



DEEPAK NITRITE LIMITED

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Q4 & FY2010 INVESTOR COMMUNICATION

Pune, May 14, 2010: 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 full year ended March 31, 2010.

Financial Highlights

- Revenues for Q4FY10 of Rs. 162.07 crore were higher by 7.4% as compared to revenues of Rs.150.93 crore in Q4FY09 and 13% higher when compared to revenues of Rs.143.55 crore in Q3FY10.
- EBITDA for Q4FY10 is Rs. 14.32 crore against Rs. 16.65 Crores when compared to EBITDA of Q4 FY09. On a sequential quarter basis EBITDA for Q4FY10 of Rs. 14.32 crore was higher by 30% when compared to EBITDA of Rs. 11.01 crore in Q3FY10.
- Interest cost for Q4FY10 is lower by 57% at Rs. 1.46 crore against Rs. 3.40 crore in Q4FY09.
- PBT for Q4FY10 is Rs. 9.48 crore is higher by 13.4% against Rs. 8.36 crore in Q4FY09. On a sequential quarter basis. PBT for Q4FY10 of Rs. 9.48 crore is higher by 18% when compared to Rs. 8.02 crore in Q3FY10.
- PAT for Q4FY10 is Rs. 6.61 crore is higher by 54% against Rs. 4.29 crore in Q4FY09. On a sequential quarter basis PAT for Q4FY10 of Rs. 6.61 crore were higher by 20% when compared to Rs. 5.53 crore in Q3FY10.
- Revenues for the year FY10 of Rs. 542.21 crore were lower by 6.8% as compared to Rs. 581.78 crore for FY09. However volumes were up by more than 20%.
- PAT for the year FY10 of Rs. 20.01 Ccore was lower by 29 % as compared to Rs.28.28 Ccore for FY09.
- The Company has announced dividend of Rs 5/- per share of Rs. 10/- each for the year ended 31st March 2010.

MD's message

Commenting on the results, **Mr. Deepak C. Mehta, Vice Chairman & Managing Director**, said, *"We have been able to navigate global challenges this year by posting a second consecutive year of turnover in excess of Rs. 500 crore. Our prudent financial policies have helped us offset the impact of the unpredictable operating environment and resultant currency fluctuations. Although prices of raw materials and finished products were lower than last year, we have been able to considerably increase our volumes."*

The stabilizing macro-environment coupled with an improved demand outlook from the industries we serve, provides us good visibility of business. In addition to this, our efforts to expand our portfolio of offerings with products developed in-house also provides with opportunities. We are well placed to meet the future demand through our plan of de-bottlenecking existing facilities, expanding capacity at existing plants and a plan to set up new capacity at Dahej.”

Operating Highlights

- The company has been able to increase volumes during FY10 when compared to the corresponding period of last year. However, due to the situation prevailing in FY09, selling prices for the company's products were markedly higher owing to global supply disruptions. This has resulted in a situation of lower absolute revenues despite higher volumes in FY10.
- The company has introduced a range of fuel additives products. The company expects the annualised turnover from these products in the range of Rs. 75 crore per annum .
- The year witnessed major inroads in the China & USA market. Exports to these countries more than doubled to Rs. 42 Ccore level and Rs. 31 crore respectively. Through this, the company is taking firm steps to participate in growing agro chemicals market in China & USA.

Outlook

- The company will be augmenting the capacity at its four existing plants at Vadodara, Taloja, Roha and Hyderabad. This will be on an on-going basis and such expansion of capacity is expected to be completed FY 2011.
- The company has expanded its hydrogenation capacity by 40%. The full year impact of this expansion will be reflected in FY 2011.
- DNL has taken effective steps in the Nitro Toludines (NT) segment to increase its market share in the export market & have accordingly enhanced production capabilities, the effect of which will be realised in the near future

-ENDS-

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 and speciality chemicals and is the partner of choice for several global chemical majors. Headquartered at Pune, DNL is a multi-division and multi-product company with manufacturing facilities at Nandesari 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 end user industries for DNL range from agro-chemicals, dyestuffs, pigments, inks, whiteners, pharmaceuticals to fuel additives. DNL prioritises R&D activities and invests over 1% of its annual revenues in this area. It has a government approved central R&D facility in Pune which has a sophisticated analytical laboratory, state-of-the-art equipment and advanced facilities. The company expects to launch new products through its R&D efforts. As a part of its growth strategy, the company anticipates that it will be able to add around 15% of its revenue through new products. This will help the company to broad base its presence in the market segment.

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 existing 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

- During the Q4FY2010, volumes have increased when compared to the corresponding period of last year. There has been a reduction in finished goods and raw material prices as compared to the same quarter last year which accounts for a large part of the difference in revenues.

