

Q3 & 9M FY2023 – PRESS RELEASE

DNL displayed responsiveness with a 22% revenue growth during a demanding period

Editor's Synopsis:

Q3 & 9M FY2023 (Consolidated):

- Revenue at Rs. 2,004 crore, up by 15% Y-o-Y in Q3 FY23 and came in at Rs. 6,046 crore, up by 22% Y-o-Y in 9M FY23
- By capitalizing on the uncertain environment, DNL has operated all plants, except for Nandesari, at high utilization levels
- There has been growth in domestic and export revenues
- Nandesari plant, which was previously impacted by the fire incident has fully resumed production and has contributed to the overall performance. Utilisation levels are being ramped up progressively

Mumbai | Vadodara, February 09, 2023: Deepak Nitrite Limited ('DNL'), one of the fastest growing and trusted chemical intermediates companies in India, announces its financial results for the quarter and nine months ended December 31, 2022.

Amidst ongoing challenges in the macro-economic environment, DNL has demonstrated agility to deliver strong revenue growth during the period. This was achieved by sustained global competitiveness and high operational excellence enabling it to deliver new highs in volumes for several key products. While prices of inputs have moderated slightly in recent weeks, they remain elevated compared to the corresponding period last year.

CMD's Message

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

“Deepak Nitrite (DNL) has demonstrated significant agility to meet its delivery commitments, thereby delivering a strong topline performance in Q3FY23. We have set new benchmarks in production and delivery volumes of several flagship products. Even as we continue to exhibit tremendous resilience in the face of persistent inflationary pressures across certain inputs and utilities, our focus is to steadily elevate our profitability in a sustainable manner reinforcing our commitment towards people, planet, and profit.

We have approved a capex of Rs 1,000 crore which shall help the company's growth plans. Out of this, we have approved a project for manufacturing Polycarbonate compounding which is in furtherance to our commitment to enter PC business. This project shall help us

understand the market trends, customer requirements and finer aspects even as we progress towards the Polycarbonate project.

We commissioned new brownfield projects that will benefit our future performance. This includes a new unit for producing a key agrochemical intermediate. Amidst this, we continue to reduce our leverage and strengthen our balance sheet, increasing headroom for growth capex.

We also continue to methodically invest in expansion projects in order to diversify our expertise and widen the addressable market. The objective is to progressively expand the product portfolio through innovative products where we have a clear competitive advantage. This will diversify our offerings, strengthen operational integration and increase the proportion of higher-margin products. We are highly excited by our prospects and will strive to consistently enhance the value proposition for our stakeholders.”

Key Developments

Awards & Accolades

- CMD Mr. Deepak Mehta was awarded the 2022 Hurun India Special Jury Award in recognition of his outstanding contribution to the Indian Economy
- Deepak Nitrite Limited was awarded by ICAI for Excellence in Financial Reporting for its Annual Report 2021-22
- The Company was adjudged winner in Silver Shield in the Category VII (B) – Manufacturing & Trading Sector (Turnover equal to and between ₹500 Crore and ₹3,000 Crore)

Performance overview & other highlights

- The Company has operated all plants, except for Nandesari unit at high utilization rates. The Phenol plant has clocked an average utilization of 117% for the quarter, and achieved highest-ever quarterly domestic sale and highest production per day of phenol
- Revenue in the Advanced Intermediates segment increased by 19% Y-o-Y due to sustained healthy demand from key customers, while the rise in EBITDA was 2%, impacted by factors such continued higher input prices not fully passed on to customers, increased power and fuel costs, and higher overhead expenses linked to Nandesari plant restart
- The Company registered highest-ever production of DASDA during Q3. It also attained highest-ever sales volume and turnover of OBA in Q3 FY23; this is a commendable feat achieved in backdrop of uncertain global operating environment
- Revenues from the Phenolics segment grew 13% Y-o-Y supported by strong volume growth. Due to moderation in prices of products which was higher last year
- The Advanced intermediates business has added sizeable international business including new customers in export business
- With increased export revenues, strategic decision to secure certain raw material for assured supply and utilization of surplus funds for advance payment to suppliers, there has been an increase in

working capital intensity this quarter

- DPL repaid a term loan of ₹50 crore in the month of October 2022, taking the Company's Net Debt to Equity ratio to 0.07x as compared to 0.20x last year
- On a consolidated basis, the Company continues to remain debt-free, with a net worth of ₹3,860 crore (Consolidated) & ₹2,528 crore (Standalone), thereby strengthening its balance sheet for future expansion

Financial Highlights (Consolidated)

Q3 FY2023 Vs. Q3 FY2022 (Y-o-Y)

- Revenues grew by 15% to Rs. 2,004 crore in Q3FY23. Strong topline performance was driven by maintaining leadership in market share and geographies. The Company has been highly responsive in order to optimize pockets of opportunities across product categories. Current landscape of realignment of global supply chains and seeking of assured supply by customers has limited the ability to drive higher realizations.
- EBITDA stood at Rs. 328 crore in Q3FY23. EBITDA performance was muted on a Y-o-Y basis due to high base of last year combined with continued increase in some input as well as utility costs, including power and fuel. Partial passing on of higher input prices, moderation from extreme highs and productivity enhancements have enabled an improved performance on a Q-o-Q basis. The positive traction to sustain in the upcoming quarters
- PAT came in at Rs. 209 crore in Q3FY23. In-line with the operational performance of the Company, Profit after tax is lower on a Y-o-Y basis due to high base of corresponding period last year. On a Q-o-Q basis, the company has driven a significant improvement in profitability. Increased turnover, cost optimization measures and partial passing on of higher inputs have helped grow PAT

