

**September 26, 2022**

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

**BSE CODE : 524208**

Dear Sir/Madam,

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 Symbol : AARTIIND**

**Sub: Investor Presentation**  
**Ref: Regulation 30(6) of the SEBI (LODR)**  
**Regulations, 2015**

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Please find enclosed herewith presentation made to the shareholders of the Company at the 39<sup>th</sup> Annual General Meeting held today i.e. September 26, 2022.

Kindly take the same on record.

Thanking You,

Yours faithfully,  
**FOR AARTI INDUSTRIES LIMITED**

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



# Annual General Meeting

26 September 2022



# Disclaimer

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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

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Company Overview

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Financial Snapshot & Shareholder Info

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Strengths

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Growth Opportunity & Strategy

05

Demerger Proposal

06

Corporate Social Responsibility



# About Aarti Industries (AIL)

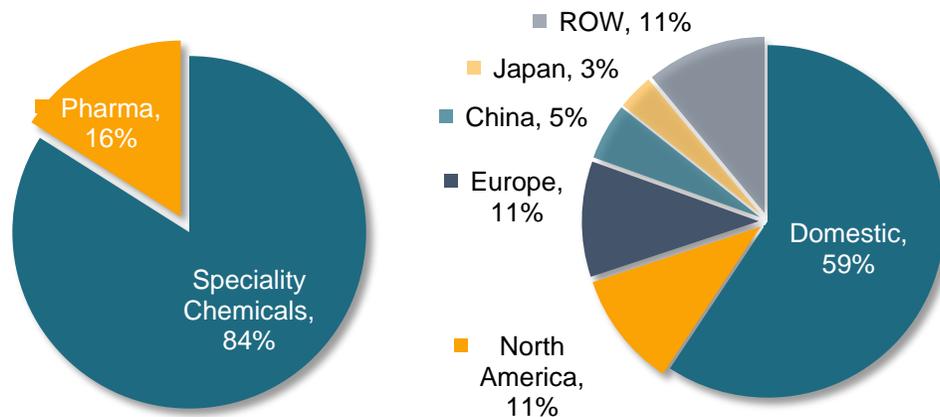
## Overview

- A leading Speciality Chemicals company in Benzene & Toluene 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)

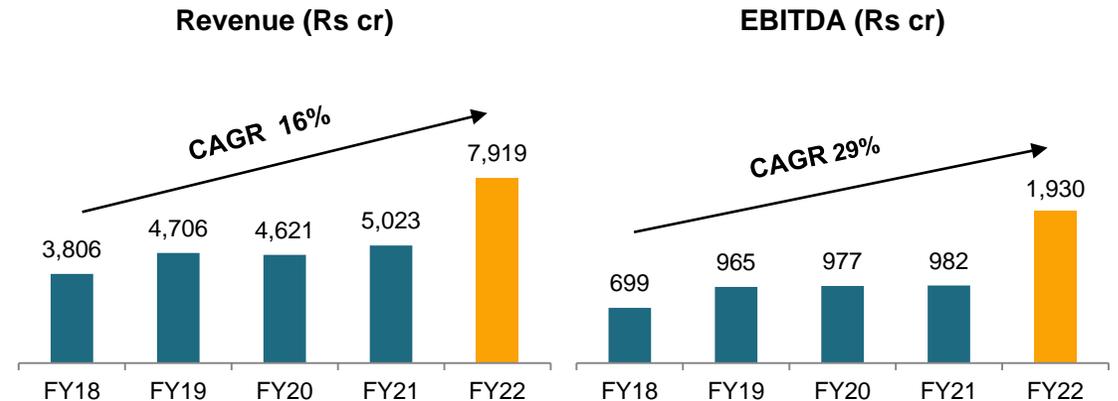
## Key Metrics



## Revenue split - Segmental and Geographical – FY22



## Key Financials



\*FY22 nos. are including the termination income

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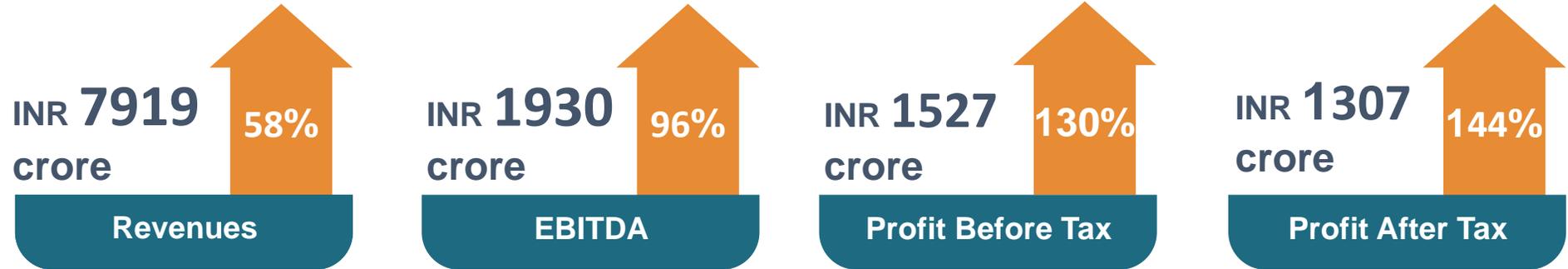
Corporate Social Responsibility



# FY22 – Financial Highlights & Key Updates



FY22 vs FY21



INR 1200 crore

Fund raised through QIP for growth initiatives

59 : 41

Domestic & Exports revenue-mix

0.44x

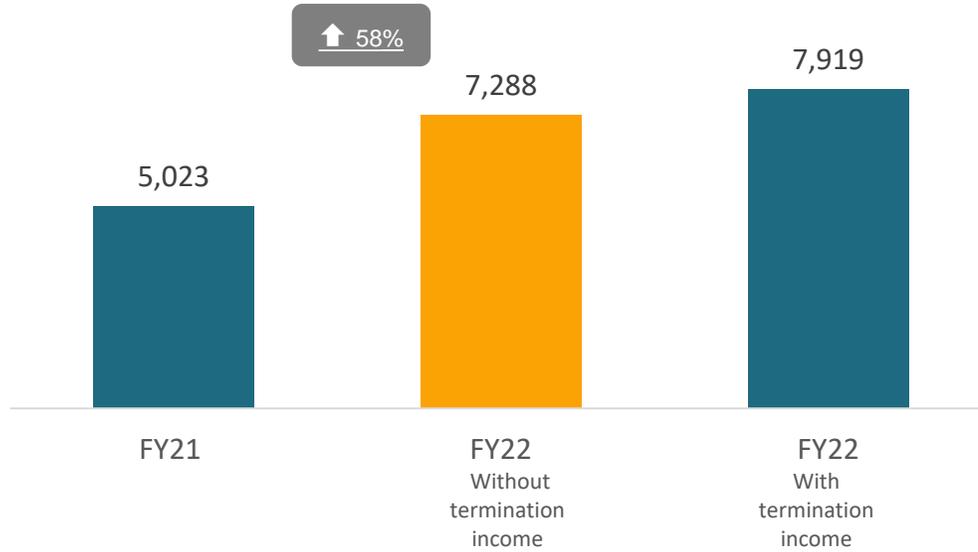
Debt : Equity

- Robust revenue momentum **supported by better realisations trends owing to Company's ability to pass on sharp spikes in RM costs and other utilities.** This was **backed by healthy volume gains led by continued strong demand trajectory** in the key end-user industries
- EBITDA performance **bolstered by operating leverage due to high utilisation levels across plants.** The Company's robust pricing model (RM pass through model) helped to **maintain the absolute delta margin (expressed in per kg terms) despite unprecedented challenges** during the year posed by inflation in raw material prices and other costs, as well as logistical constraints
- **Commercialized unit for the project related to 2<sup>nd</sup> Long term Contract** at Dahej SEZ
- Key expansion **projects related to 3rd Long Term Contract, the NCB capacity expansion, Pharma USFDA expansion, Acid unit revamp and expansion** are progressing well and expected to be commercialized in FY 2022-23 and FY 2023-23.

