Q2 & H1 FY2021 – INVESTOR COMMUNICATION

Deepak Nitrite reports sharp rebound in Q2FY21

On a Consolidated Basis:
Revenues at Rs. 991 crore in Q2FY21
EBITDA at Rs. 280 crore, higher by 8.1% y-o-y
PAT, at Rs. 170 crore, rises 13.3% on a y-o-y basis

Vadodara, October 30, 2020: Deepak Nitrite Limited, one of India's leading chemical intermediates company, has announced its financial results for the second quarter ended 30th September, 2020. The Company has embarked on it's 50th year of operations with a strong operational performance.

DNL's wide product portfolio and process expertise remain bulwarks against global challenges. Keeping a 'People First' approach has allowed all plants across locations to operate at a high level of productivity while stringently observing Government mandates and regulations. All brownfield projects taken up will be commissioned in Q3 and lead to further improvements in profitability.

Financial Highlights

Q2 FY2021 vs. Q1 FY2021 (q-o-q)

- Standalone Revenues improved by 26% to Rs. 448 crore in Q2 FY21 as compared to Rs. 355 crore in Q1 FY21, during which we operated for only 2 months, as volume demand inched back toward normal from key end segments. The company also increased focus on the export market. All the strategic business units (SBUs) rebounded strongly to report double-digit growth.

- On a Consolidated basis, Revenues were higher by 46% at Rs. 991 crore in Q2 FY21 compared to Rs. 681 crore in Q1 FY21 during which production was affected by about 1 month. Despite higher imports, DPL delivered sustainable production in excess of 100% of capacity and identified key export markets in lieu of domestic demand.

- Standalone EBITDA was Rs. 139 crore in Q2FY21 as against Rs. 102 crore reported in the immediately preceding quarter, registering growth of 36%. The EBITDA Margin improved by 230 basis points, from 28.8% in Q1 to 31.1% in Q2 of this year. This was due to a combination of operating leverage across operations, improved margins in the FSC segment and strategic procurement decisions on the back of attractive petrochemical prices and availability.

- On a Consolidated basis, EBITDA was Rs. 280 crore in Q2 FY21 compared to Rs. 188 crore in Q1 FY21, higher by 49%. The significant increase in utilisation of DPL plant combined with additional contribution from IsoPropyl Alcohol have enabled sharp growth in EBITDA.

- Standalone PBT for Q2 was Rs. 124 crore against Rs. 85 crore in Q1 FY21, growing by 46% on a Q-o-Q basis buoyed by effective cash conversion recovery programs and current position as a debt free company (standalone). On a consolidated basis, PBT grew by 73% to 229cr compared to the previous quarter as margins remained sustainable while higher productivity and lower debt resulted in improved returns.

- Standalone PAT for Q2 was Rs. 92 crore as against Rs. 64 crore in Q1 FY21, growing by 45% on a Q-o-Q basis. The robust operational performance coupled with lower interest costs has driven the growth in profitability. On a Consolidated basis, PAT was Rs. 170 crore in Q2 FY21 compared to Rs. 99 crore in Q1 FY21, higher by 72% on the back of a robust performance by the phenolics business.

- Standalone EPS for Q2 FY21 was Rs. 6.75 per share (of face value of Rs. 2 each) as compared to Rs. 4.66 per share in Q1 FY21. Consolidated EPS for Q2 FY21 was Rs. 12.48 per share (of face value of Rs. 2 each) as compared to Rs. 7.25 per share in Q1 FY21

Q2 FY2021 Vs. Q2 FY2020

- Standalone Revenues declined by 22% to Rs. 448 crore as compared to Rs. 572 crore in Q2 FY20. Phased recovery from lockdown and social distancing measures impacted utilisation levels on a y-o-y basis in the standalone operations. Further, realisations in the PP segment were abnormally high in the same period last year resulting in a high base effect. On a Consolidated basis, Revenues were Rs. 991 crore in Q2 FY21 compared to Rs. 1,011 crore in Q2 FY20. A stellar performance from the phenolics business despite increased imports combined with additional contribution from IPA has enabled the company to substantially recoup the shortfall in standalone revenues.

- Standalone EBITDA was lower at Rs. 139 crore as against Rs. 216 crore reported in the corresponding quarter of last year, de-growth of 35%. Accordingly, the EBITDA margin was 31.1% in Q2 this year compared to 37.7% in Q2 of last year. Constraints on peak production at plants due to Covid-19 related restrictions and the reversion of PP segment realisations from the abnormally high base of last year have led to a moderation in the EBITDA margin, which remains robust at over 30%.

- On a consolidated basis, EBITDA was Rs. 280 crore in Q2 FY21 compared to Rs. 258 crore in Q2 FY20, higher by 8.1% on a y-o-y basis. A robust performance from the Phenolics business also enabled the Company to report higher growth in Consolidated EBITDA on a y-o-y basis.

