



**NITRITE**

## **The Key Beneficiary in China Plus One and Import Substitution in Chemicals Industry**

Deepak Nitrite began in 1970 with a vision to support the country's drive towards self-sufficiency and import substitution. Ranked amongst Fortune Next 500 and 25 Top wealth creators by the prestigious Fortune India Magazine, Deepak Nitrite Limited (DNL) today is one of India's fastest-growing chemical intermediates companies with a diversified business of Basic Chemicals, Fine & Speciality and Performance Products. Further, it manufactures Phenol, Acetone & Iso-Propyl Alcohol through its wholly-owned subsidiary, Deepak Phenolics Limited. It enjoys strong competitive positioning in most of the product categories and has a strong client base and caters to over 900+ clients in over 40+ countries with over 100 international quality products manufactured in 5 manufacturing facilities in India. Today, Deepak Nitrite is a supplier to some of world's biggest companies including Bayer, Unilever, Indian Oil, Reliance, L'oreal, etc.

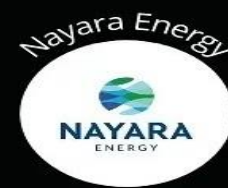
**PEE AAR SECURITIES LTD.**

**BY: HIMANSHI KHOSLA**  
(Junior Research Analyst)

**DEEPAK**

# NITRITE Clients

- 🔥 Deepak Nitrite is among world's top 3 producers of Xylidines, Cumidines and Oximes
- 🔥 70% market share in Sodium Nitrate, Sodium Nitrite and Nitro Toluenes in India
- 🔥 Has diversified Customer base from over 30+ countries



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# CLIENTS

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# BUSINESS HISTORY

Deepak Nitrite was started in 1970s by C.K Mehta. He set up a chemical trading business in Mumbai. At that time he used to import chemicals like Sulphur and caustic soda and used to control the demand and supply in India. In 1970s , after 20 years of doing trading in chemicals, finally he decided that he will setup a plant for a chemical named as of Sodium Nitrate. So, 1<sup>st</sup> plant he set up in Nadiad city Gujrat in 1972. Along with that he introduced IPO. In 1<sup>st</sup> plant, he invested close to 2.5 crores. Between 1973 to 1974, he achieved profitability of 40 to 50 lakhs. So, this was how Deepak Nitrite was started.

In 1980s, a very interesting development happened. C.K Mehta didn't have a background of chemicals industries. When his son entered the business by the name Deepak Mehta so he had a background in chemicals. He did 3 acquisitions too in history. In 1984, they acquired a company Sahyadri Dyestuff & Chemicals unit from Mafatlal Industries. In 2000, they acquired Aryan Pesticides Limited and in 2006, they acquired Vasant Chemicals to get into the intermediate manufacturing of DASDA.

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# MANAGEMENT



**Shri Deepak C. Mehta**  
Chairman & Managing Director



**Shri Maulik D. Mehta**  
Executive Director & CEO

Deepak Nitrite Chairman and MD is Mr. Deepak C. Mehta. Mr Deepak Mehta has over 40 years of experience in Chemical industry and one of the prominent personality in Chemical sector in India. He is also the Chairman of National Chemical Commitee at FICCI. He is the 2nd generation member of Mehta family to lead the company. They also have 3rd generation young blood to take the legacy forward with Mr Maulik Mehta who is the CEO of the company and holds BBA degree from University of Liverpool, UK. He has also done Master in Industrial and Organizational Psychology from Columbia University, USA. Further, he has done his MBA from Harvard University, Boston. He is 37 years old and has 10 years of experience.

