

Deepak Nitrite

Estimate change

TP change

Rating change



CMP: INR1,736

TP: INR1,450 (-16%)

Sell

Stable operating performance amid persistent macro headwinds

Operating performance beats estimate

- Deepak Nitrite (DN) reported a healthy operating performance, with EBIT growing 18% YoY to INR3.1b, led by 20% YoY EBIT growth in the Phenolic segment. This growth was driven by strong pricing gains and stable plant operations, while Advanced Intermediate's EBIT declined 25% YoY.
- While near-term performance may continue to see some pressure amid persistent industry-wide challenges and evolving geopolitical developments, the impact on overall performance is likely to remain limited, supported by continuous process refinements and cost optimization initiatives.
- Factoring in the better-than-expected margin in 4QFY26, we increase our FY27/FY29 estimates by 7%/9% and expect a CAGR of 11%/19%/23% in revenue/EBITDA/PAT over FY26-28. **We value the stock at 24x FY28E EPS to arrive at our TP of INR1,450. Reiterate Sell.**

The intermediate segment continues to face margin headwinds

- DN's 4Q revenue declined 3% YoY to INR21.2b (est. in line), primarily due to a 7% YoY decline in phenolics to INR14.3b, while advanced intermediates' revenue grew 8% YoY to INR7.1b.
- Gross margin came in at 34.9% (up 430bp YoY), while EBITDAM stood at 17.7% (up 320bp YoY). Employee costs as a % of sales stood at 5.2% (vs. 4.7% in 4QFY25), while other expenses stood at 12% (vs. 11.4% in 4QFY25).
- EBITDA grew 19% YoY to INR3.7b (our est. INR2.5b), and EBIT for Phenolics grew 20% YoY, while EBIT for advanced intermediates declined 25%.
- EBIT margin for advanced intermediates contracted 210bp, while EBIT margins for Phenolic expanded 440bp YoY to 20%.
- Adjusted PAT stood at INR2.2b (est. of INR1.5b), up 8% YoY.
- In FY26, DN's revenue/EBITDA/adj. PAT declined 5%/10%/20% to INR78.9b/INR9.8b/INR5.6b.
- CFO stood at INR5.4b as of Mar'26 compared to INR6.2b as of Mar'25.

Highlights from the management commentary

- **Advanced Intermediates:** The nitrogen and hydrogenation plants have already been commissioned and are operating at the desired productivity and efficiency levels. However, in 4Q, the company faced technical issues at its nitric acid plant, resulting in ~45% utilization, following which the company had to procure the balance of nitric acid requirements from the market to ensure uninterrupted production and meet customer demand.
- **Polycarbonate:** DN is making steady progress on its polycarbonate project, with rapid dismantling of its German plant at Stade. The shipment of equipment to India is already underway, alongside ongoing infrastructure development and contractor mobilization in India. Additionally, the company has signed a long-term agreement with Linde plc for a dedicated on-site HyCO (hydrogen and carbon monoxide) plant to ensure a reliable raw material supply, with commissioning targeted for Jun'28 in line with the project timeline.

Bloomberg	DN IN
Equity Shares (m)	136
M.Cap.(INRb)/(USD\$)	236.8 / 2.5
52-Week Range (INR)	2174 / 1280
1, 6, 12 Rel. Per (%)	16/10/-12
12M Avg Val (INR M)	363

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	78.9	88.7	96.4
EBITDA	9.8	11.9	14.0
PAT	5.6	7.2	8.4
EPS (INR)	41.0	52.7	61.8
EPS Gr. (%)	-19.7	28.3	17.4
BV/Sh. (INR)	427.9	470.8	521.1

Ratios

Net D:E	0.2	0.5	0.9
RoE (%)	10.0	11.7	12.5
RoCE (%)	8.2	8.2	7.4
Payout (%)	18.6	18.6	18.6

Valuations

P/E (x)	42.6	33.2	28.3
P/BV (x)	4.1	3.7	3.4
EV/EBITDA (x)	25.6	22.7	21.7
Div. Yield (%)	0.4	0.6	0.7
FCF Yield (%)	-2.8	-7.5	-12.8

Shareholding Pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	49.3	49.3	49.3
DII	23.5	23.2	23.2
FII	6.2	6.1	6.7
Others	21.0	21.4	20.9

FII includes depository receipts

- **Product development:** The company has commenced commercial-scale validation batches for 6-7 new products, including fluorinated molecules, with initial customer feedback remaining positive. Management expects regular commercial production to begin from 3Q onwards, aligned with export customers' CY26 requirements, while commercialization of Methyl isobutyl ketone (MIBK) and Methyl Isobutyl Carbinol (MIBC) remains broadly on track.
- **Raw material:** At the end of Feb'26, inventory levels of critical feedstocks remained elevated due to opportunistic procurement of raw materials during periods of price correction. This strategy has served the company well, and management anticipates maintaining a reasonable inventory of feedstock at favorable prices through the end of 2QFY27.

