

November 8, 2024

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,

Sub.: Analyst Meet Presentation
Ref: Regulation 30 of the SEBI
(LODR) Regulations, 2015

Please find enclosed herewith the Analyst Meet Presentation on Q2 FY25 and H1 25 Financial Highlights, Future Outlook and Roadmap.

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.



Analyst Meet

8th November 2024

Resilient Today

Promising Tomorrow

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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An excerpt from Aarti Mural that adorns the facade of our Vadodara Office

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Company overview

Q2FY25 and H1 25 Highlights

Future Outlook and Roadmap



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Company overview

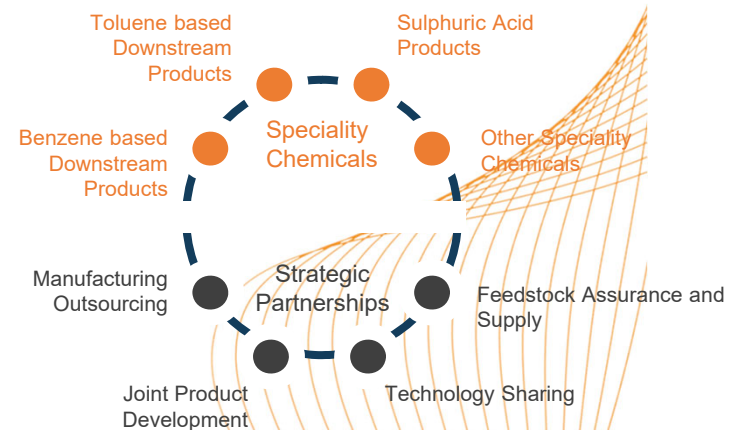
Q2FY25 and H1 25 Highlights

Future Outlook and Roadmap

Aarti Industries at a Glance



- Established by **first generation technocrats** in **1984**
- Integrated operations** and high-cost optimization
- Key **value chains** include Nitro Chloro Benzenes, Di-Chlorobenzenes, Phenylenediamines, Nitro Toluene Value Chain and Sulphuric Acid & downstream
- Strong **R&D capabilities** with IPRs for customized products
- Strategically located:** In western India with proximity to ports



