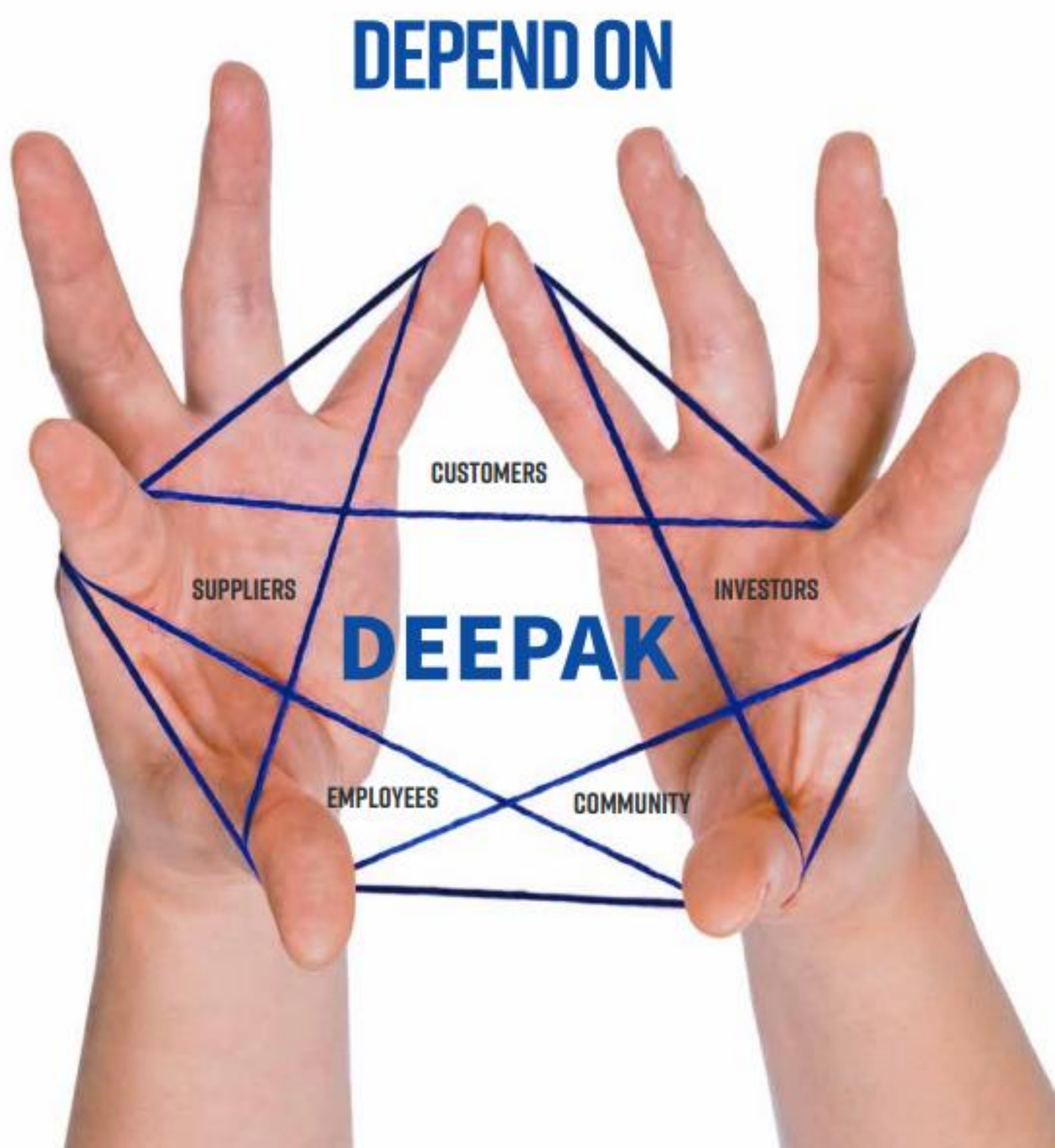
DEEPAK

RESPONSIBLE
CHEMISTRY

Q1 FY23 Results Presentation

04 August, 2022



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Deepak: Overview – Leading Chemical Intermediates player

