

Q2 FY2020 - INVESTOR COMMUNICATION

Deepak Nitrite once again delivers exponential growth in PAT

Revenues at Rs. 572 crore vs. Rs. 433 crore in Q2 FY19, up by 32%
EBITDA at Rs. 216 crore vs. Rs. 69 crore in Q2 FY19, growth of 213%
PAT at Rs. 179 crore vs. Rs. 28 crore in Q2 FY19, higher by 536%

H1 FY20 Consolidated Turnover crosses Rs. 2,000 crore
H1 FY20 Consolidated PBT touches Rs. 395 crore

Mumbai, October 24, 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 and half year ended 30th September, 2019.

Deepak Nitrite Ltd (DNL) reported a record performance in Q2 FY20 on the back of strong fundamentals for the business. The Company has successfully leveraged its manufacturing excellence, world scale, integrated operations and cost competitiveness to emerge as a supplier of choice for marquee global customers.

In the backdrop of reverse globalisation, trade wars and a reset in global supply chains for the chemical industry, manufacturers are being evaluated on parameters beyond costs and aspects such as environmental practices, human resource practices, ability to deliver consistently amidst an environment of high volatility and ability to manage scale have emerged as key determinants. DNL has fared favourably against these parameters towards winning market share.

Financial Highlights (Standalone)

Q2 FY2020

- Revenues stood at Rs. 572 crore in Q2 FY20 compared to Rs. 433 crore in Q2 FY19, up by 32% Y-o-Y. Topline performance was driven by strong growth in both Basic Chemicals and Performance Products segment, which have benefited from robust demand growth. These segments witnessed an all-round performance across key products and markets. The Fine & Speciality Chemicals segment witnessed a stable performance as the Company continued to take strategic position on select products enabling higher margins amidst temporary volume moderation.
- EBITDA grew sharply to Rs. 216 crore, higher by 213% against Rs. 69 crore reported in the same period last year. EBITDA margins have expanded to 37.7% compared to 15.9%

in the same period of last year. Due to the reset of global supply chains, there have been demand-supply mismatches in certain products. DNL has benefited by rationalising production towards those products enjoying high realisations enabling it to deliver robust profitability.

- PBT was Rs. 191 crore in Q2 FY20 increasing by 334% over Rs. 44 crore in the same period last year.
- PAT grew by 536% to Rs. 179 crore in Q2 FY20 compared to Rs. 28 crore in Q2 FY19.
- EPS for Q2 FY20 was Rs. 13.10 per share (of face value of Rs. 2 each) as compared to Rs. 2.06 per share in Q2 FY19

CMD's Message

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

"I am glad to share another strong quarter of performance culminating in a robust first half. We have delivered over 30% revenue growth in the backdrop of heightened volatility in the macro-economic environment. More importantly, our profitability has multiplied during this period as we have acted swiftly to capitalise on the opportunities that have emerged across the industry due to global events.

Our Basic Chemicals and Performance Products segments have performed strongly as we capitalised on industry headwinds. In the Fine & Speciality Chemicals segment, we have taken strategic positions on key products which have enabled us to improve margins with stable volumes. We are implementing steps to elevate the performance of this segment in the ensuing quarters.

Deepak Phenolics is on the cusp of completing its first year since commissioning of the plant and we are proud to have contributed to nation building by successfully substituting imports. We are pleased to have stabilised a global scale plant in record time as we rapidly achieved optimal utilisation while managing large quantities of inputs and production in an efficient manner. DPL provides us with an exciting new growth platform and we are confident that the incoming pipeline of downstream products will further aid our performance.

We aim to strengthen our business proposition by adding incremental capacities, widening our customer base and enhancing the share of complex, high margin products. This will serve to widen the market opportunity and open up new frontiers of growth for us."

Performance Highlights

Domestic & Exports

- Domestic revenues for the quarter stood at Rs. 335 crore as compared to Rs. 275 crore in the same period last year, representing a growth of 22% Y-o-Y. Amidst slowing economic growth, DNL delivered volume growth across established products combined with better realisations.
- Revenues from exports were Rs. 231 crore in Q2 FY20 compared to Rs. 152 crore in Q2 FY19, resulting in robust growth of 52% Y-o-Y. Strategic initiatives undertaken to

incrementally enhance volumes, widen the customer base and enrich the product mix have enabled DNL to capitalise on the opportunities emerging across the global industry landscape to ensure a better export performance.

