Deepak Nitrite announces 9MFY14 Results
Revenues up 29% at Rs. 913 crore

Mumbai, February 7, 2014: Deepak Nitrite Ltd. (DNL), a leading manufacturer of Organic, Inorganic, Fine & Specialty chemicals and preferred business partner of global chemical companies, has announced its financial results for the quarter and nine months ended December 31, 2013.

Financial Highlights

9M FY14

- Revenues for first nine months of FY14 of Rs. 913 crore were higher by 29% compared to revenues of Rs. 709 crore in 9MFY13. Of this, revenues from Exports expanded by 13% while revenues from the domestic market expanded 42%. Revenues are not strictly comparable due to the revenues from the FWA business which has commenced in the current fiscal. Excluding the contribution from FWA, revenues were higher by 24%.

- EBITDA for 9MFY14 of Rs. 75 crore is higher by 44% compared to EBITDA of Rs. 52 crore in 9MFY13. Rupee depreciation and changed product mix have led to an increase in the EBITDA margin from 7.3% in 9MFY13 to 8.2% in 9MFY14. This is despite the absorption of the post commissioning expenses of the Dahej facility.

- PBT for 9MFY14 of Rs. 33 crore is higher by 8% compared to PBT of Rs. 31 crore (excluding exceptional item of Rs. 8.6 crore) in 9MFY13.

- PAT for 9MFY14 of Rs. 22.5 crore was flat compared to Rs. 22.6 crore (excluding exceptional item of Rs. 5.8 crore, net of tax) in 9MFY13. The figures are not strictly comparable as post commissioning expenses as well as interest and depreciation on newly-commissioned facilities has been incurred upfront while contribution will follow in subsequent quarters as utilisation increases. Excluding the impact of these costs, PAT was higher by 74%.

- EPS for the first nine months at Rs. 21.47

* The terms Fluorescent Whitening Agents (FWA) and Optical Brightening Agents (OBA) are interchangeably used for the same product.

Q3 FY14

- Revenues grew 34% from Rs. 252 crore in Q3FY13 to Rs. 338 crore in Q3FY14. Of this, revenues from FWA were Rs. 22 crore, excluding which, the like-for-like revenue growth is 26%.

- The FWA business has contributed Rs. 37 crore in revenues in 9MFY14 of which Rs. 22 crore in revenues has come in Q3FY14. At full capacity utilisation, which is expected in 3 years, this facility can contribute Rs. 125 crore in quarterly revenues.

- EBITDA for Q3FY14 of Rs. 31 crore is higher by 74% compared to EBITDA of Rs. 18 crore in Q3FY13. The impact of Dahej facility which is currently operating at sub-optimal utilisation is only temporary and the established business has delivered improved operating performance. EBITDA contribution from the established products has delivered sustained growth during the quarter.

- PAT for Q3FY14 of Rs. 11.4 crore is higher by 24% when compared to Rs. 9.1 crore in Q3FY13. Excluding the impact of the Dahej facility, PAT of Rs. 17.31 crore was higher by 90%

- EPS for the quarter stands at Rs. 10.85

MD's message

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

"Deepak Nitrite continued to demonstrate excellent financial performance delivering Revenues of Rs. 913 crore during the first nine months of this fiscal. We continued to see reasons to be optimistic about our growth prospects and have been successful in achieving this owing to higher demand from domestic markets. Our exports have also been growing at a healthy rate and have expanded 13% during the period.

We continue to review and improve the initiatives that have led to significant debottlenecking of our existing capacities in the first nine months. This has led to significant reduction in cost and has optimized performance of some key specialty chemicals. Our established business continued to grow and outperform, which has resulted in improved profitability. The FWA business has contributed revenues of Rs. 37 crore during the period.

Going forward, we expect to ramp up the FWA business to optimum utilizations levels over the next 3 years at which time it will meaningfully contribute to both revenues and profitability. We are currently working towards establishing long-term supply arrangements for customers.

