

Deepak Nitrite Reports FY15 Results

Revenues up 5% to Rs. 1,327 crore, EBITDA grows 23% to Rs. 140 crore

PAT higher by 39% to Rs. 53 crore, EPS at Rs. 5.11 per share higher by 39%

Mumbai, May 13, 2015: Deepak Nitrite Ltd. (DNL), a leading manufacturer of Bulk Chemicals & Commodities (BCC), Fine & Speciality Chemicals (FSC) & Fluorescent Whitening Agents (FWA) and preferred business partner of global chemical companies, has announced its financial results for the quarter and financial year ended March 31, 2015.

Financial Highlights

FY15

- Revenues of Rs. 1,327.16 crore for FY15 are higher by 4.5% compared to revenues of Rs. 1,269.63 crore in FY14. Growth was driven by steady increase in volumes in the FWA segment and a mix of volume growth and higher realization for select products in the established business segments. Exports grew by 4.5% contributing Rs. 524.54 crore while Domestic Revenues grew 4.2% to Rs. 787.33 crore.
- But for the recent steep decline in prices of Crude Oil and Petrochemicals and consequent reduction in unit sale prices of some of the Company's products, the topline would have been better than actually reported.
- EBITDA is Rs. 140.17 crore in FY15 compared to Rs. 113.54 crore in FY14, representing an increase of 23.5%. This growth was driven by high value led growth from established business segments due to a favourable shift in product mix. The FWA segment has also begun contributing to EBITDA in FY15.
- PBT increases by 16.5% to Rs. 67.74 crore in FY15 compared to Rs. 58.15 crore last year.
- PAT has increased by 39.5% to Rs. 53.44 crore compared to Rs 38.31 crore in FY14. The increase in PAT has come about after absorbing higher interest and depreciation expense in FY15 due to full commissioning of the Dahej facility in May, 2014.
- EPS for FY15 stands at Rs. 5.11 of Face Value of Rs. 2 per share compared to Rs. 3.67 per share (adjusted) in FY14. This signifies a 39.2% growth in EPS.

Q4FY15

- Revenue stands at Rs. 332.48 crore in Q4FY15 compared to Rs. 360.61 in Q4FY14. In Q4, there was a spillover of the impact of the sharp fall in global prices of crude oil and related petroleum intermediates which took place in Q3. This has impacted the BCC segment both in terms of topline and profitability.
- EBITDA stands at Rs. 37.55 crore in Q4FY15 compared to EBITDA of Rs. 38.92 crore in Q4FY14.
- PBT stands at Rs. 20.25 crore in Q4FY15 compared to Rs. 25.23 crore in Q4FY14. This was due to increase in interest and depreciation as phase 2 of the Dahej plant was commissioned in May, 2014.
- PAT stands at Rs. 15.23 crore in Q4FY15 compared to Rs. 15.86 crore in Q4FY14. EBITDA margin and PAT margin have shown improvement though turnover declined due to price erosion in some products following drop in price of crude oil.
- EPS for Q4FY15 stands at Rs. 1.46 of Face Value of Rs. 2 per share post sub-division of shares compared to Rs. 1.52 per share (adjusted) in Q4FY14.

MD's message

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

“Despite the impact of adverse externalities in the second half of the year we delivered a healthy performance in FY15. We are encouraged by the steady growth in volumes through increased offtake in the FWA segment. The realignment of the business into focussed SBUs at the start of the year has also proven beneficial.

Going forward, we are positioned to benefit from sustained demand for our value added product portfolio within our established businesses segment. We also expect further improvement in export volumes of OBA as our marketing efforts over the last few quarters have started delivering. The overall performance of the business has made a strong rebound in sequential growth indicating that the inherent strength of the business remains intact. Our continuous R&D efforts are likely to add couple of new products in our product basket.

Our project for the manufacture of Phenol and Acetone from cumene is taking good shape. In addition, progress on capacity utilization at Dahej, product pipeline in R&D and initiatives such as increasing operational efficiencies, cost optimisation and realignment of business segments will enable continued growth in line with our long-term goals. The Board of Directors has maintained the dividend (i.e. dividend of Rs. 1/- per equity share on the expanded equity share capital) of the earlier year as we look to sustain our record of creation of shareholder value.”

Operating Highlights

DNL reported steady growth in revenues and the performance was largely driven by the improved performance of the FWA segment.

- Revenue growth was balanced as both domestic and export revenues expanded in similar proportion. Domestic revenues grew by 4.2% on a y-on-y basis from Rs. 755.58 crore in FY14 to Rs. 787.33 crore in FY15.
- Revenues from exports were Rs. 501.80 crore and grew 4.5% compared to Rs. 524.54 crore in FY14.
- Revenues from the FWA segment were Rs. 266.18 crore during FY15 higher by 51.3% compared to Rs. 175.91 crore in FY14 last year. The re-aligned FWA Segment includes direct sales of DASDA and allied products from the Hyderabad facility as well as OBA revenues from Dahej.
- The BCC segment reported 1.4% increase in revenues as despite healthy increase in volumes as realizations were impacted due to the sharp fall in price of crude oil and its cascading effect on petrochemical intermediates and speciality chemicals.
- DNL regularly hedges its net foreign currency exposures. Despite significant volatility in the exchange rate for the rupee during the period, the Company minimized adverse impact as it reported a gain from foreign exchange in FY15.

