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CHEMISTRY

Q4 & FY2021 – INVESTOR COMMUNICATION

In its 50th year, DNL surpasses milestone of Rs. 1,000 Cr in PBT as it ends FY21 with highest-ever PBT of Rs. 1,042 crore

For Q4 FY21:

Revenues at Rs. 1,469 crore, up by 39% Y-o-Y

EBITDA at Rs. 461 crore, higher by 75% Y-o-Y

PAT, at Rs. 290 crore, rises 68% on a Y-o-Y basis

Board Recommends Dividend of 275% including special dividend of 50% to commemorate Golden Jubilee in addition to regular dividend of 225%

Vadodara, May 06, 2021: Deepak Nitrite Limited, one of India's leading chemical intermediates company, has announced its financial results for the fourth quarter and financial year ended 31st March, 2021.

Ending the year on a high note, DNL delivered a phenomenal performance in the backdrop of a challenging macro-economic environment, despite losing one month of production during the year due to nationwide lockdown. DNL's diverse product line and operational excellence continue to be strongholds against widespread uncertainties. Amidst the severity of the second wave, the Company continues to function at a high level of efficiency and make progress on growth initiatives, while adhering to Government directives, local guidelines and safety protocols across all its facilities. DNL has either maintained or increased market share across products.

<i>Particulars</i>	<i>Consolidated</i>		
	<i>Q4 FY21</i>	<i>Q4 FY20</i>	<i>%</i>
Revenue	1,469	1,058	39%
EBITDA	461	264	75%
EBITDA (%)	31%	21%	
PBT	390	201	94%
PAT	290	172	68%
EPS	21.27	12.63	68%

- The excellent performance by Deepak Phenolics has more than offset the supernormal profit due to elevated prices of DASDA enabling the Company to report strong growth on a y-o-y basis
- PBT has further improved on account of lower interest cost due to reduced debt. Resultantly, PBT was higher by 94% y-o-y surpassing the growth in revenues

- The excellent performance in the fourth quarter has helped to elevate the annual performance, enabling the company to surpass the milestone of Rs, 1,000 crore in PBT as it clocked Rs. 1,042 crore

<i>Particulars</i>	<i>Consolidated</i>		
	<i>FY21</i>	<i>FY20</i>	<i>%</i>
Revenue	4,382	4,265	3%
EBITDA	1,269	1,061	20%
EBITDA (%)	29%	25%	
PBT	1,042	806	29%
PAT	776	611	27%
EPS	56.88	44.80	27%

- The Company leveraged the optimal utilisation at its plants by participating in both, the domestic and export market, thereby driving earnings
- In addition to the sharp recovery in performance, there has been substantial improvement in financial position as indicated by parameters of debt-equity ratio, debt to EBITDA ratio and interest coverage ratio
- Despite loss of one-month production, the excellent performance has enabled the Company to maintain its regular dividend which, accompanied by the special dividend to commemorate the 50th year, has resulted in total dividend of 275%. With this, total dividend outgo would be Rs. 75 crore

Financial Highlights

Q4 FY2021 vs. Q4 FY2020 (y-o-y)

- Revenues grew by 39% to Rs. 1,469 crore in Q4 FY21. The Basic Chemicals segment has performed well driven by higher contribution from key products. The F&S segment has also been a growth engine for the quarter as favourable absorption by end user industries has driven volumes and realisations higher. In Performance Product segment, DASDA prices are now exceptionally lower after prevailing at abnormally high levels in the same quarter last year. This impact was more than offset by the Phenolics business which has capitalized on the improved demand landscape by elevating plant efficiency to generate higher volumes thereby benefiting from prevailing firm realisations.
- EBITDA was at Rs. 461 crore in Q4 FY21, higher by 75%. The EBITDA margin is higher by 600 bps to 31% led by favorable pricing environment, higher plant efficiency and operating leverage. This would have been even higher, but for the impact of abnormally high DASDA prices in the base period.
- PBT was at Rs. 390 crore in Q4 FY21 higher by 94%. Apart from the improved performance of DPL, PBT has been aided by higher other income and lower interest costs on the back of significant reduction in debt over a 12-month period.
- PAT was Rs. 290 crore in Q4 FY21 higher by 68% as compared to Rs. 172 crore in the same period of last year aided by revenue growth and improved operational and financial efficiency.
- Consolidated EPS for Q4 FY21 is Rs. 21.27 per share (of face value of Rs. 2 each) as compared to Rs. 12.63 per share in Q4 FY20.

