



RESPONSIBLE  
CHEMISTRY

# Q2 & H1 FY24 Results Presentation

November 07, 2023

Rs. **3,595** crore

Turnover (in H1 FY24)

Rs. **561** crore

EBITDA (in H1 FY24)



**DEEPAK**  
CARES



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# Deepak Nitrite Limited: A Leading Chemical Intermediates Producer



## Company Overview

Deepak Nitrite (DNL) is one of the fastest growing and trusted chemical intermediates company in India with a diversified portfolio of products that caters to multiple industries with myriad applications. DNL is recognized globally as a *'Responsible Manufacturer'* and as a *'Supplier of Choice'* by marquee customers. Led by an able management team, DNL has leveraged process expertise, technological prowess and operational excellence to capitalise on opportunities for growth and deliver sustained value for stakeholders.



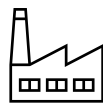
## DEPEND ON DEEPAK

Deepak Nitrite Limited (DNL) has built a strong organisation with processes and systems that ensure seamless operations, as well as a focus on ethics and transparent practises, with a team of skilled and motivated people ready to step up and take charge, as well as deep capabilities to meet our customers' needs. More importantly, having long-lasting relationships at its core, founded on the principles of trust, faith, and values, ensures our long-term success and future value creation.

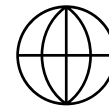
**30+** Products



**56+** Applications



**1,000+** Customers



Sustainable & versatile business model

6 Modern Manufacturing Facilities

Products exported to 45+ Countries across 6 continents

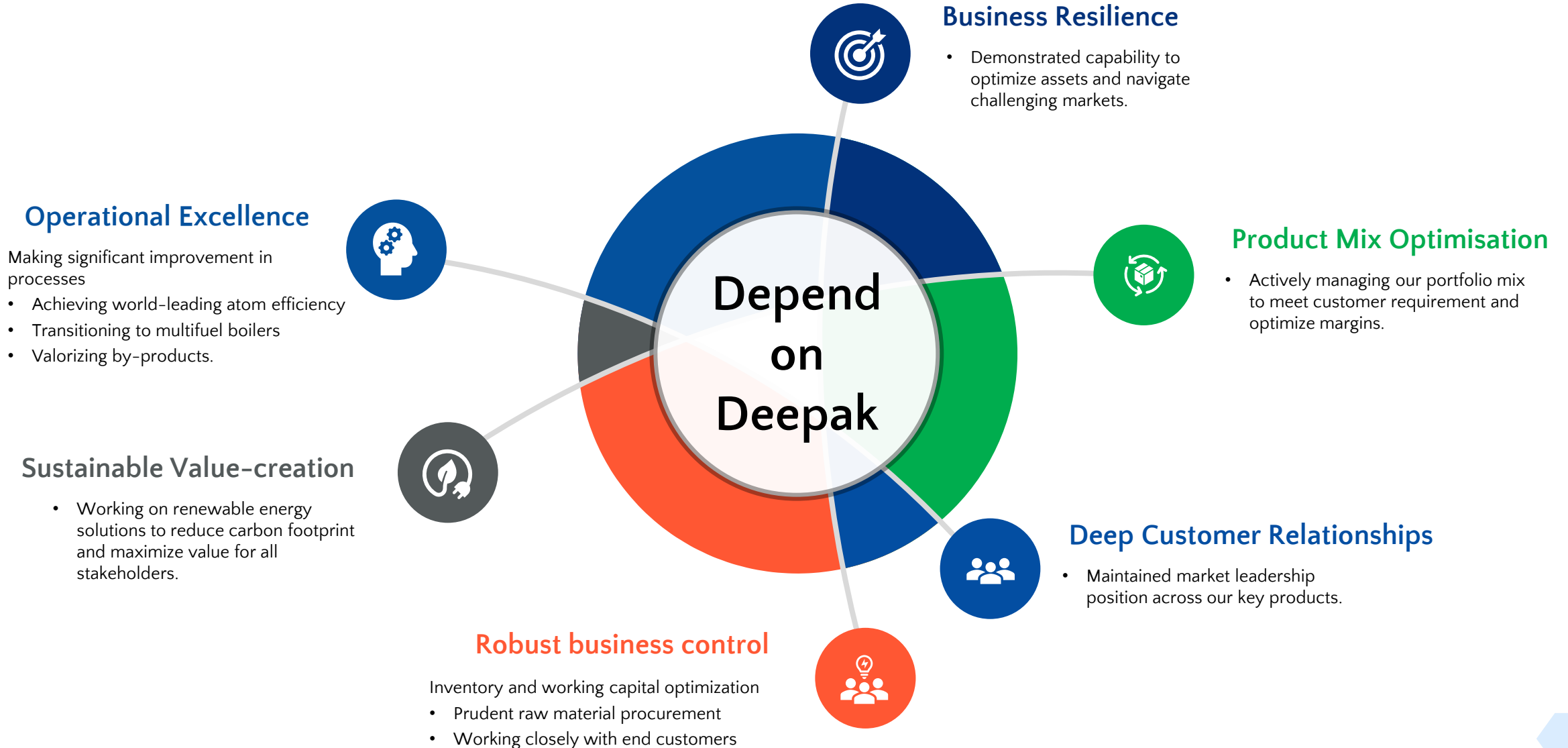
Largest Producer of Phenol & Acetone since 2019 in India

