

DEEPAK

RESPONSIBLE
CHEMISTRY

Q4 & FY23 Results Presentation

11 May, 2023

Rs. **8,020** crore

Turnover (in FY23)

↑**17%**

Rs. **315** crore

PBT (in Q4 FY23)

↑**12%** Q-o-Q



Contents

Company
Overview

3

Q4 & FY23
Performance
Overview &
Highlights

5

Awards &
Accolades and
Project
Updates

8

Q4 & FY23
Financial
Highlights

10

Performance
of Strategic
Business Units

13

Annexures

16

Deepak Nitrite Limited: A Leading Chemical Intermediates Producer



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.



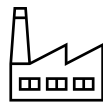
DEPEND ON DEEPAK

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.

30+ Products



56+ Applications



1,000+ Customers



Sustainable & versatile business model

6 Modern Manufacturing Facilities

Products exported to 45+ Countries across 6 continents



Largest Producer of Phenol & Acetone since 2019 in India



Robust R&D capabilities



Rich Legacy of over 5 Decades

Company overview: Exemplary track record



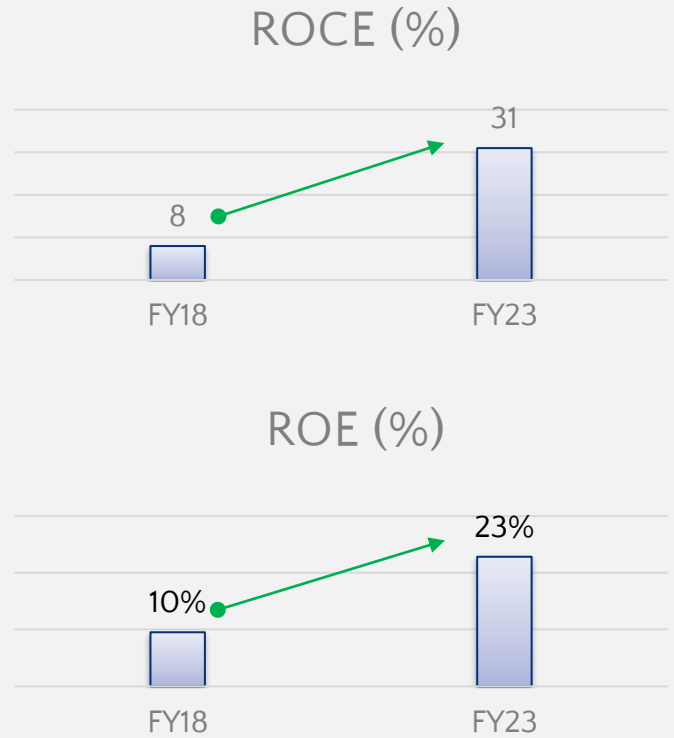
Seizing the opportunity

Delivered marked improvement across various parameters

	FY18		FY23
Revenue (₹ Cr)	1,689	6x	8,020
PAT (₹ Cr)	79	11x	852
Cash PAT (₹ Cr)	132	8x	1,018
Debt to equity ratio	1.07		Zero
R&D exp. (₹ Cr)	8	2x	17

Excellence in execution

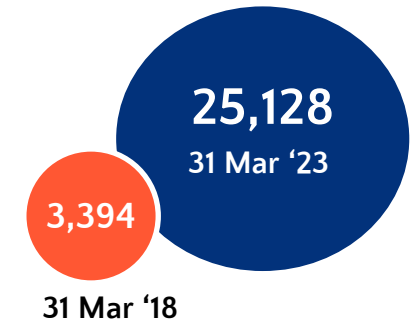
Sustained increase in return ratios, with zero debt levels



