

AARTI INDUSTRIES LIMITED

Global Partner of Choice

ANNUAL REPORT 2017-18



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Forward-Looking Statements

This report and other statements - written and oral - that we periodically make, may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

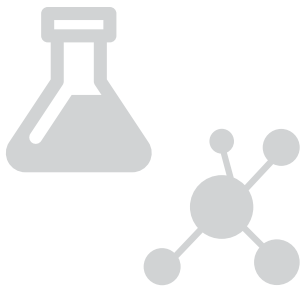


To view this report online, please
log on to www.aarti-industries.com

From a humble beginning with two products and one manufacturing unit in 1984...

...to over 200 products and 17 manufacturing units today, we are a US\$ 1.4 Bn+ Company by market cap,

with deep-rooted relationships with leading global manufacturers of a wide range of products ranging from Agrochemicals to Polymers to Pharmaceuticals to Dyes & Pigments to Beverages to Fuel Additives to Home and Personal Care Products.



At the heart of this enduring success and all-round value-creation has been our abiding vision and steadfast philosophy of evolving as **'Global Partner of Choice'** in the true spirit of the word. Driven by this fundamental vision, we invested in relationships with a firm belief that **in relationships, lie rewards**. We strengthened our core competencies around Benzene derivatives and downstream products to expand both, our presence as well as our product portfolio. We built scale to capitalise on a growing market opportunity and established ourselves in global markets like the USA, Europe, China, Japan and Rest of the World.

Today, we are at the cusp of the next phase of growth.

In addition to the growth and expansion of the Benzene value chain, we further diversified into Toluene value chain and are looking forward to expand further as well. The Pharmaceuticals business is gaining momentum with a promising potential ahead. Our focus on combining strength and scale with sustainability has created a distinct edge and proposition for all our stakeholders. We look positively ahead into a future of bigger opportunities, guided by a single-minded focus to become a

**Global Partner
of Choice**

At a Glance

We combine chemistry competence and scale-up engineering competence to offer cost-effective export-grade, value-added products. We are the global leaders in the Benzene-based chemistry and have diversified into leadership position across other derivative chains as well.

