

Q4 & FY2018 - INVESTOR COMMUNICATION

Deepak Nitrite reports exemplary performance in FY18

Revenue at Rs. 1,466.7 crore Vs. Rs. 1,241.9 crore in FY17, up by 18%

EBITDA at Rs. 214.4 crore Vs. Rs. 152.4 crore in FY17, growth of 41%

PAT at Rs. 83.5 crore Vs. Rs. 52.2 crore in FY17, higher by 60%

Raised Rs. 150 crore through QIP in January 2018

Board recommends dividend of Rs. 1.30 per share for FY18

Vadodara, May 04, 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 and year ended March 31, 2018.

Financial Highlights

FY2018

- Total income was higher by 18% to Rs. 1,466.68 crore in FY18 against Rs. 1,241.85 crore in FY17. All segments have contributed to growth in revenues as key customer industries are witnessing strong demand, both domestic and international, leading to favourable off take for building blocks and speciality intermediates.
- EBITDA increased by 41% to Rs. 214.37 crore in FY18, compared to Rs. 152.40 crore in FY17. The EBITDA margin stood at 14.6% against 12.3% in the same period last year, an improvement of 230 basis points. EBITDA margin expansion was driven by better contribution from all segments and operating leverage benefits from increased volumes.
- PBT stood at Rs. 122.08 crore in FY18, higher by 65% compared to Rs. 73.92 crore (pre-exceptional items) in the same period last year. This includes Rs. 18.33 crore (net of loss on account of fire) being insurance claim booked in FSC segment due to fire.
- PAT grew by 60% to Rs. 83.46 crore in FY18 as compared to Rs. 52.15 crore (pre-exceptional items) in FY17. This includes Rs. 12.54 crore (net of loss on account of fire and net of tax) being insurance claim booked in FSC segment due to fire.
- EPS for FY18 stood at Rs. 6.32 per share (of face value of Rs. 2 each) on an enlarged capital base compared to Rs. 4.43 per share (pre-exceptional items) in FY17. (QIP: Issuance of 56,81,775 shares of Rs. 2 each at a price of Rs. 264 per share in January, 2018).

Q4 FY2018

- Total Income stood at Rs. 399.40 crore in Q4 FY18 compared to Rs. 330.06 crore in Q4 FY17, growing 21% Y-o-Y. Strong demand from major customers and key end user industries led to revenue growth across all the Strategic Business Units (SBUs). Overall volume growth across all business segments was higher by 5% Y-o-Y in Q4.
- EBITDA was higher by 35% to Rs. 55.41 crore in Q4 FY18, compared to Rs. 41.09 crore in Q4 FY17. Margins improved by 140 basis points to 13.9% in Q4 FY18 compared to 12.5% in the same period last year. Improved realisation across key products elevated EBITDA margins supported by a normalised performance in the Fine & Speciality Chemicals segment in Q4 FY18 which had been impacted by Roha plant shutdown in Q3 FY17 and for part of Q4 FY17.
- PBT stood at Rs. 30.90 crore in Q4 FY18, an increase of 46% compared to Rs. 21.10 crore (pre-exceptional items) in the same period last year.
- PAT grew to Rs. 20.32 crore in Q4 FY18 as compared to Rs. 16.90 crore (pre-exceptional items) in Q4 FY17, representing a growth of 20%.
- EPS for Q4 FY18 stood at Rs. 1.51 per share (of face value of Rs. 2 each) on an enlarged capital base compared to Rs. 1.23 per share in Q4 FY17. (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,

“We are delighted to end FY18 on a strong note reporting stellar growth in revenues and profitability amidst an operating environment that has been marked by rising prices of commodities and increasing uncertainty in global trade.

There has been balanced growth on the back of improved performance by all of the Strategic Business Units (SBUs). The Basic Chemicals segment has been a standout performer reporting strong volume growth and improved realisation for key products. The Fine & Specialty chemicals segment after completely recovering from the one-off developments has delivered progressively while the Performance Products segment has demonstrated improved traction. We expect the PP segment to further improve on the back of our strategy to realign customer industries and markets that we intend to focus on.

The global economy is exhibiting stronger growth trends and the improving geopolitical environment is supporting international trade and increase in global consumption. In this backdrop, the outlook for all business lines is promising with favourable demand patterns emerging from both domestic and international customers. Our own plans to enhance capacity for star products and scaling up of innovation based products are adding to the buoyancy. In addition, we are excited by the impending launch of our Greenfield mega-project for manufacture of Phenol and Acetone which will transform the trajectory of growth.”

Performance Highlights

Domestic & Exports

- Domestic revenues stood at Rs. 243.33 crore in Q4 FY18 from Rs. 198.15 crore in the same period last year, representing growth of 23% Y-o-Y. Supply disruption in China has aided the global demand for some of our large domestic customers which in turn has led to increased off take of some of the key product chemical intermediates that we make.
- Revenues from exports came in at Rs. 147.26 crore in Q4 FY18 compared to Rs. 127.01 crore in Q4 FY17 higher by 16%. Improved export performance was a result of better product acceptance and favourable demand trends in the key customer industries.