Valuation and view

- The global chemical industry continues to face a challenging operating environment characterized by persistent global challenges, uneven recovery in demand, and the West Asia crisis, leading to disruption in established supply chains, challenges to logistics, and volatility of crude oil prices.
- The company's focus on continuous process refinements and cost optimization initiatives is expected to drive operational performance and fortify its competitive positioning. Further commercialization of new products, along with the commercialization of MIBK/MIBC projects by early 2QFY26, is also expected to drive earnings growth.
- Factoring in the better-than-expected margin in 4QFY26, we raise our FY27/FY29 estimates by 7%/9% and expect a CAGR of 11%/19%/23% in revenue/EBITDA/PAT over FY26-28. **We value the stock at 24x FY28E EPS to arrive at our TP of INR1,450. Reiterate Sell.**

Consolidated - Quarterly Snapshot

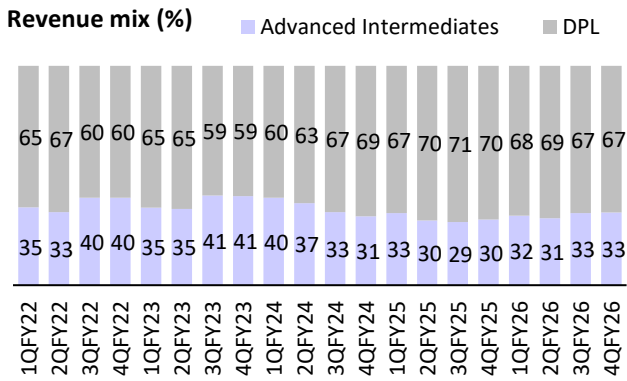
Y/E March	FY25				FY26				FY25			FY26	FY26	FY26	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY25	FY26	FY26	FY26	4QE		
Gross Sales	21,668	20,320	19,034	21,797	18,899	19,019	19,750	21,203	82,819	78,871	21,518				-1%
YoY Change (%)	22.5	14.3	-5.3	2.5	-12.8	-6.4	3.8	-2.7	7.8	-4.8	-1.3				
Total Expenditure	18,577	17,345	17,349	18,631	17,003	16,976	17,641	17,443	71,901	69,064	19,045				
Gross Margin (%)	30.8%	32.0%	26.8%	30.6%	28.0%	27.6%	27.8%	34.9%	30.1%	29.7%	29.0%				
EBITDA	3,092	2,975	1,685	3,166	1,896	2,043	2,109	3,760	10,918	9,807	2,473				52%
Margin (%)	14.3	14.6	8.9	14.5	10.0	10.7	10.7	17.7	13.2	12.4	11.5				
Depreciation	475	485	482	513	513	533	576	626	1,954	2,246	590				
Interest	58	63	61	93	81	79	110	189	275	460	115				
Other Income	188	213	210	228	246	200	85	69	839	599	200				
PBT	2,748	2,640	1,352	2,788	1,547	1,630	1,380	3,014	9,528	7,571	1,968				
Tax	723	698	371	762	425	443	382	815	2,554	2,064	495				
Rate (%)	26.3	26.4	27.4	27.3	27.5	27.2	27.7	27.1	26.8	27.3	25.2				
Reported PAT	2,025	1,942	981	2,025	1,122	1,187	998	2,197	6,974	5,504	1,473				49%
Adj PAT	2,025	1,942	981	2,025	1,122	1,187	1,091	2,197	6,974	5,598	1,473				49%
YoY Change (%)	35.1	-5.3	-51.4	3.4	-44.6	-38.9	11.2	8.5	-7.3	-19.7	-27.3				
Margin (%)	9.3	9.6	5.2	9.3	5.9	6.2	5.5	10.4	8.4	7.1	6.8				

Exhibit 1: Change in estimates

Particulars	Actual/ Revised		Previous		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue (INR m)	88,748	96,356	88,063	95,602	1%	1%
EBITDA (INR m)	11,941	13,958	11,005	12,930	9%	8%
PAT (INR m)	7,185	8,433	6,691	7,719	7%	9%
EPS (INR)	52.7	61.8	49.1	56.6	7%	9%