Revenues	Q4FY10	Q3FY10	Q4FY09
Organic Intermediates	91.68	83.83	88.89
Inorganic Intermediates	29.01	28.61	23.91
Fine & Specialty	49.43	41.68	43.00
Others	2.06	0.00	-0.02
Total	172.19	154.13	155.78
Inter Segment	10.11	10.58	4.85
Net Sales/Operating Income	162.08	143.55	150.93

Revenues	FY10	FY09
Organic Intermediates	296.56	328.52
Inorganic Intermediates	112.14	107.18
Fine & Specialty	166.19	182.18
Others	2.49	-0.01
Total	577.38	617.88
Inter Segment	35.16	36.10
Net Sales/Operating Income	542.21	581.78

Raw Materials & Inventories

- While the prices of raw materials have reduced from the highs during Q4FY09, the prices of raw materials continues to exhibit some volatility.

Other expenditure

Particulars	Q4FY10	Q4FY09
Employee Costs	11.00	10.14
Other Operating exp	31.01	22.74

Particulars	FY10	FY09
Employee Costs	40.35	39.32
Other Operating exp	110.31	107.40

Other Operating costs for FY10 are higher mainly due to increase in utility cost, and SG&A cost.

Interest, Depreciation & other income

	Q4FY10	Q4FY09
Interest	1.46	3.40
Depreciation	4.61	5.10
Other Income	1.23	0.22

	FY10	FY09
Interest	6.66	15.08
Depreciation	17.51	16.99
Other Income	4.25	1.12

- The depreciation cost continues to remain in line with the earlier quarters.
- Other Income in FY 10 includes profit on sale of premises of Rs. 1.90 Crores.
- The company has been able to decrease its interest costs by 56% due to a mix of factors:
 - There has been a reduction in the rate of interest since the corresponding quarter last year due to the availability of borrowing in foreign currency .

- The company has made a concerted effort to manage its working capital cycle more prudently leading to reduction in quantum and duration of funds tied up in working capital.

PBT, PAT & EPS (EPS in Rs.)

	Q4FY10	Q4FY09
PBT	9.49	8.36
PAT	6.61	4.29
EPS (Rs.)	6.75	4.78

	FY10	FY09
PBT	30.32	42.86
PAT	20.01	28.28
EPS (Rs.)	21.82	31.55

The company has allotted Rs. 14.91 lacs equity shares of Rs.10 each at a premium of Rs.90/- per equity share, consequent upon conversion of detachable warrants into Equity Share, issued along with Right Shares.

Deepak Nitrite Limited – a brief background

Overview:

Deepak Nitrite Limited (DNL) was incorporated in 1970 by Mr. C.K Mehta, the current chairman of the company, with the aim to manufacture Sodium Nitrite and Sodium Nitrate. Over the years the company has expanded its offering and operations.

Currently, DNL's principal activity is to manufacture basic and intermediate chemicals. These chemicals are used in the manufacture of products such as colorants, imaging chemicals, agrochemical, pharmaceuticals and rubber chemical intermediates, chemicals for refineries, cosmetics etc. The Company operates in three segments, namely, Inorganic Intermediates, Organic Intermediates and Fine / Specialty Chemicals. The Inorganic Intermediates segment includes manufacture and sale of sodium nitrate and sodium nitrite. The Organic Intermediates segment comprises the manufacture and sale of nitro chlor-benzenes, nitro toluenes, para cumidine and xylidines. The Fine and Specialty Chemicals consists of sale of low volume and knowledge intensive products.

The Company has a presence in more than 20 countries, including the U.S.A., member countries of the European Union, East European nations, Japan, Asean countries, South Korea and South America.

The DNL Advantage:

Competence in Key Processes

DNL has set product quality and specifications to match the standards set by the world's best producers. The increasing international business and growing customer base which includes some of the marquee names in the global chemical industry demonstrates the satisfactory and reliable performance with respect to quality of products manufactured by DNL.

DNL is uniquely positioned to produce intermediates for industries catering to diverse market sectors like pharmaceuticals, rubber chemicals, leather chemicals, pesticides, fertilizers, tyre industries, dyes and dyestuff, etc.

DNL portrays a high level of expertise in the processes / reactions mentioned below:

- Hydrogenation
- Chlorination
- Nitration
- Sulfonation
- Alkylation
- Condensation
- Phenylation
- Oxidation
- Nox Production & Absorption.

Relationships and Partnerships with Key Customers:

DNL has aligned its customer relationship management systems with its core business to empower the customer with trust and reliability in the areas of product quality, technical support and supply continuity.

Some of the key customers of DNL are Sygenta Global, Bayer Crop Science, BASF, Kemira, Lanxess, Clariant, Isochem, Lonza and Sun Chemical.

