AARTI INDUSTRIES LIMITED

November 1, 2021

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 (LODR) Regulations, 2015

Please find enclosed herewith the Q2 FY22 Results Presentation of the Company for your records.

Kindly take the same on record.

Thanking You,

Yours faithfully,
FOR AARTI INDUSTRIES LIMITED

Raj Kumar Sarraf
Digitally signed by Raj Kumar Sarraf
Date: 2021.11.01 11:47:04 +05'30'

RAJ SARRAF
COMPANY SECRETARY
ICSI M. NO. A15526
Encl. As above.

AARTI INDUSTRIES LIMITED

Q2 FY22 Results Presentation

1st November 2021

Disclaimer

AARTI INDUSTRIES LIMITED may, from time to time, make written and oral forward looking statements, in addition to statements contained in the company's filings with BSE Limited [BSE] and National Stock Exchange of India Limited [NSE], 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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Agenda

01 Company Overview

02 Q2 FY21-22 Financial Results

03 Growth Opportunity & Strategy

About AIL

AARTI INDUSTRIES

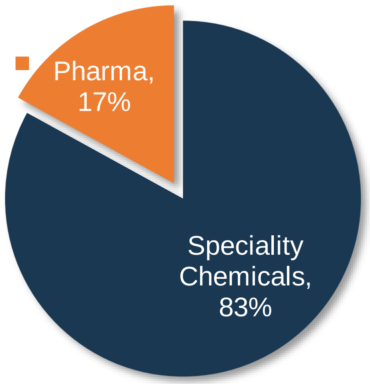
Overview

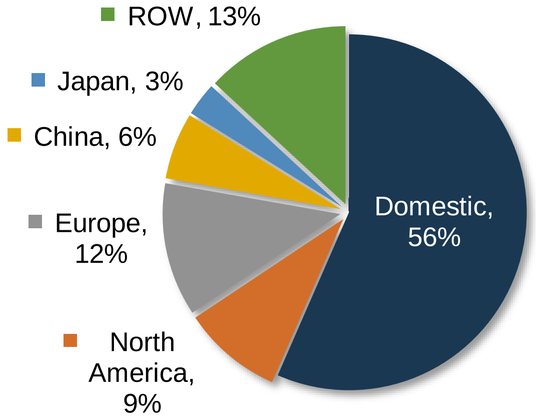
- A leading Speciality Chemicals company in Benzene based derivatives with integrated operations and high level of cost optimization.
- Pharma operations spanning APIs, intermediates and Xanthene derivatives
- Established by first generation technocrats in 1984
- Strong R&D capabilities – 4 R&D facilities; dedicated pool of about 400+ engineers & scientists; IPRs for developing customized products.
- Plants located in western India with proximity to ports: 15 for Speciality chemicals; 5 for Pharma (2 USFDA and 3 WHO/GMP)

Key Metrics

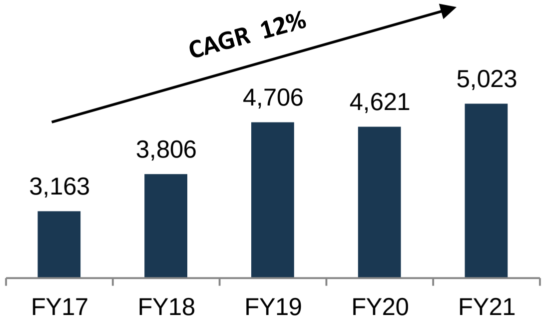
200+ Products	**400+** Global Customers	**700+** Domestic Customers
20 Manufacturing Plants	**16** Zero Liquid Discharge Plants	**7,000+** Employees

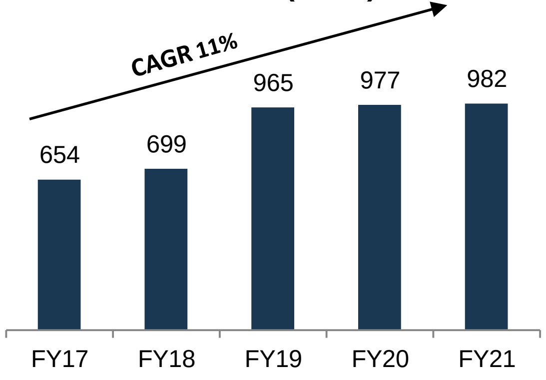
Revenue split - Segmental and Geographical – FY21





Key Financials





Q2 FY22 Highlights

Major Highlights
• Topline increase due to increase in RM prices, Fuel and Logistics Costs. Absolute growth in EBITDA reflects the ability to pass-on the price increase to the customer. • Recorded the highest ever Topline and Bottomline. • Efforts taken to pass on a substantial part of Fuel and Logistics costs to the customer. • QIP of Rs 1,200 crore raised in June 2021, assisted in reduction of debt and corresponding borrowing costs. • Key projects such as Project of Long Term Contracts, Pharma Expansion nearing the final stages and expected to commercialised in H2 FY22. • Discontinuation of MEIS and non inclusion of Chemical & Pharma products under RotDep Scheme impacts the sector negatively • Macro factors indicate positive traction to continue in near to mid term.

Chairman's Message

AARTI INDUSTRIES

Commenting on the performance for Q2 FY22, Mr. Rajendra Gogri – Chairman & MD at Aarti Industries Limited said:

"Maintaining our growth trajectory, we have once again recorded the highest ever revenue and profitability in our operating history. We evaluate EBITDA as the key monitorable for the business and on this parameter we have delivered 22% growth on YoY basis.

Based on the milestones achieved in the first half of FY22, we remain well-positioned to meet our growth guidance. We are further encouraged by our recent achievements that come in the backdrop of a highly volatile operating environment during this entire period – marked by significant shifts in raw material prices, coal availability, supply chain disruptions, competitive pressures as well as constantly changing dynamics in our end-user markets.

We are seeing improving demand shifts across key customer segments both in international markets and within the expanding Indian chemicals ecosystem. We believe the current visibility – for India as an increasingly significant global chemicals supply destination and for players such as Aarti that are recognized as partners of choice by leading innovator companies – is likely to remain robust over the long term.

On the operational front, we are witnessing progressively higher utilization of recently commissioned facilities and we remain in line for the launch of our second and third long-term customer contracts, NCB expansion and pharma capacity enhancement for both APIs and intermediates. These enhancements provide us the confidence of meeting our growth guidance for FY24. We are also aggressively pursuing the previously shared business plan and revenue targets for the rest of the current decade, supported by a well-capitalized balance sheet."