100+
Products



1100+
Domestic &
Global Customers



60
Exporting
Countries



16
Manufacturing
Plants



11
Zero Liquid
Discharge Plants



5
Co-generation
Power Plants



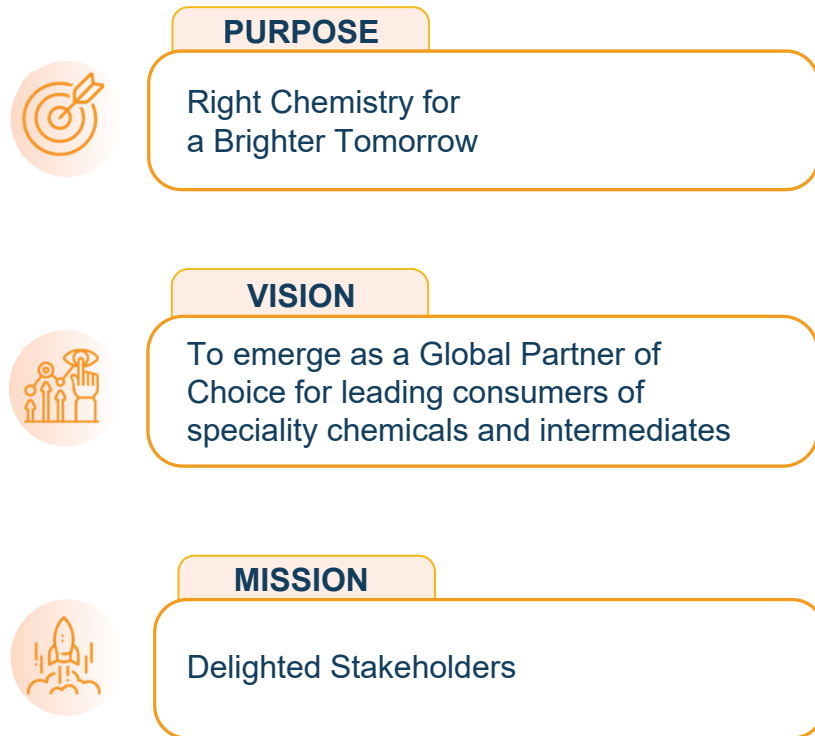
2
State-of-the art
R&D Centers



6,000+
Employees



Our Ethos



Board of Directors (Executive and Non Executive)



Onboarded
in FY25



Mr. Rajendra Gogri
Chairman and MD



Mr. Rashesh Gogri
Vice Chairman & MD



Mr. Renil Gogri
Vice Chairman



Mr. Suyog Kotecha
CEO & Executive Director



Mr. Manoj Chheda
Executive Director



Mr. Ajay Kumar Gupta
Executive Director



Mrs. Hetal Gogri Gala
Non-Executive Director

Board of Directors (Independent Directors)



Onboarded
in FY25



Shri Lalit Kumar Naik
25Y+ | Ex CEO & MD Welspun Corp.
AIL BOD (Ind.) May 2019



Shri Shekhar Khanolkar
30Y+ | Ex ED & MD in Navin Fluorine
International Limited
AIL BOD (Ind.) Jun 2023



Prof. Aniruddha B Pandit
40Y+ | Vice Chancellor, ICT, Mumbai
AIL BOD (Ind.) Jun 2023



Shri Belur Krishnamurthy Sethuram
38Y+ | Celanese | Dow Chemicals
AIL BOD (Ind.) Jun 2024

Industry Specialist

Governance Specialist



Smt. Rupa Devi Singh
40Y+ | Founding Managing Director of
Power Exchange
AIL BOD (Ind.) Sep 2024



Shri Ashok Kumar Barat
40Y+ | Ex MD & CEO of Forbes &
Company Limited
AIL BOD (Ind.) Sep 2024



Shri Nikhil J. Bhatia
40Y+ | Consultant (Erstwhile
Partner) at CNK & Associates LLP
AIL BOD (Ind.) Sep 2024



