



# *DNL ends FY14 with Turnover of Rs. 1,270 crore, growth of 25%*

# *Announces 1:5 Stock Split; Issues Bonus in the Ratio of 1:1*

**Mumbai, May 2, 2014:** Deepak Nitrite Ltd. (DNL), a leading manufacturer of Organic, Inorganic, Fine & Specialty chemicals, Performance chemicals and preferred business partner of global chemical companies, has announced its financial results for the quarter and year ended March 31, 2014.

In line with Deepak Nitrite's focus on shareholder value creation, the Board of Directors has recommended sub-division of shares as well as issue of bonus shares, along with the recommended dividend of 100%. This is in addition to the sharp appreciation in the market price of the share from approx. Rs. 275 at the beginning of the financial year to the recent lifetime high of Rs. 548.

**Details of the recommendation by the Board are as under:**

**Dividend**

- Subject to the approval of the shareholders, the Board of Directors has recommended a dividend* of Rs. 10 per share of a Face Value of Rs. 10 for the year FY14. This is higher than last year's dividend of Rs. 8 per share of a Face Value of Rs. 10.

**Sub-division of shares**

- Subject to the approval of the shareholders, the Board has recommended that the stock be sub-divided in the ratio 1:5, i.e. 1 share of a Face Value of Rs. 10 will be sub-divided into 5 shares of a Face Value of Rs. 2.

**Bonus**

- The Board has recommended an issue of bonus shares to existing shareholders in the ratio of 1:1 by capitalizing reserves. This means that each shareholder holding 1 share of a Face Value of Rs. 2 (post sub-division of shares) as on the record date will be eligible for 1 bonus share of a Face Value of Rs. 2 fully paid up.

*Note: The dividend of Rs. 10/- (Rupees ten only) per equity share on face value of Rs. 10/- (Rupees ten only) each (pre sub-division and bonus), shall be equivalent to a dividend of Re. 1/- (Rupee one only) per equity share on face value of Rs. 2/- (Rupees two only) per equity share (post sub-division and bonus). Since the Record Date for the allotment of bonus shares and sub-division of shares will fall prior to the book closure date for the payment of dividend, the shareholders will be entitled to dividend of Re. 1/- (Rupee one only) per share of face value of Rs. 2/- (Rupees two only) each (equivalent to dividend of Rs. 10/- per share of face value of Rs. 10/- each, pre-bonus and pre-sub-division), which shall be paid to shareholders whose name appears in the register of members as on the date of book closure for payment of dividend.

# Financial Highlights

**FY2014**

- Revenues increased by 25% from Rs. 1,019 crore in FY13 to Rs 1,271 crore in FY14 thereby, setting a new high for the Company. Revenues are not strictly comparable as FWA operations commenced in the beginning of current fiscal as the Company commissioned about one third of the full capacity envisaged. Excluding the FWA contribution, like-for-like growth in revenues was 19%. Domestic revenues were Rs. 756 crore, higher by 37% while export revenues grew 11% to Rs. 502 crore in FY14.
- EBITDA totalled Rs. 113 crore, a 56% increase compared to Rs. 73 crore (excluding an exceptional item of Rs. 8.58 crore) in FY13. On an adjusted basis, excluding the post commissioning expenses of the Dahej facility, EBITDA increased by 82% driven by benefits of an improved product mix, higher efficiencies and consolidation in raw material prices.
- PBT for FY14 was Rs. 58 crore compared to Rs. 44 crore (excluding an exceptional item of Rs. 8.58 crore, net of tax) crore in FY13. The figures are not strictly comparable due to post commissioning expenses of the Dahej facility along with Interest and depreciation on Phase I of the facility which has been capitalised. Excluding the impact of these costs, PBT was higher by 113%.
- PAT for FY14 was Rs. 38 crore compared to Rs. 32 crore (excluding an exceptional item of Rs. 5.80 crore, net of tax) crore in FY13. Excluding the impact of Dahej, PAT was higher by 93%.
- EPS for the year stands at Rs. 36.63 compared to Rs. 30.60 in FY 13 (excluding an exceptional item of Rs. 5.80 crore, net of tax)

**Q4FY14**

- Revenues were Rs. 361 crore, 16% higher than Rs. 311 crore in Q4FY13. Double digit growth rates were reported across all business segments. Revenues from exports expanded by 8% while domestic sales grew 23%. Revenues are not comparable as revenues from FWA were negligible in Q4 last year. Excluding the FWA contribution, like-for-like revenues grew by 12%.
- EBITDA of Rs. 39 crore in Q4FY14 is 85% higher than EBITDA of Rs. 21 crore in Q4FY13. Margins remained stable at 11% as the improved contribution from established products helped to mitigate the impact of rupee appreciation and post-commissioning expenses at the Dahej facility. Like-for-like EBITDA growth from established businesses excluding the impact of Dahej was 110%.
- PBT for Q4FY14 was Rs. 25 crore compared to Rs 13 crore in Q4FY13. Excluding the impact of the Dahej facility, PBT stands at Rs. 35 crore, higher by 149%.
- PAT for Q4FY14 was Rs. 16 crore compared to Rs 9 crore in Q4FY13. Excluding the impact of the Dahej facility, PAT stands at Rs. 22 crore, higher by 123%.
- EPS for the quarter stands at Rs. 15.16 compared to Rs. 9.00 in Q4FY13.

