

Deepak Nitrite Announces 9MFY15 Results

Revenues up 9% at Rs. 995 crore

EBITDA grows 38% to Rs. 103 crore, PAT increases by 70% at Rs. 38 crore

Mumbai, January 22, 2015: Deepak Nitrite Ltd. (DNL), a leading manufacturer of Bulk Chemicals & Commodities (BCC), Fine & Speciality Chemicals (FSC) & Fluorescent Whitening Agents (FWA) and preferred business partner of global chemical companies, has announced its financial results for the quarter and nine months ended December 31, 2014.

Global Scenario

The continuous spiralling down of prices of crude oil, petroleum products and petrochemical intermediates has compelled every customer in the value chain to cut inventories as a knee jerk reaction. Consequently, some of the chemicals in the BCC segment witnessed a compression in demand causing drop in sales. However, the FSC segment continued to well and the continued ramp-up in the FWA segment has contributed to growth. The Company expects the situation in the world market of intermediates to stabilise by February and demand to come back to normal in almost all the products. In order to drive overall growth, the Company is stepping up measures to develop new markets / customers through aggressive marketing.

Financial Highlights

9MFY15

- Revenues for 9MFY15 of Rs. 994.72 crore are higher by 9.0% compared to revenues of Rs. 912.99 crore in 9MFY14.
- EBITDA stands at Rs. 102.63 crore in 9MFY15, higher by 37.5% against EBITDA of Rs. 74.62 crore in 9MFY14. Value led growth in the established business segments continues to drive growth in EBITDA.
- PBT for 9MFY15 is Rs. 47.49, higher by 44.3% compared to Rs. 32.92 crore in 9MFY14.
- PAT for 9MFY15 is higher by 70.9% at Rs. 38.21 crore compared to Rs 22.47 crore in 9MFY14. Profitability increased despite a significant increase in interest and depreciation cost due to full commissioning of the Dahej facility.
- EPS for 9MFY15 is Rs. 3.66 of Face Value of Rs. 2 per share post sub-division of shares compared to Rs. 2.15 per share (adjusted) in 9MFY14.

Q3FY15

- Revenues stands at Rs. 306.34 crore in Q3FY15 compared to Rs. 338.44 crore in Q3FY14. As mentioned, revenue growth in the current quarter has been impacted by the sharp fall in the price of crude & related products and its fallout on customers across the value chain.
- EBITDA in Q3FY15 of Rs. 35.28 crore is 12.7% higher than EBITDA of Rs. 31.31 crore in Q3FY14.
- PBT stands at Rs. 14.97 crore in Q3FY15 compared to Rs. 16.77 crore in Q3FY14.
- PAT for Q3FY15 is Rs. 12.73 crore, 12.2% higher compared to Rs 11.35 crore in Q3FY14. There has been an increase in depreciation and financial expenses on a y-on-y basis due to capitalisation of Phase 2 of the Dahej plant which has compressed growth in profits.
- EPS for the quarter stands at Rs. 1.22 of Face Value of Rs. 2 per share post sub-division of shares compared to Rs. 1.09 per share (adjusted) in Q3FY14.

MD's message

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

"The sharp fall in the international prices of crude oil has resulted in significant uncertainty across the entire chain. This has compressed demand for our products from our customers as they are currently re-evaluating strategies to minimise the operational impact of this development. As a result, the performance in Q3 of this fiscal has been subdued and would have moderated even further had it not been for the steadily increasing volumes in the FWA segment.

Notwithstanding a soft performance in Q3, we are pleased to report continued momentum in operations for the first nine months of fiscal 2015. Growth in revenues on a y-on-y basis has come from our BCC and FWA segments which witnessed healthy demand in both domestic and export markets.

We elevated the profitability profile of the established business by focussing on higher value products thereby positively impacting the product mix. We have also undertaken steps to improve operational performance by further streamlining manufacturing processes. Lastly, there was also some benefit from moderation in costs of select raw materials.

The Dahej facility has reported a pickup in volumes in both domestic and export markets resulting in encouraging growth on a y-on-y basis. We are on track with our utilisation levels. On an overall basis, the outlook for the business is good and we are confident that recent volatility in volumes from some customers will stabilise going forward. This will be supported by the growth outlook for our Dahej facility and our upcoming phenol project."

Operating Highlights

DNL has witnessed growth in the Bulk Chemicals & Commodities and Fluorescent Whitening Agents segments with revenues growing 8.8% and 58.5% respectively.

