

Deepak Nitrite Announces Q1FY15 Results

Revenues increase 24% to Rs. 325 crore,

PAT higher by 166% at 9.7 crore

Vadodara, August 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 ended June 30, 2014.

Financial Highlights

Q1FY15

- Revenues were Rs. 324.65 crore, 24% higher than Rs. 261.72 crore in Q1FY14. Growth in revenues was primarily driven by the BCC and FWA segments through a mix of volume growth and improved realisations. Revenues from exports expanded by 25% while domestic sales grew 24%.
- EBITDA of Rs. 28.2 crore in Q1FY15 is 59% higher than EBITDA of Rs. 17.7 crore in Q1FY14.
- PBT grew 129% to Rs. 12.44 crore in Q1FY15 compared to Rs 5.44 crore in Q1FY14.
- PAT for Q1FY15 was higher by 166% at Rs. 9.67 crore compared to Rs 3.64 crore in Q1FY14.
- EPS for the quarter stands at Rs. 0.93 on a Face Value of Rs. 2 per share compared to Rs. 0.35 per share in Q1FY14.

MD's message

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

"The fiscal year 2015 started on a positive note with revenue growth of 24% on a year-on-year basis. There was robust demand in both, the domestic market as well as export markets, resulting in balanced growth. We enjoyed stable to increasing volumes in most of the business segments demonstrating the strength of our balanced product portfolio.

The Bulk Chemicals & Commodities segment was a standout performer and contributed to major part of the revenue growth during the quarter. The FWA segment is progressing well with increasing demand off take driving capacity utilization higher which has helped to improve the contribution from the business. In addition to higher volumes, we have been able to drive growth in realisations in several key products.

Availability of raw materials remains stable and the pricing environment has been largely benign. The focus on cost optimisation has helped us to manage other expenditure which has enabled the improved contribution margins to flow through resulting in improved profitability.

We are geared up for an exciting year and look forward to optimise capacities at all existing facilities while steadily ramping up production at the Dahej plant. We have completed the realignment of our business into strategic business units (SBUs) and have implemented initiatives for accelerated growth which will be visible over the next few quarters. The growth momentum in the business is intact and we are confident of sustained shareholder value creation going forward."

Operating Highlights

DNL has witnessed healthy growth in the Bulk Chemicals & Commodities and Fluorescent Whitening Agents segments with revenues growing 23% and 100% respectively.

- Strong demand in domestic markets has led to an increase in domestic revenues by 24% on a y-on-y basis from Rs. 158 crore in Q1FY14 to Rs. 196 crore in Q1FY15.
- Revenues from exports were Rs. 125 crore and grew 25% compared to Rs. 100 crore in Q1FY14. There has been a change in the product mix as an increasing proportion of high value products is driving growth in export revenues ahead of volume growth.
- Revenue growth of 24% was driven by 16% growth in volumes and was supported by an increase in blended realisation of key products as well as improved product mix.
- Based on end user applications, the strongest growth in volumes has come from products catering to the industries of Fuel and Colours.
- 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 FWA segment were Rs. 59 crore during Q1FY15 higher by 100% compared to Rs. 30 crore in Q1FY14 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.
- 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

The visibility of demand in Established businesses lines remains healthy given sustained growth in end-user industries. There are healthy demand trends both in the domestic market as well as export markets. The Company will continue to focus on implementing 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.

The Dahej plant has been fully commissioned and the Company is now focused on enhancing the customer base as well as increasing off take to existing customers.

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. Based on which, the proposed Project may be set up either within the Company or in a Special Purpose Vehicle as its subsidiary.

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 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 first fully integrated manufacturer of FWA (Toluene – PNT – DASDA – OBA). There is strong demand for FWAs across industries like Paper, Detergents, Textiles, Coating Applications in Printing and Photographic Paper. 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	Q1FY15	Q1FY14	%
Bulk Chemicals & Commodities	199.69	160.28	24.6%
Fine & Speciality Chemicals	69.21	72.35	-4.4%
Fluorescent Whitening Agents	59.65	29.86	99.8%
Other Unallocable	2.11	14.03	NA
Total	**330.66**	**263.89**	**25.3%**
Inter Segment	6.00	2.17	176.5%
Net Sales/Op. Income	**324.65**	**261.72**	**24.0%**

Expenditure Analysis

Particulars	Q1FY15	Q1FY14	%
Employee Costs	24.45	19.67	24.3%
Other expenses	54.92	53.38	2.9%

- Employee cost increased due to full commissioning of OBA Facility at Dahej.

Particulars	Q1FY15	Q1FY14	%
Interest	7.19	5.52	30.3%
Depreciation	8.57	6.75	27.0%
Other Income	0.33	0.36	-8.3%

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

Profitability Analysis

Particulars	*Q1FY15*	*Q1FY14*	*%*
PBT	12.44	5.44	129%
PAT	9.70	3.64	166%
EPS (Rs.)	0.93	0.35	166%

Statement of Borrowings

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

Particulars	*Q1FY15*	*Q4FY14*
ECB	248.08	252.87
Rupee Term Loan	69.59	52.00
Other Loan Funds (Includes CC)	187.30	200.17
Total Loan Funds	504.92	505.04
Debt/Equity Ratio	1.60	1.64

Includes exchange fluctuations of Rs. 45 crore; excluding this impact the Debt/Equity ratio stands at 1.45

Capital Employed

Particulars	*Q1FY15*	*Q4FY14*
Capital Employed	856.38	847.32
Less : Capital Work in Progress	15.83	71.10
Capital Employed in Operations	842.55	776.22