Stressing on the strategies that we spoke last quarter, we have created SBUs around synergistic product lines which will function independently. A further key element of our strategy is the reshaping of our leadership team to enable us to pursue growth aggressively. These changes we have made have been well received and we are confident that we will generate competitive returns for our shareholders, over the medium to long term."

Operating Highlights

DNL has witnessed healthy y-on-y growth across all segments with revenues for 9MFY14 in the Organic Chemicals, Inorganic chemicals and Fine & Speciality segments growing 29%, 23% and 18% respectively.

- Strong demand in domestic markets has led to an increase in domestic revenues by 42% on a y-on-y basis.
- Of the total sales in 9MFY14, revenues from exports were at Rs. 353 crore and contributed 39% of sales during the period. DNL reported growth in export revenues despite stable volumes due to change in product mix in favour of high value products as well as rupee depreciation leading to improvement in overall realisations.
- Based on end user applications, the strongest growth in volumes has come from products catering to the industries of Fuel, Colours and Agrochemicals.
- Raw material prices have been stable during the quarter but have moderated on a y-on-y basis. In select products which have seen marginal increase in raw materials costs, the Company has mitigated it through increased raw material efficiencies.
- Revenues from the Dahej facility were Rs. 37 crore during 9MFY14 of which Rs. 22 crore was achieved in Q3FY14 itself. Revenue traction is picking up following customer approvals and receipt of initial stage orders. The Dahej plant is already operating at a positive contribution covering variable costs and is progressing well.
- DNL regularly hedges its foreign currency exposures. In Q3FY14 the foreign exchange conversion rate for the rupee has remained largely stable resulting in reduced impact from currency volatility.

Other Highlights

- The Company has been permitted to use the Responsible Care Certification for the next three years in its representation to its customers. This certification recognizes global best practices in the chemicals industry and adheres to stringent environmental norms.

Outlook

Established businesses continue to perform strongly with a favourable demand scenario. There is strong growth in the domestic markets with multiple end user industries indicating increasing off take leading to volume growth. Exports have also grown through a mix of higher volumes and improved realisations due to currency volatility.

Availability and supply of raw materials remains stable and the Company is focused on implementing continued debottlenecking initiatives to optimise existing capacity. This momentum in growth is expected to continue.

Status Update on Green field project at Dahej for manufacture of FWA

The Dahej Plant commenced its first stream of commercial production of FWAs on March 15, 2013 making DNL the only fully integrated manufacturer of FWAs in the world. FWAs cater to three major industries, viz. paper, detergents and textiles which enjoy a sizeable market globally. This business enables the Company to forward integrate into customised formulations and allows it to offer performance solutions to large customers across the globe.

The plant is the largest facility in the industry and is strategically located in an integrated chemical complex enabling easy and comprehensive access to inputs and logistical infrastructure. The Dahej plant is currently in the initial stages of operation and production will be scaled up gradually with peak utilisation expected in 3 years from the date of commissioning. Currently, operating trials are underway at customer facilities and initial shipments have been made to a few international customers.

The FWA business reported a positive contribution in Q3FY14 resulting in reduced losses at the EBITDA level during the quarter compared to Q2FY14.

The work at the remaining part of the facility is expected to be commissioned shortly.

Attached: Details to the announcement

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About Deepak Nitrite Limited

Deepak Nitrite Limited [NSE - DEEPAKNITR, BSE - 506401] is a leading manufacturer of Organic, Inorganic, Fine & Speciality chemicals and is the partner of choice for several global chemical majors. Headquartered at Vadodara, Gujarat, DNL is a multi-division and multi-product company with manufacturing facilities at Nandesari & Dahej in Gujarat, Roha and Taloja in Maharashtra, and at Hyderabad in Andhra Pradesh.

