

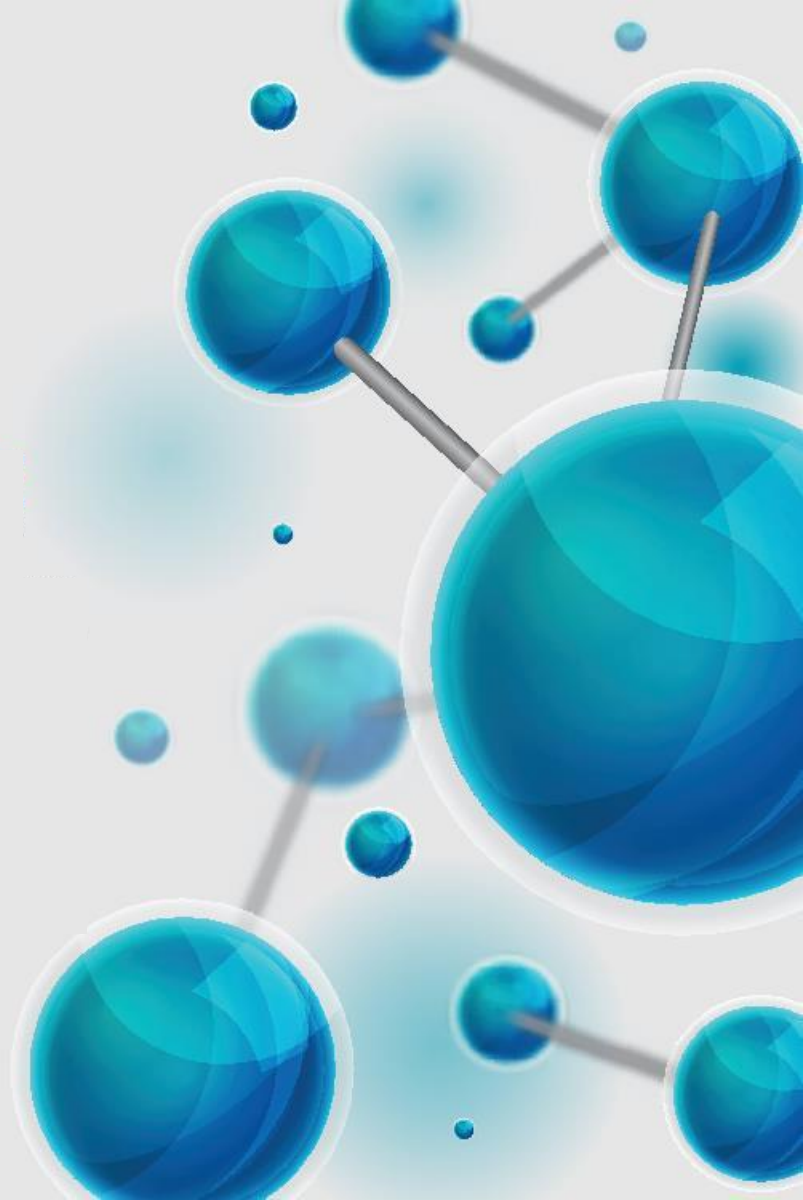


---

# Aarti Industries Limited

Q2 & H1 FY17 Results Presentation

---



# Disclaimer



*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.*

*All information contained in this presentation has been prepared solely by AARTI INDUSTRIES LIMITED. AARTI INDUSTRIES LIMITED does not accept any liability whatsoever for any loss, howsoever, arising from any use or reliance on this presentation or its contents or otherwise arising in connection therewith.*

