

## Deepak Nitrite Reports H1FY16 Results

*Profit growth intact, EBITDA higher by 18% to Rs. 79.30 crore*

*PBT grows by 21% to Rs. 39.41 crore*

**Mumbai, November 6, 2015:** Deepak Nitrite Ltd. (DNL), having a product portfolio of Bulk Chemicals & Commodities (BCC), Fine & Speciality Chemicals (FSC) & Fluorescent Whitening Agents (FWA), enjoys a leading market position in most of its products in the domestic as well as global markets. DNL has announced its financial results for the quarter & half-year ended September 30, 2015.

### Financial Highlights

#### H1FY16

- Revenues in H1FY16 stood at Rs. 676.30 crore compared to Rs. 688.37 crore in H1FY15. Volume growth has been healthy at 10% y-on-y on an overall basis. After adjusting for the impact of lower crude oil prices, the growth in revenues is similar to volume growth. The FSC segment reported strong volume growth on the back of improved demand offtake and higher shipments. The FWA segment has reported volume growth of 7% from H1FY15 to H1FY16 led by strong ramp-up of OBA volumes by 25% on a y-o-y basis.
- EBITDA grew by 17.8% to Rs. 79.30 crore in H1FY16 compared to Rs. 67.34 crore in the same period last year. The EBITDA margin has improved by 210 basis points from 9.6% to 11.7%. EBITDA growth was driven by a healthy contribution from the FSC segment which registered healthy volume growth with improved realisations. The FWA segment has also seen an improved performance at the EBITDA level given ramp up in volumes as well as withdrawal of import duty in North American market. This will improve realisations for the OBA products on a sustainable basis thereby providing a competitive edge vis-à-vis other suppliers. The combination of improved product mix, enhanced efficiencies and reduction in realisations of certain products has also contributed towards the higher EBITDA margin.
- PBT increased 21.2% to Rs. 39.41 crore in H1FY16 compared to Rs.32.52 crore in H1FY15. Steady operational improvements have enabled the Company to improve profitability. The strong growth in PBT has been achieved despite the increase in interest and depreciation on a y-o-y basis due to investments in de-bottlenecking and post full commissioning of the Dahej plant.
- PAT was higher at Rs. 28.13 crore in H1FY16 compared to Rs. 25.48 crore in H1FY15 representing a growth of 10.4%.

- EPS for H1FY16 stood at Rs. 2.69 per share of face value of Rs. 2 post sub-division of shares compared to Rs. 2.44 per share (adjusted) in H1FY15.

## Q2FY16

- Revenues stood at Rs. 337.98 crore in Q2FY16 compared to Rs. 363.72 crore in Q2FY15. Volumes in Q2FY16 have increased by 4.0% compared to Q2FY15 led by traction in the FSC segment.
- EBITDA improved by 5.1% to Rs. 41.12 crore in Q2FY16 compared to Rs. 39.15 crore in Q2FY15. The EBITDA margin came in at 12.1%, an increase of 140 bps compared to 10.7% in Q2FY15. In addition to improved contribution from select products, higher utilisations at Dahej OBA plant and reduction in realisation of crude-linked products, EBITDA margins have improved as a result of import duty in USA which will give an enduring advantage to our product offerings.
- PBT was higher by 3.3% to Rs. 20.74 crore in Q2FY16 compared to Rs. 20.08 crore in Q2FY15.
- PAT came in at Rs. 14.78 crore in Q2FY16 compared to Rs. 15.81 crore in Q2FY15. This was on account of higher provision for tax due to reduced benefit of investment allowance and marginal increase in tax rate.
- EPS for the quarter stood at Rs. 1.41 per share of face value of Rs. 2 post sub-division of shares compared to Rs. 1.51 per share (adjusted) in Q2FY15.

## MD's message

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

*“We are happy to report a strong operational performance in the first-half of fiscal year 2016. With the business spread across three SBUs, the Company continues to report strong performance as each of the SBUs improved its performance. In the BCC segment, volumes were up for all major products even as DNL successfully launched a special grade of Sodium Nitrite for the export markets.*

*The FSC segment has witnessed strong growth through higher volumes as well as improved realisations. In the FSC segment, in order to secure its position in the world markets, DNL has bagged a sizeable annual contract for two agro intermediates from a leading global agrochem major. Simultaneously, the Company is also enhancing its offerings in pharma intermediates to further diversify its FSC portfolio. The Company was also able to secure long term contracts for personal care intermediates.*

*The OBA product portfolio has registered strong y-on-y growth and the steady uptick in volumes and utilisation is enabling progressive improvement in performance. The Company has successfully established distribution network and dilution facility in the USA. Based on this, the Company is*

*capable of delivering services to US customers at par with the local suppliers in the USA. All of these have resulted into strong growth and penetration into the USA market.*

*We are confident of sustaining the momentum in performance given the strong traction in major business segments as well as initiative to drive further improvements in product-mix towards value-added products. A healthy demand outlook across markets combined with an expanding product portfolio would further strengthen our overall performance.”*

## Operating Highlights

Performance during the first-half of this year was led by strong volume growth in FSC segment which stood at 33%. Select products in BCC segments also reported steady volume growth while healthy demand for OBA products in India and internationally resulted in increased utilisation at the plant.