FY2021 Vs. FY2020

- Revenues were at Rs. 4,382 crore in FY21 as compared to Rs. 4,265 crore in FY20, up 3%. The accretive performance of the Phenolics business and that of the FSC segment has driven the performance. The Basic Chemicals segment, which witnessed lower demand for products catering to diesel refining has been able to register good traction in nitration based products. Apart from overcoming impact in the PP segment performance this year due to high base of DASDA prices in FY20, the current year's performance is even more resilient given the fact that, there was one month of production loss due to lockdown.
- EBITDA grew by 20% to Rs. 1,269 crore in FY21 compared to Rs. 1,061 crore in FY20. The EBITDA Margin was at 29% in FY21 compared to 25% reported in the previous year. Along with FSC segment, products in Phenolics division contributed to high EBITDA margins.
- PBT was higher by 29% to Rs. 1,042 crore in FY21, surpassing the Rs. 1,000 crore milestone. This is despite loss of one month of production in FY21 due to the national lockdown.
- PAT was Rs. 776 crore in FY21 as compared to Rs. 611 crore in FY20, higher by 27% aided by higher revenue, more efficient operations and lower interest cost.
- EPS for FY21 was Rs. 56.88 per share (of face value of Rs. 2 each) compared to Rs. 44.80 per share in FY20.

CMD's Message

Commenting on the performance, **Mr. Deepak C. Mehta, Chairman & Managing Director**, said, *"In April, 2020, we decided that the company would prioritize both lives and livelihoods. That financial targets were exceeded was an unexpected outcome. The company ensured that all its locations operated with the highest attention to man and material safety. We have also taken up the responsibility of vaccinating all our employees and spouses and will continue to look for opportunities to provide succour to the 2,000 families that depend on us. The company, in partnership with Deepak Foundation has put up a 40 bed COVID hospital with ICU and oxygen beds, purchased oxygen PSA plants to be deployed at nearby facilities and has taken other appropriate measures. DNL also expanded medical and life insurance coverage for all employees.*

Due to the volatility in external environments, the best option for DNL was to become more nimble-footed. The company paid very close attention to internal processes of people management, supply chain and operations and worked to maximize productivity wherever possible. The company gained value from these focused efforts in terms of crossing 115% capacity on the phenol plant, while at the same time optimizing product mix particularly in the Fine and Speciality SBU. As always, the wide range of Deepak's products helped it to overcome some businesses whose demand was affected by COVID/ oil crisis such as fuel additives and paper chemicals. R&D investments have continued and we are in the process of building a world class Technology Center in Vadodara.

The company has continued to develop its core technology platforms that include nitration, reduction and diazotization. It is investing around 300 crore into products that utilise its core platforms for new agrochemical and pharmaceutical intermediates. Introduction of new platforms including fluorination and photochlorination are also being undertaken. The new investment is expected to be completed by the second half of next year. I am also happy to note that that new products that are being taken up score high marks on DNL's 'Right to Win' checklist.

Looking ahead, I am confident that our efforts will continue to build a redoubtable balance sheet and brand equity which is in line with our values"

Performance Highlights

Segmental Performance – Q4 FY21 Vs. Q4 FY20 (Y-o-Y)

- **Basic Chemicals:** The BC segment reported revenues of Rs. 245 crore in Q4 FY21 compared to Rs. 226 crore in Q4 FY20, higher by 9%. This came in despite significant increase in raw material prices and was driven by robust volume growth Y-o-Y due to sharp rebound in key end user industries. The BC segment was able to pass on costs to thereby driving realisations higher for select products.
- **Fine & Specialty Chemicals:** The FSC segment revenues grew by 30% to Rs. 206 crore in Q4 FY21 compared to Rs. 158 crore in Q4 FY20 supported by volume increment of 15%. Encouraging demand resulted in better pricing in the FSC segment on a y-o-y basis although it has had to absorb near term cost increase until it can review prices on a quarterly basis with customers .
- **Performance Products:** The PP segment revenues came in lower at Rs. 87 crore in Q4 FY21. Overall volumes in the PP segment improved by 12% in-line with the opening of the economy. Given the pick-up in economic activity and demand recovery across key end user industries, PP segment volumes have already reverted to pre-COVID levels and pricing is expected to follow.

