



Presentation to Shareholders Aarti Industries Ltd.

September 21, 2020

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01 Company Overview

02 Strengths & Capabilities

03 Focus on Sustainability

04 Growth Opportunities & Strategies

05 AIL's response to COVID-19

06 Corporate Social Responsibility

07 Awards & Recognition

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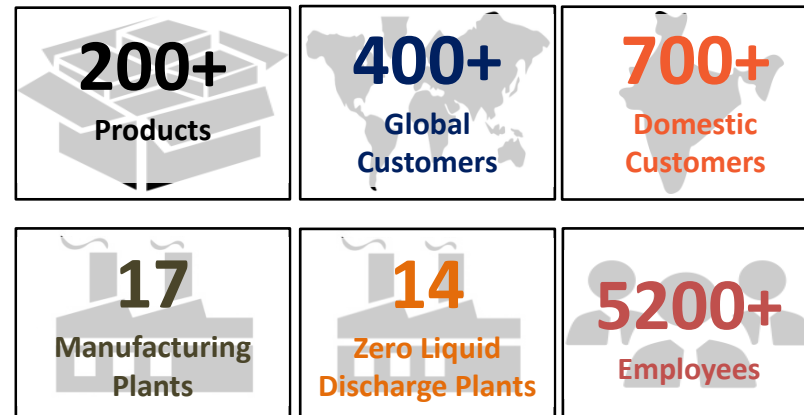
07 Awards & Recognition

AIL - At a glance

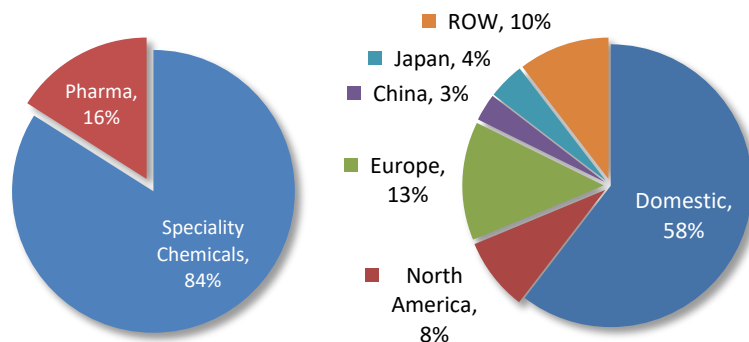
Overview

- A leading Speciality Chemicals company with integrated operations and high level of cost optimization
- Established by first generation technocrats in 1984
- Pharma operations spanning APIs, intermediates and Xanthene derivatives
- 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: 12 for Speciality chemicals; 5 for Pharma (2 USFDA and 3 WHO/GMP)

