AARTI INDUSTRIES LIMITED

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Ref. No: AIL/B-34/2017/404
Date : 22nd May, 2017.

To,
Listing/Compliance Department
BSE LTD.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

BSE CODE –524208

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

Dear Sir/Madam,

Ref: Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Please find enclosed herewith the Q4 & FY'17 Results Presentation of the Company for your records.

Kindly rake note of the same and oblige

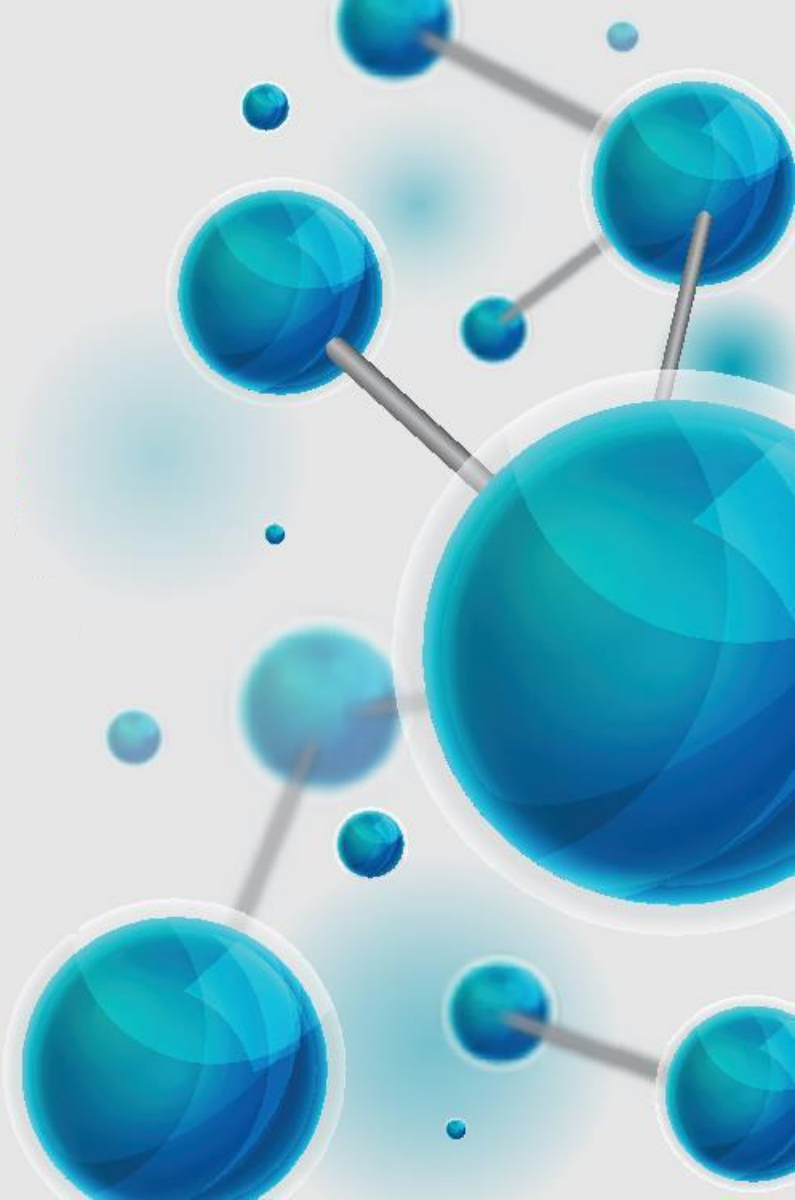
Thanking You,

Yours faithfully,
FOR AARTI INDUSTRIES LIMITED

MONA PATEL
COMPANY SECRETARY & COMPLIANCE OFFICER
Encl. As above.

Aarti Industries Limited

Q4 & 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.

