AARTI INDUSTRIES LIMITED

August 11, 2022

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
Sub.: Results Presentation

Please find enclosed herewith the Q1 FY23 Results Presentation of the Company for your records.

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.

Q1 FY23 Results Presentation

AARTI INDUSTRIES

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

Q1 FY23 Financial Results

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Growth Opportunity & Strategy

About Aarti Industries (AIL)

AARTI INDUSTRIES

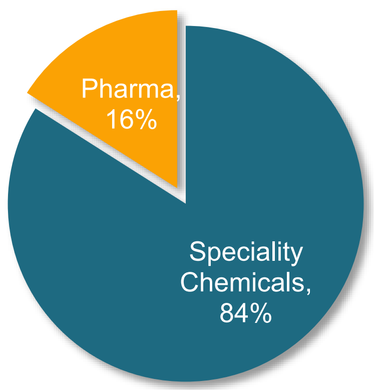
Overview

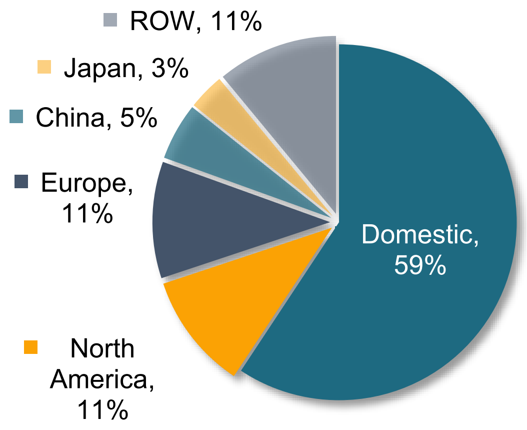
- A leading Speciality Chemicals company in Benzene based derivatives with integrated operations and high level of cost optimization
- Pharma operations spanning APIs, intermediates and Xanthene derivatives
- Established by first generation technocrats in 1984
- Strong R&D capabilities – 4 R&D facilities; 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

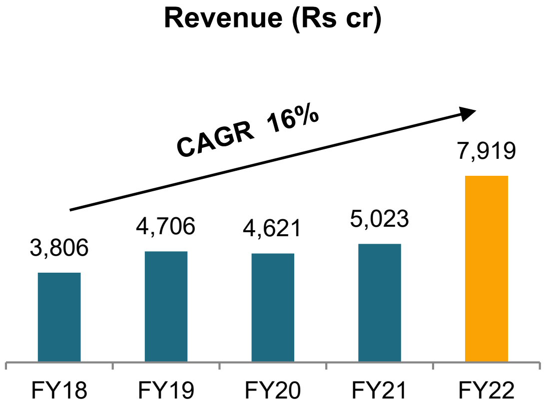
200+ Products	**400+** Global Customers	**700+** Domestic Customers
20 Manufacturing Plants	**16** Zero Liquid Discharge Plants	**8,000+** Employees

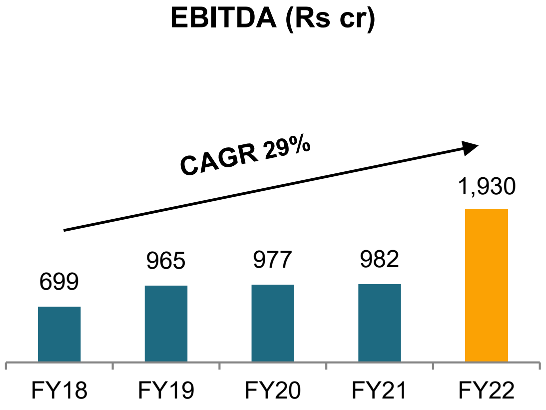
Revenue split - Segmental and Geographical – FY22





Key Financials





FY22 nos. are including the termination income

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Q1 FY23– Financial Highlights & Key Updates

AARTI INDUSTRIES

Q1 FY23 vs Q1 FY22

Revenues	INR 2173 crore	45%
EBITDA	INR 369 crore	18%
Profit Before Tax	INR 233 crore	13%
Profit After Tax	INR 189 crore	15%

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**; **utilisation levels expected to increase to ~70%+ by the end of FY24**

Performance Overview – Q1 FY23

AARTI INDUSTRIES

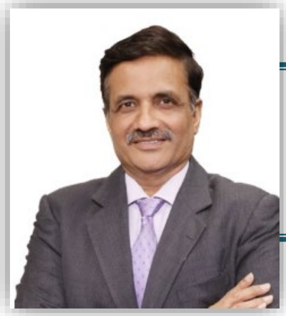
Revenues of Rs. 2,173 crore; increase of 45% over previous year

EBITDA of Rs. 369 crore; growth of 18% over previous year

PAT of Rs. 189 crore; up by 15% over previous year

- Revenue trajectory was steered by higher volume off take for key products as well as favourable realisation gains. 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
    - The Company has robust pricing mechanisms with pass-through clauses in place. Accordingly, it was able to pass on the cost pressures linked to RM prices and other utilities to customers thereby protecting absolute profitability
- 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

Chairman's Message



Commenting on the performance for Q1 FY23, Mr. Rajendra Gogri – Chairman & MD at Aarti Industries Limited said:

"I am pleased to share that we started the new financial year on an encouraging note with healthy topline growth of 45% YoY and EBITDA improvement of 18% YoY in Q1 of FY23. This strong performance has come on the back of challenging operating environment premised on continued inflationary pressure in key raw materials and other utilities combined with logistical disruptions and global uncertainties. The global inflationary trend and recession fears have resulted in modest slowdown in demand from some end user segments. Given this backdrop, our performance has been resilient, and I would like to congratulate our workforce for demonstrating agility and traversing through these pressures to deliver stellar performance in a tough environment. We remain committed to drive over businesses through challenging situations and deliver robust performances.

Based on strong business visibility, we had charted our growth plans and CAPEX deployment is underway to accomplish our long-term goals. We will see new capacities being commissioned in a phase-wise manner from this financial year that will elevate our performance trajectory. In addition, we are also expanding our product portfolio, introducing new high-potential and complex chemical value-chains, and strengthening our R&D capabilities to cement our leadership position in the chosen chemistries. Our planned investments close to ~Rs. 3,000 crore in the over two years are on track, that will define our growth strategy.

