Q3 & 9M FY2021 – INVESTOR COMMUNICATION

DNL overcomes lockdown impact to report growth of 11% y-o-y in consolidated PAT in YTD FY21

On a Consolidated Basis:

Revenues at Rs. 1,240 crore in Q3 FY21, up by 9% Y-o-Y

EBITDA at Rs. 340 crore, higher by 25% Y-o-Y

PAT, at Rs. 217 crore, rises 38% on a Y-o-Y basis

Vadodara, February 12, 2021: Deepak Nitrite Limited, one of India's leading chemical intermediates company, has announced its financial results for the third quarter ended, 31st December, 2020. The Company, in its 50th year of operations has delivered a strong operational performance and several brownfield projects taken up during the quarter have led to further improvement in profitability .

Amidst the ongoing pandemic, Deepak Nitrite rapidly adapted to the new normal work environment and stringently implemented all recommended health and safety protocols. The Company has demonstrated agility to deliver a standout performance, returning to a y-o-y growth trajectory in consolidated PAT on YTD basis, despite lingering impact of pandemic on some end use segments and production loss of one month during lockdown.

	Standalone			Consolidated		
Particulars	*Q3 FY21*	*Q2 FY21*	*%*	*Q3 FY21*	*Q2 FY21*	*%*
Revenue	491	448	*10%*	1,240	991	*25%*
EBIDTA	149	139	*7%*	340	280	*22%*
EBITDA (%)	*30.4%*	*31.1%*		*27.4%*	*28.2%*	
PBT	132	124	*6%*	290	229	*27%*
PAT	98	92	*6%*	217	170	*27%*
EPS	7.18	6.75	*6%*	15.88	12.48	*27%*

Financial Highlights

Q3 FY2021 Vs. Q2 FY2021 (q-o-q)

- Standalone Revenues improved by 10% to Rs. 491 crore in Q3 FY21 as compared to Rs. 448 crore in Q2 FY21. Performance was attributable to a positive contribution from all the three strategic business units (SBUs).

  On a Consolidated basis, Revenues were higher by 25% at Rs. 1,240 crore in Q3 FY21 compared to Rs. 991 crore in Q2 FY21. Leveraging the sharp economic recovery in Q3, DPL further elevated its performance compared to the trailing quarter contributing to higher revenues.

- Standalone EBITDA was Rs. 149 crore in Q3 FY21 as against Rs. 139 crore reported in the immediately preceding quarter, registering growth of 7%. The EBITDA margin remained steady at 30.4% in Q3 FY21 from 31.1% in Q2 FY21, although it faced constrained availability of some raw materials despite long term contracts in place which led to disruption of operation of plants and spot purchases at higher cost.

  On a Consolidated basis, EBITDA was Rs. 340 crore in Q3 FY21 compared to Rs. 280 crore in Q2 FY21, higher by 22%. The Consolidated EBITDA margin was stable at at 27.4%.

- Standalone PBT for Q3 was Rs. 132 crore against Rs. 124 crore in Q2 FY21, growing by 6% on a Q-o-Q basis. On a Consolidated basis, PBT grew by 27% to Rs. 290 crore compared to the previous quarter. Stable EBITDA performance supported by lower finance cost resulted in accretive PBT growth in Q3.

- Standalone PAT for Q3 was Rs. 98 crore as against Rs. 92 crore in Q2 FY21, growing by 6% on a Q-o-Q basis. On a Consolidated basis, PAT was Rs. 217 crore in Q3 FY21 compared to Rs. 170 crore in Q2 FY21, higher by 27%.