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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.
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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 multi-product relationships with several leading global customers

16	2	3,500+	125+	150+	500+
Manufacturing Plants	USFDA Units	Employees	Products	Global Customers	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

	Speciality Chemicals	Pharmaceuticals	Home & Personal Care
Revenue in Rs. crore	2,569	426	168
EBIT in Rs. crore	566	48	0.8

Transformation Journey

Hitting right milestones at right time

1984
Aarti Organics Pvt Ltd incorporated

1986
Commenced 1,200 TPA Unit for Nitro Chloro Benzenes (NCB) in Sarigram, Gujarat

1990
Set up additional unit at Vapi to manufacture NCB with capacity of 4,500 TPA

1992
Public issue of 8,70,000 equity shares at a premium of Rs.36 per share

1994
- 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.

1995
Bonus issue of equity shares (1:1)

1998
Set up Alchemie (Europe) Ltd. a subsidiary in UK for marketing and distribution

2001
- Commenced production in Jhagadia.
- Pioneered hydrogenation process based on Swiss technology

2002
Merged Alchemie Organics Ltd into Aarti Industries Ltd

2004
Crossed Rs.500 cr in total income

2005
Bonus issue of equity shares (2:1)

Transformation Journey

2006

- 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

2008

Received USFDA approval for API unit at Tarapur

2009

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

2010

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

2012

- Crossed Rs. 1,500 cr in total income
- PAT crossed Rs. 100 cr

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

2015

- Crossed Rs. 2,900 cr in Total income
- Crossed Rs. 200 cr in PAT

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

2017

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

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

Global leadership in key products – ranked #1 - #5

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 by-products, 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

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

Leadership excellence – established record of execution

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

FY17 Highlights

Financial

- FY17 Consolidated EBITDA up by 14% YoY to Rs. 653 crore with an EBITDA margin of 22%
- FY17 Consolidated PAT up by 23% YoY to Rs. 316 crore
- CRISIL has upgraded its ratings on our bank facilities and debt instruments to 'CRISIL AA-/Stable/CRISIL A1+' from 'CRISIL A+/Positive/CRISIL A1

Capex

- Commercialized calcium chloride facility at Jhagadia (Gujarat) in Q1FY17
- In Q2FY17 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
- In Q2FY17, Commenced commercial production of its 2nd Phase at PDA facility in Jhagadia, from 450 tpm to 1,000 tpm

FY17 Highlights

- In Q4FY17, operationalized captive co-generation power plant at Jhagadia, Kutch and Vapi. AIL now has a total of five power plants – two at Vapi and one each at Jhagadia, Kutch and Tarapur; which would help reduce power costs significantly

- Operationalized Solar plants with aggregate capacity of 697 KW across five locations

Pharmaceuticals

- Successfully closed USFDA facility inspection at Tarapur & Vapi initiated in Q3

Corporate

- Effected share buyback of 12 lakh equity shares of face value of Rs. 5 each at a price of Rs. 800 per share on Dec 07, 2106. program highlighting the Company's belief in its long-term growth prospects and commitment to efficient capital allocation

- AIL's Board recommended a final dividend of Rs. 1 (20%) per equity share for FY17

- AIL's Board gave in-principle approval for demerger of Home & Personal Care business. The Board has directed the Company to initiate discussions with merchant bankers and other agencies to take the process forward

Chairman's Message

Commenting on the performance for Q4 & FY17, Mr. Rajendra Gogri – Chairman & M.D. at Aarti Industries Ltd. said,

"We have ended the year on a strong note with volumes up 10% YoY in Q4 and up 8% YoY in FY17. I am happy to state we have delivered on our annual targets (15-20% growth in profitability) achieving a 15% growth in EBITDA and 23% growth in PAT. I am also pleased with the successful implementation of our growth investments in calcium chloride, ethylation and PDA, they will further strengthen our global presence in our target end-user applications. Towards the end of the year, we operationalized captive co-generation power plants at Jhagadia, Kutch and Vapi, which would help reduce power costs significantly going forward.

Our performance is noteworthy in what has been sluggish year for the global as well as domestic economy. The performance is a testament to our differentiated business model which seamlessly combines a de-risked product portfolio, scale, integrated operations, innovation and 'green chemistry'. Our product innovation, capex and SH&E initiatives fully compliment to that of our customers, making us their natural Global Partner of Choice.