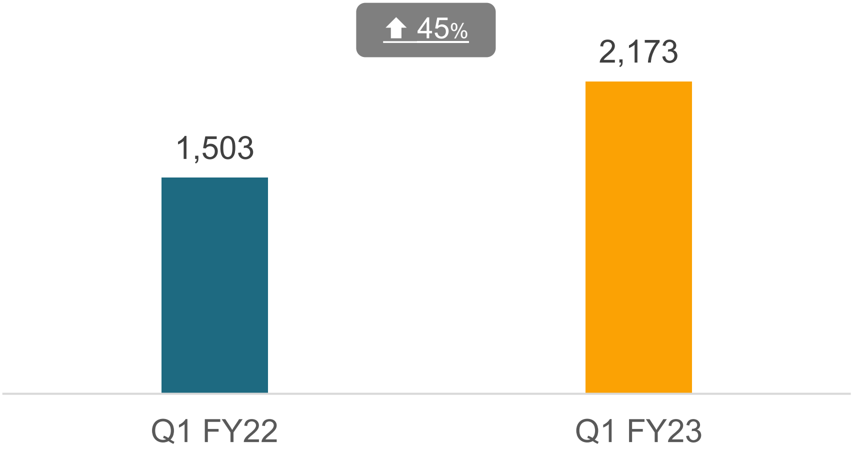
Overall, we are well placed to capture incremental market share based on our superior execution capabilities combined with planned scale-up for key products and addition of niche chemical value-chains. We strongly believe in the growth potential of the Indian Chemical & Pharma industry and will endeavor to make significant inroads to deliver sustained profitability."

Q1 FY23– Consolidated P&L

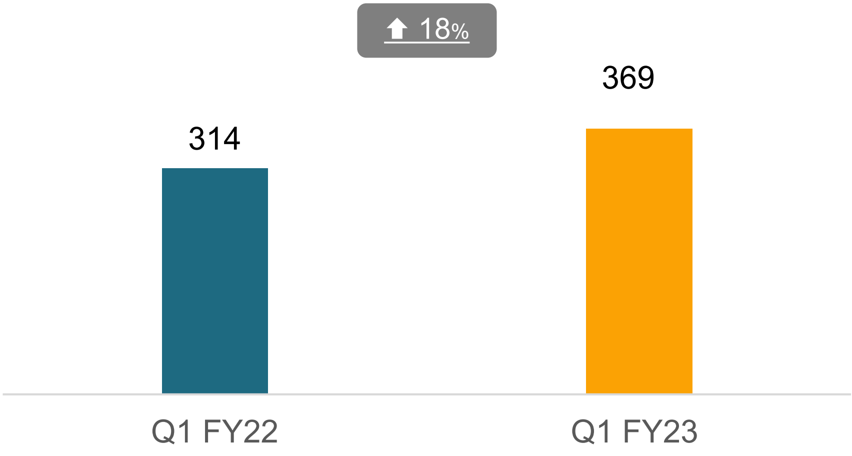
Particulars (Rs. Crore)	Q1 FY23	Q1 FY22	Y-o-Y (%)	Q4 FY22	Q-o-Q (%)
Gross Income from Operations	2,173	1,503	*45.5%*	2,018	*7.7%*
Exports	1,004	634	*58.4%*	751	*33.7%*
% of Total Income	*46.2%*	*42.2%*		*37.2%*	
EBITDA	369	314	*17.7%*	339	*8.9%*
EBITDA Margin (%)	*17.0%*	*20.9%*		*16.8%*	
EBIT	283	245	*15.3%*	262	*8.0%*
EBIT Margin (%)	*13.0%*	*16.3%*		*13.0%*	
PAT	189	165	*14.7%*	194	*-2.4%*
PAT Margin (%)	8.7%	11.0%		9.6%	
Diluted EPS (Rs.)	5.22	4.73	*10.4%*	5.34	*-2.2%*

Q1 FY23 Highlights (Consolidated)