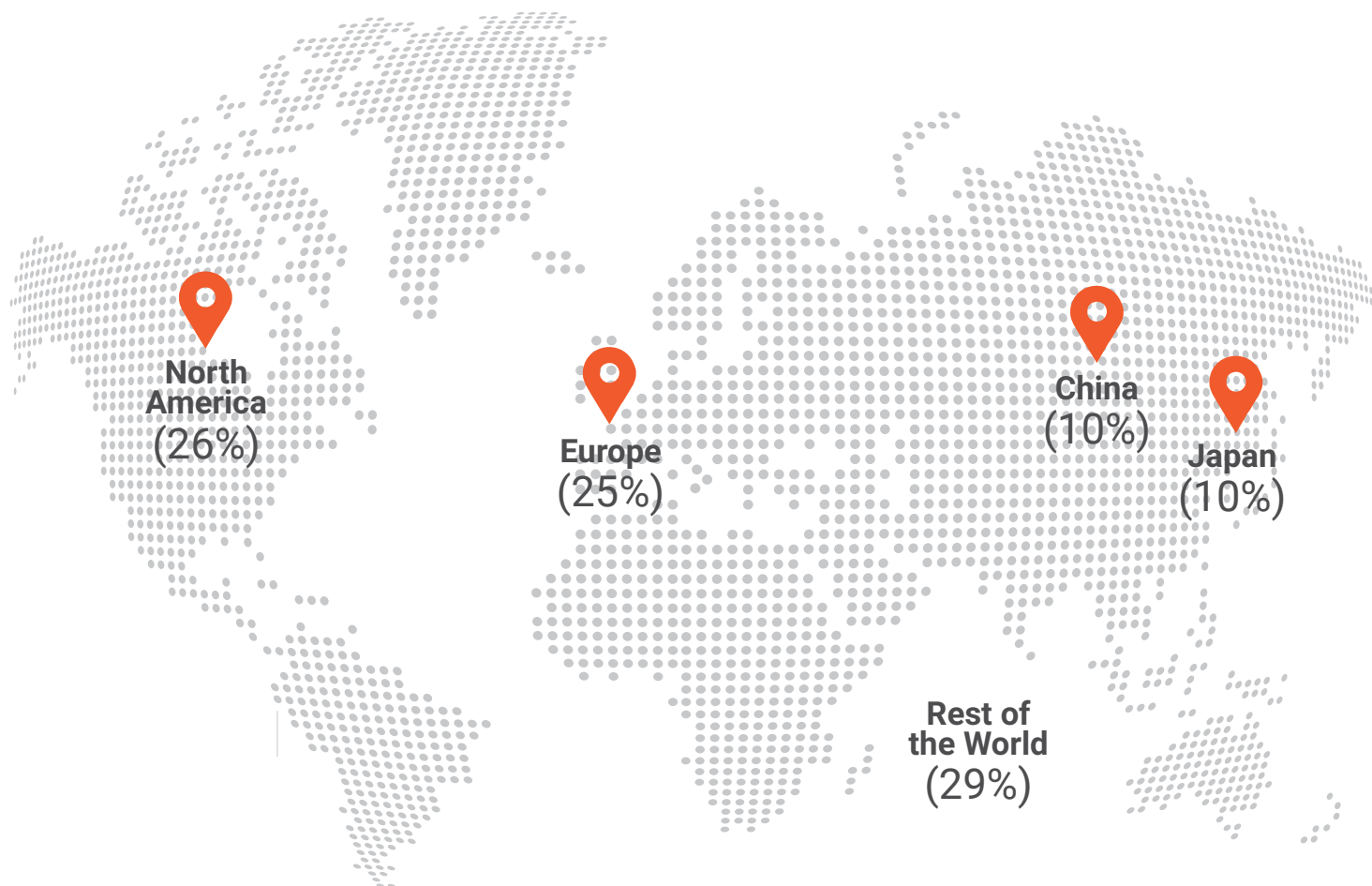
Business Segments

We operate through 3 segments – Speciality Chemicals, Pharmaceuticals and Home & Personal Care (H&PC). The Speciality chemicals segment accounts for close to 78% of our revenues, while the Pharmaceuticals and H & PC division contributes over 15% & 7%, respectively.



Global Footprint

We export to more than 60 countries with a majority of our revenue from customers that have a long-term relationship with us.



Map not to scale. For illustrative purposes only.

Our Values

Care



Our commitment to care includes all our stakeholders – our employees, our customers, our suppliers, our community and our environment.

Integrity



We practice highest ethical and moral standards.

