

AARTI INDUSTRIES LIMITED

Q4 & FY19 Results Presentation

May 2019

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Agenda

1 | At a glance

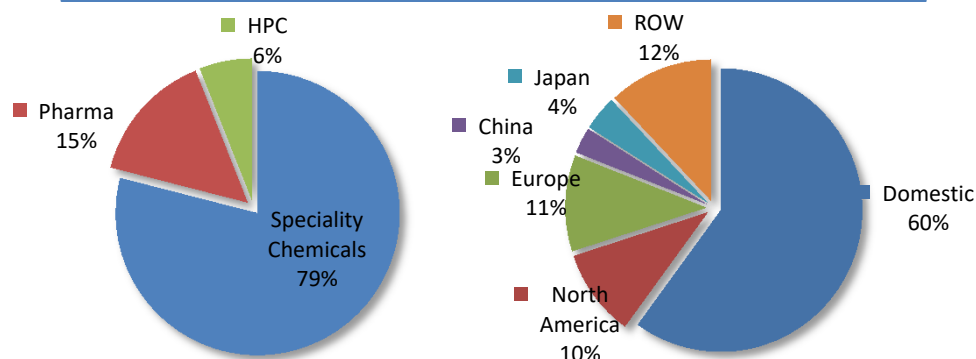
2 | Quarterly performance

Company Overview

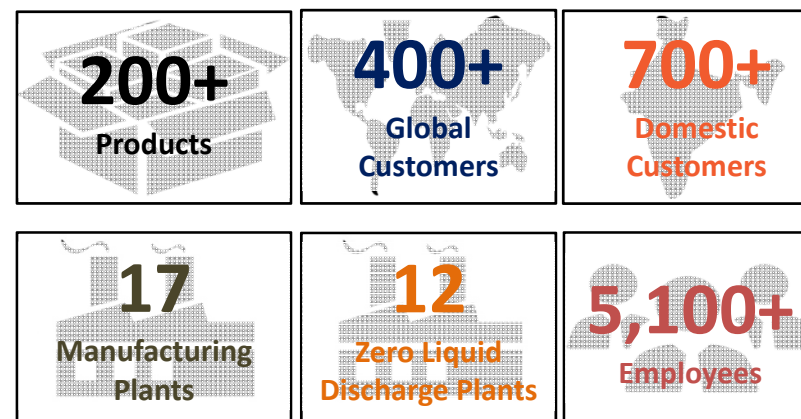
Overview

- A leading Speciality Chemicals company in Benzene based derivatives with integrated operations and high level of cost optimization
- Established by first generation technocrats in 1984
- Pharma operations spanning APIs, intermediates and Xanthene derivatives
- Strong R&D capabilities – 3 R&D facilities; dedicated pool of over 170 engineers & scientists; IPRs for developing customized products.
- 17 plants located in western India with proximity to ports
 - 11 for Speciality chemicals; 4 for Pharma (2 USFDA and 2 WHO/GMP) and 2 for HPC
 - 2 upcoming project sites at Dahej SEZ and 4th R&D center at Navi Mumbai

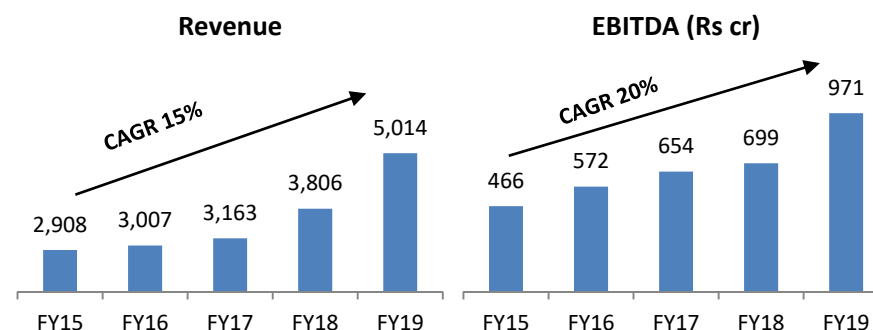
Revenue split - Segmental and Geographical – FY19