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Q2 FY22 P&L - Consolidated

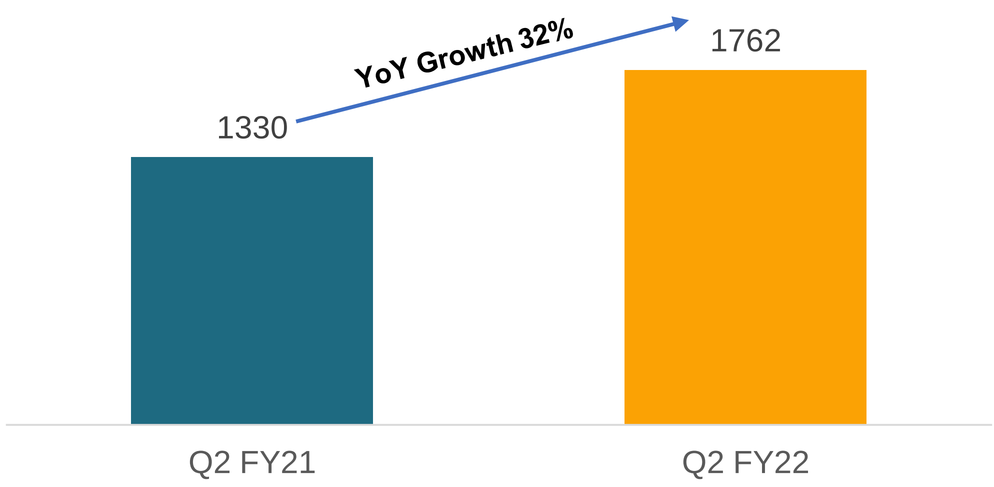
Particulars (Rs. Crore)	Q2 FY22	Q2 FY21	Y-o-Y (%)	Q1 FY22	Q-o-Q (%)	H1 FY22	H1 FY21	Y-o-Y (%)
Gross Income from Operations	1,762	1,330	*32.4%*	1,503	*17.2%*	3,265	2,366	*38.0%*
Exports	751	603	*24.5%*	634	*18.5%*	1,384	1,091	*26.8%*
% of Total Income	*42.6%*	*45.3%*		*42.2%*		*42.4%*	*46.1%*	
EBITDA	310	254	*21.8%*	314	*-1.3%*	624	436	*42.9%*
EBITDA Margin (%)	*17.6%*	*19.1%*		*20.9%*		*19.1%*	*18.4%*	
EBIT	239	199	*19.8%*	245	*-2.7%*	484	329	*47.0%*
EBIT Margin (%)	*13.5%*	*15.0%*		*16.3%*		*14.8%*	*13.9%*	
PAT	176	140	*25.6%*	165	*6.8%*	341	222	*53.5%*
PAT Margin (%)	*10.0%*	*10.5%*		*11.0%*		*10.4%*	*9.4%*	
EPS (Rs.)	4.86	8.05		4.55		9.41	12.75	

- Sustained revenue growth driven by volume expansion and 74% contribution from value-added products
- Gross margins returned to normalized levels
- Domestic demand for discretionary products has returned to pre-covid levels, while for exports markets the same are recovering gradually
- Pharma segment revenues at record levels
- Finance charges lower based on lower cost of funds.
- Capex in Q2FY22: Rs 317 crore; 6M aggregate capex of Rs. 620 crore – in line with guidance of Rs. 1,200-1,500 crs for FY22.

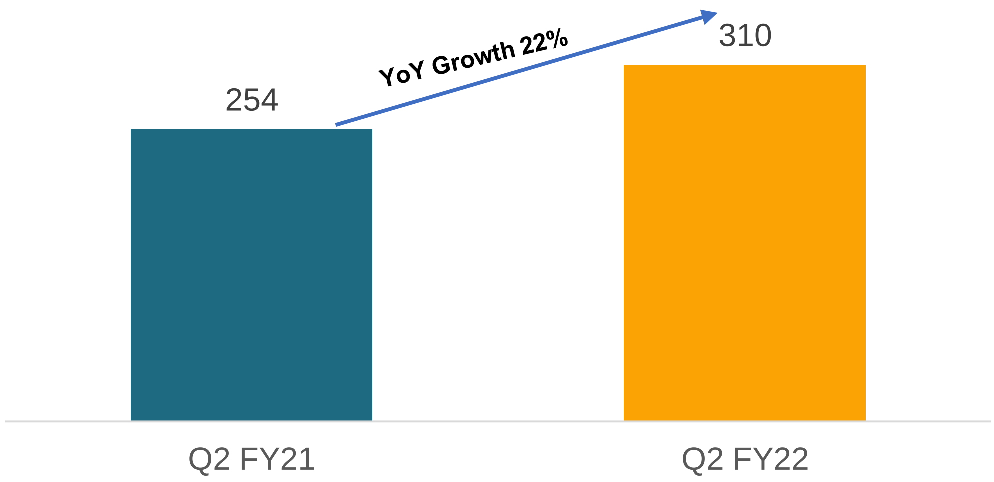
**EPS are prebonus EPS and hence not comparable*

Q2 FY22 Highlights (Consolidated)

