Deepak Nitrite Reports Q1 FY16 Results

Revenues higher by 4% to Rs. 338 crore, EBITDA improved by 35% to Rs. 38 crore

PAT up by 38% to Rs. 13 crore, EPS grows at 38% to Rs. 1.28 per share

Mumbai, July 24, 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 ended June 30, 2015.

Financial Highlights

Q1FY16

- Revenue stood at Rs. 338.32 crore in Q1FY16 compared to Rs. 324.65 crore in Q1FY15. Though there has been 17% growth in volumes, the revenues grew only by 4% due to correction in global crude oil prices and related petroleum intermediates. All the three business segments contributed to volume growth on the back of higher quantities shipped to domestic as well as international customers.

- EBITDA improved by 35.4% to Rs. 38.18 crore in Q1FY16 compared to Rs. 28.20 crore in Q1FY15. EBITDA growth has come about due to increased sales volumes as well as an improved product mix. The Company has been able to drive stable-to-improving contribution from a large part of its product portfolio.

- PBT grew 50.1% to Rs. 18.67 crore in Q1FY16 compared to Rs. 12.44 crore in Q1FY15. This was despite factoring in higher depreciation and increased interest cost on account of full capitalisation of phase 2 of the Dahej plant which was commissioned in May, 2014 and hence, booked for only part of Q1 in the last financial year.

- PAT stands at Rs. 13.36 crore in Q1FY16 compared to Rs. 9.67 crore in Q1FY15 representing a growth of 38.2%.

- EPS for Q1FY16 stood at Rs. 1.28 per share of face value of Rs. 2 post sub-division of shares compared to Rs. 0.93 per share (adjusted) in Q1FY15.

MD’s message

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

“We are pleased to begin the year on a bright note with continued momentum in performance. In addition to strong growth in volumes, efforts to enhance the revenue mix in favour of products offering improved contribution has led to growth in profitability. This was supported by steady growth in the FWA segment which is benefitting from sustained efforts undertaken by the Company. There has been traction in both domestic as well as international markets and this demonstrates the strength of our business model which has delivered profitable growth inspite of the sharp volatility in prices of some key raw materials and products.

Going forward, we see continued gains from our value added product portfolio and steady growth from the FWA segment. Growth opportunities in export as well domestic market remain encouraging and DNL’s diversified product portfolio would help offset the vagaries in the global markets like correction in oil prices and other factors. The efforts of our R&D team to introduce new products will expectedly support the performance.

DNL also envisages healthy growth in the FSC segment which would cater to the emerging needs of speciality chemicals. A healthy demand scenario across key markets offers strong visibility of sustained growth which will allow us to steadily increase utilisation at Dahej as well as leverage expanded capacities at other facilities. Progress of our Phenol project is on track and the combination of these factors gives us confidence of closing the year on a positive note.”

Operating Highlights

Growth in Q1FY16 was largely driven by steady volumes in key products in the established business segments.

- Domestic revenues grew marginally to Rs. 196.97 crore in Q1FY16 from Rs. 195.63 crore in Q1FY15. Within this, domestic revenues from the BCC segment corrected due to a fall in selling prices of select products owing to compression in prices of crude oil but this was offset by healthy growth in domestic FWA revenues.

- Export revenues increased by 12.0% from Rs. 124.49 crore in Q1FY15 to Rs. 139.41 crore in Q1FY16. Single digit growth in exports of the existing business was elevated by strong traction in FWA exports.

- Revenues from BCC segment stood at Rs. 181.89 crore, lower by 8.9% compared to Rs. 199.69 crore in Q1FY15. While volume growth was marginally higher, compression in revenue was on account of correction in realisations of products linked to the price of crude oil and related petrochemical intermediaries.

- The revenues from FWA segment stood at Rs. 62.14 crore in Q1FY16 compared to Rs. 59.65 crore in Q1FY15. The Company continues to witness healthy demand for its OBA products in the US market. The re-aligned FWA Segment includes direct sales of DASDA and allied products from the Hyderabad facility as well as OBA revenues from Dahej.

- FSC segment reported revenues of Rs. 95.25 crore, representing an increase of 37.6% compared to Rs. 69.21 crore in Q1FY15. Strong volume growth and an improved product mix resulted in the improved contribution in Q1FY16.

- Realisations of select products linked to crude oil and related petrochemical products have corrected but this has been matched by corresponding fall in prices of raw materials for those products. On an overall basis, the Company has been able to drive an improved contribution despite compressed realisations which led to the improvement in margin profile.

Other Highlights

- During the quarter, the Company successfully commissioned the Hydrogenation facility at Dahej. This enables the Company to take advantage of the presence of major hydrogen suppliers at Dahej and the capabilities of hydrogenation of all the four sites of the Company provides it with resilience in operations and a competitive advantage

- 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

The Company has reported strong volume offtake in key products in the FSC segment and this is expected to sustain on balanced demand from various end user industries. In the BCC segment, the compression in revenue growth rates is a consequence of lower market-based realisations. The prices of crude oil and related petrochemical intermediates have consolidated at lower levels over the past few months after a sharp fall in the previous year. Realisations for select products will mirror the trends in crude prices.

Going forward, the FWA segment is expected to report steady growth following firm orders from newer customers and larger order sizes from existing customers. Capacity upgradation and de-bottlenecking at plants in Roha and Nandesari together with ramp up of process and quality control systems at Dahej and Taloja will help to Company to produce higher volumes of products to cater to demand.

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 as initial plans have been frozen and additional rounds of review are underway. Key members of the project team have been appointed and enquiry for critical equipment with long lead times has been released.

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	*Q1FY16*	*Q1FY15*	*%*
Bulk Chemicals & Commodities	181.89	199.69	(8.9%)
Fine & Speciality Chemicals	95.25	69.21	37.6%
Fluorescent Whitening Agents	62.14	59.65	4.2%
Other Unallocable	0.93	2.11	(55.8%)
Total	**340.22**	330.66	**2.9%**
Inter Segment	1.89	6.00	68.4%
Net Sales/Op. Income	**338.32**	324.65	**4.2%**

Expenditure Analysis

Particulars	*Q1FY16*	*Q1FY15*	*%*
Employee Costs	27.81	24.45	13.7%
Other expenses	35.31	27.19	29.9%

- Employee cost increased during the quarter due to annual increments as well as increase in manpower at the Dahej facility.

Particulars	*Q1FY16*	*Q1FY15*	*%*
Interest	10.02	7.19	39.4%
Depreciation	9.49	8.57	10.7%
Other Income	0.20	1.31	-84.7%

- Interest during the quarter increased due to forex fluctuations, while Depreciation increased due to full capitalisation of the Dahej facility which was fully commissioned in May 2014.

Profitability Analysis

Particulars	*Q1FY16*	*Q1FY15*	*%*
PBT	18.67	12.44	50.1%
PAT	13.36	9.67	38.2%
EPS (Rs.)	1.28	0.93	37.6%

Statement of Borrowings

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

Particulars	*Q1FY16*	*Q4FY15*
ECB	220.27	219.38
Rupee Term Loan	97.75	94.02
Other Loan Funds (Includes CC)	204.72	231.11
Total Loan Funds	522.74	544.31
Debt/Equity Ratio	1.45	1.57

Includes exchange fluctuations of Rs. 49 crore; excluding this impact the Debt/Equity ratio stands at 1.32

Capital Employed

Particulars	*Q1FY16*	*Q4FY15*
Capital Employed	925.94	937.46
Less : Capital Work in Progress	21.96	37.98
Capital Employed in Operations	903.98	899.48