Company Overview

Deepak Nitrite (DNL) is one of the fastest growing and trusted chemical intermediates company in India with a diversified portfolio of products that caters to multiple industries with myriad applications. DNL is recognized globally as a ***'Responsible Manufacturer'*** and as a ***'Supplier of Choice'*** by marquee customers. Led by an able management team, DNL has leveraged process expertise, technological prowess and operational excellence to capitalise on opportunities for growth and deliver sustained value for stakeholders.

TOGETHER FOR SUSTAINABILITY

nicerglobe® Responsible Care® Initiative

Responsible Care® OUR COMMITMENT TO SUSTAINABILITY

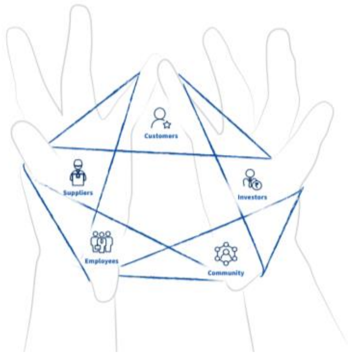
SILVER ecovadis Sustainability Rating

30+ Products | **56+** Applications | **1,000+** Customers

- Sustainable & versatile business model
- Largest Producer of Sodium Nitrite and Sodium Nitrate since 1972
- 6 Modern Manufacturing Facilities
- Products exported to 45+ Countries across 6 continents
- Largest Producer of Phenol & Acetone since 2019 in India
- Among top 3 global Players for speciality products like Xylidines and Oximes
- Robust R&D capabilities
- Rich Legacy of over 5 Decades

DEPEND ON DEEPAK

Deepak Nitrite Limited (DNL) has built a strong organisation with processes and systems that ensure seamless operations, as well as a focus on ethics and transparent practises, with a team of skilled and motivated people ready to step up and take charge, as well as deep capabilities to meet our customers' needs. More importantly, having long-lasting relationships at its core, founded on the principles of trust, faith, and values, ensures our long-term success and future value creation.



Company overview: Exemplary track record

Seizing the opportunity

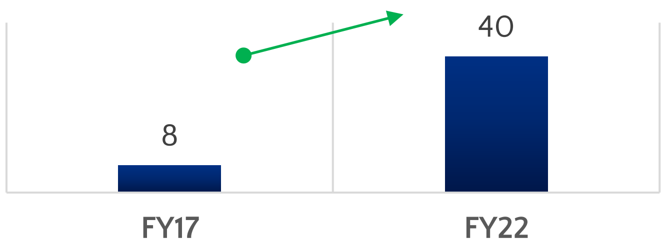
Delivered marked improvement across various parameters

	FY17		FY22
Revenue (Rs. Cr)	1,324	5x	6,845
PAT (Rs. Cr)	52	21x	1,067
Net Gearing Ratio	0.44		0
R&D exp. (Rs. Cr)	9	2x	22

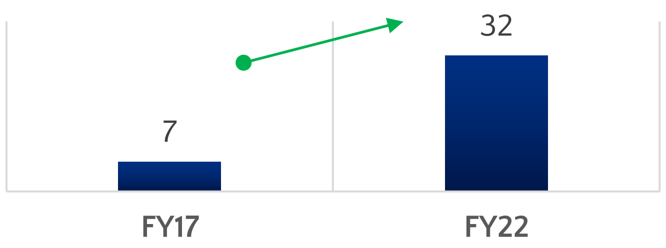
Excellence in execution

Sustained increase in return ratios, with debt levels at all-time low

ROCE (%)