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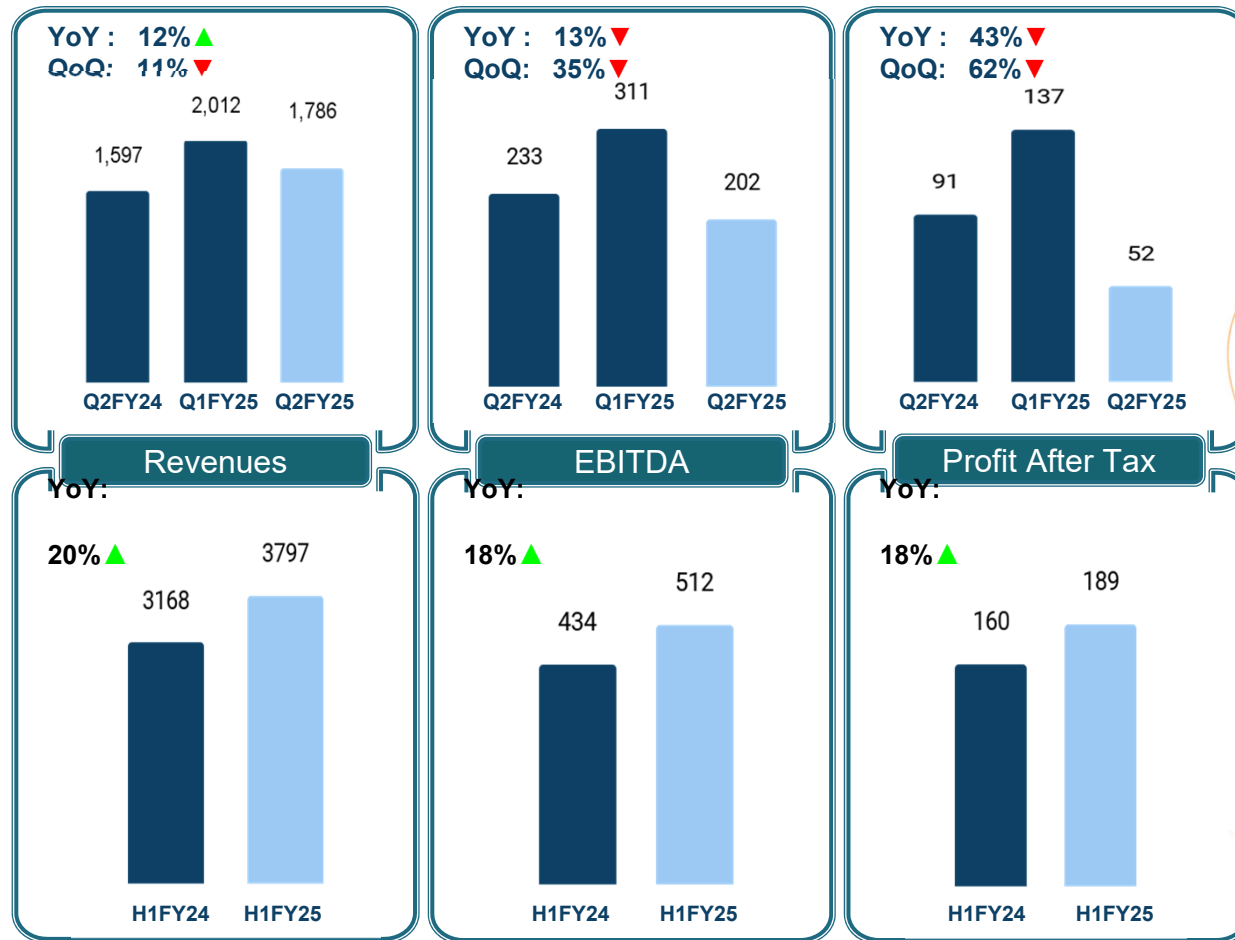
Company overview

Q2FY25 and H1 25 Highlights

Future Outlook and Roadmap



Q2 & H1FY25 Highlights (Consolidated)



Amt in ₹ Crore

- Non-Energy Business Volumes:
 - YoY: ▲22%,
 - QoQ: ▲11%
- Volume uptick visible across end applications into Dyes, Pigments, Polymer Additives, while Agrochemicals continues to remain soft.
- Pricing pressure continues to prevail.
- Energy Business Volumes:
 - YoY: ▼1%
 - QoQ: ▼36%
- Steep drop in refining margins & gasoline-naphtha delta impacted the volumes in the Energy application

Financial Highlights



Particulars	Q2FY25	Q2FY24	Y-o-Y(%)	Q1FY25	Q-o-Q(%)	H1FY25	H1FY24	Y-o-Y(%)
Gross Income	1,786	1,597	11.8%	2,012	-11.2%	3,797	3,168	19.9%
EBITDA	202	233	-13.3%	311	-35.0%	512	434	18.0%
Margin(%)	11.3%	14.6%	-3.3%	15.5%	-4.2%	13.5%	13.7%	-0.2%
PAT	52	90	-42.2	137	-4.5%	189	160	18.1%
EPS (₹)	1.44	2.50	-44.4%	3.72	-61.3%	5.22	4.43	17.8%

Highlights for the quarter

- While YoY volume grew by ~15%, margin pressures across various product / enduses resulted in lower gross profits.
- Fixed costs remained constant.
- Exceptional Income of 2.3 crs constitutes the gain on account of divestment of stake in a step down subsidiary, ie Nascent Chemical Industries Ltd
- Interest costs remained constant. Benefit for interest rates to accrue gradually from next quarter.
- Depreciation increase attributable to commercialisation of expanded capacities/projects.
- Basis H1FY25 numbers, the company's tax liability is declining and corresponding deferred tax assets are accrued.