As a Company its all about execution and profitable growth at Aarti industries. We remain committed to build on our strong performance and deliver on our value creation agenda."

Q4 & FY17 P&L (Standalone)

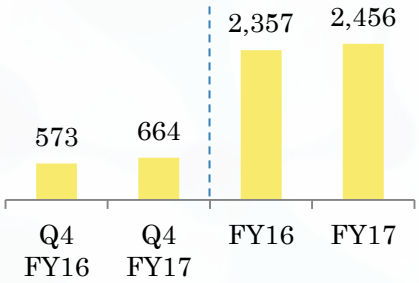
Particulars (Rs. Crore)	FY17	FY16	Y-o-Y Growth (%)	Q4 FY17	Q4 FY16	Y-o-Y Growth (%)
Gross Income from Operations	3,053	2,943	4%	835	752	11%
Net Income from Operations	2,827	2,698	5%	773	694	11%
Exports	1,415	1,352	5%	385	366	5%
% of Total Income*	*50%*	*50%*		*50%*	*53%*	
EBITDA	608	530	15%	153	137	12%
EBITDA Margin*	*22%*	*20%*		*20%*	*20%*	
EBIT	496	447	11%	123	117	6%
EBIT Margin*	*18%*	*17%*		*16%*	*17%*	
PAT	307	252	22%	74	70	7%
PAT Margin*	11%	9%		*10%*	*10%*	
EPS (Rs.)	37.35	30.30	23%	9.05	8.35	8%

**Calculated as a percentage of net income from operations*

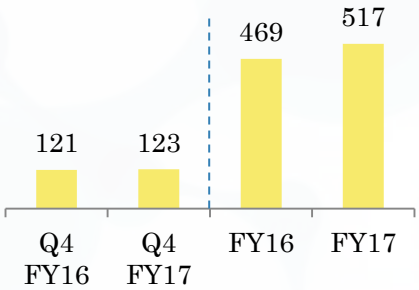
- Depreciation has increased as new production facilities have been operationalized
- Despite expansion of operations, financing costs are under control and debt coverage is improving
- Replaced portion of dollar denominated loans with INR debt

Q4 & FY17 – Speciality Chemicals (Standalone)

Revenue



EBIT



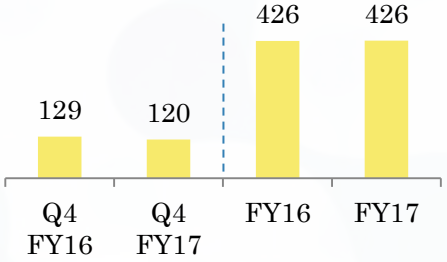
- Speciality Chemicals volume growth increased by 10% YoY in Q4 and 8% YoY in FY17
- Revenues are linked to pass through of key raw-material prices
- FY17 EBIT expanded by 10% as value addition component of revenues continues to increase by leveraging wide range of products

(Rs. Crore)

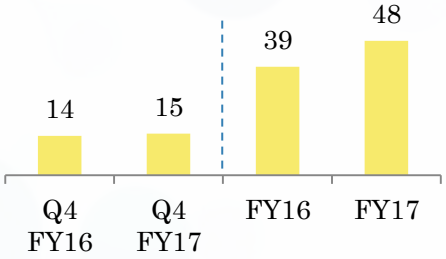
Q4 & FY17 – Other Businesses (Standalone)

- 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

Pharmaceuticals Revenue

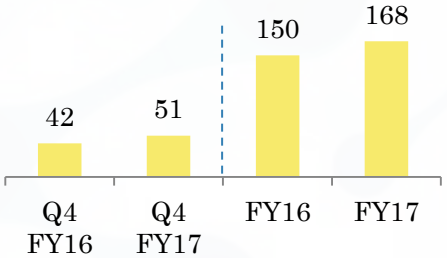


Pharmaceuticals EBIT

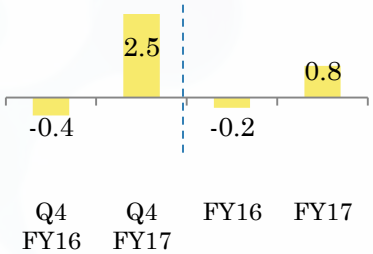


- Non-ionic surfactants, shampoo, hand wash, dish wash
- Recently debottlenecked some operations to expand capacities
- Focus on export-oriented products