# Content



At a glance

4

Quarterly performance

7

5 year financial performance

12



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

**16**

Manufacturing Plants

**2**

USFDA Units

**3,250+**

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

2,265

383

132

EBIT in Rs. crore

504

39

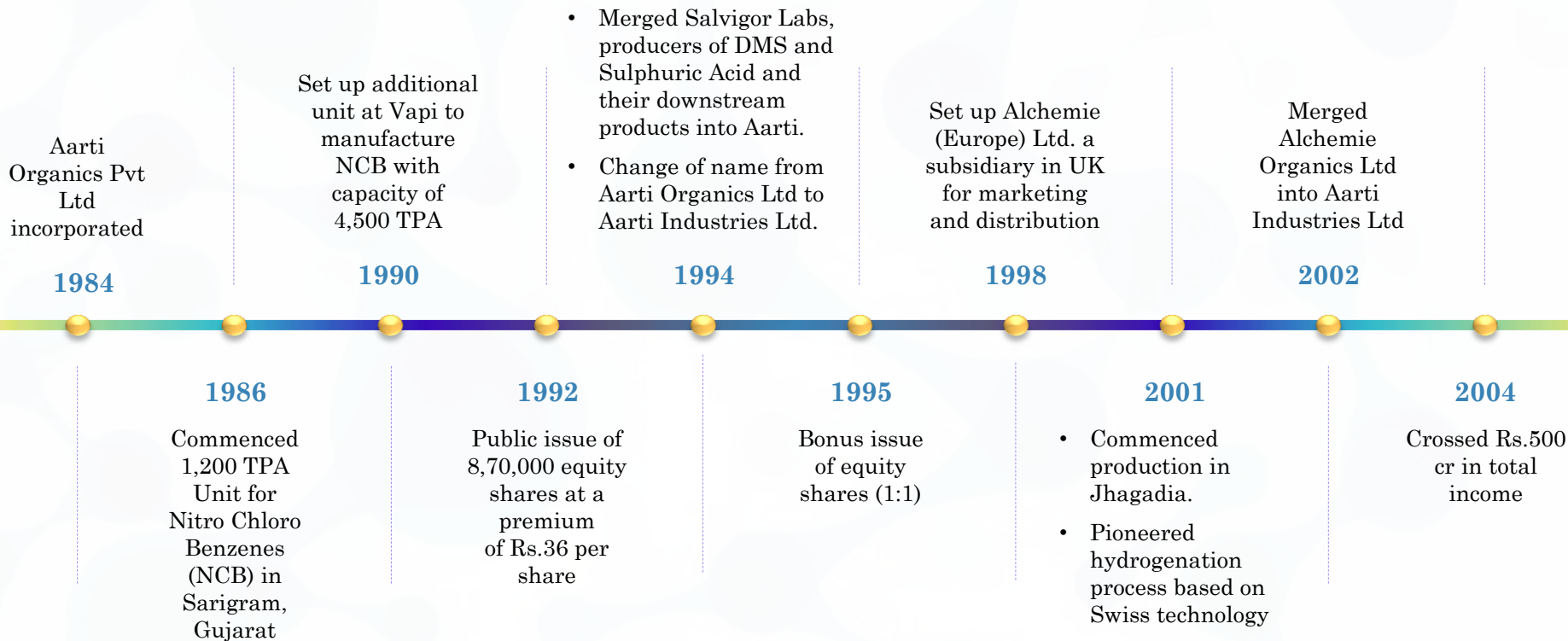
-



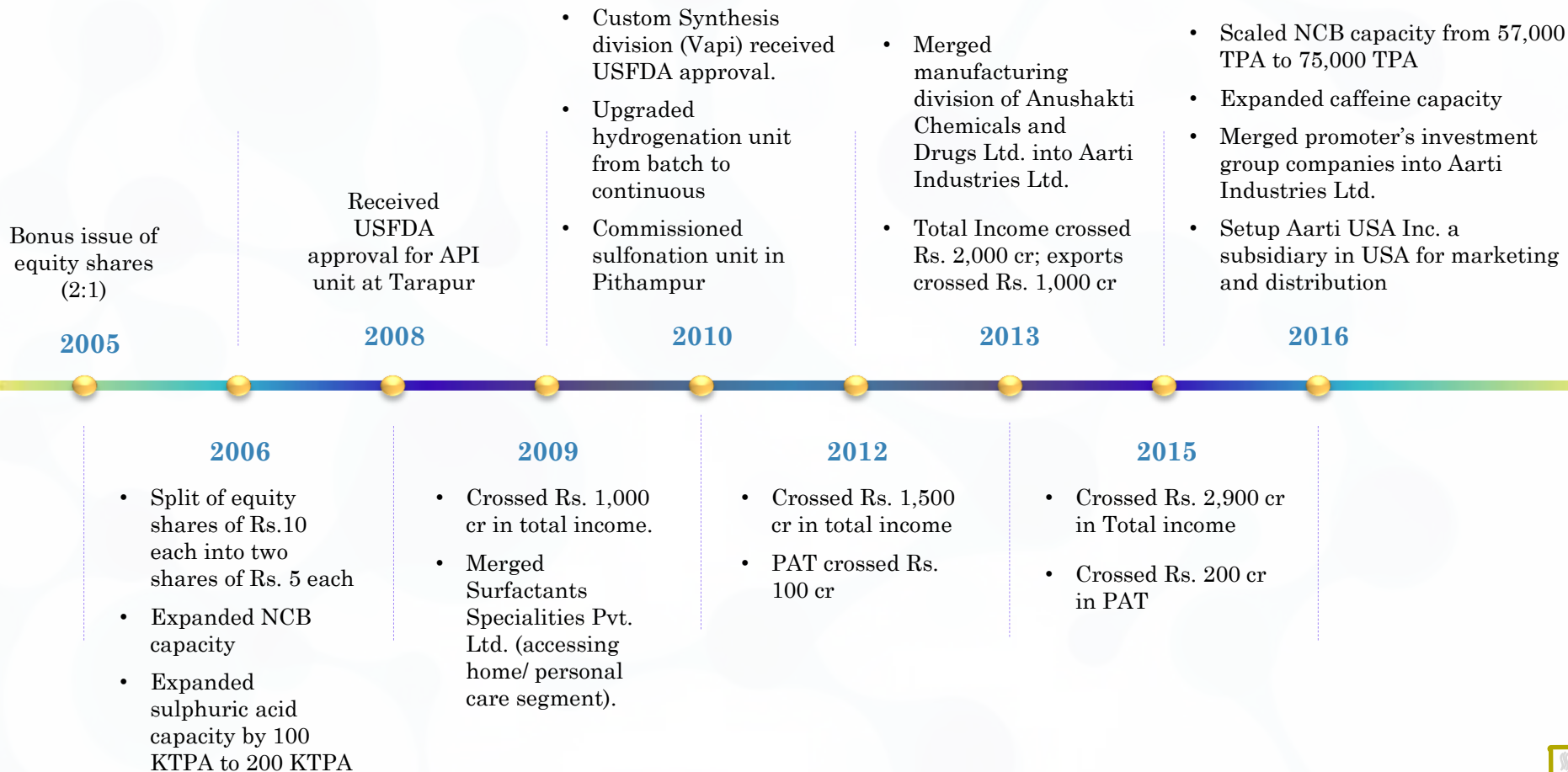