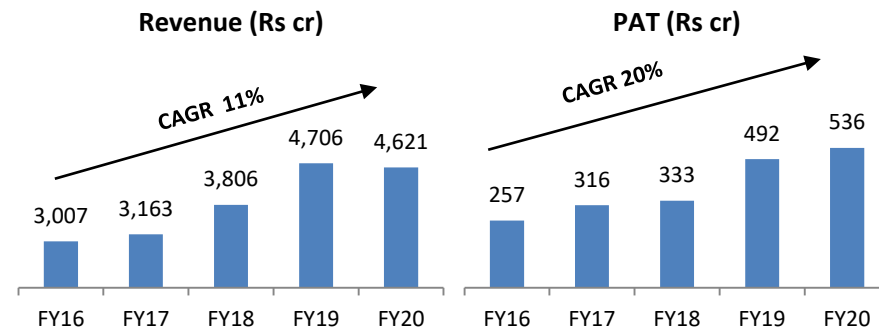
Key Metrics



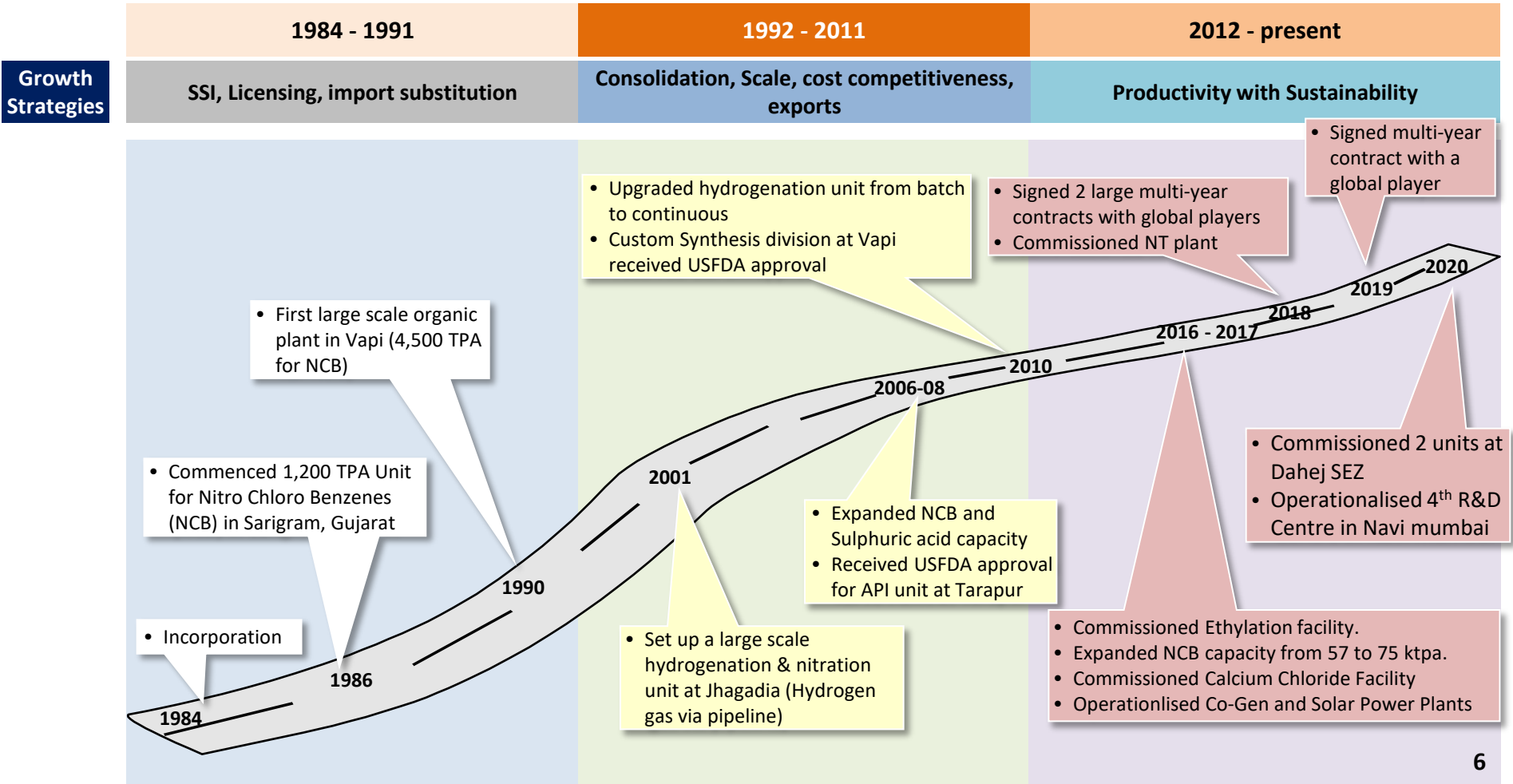
Revenue split - Segmental and Geographical – FY20



