

PRESS RELEASE

DEEPAK FERTILISERS Q4 net profit dips as the company continues to face gas cut

Mumbai/Pune, May 21, 2015: Deepak Fertilisers and Petrochemicals Corporation Ltd (DFPCL) today announced its financial results for the quarter and year ended March 31, 2015 (Q4 FY15). The company announced a dividend of 40%.

The total income of the company dropped to Rs. 930.95 crores for the quarter ended on 31st March, 2015 (Q4 FY 15) from Rs. 1063.75 crores in the corresponding quarter of the previous financial year (Q4 FY14). Profit before tax dropped to Rs. 37.94 crores in Q4 FY 15 from Rs. 122.59 crores in Q4 FY14 and Profit after tax stood at Rs. 27.23 crores in Q4 FY 15 as against Rs. 91.43 crores in Q4 FY 14.

On an annual basis, total income dropped to Rs. 3,711.77 crores from Rs. 3,810.44 crores earned in the previous year, while Profit before Tax dropped to Rs. 108.22 crores from Rs. 336.39 crores. Consequently, the Profit after Tax dropped to Rs. 78.35 crores from Rs. 243.88 crores.

Though performance for the quarter as well as for the year was affected by stoppage of domestic gas supply leading to shut down of the fertilizer plant, the current quarter witnessed improved performance in Technical Ammonium Nitrate and Nitric Acid on the back of higher demand for these products with improved margins.

The chemicals segment registered a marginal drop in revenue at Rs. 719.22 crores in Q4 FY 15 from Rs. 751.11 crores in Q4 FY14, mainly due to absence of Methanol in the product basket. On YoY basis, Technical Ammonium Nitrate (Solid) and Nitric Acids registered growth of 17% and 25% respectively during the quarter. Profit for the chemicals segment stood at Rs. 84.73 crores in Q4 FY 15 as against Rs. 155.50 crores in Q4 FY 14. However, same is significantly better than Rs. 44.65 crores earned during Q3, FY 15. The sector also increased its trading activity during the year which registered a growth of 14%, from Rs. 147.89 crores in FY14 to Rs. 169.20 crores in FY15. Better capacity utilization, operational excellence and stability of mining sector contributed towards improved profitability.

Non-availability of gas continued to negatively impact the profitability of the agri-business. In absence of Mahadhan Mahapower 24:24:0, the flagship manufactured fertilizer and to maintain its topline, the agri-business increased its thrust on traded fertilizers and registered a 20% growth in trading revenue of Rs. 875.25 cores in FY15 as against Rs. 730.04 cores in FY14. However, overall the Segment registered a revenue of Rs. 212.88 cores in the current quarter as against Rs. 326.73 cores in the same period last year and incurred a loss of Rs. 3.55 crores during the quarter as against a profit of Rs. 27.16 crores during the same period last year. On Q-on-Q basis the segment revenue increased by 11% and loss reduced by 29%.

Effective from 15th May, 2014 the domestic gas supply to the Company has been stopped, pursuant to an Order passed by the Ministry of Petroleum and Natural Gas. As a consequence, the Nitro phosphate plant and related other plants have been under shut down. The Company is of the view that this abrupt decision to stop the gas supply is arbitrary and discriminatory and had filed a writ petition in the Delhi High Court. The hearing before the Delhi High Court has since been completed and Order is awaited. The Company had simultaneously approached the Department of Fertilisers to reconsider its decision of gas cut. The Government of India has, since, constituted an Inter Ministerial Committee to review its decision and on an invitation from the Committee, the Company presented its case. Decision of the Committee is awaited.

It may be noted that the previous year showcased one of the best results in light of some very good sectorial performance. This year in addition to the gas cut, some of the other challenges the company faced include higher Ammonia prices and drop in international price of Methanol and commodity prices arising out of unprecedented fall in crude oil prices. This resulted in lower margin of IsoPropyl Alcohol which impacted the overall performance significantly. The situation was further aggravated by absence of total domestic gas for manufactured Mahadhan fertiliser and thus Y-o-Y comparison of performance presents a skewed picture.

Mr. Saailesh C. Mehta, Chairman & Managing Director – DFPCL, said: *“Right from the initial months of the year, the company faced several challenges which led to subdued performance in the last two quarters. But with collective efforts towards improvement in processes and operational restructuring, we have been able to revive some of the lost ground in Q4 and we expect to improve the situation in the quarters to come.*

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