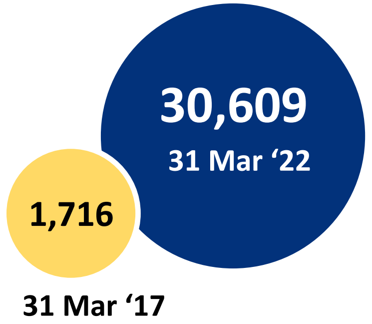
ROE (%)



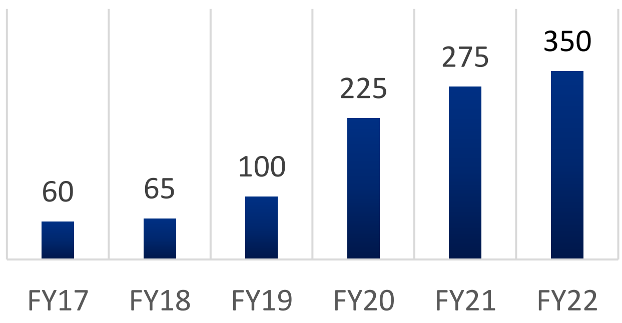
Value creation

Consistently rewarded shareholders

Market Cap. (in Rs. Crore)



Dividend (%)



Performance highlights – Q1 FY23

DEEPAK RESPONSIBLE CHEMISTRY

Consolidated Q1 FY23 vs Q1 FY22

INR 2,068 crore
Revenues

35% yoy

INR 366 crore
EBITDA

INR 315 crore
Profit Before Tax

INR 235 crore
Profit After Tax

Key numbers Consolidated

18%
EBITDA Margin for Q1 FY23

16%
EBIT Margin for Q1 FY23

82:11
Domestic : Exports Revenue Mix for Q1 FY23

0.00x
Consol. Net D/E Ratio for Q1 FY23

Performance Takeaways

Revenue growth of 35% yoy has been achieved despite the loss of production at Nandesari unit for nearly one month during the quarter due to unfortunate incident of fire

EBITDA and PAT performance and margin to be viewed in light of sharp rise in cost of inputs on a y-o-y basis, encapsulated as under:

Inputs for Advanced Intermediates	Q1 FY23 Vs Q1 FY22
Caustic Lye	138%
Ammonia	123%
CNA-98%	142%
Toluene	72%
2 EH	64%
Coal	95%
Ortho Xylene	56%

Inputs for Phenolics	Q1 FY23 Vs Q1 FY22
Propylene	29%
Benzene	38%

Key Developments….(1/2)

Update on Fire Incident

- On June 2, 2022, an unfortunate fire occurred in the warehouse section of the manufacturing facility at Nandesari, Gujarat. This incident led to damage of certain property, plant and equipment, inventory and has interrupted business. Following checking and certification of structural stability of plants and buildings at the facility and upon receiving directions from various authorities, operations have resumed in a phased manner in most sections except for affected areas of Nitrite Section
- Activities to resume operations at affected areas have already been taken up and the teams are working towards comprehensively completing the pre-commencement preparation within the shortest possible time frame.
- The Company is adequately insured for reinstatement value of damaged assets and loss of profits due to business interruption. The Company has lodged claim of this incident with the insurance company and the survey is currently ongoing

Key Developments….(2/2)

Merging of Strategic Business Units (SBUs)

- Owing to increasing number of facilities catering multi-products, integrated production processes, similar economic characteristics of products and business scenario, the Chief Operating Decision Maker (CODM) evaluates the performance of the Group as two business segments and allocates resources based on value generated from these segments. Accordingly, the operations of the Group have been merged and are reported under two Business Segments as per Ind AS 108, namely:

  1. Advanced Intermediates
  2. Phenolics

Update on QIP

- The Company has completed all preparatory activities for launch of QIP. The Company is assessing market conditions for an opportune time to launch the offering. The proceeds will be deployed towards growth capex as approved by Board of Directors

Performance overview & other highlights….(1/2)

