Q1 FY2019 - INVESTOR COMMUNICATION

Deepak Nitrite delivers standout growth in Q1FY19

Revenue at Rs. 422 crore Vs. Rs. 317 crore in Q1 FY18, up by 33%
EBITDA at Rs. 57 crore Vs. Rs. 34 crore in Q1 FY18, growth of 66%
PAT at Rs. 22 crore Vs. Rs. 8 crore in Q1 FY18, higher by 169%

On the verge of commissioning its Greenfield Phenol & Acetone Plant

Vadodara, August 03, 2018: Deepak Nitrite Limited (BSE: 506401, NSE: DEEPAKNTR, ISIN ID: INE288B01029), one of the leading manufacturer of chemical intermediates, having a wide product portfolio of Basic Chemicals (BC), Fine & Speciality Chemicals (FSC) & Performance Products (PP), has announced its financial results for the quarter ended June 30, 2018.

Financial Highlights

Q1 FY2019

- Revenue (Net of Excise Duty) stood at Rs. 421.82 crore as compared to Rs. 316.85 crore (excluding Fire and loss of profit insurance claim of Rs. 22.5 crore) reported in Q1 FY18, resulting in robust growth of 33% yoy. All of the Strategic Business Units (SBUs) contributed positively to the topline performance. While Basic Chemicals witnessed improving demand and pricing for key products, Fine & Speciality Chemicals saw strong traction especially in export markets. The Performance products segment has also delivered an encouraging performance on the back of strategic initiatives implemented earlier.
- EBITDA came in at Rs. 56.89 crore, higher by 66% as against to Rs. 34.17 crore (excluding Rs. 18.33 crore – Net of Expenses, due to insurance claim) reported in Q1 FY18. EBITDA margins improved by 270 basis points to 13.5%, as compared to 10.8% in Q1 FY18. Combination of higher contribution from all business segments, benefits of operating leverage and better product acceptance enabled the increase in EBITDA.
- PBT stood at Rs. 33.36 crore in Q1 FY19, a growth of 170% over Rs. 12.38 crore in the same period last year.

  However, the figures of Q1 FY18 may not be fully comparable as it had an impact of incident of fire at Roha.
- PAT grew by 169% to Rs. 21.78 crore in Q1 FY19 as compared to Rs. 8.10 crore in Q1 FY18. Q1FY19 has been an excellent quarter wherein the Company has withstood challenging operating conditions to drive buoyancy in product volumes, witnessed initial success from

strategic initiatives implemented and derived benefits from better pricing and cost management all of which have combined to significantly enhance profitability.

- EPS for Q1 FY19 stood at Rs. 1.60 per share (of face value of Rs. 2 each) on an enlarged capital base compared to Rs. 1.54 per share in Q1 FY18. (QIP: Issuance of 56,81,775 shares of Rs. 2 each at a price of Rs. 264 per share in January, 2018).

CMD's Message

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

"I am pleased to share that we have begun Financial Year 2019 on an exuberant note with strong double-digit growth in Revenues, EBITDA and Profit After Tax. We have been able to successfully pass on rising input costs to customers and have managed to report higher volumes across export and local markets amidst rising oil prices. The focused initiatives to turnaround the Performance Products segment have also delivered and the effect of full integration of value chain (Toluene>PNT>DASDA>OBA) is now visible.

FY2019 is set to be a breakthrough year for us as we commission our ambitious mega-Greenfield project of Phenol and Acetone in Dahej in the current month. This will enable a quantum leap in revenues and profits for the Company in the initial stage and subsequently open up new verticals of growth towards value-added import substitutes. At full capacity, we anticipate that our plant will save the nation close to USD$ 400 million in value of imports saved.

In addition to this, our growth during the year will be driven by increase in capacities for select products, buildup of newly introduced product lines and recognising pockets of opportunity due to the shifts in the global supply chain. We are already witnessing escalation in enquiries for existing and new products and are geared up to capitalise on the multiple opportunities ahead."

Performance Highlights

Domestic & Exports

- Domestic revenues stood at Rs. 265.05 crore in Q1 FY19 from Rs. 214.95 crore in the same period last year, growing by 23% Y-o-Y. Environmental challenges and production disruptions in China led to volume gains for local customers boosting domestic revenues.
- Revenues from exports came in at Rs. 153.82 crore in Q1 FY19 compared to Rs. 98.36 crore in Q1 FY18, higher by 56%. Export performance was driven by strong demand trends in key markets across all segments, currency tailwind and stabilisation of operations compared to the same quarter in the previous financial year.

Segmental Performance

- Revenues from the BC segment stood at Rs. 222.62 crore in Q1 FY19 compared to Rs. 180.44 crore in Q1 FY18, growing by 23% Y-o-Y. Improved demand traction from the domestic customer industries resulted in volume growth of 7% in the BC segment.

- Revenues from FSC segment were Rs. 122.37 crore in Q1 FY19, higher by 49% compared to Rs. 81.94 crore in Q1 FY18. Revenue growth was backed by solid volume growth of 25% in the FSC segment due to a favourable demand environment in both domestic as well as export markets as well as benefit from a moderate base.
- The PP segment reported revenues of Rs. 80.51 crore in Q1 FY19 compared to Rs. 60.61 crore in Q1 FY18, a growth of 33% y-o-y. Management strategy to turnaround the PP segment has delivered results and this has helped the PP segment to turn EBIT positive. We observe, customer acceptance for our PP products is going up and at the same time our strategy to differentiate product, price and market is yielding positive results.

