

We initiate coverage on Deepak Fertilisers (DFPC) with BUY and SoTP-based TP of Rs2,000 (implies 10x EV/EBITDA). DFPC is a leader in mining and industrial chemicals, with the lion's share in domestic markets; it is also the market leader in water-soluble fertilizers. Its product portfolio is well aligned with India's growth story, and it has plans to move from commodity to specialty offerings across existing product portfolios. Technical ammonium nitrate (TAN) expansion in Gopalpur, nitric acid (NA) expansion in Dahej, and the Equinor contract's pricing benefit in ammonia manufacturing will drive at least 50% EBITDA growth over FY26-28E. DFPC has restructured its businesses into different entities (DMSL: mining chemicals; MAL: crop nutrition), which it plans to demerge in the next 2-3 years; this will lead to value unlocking and multiple re-rating across businesses. In our view, value of the mining business with an expanded TAN capacity of ~1mmt (Dec-27E EBITDA of ~Rs17bn at 12x EV/EBITDA is Rs19bn) is higher than the overall current market cap of DFPC.

Mining Chemicals – Backward integration to reduce volatility

DFPC is the largest producer of TAN in India, with total capacity of ~1mmt by FY26E. It backward integrated into ammonia in CY24 (capacity of 507ktpa), with a view to capture spreads across the value chain, right from natural gas, and reduce volatility for the overall business. TAN remains in a sweet spot, with growing demand in critical industries like coal/limestone/metals mining and explosives; accordingly, DFPC has carried out brownfield and greenfield expansions. DFPC has better margins in this business because of ~40% market share, leading to better pricing power and a transition toward total-cost-of-ownership (TCO) projects across mining and infrastructure clients.

Industrial Chemicals – Steady growth to continue with new nitric acid capacity

DFPC's industrial chemicals portfolio consists of Iso Propyl Alcohol (IPA, 70ktpa) and NA (~1,120ktpa), in which it has key market share and long-term contracts with large customers in the Indian market. The business is steadily transitioning from commodities to specialty chemicals, with DFPC focusing on a customer-centric approach, eg, in IPA, it has introduced a pharma variant and in NA, it has introduced solar grade. DFPC is in the process of expanding its NA capacity in Dahej by 450ktpa by end-FY26 which will position it as the largest NA producer in Asia. DFPC is also exploring growth opportunities in solar photovoltaics and semiconductors, where demand for high-purity specialty chemicals is set to rise with increased public and private investments.

Crop Nutrition business – To benefit from brand business/new launches

DFPC is the market leader in bentonite sulphur and water-soluble fertilizers in India, with strong presence in Maharashtra, Gujarat, and Karnataka. It is steadily expanding across other southern and northern states. The tie-up with the Haifa Group will aid technological advancements to promote high-performance specialty fertilizers and improve crop yield.

Target Price – 12M	Dec-26
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	41.5

Stock Data	DFPC IN
52-week High (Rs)	1,779
52-week Low (Rs)	888
Shares outstanding (mn)	126.2
Market-cap (Rs bn)	178
Market-cap (USD mn)	2,013
Net-debt, FY26E (Rs mn)	43,497.0
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	428.1
ADTV-3M (USD mn)	4.8
Free float (%)	81.0
Nifty-50	25,910.1
INR/USD	88.6

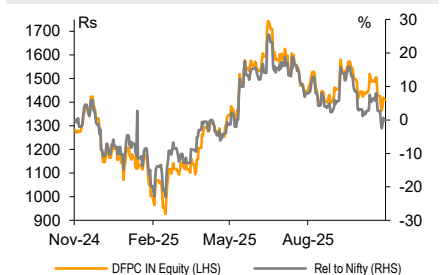
Shareholding, Sep-25

Promoters (%)	45.6
FPIs/MFs (%)	10.9/12.6

Price Performance

(%)	1M	3M	12M
Absolute	(2.2)	(3.9)	10.5
Rel. to Nifty	(3.0)	(7.7)	0.0

1-Year share price trend (Rs)



Deepak Fertilisers: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	86,761	102,744	108,226	126,223	141,288
EBITDA	12,867	19,247	20,198	25,814	29,888
Adj. PAT	4,425	9,336	8,406	11,455	15,201
Adj. EPS (Rs)	35.1	74.0	66.6	90.7	120.4
EBITDA margin (%)	14.8	18.7	18.7	20.5	21.2
EBITDA growth (%)	(40.6)	49.6	4.9	27.8	15.8
Adj. EPS growth (%)	(63.4)	111.0	(10.0)	36.3	32.7
RoE (%)	8.3	15.9	12.7	15.4	17.6
RoIC (%)	12.9	17.5	13.3	14.4	17.9
P/E (x)	40.3	19.1	21.2	15.6	11.7
EV/EBITDA (x)	16.5	11.0	10.5	8.2	7.1
P/B (x)	3.2	2.9	2.6	2.2	1.9
FCFF yield (%)	(1.8)	4.6	(5.8)	9.8	8.3

Source: Company, Emkay Research

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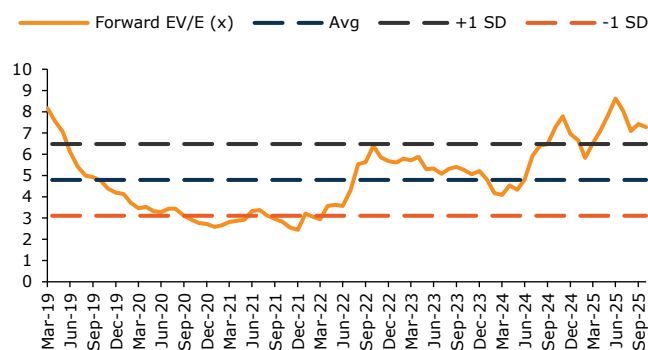
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This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

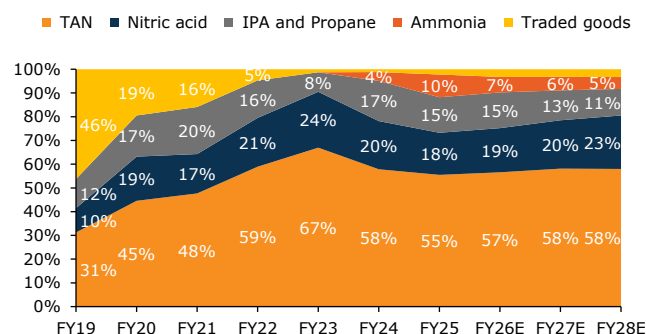
Story in charts

Exhibit 1: 1-year forward EV/EBITDA showing a partial re-rating



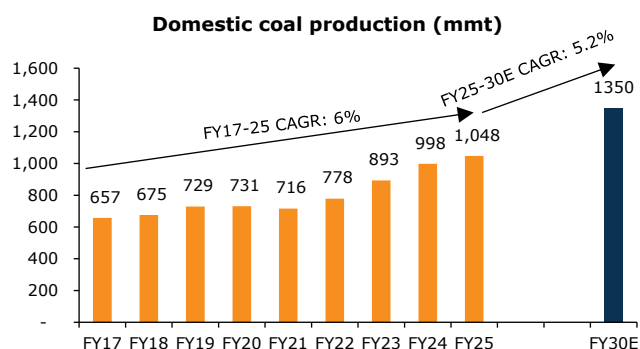
Source: Company, Bloomberg, Emkay Research

Exhibit 2: Better margin products (TAN and NA) to contribute ~81% of the chemical segment's revenue by FY28E



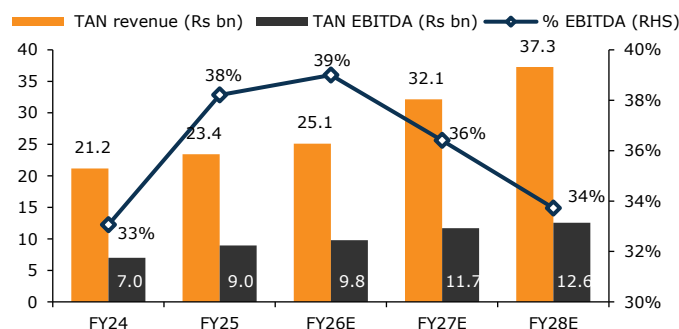
Source: Company, Emkay Research

Exhibit 3: Coal production to see 5.2% CAGR over FY25-30E



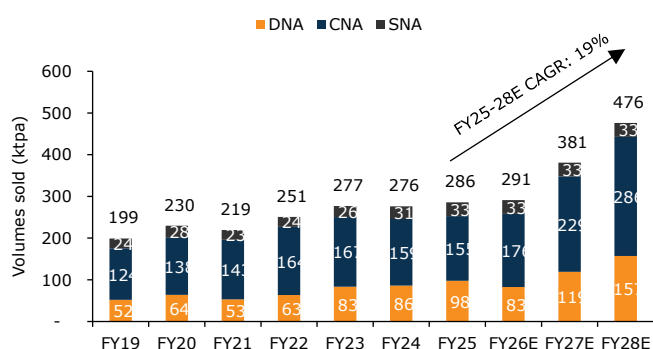
Source: Industry, Emkay Research

Exhibit 4: TAN revenue CAGR expected at 17% over FY25-28E



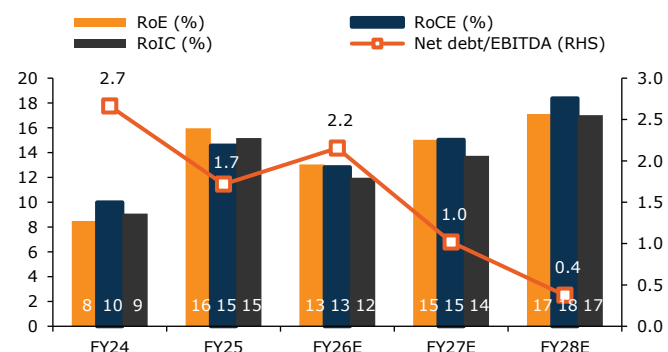
Source: Company, Emkay Research

Exhibit 5: Nitric acid volume CAGR at 19% over FY25-28E



Source: Company, Emkay Research

Exhibit 6: Return ratios to improve with ramp-up in TAN/NA volumes; leverage ratio to improve



Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Investment thesis

DFPC has established itself as a diversified, multi-product enterprise, serving key sectors like mining, pharma and chemicals, infrastructure, and agriculture. It has state-of-the-art facilities located in Taloja (Maharashtra), Dahej (Gujarat), Srikakulam (Andhra Pradesh), Panipat (Haryana), and Gopalpur (Odisha, under-construction). It has 3 core business verticals: a) Mining chemicals, which includes the TAN business, with capacity of ~1mmt by FY26E after the Gopalpur expansion, and the ammonia business with capacity of 507ktpa; b) Industrials chemicals business, which includes the IPA and NA businesses, with capacity of 70ktpa and 1,120ktpa (group level), respectively; and c) Crop Nutrition business, which includes the bentonite sulphur and water-soluble fertilizer businesses.

In FY25, the company completed its strategic restructuring exercise of carving out 3 verticals into independent legal entities. Accordingly, the Mining Chemicals business is now housed under Deepak Mining Solutions (DMSL), the Industrial Chemicals business under Deepak Fertilisers and Petrochemicals Corporation (DFPC), and the Crop Nutrition business is under Mahadhan Agritech (MAL). This has been done to demerge these entities and list them separately, to unlock value for investors over the next 2-3 years.

DMSL combines a comprehensive range of mining chemicals, with an expanding portfolio of blasting technology, technical services, and downstream operations—all aimed at enhancing productivity for the mining and infrastructure sectors. It manufactures various grades of TAN (high density: HDAN; low density: LDAN; AN melt and medical grade), with full backward integration into ammonia and nitric acid. It enjoys market leadership in this business and is expanding its footprint, with expansion in Gopalpur. DMSL will have a capacity of ~1mmt by FY26E; we build in EBITDA of ~Rs17.6bn at 90% utilization, for FY28E.

DMSL also houses Performance Chemiserve (PCL), which has the largest ammonia plant in India, primarily created to backward integrate TAN manufacturing and reduce volatility in TAN spreads. PCL would achieve EBITDA breakeven at an ammonia price of ~USD370/mt FOB Middle East, and PBT breakeven at ~USD430/mt for current gas contracts. The company has signed a long-term gas contract with Equinor which will reduce its gas cost by ~25% and bring down its EBITDA/PBT break-even levels once the contract terms kick in from May-26. We believe the contract will act as a cushion, if TAN prices normalize from the current high levels, once capacities of RCF and Chambal Fertilizers come online.

DFPC follows a strategy of moving from commodity to speciality in its industrial chemicals business, further to which it has launched pharma-grade IPA and solar-grade NA that are value additions of its core products. The company plans to expand NA capacity by 450ktpa (300ktpa WNA and 150ktpa CNA) in Dahej by FY26 where it has a long-term tie-up with Aarti Industries for offtake. DFPC has ~45-50% market share in the industrial chemicals space and will be Asia's largest producer of NA after this expansion. DFPC is exploring growth opportunities in solar PVs and semiconductors, where demand for high-purity specialty chemicals is set to rise. We build in combined EBITDA of ~Rs6bn for IPA and NA, for FY28E.

MAL offers a diverse product portfolio under its flagship brand *Mahadhan*, featuring enhanced efficiency NPK fertilizers (Smartek), crop-specific balanced nutrient fertilizers (Croptek), crop-stage specific water-soluble fertilizers (Solutek), bentonite sulphur (Bensulf Super-Fast), and other advanced specialty fertilizers. It is the market leader in bentonite sulphur and water-soluble fertilizers in India, with strong presence in Maharashtra, Gujarat, and Karnataka. We build in EBITDA of ~Rs6.3bn for the business for FY28E.