Robust R&D capabilities

Rich Legacy of over 5 Decades



# Strategies for Thriving in a Demanding Business Landscape



# Company overview: Exemplary track record



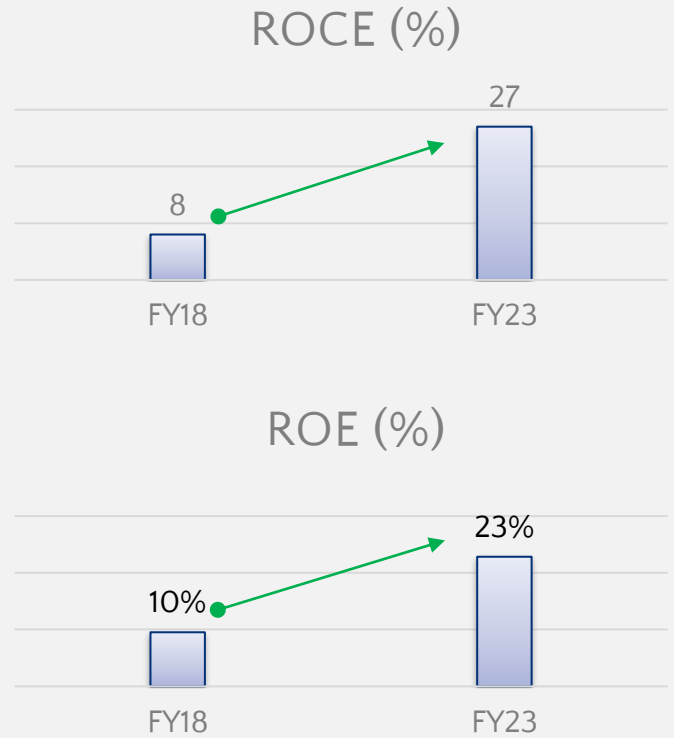
## Seizing the opportunity

Delivered marked improvement across various parameters

	FY18		FY23
Revenue (₹ Cr)	1,689	6x	8,020
PAT (₹ Cr)	79	11x	852
Cash PAT (₹ Cr)	132	8x	1,018
Debt to equity ratio	1.07		Zero
R&D exp. (₹ Cr)	8	2x	17

