

Q1 FY2024 – PRESS RELEASE

DNL began FY24 with a promising performance amidst macro-economic challenges

Editor's Synopsis:

Q1 FY2024 (Consolidated):

- Revenue stood at Rs. 1,800 crore & EBITDA of 13.4%
- The Phenol plant achieved an impressive average capacity utilization of approximately 135% during the quarter and this is expected to go up further post debottlenecking
- The Company is building a world-class R&D centre near Vadodara to solidify its capabilities and expertise across complex chemistries, while accelerating the growth momentum.
- Deepak Chem Tech Limited signed Rs. 5,000 crore MoU with Government of Gujarat

Mumbai | Vadodara, August 04, 2023: Deepak Nitrite Limited ('DNL'), one of the fastest growing and trusted chemical intermediates companies in India, announces its financial results for the quarter ended June 30, 2023.

Tribute to Shri C. K. Mehta, Founder & Chairman Emeritus

- Shri C. K. Mehta envisioned in 1970 - more than 50 years ago, a dream to 'Make in India' - to set up a chemical plant based on indigenous technology at Vadodara, which led to incorporation of Deepak Nitrite Limited
- He is credited with leading an able Board and laying the foundation of a strong professionally driven organization on principles of deep-rooted values and commitment to excellence and Responsible Chemistry
- He has been instrumental in initiating many CSR initiatives and in establishing Deepak Foundation that has in the last 40 years, since its inception, touched the lives of over 2 million people across the nation
- Shri C K Mehta's mantra of 'Nation Building by serving the society' lives on as he continues to shine and guide all of us at the Deepak Group as we remember his illustrious life filled with inspirational moments

Performance Takeaways

The Indian chemical industry has been impacted in Q1 FY24 due to China opening up, global destocking of inventory and the Euro zone slowdown. This has led to subdued realizations and impacted volume offtake by customers. To safeguard profitability and market share, the Company adopted several strategies like exploring new customer opportunities, optimizing procurement, driving for valorization opportunities.

In this backdrop, the Company has delivered a commendable performance. For several established products, DNL reported highest-ever production in May 2023 of select products thereby demonstrating solid business resilience, process efficiency and byproduct valorization. Notably, the Company was able to export its key pharma and agro intermediates to China during the last 2 quarters.

The Phenol plant operated at an impressive average capacity utilization of around 135% during the quarter, however it also went into annual maintenance. The Company proactively de-risked its business model by securing assured input supplies, captive power and driving value creation from waste. Moreover, the contracted product supply in all the segments will ensure a clear pathway for sustained growth going ahead.

CMD's Message

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

"We entered FY24 on a challenging note while navigating through several global macro-economic pressures and a slower-than-anticipated increase in consumption, leading to modest performance. The chemical industry faced difficulties due to China's opening up and destocking of inventory across the globe. Nevertheless, we remain committed to strengthening our market position and enhancing product portfolio.

In a key milestone, our wholly owned subsidiary, Deepak Chem Tech Limited (DCTL), inked a groundbreaking Rs. 5,000 crore MoU with the Government of Gujarat. This collaboration aims to produce Specialty Chemicals, Phenol, Acetone, and Bisphenol within the state, with the aim to commence the first phase in 2024-2025 and complete the projects by 2026-2027. This is a testament of our focus on import substitution through value-addition.

We are strategically positioned to take advantage of increasing demand and benefit from the country's trend of import substitutions. Exciting projects, such as solvents like MIBK and MIBC among others, approved by the Board, will enable us to capitalize on this trend.

Our noteworthy investment plans reflect our enthusiasm to seize opportunities both in India and worldwide. We are continually diversifying our product offerings by introducing innovative intermediates, expanding our client base and enhancing overall value propositions. With a strong financial position, valuable client relationships, and well-considered growth investments, we are poised to elevate our business proposition."

Key Developments

DCTL signed Rs. 5,000 crore MoU with Government of Gujarat

- Deepak Chem Tech Limited signed Rs. 5,000 crore MoU with Government of Gujarat in the presence of Hon'ble Chief Minister Shri Bhupendra Patel and Hon'ble Minister of Industries, Shri Balvantsinh Rajput
- Early adopter of Make in India, Deepak Group takes another step in realizing the goal of self-reliant India of Hon'ble Prime Minister Shri Narendra Modi
- Specialty Chemicals, Phenol, Acetone and Bisphenol to be manufactured in Gujarat by Deepak Chem Tech Limited (DCTL)
- DCTL to invest around Rs. 5,000 crore across these projects with aim to commence the first phase in 2024-2025 and aims to complete these projects by 2026-2027
- Aims to generate a revenue of approximately 1.5 times the investment
- About 1,500 direct and indirect employment opportunities will be generated

Awards & Accolades

- Shri Deepak C. Mehta – Trustee, Deepak Foundation felicitated with Hurun Edelgive Philanthropy Award 2023 for excellence in Corporate Philanthropy, received by Shri Maulik Mehta & Shri Meghav Mehta
- Shri Sanjay Upadhyay, Director Finance and Group CFO Wins 'The Best CFO Award' at the 7th CMA Awards 2022 in New Delhi
- The Company was awarded Certificate of Excellence and Trophy by Paryavaran Today NGO, Ahmedabad. The award was given to Deepak Nitrite Limited's efforts in recycling hazardous waste

