Management Discussion and Analysis Report

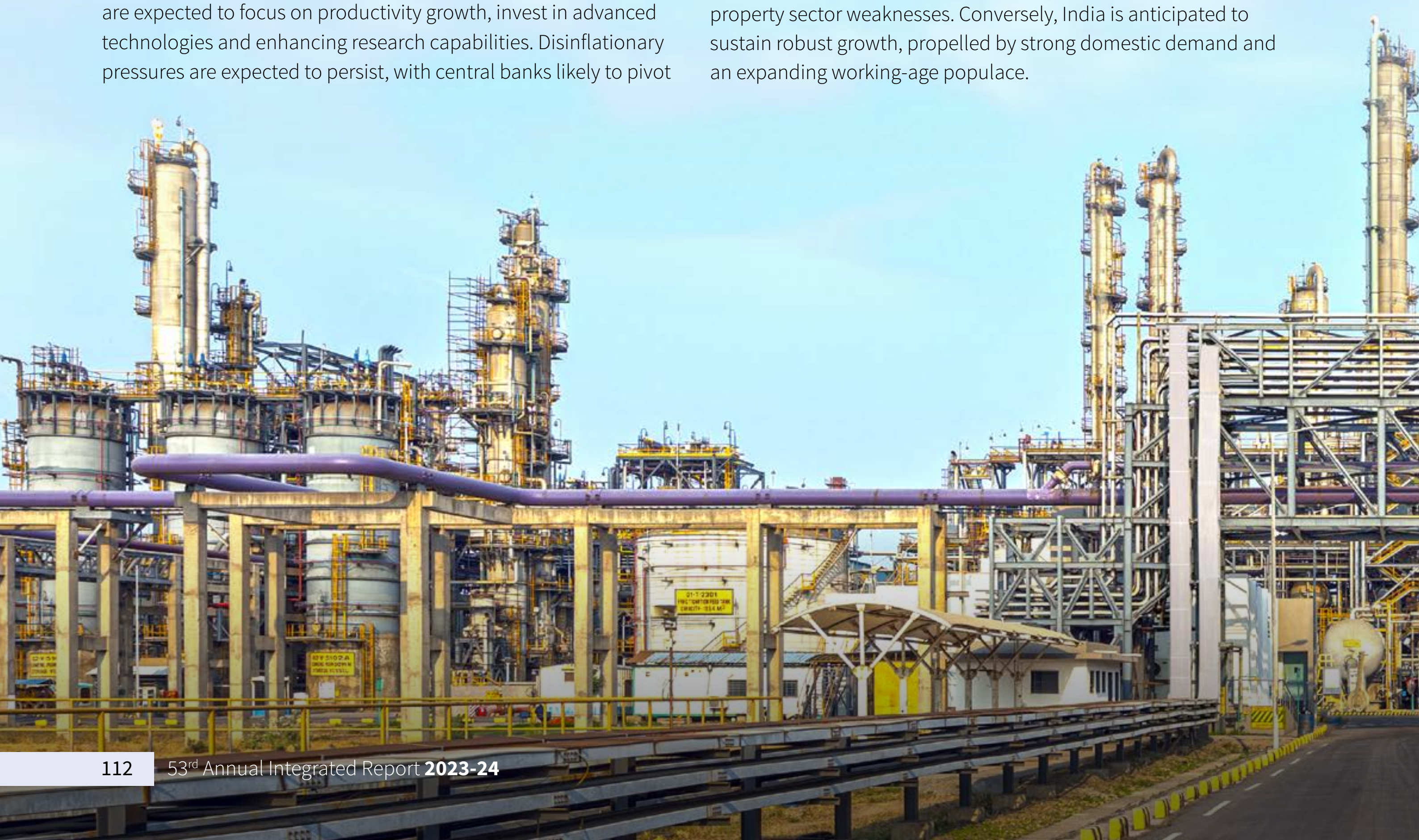
GLOBAL ECONOMIC SCENARIO

In FY 2023-24, there were a slew of global challenges such as emergence of the Israel-Palestine conflict, continuation of the Russia-Ukraine War which disrupted shipping routes and impacted global trade exacerbating volatility in commodity prices and worsening the already rising living costs. Despite these challenges, the global economy grew by 3.2% during Calendar Year 2023. This growth was supported by factors like higher job creation, resurgence in sectors like hospitality, effective monetary policies brought in by central banks and continued impact of stimulus measures in certain countries.

In Calendar Year 2024, global economic growth is expected to be around 3.2%. Advanced economies are forecasted to grow modestly at 1.7%, while emerging markets are expected to show momentum at 4.2%. The US economy is anticipated to grow at a stable pace of 2.7%, with Europe seeing growth of around 0.8%. Despite these positive projections, challenges such as weakening employment growth, higher prices, tight credit conditions and fiscal adjustments are anticipated.

There remains optimism around stronger consumer spending due to resilient labour markets and easing inflation. Businesses are expected to focus on productivity growth, invest in advanced technologies and enhancing research capabilities. Disinflationary pressures are expected to persist, with central banks likely to pivot towards easing monetary policies. Geopolitical tensions and fiscal consolidation remain risks to the economic outlook, with global trade flows expected to recover modestly.

Looking ahead, global growth is anticipated to remain steady but below historical levels due to factors like high borrowing costs and geopolitical tensions. While advanced economies are expected to reach inflation targets sooner, emerging markets and developing economies may encounter more challenges. In advanced economies, growth is trending upward, largely driven by revised expectations in the United States, while the euro area faces a minor setback for 2025. Expected US growth is projected to accelerate in 2024 before stabilising in 2025 due to fiscal tightening and softer labour market conditions, with the 2024 revision attributed to stronger-than-expected momentum from late 2023. Conversely, the Euro Zone is poised for a growth rebound, fuelled by increased household consumption as energy price shocks diminish and falling inflation bolsters real income. Additionally, Emerging and developing Asia's growth is projected to ease, balanced by increasing growth in the Middle East, Central Asia and sub-Saharan Africa. Low-income developing nations are expected to see gradual growth improvements as immediate growth barriers diminish. In China, growth is predicted to decelerate due to the fading effects of post-pandemic stimulus and persistent property sector weaknesses. Conversely, India is anticipated to sustain robust growth, propelled by strong domestic demand and an expanding working-age populace.



In several major economies, the downward revision to projected inflation, combined with a modest upgrade to economic activity, suggests a softer-than-expected economic slowdown.

Asia

A gradual improvement in local spending is expected across Southeast Asia in 2024. Low unemployment will continue to drive private spending, supported by reduced inflation, which will boost purchasing power. In addition to resilient household spending, this region is expected to benefit from a steady revival in tourism from earlier years as well as continued public investment in infrastructure and utilities.

Export growth in ASEAN countries has been slow due to weak demand from other global economies. However, there's a slight improvement as developed markets recover. Electronic exports are leading this recovery, but non-electronic exports, particularly linked to commodities, are sluggish. Likewise, exports of consumer goods may slow down.

Inflation is decreasing across the region, mainly due to improved supply and lower food and energy prices. Disinflationary trends are expected to continue in 2024, but there are potential risks from any reduction in agricultural output and geopolitical issues affecting supply chains or energy prices.

Steady reduction in inflation may open the door for the various Central banks in the region to commence easing of monetary policy.

Particular	Actual	Projections	
	2023	2024	2025
World Output	3.2	3.2	3.2
Advanced Economies	1.6	1.7	1.8
United States	2.5	2.1	1.9
Eurozone	0.4	0.8	1.5
Japan	1.9	0.9	1.0
United Kingdom	0.1	0.5	1.5
Other Advanced Economies	1.8	2.0	2.4
Emerging Market and Developing Economies	4.3	4.2	4.2
China	5.2	4.6	4.1
India	7.8	6.8	6.5

(IMF REPORT – APRIL 2024)

INDIAN ECONOMIC SCENARIO

India's economy performed impressively in FY 2023-24, exceeding expectations. The final figures show a GDP growth of 8.2%, driven by strong performance in the manufacturing and services sectors. This marks a significant improvement from the previous year's growth. While agricultural output faced challenges due to uneven distribution of monsoon; the stable domestic demand accompanied by continued infrastructure investments by the Government have fuelled the positive momentum. This growth cements India's position as the world's fastest-growing major economy.