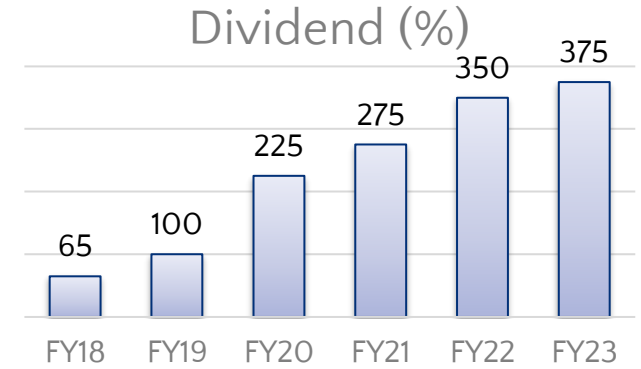
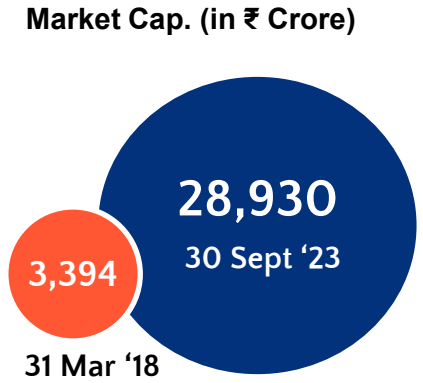
## Excellence in execution

Sustained increase in return ratios, with zero debt levels



## Value creation

Consistently rewarded shareholders



# Performance highlights – Q2 & H1 FY24 (Consolidated)



Particulars (Rs. Crore)	Q2 FY24	Q-o-Q	H1 FY24	Y-o-Y
<b>Revenue</b>	<b>1,795</b>	No change	<b>3,595</b>	-11%
<b>EBITDA</b>	<b>319</b>	32%	<b>561</b>	-14%
<b>PAT</b>	<b>205</b>	37%	<b>355</b>	-13%



## Performance Takeaways

In Q2 FY2024, the global chemical industry continued to witness considerable challenges. The industry has witness demand slowdown in certain countries and segments. There has been inventory destocking by Chinese suppliers, driven by the optimization and normalization of supply chains post the tumultuous COVID years. The increase in the cost of capital due to the steadily rising interest rates over last 18 months, has also contributed to the trend of lower demand.

Despite these headwinds, the business has exhibited commendable resilience. The performance trajectory has been maintained due to sustained demand emanating from end-user industries. We were able to sell higher volumes and retain our market share. While the external situation is transitional in nature, DNL has been systematically undertaking strategic measures to elevate its growth momentum in the long run through several backward and forward integration projects. The commissioning of these projects alongside others are scheduled periodically over the next few quarters and will aid the Company in addressing and mitigating the challenges posed by the evolving market dynamics.

Given this backdrop, the Company has reported sustained operating performance with volume as well as realisation gains for several key products. This is in addition to favorable product mix to achieve the profitability benchmarks. Furthermore, market share and wallets share has been maintained, which is a testament to our continued efforts of preserving the high operating efficiency and focus on long-term contracts.

It is worth noting that DNL has undertaken substantial efforts to de-risk its business model by expanding its product portfolio.



## Performance overview & other highlights

- The Company weathered the persistent negative impact of global destocking and achieved volume gains on both year-on-year and quarter-on-quarter basis.
- Focused efforts towards capitalizing on byproduct valorization opportunities.
- Prioritizing import substitution and increasing domestic contributions has partially mitigated the impact of demand challenges in the EU and USA; India continues to be in a sweet spot due to energy crisis in EU.
- The Company remains debt-free, with a net worth of ₹4,342 Cr.
- DNL has cumulatively invested ₹ 599.50 Cr in DCTL (wholly owned subsidiary), out of which ₹ 100 Cr was invested in Q2 FY24.
- DNL invested approx. ₹ 17 Cr (USD 2 Mn) in equity of Deepak Oman Industries; it holds 32% stake as part financing equity to set up SNI/ SNA project at Oman.



## FICCI Chemical & Petrochemical 2023 Award

Category : Leader of Water Management – 2023

- Deepak Environmental Cell wins Leader of Water Management Award in July 2023
- Shri Deepak Mehta, CMD received the award at FICCI C&P Awards 2023, New Delhi

## Divya Bhaskar Award

Category : Shreshtha Ratna - Gujarat

- Mr. Maulik Mehta is awarded with Divya Bhaskar Shreshtha Ratna-Gujarat in Aug 2023
- The award was presented by Honourable Minister Smt. Smriti Irani, Minority Affairs, Govt. of India

## Deepak R&D Center

Category : Bhoomi Pujan

- Deepak Research & Development Center Bhoomi Pujan in September 2023
- State of the art R&D Center at Manjusar- Savli GIDC, near Vadodara
- Foundation stone laid by Mr. Maulik Mehta, ED & CEO, Deepak Nitrite Ltd.