- In the backdrop of volatile prices, continued challenges with logistics and sharp fluctuation in forex rates, the Company has reported a resilient performance which was premised on diversified product portfolio with deep capabilities to meet customers' needs. There was also one-off impact due to fire at the Nandesari Facility

- Finished goods pricing has been passed on in most key products with further actions to be undertaken in certain products with some lag. The Company continued to witness significant price increases in key raw materials which impacted the margin

- Post the fire incident, all plants are running at full capacity as per permissions given by statutory bodies as of July 2022, except SNI/SNA which is currently operating at 50% capacity; this will move to 75% by mid September and is expected to be fully operational by October 2022

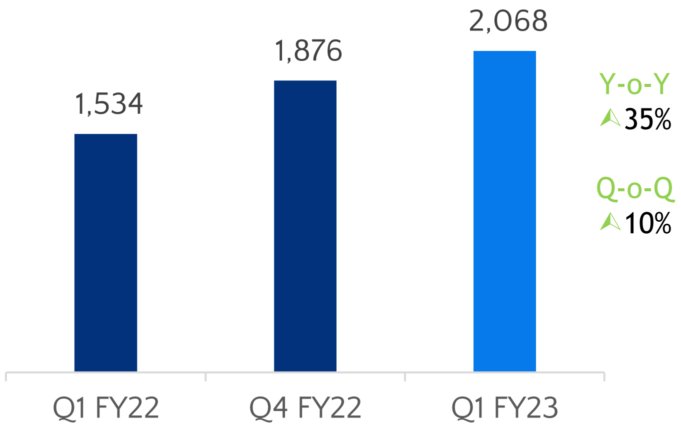
- Total of ₹ 210 crore has been invested in Deepak Chem Tech Limited (wholly owned subsidiary) till date, of which ₹ 20 crore was invested in Q1 FY23

Performance overview & other highlights….(2/2)

- Q1 FY23 was witness to high volatility in exchange rate (₹/$), resulting in fluctuation of 5.33% (highest at 79.00 and lowest at 75.00). The Company resorted to dynamic hedging strategies to reduce risk of forex volatility, which yielded ₹ 2.16 crore of exchange gain
- The Company achieved 44% ROCE for Q1 FY23, while attaining more than 30% in each of the last 10 reported quarters
- The Company continues to be debt free with a sizeable net worth of ₹ 3,573 crore on a consolidated basis. This will help to leverage the balance sheet for future expansion activities
- The Captive Power Plant at Dahej, with a capacity of 29 MW, commenced generation in May 2022. The availability of captive and reliable power supply will enable operating plants at higher efficiency on sustainable basis.

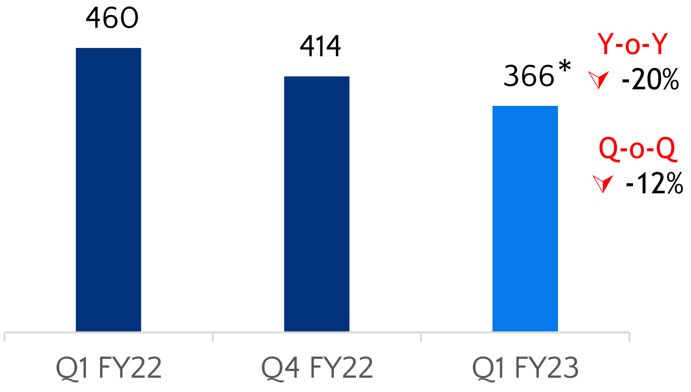
Q1 FY23 – Financial Highlights

Revenue (Rs. Cr.)