Technical ammonium nitrate (TAN) expansion in Gopalpur, nitric acid (NA) expansion in Dahej, and the Equinor contract's pricing benefit in ammonia manufacturing will drive at least 50% overall EBITDA growth over FY26-28E. As these businesses are now restructured into separate legal entities and are expected to be demerged and listed separately, we have carried out a SoTP-based valuation for DFPC. We assign 12x EV/EBITDA multiple to DMSL, given its superior margin profile, with backward integration into ammonia and expected vertical integration of the TAN business into the TCO model; we assign 10x EV/EBITDA multiple to DFPC's standalone business, given its steady nature along with its healthy margin profile for the industrials chemicals business; we assign 6x EV/EBITDA to MAL, owing to the commoditized nature of the fertilizer business. We initiate coverage on DFPC with BUY and SoTP-based TP of Rs2,000 (implies consolidated EV/EBITDA of 10x).

Exhibit 7: DFPC – SoTP-based valuation

Particulars (Rs mn)	EBITDA					EBITDA	Multiple	Control	TP
	FY24	FY25	FY26E	FY27E	FY28E	Dec-27E	(x)	(%)	Dec-26E
<u>DMSL</u>	9,096	10,849	11,111	15,144	17,612	16,995	12.0	93%	1,89,665
TAN	7,000	8,956	9,792	11,699	12,566				
Ammonia - PCL	1,132	1,083	413	2,393	3,828				
Platinum Blasting/Logistics	965	810	906	1,052	1,218				
<u>Industrial Chemicals</u>	3,344	3,904	3,946	4,923	6,047	5,766	10.0	100%	57,656
<u>Crop Nutrition</u>	560	4,546	5,198	5,810	6,298	6,176	6.0	100%	37,056
Consolidated EV	13,000	19,299	20,255	25,876	29,957	28,937	9.8		2,84,378
Total Debt	40,453	39,327	47,568	31,876	17,067				35,799
Cash & Investments	6,192	6,272	4,071	5,613	5,870				5,227
Equity Value (Mcap)									2,53,807
No of shares outstanding									126
1-year forward TP (Rs)									2,000
CMP									1,413
Upside/Downside (%)									42%

Source: Company, Emkay Research

Exhibit 8: Our back-of-the-envelope workings for DFPC's EBITDA

Particulars (Rs mn)	FY25	Comments	FY28E	Comments
<u>DMSL</u>	10,849		17,612	
TAN	8,956	TAN volumes sold 519ktpa at a spread of Rs17.3/kg (~USD205/mt)	12,566	TAN volumes sold 867ktpa at a spread of Rs14.5/kg (~USD175/mt, accounting for spread normalization)
Ammonia - PCL	1,083	Q3FY25 witnessed better ammonia pricing of ~USD425/mt FOB Middle East which led to 1 quarter of positive EBITDA	3,828	At ammonia price of USD375/mt FOB Middle East (10% below the long-term average) and Equinor contract benefit
Platinum Blasting/Logistics	810		1,218	Steady growth
<u>Industrial Chemicals</u>	3,904	NA (Rs2.5bn) and IPA (Rs1.5bn)	6,047	Expansion of NA in Dahej to add ~Rs2bn EBITDA (~65% volume tied up)
<u>Crop Nutrition</u>	4,546	Strong volume growth across bulk fertilizers led by better monsoons	6,298	Incremental contribution from CropTek, Water Soluble Fertilizers and organic growth
Consolidated EV	19,299		29,957	

Source: Company, Emkay Research

Key Risks

- **Substantial capex, funded via debt:** TAN, ammonia, and NA capacities have been expanded with the help of debt; if there is pressure on margins, the repayment of debt could be delayed which could shoot up the net debt-to-EBITDA to around 2-2.5x.
- **New capacities in domestic market:** RCF and Chambal have added TAN capacities, which could lead to near-term pricing pressure in TAN, though demand remains strong. Till the time capacities are absorbed, margins could remain under pressure. We have already built in normalization in TAN spreads in FY27E/28E.
- **Low visibility on the next leg of capex:** We have limited visibility on the next leg of growth capex beyond FY26. The company has a healthy cash balance and can generate strong OCF over the next few years. In case no new capex is announced, then our TP would reflect the fair value at which one should exit the stock or else, RoCE will again start falling due to high cash balances.
- **Gopalpur plant is not backward integrated:** The company's TAN plant in Gopalpur will be non-backward integrated and thus exposed to volatility in ammonia prices and logistics costs. This could put pressure on margins, if ammonia prices spike materially.

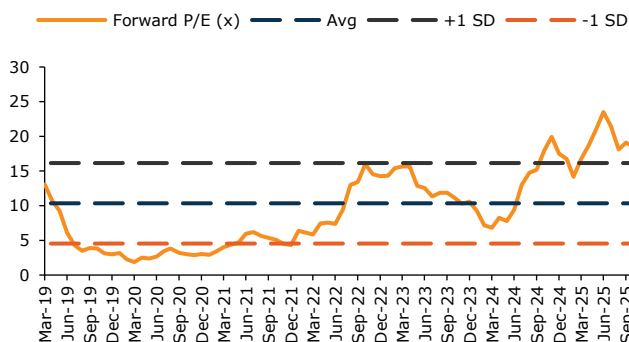
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Exhibit 9: Specialty Chemicals companies – Peer valuations, a comparison

Peer (Domestic)	Rating	TP (Rs)	CMP (Rs)	P/E (x)			EV/E (x)			RoE (%)		
				FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
SRF	ADD	3,250	2,817	39	30	24	23	18	15	16	18	19
PI Industries	REDUCE	3,650	3,458	33	29	25	23	20	18	16	16	16
Gujarat Fluorochemicals*	SELL	3,600	3,582	48	41	34	28	25	22	12	12	13
Deepak Nitrite	REDUCE	1,800	1,707	44	37	33	27	21	17	10	11	11
Navin Fluorine International	ADD	5,600	6,027	55	47	40	34	30	25	17	16	16
Atul	BUY	8,500	6,146	28	23	21	16	13	12	11	12	12
Deepak Fertilisers & Petrochem	BUY	2,000	1,413	21	16	12	10	8	7	13	15	18
Aarti Industries	BUY	450	390	43	23	17	16	12	10	6	10	12
Epigral	BUY	2,600	1,482	19	13	10	11	8	6	20	20	21
Anupam Rasayan India*	ADD	1,050	1,107	84	41	30	33	23	19	5	10	13
GHCL	BUY	850	594	10	9	9	6	5	4	16	16	14
Vishnu Chemicals	BUY	650	483	21	16	12	13	10	8	15	17	18
Tata Chemicals	NR	NA	827	31	23	20	12	10	10	3	4	4
Vinati Organics	NR	NA	1,667	36	29	25	24	20	17	16	17	18
Fine Organic Industries	NR	NA	4,697	33	31	26	25	23	19	17	15	16
Clean Science & Technology	NR	NA	932	35	28	23	23	18	15	18	20	20
Jubilant Ingrevia	NR	NA	703	37	29	21	20	16	12	10	11	14
Aether Industries	NR	NA	877	54	41	31	34	26	20	9	11	13
Archean Chemical Industries	NR	NA	592	23	17	13	15	11	9	15	19	20
Laxmi Organic Industries	NR	NA	185	42	33	26	20	15	12	6	7	9
Sudarshan Chemical Industries	NR	NA	1,043	49	27	18	14	11	9	5	8	11
Neogen Chemicals	NR	NA	1,304	86	48	26	31	19	11	5	8	13

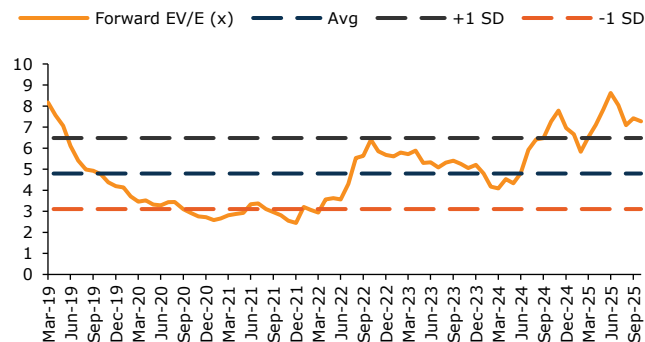
Source: Company, Bloomberg, Emkay Research

Exhibit 10: One-year forward P/E



Source: Bloomberg, Emkay Research

Exhibit 11: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

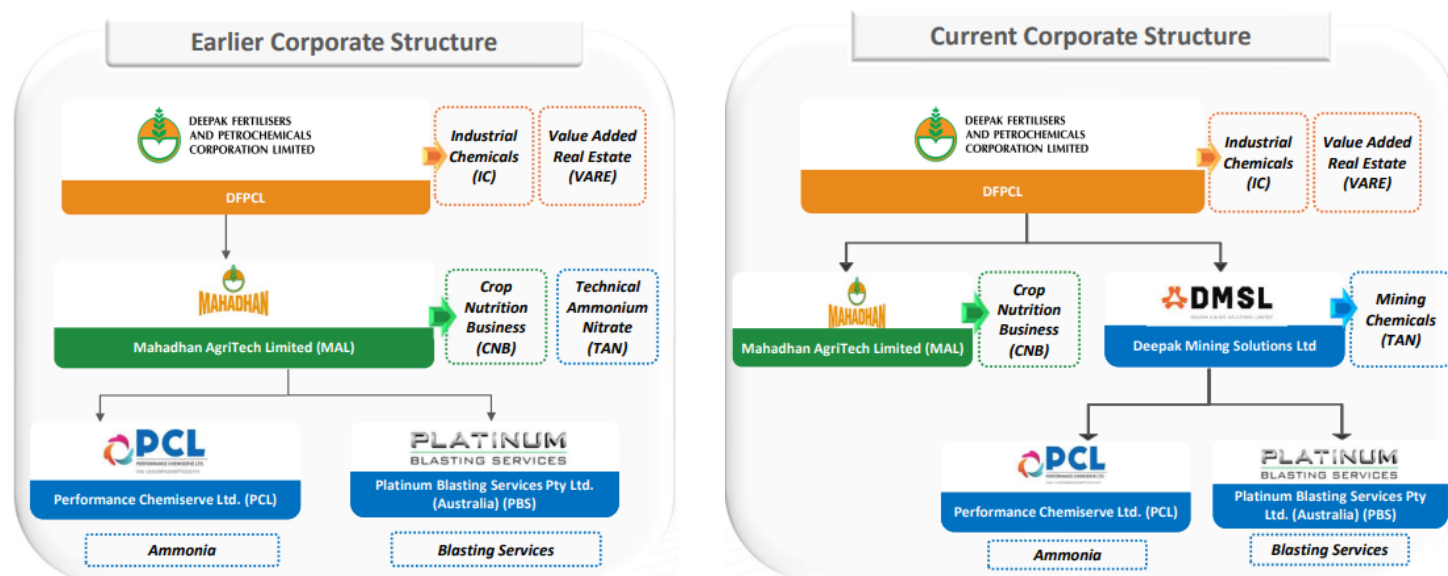
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Restructuring done to unlock shareholder value

Mining chemicals business primarily includes fully integrated manufacturing of TAN (Ammonia: backward integration; Blasting services: forward integration) and its various grades. This business got demerged last year and is now under Deepak Mining Solutions (DMSL). Post the demerger, DMSL used to be a wholly owned subsidiary of DFPC. In Apr-25, DMSL issued compulsorily convertible debentures (CCD) worth Rs8bn, which led to equity dilution of ~6-7% of the shareholding for DFPC. This transaction was done at an equity value of Rs130bn, implying enterprise value of ~Rs170bn and EV/EBITDA multiple of ~17x Mar-26E EBITDA of Rs10bn; however, we have assigned 12x EV/EBITDA for our SoTP-based valuation of Rs190bn on Dec-27E EBITDA of Rs17bn (to factor in for holdco discount as DMSL is a part of the consolidated entity).

Prior to the restructuring, the mining chemicals business (TAN) was a part of Mahadhan Agritech (MAL; formerly known as Smartchem Technologies). Along with the mining chemicals business, MAL also catered to the crop nutrition business and had subsidiaries for the Ammonia project (Performance Chemiserve; PCL) and blasting services (Platinum Blasting Services (Australia); PBS). Both these entities are now step-down subsidiaries of DMSL, while MAL continues to hold the crop nutrition (CN) business. The standalone company houses the industrial chemicals (IC) business, which includes NA, IPA, and propane.

Exhibit 12: DFPC – Scheme of demerger



Source: Company, Emkay Research

Exhibit 13: DFPC's demerger of its mining chemical and fertilizer businesses – Order of events

Milestones	DD-MM-YY
Board approval	15-Dec-22
Composite Scheme of Arrangement admitted by NCLT	25-Jan-23
NCLT approval	28-Jun-24
True copy of order received	11-Jul-24

Source: Company, Emkay Research

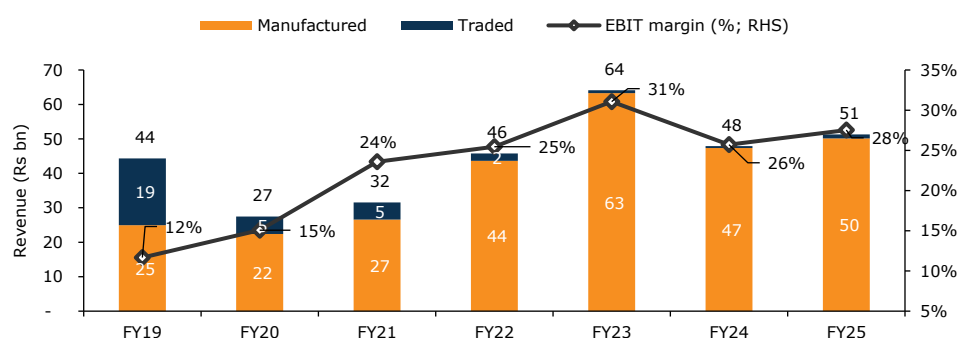
We believe that the corporate restructuring and demerger were aimed at unlocking the value of each of the businesses, enhancing strategic focus, and moving on from a commodity-centric model to specialty and solution-based offerings. The management expects operational efficiencies to come in by way of economies of scale and reduce overlap among businesses. It is also a step toward improving transparency and attracting targeted investors basis the recent transaction with Tata Capital. Eventually, the idea is to list each of these entities separately over the next 2-3 years. However, we believe that the demerger will have no material impact on earnings. DMSL and PCL have started reporting their standalone balance sheet and P&L statements for the year ended Mar-25.

