

Q1 FY2022 – INVESTOR COMMUNICATION

Deepak Nitrite delivers a resilient performance amidst the severe second wave

For Q1 FY22 (consolidated):

*Revenues at Rs. 1,534 crore, up by 125% Y-o-Y
EBITDA at Rs. 460 crore, higher by 144% Y-o-Y
PAT, at Rs. 303 crore, rises 206% on a Y-o-Y basis*

Vadodara, July 30, 2021: Deepak Nitrite Limited (‘DNL’), one of India’s leading chemical intermediates company, has announced its financial results on July 29th, 2021 for the quarter ended 30th June, 2021.

Deepak Nitrite has delivered a strong performance in a challenging quarter. In addition to the disruption caused by the second wave in India in April and May 2021, the operating environment was marked by rising input and energy costs, continued volatility in foreign exchange rates, constraints to in-bound and out-bound logistics as well as higher logistics and utility costs. The Company has leveraged its manufacturing excellence, world-scale integrated facilities and agile operations to deliver a consistent performance. This has been accompanied by further strengthening of its financial position and announcement of investments aligned to its growth strategy.

Despite the restrictions, it ensured that all locations operated with the highest attention to man, material and process safety. Further, the Company has taken the responsibility of vaccinating all eligible employees and their spouses.

| <i>Rs. in crore</i> | <i>Consolidated</i> | | |
|---------------------|---------------------|----------------|----------|
| <i>Particulars</i> | <i>Q1 FY22</i> | <i>Q1 FY21</i> | <i>%</i> |
| Revenue | 1,534 | 681 | 125% |
| EBITDA | 460 | 188 | 144% |
| EBITDA (%) | 30% | 28% | |
| PBT | 405 | 133 | 206% |
| PAT | 303 | 99 | 206% |
| EPS (Rs. Per share) | 22.19 | 7.25 | 206% |

- The BC Segment has performed well taking advantage of positive landscape for its products.
- FSC segment revenue performance has been impacted by challenges in export logistics as well as the bull run in rising commodity input prices. Demand for products, however, remain brisk.
- The revenue performance has been driven by Deepak Phenolics Limited (‘DPL’) which operated its plant at high utilization levels enabling it to capitalise on favourable demand and attractive pricing for its products.
- Despite cost pressures and logistical challenges, the margin performance has been commendable with the Company reporting EBITDA margin of 30% during the quarter.

- Lower interest cost and efficient management of surplus funds has enabled PBT and PAT growth to surpass revenue growth.
- The standalone revenues include maiden dividend of Rs. 39.2 crore received by parent company from wholly owned subsidiary DPL.

Financial Highlights (Consolidated)

Q1 FY2022 vs. Q1 FY2021 (y-o-y)

- Revenues improved by 125% to Rs. 1,534 crore in Q1 FY22, owing to recovery in standalone operations especially BC and FSC segments supported by sharply improved performance of DPL. DNL & DPL have actively catered to both domestic and export markets to drive higher volumes and capitalized on favourable realization even when some of the end-user industries are yet to return to pre-COVID levels of activity. Commodity price inflation, resulting in higher input prices, has adversely impacted the FSC and PP segment but had favorable effect in BC segment and in DPL. Growth rates to be viewed in backdrop of lower base of last year due to nationwide lockdown and related restrictions.
- EBITDA was at Rs. 460 crore in Q1 FY22 higher by 144% on a Y-o-Y basis. The EBITDA margin improved by ~200 basis points to 30%. Operating leverage from recovery in revenues combined with benefits from higher realization and cost management initiatives have aided the EBITDA performance
- PAT was at Rs. 303 crore in Q1 FY22, higher by 206%. Improved performance across segments including wholly-owned subsidiary DPL has enabled the Company to report an increase in PAT even as the economy is yet to emerge from impact of the pandemic.
- EPS for Q1 FY22 was Rs. 22.19 per share (of face value of Rs. 2 each) as compared to Rs. 7.25 per share in Q1 FY21.

