With exports contributing over 50% of revenues, Strong Customer base with Strategic alliances with major global players to contribute significantly for future growth.
- De-risking or shift of Concentration/dependence on China by various Global Majors to benefit Indian Manufacturers.
- Increased Competitiveness of Indian Rupee v/s Chinese Yuan.
- Limitation in Capacities of Common Effluent Treatment Facility
 - Aarti has upgraded two of its manufacturing units into Zero Discharge of Liquid Effluents.
 - Substantial Investments are being made to upgrade the ETP Setup.
- Increased thrust for Plant Automation and Upgradation.
- Adopted principle of 3R i.e. Reduce - Recover - Reuse of Energy and Solvents thereby bringing in cost efficiencies and also reducing the burden on environment.
- Consistently developing new product lines and adopting Greener technologies.

Expansion of NCB Capacities



AARTI INDUSTRIES LIMITED

Salient Features

- Largest Manufacturer of Nitro Chloro Benzenes in India and ranks 3rd Globally.
- Major German Company closed down production due to lower captive demand. This has opened a large market both domestic as well as exports for these chemicals.
- Against present capacity of 57000 MT, our production in FY14 was about 53000 MT (48000 MT for FY12).
- Proposed to expand this capacity to 75000 MT.
- New capacity being commissioned in phased manner.



Hydrogenation Technology



AARTI INDUSTRIES LIMITED

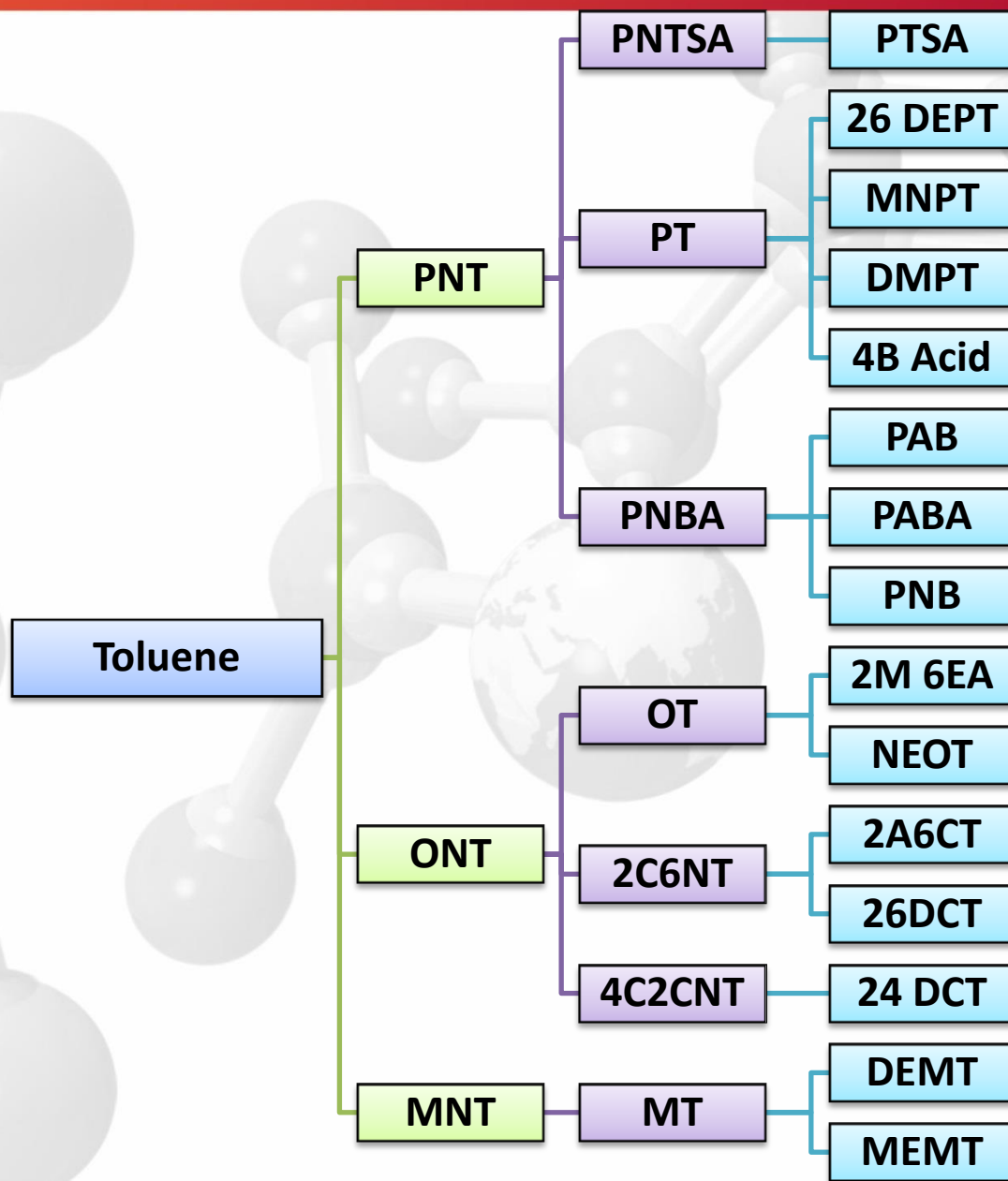
- Pioneered the Greener Hydrogenation process based on Swiss Technology .
- The process was upgraded from semi-batch to continuous (in 2010) - enhancing the production capabilities by more than 100% (from 700 tpm to 1500 tpm) and commissioned additional unit thus increasing the capacity from 1500 tpm to 3000 tpm by end of FY13
- The hydrogenation unit was upgraded into a zero discharge unit in FY12 (by adopting cleaner processes)
- Also, a backward integrated Hydrogen Gas Generation Plant is already commissioned.
- Expansion in capacities coupled with strong market position will enable the company to significantly boost up the revenues for the Speciality Chemicals segments.
- Production Volumes increased from 1165 tpm in FY12 to 1390 tpm in FY13 and over 1650 tpm in FY14.



