

Ref. No.: AIL/B-36/2018/388 May 14, 2018

To,
Listing/Compliance Department
BSE LTD.

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.

BSE CODE -524208

Dear Sir/Madam,

To,
Listing/Compliance Department
National Stock Exchange of
India Limited

"Exchange Plaza", Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.

NSE CODE: AARTIIND

Ref: Regulation 30(6) of the SEBI (LODR) Regulations, 2015.

Please find enclosed herewith the Q4 & FY18 Results Presentation of the Company for your records.

Kindly take the same on record.

Thanking You,

Yours faithfully,

FOR AARTI INDUSTRIES LIMITED

COMPANY SECRETARY

ICSI M. NO. A15526

Encl. As above.







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





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 Emertius

Highly integrated operations

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

Present in niche chemistry spaces. Multi-year multiproduct relationships with several leading global customers

Manufacturing ...Plants

2

**USFDA Units** 

4,000+

**Employees** 

125+

Products Global C

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

EBIT in Rs. crore

2,985

556

26

3

FY 18 Consolidated numbers

----- 5

581

79

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## **Transformation Journey**



### Hitting right milestones at right time

Aarti Organics Pvt Ltd incorporated

1984

Set up additional unit at Vapi to manufacture NCB with capacity of 4,500 TPA

1990

 Merged Salvigor Labs, producers of DMS and Sulphuric Acid and their downstream products into Aarti.

 Change of name from Aarti Organics Ltd to Aarti Industries Ltd.

1994

Set up Alchemie (Europe) Ltd. a subsidiary in UK for marketing and distribution

1998

Merged Alchemie Organics Ltd into Aarti Industries Ltd

2002

#### 1986

Commenced 1,200 TPA Unit for Nitro Chloro Benzenes (NCB) in Sarigram, Gujarat

### 1992

Public issue of 8,70,000 equity shares at a premium of Rs.36 per share

### 1995

Bonus issue of equity shares (1:1)

### 2001

- Commenced production in Jhagadia.
- Pioneered hydrogenation process based on Swiss technology

#### 2004

Crossed Rs.500 cr in total income



## **Transformation Journey**



- Crossed Rs.
   1,000 cr in total income.
- Merged Surfactants Specialities Pvt. Ltd. (accessing home/ personal care segment).

2009

Crossed Rs. 1,500 cr in total income

PAT crossed Rs. 100 cr

2012

Crossed Rs. 2,900 cr in Total income

 Crossed Rs. 200 cr in PAT

2015

- Commenced calcium chloride facility and 2nd Phase of PDA facility at Jhagadia
- Commenced multipurpose Ethylation unit at Dahej SEZ, Gujarat
- Operationalized Co-generation and Solar plants
- Buyback of 12 lakh equity shares at Rs. 800 per share

2017

2006-08

- 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
- Received USFDA approval for API unit at Tarapur

2010

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

2013

- 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

2016

- 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

2018

- Commissioned greenfield Nitro toluene facility at Jhagadia
- Signed Rs. 4,000 crore multiyear deal with a Global Agriculture Company for supply of a high value agrochemical intermediary
- Signed Rs. 10,000 crore 20year, exclusive supply contract with a leading global chemical conglomerate
- Buyback of 8.2 lakh equity shares at Rs. 1,200 per share



### What differentiates us



Our 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 with scale-up engineering competence

Vendor servicing to Make-to-stock to robust Partner of Choice **Transform** Make-to-order Knowledge from arbitrage Multiproduct,

Our business model complements that of our global customers

**Product innovation** aligned to customer's future growth

Capex scale synchedto customer expansion objectives

### multi-year relationship

- >80% of FY17 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

#### Over the years invested in

To

- Process
- Product research
- Professional talent

#### Providing the complete cultural eco-system

- Governance
- Values and
- Client confidentiality

# Multi-year deals



### Rapidly changing global environment where global industrial players graduating from



In June 2017, AIL signed Rs. 4,000 crore multi-year deal with a Global Agriculture Company for supply of a high value agrochemical intermediary, for use in herbicides, over a 10-year period

- The supplies are expected to commence from FY20 and would generate expected revenues of approximately Rs 4,000 crore over the contract term.
- The project will entail investment of about Rs 400 crores (approximately USD 62 million) by AIL

## In Dec 2017, AIL signed Rs. 10,000 crore multi-year, exclusive supply contract with a leading global chemical conglomerate over a 20-year period

- The supplies are expected to commence from 2020. AlL is set to enter a new chemistry range, first of its kind in India; and its end product is amongst the major growth initiatives for the customer.
- AlL will be investing \$35-40 million to setup dedicated large scale manufacturing facility for production of this speciality chemical intermediate, and will be built on the basic technology package received from the customer.
- The customer shall provide \$42 million as an advance to AIL in installments, to be adjusted against supplies in the future. This advance will help reduce the net capital employed enabling higher ROCE for this project.