Excellence



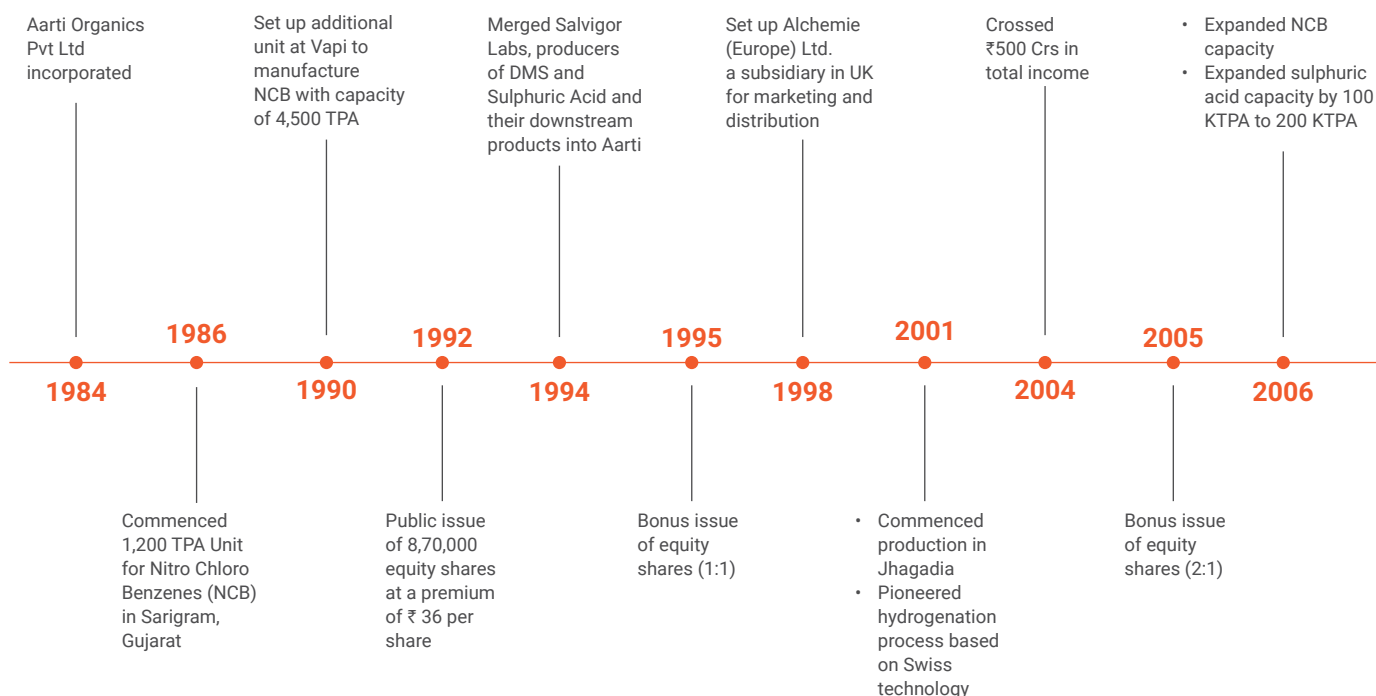
We continuously raise the bar of our performance to delight our stakeholders.