Deepak Phenolics: Deepak Phenolics revenues grew by 77% to Rs. 938 crore in Q4 FY21 compared to Rs. 531 crore in Q4 FY20. Revenue realization for both Phenol and Acetone has increased significantly from last year as a result of healthy demand. Plant productivity initiatives have resulted in utilization levels exceeding 115% of specified capacity in Q4 FY21 Vs. 98% in Q4 FY20. While EBIT soared by 319% Y-o-Y, the EBIT margin stood at 28.5% in Q4 FY21 as compared to 12.0% in Q4 FY20. Improved prices and increased capacity utilization helped performance significantly.

Key Developments

- Shri Deepak Mehta, Chairman & Managing Director of Deepak group has been awarded India's Top CEO by Business Today and as Entrepreneur of the Year (EOY) Award 2020 (manufacturing) by Ernst & Young LLP.
- Shri Sanjay Upadhyay has been awarded with Best CFO under Excellence in Sustained Wealth Creation and Exemplary All Round Performance in the 'Business Leader of the Year' awards.
- ICRA Limited and CRISIL both upgraded the long-term rating on bank facilities of DNL from ICRA AA- to ICRA AA and CRISIL M-/Positive to CRISIL AA/Stable. The outlook on the long-term rating has been revised from Positive to Stable
- ICRA also re-affirmed Short-Term rating at ICRA A1+ on bank facilities of DNL. ICRA has also re-affirmed the short-term rating at ICRA A1+ assigned to the Commercial Paper programme of DNL. While CRISIL Limited re-affirmed Short Term rating as "CRISIL A1+".
- DPL's credit rating was upgraded by ICRA by two notches, from A to AA-; DPL's short-term credit rating was upgraded from A1 to A1+, which is the highest in the category.

- During the quarter, DPL has pre-paid its project term loan to the extent of Rs.100 crore without incurring any prepayment penalty. This will result in substantial reduction in interest cost in the following periods. The Net Debt / Equity ratio is 0.15x as of March 31, 2021 compared with 0.69x as of March 31, 2020.
- Land development in Dahej-2 is nearing completion on a 55-acre site out of a total of 127 acres
- DNL has reported another zero-incident year at its manufacturing facilities. In a year marked by unprecedented disruption and faced with constrained manpower availability due to restrictions, DNL has elevated its focus on health and safety.

Outlook

FY22 begins with trepidation, in much the same way as FY21 did. Global macroeconomic cues however show most geographies coming out of the pandemic with cautious optimism and increased demand. Effects on the domestic front will only be apparent once the second wave dissipates, but it seems clear that it has enacted a much deeper human toll than the last year.

The company will continue to operate with its 'People First' mindset- ensuring man and material safety is the most responsible step a chemical manufacturing company can take. We are well positioned, having maintained or increased market share in all of our products, capital investments which are a mix of upstream and downstream opportunities and an increasing bias toward medium-and long-term contractual agreements which will enable DNL to better utilize its comprehensive manufacturing platform which has undertaken brownfield capex to augment capacity for traditional product lines. Companies across the world remain keen to partner with a diversified chemical intermediates player who shares their values and has a track record of responsible management.

About Deepak Nitrite Limited

Ranked among Fortune 500 and Forbes Asia (under Bn) top 200, DNL is one of the fastest growing chemical intermediates with diversified portfolio that caters to the dyes and pigments, agrochemical, pharmaceutical, plastics, textiles, paper and home and personal care segments and petro derivatives intermediates -phenolics, acetone and IPA in India and overseas. Its products are manufactured across 6 locations, which are all accredited by Responsible Care.

