

Q3 FY2020 - INVESTOR COMMUNICATION

Deepak Nitrite delivers yet another quarter of elevated performance

*Standalone Revenues at Rs. 587 crore vs. Rs. 458 crore in Q3 FY19, higher by 28%
EBITDA at Rs. 215 crore vs. Rs. 72 crore in Q3 FY19, growth of 200%
PAT at Rs. 142 crore vs. Rs. 32 crore in Q3 FY19, up by 349%*

*9M FY20 Consolidated Turnover crosses Rs. 3,208 crore
9M FY20 Consolidated PBT touches Rs. 606 crore*

Mumbai, February 3, 2020: 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 a major manufacturer of chemical intermediates. 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 nine months ended 31st December, 2019.

Deepak Nitrite Ltd. (DNL) is reaping benefits out of being an integrated player in the chemicals industry. It sources most of its raw materials domestically and supplies a diverse range of intermediates across industries including agrochemicals, pharma, colours, refinery products, personal care and healthcare products. It has assiduously maintained its position as a supplier of choice for global and domestic customers alike.

Deepak Phenolics Ltd. (DPL) registered revenue growth of 24% to Rs. 550 crore in Q3 FY20, with EBITDA of Rs. 58 crore and has delivered its maiden profitable quarter with PAT of Rs. 15 crore. Despite the challenges in the Phenol and Acetone market globally and slowing economic growth in the domestic market, the Company has been able to increase sales volumes to sustain its leadership position in the domestic market. The capacity utilisation continued to remain high, at over 100%.

Financial Highlights (Standalone)

Q3 FY2020

- Revenues stood at Rs. 587 crore in Q3 FY20 as compared to Rs. 458 crore in Q3 FY19, higher by 28% Y-o-Y. Balanced growth across Basic Chemicals, Fine & Speciality Chemicals and the Performance Products segment resulted in robust topline performance during the quarter. Overall, this was supported by encouraging demand scenario of Company's products in the export markets

- EBITDA grew by 200% in Q3 FY20 to Rs. 215 crore, as against Rs. 72 crore in the same period last year. Robust EBITDA performance was a result of operating leverage from higher volumes, realisation gains across most products and management efforts to optimise production schedules as well as focus on high-value high-margin products.
- PBT was at Rs. 191 crore in Q3 FY20, rising by 298% over Rs. 48 crore in the same period last year
- PAT stood at Rs. 142 crore in Q3 FY20, as against Rs. 32 crore in Q3 FY19, registering growth of 349% on a y-o-y basis.
- EPS for Q3 FY20 was Rs. 10.40 per share (of face value of Rs. 2 each) as compared to Rs. 2.32 per share in Q3 FY19

CMD's Message

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

"I am delighted to report another quarter of strong earnings performance. Our profitability increased manifold with PBT and PAT increasing by 298% and 349% respectively. We have capitalised on growth opportunities across global markets by demonstrating agility and nimbleness throughout our operations. We have exercised tight controls over production and inventories, constantly monitored global industry developments, taken appropriate actions while closely engaging with customers, all of which has helped us to optimise our performance.

It is heartening to share that all three SBUs have demonstrated encouraging growth momentum allowing us to report higher volumes. In our standalone operations, the percentage growth in exports on a YTD basis was 3 times as fast as growth in domestic revenues, clearly demonstrating our ability to win global market share. This also underlines our leadership position in key products predicated on a high degree of backward integration.

Deepak Phenolics, which was established last year, performed extremely well in terms of volumes. However, as a commodity product, it is susceptible to the global cycle of slowing economic growth and impact of input prices which have suppressed the margins. It is hoped that the commodity cycle will improve in the latter half of the next fiscal.

All in all, I am highly excited with the opportunities emerging across the landscape and we are focussed on execution by leveraging our expertise and competencies. Given the robust business visibility, we are planning expansions across all business segments to further foster our performance."

Performance Highlights

Domestic & Exports

- Domestic revenues for the quarter were Rs. 331 crore compared to Rs. 293 crore in the same period last year, growing by 13% Y-o-Y. Production efficiencies and recalibration of product mix resulted in volume growth. This was supported by higher realisations for select products.

- Revenues from exports were at Rs. 251 crore in Q3 FY20 compared to Rs. 154 crore in Q3 FY19, resulting in robust growth of 63% Y-o-Y. DNL leveraged its deep expertise and high backward integrations in certain products to capitalise on tailwinds in the global supply chain for chemical intermediates.