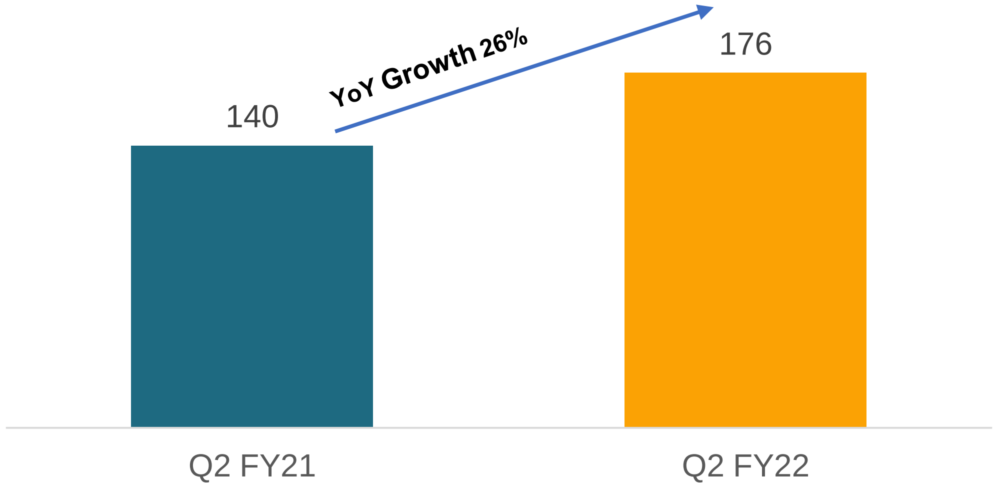
Revenues



EBIDTA



PAT



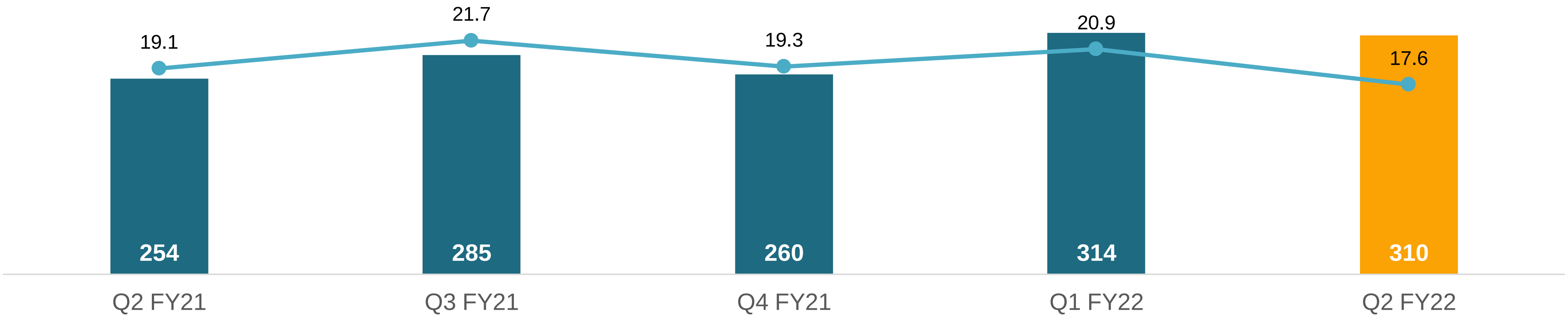
Key Highlights:

- Re-iterated guidance of over 25% growth for FY22.
- Strong momentum in H1, driven by rising demand across various products.
- Higher contribution from domestic demand as the local manufacturing ecosystem continues to progress.

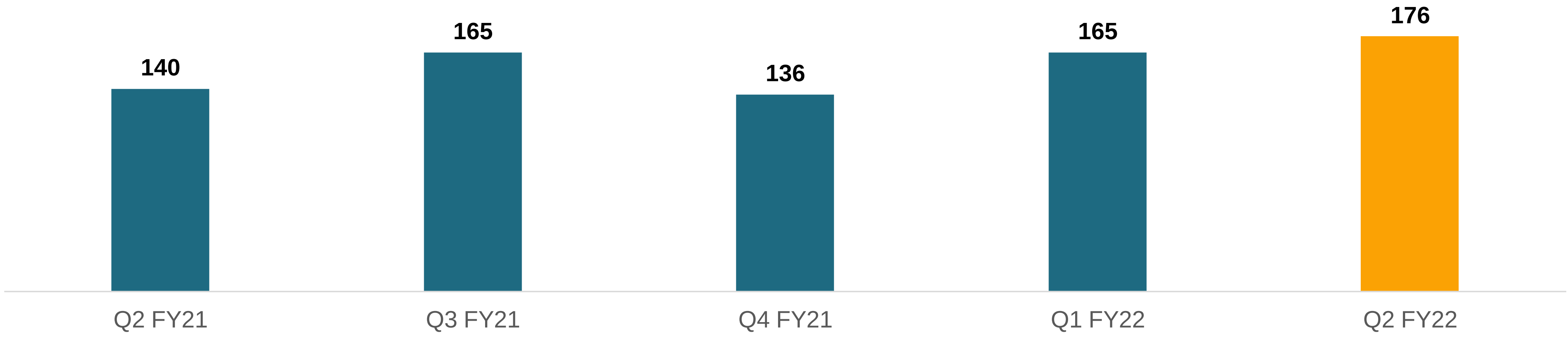
Amount in INR (Cr)

Quarterly EBITDA & PAT (Consolidated)

EBITDA & EBITDA %



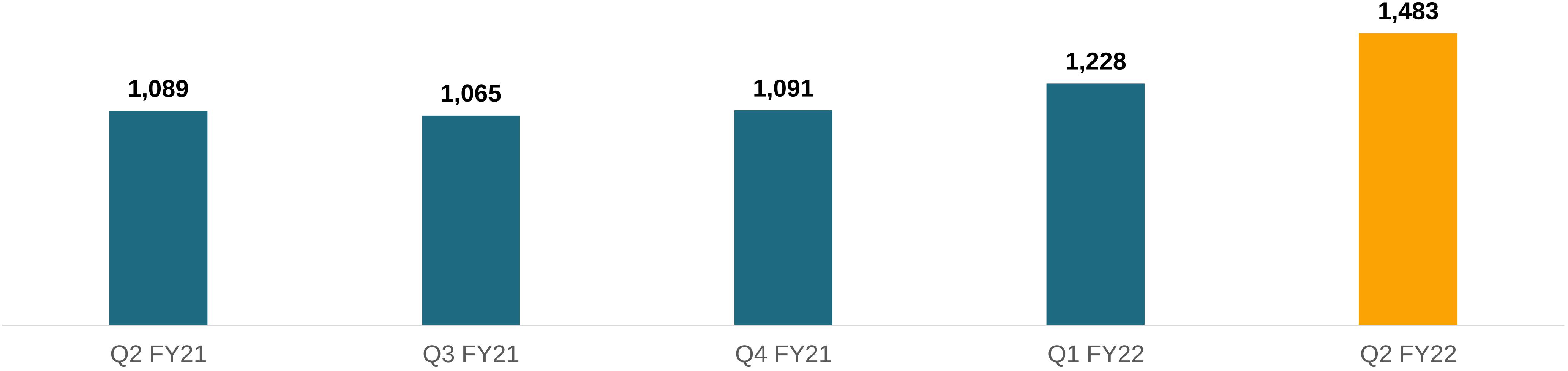
PAT



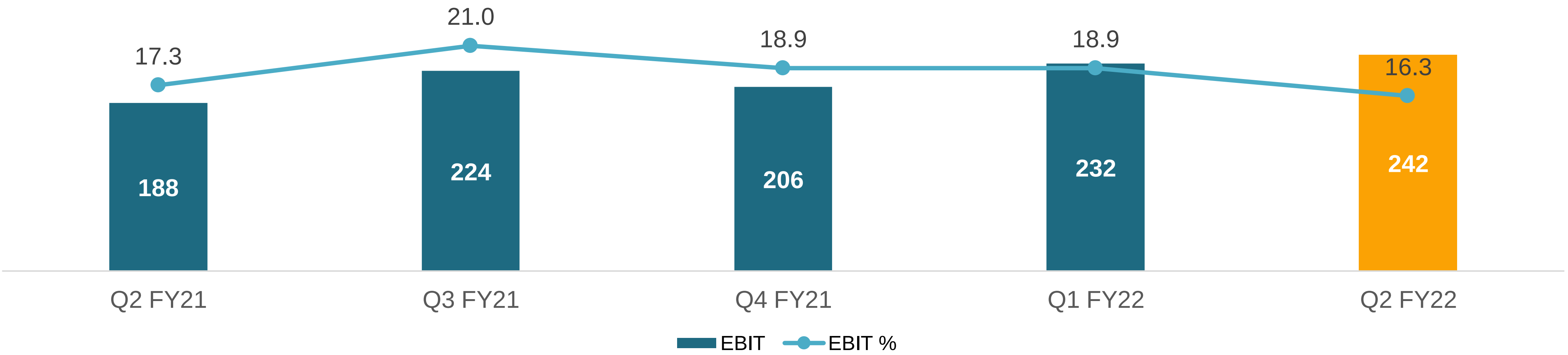
Amount in INR (Cr)

