

Deepak Nitrite Reports H1FY15 Results

Revenues grow 20% to Rs. 690 crore

EBITDA increases 55% to Rs. 67 crore, PAT higher by 129% at Rs. 25 crore

Mumbai, November 7, 2014: 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 half year ended September 30, 2014.

Financial Highlights

H1FY15

- Revenues in H1FY15 are Rs. 689.96 crore, 20% higher than Rs. 577.08 crore in H1FY14. The BCC and FWA segments registered strong growth through a mix of higher volumes and improved realizations. Export Revenues grew by 23% to Rs. 266.42 crore while Domestic Revenues grew 17% to Rs. 413.38 crore in H1FY15.

- EBITDA of Rs. 67.34 crore in H1FY15 is 55% higher than EBITDA of Rs. 43.31 crore in H1FY14. Growth in EBITDA has been driven by continued strong performance of the established business segments. The EBITDA margin is 9.8% in H1FY15 compared to 7.5% in H1 last year.

- PBT is Rs. 32.52 crore in H1FY15 compared to Rs 16.15 crore in H1FY14. Despite a significant increase in interest and depreciation due to full commissioning of the Dahej facility, PBT has increased by 101% on a y-on-y basis.

- PAT for H1FY15 is higher by 129% at Rs. 25.48 crore compared to Rs 11.12 crore in H1FY14.

- EPS for H1FY15 stands at Rs. 2.44 of Face Value of Rs. 2 per share post sub-division of shares compared to Rs. 1.06 per share (adjusted) in H1FY14.

Q2FY15

- Revenues expanded by 16% from Rs. 315.00 crore in Q2FY14 to Rs. 364.00 crore in Q2FY15.
- EBITDA for Q2FY15 of Rs. 39.15 crore is 53% higher than EBITDA of Rs. 25.61 crore in Q2FY14. The EBITDA margin is 10.8% in Q2FY15 compared to 8.1% in Q2 last year.
- PBT is up 87% to Rs. 20.08 crore in Q2FY15 compared to Rs 10.71 crore in Q2FY14.
- PAT for Q2FY15 is Rs. 15.81 crore, 111% higher compared to Rs 7.48 crore in Q2FY14.
- EPS for the quarter stands at Rs. 1.51 of Face Value of Rs. 2 per share post sub-division of shares compared to Rs. 0.72 per share (adjusted) in Q2FY14.

MD's message

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

"We are pleased to report continued momentum in the business with revenues in the first half of this fiscal growing by 20% on a year-on-year basis. The BCC and FWA segments have been key contributors to the performance. Higher realisations in select products have helped to elevate the profitability profile. This is being supported by a strong focus on cost optimisation and increased operational efficiencies.

The realignment of the business into focused SBUs is already showing encouraging signs. Further, significant effort has been invested towards empanelment as an approved supplier of FWA products to global customers. We are now focussed on increasing the capacity utilisation at the Dahej plant, as planned to cater to domestic as well as international customers.

We have also made progress on our growth plans, especially the phenol and acetone project announced by us last quarter. The technology agreement with Kellogg Brown & Root (KBR) of USA has been executed and we will share further details on funding and the project implementation schedule as they are firmed up. We intend to execute this project in a steady and calibrated manner to enable continued growth while simultaneously ensuring sustained stakeholder value creation."

Operating Highlights

DNL has witnessed healthy growth in the Bulk Chemicals & Commodities and Fluorescent Whitening Agents segments with revenues growing 18% and 80% respectively.

- Strong demand in domestic markets has led to an increase in domestic revenues by 17% on a y-on-y basis from Rs. 352.73 crore in H1FY14 to Rs. 413.38 crore in H1FY15.
- Revenues from exports were Rs. 266.42 crore and grew 23% compared to Rs. 216.17 crore in H1FY14.
- Growth in volumes was 19% comprising 8% growth in the established business and 400% growth in FWA volumes which grew sharply from the low base of last year.
- Revenues from the FWA segment were Rs. 58.02 crore during H1FY15 higher by 286% compared to Rs. 15.00 crore in H1FY14 last year. The re-aligned FWA Segment includes direct sales of DASDA and allied products from the Hyderabad facility as well as OBA revenues from Dahej.
- Based on end user applications, the strongest growth in volumes has come from products catering to the industries of petrochemicals, dyes & pigments and fluorescent whitening agents.
- Raw material prices have remained largely stable with marginal increases in select raw materials. This has been mitigated through a mix of increased raw material efficiencies and higher realisations in some end products.
- DNL regularly hedges its foreign currency exposures. Despite significant volatility in the exchange rate for the rupee during the period, the Company reported a marginal foreign exchange gain in H1FY15.