## ICC-EPSILON Carbon Award

### Category : Emergency Response Code 2022

- DPL Team was awarded with ICC- EPSILON CARBON Emergency Response Code Award
- Award given at 38TH ICC Annual Awards in September 2023



## NABL Certification

### Category : Acetone and Coal

- Deepak Phenolics R&D Lab gets Certificate of Scope of Accreditation by NABL in July 2023
- The award is a testimony to the stringent procedures , usage and upkeep of world class lab at DPL



## Project Status

- Construction work of **PhotoHalogenation and fluorination** has made significant progress; operations and commissioning teams are actively engaged for system handover, and plant commissioning is expected by December 2023
- For **Acid Unit**, most of the engineering work is complete; on-site construction is making rapid progress
- Other expansion projects including **MIBK, MIBC, Hydrogenation** among others are taking shape and will be commissioned as per plan.
- Polycarbonate compounding project is taking concrete shape and is under implementation as per plan.

**Utility Building**



**Process Plant Building**



**QA/QC LAB Building**



# Financial Highlights

Q2 FY24

## Revenue (Rs. Cr.)

1,795      1,800



Q2 FY24      Q1 FY24

Q-o-Q **0%**

## EBITDA (Rs. Cr.)

319      242



Q2 FY24      Q1 FY24

Q-o-Q **32% ▲**

## PAT (Rs. Cr.)

205      150



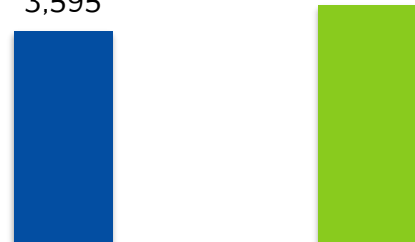
Q2 FY24      Q1 FY24

Q-o-Q **37% ▲**

H1 FY24

## Revenue (Rs. Cr.)

3,595      4,041

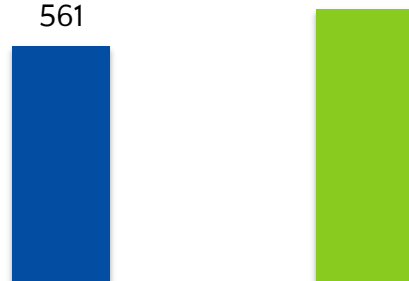


H1 FY24      H1 FY23

Y-o-Y **-11% ▼**

## EBITDA (Rs. Cr.)

561      648



H1 FY24      H1 FY23

Y-o-Y **-14% ▼**

## PAT (Rs. Cr.)

355      409



H1 FY24      H1 FY23

Y-o-Y **-13% ▼**

Note: EBITDA includes other income

# Q2 & H1 FY24 – Financial Highlights



## REVENUE

- Witnessed steady performance amid challenging operating environment. This was driven by robust gains in Phenolics division and steady demand recovery.
- Key export markets continue to grapple with transient destocking, while domestic consumption remains firm; DNL continues to emphasize on products and geographies that enjoy stable-to-positive demand.
- End-user sectors including glass, paper and homecare among others have witnessed green shoot of demand revival; anticipating a well spread normalized recovery from Q4 onwards.



## EBITDA

- Healthy Q-o-Q growth in EBITDA was attributed to strong volume gains in Phenol due to favorable demand and high capacity utilization.
- This was further supported operational efficiencies while preserving the spreads.
- Successfully commissioned de-bottlenecking through Advance Process Control (APC).