# Transformation Journey

## Hitting right milestones at right time



# Transformation Journey





# What differentiates us



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 (recipe focus) with scale-up engineering competence (asset utilization)

Transformed 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**

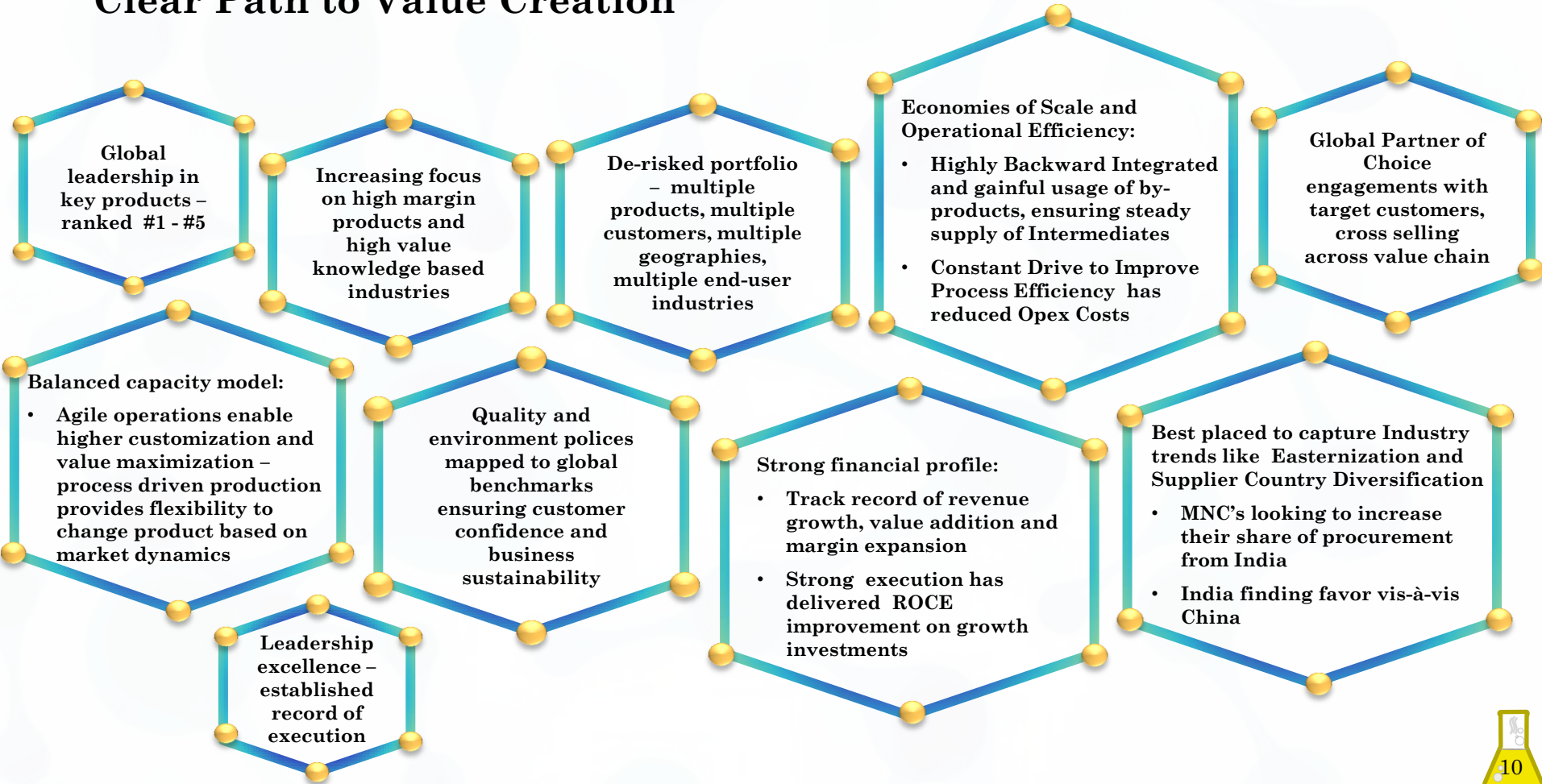
- >80% of FY16 revenues from 5+ yrs customers
- Growth across all customers