Segmental Performance

- Revenues from the BC segment stood at Rs. 197.46 crore in Q4 FY18 compared to Rs. 183.71 crore in Q4 FY17, a growth of 14% Y-o-Y. Higher demand from customer industries has driven volume growth for the BC segment.
- Revenues from FSC segment were Rs. 121.19 crore in Q4 FY18, higher by 31% compared to Rs. 98.86 crore in Q4 FY17. Volume growth as well as positive shift in the product-mix supported by normalised operations resulted in strong performance. Encouraging demand trends in the export markets also supported the overall momentum.
- The PP segment reported revenues of Rs. 81.97 crore in Q4 FY18 compared to Rs. 75.03 crore in Q4 FY17, representing a growth of 18% y-o-y. Strategy to turnaround the PP segment has delivered initial results with reduction in the losses.

Other Highlights

- The Board of Directors of the Company recommended a dividend 65% i.e. Rs. 1.30 per equity share of face value of Rs. 2 each. Once approved, this will be the 44th consecutive year of dividend payment by Deepak Nitrite. The dividend rate has increased despite expanded capital base due to QIP concluded in Q4.
- The Company raised Rs. 150 crore through Qualified Institutional Placement (QIP) in January 2018 at a price of Rs. 264 per equity share (including premium of Rs. 262 per share). DNL witnessed strong response from high quality domestic institutional investors and the proceeds are being deployed towards funding the mega-Greenfield Project for manufacture of Phenol and Acetone. Prominent investors who participated in the QIP include SBI MF, Aditya Birla SunLife MF, L&T MF, Reliance MF, IDFC MF and Franklin Templeton MF amongst others.

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 will be 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:

The Greenfield project is now well into its pre-commissioning activities. In view of the impending commissioning, DPL's leadership team is already in place and the marketing team has commenced customer outreach program. There is complete focus on operational readiness and flawless start-up for which technology provider's team is associated at the project site.

We are delighted to see that Phenol demand is growing significantly in India even better than envisaged when conceiving the project. Against 7-8% annual growth envisaged, Phenol demand is now growing at 9-10% annually and the Company has received highly encouraging response to its seed marketing programme.

Phenol demand is also growing globally due to which, the global demand-supply capacity is moving towards equilibrium as some downstream projects have commenced in China which has led to greater captive consumption of Chinese Phenol capacity. Further, a large global facility for production of Phenol has been shut down in the US. The combination of these factors has resulted in firming up of overall prices of Phenol globally.

Outlook

As informed earlier, the Company was awaiting regulatory consent for its backward integration facility at Roha which has now been received and the current financial year expects to see full capacity utilisation in the FSC segment and this is expected to further improve the margins.

The profitability margin is expected to further improve in FY19 as your Company has planned brownfield expansion projects across all business segments entailing capital expenditure of Rs. 60 crore to take advantage of the extant situation in the Chinese Chemical Industry.

In addition to the above, normal, debottlenecking and cost leadership programmes are also regularly undertaken by the Company.

In view of the above, we expect to see an even better performance in FY19.

About Deepak Nitrite Limited

Deepak Nitrite Limited [NSE - DEEPAKNITR, 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 also setting up a project for manufacture of Phenol and Acetone 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.

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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	Q4 FY18	Q4 FY17	%	FY18	FY17	%
Basic Chemicals	197.46	183.71	7.5%	746.98	695.97	7.3%
Fine & Speciality Chemicals	121.18	98.86	22.6%	463.24	374.82	23.6%
Performance Products	81.97	75.08	9.2%	299.31	261.83	14.3%
Other Unallocable	-	-	-	0.07	-	-
Total	400.61	357.67	12.0%	1,509.60	1,332.61	13.3%
Inter Segment	7.67	6.22	23.3%	30.37	17.35	75.0%
Total Revenue from Operations	392.95	351.45	11.8%	1,479.23	1,315.26	12.5%

Expenditure Analysis

Particulars	Q4 FY18	Q4 FY17	%	FY18	FY17	%
Employee Costs	32.99	27.95	18.0%	132.06	118.90	11.1%
Interest	11.13	8.30	34.1%	40.34	30.89	30.6%
Depreciation	13.38	11.70	14.4%	51.95	47.60	9.1%

Profitability Analysis

Particulars	Q4 FY18	Q4 FY17	%	FY18	FY17	%
PBT	30.90	21.10	46.4%	122.08	73.92	65.2%
PAT	20.32	16.90	20.2%	83.46	52.15	60.0%
EPS (Rs.)	1.51	1.23	22.8%	6.32	4.43	42.7%

Note: 1. Insurance claim for damages and loss of profit, included in the numbers for FY18
2. Q4 FY17 and FY17 PBT and PAT numbers are after excluding exceptional items

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st March, 2018

Particulars	Q4 FY18	Q4 FY17
ECB	23.41	90.57
Rupee Term Loan	174.29	175.83
Other Loan Funds (Includes CC)	263.88	307.52
Total Loan Funds	461.58	573.92
Debt/Equity Ratio	0.49	0.78

Capital Employed

Particulars	Q4 FY18	Q4 FY17
Capital Employed	1,391.64	1,316.41
Less : Capital Work in Progress	36.25	40.73
Less : Market Investments and Investment in Subsidiaries	455.23	358.02
Capital Employed in Operations	900.16	917.66