Key Financials



Key Milestones with Growth Strategies

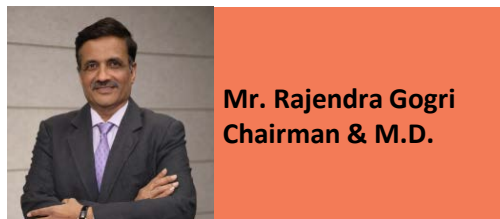


Founding Promoters

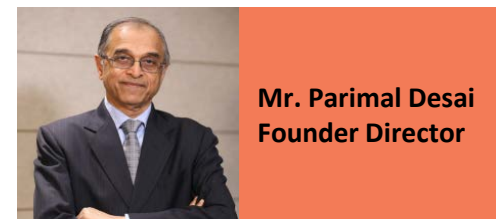
Technocrat



Technocrat



Technocrat

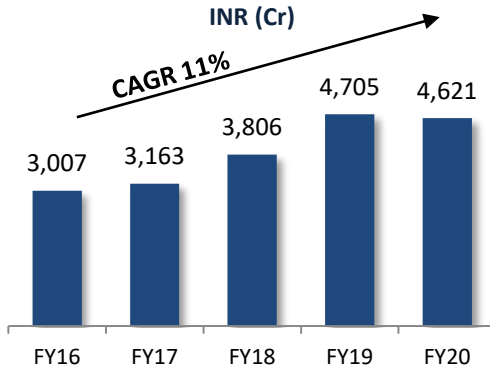


Commercial

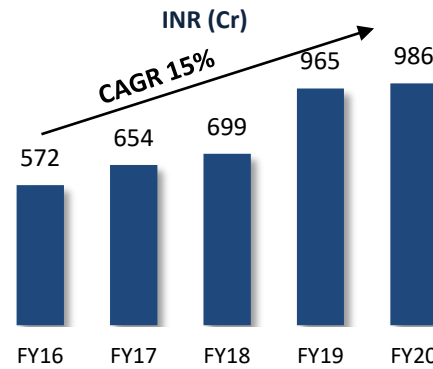


Financials - Consolidated

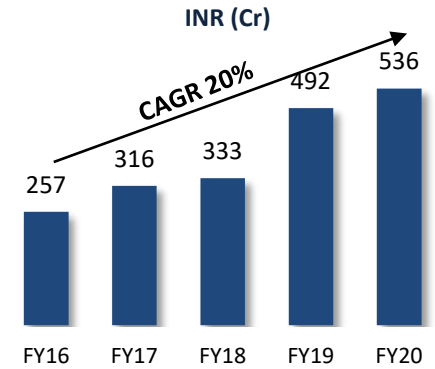
Robust Revenue Growth



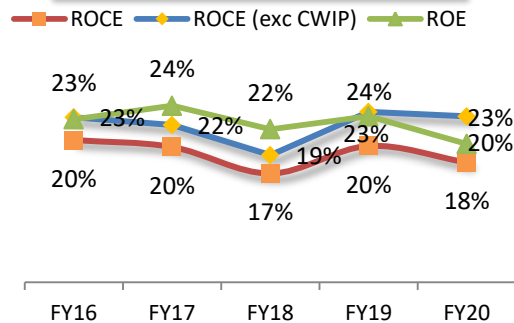
Strong EBITDA Growth



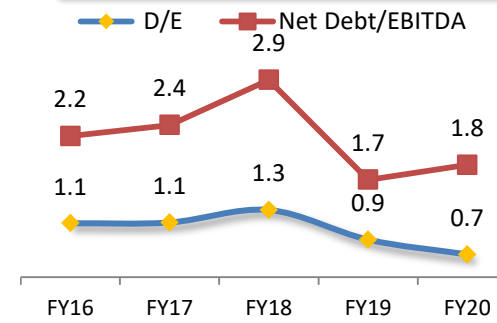
Strong PAT Growth



Strong Return Ratios



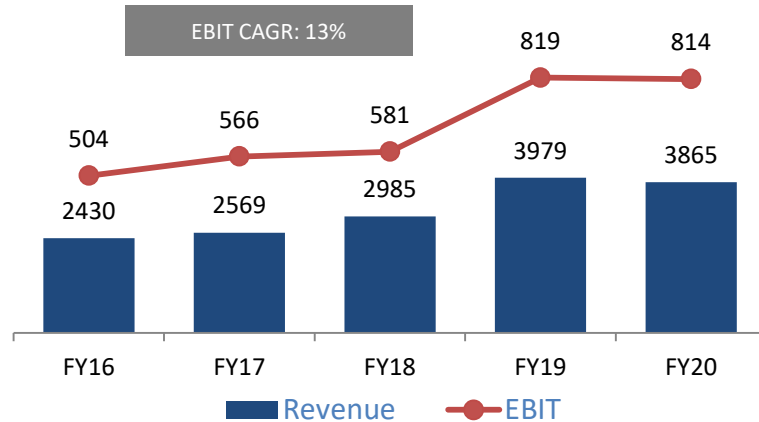
Debt Profile



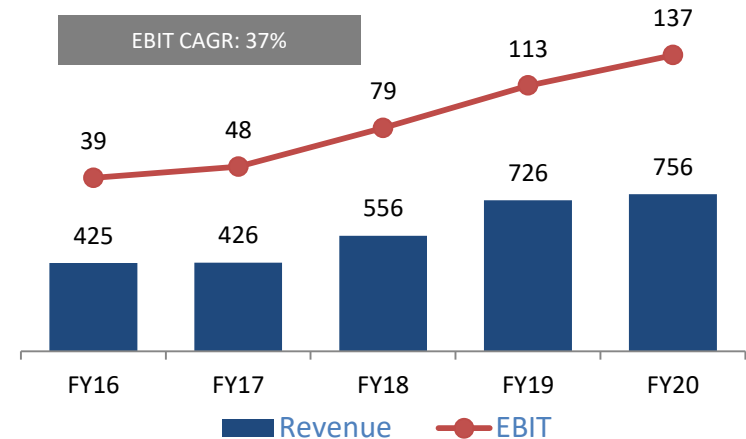
EBITDA = Profit before Tax + Interest Expense + Depreciation – Other Income; EBIT = EBITDA-Depreciation; Capital Employed= Net Worth + LT Debt+ ST debt+ current maturity of long term debt- cash; Capital Employed adj for CWIP= Capital Employed -CWIP; ROCE= EBIT/(Average of Capital employed of current & 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

