



“Aarti Industries Limited Q3 FY16 Earnings
Conference Call”

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**MANAGEMENT: MR. RAJENDRA GOGRI – CHAIRMAN AND MANAGING
DIRECTOR, AARTI INDUSTRIES LIMITED
MR. RASHESH GOGRI – VICE CHAIRMAN AND
MANAGING DIRECTOR, AARTI INDUSTRIES LIMITED
MR. CHETAN GANDHI – CHIEF FINANCIAL OFFICER,
AARTI INDUSTRIES LIMITED.**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Aarti Industries Q3 FY'16 Result Conference Call. Joining with us on the call today are Mr. Rajendra Gogri – Chairman and Managing Director; Mr. Rashesh Gogri – Vice Chairman and Managing Director, and Mr. Chetan Gandhi – the Chief Financial Officer. As a reminder, all participant' lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Rajendra Gogri – Chairman and Managing Director. Thank you and over to you, sir.

Rajendra Gogri: Good afternoon everybody and thank you for joining us on this call. We shall run you through the operational performance and key highlights for the quarter and nine months ended December 31st, 2015.

Total revenue for Q3 FY16 stood at Rs.679 crores versus Rs. 692 crores for Q3 FY15. Of the total revenue for the quarter, exports consisted about Rs. 333 crores that is over 49% of the total revenue. EBITDA for Q3 FY16 grew by over 26% and was Rs. 130 crores versus Y-o-Y EBITDA of Rs. 103 crores. The volumes had grown by approximately 15% for the same period and the net profit after tax for Q3 FY16 also grew by 40% to Rs. 61 crores vis-à-vis Rs. 43 crores for Q3 FY15.

In view of the above performance, the board has recommended second interim dividend of Rs. 2 per share. Considering the first interim dividend of Rs. 3 per share declared in November 2015; the aggregate interim dividend declared so far is Rs. 5 for FY16, while the total dividend for FY15 was Rs. 5.5 per share.

Before going into the financials, I would like to inform you that our company has been awarded with the bestowed with the much coveted "Trishul Award" by Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council, CHEMEXCIL for the outstanding export performance in the year 2014-2015. Considering the consistency in export performance, the council also has awarded the company with the "Award of Excellency" for the achievement in the year 2013-2014.

Now, let us look at the segmental performance during the quarter-ended December 2015. The revenue from Specialty Chemicals segment was at Rs. 556 crores versus Rs. 568 crores for Q3 FY 15. But the EBIT for the segment grew by about 33% Y-o-Y to Rs. 117 crores versus Rs. 88 crores for FY15 and by about 4% as compared to Rs. 113 crores for Q2 FY16.

As you are aware that our business is largely operated on formula based variation in raw materials prices plus model, wherein the delta is fixed in absolute basis and per kg margins

remain stable. Hence, the raw material price fluctuations are passed on to the customer. And the absolute EBITDA is based on volumes and product mix and not the price fluctuation.

During the Q3 FY16, we had witnessed another fall in crude prices, which has resulted into the fall of crude-linked products as well. Benzene which is one of our major raw materials and also follows the trend; has fallen from the price of Rs. 51.5 per kg for Q2 FY16 to about Rs. 44 per kg for Q3 FY16. As a result, the inventories were marked down by about Rs. 5 crores during Q3 FY16. You would recollect that in Q3 FY15, there was a fall in Benzene prices from Rs. 85 per kg to Rs. 70 per kg, which had resulted into a mark down in inventories at that time by about Rs. 8 crores.

Further in last year Q3 FY15, the EBIT were lower by about Rs. 4 crores to Rs. 5 crore due to annual maintenance shutdown taken at our acid unit, which this time had been postponed to Q4 FY16.

Lower raw material prices have also benefitted us over long-term by better operating margins, lower working capital quantum, which helps in reduction of debt and the finance cost as well. Hence, on an overall basis lower raw material prices impacts the top-line, while the EBIT growth based on volume growth and better product mix helps in improvement of operating margins, lower finance cost, better profit before tax, and improved ROC and so on.

