



Q2 & H1 FY2019 - INVESTOR COMMUNICATION

Deepak Nitrite demonstrates healthy performance

*Revenue at Rs. 433.0 crore Vs. Rs. 356.2 crore in Q2 FY18, up by 22%
EBITDA at Rs. 68.9 crore Vs. Rs. 53.8 crore in Q2 FY18, growth of 28%
PAT at Rs. 28.1 crore Vs. Rs. 22.7 crore in Q2 FY18, higher by 23.7%*

*Greenfield Project of Phenol & Acetone to commence commercial production
shortly*

Mumbai, October 26, 2018: Ranked among Fortune 500 and recognized among the top 25 wealth creators by Fortune Magazine, India, Deepak Nitrite [NSE - DEEPAKNTR, BSE - 506401] is acknowledged as one of the country's fastest growing chemical companies. 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 abroad. Its products are manufactured across 5 locations which are all accredited by Responsible Care.

Deepak Nitrite Limited has announced its standalone financial results for the quarter and half-year ended September 30, 2018. The Company has reported sustained growth momentum due to its investments in capacity enhancement of key products. The results have also been supported by a significant improvement in the Performance Products segment. Further, International customers are increasingly depending on Indian companies like Deepak Nitrite as a favoured supply chain partner. India's own established consumption is also growing with impetus, creating further opportunities for a company like ours with its R&D capabilities and product portfolio.

Financial Highlights (Standalone)

Q2 FY2019

- Revenues (Net of Excise Duty) were Rs. 433.0 crore in Q2FY19 compared to Rs. 356.2 crore reported in Q2 FY18, representing a strong growth of 22% Y-o-Y. All of the Strategic Business Units (SBUs) contributed to the growth indicating robust business traction. The Basic Chemicals continued to build on positive momentum in demand for key products. This was complemented by strong growth in the Fine & Speciality Chemicals segment. The Performance Products segment elevated its performance improving upon the momentum from recent quarters.
- EBITDA came in at Rs. 68.9 crore, higher by 28% as against to Rs. 53.8 crore reported in the same period last year. EBITDA margins improved by 80 basis points to 15.9%, as compared to 15% in Q2 FY18. Despite significant increase in input costs due to rising crude oil prices and those of related petrochemical intermediates, the Company has

expanded its margins. This is due to various cost management initiatives undertaken as well as better realisations for some of the key products which enjoy greater demand.

- Operating EBITDA (excluding insurance receipts) delivered a sharp improvement. Operating EBITDA for Q2FY19 was higher by 22% on a yoy basis to Rs. 65.4 crore while that for H1FY19 was higher by 39% on a yoy basis to Rs. 122.3 crore.
- PBT stood at Rs. 44.1 crore in Q2 FY19 increasing by 48% over Rs. 29.8 crore in the same period last year.
- PAT grew by 24% to Rs. 28.1 crore in Q2 FY19 as compared to Rs. 22.7 crore in Q2 FY18.
- EPS for Q2 FY19 stood at Rs. 2.06 per share (of face value of Rs. 2 each) on an enlarged capital base compared to Rs. 1.74 per share in Q2 FY18.

CMD's Message

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

"Deepak Nitrite has delivered a strong all-round performance during the quarter under review led by healthy demand in the domestic market. Amidst the backdrop of a challenging business environment characterised by rising trade tensions as well as volatile prices of crude price and related petrochemicals, we have delivered double digit growth of 22% in Revenues and 24% in Profit After Tax.

As the global supply chain reorients itself toward India, both Basic and Fine & Speciality Chemicals demonstrated healthy growth in demand for key products. The Performance Products segment continues its turnaround journey and we remain optimistic about further growth.

The greenfield project to manufacture phenol and acetone under Deepak Phenolics will commence commercial production shortly and this will be a significant milestone in Deepak Nitrite's growth trajectory. It will also serve as a springboard for downstream products which are by themselves import substitutes. A growing domestic demand deserves a stable domestic supply."

Performance Highlights

Domestic & Exports

- Domestic revenues stood at Rs. 275.02 crore in Q2 FY19 from Rs. 208.8 crore in the same period last year, growing by a healthy pace of 32% Y-o-Y. Better operating environment led by supply disruptions in China helped the Company to further strengthen its market position for some of the key products in the portfolio.
- Revenues from exports came in at Rs. 151.9 crore in Q2 FY19 compared to Rs. 141.6 crore in Q2 FY18, higher by 7%. Positive demand traction for some products in the global markets resulted in stable gains in export revenues. Benefit from rupee depreciation also contributed to the momentum.

