Deepak Nitrite (DN IN)

PL Capital
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February 17, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		REDUCE	
Target Price	1,960		2,295	
Sales (Rs. m)	91,157	99,940	91,157	97,753
% Chng.	-	*2.2*		
EBITDA (Rs. m)	13,068	15,320	14,435	15,860
% Chng.	*(9.5)*	*(3.4)*		
EPS (Rs.)	60.7	70.0	66.9	71.7
% Chng.	*(9.2)*	*(2.4)*		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	76,818	81,637	91,157	99,940
EBITDA (Rs. m)	11,233	10,088	13,068	15,320
Margin (%)	*14.6*	*12.4*	*14.3*	*15.3*
PAT (Rs. m)	8,109	6,393	8,277	9,548
EPS (Rs.)	59.4	46.9	60.7	70.0
Gr. (%)	*(4.8)*	*(21.2)*	*29.5*	*15.4*
DPS (Rs.)	7.5	5.9	7.7	8.8
Yield (%)	*0.4*	*0.3*	*0.4*	*0.5*
RoE (%)	*18.2*	*12.6*	*14.5*	*14.7*
RoCE (%)	*20.9*	*14.8*	*16.5*	*16.3*
EV/Sales (x)	3.3	3.2	2.9	2.7
EV/EBITDA (x)	22.8	26.0	20.5	17.9
PE (x)	31.9	40.5	31.3	27.1
P/BV (x)	5.4	4.8	4.3	3.7

Key Data	DPNT.BO | DN IN
52-W High / Low	Rs.3,169 / Rs.1,810
Sensex / Nifty	75,997 / 22,960
Market Cap	Rs.259bn/ $ 2,981m
Shares Outstanding	136m
3M Avg. Daily Value	Rs.760.5m

Shareholding Pattern (%)

Promoter's	49.24
Foreign	6.60
Domestic Institution	23.22
Public & Others	20.94
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(19.5)	(34.6)	(17.9)
Relative	(18.9)	(30.7)	(21.7)

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Rating: HOLD | CMP: Rs1,899 | TP: Rs1,960

Subdued quarter, margins remain under pressure

Quick Pointers:

- Oversupply from China continues to impact performance
- All polymer-related projects to be completed by Dec'27

Due to sharp correction in price, we upgrade to HOLD with TP of Rs.1,960. Deepak Nitrite's (DN) Q3FY25 revenue stood at Rs19bn, down 5.3% YoY and 6.3% QoQ. Operating performance for the quarter was impacted as plants remained idle due to deferral in demand, lag adjusted recovery in agchem, increase in RM cost as well as oversupply from Chinese counterparts. Planned maintenance shutdown at its phenolics plants further led to a decline in performance and an increase in phenol imports. Nitric acid project is expected to be commissioned by the end of this quarter, while MIBK/MIBC and acetophenone projects are expected to come online by H1FY26. Other projects like nitration and hydrogenation will come online by H2FY26. The management has guided to complete all the polymer-related projects by Dec'27.

The company has been taking a number initiatives to propel growth, majorly in the phenolics segment. However, we believe that even though domestic demand for all its products will remain robust, threat of influx of cheaper imports will keep margins under pressure. The agchem business continues to face headwinds, which are likely to continue in the near term. We anticipate an EPS CAGR of ~8% over FY24-27E. Valuing the stock at 28x P/E on FY27E EPS, we upgrade to 'HOLD' rating with a target price of Rs.1,960.

- **Advanced intermediates revenue declines 18% YoY:** DN's consolidated revenue at Rs19bn (-5.3% YoY/ -6.3% QoQ; PLe: Rs20.4bn, Consensus: Rs20.2bn), decreased due to 18% YoY fall in advanced intermediates revenue, while phenolics segment saw 1% YoY growth. On a sequential basis, advanced intermediates revenue was down by 9%, while phenolics division saw a decrease of 5%.

- **EBITDAM impacted due to higher RM cost:** Gross profit margin was 26.8% (vs 31.7% in Q3FY24 and 32% in Q2FY24; PLe: 31%), and RM cost increased sharply, which led to sequential decrease in margins by 520bps. EBITDA at Rs1.7bn, decreased by 44.7% YoY and 43.4% QoQ (vs Rs3bn in Q3FY24 and Rs2.9bn in Q2FY25). EBITDA margin came in at 8.9% (vs 15.2% in Q3FY24 and 14.6% in Q2FY25; PLe: 14.1%, Consensus: 14.1%).