Other Highlights

- The Indian Chemical Council (ICC) conferred the ICC Lifetime Achievement Award for the year 2003 on Mr. C.K. Mehta, Chairman, Deepak Group in recognition of his outstanding contribution towards the Indian Chemical Industry.
- ICRA Limited re-affirmed the long-term rating of [ICRA] A+ and Short Term rating of [ICRA] A1+ assigned to the fund based limits and non-fund based limits of DNL. ICRA has also re-affirmed the short-term rating of [ICRA] A1+ assigned to the Commercial Paper programme.

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. Raw material prices are expected to remain stable with some benefit expected in prices of petrochemical intermediates which are linked to the price of crude oil. This will allow the Company to sustain momentum from higher volumes 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.

Status Update on Dahej Plant for manufacture of OBA

Through its Dahej Plant, DNL enjoys the position of the only fully integrated manufacturer of OBAs in the world. OBAs 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.

During the period, the Company has commenced supplies to international customers while simultaneously expanding volumes in the domestic markets. The increase in utilisation will provide benefits of operating leverage.

Announcement of 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 a suitable mix of Debt and Equity. The Company is studying various financial options for raising resources. The Company has set up a wholly owned subsidiary, viz. Deepak Phenolics Limited for this purpose.

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 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 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	Q2FY15	Q2FY14	%	H1FY15	H1FY14	%
Bulk Chemicals & Commodities	211.85	183.80	15.3%	411.54	344.07	19.6%
Fine & Speciality Chemicals	75.30	85.26	-11.7%	144.51	157.61	-8.3%
Fluorescent Whitening Agents	79.84	47.79	67.1%	139.48	77.65	79.6%
Other Unallocable	0.94	0.38	147.4%	3.05	1.78	71.3%
Total	**367.93**	**317.23**	**16.0%**	**698.59**	**581.12**	**20.2%**
Inter Segment	4.22	2.65	59.2%	10.22	4.82	112.0%
Net Sales/Op. Income	**363.71**	**314.58**	**15.6%**	**688.37**	**576.30**	**19.4%**

Expenditure Analysis

Particulars	Q2FY15	Q2FY14	%	H1FY15	H1FY14	%
Employee Costs	25.95	21.53	20.5%	50.40	41.20	22.3%
Other expenses	34.55	32.47	6.4%	61.74	61.79	-0.1%

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

Particulars	Q2FY15	Q2FY14	%	H1FY15	H1FY14	%
Interest	10.05	7.47	34.5%	17.23	12.99	32.6%
Depreciation	9.01	7.43	21.3%	17.59	14.17	24.1%
Other Income	0.29	0.42	-30.5%	1.59	0.79	101.3%

- There has been an increase in Interest and Depreciation due to commissioning of balance capacity at the Dahej facility.

Profitability Analysis

Particulars	Q2FY15	Q2FY14	%	H1FY15	H1FY14	%
PBT	20.08	10.71	87.5%	32.52	16.15	101.4%
PAT	15.81	7.48	111.4%	25.48	11.12	129.1%
EPS (Rs.)	1.51	0.72	109.7%	2.44	1.06	130.2%

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th September 2014

Particulars	*Q2FY15*
ECB	238.75
Rupee Term Loan	76.09
Other Loan Funds (Includes CC)	243.87
Total Loan Funds	558.71
Debt/Equity Ratio	1.69

Includes exchange fluctuations of Rs. 45.9 crore; excluding this impact the Debt/Equity ratio stands at 1.55

Capital Employed

Particulars	*Q2FY15*
Capital Employed	929.95
Less : Capital Work in Progress	16.86
Capital Employed in Operations	913.09