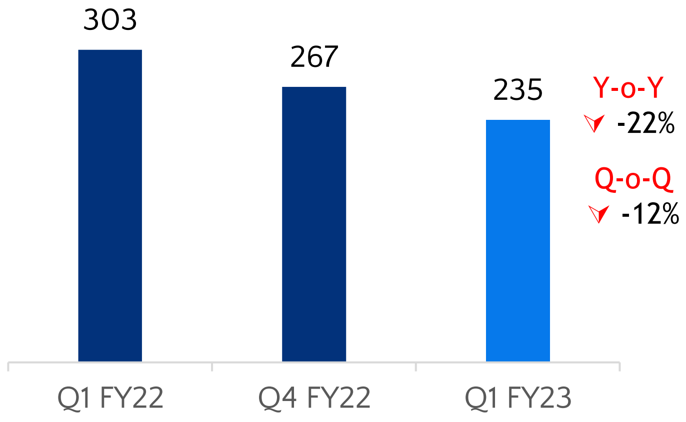
- The Company demonstrated resilient topline performance by traversing through several challenges like significant inflation in RM prices, elevated utility costs and supply chain disruptions amongst others
- This performance was achieved despite unavailability of the Nandesari unit for part of the quarter due to fire incident at warehouse

EBITDA (Rs. Cr.)



- Due to dynamic operating environment characterized by force majeure in global gas supply contracts, rising cost of power in Europe leading to plant shutdowns and stringent anti-COVID measures implemented by Chinese Authorities, there continues to be sharp rise in global prices of inputs which has impacted the EBITDA margin
- Moderation in EBITDA margin is also due to higher utility costs, increase in freight and logistics costs as well as impact from return of business overheads which had been compressed last year owing to subsequent waves of pandemic

PAT (Rs. Cr.)



- PAT performance mirrored the trend in operating performance.
- Reduction in debt and consequently lower interest cost has aided the PAT. Increase in other income due to yield on surplus funds invested has also contributed.
- The Company has been constantly undertaking steps to reduce its overall costs and increase manufacturing efficiencies to elevate the profitability

Note: EBITDA includes other income

*Performance during the quarter was impacted by fire incident at Nandesari plant; this is one-off in nature

CMD Message

Commenting on the performance for Q1 FY23, Mr. Deepak C. Mehta, Chairman & Managing Director said:

"We are pleased to deliver a resilient performance this quarter enabling us to begin FY23 on an encouraging note with healthy topline growth. Stable demand and strong output, predicated on high plant efficiency served as the primary growth drivers. We continue to enhance our market position in several of our portfolio products.

We will continue to focus on extending our product portfolio by graduating new products from our R&D pipeline. We are confident that our growing footprint across established and new chemistries will enable us to sustain the key momentum.

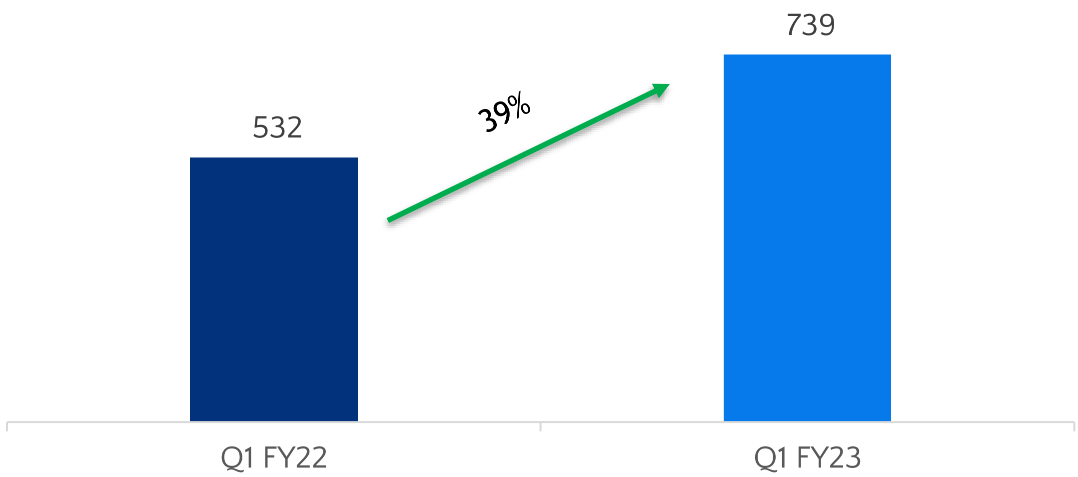
Given the increasing demand in the market on a worldwide scale, we predict healthy growth for India over medium-to-long term. The Company is well positioned to capture incremental demand and profit from the country's growing trend of import substitutions. The exciting pipeline of products encompassing solvents, amongst others, including MIBK and MIBC projects approved by the Board will enable us to capitalize on this trend.