Speciality Chemical - Revenue & EBIT

Speciality Chemicals - Revenue

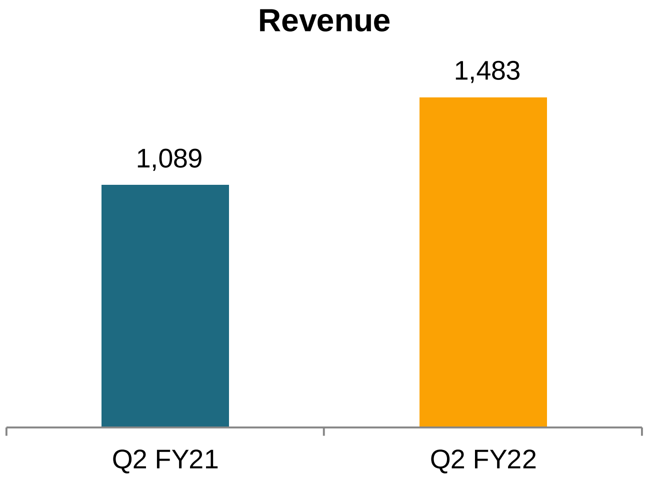


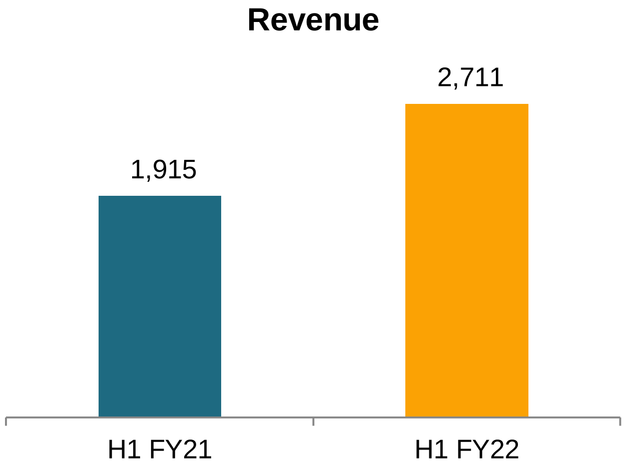
Speciality Chemicals EBIT & EBIT %

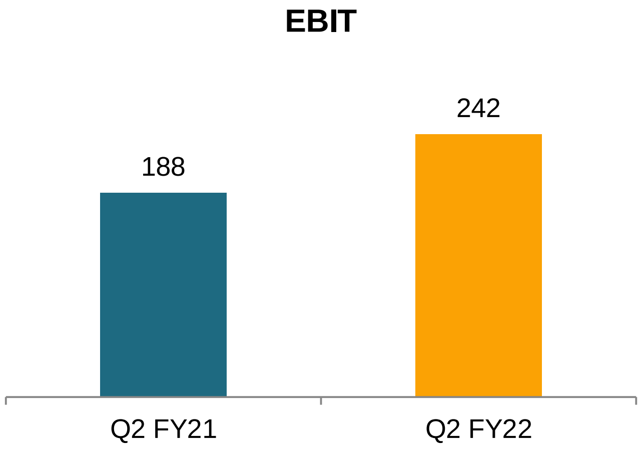


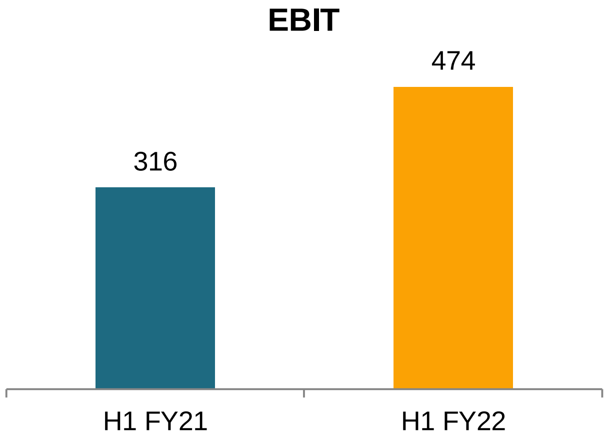
Amount in INR (Cr)

Q2 FY22 Speciality Chemical - Consolidated







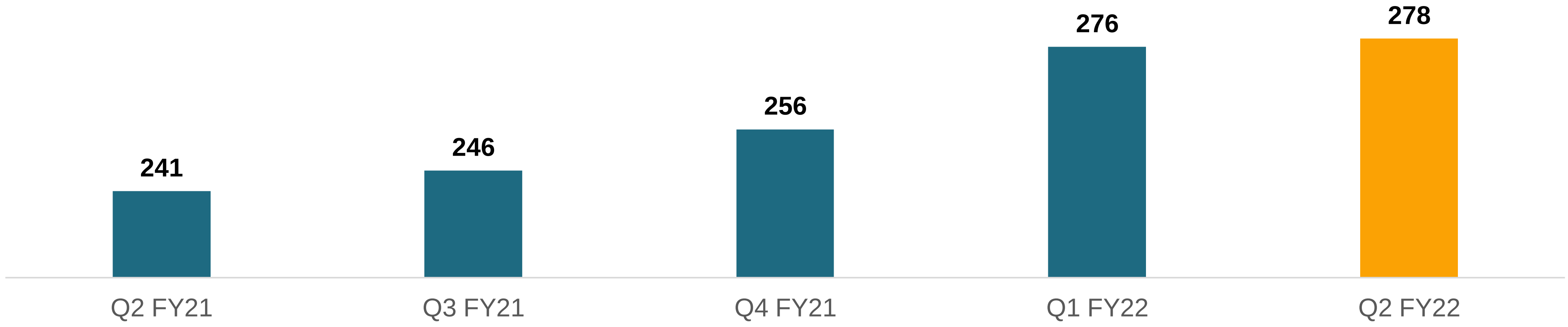


- Revenue growth backed by 90% utilization across operationalized facilities
- Return of demand from established markets driving improved margins
- 74% is the share of revenue from value-added products during the quarter.
- Volume growth of about 7% YoY
- Includes income recognition of about USD 7 million in respect of the first long-term contract