**Committed to SH&E**

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

# Key Investment Theme

## Clear Path to Value Creation





# Quarterly Performance

# Chairman's Message



**Commenting on the performance for Q2 & H1 FY17, Mr. Rajendra Gogri – Chairman & M.D. at Aarti Industries Ltd. said,**



*"I am pleased to report a steady performance in Q2, which is in line with our business objectives. Our profitability continues to expand with a 15% YoY growth in EBITDA and 24% in PAT, indicating the quantum of value addition from our product mix. While our volume growth was subdued due to a temporary weakness in agro-chemicals sector, we see improved demand in the second half of the year.*

*I am happy to share that CRISIL has upgraded its ratings on our bank facilities and debt instruments to 'CRISIL AA-/Stable/CRISIL A1+' from 'CRISIL A+/Positive/CRISIL A1'. Recently, we also effected a share buyback program highlighting the Company's belief in its long-term growth prospects and commitment to efficient capital allocation. The Company's strong balance sheet and cash flows enable us to simultaneously reward shareholders, while continuing to invest in growth opportunities that will further strengthen our robust operations and drive long-term profitable growth.*

*Going forward, we will consolidate our position meaningfully by constant innovation that drives multi-product, multi-year "Partner of Choice" relationships with major global players. The focus remains on delivering growth while maintaining positive return ratios and maximizing shareholder value."*

# Q2 & H1 FY17 P&L (Standalone)

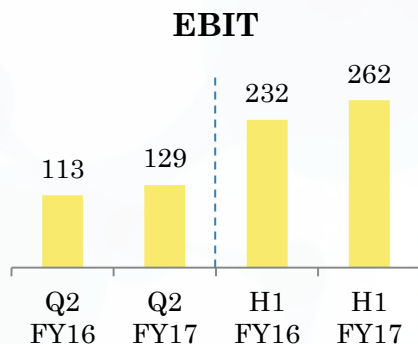
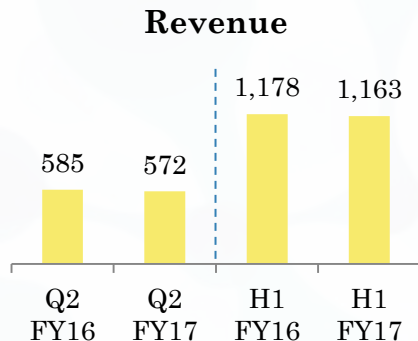