- Standalone EPS for Q3 FY21 was Rs. 7.18 per share (of face value of Rs. 2 each) as compared to Rs. 6.75 per share in Q2 FY21. Consolidated EPS for Q3 FY21 was Rs. 15.88 per share (of face value of Rs. 2 each) as compared to Rs. 12.48 per share in Q2 FY21

Q3 FY2021 vs. Q3 FY2020 (y-o-y)

- Standalone Revenues are lower by 16% y-o-y to Rs. 491 crore in Q3 FY21. This is largely attributable to the unusually high prices of performance products and intermediates in the corresponding period which resulted in a high base in Q3 FY20. Adjusting for this impact, DNL has recovered from the lockdown-led disruption and is witnessing revenue momentum on the back of healthy growth in the FSC segment predicated on demand recovery in key end user industries of Agro and Pharma.

  On a Consolidated basis, Revenues grew 9% to Rs. 1,240 crore in Q3 FY21 led by robust Y-o-Y improvement in the phenolics business aided by incremental contribution from IPA products.

- Standalone EBITDA was Rs. 149 crore, lower by 31% Y-o-Y with an EBITDA margin of 30.4% in Q3. The unusually elevated prices of Performance products and intermediates in the corresponding period last year led to a high base in PP segment, which was sizably offset by the strong performance in the other segments.

  On a consolidated basis, EBITDA was Rs. 340 crore in Q3 FY21 higher by 25%. The Consolidated EBITDA margin is higher by 330 bps to 27.4%. Margin accretion has been driven by the increased volumes and higher efficiency in plant operations of the phenolics business supported by better sourcing, logistics and marketing for the wider product basket including IPA, which commenced in Q1 of the current fiscal.

- Standalone PAT for Q3 was lower by 31% to Rs. 98 crore compared to the corresponding period last year. On a Consolidated basis, PAT was at Rs. 217 crore in Q3 FY21 higher by 38%. Operational improvement in the Phenolics business and contribution from IPA supported by better logistics and sourcing have been accompanied by lower finance costs and depreciation, which has led to the sharp rise in quarterly PAT.

- Standalone EPS for Q3 FY21 is Rs. 7.18 per share (of face value of Rs. 2 each) as compared to Rs. 10.40 per share in Q3 FY20. Consolidated EPS for Q3 FY21 is Rs. 15.88 per share (of face value of Rs. 2 each) as compared to Rs. 11.49 per share in Q3 FY20.

CMD's Message

Commenting on the performance, Mr. Deepak C. Mehta, Chairman & Managing Director, said, "*Our financial performance in Q3 is indicative of the underlying resilience of our business. Excellent team work, improved operations including more active marketing and logistics have enabled us to grab the opportunities arising from the sharp rebound in India's overall economic activity following several months of lockdown.*

In the backdrop of volatile input prices and persistent sluggishness in some end-use industries like oil, paper, textile we have achieved a strong sequential recovery in both revenues and profitability. This is attributable to our diversified product portfolio supported by deep expertise and decades of manufacturing experience enabling us to relentlessly enhance our offerings to meet the stringent requirements of our global clientele. Running the Phenolics plant beyond 100% stated capacity on a sustainable basis is a result of excellent teamwork and meticulous co-ordination of functions like sourcing, logistics, material management and human resources.

As a result, we have grown PBT, both standalone and consolidated, in each successive quarter this fiscal and expect the trend to continue in Q4.

In recent years, we have judiciously deployed funds to elevate our growth prospects, steadily strengthened our financial position while remaining committed to core objectives of people, planet, and profit. We have in place a robust manufacturing platform and are excited by the myriad opportunities emerging from increased global attention on India's potential. The Union Budget seeks to strengthen domestic industry and with our demonstrated track record in import substitution, we are well placed to contribute to Atmanirbhar Bharat."