Toluene Based Value Chain



AARTI INDUSTRIES LIMITED





Growth Drivers

Active Pharmaceuticals Ingredients (APIs)

- 42 commercial APIs with 33 EDMF, 27 USDMF and 15 CEP (4 under approval)
- 12 new APIs under development.
- Own Backward integrated facilities for most APIs.
- Exports to US and EU increasing to 60% of Total exports 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.
- Scaled up to 9 blocks from earlier 4 blocks.

Pharma Intermediates for Innovator & Generics Company

- CRAMs activity focused on intermediates
- Dedicated 50 scientist working in separate R&D block for these Intermediates.
- Offering end to end solution from process development to toll manufacturing.
- Have developed 15 APIs and 10 are under development
- Setting up an additional block catering to both captive consumption as well as for our customers.

New Unit for Caffiene

- To set up a new unit for Caffeine dedicated to meet the demand for the Energy Drinks manufacturers.

Major Projects in Progress



AARTI INDUSTRIES LIMITED

Major Projects	Details	Expected Outlay
Hydrogenation Unit at Jhagadia	Expansion for Polymer intermediate	30 crs
Nitration Unit at Jhagadia	Expansion into Toulene Chemistry	60 crs
Chlorination & Calcium Chloride Granulation at Vapi	Expansion into base Chlorination Capacity and also for Calcium Chloride Granulation Unit	50 crs
Ongoing Nitration & Pigment Intermediate at Vapi	Debottlenecking and Expansion	20 crs
Pharmaceuticals	Setup of New Caffiene unit, Addition of Block for intermediates and De-bottlenecking of USFDA Unit	60 crs
Home & Personal Care Chemicals	Debottlenecking and Expansion for switch in Product Mix	20 crs
Normal Capex		60 crs
Total Outlay over next 12-18 months		300 crs

These Capex shall facilitate the growth in topline by about 15%-20% and bottomline by 18%-22% CAGR over next 3-4 yrs

Restructuring Proposed



AARTI INDUSTRIES LIMITED

- Promoters directly as well as through Associates Companies & other Promoter Companies hold about 60.88% stake in the Company.
- As at 31st March 2014, 2.16 cr shares held by two associate companies and two Promoter Companies.
- In the process of restructuring to reduce the associates and to bring about transparent as well as investor friendly shareholding structure, these companies would be absorbed into Aarti Industries Limited.
- Upon the Scheme becoming effective, it shall result into
 - Distribution of shares held by corporates to the Shareholders of these company.
 - Reduction/Cancellation of about 52 lakhs shares of the Aarti Industries (Net reduction of sharecapital of about 5.90%)
 - Reduction in Promoter Holding by about 3.70% and corresponding increase in Public float.
- Scheme subject to approval from various regulatory authorities.

CSR Initiatives

Involved in various CSR initiatives with specific focus on Health and Education



Fodder distribution in drought area, Beed, Maharashtra



Maninagar Sanskar Dham, Kutch, Gujarat



Mahavir Health Centre, Alam Nagar, Bihar



Mahavir School/College of Nursing, Vatrak, Gujarat



Tulsi Vidya Mandir, Kutch, Gujarat



Thank You

For further information please log on to www.aartigroup.com or contact:

Mr. Chetan Gandhi / Mrs. Mona Patel

Tel: +91 (22) 6797 6666; Email: info@aartigroup.com

Mr. Siddharth Kumar / Mr. Dhiraj Rajpal

Mobile: +91 9833933447 / 9820106986

Email: siddharth.kumar@adfactorspr.com / dhiraj.rajpal@adfactorspr.com



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