

# Q1 FY2021 - INVESTOR COMMUNICATION

Deepak Nitrite reports a resilient performance amidst CoVID-19 uncertainties

*Standalone Revenues at Rs. 355 crore. Standalone EBITDA at Rs. 102 crore  
Standalone PAT at Rs. 64 crore*

*Consolidated Revenues at Rs. 681 crore, Consolidated EBITDA at Rs. 188 crore  
Consolidated PAT at Rs. 99 crore*

*The Company plans to double IPA Capacity from 30,000 TPA to 60,000 TPA*

**Vadodara, August 10, 2020:** Deepak Nitrite Limited, one of India's leading chemical intermediates company, has announced its financial results for the first quarter ended 30th June, 2020.

In the backdrop of the CoVID-19 pandemic, Deepak Nitrite Ltd.'s (DNL) has reported a steady performance during the quarter. The Company operated for close to two-months during Q1 due to the nationwide lockdown. In April 2020, at the height of the lockdown, Deepak Phenolics Ltd. commissioned its premium grade IPA plant with a capacity of 30,000 MT in order to provide local supply of this essential product at a time of immense necessity.

## Financial Highlights

### Q1 FY2021

- On a Standalone basis, owing to nationwide lockdown caused by Covid19 pandemic, effective capacity utilisation in the quarter was around 65%, i.e. loss of a month's operations, hence revenues for the quarter de-grew by 36%, at Rs. 355 crore in Q1 FY21 when compared to Rs. 554 crore in Q1 FY20.

Consolidated Revenues were Rs. 681 crore in Q1 FY21 compared to Rs. 1,083 crore in Q1 FY20.

- Standalone EBITDA was at Rs. 102 crore, lower by 46% as against Rs. 188 crore in the corresponding period last year. Underutilisation of capacities due to lockdown largely affected earnings. Within the segments, the PP segment witnessed lower EBITDA margin as one of the chemical intermediates – DASDA, which enjoyed an extraordinary run up in prices during last year witnessed demand drop in end-use segments i.e. paper and textiles owing to CoVID-19.

On a consolidated basis, EBITDA was Rs. 188 crore in Q1 FY21 compared to Rs. 265 crore in Q1 FY20.

- Standalone PBT stood at Rs. 85 crore in Q1 FY21, contracting by 48% over Rs. 164 crore in the same period last year.  
Consolidated PBT was Rs. 133 crore in Q1 FY21 compared to Rs. 201 crore in Q1 FY20.

- Standalone PAT for the period under review stood at Rs. 64 crore as against Rs. 107 crore in Q1 FY20, de-growth of 41% on a Y-o-Y basis. On a Consolidated basis, PAT was Rs. 99 crore in Q1 FY21 compared to Rs. 132 crore in Q1 FY20.
- Standalone EPS for Q1 FY21 was Rs. 4.66 per share (of face value of Rs. 2 each) as compared to Rs. 7.87 per share in Q1 FY20. Consolidated EPS for Q1 FY21 was Rs. 7.25 per share (of face value of Rs. 2 each) as compared to Rs. 9.65 per share in Q1 FY20
- The Financial position of the Company is stable and it enjoys a comfortable Debt: Equity ratio of 0.04x on a standalone basis and 0.45x on a consolidated basis net of present liquidity position of around Rs 150 Cr at group level.