Chemical business: A key focus area

DFPC has two key segments, viz chemicals and fertilizers. The chemical segment has two key businesses, viz mining chemicals and industrial chemicals. Within these two segments, there are three key products – TAN, nitric acid, and Isopropyl alcohol (IPA). Ahead, ammonia will also become a good contributor to the topline and aid margins. The company is also engaged in trading of chemicals, however, it has been a limited focus post Covid.

This segment's revenue grew rapidly over FY10-19, from Rs9bn to Rs44bn, primarily led by the growing bulk chemical trading business. During FY17-19, trading revenues contributed to ~45-50% of the chemical segment's revenue. Going into Covid, DFPC focused on reducing the scale of the trading business to control working capital and focus on manufacturing. This led to various expansion plans across existing and newer products – ammonia, TAN and NA. We believe the next phase of growth journey has started from FY24, after ammonia commissioning, with revenues projected to grow from Rs51bn to Rs75bn over FY25-28E largely led by ramp up of TAN and the nitric acid capacities.

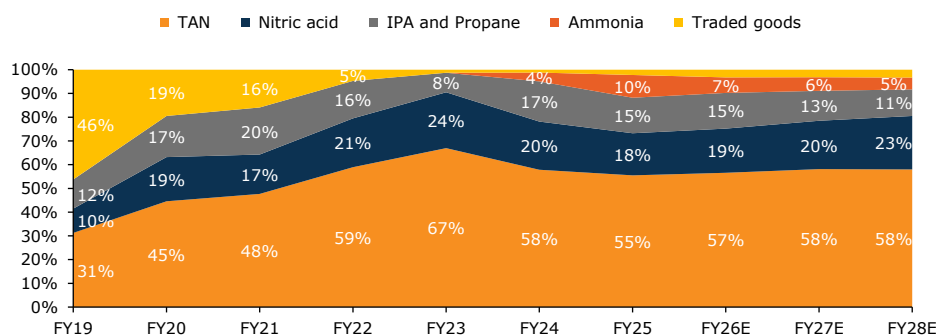
Exhibit 14: Chemicals segment– Revenue CAGR of 13% over FY21-25 (FY25-28E CAGR: 13%)



Source: Company, Emkay Research

The chemical segment's EBIT margins were >25% over FY07-12. The margins then corrected over FY13-20 to the mid-teen range (12-15%) due to rising input cost. This cost inflation was passed on to customers, while the per-tonne profit was protected. The pressure on IPA margins continued as the cost of DFPC's raw material (propylene) moved higher relative to the cost of competitors' raw material (acetone). Margins, however, recovered over FY19-21 on the back of lower prices of ammonia and a spike in prices of IPA caused by supply-chain disruption. Since then, margins have been >25% (back to FY07-12 levels). Going forward, we expect margins to inch up, with commissioning of TAN (a high-margin product), nitric acid, and Equinor contract benefits of lower gas cost for ammonia manufacturing.

Exhibit 15: Top-2 products to contribute ~81% of the chemical segment's revenue by FY28E



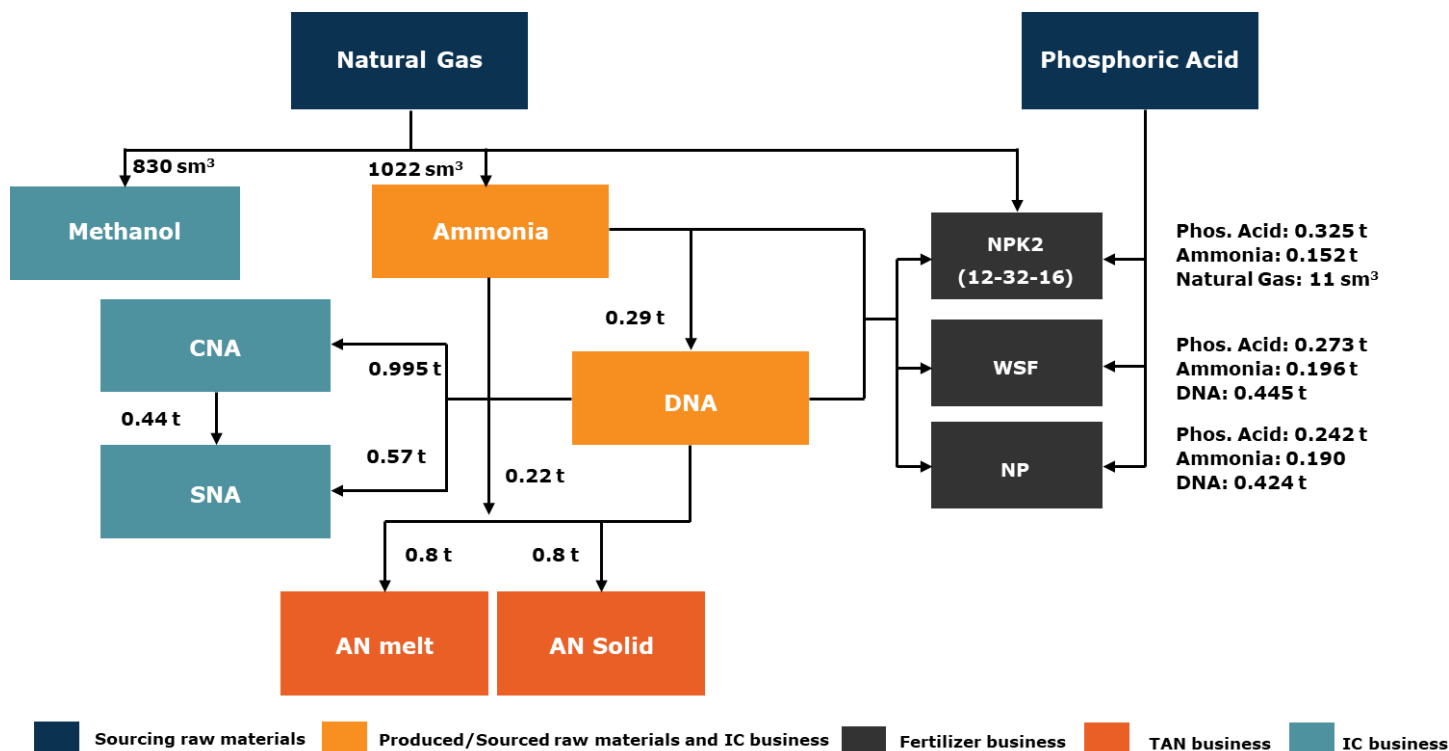
Source: Company, Emkay Research

Commercialization of TAN and nitric acid capacities shall lead to a steady contribution for TAN, while we expect an increase in the % share of nitric acid revenues from 18% to 23% over FY25-28E. IPA and propane capacities are running optimally.

TAN – A key product in DFPC's ammonia value chain

Ammonia is the key raw material used by DFPC to manufacture ammonium nitrate (AN) and diluted nitric acid (DNA). DNA is used in making AN, along with ammonia. DNA, when further purified, produces concentrated nitric acid (CNA). It is also used for manufacturing fertilizers, added with phosphoric acid like NPK, water soluble fertilizers (WSF), and NP. The company, when feasible, depending upon the prevalent prices, decides to source ammonia directly from the Middle East (imports) and then manufactures its downstream products or makes ammonia at its Taloja plant from natural gas (long-term contracts based on Henry Hub prices). We have shown DFPC's value chain in exhibit 16, along with its raw material mix.

Exhibit 16: DFPC's product value chain with RM mix



Source: Company, Emkay Research

Technical ammonium nitrate (TAN) is a concentrated form of AN. It is the highest contributor for DFPC in terms of revenue and margin. It accounts for ~55-58% of the chemical segment's revenue, followed by nitric acid and IPA. TAN is a part of the mining chemicals business under DMSL. DFPC is India's largest producer of TAN, supplying >60% of the domestic requirement through its integrated TAN and ammonia facilities at Taloja (Maharashtra), Srikakulam (Andhra Pradesh), and the upcoming Gopalpur (Odisha) plant.

The company currently operates with a TAN capacity of ~629ktpa, which is being expanded to ~1mmt through the greenfield Gopalpur facility (376ktpa). The Gopalpur plant is expected to be commissioned by Q4FY26. The strategic location of the plant, in proximity to the Gopalpur port, will help reduce logistics costs, support import substitution, and enable exports to Southeast Asia and the Middle East. This shall also structurally reverse the geographical imbalance of plants located only in Western India.

We believe that this capacity expansion is structurally positive in terms of volume growth, as India has the fourth largest coal reserves in the world. The mining sector in India is also flourishing. There is enough potential for the country to grow, given the government's thrust on infrastructure development and technological advancements. DFPC's capacity expansion aligns with the country's self-reliance goal, bridging the domestic supply gap as ammonia manufacturing is still underpenetrated due to natural gas' availability and cost feasibility. The additional capacity is a part of the value addition, to forward integrate into explosives and initiate systems for providing blasting services. DMSL continues to create value through its 'Total Cost of Ownership' (TCO) projects across mining and infrastructure clients. This integrated approach reduces extraction costs across the mining chain – from drilling to blasting, load and haul, and crushing.

Ammonium Nitrate: A brief

Ammonium Nitrate (AN) is widely used as a fertilizer globally. However, its use is restricted for agricultural purposes in India due to potential misuse. Thus, demand in India is entirely concentrated in the industrial segment, specifically for manufacturing explosives used in mining, quarrying, and infrastructure projects such as coal and lignite mining, limestone and iron ore extraction, and cement manufacturing.

TAN is a white inorganic salt which has the chemical formula: NH_4NO_3 . It is an 'oxidiser', which contains ~60% oxygen and, therefore, supports combustion. TAN is not an explosive by itself. Commercial explosives are produced by mixing TAN with fuel and sensitizer. These commercial explosives, when used with other blasting agents like detonators/boosters (RDX/TNT), are rapidly converted into gases at a high temperature and pressure in a confined state in the rock, leading to breaking of the rock/mineral.

TAN is the main component of the explosive composition known as ammonium nitrate fuel oil (ANFO). ANFO uses of ~94% of porous prilled TAN and ~6% fuel oil such as diesel. ANFO explosives deliver a higher share of gas energy, improving fragmentation of rocks/stones. This results in lower excavation and transportation costs, higher productivity for earth-moving equipment, reduced power demand, and less wear/tear of machinery, leading to lower maintenance costs. When combined with advanced technologies noted above, ANFO enables a faster throughput, accelerating infrastructure projects in India while delivering cost-savings and better control of environmental impacts (vibration, fly-rock, noise). Many IEDs used by terrorists around the world have ANFO as the main explosive.

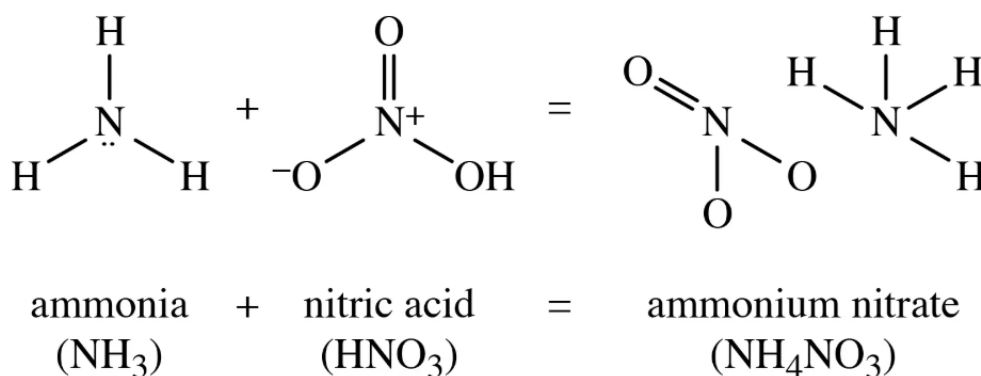
Stored ammonium nitrate is a fire hazard and can explode in two ways. It can come in contact with some explosive mixture or the oxidation process at a large scale; heat may be generated, starting a fire and then explosion. This seems to be the main likely cause of the incident at Beirut port. In India, manufacturing, conversion, bagging, import, export, transport, possession for sale or use of ammonium nitrate is covered under The Ammonium Nitrate Rules, 2012. Due to the Beirut explosion in CY20, these rules were amended by the Indian government to curb pilferage and improve ways to handle and store these chemicals.

The mining chemical business has a dedicated logistics team for coordinating storage, transportation, and delivery of TAN products, ensuring timely transportation and delivery of ammonium nitrate to domestic and global customers. DMSL maintains strict compliance with Ammonium Nitrate Rules, supported by an advanced Global Positioning System (GPS). This system ensures real-time tracking, with instant alerts and corrective actions for any deviations across the manufacturing and distribution network.

Types of ammonium nitrate used for mining/explosives

The fully integrated manufacturing includes production of ammonia, nitric acid, and various grades of ammonium nitrate. 1mt of ammonium nitrate requires 0.22mt of ammonia and 0.8mt of nitric acid. Total ammonia required for 1mt of ammonium nitrate is 0.45mt.

Exhibit 17: Ammonium nitrate – Molecular structure



Source: Company, Emkay Research

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DFPC is the sole producer of TAN in solid/prill form. All the other manufacturers produce TAN in solution/melt form. Movement of solution/melt form of TAN is difficult as it requires heated tankers. Also, it becomes inconvenient for the customer to store due to its explosive nature. DFPC manufactures all four grades of ammonium nitrate which places it in a relatively better position given the difference in nature of requirement for a mine/explosive manufacturers.

Low Density Porous Prill Ammonium Nitrate (LDAN)

Low Density Porous Prilled Ammonium Nitrate is a special, porous, free-flowing product for use in the manufacture of ANFO and Heavy ANFO products in opencast mining and construction projects. It is suitably used in dry or slightly watery holes. It is also used in underground metalliferous mines for stope and shaft blasting. The product of ANFO can be loosely poured and pneumatically charged, depending on the usage. Its low density and high porosity ensure good oil absorption and a high detonation speed.