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# MANUFACTURING FACILITIES



## **Nandesari, Gujarat**

- Basic Chemicals, Fine & Speciality Chemicals
- The first and flagship manufacturing facility



## **Taloja, Maharashtra**

- Synthetic Organic Chemicals, Fine and Speciality Chemicals
- Strategically connected to Nhava Sheva port



## **Roha, Maharashtra**

- Intermediates for Agrochemicals, Dyes and Speciality Chemicals



## **Hyderabad, Telangana**

- Performance Products



## **Dahej, Gujarat - DNL**

- Basic Chemicals, Performance Products



## **Dahej, Gujarat - DPL**

- Phenol, Acetone and IPA

# VALUE CHAIN

Deepak Nitrite operates as an Intermediate Manufacturer in all the 3 categories.

- Agrochemicals : In agrochemicals initially there is a raw material supplier then intermediate manufacturer then technical grade manufacturer. Technical grade ingredient helps to kill pests and insects. After that formulation is done.



- Pharmaceuticals : Here Deepak Nitrite supply Advanced intermediate.



- Chemicals : Here also deepak operates as an intermediate. Along with that in some chemicals they provide bulk chemical too.



# WHAT ARE INTERMEDIARIES

An intermediate is a molecule that is formed from two or more reactants and then reacts further to give products. Most chemical reactions require more than one step, and an intermediate is the product of each step, except for the last one, after which the final products are produced.

An example of a chemical reaction would be  $A+B = C+D$ . In reality, the reaction is more likely to be something like this;  $A+B = X^*$ ,  $X^* = C+D$ , in which  $X^*$  is the intermediate.

An example of an intermediate in the chemical industry is cumene. The term intermediate in the chemical industry usually means a product of a reaction that is only beneficial when used as a precursor chemical for another industry. Cumene is made from benzene and propylene, and is then used to produce acetone. Cumene, without additional reactions, has very little value and no real use, which makes it an intermediate instead of a useful chemical product



# BUSINESS SEGMENTS

Deepak Nitrite is a leading and fastest growing chemical intermediates company with a diversified presence across three segments: Basic Chemicals (BC) , Fine and Specialty Chemicals (FSC) and Performance Products (PP).

- i. Basic Chemical: Sodium Nitrite, Sodium Nitrate, Nitro Toluidines, Fuel Additives which has application in paint industry, petrochemical industry and rubber industry. Deepak Nitrite is a leading producer of Sodium Nitrite and Sodium Nitrate in the world.
- ii. Fine & speciality chemicals: Xylidines, Cumidines, Oximes & specialty agrochemicals which has application in agrochemicals, colors & pigments, paper, personal care and pharma industry. Deepak Nitrite is among top 3 global player of Xylidines, Cumidines and Oximes.
- iii. Performance Products: Optical brightening agent (OBA) and Flavonic acid which has application in textile, coating, paper, detergent, etc.

# BASIC CHEMICALS

These chemicals are sold in high-volumes with greater price sensitivity. These chemicals are typically manufactured in standard specifications. In the basic chemical business, the group is the **largest player in India for supplying sodium nitrite/nitrate (market share of 80%), fuel additives (75%), and nitro-toluene (50%)**. Most of the refineries in the country like SR oil, Reliance industries, Indian oil are the customers. They have a market leadership by having 75% of the market share.

Basic Chemicals find application in:

- Colorants
- Rubber chemicals
- Explosives
- Dyes
- Pigments
- Food colors
- Pharmaceuticals
- Petrol & Diesel Blending
- Agrochemicals



## Basic Chemicals

### OVERVIEW

Standard products manufactured in bulk, high volume.

### PRODUCTS

Sodium Nitrite, Sodium Nitrate, Nitro Toluidines, Fuel Additives, Nitrosyl Sulphuric Acid

### APPLICATION DIVERSITY

Colourants, Petrochemicals, Rubber, Agrochemicals, Pharmaceuticals, Water Treatment, Glass Industries, Industrial Explosives and Fuel Additives

### VALUE DRIVER

- Cost leadership
- Large scale production

**17.31%**  
Contribution to  
Total Revenue  
from Operations



**16.46%** Contribution to EBIT

# PERFORMANCE PRODUCTS

In performance products value chain, first is Nitrotoluenne, then PNT, DASDA, and then comes OBA which is also known as Optical Brightening Agent. DASDA is used as an intermediate in the manufacturing of optical whitening agents and dyestuffs. Till 2006, it used to manufacture only Nitrotoluenne and PNT. But in 2006-2007 they acquired Vasant Chemicals due to which they acquired the DASDA capacity. In 2011, in Dahej they announced greenfield capex through which they did forward integration towards OBA.