- **Segmental mix:** Phenolics contributed to 71% of total revenue in Q3FY25 with EBIT/kg at Rs10.4 (calculated) vs Rs15.5 in Q3FY24 and Rs17.9 in Q2FY25, while advanced intermediates' revenue share was 29% with 3% EBIT margin. Phenolics contributed 88% of overall EBIT, while advanced intermediates' contribution was 12%.

- **Concall takeaways: (1)** Domestic and export revenue mix was 85%:15%. **(2)** Domestic demand is expected to improve by the end of the quarter, while export demand has started improving. **(3)** Agrochemical demand lag as well as RM cost increase led to decrease in margins. **(4)** Due to scheduled maintenance at phenolics plants during the quarter, production capacity has increased with further improvement in throughput by almost 10%. **(5)** Phenol spreads were impacted in Q3, and the impact is expected to continue in Q4 as well; the situation is expected to normalize from Mar'25. **(6)** Phenolics imports increased during Jan-Feb. **(7)** All major polymer projects are expected to be commissioned by Dec'27; the company will invest Rs50bn to manufacture PC resin**.** **(8)** Nitric acid project is likely to be commissioned by the end of this quarter; there has been some increase in overall capex due to delay. **(8)** Overall, Rs700-800mn will be saved with the commissioning of the nitric acid plant annually. **(9)** Nitration and hydrogenation projects are expected to be commissioned in H2FY25. **(10)** MIBK/MIBC and acetophenone projects are expected to be commissioned in H1FY26. **(11)** The company has introduced new products in existing assets with higher margins; partial impact will be visible in Q4. **(12)** New R&D center is likely to be commissioned by end of this quarter.

Exhibit 1: Q3FY25 Result Overview - Consolidated (Rs mn)

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	% Var.	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	**19,034**	**20,092**	***(5.3)***	**20,409**	***(6.7)***	**20,320**	***(6.3)***	**61,022**	**55,556**	***9.8***
Gross Profit	**5,103**	**6,366**	***(19.8)***	**6,327**	***(19.3)***	**6,497**	***(21.5)***	**18,267**	**17,935**	***1.8***
Margin (%)	*26.8%*	*31.7%*		*31.0%*		*32.0%*		*29.9%*	*32.3%*	
EBITDA	**1,685**	**3,047**	***(44.7)***	**2,869**	***(41.3)***	**2,975**	***(43.4)***	**7,753**	**8,167**	***(5.1)***
Margin (%)	*8.9%*	*15.2%*		*14.1%*		*14.6%*		*12.7%*	*14.7%*	
Other Income	210	136	*54.9*	163		213	*(1.3)*	611	625	*(2.2)*
Depreciation	482	417	*15.7*	506	*(4.8)*	485	*(0.5)*	1441	1192	*20.9*
EBIT	**1,413**	**2,765**	***(48.9)***	**2,526**	***(44.1)***	**2,703**	***(47.7)***	**6,922**	**7,599**	***(8.9)***
Interest	61	29	*108.5*	69		63	*(3.0)*	182	74	*144.7*
PBT before exceptional items	**1,352**	**2,736**	***(50.6)***	**2,456**	***(45.0)***	**2,640**	***(48.8)***	**6,740**	**7,525**	***(10.4)***
Total Tax	371	715	*(48.2)*	651	*(43.1)*	698	*(46.9)*	1,792	1,955	*(8.3)*
ETR (%)	*27.4%*	*26.1%*		*26.5%*		*26.4%*		*26.6%*	*26.0%*	
Adj. PAT	**981**	**2,020**	***(51.4)***	**1,805**	***(45.6)***	**1,942**	***(49.5)***	**4,949**	**5,570**	***(11.2)***
Exceptional Items	0	0	-	0	-	0		0	0	-
PAT	**981**	**2,020**	***(51.4)***	**1,805**	***(45.6)***	**1,942**	***(49.5)***	**4,949**	**5,570**	***(11.2)***