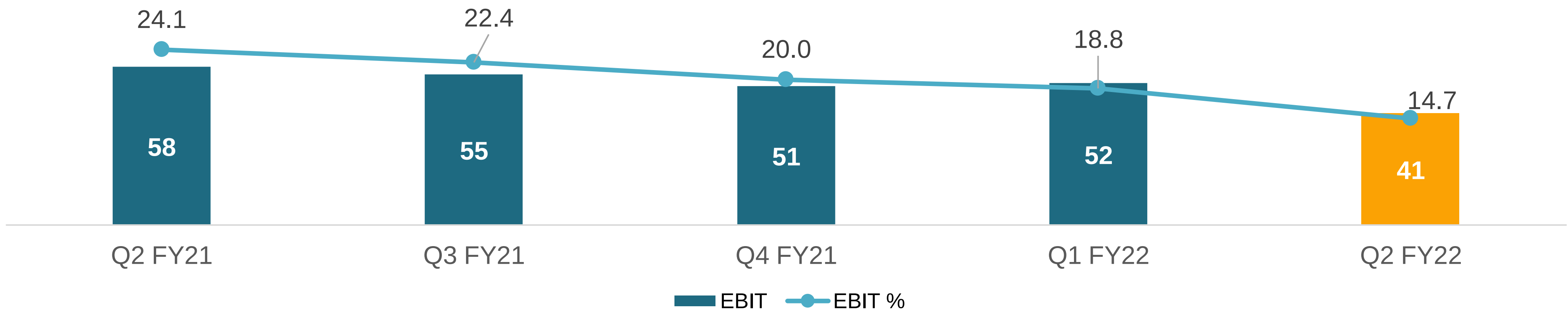
Amount in INR (Cr)

Pharma - Revenue & EBIT

Pharma - Revenue

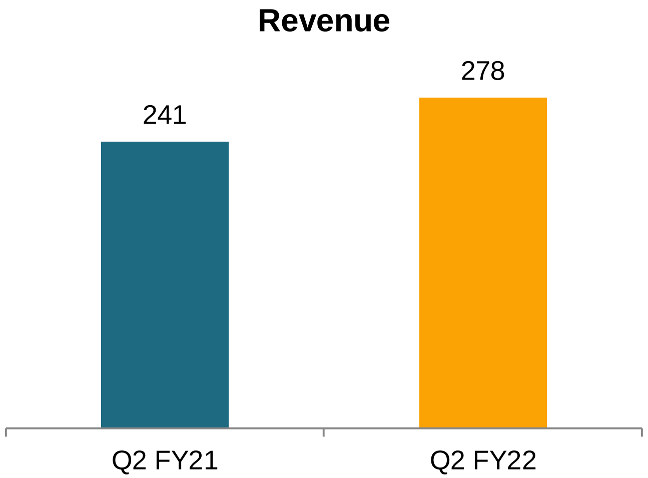


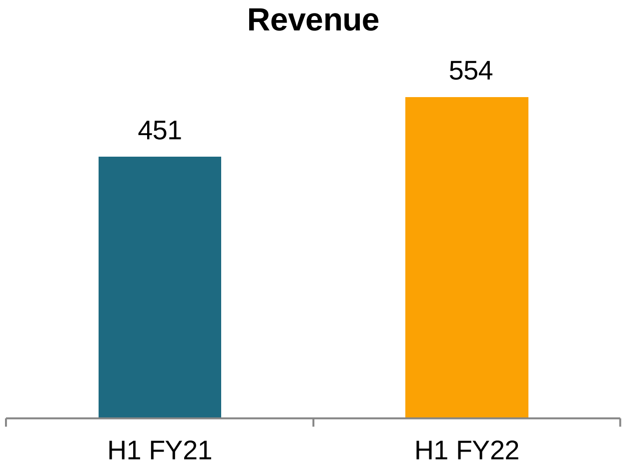
Pharma EBIT & EBIT %

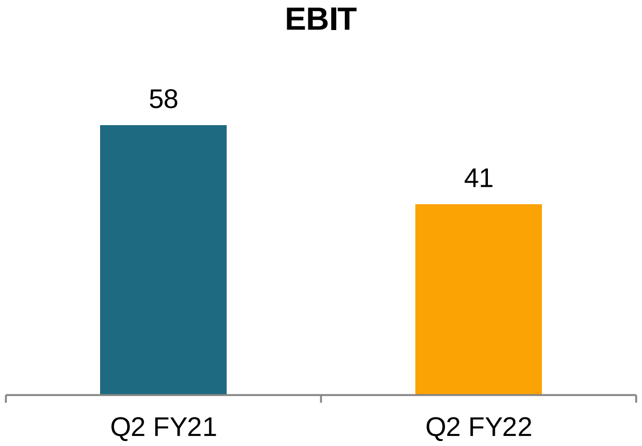


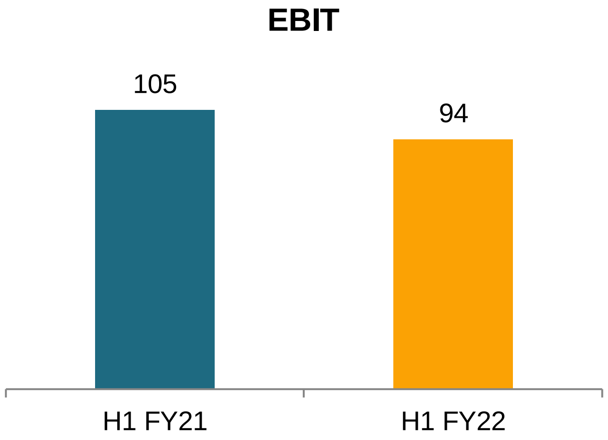
Amount in INR (Cr)