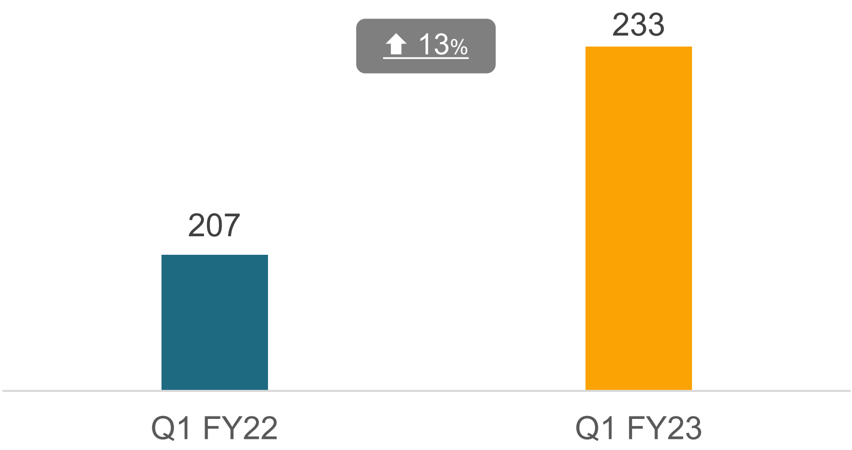
Revenues



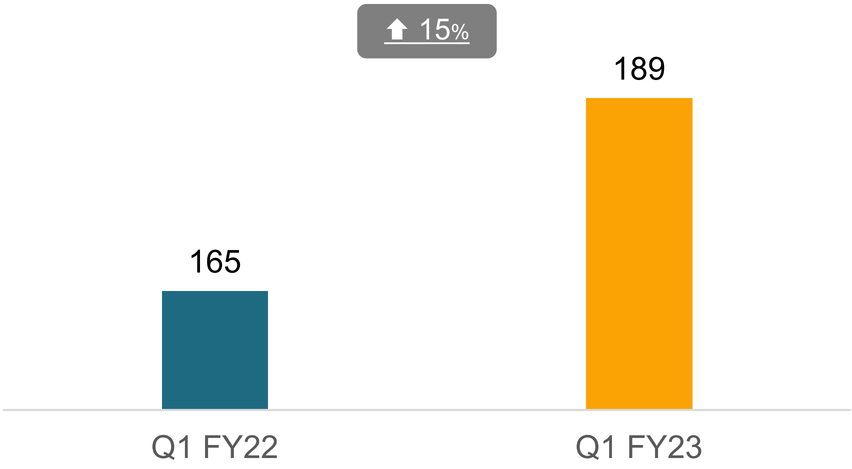
EBITDA



Profit Before Tax



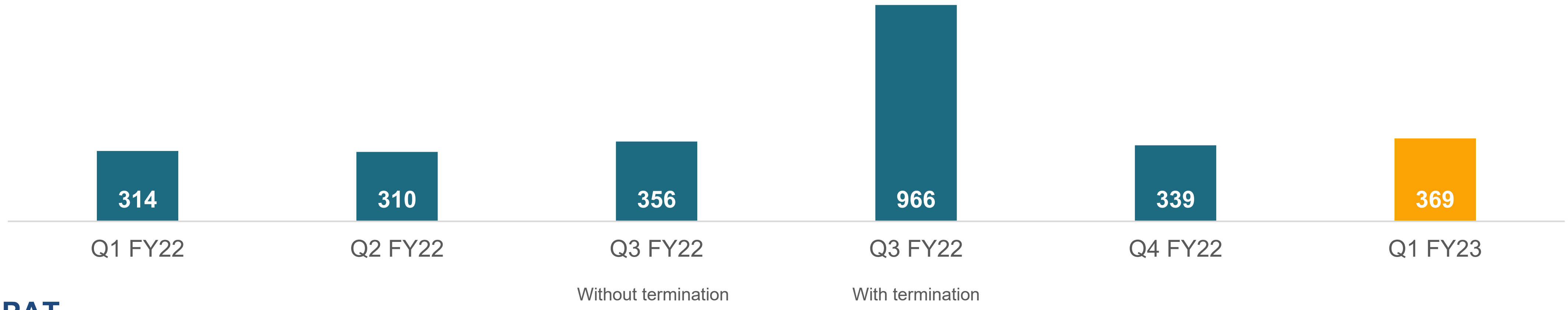
Profit After Tax



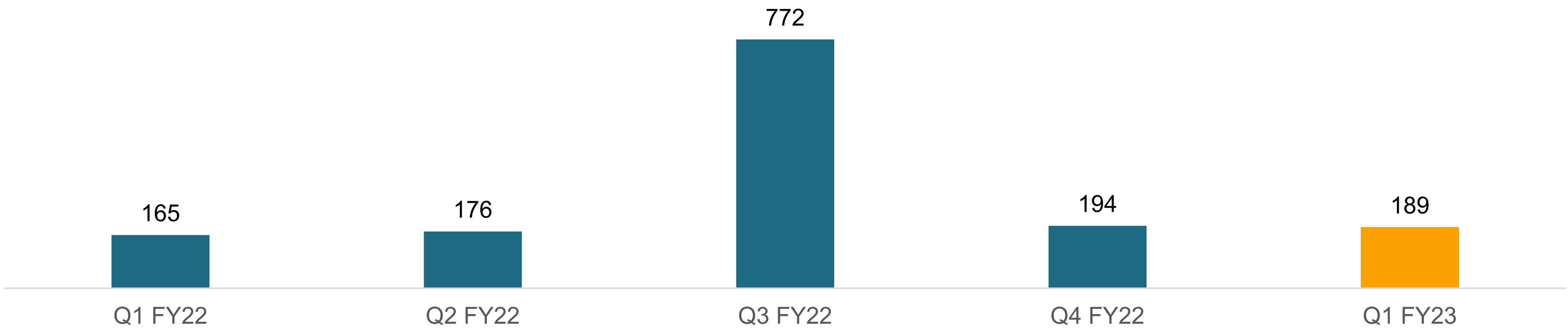
Amount in INR (Cr);

Quarterly trend EBITDA & PAT (Consolidated)

EBITDA



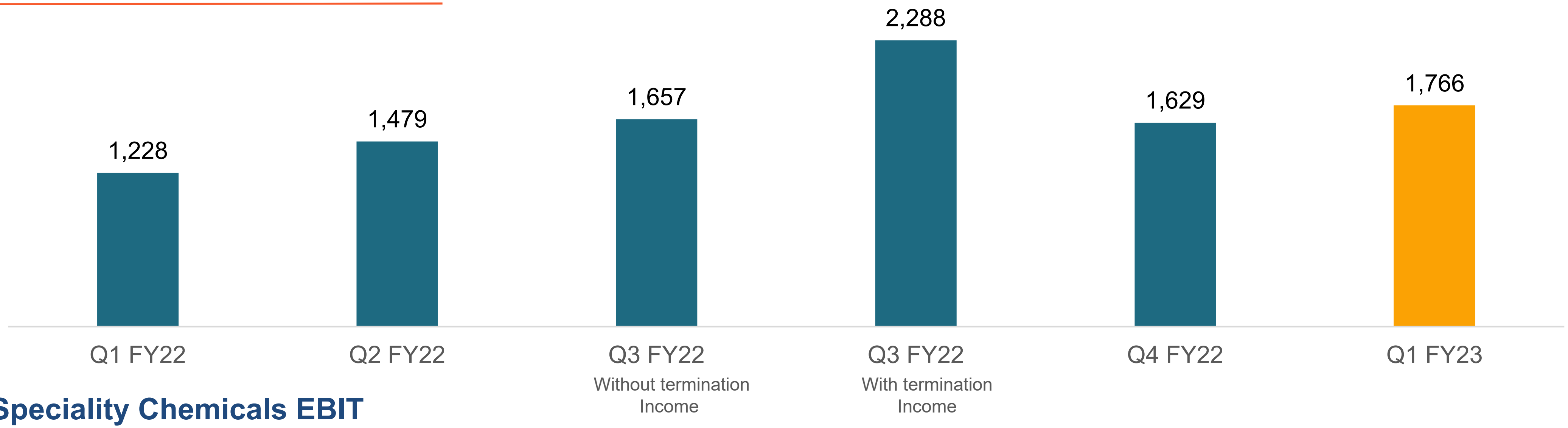
PAT



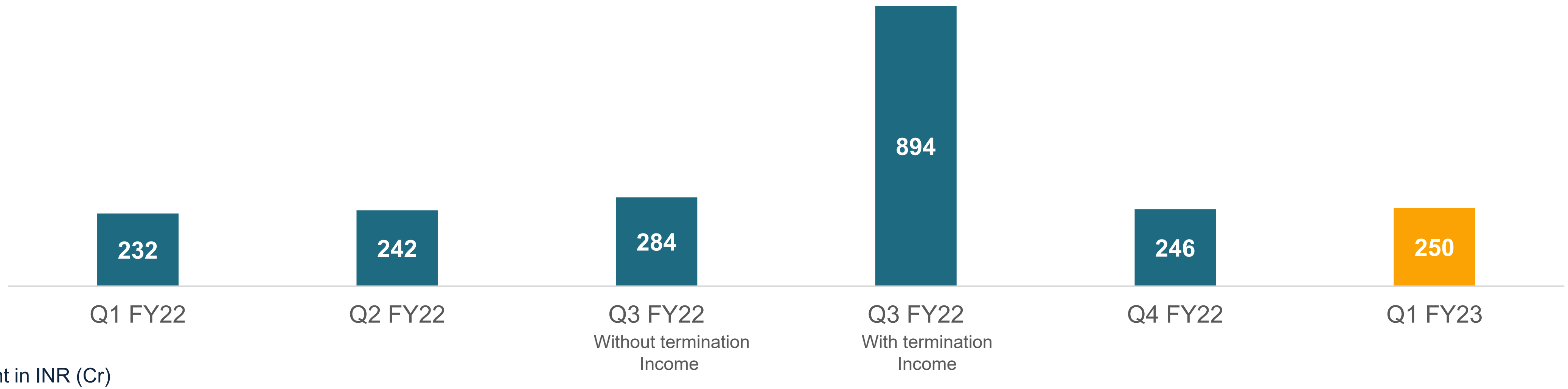
Amount in INR (Cr)