Performance Highlights

Segmental Performance - Q3 FY21 Vs. Q2 FY21 (q-o-q)

- Basic Chemicals: The BC segment reported revenues of Rs. 196 crore in Q3 FY21 compared to Rs. 172 crore in Q2 FY21, higher by 14% q-o-q. Though the oil and dye industry are still recovering from the impact of the pandemic, other segments performed well, so, we were able to grow segment revenues.
- Fine & Specialty Chemicals: The FSC segment delivered a stable performance with revenues Rs. 211 crore in Q3 FY21 compared to Rs. 210 crore in Q2 FY21. The entire basket of products including new products catering to pharma and personal care industries continues to perform well with favourable price trends.
- Performance Products: The PP segment reported an increase of 34% on a q-o-q basis in revenues to Rs. 90 crore in Q3 FY21 compared to Rs. 67 crore in Q2 FY21. Due to lingering effects of lockdown on end user industries of paper, textiles and detergents, realizations in the performance products segment are yet to recover. However, the plant capacity utilization and customer demand are steadily nearing the pre-Covid level. Given the entrenchment in the product with a fully integrated model, DNL is well placed to capitalize on further increases in demand and applications in end-user industries.
- Phenolics: Deepak Phenolics witnessed revenues increase by 37% q-o-q to Rs. 747 crore in Q3 FY21 compared to Rs. 545 crore in Q2 FY21. Initiatives to elevate plant efficiency have resulted in utilisation above 115% of stated capacity. Growth in EBITDA at 36% was in line with revenue growth and the EBITDA margin was stable.

Domestic & Exports - Q3 FY21 Vs. Q2 FY21 (q-o-q)

- Domestic Revenues were Rs. 864 crore in Q3 FY21 higher by 31% compared to Rs. 659 crore in the immediately preceding quarter. In addition to tailwinds from the revival in economic activity in the domestic landscape, growth has resulted from initiatives undertaken by the Company to enhance wallet share with key customer accounts.
- Export Revenues were Rs. 368 crore in Q3 FY21 compared to Rs. 326 crore in Q2 FY21, higher by 12.9% q-o-q. Even as concerns of a second wave and mutation of virus are prevalent in select international locations, the Company has focused on markets that are recovering faster and witnessing normalization in movement of material and international trade. This has helped to drive the recovery in international revenues.

Key Developments

- Land development activity has commenced at the newly acquired site measuring 127 acres at Dahej (named Dahej 2).

Outlook

Successful Vaccine Diplomacy by the Indian Government has helped to elevate the status and competence of Indian manufacturing sector in the eyes of the world. This is expected to have a multi-layered impact. Immediate impact will be the continued shift from China to India for manufacture of chemicals which is already evident and which holds potential for further acceleration in upcoming quarters.

The second order impact will be from growth of the domestic market. India is already a lucrative market for the Chemical industry and DNL is an ideal aspirant to ride on the India chemical manufacturing theme alongside its diversified product mix with decades of manufacturing experience. Impetus given by the Budget to enable the growth environment, principle of Aatmanirbhar Bharat and focus of the PLI scheme to incentivise manufacturing in India is expected to lead to increased volume of manufacturing of other industries such as electronics, automotives, engineered components, paper, textiles, pharmaceuticals, etc. which will widen and deepen the ecosystem contributing to more robust local demand.

DNL is also setting the platform for continued growth through planned introductions of newer products and projects. The Company is witnessing encouraging demand scenario across several end user industries, and that is expected to continue as it moves ahead. Second phase of the IPA plant is progressing well and remains on track to be commissioned in the fourth quarter. Brownfield expansion at Nadesari plant along with other downstream products in the Phenolics business also contribute to the strong outlook.

About Deepak Nitrite

Ranked among Fortune 500 and Forbes Asia (under Bn) top 200, Deepak is one of the fastest growing chemical intermediates with diversified portfolio that caters to the dyes and pigments, agrochemical, pharmaceutical, plastics, textiles, paper and home and personal care segments and petro derivates intermediates -phenolics, acetone and IPA in India and overseas. Its products are manufactured across 6 locations, which are all accredited by Responsible Care.

