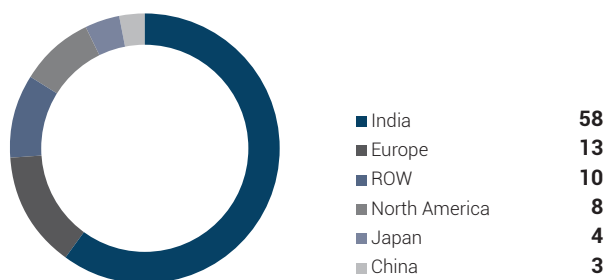


The Company is committed to the highest standards of health and safety with environment polices mapped to global benchmarks ensuring customer confidence and business sustainability. The Company has 14 zero discharge units and a strong focus on 'reduce, reuse and recover' across its 17 manufacturing sites.

Business by Segment (%)



Business by Geography (%)



Speciality Chemicals Segment

Speciality Chemicals is the major revenue-generating segment for Aarti Industries, contributing approximately 84% of sales in FY 2019-20. The Company has integrated operations across the benzene, sulphur and toluene product chains, and is ranked among the top three players globally for the manufacture of Nitro Chloro Benzenes (NCB) and Di-chloro Benzenes (DCB). The Company is also the only manufacturer of nitro fluoro aromatics using the Halax process and the only manufacturer of Phlyenediamines (PDA) value chain in India. Most of its speciality chemical products are primarily along the benzene-based value chain. Other chemicals such as sulphuric acid and its derivatives, single super phosphate, Toulene-based derivatives, calcium chloride granules, fuel additives and pthalates are also part of its manufacturing portfolio. Products in the speciality chemicals segment have varied applications across agrochemicals, pharmaceuticals, polymer additives, pigments and dyes industries. The various processes used in the manufacturing operations include chlorination, nitration, ammonolysis, hydrogenation, ethylation and fluoro compounding. Aarti Industries has integrated its operations across the product chain of benzene, sulphur and toluene which gives it the ability to effectively use co-products and generate value-added products.

Key Strengths

• Established Long-standing Relationships

Aarti Industries has a multi-product, multi-geography and multi-industry approach that creates substantial diversification in revenues and limits risks. This diversification strategy has ensured that no single product or customer accounts for more than 8% of revenues. The product portfolio is supported by a framework of sound manufacturing practices, high quality standards and regulatory compliance, which has led to the Company's transformation from another speciality chemicals supplier to a 'Global Partner of Choice'.

• Integrated Operations on a Global Scale

Aarti Industries operates an integrated operating model that ensures efficient utilisation of by-products from manufacturing processes as intermediates of other chemical reactions or converts them into commercially saleable products. A high level of backward and forward integration across all key value chains enables the Company to benefit from the global trend of vendor consolidation and long-term supply contracts.

• Wide Array of Growth Opportunities

Based on its presence across various end-use applications and a larger customer base, the Company has created a wide range of growth opportunities and currently exports over 40% of its products to various global locations including North America, Europe, China and Japan. It is also well-integrated into the burgeoning chemical manufacturing infrastructure in India.

• R&D Innovation Programme

Aarti Industries is a knowledge-driven Company. Its R&D investments include three state-of-the-art R&D centres. Capitalising on superior technological capabilities through knowledge transfer across several differentiated processes/chemistries, the Company has developed a strong pipeline of niche, value-added products and processes. A higher level of innovation in the product profile enables better yield and margins. This has also enabled the Company to increase revenues from downstream products where it sees less competition and creates stronger customer engagements. The recently commissioned research and technology centre in Navi Mumbai called the Aarti research and Technology Centre (ARTC) has dedicated labs for process safety, effluent treatment, flow chemistry, kilo lab, high-pressure reactors, etc. This R&D centre will scale up to 250 scientists and engineers taking the Company's research resource base to 400+ (for speciality chemicals and pharma). The centre is focused on developing a larger range of high-end value-added products and new chemistries to create niche market opportunities.

Financial Performance – Speciality Chemicals

Speciality Chemicals	FY20	FY19	FY18	FY17	FY16
Sales (₹ cr)	3,865	3,980	2,985	2,569	2,430
% of total sales	84	84	78	81	81
Export (₹ cr)	1,630	1,625	1,409	1,294	1,223
% of segment sales	42	41	47	50	50
Segment EBIT (₹ cr)	814	820	581	566	504
EBIT %	21	21	19	22	21

Multi-year Contracts for Supply of Chemical Intermediates

In FY 2017-18 and FY 2018-19, Aarti Industries entered into three multi-year contracts with global majors for supply of chemical intermediates.

During June 2020, the Company received a notice for termination from the customer for its first long-term contract. The Company is aware that the reason for the same is the customer's change in strategy. They now are focusing on the final formulation and would like to source the API rather than manufacturing it. The customer continues to remain confident and committed to the growth initiative as envisaged earlier and the change in strategy would help them in enhancing the solutions for end-users. Aarti Industries is strategically placed in this value chain and the assets invested shall enable the Company to continue to participate in this key agrochemical molecule, which will act as a growth driver for the Company. With the termination of this contract, the guarding provisions for compensation under the contract come into effect to safeguard the Company's interest.

Pharmaceuticals Segment

Aarti Industries has expert capabilities in the development and manufacture of several world-class products in the healthcare division. The Company has five pharma manufacturing plants, two of which are approved by the United States Food and Drug Administration (USFDA) and the remaining three are World Health Organisation (WHO) and Good Manufacturing Practices (GMP) certified. Additionally, the Company has two R&D facilities that are dedicated to the pharmaceutical business. Under its pharmaceuticals business, the Company manufactures APIs, intermediates and xanthine derivatives.

