

Q4 & FY2020 - INVESTOR COMMUNICATION

Deepak Nitrite reports highest ever profitability in FY20

Standalone Revenues at Rs. 526 crore vs. Rs. 488 crore in Q4 FY19, higher by 8%

EBITDA at Rs. 185 crore vs. Rs. 111 crore in Q4 FY19, growth of 67%

PAT at Rs. 116 crore vs. Rs. 57 crore in Q4 FY19, up by 106%

*FY20 Consolidated Turnover stood at Rs. 4,265 cr; EBITDA at Rs. 1,061 cr; PBT at Rs. 806 cr
Commenced commercial production of Isopropyl Alcohol ('IPA') at Dahej*

Mumbai, May 26, 2020: Deepak Nitrite Limited, one of India's leading chemical intermediates company, has announced its financial results for the quarter and financial year ended 31st March, 2020.

Deepak Nitrite Ltd.'s (DNL) financial performance for the quarter and full year reflects the strength of its robust manufacturing model with full backward integration and its multi-year relationships with leading global customers in over 30 countries. In addition to a robust performance on a standalone basis, Deepak Phenolics (DPL) has also delivered a robust performance in FY20 with healthy profitability despite cyclicalities in Phenol and Acetone prices globally.

Financial Highlights (Standalone)

Q4 FY2020

- Revenues stood at Rs. 526 crore in Q4 FY20 as compared to Rs. 488 crore in Q4 FY19, higher by 8% Y-o-Y. Revenue growth was impacted due to 10 days of lockdown in March. Performance was led by realisation gains in both Fine & Speciality Chemicals (FSC) and Performance Products (PP) segment.
- EBITDA for the quarter stood at Rs. 185 crore, higher by 67% when compared to Rs. 111 crore in the same period last year. Robust EBITDA growth is due to ability to capitalise on favourable pricing environment for products across segments. EBITDA margin was 35.2% in Q4 FY20 compared to 22.7% in Q4 FY19. All segments reported improved margins.
- PBT was at Rs. 160 crore in Q4 FY20, rising by 84% over Rs. 87.0 crore in the same period last year.
- PAT stood at Rs. 116 crore in Q4 FY20, as against Rs. 57 crore in Q4 FY19, registering growth of 106% on a y-o-y basis.
- EPS for Q4 FY20 was Rs. 8.52 per share (of face value of Rs. 2 each) as compared to Rs. 4.15 per share in Q4 FY19

CMD's Message

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

"I am glad to announce that we have ended FY20 on a positive note with record topline performance and highest ever PAT despite disruptions caused due to the CoVID-19 pandemic. We have ticked all boxes with volume growth, improved realisations as well as cost control. This was further supported by reduced finance costs and a favourable rate of corporate tax. The growth in the fourth quarter could have been slightly higher as we lost 10 days of production due to the national lockdown.

We responded quickly to the circumstances by implementing a Business Continuity Plan which focused on ensuring safety and security of all our employees and adhering to the guidelines recommended by the respective Government authorities. We have re-commenced manufacturing operations in a phased manner based on approvals from local authorities and are focused on safely and steadily increasing utilisation levels while exercising tight control over costs.

Even as we navigate through the disruption caused to the operating environment, we remain confident of the agility and nimbleness of our business operations and believe we are well positioned to rebound quickly as the operating environment stabilizes. In addition to capitalising on demand for intermediates in domestic and international markets, we are working on plans to forward integrate into downstream derivatives of phenol and acetone, of which, the first project for IPA has already commenced commercial production."

Performance Highlights

Domestic & Exports

- Revenues from the domestic market stood at Rs. 264 crore in Q4 FY20 as against Rs. 345 crore in the same period last year. In order to take advantage of favourable pricing in global markets, some part of volumes were diverted towards exports. Further, some revenue de-growth is attributable to shutdown of manufacturing capacity for 10 days in March 2020 as a result of national lockdown.
- Revenues from exports were at Rs. 257 crore in Q4 FY20 compared to Rs. 138 crore in Q4 FY19, resulting in robust growth of 86% Y-o-Y. This was driven by robust demand for key products in the FSC and PP segment in export markets coupled with favourable trend in realisation.

Segmental Performance

- The BC segment reported revenues of Rs. 226 crore in Q4 FY20 compared to Rs. 250 crore in Q4 FY19. De-growth in the BC segment is largely attributable to the closure of production facilities due to the national lockdown. The momentum has recovered post re-starting of the facilities and the Company will continue to leverage its cost leadership position in this segment to drive market share gains.
- Revenues from the FSC segment stood at Rs. 158 crore in Q4 FY20 compared to Rs. 121 crore in Q4 FY19, growing by 30% Y-o-Y. Strong demand and favourable realisations in export markets resulted in healthy performance in the FSC segment. Overall performance has also been

bolstered by benefits accruing from backward integration initiatives and capacity expansion for certain products.

