

Q4 & FY2019 - INVESTOR COMMUNICATION

Deepak Nitrite delivers a superlative performance in Q4

*Standalone Revenues at Rs. 487.8 crore vs. Rs. 399.3 crore in Q4 FY18, up by 22%
EBITDA at Rs. 110.7 crore vs. Rs. 55.4 crore in Q4 FY18, growth of 100%
Standalone PAT at Rs. 56.6 crore vs. Rs. 20.3 crore in Q4 FY18, higher by 178%*

*Consolidated Quarterly Turnover crosses Rs. 1,000 crore milestone in Q4 FY19
Supported by strong performance of Phenol & Acetone plant Consolidated PBT grows
142% yoy to Rs. 268 crore in FY19
Board recommends dividend of Rs. 2 per share for FY19 (100% of FV)*

Vadodara, May 3, 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 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 and financial year ended 31st March, 2019.

Deepak Nitrite Ltd., with a focus on technology leadership and a diverse product portfolio underlining its premier position in the Chemical Intermediates industry, has delivered a stellar performance in Q4 FY19 with highest-ever turnover and profit in its 48 year history. Each of the three business divisions have contributed to this record growth in Topline and profitability.

Deepak Phenolics Ltd. (DPL), where operations began just 5 months ago has achieved a quick rampup of capacity utilisation to over 80%. DPL has contributed to significant savings in forex for the Nation by establishing local manufacturing of Phenol and Acetone which were hitherto imported in large numbers. DPL has closed the fiscal with positive EBITDA and Profit After Tax.

Financial Highlights (Standalone)

Q4 FY2019

- Revenues were Rs. 487.8 crore in Q4 FY19 compared to Rs. 399.3 crore in Q4 FY18, higher by 22% Y-o-Y. The Q4 performance is testament to the strategic choices of products identified for capacity expansion at the start of the fiscal. Apt assessment of market demand enabled DNL to reap benefits from higher realisations across key products even as overall volume growth was 11% yoy.

- EBITDA stood at Rs. 110.7 crore, higher by 100% as against to Rs. 55.4 crore reported in the same period last year. EBITDA margins improved sharply by 880 basis points to 22.7%, as compared to 13.9% in Q4 FY18. The Company's efforts at running plants at optimum capacities with streamlined processes were more than supported by the developments in the China market, all of which has combined to contribute to the enriched margin profile.
- PBT stood at Rs. 87.0 crore in Q4 FY19 increasing by a commendable 182% over Rs. 30.1 crore in the same period last year
- Outstanding growth in PAT by 178% yoy to Rs. 56.6 crore in Q4 FY19 as compared to Rs. 20.3 crore in Q4 FY18.
- EPS for Q4 FY19 stood at Rs. 4.15 per share (of face value of Rs. 2 each) on an enlarged capital base as compared to Rs. 1.51 per share in Q4 FY18.

CMD's Message

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

"The Chemical Industry in India is witnessing an unprecedented growth opportunity largely due to International Events. For a Company like Deepak Nitrite, which is into chemical intermediates, the opportunity stands accentuated as its products support a wide range of industries. In the current scenario, Chemical Intermediates are witnessing a big jump in demand both due to domestic end user industries growing and reduced availability of intermediates from China. We expect the situation to remain conducive for the foreseeable future

In this backdrop, DNL was able to ensure peak performance in spite of fluctuating availability and pricing of Raw Materials. As a result, fiscal year 2019 has been a defining year as the Company commissioned its mega-Greenfield facility of Phenol & Acetone, elevated the performance of all of its segments and more than doubled Consolidated EBITDA and PAT.

I am happy to report that all of the divisions performed well and the DPL team has done an excellent job not only in ensuring peak plant performance but also in managing the logistics of over 300,000 tonnes of material and maintaining margins inspite of the fluctuating oil prices. On an overall basis, due to various initiatives, we expect to sustain the growth momentum across all segments in the ensuring quarters.

The Board has recommended a higher dividend of Rs. 2 per share in FY19 amounting to 100% of Face Value to share the benefits of the robust performance and sustain the value creation focus towards all stakeholders."

Performance Highlights

Domestic & Exports

- Domestic revenues stood at Rs. 344.5 crore in Q4 FY19 from Rs. 243.3 crore in the same period last year, delivering strong growth of 42% Y-o-Y. DNL's cost leadership and position as the only backward integrated plant in the world for OBA has enabled it to capitalise on evolving market opportunities for the Performance Products segment due to shutdown of capacities in China.

This, along with expansion in key building blocks enabled us to cater to higher demand from end user industries resulting in robust topline growth.

- Revenues from exports came in at Rs. 138.4 crore in Q4 FY19 compared to Rs. 147.3 crore in Q4 FY18. Export performance was flat due to extended production schedules and transit timelines for select products, the impact of which is transitional in nature. Export revenues are expected to recover in the subsequent quarter.