Speciality Chemicals - Revenue & EBIT

Speciality Chemicals - Revenue

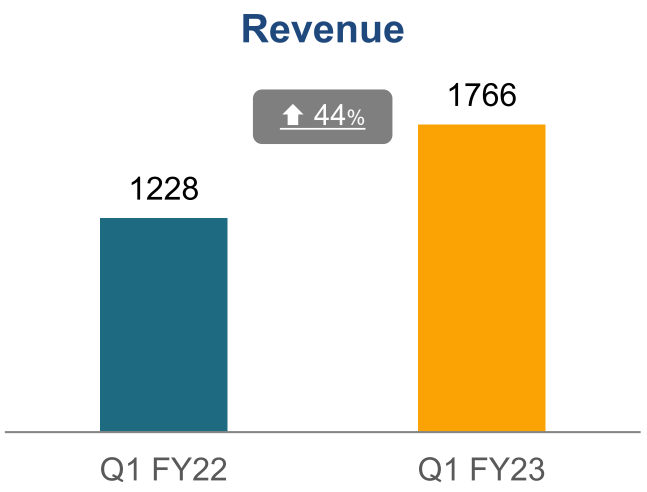


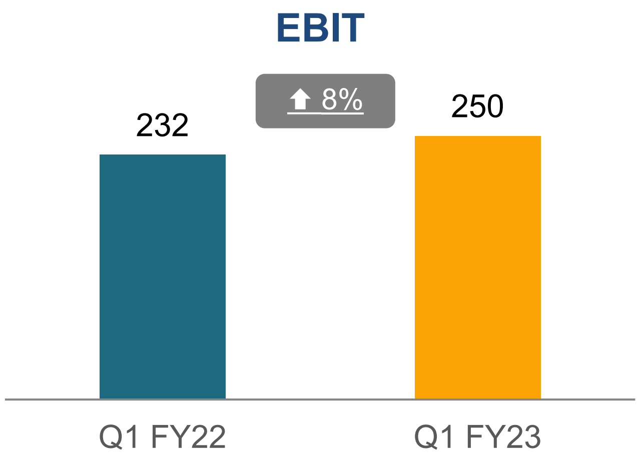
Speciality Chemicals EBIT



Amount in INR (Cr)

Q1 FY23 Speciality Chemicals - Consolidated



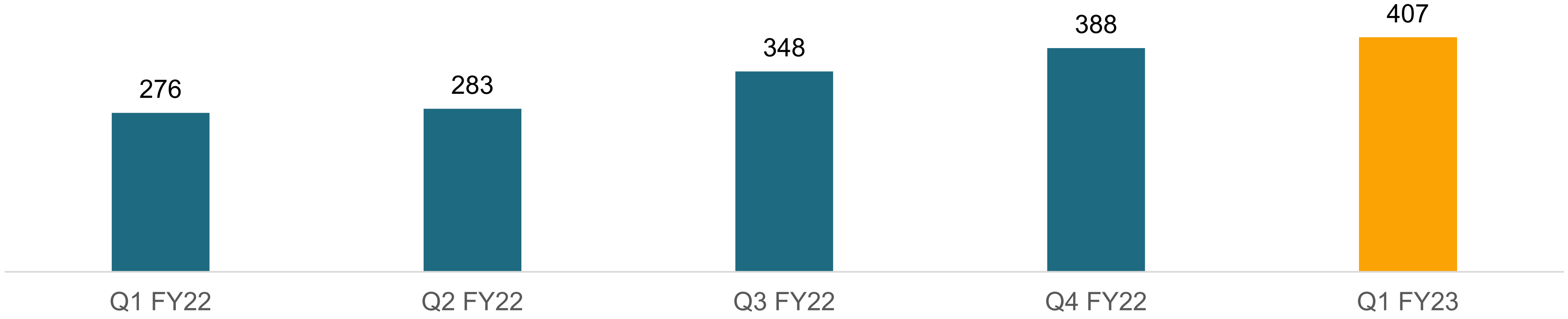


- Growth was fueled by higher volume trajectory
- Q1 FY22 nos. included Shortfall fees of Rs 32 crs in respect of the first long term contract.
- Witnessed favourable product mix profile
  - About 74% share of revenue from value-added products during the quarter
- Input costs continue to remain high, both on Y-o-Y and Q-o-Q; pass through of input costs initiated albeit with some time lag
- Witnessed sustained scale-up from 1st and 2nd long term contracts during Q1

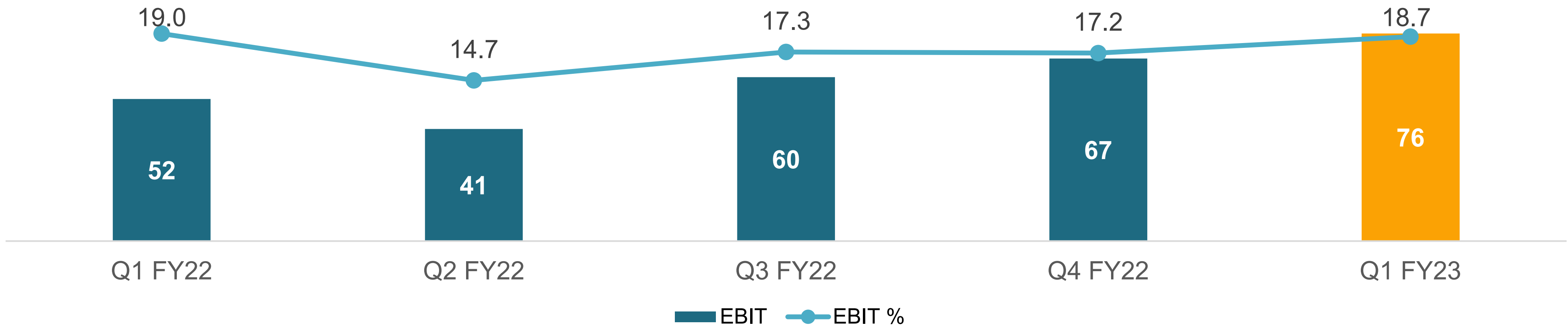
Amount in INR (Cr)