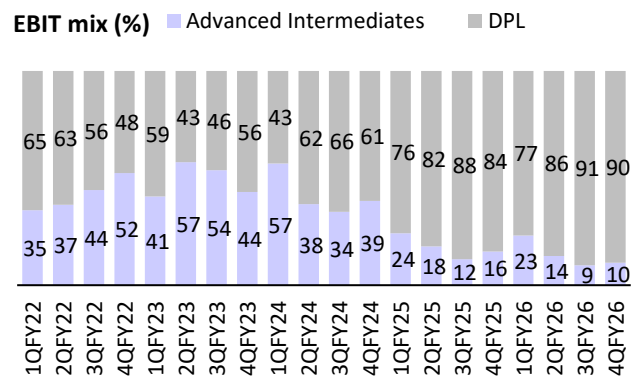
4QFY26 in charts

Exhibit 2: Revenue mix trend



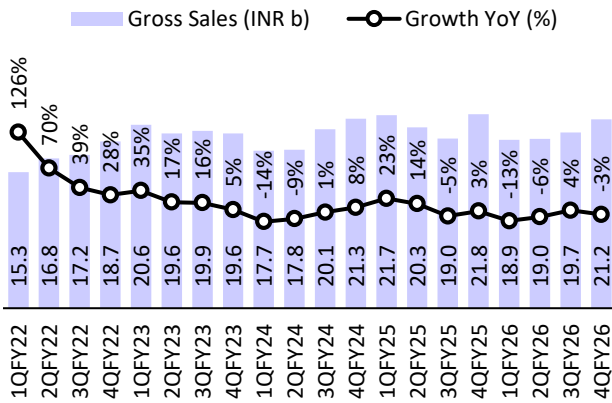
Source: Company, MOFSL

Exhibit 3: EBIT mix trend



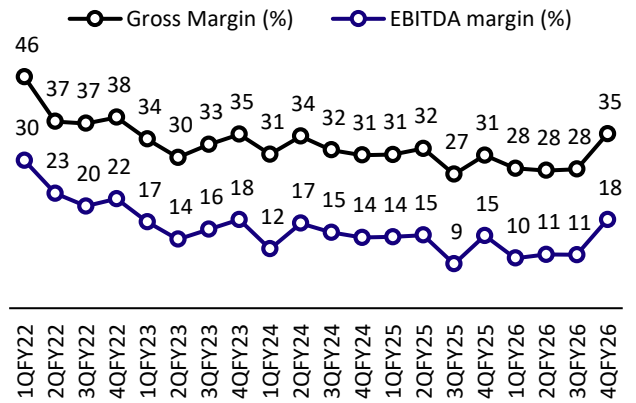
Source: Company, MOFSL

Exhibit 4: Sales declined 3% YoY



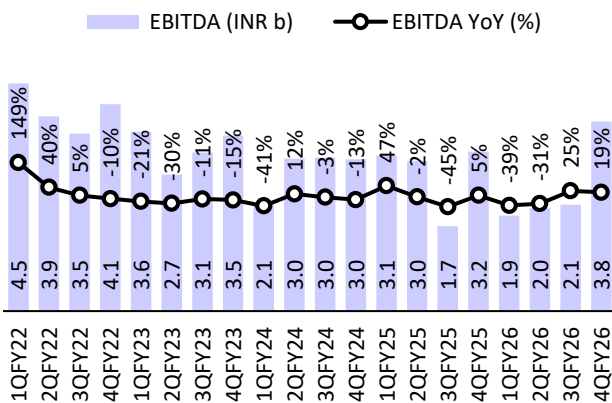
Source: Company, MOFSL

Exhibit 5: Margin trends



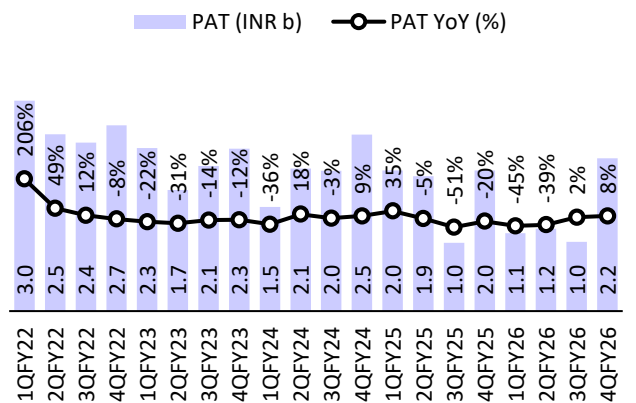
Source: Company, MOFSL