## CMD's Message

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

*“Entering the financial year, we knew that this quarter would need a substantial pivot from financial performance to caretaking. Your company’s highest duty is to the 2500 families that depend on it for their livelihood and the countless that live and work around it for their safety.*

*We were faced with multiple challenges including petrochemical volatility, COVID-19 lockdowns, manpower constraints, Cyclone Nisarg over the quarter. In spite of that, I’m happy to note that, we continue to adhere to the 3Ps of growth.*

*People: The company carried every employee with it- increasing salaries and wages across all locations, widening medical coverage, distributing medicines, regular medical tests and created safe work environment while preparing for ‘worst case’ scenario.*

*Planet: The EHS team was cognizant that a restrictive manufacturing environment can lead to catastrophic oversights and remained vigilant in ensuring asset and material safety.*

*Profit: The company sustained overall margins while retaining customer stickiness.*

*I am also proud of DPL’s technical team that self-commissioned the IPA plant in April without support from the foreign technology provider to support the nation in its time of need. The plant is already operating at 110% capacity and will soon be expanded. DNL’s brownfield expansions will be commissioned in the 3rd and 4th quarters, and development activity for a range of value added products is taking shape at the newly acquired Dahej site.”*

## Performance Highlights

### Segmental Performance

- **Basic Chemicals:** Reported a 32% moderation in revenues, running for slightly under 2 months of operations. The fuel additives segment that depends on transport has witnessed a demand shock and volume recovery may be protracted. The other products however continue to witness consistent demand.
- **Fine & Specialty Chemicals:** Grew by 21% yoy. Customer demand for the largely agrochemical and personal care segments continues to be robust, and cost excellence initiatives have borne fruit. The company expects FSC to continue to be a growth engine in forthcoming quarters
- **Performance Products:** Has been the most affected by COVID-19- a 76% contraction in revenue. While the detergent end segment has retained its volume requirements, both paper and textiles demand have been substantially affected by the pandemic. This has had a domino effect on optical brighteners' volumes and DASDA, which was in short supply last year, has transitioned into oversupply. We expect the situation to normalise as the paper industry is expected to show cautious recovery over the next couple of quarters

### Domestic & Exports

- Domestic Revenues stood at Rs. 157 crore in Q1 FY21 as against Rs. 320 crore in the corresponding period last year. This was partly because the company was constrained in its production, and partly because management chose to take advantage of a depreciated currency and increase export bias.
- Export Revenues were Rs. 186 crore in Q1 FY21 compared to Rs. 227 crore in Q1 FY20, reporting de-growth of 18% Y-o-Y. The focus was higher on exporting to countries that were on the path to recovery from the effects of the virus: Asia and Europe.

### Performance of Deepak Phenolics Ltd.

- While prices and demand for Phenol in the domestic market were affected by lockdown, migration and low discretionary spend on housing, DPL changed track to increase export volumes. Demand for its pharmaceutical grade IPA and Acetone however was strong owing to which net income showed growth despite lower production due to an effective shutdown of 40 days.
- The IPA plant which was commissioned in April was already ramped up to 110% capacity utilization within the quarter while maintaining all safety standards.
- The plant and commercial teams managed extraordinary feats given the challenge that production of Phenol and Acetone requires movement of thousands of tons of raw

materials and finished goods across multiple state boundaries which each have their own restriction policies.

## Change in Key Management Personnel (KMP)

- Mr. Umesh Asaikar, who served as CEO of Deepak Nitrite for 12 years, retired upon expiry of his term of appointment on May 31, 2020. The Company appreciates Mr. Asaikar for his invaluable contribution over these 12 years.
- Mr. Maulik Mehta, has been elevated as Executive Director and Chief Executive Officer w.e.f. June 1, 2020. He has been a Whole-time Director since 9<sup>th</sup> May, 2016 and has over 12 years of experience essaying several roles in the organisation encompassing business strategy, business development, part of the core team in OBA turnaround and future growth strategy for the Company .
- Mr. Kishor Jhalaria has been appointed as Chief Executive Officer (CEO) of Deepak Phenolics Limited with effect from June 1, 2020. Mr. Jhalaria, aged 63 years, is a Chemical Engineer from Indian Institute of Technology, Kanpur. He has over 4 decades of experience in the Petrochemical Industry and last worked with Reliance Industries Limited for around 23 years and prior to that with NOCIL for around 18 years.