| Particulars<br>(Rs. Crore)   | H1 FY17  | H1 FY16  | Y-o-Y<br>Growth<br>(%) | Q2<br>FY17 | Q2<br>FY16 | Y-o-Y<br>Growth<br>(%) |
|------------------------------|----------|----------|------------------------|------------|------------|------------------------|
| Gross Income from Operations | 1,445.65 | 1,444.97 | 0.0%                   | 710.25     | 709.98     | 0.0%                   |
| Net Income from Operations   | 1,349.45 | 1,339.51 | 0.7%                   | 660.61     | 656.45     | 0.6%                   |
| Exports                      | 653.04   | 638.40   | 2.3%                   | 312.36     | 311.61     | 0.2%                   |
| % of Total Income*           | 48.4%    | 47.7%    |                        | 47.3%      | 47.5%      |                        |
| EBITDA                       | 305.58   | 263.41   | 16.0%                  | 150.94     | 131.69     | 14.6                   |
| EBITDA Margin*               | 22.6%    | 19.7%    |                        | 22.8%      | 20.1%      |                        |
| EBIT                         | 251.68   | 219.75   | 14.5%                  | 123.48     | 109.58     | 12.7                   |
| EBIT Margin*                 | 18.7%    | 16.4%    |                        | 18.7       | 16.7%      |                        |
| PAT                          | 158.51   | 122.11   | 29.8%                  | 76         | 61.21      | 24.2                   |
| PAT Margin*                  | 11.7%    | 9.1%     |                        | 11.5%      | 9.3%       |                        |
| EPS (Rs.)                    | 19.02    | 14.66    | 29.8%                  | 9.12       | 7.35       | 24.2                   |

\*Calculated as a percentage of net income from operations

- EBITDA performance supported by decline in raw material prices
- Depreciation has increased as new production facilities have been operationalized
- Despite expansion of operations, financing costs are under control and debt coverage is improving

# Q2 & H1 FY17 – Speciality Chemicals



- Speciality Chemicals volume growth moderated to 2% YoY due to a temporary weakness in agro-chemicals sector. Improved demand expected in the second half of the year
- Revenues are linked to pass through of key raw-material prices
- EBIT expanded by 14.2% as value addition component of revenues continues to increase by leveraging wide range of products
- Projects Update –
  - Commenced commercial production at multipurpose Ethylation unit at Dahej SEZ, Gujarat. The Greenfield Ethylation unit is first of its kind to be set up in India and has adopted Swiss Technology with a capacity to manufacture about 8,000-10,000 tpa of Ethylene derivatives
  - Commenced commercial production of its 2nd Phase at PDA facility in Jhagadia, from 450 tpm to 1,000 tpm



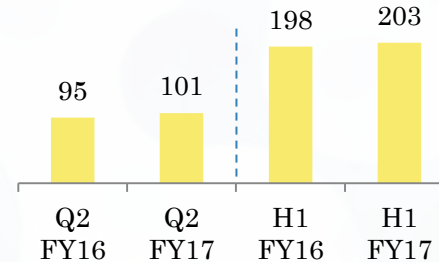
# Q2 & H1 FY17 – Other Businesses



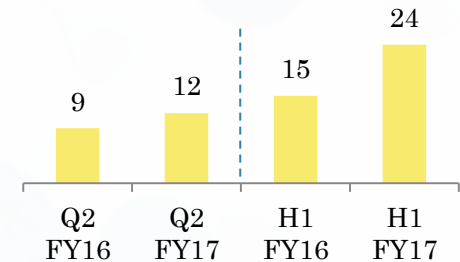
- Debottlenecking and expansion activities have facilitated growth in pharma volumes
- Since major fixed costs already built-in, incremental volumes will result in significant increase in segmental profits
- Focusing on off-patented generics to be supplied in regulated markets
- cGMP compliant plants 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

- Non-ionic surfactants, shampoo, hand wash, dish wash
- Recently debottlenecked some operations to expand capacities
- Focus on export-oriented products