Exhibit 6: EBITDA grew 19%



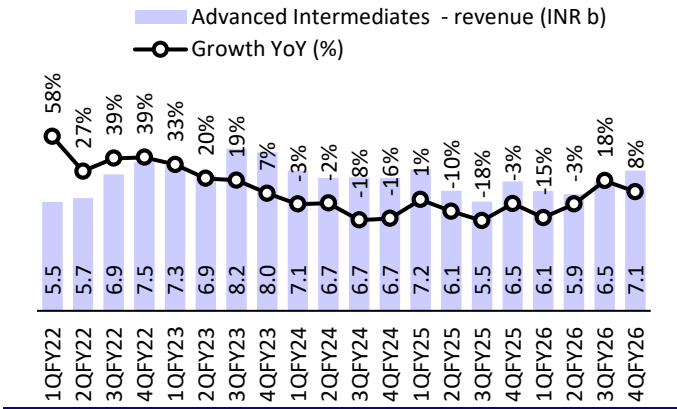
Source: Company, MOFSL

Exhibit 7: Reported PAT trend



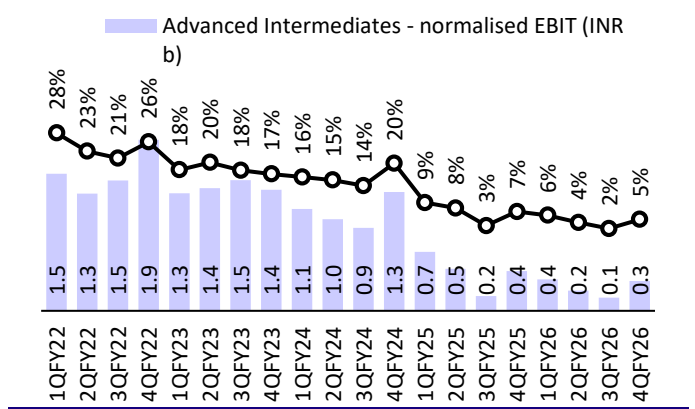
Source: Company, MOFSL

Exhibit 8: Revenue from AI grew 8% YoY



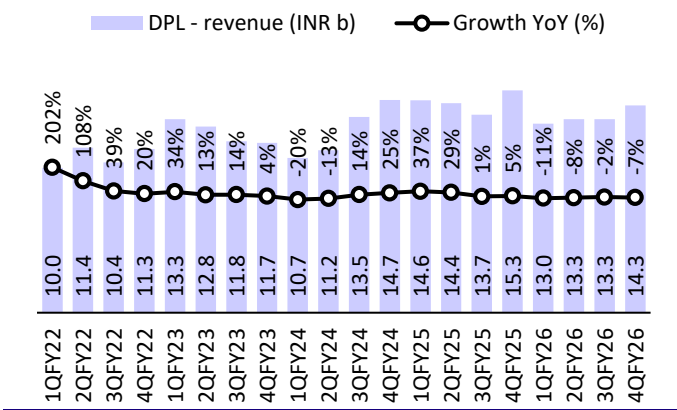
Source: Company, MOFSL

Exhibit 9: AI EBITM trend



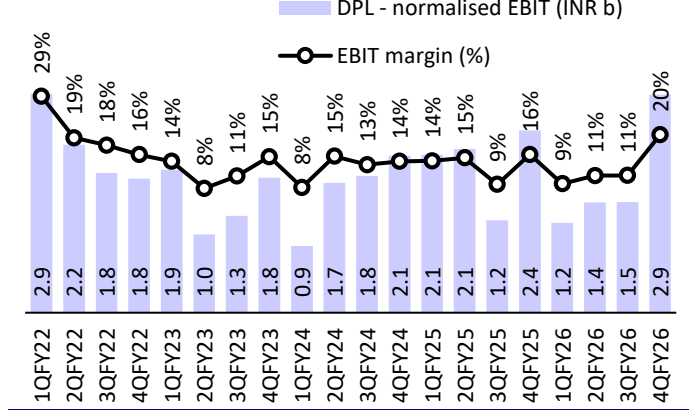
Source: Company, MOFSL

Exhibit 10: Revenue from DPL declined 7% YoY...