**Commenting on the performance for Q2 & H1 FY24, Mr. Deepak C. Mehta, Chairman & Managing Director said:**

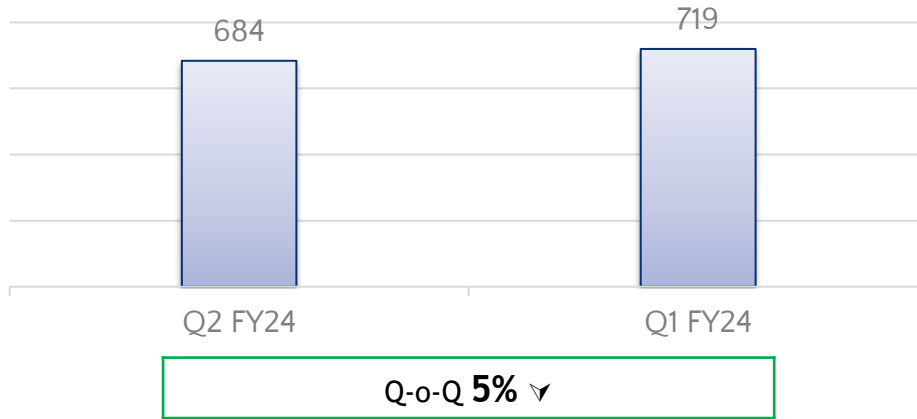
*“As we progress through FY24, the headwinds on account of inventory destocking by China, deteriorating geopolitical landscape, continued volatility in commodity and petrochemical prices and foreign exchange rates, have intensified further. When combined with the situation of oversupply in certain products as well as trend of subdued realisations at present, has created an almost perfect formulation of challenges.*

*Our focus on elevating operating excellence, optimizing asset use, product mix optimization and implementation of robust business controls have enabled us to better navigate the plethora of challenges than earlier. As a result, amidst this backdrop, we have delivered a strong performance by engaging with customers and were able to preserve or grow market share while maintaining leadership position across key products.*

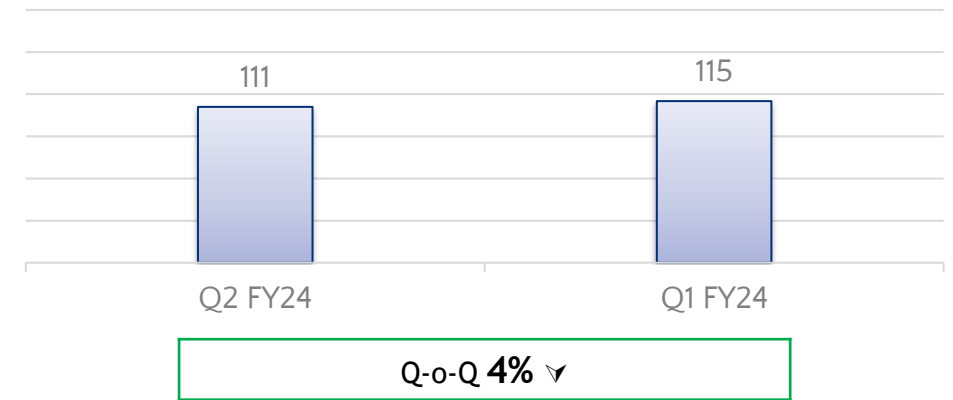
*Our strategic positioning uniquely equips us to capitalize on the growing demand and aligns with the nation's drive towards import substitution. We have recently commenced construction of a State-of-the-Art R&D Centre at Vadodara to accelerate the pace of innovation within the group, which will further enhance our ability to leverage this evolving trend.*

*The significant investments by us over the last several years and those planned in the near future reflect our eagerness to seize opportunities not only within India but on the global stage as well. We are continuously broadening our product range by introducing innovative intermediates, expanding our customer base, and augmenting our overall value proposition. Backed by a robust financial foundation, strong client relationships, and well-thought-out growth investments, we are well-positioned to elevate our business offering.”*

Revenue (Rs. Cr.)