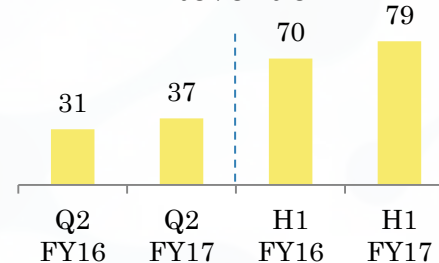
**Pharmaceuticals  
Revenue**



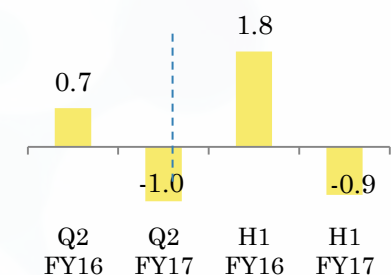
**Pharmaceuticals  
EBIT**



**Home & Personal Care  
Revenue**



**Home & Personal Care  
EBIT**





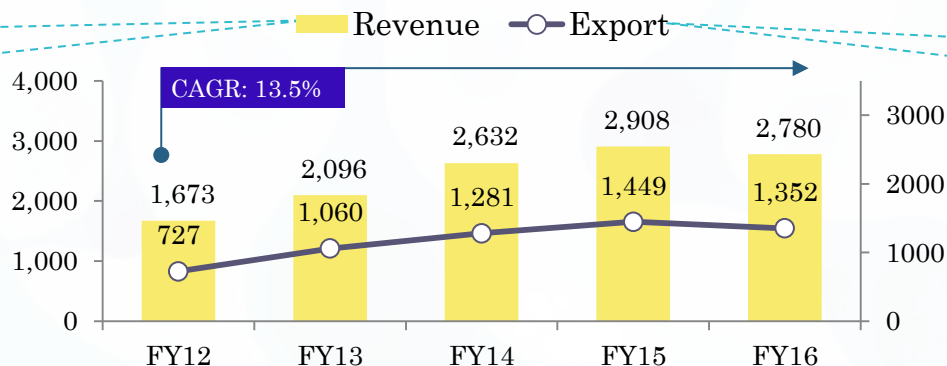


## 5 year financial performance

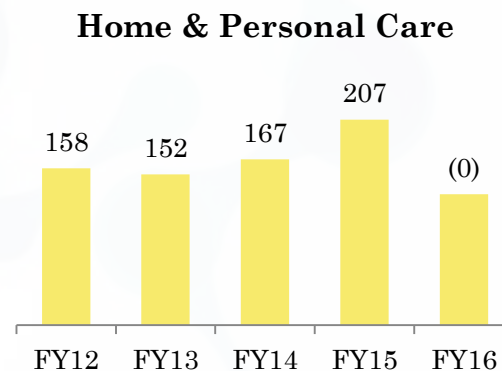
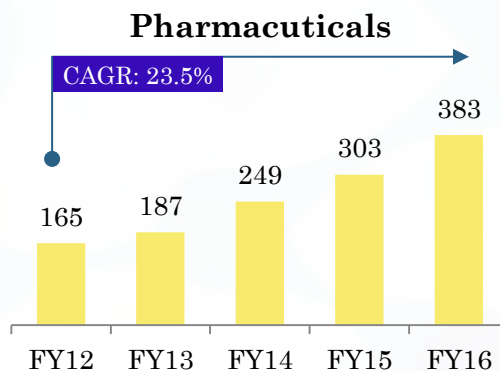
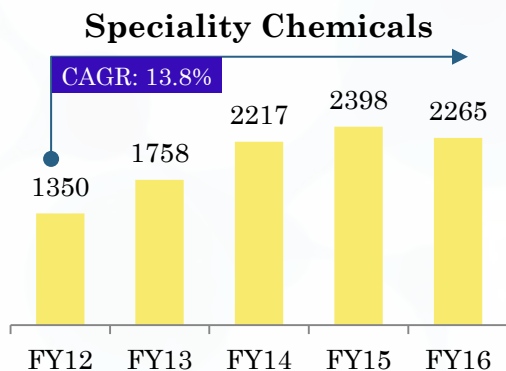
# Revenue Performance (Consolidated)



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.