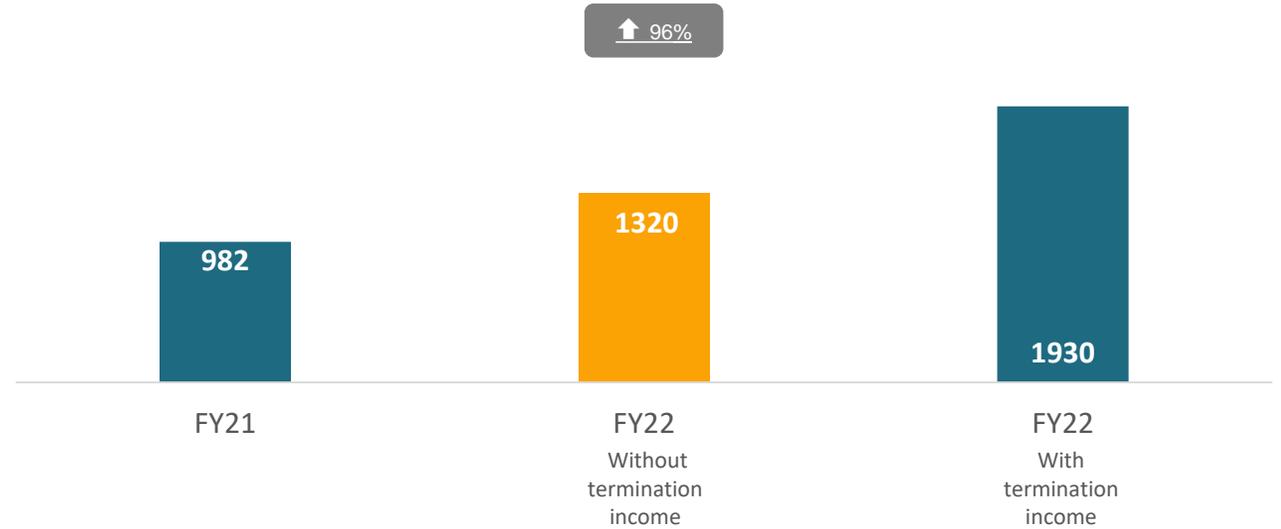
\*FY22 nos. are including the termination income