On the project front, we would like to add that our PDA expanded capacity, Additional Calcium Chloride Unit, Nitro Toluene Derivatives at Jhagadia, Ethylation Unit at Dahej are expected to commission in next two quarters that is Q4 FY16 and Q1 FY17.

Further with reference to our expanded capacities of Nitro Chloro Benzene capacity of 75,000 tonnes per annum, we had achieved the production of 16,400 tonnes during Q3 FY16, that is about 87% capacity utilization on annualized basis.

Moving on to the Pharmaceuticals segment, the revenue had increased from Rs. 75 crores for Q3 FY 15 to Rs. 89 crores for Q3 FY 16, thereby posting over 18% Y-o-Y growth. Similarly, EBITDA has also grown to Rs. 9.8 crores for Q3 FY16 versus Rs. 8.8 crores for Q3 FY 15. Thus on an overall basis, we expect to continue on the growth momentum in future as well.

Coming to last segment, that is Home and Personal Care, the revenue for this segment for Q3 FY16 was at Rs. 34 crores with EBIT was a loss of Rs. 1.6 crores due to certain product standardization and operational issues for the new products being introduced. On account of this, off-spec material to the tune of Rs. 1 crore were written-off during the quarter. We expect to resolve these issues and would see the segment to bounce back in coming quarters.

As you are aware, we have been undertaking various expansion activities, part of these had already been commissioned and ongoing projects which would be commissioned in coming quarters, would help the volumes to grow in FY17 and subsequent years.

With this rationale, we are hopeful to be able to meet our volume growth estimates of about 15% to 20%, and profitability to grow at about 20% to 24% CAGR over the next three years to four years on account of margin expansions and volume growth across all segments. Thank you.

Now we can have questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Jason Sones of Monark Capital.

Jason Sones: Could you repeat the NCB production numbers again?

Rajendra Gogri: 16,400 tonnes for Q3.

Jason Sones: And that is against last quarter?

Rajendra Gogri: 15,340 tonnes.

Jason Sones: Okay. Are you facing any pressure on the export markets of Africa and Latin America due to any remittance issues or anything of that sort?

Rajendra Gogri: We do not have any significant export to Africa and Latin America. We have some export but we are not facing any remittances as such.

Jason Sones: Could you throw some light on your plants for Toluene based and Ethylene based chemistry, what is the status on them. Are they likely to be commissioned by Q4 FY16 as stated earlier in the last concall?

Rajendra Gogri: Yeah, this will be towards the end of Q4 FY16 or may be in Q1 FY17 we will be commissioning.

Jason Sones: What are the hydrogenation volumes?

Rajendra Gogri: 2,030 tonnes per month for Q3.

Jason Sones: For the last quarter?

Rajendra Gogri: 1,870 tonnes for Q2.

Moderator: Thank you. We will take the next question from the line of Promenade Viswanathan from Unify Capital.

Promenade Viswanathan: What is your outlook for the pharma business segment for Q4 as well as next year?

Rashesh Gogri: For the pharma segment, in Q4 we are expecting good growth and we will expect to see 20% volume growth at least over last quarter.

Promenade Viswanathan: So even for the next financial year, can we see a similar volume growth?

Rashesh Gogri: Yeah, there will be fairly volume growth but we have certain capacities coming online this quarter, so that is why we will see a volume growth from this quarter onwards.

Promenade Viswanathan: But in terms of the pharma segment EBIT margins itself, I think there is a small marginal drop quarter-on-quarter.

Rashesh Gogri: Yes, in terms of percentage. This is because we are trying to get couple of new intermediates standardized, so we have to take a mark down on the inventories of those intermediates. So once the product stabilizes, then we would not see such issues coming.

Promenade Viswanathan: What is the steady state margin that we can expect from this division once things stabilize?

Rashesh Gogri: Every quarter, we expect it to grow to 12% and then 16% and then later we want to achieve 20%.

Promenade Viswanathan: So we can see some sequential growth also?

Rashesh Gogri: Yeah, sequential growth.

Promenade Viswanathan: In the Home and Personal Care segment, again after few quarters of profits at least in the EBIT level, we have gone back to losses, so what is your prognosis for this segment?