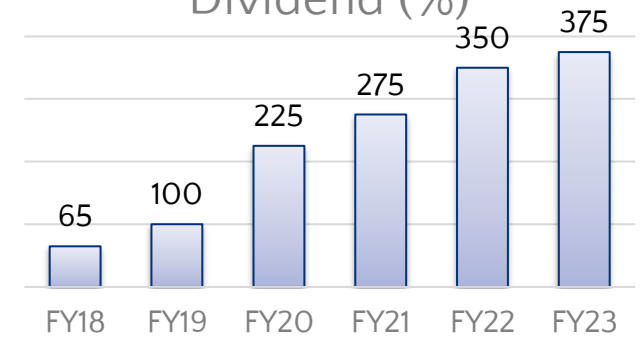
Value creation

Consistently rewarded shareholders

Market Cap. (in ₹ Crore)



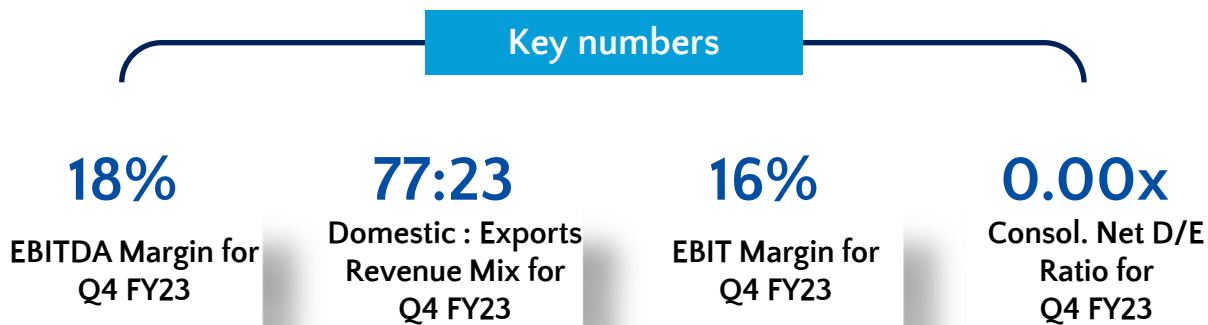
Dividend (%)



Performance highlights – Q4 & FY23 (Consolidated)



Particular (Rs. Crore)	Q4 FY23	Q-o-Q	Y-o-Y	FY23	Y-o-Y
Revenue	1,974	-2%	5%	8,020	17%



Performance Takeaways

During FY23, the operating environment was characterized by sharp volatility as outbreak of the Russia-Ukraine war and resultant disruption in global supply chains caused spike in several commodities and led to high inflationary pressures on inputs. Further, the fire at the NDS plant resulted in lost production and sales for about 40 days. Additionally, discontinuation of supply arrangements for certain inputs had to be made good by imports and alternate supply which led to additional cost. This disadvantage is being addressed through backward integration projects and the outcome will be seen once these projects are implemented. Despite these challenges, the company's business model proved resilient with incremental investments boosting throughput and sustained demand from end-user industries driving growth.

In this backdrop, DNL reported strong double-digit growth in top-line, attributed to stable demand from customers and high plant efficiency, operating all plants at high utilization rates. Specifically, the Phenol plant recorded a utilization of more than 120% and achieved the highest-ever quarterly domestic sale, with the highest daily phenol production.

On the profitability front, EBITDA was impacted by high input prices which are yet to be fully passed on to customers. Further, the inflationary pressures in inputs costs have contributed to overall higher costs. Realisations of some products, which were exceptionally high in the base period last year have now normalized, also contributing to the normalized margin during the current period.

DNL has undertaken substantial de-risking of its business model with assured supply of additional inputs, captive power supply and creating value from waste. Further, contracted supply of products from both segments provides high visibility of continued growth.