DFPC is the sole producer of LDAN in India. It sells LDAN by the name of OPTIMEX®, OPTIMEX-PLUS®, and VERTEX SUPER®. The customers using LDAN are either private-sector coal miners or from the limestone and infrastructure sectors. The company is focusing on growing LDAN volumes due to its higher profitability. In FY25, LDAN's sales grew by ~15% YoY, reflecting enhanced customer connect and increased market penetration.

Coal India and its subsidiaries are procuring LDAN on a commercial scale (one of the largest end-users in the explosives industry). In addition, DFPC aims to enhance margins by introducing value-added offerings such as packaged explosives (aids in increasing LDAN's volumes) and by providing LDAN-based blasting services directly at mining sites.

High Density Uncoated Prill Ammonium Nitrate (HDAN)

High Density Ammonium Nitrate (HDAN) has several applications in the industry. It is the main raw material required for the manufacture of high-quality emulsion and slurry explosive. Uncoated HDAN can easily mix with water to form an oxidizer solution, making it a preferred product among explosives manufacturers. HDAN gives an enhanced performance as a major ingredient of the emulsion matrix. DFPC sells HDAN by the name of OPTIFORM® and VERTEX NORMA®. HDAN is typically bought by public-sector coal manufacturers, who make emulsion-paste explosives with it.

Ammonium Nitrate Solution/Melt (ANSOL/AN Melt)

Ammonium Nitrate Solution is used to produce ammonium nitrate-based emulsion explosive products. AN melt is the liquid form of ammonium nitrate, which is used for manufacturing emulsion matrix or blend and finally, the site mix emulsion. AN solution takes less time to dissolve; hence, the time taken for preparation of oxidizer blend is lesser. The final product of emulsion explosives depends upon the concentration of the blend by adding water in the desired proportion. AN melt is a popular product for explosive manufacturers. DFPC's FY25 AN melt sales volumes were ~147ktpa (+11% YoY), supported by operational efficiency and stronger mining sector offtake. AN melt is ~28-30% of the total TAN volume sold.

Medical Grade Uncoated Prill Ammonium Nitrate (MGAN)

DFPC's medical grade ammonium nitrate is also a niche product used for producing laughing gas, which is required for surgical applications in the pharmaceutical industry. It is also used by nitrous oxide manufacturers as they require higher purity levels. The company is the only manufacturer of MGAN in India. The volumes are relatively smaller, compared to other grades.

Globally, there are other grades of AN, where certain value addition is done, viz Urea Ammonium Nitrate (UAN), Fertilizer Grade Ammonium Nitrate (FGAN), Calcium Ammonium Nitrate, Explosive Grade Ammonium Nitrate (EGAN), etc.

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Near-term supply addition to be absorbed, largely replacing imports

Based on our workings, India's total AN demand was ~1,320ktpa in FY25, while domestic production was only ~915ktpa, leaving a supply gap of ~405ktpa. This gap is largely met through imports (primarily from Russia). We have assumed that demand for AN grew at 5.3% pa over FY17-25 and at the same time, production volumes for DFPC also grew, in line with demand. Post Covid, demand grew at 7.2% over FY20-25. We expect a modest demand growth of 4.5% from FY27E to FY30E. Thus, the projected CAGR for AN demand growth should be ~5.1% pa over FY25-30E (DFPC expects TAN growth to be ~6% pa). During the same period, production/domestic supply is expected to grow at ~13%.

Exhibit 18: Domestic TAN demand CAGR expected at ~5% over FY25-30E

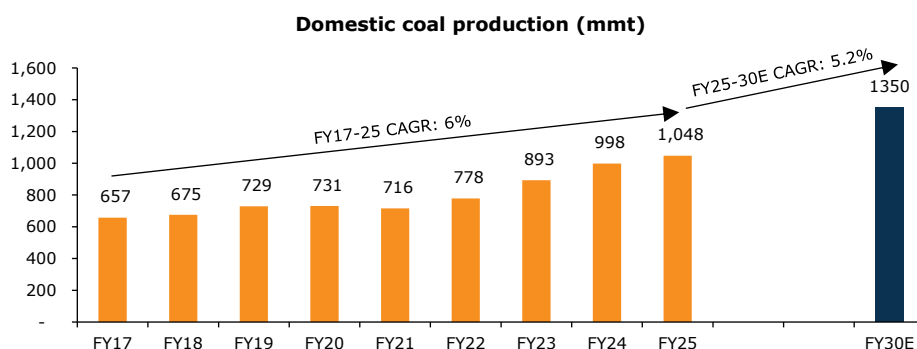
(ktpa)	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
TAN demand	1,287	1,319	1,421	1,485	1,552	1,622	1,695
AN exports	1	19	40	80	120	140	150
TAN production	838	916	1,021	1,292	1,510	1,605	1,690
AN imports	450	422	440	273	161	157	155

Source: Company, Industry, Emkay Research

In FY25, coal mining grew ~5% YoY, driven by increased demand from the power sector (Coal India itself aims for 1bn mt of coal production by FY29 vs ~750mmt in FY25). Additionally, steel and cement production also saw a ~5-7% rise, supported by infrastructure-led growth based on the current government's policies and initiatives. These trends are expected to continue into FY26, given the increasing population and improving standards of living.

India's aspiration to become the 'manufacturing hub of the world', along with the 'make in India campaign' would further boost this demand for power and infrastructure. TAN being a key mining chemical will continue to play a vital role in catalyzing infrastructure progress, which would be integral in supporting India's economic growth ahead. This shall result in a quick ramp-up for DFPC's new TAN facility in Gopalpur.

Exhibit 19: Domestic coal production CAGR expected at 5.2% over FY25-30E



Source: Company, Emkay Research

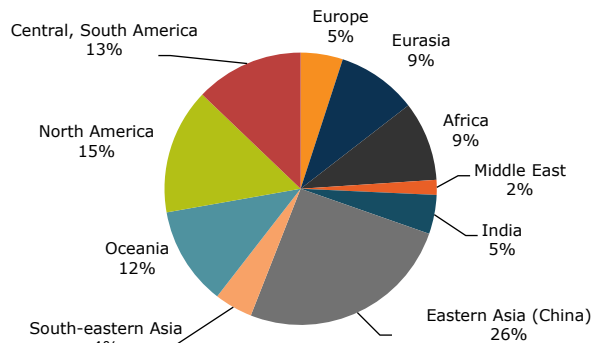
Due to increased demand, led by a rise in mining activities and infrastructure spends, TAN imports have consistently grown from FY21. Also, production capacities have been lower than domestic demand and largely concentrated on the Western coast. As the product is regulated/licensed, the government exercises controls via export restrictions to protect the domestic end-user industry, ensure capacity utilization, and manage risks of import dumping.

TAN exports from India have been at ~20-25mtpa over the last 10 years. It was interesting to note that TAN exports were restricted over FY22-24 when demand for TAN increased more than the GDP growth. Thus, the government had completely restricted TAN exports. DFPC is one of the only exporters of TAN in India. DFPC was allowed to export 20ktpa of TAN in FY25 and the export quota for FY26 has been increased to 50ktpa. We believe this is due to the additional capacity for RCF commissioned last year. Export volumes for DFPC surged to 18.4ktpa post revocation of the TAN export ban, demonstrating its agility in tapping into international markets. We expect exports to grow amid domestic supply addition.

Global demand

We believe global demand for TAN used for mining/explosives was ~16mmt in CY24 (based on various industry reports). Overall global demand for AN (all grades) would be ~4-5x of TAN demand. China is the largest consumer of TAN, followed by the US and Australia. India is also a significant player, given the increasing demand for power and, in turn, coal mining and infrastructure capex push in the country.

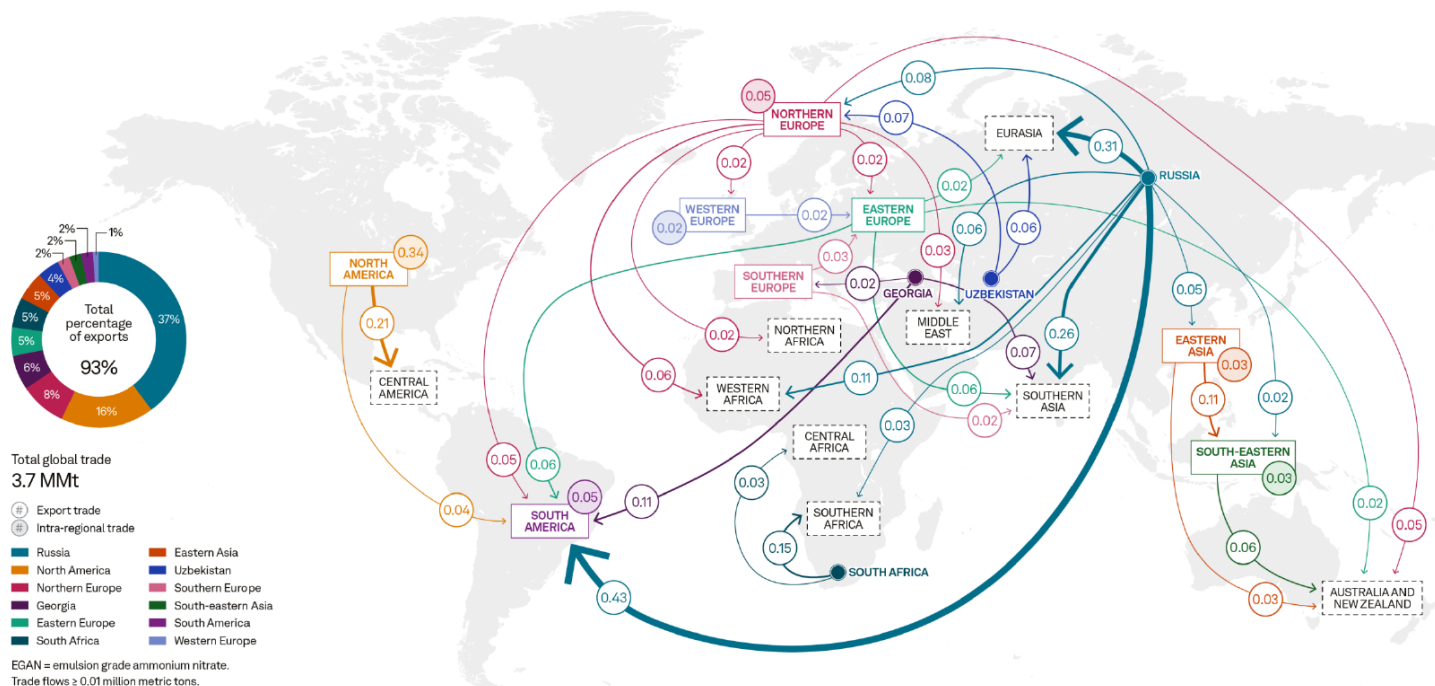
Exhibit 20: TAN demand is scattered across the globe (CY24)



Source: Industry, Emkay Research

Exports account for ~20-25% of the total TAN demand globally. In the export market, Russia dominates the trade flow of TAN. It is the largest exporter, controlling 8.5% of global demand. Apart from Russia, the US, Uzbekistan, and Georgia are key suppliers.

Exhibit 21: Trade flow of TAN in CY24



Source: Industry, Emkay Research

The EU has imposed duties on import of fertilizers from Russia and Belarus on duty per ton basis, in addition to 6.5% basic duty (HS code starting with 3102 and 3105). Additional duties have been implemented from Jul-25, with the farmers there facing higher costs.

There have been thresholds set to transition away from Russian fertilizers. The duties are expected to peak out from Jul-28 at USD370/mt for AN product. The duties are even higher for other key fertilizers like DAP, NPK, NP, etc.

- 2.7mmt from July-25 to Jun-26: USD44/mt
- 1.8mmt from July-26 to Jun-27: USD68/mt
- 2.7mmt from July-27 to Jun-28: USD93/mt

The UK has also imposed additional duties to limit Russia's war funding.

As a result, Russia shall realign its export strategy. With the new EU duties in place, Russian fertilizer producers are likely to lose a significant share in the EU which previously accounted for >25% of the EU's fertilizer imports. The tariff moves form part of a wider effort to curb Russia's economic strength amid continuing geopolitical tensions.

In response, Russia might focus on markets in Asia, Africa, and South America, where demand prospects are more favorable. This strategic reorientation could enable Russia to sustain export volumes and revenues, although profit margins may face short-term pressure.

China is a large consumer of AN, as highlighted earlier. Like India, the use of FGAN is banned, even though China imports large volumes of AN. There is no direct application of FGAN, with all volumes used in NPK and blending. In the industrial sector, TAN is mainly used for civil explosive products, and demand is influenced by infrastructure investment. China's AN consumption is mostly met through domestic production, and this is expected to continue ahead, with increase in demand and equivalent supply additions.

Key supply additions in FY26

DFPC is constructing a world-class greenfield TAN plant at Gopalpur, Odisha, with a capacity of 376ktpa (expected to be commissioned in Q4FY26). This capacity addition shall take DFPC's total TAN capacity to ~1mmt. This plant will be the only plant (the largest) on the East coast of India, near the mining corridors of the East/Central region, as highlighted in Exhibit 26 (also, in proximity to ports for exports). The cost of the TAN project was ~Rs22bn (now increased to ~Rs27bn due to material cost escalations). The plant will be a state-of-the-art facility with swing technology, to produce various grades of AN without modifying the plant. It shall use 3 sources of power flexibly to avoid power-related disruptions. It will have water storage of 5mn litres, providing security in case of fire.

Along with DFPC, Chambal Fertilizers is also expected to come up with a 240ktpa capacity in its Gadepan facility in Rajasthan by Q4FY26. RCF has commercialized a ~155ktpa AN melt capacity last year in Trombay, Maharashtra. Based on GNFC's quarterly filings, it is also considering adding ~160ktpa of TAN. There will be adequate supply by FY27E, to match TAN demand of FY30E (excl exports).