Our teams are applying themselves round the clock to overcome the setback from the unfortunate fire incident at Nandesari. Work at the affected unit has been taken up expeditiously and resumption of production is expected soon.

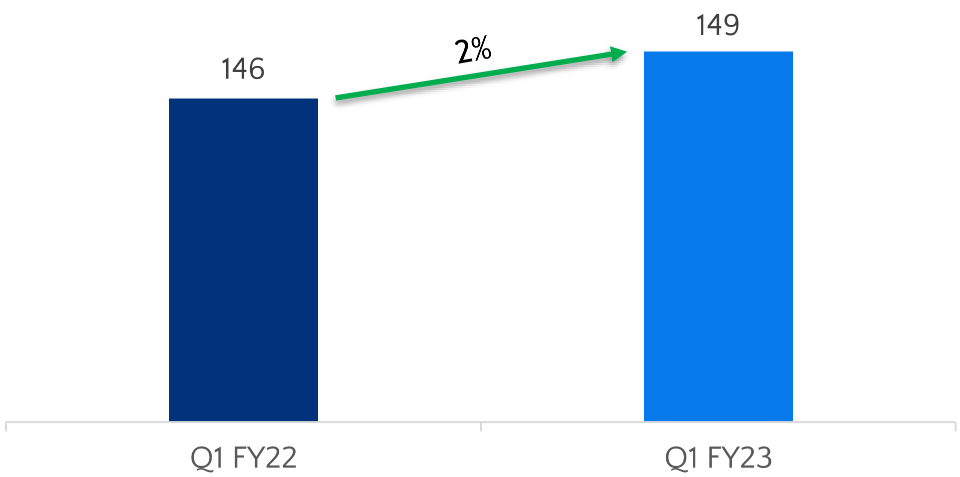
A robust financial position, deep client relationships and considered growth investments place us well to elevate our business proposition."

Advanced Intermediates

Revenue (Rs. Cr.)



EBITDA (Rs. Cr.)