* The terms Fluorescent Whitening Agents (FWA) and Optical Brightening Agents (OBA) are interchangeably used for the same product.

## MD's message

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

*"FY14 has been an encouraging year for DNL with continued strong growth in revenues driven by higher volumes, improved realisations and deeper customer engagements. This has led to benefits from operating leverage which, combined with efforts to improve the product mix and augment overall business efficiencies, have helped to enhance the profitability profile of the established business.*

*Trends in end-user industries have been favourable resulting in either volume growth or improvements in pricing across several key products. Further, growth has been well distributed across our business segments as well as domestic and export markets indicating that it is both balanced and sustainable.*

*To reward shareholders from the growth momentum and business performance of the last few years, our Board has recommended sub-division of shares as well as the issue of bonus shares. When combined with steady improvements in value and a consistent track record of dividends, this reiterates our focus on shareholder value creation.*

*The outlook for the business looks highly promising. To optimise capacity, we are implementing production enhancement initiatives at all existing facilities. The Dahej plant is progressing as expected and the realignment of our business into strategic business units (SBU's) will be complete in FY15. We are confident of the future of the Company and are poised to pursue the next chapter of growth."*

*<Ends>*

## Operating Highlights

DNL has witnessed healthy y-on-y growth across all segments with revenues for FY14 in the Organic Chemicals, Inorganic chemicals and Fine & Speciality growing 19%, 34% and 19% respectively.

- Strong demand in domestic markets has led to an increase in domestic revenues by 36.5% on a y-on-y basis from Rs. 553 crore in FY13 to Rs. 756 crore in FY14. This includes Rs. 44 crore of revenues from the FWA segment.
- Revenues from exports were Rs. 502 crore and grew 12% compared to Rs. 448 crore in FY13. While overall export volumes were largely stable, the blended realisation was positively impacted by favourable changes in product mix.
- Revenue growth was driven by over 20% growth in volumes and was supported by an increase in blended realisation. The proportion of domestic revenues to export revenues has improved to 60:40 from 55:45 in FY13.
- Based on end user applications, the strongest growth in volumes has come from products catering to the industries of Fuel, Colours and Agrochemicals.
- Favourable demand trends have led to improved profitability. In some product categories, the Company has witnessed stable volumes with improvements in realisations. In certain other categories where realisations have been stable, volume growth has been robust.
- The trend in Raw material prices has been stable to moderating. However, select products have witnessed a marginal increase in prices which the Company has mitigated partially through increased raw material efficiencies and partially by pass through to customers.
- Revenues from the Dahej facility were Rs. 52 crore during FY14. Revenue traction would have been even stronger but for some orders for which delivery has spilled over to the next reporting period. As guided by the Company, Revenues from the Dahej plant are increasing steadily and efforts are on to win more customer approvals as well as to increase volume offtake from customers from whom approvals have already been received.
- DNL regularly hedges its foreign currency exposures. Despite significant volatility in the exchange rate for the rupee during the quarter, proactive foreign exchange management has resulted in minimal impact from currency volatility.

# Outlook

Established businesses lines continue to enjoy healthy visibility of demand given the trends in end-user industries. Volume growth in the domestic markets has been robust and the Company plans to optimise the product mix in the favour of high value products. Exports have also reported steady growth through a mix of higher volumes as well as improved realisation in select products which have benefited from favourable market trends.

The Company will undertake capacity upgradation and de-bottlenecking at its plants in Roha and Nandesari as well as initiatives to ramp up process and quality control systems at Dahej and Taloja.

**Status Update on Green field project at Dahej for manufacture of FWA**

The Dahej Plant commenced its first stream of commercial production of FWAs on March 15, 2013 making DNL the only fully integrated manufacturer of FWAs in the world. FWAs cater to three major industries, viz. paper, detergents and textiles which enjoy a sizeable market globally. This business enables the Company to forward integrate into customised formulations and allows it to offer performance solutions to large customers across the globe.

The plant is the largest facility in the industry and is strategically located in an integrated chemical complex enabling easy and comprehensive access to inputs and logistical infrastructure. The Dahej plant is currently in the initial stages of operation and has delivered a steady ramp up in revenues through the year.

The work at the remaining part of the facility is expected to be commissioned shortly. The overall utilisation rate is expected to increase on a gradual basis as customers require the product to undergo rigorous testing and assessment procedures prior to ramping up offtake. While this results in a gestation period for adding each customer, it also reinforces quality of products supplied by the Company and acts as a barrier to entry for competition. As a result, the Company will need a minimum of three years from the date of commissioning of Phase II to reach peak utilisation levels.