## **Key Investment Theme**



### **Clear Path to Value Creation**

Leadership excellence – established record of execution

Increasing focus
on high margin
products and
high value
knowledge based
industries

De-risked portfolio – multiple products, multiple customers, multiple geographies, multiple end-user industries

### Economies of Scale and Operational Efficiency:

- Highly Backward Integrated and gainful usage of byproducts, ensuring steady supply of Intermediates
- Constant Drive to Improve Process Efficiency has reduced Opex Costs

Global Partner of Choice engagements with target customers, cross selling across value chain

#### Balanced capacity model:

 Agile operations enable higher customization and value maximization – process driven production provides flexibility to change product based on market dynamics Global leadership in key products – ranked #1 - #5

Quality and environment polices mapped to global benchmarks ensuring customer confidence and business sustainability

#### Strong financial profile:

- Track record of revenue growth, value addition and margin expansion
- Strong execution has delivered ROCE improvement on growth investments

#### Best placed to capture Industry trends like Easternization and Supplier Country Diversification

- MNC's looking to increase their share of procurement from India
- India finding favor vis-à-vis
   China





**Quarterly Performance** 



## Chairman's Message



# Commenting on the performance for Q4 & FY18, Mr. Rajendra Gogri – Chairman & M.D. at Aarti Industries Ltd. said,



"This has been an eventful year for AIL on several fronts. I am happy to state in Q4FY18 we have achieved 9% YoY growth in Speciality Chemicals volumes, 18% YoY growth in overall EBITDA and 14% YoY growth in overall PAT. FY18 performance has been impacted by significant currency movement and higher expenses on commissioning of new growth projects. Pharmaceuticals business has sustained the growth trajectory with margins expanding significantly.

I am also pleased with the successful implementation of our growth investments in Nitro toluene, which will further strengthen our global presence in our target end-user applications. Further, we have signed two multi-year deals highlighting our knowledge arbitrage and increasing brand equity amongst target customers. We see this as a sustainable model providing strong visibility of returns on our capex commitments. We have acquired land for new R&D and Innovation facility in Navi Mumbai and expect to commission the facility by the end of FY19. The setting up of this R&D Centre is in line with our focus on research led product and process development and will enable us to enhance and expand our capabilities to develop high-end value added products and chemistries with niche market opportunities.

Looking ahead, the multi-year deals, capacity expansion for existing and new products, innovation agenda coupled with 'Partner of Choice' relationships has set us up well for the next leg of growth in Speciality Chemicals. The transformation in our Pharmaceuticals business performance is getting more visible. As a Company, we remain committed on delivering growth while maintaining positive return ratios and maximizing shareholder value."



## Q4 & FY18 Highlights



### **Financial**

- Rupee volatility impact
  - As part of its strategy to safeguard business against currency risks the Company had entered into forward contracts to hedge Its medium and long term exports contracts. In Q4FY18, the Company reported Mark to Market loss on such contracts of Rs. 10.68 crore (including loss of Rs. 2.05 crore for contracts of more than one year).
  - Company had further provided for Revaluation loss on long term borrowing (ECBs) to the extent of Rs.
     2.51 crore as at 31st March, 2018

### **Pharmaceuticals**

- Improved performance across various markets
- EBIT performance continues to improve having crossed the 18 crs quarterly run rate reached milestone of Rs.
   30 crore in Q4





### Corporate

- Effected share buyback of 8.2 lakh equity shares of face value of Rs. 5 each at a price of Rs. 1,200 per share on Dec 21, 2017. Program highlights the Company's belief in its long-term growth prospects and commitment to efficient capital allocation
- AlL's Board recommended a final dividend of Rs. 1 (20%) per equity share for FY18
- Formed a Committee of Directors to review and recommend to the Board, a scheme of arrangement pertaining
  to Demerger of Home and Personal Care segment of the Company and merger of the manufacturing operations
  of Nascent Chemicals Industries Limited into the Company and to appoint the value, merchant bankers and
  other required agencies in this regard