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



- The Board of Directors has recommended a Final Dividend of Rs. 7.5 per equity share (375%) of face value of Rs. 2 each for FY2022-23
- The Phenol plant has clocked utilization of more than 120% for the quarter, and, achieved highest-ever quarterly domestic sale and highest production per day of phenol. In Jan 2023, DPL crossed the milestone of 1 million tonnes of phenol production on a cumulative basis since inception
- Phenolics achieved high utilisation rates of more than 120% in Phenol Plant, 125% in Cumene Plant and 104% in IPA in FY23
- In FY23, Revenue in the Advanced Intermediates segment increased by 21% Y-o-Y due to sustained healthy demand from key customers, while EBITDA was lower by 8% due to a combination of internal and external factors such as the Russia-Ukraine war, high input costs, disrupted global demand and supply and fire at the Nandesari Plant which caused non-availability for 40 days. Additionally, alternate supply arrangements for certain inputs resulted in higher cost
- Phenolics segment experienced a 15% Y-o-Y revenue growth due to strong volume growth. However, the EBITDA margin decreased Y-o-Y and Q-o-Q due to input price volatility
- On a consolidated basis, Domestic : Export Ratio, has moved from 83:17 in Q2FY23 to 79:21 in Q3 FY23 to 77:23 in Q4 FY23.
- The first railway rake movement for Phenol from Dahej to Punjab in Oct 2022 was a success, highlighting DPL's logistical prowess



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

- The Company submitted insurance claim for fire at Nandesari Plant. The Company has received an interim payments of ₹11 crore upto March 2023 and a further ₹14 crore in April 2023 aggregating to ₹ 25 crore
- Dahej unit of DNL achieved a milestone of getting 100% score in FIRST ATTEMPT in Together For Sustainability (TfS) Audit conducted by DQS India
- DNL effectively managed forex volatility risk in Q4 FY23 using dynamic hedging, resulting in a gain of ₹2.28 crore, with a cumulative gain of ₹6.91 crore. Total treasury income for FY23 was ₹34.37 crore.
- For full year FY23, prepayment of term loan was ₹161 crore leading to savings in interest costs. In Q4 FY23, DPL prepaid term loan of ₹ 61 crore, taking its Net Debt Equity ratio to 0.03x as compared to last year's 0.20x
- On a consolidated basis, the Company remains debt-free, with a net worth of ₹4,090 crore, thereby strengthening its balance sheet for future expansion.
- The Company recorded the highest production from hydrogenation of 4,407 MT at Dahej plant
- Reported Highest export sales of inorganic intermediates of 7,603 MT, out of which US export sales were 4,184 MT
- DPL – A 29MW captive power plant was commissioned in April 2022 to provide assured power supply

Awards & Accolades



Deepak Nitrite's Annual Report 2021-22 received the Excellence in Financial Reporting award from ICAI



Deepak Nitrite's 51st Annual Report won three awards at the League of American Communications Professionals (LACP). The report ranked among Top 100 Reports Worldwide, winning The Gold Award for excellence within its industry and won Technical Achievement Award for overall excellence in the art and method of Annual Report communication



Business Today awarded Deepak Nitrite's CMD, Mr. Deepak Mehta, as the Best CEO of the Chemical Sector for 2022



The 2022 Hurun India Special Jury Award recognized Mr. Deepak Mehta's outstanding contribution to the Chemical sector and Indian Economy as CMD of Deepak Nitrite



Mr. Sanjay Upadhyay, Director Finance and Group CFO, Deepak Nitrite Ltd, was awarded the Best CFO of the Year in the Chemical Sector at the ASSOCHAM Vibrant Bharat CFO Summit Awards



Mr. Sanjay Upadhyay also received the Best CFO - Large Enterprise award from Business World at the 6th Annual Edition of BW Best CFO Finance Strategy Summit Awards 2023 in New Delhi

Investment in Deepak Chem Tech Limited

- DNL has cumulatively invested of ₹405 crore in DCTL upto March 2023
- Out of ₹405 crore received, close to ₹378 crore has already been deployed towards growth projects
- DCTL has recruited key team members, including project management, procurement, and support function employees, with recruitment ongoing for other key positions

Project Status (DCTL)