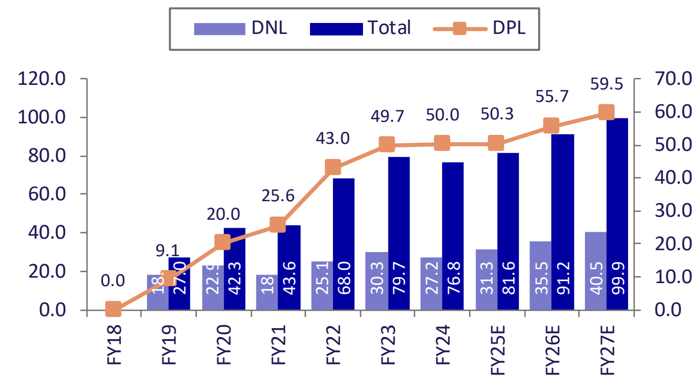
Source: Company, PL

Exhibit 2: Q3FY25 - Segmental Performance (Rs mn)

Y/e March	Q3FY25	Q3FY24	YoY gr.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Advanced Intermediates	5,517	6,743	*-18.2%*	6,060	*-9.0%*	18,734	20,528	*-8.7%*
Phenolics	13,657	13,493	*1.2%*	14,435	*-5.4%*	42,728	35,373	*20.8%*
Intersegment	140	144		175		440	345	
Total Revenue	**19,034**	**20,092**	***-5.3%***	**20,320**	***-6.3%***	**61,022**	**55,556**	***9.8%***
Advanced Intermediates	169	937	*-82.0%*	475	*-64.5%*	1,308	3,120	*-58.1%*
Phenolics	1,212	1,798	*-32.6%*	2,149	*-43.6%*	5,436	4,378	*24.2%*
Interest	61	29	*108.5%*	63	*-3.0%*	182	74	*144.7%*
Other unallocable expenses	(33)	(31)	*5.8%*	(80)	*-59.3%*	(177)	(102)	*73.9%*
Total EBT	**1,352**	**2,736**	***-50.6%***	**2,640**	***-48.8%***	**6,740**	**7,525**	***-10.4%***
EBIT Margins								
Advanced Intermediates	3.1%	13.9%		7.8%		7.0%	15.2%	
Phenolics	8.9%	13.3%		14.9%		12.7%	12.4%	