Update on Phenol & Acetone Project

Introduction:

DNL is implementing a mega project, aligned with Make in India, to manufacture 200,000 MTPA of Phenol and 120,000 MTPA of the co-product Acetone. This is being supported by capacity to manufacture 260,000 MT of Cumene, which is a feedstock for manufacturing Phenol and Acetone. This project is being implemented in a 100% subsidiary, i.e. Deepak Phenolics Limited (DPL). The proposed Phenol Plant will be located at Dahej in the State of Gujarat, with a capital expenditure of Rs. 1,400 crore being funded by debt and equity in the ratio 60: 40.

DPL will address the opportunity in the domestic market which is currently met by imports. In addition, its plant is being based on cutting-edge technology and will be resource and energy efficient. Local availability of Phenol and Acetone is expected to boost the production of derivatives and downstream intermediates, which will expand the overall market in the country.

Progress:

All pre-commissioning activities have been concluded and the mega-greenfield project is on the verge of commissioning. The Leadership team and functional teams have been appointed and the marketing team has already commenced customer outreach program. The Construction work began in month of May, 2016 and in a record time of approx. 24 months construction work has been completed. Currently we are doing trial runs at the plant and even amidst the transporters’ strike, the plant is expected to be commissioned in the month of August, 2018.

On the Market front, when the project was announced, demand for Phenol in India was around 275,000 MT which has seen 8.5% growth and current demand is around 350,000 MT. Demand is expected to grow at around 10-12% p.a. Owing to the strong latent demand for phenol combined with reliability associated with local production, the Company has received highly encouraging response to its seed marketing programme.

Phenol demand is also growing globally, due to which, the demand-supply capacity is moving towards equilibrium, as downstream projects in China which commenced earlier during the current calendar year have led to greater captive consumption of Chinese Phenol capacity. Developments in the Chinese market have been accompanied with shutdown of a large global facility for production of Phenol in the US. These factors have resulted in firming up of overall prices of Phenol globally.

Outlook

The roadmap for FY19 appears encouraging as we expect to deliver sustained growth across all the Strategic Business Units - Basic Chemicals, Fine & Speciality Chemicals and Performance Products.

Growth will be led by Basic Chemicals due to focus on further strengthening of product portfolio as well as brownfield capex to enhance capacities of major products. The FSC segment will benefit from full capacity utilisation during the year after receiving the regulatory consent for the backward integration facility at Roha. As informed earlier, in order to take advantage of growing demand, the company has further invested Rs 60-70 crores for increasing capacity in existing products in BC, FSC segments. These projects shall be commissioned by Q2FY2019. With the additional capacity, we shall see much improved performance in second half of FY2019 and thereafter. PP segment will benefit from the improved demand and pricing trends in the local and export markets combined with better efficiency and utilisation of the plant. We also expect the reorientation of geographic focus of this business segment to enable better results in the coming quarters.

Lastly, the commissioning of the Phenol and Acetone facility will be a significant event for the Company which will drive a quantum leap in its revenues and profitability as well as enhance the growth trajectory for the Company as it will pave the way to enter in various derivatives business.

About Deepak Nitrite Limited

Deepak Nitrite Limited [NSE - DEEPAKNTR, BSE - 506401] Headquartered at Vadodara, Gujarat, DNL is a multi-division and multi-product, chemical intermediate with manufacturing facilities at Nandesari & Dahej in Gujarat, Roha and Taloja in Maharashtra, and at Hyderabad; having product portfolio of Basic Chemicals (BC), Fine & Speciality Chemicals (FSC) & Performance Products (PP). Further, it is at final stages of commissioning of Phenol and Acetone production through its wholly owned subsidiary Deepak Phenolics. As a partner of choice for Domestic and Global Chemical majors, DNL is emerging as one of the fastest growing Company, adhering to Responsible Care.

For further information please contact:

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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 Results (All figures in Rs. Crore)

Revenues

Particulars	Q1 FY19	Q1 FY18	%
Basic Chemicals	222.62	197.17	12.9%
Fine & Speciality Chemicals	122.37	106.81	14.6%
Performance Products	80.51	65.78	22.4%
Other Unallocable	-	0.72	-
Total	**425.49**	**369.83**	**15.1%**
Inter Segment	4.47	8.29	-46.1%
Total Revenue from Operations	**421.02**	**361.54**	**16.5%**
Less: Excise Duty	**-**	**24.26**	**-**
Less: Insurance Claim	**-**	**22.50**	**-**
Revenue from Operations	**421.02**	**314.78**	**33.8%**

Note: *1. Other Income not included in the above*

Expenditure Analysis

Particulars	Q1 FY19	Q1 FY18	%
Employee Costs	36.63	31.46	16.4%
Interest	10.90	9.46	15.2%
Depreciation	12.63	12.34	2.4%

Note: *1. Employee Cost includes effect of increment*

Profitability Analysis

Particulars	Q1 FY19	Q1 FY18	%
PBT	33.36	30.71	8.6%
PAT	21.78	20.10	8.4%
EPS (Rs.)	1.60	1.51	6.0%

Note: *1. Insurance claim for damages and loss of profit, included in the numbers for Q1 FY18*

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th June, 2018

Particulars	Q1 FY19	Q1 FY18
ECB	16.46	82.50
Rupee Term Loan	148.89	160.49
Other Loan Funds (Includes CC)	265.55	335.44
Total Loan Funds	430.90	578.43
Debt/Equity Ratio	0.45	0.79

Capital Employed

Particulars	*Q1 FY19*	*Q1 FY18*
Capital Employed	1,396.37	1,312.52
Less : Capital Work in Progress	52.12	28.76
Less : Market Investments and Investment in Subsidiaries	535.80	388.26
Capital Employed in Operations	808.45	895.50