- Domestic revenues stood Rs. 389.73 crore in H1FY16 from Rs. 413.38 crore in H1FY15. Domestic revenues from the BCC segment were steady due to robust volume growth on a y-o-y basis which mitigated the impact of the decline in crude oil prices and related petrochemical intermediaries. This was also partially compensated by a sharp upside of 43% in domestic FSC revenues.
- Revenues from exports stood at Rs. 281.10 crore, higher by 6% in H1FY16 compared to Rs. 266.42 crore in H1FY15. Export growth in the FSC segment came in at 23% due to higher quantities being shipped to the international customers. The OBA product portfolio also reported strong export growth. The Domestic to Export mix has shifted to 58:42 in Q2FY16 from 61:39 in Q2FY15.
- BCC revenues came in at Rs. 363.28 crore in H1FY16 compared to Rs. 411.54 crore in H1FY15, a moderation of 11.7%. Revenue growth in BCC segment was helped by volume growth which offset the impact of lower realisations due to sharp fall in raw material prices linked to crude oil.
- Revenues from FSC segment stands at Rs. 180.88 crore in H1FY16, an improvement of 25.2% over Rs. 144.51 crore in H1FY15. This came about due to higher volumes and better realisations of key products in the FSC segment.
- FWA segment reported revenues of Rs. 134.34 crore in H1FY16 compared to Rs. 139.48 crore in H1FY15. FWA segment reported volume growth of 7% in H1FY16 on account of increasing customer acceptance for our products from the paper and detergent industries.

## Other Highlights

- Deepak Nitrite has bagged a sizeable Annual Contract from Bayer CropScience for supply of two major agro-intermediates.
- DNL further strengthened its Fine and Speciality Chemicals segment (FSC) by foraying into Pharma Intermediates. The Company has started offering three new drug intermediates for anti-biotics and decongestant therapeutic segments.
- DNL also forayed into the Personal Care Intermediates segment taking advantage of strict quality compliance requirement. The Company was also able to secure long term annual contracts with several renowned Multi-National Companies.
- The Company has successfully commissioned the Hydrogenation plant at Dahej. With the addition of this plant, a greater number of product lines can be developed at the Dahej facility enabling us to better leverage the advantages of the facility including the world class infrastructure, abundant availability of manpower & raw materials and proximity to the port.
- As shared earlier, the Board of Directors has authorised the Company to raise an amount upto Rs. 200 crore by way of Qualified Institutions Placement (QIP) of Equity Shares. This was approved by the Shareholders of the Company via postal ballot in April 2015.

## Outlook

With the securing of new contracts from Bayer CropScience and the launch of offerings in the pharma intermediates and personal care intermediates, the Company enjoys high visibility of growth in FSC segment. This along with enhanced traction in our export markets will lead to sustained performance going forward. In the FWA segment, the Company is focussed on further growth of volumes of OBA products based on healthy demand trends from paper and detergents industries.

### Update on Project for Manufacture of Phenol and Acetone

The Board of Directors at their meeting held on 7th August, 2014 approved setting up new capacities for manufacturing Phenol and Acetone. A wholly owned subsidiary, viz. Deepak Phenolics Limited has been set up for this project. The proposed Phenol Plant will be located at Dahej in the State of Gujarat. The capacity of the Phenol Plant will be 200,000 MTPA and that of co-product Acetone will be 120,000 MTPA.

As intimated earlier, Kellogg, Brown & Root International, Inc. (KBR) has been selected for technology and engineering services while M/s. ThyssenKrupp Industrial Solutions (India) Pvt. Ltd. (formerly known as UDHE) has been selected as the EPCM contractor. The project implementation remains on track with conclusion of basic engineering and significant progress has been made in detailed engineering. Key members of the project team have been appointed and enquiry for critical

equipment with long lead times has been released. The Company has started seed marketing of phenol with an objective to develop relationships with all major clients in India. The demand for phenol continues to be buoyant in India and is expected to steadily increase based on consumption trends of end-user industries. Phenol imports remain strong and the country's current demand will absorb the entire capacity that DNL plans to install thereby substituting imports. Further, the abundant availability of phenol in the local market is expected to spur pent-up demand which will further grow the market.