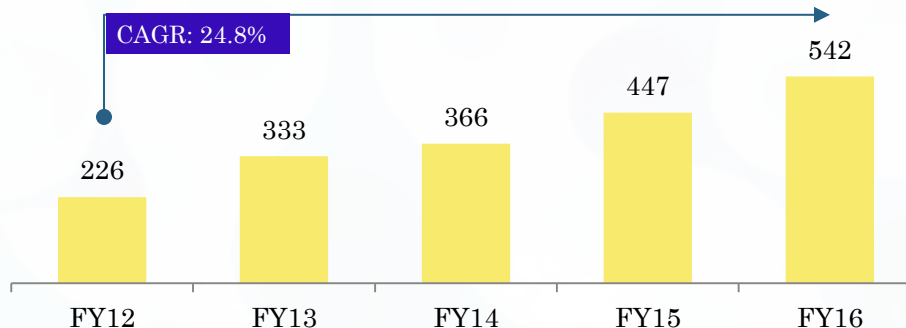


# EBIT Performance (Consolidated)

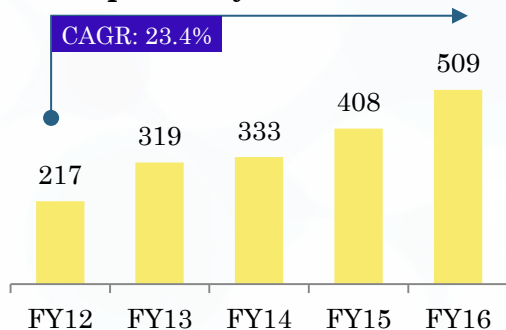


Higher growth relative to revenue highlights value addition delivered by AIL

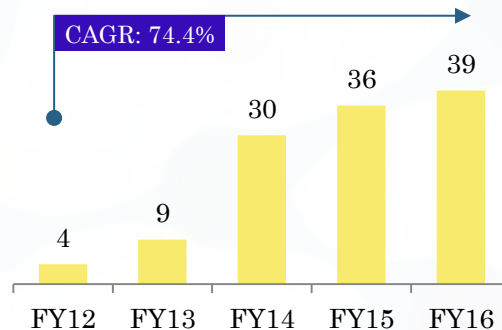
## EBIT



## Speciality Chemicals



## Pharmaceuticals



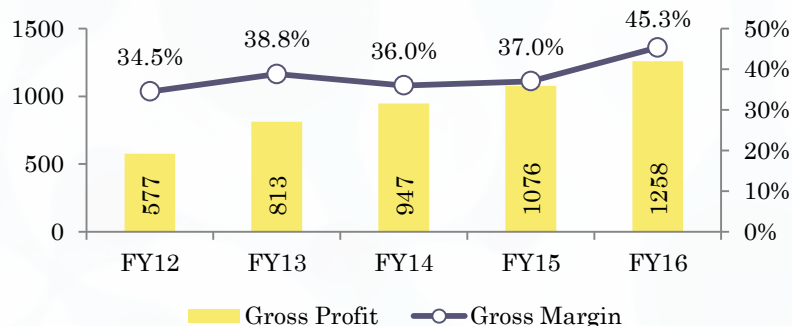
## Home & Personal Care



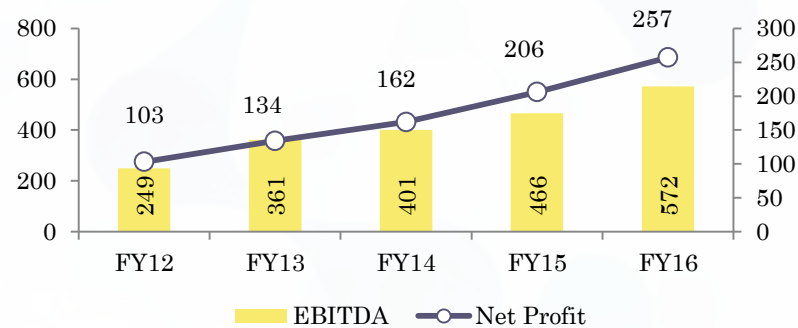
# Financial Highlights – (Consolidated)



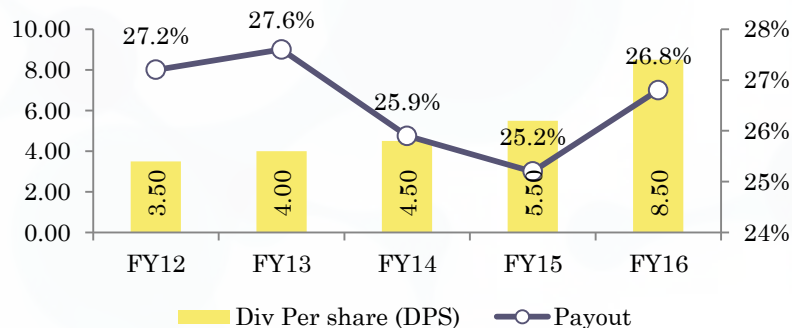
## Gross Profit (Rs. Cr.) & Gross margin



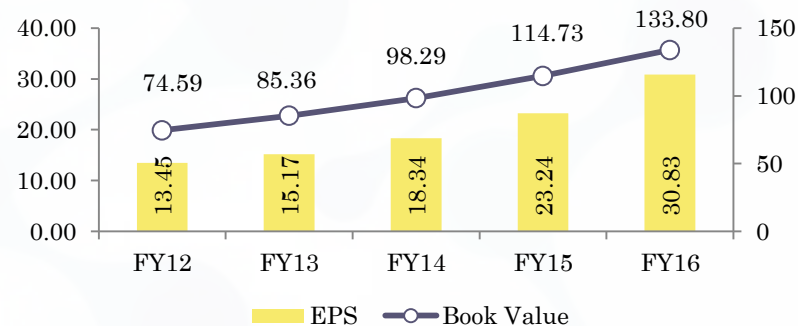
## EBITDA & Net Profit (Rs. Cr.)