Q2 FY22 Pharma - Consolidated







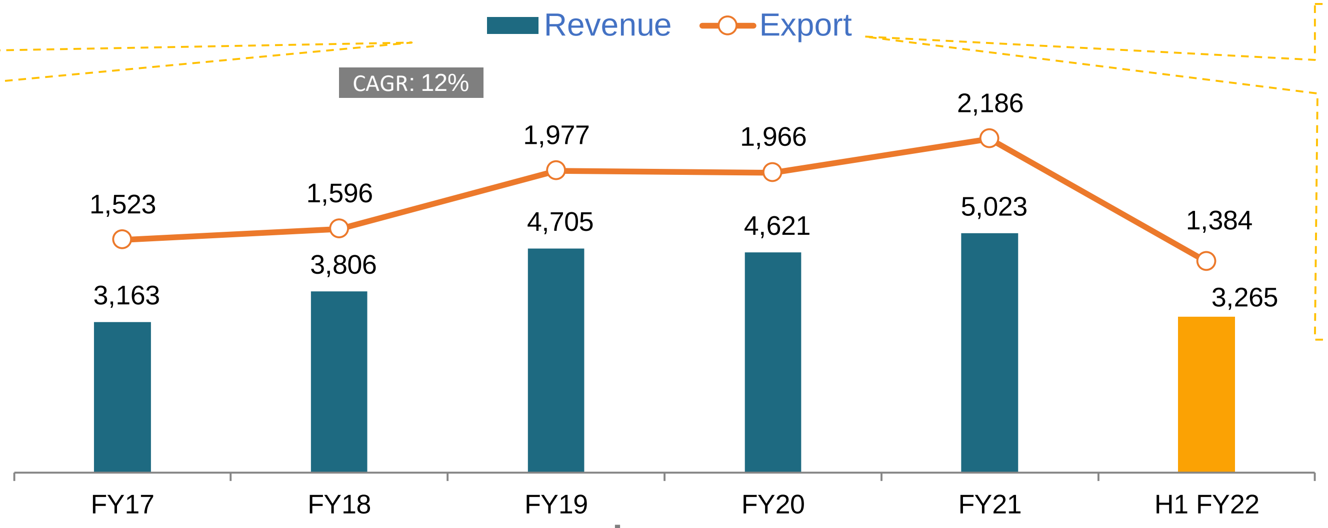


- Higher costs, passed on to the customer resulting into increased topline.
- Lower sales towards the end of the quarter resulting into higher inventory and reduced conversion into profits
- Trial runs at the new expanded block at Intermediate facility impacted the EBIT.
- Revenue growth is expected to sustain as additional capacities for API's and intermediates are operationalized

Amount in INR (Cr)

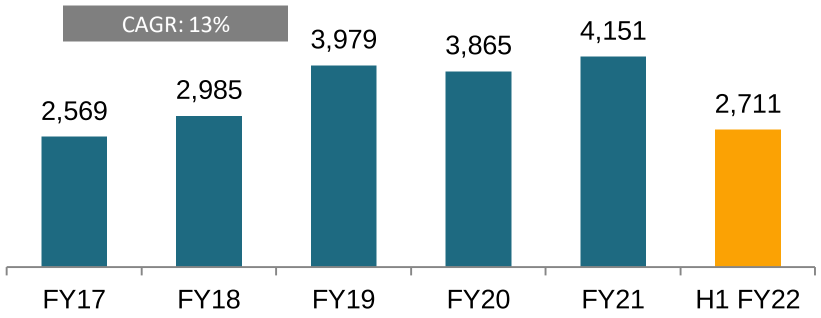
Revenue Performance - Consolidated

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

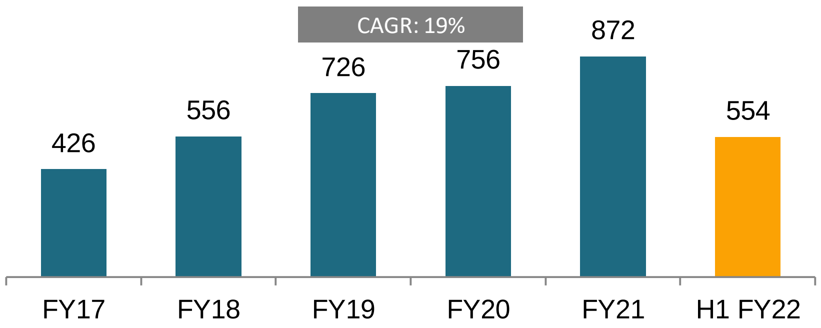


Deep engagement with global customers in Speciality Chemicals and Pharma. In addition, some part of domestic revenues are indirect exports.