## Q4 & FY18 P&L (Standalone)



Particulars (Rs. Crore)	FY18	FY17	Y-o-Y Growth (%)	Q4 FY18	Q4 FY17	Y-o-Y Growth (%)
Gross Income from Operations	3,699.31	3,050.23	21.3	1029.39	834.35	23.4
Exports	1,592.72	1414.76	12.6	400.65	385.28	4.0
% of Total Income	43.05	46.38		38.92	46.18	
EBITDA	656.73	608.41	7.9	180.25	152.60	18.1
EBITDA Margin (%)	17.75	19.95		17.51	18.29	
EBIT	523.09	496.12	5.4	144.53	122.68	17.8
EBIT Margin (%)	14.14	16.27		14.04	14.70	
PAT	316.44	306.68	3.2	84.70	74.33	14.0
PAT Margin (%)	8.55	10.05		8.23	8.91	
EPS (Rs.)	38.92	37.35	4.2	10.42	9.05	15.1

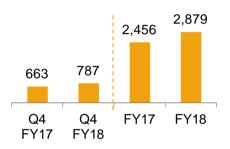
- Higher revenue contribution from the direct linkage and pass through of raw material prices in long-term contracts
- Marked-to-market loss in our forward contracts that cover medium to long term export commitments
  - Expenses higher on account of commissioning of projects, volumes to ramp up gradually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

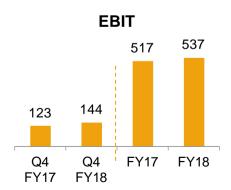


## Q4 & FY18 - Speciality Chemicals (Standalone)



#### Revenue





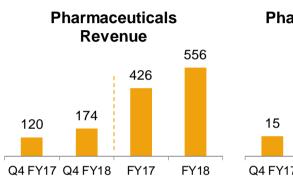
- Revenues are linked to pass through of key raw-material prices
- Speciality Chemicals volume growth increased by 9% YoY in Q4
  - Expect approx. 10-15% volume growth for FY19
- Nitro toluene facility at Jhagadia which commenced in the month of September has reached over 40% utilization.

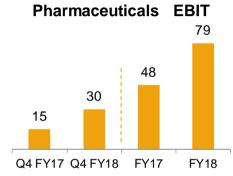


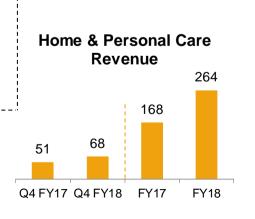
## Q4 & FY18 – Other Businesses (Standalone)

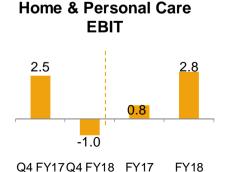


- Improved QoQ EBIT run rate enabled by enhanced business across markets and operating leverage committed to sustain momentum
- Since major fixed costs already built-in, incremental volumes will result in significant increase in segmental profits
- Focusing on off-patented generics to be supplied in 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 on account of raw material supply constraints due to hurricane in the USA in Q4
- Non-ionic surfactants, shampoo, hand wash, dish wash
- Recently debottlenecked some operations to expand capacities
- Focus on export-oriented products (Rs. Crore)







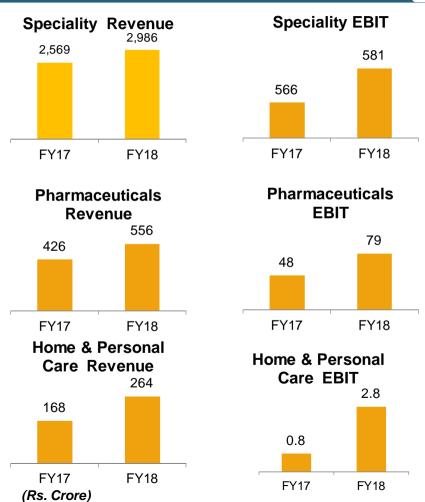




## FY18 P&L (Consolidated)



Particulars (Rs. Crore)	FY18	FY17	Y-o-Y Growth (%)
Gross Income from Operations	3,813.83	3,165.44	20.5%
EBITDA	706.89	655.45	7.8%
EBITDA Margin*	18.5%	20.7%	
EBIT	560.6	532.9	5.2%
EBIT Margin*	14.7%	16.8%	
PAT	332.96	315.78	5.4%
PAT Margin*	8.7%	10.0%	
EPS (Rs.)	40.95	38.45	25%





## **Balance Sheet (Consolidated)**



Particulars (Rs. Crore)	As on Mar 31, 2018	As on Mar 31, 2017
Shareholders Funds	1,655	1,426
Net Debt	2,080	1,561
Net Block of Fixed Assets	1,996	1,695
Debt/Equity	1.26x	1.17x
Fixed Asset Turnover	1.3x	1.2x

- Strong execution of growthoriented investments resulted in positive impact on returns on capital
- Debt/Equity has been impacted by delay in GST refunds for exports. Imapct of around Rs. 70 crore.