An example of Performance Product:

Fluorescent Whitening Agents are brighteners commonly used in industries like paper, detergents, textiles, coating applications in printing, and photographic paper. These products have strict requirements in terms of performance and technical specifications.

Deepak fully integrated manufacturer of OBA which is backward integrated up to the feedstock of Toluene to PNT and further into DASDA and OBA.

Depending on the customer's need, the active chemical of OBA is blended with other formulations, either in liquid or solid form.



## Performance Products

Products with stringent requirements in terms of performance in manufacturing process.

Optical Brightening Agent (OBA), DASDA

Paper, Detergents, Textiles, Coating Applications in Printing and Photographic, Paper

- Ability to manufacture products with stringent performance and technical requirements
- Leading fully integrated manufacturer of OBA (optical brightening agents)

**6.93%**  
Contribution to  
Revenue from  
Operations



**1.91%** Contribution to EBIT

# FINE & SPECIALITY CHEMICALS

These are low volume & high margin products.

These products are specially customized as per the clients' needs & require competency in handling complex reactions.

This division provides high margins as the product is customized according to the customer's needs.

These intermediates find application in agrochemicals, pharmaceuticals, pigments & personal care products.

Key clients in fine and specialty chemicals include:

LOREAL, Syngenta, Lonza, BASF, Bayer, Mitsui & Co. etc



## Fine & Speciality Chemicals

### OVERVIEW

Specialised products customised to the client's specification.

### PRODUCTS

Xylidines, Oximes, Cumidines, Speciality Agrochemicals

### APPLICATION DIVERSITY

Agrochemicals, Colours & Pigments, Paper, Personal Care, Pharmaceuticals etc.

### VALUE DRIVER

- Technical skills and technology competence to handle complex reactions
- Ability to meet clients' specific needs
- Niche area with limited competition

**17.45%**  
Contribution to  
Total Revenue  
from Operations



**28.19%** Contribution to EBIT

# DEEPAK PHENOLICS (IMPORT SUBSTITUTION)

It has a 100% subsidiary with name Deepak Phenolics which manufacture Phenol, acetone and Isopropyl Alcohol. Deepak Nitrite is a largest producer of Phenol and acetone since 2018 in India. DPL has already established itself as the most trusted player in the domestic market for phenol and acetone, with a market share of much above 50%. Phenols are used for making glue, household products and as intermediates for industrial synthesis. Acetone is a solvent used in manufacturing of pharma products, plastics, cosmetics and personal care products. IPA is also a key component in the manufacture of cleaning, disinfectants, inks, agro-chem formulations, resins, acrylic emulsions, pharmaceutical products and sanitizers.

When 1 unit of Phenol is produced, then along with that 0.6 unit of acetone will be produced. So, it is a bi-product of phenol. In India if we look at the demand of Phenol and acetone, there is demand of 350 thousand ton per annum for phenol and for acetone it is 180 thousand ton per annum. This demand is growing at 8-10% per annum.



Deepak Phenolics invested more than Rs 1,400 crore over 25 months, one of the largest investments in India's chemical sector in recent years, to create a manufacturing capacity of 2 lakh tonnes of phenol per annum and 1.2 lakh tonnes of its co-product acetone, and supported by a capacity for 26 lakh tonnes of chemical compound cumene. The plant, with advanced digital IoT systems, process technologies and zero emission, is eight times bigger than all existing facilities in India. It was commissioned in November 2018. It will help in saving half a billion dollars in imports for the country.