Exhibit 22: Competition intensity in the AN market in India

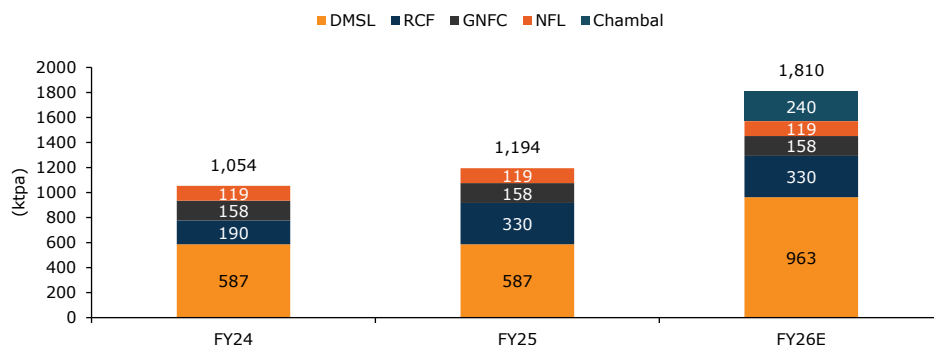
Company	Existing capacity (ktpa)	Upcoming capacity (ktpa)	Commissioning timeline
Deepak Mining Solutions (DMSL)	587 (solid TAN/prills)	376 (Gopalpur greenfield TAN)	Expected by Q4FY26
Chambal Fertilisers (Chambal)	Nil	240 (Gadepan TAN project) + 180 (WNA) – Rs16.5bn	Expected by Q4FY26
Gujarat Narmada Valley Fertilisers & Chemicals (GNFC)	~160 (AN melt)	WNA increase of ~200 (downstream AN capacity TBD) – Rs13.5bn	WNA-III projects recently contracted; timeline not explicitly provided
Rashtriya Chemicals & Fertilizers (RCF)	~330 (AN melt)	Nil	Commissioned and started in Nov-24 (425tpd = ~155ktpa)
National Fertilisers (NFL)	~119	Nil	NA
Coal India	Nil	660 (Lakhanpur, Odisha) – Rs117.8bn	Land acquisition and tendering is underway

Source: Company, Emkay Research

As of Mar-24, total domestic capacity for production of TAN was ~1.05mmt. Post the capacity addition by three players over FY25-26E, the total capacity is expected to reach 1.8mmt. There are no new capacities coming beyond FY26E. We believe that new capacities will take 2-3 years to completely ramp up.

Based on the supply additions, we have tried to enumerate the volumes sold by each supplier. We expect domestic production to grow at ~13% over FY25-30E, substituting existing imports. Thus, growth in supply is just ~6.6% due to the fall in import volumes. We believe that imports shall flatten out over FY29-30E and then, due to no supply addition, start scaling up. We do not factor in any debottlenecking/capacity additions post FY26E.

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 23: Total existing and upcoming AN capacities in India

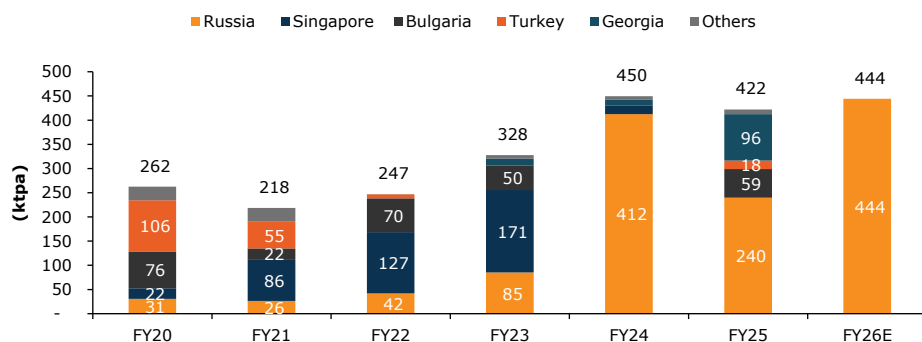
Source: Company, Emkay Research

Exhibit 24: TAN - Domestic production growth forecast at ~13% over FY25-30E

(ktpa)	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
DMSL	505	519	546	722	867	910	955
RCF	177	212	270	284	298	313	328
GNFC	116	130	140	140	140	140	140
NFL	41	56	65	50	50	50	50
CHAMBAL	-	-	-	96	156	192	216
Total production	838	916	1,021	1,292	1,510	1,605	1,690
India Imports	450	422	440	273	161	157	155
Total Supply	1,288	1,338	1,461	1,565	1,671	1,762	1,845

Source: Company, Industry, Emkay Research

Fertilizer grade AN is imported in India due to higher demand than domestic supply. Solar industries, IDL Explosives, Ideal Industrial Explosives, etc, are the key importers in India. These companies import from companies like Drey Moor Fertilizers, Aditya Birla Global Trading, Fertcom, SBL International, etc. India imports largely from Russia, followed by Bulgaria and Georgia. Globally, there will be supply additions of ~800ktpa of TAN in CY27 in Bulgaria, Egypt, and China. Going into CY28, only China is likely to add ~1.4mmt of greenfield TAN capacities.

Exhibit 25: Russia largely fulfills Indian AN imports

Source: Industry, Emkay Research

Exhibit 26: AN capacity in India and destination ports



Source: Industry, Emkay Research

The existing capacities of AN are marked in orange and the upcoming facilities are highlighted in purple. Marked in blue are the ports for entry.

Based on the map above, we see DFPC's Gopalpur plant's proximity to the coal fields; with the imports happening only from Paradip port, the company stands a chance to ramp up its capacities faster due to benefit in terms of lower freight costs and ready availability. Also, the company's legacy in this business should help to scale up faster.

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions.com). DFPC's strategy will be on creating an export market (primarily the Middle East or Southeast Asia) as both the plants are near the port. This should mitigate risks of oversupply in the near term. Thus, we do not see any risk for DFPC in terms of ramping up post commissioning.

AN pricing, a key monitorable

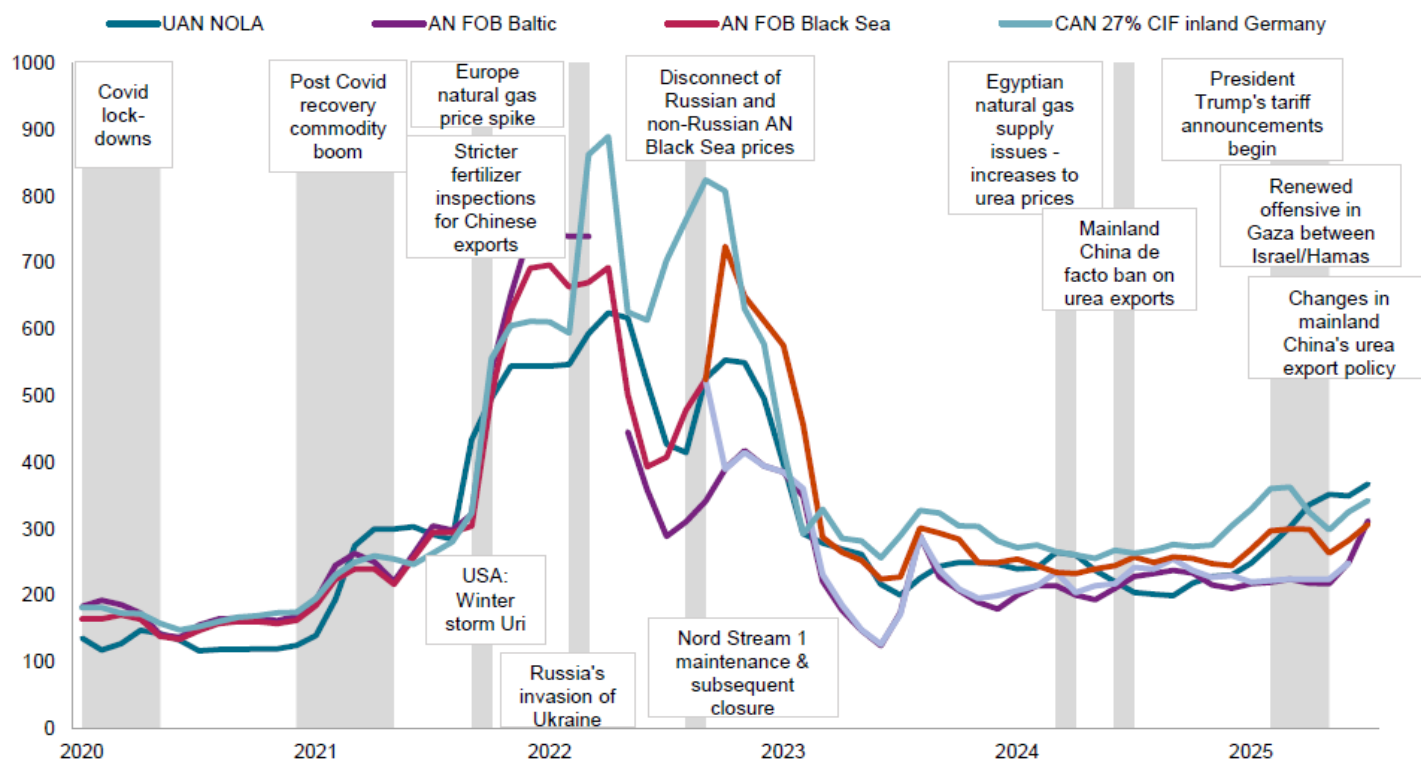
Ammonium Nitrate is an internationally traded commodity. Thus, prices of AN respond to the cost profile of the major supplier; this determines the cost of exports (Russian producers). Cost profiles of domestic suppliers shall also play a role, given the level of backward integration (determining the level of import price at which domestic suppliers will reduce their production). And the obvious, normal demand-supply balance shall influence prices. Lately, we have observed that TAN customers have expanded their storage capacities to 3-6 months of consumption. This has given bargaining power to customers.

AN prices are often benchmarked with Urea in the international markets, due to its application as a nitrogen-containing fertilizer (with potential to substitute). The nitrogen content of urea is higher than that of AN (46% for urea versus 34.5% for AN). Historically, urea is generally more expensive than AN on a USD/mt basis. Historically (CY15-20), the average ratio between urea and AN was ~0.80. This ratio in CY25 YTD is ~0.70, indicating higher premium for Urea. We believe that this shall converge with the historical levels.

In international trade, FGAN is sold on a spot basis with prices varying week-to-week, depending on urea price movements and AN-specific supply-demand dynamics. TAN pricing follows a different structure, with TAN typically trading at a significant premium to FGAN due to bagging/storing/freight cost.

Mostly, TAN is sold on a formula basis, with prices linked to either FGAN, ammonia or Henry Hub natural gas. Linkage to FGAN is most common in international trade. Linkage to ammonia is the usual structure in sales (TAN) from producers or importers to explosive manufacturers. AN price benchmarking to natural gas was a common phenomenon in the US; however, the practise was out of favor with buyers during the period of high gas prices in the early/mid-2000s. With lower gas prices, there is increased interest in gas linkages from TAN producers (integrated with ammonia) as they lock in a margin and de-risk themselves from ammonia market's price volatility.

Exhibit 27: Price movements in key AN benchmarks

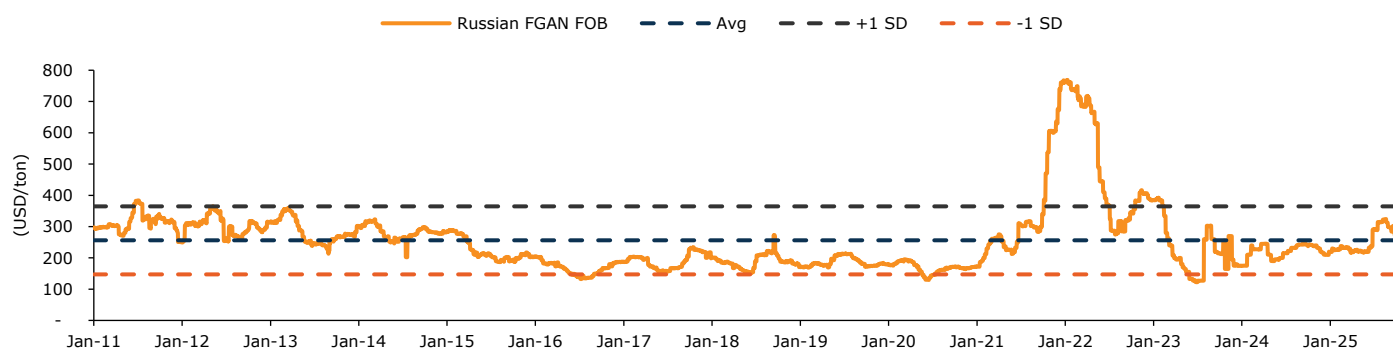


Source: Industry, Emkay Research

Russia used to ship TAN to India from St Petersburg port, Ust-luga (a Baltic Sea port below St Petersburg), and Nakhodka port (Sea of Japan). Shipping via Baltic Sea is cheaper compared to the Sea of Japan. Russia's primary destination out of the Baltic Sea is South America, with the main consumer being Brazil. Russia also ships AN from the Black Sea to the likes of Africa, Southern Europe, and the US.

As India largely imports Russian TAN, we monitor the Russia FGAN FOB prices at Baltic ports, where we observed the price history of the last 15 years. The last traded price of FGAN was USD242/mt. The average price of the last 15 years' daily price data set was USD256/mt. During CY11-14, prices hovered between the average price and +1SD of USD365/mt, while post normalization of the Russia-Ukraine war spike and agrochemical destocking, prices attempted to go below the average. Due to Iran-Israel conflict in Jun-25, prices shot up above USD300/mt. Ahead, we expect international prices to normalize and remain at ~USD250mt. Also, on the lower levels of -1SD, prices can go to ~USD150/mt (touched multiple times during CY16-21). These prices are largely driven by producer margin, ocean freight & insurance and dealer margin.