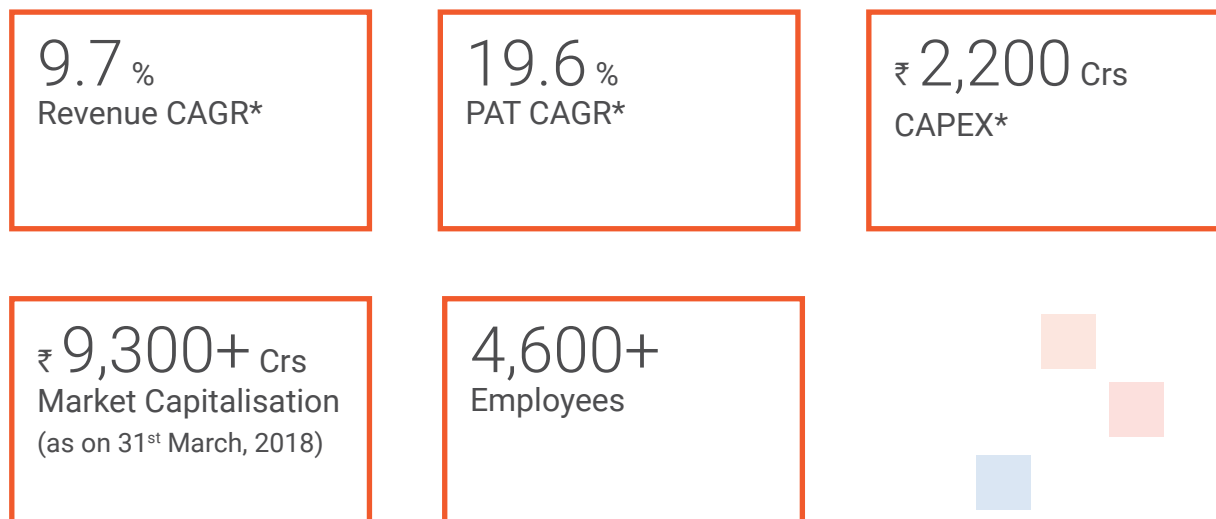
Our Strengths

- Manufacturing Plants in close proximity to ports - strategic logistic advantage
- Integrated value chain
- Global-scale facilities
- Diversified end-use and geography
- Customer-centric approach with enduring relationships with marquee global chemical companies
- Active Pharmaceutical Ingredients (API) manufacturing plants approved by US Food and Drug Administration (USFDA)
- Backward Integration of intermediates which are used for API & Sales
- DSIR-recognised R&D Centre
- Thrust on sustainability and responsible manufacturing

Journey of Excellence



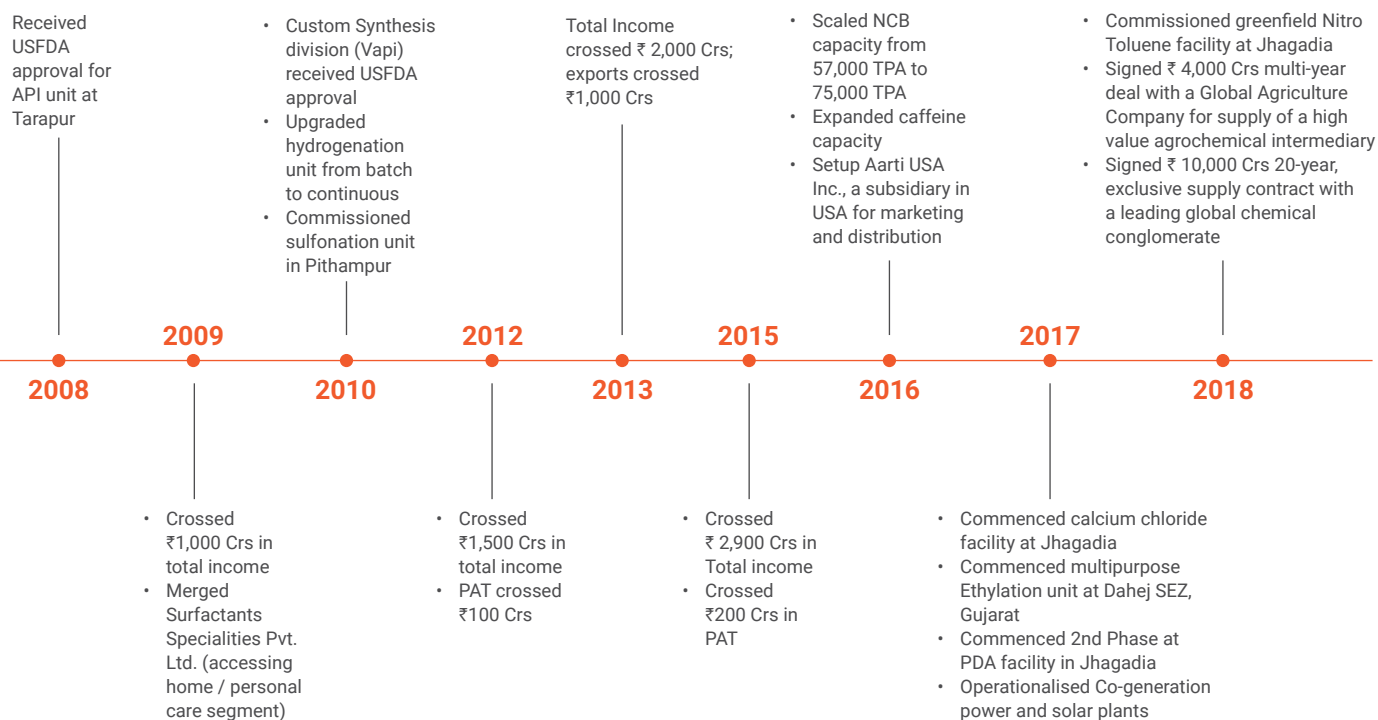
Key Numbers



*over the last 5 years

Our technical excellence, well-thought-through approach to growth, thrust on Research and Development (R&D), adherence to the high standards of environmental safety and deep ties with customers have been the key drivers of our sustained growth. We have built a solid foundation for long-term value creation for all stakeholders.

