

15 February 2026

Resilient quarter amid pricing pressure

The stock price of Deepak Nitrite (DN IN) has fallen 6% in the past three months and underperformed the benchmark Nifty Mid-Cap Index (down 2%), due to a delay in commissioning of nitric acid and Methyl Isobutyl Ketone (MIBK) & Methyl Isobutyl Carbinol (MIBC) plants, and pricing pressure from China's oversupply. DN delivered a steady Q3FY26 performance despite continued pricing pressure. Consolidated revenue and EBITDA grew 4% & 25% YoY, respectively, supported by improved phenolics volume. Management reiterated Q3 reflected a transitional phase, with profit taking a hit by temporary integration mismatches in advanced intermediates (AI), which should normalize from Q4. We expect improvement in Q4FY26, led by normalization of AI cost, and higher utilization of recently commissioned projects. While China-led pricing pressure risk remains, DN's strategy of integration and new product expansion positions it well for margin recovery in FY27. Based on 9MFY26 earning trend and visibility emerging on new projects commissioning and ramp-up, we raise our EBITDA by 2% for FY26E, 4% for FY27E and 4% for FY28E. We raise our TP to INR 1,858 as we rollover to FY28 estimates. We reiterate **Accumulate**.

Phenolics stable, while AI segment at trough margin: The phenolics segment remains resilient, with revenue stable YoY at INR 13bn despite softer realization, led by higher sales volume. The AI segment saw revenue growth of 18% YoY from volume expansion and new geographies, but EBIT margin at 2.3% (vs 3.1% in Q3FY25) remains weak, as aggressive China pricing and delayed captive nitric acid commissioning led to elevated input costs.

Integration & new projects ramp-up – key margin normalization levers from Q4FY26: The commissioning of the nitric acid plant in mid-December, completing DN's vertical integration across the ammonia–nitration–amines chain. Management expects near-full internal consumption from Q4, removing reliance on spot nitric acid purchases, thereby improving AI cost competitiveness. Nitration and hydrogenation assets at Dahej are likely to operate at high utilization levels, with integration benefits gradually flowing.

MIBK & MIBC and downstream derivatives to drive FY27 earnings buildup: The MIBK and MIBC project is targeted for commissioning in Q4 with ramp-up expected via FY27. The company continues to scale fluorination, chlorination, and other specialty intermediate platforms, supported by customer diversification and new product introductions across end-markets, such as pharma, personal care, and performance chemicals.

Reiterate Accumulate with a higher TP of INR 1,858: Based on 9MFY26 earnings trend and visibility emerging on new projects commissioning and ramp-up, we raise our EBITDA by 2% for FY26E, 4% for FY27E, and 4% for FY28E. We raise our TP to INR 1,858 from INR 1,762 as we rollover TP to FY28 estimates. Our DCF-based TP assumes 5% (unchanged) terminal growth, an 11.0% (unchanged) WACC and an EBITDA CAGR of 7% (from 5%) during FY25-30E. We reiterate **Accumulate**, led by benefits from the commissioning of new projects, but near-term earnings performance would be contingent to phenolics and acetone oversupply by China.

Key financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	76,818	82,819	78,608	82,646	91,636
YoY (%)	(3.6)	7.8	(5.1)	5.1	10.9
EBITDA (INR mn)	11,233	10,918	8,533	11,522	13,218
EBITDA margin (%)	14.6	13.2	10.9	13.9	14.4
Adj PAT (INR mn)	7,311	6,974	4,863	6,839	7,765
YoY (%)	(14.3)	(4.6)	(30.3)	40.6	13.6
Fully DEPS (INR)	53.6	51.1	35.7	50.1	56.9
RoE (%)	16.4	13.6	8.6	11.1	11.4
RoCE (%)	20.9	15.4	9.2	11.8	12.2
P/E (x)	30.6	32.1	46.0	32.7	28.8
EV/EBITDA (x)	20.8	21.4	27.4	20.3	17.7