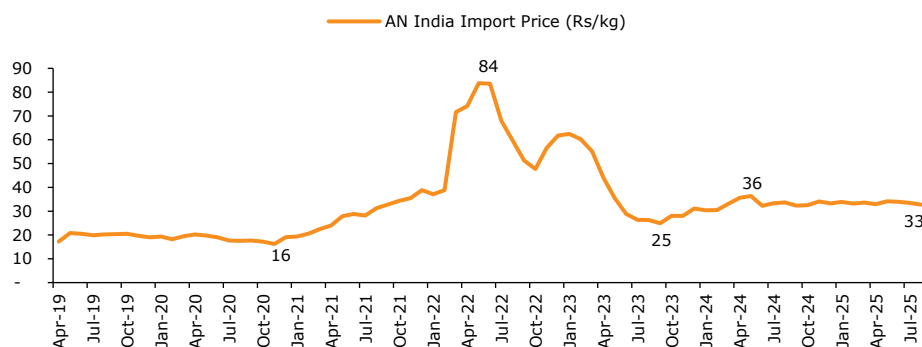
Exhibit 28: Russian Fertilizer Grade Ammonium Nitrate (FGAN) FOB price



Source: Industry, Emkay Research

Based on the import prices of TAN in rupee terms, we observed that they have remained rangebound at Rs33-36/kg over FY24-25, amid tariff uncertainty and the Iran-Israel conflict. We have started seeing temporary moderation in pricing due to capacity addition from RCF, coupled with price correction in Russian FGAN prices. Ahead, with the capacities of DMSL and Chambal coming up in Q4, there will be some price moderation till the time the domestic demand-supply balances and India becomes a net exporting nation.

Exhibit 29: India – AN import price



Source: Industry, Emkay Research

After the Beirut incident in Aug-20 and then the Russia-Ukraine war, following complications made domestic production beneficial over imports, supporting capacity ramp-up and GMs:

- Import cost is higher than domestic production due to higher freight cost from Russia.
- Import is permitted for end-users only. End-users cannot import in large quantities.
- Import is permitted at selected ports only. Earlier, most of the import happened at Vizag port. From Apr-24, Paradip port handles virtually 100% of AN import.
- AN storage is not permitted at the port; hence end-user is required to evacuate the material. While there are no anti-dumping duties due to the economic significance of the chemical, import duties increased from 7.5% to 10% in Jul-24 last year.

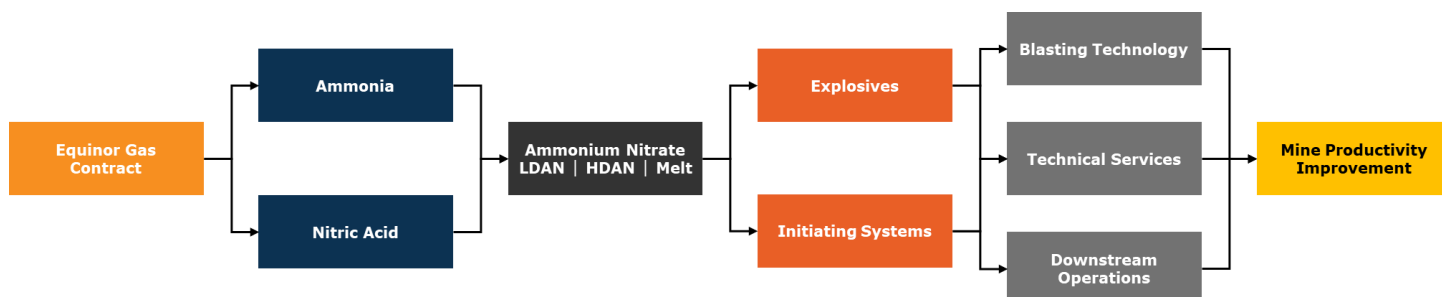
This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

DMSL is the valuation driver

Deepak Mining Solutions (DMSL) is the new subsidiary of DFPC and was incorporated last year. It houses the demerged business of TAN (earlier operated under MAL), ammonia manufacturing under DMSL's subsidiary, PCL, and the Platinum Blasting Services business in Australia. This entity provides a uniquely integrated and differentiated value chain within India, starting from gas, ammonia/NA, TAN, advanced blasting technologies, technical services, and downstream operations – all designed to boost efficiency and productivity across mining and infrastructure sectors. DMSL's core principles reflect in its new logo, addressing innovation, user-specific customization, and customer-centricity.

DMSL continues to make strategic investments in this value chain. It will be a) purchasing BMD (Bulk-Mix-Delivery) trucks for down-the-hole ANFO delivery, b) forward integrating into making commercial explosives and initiating systems, c) focusing on using advanced technologies like drones, AI-based blast modelling, productivity sensors, etc, and d) engineering talent development for customer engagement and value delivery.

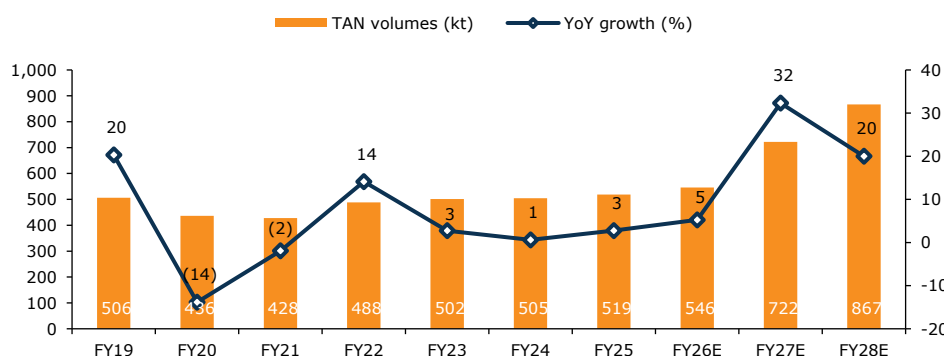
Exhibit 30: DMSL – Value chain



Source: Company, Emkay Research

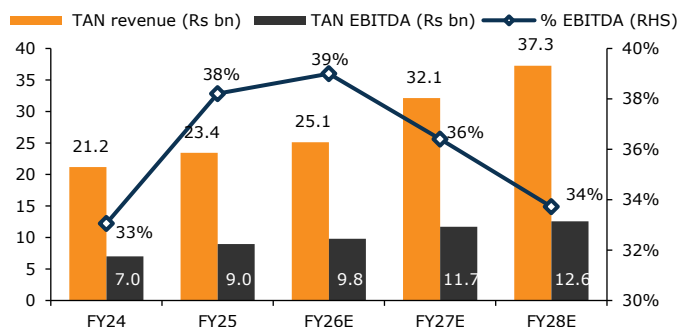
DMSL is the sole producer of LDAN (a critical input for ANFO explosives) in India. LDAN's sales grew 15% YoY, with deeper customer penetration and wallet-share gains. Sales of AN Melt also touched a record 147kt, up 11% YoY, aided by operational efficiencies and higher offtake from the mining sector. The company recorded its highest ever TAN sales volume in FY25 (+3% YoY). The performance was driven by robust demand in core sectors such as power (coal), cement, steel, and infrastructure (aggregates). Further, DMSL has resumed exports, following the revocation of the export ban by the Government and the current export quota limit at 50ktpa. The progress in the Gopalpur TAN greenfield project (376ktpa) is ~87% as of Nov-25, company expects to reach optimal utilization within 2-3 years of commissioning.

Exhibit 31: TAN volumes to grow meaningfully after commissioning of the Gopalpur plant

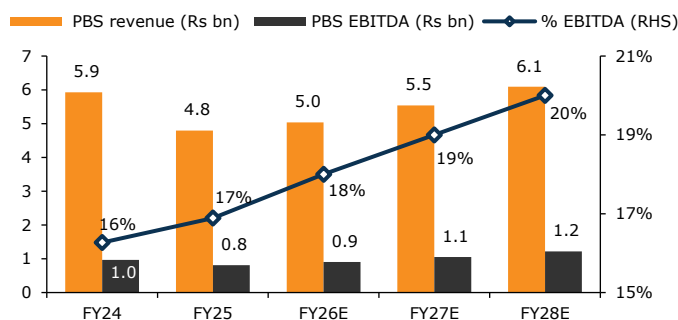


Source: Company, Emkay Research

FY25 was the first year of reporting for DMSL where the company provided for the effect of the demerger. DMSL recorded revenue of Rs23.4bn in FY25 on standalone basis (+11% YoY), with EBITDA margin of 38% vs 33% in FY24. We expect that in FY26E, the company will record revenue of Rs25.1bn (+7% YoY), with improvement in volumes sold as the company operated the plant at ~100% utilization in H1FY26. Ahead, once the Gopalpur TAN plant is commissioned, we expect DMSL's FY28E revenue at ~Rs37.3bn (90% utilization) largely due to volume growth, with EBITDA margin of 34% (factoring in lower realizations of TAN, offset by operating leverage from ramping up of capacity) factoring in for normalization of margins.

Exhibit 32: TAN revenue CAGR expected at 17% over FY25-28E

Source: Company, Emkay Research

Exhibit 33: PBS revenue CAGR expected at 8% over FY25-28E

Source: Company, Emkay Research

Platinum Blasting Services, a wholly owned subsidiary of DMSL

DMSL's overseas subsidiary, Platinum Blasting Services Pty (PBS), has been catering to the Australian mining industry for over a decade now. PBS offers a comprehensive range of cost-effective and innovative blasting solutions, including blast design, explosives supply, logistics, down-the-hole loading, short firing, and regulatory compliance support. Earlier, PBS was a JV with local Australian partners having vast experience in providing value-added blasting services and operational expertise to mining and explosives industries in Australia. DFPC engaged in this business as a part of the forward-integration initiative.

During FY25, DMSL increased its stake in PBS from 65% to 85% by acquiring shares from existing shareholders. In Nov-25, DMSL acquired the balance 15% stake at a similar valuation of 6.7x EV/EBITDA (seen in the previous transaction). The ascribed enterprise valuation for this entity came to Rs4.2bn. In FY25, PBS reported revenue of ~Rs4.8bn and EBITDA of Rs0.8bn (17% EBITDA margin). This move is in line with the company's strategy to move from commodity to holistic mining solutions. This strategic step underscores DMSL's commitment to expanding its global presence in the explosives and blasting services domain, while enabling greater control over PBS's operations and future growth initiatives.

Platinum Blasting Services (Logistics), formerly known as Australian Mining Explosives (AME), an Australian company, is the wholly owned subsidiary of PBS and is engaged in the business of storage and handling of TAN. It is small in size and contributes ~10% of the PBT of PBS's standalone business.

We believe that blasting activity has a considerable impact on the downstream value chain in mineral and rock production and on the extraction process. Understanding the knowhow and improvement in blasting efficiency would have a multiplier effect on the downstream process and hence, on the overall productivity of operations and then infrastructure development at large. Blasting efficiency is a factor of the type of explosives used (based on the rock/mineral and associated geological conditions) and deployment of advanced technologies such as blast design, real-time measurement of blast outcomes, eg, rock fragmentation (desired sizes of blasted rock output enable faster excavation and also aid in improving crusher throughput), control in dilution (purity factor), vibration and noise control, blasted material profile, etc. Drones and Artificial Intelligence are used to accurately analyze, simulate, and predict the results for improved safety and productivity. These services shall aid the company in growing more toward explosive manufacturing and standing a chance to be re-rated, compared to the listed peers in the Indian market.

We foresee that PBS will continue to grow steadily, given the potential of Australia's mining market. Presently, PBS operates on the East coast of Australia and shall expand its footprint on the West coast, driving growth. We expect a growth of 8% YoY and modest margin improvement from 17% to 20% over FY25-28E. The company would add up an incremental EBITDA of Rs0.4bn over the next three years. There is an optionality of further upside, given the addition of a new greenfield TAN plant in the East of India, which can cater to the Australian operations.

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Ammonia's backward integration sums up the volatility

DFPC's key raw material across its businesses is ammonia, which provides the nitrogen content to its end products (TAN, Nitric Acid, NPK/NP). As part of its backward integration, the company decided to set up an ammonia plant of 500ktpa (1,500tpd) under PCL at Taloja, adjacent to its existing manufacturing facilities (commissioned in Q2FY24). The technology was provided by Kellogg Brown Root (KBR, US) and the EPC partner is Toyo. It is a highly energy-efficient plant, which meets global and Indian environmental and safety standards, and is also a zero-liquid discharge plant. When the ammonia project was first announced, the capex envisaged was ~Rs29bn. This subsequently catapulted to ~Rs43.5bn due to delays because of land acquisition, government clearances, and underbudgeting of costs.

The company also has an over 40-year old 129ktpa ammonia plant (non-operational). Thus, DFPC was highly dependent on outsourced ammonia. Currently, with the capacity addition, DFPC has a total ammonia capacity of ~629ktpa and has become self-sufficient, with surplus quantity available for merchant market sale. In FY25, the company produced 507kt from the new ammonia plant, meeting 93% of the group's need. The facility also began to capture CO₂ from the process and started sales from Feb-25, enhancing value creation.

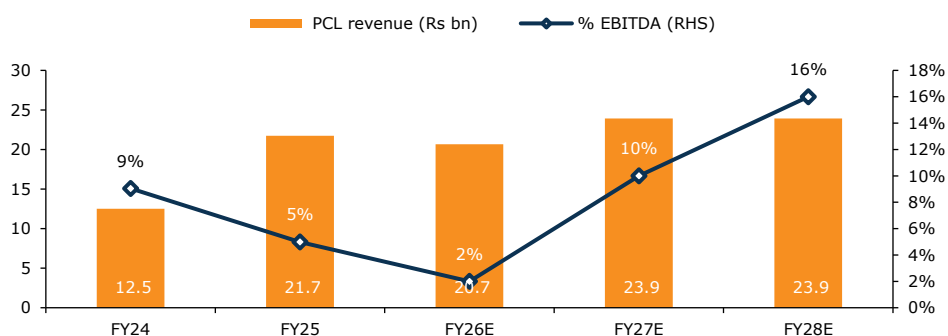
We believe that the new ammonia plant voids volatility in ammonia prices by providing production visibility to the operations team and pricing comfort to the sales team. It captures the margins across the value chain (from natural gas to downstream business). The new plant provides feedstock support for any future downstream expansion in its IC/MC business. Moreover, the pipeline's supply from PCL to the standalone business units in Taloja eliminates tanker movements (hazardous gas) and avoids demurrage in import shipments due to congestion at the port (savings on freight cost). PCL receives SGST refund on ammonia sales under Maharashtra's UMP policy, which incentivized investment.