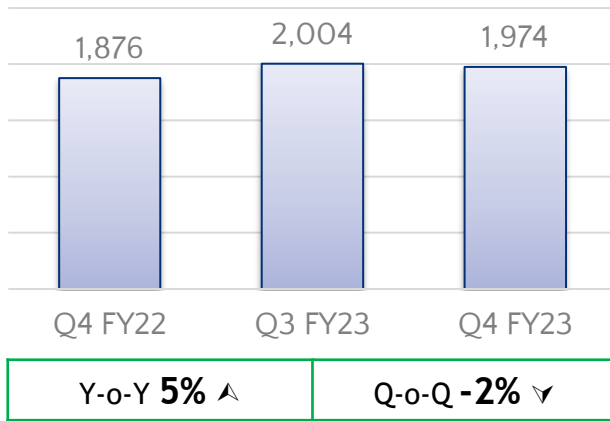
- BTC /BTF plant is expected to be commissioned in Q3 FY24, while Acid plant is expected to be commissioned in Q4 FY24. Both these plants will significantly add to the profitability once commissioned and fully ramped up. This will also cater to internal captive consumption needs
- Both MIBK and MIBC plants are planned to be commissioned in Q1 FY25. These are derivative products of Acetone, and the objective is to captively use acetone to manufacture MIBK and MIBC thereby going into more downstream value-added products

Project Status (DPL)

- As Phenol capacity utilisation has peaked, while demand still remains robust, the Company is undertaking debottlenecking of Phenol facility which will help increase the production by about 10%; this is expected to come on stream by Q1 FY24

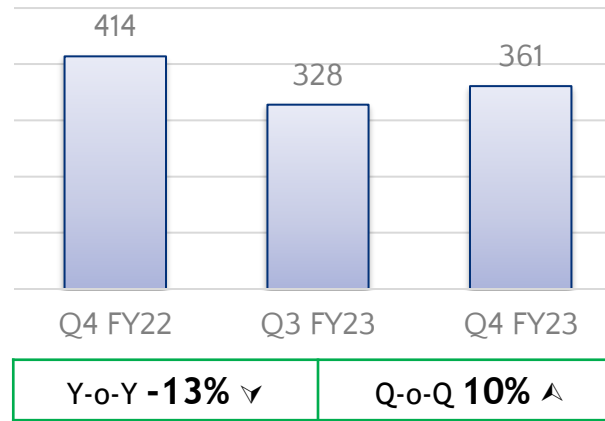
Q4 FY23 – Financial Highlights

Revenue (Rs. Cr.)



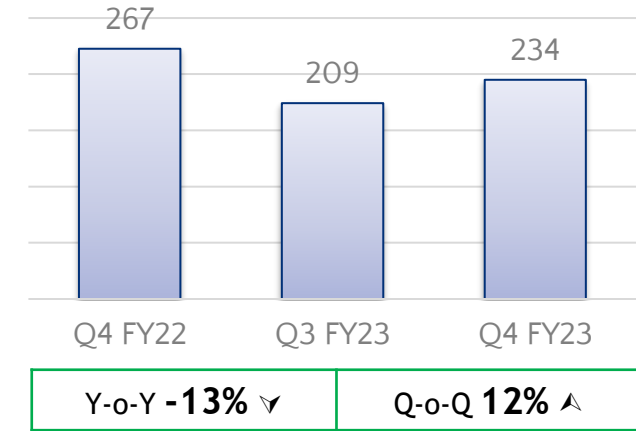
- DNL's year-on-year revenue growth was fueled by steady demand from end-user industries catered by high operational efficiency as the company was able to operate its facilities at high utilization rates
- DNL has remained focused on maintaining or increasing its wallet share in the current environment and will endeavour to further pass on higher input prices to customers going ahead

EBITDA (Rs. Cr.)



- EBITDA has improved significantly on a sequential quarter basis as the company partially passed on higher input costs to customers and witnessed realization gains in select products
- EBITDA performance was anchored by contribution increase for select products on per tonne basis, while margins were impacted due to continued high inputs costs and higher sales realisations

PAT (Rs. Cr.)

