

Q4 & FY2022 – PRESS RELEASE

Deepak Nitrite Ltd. Crosses Rs. 6,800 crore in Revenue in FY22; Topline Rises 56% Y-o-Y

Editor's Synopsis:

FY2022 (Consolidated):

- Revenues at Rs. 6,845 crore, up by 56% Y-o-Y
- EBITDA at Rs. 1,646 crore, higher by 30% Y-o-Y
- PAT, at Rs. 1,067 crore, rises 37% on a Y-o-Y basis
- Board of Directors approve final dividend of Rs. 7 per share (350%)
- Debt free on basis of net debt, with strong net worth of Rs. 3,338 crore
- Projects approved aggregating to Rs. 1,500 crore; phase-wise commissioning from Q1 FY23
- Credit rating agency ICRA has upgraded DNL's rating outlook to AA (Positive) from AA (Stable); DPL's credit rating has been enhanced to AA (Positive) from AA- (Stable)

Mumbai | Vadodara, May 5, 2022: Deepak Nitrite Limited ('DNL'), India's fastest growing Chemical Intermediates company, reported the highest ever Revenue, EBITDA and PAT in the Company's history, despite a challenging operating environment, for the fourth quarter and full year ended 31st March, 2022.

FY2022 Revenue (YoY) rose by 56 per cent, to Rs. 6,845 crore, PAT (YoY) increased by Rs. 1,067 crore, up by 37 per cent, meanwhile EBITDA (YoY) surpassed Rs.1,645 crore, up by 30 per cent.

The quarter was marked by rising prices of key raw materials and other utilities, constraints in logistics and material movement as well as increased uncertainty in global trade as a result of the Russia-Ukraine conflict.

The Board of Directors has declared a Final Dividend of Rs. 7 per equity share (350%) of Rs. 2 each for FY2021-22 towards rewarding the shareholders.

Deepak Nitrite's financial performance demonstrates the strength of its efficient manufacturing model with adequate backward integration and depth of multi-year relationships with key customers.

On a consolidated basis, DNL stood debt free on basis of net debt with strong net worth of Rs. 3,338 crore, enabling ample scope to leverage the strong balance sheet for future expansion.

Credit rating agency ICRA has upgraded DNL's rating outlook from AA (stable) to AA (positive) and DPL's credit rating has been enhanced from AA- (stable) to AA (Positive) within a span of less than a year.

Financial Highlights (Consolidated)

FY2022 Vs. FY2021 (y-o-y)

- Revenues were up by 56% to Rs. 6,845 crore in FY22. Combination of high utilisation and focused pricing have enabled DNL to report its highest ever annual turnover. Amidst a challenging year marked by multiple waves of COVID-19 and significant cost escalations, DNL delivered resilient performance with firm supply commitments to its customers, reconfirming 'Depend on Deepak'. FY22 performance reflects the choices of products identified for capacity expansion
- EBITDA stood at Rs. 1,646 crore in FY22, up by 30%. The Company has faced unprecedented pressure on input prices and other overheads during the year. This has been partially mitigated by a combination of price increase, volume gains, process modification and cost rationalisation initiatives across the organization. Due to these actions, the Company's margin performance has been resilient as it reported an EBITDA margin of 24% for the year
- PAT grew by 37% to Rs. 1,067 crore in FY22. In addition to strong operational performance, PAT was driven by significantly lower finance costs during FY22. All functions contributed to the achievement of new benchmark in profitability

Q4 FY2022 vs. Q4 FY2021 (y-o-y)

- Revenues were up by 28% at Rs. 1,876 crore in Q4 FY22. Strong performance by all segments as the Company reported highest ever quarterly turnover in its 50-year history. Volume growth for several products during the quarter enabled the Company to deliver traction in revenues. Formula based pricing, increase in wallet share with large customers and addition of newer customers and geographies have supported the revenue momentum
- EBITDA was at Rs. 414 crore in Q4 FY22. Better realisations combined with higher plant efficiency and operating leverage drove EBITDA margins to 22% during the quarter. This is despite the impact of severe ongoing logistics challenges, skyrocketing coal and RLNG prices which impacted cost of utilities and lifetime high input prices for several key raw materials
- PAT was at Rs. 267 crore in Q4 FY22. PAT performance was in-line with operational performance during the quarter, further aided by significantly lower finance costs. Pass through of higher input prices and better planning resulted in production of high-demand products, thereby leading to enhanced profitability on Q-o-Q basis