PCL has entered a 15-year long-term gas supply agreement with Equinor (a Norwegian government company), effective May-26, to secure uninterrupted LNG availability. The agreement is for supply of 0.65mmt. The pricing formula in the deal is linked to Henry Hub (HH), set at fixed multiple*HH, which is anticipated to reduce gas costs significantly. It is expected to strengthen margins (through efficient hedging) and support in-house ammonia production, ensuring cost stability and supply security.

PCL has also signed a long-term regasification agreement with Petronet LNG (PLL), complementing its existing LNG supply contract with Equinor. The tie-up secures last-mile connectivity for imported LNG through the national gas grid to its Taloja facility in Mumbai.

In FY25, PCL reported revenue of ~Rs21.7 on a standalone basis, while the actual revenue booked after adjusting for inter-company transactions is Rs4.8bn. Based on the volumes sold, we derive at the average selling price of ammonia at ~USD500/mt (~USD400/mt FOB, Middle East price). We have maintained similar pricing levels for FY27-28E, while adding 1 rupee to USD/INR depreciation. PCL had reported EBITDA of Rs1.1bn in FY25 (5% EBITDA margin). We believe that, ahead, with the Equinor contract in place, margins shall improve as it reduces the current cost of gas by ~USD1.5-2/mmbtu (equivalent to ~USD50/mt).

Exhibit 34: PCL revenue expected to be flat, while Equinor contract savings to flow in from FY27E onward



This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions.com)
Source: Company, Emkay Research

Exhibit 35: Details of the company's gas contracts

Date	Supplier	Mid/Long term	Details	Beginning
2-Feb-23	GSPC	3-year supply	16.44mn mmbtu linked to Brent index	Beginning May-23
1-Sep-23	GAIL	3-year supply	10.15mn mmbtu linked to HH index	Beginning Sep-23
1-Sep-23	GAIL	3-year supply	5.82mn mmbtu linked to GoI's domestic gas policy	Beginning Sep-23
19-Feb-24	Equinor	15-year long term contract	0.65mn tonnes annually linked to HH index	Beginning CY26
10-Jul-25	Petronet LNG	5-year supply	Petronet LNG will regasify ~25tbtu of LNG annually	Post the initial ramp-up period at its Dahej terminal

Source: Company, Emkay Research

Impact of GST rate cut on Ammonia has changed the savings scenario

The GST cut in ammonia—from 18% to 5%—reduced SGST from 9% to 2.5%. This shall lower the incentives from the Maharashtra government by ~Rs1.2-1.4bn annually (4-5% on FY28E EBITDA and ~USD30-35/mt). We believe that the primary objective of the scheme is lost, and the government will have to compensate for loss via other schemes. However, DFPC will benefit from lower GST at the Gopalpur plant, where incentives are calculated on a net basis.

Exhibit 36: Table to ascertain ammonia Middle East breakeven price, with and without Equinor contract and UMP benefits

Particulars	EBITDA breakeven		PBT breakeven	
	Current contract	Equinor contract	Current contract	Equinor contract
Exchange Rate	88	88	88	88
Ammonia Middle East FOB (USD/mt)	370	305	430	370
Freight cost (USD/mt)	80	80	80	80
Cost of importing ammonia (USD/mt)	450	385	510	450
Cost of natural gas (USD/MMBtu)	13.5	11.5	13.5	11.5
Cost of ammonia (USD/mt)	446	380	446	380
Other costs/(savings) (USD/mt)	15	15	15	15
Cost of Manufacturing (USD/mt)	461	395	461	395
Savings from new plant vs imports (USD/mt)	(11)	(10)	50	56
Benefit from state of Maharashtra (USD/mt) @2.5% SGST	11	10	13	11
Total savings (USD/mt) @2.5%	1	0	62	67
EBITDA post-GST cut (Rs mn)	36	6	3,013	3,231
Less: Depreciation (Rs mn)	1,333	1,333	1,333	1,333
Less: Interest (Rs mn)	1,800	1,800	1,800	1,800
PBT (Rs mn)	(3,097)	(3,127)	(120)	97

Source: Company, Emkay Research

The business case for setting up an ammonia project in India is predicated on the savings in freight costs and import duties (besides, of course, a reduction in operating risk by producing near downstream units). Based on the workings above, post the Equinor contract kicking in, the EBITDA breakeven and PBT breakeven levels are benchmarked on the Middle East's Ammonia FOB prices of ~USD305 and ~USD370/mt, respectively. We understand that the PCL plant shall provide more intangible benefits to the company as against financial, thereby reducing the reliance on imported ammonia. While, in case of the new projects, Gopalpur's TAN and Dahej's NA, the company will still have to use imported ammonia.

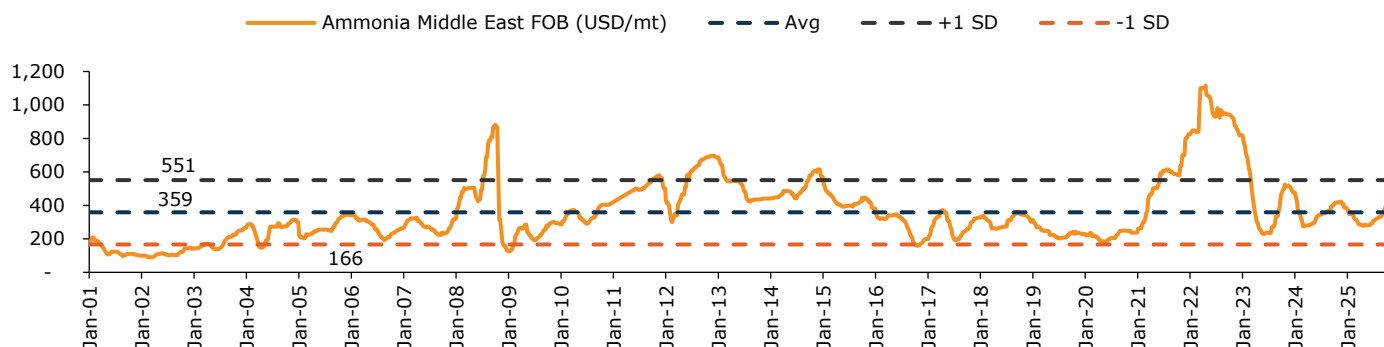
Based on our FY28E EBITDA/EBIT of Rs3.8bn/Rs2.5bn and capital employed of ~Rs44bn (for PCL), this entity would generate a pre-tax RoCE of ~5-6%. If there is additional compensation from Maharashtra government, to offset the impact of the recent GST rate revision, the pre-tax RoCE shall improve. We believe that the ammonia capacity was created to reduce price/supply volatility and backward integrate across businesses as DFPC's ammonia requirement was increasing due to expansions across TAN, NA, and fertilizer businesses.

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Commodity hedge contracts and its accounting in below-the-PAT items

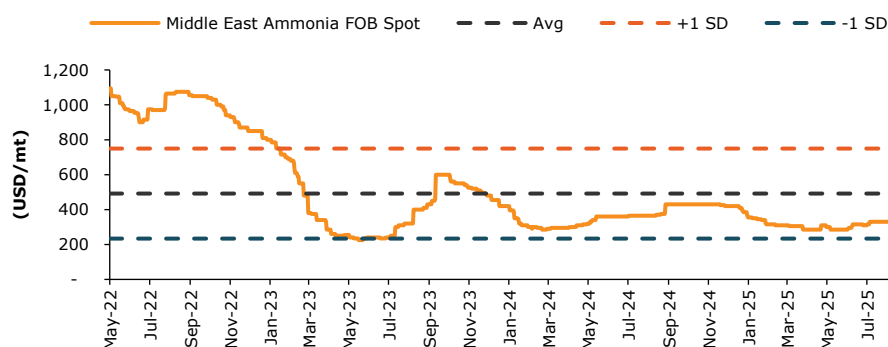
Due to the integration efforts, the company is now exposed to the risk of natural gas/propylene price volatility (even though gas prices are determined under long-term contracts). The prices are volatile as they trade across major global indices and are privy to major geopolitical events. So, the company has used option contract to hedge its commodity, i.e., natural gas liquid (LNG). Natural gas liquid consists of propane and butane, which are formula linked to the prices of propylene. As of FY25, DFPC recorded Rs1.7bn as assets, based on the open contract positions and adjusted for fair-value in the cash-flow hedge reserve. The profit and loss on the contracts, which have expired, is to be recorded in the cost of materials consumed and charged to the profit and loss statement.

Exhibit 37: Middle East Ammonia FOB historical prices



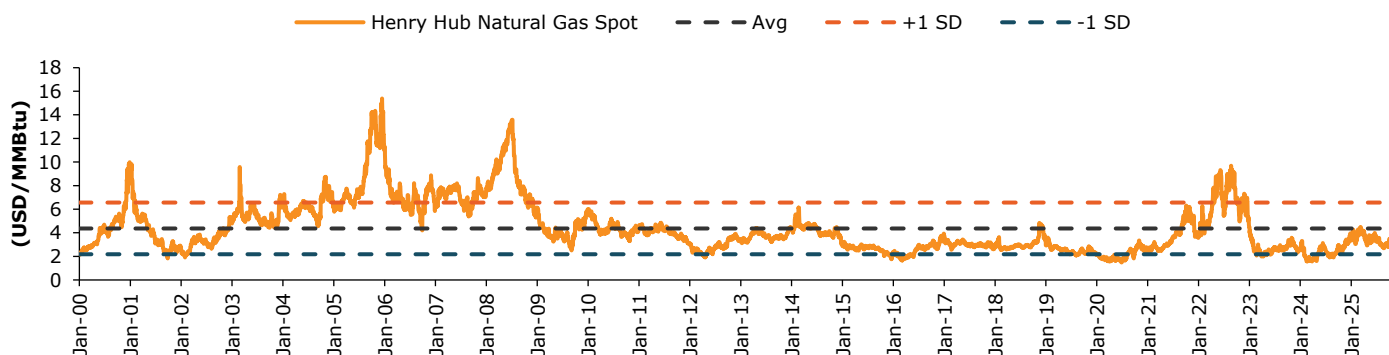
Source: Industry, Emkay Research

Exhibit 38: Middle East Ammonia FOB spot prices showing uptick from Oct-25 onward



Source: Industry, Emkay Research

Exhibit 39: Henry Hub Natural Gas spot price rising toward its 25-year long-term average



Source: Industry, Emkay Research

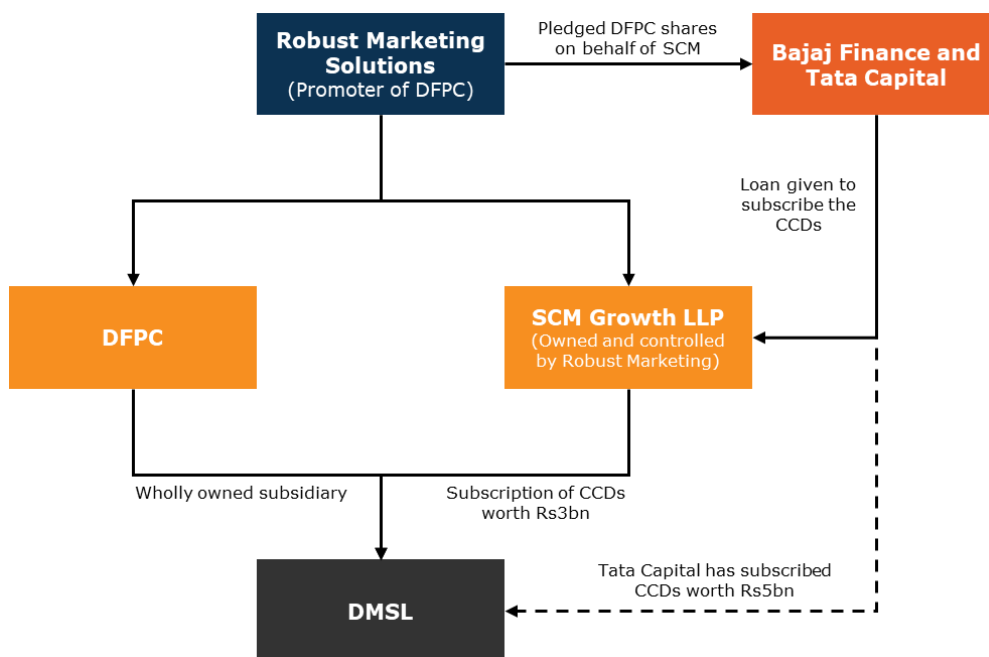
Fund raise in DMSL used as a benchmark

DMSL raised Rs8bn by issuance of compulsorily convertible debentures (CCDs) at an equity valuation of ~Rs130bn (~17x EV/EBITDA with debt of Rs40bn and ~Rs10bn of EBITDA), resulting in expected equity dilution of ~6–7%. The primary reason for the fund is to deleverage, strengthen the balance sheet of DMSL, reimburse previously incurred capex, and fund its general corporate requirements for the Gopalpur project.

Out of the Rs8bn, CCDs worth Rs5bn were issued to Tata Capital and Rs3bn to SCM Growth LLP (owned/controlled by Robust Marketing Solutions – promoter of DFPC), through a private placement. The CCDs have a tenure of 48 months, with call and put option for conversion at any time after 30 months. Post-conversion, DFPC shall hold ~93-94% of the stake.

We understand that the promoter group has pledged its equity as collateral to fund CCD subscription of Rs3bn. Robust Marketing Services has pledged 2mn shares to Bajaj Finance and 0.8mn shares to Tata Capital, representing ~2.2% of the shareholding.