Capacities and utilization trend for few major products



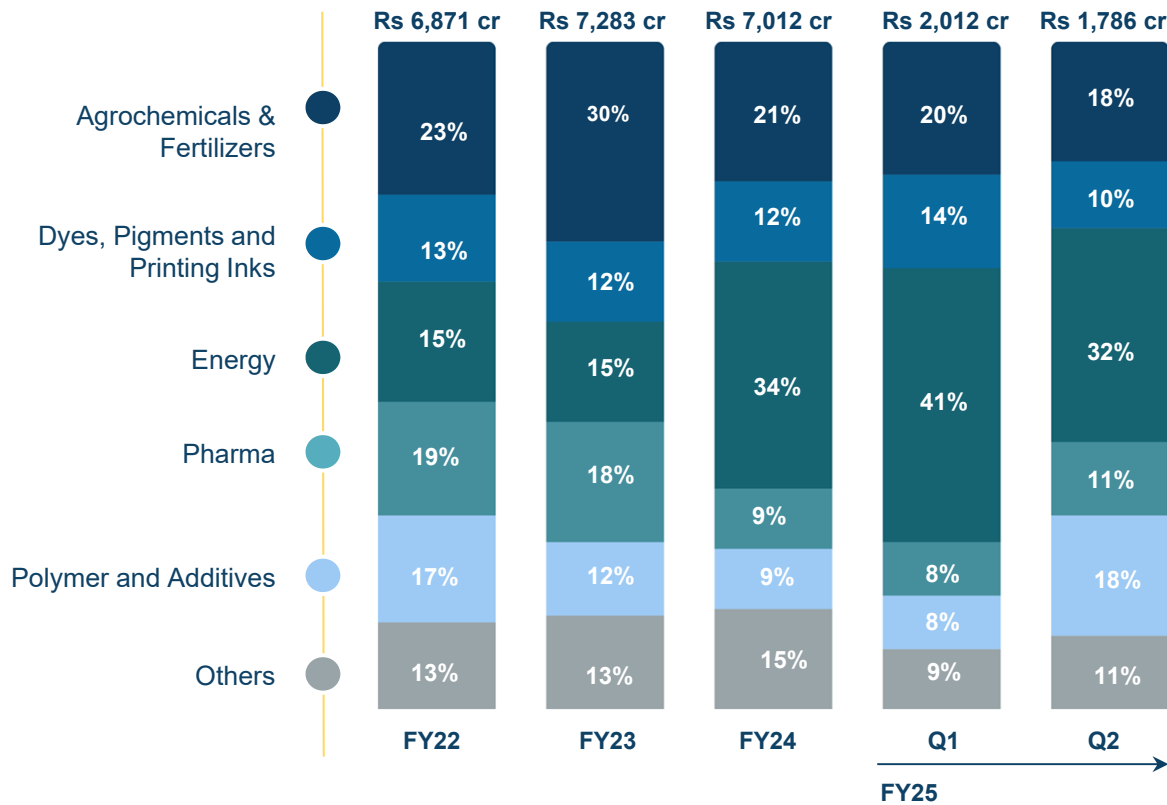
Product Groups	Capacity (in KTPA) (Expanded period)	FY22	FY23	FY24	Q1 FY25	Q2 FY25	H1 FY24	H1 FY25	Y-o-Y H1	H1 FY25 Utilization%
NCB	108 (From Q3FY24)	76.6	77.8	73.5	19.5	19.0	36.3	38.5	6%	72%
DCB	120	74.6	84.2	80.7	24.1	23.3	39.9	47.3	19%	79%
Hydrogenation ¹	60	35.7	37.2	39.1	10.3	11.2	18.0	21.5	19%	72%
PDA	12	6.5	4.2	4.4	0.6	1.0	1.3	1.6	23%	27%
NT	45 (From Q4FY25)	16.0	23.9	30.5	7.6	7.4	16.9	15.0	-11%	67%
Ethylation ¹	25-30 (From Q4FY25)	7.2	11.9	10.5	2.6	3.2	5.4	5.8	7%	46%
MMA	200 (From Q3FY25)	23.1	37.8	89.3	31.1	20.5	29.8	51.6	73%	52%

