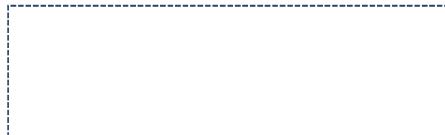


Deepak Nitrate Ltd

Analyst Recommendation: BUY

BSE Code: 532538

NSE: DEEPAKNTR



Investor's Rationale

Face Value	2.0
Market Cap (Rs Billion)	278
Stock PE	41.1
Shares O/S (Mill)	136.4
Book Value per Share (Rs)	2399
Sensex	81,614
Nifty	24,836

Deepak Nitrite's (DN) 4QFY25 result beat estimates, driven by sharp sequential recovery in the Phenolics segment and overall robust volumes. Consolidated revenue of Rs 21.8bn (+3% YoY, +15% QoQ) was 11% above our estimate. Gross margin, although flat YoY, expanded by sharp 380bps QoQ to 30.6% (estimate of 30%). EBITDA surged 88% QoQ and 5% YoY to Rs 3.2bn (50% above estimate), with EBITDA margin expanding 567bps QoQ and 36bps YoY to 14.5% on improved operational performance. DN's Advanced Intermediates (AI) segment revenue fell 3% YoY but rose 19% QoQ to Rs 6.5bn, although EBIT margin contracted by 1,20bps YoY, but was up 381bps QoQ to 6.9%. Phenolics posted 5%/12% YoY/QoQ revenue growth, with EBIT jumping 16% YoY, causing significant 156bps YoY expansion in margin to 15.6%, as the company produced higher volumes. Interest expenses soared 112% YoY and 53% QoQ to Rs 93mn. RPAT fell 20% YoY but was up 106% QoQ (56% above our estimate of Rs 1.3bn) to Rs 2.0bn due to the high base; the company had recorded an exceptional gain of Rs 798mn in 4QFY24. Excluding exceptional items, APAT rose 16% YoY. Even though the company has recovered sharply, its major investment pipeline of ~Rs 85bn into polycarbonate and other downstream products would decide its future trajectory

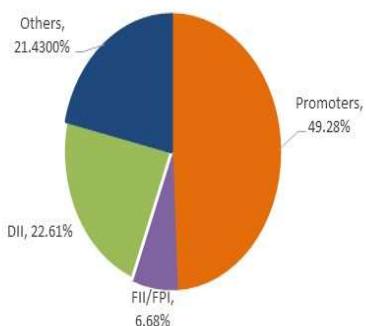
Valuation

We reiterate HOLD with a slightly raised target price of Rs 2,217 (Rs 2,179 earlier). We have increased our valuation to 25x FY27E P/E (from 22x), to acknowledge the structural re-rating potential from the company's move to higher-value, higher-margin polycarbonate business. However, near-term uncertainties surrounding the tariff regime/geopolitical fluctuations and Chinese overcapacity have prompted us to chop EPS by 10% for FY26E/FY27E each. We await meaningful pickup in project execution and definitive price recovery in its core AI business to turn constructive on the stock. Key risks: Sustained weakness in AI, potential capex delays/cost overruns, continued volatility in raw material prices.

1 yr. Price Chart of Stock and Nifty



Shareholding pattern as on 31st March 2025



YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E
Revenue (Rs.Cr)	76,818.0	82,819.0	98,350.0	1,18,646.0
EBITDA (Rs. cr)	11,233.0	10,918.0	14,261.0	19,577.0
Adj. profit (Rs.Cr)	8,109.0	51.1	63.9	88.7
P/E (x)	35.3	41.1	32.9	23.7
EV/EBITDA (x)	34.1	27	21.1	15.3
P/BV (x)	6	5.3	4.7	4
RoE (%)	18.2	13.7	15.1	18.2
RoCE (%)	21.5	16.1	16.9	20.4

Key Con-Call Take Aways

➤ New products and capex:

The company is strategically leveraging its existing manufacturing assets to launch a range of high-value products with minimal additional capex. This "asset valorization" approach leverages flexible batch plants for specialized, high-margin product campaigns targeting downstream agrochemicals, personal care, and pharma, while high-efficiency continuous plants maintain the base load for intermediates production. A key part of this initiative is the introduction of a new Friedel-Crafts chemistry platform, which is expected to serve multiple high-value segments. This allows the company to enhance its product mix and profitability without the need for significant new capital investment beyond minor balancing equipment.