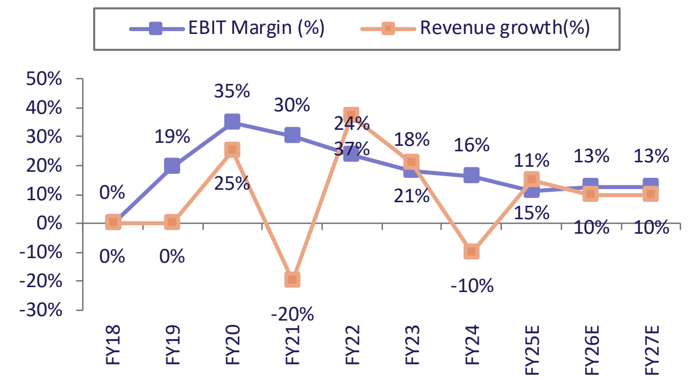
Source: Company, PL

Exhibit 3: Revenue to grow at 9% CAGR in FY24-27E



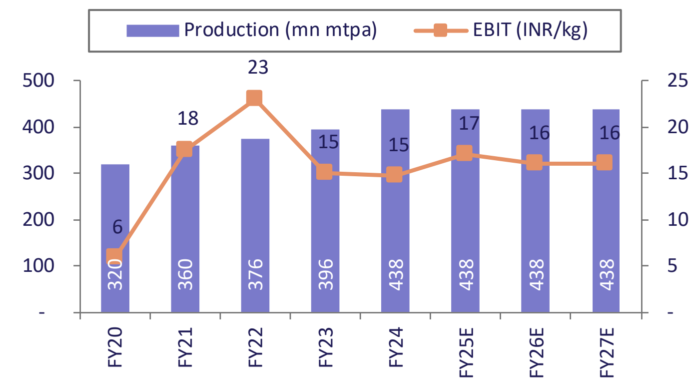
Source: Company, PL

Exhibit 4: AI EBIT margin to be at 13% in FY27



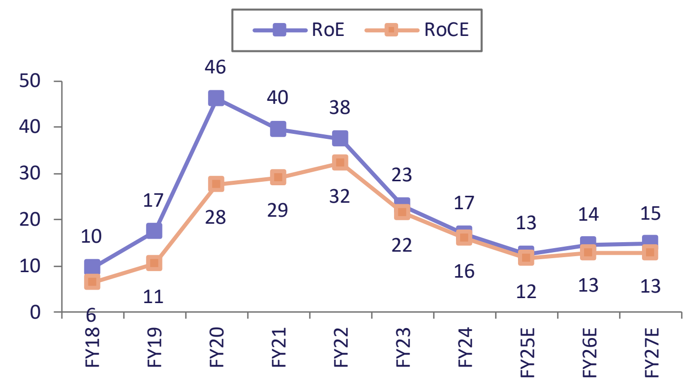
Source: Company, PL

Exhibit 5: Phenolics EBIT to be at Rs16/kg in FY27



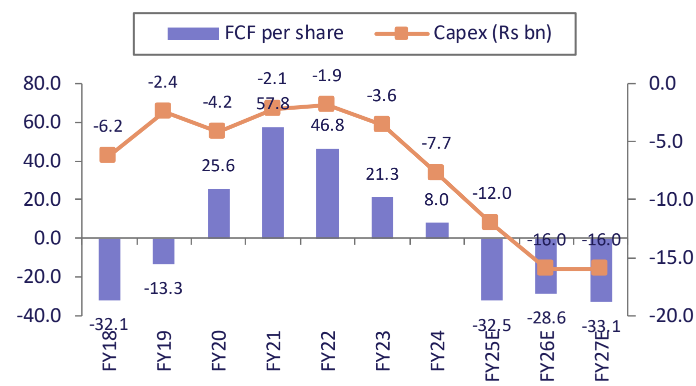
Source: Company, PL

Exhibit 6: Return ratios to hover at 13-15%



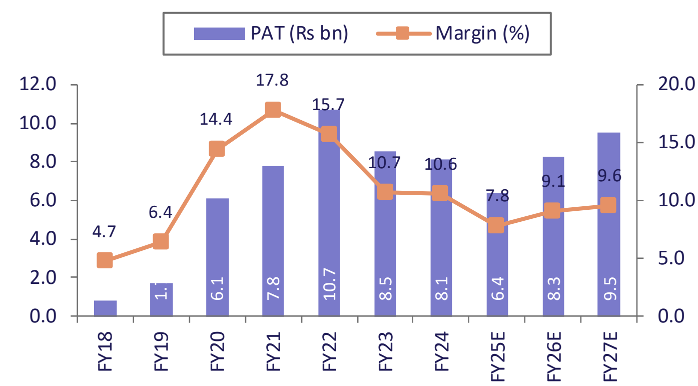
Source: Company, PL

Exhibit 7: Capex not in sync with FCF



Source: Company, PL

Exhibit 8: PAT margin to reach 10% in FY27



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	**76,818**	**81,637**	**91,157**	**99,940**
YoY gr. (%)	*(3.6)*	*6.3*	*11.7*	*9.6*
Cost of Goods Sold	52,361	57,554	62,898	67,959
Gross Profit	24,457	24,083	28,259	31,981
Margin (%)	*31.8*	*29.5*	*31.0*	*32.0*
Employee Cost	3,511	3,872	4,252	4,668
Other Expenses	9,714	10,123	10,939	11,993
EBITDA	**11,233**	**10,088**	**13,068**	**15,320**
YoY gr. (%)	*(12.9)*	*(10.2)*	*29.5*	*17.2*
Margin (%)	*14.6*	*12.4*	*14.3*	*15.3*
Depreciation and Amortization	1,657	1,960	2,314	2,636
EBIT	**9,576**	**8,127**	**10,754**	**12,684**
Margin (%)	*12.5*	*10.0*	*11.8*	*12.7*
Net Interest	118	245	480	780
Other Income	761	816	912	999
Profit Before Tax	**10,219**	**8,699**	**11,186**	**12,903**
Margin (%)	*13.3*	*10.7*	*12.3*	*12.9*
Total Tax	2,908	2,305	2,908	3,355
Effective tax rate (%)	*28.5*	*26.5*	*26.0*	*26.0*
Profit after tax	**7,311**	**6,393**	**8,277**	**9,548**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**8,109**	**6,393**	**8,277**	**9,548**
YoY gr. (%)	*(4.8)*	*(21.2)*	*29.5*	*15.4*
Margin (%)	*10.6*	*7.8*	*9.1*	*9.6*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**8,109**	**6,393**	**8,277**	**9,548**
YoY gr. (%)	*(4.8)*	*(21.2)*	*29.5*	*15.4*
Margin (%)	*10.6*	*7.8*	*9.1*	*9.6*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,109	6,393	8,277	9,548
Equity Shares O/s (m)	**136**	**136**	**136**	**136**
EPS (Rs)	**59.4**	**46.9**	**60.7**	**70.0**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	**31,690**	**43,690**	**59,690**	**75,690**
Tangibles	31,690	43,690	59,690	75,690
Intangibles	-	-	-	-
Acc: Dep / Amortization	**8,763**	**10,723**	**13,037**	**15,673**
Tangibles	8,763	10,723	13,037	15,673
Intangibles	-	-	-	-
Net fixed assets	**22,927**	**32,967**	**46,653**	**60,017**
Tangibles	22,927	32,967	46,653	60,017
Intangibles	-	-	-	-
Capital Work In Progress	7,735	7,735	7,735	7,735
Goodwill	-	-	-	-
Non-Current Investments	1,219	1,219	1,219	1,219
Net Deferred tax assets	(1,736)	(1,736)	(1,736)	(1,736)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	7,599	8,290	9,048	9,805
Trade receivables	12,984	13,798	12,487	13,690
Cash & Bank Balance	4,655	2,743	1,320	824
Other Current Assets	3,844	4,085	4,562	5,001
Total Assets	**60,962**	**70,837**	**83,023**	**98,291**
Equity				
Equity Share Capital	273	273	273	273
Other Equity	47,693	53,280	60,513	68,857
Total Networth	**47,966**	**53,553**	**60,786**	**69,130**
Non-Current Liabilities				
