



## Q3 & 9M FY2018 - INVESTOR COMMUNICATION

*Deepak Nitrite reports robust performance in Q3*

*Total Revenue at Rs. 371.8 crore Vs. Rs. 283.9 crore in Q3 FY17, up by 31%*

*EBITDA at Rs. 52.7 crore Vs. Rs. 31.4 crore in Q3 FY17, growth of 68%*

*PAT at Rs. 20.3 crore Vs. Rs. 7.4 crore in Q3 FY17, higher by 176%*

**Vadodara, January 18, 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 nine-months ended December 31, 2017.

Growth has been driven by the BC segment which has benefited from favourable demand trends in domestic and international markets. The segments of FSC and PP have also performed well following resumption of normal operations at Roha and Hyderabad plants, respectively. The combination of strong traction in BC segment alongwith normalised performance of FSC and PP segments has enabled the Company to deliver a sharp rise in Q3 FY18 PAT on a year-on-year basis.

### Financial Highlights

#### Q3 FY2018

- Total Income stood at Rs. 371.78 crore in Q3 FY18 compared to Rs. 283.92 crore in Q3 FY17, growing 31% y-o-y. Revenues from the BC & PP segments increased due to higher volumes and improved pricing, whereas the FSC segment has reported growth primarily on the back of resumption of normal operations.
- EBITDA was higher by 68% to Rs. 52.70 crore in Q3 FY18, compared to Rs. 31.41 crore in Q3 FY17. Margins improved by 320 basis points to 14.2% in Q3 FY18 compared to 11.0% in the same period last year. In addition to base effect, improvement in the EBITDA margin on a y-o-y basis was due to higher volumes and better realisations in certain products as well as cost management initiatives undertaken.
- PBT stood at Rs. 30.72 crore in Q3 FY18 compared to Rs. 10.22 crore in the same period last year.
- PAT grew to Rs. 20.34 crore in Q3 FY18 as compared to Rs 7.36 crore in Q3 FY17.

- EPS for Q3 FY18 stood at Rs. 1.56 per share (of face value of Rs. 2 each) on an enlarged capital base compared to Rs. 0.63 per share in Q3 FY17. (QIP: Issuance of 1,44,23,076 shares of Rs. 2 each at a price of Rs. 104 per share in March, 2017).

## 9M FY2018

- Total income was higher by 12.3% to Rs. 1,091.67 crore in 9M FY18 against Rs. 972.11 crore in 9M FY17. The Basic Chemicals segment has been the key performer even as all Strategic Business Units (SBUs) have registered higher volumes.
- EBITDA increased by 43% to Rs. 158.97 crore in 9M FY18, compared to Rs. 111.31 crore in 9M FY17. The EBITDA margin stood at 14.9% against 12.2% in the same period last year, an improvement of 270 basis points. Margin improvement has been driven by enhanced contribution in select products due to healthy demand trends. There has also been impact of low base, as margins in 9M last year were after absorbing impact of shutdown of production facilities in Roha and Hyderabad.
- PBT stood at Rs. 91.18 crore in 9M FY18, higher by 73% compared to Rs. 52.82 crore (pre-exceptional items) in the same period last year.
- PAT grew by 68% to Rs. 63.13 crore in 9M FY18 as compared to Rs. 37.54 crore (pre-exceptional items) in 9M FY17.
- EPS for 9M FY18 stood at Rs. 4.83 per share (of face value of Rs. 2 each) on an enlarged capital base compared to Rs. 3.29 per share (pre-exceptional items) in 9M FY17. (QIP: Issuance of 1,44,23,076 shares of Rs. 2 each at a price of Rs. 104 per share in March, 2017).
- The above numbers for 9MFY18 include Rs. 18.33 crore (net of loss on account of fire) being insurance claim booked in FSC segment due to fire.

## CMD's Message

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

*"I am elated to share that for the quarter and nine-month period, we have reported exalted financials with strong growth and improved profitability on a year-on-year basis.*

*There has been considerable volatility in prices of inputs and finished goods as well as in forex rates. Despite these challenges, we have selectively pursued opportunities in domestic and export markets, enabling us to grow volumes across all SBUs. We are especially heartened by the performance of the Basic Chemicals and Performance Products segment which has delivered enhanced profitability due to robust demand from local customers who are benefiting from supply disruptions in China.*

*We are on the cusp of commissioning- our Greenfield mega project for production of Phenol & Acetone. This global scale plant, aligned to the Make-in-India initiative, is poised to commence commercial operations shortly. This will elevate our performance and the opportunities for forward integration will open up new platforms for growth in the ensuing years."*

## Performance Highlights

### Domestic & International

- Domestic revenues stood at Rs. 227.38 crore in Q3 FY18 from Rs. 167.13 crore in the same period last year, representing growth of 31% Y-o-Y. This has been driven by higher demand from customers in the local market, who are benefitting from supply disruption in China.
- Revenues from exports came in at Rs. 139.73 crore in Q3 FY18 compared to Rs. 112.66 crore in Q3 FY17 higher by 24%. Export performance was supported by encouraging demand trends in key geographies.