Segmental Performance

- The BC segment reported revenues of Rs. 253 crore in Q3 FY20 compared to Rs. 219 crore in the corresponding quarter of last year, growing by 16% Y-o-Y. Volumes in the BC segment improved by 23% Y-o-Y given our cost leadership position in the market as well as efforts towards widening our customer base.
- Revenues from the FSC segment were Rs. 173 crore in Q3 FY20 compared to Rs. 148 crore in Q3 FY19, growth of 17% Y-o-Y. Solid realisation gains as well as favourable product mix in the export markets boosted the FSC performance during the quarter under review.
- The PP segment delivered healthy growth of 76% to Rs. 176 crore in Q3 FY20. Higher realisations reported were driven by demand-supply mismatch for key products in the PP segment. Overall, DNL's position of being a fully integrated manufacturer of FWA has been yielding encouraging results.

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 performed extremely well on volumes as it reported capacity utilisation of over 100% during the quarter resulting in revenues of Rs. 550 crore and its maiden quarter of PAT. As global commodities, prices of both phenol and acetone are cyclical in nature. Even as the Company navigates this phase of the phenol and acetone cycle, it is investing to develop value added derivatives through forward integration. It plans to commercially launch the first such product towards the end of current fiscal year and this represents the first step towards achieving the vision of developing a comprehensive basket of downstream derivatives.

Key Developments

- The Company has acquired industrial land admeasuring around 125 acres situated at Dahej, Gujarat for a total consideration of Rs. 99.25 crore. This land will be utilized for future expansion plans of the Company

Outlook

Deepak Nitrite is well placed to address the opportunities emerging across the chemicals industry landscape on the back of its diversified product portfolio across key product categories. Moreover, its market leadership position with global clientele acts a catalyst for growth.

China, which enjoys a dominant position in the market, has been deemphasizing manufacturing of chemicals and high-complexity products. Further, global customers are also seeking to establish operations in alternate markets other than China for which India is better placed. Uncertainties caused by the corona virus are exacerbating the concerns around China. This is a tailwind for the speciality chemical industry and Deepak Nitrite is well placed and endeavours to continue to build upon its success in recent years.

DNL is secure on the raw materials front, since it sources most of its raw materials locally and has a well-integrated facility. It has also undertaken positions to ensure that supply of imported raw materials are covered for the current quarter causing no disturbance to operations as a result of the developments in China.

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	Q3 FY20	Q3 FY19	%	9M FY20	9M FY19	%
Basic Chemicals	253	219	16	715	644	11
Fine & Speciality Chemicals	173	148	17	427	415	3
Performance Products	176	100	76	614	277	122
Total	602	467	29	1756	1335	32
Inter Segment	17	15	13	51	29	76
Total Revenue from Operations	585	452	29	1704	1306	30

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q3 FY20	Q3 FY19	%	9M FY20	9M FY19	%
Employee Costs	46	42	11	132	119	11
Interest	4	10	-58	16	33	-52
Depreciation	20	13	49	57	39	46

Profitability Analysis

Particulars	Q3 FY20	Q3 FY19	%	9M FY20	9M FY19	%
PBT	191	48	298	546	125	335
PAT	142	32	349	428	81	425
EPS (Rs.)	10.40	2.32	349	31.36	5.97	425

Statement of Borrowings

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

Particulars	Q3 FY20	Q3 FY19
Rupee Term Loan	72	109
Other Loan Funds (Includes CC)	170	365
Total Loan Funds	242	474
Debt/Equity Ratio	0.17	0.47

Capital Employed

Particulars	Q3 FY20	Q3 FY19
Capital Employed from Operations	1172	978
Less : Capital Work in Progress	77	24
Net Capital Employed from Operations	1095	954

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

Revenues

Particulars	Q3 FY20
Basic Chemicals	253
Fine & Speciality Chemicals	173
Performance Products	176
Phenolics	535
Total	1137
Inter Segment	17
Total Revenue from Operations	1120

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q3 FY20
Employee Costs	57
Interest	27
Depreciation	35

Profitability Analysis

Particulars	Q3 FY20
PBT	211
PAT	157
EPS (Rs.)	11.49

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st December, 2019 (consolidated)

Particulars	30.12.19
Rupee Term Loan	867
Working Capital Borrowings (Including CC)	246
Total Loan Funds	1113
Debt/Equity Ratio	0.75