Segmental Performance

- Revenues from the BC segment stood at Rs. 249.5 crore in Q4 FY19 compared to Rs. 201.1 crore in Q4 FY18, growing by 24% Y-o-Y. Capacity enhancement undertaken earlier in the fiscal as well as improved realisations for key products enabled the growth momentum in the BC segment
- Revenues from FSC segment were at Rs. 121.1 crore in Q4 FY19 compared to Rs. 121.2 crore in Q4 FY18. The performance was flat due to extended production schedules and transit timelines for select products, the impact of which is transitional in nature. Revenues are expected to recover in the ensuing quarters.
- The PP segment delivered strong topline growth of 54% at Rs. 126.0 crore in Q4 FY19 as against Rs. 82.0 crore in Q4 FY18. Strategic initiatives undertaken to reposition the business have yielded results. The Company's position as a fully integrated supplier of OBA have enabled it to capitalise on shifts in the industry landscape resulting in a sharp turnaround in the segment.

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.

Following are some of the key milestones achieved by Deepak Phenolics Ltd. in Q4 & FY19:

Turnover of Rs. 537 crore in Q4 FY19; maiden full quarter of operations

Both plants (Phenol & Cumene) has touched 100% utilisation during the quarter

Addition of DPL turnover propels cons quarterly turnover past the 1,000 crore mark

DPL contributes 927 Cr to consolidated turnover of Rs. 2,715 Cr in FY19

Reported positive EBITDA and PAT in Financial Year 2019, despite commencing ops only 5 mths ago

DPL contributes 56 Cr to consolidated PBT of Rs. 268 Cr in FY19

Outlook

As a leading intermediates player, the Company is well placed to serve the heightened local demand from a wide range of end user industries, which are poised to benefit from International events. Various initiatives are being undertaken including debottlenecking, small expansions and capex to enhance plant efficiencies which will enable the Company to continue the momentum in performance across all the segments, in the quarters ahead.

The Phenol and Acetone plant has started operations well and the objective is to ramp up capacity further. Local production and ready availability of high quality grades of both products should catalyse production of downstream derivatives opening up new frontiers of growth for the Company.

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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	Q4 FY19	Q4 FY18	%	FY19	FY18	%
Basic Chemicals	249.5	201.1	24.1	893.2	761.6	17.3
Fine & Speciality Chemicals	121.1	121.2	0.0	535.6	463.2	15.6
Performance Products	126.0	82.0	53.7	402.9	299.3	34.6
Other Unallocable	0.0	0.0	0.0	0.0	0.1	NA
Total	496.6	404.3	22.8	1,831.7	1,524.2	20.2
Inter Segment	10.8	11.3	-4.4	39.8	45.0	-11.6
Total Revenue from Operations	485.8	393.0	23.6	1,791.9	1,479.2	21.1

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q4 FY19	Q4 FY18	%	FY19	FY18	%
Employee Costs	39.9	33.0	20.9	158.6	132.1	20.1
Interest	9.9	11.1	-10.8	42.9	40.3	6.5
Depreciation	13.8	13.4	3.0	52.9	52.0	1.7

Profitability Analysis

Particulars	Q4 FY19	Q4 FY18	%	FY19	FY18	%
PBT	87.0	30.9	181.6	212.5	122.1	74.0
PAT	56.6	20.3	178.8	138.0	83.5	65.3
EPS (Rs.)	4.15	1.51	174.8	10.12	6.34	60.1

Note: 1. Final Insurance claim settlement for damages and loss of profit of Rs. 3.48 crore and 18.33 have been included in the EBITDA onwards for FY19 and FY18, respectively.

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st March, 2019

Particulars	Q4 FY19	Q4 FY18
ECB	0.0	23.4
Rupee Term Loan	143.2	174.3
Other Loan Funds (Includes CC)	184.4	263.9
Total Loan Funds	327.6	461.6
Debt/Equity Ratio	0.31	0.49

Capital Employed

Particulars	Q4 FY19	Q4 FY18
Capital Employed from Operations	1,457.6	1,391.5
Less : Capital Work in Progress	28.9	36.3
Less : Investment in Subsidiaries	562.8	455.2
Net Capital Employed from Operations	865.9	900.0

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

Revenues

Particulars	FY19	FY18	%
Basic Chemicals	893.2	761.6	17.3
Fine & Speciality Chemicals	535.6	463.2	15.6
Performance Products	402.9	299.3	34.6
Phenolics	908.0	196.3	362.5
Other Unallocable	0.0	0.1	NA
Total	2,739.7	1,721.2	59.2
Inter Segment	39.8	45.0	-11.6
Total Revenue from Operations	2,699.9	1,676.2	61.1

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	FY19	FY18	%
Employee Costs	179.8	136.2	32.0
Interest	83.2	45.1	84.5
Depreciation	77.8	52.6	47.9

Profitability Analysis

Particulars	FY19	FY18	%
PBT	268.0	110.9	141.6
PAT	173.7	79.0	119.9
EPS (Rs.)	12.73	6.0	112.2

Note: 1. Final Insurance claim settlement for damages and loss of profit of Rs. 3.48 crore and 18.33 have been included in the numbers for FY19 and FY18, respectively.

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st March, 2019

Particulars	31.03.19	31.03.18
ECB	0.0	23.4
Rupee Term Loan	931.5	631.6
Working Capital Borrowings (Including CC)	255.0	331.6
Total Loan Funds	1,186.5	986.5
Debt/Equity Ratio	1.11	1.07