Speciality Chemicals



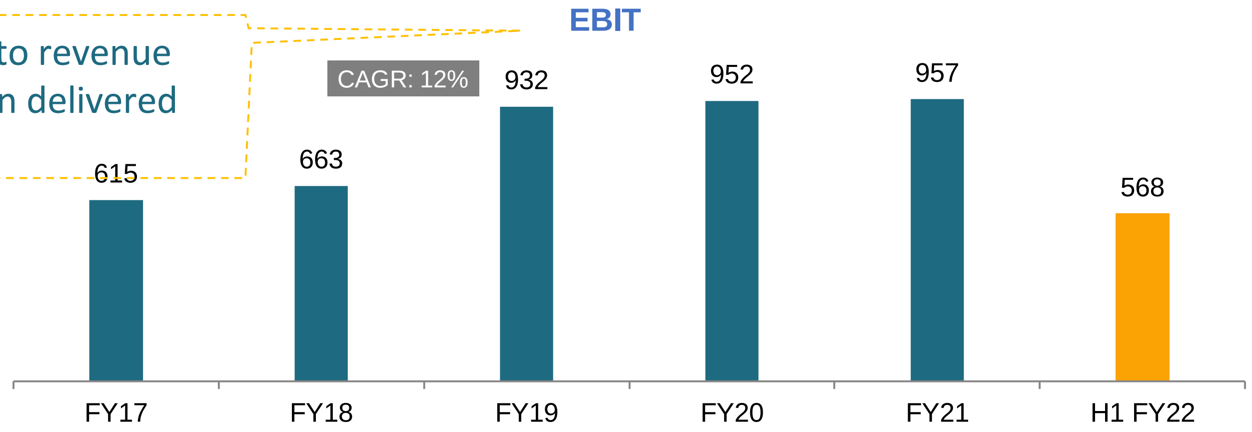
Pharmaceuticals

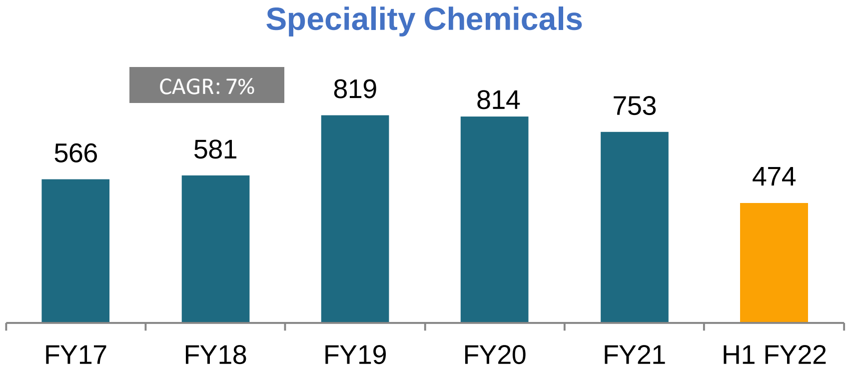


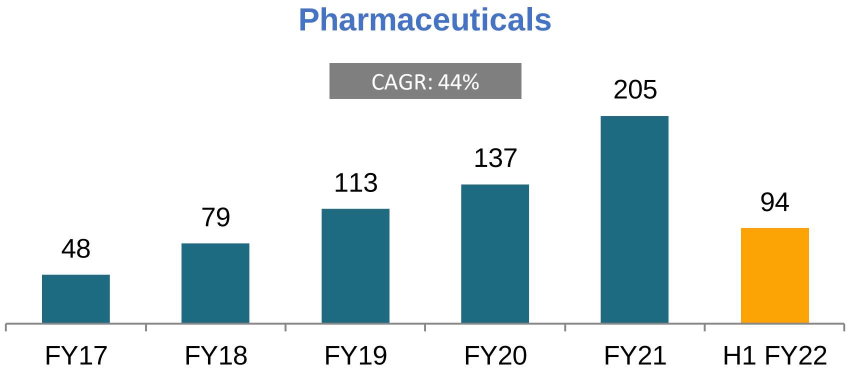
Amount in INR (Cr)

EBIT Performance - Consolidated

Higher growth relative to revenue highlights value addition delivered by AIL





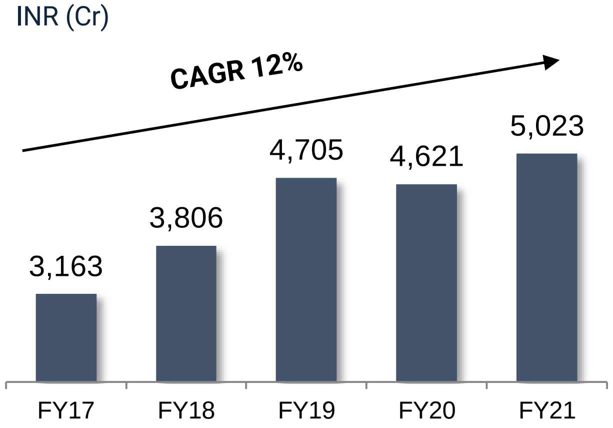


Amount in INR (Cr)

Financials - Consolidated

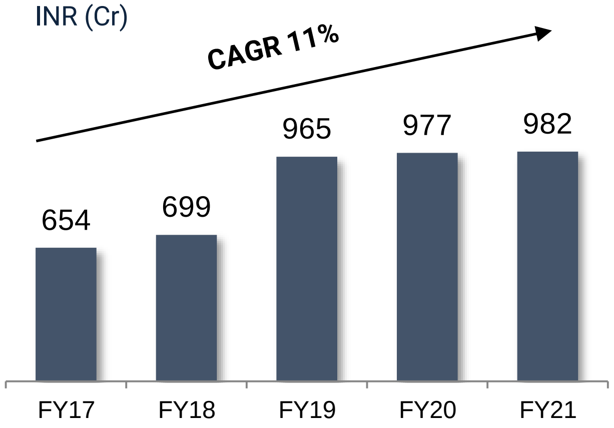
Robust Revenue Growth

FY17-20 CAGR: **13%**



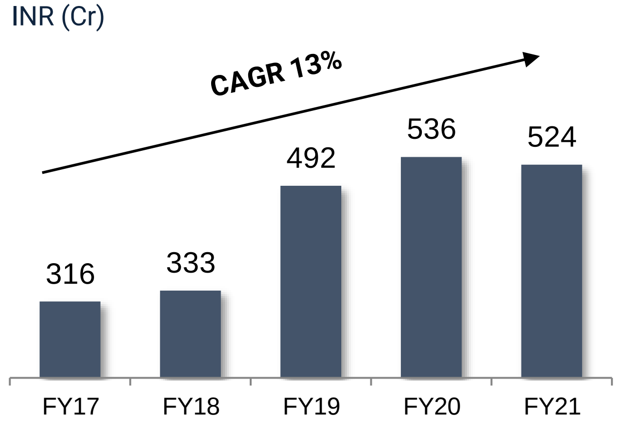
Strong EBITDA Growth

FY17-20 CAGR: **14%**

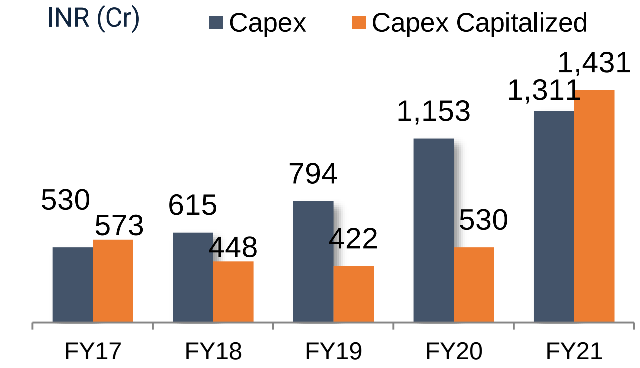


Strong PAT Growth

FY17-20 CAGR: **19%**

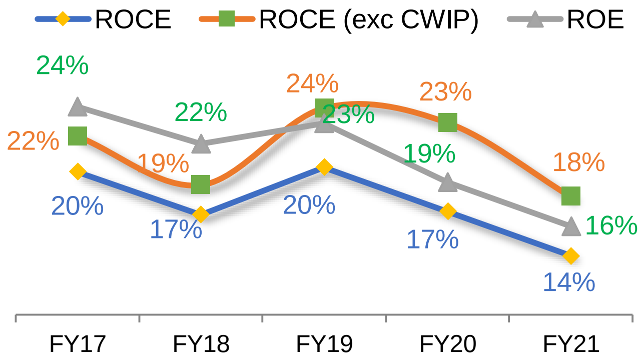


Significant Capex Undertaken



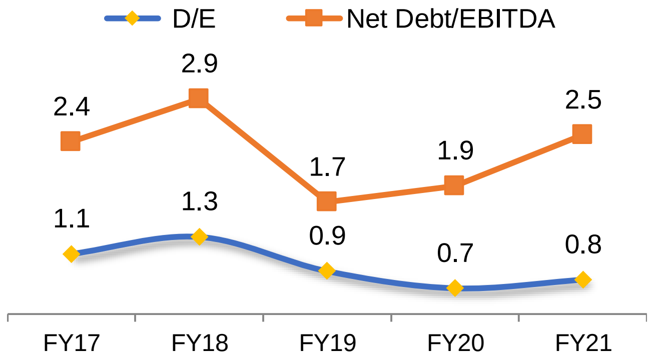
CWIP of **1,298 Crs** as of Mar'21
1,040 Crs of Capex capitalized in H2 FY21