Rajendra Gogri: Yeah, there we are trying to implement the project where we are going to dry the final product and sell more powder product, so there are some operational difficulties in implementing the process and that we would expect to standardize in the next couple of quarters and we have to take inventory loss to offset the product being produced during the last quarter.

Moderator: Thank you. We will take the next question from the line of Ashutosh Garud from Reliance Wealth Portfolio Management.

Ashutosh Garud: Can you share your views on how has this crude correction impacted your gross margins and also on the realization front, I mean if you can share broadly on your overall products?

- Rajendra Gogri:** Basically, in our model, if our raw materials prices get fluctuation, it is passed onto the customers. So crude going down affect basic raw material like benzene and corresponding prices goes up and down depending on the benzene or crude prices, so that is why you know when benzene came down our top-line had come down but as soon as the operating profit or EBITDA more or less remains same per kg. So, as such we are not worrying much about the crude prices, whether it is 40 or 80, as it does not affect much in terms of the absolute EBITDA but volatility introduces inventory mark down or mark up and lowered crude prices helps in inventory interest cost.
- Ashutosh Garud:** How much have the realizations come down; let us say year-on-year and Quarter-on-Quarter?
- Rajendra Gogri:** We are about 15000-18,000 benzene consumption so that is almost Rs. 100 crore impact on top-line will be there because of benzene.
- Ashutosh Garud:** 100 crores?
- Rajendra Gogri:** Yeah.
- Ashutosh Garud:** On?
- Rajendra Gogri:** In this quarter.
- Ashutosh Garud:** Ok, so in percentage you mean to say almost around 12%-13%?
- Rajendra Gogri:** Yeah.
- Ashutosh Garud:** And you have grown by around 15% you said in volume terms?
- Rajendra Gogri:** Yeah.
- Ashutosh Garud:** And the realizations have come down by 15%?
- Rajendra Gogri:** Yeah, 12%, as in pharma, some of the products are non-benzene related also.
- Moderator:** Thank you. We will take the next question from the line of Jayant Dongre from ICICI Securities.
- Jayant Dongre:** Sir, my question is relating to the agrochemical market. On a medium-term, we are seeing a lot of consolidation with Dow and DuPont merging, Syngenta being acquired by ChemChina. Do you think, you would be able to maintain your EBITDA per kg for your product in the face of increasing buying power? Any comments on that would be useful.

- Rajendra Gogri:** Yeah, we do not see much impact. Any product there are no products where we are supplying to these merged companies, which still result into increase in buying power. There are no common products we supply to both Dow and DuPont or Syngenta and ChemChina. We do not see any consolidation of buying power.
- Jayant Dongre:** Is there any pressure on volumes on that front or given the crop prices are weak and the agrochemical sales for these companies have been weak for a couple of quarters. Is there any trend that you have seen?
- Rajendra Gogri:** Yeah, there are volume pressures. However, our company has a big advantage because here exposure on various industries like in polymers, pigments, dyes, pharmaceutical so, whatever the pressure on some of the agrochemical intermediate gets insulated. However we may see some pressure on the agrochemical related products.
- Jayant Dongre:** With oil prices heading down, is there some kind of destocking that you are seeing on your end customers, which might impact you in the next year or so or the demand is still okay?
- Rajendra Gogri:** Generally, not much destocking takes place as it is just in time kind of thing. People are generally maintaining only needed inventories and this is a general practice also.
- Moderator:** Thank you. We will take the next question from the line of Viabhav Baid from Motilal Oswal Securities.
- Vaibhav Baid:** Any update on the demerger of the companies at the different segments that we have planned to do?
- Rajendra Gogri:** Yeah, in the first quarter FY 17 the board we will decide on this issue.
- Viabhav Baid:** On the debt side, how much of decrease in debt we face because of the decrease in crude price like working capital has decreased how much sir?
- Rajendra Gogri:** More or less it is similar, as we see in the second quarter and third quarter, turnover is similar so debt levels are similar on 1180.
- Viabhav Baid:** How much CAPEX should we expect this year on consolidated number?
- Rajendra Gogri:** CAPEX around 250 has been done in nine months.
- Viabhav Baid:** Any further CAPEX for this year and what about the number for next year?
- Rajendra Gogri:** This year it should be in the range of around 320-325 and next year with ongoing projects and some other projects we will kind of starting in second-half and capital expenditures we expect in the range of around 300 crores.