## Response to CoVID-19 pandemic impact and associated regulatory directives

The company has operations in 3 states in India and has ensured that each plant adheres to both national and state policies with regards to plant operations, manpower limitation and transport restrictions.

The Company has undertaken various precautionary measures to ensure worker safety by including providing gloves, masks, personal sanitizers, thermal and oxygen screening for all entrants. Workplaces and transport sanitization is done multiple times a day, and strict enforcement of social distancing and avoidance of personal contact has been followed.

All employees of the company also appreciated special financial incentives, widened medical coverage to include COVID-19 treatment, complimentary health check-ups, multivitamins to their families under proper medical advice.

Capital project timelines have been affected by lockdowns and will now be commissioned with a delay of few months.

## Outlook

While major segments such as agrochemical, pharmaceutical and personal care continue to show robust demand, segments such as paper, laminates and fuel additives may take until the end of the year to show recovery.

Doubling of the IPA plant to further reduce the country's dependence on imports has been taken up on a fast track basis.

The year will also see brownfield expansions of several DNL products as well as completion of the large CoGen Power Plant which will further improve cash and performance reliability.

## 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 leading supplier 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.

## 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 Standalone Results (All figures in Rs. Crore)

### Revenues

Particulars	Q1 FY21	Q1 FY20	%
Basic Chemicals	153	226	-32
Fine & Speciality Chemicals	140	116	21
Performance Products	61	226	-73
<b>Total</b>	<b>353</b>	<b>567</b>	<b>-38</b>
Inter Segment	3	17	-83
<b>Total Revenue from Operations</b>	<b>350</b>	<b>550</b>	<b>-36</b>

Note: 1. Other Income not included in the above

### Expenditure Analysis

Particulars	Q1 FY21	Q1 FY20	%
Employee Costs	51	44.	15
Interest	3	6.	-55
Depreciation	14	18	-19

### Profitability Analysis

Particulars	Q1 FY21	Q1 FY20	%
PBT	85	164	-48
PAT	64	107	-41
EPS (Rs.)	4.66	7.87	-41

## Statement of Borrowings

### Secured Loan & Net Debt/Equity as on 30<sup>th</sup> June, 2020

Particulars	Q1 FY21	Q1 FY20
Rupee Term Loan	7.50	122.79
Other Loan Funds (Includes CC)	57.62	103.86
Total Loan Funds	65.12	226.56
Debt/Equity Ratio	0.04	0.20

### Capital Employed

Particulars	Q1 FY21	Q1 FY20
Capital Employed from Operations	1,666.75	1,472.57

Less : Capital Work in Progress	99.05	59.52
Less : Investment in Subsidiaries	562.84	562.84
Net Capital Employed from Operations	1,004.86	850.21

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

### Revenues

Particulars	Q1 FY21	Q1 FY20	%
Basic Chemicals	153	226	-32
Fine & Speciality Chemicals	140	116	21
Performance Products	54	226	-76
Phenolics	331	501	-34
<b>Total</b>	<b>677</b>	<b>1,068</b>	<b>-38</b>
Inter Segment	3	17	-82
<b>Total Revenue from Operations</b>	<b>674</b>	<b>1,051</b>	<b>-36</b>

Note: 1. Other Income not included in the above

### Expenditure Analysis

Particulars	Q1 FY21	Q1 FY20	%
Employee Costs	62	55	13
Interest	25	31	-20
Depreciation	31	33	-7

### Profitability Analysis

Particulars	Q1 FY21	Q1 FY20	%
PBT	133	201	-34
PAT	99	132	-25
EPS (Rs.)	7.25	9.65	-25

## Statement of Borrowings

### Secured Loan & Net Debt/Equity as on 30<sup>th</sup> June, 2020 (Consolidated)

Particulars	Q1FY21	Q1FY20
Rupee Term Loan	813.68	921.55
Working Capital Borrowings (Including CC)	59.62	200.48
Total Loan Funds	873.30	1,122.03
Debt/Equity Ratio	0.53	0.96