India's economic transition to a modern economy is evident through increased global integration and a rise in exports. Favourable demographic changes, such as lower infant mortality rates and improved literacy rates, further strengthens India's position. With better income distribution, increased employment rates and competitive social amenities, India's per capita GDP is poised for growth in the coming years.

In the fiscal year 2024-25, there has been an 11.1% increase in capital expenditure allocation,. The real investment rate remains high, reflecting the Government's commitment to asset creation. The retail price inflation in India eased to 5.09% as of February 2024, staying within the Reserve Bank of India's tolerance band.

Agricultural output growth in 2022-23 benefited from increased Rabi coverage and improved irrigation reservoirs. Higher minimum support prices and progress in rice procurement boosted rural incomes, leading to increased sales of vehicles and tractors. Strong economic activity is reflected in GST collection and e-way bill generation.

Service sector activity remains robust, with healthy PMI levels and growth in rail freight and port traffic. Capital spending by the Government has been significant, amounting to ₹ 5.9 Trillion during the initial nine months.

The Interim Budget for FY 2024-25 emphasises empowering marginalised groups, supporting farmers, fostering youth development and empowering women. The banking and financial sector remains stable, with resilient foreign direct investment and foreign exchange reserves.

India's services exports have shown strong growth, primarily led by the software and business services sector. Looking ahead, India's economic outlook remains favourable, with projected GDP growth of 7% for FY 2024-25. While challenges like geopolitical tensions and supply chain disruptions persist, efforts to enhance export competitiveness and maintain stable inflation rates bode well for India's economic future. The collective efforts invested in recent years have laid a strong foundation for India's growth as a middle-income economy.

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The landscape of the chemical industry in CY2024 is rapidly evolving, with a notable emphasis on the development of sustainable and eco-friendly solutions in alignment with global environmental initiatives.

INDUSTRY OUTLOOK AND TRENDS

The global chemical industry witnessed moderate growth in CY2023 reaching a value of USD 6.0 Trillion. This came in despite weak pricing trends in several products. Although the overall demand for chemicals remained relatively stable in CY2023, there is anticipation of increased demand for chemicals and materials essential for supporting the energy transition in 2024 and beyond. This uptick is expected due to the implementation of new Government policies and incentives, which are projected to have a significant impact on the economy.

The landscape of the chemical industry in CY2024 is rapidly evolving, with a notable emphasis on the development of sustainable and eco-friendly solutions in alignment with global environmental initiatives. Additionally, the recovery from the economic downturn induced by the COVID-19 pandemic has spurred demand across various sectors, including automotive, construction and electronics.

In CY2023, the Asia-Pacific (APAC) region emerged as the largest chemical market, experiencing a robust growth rate of 4.0% compared to CY2022. Conversely, Europe witnessed modest 1% growth despite a decline in regional production, offset by increased imports from interregional countries such as China and India. Despite challenges, China's chemical production demonstrated resilience, primarily driven by domestic demand, with predictions indicating further growth of 6.9% in CY2023 and 5.2% in CY2024.

The Chemical Industry Outlook for CY2024 underscores the emergence of Industry 5.0, which emphasises human-centricity, sustainability and advanced technology integration. Industry 5.0 represents an evolution from Industry 4.0, emphasising the synergy between humans and machines for sustainable growth. This approach prioritises economic progress in the chemical industry while addressing workers' well-being and climate change concerns.

This shift in the chemical value chain urges manufacturers to reassess technology implementation and prioritise planet-centric initiatives. In 2024, the focus lies on evaluating progress toward sustainable growth, identifying opportunities for cost reduction, enhancing product quality and strategically aligning with sustainability goals and net-zero carbon emission targets.

Emerging Mega-Trends that will impact the Global Chemical Industry

- **Green Energy:** Renewable energy sources are expected to play a significant role in the global power supply landscape, constituting over one-third of the world's power supply by 2024. This shift is supported by various positive developments, including China's projected decline in CO2 emissions driven by substantial installations of low-carbon energy sources such as wind and solar. Factors such as declining production costs, growing concerns about climate change, evolving energy policies and increasing investor pressure on Environmental, Social and Governance (ESG) policies are driving growth in the renewables sector.

- **3D Printing:** The 3D printing industry experienced modest growth in industrial additive solutions in CY2023. The current year is expected to witness robust growth in 3D printing, fuelled by the demand for mass customisation enabled by technological advancements. The integration of 5G technology with 3D printing processes will streamline workflows, while the availability of lower-cost desktop solutions will expedite adoption. Introduction of new products and services by global leaders will further stimulate market growth.

- **Use of Lightweight Materials in Next-Generation Vehicles:** The automotive industry anticipates significant growth in the adoption of lightweight materials, including advanced composites, high-strength steel and aluminium alloys, in next-generation vehicles. The market for automotive lightweight materials is projected to reach USD 101.5 Billion by 2027, with a compound annual growth rate (CAGR) of 6.5% from 2022 to 2027. Advancements in the mobility sector, including the development of autonomous vehicles, are expected to drive demand for lightweight materials. Vehicle Original Equipment Manufacturers (OEMs) such as BMW and Mercedes-Benz are poised to offer Level 3 autonomous driving capabilities in specific regions, further boosting the demand for lightweight materials. Additionally, autonomous mobility is expanding to the skies, with initiatives such as electric air taxi services planned for the 2024 Olympics in Paris. Companies like Volocopter aim to transition to fully autonomous air mobility, with aircraft designed to operate as autonomous air taxis in the future.

Source: https://www.linkedin.com/pulse/global-chemical-industry-outlook-2024-kamlesh-desai-15cnf/

> The Government aims to boost domestic production of chemicals, transforming India into a manufacturing hub by reducing imports. India's appeal as a manufacturing destination has grown due to competitive labour costs, cost-efficient manufacturing units and recent changes in corporate tax rates.

DOMESTIC CHEMICAL INDUSTRY

The Indian chemicals industry is a vital pillar of the nation's economy, contributing around 7% to the GDP and positioning India as the sixth-largest chemical producer globally and the third-largest in Asia. With its current contribution of approximately 2.6% to the international chemical industry, the Indian chemical sector is primed for further expansion, projected to achieve a size of USD 304 Billion by 2025, with a CAGR of 9.3%.

Aligned with the vision of the Central Government to elevate India's status to world's third-largest economy, the chemical manufacturing sector is set to play a pivotal role in the coming years. India's chemical manufacturing endeavours are projected to triple their global market share by 2040, as per some recent reports.

This anticipated surge in sector growth is supported by various factors, notably an expected 20% increase in domestic consumption and a rise in demand within domestic markets from USD 850 Billion to USD 1,000 Billion by 2040.

Furthermore, the chemical and petrochemical industry in India holds a crucial position within the broader landscape of the nation's manufacturing sector and economic advancement. It serves as a lynchpin in fulfilling fundamental societal needs and enhancing the quality of life for citizens, exerting significant direct and indirect impacts across diverse industrial segments including agriculture, food and beverages, textile, rubber, petroleum refining, among others. Consequently, the performance of the chemical industry is intricately linked with the Manufacturing Sector's Index for Industrial Production (IIP).

Source:

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STRATEGIC EMPHASIS: MINIMISING DEPENDENCY ON IMPORTED CHEMICALS

The Indian speciality chemicals sector has been projected to achieve 6-7% revenue growth in fiscal 2024, primarily driven by robust domestic demand, which constitutes about 60% of total revenue. Despite macroeconomic challenges in the US and Europe tempering export performance, domestic volume growth will propel overall revenue. However, realisations are anticipated to remain flat this fiscal, moderating the overall revenue increase. India has also emerged as a significant contributor in global dyes production, with a market share of approximately 16% of the world's dyestuff exports. The domestic chemical industry covers around 80,000 commercial products, employs over two Million people and makes up 3.4% of the global chemical industry.