Home & Personal Care Revenue



Home & Personal Care EBIT



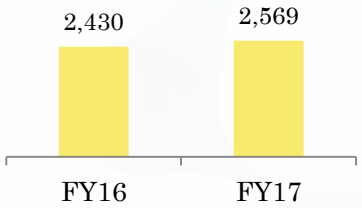
(Rs. Crore)

FY17 P&L (Consolidated)

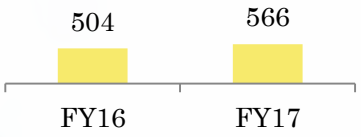
Particulars (Rs. Crore)	FY17	FY16	Y-o-Y Growth (%)
Gross Income from Operations	3,165	3,013	5%
Net Income from Operations	2,978	2,760	8%
Exports	1,523	1,352	13%
% of Total Income*	*51%*	*49%*	
EBITDA	653	572	14%
EBITDA Margin*	*22%*	*21%*	
EBIT	533	480	11%
EBIT Margin*	*18%*	*17%*	
PAT	316	257	23%
PAT Margin*	11%	9%	
EPS (Rs.)	38.45	30.83	25%

**Calculated as a percentage of net income from operations*

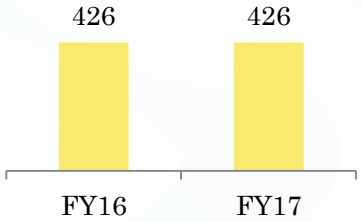
Speciality Revenue



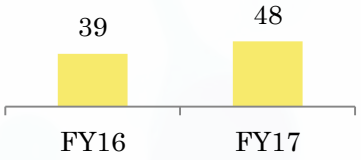
Speciality EBIT



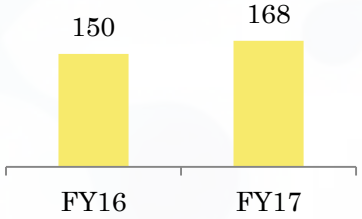
Pharmaceuticals Revenue



Pharmaceuticals EBIT

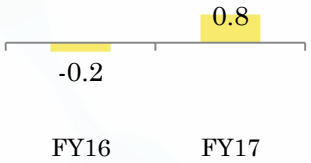


Home & Personal Care Revenue



(Rs. Crore)

Home & Personal Care EBIT



Balance Sheet (Consolidated)

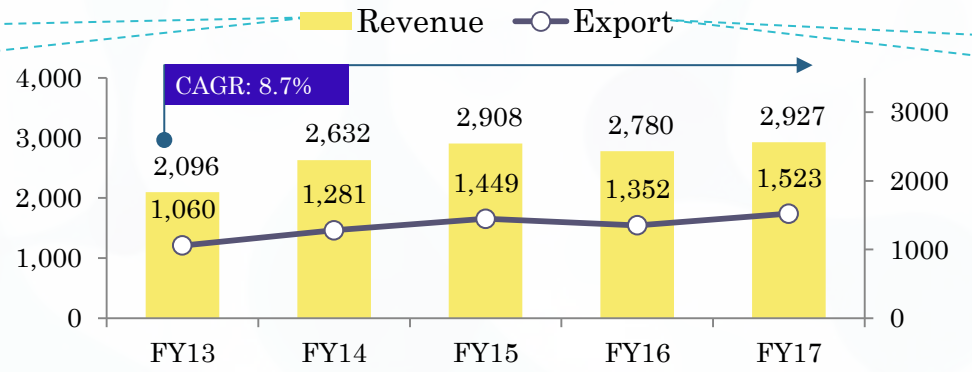
Particulars (Rs. Crore)	As on Mar 31, 2016	As on Mar 31, 2017
Shareholders Funds	1,189	1,426
Net Debt	1,290	1,561
Tangible Fixed Assets	1,246	1,695
Net Current Assets	876	964
Debt/Equity	*1.16x*	*1.17x*
Fixed Asset Turnover	1.2x	1.2x
Avg. ROE	24.1%	25.9%
Avg. ROCE	23.8%	23.4%