Key Metrics



Key Financials



Key Strengths



- **Global Player in Benzene based Derivatives with Integrated Operations**

- *Strong/Leadership position in key products and processes*
- *Integrated operations across product chain of Benzene and Toluene*
- *Ability to effectively use co-products and generate value-added products*

- **Well Diversified Across Multiple Dimensions**

- *Diversification provides significant de-risking*
- *Multi-product, multi-customer, multi-geographies & multi- end-user industry*

- **Pharma – Significant growth with diversification across products and geographies**

- *Pharma segment has seen significant growth over last 5 years*
- *India's API market (both domestic and exports) is expected to witness strong growth*

- **Strong Return Profile despite Significant Capex**

- *Expanded capacities and diversified into new products while maintaining return profile*
- *New capacities are still ramping up providing operating leverage*

- **Strong Focus on R&D and Process Innovation**

- *Focus on downstream products through processes like high value chlorination, hydrogenation, ammonolysis*
- *Plan to set up a 4th R&D plant focused on Speciality chemicals*

- **Thrust on Sustainability**

- *Significant capex done in SH&E and power, which provide long term benefits*

- **Well placed to benefit from Industry Tailwinds**

- *Significant opportunity for exports arising from environmental related shutdowns in China*
- *Structural drivers in places for a robust domestic demand growth*

Agenda

1 | At a glance

2 | Quarterly performance

Chairman's Message



Commenting on the performance for Q4 & FY19, Mr. Rajendra Gogri – Chairman & MD at Aarti Industries Ltd. said,



"During FY19, we have delivered another strong performance recording a significant milestone with consolidated revenue crossing Rs. 5,000 crore and strong profit growth driven by strong contribution across business segments and operating margin expansion. Underlying our robust performance was a steady transition to higher value-addition in the product mix across multiple value chains. We saw growing demand from customers in key global markets on the back of high quality products delivered to clients' exacting specifications – as India continues to be seen as an increasingly important component of global chemical supply chains. We are also seeing a significant increase in domestic demand as imports are increasingly being substituted by local production of downstream products."

During the year, our three business segments – speciality chemicals, pharmaceuticals and home and personal care – grew by 33%, 31% and 17% respectively. Speciality chemicals business contributed 79% to our revenues, we expanded margins based on higher utilization of capacity across the various value chains that we operate within. Contribution from downstream products has increased, further supporting margins. During the quarter, we signed a \$ 125 million supply contract with a leading global chemicals conglomerate, thereby adding another relationship that provides us with the confidence to continue our judicious growth investments. The pharmaceuticals segment delivered a strong growth and margin expansion on the back of higher capacity utilization and our focus on high growth product baskets, such as xanthene derivatives and pharma intermediates, in regulated markets. The demerger of the home and personal care products business is on track and the petition is currently pending with the NCLT, Ahmedabad."

We have raised Rs. 750 crore by issuing equity shares to qualified institutional buyers at Rs 1,397 per share. These funds will be used to support our capital expenditure plans. The issuance saw strong interest from several marquee investors and we look forward to using the additional capital to accelerate our growth momentum and deliver continuing strong returns in the coming years."

Q4 FY19 Highlights



Financial & Capex

- Strong improvement in revenue and margins across Speciality Chemicals and Pharma segments
- EBIT margin expands 210 bps YoY to 16.1% in Q4 FY19
- As part of its strategy to safeguard business against currency risks, the Company had entered into forward contracts to hedge its exports contracts
 - In Q4FY19, positive impact of Rs 2.3 crore on such contracts
 - The Company had further provided for revaluation gain on long term borrowing (ECBs) to the extent of Rs. 2.2 crore as at 31st March, 2019. This has been provided under Finance Costs.
- PAT registered a significant growth of over 48.3% YoY to Rs 469 crore in Q4 FY19
- Capex in FY19 – Rs 797 crore. Planned capex of Rs. 1,000-1,200 crore in FY20

Corporate

- Board of Directors of the Company has declared a Final Dividend of Rs. 7 per equity share in addition to the interim dividend of Rs. 4 per equity share declared earlier
- QIP of Rs. 750 crore issued at Rs. 1,397 per equity shares was subscribed from strong demand from several marquee domestic and international investors