The Indian chemical industry has been focussing on capacity expansion due to increasing demand from end-user industries such as pharmaceuticals, food, construction, electronics, dyes and pigments, among others. The demand for a wide range of cosmetic chemicals, health care goods and hygiene products that contain speciality chemicals has also picked up. As a result, capital spending by companies within the sector is expected to continue its upward trend.

However, the industry faces challenges such as inadequate infrastructure, high costs of raw materials, expensive capital and the need for facility modernization. The Indian speciality chemical industry depends on imported raw materials, such as crude oil and natural gas, which are subject to price fluctuations and supply disruptions. The rising prices of these raw materials have squeezed the margins of the Indian speciality chemical companies, while the supply disruptions have affected their production and delivery schedules.

To address these challenges, the Indian Government has introduced initiatives like Aatmanirbhar Bharat and Make in India. The Government aims to boost domestic production of chemicals, transforming India into a manufacturing hub by reducing imports. India's appeal as a manufacturing destination has grown due to competitive labour costs, cost-efficient manufacturing units and recent changes in corporate tax rates.

In conclusion, the Indian chemical industry has been growing significantly, with a focus on capacity expansion and export opportunities. However, the industry faces challenges such as high raw material prices, supply disruptions and inadequate infrastructure. The Indian Government has introduced initiatives to address these challenges and promote domestic production of chemicals.

Source:

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STRUCTURAL GROWTH DRIVERS FOR INDIA

1. **Supply Chain Dynamics Shift -** Recent geopolitical events, such as the Russia-Ukraine conflict and trade restrictions on China, have prompted major multinational corporations to diversify their sourcing strategies. Consequently, the Indian chemicals industry, with its compelling value proposition, is positioned to emerge as a key global hub for chemical manufacturing.

2. **Escalating Domestic Demand -** India currently holds a significant share, over 20%, in global chemical consumption. Experts anticipate a surge in the domestic demand, reaching USD 1,000 Billion by 2040.

3. **Embracing Innovation and Sustainability -** Chemical firms are prioritising value addition while carefully balancing economic, social and environmental impacts. Their innovation endeavours are directed towards promoting sustainability and green chemistry through continuous advancements in products, technologies and processes.

4. **Shifting Customer Preferences -** There is a discernible shift in consumer preferences towards environmentally sustainable and socially responsible products and services. This trend is driving demand for greener and safer alternatives, as customers increasingly prioritise health, hygiene and safety.

5. **Leveraging Data Analytics -** Chemical manufacturing firms are increasingly leveraging data analytics to enhance operational efficiency and profitability. By harnessing insights from big data, they are refining plant operations, managing energy consumption and optimising supply chains. Furthermore, they are employing AI algorithms to predict potential equipment failures, thereby minimising downtime.

6. **Rising Per Capita Consumption -** India's per capita consumption of chemical products, currently at approximately one-tenth of the global average, is expected to double by 2025. The per capita consumption of various chemical products and segments in India continues to be lower compared to that of developed economies. This gap presents significant potential for demand growth and investment opportunities.

7. **Supportive Government Policies -** Government reforms and initiatives, such as 'Make In India' and 'Atmanirbhar Bharat', are aimed at strengthening the chemical manufacturing sector. The objective is to elevate the industry's contribution to approximately 25% of the manufacturing sector's GDP by 2025. In line with these efforts, the Union Budget 2023-24 allocated ₹ 173.45 Crores (USD 20.93 Million) to the Department of Chemicals and Petrochemicals.

Source:

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INDUSTRY OUTLOOK

The chemical sector in India is poised to seize emerging opportunities, significantly advancing the nation's vision to cater to evolving demands and cement its position as a frontrunner in the global chemical market. Anchored by the Petroleum Chemicals and Petrochemical Investment Region (PCPIR) policy, India aims to attract a substantial investment of USD 284 Billion (₹ 20 Lakh Crores) by 2035. Strategically crafted in a cluster-centric approach, this policy is set to propel the chemical sector into a new realm of growth and expansion.

According to insights from the Department of Chemicals & Petrochemicals, the PCPIR policy envisages the creation of 33.83 Million new jobs. Over the next two decades, a significant portion, approximately 80%, of exports is anticipated to stem from agrochemicals, dyes & pigments and food additive chemicals. A total of 16 speciality chemical segments are poised for positive performance, driven by factors such as cost-effectiveness and market demand.

The optimistic trajectory of the chemical industry in India indicates a surplus of growth opportunities and positions the country for global prominence. Favourable growth rates and other key metrics align in India's favour, propelling it towards becoming the premier chemical manufacturing hub over the next two decades.

Despite macroeconomic fluctuations, DNL delivered healthy performance, particularly evident in solid revenue growth for key products like Phenolics, resulting in Consolidated Revenues of ₹ 7,682 Crores for FY 2023-24.

The flourishing local demand for chemicals coupled with expanded export avenues present compelling opportunities for chemical and petrochemical companies to emerge as stalwarts in this transformative journey. The pivotal roles of India's leading petroleum and chemical entities, alongside the central Government, loom large in steering the country towards unprecedented growth in this pivotal sector.

Source:

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PERFORMANCE OF YOUR COMPANY

Deepak Nitrite Limited ('DNL' or 'the Company') has showcased exceptional adaptability in seizing opportunities throughout the year. Despite encountering challenges at the onset of FY 2023-24 amidst global economic strains and sluggish consumption growth, our performance remained steady. The chemical sector faced hurdles due to global inventory destocking, yet our commitment to fortifying market presence and diversifying product offerings remained unwavering. As FY 2023-24 progressed, the challenges intensified with inventory adjustments, geopolitical uncertainties, commodity price fluctuations and volatile foreign exchange rates among others. Coupled with the oversupply situation in certain sectors and subdued market prices, these factors present a formidable array of obstacles. However, our focus on operational efficiency, asset optimisation, product mix enhancement, byproduct valorisation, high integration levels and stringent business controls has empowered us to navigate these challenges more effectively than before. Consequently, amid this challenging backdrop, we have achieved commendable results by engaging with customers, maintaining or expanding market share and upholding leadership positions across key product categories.

During FY 2023-24, the Company set new production and sales records for several flagship products, driven by favourable demand trends. Despite macroeconomic fluctuations, DNL delivered healthy performance, particularly evident in solid revenue growth for key products like Phenolics, resulting in consolidated revenues of ₹ 7,682 Crores for FY 2023-24.

Integration of Strategic Business Units into the 'Advanced Intermediates' segment has not only streamlined evaluation of profitability but also optimised resource allocation based on segment value. Proactive market assessments and strong supply management have enabled DNL to either maintain or enhance its market share across product lines, solidifying its reputation as a reliable partner and increasing wallet share across most products.

Globally, operational challenges persist due to uneven economic growth, sustained inflation and interest rate fluctuations, impacting consumption trends and demand softness in certain regions and segments. Key product realisations remain subdued, exacerbated by Chinese dumping and geopolitical tensions like the Russia-Ukraine War and the Red Sea Crisis, extending cash conversion cycles. The chemical industry faces significant hurdles with demand slowdowns in certain countries, inventory destocking and higher capital costs from rising interest rates, affecting demand. The Indian chemical sector is affected by global destocking, China's market opening and Eurozone slowdown, resulting in subdued realisations and customer off-take. However, we were able to expand geographically and enhance market share. To maintain profitability and market share, the Company implements strategies like exploring new customer opportunities and optimising procurement.

DNL, as a leading chemical intermediates company, boasts a diverse product portfolio catering to various industries such as dyes, agrochemicals, pharmaceuticals and plastics. Its manufacturing facilities are strategically located in Gujarat, Maharashtra and Telangana, with R&D facility in Gujarat, which facilitates global supply across Europe, North & South America, Asia and Africa. Exporting to over 45 nations, DNL is recognised for its cost leadership and aims to expand its presence in high-value intermediates through strategic growth initiatives.

In FY 2023-24, DNL faced challenges from global economic pressures and slower consumption growth, impacting financial performance. Despite these challenges, DNL managed to increase volumes and market share, particularly in sectors such as construction and homecare, offsetting subdued demand in areas like agrochemicals and textiles. The Company's diversified product portfolio and flexible manufacturing capabilities were helpful in volume growth.