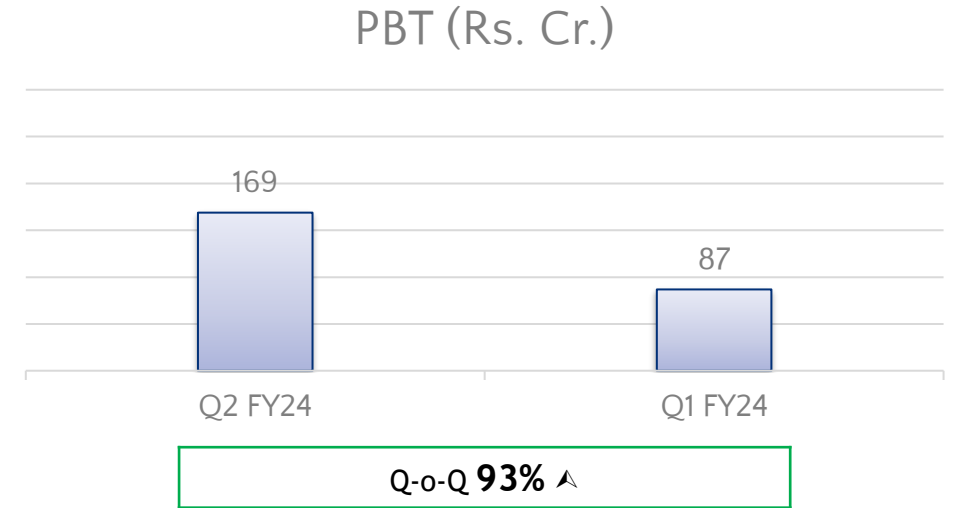
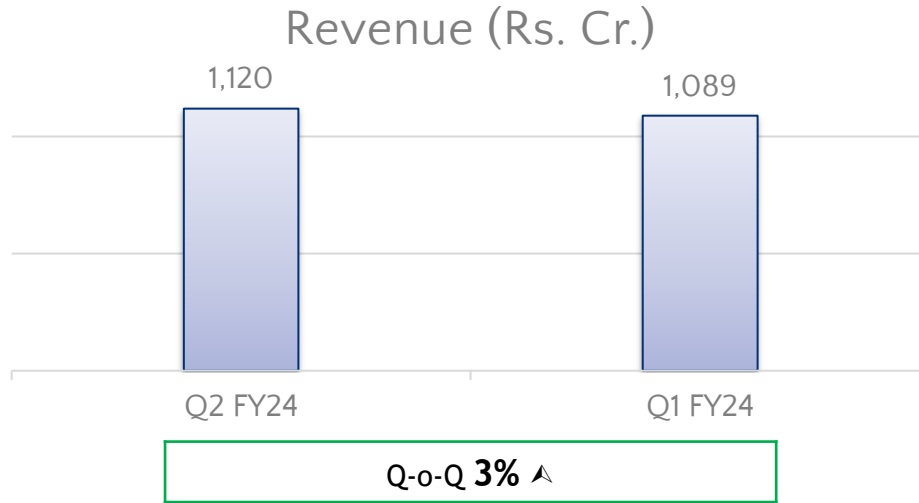


PBT (Rs. Cr.)



## Key Highlights

- EBITDA margin maintained at 19% despite challenging operating environment.
- Witnessed moderated performance due to continued subdued demand from key end-use sectors like Agrochemicals, Dyes & Pigments and Textiles.
- Sustained or improved wallet share for core products; focus on driving expansion into new customer segments with strategic product introductions.



## Key Highlights

- EBITDA margin improved to 17%, from 10% in Q1 FY24.
- Reported profitable growth due to sharp increase in volumes of Phenol, Acetone and IPA, along with higher capacity utilization of 136% in the first half of FY24.
- Spreads were stable-to-higher owing to operating leverage benefits.

- DNL is well poised to capitalize on the 'Make in India for the World' initiative and the resurgence of the China+1 strategy, as numerous opportunities arise in the sector
- With its formidable manufacturing infrastructure and extensive proficiency in the realm of chemistry, DNL has assumed a pivotal role as a significant collaborator for major customers, both domestic and global
- Positioned favorably, DNL is primed to achieve incremental advancements in both of its segments as it prepares to commission multiple projects in the quarters ahead. These include:
  - Expanding capacity of select products through brownfield projects
  - Improving backward integration capabilities for key inputs to boost margins and provide assured supply
  - Developing value-added downstream derivatives such as solvents from Phenol and Acetone
  - Establishing new chemistry platforms
  - Investing in a compounding asset to meet the diverse requirements of India's 5G, electronics, EVs and medical devices industries
  - Creating new products that leverage world beating efficiencies to serve a range of end-user industries
  - Significant importance to sustainability by investing in multi-fuel boilers, low energy ETP, waste recycling and byproduct valorization