In April 2020, Deepak Nitrite subsidiary Deepak Phenolics commissioned a 30,000 MT (annually) plant at Dahej to make Isopropyl Alcohol (IPA) from Acetone. Earlier, there was a huge dependency on China for these products. So new production would significantly reduce the country's dependence on imports of this product. IPA is an important input in the production of essential pharmaceuticals and manufacturing of sanitizers.



## Phenolics

High volume import substitutes.

Phenol, Acetone, Cumene, Isopropyl Alcohol

Laminate & Plywood, Pharmaceuticals, Adhesives, Sanitisers, Rubber, Chemicals, Paints etc.

- Lowest thermal footprint among similar plants worldwide
- Among the most reliable players in the domestic market
- Strategic import substitutes

**58.31%**  
Contribution to  
Revenue from  
Operations



**53.44%** Contribution to EBIT

# DOMESTIC COMPETITION IN ACETONE

## SI GROUP



36,000 tonnes/year of phenol and  
20,000 tonnes/year of acetone

## HINDUSTAN ORGANIC CHEMICALS



The installed capacity is 40,000  
TPA of Phenol and 24,640 TPA of  
Acetone.

# APPLICATIONS OF PHENOL AND ACETONE



**PLYWOOD ADHESIVES**



**SANITIZERS**



**PLASTIC**



**NYLON FIBRE**



**LAMINATE**



**PHARMACEUTICALS**



**PAINTS**

# STRENGTHS AND OPPORTUNITIES

**Market leadership across diversified product segments:** Deepak Nitrite is the market leader in most of its businesses it operates. For example, in basic chemical business, Deepak Nitrite is the largest player in India for supplying sodium nitrite with market share of 80%, fuel additives with market share of 75% and nitro-toluene with 50% market share. Its has a market share of 75% in the “performance product” business of optical brightening agent. In the Fine and specialty chemical segment, Deepak Nitrite is continuously investing money in research & development (R&D), and integrated operations which has established Deepak Nitrite’s relationship with key customers for supplying Xylidines, Oximes, Cumidines, Nitro Oxylene, which find application in pharma, personal care and agro-based chemicals.

**Sustainable growth:** Deepak Nitrite has always focused on sustainable growth which is again a key differentiator. It is one of the only 40 Indian companies awarded the use of the Responsible Care logo which is given to industry leaders who believe in sustainable growth.

The biggest reason for high growth in the chemical sector in India in recent years is due to the shutdown of many chemical factories in China due to environmental concern. And in the future, chemical companies in India would only be able to operate if they are sustainable without harming the environment. Deepak Nitrite is one of the few companies with sustainable growth.

**Backward Integration:** On one side, a company needs to procure the raw materials like various chemicals to manufacture products and on another side, it needs a good distribution network to distribute the products. Generally, one company can't do everything. Hence, there are various entities involved. Naturally, every entity including raw material supplier and distributor would have their profit margins. Now, if you want to grow, what can you do? You can add more products in your portfolio. That's called horizontal integration. What else can you do? You can have your own distribution network. That's forward integration. Likewise, you can have your own raw material manufacturing plant. That's backward integration. Both forward and backward integration are called vertical integration. This way, your cost would reduce and you will enjoy better margins. When you have lower cost, you become a leader as competitors will not be able to complete at that cost. This is the most important aspect in Chemical sector. One of the key strengths of Deepak Nitrite is its backward integration where it also manufactures the raw material used for producing the final product. For example, the company did backward integration by acquiring Vasant Chemicals in 2006 which was a manufacturer of DASDA, an important raw material for manufacturing brightening agents.

# RISKS

**1. Margin Volatility:** Bulk chemical business is a commoditized business but it is very cost efficient. So, their margins expand in last 1-2 years. This could be due to some shut down in china. Here there is a risk of margin volatility. In some business segments like performance products, phenols, DNL is a price taker, its not a price maker.

**2 Some of the Derivatives are also commoditized:** Commoditize refers to a process in which a product is essentially deemed identical to the same class of offering presented by a rival company. It allow consumers to make purchasing decisions based solely on the price-tags of the item.