Segmental Performance

- Revenues from the BC segment stood at Rs. 201.7 crore in Q2 FY19 compared to Rs. 170.0 crore in Q2 FY18, growing by 19% Y-o-Y. Post capacity augmentation, the Company has delivered higher volumes of high margin products which resulted in strong realisation gains during the quarter.
- Revenues from FSC segment were Rs. 143.8 crore in Q2 FY19, higher by 27% compared to Rs. 112.9 crore in Q2 FY18. Encouraging traction for some of the key products in the FSC segment due to a positive demand scenario helped to drive the growth.
- The PP segment reported revenues of Rs. 96.8 crore in Q2 FY19 compared to Rs. 84.2 crore in Q2 FY18, a growth of 15% Y-o-Y. Focussed initiatives to widen the customer base and address new geographies coupled with improved product mix and higher operating efficiencies have yielded desired results and this is expected to grow going forward.

Update on Phenol & Acetone Project

Introduction:

Deepak's plant to manufacture 200,000MT of phenol and 120,000MT of acetone aligns with the Make in India initiative that encourages the country to fuel its own growth. Its 260,000MT cumene capacity also ensures the long term sustainability of phenol and acetone.

The plant has been built with support from the best technology providers in the world, with a minimal thermal and water footprint and an on ground IoT sensor network to monitor efficiency. Local availability of Phenol and Acetone is expected to boost the production of derivatives and downstream intermediates, which will expand the overall market in the country.

Progress:

Trial runs for phenol and acetone have delivered successful and encouraging results and the product meets global standards and specifications. Customer acceptance has been received and future orders secured. The company expects to achieve regular production status in the very near future.

Outlook

Financial Year 2019 will be a milestone year for the Company as Deepak Phenolics commissions its Greenfield Project of Phenol and Acetone which will result in import savings of USD\$ 400 Mn for the country. This will help drive Deepak's goal of becoming the fastest growing Indian chemical intermediate manufacturer. Existing Strategic Business Units (SBUs) are also expected to deliver solid performance, owing to positive demand landscape in the domestic and global markets driven by supply disruption in China and strengthening of Company's product portfolio. Brownfield expansions in BC and FSC to enhance capacities of major products will further aid the growth momentum.

About Deepak Nitrite Limited

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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 Standalone Results (All figures in Rs. Crore)

Revenues

Particulars	Q2 FY19	Q2 FY18	%	H1 FY19	H1 FY18	%
Basic Chemicals	201.7	170.0	18.7%	424.3	367.1	15.6%
Fine & Speciality Chemicals	143.8	112.9	27.4%	266.1	219.7	21.2%
Performance Products	96.8	84.2	15.0%	177.3	150.0	18.2%
Other Unallocable	-	-	-	-	0.1	-
Total	442.3	367.0	20.5%	867.8	736.9	17.8%
Inter Segment	9.6	13.4	(28.9%)	14.0	21.7	(35.4%)
Total Revenue from Operations	432.7	353.6	22.4%	853.7	715.1	19.4%

Note: 1. Other Income not included in the above

Expenditure Analysis

Particulars	Q2 FY19	Q2 FY18	%	H1 FY19	H1 FY18	%
Employee Costs	40.34	33.0	22.3%	77.0	64.5	19.4%
Interest	11.7	10.7	8.7%	22.6	20.2	11.8%
Depreciation	13.2	13.3	(0.6%)	25.8	25.6	0.8%

Profitability Analysis

Particulars	Q2 FY19	Q2 FY18	%	H1 FY19	H1 FY18	%
PBT	44.1	29.8	48.1%	77.4	60.5	28.0%
PAT	28.1	22.7	23.7%	49.9	42.8	16.5%
EPS (Rs.)	2.06	1.74	18.4%	3.65	3.27	11.6%

Note: 1. Final Insurance claim settlement for damages and loss of profit of Rs. 3.48 crore has been included in the numbers for Q2 FY19

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th September, 2018

Particulars	Q2 FY19	Q2 FY18
ECB	8.71	53.92
Rupee Term Loan	124.00	145.09
Other Loan Funds (Includes CC)	337.40	397.43
Total Loan Funds	470.11	476.87
Debt/Equity Ratio	0.48	0.80

Capital Employed

Particulars	Q2 FY19	Q2 FY18
Capital Employed from Operations	943.43	939.04
Less : Capital Work in Progress	23.15	32.15
Net Capital Employed from Operations	920.28	907.89