Currently, Aarti Industries manufactures various commercial APIs with 30 US Drug Master Files (USDMF), 12 Drug Master Files (DMF), of which seven are under assessment, and 18 Certificates of Suitability (CEP), two of which are under assessment.

Key Strengths**API Manufacturing Division**

Aarti Industries' API manufacturing facilities are equipped with dedicated production blocks for steroids and oncological APIs. The Company has successful backward integration processes in place of key raw materials for most of its products. This is the core strength of the API business, which enables the Company to sustain its leadership position.

Aarti Industries manufactures APIs for a wide range of therapeutic purposes including Anti Hypertensive, anti-asthmatic, anti-cancer, Central Nervous System (CNS) agents, skincare, decongestant, Anti-thalassemic, analgesic and ophthalmologic. Additionally, the Company also manufactures intermediates for over 35 APIs. The APIs are exported to regulated markets globally, including the US, several countries in the European Union and Japan.

Xanthine Division

The xanthine division has expertise in and manufactures various derivatives. These include caffeine theophylline anhydrous, aminophylline, etophylline, theobromine, etc. These derivatives are used in beverages, nutraceuticals and pharmaceuticals. Two manufacturing facilities are dedicated to manufacturing xanthine derivatives and have obtained star certifications such as Star Kosher, Hazard Analysis Critical Control Point (HACCP) and GMP for manufacturing and testing.

CRAMS division

Aarti Industries also undertakes Contract Research and Manufacturing Services (CRAMS) focused on intermediates. This is the fastest growing business segment in the healthcare division of the Company. Aarti CRAMS is one of the leading cost-competitive and quality manufacturing hubs for many global players, including big pharma companies.

CRAMS basically consists of the following two activities:

Contract Research Organisations (CROs)

Offerings

- Advanced intermediates for APIs
- Process development
- Validation batches for intermediates
- Commercial production
- Contract manufacturing services in dedicated anti-cancer block for phase 1 to final drug substance and regulatory support / quality assurance
- GMP documentation

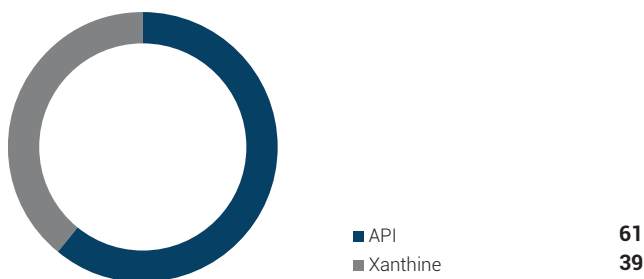
Contract Manufacturing Organisations (CMOs)

Offerings

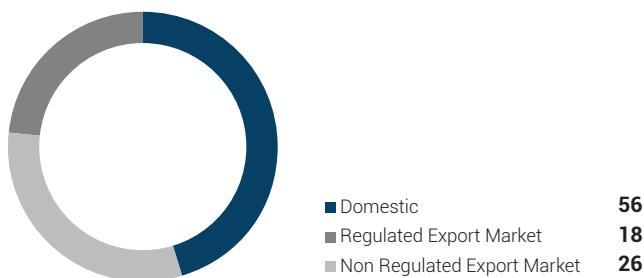
- Advanced intermediates for phase 0 to III candidates
- Development of raw materials and advanced intermediates for innovators and generic API companies
- Process development and optimisation
- Analytical method development
- Various Generic APIs and Intermediaries

The Company is working with several innovators on API intermediates opportunities.

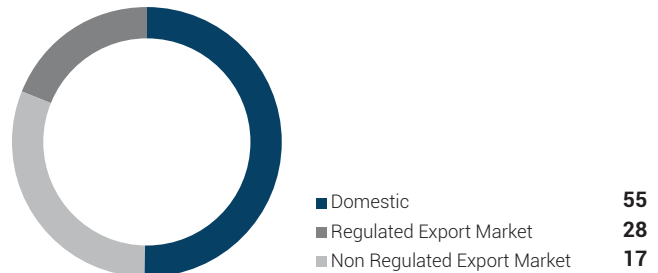
Revenue of the Pharmaceuticals Business in FY 2019-20 (%)



Revenue from Xanthine Derivatives in FY 2019-20 (%)



Revenue from APIs in FY 2019-20 (%)



Financial Performance – Pharmaceuticals

Pharmaceuticals Chemicals	FY20	FY19	FY18	FY17	FY16
Sales (₹ cr)	756	726	556	426	426
% of total sales	16	16	15	14	14
Export (₹ cr)	335	352	248	208	193
% of segment sales	44	49	45	49	45
Segment EBIT (₹ cr)	137	113	581	566	504
EBIT %	18	16	14	11	9

COVID-19 Impact

Aarti Industries would also like to share with you an update related to the impact of the COVID-19 pandemic on various aspects of the Company's business activity.

Manufacturing Operations

Following the directives of the Central Government, the Company had faced logistics-related challenges for the movement of raw materials, finished goods, manpower, etc. As a result, the Speciality Chemical manufacturing facilities of the Company had initially gone into temporary shutdown on safe mode in a phased manner, while the Pharma business—being included in essential goods—has continued manufacturing operations throughout this period. Subsequently, based on the Company's wider product profile, which includes key ingredients to various pharma/agrochemical intermediates, are also included in essential goods. The Company, therefore, applied for permissions and was granted them to operate its pharmaceutical facilities and to enable movement of critical workforce, materials, etc. After securing the supply chain, logistics and mandatory compliance requirement, The Company resumed operations at its manufacturing units in the first half of April 2020. The units had reached operational levels of about 80% in the months of May and June 2020. While supply chain and labour availability challenges are being seen, the Company is taking adequate efforts, including revision in rates, wherever applicable, to secure resources and mitigate the threat.