Performance overview & other highlights

- The Company achieved the highest-ever SNI production in May 2023
- The Phenol plant clocked highest-ever daily production but also had annual shutdown
- Enhanced wallet shares in several products
- Commenced exporting product to China for pharmaceutical applications
- In order to secure stable and consistent supply of key raw material, the Company has decided on further diversifying sources which will more than cover up short term pain of de-risking
- In Q1 FY24, DNL witnessed significant exchange rate volatility (USD/ INR), ranging from a peak of 82.85 to a low of 81.61
 - To manage the forex volatility risk, the Company employed dynamic hedging strategies, which led to a gain of ₹0.24 Cr in Q1 FY 24. Consequently, the total treasury gain amounted to ₹8.84 Cr
- DPL's Net Debt / Equity ratio stood at 0.03x as compared to last year's 0.13x

- On a consolidated basis, the Company remains debt-free and boasts a substantial net worth of ₹4,240 Cr and ₹2,711 Cr on standalone basis

Financial Highlights (Consolidated)

Q1 FY2024 Vs. Q1 FY2023 (Y-o-Y)

- Revenues declined by 13% to Rs. 1,800 crore in Q1 FY24. Topline performance was impacted due to industry-wide challenges linked to inventory destocking and persistent slowdown in EU and other markets. DNL continues to foster development and actively explore new ventures – new customers and new markets were added during the quarter. Wallet share is maintained or increased in all cases
- EBITDA stood at Rs. 242 crore in Q1 FY24. EBITDA moderated temporarily due to trends in global industry landscape. Aggressive opening up of China led to dumping of products leading to sharp drops in sales realization. However, the impact seems transient. Despite these pressures, margins in Advanced Intermediates remained at 19%

Performance Highlights

Segmental Performance – Q1 FY2024 Vs. Q1 FY2023 (Y-o-Y)

- **Advanced Intermediates:** Revenue stood at Rs. 719 crore in Q1 FY24 Vs. Rs. 739 crore in Q1 of last year. Amidst the on-going global challenges around inflation coupled with destocking and slowdown in Eurozone, the Company demonstrated immense agility and reported steady revenue by fulfilling its delivery obligations and growing wallet share in all business. During the quarter under review, the Company undertook a successful pilot of a new agro intermediate product for a long-term commitment. Over the next 2 years, the product basket and competency toolkit will see a raft of expansions along with significant deepening of strategic partnerships
- **Deepak Phenolics:** Revenue and EBITDA decline was in-line with contraction of Phenol spreads during the quarter on a Y-o-Y basis due to disproportionate imports from China. The Company recorded an EBITDA margin of 10% in Q1 FY24. During the quarter, the Phenol plant achieved an impressive average capacity utilization of approximately 135% and this is expected to go up further post debottlenecking. The phenolics segment is on course to substantially improve its downstream product offerings through phase-wise implementation of projects such as MIBC and MIBK, which are solvents, leading to higher captive utilization of acetone and resultant value addition. Annual shutdown coincided with advanced process control commissioning

Update on Projects

Project Status

- Approved projects are being executed and within contemplated timelines
- Key hirings across several functions including Project Management, Procurement, Operations and support has been concluded for phase 1 projects
- Construction work at Photohalogenation + Halex plant is ongoing as per planning and is expected to be commissioned in H2 of current FY; Acid plant project also remains on track to commence commercial production in FY24

- Once commissioned, both the above plants will help secure internal supply of critical raw materials and thereby elevate the profitability levels at full utilization
- Other projects like brown field projects of increasing existing process and product lines are under implementation too, they are expected to be commissioned by the end of current financial year
- Acetone-derivatives project of MIBK and MIBC has seen significant progress on-ground including engineering works and ordering of equipment. The plant is expected to be commissioned on schedule in H1 FY25 and aims for downstream value-added products using captively sourced acetone
- Sodium Nitrite Project in Oman is on track and progressing well, as planned

The Company is building a world-class R&D centre near Vadodara to solidify its capabilities and expertise across complex chemistries, while accelerating the growth momentum.

Project Status (DPL)

- Initiatives around debottlenecking of Phenol facility has commenced and the same is expected to increase the production by close to 10% over FY23 levels, thereby giving DPL more headroom for incremental growth in phenol

Outlook

- DNL stands to reap the benefits of the 'Make in India for the World' initiative and the resurgence of the China+1 strategy, with a plethora of opportunities emerging in the sector
- With projects close to ₹25 billion under execution across its key product lines, DNL is clearly committed to sustained growth and value addition
- Leveraging its robust manufacturing infrastructure and extensive expertise in chemistry, DNL has emerged as a key partner for major Indian and international conglomerates
- DNL is well-positioned to achieve incremental gains in both its segments on the back of planned commissioning of key projects slated for the coming year. These projects encompass:
 - Expanding capacity of select products through brownfield projects
 - Improving backward integration capabilities for key inputs to boost margins and provide assured supply
 - Developing value-added downstream derivatives such as solvents from Phenol and Acetone
 - Establishing new chemistry platforms for photo chlorination and fluorination
 - Investing in a compounding asset to meet the diverse requirements of India's 5G, electronics, EVs and medical devices industries
 - Creating new products that leverage world beating efficiencies to serve a range of end-user industries
 - Significant importance to sustainability by investing in multi-fuel boilers, low energy ETP, waste recycling and byproduct valorization

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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