- Viabhav Baid:** These are being financed by our internal accruals or are we are taking some debt on?
- Rajendra Gogri:** Yeah, it will be both internal accruals and debt but overall debt-equity seem to be falling from the peak.
- Viabhav Baid:** For the next quarter, do we see similar performance on the entire totality? Do we see any growth in terms of the top-line, bottom-line; we can more or less gauge but on the top-line can we see a growth or it would be flat like this quarter?
- Rajendra Gogri:** Well, for benzene, as we had mentioned that the prices have come down, so we do not see any top-line growth overall.
- Viabhav Baid:** So will there be a drop or we see a flat growth like this quarter?
- Rajendra Gogri:** Basically it will be similar, some up and down could be there.
- Viabhav Baid:** When do we expect the Ethylene and the Toluene to actually start revenues?
- Rajendra Gogri:** Mostly Q1 FY17.
- Moderator:** Thank you. We will take the next question from the line of Sam Patel from AUM Capital.
- Sam Patel:** We keep hearing a lot of China dumping going on in sort of basic industries like steel and cement. We have also heard about them doing the same in basic chemicals, is that any way impacts our business?
- Rajendra Gogri:** We have very wide range of products. Some products it is affecting but on overall basis we are not seeing a significant impact.
- Sam Patel:** The plants that you are setting up on Nitro Toluene and the Calcium Chloride plant at Jhagadia as well as the Ethylene Derivative plant, what sort of asset turnover can we expect from these Rs. 600 crores of CAPEX that you are talking about this year and next year?
- Rajendra Gogri:** You know our asset turnover is around 1.7 to 2 range. So those kind of numbers we will maintain, and if the benzene price goes down, you can see in the top-line there will be a degrowth compare to the last year FY16 but we will still end up with higher absolute EBITDA, so directly you cannot predict top-line as such.
- Sam Patel:** So what sort of volume growth at least from a tonnage perspective can we expect on a company level do you think?
- Rajendra Gogri:** No, it is dependant on how much value addition takes place. So 1.5 to 2 will be asset to turnover ratio.

- Moderator:** Thank you. We will take the next question from the line of Amish Kanani from JM Financial.
- Amish Kanani:** We had a plan to move some of our loans in the FX side, so what is the progress there and is there any risk or mark-to-market loss on that account sir?
- Chetan Gandhi:** We got working capital loans to the tune of 40% to 50% already in foreign currency and we do not look at going beyond that much. We look other cheaper options like commercial papers and other things.
- Amish Kanani:** So all the fluctuations during the quarter, has it has not resulted in any major FOREX loss on the client.
- Chetan Gandhi:** We have witnessed major depreciation in Q4, hence we will have to wait to see how it impacts.
- Amish Kanani:** What is the weighted average cost sir of funding?
- Chetan Gandhi:** The gross cost should be below 10.
- Amish Kanani:** There are increased news flow surrounding this China devaluation thing and we had seen about 3.5% devaluation in August and then marginal uptick has happened. I understand that if the Rupee continues to depreciation along with Yuan, then you know maybe we are okay but there are news flow may be China can devalue 10% to 15% overnight and assuming say that Rupee also does not devalue by the same amount say 68 to say 75, then are we running any risk of say one-off mark-to-market losses or any pricing power losses in the international market sir?
- Rajendra Gogri:** If there is a 10% one short devaluation of China that will be a major global event so against that how different currencies react. We compete with China as well as we compete with non-China, so overall devaluation what China is doing and what we are doing has helped us because where we compete China we are at par whereas when we compete with non-China in some of the products, there our markup is dollar rate so you see we are gaining more. Chinese devaluation and devaluation our Rupee is helpful to us but sharp of 10% I think is a global huge event and everything will react. If Indian currency devalues less than Chinese, then this is more of a balancing factor.
- Amish Kanani:** Is there any percentage share of our products which is competing directly with China and that portion may be say it is impacted and there is still we have also competition from Europe and some other China producer. So, is there some portion where we can quantify that this much will be the maximum impact, say 30%-40% is Chinese competition or less or more ball park number.
- Rajendra Gogri:** You can say 40-60 kind of thing around 50 on both sides.