Total Revenue for the year stood at ₹ 2,724 Crores, maintaining momentum from the previous fiscal year. Domestic business Revenue amounted to ₹ 1,446 Crores, showcasing resilience in the

local market. Meanwhile, Export Revenue was robust at ₹ 1,278 Crores, underscoring DNL's global footprint. The Company improved its export share from 43% in FY 2022-23 to 47% in FY 2023-24, reflecting enhanced international sales performance.

Overcoming operating challenges, DNL reported an EBITDA of ₹ 492 Crores with stable margins at 18%. Profit Before Tax (PBT) was ₹ 483 Crores and Profit After Tax (PAT) amounted to ₹ 358 Crores. Depreciation and Finance Costs were managed efficiently, with DNL achieving debt-free status by March 31, 2024 and investing surplus funds in liquid mutual funds for enhanced liquidity and stability.

In FY 2023-24, on a consolidated basis, the Company achieved encouraging Revenue performance exceeding ₹ 7,600 Crores. Through efficient plant operations, strategic raw material sourcing and effective logistical management, the Company maintained high product volumes amidst the challenging operating environment. Strong performance was driven by robust gains in the Phenolics division and steady demand recovery, resulting in volume increases and improved realisations. Initiatives to enhance operating efficiency and debottlenecking of Phenolics plant led to record production levels, while the Advanced Intermediates segment reported volume growth and increased wallet share. However, subdued demand recovery in segments like agrochemicals affected realisation trends. Despite this, end-use applications such as pharma, construction, infrastructure and homecare showed healthy growth prospects .

The Company reported an EBITDA close to ₹ 1,200 Crores, with a stable EBITDA margin reaching 15%. This healthy growth was attributed to volume gains in Phenol, high-capacity utilisation, operational efficiencies and successful debottlenecking through implementation of various advanced technologies. Debottlenecking efforts at select facilities and a sharp focus on increasing market share further enhanced the results. PBT and PAT crossed ₹ 1,100 Crores and ₹ 800 Crores, respectively. The Company actively pursued opportunities across all product categories, emphasising ethics and transparent business practices to reinforce the 'Depend on Deepak' initiative.

Domestic Revenue was ₹ 6,135 Crores, while Export Revenue stood at ₹ 1,547 Crores, maintaining a consolidated Domestic to Export ratio of 80:20. This was driven by stable demand in key markets despite transient destocking challenges. DNL prioritises products and regions with steady or growing demand, focussing on sectors like pharma, construction, paper and homecare, which show signs of demand recovery. The Company optimised plant utilisation, enhancing profitability in both Domestic and Export markets. Strategically investing in expansion projects, DNL aims to broaden its expertise and market reach, diversifying its product portfolio to capitalise on competitive advantages. Ongoing projects include brownfield expansions and capex for input supply assurance through Photohalogenation and complex Halex Fluorination processes. These initiatives, along with anticipated cyclical price recoveries, are poised to bolster profitability in the upcoming year .

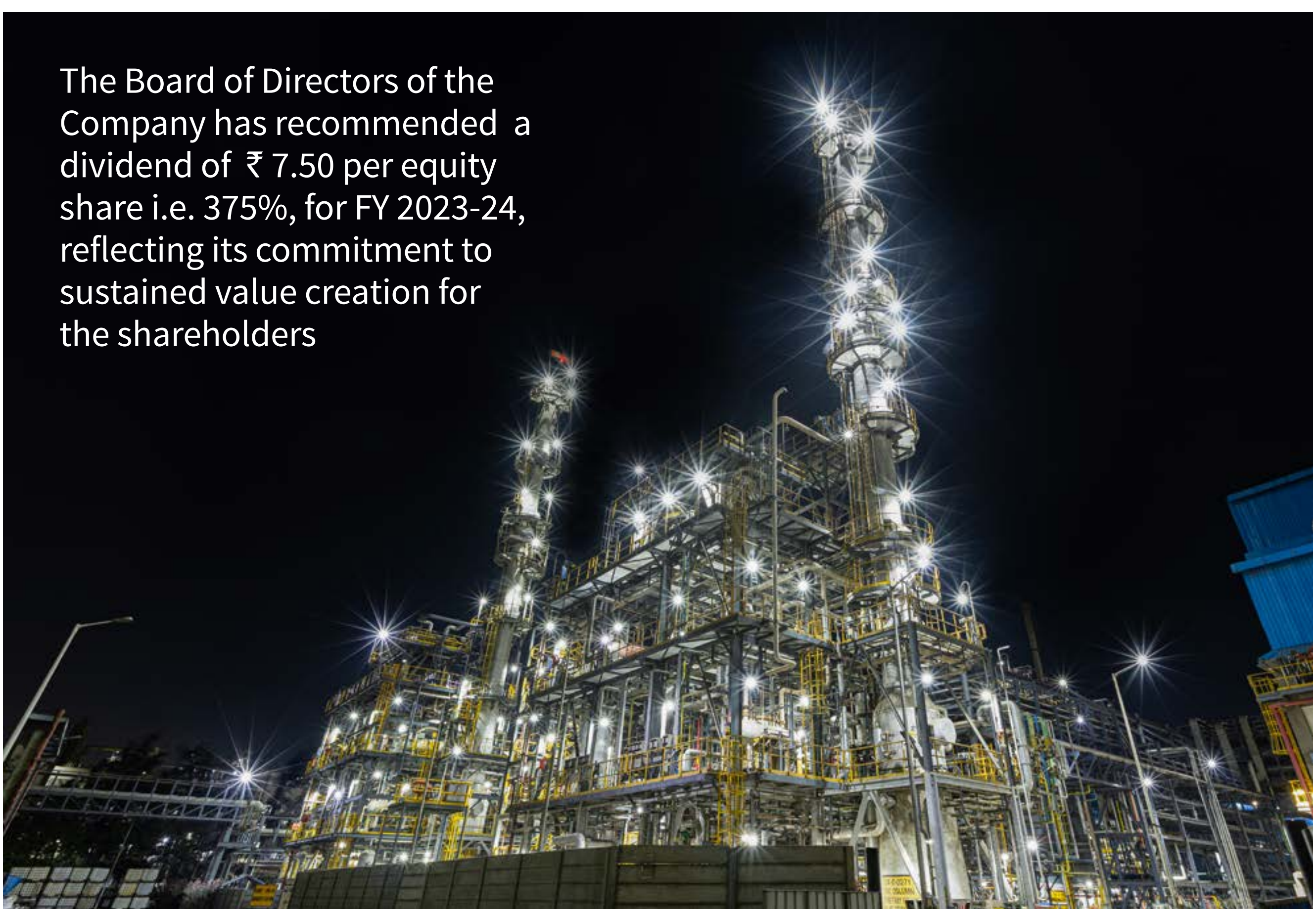
Deepak Phenolics Limited ('DPL'), a wholly-owned subsidiary, achieved significant milestones with Revenue surpassing ₹ 5,000 Crores in the fiscal year 2023-24. Despite challenges posed by contracted Phenol spreads, DPL maintained steady Revenues and EBITDA performance by increasing Phenolics volumes and optimising operations. Advanced Process Controls and favourable conditions facilitated notable production increases in Phenol, Acetone and IPA, driving sales and value. Despite margin pressures from normalised prices and raw material costs, ongoing initiatives such as debottlenecking of the Phenol facility and the Nitric Acid project aim to expand production capacity and enhance downstream capabilities. With a robust financial position, including being debt-free and healthy liquid investments, DPL is positioned for substantial growth and enhanced value creation in downstream chemical intermediates and advanced platforms.

We recognise the vast potential within the speciality chemicals sector worldwide. To maximise opportunities and build resilience against global uncertainties, we're crafting comprehensive value chains aimed at sustained growth in Revenues and Profitability. These strategies are underpinned by ambitious 3 to 4 years investment plans to develop diverse capabilities.

