

DEEPAK FERTILISERS Q1 results driven by Chemical business

Pune, August 12, 2016: Deepak Fertilisers and Petrochemicals Corporation Ltd (DFPCL) today announced its financial results for the quarter ended June 30, 2016 (Q1 FY17).

Performance of Q1 was severely dampened by delayed monsoon till early July, leading to severe water cuts, which not only impacted production but it also held back farmers on their fertilizer procurements.

Compared to Q1 FY 16, the volume drop in fertilizers resulted in marginal shortfall in total income from Rs 1,127.56 cr to Rs 1,044.87 cr. Profit before tax dropped to Rs. 47.26 crores in Q1 FY17 from Rs.64.83 crores in Q1 FY16 and Profit after tax stood at Rs.34.72 crores in Q1 FY17 as against Rs. 45 crores in Q1 FY16. It is pertinent to note that last year same quarter, profits included a non-standard dividend receipt of Rs. 27.5 crore arising out of the sale of Mangalore Chemicals and Fertilisers shares.

The fertilizer business experienced a shortfall in volumes due to muted demand scenario on account of continuing drought conditions during the quarter and farmers waiting for arrival of monsoon to trigger offtake in market. In view of prevailing market conditions, the Company also chose to reduce its trading activities in this segment.

The chemicals segment registered a moderate growth in revenue at Rs. 776.40 crores in Q1 FY17 from Rs. 747.82 crores in Q1 FY16. Profit for the chemicals segment stood at Rs. 135.67 crores in Q1 FY17 as against Rs. 76.78 crores in Q1 FY16. The sector continued its trading activity during the quarter which registered a growth of 16%, from Rs. 227.92 crores in Q1 FY16 to Rs. 265.01 crores in Q1 FY17. Sub-optimal capacity utilization due to water shortage restricted the Company from catering to the rising demand of TAN and Nitric Acid.

Production cut on account of water scarcity also resulted in Company not being able to produce ammonia, key raw material for producing fertilizer, and production based on purchased ammonia negatively impacted the overall operating margins of the fertilizer segment. Volumes and margins of the segment were further impacted on account of sudden market price cuts announced by Government / PSUs owing to fall in global fertilizer prices and input costs. Fertilizer trading registered a drop in revenues, from Rs. 357.80 crores in Q1 FY16 to Rs. 212.92 crores in Q1 FY17. The segment incurred a loss of Rs 13.22 cr compared to profit of Rs. 12.22 Q1 last year.

Mr. Sailesh C. Mehta, Chairman & Managing Director – DFPCL, said: *“With the onset of good monsoon and favorable developments on gas and subsidy, current aberrations are likely to pass over in the balance part of the year. The new NPK facilities are slated to be commissioned in Q3 which will enlarge our holistic basket of micronutrient enriched fertilizers. Also, as announced recently, the Company’s chemical business will see a strong growth arising out of the Nitric Acid expansion project. The planned growth initiatives in each of the Company’s business sectors remain well aligned to the Country’s growth trajectory”.*

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