Note: Pricing as on 13 February 2026; Source: Company, Elara Securities Estimate

Rating: **Accumulate**

Target Price: **INR 1,858**

Upside: **13%**

CMP: **INR 1,642**

As on 13 February 2026

Key data

Bloomberg	DN IN
Reuters Code	DPNT.NS
Shares outstanding (mn)	136
Market cap (INR bn/USD mn)	224/2,471
EV (INR bn/USD mn)	233/2,576
ADTV 3M (INR mn/USD mn)	293/3
52 week high/low	2,174/1,513
Free float (%)	50

Note: as on 13 February 2026; Source: Bloomberg

Price chart



Source: Bloomberg

	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Shareholding (%)				
Promoter	49.3	49.3	49.3	49.3
% Pledge	0.0	0.0	0.0	0.0
FII	6.7	6.7	6.2	6.1
DII	23.3	22.6	22.7	23.2
Others	20.7	21.4	21.8	21.4

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(1.7)	3.4	11.1
Deepak Nitrite	(5.7)	(11.6)	(13.6)
NSE Mid-cap	(1.8)	3.8	15.5
NSE Small-cap	(6.4)	(4.0)	10.3

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	76,818	82,819	78,608	82,646	91,636
Gross Profit	24,457	24,940	22,077	25,053	28,367
EBITDA	11,233	10,918	8,533	11,522	13,218
EBIT	9,576	8,964	6,341	9,031	10,307
Interest expense	118	275	381	404	418
Other income	761	839	738	745	753
Exceptional/ Extra-ordinary items	(599)	-	-	-	-
PBT	9,620	9,528	6,698	9,372	10,642
Tax	2,908	2,554	1,835	2,533	2,876
Minority interest/Associates income	-	-	-	-	-
Reported PAT	6,712	6,974	4,863	6,839	7,765
Adjusted PAT	7,311	6,974	4,863	6,839	7,765
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	48,227	54,247	58,578	64,666	71,572
Minority Interest	-	-	-	-	-
Trade Payables	5,823	5,218	10,418	10,176	10,367
Provisions & Other Current Liabilities	2,028	2,562	2,527	2,557	2,635
Total Borrowings	2,170	11,705	13,705	15,705	17,705
Other long term liabilities	2,715	3,445	1,949	2,239	2,426
Total liabilities & equity	60,962	77,177	87,177	95,343	104,705
Net Fixed Assets	30,166	40,519	50,828	59,837	66,926
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	2,380	3,687	1,063	1,079	1,115
Cash, Bank Balances & treasury investments	4,655	4,066	4,788	3,644	4,078
Inventories	7,599	9,264	8,938	8,903	9,575
Sundry Debtors	12,984	12,738	12,893	13,142	14,113
Other Current Assets	3,179	6,903	8,668	8,739	8,897
Total Assets	60,962	77,177	87,177	95,343	104,705
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	8,581	6,247	13,397	8,765	8,959
Capital expenditure	(7,717)	(11,363)	(12,500)	(11,500)	(10,000)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	499	(3,550)	(1,262)	745	753
Free Cash Flow	1,363	(8,666)	(365)	(1,990)	(288)
Cashflow from Financing	2,892	8,077	1,087	845	723
Net Change in Cash / treasury investments	4,255	(589)	722	(1,144)	435
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	7.5	7.5	3.9	5.5	6.3
Book value per share (INR)	353.6	397.7	429.5	474.1	524.7
RoCE (Pre-tax) (%)	20.9	15.4	9.2	11.8	12.2
ROIC (Pre-tax) (%)	22.1	16.7	9.8	12.5	12.7
ROE (%)	16.4	13.6	8.6	11.1	11.4
Asset Turnover (x)	2.9	2.3	1.7	1.5	1.4
Net Debt to Equity (x)	(0.1)	0.1	0.2	0.2	0.2
Net Debt to EBITDA (x)	(0.2)	0.7	1.0	1.0	1.0
Interest cover (x) (EBITDA/ int exp)	95.0	39.7	22.4	28.5	31.6
Total Working capital days (WC/rev)	95.9	115.2	101.0	98.2	99.1
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	30.6	32.1	46.0	32.7	28.8
P/Sales (x)	2.9	2.7	2.8	2.7	2.4
EV/ EBITDA (x)	20.8	21.4	27.4	20.3	17.7
EV/ OCF (x)	27.2	37.4	17.4	26.6	26.1
FCF Yield	0.6	(3.7)	(0.2)	(0.9)	(0.1)
Price to BV (x)	4.6	4.1	3.8	3.5	3.1
Dividend yield (%)	0.5	0.5	0.2	0.3	0.4

