

Q1 FY2020 - INVESTOR COMMUNICATION

Deepak Nitrite reports a stellar performance in Q1 FY20

Standalone Revenues at Rs. 554 crore vs. Rs. 422 crore in Q1FY19, up by 31%

EBITDA at Rs. 188 crore vs. Rs. 57 crore in Q1FY19, growth of 231%

Standalone PAT at Rs. 107 crore vs. Rs. 22 crore in Q1FY19, higher by 393%

Consolidated Quarterly Turnover again surpasses Rs. 1,000 crore mark, stood at Rs. 1,063 crore in Q1 FY20

Ahmedabad, August 02, 2019: Ranked among Fortune Next 500 and recognized among the top 25 wealth creators by Fortune Magazine, India, Deepak Nitrite [NSE - DEEPAKNTR, BSE - 506401] is acknowledged as one of the country's fastest growing chemical intermediate companies. It has a diversified portfolio of intermediates that cater to the dyes and pigments, agrochemical, pharmaceutical, plastics, textiles, paper and home and personal care segments in India and overseas. Its products are manufactured across five locations, which are all accredited by Responsible Care. Deepak Nitrite Limited has announced its financial results for the quarter ended 30th June, 2019.

Deepak Nitrite Ltd (DNL) has delivered a stellar performance in Q1. In the backdrop of volatility in global trade and a slowdown in the domestic economy, DNL has reported over 30% growth in standalone revenues on a yoy basis. DNL has leveraged its global scale plants and expertise in manufacturing of chemical intermediates to capitalise on opportunities arising out of international events.

Deepak Phenolics Ltd. (DPL) weathered the pricing volatility and compression in spreads in key products as it continued with its growth momentum while significantly contributing to the consolidated performance. The DPL plant continues to operate efficiently and the Company has elevated the capacity utilisation to over 90% in Q1FY20 on a sustained basis.

Financial Highlights (Standalone)

Q1 FY2019

- Revenues were Rs. 554 crore in Q1 FY20 compared to Rs. 422 crore in Q1 FY19, up by 31% Y-o-Y. Robust Q1 performance was driven by healthy momentum in Performance Products segment, which reported strong volume as well as realisation gains as key customers approved of new, high performance OBAs. In the segments of Basic Chemicals and Fine & Speciality Chemicals, the Company has taken strategic positions on key accounts which resulted in temporary volume moderation in key products but enabled it to realise improved margins.

- EBITDA stood at Rs. 188 crore, higher by 231% as against Rs. 57 crore reported in the same period last year. EBITDA margins touched an all-time high of 34% compared to 13% in the same period of last year. Apart from benefit of strong realisations in the performance products segment, the Company delivered improved profitability in segments of Basic Chemicals and Fine & Specialty Chemicals too. Flexibility of plants to manufacture multiple products allows DNL to move its production to high margin products that enjoy better scenario.
- PBT was Rs. 164 crore in Q1 FY20 increasing by 392% over Rs. 33 crore in the same period last year.
- PAT grew 4x to Rs. 107 crore in Q1 FY20 compared to Rs. 22 crore in Q1 FY19. The Company has reported standalone quarterly profit of over Rs. 100 crore for the first time in its history.
- EPS for Q1 FY20 was Rs. 7.87 per share (of face value of Rs. 2 each) as compared to Rs. 1.60 per share in Q1 FY19.

CMD's Message

Commenting on the performance, **Mr. Deepak C. Mehta, Chairman & Managing Director**, said,

"We are pleased to deliver an outstanding performance in the first quarter of fiscal year 2020 with robust growth of 31% in Revenues and almost 4x growth in Profit After Tax on a yoy basis. Our global scale facilities and capabilities in manufacturing of chemical intermediates have enabled us to benefit from shutdown of facilities in China and resultant disruption in global supply chains.

The Performance Products segment has been the key enabler of profit accretion this quarter while other two segments also have exhibited sustainable performance. Let me highlight that Deepak Nitrite is the only company in the world that manufactures performance products from basic building blocks, thereby present throughout the value-chain. Disruption in a few segments across this value-chain has led to significant price increase and Deepak has been continually benefitted out of this development. Furthermore, high performance OBA products launched recently has received positive response, further elevating our performance. All this has led to higher-than-expected contribution of PP segment to total turnover, as compared to the previous year.

Our Basic Chemicals segment also realised positive topline growth with higher contribution supported by demand pick up for Nitro Derivatives. Fine & Speciality Chemicals segment witnessed stable performance. Due to cyclical nature of business, the performance is expected to improve in the ensuing quarters.

During the quarter under review, we witnessed heighten price volatility and compression of spreads in Phenol on account of worldwide slowdown in the auto industry which impacted the demand for Phenol-based derivatives. On the flip side, I am happy to state that we were able to achieve over 100% capacity utilisation in Q1 FY20. This is commendable considering that we commissioned the Phenol plant only last year in November 2018. We believe that the Phenol prices may move up worldwide, from the third quarter.

Overall, the business is firing on all cylinders and the endeavour is to leverage the favourable tailwinds and steadily increase market share in key verticals to enhance value creation for stakeholders."

Performance Highlights

Domestic & Exports

- Domestic revenues for the quarter stood at Rs. 320 crore as compared to Rs. 265 crore in the same period last year, delivering growth of 21% Y-o-Y. The positive demand landscape combined with higher realisation gains supported this growth which was driven by the PP segment which showed improved performance parameters have been well received by customers.
- Revenues from exports were Rs. 227 crore in Q1 FY20 compared to Rs. 154 crore in Q1 FY19, resulting in robust growth of 47% yoy. Export performance was driven by ability to gain market share with global customers on the back of shifts in global capacities for certain products.