- Strong execution of growth-oriented investments resulted in positive impact on returns on capital
- Efficient working Capital management

5 year financial performance

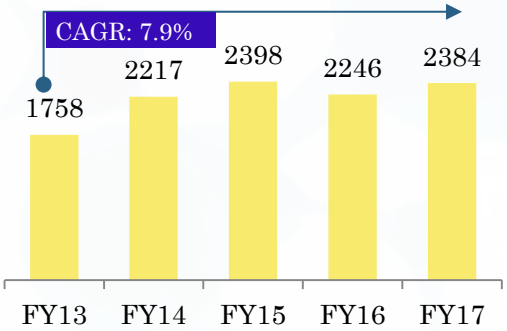
Revenue Performance (Consolidated)

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

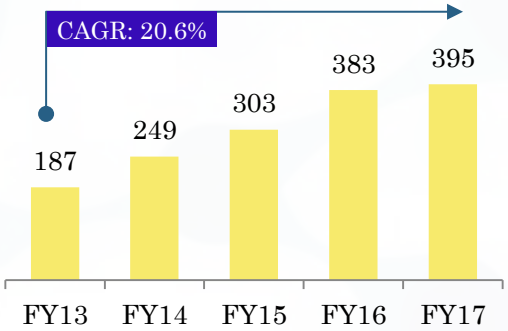


Deep engagement with global customers in Speciality chemicals and pharma. In addition, part of domestic revenues are indirect exports.