Deepak nitrite IPA segment has been loss making in some of the years. It has again set up a capacity of 60,000 TPA. So this could be an anti-thesis pointer. The prices of phenol is not in the hands of DNL , it keeps fluctuating.

**3. Anti-dumping duty:** DNL can apply Anti-dumping duty with the help of HOCR and SI India against South Korea, Thailand, Taiwan, and USA capacity of phenol. But it involves a lot of international rules and losses.

# RISKS

## ASIA PHENOL CAPACITY

Company	Location	Capacity
Kumho P&B Chemicals	Yeosu, South Korea	680
PTT Phenol	Map Ta Phut, Thailand	500
Formosa Chemicals and Fibres	Mailiao, Taiwan	400
Taiwan Prosperity Chemical	Kaohsiung, Taiwan	360
Mitsui Phenols	Pulau Sakra, Singapore	300
LG Chem	Yeosu, South Korea	300
LG Chem	Daesan, South Korea	300
Chang Chun Plastics	Kaohsiung, Taiwan	300
Mitsubishi Chemical	Kashima, Japan	250
Deepak Phenolics	Dahej, India	200

### International Competition and Domestic Competition

There are number of substitutes available in Asia for fulfilling the demand of phenol. If these provide phenol at a comparatively low cost. If the import of phenol increases then the prices drop. The domestic producers, the current players we do not think that SI Groups or Hindustan Chemicals can expand their capacity, but petrochemical manufacturers like Reliance industries, Indian oil and GAIL already have the basic raw material to manufacture phenol, that is Benzene and Propylene. They can also forward integrate into the production of phenol. It will take 4 years to set up a phenol plant. So DNL has lead time of four years.



# DISRUPTION IN CHINESE SUPPLY AND CHINA PLUS ONE TREND

On April 18, 2018, a programme titled “when shall illegal pollution discharge be stopped” in 30 minutes in Business News was broadcast on CCTV Economic Channel, covering the environmental pollution issues of Guanhekou Chemical Industrial Park.

The second day, the local government of Guanyun County commenced rectifying Lingang Chemical Industrial Park and Lion Chemical was shut down.

China act as a biggest competitor in chemical industry. As it is very difficult to match the low manufacturing cost of China. China is still a big player in Chemical sector with 35% market share. What if tomorrow it reduces its cost to gain the market share. It would impact the chemical sector in India.

DNL has strategically emerged as the biggest beneficiary of import substitution, China plus one trend and disruption in chinese supply due to environmental pollution reasons.

# FUTURE GROWTH PROSPECTS

The global chemical industry currently stands at US\$ 4 trillion in annual sales. Over the past two decades, this industry has witnessed a structural shift of manufacturing dominance from the West (USA and Europe) to the East (China followed by rest of South East Asia). China alone represents a dominant 35% share of the global chemical industry, whilst India has a very small share in chemical manufacturing. India is however, expected to be one of the fastest growing chemical markets in the world in the coming years.

The biggest reason is structural shift in the global supply chain or the theme called “China plus one”. Specially after COVID, companies all over the world are exploring the alternative of China so that they can reduce their dependency from China and minimize the business risk. India is set to be a key beneficiary of this shift. India is already the 6th largest producer of chemicals and has all the required skillset and technology to cater to ever growing global demand for chemicals.