Pharma - Revenue & EBIT

Pharma - Revenue

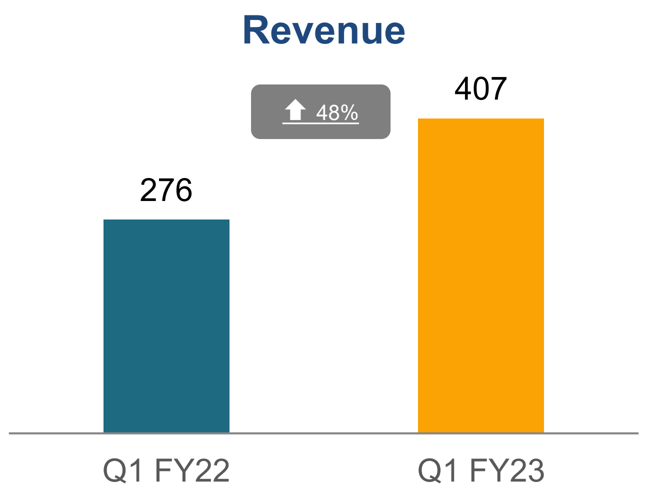


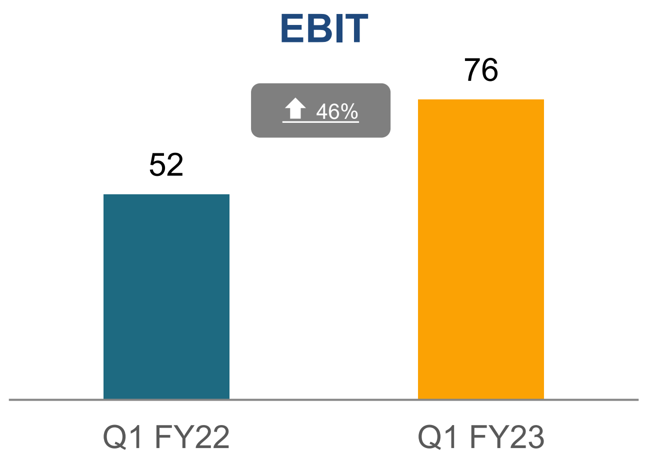
Pharma EBIT & EBIT %



Amount in INR (Cr); Margin in %

Q1 FY23 Pharma- Consolidated



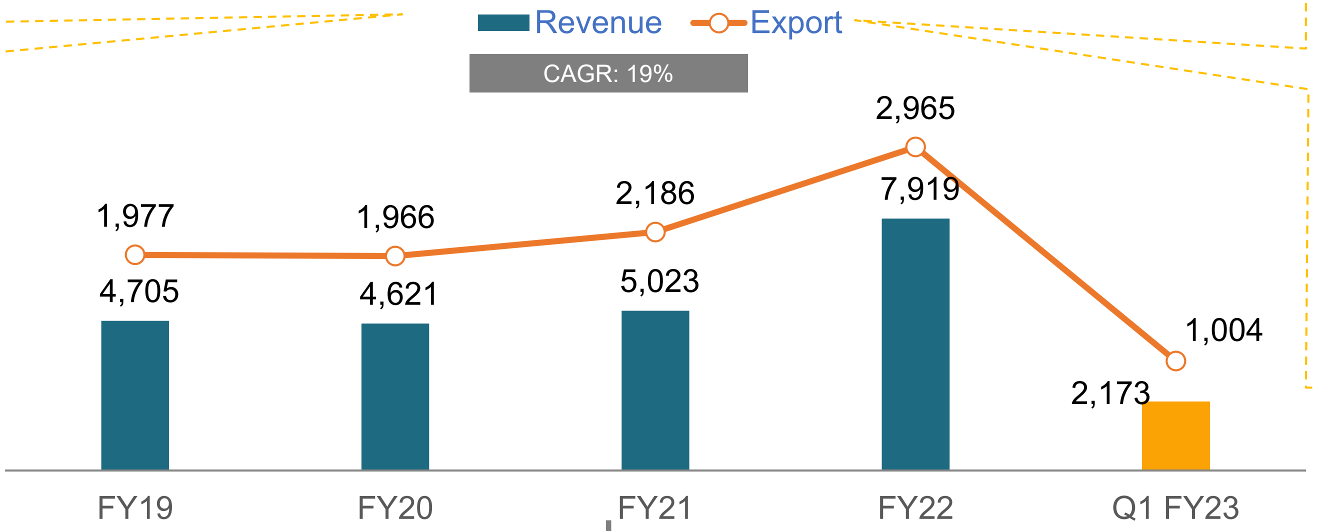


- Solid growth was led by higher demand trajectory for key products from generic pharma companies and Xanthine businesses
- Recently commissioned new block at the USFDA approved API facility at Tarapur in early Q2 FY23 – will lead to positive contribution in subsequent quarters.
- Impact of elevated input and utility costs passed on to customers leading to healthy realisation trends

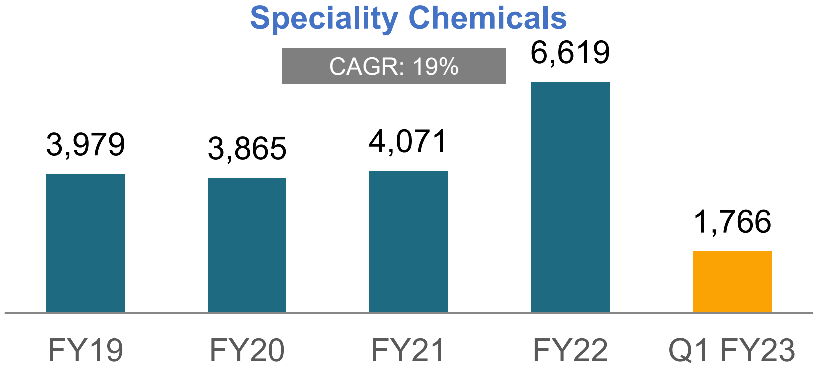
Amount in INR (Cr)