- Amish Kanani:** 40-60 or 50-50 China versus non-China.
- Rajendra Gogri:** 50% business which we can link to the Chinese currency and 50% non-Chinese.
- Amish Kanani:** Is there any thought process of growth beyond FY17 in terms of CAPEX plan that is on the drawing board sir or we would look at it probably post-demerger?
- Rajendra Gogri:** CAPEX plan on the some of the projects we are discussing with more or less strategically linked with the 100% buyback kind of progress and also for that we have basically not in a direct or present product like more on a specialty chemicals.
- Amish Kanani:** So you saying 100% buyback captive kind of theory which we are looking at.
- Rajendra Gogri:** Yeah, so we have been also developing those kind of product lines also.
- Moderator:** Thank you. We will take the next question from the line of Ashutosh Garud from Reliance Wealth Portfolio Management.
- Ashutosh Garud:** Can you also share the kind of realization dip you are seeing from quarter-to-quarter basis from last quarter to this quarter in percentage terms?
- Ashutosh Garud:** Realization of your products as we discussed earlier that year-on-year you have witnessed almost 13% to 14% dip in your realization.
- Rajendra Gogri:** So realization again will be on benzene price. Because going down the top-line is going to go down.
- Ashutosh Garud:** So, how has it been seen happening on the Q-on-Q side?
- Rajendra Gogri:** We will have to see the benzene numbers in Q1. In this particular quarter is one 51 to 44, so it is a month-to-month. Some process we have a quarterly lag. Domestically that happens on month-to-month in every month whether the benzene price goes down was passed on. Internationally, one quarter benzene price lag goes into the next quarter.
- Ashutosh Garud:** So the correction in crude price which we have seen let us say during the Q3 quarter might reflect in our realizations in this Q4, you mean to say?
- Rajendra Gogri:** In some segments. But where we have international contracts we do not change on a month-to-month basis; it is like we take July August September prices to give the impact on October November December price.
- Ashutosh Garud:** So Q3 would have seen the kind of realization which were reflecting let us say in Q2 and the kind of prices which were prevalent in Q3 would actually direct the pricing for Q4?

- Rajendra Gogri:** That is only for 10% to 20% of the business.
- Ashutosh Garud:** How would it be in the rest?
- Rajendra Gogri:** You can say that like 50% of our business is local so you can take that out. Export 30% which is going on this kind of formula so, 80% will get impacted in the same quarter and 20% may be get in lag to the next quarter.
- Ashutosh Garud:** So I am trying to understand, in Q3 how has it moved, let us say 80% of your business as compared to Q2 pricing.
- Rajendra Gogri:** It is only month-to-month, whatever is gone. That is why you can see our top-line has not increased from Q2 to Q3.
- Ashutosh Garud:** So what was the volume growth let us say from Q2 to Q3?
- Rajendra Gogri:** That is about 5% to 6%.
- Ashutosh Garud:** And have just marginally improved on Q-on-Q, okay. Are we seeing downtrend on the realization front, let us say from Q2 to Q3 and Q3 to Q4; are we witnessing that?
- Rajendra Gogri:** Yeah, because the benzene price has gone up, sales prices are going down.
- Ashutosh Garud:** But you are not able to quantify what kind of percentage it is from Q-on-Q terms?
- Rajendra Gogri:** That you will have to calculate on month-to-month what is it then.
- Moderator:** Thank you. We will take the next question from the line of Promenade Viswanathan from Unify Capital.
- Promenade Viswanathan:** You had mentioned China non-China businesses either 40-60 or 50-50, I just want to just seek a clarification there. Are you referring only to the specialty chemical division or you are referring to as a percentage of the total turnover.
- Rajendra Gogri:** Specialty will be more 50-50, home and personal care virtually can be competition and pharma also I think would be less than 50. Chinese connection is less than 50.
- Promenade Viswanathan:** In terms of FY17, can we expect a similar or a slightly higher volume growth for the specialty chemical segment?
- Rajendra Gogri:** Yeah, I think it should be more than 15%.
- Promenade Viswanathan:** In terms of tax rates, will they be in similar range as that of the current quarter?