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# FINANCIALS-

## Balance Sheet as at March 31, 2021

	₹ in Crores	
	As at March 31, 2021	As at March 31, 2020
<b>I. ASSETS</b>		
<b>Non-Current Assets</b>		
(a) Property, Plant and Equipment	1,824.83	1,787.56
(b) Right-of-use Assets	10.86	14.35
(c) Capital Work-in-Progress	206.76	172.27
(d) Intangible Assets	28.05	30.07
(e) Intangible Assets Under Development	13.68	-
(f) Financial Assets		
Investments	2.50	2.38
Loans	0.79	1.06
Other Financial Assets	8.76	8.80
(g) Non-Current Tax Assets (Net)	-	6.00
(h) Other Non-Current Assets	11.89	29.82
<b>Total Non-Current Assets</b>	<b>2,108.12</b>	<b>2,052.31</b>
<b>Current Assets</b>		
(a) Inventories	382.69	394.50
(b) Financial Assets		
Investments	186.79	-
Trade Receivables	756.30	612.72
Cash and Cash Equivalents	8.89	2.14
Bank balances other than Cash and Cash Equivalents above	24.54	29.26
Other Financial Assets	3.33	1.62
(c) Current Tax Assets (Net)	5.09	-
(d) Other Current Assets	82.83	113.83
(e) Assets classified as held for sale	1.72	2.23
<b>Total Current Assets</b>	<b>1,452.18</b>	<b>1,156.30</b>
<b>TOTAL ASSETS</b>	<b>3,560.30</b>	<b>3,208.61</b>

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<b>II. EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
(a) Equity Share Capital	27.28	27.28
(b) Other Equity	2,319.37	1,544.63
<b>Total Equity</b>	<b>2,346.65</b>	<b>1,571.91</b>
<b>Non-Current Liabilities</b>		
(a) Financial Liabilities		
Borrowings	524.04	779.43
Lease Liabilities	10.76	13.46
(b) Provisions	17.20	14.40
(c) Deferred Tax Liabilities (Net)	107.81	79.61
(d) Other Non-Current Liabilities	0.36	0.85
<b>Total Non-Current Liabilities</b>	<b>660.17</b>	<b>887.75</b>
<b>Current Liabilities</b>		
(a) Financial Liabilities		
Borrowings	3.10	248.42
Trade Payables		
Total outstanding dues of		
a) Micro Enterprises and Small Enterprises	15.04	6.70
b) Creditors other than Micro Enterprises and Small Enterprises	421.70	357.56
Lease Liabilities	1.44	1.93
Other Financial Liabilities	82.84	108.57
(b) Provisions	10.38	12.04
(c) Current Tax Liabilities (Net)	1.59	0.97
(d) Other Current Liabilities	17.39	12.76
<b>Total Current Liabilities</b>	<b>553.48</b>	<b>748.95</b>
<b>Total Liabilities</b>	<b>1,213.65</b>	<b>1,636.70</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,560.30</b>	<b>3,208.61</b>

**PEE AAR SECURITIES LTD.**

## Statement of Profit and Loss for the year ended March 31, 2021

		₹ in Crores	
	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
I. Revenue from Operations	28	4,359.75	4,229.71
II. Other Income	29	21.52	35.20
<b>III. Total Income (I+II)</b>		<b>4,381.27</b>	<b>4,264.91</b>
<b>IV. Expenses:</b>			
(a) Cost of Materials Consumed	30	2,274.27	2,347.91
(b) Changes in Inventories of Finished Goods and Work-in-Progress	31	(10.01)	25.59
(c) Employee Benefits Expense	32	247.04	216.96
(d) Power & Fuel Expenses	33	264.74	285.19
(e) Finance Costs	34	74.20	114.87
(f) Depreciation and Amortisation Expense	35	152.63	139.73
(g) Other Expenses	36	336.68	328.26
<b>Total Expenses (IV)</b>		<b>3,339.55</b>	<b>3,458.51</b>
<b>V. Profit Before Tax (III-IV)</b>		<b>1,041.72</b>	<b>806.40</b>
<b>VI. Tax Expense:</b>			
(a) Current Tax	39 B	239.65	192.08
(b) Deferred Tax	39 B	26.26	3.29
<b>VII. Profit for the Year (V-VI)</b>		<b>775.81</b>	<b>611.03</b>

