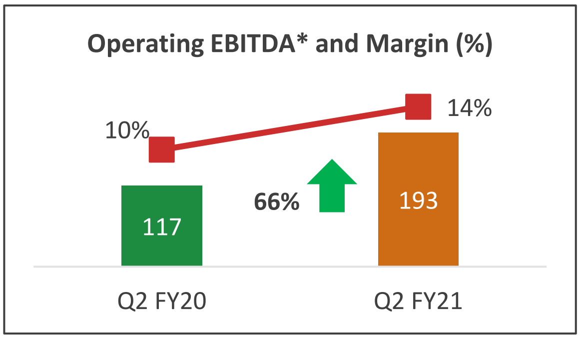
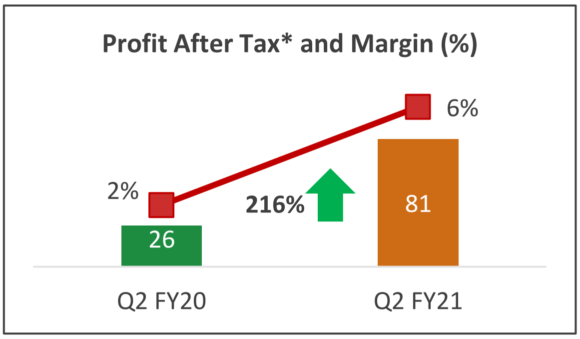
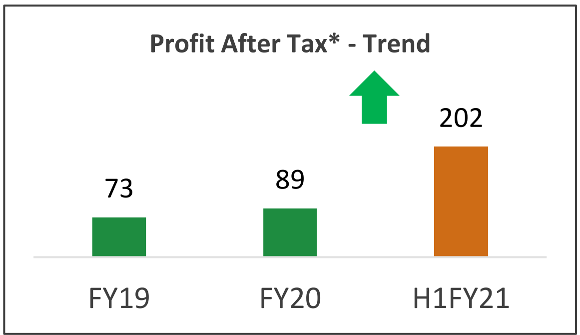
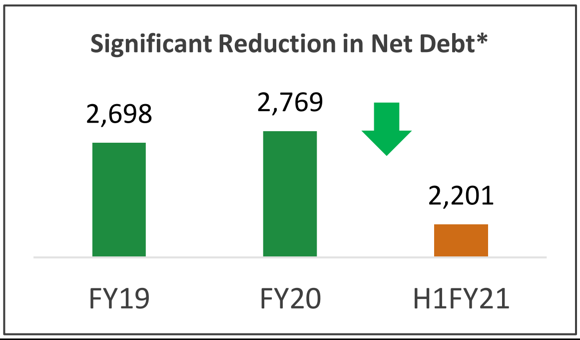
Deepak Fertilisers H1 FY21 PAT jumps 4.5 times; Fertilisers Segment Profitability improves further

Pune, India, November 03, 2020 – Deepak Fertilisers And Petrochemicals Corporation Limited, one of India's leading producers of Industrial Chemicals and Fertilisers, announces its results for the quarter and half year ended September 30, 2020.









Consolidated Highlights

- Total Revenues increased by ~22% y-o-y to Rs. 1,404 Cr in Q2 FY21 and increased ~23% y-o-y to Rs. 2,786 Cr in H1 FY21
- Total Operating EBITDA increased by ~66% y-o-y to Rs. 193 Cr in Q2 FY21 and increased 97% y-o-y to Rs. 465 Cr in H1 FY21. Margins expanded by 363 bps to 13.8% in Q2 FY21 and expanded by 631 bps to 16.7% in H1 FY21
- PAT increased by ~216% y-o-y to Rs. 81 Cr in Q2 FY21 and increased 457% y-o-y to Rs. 202 Cr in H1 FY21. Margins expanded by 352 bps to 5.7% in Q2 FY21 and expanded by 563 bps to 7.2% in H1 FY21
- Net Debt reduced from Rs. 2,769 Cr as on FY20 to Rs. 2,201 Cr as on H1 FY21; Net Debt to Equity (x) ratio improved from 1.25x as on FY20 to 0.91x as on H1 FY21 resulting in lower finance cost
- IFC successfully subscribed to the second tranche of ~ US$ 30 mn (approx. Rs. 210 Cr)
- Successfully raised Rs. 178 Cr through a rights issue in October 2020, further improving the leverage ratios; promoters stake increased from 52.20% to 54.90%

*Rs. Crores

Commenting on the performance, Mr. Sailesh C. Mehta, Chairman & Managing Director, Deepak Fertilisers And Petrochemicals Corporation Limited, said:

"Despite the continued operational challenges faced due to the COVID-19 pandemic, we witnessed improvement in overall economic activity on a pan India level as lockdown restrictions were eased and normalcy returned partially. Heavy rainfall during Q2 has ensured optimal water levels across major reservoirs in core areas where we operate. We expect a good rabi season which might get slightly delayed as we witnessed above average rainfall during the tail end of the monsoon season.

