

Q1 FY2018 - INVESTOR COMMUNICATION

Deepak Nitrite reports Q1 FY2018 Results

Total Revenue at Rs. 361.63 crore Vs. Rs. 339.39 crore in Q1 FY17, up by 7%

EBITDA at Rs. 52.51 crore Vs. Rs. 42.38 crore in Q1 FY17, growth of 24%

PAT at Rs. 20.10 crore Vs. Rs. 15.20 crore in Q1 FY17, higher by 32%

Mumbai, August 8, 2017: Deepak Nitrite Limited (BSE: 506401, NSE: DEEPAKNTR, ISIN ID: INE288B01029), one of the leading manufacturer of chemical intermediates, having a product portfolio of Basic Chemicals (BC), Fine & Speciality Chemicals (FSC) & Performance Products (PP), has announced its financial results for the quarter ended June 30, 2017.

The Company's division at Roha for manufacture of fine and specialty chemical intermediates has commenced full operation from May 2017. With this, the FSC segment has completely resumed normal operations. While the capacity was available partially during Q1 FY18, it will now be available for the entire quarter from Q2 FY18 onwards.

With respect to the fire incident in October, 2016 the Company has lodged insurance claims, both for replacement value of the damaged facilities and loss of profits due to business interruption. The financial results include Rs. 18.33 crore (Net of loss on account of fire) against expected settlement under Fine & Speciality Chemicals segment. Remaining balance shall be accounted upon final settlement of claims. During Q1 FY18, the Company has already received Rs. 7.50 crore as an interim payment against the above claims.

Financial Highlights

Q1 FY2018

- Revenues stood at Rs. 361.63 crore in Q1 FY18 compared to Rs. 339.39 crore in Q1 FY17, representing growth of 7%. Basic Chemicals and Performance Products' segments reported growth in volume offsetting the impact on the FSC segment due to non-availability of Roha facility for part of the quarter. Revenues were stable on Y-o-Y basis, excluding the insurance claim.
- EBITDA was higher by 24% to Rs. 52.51 crore in Q1 FY18, compared to Rs. 42.38 crore in Q1 FY17. The EBITDA margin stood at 14.5% against 12.5% in the same period last year. Excluding the insurance claim, EBITDA stood at Rs. 34.21 crore in Q1 FY18. Improved

profitability in the BC segment helped to partially mitigate the impact of unavailability of Roha facility for part of the quarter.

- PBT stood at Rs. 30.71 crore in Q1 FY18, higher by 41% compared to Rs. 21.72 crore (pre-exceptional items) in the same period last year.
- PAT grew by 32% to Rs. 20.10 crore in Q1 FY18 as compared to Rs 15.20 crore (excluding exceptional items) in Q1FY17.
- EPS for Q1 FY18 stood at Rs. 1.51 per share (of face value of Rs. 2 each) on an enlarged capital base compared to Rs. 1.26 per share (excluding exceptional items) in Q1 FY17. (QIP: Issuance of 1,44,23,076 shares of Rs. 2 each at a price of Rs. 104 per share in March, 2017).
- The PBT, PAT and EPS include the impact of amount booked as insurance claim, as appropriate.

CMD's Message

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

“We have started the year on a positive note with encouraging demand trends across key product categories supported by better profitability in Basic Chemicals segment. However, headwinds of the previous year impacted our performance marginally and the Company is working towards fully restoring the business momentum in a focused manner. During the quarter, we faced supply constraints in certain raw materials, which were resolved internally - thereby limiting impact on EBITDA margin. We expect this impact to normalise in the ensuing quarter.

The Company has undertaken steps to fortify its offerings by increasing integration of manufacturing process for select high value products in the FSC segment and is awaiting clearances from local authorities to commence operations, which will enable DNL to enhance profitability. The broadening of product portfolio in basic chemicals will further augment growth prospects. Going forward, we expect the momentum to pick up from second quarter, consolidating our performance.

The Phenol project will be one-of-its-kind when commissioned; a significant proportion of construction has been completed and the project has entered final stages. Simultaneously, we are scaling up seed marketing initiatives to deepen working relationships with key customers across the industry and are confident of building a highly competitive position on the back of this global scale project to strongly elevate our growth prospects.”

Performance Highlights

Domestic & International

- Domestic revenues (excluding excise duty) stood at Rs. 214.96 crore in Q1 FY18 from Rs. 183.42 crore in the same period last year, representing growth of 17% Y-o-Y. The Company reported volume growth in key product categories on the back of sustained demand from end user industries.

- Revenues from exports came in at Rs. 98.34 crore in Q1 FY18 compared to Rs. 130.77 crore in Q1 FY17. This was due to incident at Roha facility, which impacted capacity availability to manufacture FSC intermediates, largely for the export market.

Segmental Performance

The Company witnessed positive volume growth across key products in Basic Chemicals and Performance Products segment.

- Revenues from the BC segment stood at Rs. 193.95 crore in Q1 FY18, higher by 13% compared to Rs. 172.31 crore in Q1 FY17. Segment volumes grew by 5% due to healthy demand for select products. EBIT Margin improved by 230 bps to 12.2%.
- Revenues from FSC segment were at Rs. 106.81 crore in Q1 FY18 compared to Rs. 101.56 crore in Q1 FY17. Performance in the FSC segment was hindered due to effects of certain one-time events that unfolded last year. While the manufacturing has now resumed, we expect to return full normalcy by Q2.
- The PP segment reported revenues of Rs. 65.78 crore in Q1 FY18 compared to Rs. 67.37 crore in Q1 FY16. Strategic initiatives to rebalance mix of end-user industries and diversify market presence have delivered initial positive results with volumes growing by 4% on a y-o-y basis.