- Rajendra Gogri:** Yeah.
- Promenade Viswanathan:** 24% types.
- Rajendra Gogri:** Yeah.
- Moderator:** Thank you. We will take the next question from the line of Akash Maghani from BOI AXA Mutual Fund.
- Akash Maghani:** Can you help me understand the split across your different segments in the specialty chemicals vertical; what will be the sales for pharma, dyes and pigments, agrochemical so on and so forth.
- Rajendra Gogri:** Yeah, dyes & pigments, polymer and agrochemical will be more or less around 25% to 30% each, while pharmaceutical and others will be on 10% to 15%.
- Akash Maghani:** Pharma will be 10% to 15%?
- Rajendra Gogri:** Yeah. And other three segment will be 25% to 30% that is polymer and additives, dyes, pigments, and agrochemicals.
- Akash Maghani:** So how much would be Agrochem in that?
- Rajendra Gogri:** Around 30%.
- Akash Maghani:** With your expansion and your growth prosecuted going into FY17 and FY18, would the split gets skewed towards one particular segment or generally is expected to remain the same?
- Rajendra Gogri:** The dyes and pigments may go down and there would be more growth in polymer and agro.
- Akash Maghani:** Would these segments have grown in the similar proportion this quarter or how would the growth be across different segments?
- Rajendra Gogri:** It will be similar proportion because across various products are growing.
- Moderator:** Thank you. We will take the next question from the line of Chirag Dagli from HDFC Mutual Fund.
- Chirag Dagli:** Did you say there was a 1 crore write-off on raw material for the HPC segment and another 5 crore inventory mark down on benzene?
- Rajendra Gogri:** Yes, those inventory mark down is on the specialty chemicals.

- Chirag Dagli:** Yeah, so in total there is about 6 crores kind of a thing which will not recur next quarter?
- Rajendra Gogri:** Yeah, if prices go further down, then there may be some markdown.
- Chirag Dagli:** Secondly, there seems to be some increase in the other expenditure quarter-on-quarter as well. Is there anything worth noting here sir?
- Rajendra Gogri:** No I do not think so.
- Chirag Dagli:** What would be the CWIP as on December?
- Rajendra Gogri:** Yes, more than Rs. 150 crores because a lot of these projects are going to be commissioned.
- Chirag Dagli:** So you said you spent 250 crores CAPEX in nine months and the CWIP is 150 crores?
- Rajendra Gogri:** Yes.
- Chirag Dagli:** How our gross margins in the pharma segment basically sales minus raw material cost?
- Rashesh Gogri:** A little less than 50%.
- Chirag Dagli:** And these would have remained in this range sir, over the last say few years?
- Rashesh Gogri:** Yeah, it depends on how our product mix changes and particularly in pharma we have two different segments there is specialty pharma and caffeine. As we increase caffeine the percentage of raw material will go up, the volumes will grow faster then.
- Chirag Dagli:** Our Ethylene and Toluene based capacity comes on stream for Q4 this year or Q1 next year, any thoughts on when the second phase if at all, for this plant can potentially come?
- Rajendra Gogri:** This capacity what we are looking at, should be sufficient for minimum three years, 2017, 2018, 2019. These three years at least it will cover, then we have to review depending on how the demand will grow.
- Chirag Dagli:** That scale up will take three years, is what you are saying?
- Rajendra Gogri:** This capacity that we are putting will take care of at least next three years.
- Chirag Dagli:** Okay. And will the scale up be gradual?
- Rajendra Gogri:** Yes, that will be gradual.