Source: Company, MOFSL

Exhibit 11: ...with EBIT margin at 20%



Source: Company, MOFSL



Highlights from the management commentary

Operational highlights:

- Against a backdrop of continued volatility, marked by severe disruption in crude-linked supply chains, pricing pressure, and geopolitical events, DN has delivered a strong performance.
- Volume stability, favorable pricing trends, plant fungibility by pivoting towards products, customers, and markets showcasing better demand have supported the overall momentum.
- The company witnessed steady domestic demand, coupled with increasing preference for local, reliable sourcing amid global supply chain disruptions, positively contributing to the business momentum.
- Domestic demand in India continued to be stable across most end-user industries.
- Domestic business contribution remained high at ~86% of revenue, while exports contributed ~14%

Advanced Intermediates

- The Advanced Intermediates business witnessed strong performance driven by steady domestic demand, with a focus on high-demand applications, effectively offsetting slower export momentum caused by global supply chain disruptions
- While proactive procurement strategies helped partly mitigate the geopolitical headwinds, the current pricing environment for critical feedstocks remains volatile
- Enhanced profitability was a direct outcome of product mix optimization, better sales price relative to RM costs, and deeper integration, ensuring raw material self-sufficiency
- A deepened integration continues to provide a competitive edge through an increased raw material self-sufficiency and reduced supply chain volatility
- nitrogen and hydrogenation, those plants are already commissioned, and they are operating with the right productivity and efficiency
- In 4Q, the company faced technical issues at its nitric acid plant, resulting in operations running at ~45% utilization. To avoid disruptions in production and meet customer demand, the company procured the balance of nitric acid requirements from the market. Once the operations are normalized, the company is targeting an EBITA of ~INR90b

Phenolic

- The Phenolics business delivered robust performance backed by strong pricing gains.
- The volume was stable despite geopolitical conflict in the Middle East, impacting the timely supply of critical feedstocks.
- Performance was supported by stable plant operations and recovery in downstream demand from polymer and industrial applications.
- Ongoing process optimization and debottlenecking initiatives are scaling the operational capacity to align with consistent domestic demand.
- DN continues to be the largest capacity and can service the market for all specifications for IPA
- India continues to have a positive dynamic for phenol in terms of supply and demand

Polycarbonate:

- Plant dismantling at Stade, Germany, is progressing rapidly, with shipment of equipment to India already underway

- Infrastructure activities, including contractor mobilization in India, are currently underway
- Ordering multiple pieces of equipment in India, including boilers, commenced
- The company has signed a long-term agreement with Praxair India (Linde) to set up a dedicated HyCO plant. This will be an on-site facility to ensure a reliable supply of critical raw materials, improving operational efficiency and supply chain security. Commissioning targeted for June 2028, in line with DCTL's Polycarbonate project timeline
- Management stated that the company's total announced project outlay stands at ~INR110b to be funded through a 60:40 debt-equity mix. The company has already begun infusing equity, while bank financing has been tied up and is expected to be drawn down once the required equity contribution milestones are met.

Outlook

- Recent developments in key export markets provide grounds for cautious optimism.
- The management is sharpening its focus on innovation, new product development, and expanding the company's presence across geographies and chemistries.
- Outlook: The near-term industry conditions are expected to remain influenced by geopolitical developments. Chinese supply dynamics, US tariff policies, and feedstock volatility.
- Management highlighted that Deepak Nitrite continues to operate with a high degree of productivity and efficiency, supporting healthy margins. The company also expects 1Q performance to improve sequentially over 4Q and remain ahead of last year's 1Q levels.
- Management expects tightening regulations in China around the production, storage, and transportation of certain key chemistries to support higher demand and improved profitability for nitrogen-based products.

New project

- The company reported steady progress in its multi-purpose agrochemical intermediates and MIBC projects, both of which are scheduled to be commissioned in 2QFY27.
- The company has commenced manufacturing commercial-scale validation batches for 6-7 new products, including fluorinated molecules. These batches have either already been supplied to customers with positive initial feedback or are currently in transit to customers.
- Management expects regularized commercial production to begin from 3Q onwards, aligning with export customers' CY26 requirements. The company added that it remains broadly on track with its commercialization plans and continues to engage closely with customers, who have appreciated the transparency amid the current volatility.