Significant upside possible linked to increased utilization of existing assets - operating leverage linked to demand growth

Notes:

1. Volume are in KT
2. Above capacities and volume nos are for few product only and not the entire range of AIL products.
3. Hydrogenation & Ethylation are Single chemistry multiple product plants. Effective capacity would vary with the change in product-mix
4. H1FY25 utilisation % are arrived at by comparing the H1FY25 volumes with the capacities to be available by end of FY25.

Revenue by End Use | Significant evolution in the last 3 years



- Agrochemical sector after registering significant growth in FY23, has been witnessing industry challenges of inventory correction, pricing pressure due to lower demand since FY24.
- Dyes, Pigment & Printing Inks has growth linked with economic cycles.
- Energy end application is getting evolved and has large potential, but remains volatile due to linkage to gasoline-naphtha margins.
- Pharma had witnessed significant volume growth during the pandemic and has normalised from FY24.
- Polymer & Additives is on a recovery path.

Agrochemical and Fertilizers



Key Products:

Chloro Anilines, Di Chloro Phenols, Ethylated & Fluorinated products

19%
Revenue Share¹

41%
Exports¹

59%
Domestic¹

Market Update:

- Adverse weather conditions in the US and Latin America
- Channel inventories are returning to normal levels in major markets but overhang may persist at a product to product level
- Crop consumer prices continue to remain soft, impacting farm profitability and appetite for crop protection products
- Market environment may improve in H1CY25 but pricing pressure continues due to overcapacities in China

Business Highlights:

- Targeting higher market share across products.
- Developing alternate products to effectively utilise expanded ethylation capacity including introduction of propylation technology
- Backward integration for downstream products which are already part of the portfolio.
- Leveraging R&D / Technology to commercialise new products in asset light manner (tolling / outsourcing)

└ Dyes, Pigments and Printing Inks

Key Products:
PNCB, DCBH, PNT

12%
Revenue Share¹

28%
Exports¹

72%
Domestic¹

Market Update:

- Textile industry (major end-use of dyes) temporarily impacted in Bangladesh due to political unrest
- Pigment industry undergoing consolidation (e.g., Sudarshan Chemicals acquires business of Germany-based Heubach)
- Indian dyes players are facing competition - leading to margin pressure in the chain
- Anti-dumping duty on Sulphur Black from China (Oct'24, 5 years); Demand for a key intermediate expected to increase

Business Highlights:

- Slight dip in volumes for dyes intermediates due to geopolitical issues and working capital cycles being extended across the textile industry
- Expect volume and margin improvement in the domestic market given industry consolidation
- Major portion of this market operates on spot/ short term contracts; introducing schemes for encouraging consistent volume offtakes

Energy & additives (1/2)

Key Products:
MMA, CaCl₂

37%
Revenue Share¹

77%
Exports¹

23%
Domestic¹

Market Update:

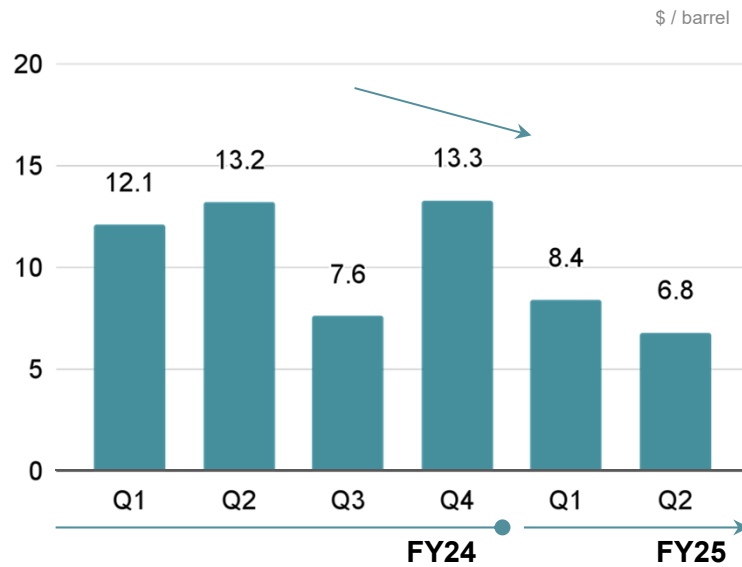
- Gasoline - Naphtha crack is on a decline making octane boosting economics difficult in the present market conditions
- Led to significant volume impact for MMA in Q2
- Gasoline naphtha delta expected to remain low for Q3; potential recovery possible in Q4 with USA summer spec and demand
- Few Chinese and Indian players have started manufacturing MMA, though the present capacities for relatively less as compared to that of AIL

Business Highlights:

- Expanded capacity to 200KTPA - ability to expand further with limited investment.
- Bulk shipment capability established for servicing strategic customers
- Strategic efforts to diversify customers and geography base (USA, Europe, Singapore and refineries in global market)
- Technical sales capability with support from market experts; strategic tie ups with local distributors in new geographies
- Cost optimization in process and logistics

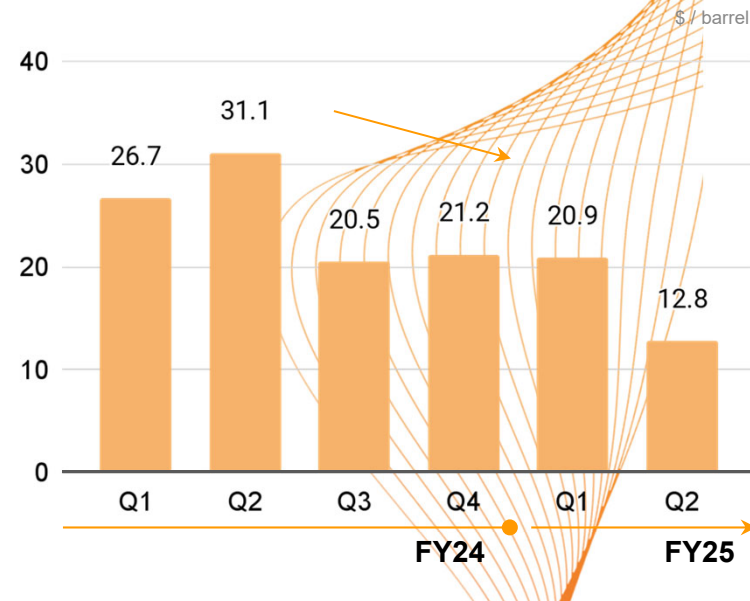
Energy & additives (2/2)

Gasoline - Crude Crack



- High refinery runs and inventory in US and seasonal patterns of lower demand have pressured the gasoline cracks

Gasoline - Naphtha Spread



- Recovery in demand for naphtha supported the naphtha cracks and led to compression of Gasoline-Naphtha spread

Pharmaceuticals

Key Products: PNCB, MDCB & Fluorinated Compounds

9%
Revenue Share¹

1%
Exports¹

99%
Domestic¹

Market Update:

- Pharma market in India continues to grow at 8-9% per annum
- API imports to India grew by 13% in Q1 FY25 on account of lower prices from China
- US Biosecure Act expected to create positive traction for Indian pharma companies
- PAP market has witnessed slowdown due to significant pricing pressure (~50% price drop in 1 year)
- Overcapacity in fluoro-intermediates in China has impacted prices in the Indian market

Business Highlights:

- Focus on increasing domestic market share of PNCB in downstream PAP market
- Exploring export markets and additional end applications for Aarti's product portfolio to enhance volumes
- Focus on cost improvement efforts to increase competitiveness vs Chinese suppliers

↳ Polymer and additives

Key Products:
PDCB, MPDA, ONA

13%
Revenue Share¹

85%
Exports¹

15%
Domestic¹

Market Update:

- ALL intermediates are used in automotives, industrial applications, medical devices, electrical and electronics, heat resistant polymers
- End-markets growing at about 5-7% per annum
- US consumers deferring new vehicle purchases; Fed rate cut impact will take time
- China has ADD² on PPS³ (downstream product of PDCB) from US, Japan since 2020. Tariffs imposed on Chinese EVs by US, EU, Canada. Brazil implemented overall EV import tariffs, set to increase further

Business Highlights:

- Target geographies US, Europe, Japan. Push on increasing market shares in US and Japan
- Focusing on developing new markets for plasticizer additives
- Typically operates in 1-3 year contracts; regular renewals
- RM variations are typically passed through on a quarterly basis
- Long term contract #2 is performing well

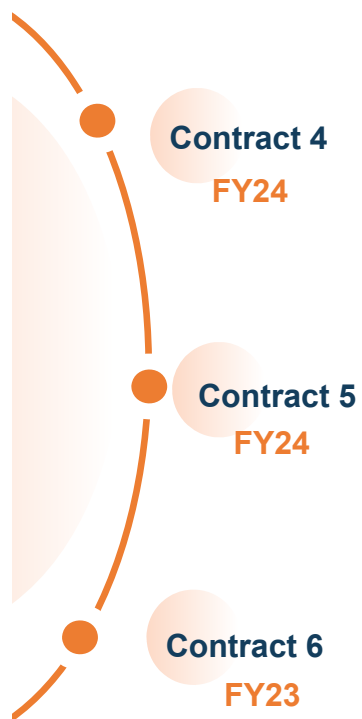
Long term contracts (1/2)



Current Status

- Capacity currently under utilised;
 - Precursor capacities being utilised for other products; new products under development to improve utilisation further
-
- Currently plant operating at full capacity.
 - As per the contract terms, EBITDA is protected and not linked with volumes
-
- Currently operating as per contract terms
 - Expected to ramp-up to peak levels in FY27

Long term contracts (2/2)



Contract Details

- 9 year supply contract for an agchem intermediate (Revenue potential ₹ 3000 crs over contract period)
- Product is part of AIL's existing product portfolio

- 4 year supply contract for a niche specialty chemical (Revenue potential of ₹6,000 crs over contract period)
- Product is part of AIL's existing product portfolio

- 20 year sourcing contract with for purchase of Nitric Acid.
- Mitigates AIL's supply risk of a key RM

Current Status

- Currently volumes as per contract terms and under ramp-up
- Volumes expected to peak in FY26 inline with capacity expansion

- Month-on-month volatility driven by end use market volatility

- Currently operating as per contract terms
- Provides Supply security for one of the key RMs



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Key EBITDA Growth Drivers in near term (H2FY25 - FY28)



Cost Optimisation

₹ 150-200 Cr

Switching to BPT¹ to improve Cogen

Renewable Power phase 2

Waste energy streams utilization, ETP cost optimisation

Fixed cost optimization

Yield improvement

Volume and margin Ramp-up

₹ 350-550 Cr

Acid, DCB & NCB ramp-up

Ethylation & NT volume ramp-up post commissioning

MMA volume ramp-up

Fluorination and Speciality Chemicals ramp-up

Pilot commissioned to fuel NPD²

CAPEX led growth

₹ 300-450 Cr

MPP comm.³

MPP ramp-up

Zone 4 comm.³

Zone 4 ramp-up

UPL JV comm³

Ramp-up

1 BPT: Back Pressure Turbine

2 NPD: New Product Development

3 Commissioning

└ Long term growth focus areas - seed investments for growth beyond 3 years



Leveraging R&D and tech for asset light growth

- Have built significant R&D and technical capability which allows us to develop new chemistries
- Plan to leverage asset-light tolling / outsourcing model for early commercialization of these new chemistries