The Organic Intermediates segment consists of Nitro Aromatic plants and Multi-Purpose Aromatic Amines Plant based on Catalytic Hydrogenation Technology. The Inorganic Intermediates segment consists of manufacture of Sodium Nitrite and Sodium Nitrate by the ammonia oxidation process, where DNL is the largest on purpose manufacturer. The Fine & Speciality Chemicals segment produces a broad and innovative range of Effect Chemicals meeting customized needs of Speciality Producers.

The new facility in Dahej will manufacture Fluorescent Whitening Agents (FWA). There is good demand for these products across industries like Paper, Detergents, Textiles, Coating Applications in Printing and Photographic Paper. The facility at Dahej enables us to forward integrate to manufacture FWA (Toluene – PNT – DASDA – FWA) and makes DNL only integrated manufacturers of this product in the world.

The end user industries for DNL range from agro-chemicals, dyestuffs, pigments, inks, whiteners, pharmaceuticals to fuel additives, textiles, paper, detergent and solar industry. DNL prioritises R&D activities and invests around 1% of its annual revenues in this area. It has a government approved central R&D facility which has a sophisticated analytical laboratory, state-of-the-art equipment and advanced facilities.

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 Results (All figures in Rs. Crore)

Revenues

Particulars	Q3FY14	Q3FY13	%	9MFY14	9MFY13	%
Inorganic Intermediates	47.22	32.64	45%	119.65	97.66	23%
Organic Intermediates	182.81	144.23	27%	536.13	414.39	29%
Fine & Specialty	93.16	78.77	18%	240.43	204.14	18%
Others	25.28	0.00		40.31	2.57	1468%
Total	**348.47**	**255.64**	**36%**	**936.52**	**718.75**	**30%**
Inter Segment	10.02	3.57	181%	23.53	9.87	138%
Net Sales/Op. Income	**338.44**	**252.07**	**34%**	**912.99**	**708.87**	**29%**

Expenditure Analysis

Particulars	Q3FY14	Q3FY13	%	9MFY14	9MFY13	%
Employee Costs	23.39	13.55	73%	63.82	45.32	41%
Other expenses	34.49	22.54	53%	95.30	60.21	58%

Employee costs and other expenses were higher during the quarter due to post commissioning expenses for projects at Dahej and Nandesari with matching turnover to follow in coming quarters.

Particulars	Q3FY14	Q3FY13	%	9MFY14	9MFY13	%
Interest	7.03	2.85	147%	20.02	7.14	180%
Depreciation	7.51	4.68	60%	21.68	13.96	55%
Other Income	0.27	0.33	-18%	1.06	1.87*	-43%

*Excludes exceptional items of Rs. 8.58 crore

- There has been a sharp rise in Depreciation and Interest cost due to part-commissioning of Dahej facility and full commissioning of Nandesari. Excluding these amounts, the normalised interest cost as a ratio to turnover has remained steady.
- Interest cost includes exchange loss of Rs. 5.41 crore in 9MFY14 as per Accounting Standard-16

Profitability Analysis

Particulars	Q3FY14	Q32FY13	%	9MFY14	9MFY13	%
PBT	16.77	10.61	58%	32.92	30.56*	8%
PAT	11.35	9.13	24%	22.47	22.60*	-1%
EPS (Rs.)	10.85	8.73	24%	21.47	21.60*	-1%

* Excludes exceptional items of Rs. 8.58 crore at PBT level and Rs. 5.80 crore, net of tax at PAT level.

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st December 2013

Particulars	Q3FY14	Q2FY14
ECB	276.37	279.55
Other Loan Funds (Includes CC)	228.39	221.53
Total Loan Funds	504.76	501.08
Less : Amount in Bank FD/CA for ultimate purpose of capex	-	-
Net Debt	504.76	501.08
Net Debt/Equity Ratio	1.66	1.71

Capital Employed

Particulars	Q3FY14	Q2FY14
Capital Employed	837.79	821.18
Less : Capital Work in Progress	117.31	117.83
Capital Employed in Operations	720.48	703.35