Others

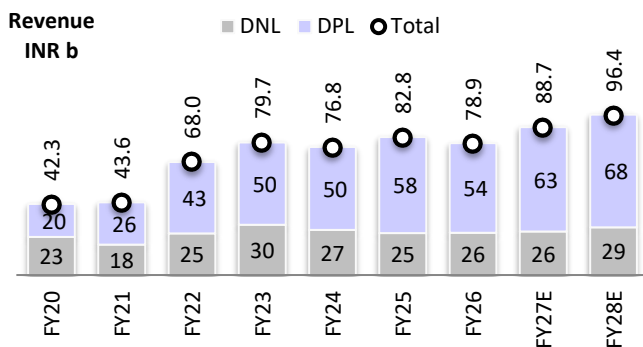
- FY2025-26 was a challenging year for the global chemical industry, marked by sustained pricing pressure across chemical value chains and continued disruption in global trade flows
- During FY26, the company undertook a comprehensive cost optimization program focused on improving product yields, enhancing energy efficiency, and increasing manufacturing productivity through digital and technological initiatives. Management noted that geopolitical and macroeconomic

uncertainties could continue to create near-term volatility across global markets.

- The company continues to engage regularly with customers to maintain and strengthen both wallet share and market share.
- The company entered the end of February with elevated inventory levels of critical feedstocks, having opportunistically procured raw materials during periods of price correction, and this has held out quite well for the company. The management anticipates that the company has a reasonable inventory of feedstock at enviable prices till the end of 2QFY27

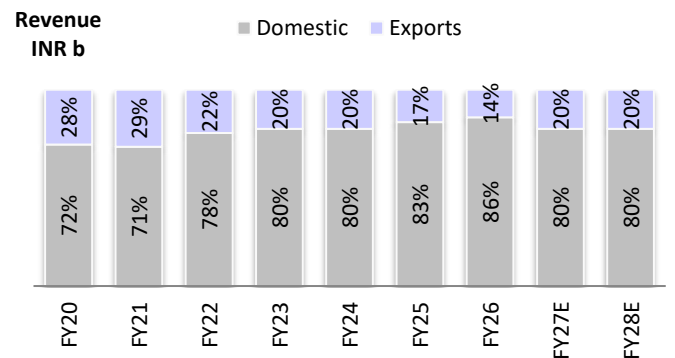
Financial story in charts

Exhibit 12: Revenue contribution from Phenol to remain higher...



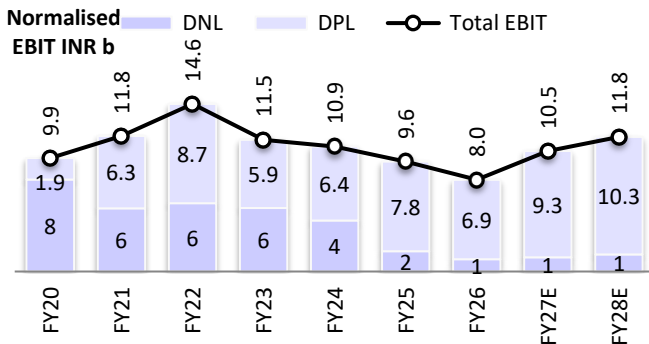
Source: MOFSL

Exhibit 13: ...with a focus on the domestic market as a play on import substitution