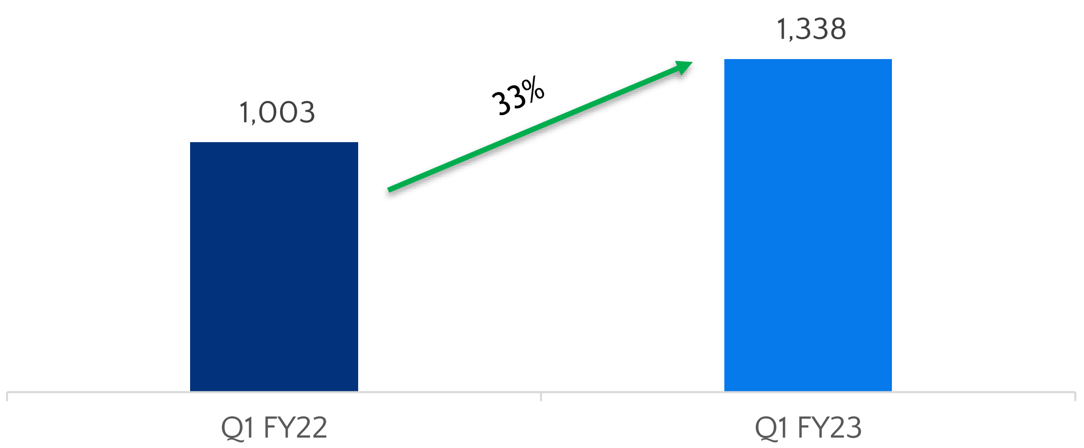
Key Highlights

- High exchange rate volatility was witnessed during the quarter, in addition to steep inflation in key inputs. Despite the volatile global trade backdrop, DNL has delivered strong revenue growth supported by realization gains for key products
- Profitability was not commensurate with the revenue growth chiefly because of two factors – rising input prices and lag effect in passing on the prices to customers. Margins will improve in the ensuing quarters as periodic repricing of products is regular business process

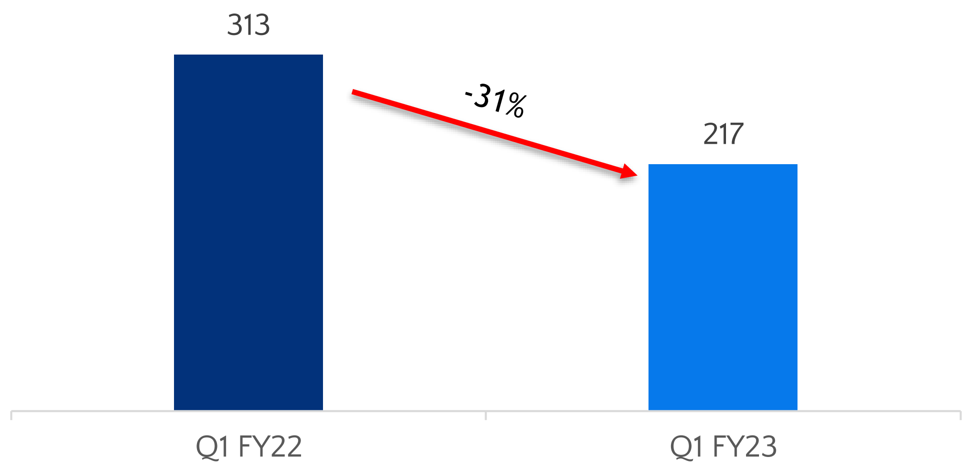
Inputs for Advanced Intermediates	Q1 FY23 Vs Q1 FY22
Caustic Lye	138%
Ammonia	123%
CNA-98%	142%
Toluene	72%
2 EH	64%
Coal	95%
Ortho Xylene	56%

Phenolics

Revenue (Rs. Cr.)



EBITDA (Rs. Cr.)



Key Highlights

- Strong topline performance steered by volume gains and maintaining customer wallet share across key products supported by the significant achievement of the plant clocking average utilization of ~129%
- The normalising realization of joint product Acetone in relation to prior period where pricing was exceptionally high with respect to delta over feedstock has impacted the margin.
- The sharp rise in input prices which are to be passed on combined with higher cost of coal resulting in more than doubling of utility costs have also impacted margin performance
- The demand trajectory remains solid, and the Company is well poised to realise incremental gains in this segment through timely introductions of downstream derivative products of phenol and acetone

Inputs for Phenolics	Q1 FY23 Vs Q1 FY22
Propylene	29%
Benzene	38%

Update on Projects

Key updates

- In order to enhance its backward integration capabilities, the Company has proposed to add new capacities of key raw materials. This will not only ensure stable supply of key inputs, but also offer margin advantage
- The Company is also expanding its capacity for captive treatment of waste. This will lead to reduction in procurement of the targeted chemical from the open market and is expected to be commissioned in Q3 FY22.
- Brownfield expansion of key products are underway and commissioning is targeted post completion of captive waste treatment facility mentioned above
- For various projects under implementation at new site at Dahej, engineering and other works as well as formalities are ongoing towards introduction of various derivatives of Phenolics products.