# FY22 Highlights (Consolidated)

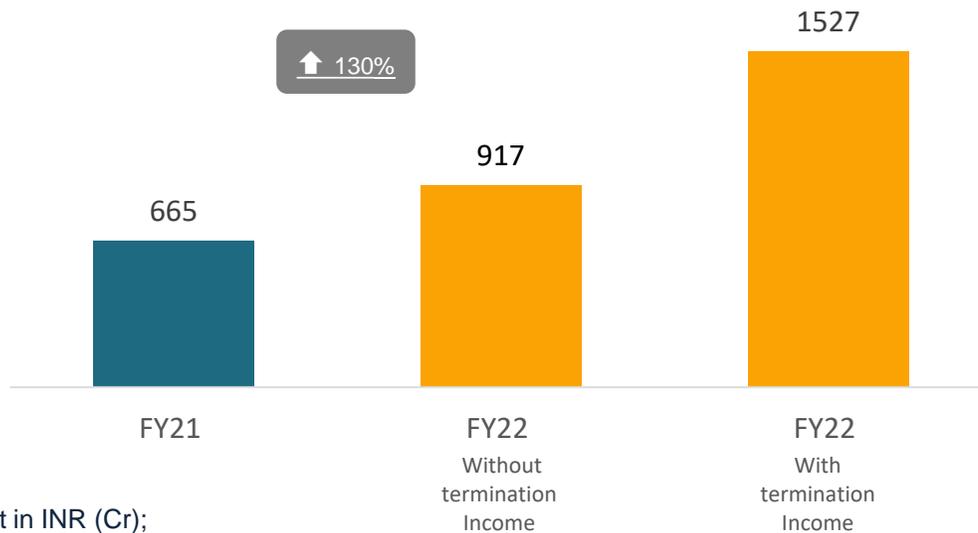
## Revenues



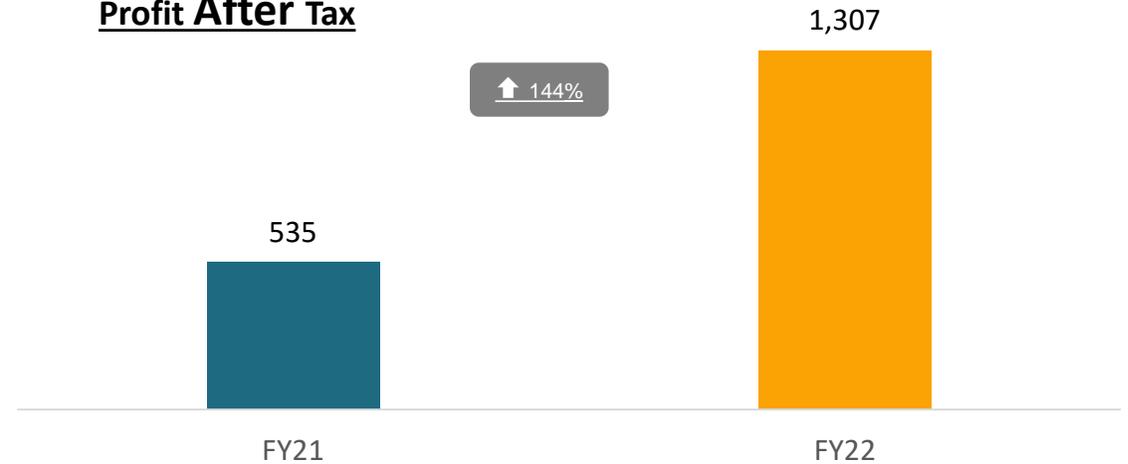
## EBITDA



## Profit Before Tax

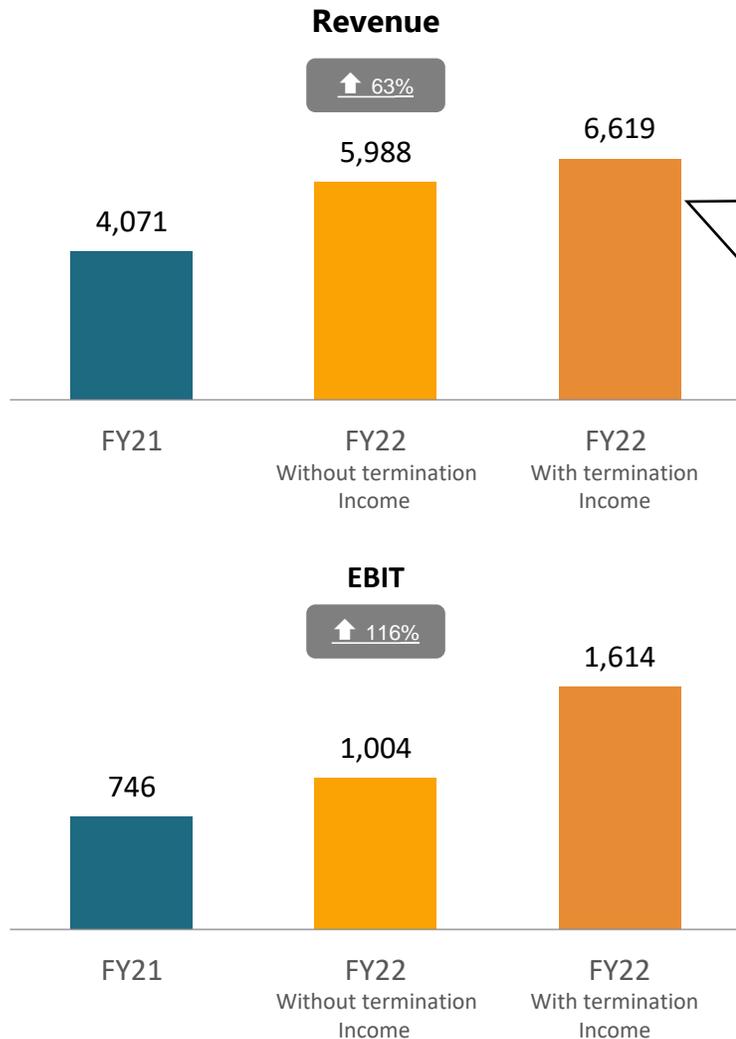


## Profit After Tax



# FY2021-22 Highlights (Consolidated)

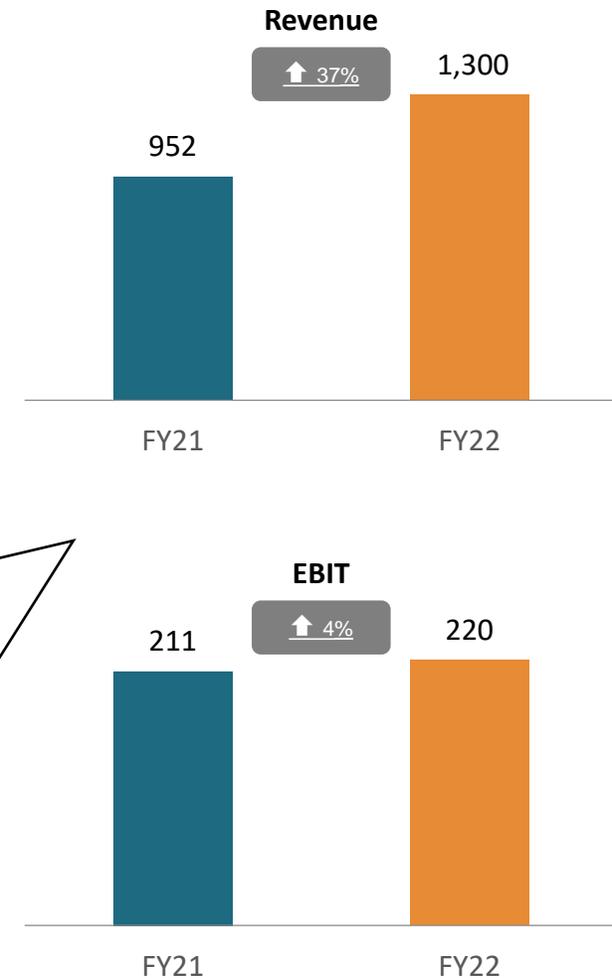
## Chemical Segment



- For FY22, segment revenue includes long-term contract termination fees of Rs. 631 crore and EBIT includes the impact of the same of Rs. 610 crore
- Successfully passed on impact of higher raw material costs, partly with a time lag
- Commercialized the unit for 2<sup>nd</sup> Long term contract in Q4 FY22, resulting into increase in fixed costs and depreciation

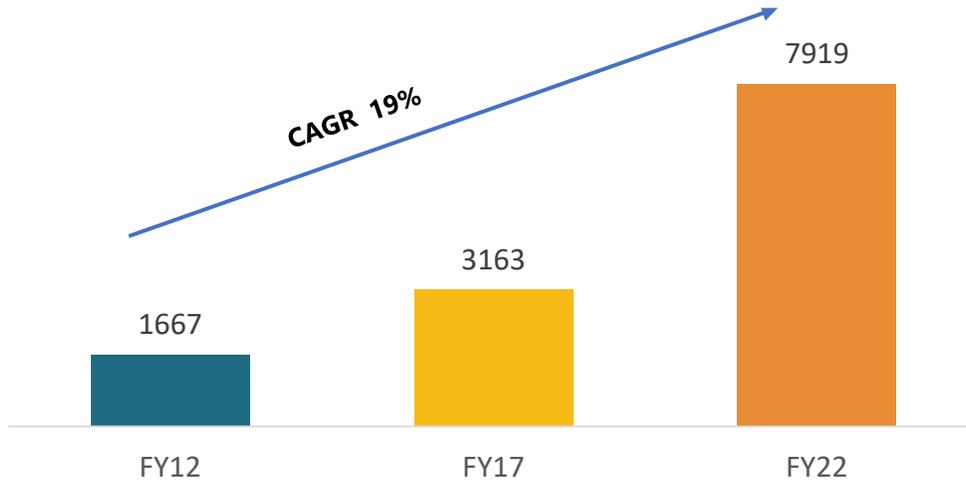
- Robust growth in topline performance attributable to positive demand landscape for key products
- Inflation in input costs – Continuous efforts to pass on to the customers.
- The expansion of capacity for the USFDA approved API facility in the final stages and expected to commercialize in Q1 FY23

