



AARTI INDUSTRIES LIMITED

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Ref. No: AIL/B-32/2016/067

Date : 5th February, 2016.

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,

Please find attached herewith Management Release presented during Earning's Call for Q3FY16 results held today .

Kindly take the note of the above

Thanking You,

Yours faithfully,

FOR AARTI INDUSTRIES LIMITED

Mona Patel
Company Secretary



“Aarti Industries Q3-FY16 Earnings Conference Call”

February 5, 2016



MODERATOR: ADFACTORS PR

**MANAGEMENT: MR. RAJENDRA GOGRI – CHAIRMAN & MANAGING DIRECTOR, AARTI INDUSTRIES.
MR. RASHESH GOGRI – VICE CHAIRMAN AND MANAGING DIRECTOR, AARTI INDUSTRIES.
MR. CHETAN GANDHI – CHIEF FINANCIAL OFFICER, AARTI INDUSTRIES.**

Moderator

Ladies and Gentlemen, Good Day and Welcome to the Aarti Industries Q3 FY'16 Earnings Conference Call. As a reminder, all participant' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. We welcome all of you. Thanks for taking out time for Aarti Industries Limited Analyst and Investor Conference Call. We have with us today Mr. Rajendra Gogri – Chairman and Managing Director; Mr. Rashesh Gogri – Vice Chairman and Managing Director, and Mr. Chetan Gandhi – the CFO. We will begin this call with the opening remarks from the management team, following which we will open the floor for an interactive Q&A session.

Before we begin, I would like to mention that certain statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the 'Con Call Invite' which was sent earlier. I would now like to hand over the floor to Mr. Rajendra Gogri. Thank you. Over to you sir.

Rajendra Gogri

Good afternoon, everybody. Thank you for joining us on this call. We shall run you through the operational performance and key highlights for the Quarter and 9 Months ended December 31st 2015. Total revenue for Q3 FY'16 stood at Rs. 679 crores v/s Rs. 692 crores for Q3 FY'15. Off the total revenue for the quarter, Exports consisted about Rs. 334 crores that is over 49% of the total revenue. EBITDA for Q3 FY'16 grew by over 26% and was Rs.130 crores Vs Y-o-Y EBITDA of Rs.103 crores, while the volumes had grown by over 15% for the same period. Likewise, net profit after tax for Q3 FY'16 also over 40% to Rs. 61 crores v/s Rs. 43 crores for Q3 FY'15.

In view of the above performance, the board has recommended second interim dividend of Rs. 2/- per share. Considering the first interim dividend of Rs. 3.00 per share declared in November 2015, the aggregate interim dividend declared so far is Rs. 5/- for FY'16, while the total dividend for FY'15 was Rs.5.50 per share.

Before going into the financials, I would like to apprise you that our Company has been awarded with the bestowed with the much coveted "Trishul Award" by Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council (CHEMEXCIL) for the outstanding export performance in the year 2014-15. Considering the consistency in export performance, the Council also has awarded the company with the "Award of Excellency" for the achievement in the year 2013-14.

Now, let us look at the segmental performance during the quarter-ended December 2015. The revenue from Specialty Chemicals segment was at Rs. 556 crores V/s Rs. 568 crores for Q3 FY'15. The EBIT for the segment grew by about 33% y-o-y to Rs 117 crs v/s Rs 88 crs for Q3 FY'15 and by about 4% as compared to 113 crs for Q2 FY'16.

As you are aware that our business is largely operated on formula based Variation in RM Prices plus model, wherein the delta is fixed in absolute basis and per kg margins remain stable. Hence the raw material price fluctuations are passed on to the customer. Thus absolute EBITDA is based on volumes & product mix and not the price fluctuation. During Q3 FY'16, we had witnessed another fall in Crude prices, which has resulted into the fall of Crude-linked products as well. Benzene which is one of our major raw materials and also follows the trend and has fallen from the price of Rs. 51.5 per kg for Q2 FY16 to about Rs. 44 per kg for Q3FY16. As a result the inventories were marked down by about 5 crs during Q3FY16. You would recollect that in Q3FY15, there was a fall in Benzene prices from Rs 85 per kg to Rs 70 per kg, which had resulted into a mark down in inventories at that time by about Rs 8 crs. Further in last year i.e. Q3FY15, the EBIT were lower by about 4-5 crs due to Annual Maintenance shutdown taken at our Acid unit, which this time had been postponed to Q4 FY16.

Lower RM prices have also benefitted us over long term by better operating margins, lower working capital quantum which helps in reduction of debt and the finance cost as well. Hence, on an overall basis lower RM Prices impacts the topline, while the EBIT growth based on volume growth and better product mix helps in improvement of operating margins, lower finance cost, better profit before tax, and improved ROC and so on.

On the project front, we would like to add that our PDA expanded capacities, additional Calcium Chloride unit & Nitro Toulene Derivatives at Jhagadia, Ethylation unit at Dahej are expected to commission in next two quarters i.e in Q4FY16 - Q1FY17. Further with reference to our expanded capacities of Nitro Chloro Benzene capacity of 75000 tpa, we had achieved the production of 16,400 tonnes during Q3 FY16, i.e about 87% capacity utilization on annualized basis.

Moving on to the Pharmaceuticals segment, the revenue had increased from Rs. 75 crores for Q3 FY'15 to Rs. 89 crores for Q3 FY'16, thereby posting over 18% Y-o-Y growth. Similarly, EBITDA has also increased to Rs. 9.8 crores for Q3 FY'16 v/s Rs.

8.8 crores for Q3 FY'15. Thus on an overall basis, we expect to continue on the growth momentum in future as well.

Coming to last segment, that is Home and Personal Care segment, the revenue for this segment for Q3 FY'16 was at Rs. 34 crores with EBIT was a loss of Rs. 1.6 crores. During Q3, the EBIT was low due to certain product standardization and operational issues for the new products being introduced. On account of this, off-specs material to the tune of Rs 1 crore were written off during the quarter. We expect to resolve these issues and would see the segment to bounce back in coming quarters.

As you are aware, we have been undertaking various expansion activities, part of these had already been commissioned and ongoing projects which would be commissioned in coming quarters, would help the volumes to grow in FY 17 and subsequent years. With these rationale, we are hopeful to be able to meet our volume growth estimate of about 15% to 20%, and profitability to grow at about 20% to 24%, CAGR over the next 3 years on account of the margin expansion and volume growth across all segments. Thank you.