Q4 & FY19 P&L (Standalone)



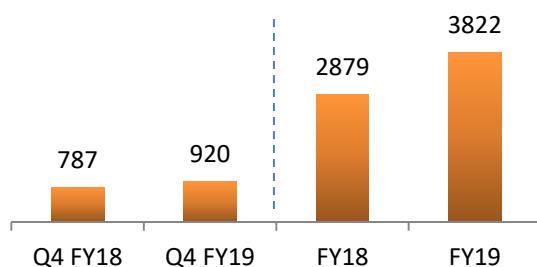
Particulars (Rs. Crore)	FY19	FY18	Y-o-Y Growth (%)	Q4 FY19	Q4 FY18	Y-o-Y Growth (%)
Gross Income from Operations	4,857.6	3,699.3	31.3%	1,211.4	1,029.4	17.7%
Exports	1,868.6	1,592.7	17.3%	496.9	400.7	24.0%
% of Total Income	38.5%	43.1%	-4.6%	41.0%	38.9%	2.1%
EBITDA	913.9	656.7	39.2%	236.9	180.3	31.4%
EBITDA Margin (%)	18.8%	17.8%	1.1%	19.6%	17.5%	2.0%
EBIT	754.3	526.0	43.4%	194.5	143.4	35.6%
EBIT Margin (%)	15.5%	14.2%	1.3%	16.1%	13.9%	2.1%
PAT	469.3	316.4	48.3%	124.5	84.7	46.9%
PAT Margin (%)	9.7%	8.6%	1.1%	10.3%	8.2%	2.0%
EPS (Rs.)	57.63	38.92		15.21	10.42	

- Expanding contribution of higher value products and geographic de-risking
- Better operating leverage from increasing capacity utilization

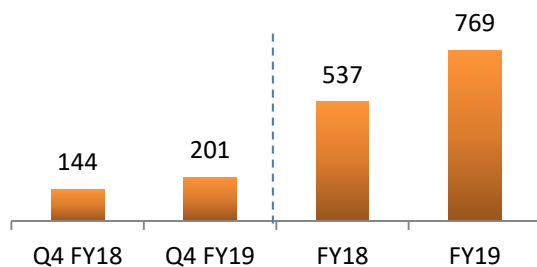
Q4 & FY19 – Speciality Chemicals (Standalone)



Revenue



EBIT

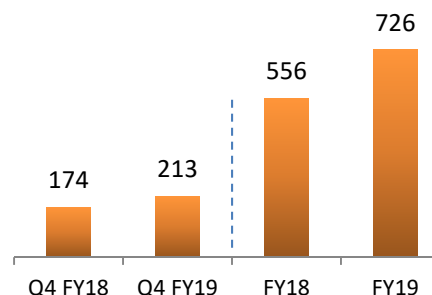


- Volume growth of 3% in Q4 FY19 and 8% in FY19
- Higher EBIT on account of increasing share of value added and high margin products.
- EBIT margins expand to 21.8% in Q4 FY19 from 18.3% in Q4 FY18
- Higher capacity utilization across various units
- Continuing geographical shift in production to India leading to higher demand even from domestic end-users

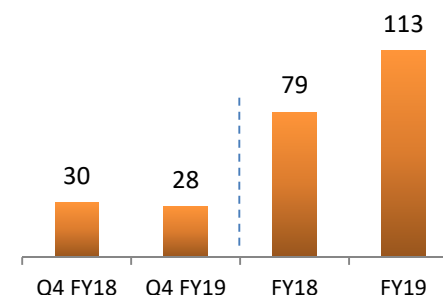
Q4 & FY19 – Pharma & HPC (Standalone)

- Diversified contribution from domestic, regulated and non-regulated markets
- Focusing on off-patented generics in regulated markets
- Expanding business volumes across markets and operating leverage – expected to sustain momentum
- Major fixed costs already built-in, incremental volumes will result in significant increase in segmental profits