## Pharma Segment

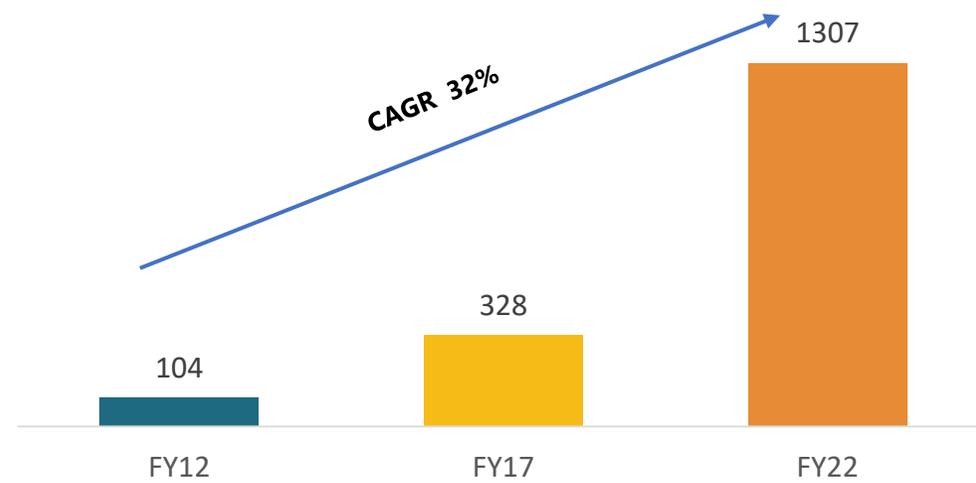


# 10 Years Highlights

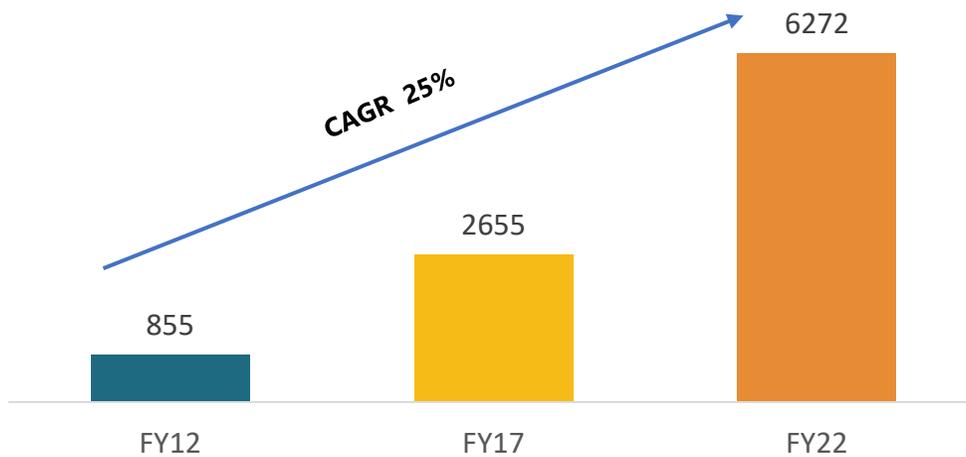
## Revenues



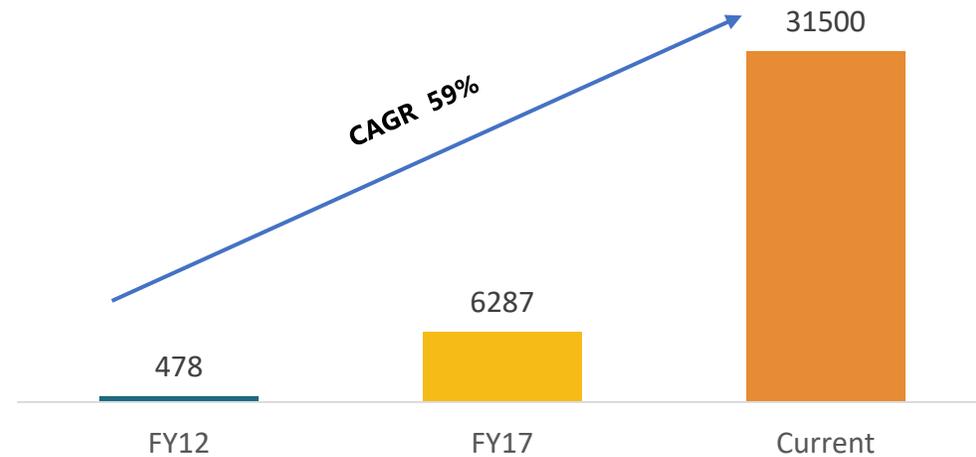
## PAT



## Gross Block



## Market Capitalization

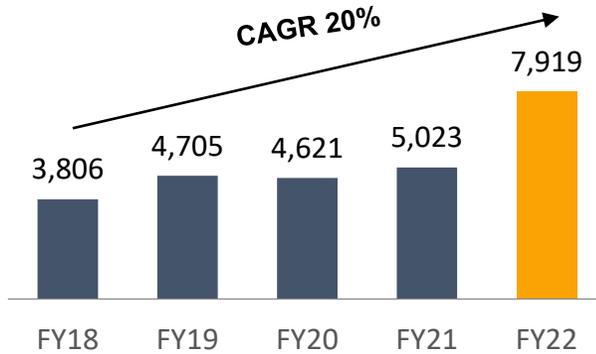


# Financials - Consolidated



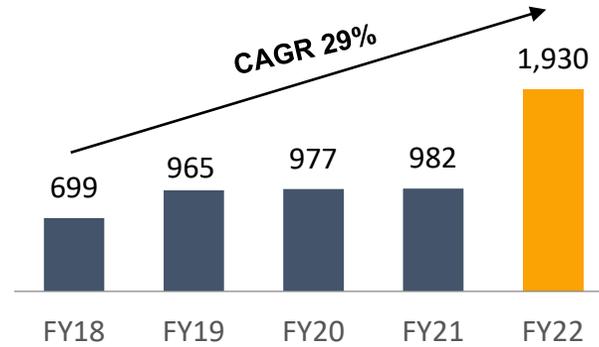
## Robust Revenue Growth

INR (Cr)



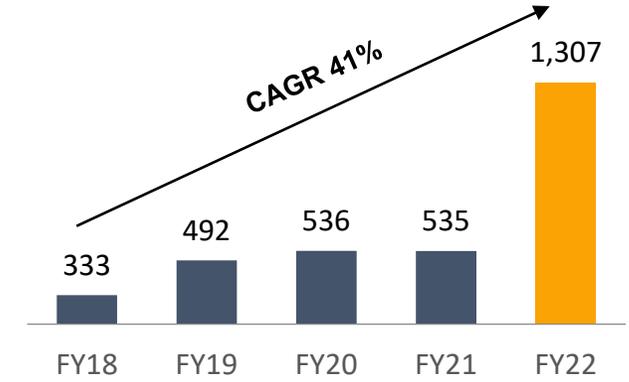
## Strong EBITDA Growth

INR (Cr)



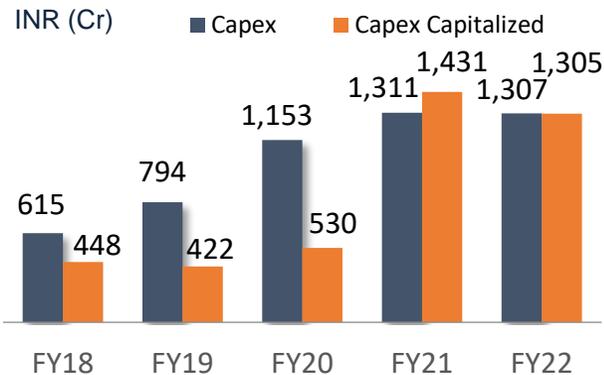
## Strong PAT Growth

INR (Cr)

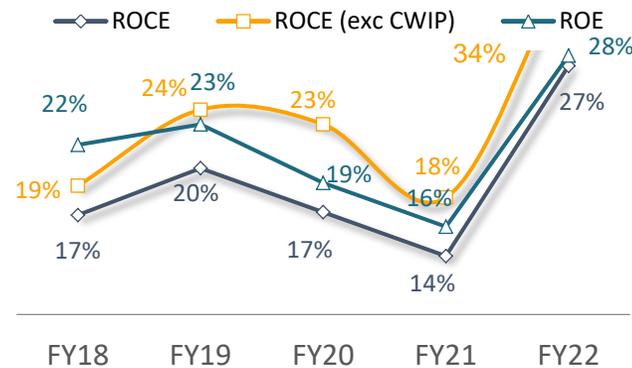


## Significant Capex Undertaken

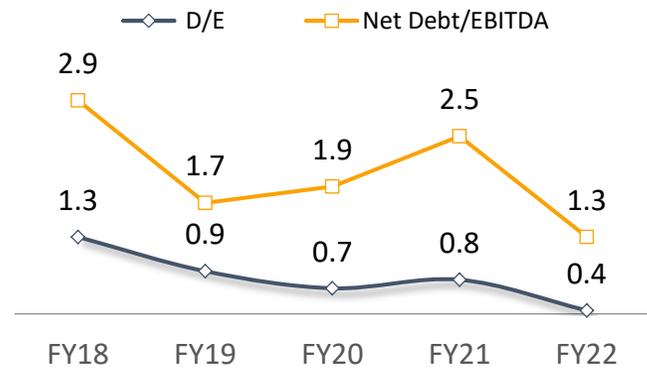
INR (Cr)