Our proactive approach this year commenced with initiatives geared towards establishing secure, long-term supply arrangements. The Fluorination project stands out as a pivotal step in DNL's journey towards complete backward integration in the speciality chemical value chain, facilitating production of essential agrochemical intermediates and nearing completion on our Nitric Acid integration. These initiatives position DNL as a leading backward-integrated chemical manufacturer in India, enhancing its foothold in Fluorination chemistry. Additionally, through strategic partnerships with the Government of Gujarat, our subsidiary Deepak Chem Tech Limited is poised to invest ₹ 140 Billion over the next 3 to 4 years in manufacturing advanced chemicals for the materials segment. We're also expanding our R&D capabilities and constructing a cutting-edge facility near Vadodara to drive innovation in speciality products, supporting our growth in fine chemicals and beyond.

Overall, the demand outlook remains resilient, with most industries gradually returning to normal production levels. As we step into FY 2024-25, DNL boasts a de-risked business model catering to various end user application, a robust balance sheet and a pipeline of projects ready for commissioning, promising an attractive growth trajectory. Positioned for expansion across various facets with strong value chain integration, our noteworthy investment plans reflect our eagerness to seize opportunities both domestically and globally. Continuously diversifying our product offerings, expanding our customer base and augmenting overall value propositions, we are poised to elevate our business plan. Backed by a solid financial foundation, strong customer relationships and well-considered growth investments, we are well-equipped to capitalise on growing demand and contribute to India's drive towards import substitution.

Our strategic positioning aligns with India's growth potential and our long-term vision to create one of the most integrated chemicals and petrochemical complexes globally. Through prudent investment and sustainable growth practices, we aim to maximise value for all stakeholders while serving the nation's needs.



1. Advanced Intermediates (AI)

DNL has showcased resilient volume growth amidst a dynamic market landscape. While certain applications linked to agrochemicals experienced subdued demand, others such as pharma, construction, infrastructure and homecare remained robust. The mixed sentiment in end-user industries, coupled with steadfast petrochemical-linked raw material prices, prompted us to focus on optimising wallet share. Although some input prices decreased, petrochemical-linked ones remained at good levels due to refinery operating rates and war premiums on crude.

Amidst rising input costs, the Company adjusted product pricing proactively showcasing an adaptive approach. Despite customer inventory destocking witnessed largely in agrochem business, margins in this segment remained resilient, showcasing our operational strength.

Internationally and domestically, the Company has actively pursued opportunities, emphasising its commitment to meeting delivery obligations amidst external headwinds. DNL's competitive position and secure supply of key inputs position well to sustain its performance momentum. Within this segment, DNL has broadened its international clientele and foresees sustained performance momentum propelled by favourable demand patterns and the relocation of global supply chains to India.

User Industries under the segment:

- Colourants, Rubber Chemicals, Explosives, Dyes, Pigments, Food Colours, Pharmaceuticals, Refineries, Agrochemicals, Glass, Personal Care, Paper, Detergents and Textiles

In FY 2023-24, our Revenue crossed ₹ 2,700 Crores. Despite industry challenges, our resilient performance was underpinned by a diverse product portfolio and robust customer engagement. EBIT reached ₹ 446 Crores, reflecting a stable margin of 16%, demonstrating agility amidst external challenges.

Moreover, DNL experienced a positive uptick in sales volume and is actively cultivating new relationships with key customers to ensure consistent offtake. Our market share has been maintained or increased, especially in new geographies, signaling our readiness towards profitable growth. With captive power supply and a secure raw material pipeline, our operations are de-risked. As we prepare to commission multiple projects, both brownfield and greenfield, our performance trajectory is poised for further elevation, enriching our journey of value creation.

With respect to fire incident occurred during June 2022 in warehouse areas at the Company's Nandesari plant, there was damage to certain properties, plant, equipment and inventory as well as loss of profit due to business interruption, for which the Company had filed the insurance claim with insurance companies. Upon pursuing the insurance claim rigorously, the Company has received ₹ 127 Crores towards final settlement of insurance claim from insurance companies.

2. Phenolics

DNL's wholly-owned subsidiary, Deepak Phenolics Limited (DPL), initiated commercial operations at its Phenol & Acetone plant in Dahej, Gujarat, in November 2018. DPL's strategic vision is to gradually transition towards producing value-added downstream products, necessitating the internal consumption of its existing product portfolio of Phenol and Acetone. In April 2020, DPL commenced the production of Isopropyl Alcohol (IPA), a derivative product of Acetone, with an initial capacity of 30,000 MTPA. Subsequently, the brownfield expansion of IPA was completed in December 2021, effectively doubling the capacity to ~60,000 MTPA.

User Industries under the segment:

- Laminates, Ply, Adhesive, Paints, Auto, Pharmaceuticals, Plastics, etc.

DPL recorded a milestone Revenue of over ₹ 5,000 Crores in FY 2023-24 while EBIT witnessed a healthy increase of 8% to ₹ 644 Crores, resulting in a stable EBIT margin of 13%. Despite the contraction of Phenol spreads due to disproportionate imports, DPL managed to maintain Revenue and EBITDA figures. This was primarily attributed to higher volumes in Phenolics, combined with gains from operating leverage and process optimisation. During the year, DPL implemented several initiatives to enhance productivity and operational efficiency. It undertook debottlenecking by adding selective equipment, enabling expansion of production capacity. DPL segment remains on track to enhance downstream product offerings, through its fellow subsidiary, Deepak Chem Tech Limited, leading to higher stronger value chain and integration.

DPL has also embarked on a unique, waste-to-wealth initiative to recover high-value Acetophenone from a low-value by-product stream. This project is expected to be operational by Q1 of the next financial year.

DPL's commitment to continuous improvement and process efficiency is further reflected in its digitisation, adoption of technology in process of operations and automation efforts including its transition to SAP-S4 HANA. In addition to these accomplishments, DPL commenced the use of biofuels to reduce dependence on coal, showcasing its commitment to sustainability and helping towards nation's carbon neutrality program.

3. Investment in Deepak Chem Tech Limited

Deepak Chem Tech Limited ('DCTL'), wholly subsidiary of Deepak Nitrite Limited, is implementing various capital projects for the parent, fellow subsidiary and new products. DCTL aims to produce intermediate chemicals for various applications, building on the competencies and product portfolio of the Group.

During FY 2023-24, the Group has contributed around ₹ 700 Crores in DCTL towards part funding its various capex programmes, out of which, around ₹ 500 Crores is in the form of Equity and

₹ 40 Crores is in the form of Non-Cumulative Optionally Convertible Redeemable Preference Shares.

DCTL commenced manufacturing operations of its state-of-the-art Fluorination plant on March 21, 2024 at Dahej, near Bharuch in Gujarat. The said plant has started manufacturing Benzo trifluoride (BTF) which shall, not only increase reliability for captive consumption, but it also opens whole line of intermediates based upon Fluorine chemistry.

Further, it is about to commission Nitric Acid projects, both diluted and concentrated Nitric Acid; this is expected to cater to requirements of Nitric Acid, in existing and future products around Nitration Chemistry. The MIBK/MIBC project is nearing completion and is expected to be operational in the second half of the current financial year.

DCTL is poised to capitalise on the thriving opportunities in the Indian chemical industry in line with the Aatmanirbhar Bharat initiative. It plans to double the Group's Phenol production capacity and venture into downstream, value-added products of Phenol and Acetone to take advantage of the burgeoning market demand. This move will ensure complete control over the supply chain and reduce reliance on imports, enabling us to effectively meet the increasing customer demands and catalyse growth.

Towards this, DCTL has inked two Memorandum of Understanding (MOU) totalling nearly ₹ 14,000 Crores with the Government of Gujarat with an intention to invest in setting up projects at Dahej, in the state of Gujarat. This includes an MoU worth ₹ 5,000 Crores signed on May 23, 2023 for setting up facility to produce speciality chemicals, Phenol, Acetone and Bisphenol within the state. The additional MoU worth ₹ 9,000 Crores inked on January 31, 2024 is to establish projects for manufacturing of three new products, Polycarbonate Resins, Methyl Methacrylate (MMA)/ Poly Methyl Methacrylate (PMMA) Resins and compounds, as well as Aniline. All announced investments are expected to be completed by FY 2027-28, reinforcing the Group's commitment to import substitution through value-addition.