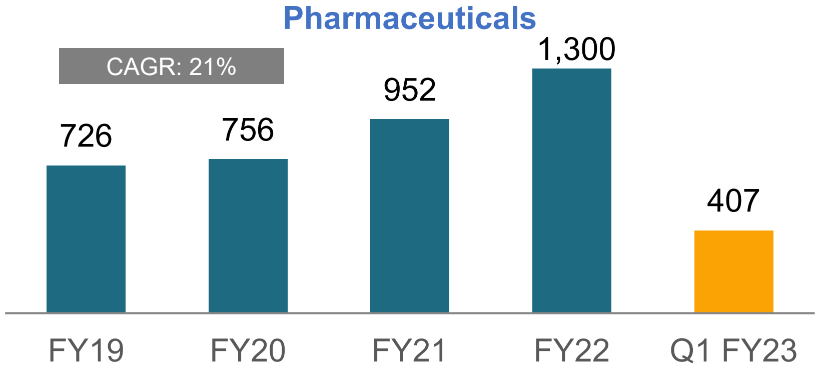
Revenue Performance - Consolidated

Consistent revenue momentum is a result of favorable demand scenario and Company's ability to pass on sharp increases in the prices of crude oil and other petrochemical intermediates



China+1 strategy has bolstered the exports momentum both in Specialty Chemicals and Pharma. Company continues to leverage strong relationships with global customers to elevate this trajectory





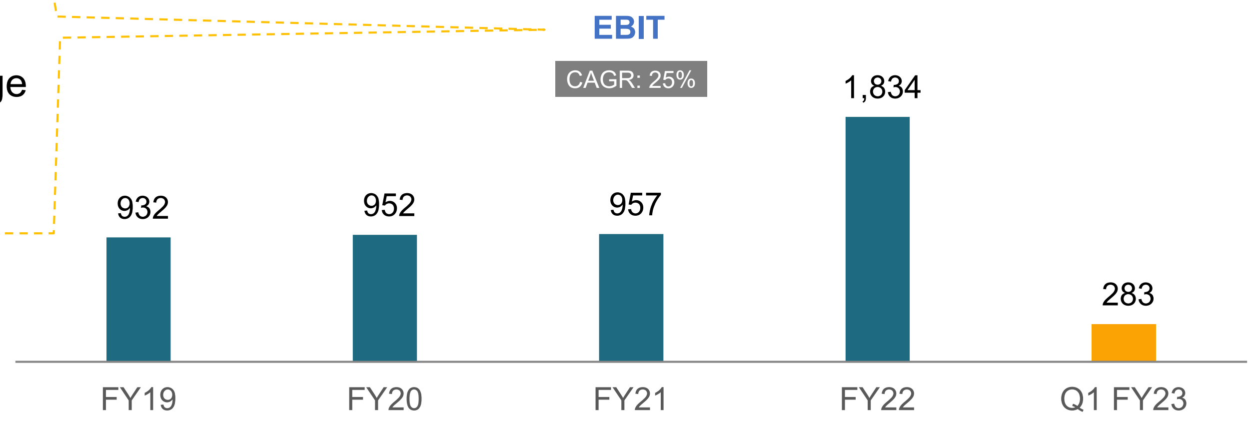
FY22 Includes the impact of Termination Income

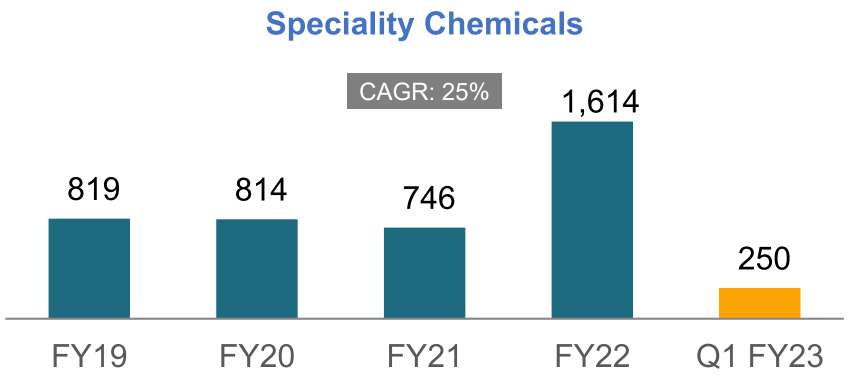
Amount in INR (Cr)

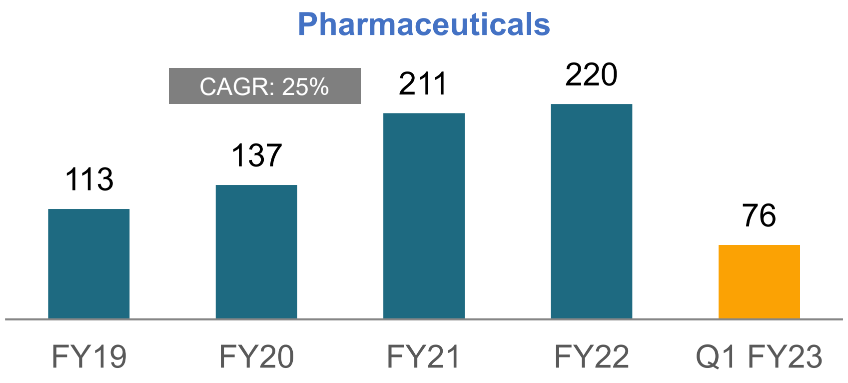
EBIT Performance - Consolidated

AARTI INDUSTRIES

Focus on value-added portfolio combined with operating leverage gains has resulted in better profitability







FY22 Includes the impact of Termination Income

Amount in INR (Cr)