## Strong Return Ratios



## Debt Profile



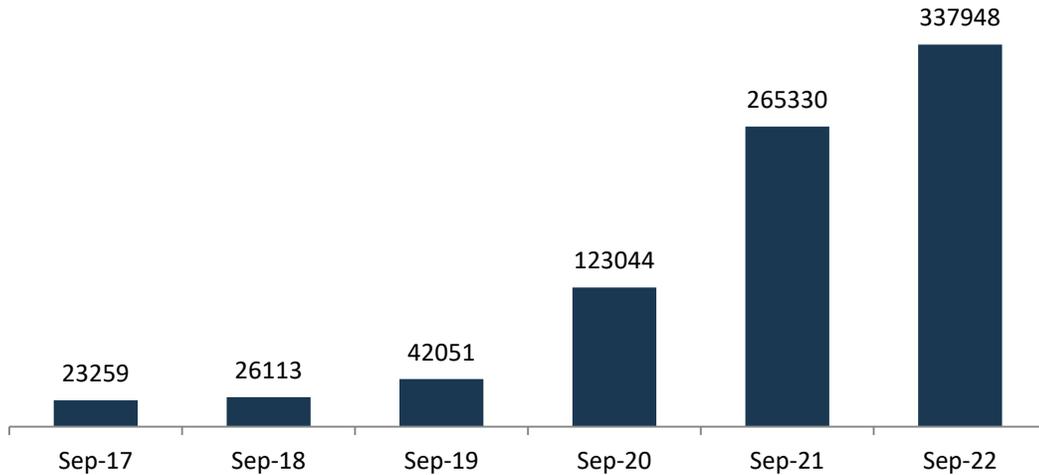
FY22 financials are inclusive of termination income

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

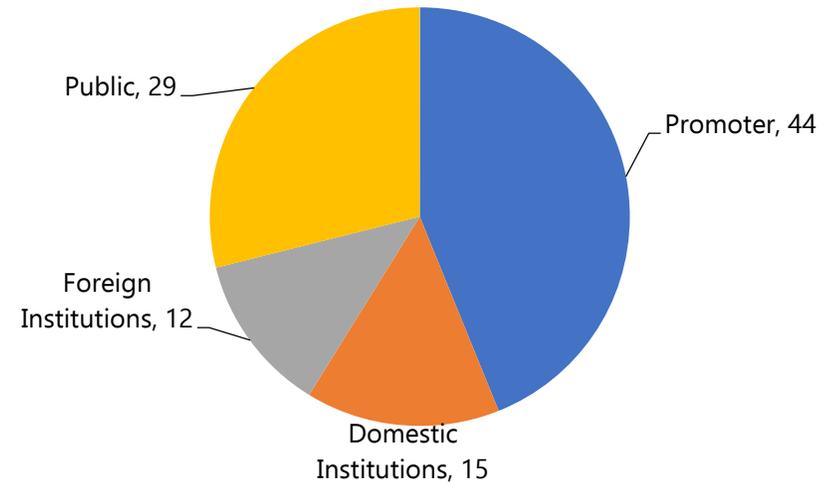
# Shareholders Info



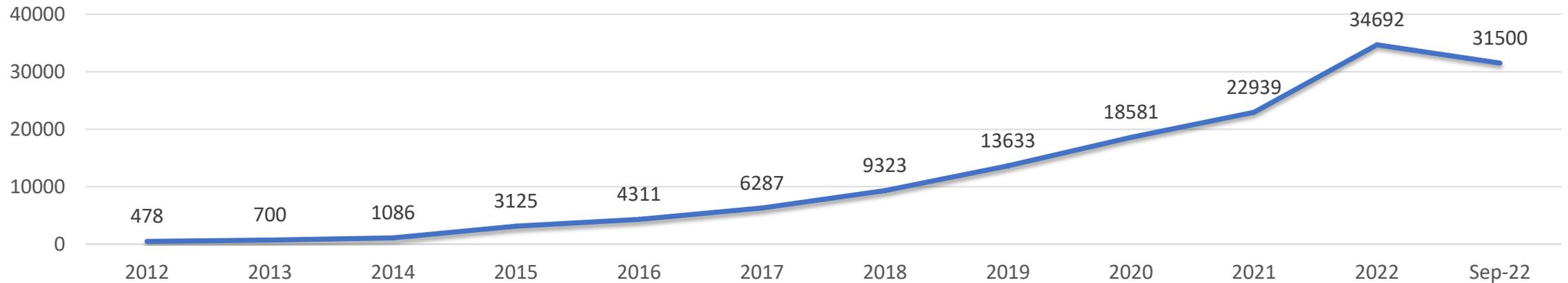
### Shareholders Base



### Shareholding Pattern (%)



### Market Cap (Rs. Cr)



# Q1 FY23 – Financial Highlights & Key Updates

Q1 FY23 vs  
Q1 FY22



**54 : 46**

Domestic & Exports  
revenue-mix

**0.46x**

Debt : Equity

- Significant increase in revenues was on account of pass-on for the elevated Inputs prices, Utility costs and Logistics costs.
- Commenced commercial production at the new block of the USFDA approved API facility at Tarapur in early Q2; this will further strengthen Company's niche offerings in Pharma
- The project related to 1st and 2nd long term contract has started seeing volume ramp up; Utilization levels expected to increase to ~70%+ by the end of FY24 for 1<sup>st</sup> Long term contract.

# Performance Overview – Q1 FY23



**Revenues of Rs. 2,173 crore;  
YoY increase of 45%**

**EBITDA of Rs. 369 crore;  
YoY growth of 18%**

**PAT of Rs. 189 crore;  
YoY up by 15%**

- Revenue trajectory was steered by higher volume off take for key products, favourable realization gains and passon of higher costs. This was supported by incremental volumes coming from newer capacities added in the recent past. Both 1st and 2nd long term contract has seen a ramp-up during the quarter, and this is expected to further improve in the ensuing quarters.
- Absolute profitability levels were maintained despite significant impact seen on account of higher input and utility costs, combined with logistical challenges and mark to market impact on the ECBs on account of steep depreciation in currency rates during this quarter
  - Absolute delta margin (expressed in per kg terms) generally remains similar, under the robust input price pass-on pricing model.
  - PBT includes a negative impact of Rs. 30 crore on account of significant rupee depreciation during the quarter; excluding this impact, the performance would have been even better.
- Capex initiatives linked to 3rd Long Term Contract, the NCB capacity expansion, and other projects are on track, and expected to be commissioned in a phase-wise manner starting from latter part of FY23.
- Annual EBIDTA growth guidance for FY 2022-23 of high single digit considering
  - Higher fixed costs on account of commissioning of newer assets,
  - Volumes are under ramp-up for recent commercialized units and major benefit of operating leverage as well as volume rampup will be witnessed strongly in FY 2023-24
  - Lower demand for Dyes and Pigment intermediates due to slowdown in the textile sector and uncertainties across global recessionary fears.
- Company's Q1 performance better than guidance, will wait for Q2 performance for revision in guidances, if needed. Normalizing of the Fixed Costs and volume ramp up will guide stronger EBIDTA growth in FY 2023-24.

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# 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.

## Our Strategy : Growth with Sustainability for a Sustainable Growth

ESG factors are core part of our decision making process. We monitor our performance on below mentioned ESG parameters:

### Environment

- GHG & atmospheric Emissions
- Water
- Effluent Management
- Cleaner Technologies
- Materials
- Waste
- Energy
- Noise Pollution
- Bio Diversity/Green Carpet

### Social

- Health & Safety
- Community relations
- Labor management
- Product safety & quality
- Supply chain sustainability
- People and talent development
- Human Rights

### Governance

- Compliance
- Board composition and Independence
- Business Ethics
- Management Evaluation and track record
- Disclosures and shareholder relations



# Recognition on ESG

## AIL awarded RC in Feb



**Responsible Care**<sup>®</sup>  
OUR COMMITMENT TO SUSTAINABILITY

Responsible Care' is the global chemical industry's commitment to drive continuous improvement and excellence in Environment, Health, Safety & Security Performance. It represents self imposed ethical commitment for better EHS&S performance and responsible management of chemicals.

## AIL awarded Gold Award by EcoVadis



EcoVadis is the world's most trusted business Sustainability Ratings, used by 75000+ global companies across 160+ countries. The Award places AIL among top 5% of the global companies assessed by EcoVadis.