Going forward, DCTL is poised for substantial growth capital commitment, driving greater captive consumption into additional upstream and downstream chemical intermediates which would include building blocks, speciality chemicals on the base of building blocks, performance, advanced materials and effect chemicals products, thereby increasing overall value addition. Hence, expectedly, DCTL shall become the growth engine of the Group.

Other Subsidiary Companies

On December 2, 2023, the Registrar of Companies gave the green light for Deepak Nitrite Limited to establish Deepak PMC Limited ('DPMCL') as a wholly-owned subsidiary. With an authorised and paid-up equity share capital of ₹ 5 Crores, DPMCL will specialise in project engineering, procurement, construction, commissioning, management and consultancy services. This new venture diverges from DNL's primary focus on chemical manufacturing, aligning with the Company's ongoing strategy to expand through various projects and brownfield initiatives.

During FY 2023-24, DNL further invested in Deepak Oman Industries LLC (SFZ) ('DOIL'), incorporated in Oman, raising its stake in DOIL from 31.72% to 51%, thereby making DOIL its subsidiary. Additionally, DNL will also be providing a Corporate Guarantee for securing the Term Loan of approximately USD 49 Million to be obtained by DOIL from the Export-Import Bank of India and interest and other charges thereon. DOIL is intending to set up a greenfield project to manufacture Sodium Nitrite, Sodium Nitrate, in Salalah Free Zone, Sultanate of Oman which would benefit from low input costs of raw materials and energy.

The Board of Directors of the Company, at its meeting held on May 20, 2024 also approved acquisition of 100% paid-up Equity Share Capital of OXOC Chemicals Limited (‘Oxoc’). Oxoc is engaged in the business of manufacturing Polycarbonate Compounds and has started manufacturing activities in March 2024. With this acquisition, Oxoc will become a wholly-owned subsidiary and the Company shall have access to its manufacturing operations which would expedite foray of the Group into Polycarbonate Compounds business.

NAVIGATING FORWARD – CAPITAL EXPENDITURE STRATEGIES AHEAD

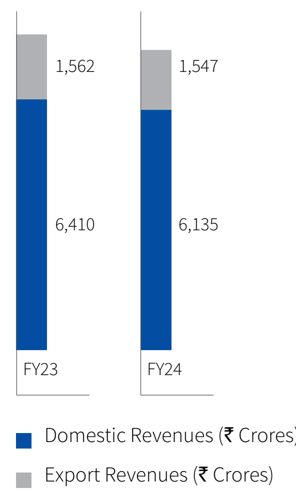
DNL is primed for multifaceted expansion with a robust integration within the value chain. Our current investment plan, totalling around ₹ 2,200 Crores, showcases our fervour to seize opportunities both domestically and globally. The Company’s investment initiatives encompass capacity expansion, assured raw material availability, enhanced efficiency through backward integration, portfolio diversification and integration of new chemistries into operations.

- A landmark term sheet with Petronet LNG secures a consistent supply of key raw materials, ensuring stability in our growth trajectory
    - DPL will procure 250 KTPA of Propylene and 11 KTPA of Hydrogen via pipeline from Petronet LNG from their proposed Propane dehydrogenation facility being set up at Dahej, guaranteeing access to crucial feedstock in future for uninterrupted production processes
    - This arrangement offers reliability, cost-effectiveness, safety and environmental benefits
- Progress continues on the Polycarbonate compounding project, with seeding cum manufacturing activity initiated during the year
- Significant strides have been made in the construction of the PhotoHalogenation project
- The Nitric Acid project has achieved rapid progress and manufacturing is expected to commence later this year
- The Phenolics segment aims to enhance downstream offerings, particularly with projects like MIBC and MIBK, to maximise Acetone utilisation and improve margins. The forthcoming commissioning of the derivatives plant in the second half of the current financial year will facilitate downstream value-added products

These initiatives will drive strong Revenue growth, expand market presence, improve margins, diversify product offerings and strengthen relationships with customers and suppliers. With a solid financial foundation, strong client ties and thoughtful growth strategies, we are poised to enhance our business proposition. Our expansion efforts will enhance competitiveness, fuel market share expansion and generate value for stakeholders. Positioned strategically for comprehensive growth, DNL will bolster integration within existing and new value chains, seizing emerging opportunities domestically and internationally. We will continue to diversify our project portfolio, expand our customer base and enrich overall value propositions, while maintaining our strong financial position and robust client relationships.

GEOGRAPHICAL PERFORMANCE

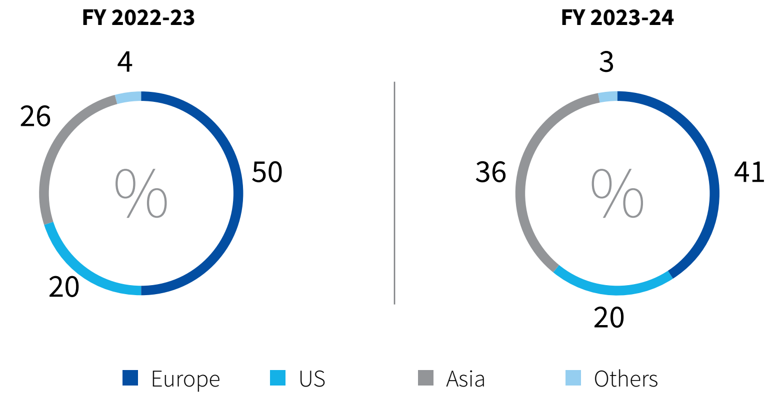
In terms of our geographic split, in our Standalone operations, we improved the share of Exports from 43% in FY 2022-23 to 47% in FY 2023-24. With the ratio of Domestic to Export Revenues at 53:47 in FY 2023-24. While on a Consolidated basis, the Domestic Revenues for the year stood at ₹ 6,135 Crores while Export Revenues came in at ₹ 1,547 Crores. The proportion of Domestic and Export Revenue of 80:20 remains unchanged on consolidated basis. The steady Domestic Revenues performance during the year reflects the recovery in demand across pivotal end-user industries.



DNL effectively met the growing demand and retained a significant market share for its products. The Company’s stature as a preferred supplier for key domestic clients was sustained, owing to its competitive edge. This was further augmented by efficient production practices and a favourable product mix, culminating into positive volume growth for specific products.

Export Revenue performance during the period was led by intensified customer engagements in key geographies and the global supply chain shift. DNL’s adeptness in optimising plant utilisation levels and efficient manufacturing processes has helped sustained this growth trajectory. Asia’s share increased while Europe’s share declined owing to financial challenge being faced by Euro zone caused by energy prices and availability.

The robust growth momentum in both Domestic and Export Revenues underscores DNL’s commitment to cost leadership, production efficiency and product mix improvement. Positioned strategically, the Company is poised to continue its growth trajectory by capitalising on opportunities in key end-user sectors, optimising plant utilisation and fostering deeper customer engagement in pivotal geographic regions.



For DPL, Revenues for FY 2023-24 stood at ₹ 5,003 Crores and Domestic and Exports Revenue mix stood at 95:05.

RISK MANAGEMENT

As a pioneer in the global chemical industry, the Company comes across a diverse array of risks. To address these challenges, the Company has set up a comprehensive Risk Management Policy designed to foster operational resilience and capitalise on a portfolio of high-quality products tailored to various end-user sectors. Risk Management constitutes a pivotal aspect of operations, with the Company consistently prioritising initiatives centred around integrated leadership and succession planning strategies to enhance performance trajectories.

The Company has a well-defined Risk Management Framework and robust Internal Control systems that support risk mitigation efforts across its diverse business segments. The execution of Risk Management Policies entails a robust foundation of independent oversight, Internal Audit reporting and corporate management engagement. Transparent and objective measures have been adopted to assess and address underlying business risks effectively. The Internal Audit function conducts risk-focussed audits across all product categories to identify and rectify areas of concern. The Company's seasoned team adeptly navigates challenges pertaining to raw material pricing, commodity risks and currency fluctuations, with management implementing prudent measures to minimise their adverse impact on operational activities.

Risk Committee of the Board focusses on major business challenges and Company's preparedness to overcome the same.