Update on Capital Raise

- As shared last quarter, the Board of Directors 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

There has been moderation in prices of raw materials and finished products which are dependent on petrochemical intermediates linked to the price of crude oil. The inventory de-stocking by customers which was triggered by the sharp fall in prices of crude oil in Q3 has moderated and the situation has normalized towards the end of the quarter. The Company will focus on optimising its product mix and continue to direct production capacity towards manufacture of those products which are enjoying a healthy demand environment and attractive margin outlook. There are encouraging trends for several key products in the domestic as well as export markets.

As indicated earlier, the steady increase in volumes from FWA segment will continue as the marketing efforts and customer trials undertaken in earlier quarters are converted into firm orders. Potential for growth exists from products which are in advanced stage of development at our R&D centre. Due to the capacity upgradation and de-bottlenecking at its plants in Roha and Nandesari as well as ramp up of process and quality control systems at Dahej and Taloja, the Company will be able to sustain higher volumes of production to cater to customer demand.

Update on Project for Manufacture of Phenol and Acetone

The Board of Directors at their meeting held on 7th August, 2014 approved to undertake a project for manufacturing Phenol and Acetone with a capital outlay of around ₹ 1,200 crores. 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.

A wholly owned subsidiary, viz. Deepak Phenolics Limited has been set up for this project. 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 Basic Engineering Plan, Design, Budget, Equipment list & Vendor list are in advanced stages of finalisation and key members of the project team have been appointed.

Attached: Details to the announcement

For further information please contact:

Somsekhar Nanda

Deepak Nitrite Limited

Tel: 026 52765200

Email: snanda@deepaknitrite.com

Mayank Vaswani / Ashwin Chhugani

CDR India

Tel: +91 22 66451230 / 1250

Email: mayank@cdr-india.com
ashwin@cdr-india.com

About Deepak Nitrite Limited

Deepak Nitrite Limited [NSE - DEEPAKNITR, BSE - 506401] is a leading manufacturer of Bulk Chemicals & Commodities, Fine & Speciality Chemicals & Fluorescent Whitening Agents 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 | Q4FY15 | Q4FY14 | % | FY15 | FY14 | % |
|------------------------------|---------------|---------------|--------------|-----------------|-----------------|-------------|
| Bulk Chemicals & Commodities | 172.28 | 208.74 | -17.5% | 749.59 | 739.57 | 1.4% |
| Fine & Speciality Chemicals | 98.76 | 100.46 | -1.7% | 326.20 | 361.43 | -9.7% |
| Fluorescent Whitening Agents | 64.31 | 48.56 | 32.4% | 266.18 | 175.91 | 51.3% |
| Other Unallocable | 0.07 | 4.06 | -99.0% | 5.42 | 3.57 | 51.8% |
| Total | 335.42 | 361.82 | -7.3% | 1,347.39 | 1,280.48 | 5.2% |
| Inter Segment | 2.94 | 1.21 | 143.0% | 20.23 | 10.85 | 86.5% |
| Net Sales/Op. Income | 332.48 | 360.61 | -7.8% | 1,327.16 | 1,269.63 | 4.5% |

Expenditure Analysis

| Particulars | Q4FY15 | Q4FY14 | % | FY15 | FY14 | % |
|----------------|--------|--------|--------|--------|--------|-------|
| Employee Costs | 24.31 | 23.44 | 3.7% | 100.10 | 88.35 | 13.3% |
| Other expenses | 29.34 | 36.94 | -20.6% | 115.98 | 127.18 | -8.8% |

- Employee cost increased on account of wage hikes and increased manpower at Dahej following full commissioning of the facility.
- Other expenses moderated due to gain in forex and aggressive cost management initiatives undertaken by the Company.

| Particulars | Q4FY15 | Q4FY14 | % | FY15 | FY14 | % |
|--------------|--------|--------|--------|-------|-------|-------|
| Interest | 8.08 | 5.73 | 41.0% | 36.41 | 25.75 | 41.4% |
| Depreciation | 9.21 | 7.97 | 15.6% | 36.02 | 29.64 | 21.5% |
| Other Income | 0.20 | 0.71 | -71.8% | 2.05 | 1.77 | 15.8% |

- There has been an increase in Interest and Depreciation due to commissioning of balance capacity at the Dahej facility.

Profitability Analysis

| Particulars | Q4FY15 | Q4FY14 | % | FY15 | FY14 | % |
|-------------|--------|--------|--------|-------|-------|-------|
| PBT | 20.25 | 25.23 | -19.7% | 67.74 | 58.15 | 16.5% |
| PAT | 15.23 | 15.86 | -4.0% | 53.44 | 38.31 | 39.5% |
| EPS (Rs.) | 1.46 | 1.52 | -3.9% | 5.11 | 3.67 | 39.2% |

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st March 2015

| <i>Particulars</i> | <i>March 31, 2015</i> |
|--------------------------------|-----------------------|
| ECB | 219.38 |
| Rupee Term Loan | 94.02 |
| Other Loan Funds (Includes CC) | 231.11 |
| Total Loan Funds | 544.51 |
| Debt/Equity Ratio | 1.57 |

Includes exchange fluctuations of Rs. 45.6 crore; excluding this impact the Debt/Equity ratio stands at 1.44

Capital Employed

| <i>Particulars</i> | <i>March 31, 2015</i> |
|---------------------------------|-----------------------|
| Capital Employed | 937.46 |
| Less : Capital Work in Progress | 37.98 |
| Capital Employed in Operations | 899.48 |