Pharmaceuticals Revenue

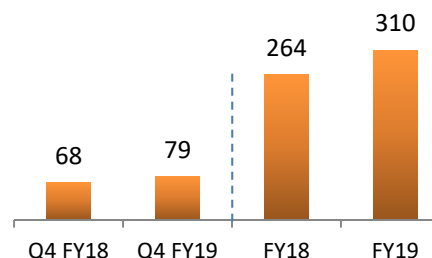


Pharmaceuticals EBIT

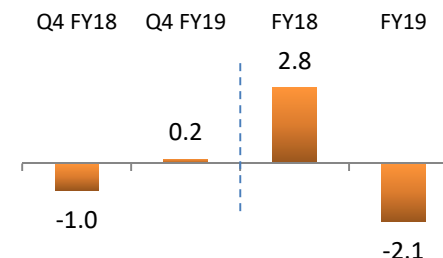


- Expansion in volumes continued
- Non-ionic surfactants, shampoo, hand wash, dish wash
- De-bottlenecked some operations to expand capacities
- Focus on export-oriented products

Home & Personal Care Revenue



Home & Personal Care EBIT



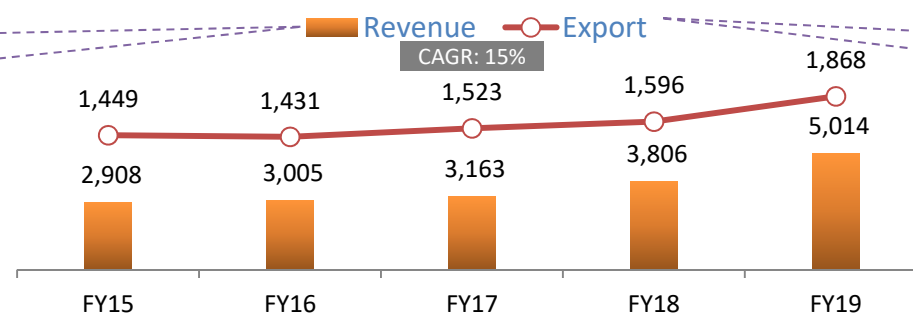
FY19 P&L (Consolidated)

Particulars (Rs. Crore)	FY19	FY18	Y-o-Y Growth (%)
Gross Income from Operations	5,014.2	3,806.1	31.7%
Exports	2,011.9	1,691.1	19.0%
% of Total Income	40.1%	44.4%	-3.3%
EBITDA	970.6	699.1	38.8%
EBITDA Margin (%)	19.4%	18.4%	1.0%
EBIT	799.1	552.9	26.1%
EBIT Margin (%)	15.9%	14.5%	1.6%
PAT	483.3	333.0	45.1%
PAT Margin (%)	9.6%	8.8%	0.8%
EPS (Rs.)	59.35	40.95	44.9%

- Expanding contribution of higher value products and geographic de-risking
- Better operating leverage from increasing capacity utilization

Revenue Performance (Consolidated)

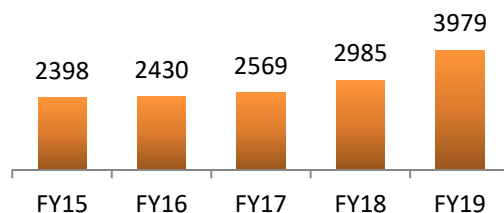
Operating revenues have grown on the back of strong volume growth in key business segments and better product mix. Top line is a function of variations in raw material prices especially crude