Segmental Revenue & EBIT

Chemical Segment

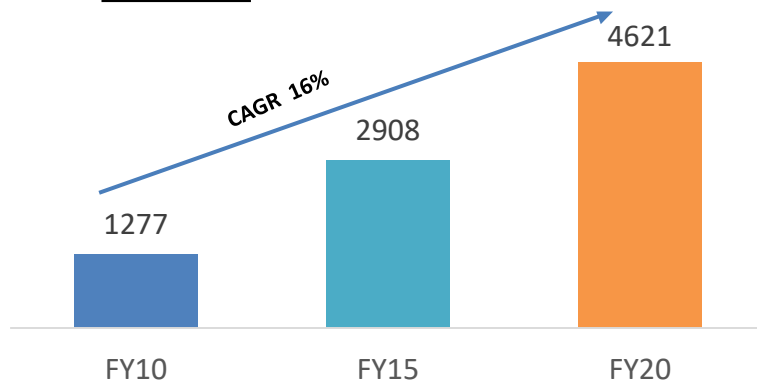


Pharma Segment

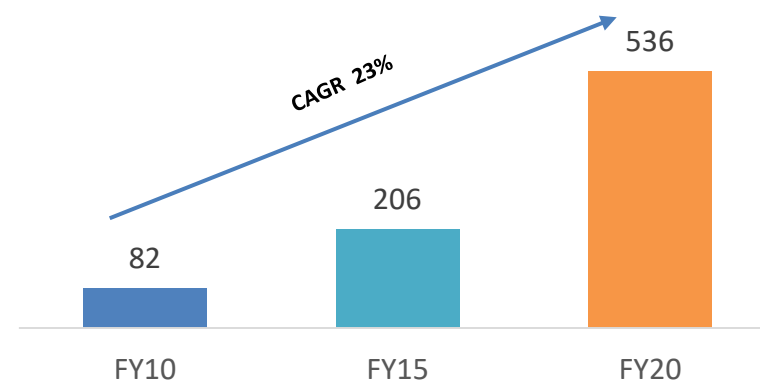


10 Years Highlights

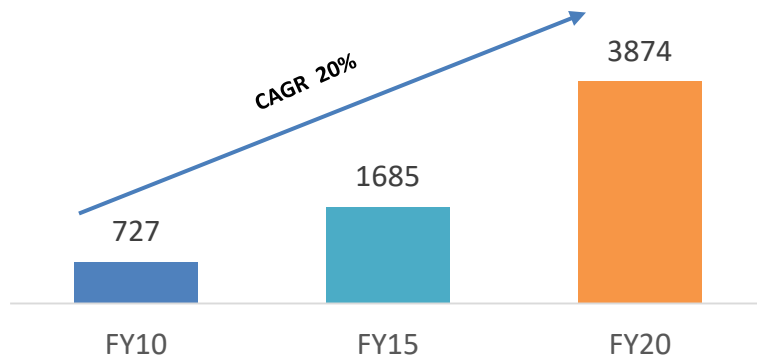
Revenues



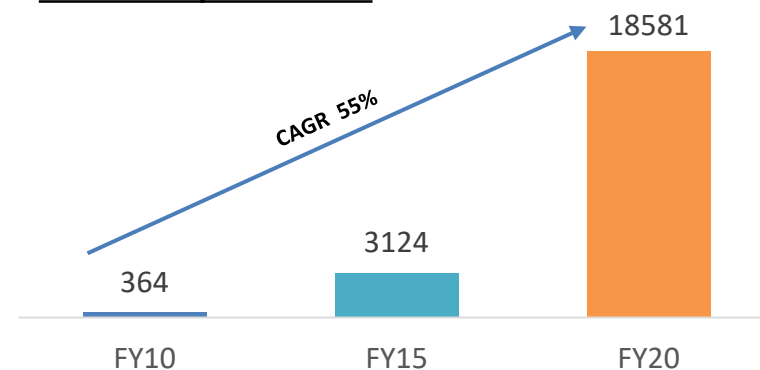
PAT



Gross Block

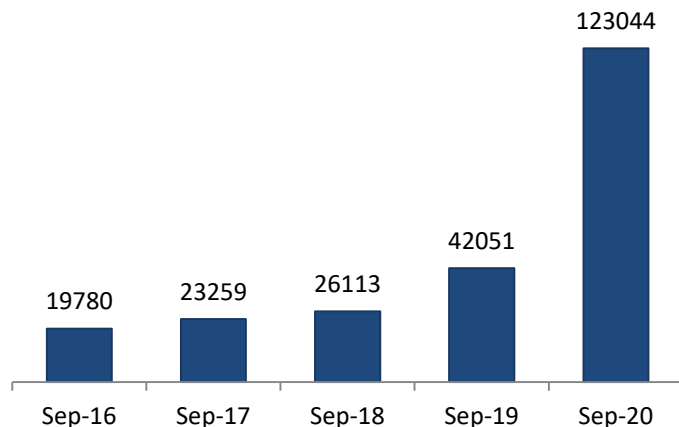


Market Capitalization

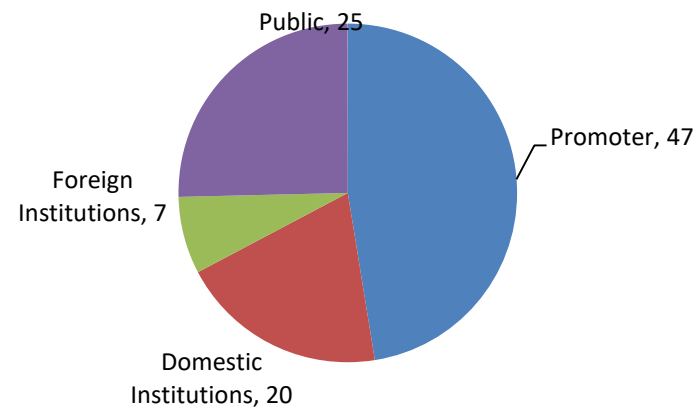


Shareholders Info

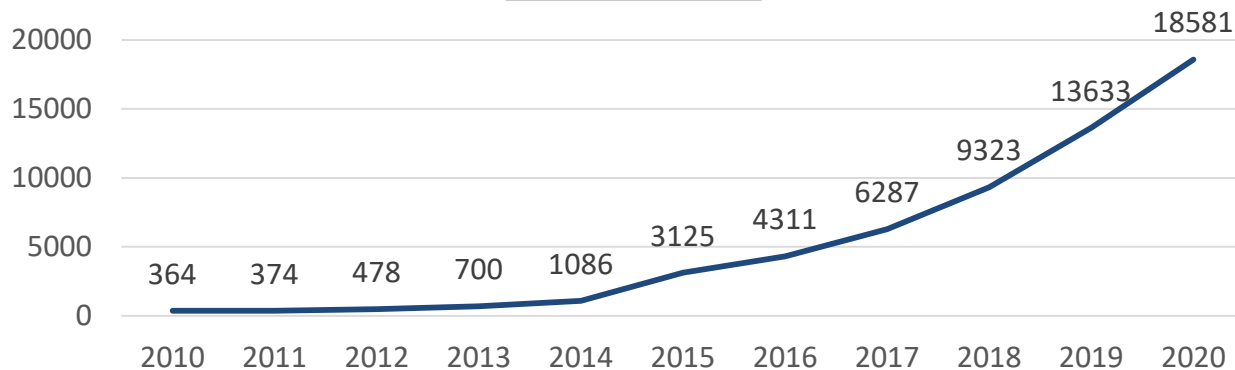
Shareholders Base



Shareholding Pattern



Market Cap (Rs. Cr)



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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 across products and geographies**

- *API & Intermediate market (both domestic and exports) is 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, ammonolysis*

- **Thrust on Sustainability**

- *Significant capex done in SH&E and power, which provide long term benefits*

Our products have a host of end uses.