Note: Pricing as on 13 February 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

(INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Variance (%)
Revenue	19,750	19,034	3.8	19,019	3.8	18,246	8.2
EBITDA	2,109	1,685	25.1	2,043	3.2	1,648	28.0
Depreciation	576	482	19.3	533	8.1	543	6.0
Interest cost	110	61	80.7	79	39.0	74	48.2
Other income	85	210	(59.5)	200	(57.4)	234	(63.7)
Profit before exceptional items	1,508	1,352	11.5	1,630	(7.5)	1,264	19.3
Forex (gain)/loss	128	0	NA	0	NA	0	NA
PBT	1,380	1,352	2.0	1,630	(15.4)	1,264	9.2
Tax	382	371	2.9	443	(13.8)	334	14.3
Reported PAT	998	981	1.7	1,188	(15.9)	930	7.3
Adj. PAT	1,127	981	14.8	1,188	(5.1)	930	21.1
Adj. EPS (INR)	8.3	7.2	14.8	8.7	(5.1)	6.8	21.1

Source: Company, Elara Securities Estimate

Conference call highlights

Advanced intermediates

- ▶ Huge amount of advanced intermediates revenue decline was due to pricing pressure. There was volume growth and improved market penetration; however, pricing pressure due to China's dumping and global oversupply affected performance.
- ▶ Vertical integration is completed in ammonia-nitration-amines chain.
- ▶ MIBK and MIBC project's targeted commissioning is in Q4FY26.
- ▶ For the polycarbonate project, plant dismantling activities in Germany are ongoing.
- ▶ The US has removed anti-dumping duty on sodium nitrite imports, which is favourable for DN.
- ▶ DN expects Q4 performance to be better than Q3, and Q1FY27 will continue to be higher sequentially.
- ▶ Margin compression in Q3 was due to: 1) delayed announcement of removal of anti-dumping duty (ADD) for DN that affected margin, 2) feedstock for nitration and hydrogenation capacity was acquired at the spot market rate, and 3) inventory destocking by customers.
- ▶ Nitration and hydrogenation plants are close to 100% utilization from Q4, and chlorination & fluorination plant utilization is set to pick up in Q1FY27.
- ▶ Alkylation asset is likely to come up during June-July and ramp-up will be in the next 2-3 months based on customer requirement.
- ▶ India is imports-dependent for MIBK, and DN will target the domestic market for MIBK.
- ▶ DN has implemented new technology for MIBK and MIBC plant, and it has contributed to delay due to some disruptions.

Phenolics

- ▶ Phenol and acetone sales volume increased due to higher utilization and process optimization.
- ▶ Management does not anticipate large phenol imports from the EU into India. Some phenol capacity in East Asian countries are being permanently shut.
- ▶ Volume from the upcoming phenol plant will be partly internally consumed for polycarbonate and will be sold outside the DN.

Others

- ▶ Depreciation increased post capitalization of new capacity.
- ▶ Capex in FY26 is likely to be INR 13bn; in FY27, it is set to reach INR 25bn.
- ▶ Nitric acid full consumption will be achieved during Q4FY26 and Q1FY27.
- ▶ DN said the polycarbonate (PC) resin market in India was 200,000 tonne when the company first envisaged the project, and it has increased further. It expects the project to complete in 2.5 years.