Other Developments

With respect to fire in October, 2016, the Company has lodged insurance claims, both for replacement value of the damaged facilities and loss of profits due to business interruption. The financial results include Rs. 18.33 crore (Net of loss on account of fire) against expected settlement under Fine & Speciality Chemicals segment. Remaining balance shall be accounted upon final settlement of claims. During Q1 FY18, the Company has already received Rs. 7.50 crore as an interim payment against the above claims.

Update on Phenol & Acetone Project

Introduction:

DNL is implementing a mega project, aligned with Make in India, to manufacture 200,000 MTPA of Phenol and 120,000 MTPA of the co-product Acetone. This will be supported by capacity to manufacture 260,000 MT of Cumene, which is a feedstock for manufacturing Phenol and Acetone. This project is being implemented in a 100% subsidiary, i.e. Deepak Phenolics Limited. The proposed Phenol Plant will be located at Dahej in the State of Gujarat, with a capital expenditure of Rs. 1,400 crore being funded by debt and equity in the ratio 60: 40.

DPL will address the opportunity in the domestic market which is currently met by imports. In addition, its plant is being based on cutting-edge technology and will be highly resource and energy efficient. Local availability of phenol and acetone is expected to boost the production of derivatives and downstream intermediates, which will expand the overall market in the country.

Progress:

As indicated earlier, the project is progressing on schedule and rapidly heading towards mechanical completion. It is on track to be commissioned in the last quarter of current financial year. The commissioning and operational teams are being recruited as preparations are underway for the next phase.

Till date, the Company has invested an amount of close to Rs. 800 crore. Overall, more than Rs. 950 crore has been committed for implementation of this project.

Seed marketing initiatives have resulted in initial volumes being supplied to various customers across the country. Key objectives of the seed marketing initiative such as developing working relationships with major customers, understanding of demand patterns and the overall logistics, have been met and is being strengthened further.

Outlook

The outlook for Financial Year 2018 is promising as the Company is pursuing growth across multiple segments and product lines. It has already made investments in the FSC segment, towards integration of existing products, for which it has received environmental clearance and is awaiting clearance from local authorities in order to commence operations; these projects are expected to strengthen overall performance of the FSC segment.

The company anticipates positive momentum in agrochemical intermediates on the back of favourable climatic conditions. Moreover, strategic initiatives to enhance process efficiencies and optimise costs, along with increase in proportion of high margin products will positively contribute to profitability.

The Company will commission its Phenol & Acetone project towards the end of the current fiscal year, opening up new frontiers of growth.

About Deepak Nitrite Limited

Deepak Nitrite Limited [NSE - DEEPAKNITR, BSE - 506401] Headquartered at Vadodara, Gujarat, DNL is a multi-division and multi-product, chemical intermediate with manufacturing facilities at Nandesari & Dahej in Gujarat, Roha and Taloja in Maharashtra, and at Hyderabad; having product portfolio of Basic Chemicals (BC), Fine & Speciality Chemicals (FSC) & Performance Products (PP). Further, it is also setting up a project for manufacture of Phenol and Acetone through its wholly owned subsidiary Deepak Phenolics. As a partner of choice for Domestic and Global Chemical majors, DNL is emerging as one of the fastest growing Company, adhering to Responsible Care.

For further information please contact:

Somsekhar Nanda

Deepak Nitrite Limited

Tel: 026 52765200

Email: snanda@deepaknitrite.com

Mayank Vaswani / Nishid Solanki

CDR India

Tel: +91 22 66451230 / 1221

Email: mayank@cdr-india.com
nishid@cdr-india.com

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 Results (All figures in Rs. Crore)

Revenues

<i>Particulars</i>	<i>Q1 FY18</i>	<i>Q1 FY17</i>	<i>%</i>
<i>Basic Chemicals</i>	193.95	172.31	12.56
<i>Fine & Speciality Chemicals</i>	106.81	101.56	5.17
<i>Performance Products</i>	65.78	67.37	-2.36
<i>Other Unallocable</i>	0.15	1.70	-91.18
Total	366.69	342.94	6.93
<i>Inter Segment</i>	5.07	3.55	42.82
Total Revenue from Operations	361.63	339.39	6.55

Note: Total Revenue from Operations includes excise duty, as per IND AS

Expenditure Analysis

<i>Particulars</i>	<i>Q1 FY18</i>	<i>Q1 FY17</i>	<i>%</i>
Employee Costs	31.46	31.26	1
Interest	9.46	8.37	13
Depreciation	12.34	12.29	-
Other Income	1.98	2.46	-20

Profitability Analysis

<i>Particulars</i>	<i>Q1 FY18</i>	<i>Q1 FY17</i>	<i>%</i>
PBT*	30.71	21.72	41
PAT*	20.10	15.20	32
EPS (Rs.)	1.51	1.26	20

Note: Insurance claim for damages and loss of profit, included in the above.

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th June, 2017

<i>Particulars</i>	<i>Q1 FY18</i>	<i>Q1 FY17</i>
ECB	82.50	170.56
Rupee Term Loan	160.49	82.59
Other Loan Funds (Includes CC)	335.44	215.93
Total Loan Funds	578.43	469.08



Debt/Equity Ratio	0.79	0.86
-------------------	------	------

Capital Employed

<i>Particulars</i>	<i>Q1 FY18</i>	<i>Q1 FY17</i>
Capital Employed	1,312.52	1,067.76
Less : Capital Work in Progress	28.76	13.39
Less : Market Investments and Investment in Subsidiaries	388.26	99.64
Capital Employed in Operations	895.50	954.73