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

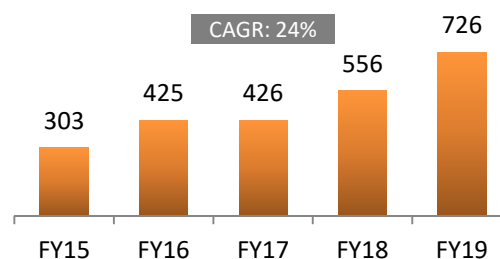
Speciality Chemicals

CAGR: 14%



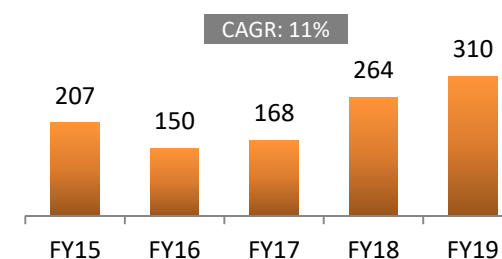
Pharmaceuticals

CAGR: 24%



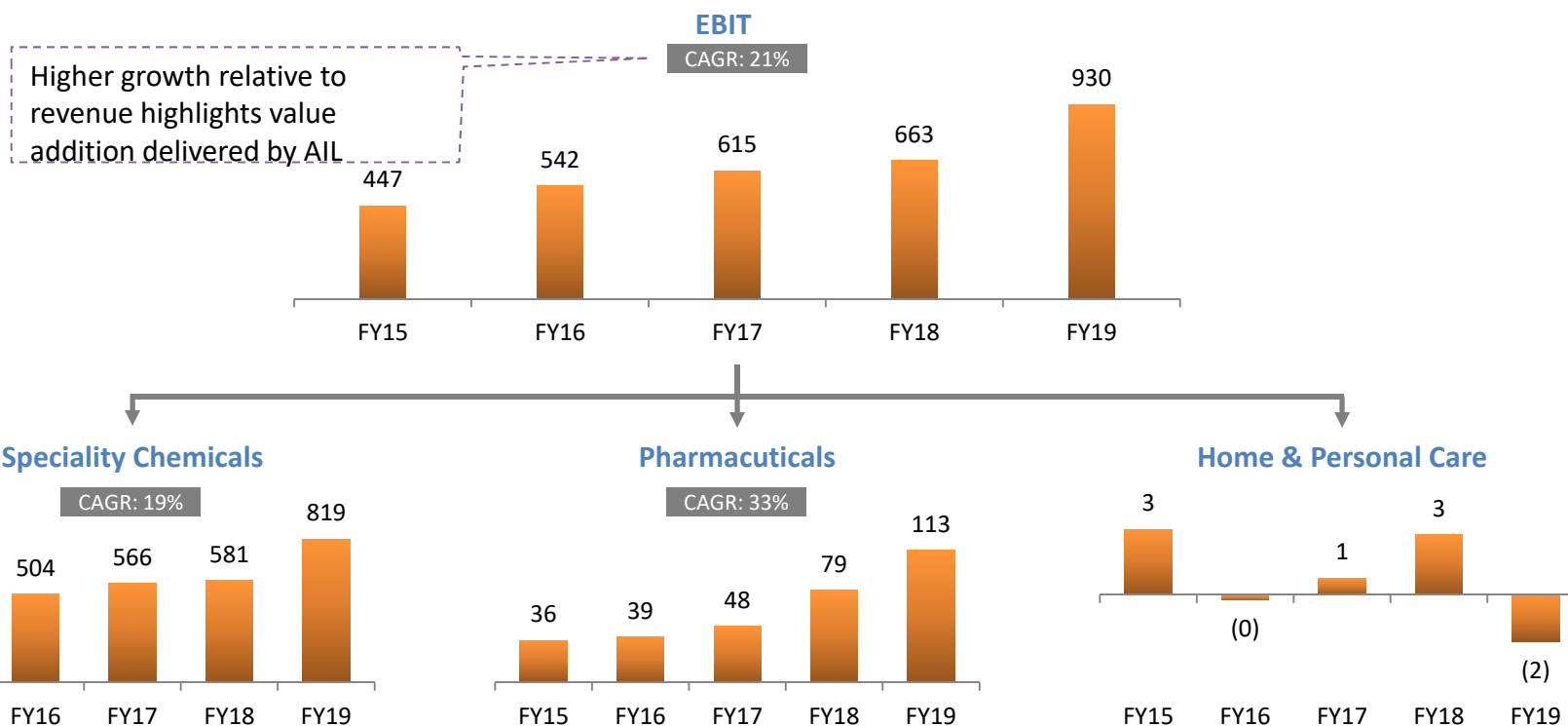
Home & Personal Care

CAGR: 11%



(Rs. Crore)

EBIT Performance (Consolidated)



(Rs. Crore)

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PRODUCTIVITY WITH SAFETY IS OUR MOTTO
उत्पादकता के साथ सुरक्षा हमारा लक्ष्य है

Thank You