Leadership position in several products:

DNL is India's largest producer of sodium nitrite and sodium nitrate by the ammonia oxidation process. Sodium nitrite also forms the raw material for several other value-added products manufactured by the company such as hydroxylamine derivatives, oximes, alkylated hydroxylamine and a rubber-blowing agent. DNL has expertise to safely handle bulk and hazardous chemicals. DNL is the market leader (65% market share) for sodium nitrite in India. Cost leadership, supported with well-entrenched market network & customer understanding has seen steady rise in market share for DNL.

In the Organic Intermediate sector, DNL is market leader in India in Nitro Toluene (NT) business, it is global leader in the Xylidine & Cumidine business and has significant presence in Nitro Chloro Benzene (NCB).

In Fine & Specialty business, DNL is among top 3 players globally in Color Intermediate and Oxime business. DNL has a niche positioning in various product categories in this segment.

Typically, DNL exports 53% of its revenue. DNL is strengthening its relationship with different customers in the export market and its product is also gaining recognition due to

its superior quality. Of the exports, 70% is to Europe and the rest to Japan, Korea, USA & China.

Facilities:

Sr. No.	Facility	Location
1	Corporate Office	Pune, Maharashtra
2	Manufacturing Facility	Roha, Maharashtra
3	Manufacturing Facility	Taloja, Maharashtra
4	Manufacturing Facility	Nandesari, Gujarat
5	Manufacturing Facility	Hyderabad, AP
6	R&D Facility	Pune, Maharashtra
7	Proposed Facility	Dahej, Gujarat

Cost competitive operations:

DNL has a cost competitive setup of operations. Some key competitive advantages are

- Scale of operations and location of facilities helps to provide DNL with a competitive edge.
- The company has been able to secure assured supply of piped gas which enables it to increase the cost effectiveness and reliability of its processes.
- The established presence and track record in the industry. The plants set up by the company run on high efficiency with low maintenance outgo.

Earlier, competitiveness vs. Chinese companies was low due to incentives provided by the Chinese Government to smaller chemical manufacturers such as access to low cost capital, liberal labor laws and less stringent pollution control norms. However, the incentives provided by the Chinese Government have been withdrawn. Additionally due to heightened environmental concerns global customers have enhanced their focus on adherence to environmental norms which has led to a level playing field. Given the withdrawal of these unsustainable incentives DNL has been able to improve its cost competitiveness in global markets.

Research & Development:

DNL invests over 1% of its revenue into Research and Development. The R&D facility at Pune has been approved by the Government of India. It has advanced facilities for testing new technologies and products. The R&D has highly skilled and experienced technical man power consisting of 50 post graduates in science and 9 Ph. D's. Furthermore, R&D investments have paid off through introduction of newer products and variants of existing products as well as through improvement of processes to cut costs or reduce wastage.

Acquisitions and Unlocking:

DNL has a fairly successful track record with acquisitions. The strategy implemented in this area is to

- identify a business which has significant potential but is underperforming
- acquire the business at a price which is comfortable given DNL's overall financial position and also leaves adequate room to realise returns
- increase the efficiency of the business acquired to fully realise benefits.

DNL immensely benefited by acquiring companies whose product lines complemented its own. In 1984, it acquired Sahyadri Dyestuffs & Chemicals.

In 2000, DNL acquired Aryan Pesticides Ltd., the agrochemical intermediate producer company located at Roha in Maharashtra to boost its specialty chemicals business. The company was acquired as a strategy of forward integration.

During FY07, DNL acquired the DASDA (diamino stilbene disulfonic acid) business of Vasant Chemicals Limited (as a forward integration step), a closely held company based in Hyderabad.

Outlook:

Industry growth: The company expects growth in its existing business to mirror the trends exhibited by the end-user industries it services, for e.g.

- the paper and pulp industry in India and China is expected to grow at CAGR in excess of 20% for the next 5 years
- the company sees sustained demand from agro-chemical sectors as the record low in food grain stocks will ensure that the long term outlook for agro intermediate products is very good however there will be cyclicalities in the business.

Contribution from new products: The company has a very advanced R&D program and expects to introduce new products through its R&D initiatives. DNL expects a revenue contribution of 10-15% of revenues to be contributed by new products in each of the ensuing financial years.

Capacity expansion: The company has a proposed capacity expansion through a Greenfield project at Dahej (Gujarat). The company will invest Rs. 225 crore, in phases, to set up additional capacities for chlorination, hydrogenation and nitration.

DNL has already acquired 60 acres of land at Dahej and has selected the location based on evaluation of proximity to sources of the necessary inputs like hydrogen, chlorine, caustic soda and petro-products, as well as very good port based infrastructure facilities available there.

Upon completion of all phases, the Dahej facility will have capacity for chlorination of 20,000 TPA, nitration capacity of 30,000 TPA and hydrogenation capacity of 40,000 TPA to become the largest multi product hydrogenation facility in the country.