9M FY2023 Vs. 9M FY2022 (Y-o-Y)

- Revenues were up by 22% to Rs. 6,046 crore in 9M FY23. Strong Revenue growth driven by all round volume increases in the Advanced Intermediates and Phenolics segments. The utilization levels were maintained at high levels with continued improvement through the YTD period. Wallet share for key products have been maintained or increased in some cases due to high competitiveness of the Company
- EBITDA stood at Rs. 976 crore in 9MFY23. The EBITDA margin was 16%, impacted by lag effect in passing on the high prices of RM and other utilities. Costs have marginally softened in recent weeks, and this will help in recouping profitability levels. Despite steady demand and strong volume growth, the pricing of products remains largely stable despite significant increase in input prices compared to the base period
- Profit after tax de-grew by 23% to Rs. 618 crore in 9MFY23 and has not kept pace with revenue growth due to sharp rise in input price which are being passed on with some lag. Further, profitability in the base period was supported by unusually high realization in certain products which have now normalized

Performance Highlights

Segmental Performance – Q3 FY2023 Vs. Q3 FY202 (Y-o-Y)

- **Advanced Intermediates:** Despite facing inflationary pressures and logistical challenges, the company was able to actively cater to strong demand and fulfill its delivery obligations thereby delivering strong revenue growth. The Company is expected to maintain its performance momentum given its competitive position with an assured supply of key inputs. Growth in EBITDA on a Y-o-Y basis has trailed the revenue growth due to a sharp rise in input costs compared to the corresponding period last year. This is being proactively addressed as opportunities present themselves.
- **Deepak Phenolics:** DPL experienced strong sales growth as the Phenol plant maintained high operating levels, effectively overcoming significant external challenges in the global environment during the period under review. Highest-ever quarterly domestic sales volume and daily production of Phenol was recorded in Q3. The moderation in EBITDA was due to a reduced realization following the unusually high realization in the base period. After sharp volatility in the preceding quarters the demand-supply situation is stabilizing, and the Company anticipates steady price trends going ahead.

Update on Projects

Investment in Deepak Chem Tech Limited

- As of end Q3 FY23, DNL has invested ₹315 crore in wholly owned subsidiary Deepak Chem Tech Limited
- In the month of Jan 2023, DNL invested a further ₹80 crore in Deepak Chem Tech Limited, taking the total investment to ₹395 crore

Update on projects implementation

- Installation of capacity for Spent SAC will be commissioned in Q4 of the current financial year. This will be for captive consumption and lead to assured supply as well as reduced procurement from the open market
- Acetone Derivatives (MIBK & MIBC): Engineering and design work of the greenfield facility is underway and its commissioning will be as planned
- Backward integration projects are on track and are expected to be commissioned in early in H2 of FY 2024

Details of ongoing capex program of Rs 1,500 Cr

- **Completed or near completion:**
 - Agro-chem expansion and Spent Sulfuric Acid Concentration (SAC) Plant.
 - Debottlenecking of Phenol and expected commissioning in Q4 of FY23
- **Under implementation:**

- Products for backward integration in fluorination space & acid plant. Expected commissioning in H2 FY24.
- Downstream products of acetone: MIBK, MIBC. Expected commissioning in Q4 of FY24.
- Other capex, including infrastructure for present and future requirements

New Projects approved (Rs 1,000 cr approx.)

- Project for Polymer compounding
- Additional hydrogenation and multipurpose distillation capacity
- Sodium Nitrite project in Oman

Outlook

- DNL will benefit significantly from the enormous opportunities that are emerging in the sector as a result of the 'Make in India for the World' initiative, as well as the strong recurrence of the China+1 strategy
- The Company has projects worth ₹ 15 billion lined up across major product lines, that is a testament to its focus on long-term, continuous shareholder value generation as well as development and profitability
- DNL continues to maintain its position as a top partner for major Indian and international conglomerates by utilizing its strong manufacturing infrastructure and extensive chemistry knowledge
- The Company is well poised to drive incremental gains across both the segments on the back of scheduled commissioning of key projects in this and next financial year. These projects encompass:
 - Brownfield expansion of select products
 - Strengthening backward integration capabilities of key inputs which will also enhance margins
 - Value-added downstream derivatives of Phenol and Acetone including solvents
 - Adding new chemistry platforms of photo chlorination and fluorination
 - Setting up of a compounding asset to participate in India's large & niche requirements in 5G, electronics, EVs and medical devices.
 - New Products using highly efficient chemistries that will cater to various end-user industries

-ENDS-



About Deepak Nitrite Limited

Deepak Nitrite Limited (NSE: DEEPAKNTR, BSE: 506401) India's fastest growing Chemical Intermediates company, has a 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 six locations, which are all accredited by Responsible Care. Focusing on a Triple Bottomline principle of People, Planet, Profit, Deepak Nitrite Ltd. deploys globally benchmarked standards & systems, we are now accredited 'Silver Rating' by EcoVadis in 2022, for sustainability initiatives.

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