In lightweight polymers of the aircraft bodies



In the medicines that keep you healthy



In the Agrochemicals which help improve productivity of farms



In perfumes and flavours that tickle your senses



In paints that bring colour to your life



In printing inks that help express stories



In gasoline to improve engine performance



In soaps and shampoos that keep you clean

We are proud to be associated with most of the major players in our enduse domain

 **BASF**

We create chemistry



 **syngenta**



 **'TORAY'**
Innovation by Chemistry



 **Flint**Group



 **TEIJIN**

 **HUNTSMAN**



 **SUDARSHAN**

 **Lonza**



TEVA PHARMACEUTICALS LTD

 **EASTMAN**



Strong Focus on R&D & Process Innovation

Process Innovation

- Scrub NO_x in Sulphuric Acid from MDCB plant to manufacture commercial grade Nitrosyl Sulphuric Acid
- Directly utilize HCL gas, byproduct of Benzene chlorination, for Chloro Sulphonic Acid (CSA) manufacturing
- First and only company in India to commercialize manufacture of our range of Nitro Fluoro compounds via Halox Chemistry (with KCl recovery)

World Class Technology

World Class Technology

- Adopted Swiss technology for
 - Continuous Loop reactor for eco-friendly hydrogenation process
 - Continuous crystallizer

Process Innovation

Commercial Innovation

Commercial Innovation

- Produce 100% export grade Calcium Chloride Granules from dilute HCL
- Export Speciality chemicals in ship load

Strong focus on R&D and process innovation

- Aarti has been increasing its presence in niche chemistries where competitive intensity is low
- 4 R&D facilities
 - 2 are focused to pharmaceutical API & Intermediate business and 2 for the Speciality chemicals business
 - 4th R&D plant operationalized in March 2020 focusing on Speciality chemicals, with a capacity to host around 250 scientists
- Constant focus on downstream products through processes like high value chlorination, hydrogenation, ammonolysis, fluoro-compounding

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Sustainability

Our Strategy

Growth with Sustainability for a Sustainable Growth

Commitment
to Safety and
Health

Commitment
to
Environment

Commitment
towards
Society

Commitment
to Energy
Efficiency

Strong Focus on Sustainability

Health & Safety

Process safety audits and inspections from external experts

DCS control systems and process automation

- Focused on Zero tolerance and Zero harm
- Process of 'Learning from Incident' is established
- Toxicologist on board for Occupational Health and emergency response
- Complete Fire protection audits for all facilities
- Focus on Behavior Base Safety
- Launched company-wide “BE SAFE” initiative

250+ Cr

Amount invested in EHS initiatives over last 5 yrs

Environment & Sustainability

3R Principle:
Reduce – Recover – Reuse

Swiss Loop Reactor technology for hydrogenation

Chilling water generation from chlorine tonners for chilling applications

USD 1mn+ invested in solar energy in 2016

- Installation of Ash Handling Systems, Solvent Recovery Systems and Gas Scrubbing Units
- Installation of bioreactors, chemical RO's, multiple effect evaporator and incinerator drastically minimized water consumption
- IMS certification for major operations
- Adapted online compliance management system for better governance
- Governance through Sustainability Council Committee for Sustainability Management
- Major units audited by TFS (Together for Sustainability) initiative
- Gold Standard Ratings by ECOVADIS

14 units

With Zero Liquid Discharge Facility

697 kW

Installed solar power generation capacity across units

Certifications



We have received multiple awards in the area of sustainability/ Innovation



CHEMTECH Foundation Award

CHEMTECH Foundation accorded Aarti Industries with the 'Outstanding Achievement for Innovation' award for the company's commendable efforts in conserving the environments as well as ensuring sustainable growth through path breaking innovation



Gujarat Cleaner Production Award

Forest and Environment Dept., Government of Gujarat presented the Gujarat Cleaner Production Award to team Jhagadia.