- The PP segment delivered strong growth of 22% to Rs. 154 crore in Q4 FY20 as against Rs. 126 crore in Q4 FY19. In recent quarters, DNL has recalibrated the mix of geographies and end-user industries for this segment which has resulted in better product acceptance and enhanced realisations. Leveraging its backward integrated operations, DNL has also capitalised on favourable demand-supply situation for DASDA caused by disruptions in China.

Update on Deepak Phenolics Ltd.

- DPL ended FY20, its first full year of operations, with phenol production volumes just short of 200,000 tons or 100% capacity utilisation. The shortfall was due to shutdown of the plant for 10 days in March 2020 due to the nationwide lockdown. Operating a large, global scale plant at full capacity utilisation in the first complete financial year of operations is validation of the scale of effort, preparedness and efficient management of complex material logistics. In each quarter of financial year 2020, the performance has progressively improved and but for the shutdown, Q4 volumes and revenues would have surpassed the watermark achieved in Q3. DPL commenced commercial production of Isopropyl Alcohol ('IPA') at its manufacturing facility situated at Dahej, Gujarat effective April 21, 2020. This facility has capacity to manufacture 30,000 MT of IPA annually.
 - IPA is a solvent primarily used by Pharmaceutical companies and is also used for manufacturing sanitizers.
 - The Company has stated that it plans to develop capacities to produce value added derivatives of phenol and acetone through forward integration. The launch of the capacity to manufacture IPA represents the first step towards achieving the vision of developing a comprehensive basket of downstream derivatives.

Key Developments

- The company has acquired various parcels of land during the year for its expansion plans. This includes 127 acres acquired at Dahej, 1.4 acres acquired in Hyderabad adjoining its existing facility and 1.5 acres acquired in Roha again adjoining its existing facility. The Company has paid Rs. 141 crore in aggregate for these land parcels, which has been capitalized during the year.

Impact of CoVID-19 pandemic on business operations

- In view of the pan-India lockdown imposed by the Central Government to prevent and contain the spread of COVID 19, Deepak Nitrite temporarily suspended operations at all of its manufacturing facilities from March 25, 2020
 - As a result of lockdown, the financial performance for the quarter March 2020 has been impacted

- Upon obtaining necessary permissions from the concerned authorities and after taking all necessary measures relating to safety as prescribed in the said permissions, the operations were resumed in a phased manner from mid - April 2020.
- Based on detailed assessment of the impact of COVID-19 on the operations of the Company and on-going discussions with customers, vendors and service providers, the management believes in its ability to service customers and continue to obtain regular supply of raw materials and logistics services.
- Subsequent to the year end, the Company received notices of Force Majeure from certain suppliers and customers and similarly it also issued notices of Force Majeure to customers and suppliers. Based on the preliminary legal evaluation of these notices, the management does not anticipate any material economic outflow of resources which would impact its cash position and the carrying value of its assets.
- The Company evaluated the impact of CoVID-19 pandemic on its financial results as at March 31, 2020
 - Sales impact in Q4 FY20 due to CoVID-19 was estimated at Rs. 52 crore, while the impact on EBITDA was approximately Rs. 30 crore.
- The Company has a strong Balance sheet and cash position. Deepak Nitrite believes that there is no impact on its ability to meeting its liabilities as and when they fall due. There is no material change in the internal control environment of the Group
 - The Company has adequate liquidity to continue operations unabated. As of March 31, 2020, the debt equity ratio for DNL is 0.14x on a standalone basis and 0.69x on a consolidated basis, both of which remain within comfortable range of leverage.
- Deepak Nitrite is a supplier of choice for large global customers, and the Company will ensure limited-to-no supply disruptions for products going in essential services. However, production, sales and profits of the Company may be impacted adversely in the short term due to this pandemic.
 - Due to work related relaxations notified by concerned authorities, the Company believes that demand & supply of products will reach the pre-lockdown levels in due course of time
- The Company will continue to monitor any material changes caused due to this pandemic and inform all its stakeholders from time-to-time. This is an evolving situation given the uncertainties involved and the impact could be different from that estimated as at the date of approval of the financial statements.

Outlook

The disruption caused by COVID-19 is expected to have significant economic impact both locally and internationally. Although production has restarted at all plants, the supply chain has begun to recover and various restrictions on movement of material and people are set to be eased; restoring productivity to pre-lockdown levels is expected to be a gradual process. Eminent organisations have forecast de-growth in GDP, up to the extent of -15%, for the period April-Jun 2020 and July-Sep 2020.