Long Term borrowings	2,170	6,000	10,000	16,000
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	5,823	6,352	6,933	7,513
Other current liabilities	3,007	3,196	3,568	3,912
Total Equity & Liabilities	**60,962**	**70,837**	**83,023**	**98,291**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	11,017	8,699	11,186	12,903
Add. Depreciation	1,657	1,960	2,314	2,636
Add. Interest	118	245	480	780
Less Financial Other Income	761	816	912	999
Add. Other	(627)	-	-	-
Op. profit before WC changes	12,165	10,904	13,980	16,319
Net Changes-WC	(720)	(1,029)	1,030	(1,476)
Direct tax	(2,665)	(2,305)	(2,908)	(3,355)
Net cash from Op. activities	**8,781**	**7,570**	**12,101**	**11,488**
Capital expenditures	(7,685)	(12,000)	(16,000)	(16,000)
Interest / Dividend Income	40	-	-	-
Others	427	-	-	-
Net Cash from Invt. activities	**(7,218)**	**(12,000)**	**(16,000)**	**(16,000)**
Issue of share cap. / premium	-	-	-	-
Debt changes	1,679	3,831	4,000	6,000
Dividend paid	(1,023)	(807)	(1,044)	(1,205)
Interest paid	(98)	(245)	(480)	(780)
Others	(123)	-	-	-
Net cash from Fin. activities	**435**	**2,779**	**2,476**	**4,015**
Net change in cash	**1,998**	**(1,651)**	**(1,423)**	**(496)**
Free Cash Flow	1,096	(4,430)	(3,899)	(4,512)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	**21,262**	**21,668**	**20,320**	**19,034**
YoY gr. (%)	*8.4*	*22.5*	*14.3*	*(5.3)*
Raw Material Expenses	14,740	15,002	13,823	13,931
Gross Profit	6,522	6,667	6,497	5,103
Margin (%)	*30.7*	*30.8*	*32.0*	*26.8*
EBITDA	**3,011**	**3,092**	**2,975**	**1,685**
YoY gr. (%)	*(13.5)*	*47.4*	*(1.6)*	*(44.7)*
Margin (%)	*14.2*	*14.3*	*14.6*	*8.9*
Depreciation / Depletion	464	475	485	482
EBIT	**2,547**	**2,617**	**2,491**	**1,203**
Margin (%)	*12.0*	*12.1*	*12.3*	*6.3*
Net Interest	44	58	63	61
Other Income	191	188	213	210
Profit before Tax	**3,492**	**2,748**	**2,640**	**1,352**
Margin (%)	*16.4*	*12.7*	*13.0*	*7.1*
Total Tax	953	723	698	371
Effective tax rate (%)	*27.3*	*26.3*	*26.4*	*27.4*
Profit after Tax	**2,539**	**2,025**	**1,942**	**981**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**2,539**	**2,025**	**1,942**	**981**
YoY gr. (%)	*8.6*	*35.1*	*(5.3)*	*(51.4)*
Margin (%)	*11.9*	*9.3*	*9.6*	*5.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,539**	**2,025**	**1,942**	**981**
YoY gr. (%)	*8.6*	*35.1*	*(5.3)*	*(51.4)*
Margin (%)	*11.9*	*9.3*	*9.6*	*5.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**2,539**	**2,025**	**1,942**	**981**
Avg. Shares O/s (m)	136	136	136	136
EPS (Rs)	**18.7**	**14.9**	**14.3**	**7.2**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	59.4	46.9	60.7	70.0
CEPS	71.6	61.2	77.6	89.3
BVPS	351.7	392.6	445.6	506.8
FCF	8.0	(32.5)	(28.6)	(33.1)
DPS	7.5	5.9	7.7	8.8
Return Ratio(%)				
RoCE	20.9	14.8	16.5	16.3
ROIC	15.8	11.7	12.6	12.2
RoE	18.2	12.6	14.5	14.7
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.1	0.1	0.2
Net Working Capital (Days)	70	70	58	58
Valuation(x)				
PER	31.9	40.5	31.3	27.1
P/B	5.4	4.8	4.3	3.7
P/CEPS	26.5	31.0	24.4	21.3
EV/EBITDA	22.8	26.0	20.5	17.9
EV/Sales	3.3	3.2	2.9	2.7
Dividend Yield (%)	0.4	0.3	0.4	0.5