### Segmental Performance

Overall Volume growth across all business segments was higher by 15% Y-o-Y in Q3.

- Revenues from the BC segment stood at Rs. 189.24 crore in Q3 FY18 compared to Rs. 170.14 crore in Q3 FY17. Stronger demand from local customers as well as improving trends in domestic consumption have driven the revenue traction.
- Revenues from FSC segment were Rs. 122.39 crore in Q3 FY18, higher by 46% compared to Rs. 84.04 crore in Q3 FY17. Resumption of normal operations and shifts in product mix were key drivers of growth.
- The PP segment reported revenues of Rs. 67.36 crore in Q3 FY18 compared to Rs. 50.90 crore in Q3 FY17, representing a growth of 32% y-o-y. Volume growth due to healthy demand as well as improved pricing contributed to growth.

## 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. 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 has now entered the last lap of construction completion and finishing work. There has been enhanced focus on operational readiness and flawless start-up for which technology provider's team is at the project site and has commenced the final checks.

## Outlook

Deepak Nitrite is favourably positioned to capture opportunities emerging across the chemicals and speciality chemicals landscape. China, which is the world's largest supplier for multiple chemicals and specialty chemicals, has enhanced its focus on environmental protection and sustainable manufacturing processes. As a result, local Chinese producers are faced with higher cost of operations which will increase the landed cost of chemicals. This has improved the competitiveness of alternate suppliers, opening up opportunities for established players with proven capabilities and abundant capacity such as Deepak Nitrite.

The Greenfield project of the Company for manufacture of Phenol & Acetone is set to commence commercial operations shortly. This will make Deepak Phenolics Ltd., the company's wholly owned subsidiary a market leader for Phenol & Acetone in the country and also open up new frontiers of growth for DNL. The outlook remains favourable as phenol is finding new applications resulting in increased local demand, which has now crossed 300,000 tonnes per annum. As the local supply is limited, there has been an increase in imports. Further, the availability of raw materials in the local market has eased considerably while margins are improving as a result of infrastructure led growth in the downstream market globally. The combination of these factors is contributing to a strong tailwind ahead of the commissioning.

## 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.

### 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	Q3 FY18	Q3 FY17	%	9M FY18	9M FY17	%
Basic Chemicals	189.24	170.15	11%	549.52	512.25	7%
Fine & Speciality Chemicals	122.39	84.04	46%	342.05	275.96	24%
Performance Products	67.36	50.90	32%	217.34	186.75	16%
Other Unallocable	-	1.13	-	1.53	4.21	(64%)
<b>Total</b>	<b>378.99</b>	<b>306.23</b>	<b>24%</b>	<b>1,110.45</b>	<b>979.16</b>	<b>13%</b>
Inter Segment	7.84	3.44	128%	22.70	11.13	104%
<b>Total Revenue from Operations</b>	<b>371.14</b>	<b>302.78</b>	<b>23%</b>	<b>1,087.74</b>	<b>968.02</b>	<b>12%</b>

**Note:** Total Revenue from Operations for Q3 FY17 and 9M FY17 includes excise duty, as per IND AS. 9MFY18 numbers include excise duty upto June 30, 2017.

### Expenditure Analysis

Particulars	Q3 FY18	Q3 FY17	%	9M FY18	9M FY17	%
Employee Costs	34.62	30.74	13%	99.07	90.95	9%
Interest	9.02	9.32	(3%)	29.21	22.60	29%
Depreciation	12.97	11.87	9%	38.57	35.89	7%

### Profitability Analysis

Particulars	Q3 FY18	Q3 FY17	%	9M FY18	9M FY17	%
PBT*	30.72	10.22	201%	91.18	52.82	73%
PAT*	20.34	7.36	176%	63.13	37.54	68%
EPS (Rs.)	1.56	0.63	148%	4.83	3.29	47%

**Note:** Insurance claim for damages and loss of profit, included in the numbers for 9MFY18.

## Statement of Borrowings

### Secured Loan & Net Debt/Equity as on 31st December, 2017

Particulars	Q3 FY18	Q3 FY17
ECB	45	130
Rupee Term Loan	130	102
Other Loan Funds (Includes CC)	392	259
Total Loan Funds	566	491
Debt/Equity Ratio	0.73	0.85



### Capital Employed

<i>Particulars</i>	<i>Q3 FY18</i>	<i>Q3 FY17</i>
Capital Employed	1,342	1,123
Less : Capital Work in Progress	32	36
Less : Market Investments and Investment in Subsidiaries	375	167
Capital Employed in Operations	935	920