Q1 FY2022 Vs. Q4 FY2021 (q-o-q)

- Revenues were higher by 4% at Rs. 1,534 crore in Q1 FY22 compared to Rs. 1,469 crore in Q4 FY21. The Company navigated through several challenges during the quarter in the form of severe second wave and disruption in export-import logistics. Within this backdrop, Deepak Nitrite has delivered a resilient performance. With focus on higher productivity the Company was able to maintain higher throughput inspite of disruptions as above.
- EBITDA was Rs. 460 crore in Q1 FY22 compared to Rs. 461 crore in Q4 FY21. EBITDA margin was maintained at 30% despite pressures mentioned above.
- PBT was higher by 4% to Rs. 405 crore compared to the previous quarter.
- PAT was Rs. 303 crore in Q1 FY22 compared to Rs. 290 crore in Q4 FY21, higher by 4%.
- EPS for Q1 FY22 was Rs. 22.19 per share (of face value of Rs. 2 each) as compared to Rs. 21.27 per share in Q4 FY21

CMD's Message

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

“In the face of a severe second wave, our teams have once again responded admirably, enabling us to sustain the momentum of performance from the latter half of FY21 into the first quarter. Our de-risked business model encompassing investment in the entire

value-chain of building blocks to specialty chemicals has helped continue to improve the resilience in the short run, while opening out newer opportunities in the long run.

During the last two quarters, while the price push in commodities have increased the pressure on margin of FSC and PP businesses, the Company was able to recover much more through margins in the bulk chemical business including Phenol & Acetone. Last year the situation was reversed and yet the Company achieved a healthy EBITDA percentage. The pandemic COVID-19, besides affecting people at large, is also causing major disruption in supply chains world over. There are times when demands dip and there are times when demands jump significantly also causing violent fluctuations in prices as well as availability. Deepak's venturing into the value chain as well as nimble footedness to shift to changing market continues to give resilience and support to its sustainable performance.

New investments have been made to make more complex downstream using Fluorination etc., through 300 crore investments at new site in Deepak Nitrite. At Deepak Phenolics, while the company is in advance stage of doubling the IPA plant and strengthening its utility capability, it is looking forward to investing another 700 crore to add new solvents, which are downstream of Phenol & Acetone. These solvents which are required for Life Science Industry, such as Pharma & Agrochemicals, would also support growing demands in coating segment. Deepak will continue to focus on expanding its basket of solvents.”

Performance Highlights

Segmental Performance – Q1 FY22 Vs. Q1 FY21 (Y-o-Y)

- Basic Chemicals:** The BC segment reported revenues of Rs. 249 crore in Q1 FY22 as against Rs. 153 crore in Q1 FY21, higher by 63%. Performance during the quarter has been achieved despite short term impact witnessed in the MSME sector due to resurgent second wave and challenges around logistics. The Company has capitalized on pricing opportunities to maintain performance even as some end-user industries continue to be impacted by pandemic-led drop in activity.
- Fine & Specialty Chemicals:** The FSC segment revenues grew by 48% to Rs. 207 crore in Q1 FY22 compared to Rs. 140 crore in Q1 FY21. Disruption to export-import bound logistics has impacted volumes this quarter. Further, profitability has been impacted by rising commodity prices.
- Performance Products:** Revenues The PP segment revenues came in at Rs. 93 crore in Q1 FY22 vs. Rs. 61 crore in Q1 FY21, up 54%. While key end-user industries are yet to recover to pre-COVID levels, there has been an improvement in volumes in the PP segment. With DASDA prices also inching back to normalcy, the PP segment has delivered an improved performance this quarter.

Deepak Phenolics: Revenues grew by 202% to Rs. 999 crore in Q1 FY22 compared to Rs. 331 crore in Q1 FY21. The plant continues to be operated at high utilization with the quarterly average utilization at 110% despite constrained movement of manpower and materials during the peak of the second wave. This has allowed the Company to capitalize on favourable demand trends and attractive pricing for both Phenol and Acetone. While EBITDA soared by 263% Y-o-Y from Rs. 86Cr in Q1 FY21 to Rs. 313Cr in Q1 FY22, the EBITDA margin stood at 31% in Q1 FY22 as compared to 26% in Q1 FY21.

Key Developments

- Deepak Nitrite Limited has been felicitated by Dun & Bradstreet as a winner under the Best Growth Performance – Chemicals

- Fortune India has ranked Deepak Nitrite at No. 2 in the list of India's Top 100 Wealth Creators.
- Land development in Dahej-2 is nearing completion on a 55-acre site, out of a total of 127 acres
- The Company added plans to invest 700 crores in downstream of Phenol & Acetone to make new import substitute solvents. Earlier on it had already announced investments to add new chemistries like fluorination to expanding speciality product lines with an investment of over 300 crores.

