

# Deepak Nitrite Reports FY2016 Results

*Continues to deliver strong growth in Profitability*

*EBITDA higher by 21%, PBT grows by 35%*

*EPS higher by 19% on enlarged capital base*

*Board of Directors recommends higher dividend of Rs. 1.2 per share*

*42nd Consecutive year of dividend*

**Mumbai, May 9, 2016:** 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 and year ended March 31, 2016.

## Financial Highlights

**FY2016**

- During FY16, the Company delivered strong growth in profitability as EBITDA increased by 20.7% to Rs. 166.68 crore, PBT grew by 34.8% to Rs. 91.33 crore and PAT was higher by 21.9% to Rs. 65.15 crore. The improved profitability was due to:
    - Robust performance of FSC Segment which has benefited from improvement in product mix towards higher contribution products.
    - Improved performance of BCC segment due to higher volumes in key products and stable spreads despite the reduction in product prices which are linked to crude oil and related petrochemical intermediates.
    - Initiatives to improve operating efficiency, de-bottlenecking of production lines, improvement in working capital and control of operating and finance cost.
- Total revenues increased marginally from Rs. 1,327.16 crore in FY15 to Rs. 1,335.73 crore in FY16. There have been several positive trends in the revenue composition as volumes have grown in all the segments with overall volume growth of 9%. The Fine & Speciality Chemical segment has been a standout performer on the back of improved product mix and traction from newly introduced products. There was a decline in revenues in the BCC segment due to

decline in prices of products which are linked to the prices of crude oil and petrochemical intermediates.

- EBITDA grew by 20.7% on a y-on-y basis from Rs. 138.12 crore in FY15 to Rs. 166.68 crore in FY16. The EBITDA margin continues its upward trajectory as it improved by over 200 basis points to 12.6% in FY16. The Company continues to shift the revenue composition towards those products that are enjoying a favourable demand-supply and pricing scenario.

- The Company delivered robust growth of 34.8% in PBT on a y-on-y basis from Rs. 67.74 crore in FY15 to Rs. 91.33 crore in FY16. In addition to the reasons for profitability enumerated earlier, PBT growth has been helped by increase of only 10% in depreciation and initiatives to manage finance costs, the growth of which was restricted to only 3% on a y-on-y basis.

- PAT was Rs. 65.15 crore in FY16 compared to Rs. 53.44 crore in FY15, representing a growth of 21.9% on the enlarged capital base. The reduced benefit of investment allowance during the year led to a higher provision for tax resulting in a marginal increase in the effective tax rate.

- EPS for the year stood at Rs. 6.07 per share (of face value of Rs. 2 each) on an enlarged capital base compared to Rs. 5.11 per share in FY15. This signifies strong growth of 18.8% despite the enhanced capital during the year. (QIP: Issuance of 1,17,50,000 shares of Rs. 2 each at a premium of Rs. 68.90 in January, 2016)

**Q4FY16**

- Revenues in Q4FY16 were Rs. 340.75 crore compared to Rs. 332.48 crore in Q4FY15. The FSC segment delivered higher revenues, while revenues from the FWA and BCC segments were impacted due to decline in prices of products. Volume growth remained strong in Q4 with the FSC and FWA segments reporting growth in volumes by 25% and 13% respectively, on a y-on-y basis.

- EBITDA improved by 24.9% to Rs. 46.63 crore in Q4FY16 compared to Rs. 37.34 crore in the same period last year. EBITDA margin increased by 250 bps to 13.7% due to further improvement in product mix towards higher value products, strong growth in contribution of the Fine & Specialty Chemicals segment and stable spreads in some of the key products in BCC segment. Cost management initiatives have also supported the improved profitability profile.

- PBT stood at Rs. 29.38 crore in Q4FY15, higher by 45% compared to Rs. 20.25 crore in Q4FY15. The improved contribution and stronger operational performance led to strong momentum in profitability. This was further enhanced by a prudent management of finance costs and calibrated increase in depreciation.

- PAT stood at Rs. 20.56 crore in Q4FY16, an increase of 35% compared to Rs. 15.23 crore in Q4FY15.

- EPS for Q4FY16 stood at Rs. 1.78 per share (of face value of Rs. 2 each) on an enlarged capital base compared to Rs. 1.46 per share in Q4FY15.