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	Reduce	2,295	2,460
2	14-Nov-24	Reduce	2,438	2,639
3	17-Oct-24	Reduce	2,582	3,000
4	05-Oct-24	Reduce	2,564	2,829
5	22-Aug-24	Reduce	2,717	2,970
6	09-Aug-24	Reduce	2,780	3,055
7	04-Jul-24	Reduce	2,268	2,677
8	22-May-24	Reduce	2,268	2,464
9	09-Apr-24	Reduce	1,985	2,208

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	411	453
2	Bharat Petroleum Corporation	Hold	286	271
3	Bharti Airtel	Accumulate	1,827	1,677
4	Clean Science and Technology	Hold	1,329	1,385
5	Deepak Nitrite	Reduce	2,295	2,460
6	Fine Organic Industries	BUY	5,199	4,350
7	GAIL (India)	Accumulate	204	180
8	Gujarat Fluorochemicals	Reduce	3,190	3,537
9	Gujarat Gas	Sell	395	461
10	Gujarat State Petronet	Hold	327	334
11	Hindustan Petroleum Corporation	Hold	373	353
12	Indian Oil Corporation	Hold	124	123
13	Indraprastha Gas	Sell	150	192
14	Jubilant Ingrevia	Hold	680	660
15	Laxmi Organic Industries	Hold	237	226
16	Mahanagar Gas	Accumulate	1,412	1,267
17	Mangalore Refinery & Petrochemicals	Accumulate	168	145
18	Navin Fluorine International	Accumulate	4,373	3,908
19	NOCIL	Reduce	209	223
20	Oil & Natural Gas Corporation	BUY	288	249
21	Oil India	BUY	711	424
22	Petronet LNG	Reduce	276	291
23	Reliance Industries	Accumulate	1,472	1,266
24	SRF	Hold	2,698	2,831
25	Vinati Organics	Accumulate	1,934	1,749

PL's Recommendation Nomenclature (Absolute Performance)

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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