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DEEPAK NITRITE LIMITED

DNL/140/364/2016
August 4, 2016

To,
National Stock Exchange of India Ltd
'Exchange Plaza', C-1, Block-G,
Bandra Kurla Complex, Bandra - East,
Mumbai - 400 051

Dear Sir,

Sub: Investor Communication

Re.: Stock Symbol: DEEPAKNTR

With reference to the captioned matter, a copy of Investor Communication on the Unaudited Financial Results of the Company for the ended 30th June, 2016 is enclosed herewith for uploading on the website of the National Stock Exchange.

Kindly upload the same on the website of the National Stock Exchange.

Thanking you,
Yours Faithfully,

For **DEEPAK NITRITE LIMITED**

ARVIND BAJPAI
Company Secretary

Encl.: as above



Deepak Nitrite Reports Q1 FY2017Results

Momentum in Profit Growth intact

PBT higher by 20%, PAT increases by 17%

Vadodara, August 4, 2016: Deepak Nitrite Ltd. (DNL), having a product portfolio of Basic Chemicals (BC), Fine & Speciality Chemicals (FSC) & Performance Products (PP), enjoys a leading market position in most of its products in the domestic as well as global markets. The segments have been renamed and there is no re-classification. DNL has announced its financial results for the quarter ended June 30, 2016.

Financial Highlights

Q1 FY2017

- Revenues stood at Rs. 313.70 crore in Q1FY17, from Rs. 338.32 crore in Q1FY16. The impact of reduced pricing of products linked to petrochemical intermediates continues with moderated intensity. However, there was encouraging volume growth across key products which are part of the focus portfolio which will enable the Company to ramp up growth through the rest of the year.

- EBITDA stood at Rs. 41.33 crore in Q1FY17, higher by 8% compared to Rs. 38.18 crore in Q1FY16. The EBITDA margin improved by 180 basis points to 13.1% in Q1 FY17.The focus on select higher value products in order to enrich the overall product mix is delivering favourable outcomes through continued growth in EBITDA. In addition to the higher contribution from these products, the Company has also benefited from improvements in operating efficiency as well as from cost management initiatives.

- PBT (pre-exceptional items) grew by 20% to Rs. 22.44 crore in Q1FY17 compared to Rs. 18.67 crore in the same period last year. A reduction in finance costs has added to the momentum from the improved operating profit. This is after incorporating marginally higher depreciation on account of the Hydrogenation and Effluent storage plant at Dahej as well as regular maintenance CAPEX

- PAT (excluding exceptional items) increased to Rs. 15.70 crore in Q1FY17, an increase of 17%, compared to Rs. 13.36 crore in Q1FY16.

- EPS for Q1FY17 (excluding exceptional items) stood at Rs. 1.35 per share (of face value of Rs. 2 each) on a enlarged capital base compared to Rs. 1.28 per share in Q1FY16. (QIP: Issuance of 1,17,50,000 shares of Rs. 2 each at a premium of Rs. 68.90 in January, 2016)

MD's message

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

"We have carried forward the momentum from the previous financial year and are pleased to have started FY17 on a positive note with healthy momentum in profitability. Our focus on high-quality growth is paying rich dividends as all metrics of profitability have improved. Efforts towards elevating the quality of revenues have been supported by initiatives to optimise our costs leading to an increase in PBT and PAT by 20% and 17% respectively, on a year-on-year basis.

The outlook remains buoyant and we anticipate better momentum in H2 as the robust marketing initiatives and efforts to deepen customer outreach in recent quarters are expected to deliver accelerated offtake of high-value products. Some of our high focus Products have delivered above expectations in customer evaluations and the focus will be towards aggressively ramping up volumes. We will also continue to work on expanding our product offerings as well as graduating new products from our R&D pipeline.

We are excited by the progress made on our project to manufacture Phenol and Acetone. In addition to the success in meeting project timelines and towards fund raising initiatives, seed marketing of our product offerings has met with an overwhelming response in the market enabling us to commence relationships with several customers in the North and West of the country which are the largest consumption centres in the domestic market.