Strong Return Ratios



Return ratios declined in FY21 due to rear ended capitalization and impact of Covid

Debt Profile



EBITDA =Profit before Tax + Interest Expense + Depreciation – Other Income; EBIT = EBITDA-Depreciation; Capital Employed= Net Worth + LT Debt+ ST debt+ current maturity of long term debt- cash; Capital Employed adj for CWIP= Capital Employed -CWIP; ROCE= EBIT/(Average of Capital employed of current & previous year); ROCE (exc CWIP) = EBIT/(Average of Capital employed adj for CWIP of current & previous year); ROE = Net Income/Average of Net Worth of current & previous year; D/E = Total Debt/ Total Equity; Net Debt/EBITDA = (Gross Debt- cash)/ EBITDA

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

- API & Intermediate market (domestic & exports) expected to witness strong growth
- Xanthine Derivatives are expected to continue the growth momentum

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

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

Strong Focus on R&D and Process Innovation

- Focus on downstream products through processes like high value chlorination, hydrogenation, etc

Thrust on Sustainability

- Significant capex done in SH&E, which provide long term benefits
- Continuous efforts to enhance on ESG Initiatives.

Agenda

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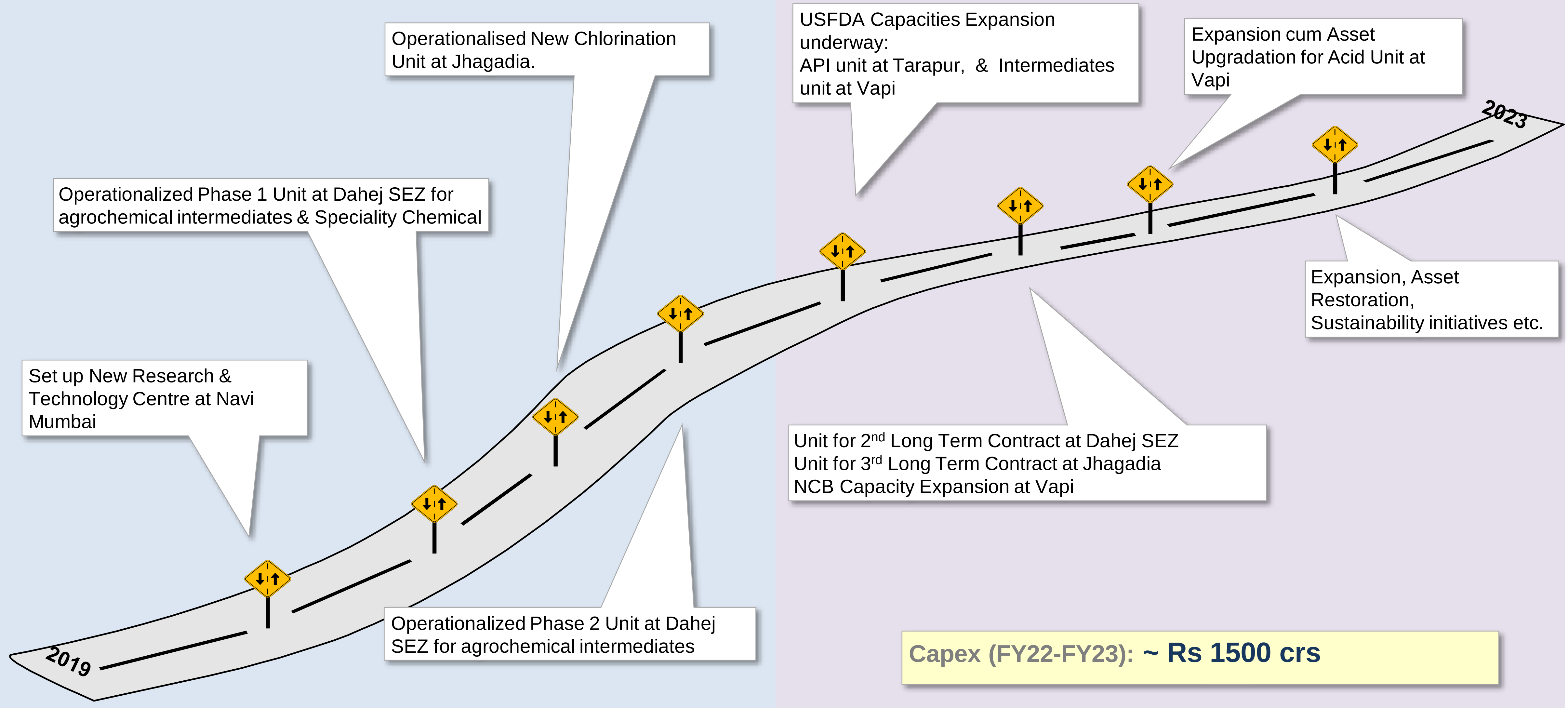
Major Projects: FY19 - FY23

AARTI INDUSTRIES

Operationalised by FY21	To be Completed by FY23



Capex (FY22-FY23): ~ Rs 1500 crs

Future Growth Projects: FY22-24 (Driven by R&D & Innovation)

AARTI INDUSTRIES

Growth Initiatives under way

- Introducing Chloro Toulenes Value Chain: (Range of products)
- Newer range of Value Added products & Other Speciality Chemicals
- Custom Manufacturing Opportunities
- Expansion & Introduction of new range of Pharma APIs & Intermediates
- Manufacturing Outsourcing / Strategic Alliances
- Setting up Universal Multipurpose Plants (UMPP)

Highlights

- Adding new chemistries and Value added products
  - 40+ products for Chemicals
  - 50+ products for Pharma
- EBIDTA margin ~ 25% - 30%
- Capex of about
  - Rs 2500 – 3000 crs for Chemical
  - Rs 350 – 500 crs for Pharma
- Site development work to commence on 100+ acre land at Jhagadia. Also acquired over 120 acres land at Atali, Gujarat.
- Environmental Clearances obtained / in process.
- Construction from FY22 – FY24.
- Will drive the growth from FY25 and beyond.

Growth Estimates

Expecting Robust Growth fuelled with aggressive Capex Investment

- Capex for FY 22-24: ~ Rs 4,500-5,000 Cr
- Existing Products: ~ Rs 1500 Cr, New Products: Rs 3,000-3,500 Cr

FY21 Snapshot

Turnover: 5000 crs

EBIT: 750 crs

PAT: 523 crs

FY24 Growth (over FY21)

Turnover: 1.7x -2.0x

EBIT: 1.7x - 2.0x

PAT: 1.7x – 2.0x

FY27 Growth (over FY21)

Turnover: 2.5x-3.5x

EBIT: 3x - 4x

PAT: 3x - 4x

Contact Us

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

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THANK YOU