- Moderator:** Thank you. We will take the next question from the line of Dixit Mital from Subhkam Ventures.
- Dixit Mital:** Just wanted to know the sales break-up region wise. You said 50% is from exports, so in exports how is the break-up between North America, Latin America and other countries?
- Rajendra Gogri:** North America, Europe and Asia they will be 30, 30, 30, and 10% will be the rest of the world. So, that is our broad exports portfolio.
- Moderator:** Thank you. We will take the next question from the line of Ranjit C. from B&K Securities.
- Ranjit C.:** Question is more related to the gross margin. If you see sequential performance from the 2Q to 3Q the volumes have increased the benzene prices have come down but our gross margins have also come down. Theoretically the gross margin should have inched upwards.
- Rajendra Gogri:** If you see the specialty chemical, the EBIT margin has improved and if you add the impact of mark down, the EBIT margin has further improved. This is home and personal care which has reached so, that why on an overall basis EBITDA margins has gone up.
- Ranjit C.:** What is the thought process on the home and personal care, whether the pain would continue or are we seeing any revival in this segment?
- Rajendra Gogri:** This was a one-time. It is shall again reached to positive territory. Next quarter and subsequent quarter we have to see.
- Ranjit C.:** Ok, even on the overall the performance of the HPC segment has been poor in this financial year.
- Rajendra Gogri:** Yeah. And there is a lot of competition on this also.
- Ranjit C.:** So we expect the current rate to continue?
- Rajendra Gogri:** We have seen a significant improvement on technical front. So we expect the performance to improve.
- Ranjit C:** Final question is whether you are looking upping the guidance? We are almost there to the guidance which you have given last year, so any rethink on that?
- Rajendra Gogri:** Like this year, we are looking much better than 20-25. Following maybe next year or next 2-3 years depending on which year how much the ramp up of the capacity takes place. So, on a cumulative basis we see this kind of guidance should be possible. Again how much rupee devaluation takes place, is also a factor.

- Ranjit C.:** So the PAT growth guidance of 20%-25% would still be there.
- Rajendra Gogri:** Yeah.
- Moderator:** Thank you. We will take the next question from the line of Ranjit C. from B&K Securities.
- Ranjit C.:** My question is from this pricing formula, you would have entered into a pricing formula cost plus basis for about that particular time when the crude prices were quite high. Is there re-think on that the absolute EBITDA per tonne or the cost on that particular font, even though the final product prices are linked market prices but these are a re-think on that absolute part?
- Rajendra Gogri:** So that is depending on our industry cost structure and the product situation. So, even when the crude goes up, price goes down, they also do not ask for it.
- Ranjit C.:** So you do not see any risk to that absolute part?
- Rajendra Gogri:** Yeah, we do not see any risk on that.
- Moderator:** Thank you. We will take the next question from the line of Manoj Kothurkar, he is an individual investor.
- Manoj Kothurkar:** I am just looking at the crude oil price drop and I am worried about the product that Aarti Industries is manufacturing and there is just marginal increase in the net profit for the third quarter so what is the fourth quarter going to look like now that the crude oil prices have started rising?
- Rajendra Gogri:** As the crude oil price goes up, our sales turnover will increase.
- Manoj Kothurkar:** So you mean to say the Q4 will look better than the Q3?
- Rajendra Gogri:** It depends on the average pricing on volume side price.
- Manoj Kothurkar:** Yeah, because for the first quarter, second quarter, third quarter Aarti Industries is around 60 crores of business so do you expect to keep same run rate or do you expect better or little bit less in the first quarter and to end the year?
- Rajendra Gogri:** We are looking at the similar numbers.
- Manoj Kothurkar:** So you expect to do 60 crores and finish the quarter, right?
- Rajendra Gogri:** Overall we are looking at the same numbers, absolute numbers to be in the similar range.

Manoj Kothurkar: I hope the crude oil price increase will help you and now that your working capital listing should have yield and not so I believe Aarti Industries should see better days ahead of it.

Rajendra Gogri: Yeah.

Moderator: Thank you. As there are no further questions in the queue, I now hand the conference over to Mr. Rajendra Gogri for closing comments.

Rajendra Gogri: Yeah, we thank you all of you for taking this con-call and as we have been informing that with all the projects which have been completed and with further ongoing projects; and looking at our strong global customer base, we should keep growth momentum in the coming years. Thank you.

Moderator: Thank you. On behalf of Aarti Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.