Financials - Consolidated

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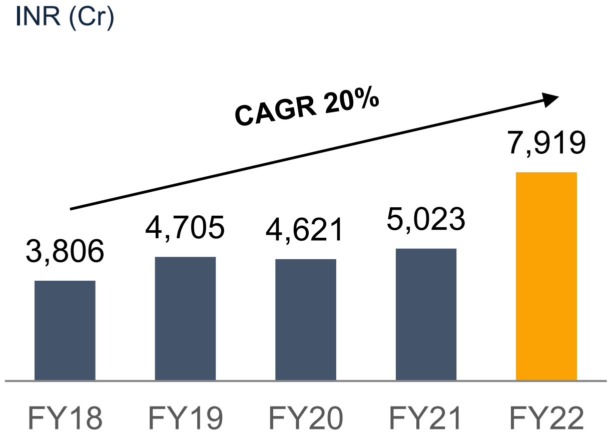
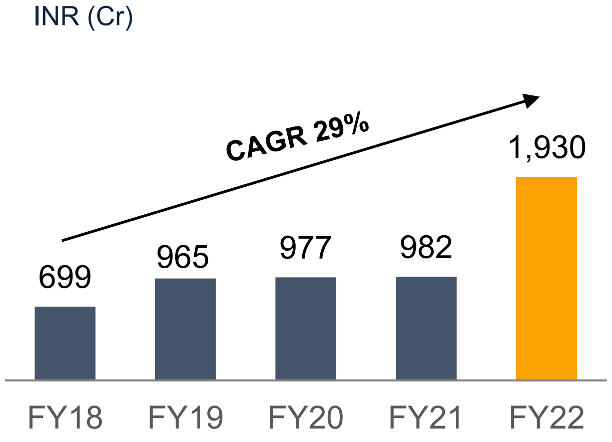
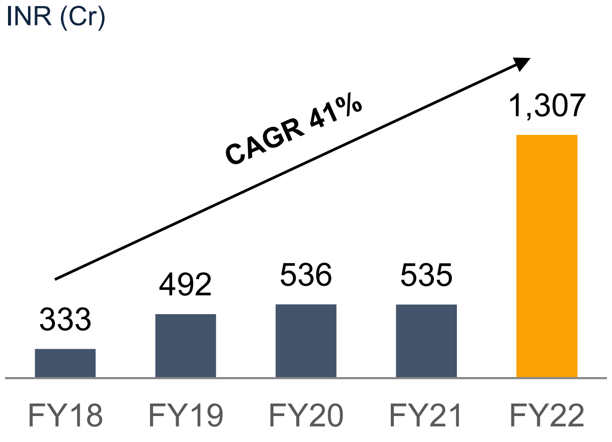
Robust Revenue Growth



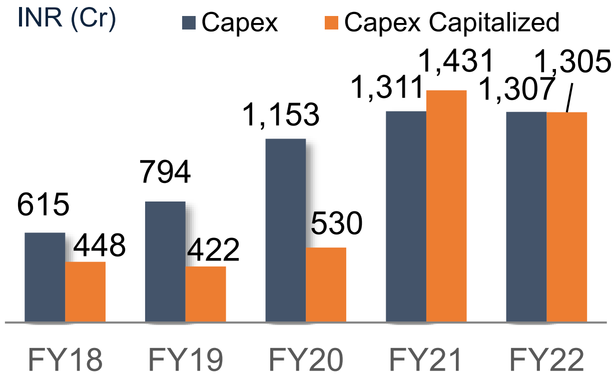
Strong EBITDA Growth



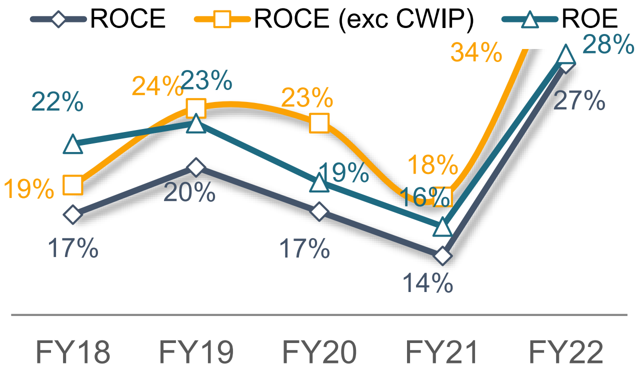
Strong PAT Growth



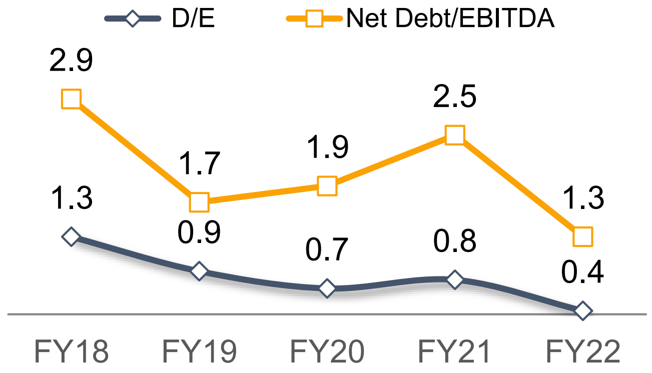
Significant Capex Undertaken



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

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Growth Opportunity & Strategy

Key Strengths

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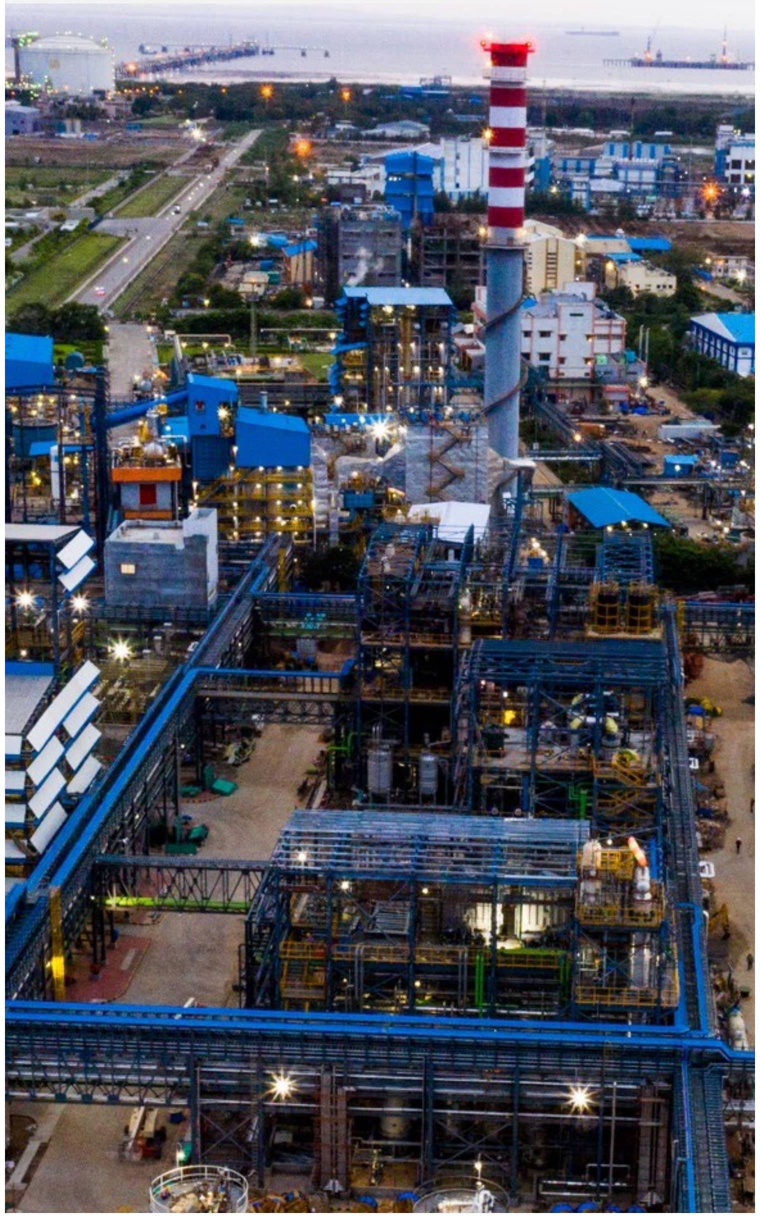