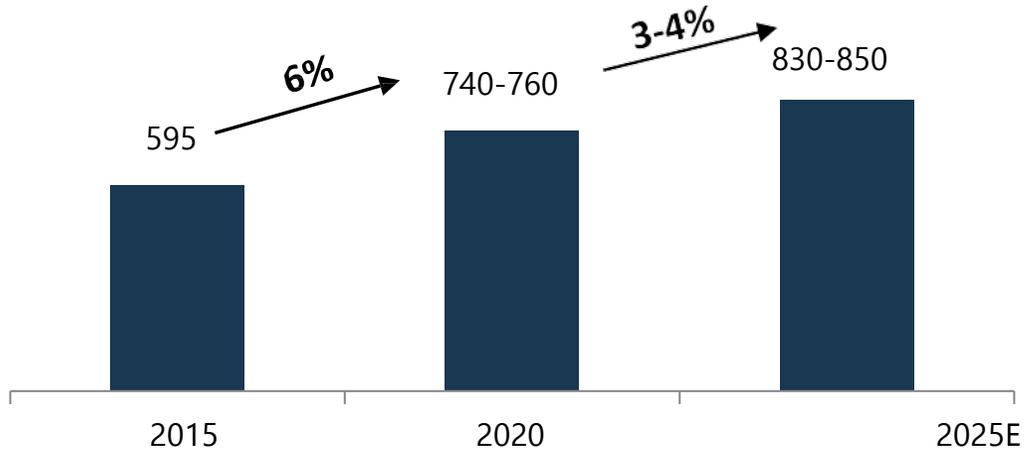
## ESG Rating by CRISIL



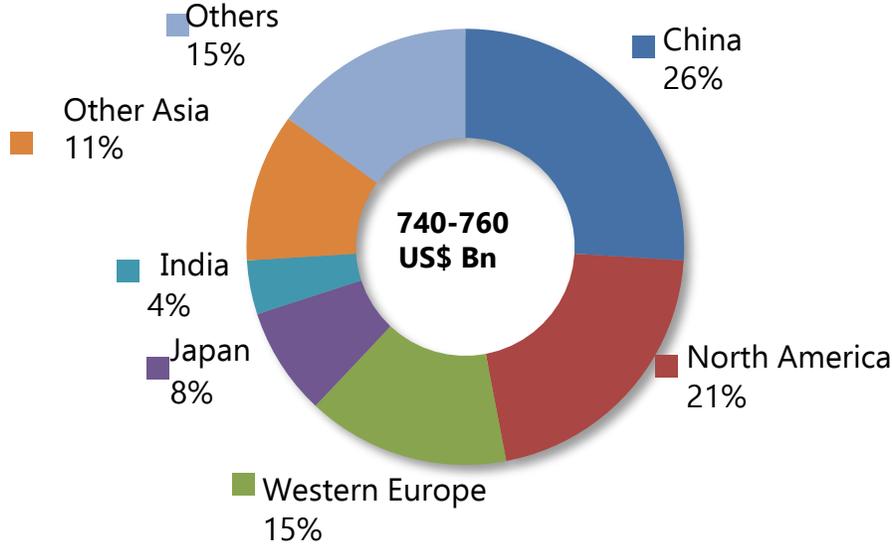
CRISIL independently evaluated top 225 companies across 18 sectors based on their ESG assessment framework (as per publicly available information). AIL was placed at 3rd position in chemical sector (amongst 15 chemical companies).

# Well placed to benefit from sector tailwinds – Global

Global Speciality chemicals market size and region-wise share (USD Bn)

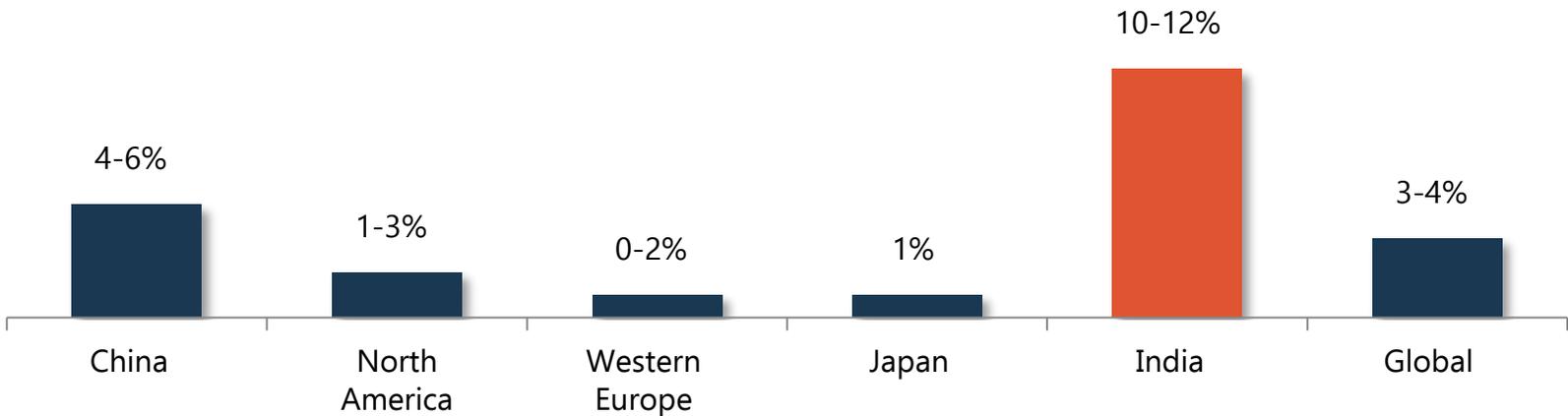


Global Speciality chemicals market size and region-wise share 2020



## Significant opportunity of growth for Indian specialty chemicals markets

CAGR (2020-25)