Segmental Performance

- Revenues from the BC segment stood at Rs. 226 crore in Q1 FY20 as compared to Rs. 223 crore reported in the corresponding quarter of last year. Product mix improvement has led to improved segment EBIT even as segment volumes have remained stable.
- Revenues from the FSC segment stood at Rs. 116 crore in Q1 FY20, moderately lower when compared to a high base of same period last year (49% growth in Q1 FY19). Due to cyclical nature of business, performance is expected to improve in ensuing quarters.
- The PP segment reported a standout performance with growth in revenues of 180% in Q1 FY20 as against Rs. 81 crore in Q1 FY19. DNL has leveraged its position as a stable, integrated supplier of superior quality products. Supply disruptions have resulted in high realisations for key products and DNL has responded by optimising its production capacities to yield highest possible EBITDA.

Update on Deepak Phenolics Ltd.

Deepak Phenolics Ltd. (DPL), a wholly-owned subsidiary of Deepak Nitrite Ltd., commenced commercial production at its Mega-Plant of Phenol & Acetone on 1st November, 2018. This facility, aligned with the 'Make in India' initiative of Government of India, has capacity to manufacture 200,000 MTPA of Phenol and 120,000 MTPA of its co-product Acetone. This is supported by capacity to manufacture 260,000 MT of Cumene for captive consumption. DPL is well positioned to benefit from strong demand growth in the local market for these products

- DPL continued to enhance its pre-eminent position in the domestic market reaching out to greater number of customers and increasing sales volumes by nearly 5% on a qoq basis.
- On the production side, capacity utilisation at the plant was raised to and maintained above 90% during the quarter.
- Despite significant price volatility in key products resulting in spread compression, DPL reported a marginal decline of 4% in revenues on a qoq basis and contained the decline in EBITDA to 16% from 92 crore in Q4FY19 to 77 crore in Q1FY20. Improved volumes and

operating leverage benefits helped to partially mitigate impact of adverse movement in spreads on overall profitability.

Outlook

As the Company moves ahead, it is confident of sustaining a solid growth momentum through robust market share gains by adding incremental capacities, new customers across geographies as well as increasing the share of complex, high margin products. The established strategic business units (SBU) of DNL are well placed to leverage from the opportunities in the chemical intermediates industry backed by positive demand environment and firm realisations.

In addition, the consistent local availability of Phenol and Acetone is expected to boost production of downstream intermediates thereby extending and deepening existing domestic Industry. Downstream products of Acetone is under implementation and is expected to be commissioned around end of this financial year. This is expected to yield better margin and bring in stability in pricing of the building block - Acetone.

Going forward, we see this momentum to continue resulting in solid performance for the year ahead.

Overall, the Company will continue to evaluate opportunities for growth while strengthening its robust manufacturing platform and elevating its financial position.

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Safe Harbour

Some of the statements in this document that are not historical facts are forward-looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate. These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our established businesses, our ability to attract and retain qualified personnel, currency fluctuations and market conditions in India and elsewhere around the world, and other risks not specifically mentioned herein but those that are common to industry.

Details to the Standalone Results (All figures in Rs. Crore)

Revenues

Particulars	Q1 FY20	Q1 FY19	%
Basic Chemicals	225.74	222.62	1
Fine & Speciality Chemicals	115.92	122.37	(5)
Performance Products	225.71	80.51	180
Total	567.37	425.50	33
Inter Segment	17.01	4.47	281
Total Revenue from Operations	550.36	421.03	31

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q1 FY20	Q1 FY19	%
Employee Costs	44.04	36.64	20
Interest	6.39	10.90	(41)
Depreciation	17.60	12.63	39

Profitability Analysis

Particulars	Q1 FY20	Q1 FY19	%
PBT	164.18	33.36	392
PAT	107.28	21.78	393
EPS (Rs.)	7.87	1.60	392

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th June, 2019

Particulars	Q1 FY20	Q1 FY19
ECB	-	16.46
Rupee Term Loan	122.79	148.89
Other Loan Funds (Includes CC)	103.86	265.55
Total Loan Funds	226.56	430.90
Debt/Equity Ratio	0.20	0.45

Capital Employed

Particulars	Q1 FY20	Q1 FY19
Capital Employed from Operations	1437.56	1,443.89
Less : Capital Work in Progress	59.52	52.12
Less : Investment in Subsidiaries	562.84	535.80
Net Capital Employed from Operations	815.20	855.96

Details to the Consolidated Results (All figures in Rs. Crore)

Revenues

Particulars	Q1 FY20	Q1 FY19	%
Basic Chemicals	225.74	222.62	1
Fine & Speciality Chemicals	115.92	122.37	(5)
Performance Products	225.71	80.51	180
Phenolics	500.62	42.88	1067
Total	1,067.99	468.38	128
Inter Segment	17.01	4.47	281
Total Revenue from Operations	1050.98	463.91	127

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q1 FY20	Q1 FY19	%
Employee Costs	55.17	38.17	45
Interest	30.96	11.79	163
Depreciation	33.22	12.87	158

Profitability Analysis

Particulars	Q1 FY20	Q1 FY19	%
PBT	201.23	28.97	595
PAT	131.61	18.76	602
EPS (Rs.)	9.65	1.38	599

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th June, 2019 (consolidated)

Particulars	30.06.19	30.06.18
ECB	-	16.46
Rupee Term Loan	921.55	749.36
Working Capital Borrowings (Including CC)	200.48	317.86
Total Loan Funds	1,122.03	1,083.68
Debt/Equity Ratio	0.96	1.15