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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 (Rs. Crore)

Revenues

Particulars	Q3 FY21	Q3 FY20	%	Q2 FY21	%	9M* FY21	9M FY20	%
Basic Chemicals	196	253	-23%	176	11%	525	715	-27%
Fine & Speciality Chemicals	211	173	22%	210	0%	561	427	31%
Performance Products	90	176	-49%	67	34%	218	614	-64%
Total	497	602	-17%	452	10%	1,303	1,756	-26%
Inter Segment	10	17	-41%	7	43%	20	51	-61%
Total Revenue from Operations	488	585	-17%	445	10%	1,283	1,704	-25%

Note: *1. Other Income not included in the above*

2. Performance in 9M FY21 not strictly comparable with corresponding period last year due to shutdown of plants for one month during lockdown and impact on demand from end user industries

Expenditure Analysis

Particulars	Q3 FY21	Q3 FY20	%	Q2 FY21	%	9M FY21	9M FY20	%
Employee Costs	43	46	-6.5%	46	-6.5%	139	132	5.3%
Interest	0.4	4	-90%	1	-29%	4	16	-75%
Depreciation	17	20	-14%	14	19%	46	57	-20%

Profitability Analysis

Particulars	Q3 FY21	Q3 FY20	%	Q2 FY21	%	9M FY21	9M FY20	%
PBT	132	191	-31%	124	6%	341	546	-37%
PAT	98	142	-31%	92	6%	254	428	-41%
EPS (Rs.)	7.18	10.40	-31%	6.75	6%	18.59	31.36	-41%

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st December, 2020

Particulars	Q3 FY21	Q3 FY20
Rupee Term Loan	0	72
Other Loan Funds (Includes CC)	3	170
Total Loan Funds	3	242
Less: Cash and Bank Balances	41	1
Net Debt	-38	241

Total Equity	1744	1452
Debt/Equity Ratio	0.00	0.17

Capital Employed

Particulars	*Q3 FY21*	*Q3 FY20*
Capital Employed from Operations	1,204	1,172
Less : Capital Work in Progress	106	77
Net Capital Employed from Operations (excl. DPL)	1,098	1,095

Details to the Consolidated Results (Rs. Crore)

Revenues

Particulars	*Q3 FY21*	*Q3 FY20*	*%*	*Q2 FY21*	*%*	*9M FY21*	*9M FY20*	*%*
Basic Chemicals	196	253	-23%	172	14%	515	715	-28%
Fine & Speciality Chemicals	211	173	22%	210	0%	561	427	31%
Performance Products	90	176	-49%	67	34%	218	614	-64%
Phenolics	747	535	40%	545	37%	1623	1,470	10%
Total	1,244	1,137	9%	994	25%	2,916	3,226	-10%
Inter Segment	10	17	-41%	7	43%	20	51	-61%
Total Revenue from Operations	1,235	1,120	10%	987	25%	2,897	3,175	-9%

Note: *1. Other Income not included in the above*

Expenditure Analysis

Particulars	*Q3 FY21*	*Q3 FY20*	*%*	*Q2 FY21*	*%*	*9M FY21*	*9M FY20*	*%*
Employee Costs	67	56	20%	60	12%	189	163	16%
Interest	16	27	-41%	20	-20%	60	88	-32%
Depreciation	34	35	-3%	31	10%	96	104	-8%

Profitability Analysis

Particulars	*Q3 FY21*	*Q3 FY20*	*%*	*Q2 FY21*	*%*	*9M FY21*	*9M FY20*	*%*
PBT	290	211	38%	229	27%	652	606	8%
PAT	217	157	38%	170	27%	486	439	11%
EPS (Rs.)	15.88	11.49	38%	12.48	27%	35.61	32.17	11%

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31th December, 2020 (Consolidated)

Particulars	*Q3FY21*	*Q3FY20*
Rupee Term Loan	637	867
Working Capital Borrowings (Including CC)	13	246
Total Loan Funds	650	1,113
Less: Cash and Bank Balances	83	23
Net Debt	567	1,090
Total Equity	2,056	1,477
Debt/Equity Ratio	0.28	0.74