In this backdrop, Deepak Nitrite will leverage fundamentals of its business alongwith its strong multi-year relationships with global customers as it seeks to maintain market share across products. Demand for specialty chemical intermediates is expected to be resilient as reduced demand from established customers and end-user industries is partially replaced by increased demand for intermediates required for products such as pharmaceuticals, agro-chemicals, sanitizers and disinfectants.

The immediate focus is to conserve cash, restore operational efficiency and productivity while further de-risking the business by rebalancing product mix across a more diversified base of end user industries. The Company is cautiously optimistic about its immediate term prospects even as it gears up for the multiplier effects of international restrictions and the nationwide lockdown on economic growth in the months and quarters ahead..

About Deepak Nitrite

Ranked among Fortune Next 500 and recognized among the top 25 wealth creators by Fortune Magazine, India, Deepak Nitrite [NSE - DEEPAKNTR, BSE - 506401] is acknowledged as a major manufacturer of chemical intermediates. It has a diversified portfolio of intermediates that cater to the dyes and pigments, agrochemical, pharmaceutical, plastics, textiles, paper and home and personal care segments in India and overseas. Its products are manufactured across five 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 (All figures in Rs. Crore)

Revenues

Particulars	Q4 FY20	Q4 FY19	%	FY20	FY19	%
Basic Chemicals	225.7	249.5	-10	940.3	893.2	5
Fine & Speciality Chemicals	158.0	121.1	30	585.3	535.6	9
Performance Products	154.2	126.0	22	767.9	402.9	91
Total	537.9	496.7	8	2,293.5	1,831.7	25
Inter Segment	12.6	10.8	17	63.9	39.8	60
Total Revenue from Operations	525.2	485.8	8	2,229.7	1,791.9	24

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q4 FY20	Q4 FY19	%	FY20	FY19	%
Employee Costs	43.3	39.9	9	175.0	158.6	10
Interest	4.5	9.9	-54	20.3	42.9	-53
Depreciation	20.7	13.8	50	77.9	52.9	47

Profitability Analysis

Particulars	Q4 FY20	Q4 FY19	%	FY20	FY19	%
PBT	159.7	87.0	84	706.0	212.5	232
PAT	116.3	56.6	106	544.0	138.0	294
EPS (Rs.)	8.52	4.15	106	39.89	10.12	294

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st March, 2020

Particulars	Q4 FY20	Q4 FY19
Rupee Term Loan	30.0	143.2
Other Loan Funds (Includes CC)	177.5	184.4
Total Loan Funds	207.5	327.6
Debt/Equity Ratio	0.14	0.31

Capital Employed

Particulars	Q4 FY20	Q4 FY19
Capital Employed from Operations	1,750.5	1,457.6

Less : Capital Work in Progress	89.9	28.9
Less : Investment in Subsidiaries	562.8	562.8
Net Capital Employed from Operations	1,097.8	865.9

Details to the Consolidated Results (All figures in Rs. Crore)

Revenues

Particulars	Q4 FY20	Q4 FY19	%	FY20	FY19	%
Basic Chemicals	225.7	249.5	-10	940.3	893.2	5
Fine & Speciality Chemicals	158.0	121.1	30	585.3	535.6	9
Performance Products	153.5	126.0	22	767.1	402.9	90
Phenolics	531.0	522.4	2	2,000.9	908.0	120
Total	1,068.2	1,019.1	5	4,293.6	2,739.7	57
Inter Segment	12.6	10.8	17	63.9	39.8	60
Total Revenue from Operations	1,055.5	1,008.3	5	4,229.7	2,699.9	57

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q4 FY20	Q4 FY19	%	FY20	FY19	%
Employee Costs	54.7	50.4	9	218.5	179.8	22
Interest	27.2	32.6	-17	114.9	83.2	38
Depreciation	36.2	28.6	27	139.7	77.8	80

Profitability Analysis

Particulars	Q4 FY20	Q4 FY19	%	FY20	FY19	%
PBT	200.8	141.2	42	806.4	268.0	201
PAT	172.3	91.5	88	611.0	173.7	252
EPS (Rs.)	12.63	6.71	88	44.80	12.73	252

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st March, 2020 (Consolidated)

Particulars	31.03.20	31.03.19
Rupee Term Loan	843.0	931.5
Working Capital Borrowings (Including CC)	248.4	255.0
Total Loan Funds	1,091.4	1,186.5
Debt/Equity Ratio	0.69	1.11