➤ Agrochemical market and margins:

The agrochemical segment continues to face significant margin pressure, with management acknowledging that 4QFY25 profitability was softer than it should have been. Management attributed this to intense competition being driven by two key factors (1) significant structural overcapacity in China and (2) temporary increase in the number of competitors, following patent expires on key molecules. While this subdued demand may persist for another couple of quarters, management believes the agrochemical downcycle is "petering over to the end". Citing geopolitical uncertainties, the company is withholding short-term quarterly guidance but is confident of its ability to return to a higher and more normalized level of profitability in FY26.

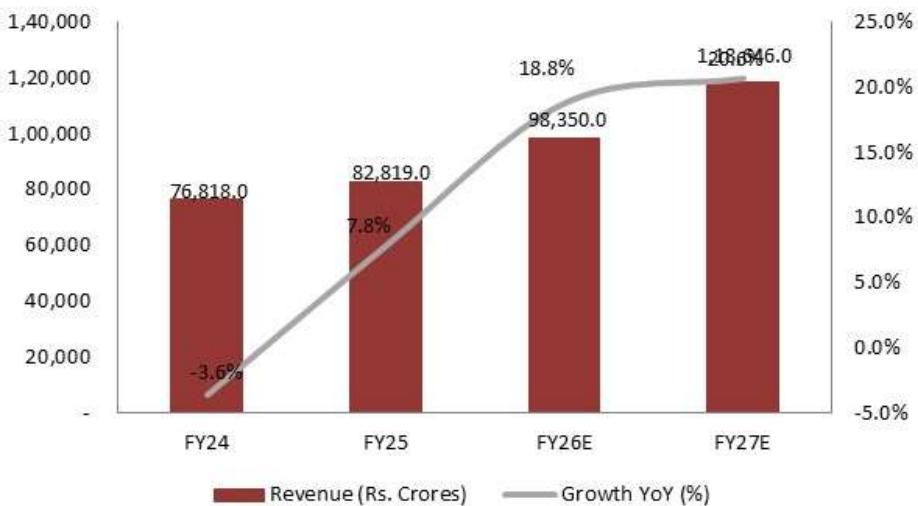
➤ Nitric acid plant and ammonia sourcing:

DN's new nitric acid plant, set for commissioning around the end of 1Q or early 2QFY26, is a critical upstream integration project designed to meet internal consumption rather than be used for third-party sales. Management has framed this as a strategic "make-or-buy" decision, driven by its goal to secure an assured supply, enable pipeline transfer, and achieve lower cost as against depend on the market for its purchase of nitric acid. The company is not benchmarking against nitric acid producers with captive ammonia; instead, it aims to gain a competitive advantage over other nitric acid

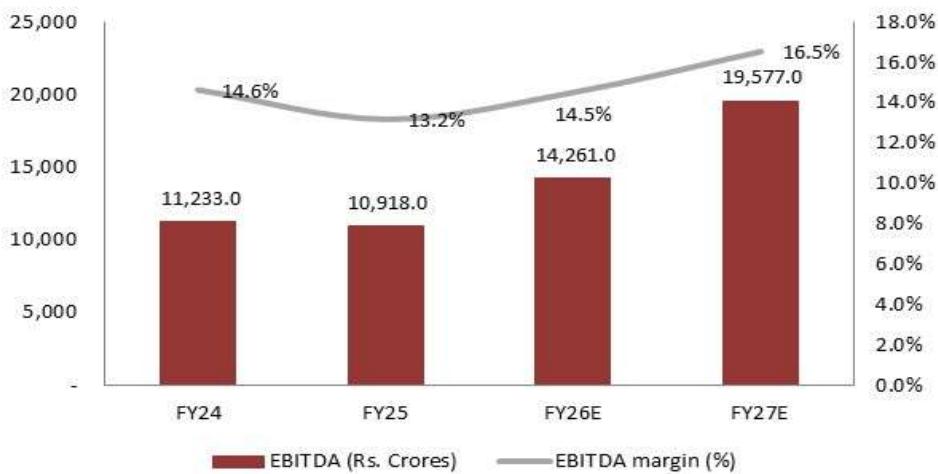
➤ Input prices and outlook on Diamino Stilbene Disulfonic Acid (DASDA) and Optical Brightening Agent (OBA):

Prices of petrochemicals like benzene and toluene seem to have softened. Product prices are adjusted based on contractual agreements with pass-through clauses, which can be monthly or quarterly. Prices of optical brighteners (OBA) are linked to market and not directly to toluene prices. DN has de-bottlenecked its OBA manufacturing capacity and launched new SKUs for new segments. The company aims to increase wallet share with customers due to upstream integration and strong value chain components.