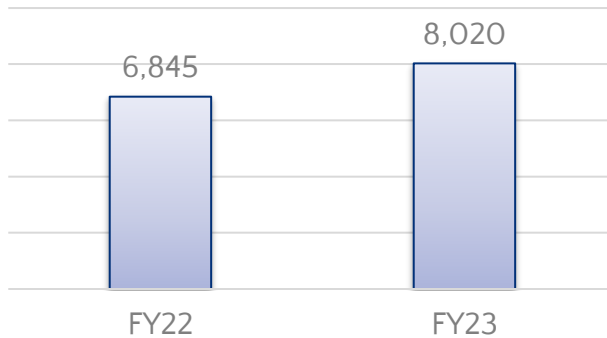


- Profit after tax has improved on a Q-o-Q basis due to operating leverage combined with stable other income and lower finance cost
- Profit after tax is lower on a year-on-year basis as product realisations in the base year were unusually higher and are now at normalized levels

Note: EBITDA includes other income

FY23 – Financial Highlights

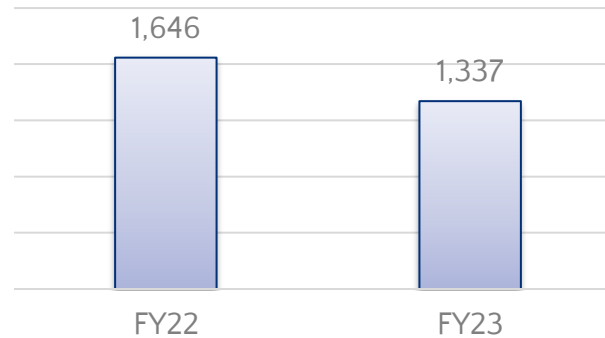
Revenue (Rs. Cr.)



Y-o-Y **17%** ▲

- Revenue grew strongly due to higher volumes in the Phenolics segment
- The company has invested in brownfield expansion and de-bottlenecking of processes. These investments are paying rich dividends as the Company achieved high utilization levels across plants and reached new benchmarks in volumes.

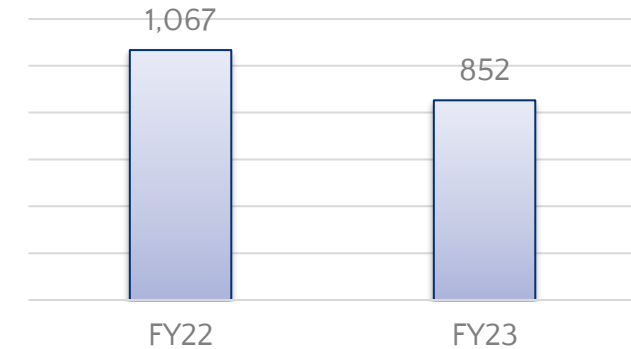
EBITDA (Rs. Cr.)



Y-o-Y **-19%** ▼

- EBITDA performance was impacted due to a high base effect on account of higher realisations for some products in the prior period combined with sharp rise in input prices as well as utility costs such as power and fuel in the current period
- There was further impact on EBITDA from unavailability of the Nandesari plant for 40 days due to fire incident
- The company also faced disruption in supply of some inputs for which higher cost alternate sources of supply were arranged

PAT (Rs. Cr.)



Y-o-Y **-20%** ▼

- Profit after tax was lower by 20% on a year-on-year basis in-line with the EBITDA performance

Note: EBITDA includes other income



Commenting on the performance for Q4 & FY23, Mr. Deepak C. Mehta, Chairman & Managing Director said:

“Our company has performed well in the fiscal year 2023, with healthy topline growth driven by stable demand and high plant efficiency. We have strengthened our market position in several product portfolios and achieved production and delivery volume benchmarks. Despite inflationary pressures in some inputs and utilities, we remain committed to sustainable profitability, focused on people, planet, and profit.