It took us 30 years to achieve a PAT of ₹ 100 Crs and only 6 years for us to jump to a PAT of over ₹ 300 Crs.



Financial + Operational Highlights

Financial Highlights*

₹ 3,806 Crs
Revenue

₹ 707 Crs
EBIDTA

₹ 333 Crs
PAT

₹ 40.95
EPS

₹ 1,655 Crs
Net Worth

*Figures as on 31st March, 2018

Credit Ratings

Long-Term

CRISIL AA-/Stable

India Rating AA-/Stable

Short-Term

CRISIL A1+

India Rating A1+

Since, we are a make-to-order organisation, we enjoy higher revenue visibility. Our ability to service the current and debt remains strong. Our strong credit rating further validates the robustness of our financial model.

Operational Highlights

17

Plants Operational
including 2 USFDA
approved facilities

80%

Revenues from
customers with
relationship of
over a decade

₹ 240 Crs

Investment on
sustainability in
last 5 years

3

R&D centres
(4th being set up)

7

Zero liquid
discharge plants
(2 more to be
converted in
current year)

5

Co-generation
power plants and
5 solar power
plants

4

Consecutive
export awards by
CHEMEXCIL

CHAIRMAN'S MESSAGE



Dear Shareholders,

It is always a privilege to share with you the performance of your Company as well as update you on our future growth strategy. FY 2017-18 has been an eventful year with the US economy continuing to improve on key macro-parameters like employment and consumer spending. In Europe too, most economies showed a positive upturn, except the UK, which continues to face the Brexit challenge. The Chinese economy demonstrated strong resilience.

In India, the highlight of the year was without doubt, the implementation of the Goods and Services Tax (GST). GST is one of the largest indirect tax reforms aimed at creating an unprecedented level playing field with one-nation, one-tax approach, ease of business. A second consecutive normal monsoon added to positivity, as GDP grew by 6.7% for the year.

Our Performance

Your Company has continued to excel across its business segments in the Financial Year (FY) 2017-18. The performance of your Company has been satisfactory on all fronts – customer satisfaction, profitability, expansion, Research and Development (R&D) and HSE standards.

The global agrochemicals, polymer, pigments and pharmaceutical companies have been transforming their procurement models. They are gradually moving away from cost arbitrage-based vendor establishments to knowledge arbitrage-based strategic partnerships. Assured long-term supply and superior

quality have become prerequisites of any supply contract nowadays. That said, the cost competitiveness continues to be important.

Amidst this operating context, your Company has benefited and will continue to benefit tremendously from the trend of rationalisation of vendor base.

In the Financial Year gone by, we secured two multi-year contracts from marquee customers, giving us the revenue visibility of ₹ 14,000 Crs over the contract tenure. This speaks volumes about our long-standing relationships with our clients and the trust they have in us.

Securing multi-year contracts underlines our fundamental vision – to emerge as a Global Partner of Choice for major customers through lasting relationships based on mutual trust and a strong value proposition.

In FY 2017-18, the global crude oil prices rose by 33%. The pass-through

mechanism in our business model shields us from the raw material price fluctuations. Our thrust on integrated product chain and consistent quality of products gives us an additional edge over our competitors.

Globally, the chemicals industry has been undergoing some tectonic shifts. Indian companies focussed on speciality chemicals with better compliance standards are expected to be the major beneficiaries of the growing trend of easternisation and reduction of capacities in China on environmental concerns.

This will give us exciting growth opportunities, and I am glad to tell you, your Company is gearing up for the next phase of growth.

As you might be aware, your Company holds the leadership position in the various product ranges and chemistries. We are the preferred partners of over 300 international corporations and that of about 700 Indian companies.