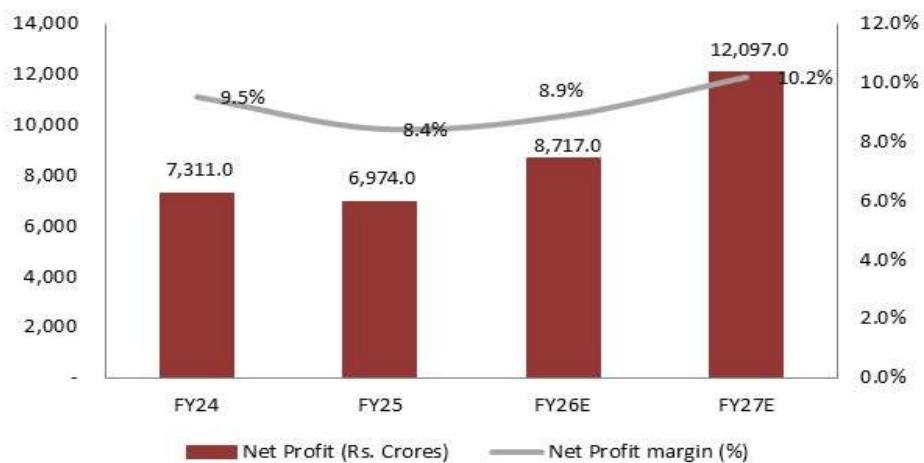
Revenue growth to be steady



EBITDA to grow going ahead



Net profit to surge going ahead



Outlook and Valuation

We reiterate HOLD with a slightly raised target price of Rs 2,217 (Rs 2,179 earlier). We have increased our valuation to 25x FY27E P/E (from 22x), to acknowledge the structural re-rating potential from the company's move to higher-value, higher- margin polycarbonate business. However, near-term uncertainties surrounding the tariff regime/geopolitical fluctuations and Chinese overcapacity have prompted us to chop EPS by 10% for FY26E/FY27E each. We await meaningful pickup in project execution and definitive price recovery in its core AI business to turn constructive on the stock..

Deepak Nitrate Ltd - Company Overview

The company is one of the fastest growing chemical intermediates company in India with a portfolio of 32+ products and 56+ applications, divided into 2 segments:

1) Phenolics (70% in 9M FY25 vs 63% in FY22): [2] [3] The company produces Cumene, Phenol, Acetone, Isopropyl Alcohol, Alpha Methyl Styrene (AMS), etc catering to industries like laminates & plywood, automotive, construction, pharmaceuticals, and adhesives. [4] It is the largest producer of Phenol and Acetone in India with a 50%+ market share. The segment revenue grew by 21% YoY in 9M FY25.

2) Advanced Intermediates (30% in 9M FY25 vs 37% in FY22): The company manufactures Nitrites, Nitro Toluidines, Xylidines, Oxyimes, Cumidines, Optical Brightening Agents (OBA), DASDA, etc., serving industries like colorants, dyes, rubber, paper, agrochemicals, pharmaceuticals, water treatment, etc. [6] It is India's largest producer of Sodium Nitrite and Sodium Nitrate and ranks among the top 3 global manufacturers of Xylidines and Oximes. [5] The segment revenue declined by 9% YoY in 9M FY25, affected by destocking from international customers



Balance sheet (Consolidated)

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E
Share capital	273	273	273	273
Reserves & Surplus	47693	53614	61111	71515
Networth	47966	53887	61384	71788
Minority interest	261	360	360	360
Total debt	2861	12670	14143	15143
Def. tax liab. (net)	1736	2128	2128	2128
Capital employed	52824	69045	78015	89419
Net fixed assets	30662	41063	52300	57660
Investments	1219	5109	5109	5109
Net working capital	16288	18807	20436	24653
Cash and bank balance	4655	4066	170	1997
Capital deployed	52824	69045	78015	89419
Net debt	-1794	8605	13973	13146
WC (days)	70	74	74	74
DE (x)	0.06	0.23	0.23	0.21