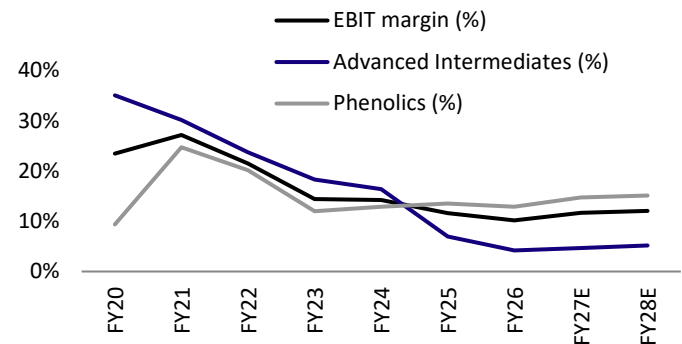
Source: Company, MOFSL

Exhibit 14: Segmental EBIT breakdown of DN



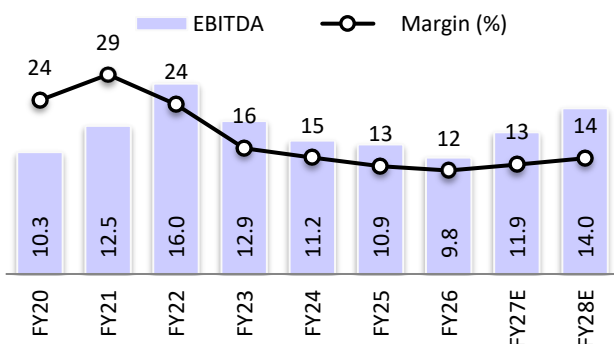
Source: Company, MOFSL

Exhibit 15: EBIT margin



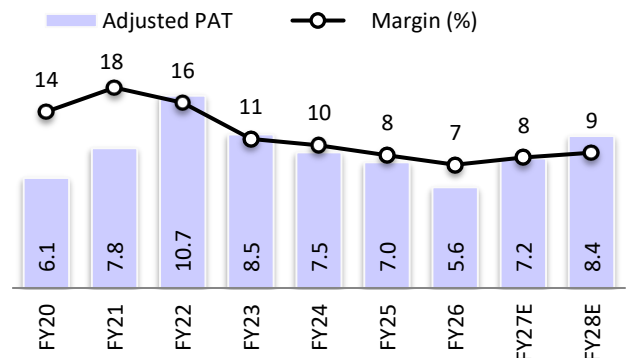
Source: Company, MOFSL

Exhibit 16: EBITDA margin to normalize from FY22 levels



Source: Company, MOFSL

Exhibit 17: Expect ~23% PAT CAGR over FY26-28



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	43,598	68,022	79,721	76,818	82,819	78,871	88,748	96,356
Change (%)	3.1	56.0	17.2	-3.6	7.8	-4.8	12.5	8.6
Gross Margin (%)	48.1	39.5	32.9	31.8	30.1	29.7	29.8	30.8
EBITDA	12,470	16,036	12,894	11,233	10,918	9,807	11,941	13,958
Margin (%)	28.6	23.6	16.2	14.6	13.2	12.4	13.5	14.5
Depreciation	1,526	1,777	1,663	1,657	1,954	2,246	2,611	2,723
EBIT	10,944	14,259	11,231	9,576	8,964	7,561	9,330	11,235
Int. and Finance Charges	742	340	248	118	275	460	349	640
Other Income	215	426	476	761	839	599	621	674
PBT bef. EO Exp.	10,417	14,345	11,459	10,219	9,528	7,699	9,601	11,269
PBT after EO Exp.	10,417	14,345	11,459	11,017	9,528	7,571	9,601	11,269
Total Tax	2,659	3,678	2,939	2,908	2,554	2,064	2,417	2,836
Tax Rate (%)	25.5	25.6	25.6	26.4	26.8	27.3	25.2	25.2
Reported PAT	7,758	10,666	8,520	8,109	6,974	5,505	7,185	8,433
Adjusted PAT	7,758	10,666	8,520	7,522	6,974	5,598	7,185	8,433
Change (%)	27.0	37.5	-20.1	-11.7	-7.3	-19.7	28.3	17.4
Margin (%)	17.8	15.7	10.7	9.8	8.4	7.1	8.1	8.8

Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	273	273	273	273	273	273	273	273
Total Reserves	23,194	33,112	40,627	47,693	53,614	58,096	63,945	70,810
Net Worth	23,467	33,384	40,900	47,966	53,887	58,368	64,218	71,083
Minority Interest	-	-	-	261	360	325	325	325
Total Loans	5,775	3,007	545	2,170	11,705	15,278	38,462	60,000
Deferred Tax Liabilities	1,078	1,229	1,566	1,736	2,128	2,467	2,467	2,467
Capital Employed	30,320	37,620	43,011	52,133	68,080	76,438	1,05,471	1,33,875
Gross Block	22,441	25,263	26,523	31,690	35,262	45,632	47,632	49,632
Less: Accum. Deprn.	3,666	5,443	7,106	8,763	10,717	12,963	15,574	18,298
Net Fixed Assets	18,774	19,820	19,416	22,927	24,546	32,669	32,057	31,334
Goodwill on Consolidation	-	-	-	-	27	27	27	27
Capital WIP	2,068	1,037	3,008	7,735	16,491	18,282	41,650	80,018
Total Investments	1,893	4,390	3,794	1,219	5,109	2,133	2,133	2,133
Curr. Assets, Loans, and Adv.	12,868	19,057	25,069	29,081	31,004	33,696	41,201	32,878
Inventory	3,827	5,846	8,931	7,599	9,264	8,623	9,590	10,288
Account Receivables	7,563	11,291	13,095	12,984	12,738	15,055	16,941	18,393
Cash and Bank Balance	334	418	400	4,655	4,066	2,690	6,425	-4,756
Loans and Advances	1,144	1,503	2,644	3,844	4,937	7,328	8,246	8,953
Curr. Liability and Prov.	5,283	6,684	8,277	8,829	9,097	10,369	11,597	12,514
Account Payables	4,367	5,117	6,618	5,823	5,217	5,341	5,940	6,372
Other Current Liabilities	640	1,272	1,216	2,476	3,259	4,277	4,812	5,225
Provisions	276	296	443	531	620	751	845	917
Net Current Assets	7,585	12,373	16,792	20,252	21,908	23,328	29,604	20,363
Appl. of Funds	30,320	37,620	43,011	52,133	68,080	76,438	1,05,471	1,33,875