**Witnessing favorable manufacturing shift to India due to supportive policies, stable government, skilled manpower and high consumption driven by changing demographics; futuristic investments will bring new product chemistries in India and open new horizons of growth**



# Consolidated P&L Statement

Particulars ( ₹ crore)	Q2 FY24	Q1 FY24	Q-o-Q (%)	H1 FY24	H1 FY23	Y-o-Y (%)
<b>Revenue</b>	<b>1,778</b>	<b>1,768</b>	1%	<b>3,546</b>	<b>4,020</b>	-12%
Other Income	17	32	-47%	49	22	126%
<b>Total Revenue</b>	<b>1,795</b>	<b>1,800</b>	-	<b>3,595</b>	<b>4,041</b>	-11%
<b>Total Expenditure</b>	<b>1,476</b>	<b>1,559</b>	-5%	<b>3,034</b>	<b>3,393</b>	-11%
• Raw Material consumption and change in inventory	1,166	1,224	-5%	2,389	2,731	-13%
• Employee benefits expense	85	84	1%	169	160	6%
• Power & fuel expenses	118	117	1%	235	279	-15%
• Other expenses	107	133	-20%	240	224	7%
<b>EBITDA</b>	<b>319</b>	<b>242</b>	32%	<b>561</b>	<b>648</b>	-14%
<b>EBITDA Margin (%)</b>	<b>18%</b>	<b>13%</b>	<b>500 bps</b>	<b>16%</b>	<b>16%</b>	-
Finance Costs	3	2	48%	4	14	-69%
Depreciation and Amortization	39	38	4%	78	84	-8%
<b>PBT Before Expectational Items</b>	<b>277</b>	<b>202</b>	37%	<b>479</b>	<b>550</b>	-13%
Expectational Items	-	-		-	-	-
<b>PBT After Expectational Items</b>	<b>277</b>	<b>202</b>	37%	<b>479</b>	<b>550</b>	-13%
Tax expense	72	52	39%	124	141	-12%
<b>PAT</b>	<b>205</b>	<b>150</b>	37%	<b>355</b>	<b>409</b>	-13%
<b>PAT Margin (%)</b>	<b>11%</b>	<b>8%</b>	<b>300 bps</b>	<b>10%</b>	<b>10%</b>	-
<b>EPS Basic &amp; Diluted ( ₹ )</b>	<b>15.04</b>	<b>10.99</b>		<b>26.03</b>	<b>29.99</b>	

Notes: EBITDA includes other income

# Consolidated Segmental Financials – Revenue from Operations

Particulars ( ₹ crore)	Q2 FY24	Q1 FY24	Q-o-Q (%)	H1 FY24	H1 FY23	Y-o-Y (%)
Advanced Intermediates	670	708	-5%	1,379	1,415	-3%
Phenolics	1,120	1,068	5%	2,188	2,619	-16%
Less - Inter segment	12	8		20	15	
<b>Total</b>	<b>1,778</b>	<b>1,768</b>	<b>1%</b>	<b>3,546</b>	<b>4,020</b>	<b>-12%</b>

# Consolidated Segmental Financials – EBIT & Margin

Particulars ( ₹ crore)	Q2 FY24	Q1 FY24	Q-o-Q (%)	H1 FY24	H1 FY23	Y-o-Y (%)
<b>EBIT</b>						
Advanced Intermediates	103	115	-10	218	271	-19%
Phenolics	170	88	94%	258	290	-11%
Others	6	1		7	3	
<b>EBIT %</b>						
Advanced Intermediates	15%	16%		16%	19%	
Phenolics	15%	8%		12%	11%	

**Deepak Nitrite Limited (NSE: DEEPAKNTR, BSE: 506401)** is a leading chemical intermediates producer with a diversified portfolio that caters to the dyes and pigments, agrochemical, pharmaceutical, plastics, textiles, paper and home and personal care segments and petrol derivatives 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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