- Standalone PAT for Q2 was Rs. 92 crore as against Rs. 179 crore in Q2 FY20, lower by 48%. On a Consolidated basis, PAT was Rs. 170 crore in Q2 FY21 compared to Rs. 150 crore in Q2 FY20, higher by 13.3%. Strong performance in DPL coupled with contribution from entire basket of existing products has driven the sharp growth in profitability.

- Standalone EPS for Q2 FY21 was Rs. 6.75 per share (of face value of Rs. 2 each) as compared to Rs. 13.10 per share in Q2 FY20. Consolidated EPS for Q2 FY21 was Rs. 12.48 per share (of face value of Rs. 2 each) as compared to Rs. 11.03 per share in Q2 FY20.

H1 FY2021 Vs. H1 FY2020

- Standalone Revenues were lower by 29% to Rs. 803 crore as compared to Rs. 1,126 crore in the same period of last year. On a Consolidated basis, revenues were Rs. 1,672 crore in H1 FY21 compared to Rs. 2,074 crore in H1 FY20.
- Standalone EBITDA declined by 40% to Rs. 242 crore as against Rs. 404 crore in the same period of last year. The EBITDA Margin was 30.1% in H1FY21 compared to 35.9% reported in H1 of previous year. On a consolidated basis, EBITDA was Rs. 468 crore in H1 FY21 compared to Rs. 524 crore in H1 FY20.
- Standalone PAT for H1 came in at Rs. 156 crore as against Rs. 286 crore in H1 FY20, lower by 46%. On a Consolidated basis, PAT was Rs. 269 crore in H1 FY21 compared to Rs. 282 crore in H1 FY20.
- Standalone EPS for H1 FY21 was Rs. 11.41 per share (of face value of Rs. 2 each) as compared to Rs. 20.96 per share in H1 FY20. Consolidated EPS for H1 FY21 was Rs. 19.73 per share (of face value of Rs. 2 each) as compared to Rs. 20.68 per share in H1 FY20.

CMD's Message

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

"Inspite of several challenges, the Company could achieve stellar performance on a consolidated basis. This has been made possible due to significant hard work put in by the team to ensure highest capacity utilization where possible through planning to mitigate supply chain challenges. For example, when domestic markets were down due to COVID, the team resorted to aggressive export positioning to ensure maximum plant utilization.

Challenges due to the epidemic have certainly tested our business model and our large range of products covering varied business segments have ensured that the company could take on challenges in one segment by exhibiting better performance in the other segments.

DNL's performance and attractiveness is highly influenced by its breadth and depth of products and process competency. This resilience has been instrumental in delivering dependable returns regardless of the myriad challenges that were faced through the quarter.

While in the near term, investments that increase our competitiveness will start bearing fruit, the Company continues to broaden its range of products as well as invest into value addition. In the long term, increased investments towards R&D, operational excellence, adding new products, are contributing to achieving 'Atmanirbhar' for the Nation

I remain cautiously optimistic that DNL will continue to deliver sustainable value to all its internal and external stakeholders."

Performance Highlights

Segmental Performance (Q2 FY21 Vs. Q2 FY20)

- Basic Chemicals: While margins were sustained, topline suffered by 25% because of slow pick up by end use segments such as textile, oil and fuel additives and also due to temporary supply disruption. The company expects volumes and prices to pick up in upcoming months, with some traction already underway in September, as demand from the dyes industry returns to pre-COVID levels.
- Fine & Specialty Chemicals: The FSC segment delivered a stellar performance with revenue growth of 52% y-o-y. The business remains a star performer although capacity utilization was affected partially by COVID-19 related government mandates and short term challenges from shipping lines. The Business is supported by a strong order book, thereby improving Q3 performance even better.
- Performance Products: After having delivered an exceptional performance last year, the Company expected a normalized performance this year particularly in terms of margins. The current pandemic, however, has significantly impacted consumption thereby affecting volumes and margins. The company has seen signs of recoveries in volume and expects to achieve a normalized performance as demand picks up worldwide.
- Phenolics: Deepak Phenolics witnessed revenues increase by 26% y-o-y with EBITDA growth of 229%. New products such as IPA contributed to an increase in the EBITDA Margin which at 25.6% in Q2FY21 was sharply higher from 9.6% in Q2FY20. With manifold increase in exports, the Company was able to maintain high capacity utilization. The business would continue to put effort in this direction. Despite consistent challenges in interstate logistics for raw materials and finished goods, the team demonstrated admirable agility in ensuring material movement. These challenges are not expected to show up in coming quarters.

Domestic & Exports

- Domestic Revenues stood at Rs. 672 crore in Q2 FY21 as against Rs. 767 crore in the corresponding period last year. This was due to constraints to peak capacity utilisation during the quarter.
- Export Revenues were Rs. 319 crore in Q2 FY21 compared to Rs. 245 crore in Q2 FY20, higher 30% Y-o-Y. The focus was on regions that were on the path to recovery from the effects of the virus while deploying a strategy to take advantage of a depreciated currency to increase export bias.