We would continue to leverage our capabilities and expertise in speciality chemicals and demonstrate value-led growth in the times ahead."

Operating Highlights

The Company has re-assessed its product portfolio and is focussing on select high-value products driving increased volumes from that basket. This has positively impacted the product-mix resulting in an improved quality of growth.

- Domestic revenues stood at Rs. 182.08 crore in Q1FY17 from Rs. 196.97 crore in the same period last year. This was largely due to the repricing of products linked to global prices of crude and petrochemical intermediates.

- Revenues from exports were Rs. 128.05 crore in Q1FY17 compared to Rs. 139.40 crore in Q1FY16. Rationalisation in the product mix has impacted revenues on a y-on-y basis. The strong momentum in the FSC segment combined with expected improved in volumes of focussed set of products will enable reversal of trend from H2.

- Revenues from BC segment stood at Rs. 155.01 crore in Q1FY17 compared to Rs. 181.89 crore in Q1FY16. Revenues were impacted by decline in prices of global crude oil prices & related petrochemical intermediates as well as reduced volumes due to slower offtake as well as product rationalisation.

- FSC segment reported revenues of Rs. 98.77 crore, representing a moderate increase compared to Rs. 95.25 crore in Q1FY16. Revenue growth was achieved despite

rationalisation of lower value products and has resulted in a sharp increase in contribution from the FSC segment. The segment is well placed to demonstrate strong performance in the coming quarters, owing to visibility of strong traction in select products.

- The revenues from the PP segment stood at Rs. 61.72 crore in Q1FY17 compared to Rs. 62.14 crore in Q1FY16. There was healthy volume growth during the period. Within the PP segment DNL continues to witness better customer acceptance for its products, which is expected to yield results in ensuing quarters.

- Higher operating efficiency has reduced power & fuel costs while cost optimisation initiatives have helped to stabilise other expenditure. This has supported the increased contribution from the improved product mix enhancing the EBITDA Margin to 13.1%. There are certain one-time expenses in the other expenditure for the first half, which are expected to contribute to growth in bottom line on a sustainable basis.

- Finance cost for Q1FY17 decreased by 16.4% as the Company has made repayments towards ECB as well as term loans. Further, working capital intensity has reduced through proactive fund management.

Outlook

The roadmap for the second half of financial year 2017 is encouraging. The focus on high value-added products will continue to positively impact the performance as the Company looks to aggressively ramp up volumes. The PP and FSC segments would be the frontrunners to this growth – the FSC segment, which includes agrochemicals, pharma and personal care intermediates, is best placed to leverage on the company's expertise in the speciality chemicals space. The PP segment is expected to deliver elevated growth rates based on extensive marketing-led efforts and customer empanelment initiatives.

The prospects of an above average monsoon and revival of agricultural growth are expected to contribute to an improvement in consumption demand which will drive growth for end-user industries for our products. Further, availability of water and power will also be positive for industries positively impacting the environment for customers as well as suppliers. The Company will also look to continue to optimise costs as well as further strengthen its balance sheet.

Update on Project for Manufacture of Phenol and Acetone

As part of its growth plans, DNL is implementing a project to manufacture Phenol and Acetone to address the opportunity offered by the supply deficit in the domestic market which is currently met by imports. A wholly owned subsidiary, viz. Deepak Phenolics Limited has been set up for this project. 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 Company will also manufacture 260,000 MT Cumene, Feedstock for manufacturing Phenol and Acetone. With the proceeds from the QIP in January, 2016 and sale of land in April, 2016 and internal accruals of last two financial years, the company has tied up substantial equity required for the project, while debt has already been fully tied up on a ring-fenced basis. Further, the Board has approved resolution for an additional QIP for an amount not exceeding Rs. 150 crore which shall fund equity for the project.