Expected absolute growth over 2020-25

India	\$17-22 bn
China	\$50-55 bn
World	\$100-120 bn

# India is emerging as an alternative to China due to various factors

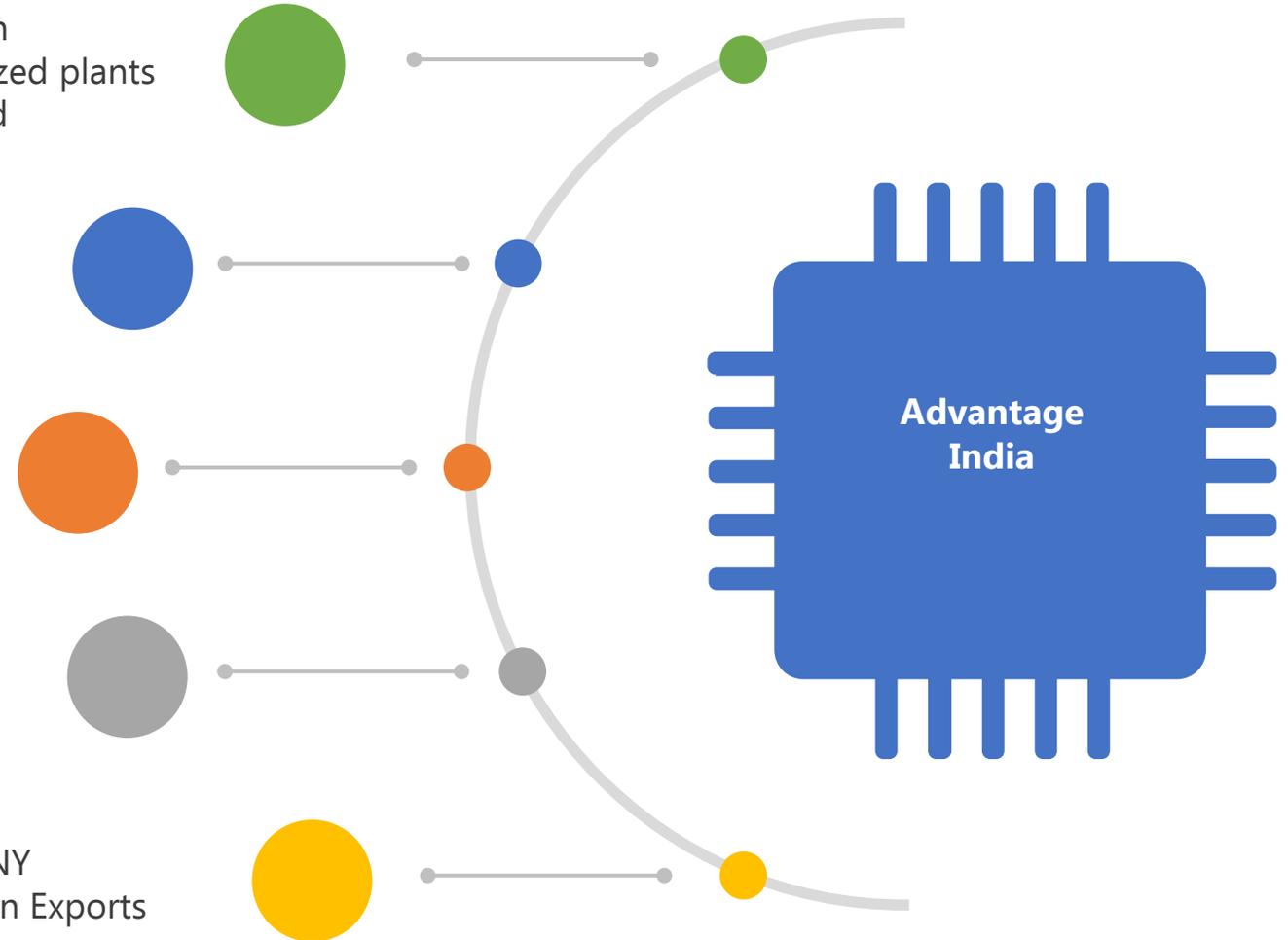
India has grown a critical mass and several Indian Companies are eager to Invest creating global sized plants to cater to growing domestic and global demand

Global multinationals need alternate sourcing destinations from China to de-risk their supply chain. India is a best fit in this case.

Thrust to manufacturing via Make in India, cut in Corporate Tax rates and Tax reforms, PLI Schemes, etc will boost the growth in the sector.

Inherent CAPEX and labour cost advantage as compared to the West / Developed nations.

Indian Currency Depreciated against USD and CNY strengthening Cost Position for Indian Products in Exports Markets



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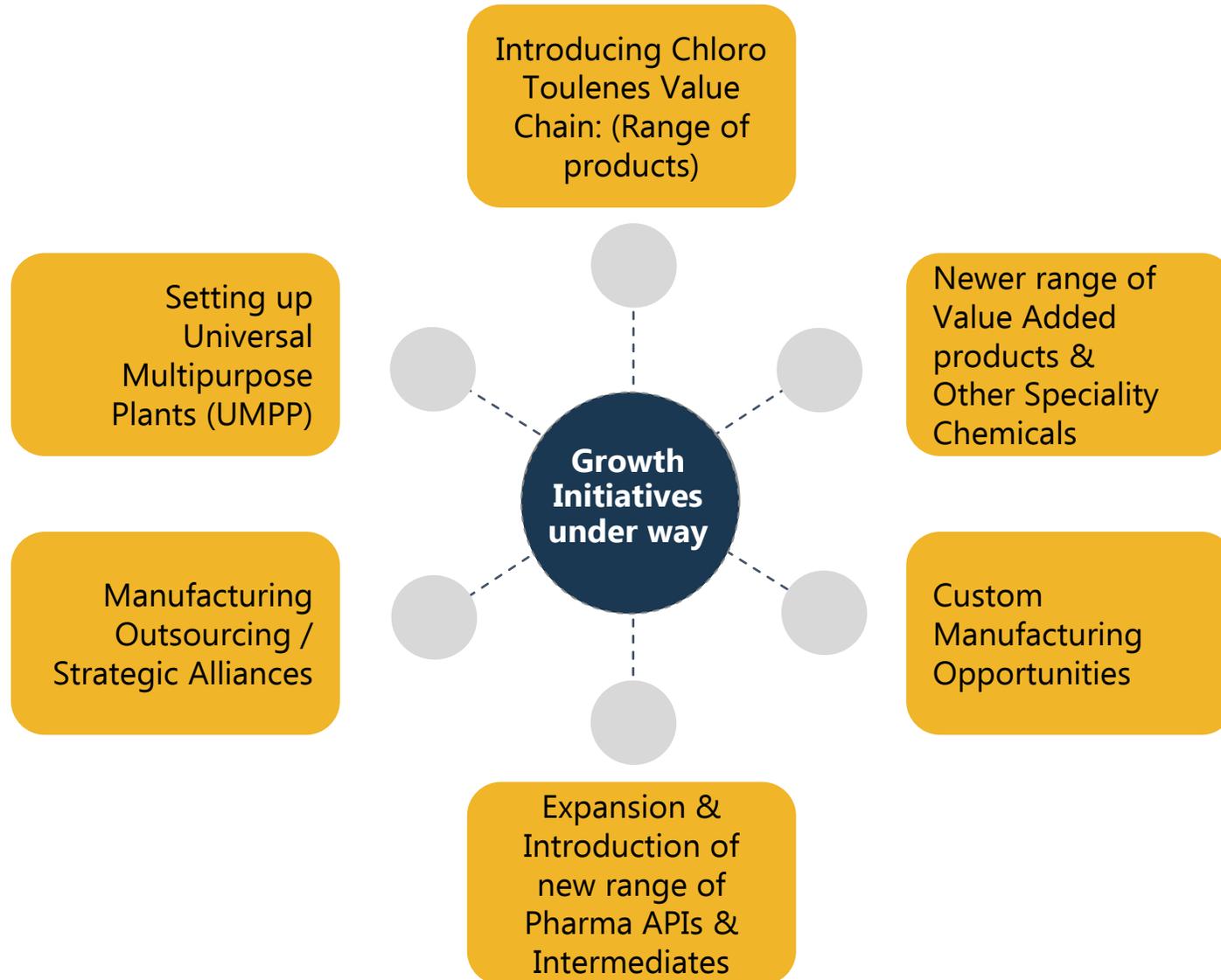
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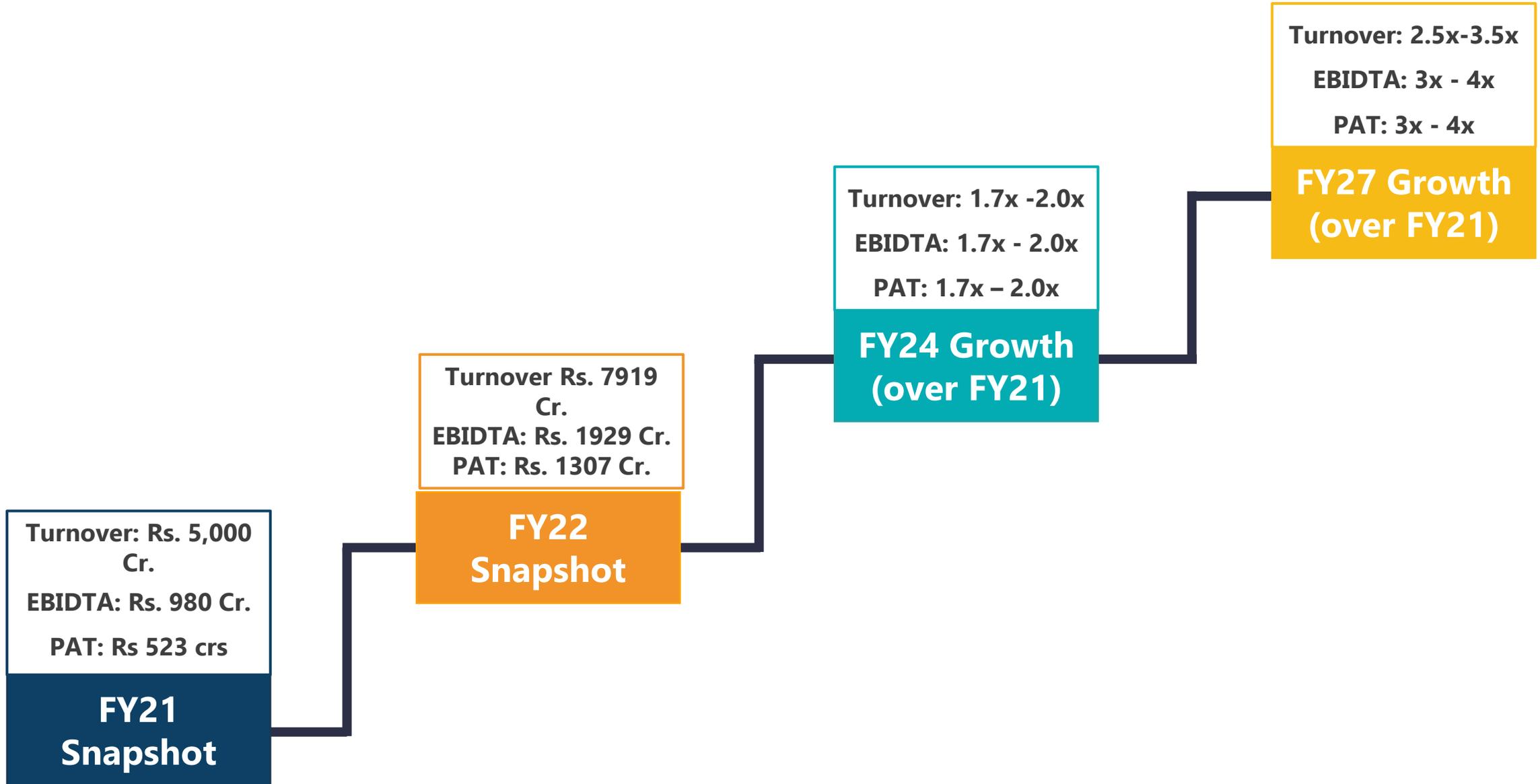
# Future Growth Projects: FY23-24 (Driven by R&D & Innovation)