Outlook

- ✓ DNL will tend to significantly gain from immense opportunities unfolding in the sector through 'Make in India for the World' initiative as well as strong recurrence of China+1 strategy
- ✓ Moreover, Rs. 15 billion worth of projects lined up by the Company across key product lines, is a testament to Company's focus on continued growth and profitability in medium-to-long term, and sustained shareholder value creation
- ✓ The Company will continue to be a partner of choice for leading Indian and global conglomerates by leveraging deep chemistry expertise and robust manufacturing set-up
- ✓ The Company is well poised to drive incremental gains across both the segments on the back of scheduled commissioning of key projects in this and next financial year. These projects encompass:
  - Brownfield expansion of select products
  - Strengthening backward integration capabilities of key inputs which will also enhance margins
  - Value-added downstream derivatives of Phenol and Acetone including solvents
  - Adding new chemistry platforms of photo chlorination and fluorination

Consolidated P&L Statement

Particulars (Rs. crore)	Q1 FY23	Q1 FY22	Y-o-Y (%)	FY22
Revenue	**2,058**	**1,526**	*35%*	**6,802**
Other Income	10	8	*16%*	43
Total Revenue	**2,068**	**1,534**	*35%*	**6,845**
Total Expenditure	**1,702**	**1,075**	*58%*	**5,198**
• Raw Material consumption and change in inventory	1,361	820	*66%*	4,114
• Employee benefits expense	81	69	*18%*	274
• Other expenses	260	186	*40%*	810
EBITDA	**366**	**460**	*-20%*	**1,647**
EBITDA Margin (%)	***18%***	***30%***	***-1200 bps***	***24%***
Finance Costs	9	11	*-21%*	34
Depreciation and Amortization	42	44	*-4%*	178
PBT Before Expectational Items	**315**	**405**	*-22%*	**1,434**
Expectational Items	0	0	-	-
PBT After Expectational Items	**315**	**405**	*-22%*	**1,434**
Tax expense	81	102	*-22%*	368
PAT	**235**	**303**	*-22%*	**1,067**
PAT Margin (%)	***11%***	***20%***	***-900 bps***	***16%***
EPS Diluted (Rs.)	**17**	**22**		**78.20**

Notes:

1. Other expenses includes power & fuel expenses

2. EBITDA includes other income

Consolidated Segmental Financials – Revenue

Particulars (Rs. crore)	Q1 FY23	Q1 FY22	Y-o-Y (%)	FY22
Advanced Intermediates	730	527	*38%*	2,511
Phenolics	1,335	999	*34%*	4,303
Less – Inter segment	7	0.1		12
Total	2058	1526	*35%*	6802

Consolidated Segmental Financials – EBITDA & Margin

Particulars (Rs. crore)	Q1 FY23	Q1 FY22	Y-o-Y (%)	FY22
EBITDA				
Advanced Intermediates	**151**	145	4%	**675**
Phenolics	**212**	313	-32%	**974**
EBITDA %				
Advanced Intermediates	**21%**	28%		**27%**
Phenolics	**16%**	31%		**23%**

About Us & Contact Details

Deepak Nitrite Limited (NSE: DEEPAKNTR, BSE: 506401) is one of the leading chemical intermediates with diversified portfolio that caters to the dyes and pigments, agrochemical, pharmaceutical, plastics, textiles, paper and home and personal care segments and petrol derivates intermediates -phenolics, acetone and IPA in India and overseas. Its products are manufactured across 6 locations, which are all accredited by Responsible Care.

For further information, please contact:

Somsekhar Nanda

Chief Financial Officer

Deepak Nitrite Limited

Email: snanda@godeepak.com

Mayank Vaswani / Nishid Solanki

CDR, India (IR Advisors)

Email: mayank@cdr-india.com

nishid@cdr-india.com

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Thank You

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