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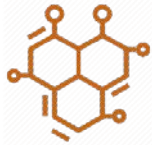
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The Chemical Sector underpins virtually every sector of the Economy



80,000

Products are commercially manufactured across the chemical industry



\$3.6 Tn

Of Chemical Sales were recorded globally in 2018



2-3%

Is spent on R&D by the Indian chemical industry



\$450 Bn

Will be invested in capacity addition and upgradation in the chemical industry



\$136 Bn

Total Sales of Indian Chemical Industry (2019), making it the 6th largest by sales globally

Agrochemicals

Polymers

Colors & Cosmetics

Construction

Pharmaceuticals

Personal Care

Synthetic Materials

Water Treatment

and many more...

Offerings & Requirements

What India offers

- ▶ Capex & Opex Cost Savings
- ▶ Availability of Feed Stock
- ▶ Skilled Manpower
- ▶ Access to Ports
- ▶ Geographic De-Risking
- ▶ Better Legal & Regulatory Framework
- ▶ Stronger IP Protection



What Indian Companies need to do

- ▶ Strong Safety, Health & Environment
- ▶ Better Project Management
- ▶ Strong R&D
- ▶ Customer Relations Management
- ▶ Operating Efficiencies
- ▶ Availability of Finance and Willingness to Invest.
- ▶ Legal & Regulatory Compliance
- ▶ Competent Manpower



AIL's strengths, including its backward Integration to globally available raw-materials / feed stocks enhances its competitiveness and provides supply security to customers, *resulting into multiple opportunities to collaborate with Global MNCs across various product segments.*

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

- 1 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
- 2 Global multinationals need alternate sourcing destinations from China to de-risk their supply chain. India is a best fit in this case.
- 3 Govt. Thrust: Improvement in EODB rank to 63 in 2020 vs 142 in 2014, Thrust to manufacturing via Make in India, cut in Corporate Tax rates and Tax reforms, PLI Schemes
- 4 Equalization of Indian and Chinese Cost: Inherent **CAPEX** and labour cost advantage, CAPEX in India being 40% - 60% of the West
- 5 Additionally, demand of consumer goods in India is growing, providing larger opportunities at domestic market.
- 6 Indian Currency Depreciated against USD and CNY strengthening Cost Position for Indian Products in Exports Markets

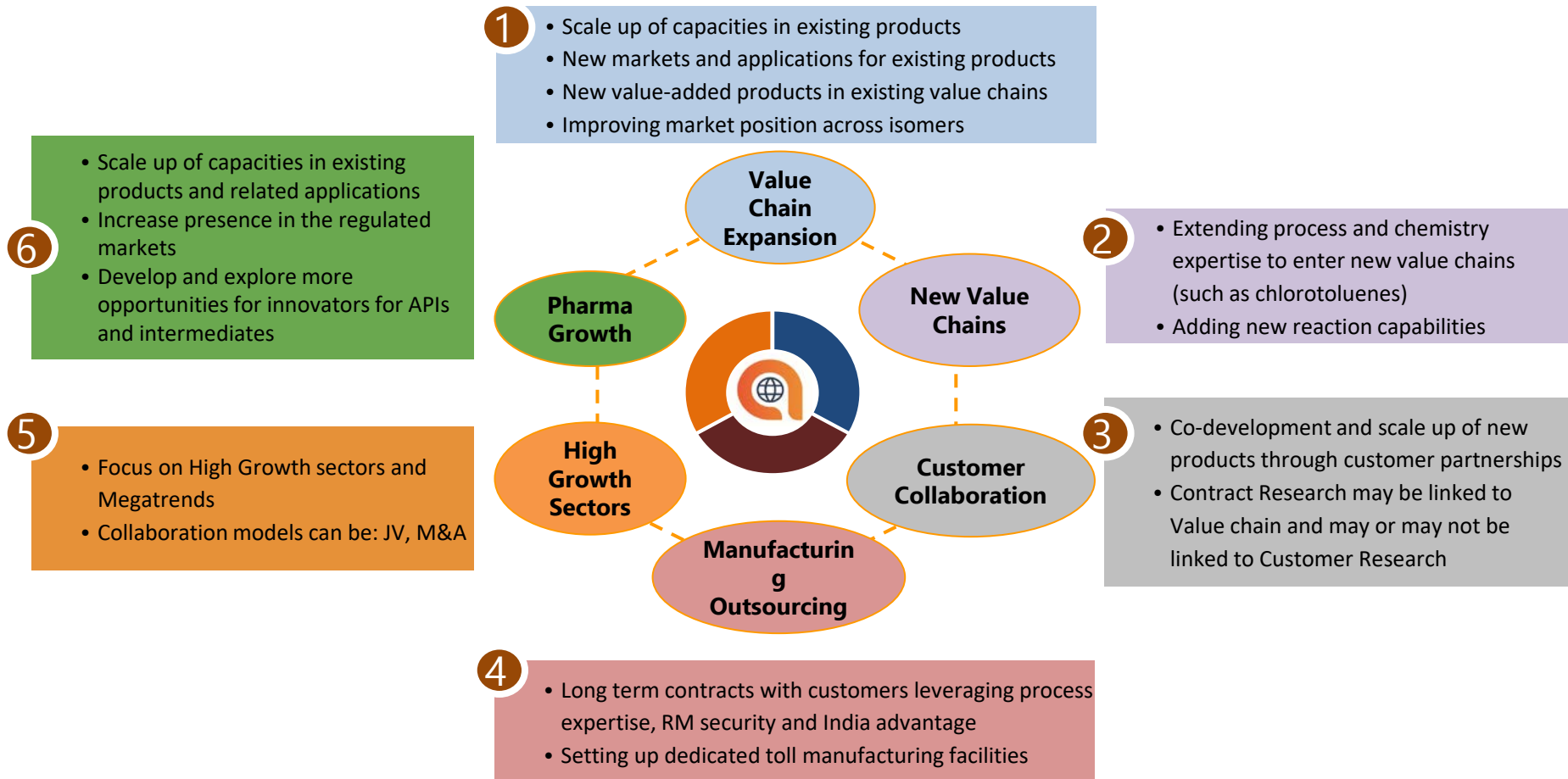
India is emerging as an alternative to China due to various factors