Profit & Loss Account (Consolidated)

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E
Net revenues	76818	82819	98350	118646
Revenue growth (%)	-3.6	7.8	18.8	20.6
Op. expenses	65586	71902	84089	99069
EBITDA (Excl. OI)	11233	10918	14261	19577
EBITDA margins (%)	14.6	13.2	14.5	16.5
Interest expenses	118	275	475	519
Depreciation	1657	1954	2829	3674
Other income	761	839	984	1186
Tax	2908	2554	3224	4474
Effective tax rate (%)	28	27	27	27
Reported PAT	7311	6974	8717	12097
+/- Extraordinary items	-798	-	-	-
+/- Minority interest	-	-	-	-
Adjusted PAT	8109	6974	8717	12097
EPS (Rs/share)	59.5	51.1	63.9	88.7



Cash Flow (Consolidated)

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E
PAT	8109	6974	8717	12097
+ Non cash items	1827	2345	2829	3674
Cash profit	9936	9319	11545	15770
- Incr/(Decr) in WC	-289	2519	1629	4217
Operating cash flow	10224	6800	9917	11553
- Capex	9894	12354	14066	9033
Free cash flow	330	-5554	-4149	2520
- Dividend	1023	976	1220	1693
+ Equity raised	-	-	0	-
+ Debt raised	2132	9809	1473	1000
- Investments	-2575	3890	-	-
- Misc. items	-241	-22	-	-
Net cash flow	4255	-589	-3896	1827
+ Opening cash	400	4655	4066	170
Closing cash	4655	4066	170	1997

Key Ratios & Valuations (Consolidated)

YE: Mar	FY24	FY25	FY26E	FY27E
P/E (x)	35.3	41.1	32.9	23.7
P/BV (x)	6	5.3	4.7	4
EV/EBITDA (x)	34.1	27	21.1	15.3
RoE (%)	18.2	13.7	15.1	18.2
RoCE (%)	21.5	16.1	16.9	20.4
Fixed asset turnover (x)	2.7	2.5	2.6	3.1
DPS (Rs)	7.5	7.2	8.9	12.4
Dividend (%)	375	358	447	620
Dividend yield (%)	0.4	0.3	0.4	0.6
Dividend payout (%)	14	14	14	14
Debtor days	62	56	56	56
Creditor days	28	23	23	23
Inventory days	36	41	41	41
Revenue growth (%)	-4	8	19	21
EBITDA growth (%)	-13	-3	31	37



**Equity
Research**

Large Cap.	Return	Mid/Small Cap.	Return
Buy	More than equal to 10%	Buy	More than equal to 15%
Hold	Between 10% & -5%	Accumulate*	Upside between 10% & 15%
Reduce	Less than -5%	Hold	Between 0% & 10%
		Reduce/sell	Less than 0%

* To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.



Member: BSE, NSE, MCX, MCX-SX, CDSL

Reg. office: PG-4, Rotunda Bldg, Bombay Samachar Marg, Fort, Mumbai-400001, Maharashtra, India

Corp Office: 24/26 Cama Bldg, 3rd Floor, Dalal Street, Fort Mumbai-400001, Maharashtra India

Tel: 91-22-67378001 **Fax:** 91-22-22646410

Dealing: 91-22-67378011 **Institutional Dealing:** 91-22-6737833

Email: research@mjpdirect.com **Website:** www.mjpdirect.com

Registration Number: SEBI- INZ000218338

Disclaimer:

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. M J Patel Share & Stock Brokers Ltd. its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within. Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. M J Patel Share & Stock Brokers Ltd. or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. M J Patel Share & Stock Brokers Ltd. has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While M J Patel Share & Stock Brokers Ltd. endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly. M J Patel Share & Stock Brokers Ltd. and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.



**Equity
Research**

This document disclaims any warranty of any kind imputed by the laws of any jurisdiction, whether express or implied, as to any matter what so ever relating to the service, including without limitation the implied warranties of merchantability, fitness for a particular purpose and non-infringement. Any disputes are subject to the jurisdiction only of the Courts of Republic of India at Mumbai.

M J Patel Share & Stock Brokers Ltd shall not be liable for any misrepresentation, falsification and deception or for any lack of availability of services through website even if the same is advertised on the website.

Neither M J Patel Share & Stock Brokers Ltd. nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.