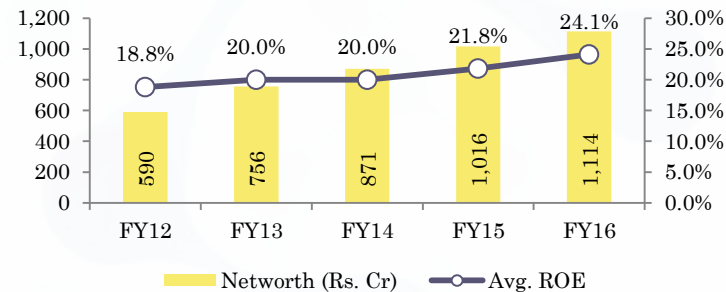
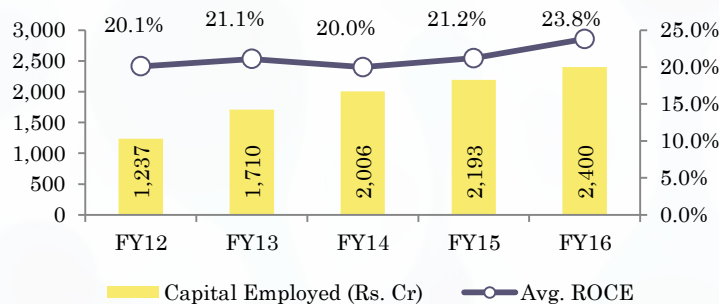
## Dividend Per Share (DPS) & Payout



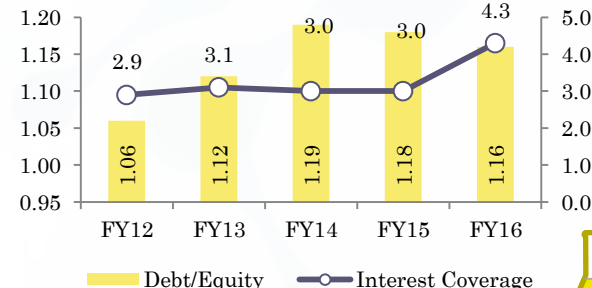
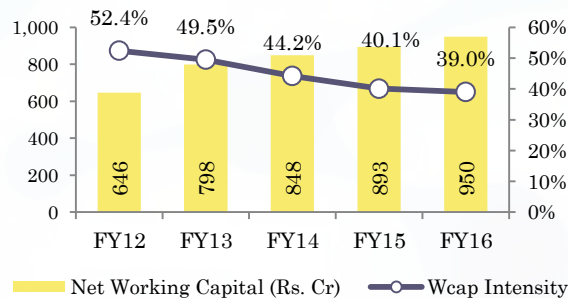
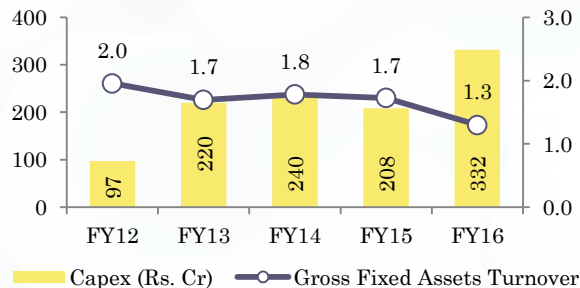
## Earnings Per Share (EPS) & Book Value



# Financial Highlights – (Consolidated)



- 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 Dhanvallah 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.

# Contact Us



**For further information please log on to [www.aartigroup.com](http://www.aartigroup.com) or contact:**

**Mr. Chetan Gandhi / Mrs. Mona Patel**

**Aarti Industries Limited**

Tel: +91 22 6797 6666

Email: [info@aartigroup.com](mailto:info@aartigroup.com)

---

**Vikram Rajput / Shiv Muttoo**

**CDR India**

Tel: +91 22 6645 1223/1207

Email: [vikramr@cdr-india.com](mailto:vikramr@cdr-india.com)

[shiv@cdr-india.com](mailto:shiv@cdr-india.com)

---





Thank You