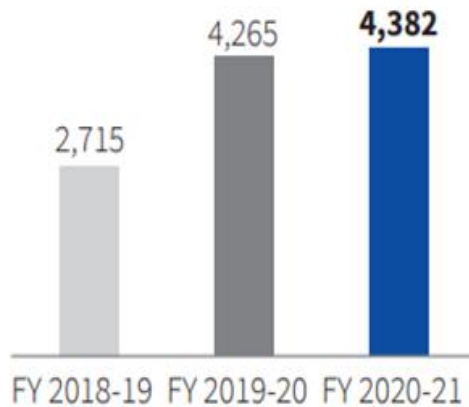
<b>VIII. Other Comprehensive Income:</b>			
Items that will not be Reclassified to Profit and Loss:			
(a) Remeasurement of Defined Benefit Obligations (Net)		(1.54)	(4.96)
(b) Tax Effect on remeasurement of Defined Benefit obligations (Net)		0.39	1.14
(c) Fair Value Gains on Investments		0.10	0.02
(d) Tax effect of Fair Value Gains on Investments		(0.02)	-
<b>Total Other Comprehensive Income for the Year (VIII)</b>		<b>(1.07)</b>	<b>(3.80)</b>
<b>IX. Total Comprehensive Income for the Year (VII+VIII)</b>		<b>774.74</b>	<b>607.23</b>
<b>X. Profit is attributable to:</b>			
Owners of the Group		775.81	611.03
Non-Controlling Interest		-	-
<b>XI. Other Comprehensive Income is attributable to:</b>			
Owners of the Group		(1.07)	(3.80)
Non-Controlling Interest		-	-
<b>XII. Total Comprehensive Income is attributable to:</b>			
Owners of the Group		774.74	607.23
Non-Controlling Interest		-	-
<b>Earnings Per Equity Share</b>			
(a) Basic (Nominal Value per Share ₹ 2)	45	56.88	44.80
(b) Diluted (Nominal Value per Share ₹ 2)	45	56.88	44.80

# Cash Flow Statement

Consolidated Figures in Rs. Crores

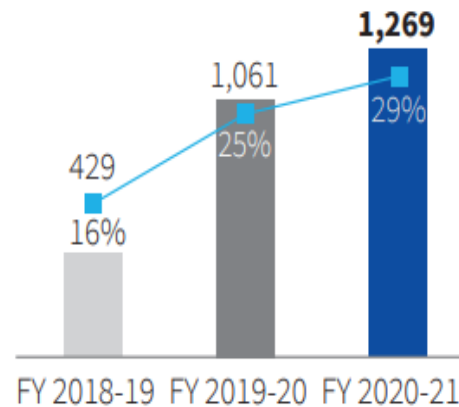
	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Cash from Operating Activity	108	167	49	183	60	765	999
Cash from Investing Activity	-89	-169	-353	-525	-163	-428	-396
Cash from Financing Activity	-22	4	305	345	96	-338	-596
Net Cash Flow	-3	2	1	4	-6	-1	7

## Revenue (₹ Crores)



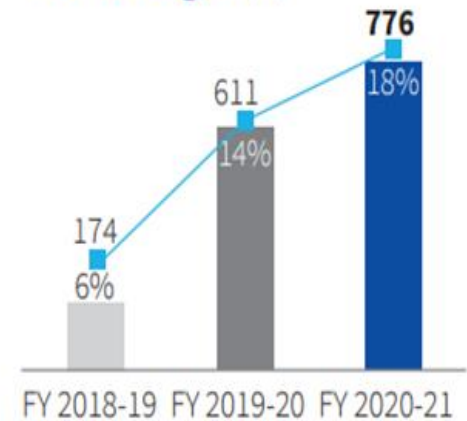
Revenue grew marginally by 3%. Revenue growth was benign owing to shutdown of operations due to nationwide lockdown caused by the Pandemic. However, SBUs like FSC and Phenolics exhibited strong performance.

## EBITDA (₹ Crores) and EBITDA margin (%)



EBITDA grew strongly by 20% with a 400 basis points increase in margins. The growth was driven by strong performance exhibited by FSC and Phenolics segments.