Outlook

The Company will focus on:

- Enhancing capabilities and expertise on the R&D front, to commercialize new products
- Develop downstream products for its Pharma & Agro Intermediates, to widen its value-added offerings
- Increase footprint in life sciences for domestic as well as global clientele

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 | Q1 FY22 | Q1 FY21 | % | Q4 FY21 | % |
|--------------------------------------|------------|------------|------------|------------|-----------|
| Basic Chemicals | 249 | 153 | 63% | 245 | 2% |
| Fine & Speciality Chemicals | 207 | 140 | 48% | 206 | 0% |
| Performance Products | 93 | 61 | 54% | 87 | 8% |
| Total | 549 | 353 | 55% | 538 | 2% |
| Inter Segment | 22 | 3 | 678% | 12 | 80% |
| Total Revenue from Operations | 527 | 350 | 50% | 526 | 0% |

Note: 1. Other Income not included in the above
 2. Performance in Q1FY22 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 | Q1 FY22 | Q1 FY21 | % | Q4 FY21 | % |
|----------------|---------|---------|------|---------|------|
| Employee Costs | 51 | 50 | 1% | 42 | 20% |
| Interest | 0.32 | 3 | -84% | 0.23 | 39% |
| Depreciation | 18 | 14 | 23% | 21 | -17% |

Profitability Analysis

| Particulars | Q1 FY22 | Q1 FY21 | % | Q4 FY21 | % |
|-------------|---------|---------|------|---------|-----|
| PBT | 168 | 85 | 97% | 137 | 22% |
| PAT | 135 | 64 | 112% | 101 | 33% |
| EPS (Rs.) | 9.89 | 4.66 | 112% | 7.41 | 33% |

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th June, 2021

| Particulars | Q1 FY22 | Q1 FY21 |
|--|--------------|--------------|
| Rupee Term Loan | 0 | 8 |
| Other Loan Funds (Includes CC) | 0 | 58 |
| Total Loan Funds | 0 | 65 |
| Less: Cash and Bank Balances & Investments | 270 | 3 |
| Net Debt | 0 | 62 |
| Total Equity | 1,979 | 1,555 |
| Debt/Equity Ratio | 0.00 | 0.04 |

| Particulars | Q1 FY22 | Q1 FY21 |
|--|---------|---------|
| Capital Employed from Operations | 1,208 | 1,104 |
| Less : Capital Work in Progress | 79 | 99 |
| Net Capital Employed from Operations (excl. DPL) | 1,129 | 1,005 |

Details to the Consolidated Results (Rs. Crore)

Revenues

| Particulars | Q1 FY22 | Q1 FY21 | % | Q4 FY21 | % |
|--------------------------------------|--------------|------------|-------------|--------------|-----------|
| Basic Chemicals | 249 | 147 | 70% | 245 | 2% |
| Fine & Speciality Chemicals | 207 | 140 | 48% | 206 | 0% |
| Performance Products | 93 | 60 | 55% | 87 | 8% |
| Phenolics | 999 | 331 | 202% | 938 | 7% |
| Total | 1,548 | 677 | 129% | 1,475 | 5% |
| Inter Segment | 22 | 3 | 678% | 12 | 80% |
| Total Revenue from Operations | 1,526 | 674 | 126% | 1,463 | 4% |

Note: 1. Other Income not included in the above

2. Performance in Q1FY22 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 | Q1 FY22 | Q1 FY21 | % | Q4 FY21 | % |
|----------------|---------|---------|------|---------|------|
| Employee Costs | 69 | 62 | 12% | 58 | 19% |
| Interest | 11 | 25 | -56% | 14 | -23% |
| Depreciation | 44 | 31 | 40% | 56 | -23% |

Profitability Analysis

| Particulars | Q1 FY22 | Q1 FY21 | % | Q4 FY21 | % |
|-------------|---------|---------|------|---------|----|
| PBT | 405 | 133 | 206% | 390 | 4% |
| PAT | 303 | 99 | 206% | 290 | 4% |
| EPS (Rs.) | 22.19 | 7.25 | 206% | 21.27 | 4% |

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th June, 2021 (Consolidated)

| <i>Particulars</i> | <i>Q1FY22</i> | <i>Q1FY21</i> |
|--|---------------|---------------|
| Rupee Term Loan | 487 | 814 |
| Working Capital Borrowings (Including CC) | 14 | 60 |
| Total Loan Funds | 501 | 874 |
| Less: Cash and Bank Balances & Investments | 326 | 151 |
| Net Debt | 175 | 722 |
| Total Equity | 2,649 | 1,671 |
| Debt/Equity Ratio | 0.07 | 0.43 |