AIL is one of the rare Chemical Company in India to compete with China, for over a decade, both in

- ✓ **Global Markets**
- ✓ **Chinese Market by Exporting to China**



Six Pronged Growth Strategy



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AIL's Support during COVID-19

Stakeholders	2020: COVID - 19: Health Crisis
Employees	<ul style="list-style-type: none">- Annual increment given out in first quarter itself to all employees.- Mobilize resources with full safety precautions
Customers	<ul style="list-style-type: none">- Support to Customers by Better service & logistics support- Exploring new markets and optimizing product mix- Agro/ Pharma/ FMCG account to 60% of revenues
Vendors & Suppliers	<ul style="list-style-type: none">- Minimum Daily wages/ Sustenance Wages provided to contractors- Payment to Suppliers continued unaffected
Society	<ul style="list-style-type: none">- Donated 20+ Cr to PM Cares Fund, CM Relief Fund and NGO's throughout the nation by Aarti group, Promoters, Directors and Employees
Financial Institutions	<ul style="list-style-type: none">- All financial commitments have been honoured timely.

The targeted outcome post COVID -19 should be strengthened relations with all the stakeholders

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AIL has been involved in various CSR activities focused on health and education

Aarti Industries is a responsible corporate citizen engaged in community welfare through associated trusts (Aarti Foundation and Dhanvallabh Charitable Trust) as well as focused NGOs engaged in diverse segments



Promoters of the company have set aside approximately 40 lac equity shares held in the Company (worth about USD 40 mn), for charitable / philanthropic purposes

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Multiple Awards for innovation, excellence in exports, etc.



ICC Lifetime Achievement Award

ICC (Indian Chemical Council) conferred the prestigious "Lifetime Achievement Award 2018" to Shri. Chandrakant V. Gogri in recognition of his outstanding & tremendous contribution towards the Indian Chemical Industry



Trishul Award for outstanding export performance

CHEMEXCIL presented the Company 'Trishul Award' for outstanding export performance for FY14-15 and 'Award of Excellency' for the consistency in export performance for FY13-14, FY15 -16 & FY 16 - 17



IICe LALA SHRIRAM NATIONAL AWARD FOR LEADERSHIP IN CHEMICAL INDUSTRY

Indian Institute of Chemical Engineers conferred the prestigious "Lala Shriram Award" for leadership in the chemical industry to Shri Rajendra V. Gogri in 2019

PRODUCTIVITY WITH SAFETY IS OUR MOTTO
उत्पादकता के साथ सुरक्षा हमारा लक्ष्य है

Thank You