Exhibit 2: DCF valuation

(INR per share)	
Present value of FCFF during FY28-43E	959
Present value of terminal value	985
Target enterprise value	1,944
Less: Net debt FY27E	96
Add: Dividend payout FY26E and FY27E	9
Target price	1,858

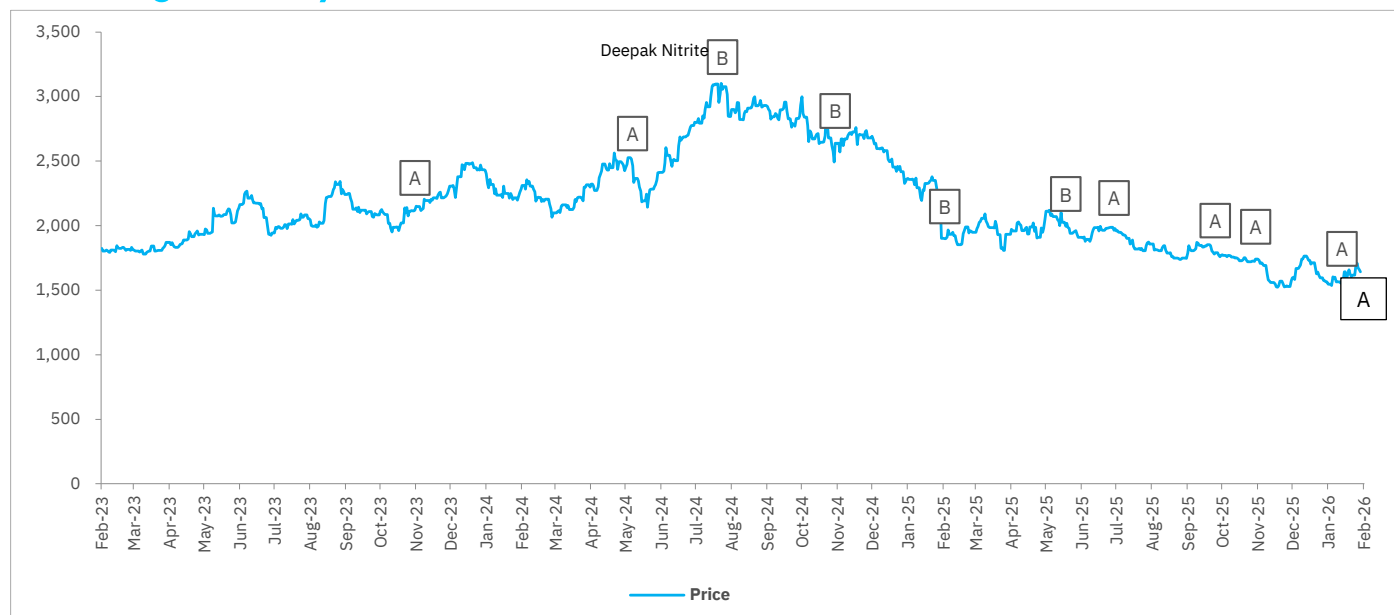
Source: Elara Securities Estimate

Exhibit 3: Change in estimates

(INR bn)	Earlier			Revised			% Change YoY		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	76	80	89	79	83	92	2.9	2.8	2.6
EBITDA	8.3	11.1	12.7	8.5	11.5	13.2	2.3	4.3	3.8
EBITDA margin (%)	10.9	13.7	14.3	10.9	13.9	14.4	(6)	20	16
Net Profit	4.9	6.8	7.7	4.9	6.8	7.8	(1.6)	0.6	0.7
EPS (INR)	36.2	49.9	56.5	35.7	50.1	56.9	(1.6)	0.6	0.7
TP (INR)			1,762			1,858			5.4

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
15-Nov-2023	Accumulate	2,504	2,148
22-May-2024	Accumulate	2,713	2,464
08-Aug-2024	Buy	3,707	3,055
14-Nov-2024	Buy	3,379	2,635
17-Feb-2025	Buy	2,515	1,899
02-Jun-2025	Buy	2,390	1,995
14-Jul-2025	Accumulate	2,247	1,965
10-Oct-2025	Accumulate	1,907	1,789
14-Nov-2025	Accumulate	1,853	1,741
28-Jan-2026	Accumulate	1,762	1,570
13-Feb-2026	Accumulate	1,858	1,642

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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