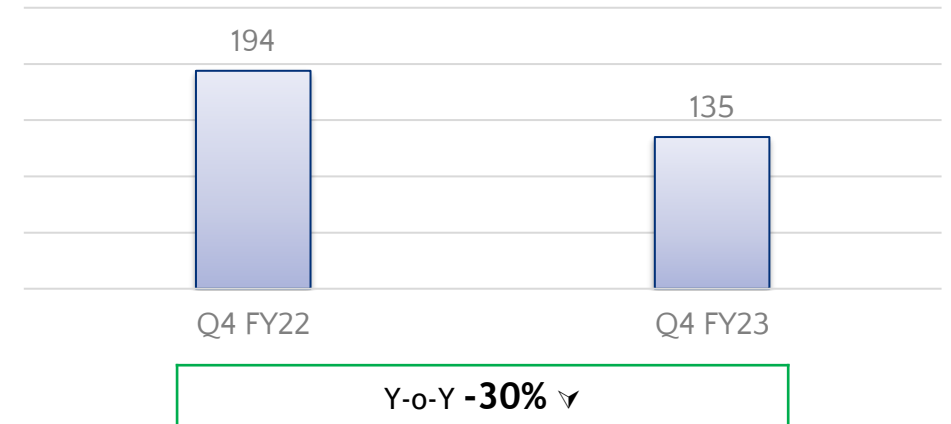
We are extending our product portfolio by introducing new products from our R&D pipeline, confident that our growing footprint across established and new chemistries will sustain our momentum. We have efficiently faced challenges, and fulfilled our supply commitments, ensuring a consistent and steady supply of products to customers. We remain agile, capitalizing on opportunities created through swift shifts in the industry landscape, and excited by our prospects.

Our large-scale investment plans reflect our enthusiasm to capitalize on the opportunities available both in India and worldwide. We continue to diversify our product offering by introducing novel intermediates, broadening our clientele, and improving the overall value proposition. Our robust financial position, deep client relationships, and considered growth investments position us well to elevate our business proposition and consistently enhance value for stakeholders.”

Revenue (Rs. Cr.)

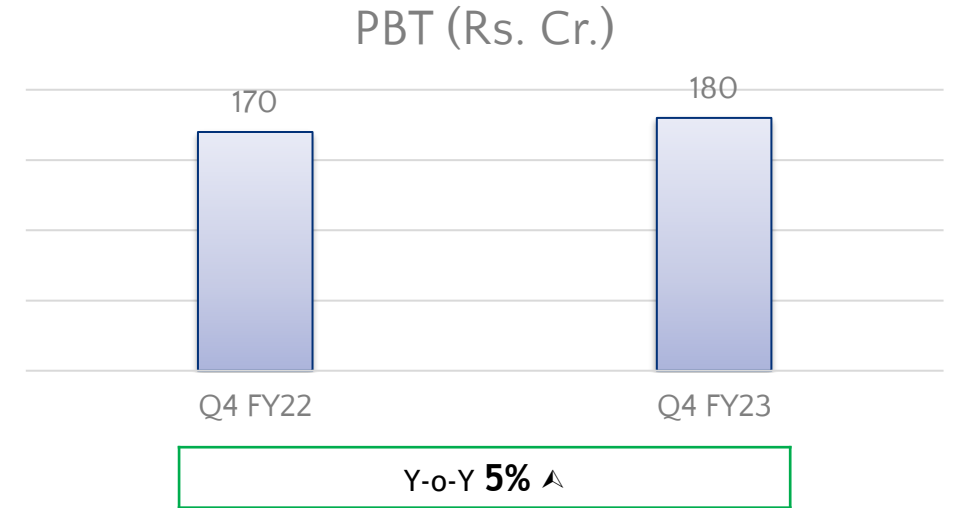
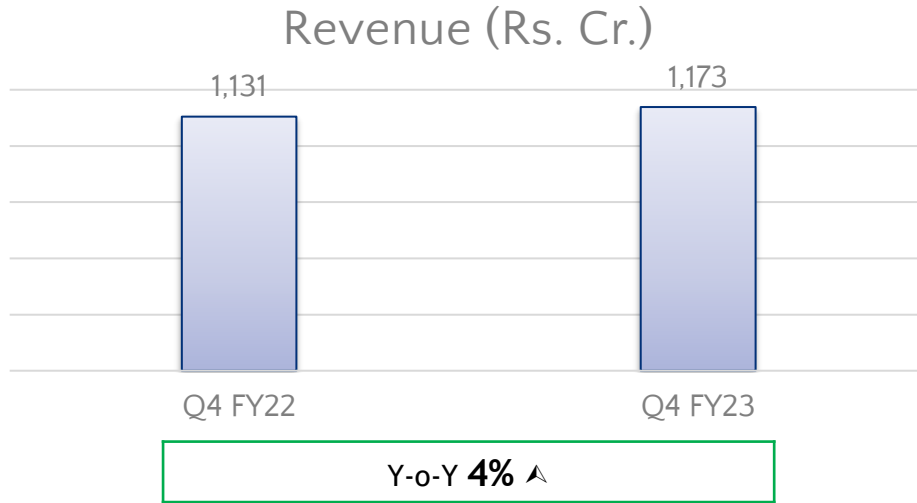