Overall, the Company has established effective Risk Management and prevention frameworks, enabling it to navigate the complexities associated with operating in the global chemical sector. Leveraging its superior product offerings and implementing targeted risk mitigation strategies, the Company remains steadfast in enhancing its operational capabilities and institutional performance.

SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS (STANDALONE)

Key Financial Ratios	FY 2023-24	FY 2022-23	Change (%)	Reason
Debtors Turnover Ratio	4.50	5.29	-15%	Increase in export sales resulted in increase in overall receivables.
Inventory Turnover Ratio	4.17	4.86	-14%	Sourcing imported Raw Material (having longer lead time) as compared to local procurement has led to increased inventory turnover ratio.
Current Ratio	4.99	4.61	8%	
Debt Equity Ratio	0.00	0.00	-	The Company is debt free
Return on Net Worth (%)	14.67	17.88	-321 bps	Due to lower Profitability and Higher Reserve
Operating Profit Margin (%) (EBIT)#	16.87	19.50	-263 bps	Due to lower profitability.
Net Profit Margin (%) (PBT)#	16.80	19.45	-265 bps	

#Excluding exceptional item

INTERNAL CONTROL FRAMEWORK

The Company has established a robust Corporate Governance framework to oversee its operations, with its management team strictly adhering to financial and accounting policies, processes and systems. The Company's Risk Management Framework and Planning & Review Processes serve as a sturdy foundation for maintaining Internal Financial Controls over its Financial Statements. Planning initiatives are grounded in essential accounting policies meticulously selected by management, endorsed by the Audit Committee and the Board and subject to regular review and updates.

Key management actively evaluates these processes, standard operating procedures (SOPs) and controls, which are further audited by an Internal Audit Team. The findings and recommendations of the Internal Audit and assurance team undergo scrutiny by the Audit Committee and are subsequently implemented as necessary. The Company maintains effective Internal Financial Controls for its Financial Statements, which are continuously evaluated throughout the year, with a focus on critical aspects of Internal Controls.

Following a comprehensive assessment by key management, no reportable material deficiencies or significant deficiencies in implementing Internal Financial Controls have been identified. The Company employs regular audit and review techniques to continually reinforce these programmes.

HUMAN RESOURCE DEVELOPMENT

As of March 31, 2024, the Company has a total of 1,720 permanent employees including permanent workers. The Company's Human Resource Development approach is grounded in core principles of relevance, continuity and fairness. Various techniques are employed across segments to bolster talent management, skill development and operational efficiency. These initiatives have yielded a notable enhancement in talent retention and commitment.

The HR function remains steadfast in aligning its strategic interventions and procedures with a long-term vision aimed at creating and amplifying value for the Indian chemical industry and its stakeholders. This commitment stands as a pivotal factor in elevating business performance. Upholding "best-in-class" talent is deemed crucial in talent management. Performance management practices intricately link individual and team performance to the Company's overarching strategic objectives.

Towards attracting and retaining the best talent, the Company had proposed ESOP Scheme which has obtained approval of the shareholders. Depending on strict adherence to KRAs, the Nomination and Remuneration Committee is going to approve Stock Options for key talent. This is expected to help the Company to have the best talent while it undertakes mega projects.

DNL's Research and Development endeavours are dedicated to pioneering new chemical compounds and extracting value from by-products. Continuously evaluating current products and processes, DNL strives to optimise efficiency and drive cost savings.

SWOT ANALYSIS

Strengths

1. **Sustainability is central to DNL's Vision:** DNL upholds a commitment to business sustainability, recognised by customers as a top priority. As it progresses towards greater scale and diversification, its product will touch endless customers and end users. As a responsible corporate citizen, DNL's leadership position in various chemical products and value chain will ensure sustainable utilisation of natural resources with adherence to environmental, social and governance principles.

2. **Diverse Product Portfolio:** DNL has a diverse range of products categorised into two main segments: Advanced Intermediates and Phenolics. Catering to various industries such as dyes & pigments, agrochemical, pharmaceutical, plastics, textiles, paper, home & personal care and petro derivatives, this extensive portfolio mitigates risks associated with product obsolescence. Leveraging production expertise and knowledge of complex chemistries, DNL continually enhances its product portfolio to meet the evolving needs of its diverse customer base.

3. **Streamlined Supply Chain Operations:** DNL exhibits agility in fulfilling delivery obligations, maintaining consistent performance. The Company adeptly executes operational plans, ensuring timely and reliable deliveries to customers. Leveraging chemical manufacturing expertise, DNL efficiently manages large-scale logistics and supply chains. Harnessing technology, the Company's nationwide supply chain team fosters strong partnerships with suppliers and customers, enhancing service quality and market competitiveness.

4. **Global Reach and Strong Partnerships:** DNL boasts an extensive distribution network spanning over 45 countries across six continents, encompassing vital markets such as the United States, Europe, China and India. This strategic presence enables DNL to seamlessly access new markets and expand its market share. Deep-rooted customer relationships and a steadfast commitment to customer-centric practices further solidify DNL's standing as a preferred supplier for key clients worldwide. These strengths empower DNL to capitalise on burgeoning demand for chemicals on both domestic and international fronts.

5. **Innovation and Technological Advancements:** DNL's Research and Development endeavours are dedicated to pioneering new chemical compounds and extracting value from by-products. Continuously evaluating current products and processes, DNL strives to optimise efficiency and drive cost savings. With a focus on sustainable chemistry, DNL aims to seize innovation opportunities while upholding operational excellence. Its robust execution capabilities and proven track record are instrumental in transitioning into a research and innovation-driven enterprise.

6. **Cost Efficiency:** DNL secures a strong cost leadership position across various product lines, commanding a substantial market share. This success is the result of relentless efforts to attain economies of scale and ongoing process innovations, which not only provide value to customers but also ensure operational cost-effectiveness.

7. **Leadership Excellence:** DNL's leadership team consists of seasoned industry professionals renowned for their deep expertise and acute market insights. They uphold the Code of Responsible Care and ethical standards as guiding principles. With a long-standing track record of driving the Company's success, the management team remains dedicated to high-margin products, emphasising Research and Development initiatives and nurturing enduring customer partnerships.

Weaknesses

1. **Addressing Energy Needs:** As chemical processes grow in complexity, consistent access to energy sources becomes critical. DNL inaugurated a 29 MW captive power plant in Dahej in May 2022 to meet this requirement. While relying mainly on traditional fuels like coal and furnace oil for power generation, DNL continues to explore measures to enhance its ecological footprint, particularly in improving energy efficiency in line with ESG goals.

   Navigating Input Cost Volatility: In an environment marked by rising input costs and supply limitations businesses face significant challenges. This volatility is influenced by various factors such as demand-supply dynamics, economic and political conditions, shipping expenses, labour costs, natural disasters, pandemics and competitive pressures. Despite employing various

methodologies and assumptions, uncertainties persist in predicting these variables accurately. To mitigate the impact of such fluctuations, DNL has established ongoing assessment of these scenarios and has implemented benchmark bases pricing strategy for majority of its products.

Opportunities

1. **Supportive Government Policies:** India's 'Make in India' campaign, 'Atmanirbhar Bharat' initiative and various Production-Linked Incentive (PLI) schemes are geared towards strengthening domestic manufacturing. These endeavours streamline regulatory procedures and offer ample prospects for foreign partnerships. DNL is strategically positioned to leverage these policies to advance its growth agenda.

2. **Promising Export Prospects:** With global chemical leaders aiming to decentralise their supply chains from China, well-established Indian chemical intermediate firms have an opportunity to showcase their prowess internationally. The optimistic demand forecast has spurred Indian chemical exporters to scale up their facilities and operations.

3. **Substantial Opportunity for Import Replacement:** DNL has a legacy of targeting products that are heavily imported in the domestic market, starting from its pioneering product, 'Sodium Nitrite,' to its recent expansion into Deepak Phenolics. Import substitution remains integral to DNL's strategic approach, with successful replacements of crucial items like Phenol and Acetone resulting in considerable savings in foreign exchange and attaining self-reliance. The Company maintains its focus on introducing value-added downstream products to supplant imports, leveraging the favourable demand environment. Our product portfolio of Phenol derivatives offers significant opportunities of going downstream where today market depends on imports.