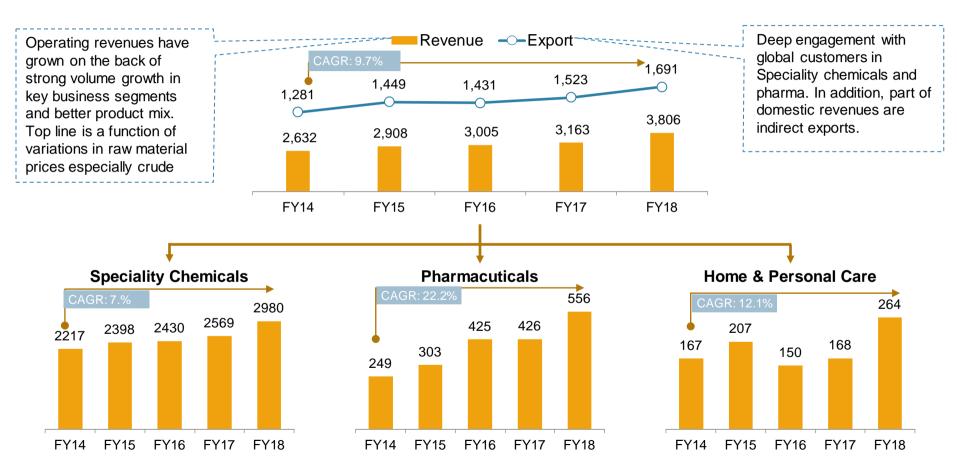


5 year financial performance



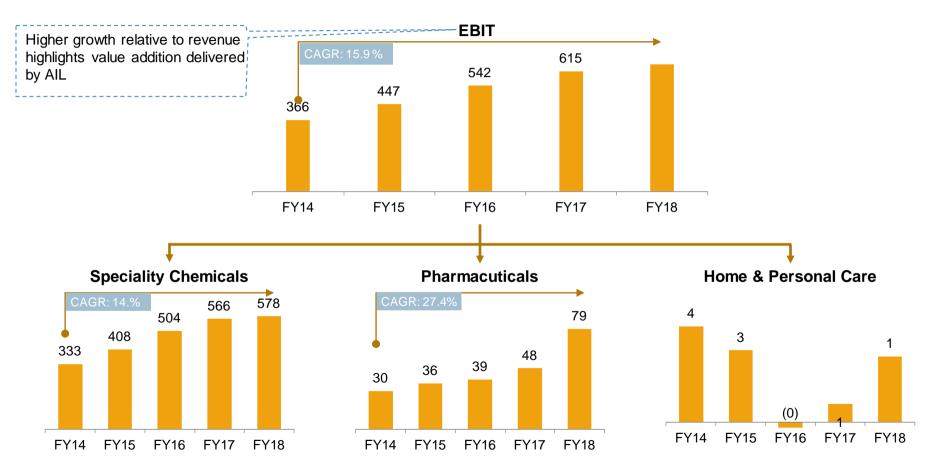
## **Revenue Performance (Consolidated)**





## **EBIT Performance (Consolidated)**





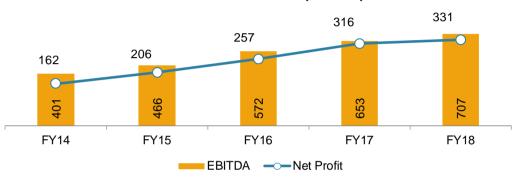
(Rs. Crore)



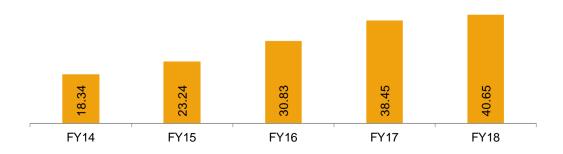
## Financial Highlights – (Consolidated)



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



### **Earnings Per Share (EPS)**



# 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.

AlL has de-risked portfolio that is multi-product, multi-geography, multi-customer and multiindustry. AlL has 125+ products, 500+ domestic customers, 150+ export customers spread across the globe in 60 countries with major presence in USA, Europe, Japan. AlL 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.

AlL 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 FY15-16 and 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.





### For further information please log on to www.aarti-industries.com or contact:

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**Thank You**