I say this with immense satisfaction, that our Company continues to progress well both on financial and operational fronts. We have been continuously striving towards enhancing profitability by focusing on high margin businesses along with the cost optimization initiatives. We are pleased to announce a strong financial performance during the first half of FY2020-21.

We continued to connect virtually with farmers and our team did a phenomenal job of reaching key stakeholders through digital means and we achieved robust sales volumes of our differentiated grade Smartek offerings in Q2. Our CNB business reported fourth consecutive profitable quarter in a row.

IPA demand tapered down after it rose to unprecedented levels in Q1 in expected line. We continue to focus on specialised grades and service offerings to the pharma industry which will help even out the margin impact in the IPA segment. Our health and hygiene products under the brand CORORID are gaining popularity and we are working on plans to systematically push the brand across segments.

Demand for Nitric Acid improved to pre-Covid levels and so did the realisations. We expect strong traction the next two quarters for CNA segment fuelled by encouraging demand for chemical intermediates used across pharma, agrochemicals and polymers.

TAN segment faced challenges primarily on demand front due to monsoon and Covid impact, however, the contribution margins remained in line with the expectations. Demand for coal and limestone mining is expected to improve in Q3 as the economic activity picks up and we expect revival for TAN segment in the second half of the financial year.

We remain profitably aligned to the Indian growth story by supporting critical sectors of the economy such as agriculture, pharmaceuticals, mining, infrastructure, health and hygiene, among others. Capex outlay, that were undertaken few years back, have now started bearing fruits and expected to grow in the coming quarters.

Recent reforms announced by the Central Government under the Atmanirbhar Bharat initiative augurs well for the economic growth trajectory of India and should positively support growth across our business verticals"

Segment Performance Q2 FY21 vs Q2 FY20

1. Fertilisers Segment

- Fertiliser Segment delivered another quarter of strong performance backed by improved volumes, good demand of our differentiated products led by favourable monsoon and our continuous efforts
- Manufactured fertilisers revenue increased by 29% y-o-y to Rs. 540 Cr in Q2FY21. Trading revenue grew by 65% y-o-y to Rs. 152 Cr for Q2FY21
- Sales volumes of manufactured bulk fertilisers (i.e. NP + NPK) increased by 29% y-o-y in Q2 FY21. Bulk traded volumes were higher mainly due to import of DAP and NPK16 grade to complement our product offerings to farmers

- Segment margins improved significantly from (2.3%) in Q2 FY20 to 8.9% in Q2 FY21
- Smartek volumes increase multifold year on year with its improved value proposition and strong market acceptance
- Successful production of new NPK grade N14 at Taloja and Superfast Bensulf grade at Panipat. Major raw materials prices declined in Q2 FY21
- With restriction on movement of field team due to COVID-19, the team adopted various ways to connect farmer, retailers, and dealer though digital means
- The Company is driving digital strategy to connect famer through social media platform such as Facebook, YouTube, App and WhatsApp. The Company has reached around 3.8 million farmers through social media and actively engaged with 19 lakh farmers till end of H1. Around 5,00,000+ farmer directly reached through direct farmer calling and farmer webinar

2. Chemicals Segment

- Manufactured chemical business reported revenue of Rs. 541 Crores in Q2FY21 as compared to Rs. 524 Crores in Q2FY20. Chemical Trading sales increased by about 59% y-o-y to Rs. 167 Crores in Q2FY21, due to increase in prices
- Segment margins improved from 13.4% in Q2 FY20 to 15.4% in Q2 FY21
- IPA revenues increased by 42% y-o-y to Rs. 149 Crores in Q2FY21. Improved margins were primarily driven due to higher realisations compared to Q2 FY20. However, IPA sales volumes were adversely impacted by about 25% y-o-y due to production constraints arising out of pandemic. Softening in IPA prices have been witnessed compared to Q1 FY21
- With gradual normalization of downstream industries, sales volume of Nitric Acid during the quarter improved by about 21% over Q1FY21. However, it was lower by about 8% compared to Q2 FY20. Capacity utilization at Dahej plant improved to 80% level during the quarter as compared to 68% during the same period last year
- The impact of COVID and the resultant lockdown were witnessed across TAN Business, both domestic (HDAN, LDAN and AN Melt) and exports. Seasonally low demand in Q2 due to monsoon along with slowdown in demand due to COVID impacted TAN Business. Demand from coal and limestone mining is likely to recover in Q3 as the economy continues to open up
- Major raw materials prices declined compared to Q2 FY2020

DFPCL at a Glance:

Deepak Fertilisers And Petrochemicals Corporation Limited (DFPCL), has established a prime position for itself over the last four decades, across Indian markets. Set up in 1979 as an Ammonia manufacturer, DFPCL today, is a publicly listed, multi-product Indian conglomerate, with a portfolio spanning Industrial Chemicals, Bulk and Specialty Fertilisers, Technical Ammonium Nitrate, and Value-Added Real Estate.

Safe Harbour:

This release contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to DFPCL’s future business developments and economic performance. While these forward-looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. DFPCL undertakes no obligation to publicly revise any forward-looking statements to reflect future / likely events or circumstances.