Threats

1. **External Challenges:** DNL's substantial reliance on the Indian market, accounting for over half of its total Revenue, exposes the Company to fluctuations in demand-supply dynamics across various sectors. Despite serving a diverse range of industries, mitigating dependency risks on any single customer or sector, a downturn in domestic demand could markedly affect the Company's earnings visibility.

2. **Geopolitical Developments:** Global geopolitical occurrences, such as the Russia-Ukraine War, have the potential to disturb established trade relations, triggering heightened tariff rates, sanctions and supply chain interruptions. These disruptions may lead to elevated prices and constrained availability of specific products and commodities. Although DNL vigilantly monitors these events, it remains susceptible to adverse consequences stemming from geopolitical tensions.

3. **Product and Process Viability Risk:** The ongoing evolution of technologies and methodologies poses a risk of product obsolescence, with newer and more efficient alternatives emerging over time. This shifting landscape may reduce demand for existing products or require the replacement of current processes. Nevertheless, DNL's strong foothold in numerous product categories offers some protection against these risks. Additionally, the Company proactively assesses and improves its processes to adapt to technological advancements.

4. **Shortage of Skilled Manpower:** The intricate nature of chemical processes demands a workforce with specialised expertise, presenting difficulties in recruiting suitable talent. Moreover, there may be a scarcity of technically proficient individuals in India. To tackle this challenge, DNL implements diverse initiatives, including comprehensive training programmes for professional growth, educating employees on industry nuances and advocating for adherence to international best practices to foster and broaden the current talent pool.

Despite global challenges like inflation, destocking and the Eurozone slowdown, the Company has remained agile, ensuring steady revenue growth by fulfilling delivery commitments and expanding its market share across all sectors.

MANAGEMENT OUTLOOK

DNL is strategically positioned to leverage the 'Make in India for the World' initiative, enabling capacity expansion for both baseline growth and migration of production from high-cost regions. Leveraging its robust manufacturing infrastructure and extensive expertise in chemistry, DNL plays a pivotal role as a trusted collaborator for major domestic and global clients. The Company is focussed on enhancing value chain resilience and is prepared to embark on multiple projects in the coming years. These initiatives include backward integration for strategic feedstock, development of value-added downstream derivatives, establishment of innovative platforms like Photochlorination and Fluorination and investment in compounding assets to meet the needs of multinational companies investing in Indian capacities. In a nutshell, similarly DNL standalone business offers growth opportunities, both backward and forward, based on its platform created. DNL is committed to reducing its carbon footprint through the implementation of initiatives such as multi-fuel boilers, waste recycling and valorisation of by-products, effective operational processes.

Further, our approach to thriving in a challenging business environment encompasses the following key strategies:

- **Business Resilience:** Demonstrating the ability to optimise assets and navigate through difficult market conditions effectively.
- **Product Mix Optimisation:** Actively managing our portfolio to meet customer requirements while maximising margins.
- **Deep Customer Relationships:** Maintaining a market leadership position across key products by fostering strong relationships with our customers.
- **Robust Business Controls:** Implementing stringent inventory and working capital optimisation measures, including prudent raw material procurement and the adoption of SAP in DPL, with plans to extend to other entities.
- **Focus on Sustainability:** Working towards sustainability by developing renewable energy solutions to reduce our carbon footprint. Diversification of fuel sources, such as boilers based on briquettes and other materials, contributes to this effort.
- **Operational Excellence:** Continuously improving processes to achieve world-leading efficiency in atomisation and maximising the value of by-products through valorisation.

To achieve these growth objectives, the Company has enhanced operational efficiencies through process optimisation, yielding cost reductions in power and water consumption. With a robust project pipeline, investments totalling ₹ 2,200 Crores are slated for commissioning by FY 2024-25, bolstering capacity and backward integration efforts.

Additionally, brownfield projects, including a new unit for a key agrochemical intermediate, are underway. Plans encompass expansion of select products, strengthening forward and backward integration and introducing new chemistry platforms like Photochlorination and Fluorination. Leveraging efficient chemistries, DNL aims to serve diverse end-user industries.

Looking ahead, the Company plans to expand product categories strategically, remaining agile to seize opportunities from evolving industry trends. Diversifying product offerings with new solvents will enhance market reach and increase the share of high-margin products, thereby enhancing the overall business proposition. Steady strengthening of the Balance Sheet ensures adequate funding for incremental growth capital expenditures.

DISCLAIMER: The contents of this Report include statements that look forward into the future and may carry risks and uncertainties. These forward-looking statements are identified by words such as 'anticipate,' 'belief,' 'estimate,' 'expect,' 'intend,' 'will' and other similar expressions related to the Company and its Businesses. The Company does not have an obligation to update or modify these forward-looking statements publicly, whether due to new information, future events, or other reasons. The actual results, performances, or achievements may differ significantly from what is expressed or implied in these forward-looking statements. It is advised that readers exercise caution and not overly rely on these forward-looking statements as they only reflect the state of affairs as of the date of this Report. It is recommended to read this Report together with the financial statements and their accompanying notes.

FINANCIAL HIGHLIGHTS FOR THE LAST TEN YEARS

Sr. No.	Particulars	UOM*	Ind-AS														Indian GAAP	
			Consolidated						Standalone									
			2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
1	Total Income	₹ in Cr	7758	8020	6845	4382	4265	2715	2848	3135	2582	1823	2237	1795	1491	1324	1337	1329
	YoY Growth	%	(3.26)	17.16	56.22	2.73	57.08	60.80	-9.16	21.43	41.63	-18.52	24.67	20.38	12.56	-0.96	0.61	4.55
2	EBITDA	₹ in Cr	1199@	1337	1646	1269	1061	429	567@	688	716	550	804	308	214	152@@	168	140
	Profit / (Loss) Before Taxation	₹ in Cr	1022@	1146	1434	1042	806	268	478@	610	642	479	706	212	122	74@@	91	68
	Percentage to Total Income	%	13.17	14.29	20.96	23.78	18.91	9.87	16.80	19.45	24.87	26.28	31.56	11.84	8.19	5.58	6.83	5.10
4	Profit / (Loss) After Taxation	₹ in Cr	811	852	1067	776	611	174	433	469	486	355	544	138	83	52#	65	53
	Percentage to Total Income	%	10.45	10.62	15.58	17.71	14.33	6.40	15.22	14.97	18.83	19.47	24.32	7.69	5.60	3.92	4.87	4.02
5	Equity	₹ in Cr	27	27	27	27	27	27	27	27	27	27	27	27	27	26	23	21
6	Net worth	₹ in Cr	4797	4090	3338	2347	1572	1072	2955	2625	2256	1845	1491	1058	944	732	476	347
7	Debt	₹ in Cr	217	54	301	578	1099	1187	0	0	14	-	208	328	462	574	495	545
8	Dividend on Equity Capital	₹ in Cr	102##	102	95	75	61**	27	102##	102	95	75	61**	27	18	16	14	10
	Percentage	%	375##	375	350	275	225**	100	375##	375	350	275	225**	100	65	60	60	50
9	EPS	₹	59.45	62.46	78.20	56.88	44.80	12.73	31.78	34.41	35.65	26.01	39.89	10.12	6.34	4.43	6.07	5.11
10	Book Value*#	₹	352	300	245	172	115	79	217	192	165	135	109	78	72	62	44	34
11	Net Debt/ Equity Ratio	x	0.00	0.00	0.00	0.15	0.68	1.08	0.00	0.00	0.00	0.00	0.14	0.30	0.43	0.64	0.89	1.56

* UOM: Units of Measurement

** Interim Dividend

@ Excludes exceptional income derived from insurance claims received against fire.

@@ Excludes exceptional income derived from sale of land.

Proposed dividend is accounted as and when declared by the Company

*# In FY 2014-15, the Company has split its Equity Shares from face value of ₹ 10 each to ₹ 2 each and issued Bonus Shares in the ratio of 1:1. Hence, Book Value is not comparable.