- Export grew by 9.4% contributing Rs. 386.08 crore compared to Rs. 353.04 in 9MFY14.
- Domestic revenues grew by 8.4% on a y-on-y basis from Rs. 549.70 crore in 9MFY14 to Rs. 595.74 crore in 9MFY15.
- Revenues from the FWA segment were Rs. 201.88 crore during 9MFY15 higher by 58.5% compared to Rs. 127.35 crore in 9MFY14 last year.
- The re-aligned FWA Segment includes direct sales of DASDA from the Hyderabad facility as well as OBA revenues from Dahej.
- There has been a moderation in prices of raw material especially the prices of petro-chemical intermediates linked to crude oil. The full effect of this will be realised in the ensuing quarters as our current stock of raw materials are liquidated.
- DNL regularly hedges its foreign currency exposures. Despite significant volatility in the exchange rate for the rupee during the period, the Company was able to minimise the impact and incurred a marginal foreign exchange loss in 9MFY15.

Board Approval for Capital Raise

As a part of its strategic plan, the Board of Directors has authorised the Company to raise an amount upto Rs. 200 crore by way of Qualified Institutional Placement of Equity Shares. This will be subject to approval of the members of the company.

Outlook

The Company will continue to direct production capacity towards manufacture of those products which are enjoying a healthy demand environment. There are encouraging trends for several key products in the domestic as well as export markets. There has been moderation in prices of certain raw materials especially the petrochemical intermediates which are linked to the price of crude oil. Due to the capacity upgradation and de-bottlenecking at its plants in Roha and Nandesari as well as ramp up of process and quality control systems at Dahej and Taloja, the Company will be able to sustain higher volumes of production to cater to customer demand.

Update on Project for Manufacture of Phenol and Acetone

The Board of Directors at their meeting held on 7th August, 2014 approved to undertake a project for manufacturing Phenol and Acetone with a capital outlay of around ₹ 1,200 crores. 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.

The said Project is proposed to be funded with mix of Debt and Equity in the ratio of 1.5 : 1. Debt for the project has already been tied up and the Company is working out and progressing on equity funding options. The project is on stream and a wholly owned subsidiary, viz. Deepak Phenolics Limited has been set up for this purpose.

The agreement for technology and engineering services has been tied up with Kellogg, Brown & Root International, Inc. (KBR). M/s. ThyssenKrupp Industrial Solutions (India) Pvt. Ltd. (formerly known as UDHE) has been selected as the EPCM contractor.

Attached: Details to the announcement

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About Deepak Nitrite Limited

Deepak Nitrite Limited [NSE - DEEPAKNITR, BSE - 506401] is a leading manufacturer of Bulk Chemicals & Commodities, Fine & Speciality Chemicals & Fluorescent Whitening Agents 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 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 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, etc. 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	Q3FY15	Q3FY14	%	9MFY15	9MFY14	%
Bulk Chemicals & Commodities	166	187	-11.2%	577	531	8.8%
Fine & Speciality Chemicals	83	103	-19.8%	227	261	-12.8%
Fluorescent Whitening Agents	62	50	25.5%	202	127	58.5%
Other Unallocable	2	3	-32.8%	6	4	54.6%
Total	**313**	**343**	**-8.7%**	**1,012**	**923**	**9.7%**
Inter Segment	7	5	46.8%	17	10	79.4%
Net Sales/Op. Income	**306**	**338**	**-9.5%**	**995**	**913**	**9.0%**

Expenditure Analysis

Particulars	Q3FY15	Q3FY14	%	9MFY15	9MFY14	%
Employee Costs	26	24	7.9%	76	65	16.8%
Other expenses	25	34	-27.0%	87	94	-8.0%

- Employee cost increased on account of wage hikes and increased manpower at the Dahej following full commissioning of the facility.

Particulars	Q3FY15	Q3FY14	%	9MFY15	9MFY14	%
Interest	11	7	57.8%	28	20	41.5%
Depreciation	9	8	22.8%	27	22	23.7%
Other Income	0.3	0.3	-3.7%	2	1	74.5%

- There has been an increase in Interest and Depreciation due to commissioning of balance capacity at the Dahej facility and various de-bottlenecking initiatives at other facilities.

Profitability Analysis

Particulars	Q3FY15	Q3FY14	%	9MFY15	9MFY14	%
PBT	15	17	-10.7%	47	33	44.3%
PAT	13	11	12.2%	38	22	70.0%
EPS (Rs.)	1.22	1.09	11.9%	3.66	2.15	70.2%

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 31st December 2014

Particulars	*Q3FY15*
ECB	242
Rupee Term Loan	84
Other Loan Funds (Includes CC)	269
Total Loan Funds	595
Debt/Equity Ratio	1.73

Includes exchange fluctuations of Rs. 53 crore; excluding this impact the Debt/Equity ratio stands at 1.58

Capital Employed

Particulars	*Q3FY15*
Capital Employed	982
Less : Capital Work in Progress	24
Capital Employed in Operations	958