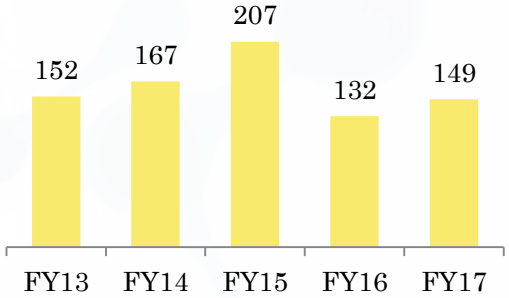
Speciality Chemicals



Pharmaceuticals



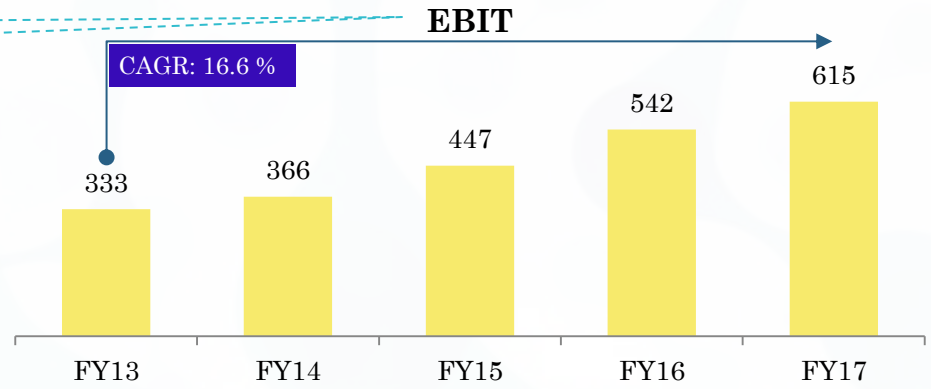
Home & Personal Care

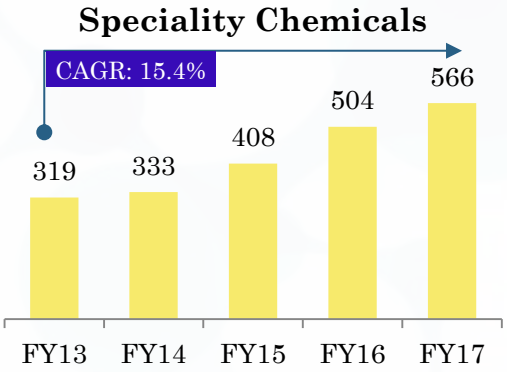


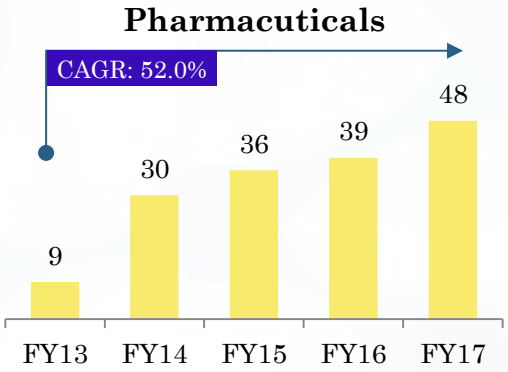
(Rs. Crore)

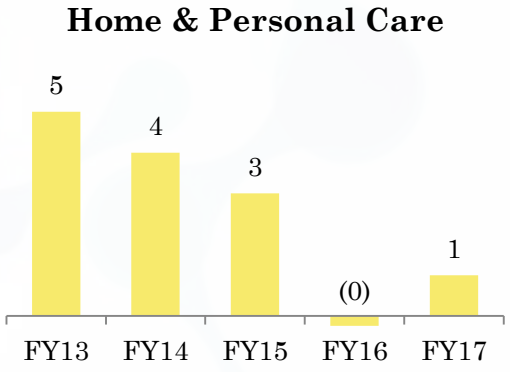
EBIT Performance (Consolidated)