Exploring strategic alliances

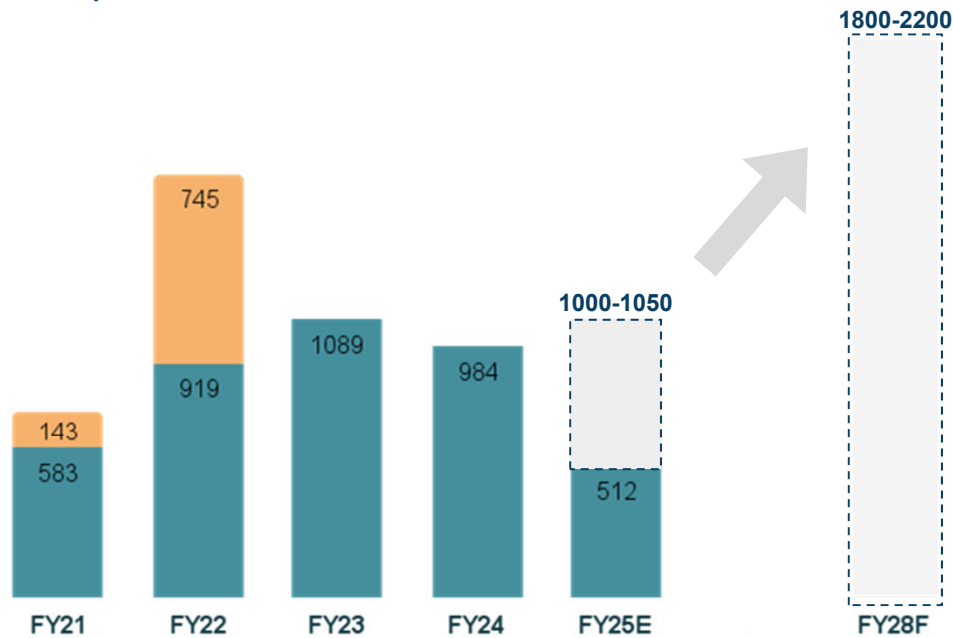
- 5+ projects of different chemistries under various phases of discussion e.g.,
 - Backward integration of existing polymer base molecule
 - Intermediate for end use in Personal care
 - Polymerization project for end use in oil additives

Early bets on sunrise sectors

- Strategic Partnerships / Potential Joint Ventures in the fields of
 - Sustainability / Circularity / Chemical recycling
 - Electronic chemicals
 - Speciality chemistries in battery material and others

Growth Outlook

- Core EBITDA
- Contract-1 Cancellation
- Projected Annual EBITDA



- Consistent volume growth over 3 yrs driven by increased capacities
- Operating leverages and cost optimisation initiatives to drive EBITDA growth beyond volume growth
- Capex for FY25 estimated to be ₹ 1300-1500 Cr vs the earlier estimate of ₹ 1500-1800 Cr.
- Capex for FY26 estimated to be around ₹ 1000 Cr.
- Target EBITDA range of ₹ 1800-2200 Cr in 3 years; Debt/EBITDA of <2.5x and ROCE of >15%

Certifications



The certifications listed above may be applicable to only some manufacturing units of Aarti Industries

CSR Interventions: Empowering Communities



**Education & Skill
Development**

**₹ 775.32
lakhs**



**Tribal & Rural
Development**

**₹ 147.30
lakhs**



**Other CSR
Initiatives**

**₹ 30.36
lakhs**



Healthcare

**₹ 164.83
lakhs**



**Livelihood
Opportunities
& Housing Aid**

**₹ 134
lakhs**



**Women
Empowerment**

**₹ 65.50
lakhs**



**Environment &
Water Conservation**

**₹ 121.14
lakhs**

Thank You



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