## MD's message

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

*"We ended the year on a strong note and are geared up to build on to this momentum in the coming year. Inspite of significant volatility in the global economic landscape and the impact from the decline in the prices of crude oil, we delivered 35% growth in Profit Before Tax for FY2016 with over 20% growth in PAT. This solid performance was a result of focussed initiatives to deepen our customer relationships and improve our product mix backed by the strength of our R&D led business model.*

*The Fine & Specialty segment led the strong profitability gains for the year. The growth in this segment leverages our R&D strengths, as we forayed into high-potential pharma and personal care intermediates segment during the year. We continue to invest in improving the new product pipeline for the FSC segment and will look to build upon the encouraging response to our new product offerings. While we have already started offering a new drug intermediate in the pharma space, we are simultaneously expanding the offerings in the personal care segment to further diversify our product range and customer profile and are confident of growing these product lines further.*

*We are working to improve our market share and increase capacity utilisation in the OBA business despite stiff competition by increasing our efforts in customer care and increasing our local presence. While we offer deep value and high quality to our customers, the extensive marketing efforts and focus on empanelment of new customers undertaken in the past are now bearing fruit in the form of robust volume growth. We are undertaking all efforts to enable the FWA segment to emerge as one of the key engines of growth for the company.*

*The successful QIP issuance this year combined with the proceeds from the recent sale of land in Pune have enabled us to improve our liquidity position. This will support the investment planned in our wholly-owned subsidiary, Deepak Phenolics Ltd. for the Greenfield expansion in Phenol and Acetone which will give shape to our medium to long-term growth plans.*

*The dividend recommended by the Board continues our rich legacy of shareholder value creation which we are confident of enhancing in the years to come."*

## Operating Highlights

DNL reported consistent performance during the year as a result of steady volume growth across all the business segments. In FY16, volume growth in FSC and FWA segment stood strong at 24% and 10% respectively.

- Domestic revenues came in at Rs. 794.58 crore in FY16 from Rs. 787.33 crore last year. The Fine & Specialty Chemical segment was a standout performer. As has been the trend, prices of products in the BCC segment mirrored the trend in the global prices of crude oil and related petrochemical intermediates, which witnessed a significant decline. Volume growth of OBA product in the domestic market was also highly encouraging. On an overall basis demand has remained strong in the domestic market reflected by higher volume growth.

- Revenues from exports stood at Rs. 525.75 crore in FY16 compared to Rs. 524.54 crore in FY15. Export volumes during the year increased led by higher traction in the FSC segment. OBA products in the FWA segment witnessed firm orders from newer customers and larger order sizes from existing customers. DNL launched a special grade of Sodium Nitrite for the export markets in the beginning of FY16 and the response so far has been promising.

- BCC segment reported revenues of Rs. 674.56 crore in FY16 compared to Rs. 749.59 crore in FY15. Fall in crude oil prices & related petrochemical intermediates had a cascading effect on the top-line of BCC segment. The Company was however able to maintain spreads.

- FSC segment witnessed healthy revenue run-rate at Rs. 393.37 crore in FY16 over Rs. 326.20 crore in FY15, an increase of 21% year-on-year. FSC segment benefited from healthy traction in select products and contribution from newly introduced pharma and personal care intermediates, revenues for which stood at Rs. 8.56 crore and Rs. 22.31 crore respectively. The growth in the FSC segment is largely driven by R&D efforts and the company will continue to strengthen it R&D base and capabilities given the large potential pipeline of products required by end-user industries.

- Revenues from FWA segment stood at Rs. 273.68 crore in FY16 compared to Rs. 266.18 crore in FY15. Overall volume growth in FWA segment came in at 10% in FY16.

- Finance cost for FY16 increased by only 3% as the Company has reduced the interest cost through proactive fund management. The finance cost includes the exchange loss for FY16 which was marginally higher than FY15 due to heightened volatility in exchange rates as well as some other related expenses. As a percentage of turnover, interest cost has further reduced from 2.31% in FY15 to 2.18% in FY16.

## Other Highlights

- In April, 2016, DNL sold its land parcel located at Sinhagad Road, Pune, Maharashtra for a total consideration of Rs. 69.60 crore. The Company also surrendered/assigned its lease hold right in respect of adjoining land in Pune for a total consideration of Rs. 9.66 crore. The proceeds from sale of land along with QIP proceeds of Rs. 83.3 crore would form a meaningful component of company's equity contribution towards funding the Greenfield project of Phenol & Acetone in Dahej.