Segmental Performance

- The BC segment reported revenues of Rs. 236 crore in Q2 FY20 as compared to Rs. 202 crore reported in the corresponding quarter of last year, thereby growing by 17% Y-o-Y. BC segment reported strong volume growth of 10% accompanied by higher realisations supported as the Company leveraged its cost leadership position to serve the demand for its products. The BC segment continued to deliver strong upsurge in profitability.
- Revenues from the FSC segment came in at Rs. 138 crore in Q2 FY20 as compared to Rs. 144 crore in Q2 FY19. Q2 has shown 12% volume and 20% revenue growth over Q1. The Company is taking strategic positions on key products in the FSC portfolio enabling better margin performance. Steps to steadily enhance volumes in the forthcoming quarters are being implemented.
- The PP segment continued to deliver a stellar performance reflected in revenue growth of 119% during the quarter and revenues of Rs. 212 crore. DNL has leveraged its strength as a fully integrated manufacturer to capitalise on favourable industry trends and deliver a robust performance.

Update on Deepak Phenolics Ltd.

Deepak Phenolics Ltd. (DPL), a wholly-owned subsidiary of Deepak Nitrite Ltd., operates a Global Scale Plant to manufacture Phenol & Acetone, with a capacity of 200,000 MTPA and 120,000 MTPA respectively. This is supported by capacity to manufacture 260,000 MT of Cumene for captive consumption.

- DPL recorded a turnover of Rs. 443 crore in the quarter under review, with EBITDA of Rs. 43 crore. Slowing economic growth globally and the subdued activity levels in the automotive and real estate sector in India are presenting a challenging backdrop for demand of end use products and resultant prices. As a result, crack spreads are prevailing at the lower end of the range.
- Due to a planned shutdown of the plant for 14 days during the quarter, there was a decline in Revenue and EBITDA on a sequential basis. The plant continues to achieve new milestones as, adjusting for the shutdown, it achieved capacity utilisation in excess of 100%. It also achieved highest ever level of production in a single day in Sept 2019.
- DPL continued to maintain its leadership position in the domestic market as it reached out to more number of customers to augment its base. Keeping in mind the depressed domestic market conditions, the Company is making significant efforts to support exports in order to utilise the plant in a more efficient way. Meanwhile, the downstream projects for Acetone is progressing well and production is expected to commence by the end of this financial year.

Outlook

Deepak Nitrite is very well positioned to further strengthen its leadership position in the Indian Chemicals industry through focus on expanding its expertise across multiple chemistries as well as leveraging its relationships with domestic as well as global clientele.

All the three Strategic Business Units (SBU) are expected to deliver sustained growth over near term led by planned capacity expansions and product rationalisations and extensions. While BC and PP segment will continue with its growth momentum, FSC segment is expected to deliver an improved performance on the back of new product launches and capacity augmentation.

Phenol and Acetone are expected to continue the growth momentum. Development of downstream products for Acetone is moving in the right direction and the same is expected to be commissioned towards the end of this financial year. All these will result in more sustained and profitable growth for the Company which aims to further strengthen its cost leadership position in the market, to drive business momentum on the back of positive demand scenario.

For further information, please contact:

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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	Q2 FY20	Q2 FY19	%	H1 FY20	H1 FY19	%
Basic Chemicals	236	202	17	462	424	9
Fine & Speciality Chemicals	138	144	-4	254	266	-5
Performance Products	212	97	119	438	177	147
Total	586	443	32	1,154	867	33
Inter Segment	17.1	9.6	78	34.1	14.0	144
Total Revenue from Operations	569	433	31	1,120	853	31

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q2 FY20	Q2 FY19	%	H1 FY20	H1 FY19	%
Employee Costs	41.41	40.34	3	85.45	77.0	11
Interest	5.01	11.7	-57	11.4	22.6	-50
Depreciation	19.77	13.2	50	37.37	25.8	45

Profitability Analysis

Particulars	Q2 FY20	Q2 FY19	%	H1 FY20	H1 FY19	%
PBT	191	44	334	355	77	221
PAT	179	28	536	286	50	474
EPS (Rs.)	13.10	2.06	536	20.96	3.65	474

Statement of Borrowings

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

Particulars	Q2 FY20	Q2 FY19
ECB	0	8.71
Rupee Term Loan	82.39	124.00
Other Loan Funds (Includes CC)	151.24	337.40
Total Loan Funds	233.63	470.11
Debt/Equity Ratio	0.18	0.48

Capital Employed

Particulars	Q2 FY20	Q2 FY19
Capital Employed from Operations	990.57	943.43
Less : Capital Work in Progress	63.17	23.15
Net Capital Employed from Operations	927.40	920.28

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

Revenues

Particulars	Q2 FY20
Basic Chemicals	219
Fine & Speciality Chemicals	138
Performance Products	212
Phenolics	443
Total	1,012
Inter Segment	17.04
Total Revenue from Operations	995

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q2 FY20
Employee Costs	107
Interest	61
Depreciation	68

Profitability Analysis

Particulars	Q2 FY20
PBT	193
PAT	150
EPS (Rs.)	11.03

Statement of Borrowings

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

Particulars	30.09.19
Rupee Term Loan	882.04
Working Capital Borrowings (Including CC)	249.27
Total Loan Funds	1,131.31
Debt/Equity Ratio	0.86