## Key Highlights

- Adding new chemistries and Value added products
  - 40+ products for Chemicals
  - 50+ products for Pharma
- EBIDTA margin ~ 25% - 30%
- Capex of about:
  - Rs. 2,500-3,000 crore for Chemicals
  - Rs. 350-500 crore 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



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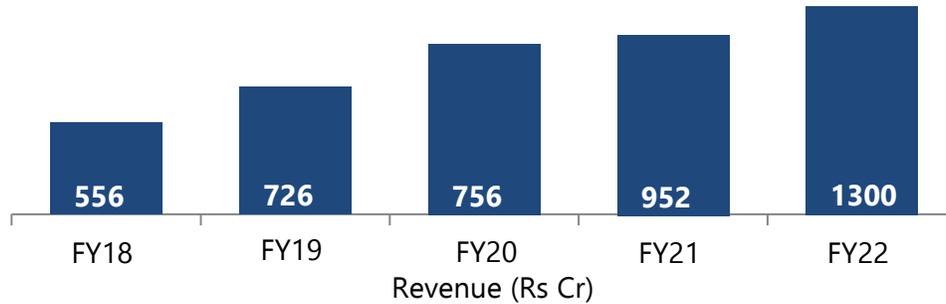
# Pharmaceuticals – Exposure to multiple segments & products

with strong growth opportunities, demerger proposal

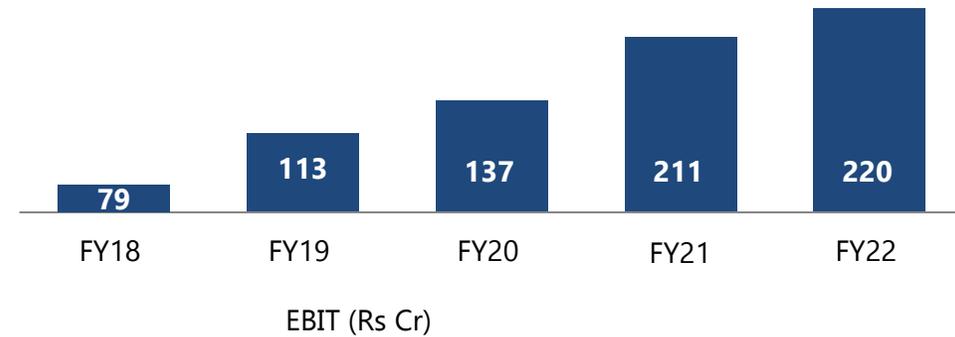


## Pharma - Significant Top Line and Margin Growth...

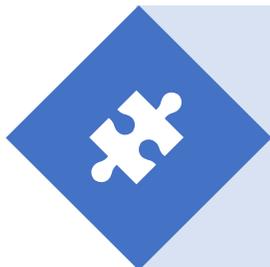
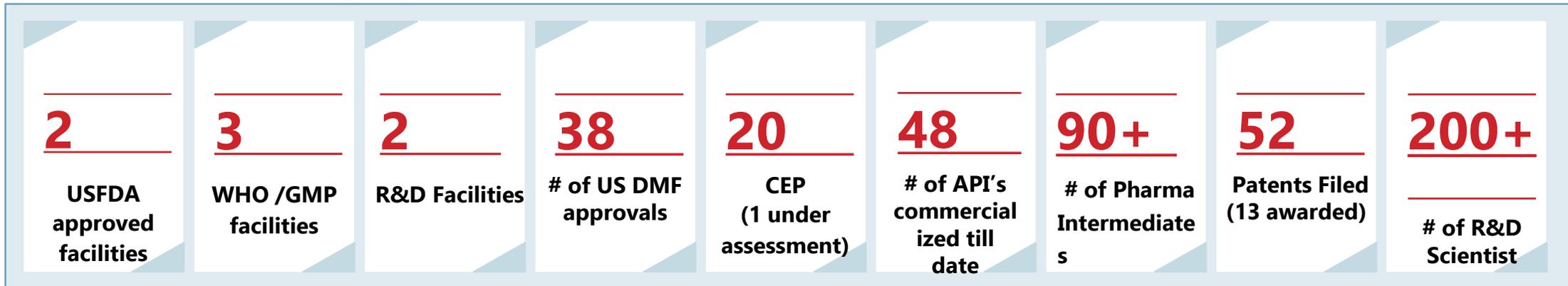
CAGR FY18-22: 24%



CAGR FY18-22: 29%



## Key Infrastructure and Highlights



## Rationale for Demerger Proposal

The Proposed demerger of Pharma Undertaking will facilitate a focused approach to the growth opportunities into respective segments, also enables the segment take strategic calls as may be needed to capture onto these opportunities to grow.

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# Contributing for Social Development



**INR 12.62 crs**  
Amount Spent on CSR activities

**12,45,633**  
Lives impacted by our CSR activities

**Together for prosperity**  
‘Nearly 260 million people who are below the poverty line have to join mainstream of a good life.’  
- Late Dr. APJ Abdul Kalam



COVID-19 Efforts



Cluster & Rural Development



Childcare & Healthcare Facilities



Education & Skill Development



Water Conservation & Environment

# THANK YOU



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