Key Developments

- CRISIL Limited has upgraded long term rating outlook of Deepak Nitrite for Bank Loan facilities from "CRISIL AA-/Stable" to "CRISIL AA-/Positive" and has re-affirmed Short Term rating as "CRISIL A1+".
- The Company has incorporated a wholly owned subsidiary company named Deepak Clean Tech Limited ("DCTL") with effect from 9th October, 2020. This subsidiary will carry out business of manufacturing of chemical intermediate products.

Outlook

India is on the cusp of gaining significant market share in the global chemical industry based on its manufacturing capabilities and track record. This along with global major's focus on opting India as an alternate supplier for their chemical requirements will elevate the performance momentum for leading Indian chemical players.

Within this backdrop, Deepak Nitrite is very well placed with its customised and attractive portfolio offerings catering to multiple large end-user industries.

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

Details to the Standalone Results (Rs. Crore)

Revenues

Particulars	*Q2 FY21*	*Q2 FY20*	*%*	*Q1 FY21*	*%*	*H1 FY21*	*H1 FY20*	*%*
Basic Chemicals	176	236	-25%	153	15%	328	462	-29%
Fine & Speciality Chemicals	210	138	52%	140	50%	350	254	38%
Performance Products	67	212	-68%	61	10%	128	438	-71%
Total	**452**	**586**	**-23%**	**353**	**28%**	**806**	**1,154**	**-30%**
Inter Segment	7	17	-59%	3	133%	10	34	-71%
Total Revenue from Operations	**445**	**569**	**-22%**	**350**	**27%**	**796**	**1,120**	**-29%**

Note: *1. Other Income not included in the above*

Expenditure Analysis

Particulars	*Q2 FY21*	*Q2 FY20*	*%*	*Q1 FY21*	*%*	*H1 FY21*	*H1 FY20*	*%*
Employee Costs	46	41	12%	50	-8%	96	85	13%
Interest	1	5	-88%	3	-80%	4	11	-70%
Depreciation	14	20	-27%	14	3%	29	37	-23%

Profitability Analysis

Particulars	*Q2 FY21*	*Q2 FY20*	*%*	*Q1 FY21*	*%*	*H1 FY21*	*H1 FY20*	*%*
PBT	124	191	-35%	85	46%	210	355	-41%
PAT	92	179	-48%	64	44%	156	286	-46%
EPS (Rs.)	6.75	13.10	-48%	4.66	44%	11.41	20.96	-46%

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th September, 2020

Particulars	*Q2 FY21*	*Q2 FY20*
Rupee Term Loan	-	82
Other Loan Funds (Includes CC)	30	151
Total Loan Funds	30	233
Less: Cash and Bank Balances	(1)	(1)
Net Debt	29	232
Total Equity	1,646	1,310
Debt/Equity Ratio	0.02	0.18

Capital Employed

Particulars	*Q2 FY21*	*Q2 FY20*
Capital Employed from Operations	1,153	991
Less : Capital Work in Progress	121	63
Net Capital Employed from Operations (excl. DPL)	1,032	928

Details to the Consolidated Results (Rs. Crore)

Revenues

Particulars	*Q2 FY21*	*Q2 FY20*	*%*	*Q1 FY21*	*%*	*H1 FY21*	*H1 FY20*	*%*
Basic Chemicals	166	236	-30%	153	8%	319	462	-31%
Fine & Speciality Chemicals	210	138	52%	140	50%	350	254	38%
Performance Products	73	212	-66%	54	35%	127	437	-71%
Phenolics	545	434	26%	331	65%	876	935	-6%
Total	**994**	**1,020**	**-3%**	**677**	**47%**	**1,672**	**2,088**	**-20%**
Inter Segment	7	17	-59%	3	133%	10	34	-71%
Total Revenue from Operations	**987**	**1,003**	**-2%**	**674**	**46%**	**1,662**	**2,054**	**-19%**

Note: *1. Other Income not included in the above*

Expenditure Analysis

Particulars	*Q2 FY21*	*Q2 FY20*	*%*	*Q1 FY21*	*%*	*H1 FY21*	*H1 FY20*	*%*
Employee Costs	60	52	15%	62	-3%	122	107	14%
Interest	20	30	-33%	25	-20%	44	61	-28%
Depreciation	31	35	-11%	31	0%	62	68	-9%

Profitability Analysis

Particulars	*Q2 FY21*	*Q2 FY20*	*%*	*Q1 FY21*	*%*	*H1 FY21*	*H1 FY20*	*%*
PBT	229	193	19%	133	72%	361	395	-9%
PAT	170	150	13%	99	72%	269	282	-5%
EPS (Rs.)	12.48	11.03	13%	7.25	72%	19.73	20.68	-5%

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th September, 2020 (Consolidated)

Particulars	*Q2FY21*	*Q2FY20*
Rupee Term Loan	690	882
Working Capital Borrowings (Including CC)	35	249
Total Loan Funds	725	1,131
Less: Cash and Bank Balances	(42)	(22)
Net Debt	682	1,109
Total Equity	1,840	1,320
Debt/Equity Ratio	0.37	0.90