PBT (Rs. Cr.)



Key Highlights

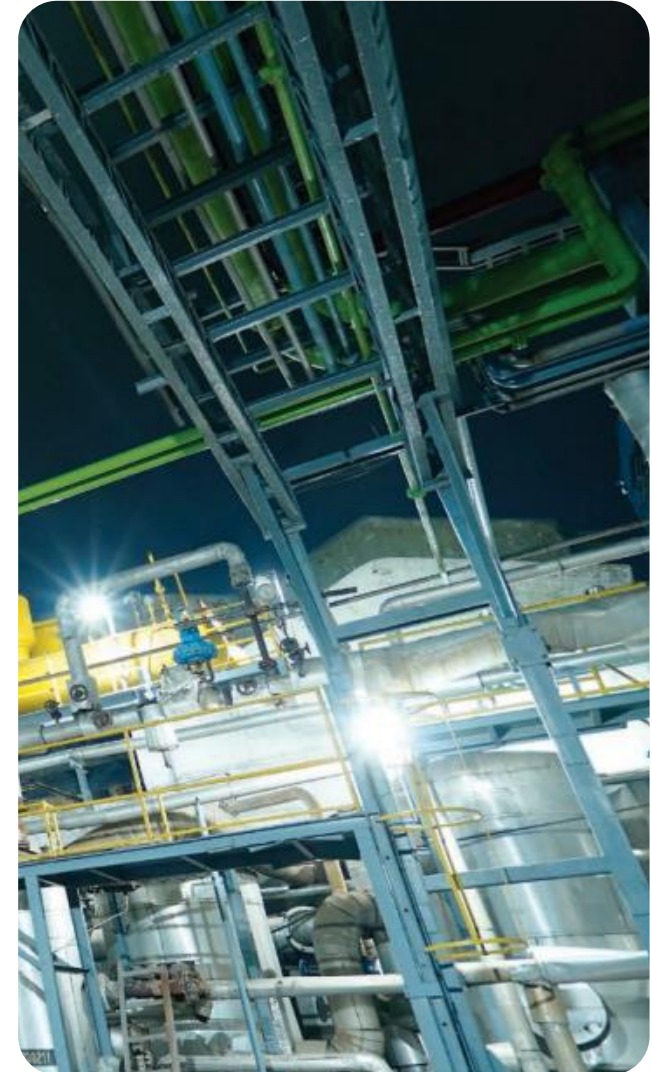
- Despite facing global volatility and inflationary pressures, the company was able to cater to healthy demand and fulfill its delivery obligations thereby delivering strong revenue growth. There was a pickup in export dispatches in the segment during the quarter
- The Company has enhanced its portfolio with new additive products, widening of the performance products basket and successful pilot of a new agro intermediate product and is expected to maintain the performance momentum



Key Highlights

- DPL achieved strong sales growth as it operated the Phenol plant at high levels with all products achieving production volumes ahead of rated capacity
- The Phenol plant operated at more than 120% of its capacity for the quarter, and set new records for domestic sale during the quarter and daily production of phenol
- While profitability was largely stable, the margin decline on a y-o-y basis was due to the drop in realisations from the unusually high base in the prior period. Apart from the stabilizing demand-supply situation, the projects for forward integration into downstream products to contribute to enhanced prospects for the segment