CMD's Message

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

"Our FY22 performance encapsulates the heightened resilience and agility in our Business Model as we have scaled new benchmarks in revenues and profitability during the year. This was achieved in the backdrop of sharp inflation in operating costs, higher input prices and disrupted supply chains. Both Revenues and PAT demonstrated significant growth in FY22 on a consolidated basis. The Company sustains a high degree of efficiency and continues to make progress on several growth initiatives. We will continue to be nimble to the changing needs and preferences of our customers and deliver specialized solutions. While

doing so, we will prudently deploy capital to elevate our market position in the chosen chemistries. Our foray into advanced solvents will diversify our product portfolio, broaden our customer base, and raise the amount of sophisticated, high-margin products in the portfolio, thereby enhancing our business proposition.”

Performance Highlights

Segmental Performance – FY2022 Vs. FY2021 (y-o-y)

- **Basic Intermediates:** BI segment reported revenues of Rs. 1,261 crore in FY22, higher by 66%. The Company undertook de-bottlenecking and capacity augmentation in key products in the BI segment, which has enabled it to increase volumes towards the second half of the year. This was further aided by realisation gains for key products in this segment. There was a sharp rise in input prices during the year and the Company was able to pass on most of the same to customers with some time lag, resulting in sustained EBITDA performance
- **Fine & Specialty Chemicals:** In the FSC segment, revenues stood at Rs. 846 crore in FY22, a growth of 10%. Prices of Finished Products were abnormally higher during the prior year which have normalised during FY22. Owing to nature of the business, the Company has annualized contract for few niche agrochemicals wherein price negotiation is possible in case of any abnormalities. However, there is some lag in cost pass through. Effect of this is expected to be visible in the ensuing quarters. Cost of major raw materials have increased during the current reporting period resulting in normalisation of EBITDA performance. As a strategy reset, going forward the Company will gain from new multi-year contracts with leading customers, with cost pass-through mechanisms in place
- **Performance Products:** In the PP segment, revenues grew by 74% to Rs. 529 crore in FY22. Demand trends for key products have significantly improved during the year, resulting in sharp rise in volume accompanied by improved sales realization. Combination of above factors has contributed to rise in turnover accompanied by accretion in the EBITDA margin; however, prices are expected to be normalized in ensuing quarter resulting into normalized margin

Deepak Phenolics: In the Phenolics business, revenues grew by 68% to Rs. 4,291 crore in FY22. All key products in the segment, viz. Phenol, Acetone and IPA experienced attractive realisation rates though FY22. Commendable EBITDA performance was achieved despite sharp increase in key raw materials such as Propylene and Benzene combined with skyrocketing prices of coal. The Company managed to operate the plant at an elevated utilisation level of about 118% during the year.

Key Developments

- DNL received redemption proceeds of Rs. 230 crore during the quarter from its OCPS with DPL. Aggregate proceeds received during FY22 stand at Rs. 280 crore which redeem the OCPS fully
- DNL has achieved RoCE of over 30% (standalone) for over 10 consecutive quarters
- The Company has obtained all permissions from BoD and Shareholders for issue of equity shares through QIP and is evaluating the market conditions for appropriate time to launch the issue

Update on Projects

- DPL has commissioned its captive power plant during the quarter. This is expected to lead to production efficiencies due to assured and consistent power supply

- Projects approved by the Board aggregating to Rs. 1,500 crore are being implemented as per plan and commissioning to happen in a phase-wise manner from Q1 FY23

Outlook

- The Company's project commitments are driven by getting value added products of Phenol & Acetone, adding new chemistry platforms, investing into upstream integration projects to improve margins
- A well-capitalized balance sheet & past track record of executing large projects will allow the Company to pursue growth in line with its business strategy
- DNL remains poised to accomplish its 'Make in India for the World' goal, bolstered by strong end-user demand, expanding Indian economy and China+1 strategy
- Over the next two years, the Company will invest about Rs. 15 billion in new upstream/ downstream products besides debottlenecking projects in existing product line
- **Depend on Deepak:** We commit to being a company that leverages deep chemistry expertise to become partner of choice by supplying complex chemicals manufactured using safe and sustainable means

-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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