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	56.9	78.2	62.5	55.1	51.1	41.0	52.7	61.8
EPS Growth (%)	27%	37%	-20%	-12%	-7%	-20%	28%	17%
Cash EPS	68.1	91.2	74.7	67.3	65.5	57.5	71.8	81.8
BV/Share	172.0	244.8	299.9	351.7	395.1	427.9	470.8	521.1
DPS	5.5	7.0	7.5	7.5	7.5	7.5	9.8	11.5
Payout (%)	9.7	9.0	12.0	12.6	14.7	18.6	18.6	18.6
Valuation (x)								
P/E	30.7	22.4	28.0	31.7	34.2	42.6	33.2	28.3
Cash P/E	25.7	19.2	23.4	26.0	26.7	30.4	24.3	21.4
P/BV	10.2	7.1	5.8	5.0	4.4	4.1	3.7	3.4
EV/Sales	5.6	3.5	3.0	3.1	3.0	3.2	3.0	3.1
EV/EBITDA	19.6	15.0	18.5	21.0	22.5	25.6	22.7	21.7
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.4	0.4	0.6	0.7
FCF per share	57.8	46.8	21.3	8.0	-36.2	-48.2	-130.2	-223.7
Return Ratios (%)								
RoE	39.6	37.5	22.9	16.9	13.7	10.0	11.7	12.5
RoCE	29.1	32.1	21.6	16.0	11.9	8.2	8.2	7.4
RoIC	32.1	36.7	24.7	19.0	16.2	11.5	12.9	15.0
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	3.5	4.1	3.6	3.5	2.8	2.7	3.0
Asset Turnover (x)	1.4	1.8	1.9	1.5	1.2	1.0	0.8	0.7
Inventory (Days)	32	31	41	36	41	40	39	39
Debtor (Days)	63	61	60	62	56	70	70	70
Creditor (Days)	37	27	30	28	23	25	24	24
Leverage Ratio (x)								
Current Ratio	2.4	2.9	3.0	3.3	3.4	3.2	3.6	2.6
Interest Coverage Ratio	14.7	41.9	45.3	80.9	32.6	16.4	26.7	17.6
Net Debt/Equity ratio	0.2	0.1	0.0	-0.1	0.1	0.2	0.5	0.9

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	10,417	14,345	11,459	11,017	9,528	7,571	9,601	11,269
Depreciation	1,526	1,777	1,663	1,657	1,954	2,246	2,611	2,723
Others	852	295	63	-509	-285	187	349	640
Direct Taxes Paid	-2,365	-3,535	-2,600	-2,665	-2,152	-1,887	-2,417	-2,836
(Inc.)/Dec. in WC	-412	-4,643	-4,085	-720	-2,798	-2,728	-2,542	-1,940
CF from Operations	10,019	8,239	6,499	8,781	6,247	5,390	7,604	9,856
(Inc.)/Dec. in FA	-2,140	-1,862	-3,599	-7,685	-11,191	-11,968	-25,368	-40,368
Free Cash Flow	7,879	6,377	2,900	1,096	-4,944	-6,579	-17,764	-30,512
Change in Investments	-1,854	-2,401	816	427	-4,059	3,146	0	0
Others	33	22	22	40	337	2,135	0	0
CF from Investments	-3,961	-4,241	-2,761	-7,218	-14,913	-6,687	-25,368	-40,368
Inc./(Dec.) in Debt	-5,246	-2,812	-2,523	1,625	9,277	3,495	23,183	21,538
Interest Paid	-736	-320	-233	-98	-194	-384	-349	-640
Dividend Paid	-4	-750	-955	-1,023	-1,023	-1,023	-1,335	-1,567
Others	-5	24	120	-68	-100	-155	0	0
CF from Fin. Activity	-5,990	-3,858	-3,591	435	8,062	1,934	21,499	19,331
Inc./Dec. in Cash	68	139	148	1,998	-605	636	3,735	-11,181
Opening Balance	22	90	229	377	2,380	1,795	2,431	6,166
Closing Balance	90	229	377	2,380	1,795	2,431	6,166	-5,015

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NOTES

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BUY	>=15%
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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