- DNL stands to reap the benefits of the 'Make in India for the World' initiative and the resurgence of the China+1 strategy, with a plethora of opportunities emerging in the sector
- With projects close to ₹25 billion lined up across its key product lines, DNL is clearly committed to sustained growth and value addition
- Leveraging its robust manufacturing infrastructure and extensive expertise in chemistry, DNL has emerged as a key partner for major Indian and international conglomerates
- DNL is well-positioned to achieve incremental gains in both its segments on the back of planned commissioning of key projects slated for the coming year. These projects encompass:
 - Expanding capacity of select products through brownfield projects
 - Improving backward integration capabilities for key inputs to boost margins and provide assured supply
 - Developing value-added downstream derivatives such as solvents from Phenol and Acetone
 - Establishing new chemistry platforms for photo chlorination and fluorination
 - Investing in a compounding asset to meet the diverse requirements of India's 5G, electronics, EVs and medical devices industries
 - Creating new products that leverage highly efficient chemistries to serve a range of end-user industries



Consolidated P&L Statement

Particulars (₹ crore)	Q4 FY23	Q4 FY22	Y-o-Y (%)	FY23	FY22	Y-o-Y (%)
Revenue	1,961	1,872	5%	7,972	6,802	17%
Other Income	13	4	255%	48	43	12%
Total Revenue	1,974	1,876	5%	8,020	6,845	17%
Total Expenditure	1,613	1,462	10%	6,683	5,199	29%
• Raw Material consumption and change in inventory	1,278	1,157	10%	5,348	4,114	30%
• Employee benefits expense	77	71	8%	318	274	16%
• Power & fuel expenses	129	129	0%	542	439	24%
• Other expenses	128	105	22%	475	372	28%
EBITDA	361	414	-13%	1,337	1,646	-19%
EBITDA Margin (%)	18%	22%	-400 bps	17%	24%	-500 bps
Finance Costs	4	7	-37%	25	34	-27%
Depreciation and Amortization	41	45	-8%	166	178	-6%
PBT Before Expectational Items	315	362	-13%	1,146	1,434	-20%
Expectational Items	0	0	0%	0	0	0%
PBT After Expectational Items	315	362	-13%	1,146	1,434	-20%
Tax expense	81	95	-15%	293	368	-20%
PAT	234	267	-12%	852	1,067	-20%
PAT Margin (%)	12%	14%	-200 bps	11%	16%	-500 bps
EPS Basic & Diluted (₹)	17.15	19.59		62.47	78.20	

Consolidated Balance Sheet

Particulars (Rs. crore)	As on March 31, 2023	As on Sept 30, 2022	As on March 31, 2022
<u>Assets</u>			
Non-Current Assets	2,390	2,219	2,146
Current Assets	2,739	2,450	2,285
Total Assets	5,129	4,669	4,430
<u>Liabilities</u>			
Shareholders' Funds	4,090	3,651	3,338
Non-Current Liabilities	245	261	345
Current Liabilities	794	756	747
Total Liabilities	5,129	4,669	4,430

Consolidated Segmental Financials – Revenue

Particulars (₹ crore)	Q4 FY23	Q4 FY22	Y-o-Y (%)	FY23	FY22	Y-o-Y (%)
Advanced Intermediates	801	750	7%	3,034	2,511	21%
Phenolics	1,170	1,128	4%	4,970	4,303	16%
Less - Inter segment	9	6		32	12	
Total	1,961	1,872	5%	7,972	6,802	17%

Consolidated Segmental Financials – EBITDA & Margin

Particulars (₹ crore)	Q4 FY23	Q4 FY22	Y-o-Y (%)	FY23	FY22	Y-o-Y (%)
EBITDA						
Advanced Intermediates	137	193	-29%	555	596	-7%
Phenolics	177	176	1%	594	867	-31%
EBITDA %						
Advanced Intermediates	17%	26%		18%	24%	
Phenolics	15%	16%		12%	20%	

Deepak Nitrite Limited (NSE: DEEPAKNTR, BSE: 506401) is a leading chemical intermediates producer with a diversified portfolio that caters to the dyes and pigments, agrochemical, pharmaceutical, plastics, textiles, paper and home and personal care segments and petrol derivatives 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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