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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 (Rs. Crore)

Revenues

Particulars	Q4 FY21	Q4 FY20	%	Q3 FY21	%	FY21	FY20	%
Basic Chemicals	245	226	9%	196	25%	770	940	-18%
Fine & Speciality Chemicals	206	158	30%	211	-2%	767	585	31%
Performance Products	87	154	-44%	90	-4%	304	768	-60%
Total	538	538	0%	497	8%	1,841	2,294	-20%
Inter Segment	12	13	-4%	10	27%	32	64	-50%
Total Revenue from Operations	526	525	0%	488	8%	1,809	2,230	-19%

Note: 1. Other Income not included in the above

2. Performance in FY21 not strictly comparable with corresponding period last year due to shutdown of plants for one month during lockdown and impact on demand from end user industries

Expenditure Analysis

Particulars	Q4 FY21	Q4 FY20	%	Q3 FY21	%	FY21	FY20	%
Employee Costs	42	43	-1%	43	-1%	181	173	4%
Interest	0.23	4.5	-95%	0.4	-45%	4	20	-80%
Depreciation	21	21	2%	17	23%	67	78	-14%

Profitability Analysis

Particulars	Q4 FY21	Q4 FY20	%	Q3 FY21	%	FY21	FY20	%
PBT	137	160	-14%	132	4%	479	706	-32%
PAT	101	116	-13%	98	3%	355	544	-35%
EPS (Rs.)	7.41	8.52	-13%	7.18	3%	26.01	39.89	-35%

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st March, 2021

<i>Particulars</i>	<i>Q4 FY21</i>	<i>Q4 FY20</i>
Rupee Term Loan	0	30
Other Loan Funds (Includes CC)	0	178
Total Loan Funds	0	208
Less: Cash and Bank Balances	130	4
Net Debt	-130	204
Total Equity	1,845	1,491
Net Debt/Equity Ratio	0.00	0.14

Capital Employed

<i>Particulars</i>	<i>Q4 FY21</i>	<i>Q4 FY20</i>
Capital Employed from Operations	1,338	1,188
Less : Capital Work in Progress	69	90
Net Capital Employed from Operations (excl. DPL)	1,269	1,098

Details to the Consolidated Results (Rs. Crore)

Revenues

<i>Particulars</i>	<i>Q4 FY21</i>	<i>Q4 FY20</i>	<i>%</i>	<i>Q3 FY21</i>	<i>%</i>	<i>FY21</i>	<i>FY20</i>	<i>%</i>
<i>Basic Chemicals</i>	245	226	9%	196	25%	760	940	-19%
<i>Fine & Speciality Chemicals</i>	206	158	30%	211	-2%	767	586	31%
<i>Performance Products</i>	87	154	-44%	90	-4%	304	767	-60%
<i>Phenolics</i>	937	531	77%	747	26%	2,561	2,001	28%
Total	1,475	1,068	38%	1,244	19%	4,391	4,294	2%
<i>Inter Segment</i>	12	13	-4%	10	27%	32	64	-50%
Total Revenue from Operations	1,463	1,056	39%	1,235	19%	4,360	4,230	3%

Note: 1. Other Income not included in the above

Expenditure Analysis

<i>Particulars</i>	<i>Q4 FY21</i>	<i>Q4 FY20</i>	<i>%</i>	<i>Q3 FY21</i>	<i>%</i>	<i>FY21</i>	<i>FY20</i>	<i>%</i>
Employee Costs	58	55	6%	67	-13%	247	217	14%
Interest	14	27	-48%	16	-10%	74	115	-35%
Depreciation	56	36	56%	34	66%	153	140	9%

Profitability Analysis

<i>Particulars</i>	<i>Q4 FY21</i>	<i>Q4 FY20</i>	<i>%</i>	<i>Q3 FY21</i>	<i>%</i>	<i>FY21</i>	<i>FY20</i>	<i>%</i>
PBT	390	201	94%	290	34%	1,042	806	29%
PAT	290	172	68%	217	34%	776	611	27%
EPS (Rs.)	21.27	12.63	68%	15.88	34%	56.88	44.80	27%

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st March, 2021 (Consolidated)

<i>Particulars</i>	<i>Q4FY21</i>	<i>Q4FY20</i>
Rupee Term Loan	574	843
Working Capital Borrowings (Including CC)	3	248
Total Loan Funds	577	1,091
Less: Cash and Bank Balances	220	31
Net Debt	357	1,060
Total Equity	2,347	1,572
Net Debt/Equity Ratio	0.15	0.69