Global Player in Benzene based Derivatives with Integrated Operations

- 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

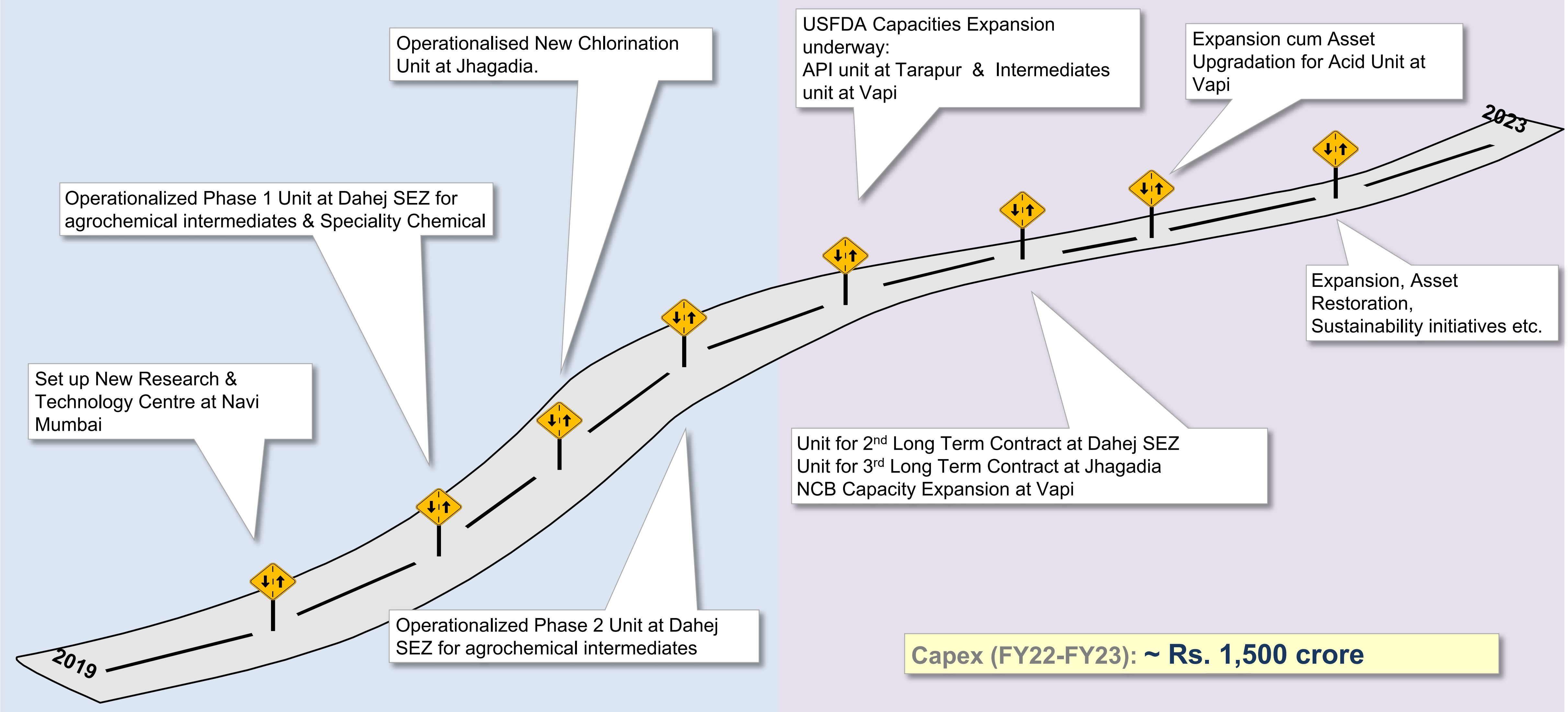
- Focus on downstream products through processes like high value chlorination, hydrogenation, etc.

Thrust on Sustainability

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

Major Projects: FY19 - FY23

Operationalised by FY21	To be Completed by FY23



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

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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)

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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Expecting Robust Growth fuelled with aggressive Capex Investment

FY21 Snapshot

Turnover: Rs. 5,000 cr.

EBIDTA: Rs. 980 cr.

PAT: Rs 523 crs

FY22 Snapshot

Turnover Rs. 7919 cr.

EBIDTA: Rs. 1929 cr.

PAT: Rs. 1307 cr.

FY24 Growth (over FY21)

Turnover: 1.7x -2.0x

EBIDTA: 1.7x - 2.0x

PAT: 1.7x – 2.0x

FY27 Growth (over FY21)

Turnover: 2.5x-3.5x

EBIDTA: 3x - 4x

PAT: 3x - 4x

FY22 financials are inclusive of termination income.

About Us

Aarti Industries Limited (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 multi-industry. AIL has 200+ products, 700+ domestic customers, 400+ 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 & Environment, equipped with Quality polices mapped to global benchmarks ensuring customer confidence and business sustainability. The Company has 11 Zero Discharge units and a strong focus on Reduce-Reuse-Recover across its 15 manufacturing sites.

AIL is a responsible corporate citizen engaged in community welfare through associated trusts (including 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 for outstanding export performance, leadership in the chemical industry, efforts in conserving the environments as well as ensuring sustainable growth through path breaking innovation.

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

Mr. Chetan Gandhi / Mr. Raj Sarraf

Aarti Industries Limited

Tel: +91 22 6797 6666

Email: info@aarti-industries.com

Nishid Solanki / Shruti Joshi

CDR India

Tel: +91 98203 68989 / +91 75065 67349

Email: nishid@cdr-india.com / shruti@cdr-india.com

Thank You

AARTI INDUSTRIES