Higher growth relative to revenue highlights value addition delivered by AIL



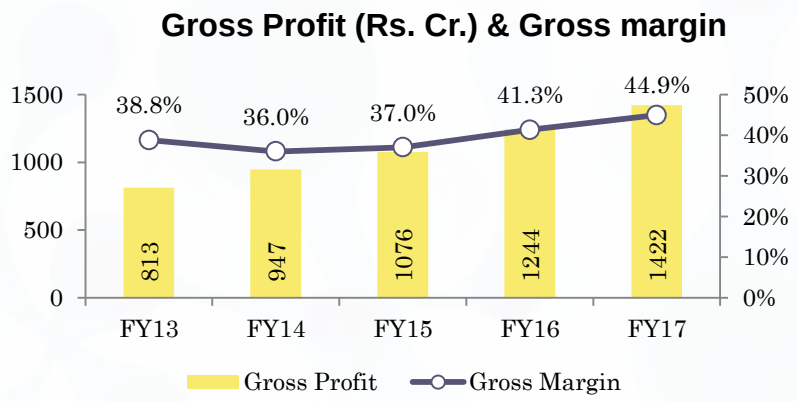


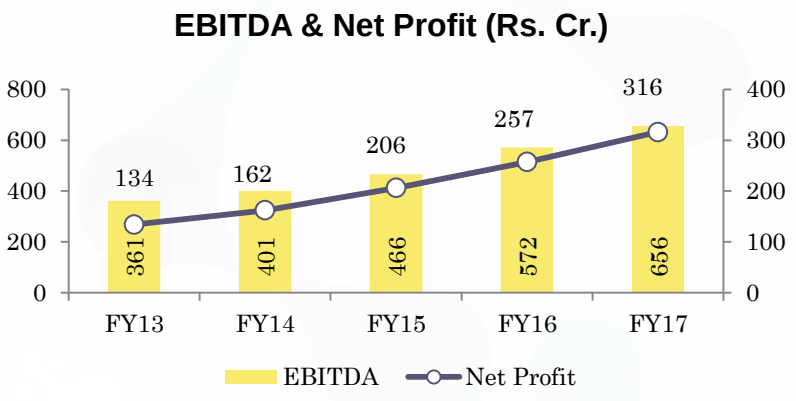


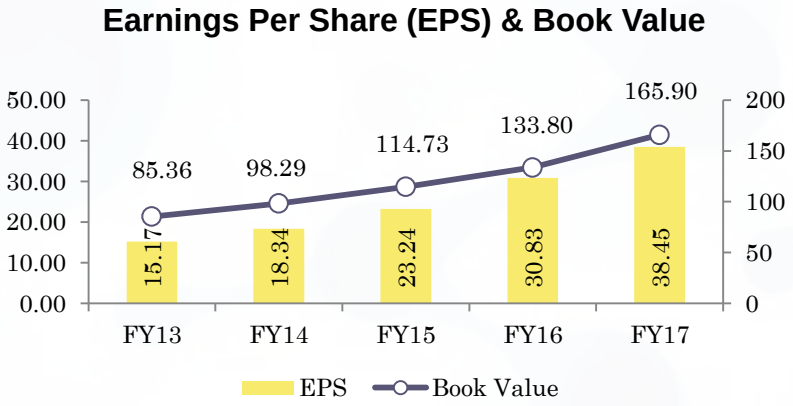


(Rs. Crore)

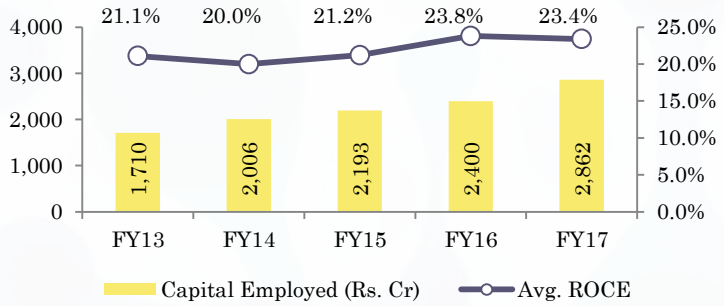
Financial Highlights – (Consolidated)

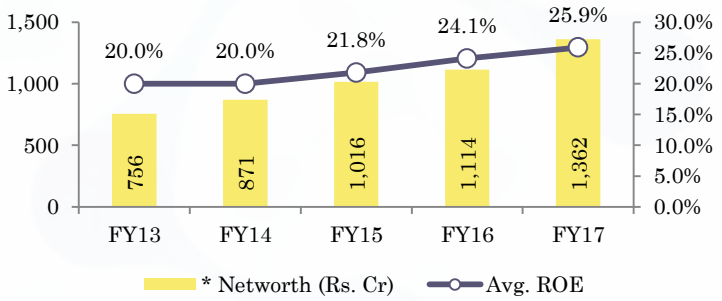






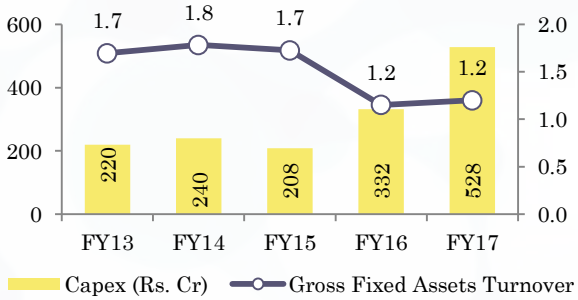
Financial Highlights – (Consolidated)

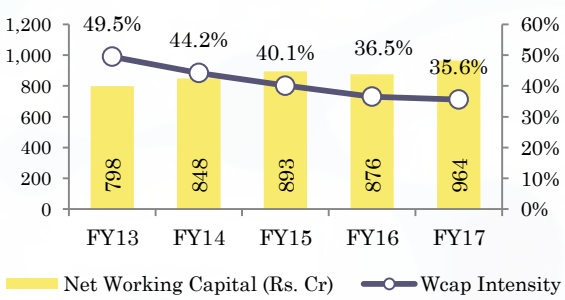


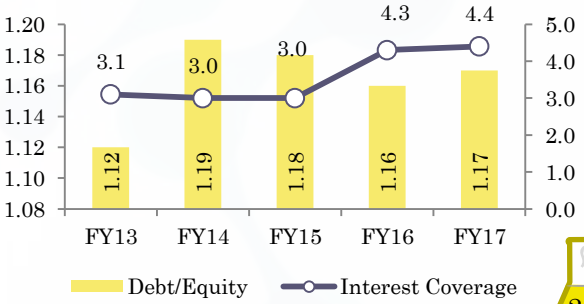


** Pre- IndAS to make it comparable*

- 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.

Contact Us

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Thank You