# Attached: Details to the announcement

## For further information please contact:

**Somsekhar Nanda**

Deepak Nitrite Limited

Tel: 026 52765200

Email:snanda@deepaknitrite.com

**Mayank Vaswani / Ashwin Chhugani**

CDR India

Tel: +91 22 66451230 / 1250

Email:mayank@cdr-india.com
ashwin@cdr-india.com

## About Deepak Nitrite Limited

Deepak Nitrite Limited [NSE - DEEPAKNITR, BSE - 506401] is a leading manufacturer of Organic, Inorganic, Fine & Speciality chemicals 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 Organic Intermediates segment consists of Nitro Aromatic plants and Multi-Purpose Aromatic Amines Plant based on Catalytic Hydrogenation Technology. The Inorganic Intermediates segment consists of manufacture of Sodium Nitrite and Sodium Nitrate by the ammonia oxidation process, where DNL is the largest on purpose manufacturer. The Fine & Speciality Chemicals segment produces a broad and innovative range of Effect Chemicals meeting customized needs of Speciality Producers.

The new facility in Dahej will manufacture Fluorescent Whitening Agents (FWA). There is good demand for these products across industries like Paper, Detergents, Textiles, Coating Applications in Printing and Photographic Paper. The facility at Dahej enables us to forward integrate to manufacture FWA (Toluene – PNT – DASDA – FWA) and makes DNL only integrated manufacturers of this product in the world.

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 has invested around 15% of its profit before tax in FY14 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 | Q4FY14 | Q4FY13 | % | FY14 | FY13 | % |
|---|---|---|---|---|---|---|
| *Inorganic Intermediates* | 56.30 | 34.06 | 65% | 175.95 | 131.72 | 34% |
| *Organic Intermediates* | 195.84 | 198.6 | -1% | 731.98 | 612.99 | 19% |
| *Fine & Specialty* | 96.17 | 79.36 | 21% | 336.60 | 283.50 | 19% |
| *Performance Chemicals* | 15.22 | 2.36 | 545% | 52.05 | 2.36 | 2,106% |
| *Un-allocable* | 4.06 | 2.09 | 94% | 3.57 | 4.66 | -23% |
| ***Total*** | **367.59** | **316.48** | **16%** | **1,300.14** | **1,035.23** | **26%** |
| *Inter Segment* | 6.98 | 5.96 | 17% | 30.51 | 15.84 | 93% |
| ***Net Sales/Op. Income*** | **360.61** | **310.52** | **16%** | **1,269.63** | **1,019.39** | **25%** |

## Expenditure Analysis

| Particulars | Q4FY14 | Q4FY13 | % | FY14 | FY13 | % |
|---|---|---|---|---|---|---|
| Employee Costs | 23.44 | 16.54 | 42% | 88.35 | 61.86 | 43% |
| Other expenses | 36.94 | 21.74 | 70% | 127.18 | 81.96 | 55% |

Apart from increase in power and other expense in line with the overall growth in the business, employee costs and other expenses were higher due to post commissioning expenses at Dahej.

| Particulars | Q4FY14 | Q4FY13 | % | FY14 | FY13 | % |
|---|---|---|---|---|---|---|
| Interest | 5.73 | 2.57 | 123% | 25.75 | 9.71 | 165% |
| Depreciation | 7.97 | 4.98 | 60% | 29.64 | 18.94 | 56% |
| Other Income | 0.71 | 0.24 | 196% | 1.77 | 2.12* | -17% |

*Excludes exceptional items of Rs. 8.58 crore

- There has been a sharp rise in Depreciation and Interest cost due to part-commissioning of Dahej facility and full commissioning of Nandesari. Excluding these amounts, the normalised interest cost as a ratio to turnover has reduced.

## Profitability Analysis

| Particulars | Q4FY14 | Q4FY13 | % | FY14 | FY13 | % |
|---|---|---|---|---|---|---|
| PBT | 25.23 | 13.44 | 88% | 58.15 | 44.00* | 32% |
| PAT | 15.86 | 9.42 | 68% | 38.32 | 32.02* | 20% |
| EPS (Rs.) | 15.16 | 9.00 | 68% | 36.63 | 36.15 | 1% |

* Excludes exceptional items of Rs. 8.58 crore at PBT level and Rs. 5.80 crore, net of tax at PAT level

## Statement of Borrowings

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

| Particulars | Q4FY14 | Q3FY14 |
|---|---|---|
| ECB | 252.87 | 276.37 |
| Other Loan Funds (Includes CC) | 252.17 | 226.77 |
| Total Loan Funds | 505.04 | 503.14 |
| Less : Amount in Bank FD/CA for ultimate purpose of capex | - | - |
| Net Debt | 505.04 | 503.14 |
| Net Debt/Equity Ratio | 1.64 | 1.66 |

Includes exchange fluctuations of Rs. 45 crore; excluding this impact the Net Debt/Equity ratio stands at 1.50

### Capital Employed

| Particulars | Q4FY14 | Q3FY14 |
|---|---|---|
| Capital Employed | 847.32 | 837.79 |
| Less : Capital Work in Progress | 71.10 | 117.31 |
| Capital Employed in Operations | 776.22 | 720.48 |