## Attached: Details to the announcement

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## About Deepak Nitrite Limited

Deepak Nitrite Limited [NSE - DEEPAKNITR, BSE - 506401] having a product portfolio of Bulk Chemicals & Commodities (BCC), Fine & Speciality Chemicals (FSC) & Fluorescent Whitening Agents (FWA), enjoys a leading market position in most of its products in the domestic as well as global markets and is the partner of choice for several global chemical majors. Headquartered at Vadodara, Gujarat, DNL is a multi-division and multi-product company with manufacturing facilities at Nandesari & Dahej in Gujarat, Roha and Taloja in Maharashtra, and at Hyderabad in Andhra Pradesh.

The BCC segment consists of commodity chemicals which DNL supplies in high volumes. These products are made to standard specifications and are subject to low-to-moderate margins. In this segment, the profit focus is centred on cost leadership.

The FSC segment consists of niche products which are manufactured in low volumes. These products enjoy higher value as they are customised to specific customer requirements. Due to the differentiation from standardised products, the focus of the B2B supply model is based on quality of product, long-term relationships, stable and sustainable operations and global best practices for suppliers and customers. DNL is one of the top 3 producers of fine intermediates that produce broad and innovative range of Effect Chemicals meeting the needs of Speciality Producers.

The FWA segment consists of supply of OBA and its intermediate DASDA. DNL is the world's only fully integrated manufacturer of FWA (Toluene – PNT – DASDA – FWA). There is strong demand for FWAs across industries like Paper, Detergents and Textiles. FWAs extend into Application Chemistry and DNL's strategy is to create a unique market positioning leading to a sizeable market share globally.

The end user industries for DNL range from agro-chemicals, dyestuffs, pigments, inks, whiteners, pharmaceuticals to fuel additives, textiles, paper, detergent and solar industry. DNL prioritises R&D

activities and invests around 1% of its annual revenues in this area. It has a government approved central R&D facility which has a sophisticated analytical laboratory, state-of-the-art equipment and advanced facilities.

## 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	Q2FY16	Q2FY15	%	H1FY16	H1FY15	%
Bulk Chemicals & Commodities	181.39	211.85	(14.4)	363.28	411.54	(11.7)
Fine & Speciality Chemicals	85.63	75.30	13.7	180.88	144.51	25.2
Fluorescent Whitening Agents	72.20	79.84	(9.6)	134.34	139.48	(3.7)
Other Unallocable	1.65	0.94	75.5	2.58	3.05	(15.3)
<b>Total</b>	<b>340.87</b>	<b>367.93</b>	<b>(7.4)</b>	<b>681.08</b>	<b>698.59</b>	<b>(2.5)</b>
Inter Segment	2.89	4.22	(31.4)	4.78	10.22	(53.2)
<b>Net Sales/Op. Income</b>	<b>337.98</b>	<b>363.72</b>	<b>(7.1)</b>	<b>676.30</b>	<b>688.37</b>	<b>(1.8)</b>

### Expenditure Analysis

Particulars	Q2FY16	Q2FY15	%	H1FY16	H1FY15	%
Employee Costs	29.65	25.95	14.2	57.45	50.40	14.0
Other expenses	31.33	34.55	(9.3)	66.64	61.74	7.9

- Employee cost increased due to:
  1. Impact of annual increment
  2. Impact of full capitalisation of OBA facilities at Dahej which was commissioned in May 2014
  3. Higher provisioning of gratuity owing to lower discount rate at a falling interest rate scenario

Particulars	Q2FY16	Q2FY15	%	H1FY16	H1FY15	%
Interest	10.58	10.05	5.3	20.60	17.23	19.6
Depreciation	9.80	9.01	8.8	19.29	17.59	9.7
Other Income	0.30	0.29	3.4	0.50	1.59	(68.6)

- Interest during the period increased due to forex fluctuations, while Depreciation increased due to capitalisation of the Hydrogenation facility which was fully commissioned in Q1FY16 as well as full capitalisation of OBA facility at Dahej which was commissioned in May 2014.

### Profitability Analysis

Particulars	Q2FY16	Q2FY15	%	H1FY16	H1FY15	%
PBT	20.74	20.08	3.3	39.41	32.52	21.2
PAT	14.78	15.81	(6.5)	28.13	25.48	10.4
EPS (Rs.)	1.41	1.51	(6.6)	2.69	2.44	10.2

## Statement of Borrowings

### Secured Loan & Net Debt/Equity as on 30th September, 2015

<i>Particulars</i>	<i>Q2FY16</i>	<i>Q2FY15</i>
ECB	204.46	238.75
Rupee Term Loan	97.52	76.09
Other Loan Funds (Includes CC)	238.79	243.87
Total Loan Funds	540.77	558.71
Debt/Equity Ratio	1.44	1.69

Includes exchange fluctuations of Rs. 50.24 crore; excluding this impact the Debt/Equity ratio stands at 1.31

### Capital Employed

<i>Particulars</i>	<i>Q2FY16</i>	<i>Q2FY15</i>
Capital Employed	961.74	929.95
Less : Capital Work in Progress	24.02	16.86
Capital Employed in Operations	937.72	913.09