As intimated earlier, Kellogg, Brown & Root International, Inc. (KBR) has been selected for technology and engineering services while M/s. ThyssenKrupp Industrial Solutions (India) Pvt. Ltd. (formerly known as UDHE) has been selected as the EPCM contractor for the Phenol project. Basic engineering has been completed and significant progress has been made on detailed engineering. The Project management team is established and the project is being implemented as per schedule both in terms of time and cost. As on June 30, 2016 an amount of Rs. 100 crore has already been invested. For the Cumene plant, the Company has engaged UOP Honeywell one of the leading technology providers for the cumene manufacturing process.

The Company has started seed marketing of phenol with an objective to develop relationships and establish marketing and distribution channels with all major clients in India. The demand for phenol continues to be buoyant in India and is expected to steadily increase based on consumption trends of end-user industries. Phenol imports remain strong and the country's current demand will absorb the entire capacity that DNL plans to install thereby substituting imports. Further, the availability of phenol in the local market is expected to spur pent-up demand which is expected to further grow the market, including downstream business of phenol and acetone.

Attached: Details to the announcement

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About Deepak Nitrite Limited

Deepak Nitrite Limited [NSE - DEEPAKNITR, BSE - 506401] having a product portfolio of Basic Chemicals (BC), Fine & Speciality Chemicals (FSC) & Performance Products (PP), enjoys a leading market position in most of its products in the domestic as well as global markets 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. It is also setting up a project for manufacture of Phenol and Acetone through its wholly owned subsidiary Deepak Phenolics.

The BC 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 Performance Chemicals meeting the needs of Speciality Producers.

The PP segment consists of supply of OBA and its intermediate DASDA. DNL is the world's only fully integrated manufacturer of OBA (Toluene – PNT – DASDA – OBA). There is strong demand for OBAs across industries like Paper, Detergents and Textiles. OBAs 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 ourestablished 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	Q1FY17	Q1FY16	Growth %
Basic Chemicals	155.01	181.89	(14.8)
Fine & Speciality Chemicals	98.77	95.25	3.7
Performance Products	61.72	62.14	(0.7)
Other Unallocable	1.54	0.93	65.6
Total	**317.05**	**340.22**	**(6.8)**
Inter Segment	3.35	1.89	77.2
Net Sales/Op. Income	**313.70**	**338.32**	**(7.3)**

Expenditure Analysis

Particulars	Q1FY17	Q1FY16	%
Employee Costs	32.02	27.81	15
Interest	8.37	10.02	(16)
Depreciation	10.51	9.49	11
Other Income	2.29	0.20	NA

- Employee cost increased due to:
  - Impact of annual increment and increase in retirement benefits and training costs.
- Depreciation increased due to capitalisation of the Hydrogenation and Effluent storage plant at Dahej as well as regular maintainance CAPEX.

Profitability Analysis

Particulars	Q1FY17	Q1FY16	%
PBT	93.22	18.67	NA
PAT	67.86	13.36	NA
EPS (Rs.)	5.84	1.28	NA

- After excluding exceptional items, the profitability was as under:

Particulars	Q1FY17	Q1FY16	%
PBT (*pre-exceptional item*)	22.44	18.67	20
PAT (*pre-exceptional item*)	15.70	13.36	17
EPS (Rs.) (*pre-exceptional*)	1.35	1.28	5

Statement of Borrowings

Secured Loan & Net Debt/Equity as on 30th June, 2016

Particulars	Q1FY17	Q1FY16
ECB	170.56	220.27
Rupee Term Loan	82.59	97.75
Other Loan Funds (Includes CC)	215.93	204.72
Total Loan Funds	469.08	522.74
Debt/Equity Ratio	0.86	1.45

Capital Employed

Particulars	Q1FY17	Q1FY16
Capital Employed	1,067.76	925.94
Less : Capital Work in Progress	13.39	21.96
Less : Investment in Deepak Phenolics	99.64	31.73
Capital Employed in Operations	954.73	872.25