# Outlook

The outlook for financial year 2016-17 is promising, as DNL continues to deliver value-led growth in all the three SBUs of Bulk Chemicals & Commodities, Fine & Speciality Chemicals and Fluorescent Whitening Agents. Stability in crude oil prices would further support this momentum, unlike FY2016 where momentum in revenue growth was impacted by pricing pressure on crude.

The FSC and FWA segments are expected to lead the growth, driven by higher demand for our product offerings in the end user industries. The FSC segment, which includes agrochemical intermediates along with recently introduced pharma and personal care intermediates, is expected to continue its strong momentum in the coming years. The FWA Segment will benefit from the increase in volumes of OBA products on the back of extensive marketing efforts and customer empanelment initiatives. The Company is also working towards introducing additional products through R&D initiatives.

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

As part of its growth plans, DNL is implementing a project to manufacture Phenol and Acetone to address the opportunity offered by the supply deficit in the domestic market which is currently met by imports. 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. Basic engineering has been completed and significant progress has been made on detailed engineering. The Project management team is established and the project is being implemented as per schedule. As on March 31, 2016 an amount of Rs. 67 crore has already been deployed.

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 is expected to 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 – OBA). 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 | Q4FY16 | Q4FY15 | % | FY16 | FY15 | % |
|---|---|---|---|---|---|---|
| *Bulk Chemicals & Commodities* | 146.89 | 172.28 | (14.7) | 674.56 | 749.59 | (10.0) |
| *Fine & Speciality Chemicals* | 122.88 | 98.76 | 24.4 | 393.37 | 326.20 | 20.6 |
| *Fluorescent Whitening Agents* | 71.44 | 64.31 | 11.1 | 273.68 | 266.18 | 2.8 |
| *Other Unallocable* | 2.02 | 0.07 | 2783.0 | 5.78 | 5.42 | 6.7 |
| ***Total*** | **343.23** | **335.42** | **2.3** | **1,347.39** | **1,347.39** | **0.0** |
| *Inter Segment* | 2.48 | 2.94 | (15.7) | 11.67 | 20.23 | (42.3) |
| ***Net Sales/Op. Income*** | **340.75** | **332.48** | **2.5** | **1,335.73** | **1,327.16** | **0.6** |

## Expenditure Analysis

| Particulars | Q4FY16 | Q4FY15 | % | FY16 | FY15 | % |
|---|---|---|---|---|---|---|
| Employee Costs | 29.39 | 24.31 | 20.9 | 116.08 | 100.10 | 16.0 |
| Interest | 7.78 | 8.08 | (3.8) | 37.45 | 36.41 | 2.8 |
| Depreciation | 10.27 | 9.21 | 11.5 | 39.45 | 36.02 | 9.5 |
| Other Income | 0.79 | 0.20 | 292.6 | 2.05 | 1.59 | 29.2 |

- Employee cost increased due to:
  - Impact of annual increment and increase in the retirement benefits
- Depreciation increased during the year due to capitalisation of the Hydrogenation and MAHCL facilities which were fully commissioned during the year.

## Profitability Analysis

| Particulars | Q4FY16 | Q4FY15 | % | FY16 | FY15 | % |
|---|---|---|---|---|---|---|
| PBT | 29.38 | 20.25 | 45.1 | 91.33 | 67.74 | 34.8 |
| PAT | 20.56 | 15.23 | 35.0 | 65.15 | 53.44 | 21.9 |
| EPS (Rs.) | 1.78 | 1.46 | 21.9 | 6.07 | 5.11 | 18.8 |

## Statement of Borrowings

### Secured Loan & Net Debt/Equity as on 31st March, 2016

| Particulars | Q4FY16 | Q4FY15 |
|---|---|---|
| ECB | 172.30 | 219.38 |
| Rupee Term Loan | 87.99 | 94.02 |
| Other Loan Funds (Includes CC) | 234.90 | 231.11 |

| | | |
|---|---|---|
| Total Loan Funds | 495.19 | 544.51 |
| Debt/Equity Ratio | 1.01 | 1.57 |

Includes exchange fluctuations of Rs. 43.52 crore; excluding this impact the Debt/Equity ratio stands at 0.92.

### Capital Employed

| ***Particulars*** | ***Q4FY16*** | ***Q4FY15*** |
|---|---|---|
| Capital Employed | 1,042.64 | 937.46 |
| Less : Capital Work in Progress | 10.31 | 37.98 |
| Capital Employed in Operations | 1,032.33 | 899.48 |