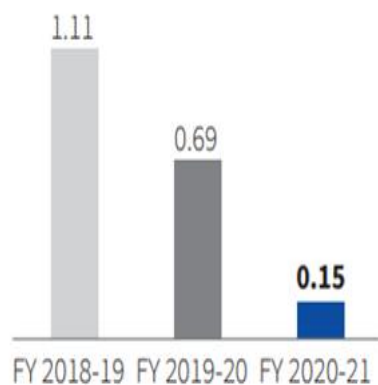
## PAT (₹ Crores) and PAT margin (%)



PAT grew by 27% led by higher revenues, efficient operations and lower interest costs.

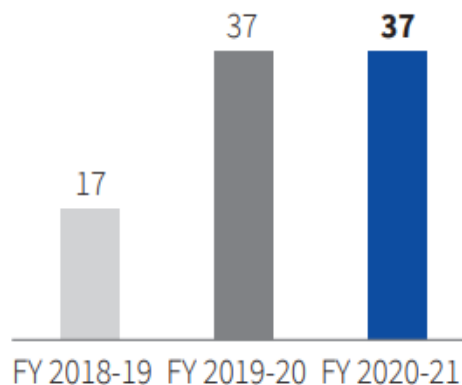


## Net Debt : Equity



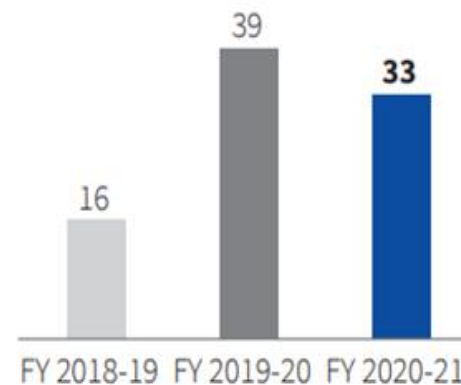
The Group has repaid its loan as per regular schedule and prepaid sizeable amount owing to strong cashflow. On top of it, consolidated cash invested amounts to ₹ 187 Crores.

## Return on Capital Employed (%)



Strong performance from FSC and Phenolics segments helped increase RoCE.

## Return on Equity (%)



Strong performance from FSC and Phenolics segments helped increase RoE.

Key Financial Ratios	FY 2020-21	FY 2019-20	Change (%)	Reason
Debtors Turnover Ratio	5.07	6.30	-20	During the year, turnover has reduced as compared to previous year on account of normalised DASDA realisation. Also, during the year, turnover has reduced due to lockdown imposed in the month of April and May 2020.
Inventory Turnover Ratio	4.09	4.44	-8	During the year, consumption has reduced due to lockdown imposed in the month of April and May 2020.
Interest Coverage Ratio	173.71	41.84	315	Significant improvement due to repayment of borrowings and resultant lower interest cost.
Current Ratio	2.95	1.45	104	Early payments to select creditors to avail cash discounts ranging from 10% to 12%. Also, Current investment of ₹ 125 Crores forms part of Current Assets.
Debt Equity Ratio	-	0.14	-100	The Company is Debt-free as on the Balance Sheet date.
Return on Net Worth (%)	19.23	36.48	-47	During the year, Profit margins has reduced as compared to previous year on account of normalised DASDA realisation.
Operating Profit Margin (%) (EBIT)	26.50	32.50	-6	
Net Profit Margin (%) (PBT)	26.30	31.60	-5	

# CONCLUSION

From 2010 to 2020, Deepak nitrite has not been able to make returns that are more than cost of capital and in last two years they have benefitted a lot from China's disruption. Due to closure of various factories in China, global companies trying to reduce the dependency from China and Indian government promoting the local manufacturing, this company is one of the biggest beneficiary of marco environment factors and well positioned to cater to the ever growing demand.

Deepak Nitrite has an excellent business and its management, strong competitive advantage, solid financials and a very bright growth prospect which makes it a fundamentally super strong company.