Exhibit 40: Details of CCD transaction



Source: Company, Emkay Research

Despite the recent transaction being done at 17x EV/EBITDA, owing to DMSL being a part of the consolidated entity and after factoring in for the holdco discount, we assign a 12x EV/EBITDA multiple to the consolidated business of DMSL, including contribution from PCL and PBS. DMSL's consolidated EBITDA is expected to grow from Rs10.8bn in FY25 to Rs17.6bn in FY28E (incremental EBITDA of ~Rs3.6bn from TAN capacity addition, ~Rs3bn from ammonia's backward integration due to the Equinor contract, and ~Rs0.4bn from PBS). Thus, based on our Dec-27E EBITDA of Rs17bn, we assign an enterprise value of ~Rs190bn, which is above the current market cap of ~Rs178bn.

Exhibit 41: DMSL – SoTP-based valuation

Particulars (Rs mn)	EBITDA					EBITDA	Multiple	Control	EV
	FY24	FY25	FY26E	FY27E	FY28E	Dec-27E	(x)	(%)	Dec-26E
TAN	7,000	8,956	9,792	11,699	12,566				
Ammonia - PCL	1,132	1,083	413	2,393	3,828				
Platinum Blasting/Logistics	965	810	906	1,052	1,218				
Consolidated EV	9,096	10,849	11,111	15,144	17,612	16,995	12.0	0.9	1,89,665

Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Industrial Chemicals – Steady growth to continue with new nitric acid capacity

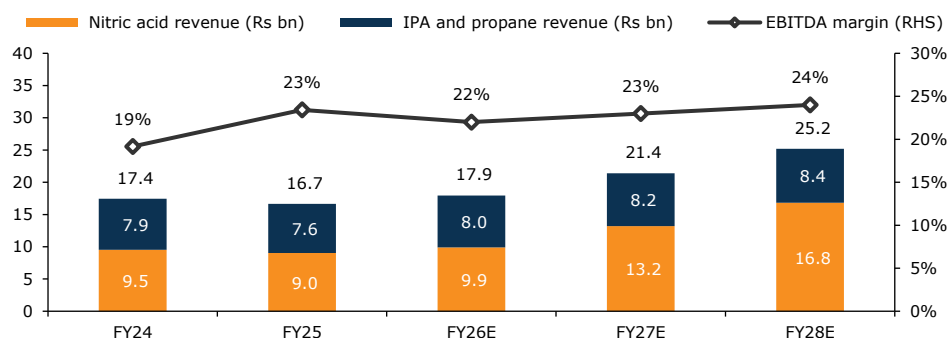
DFPC entered the industrial chemicals (IC) business in early 2000s, years after commissioning the ammonia capacity. Currently, the company is the leading producer of industrial chemicals, holding market leadership in the acid and solvent segments. The primary products manufactured within this business include nitric acid variants, viz diluted nitric acid (DNA), concentrated nitric acid (CNA), strong nitric acid (SNA), and isopropyl alcohol (IPA). Other products in the portfolio are ammonia, methanol, liquid CO₂, and propane. The IC business is a part of the standalone entity, which also includes the chemical trading business.

The company manufactures nitric acid, which meets diverse national and global standards. Nitric acid is a basic building block for various chemistries and has diverse applications, viz pharma, nitro aromatics, inorganic nitration, agrochemicals, dyes, steel, explosives, etc. The company manufactures nitric acid at 3 locations: Taloja, Dahej, and Srikakulam, and has DNA capacity of 885ktpa and CNA capacity of 231ktpa (total ~1,120ktpa). DFPC is the largest nitric acid producer in Southeast Asia and commands ~45% share in India's merchant NA market, supported by captive consumption of TAN and Ammonium Nitro Phosphate (ANP).

The company operates at a pan-India level. It has a strong network of 250+ channel partners and serves more than 1,000+ customers. The multi-location NA production facilities provide a distinct supply-chain advantage by positioning the company closer to key consumers of nitroaromatics and nitrocellulose in West and Central India.

We believe that the bulk chemical trading revenues (50% growth in FY26E; 20% over FY27E/28E) are opportunistic and with lower gross margins; thus, we exclude them from the IC business' EBITDA estimates. Thus, our EBITDA estimate of ~Rs6bn in FY28 factors in contribution from NA, IPA, and propane capacities only. We expect nitric acid revenues to see a 23% CAGR (IC business: 15%) over FY25-28E, from Rs9bn to Rs16.8bn. IPA and propane volumes are expected to remain steady.

Exhibit 42: NA revenue CAGR expected at 23% over FY25-28E; IPA volumes are at the peak



Source: Company, Emkay Research

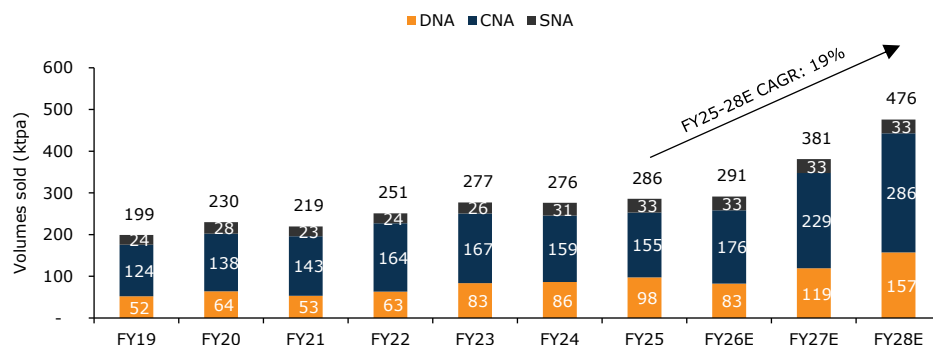
DFPC to commission its brownfield nitric acid project in Q4FY26

DFPC had announced a greenfield nitric acid complex at Dahej, Gujarat, with a capex of Rs5.5bn, to set up 149ktpa of DNA and 92ktpa of CNA capacity. Commercial production began around Apr-19. The company strategically selected the plant location to cater to growing demand in Gujarat and capture downstream customers. The company is expanding its Dahej plant, with an additional 300ktpa of WNA and 150ktpa of CNA (capex outlay of Rs20bn). As of Q2FY26, the project had achieved 70% progress, with key proprietary equipment, including the absorption tower, already delivered. The project is expected to be completed by Q4FY26. Strategically, the expansion secures raw material availability for downstream TAN, enhancing cost competitiveness, strengthening import substitution, and supporting India's industrial growth story. Therefore, the company stands to gain from it.

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions.com). India's domestic demand for nitric acid is estimated at ~1.6–1.8mmt and is largely met through local production. Imports remain limited due to nitric acid's highly corrosive nature.

(which necessitates specialized tankers) and its liquid form (which makes transportation costly because of the high-water content).

Exhibit 43: Nitric acid volume CAGR expected at 17% over FY25-28E



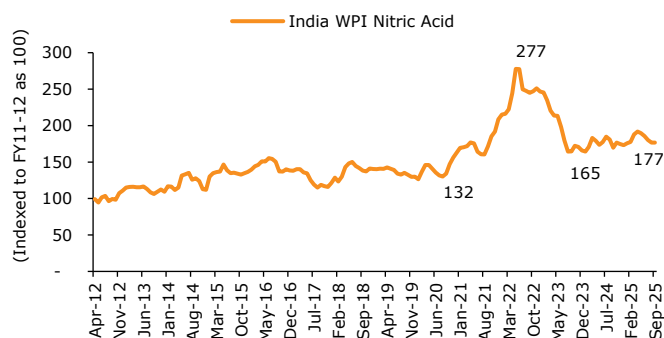
Source: Company, Bloomberg, Emkay Research

Owing to demand, DFPC's nitric acid capacities are currently operating at a healthy utilization of ~90% (DNA >100%; CNA ~75-80%). Nitric acid sales volumes grew modestly, from ~230ktpa in FY20 to 286ktpa in FY25, as the remaining capacity was used for captive use (competitors in NA are mostly PSUs, and they sell only surplus capacities externally). Thus, DFPC has achieved a significant market share in CNA at ~70% and in DNA at ~30%. We expect that after the commissioning of the expanded capacity at Dahej, volumes for NA would see a 19% CAGR over the next 3 years, primarily for CNA.

The confidence regarding the ramp-up is backed by the offtake-supply agreement signed between DFPC and Aarti Industries for a 20-year period (wef Apr-23) to procure CNA. The stated consideration for the contract is ~Rs80bn for 20 years which amounts to Rs4bn per year. Based on the value, we assume that the volume locked is ~100ktpa of CNA (2/3rd of the expanded CNA capacity, with further potential to increase, based on demand). The agreement is explicitly intended to give long-term raw-material security to Aarti and revenue/offtake visibility to DFPC. Under this agreement, prices are structured on a cost-plus basis for supplies up to a defined volume threshold, while quantities beyond that limit are priced in line with prevailing market rates. Unlike the earlier 4-5-year contracts, this long-term arrangement reflects the strengthening and sustained demand for nitric acid over the coming years.

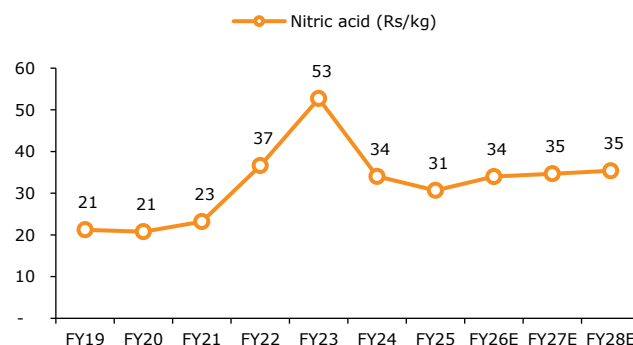
On the pricing front, nitric acid prices have increased ~70% from pre-Covid levels for DFPC. Over the past 1 year, prices have grown steadily and remained range-bound. We do not expect any steep decline in the prices as they are correlated with ammonia prices but are not as volatile as ammonia. Also, the rupee depreciation vs USD shall provide a 2% price escalation on a YoY basis. We forecast a steady 2% growth in realizations. It is interesting to note that based on India's WPI, the Nitric Acid Index saw a CAGR of ~4.5% over Apr-12 to Sep-25. This provides further optionality to our estimates.

Exhibit 44: Nitric acid wholesale prices show modest growth



Source: Industry, Emkay Research

Exhibit 45: Blended nitric acid realizations for DFPC



Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions.com)

Maintaining IPA volumes amid challenging macros

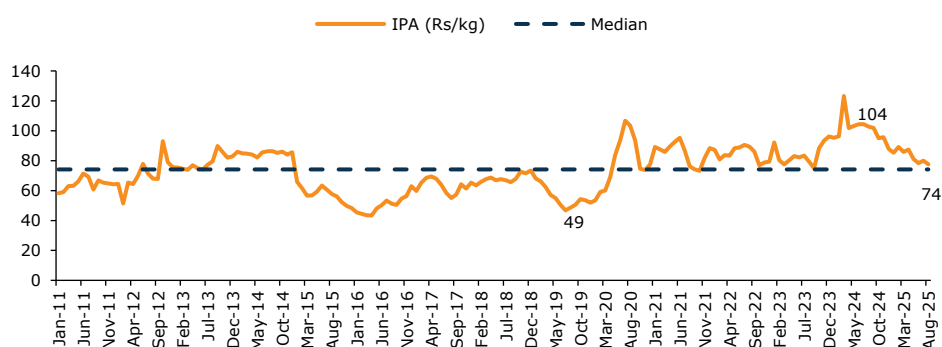
Isopropyl Alcohol (IPA) is an essential solvent widely used across pharma, cosmetic, dye, and ink industries. DFPC caters to all major pharmacopeial grades—IP, BP, EP, USP, JP, CP, and multi-compendial—serving both API and formulation requirements. It also finds application in products such as general-purpose cleaners, paint thinners, inks, and disinfectants to kill viruses and bacteria. DFPC is also exploring high-purity solvent opportunities in the PV modules and semiconductor sector, which holds strong growth potential, given conducive policy support and emerging domestic manufacturing capabilities. Under its brand (PUROSOLV), DFPC continues to strengthen its portfolio of certified pharma-grade solvents, beginning with IPA, Methanol, Acetone, and MDC.

India's IPA demand is projected to see a ~6% CAGR, reaching ~410ktpa by FY32-33, driven by expanding pharmaceutical production. Currently, India's IPA demand is expected to be ~270-280ktpa (~45% of the demand is met via imports). DFPC has ~70ktpa of IPA manufacturing capacity, and uses refinery-grade propylene (RGP) as a feedstock, backed by a long-term sourcing contract with BPCL. Unlike Deepak Nitrite (60ktpa capacity) and other international producers that use acetone as a cost-effective feedstock (backward integrated due to the phenol-acetone manufacturing plant), DFPC's IPA manufacturing is designed around RGP which makes a shift to acetone difficult. However, the assured and continuous supply of RGP supports uninterrupted production and offers potential for margin expansion as feedstock prices soften. Propylene-based IPA typically commands a 15–20% premium over benzene-based grades, owing to its use in high-end segments such as pharmaceuticals and cosmetics, whereas acetone-based IPA is largely consumed in disinfectant applications.

In the last one year, prices of acetone have declined relative to those of propylene due to large capacity additions in the phenol-acetone value chain in China creating a demand-supply mismatch. So, DFPC's margins for IPA corrected relative to those of the competition in FY24 (as well as due to lower volumes). This is why there has been aggressive import of IPA into India, from China. In Oct-24, the Government of India imposed an anti-dumping duty of USD217/mt on imports from China. We have observed that following the duty, prices have started to decline meaningfully. The average realizations for IPA and propane declined from Rs105/kg to Rs76/kg in Aug-25.

Blended realization for IPA and propane (revenue clubbed together) in FY25 was Rs107/kg. We budget a lower realization at ~Rs95-100/kg, factoring in the price correction vs last year, and the imposition of ADD. Ahead, into FY27-28E, we have assumed realization growth of 2% YoY. As capacities are operating at ~100% utilization level, we project revenues of ~Rs8.4bn in FY28E vs Rs7.6bn in FY25.

Exhibit 46: IPA prices are near its long-term median of ~Rs75/kg



Source: Industry, Emkay Research

The outlook for IPA is positive in terms of demand volumes, even though the market sentiment remains weak and margins experience some pressure from the sharp decline in Acetone prices and high inventory levels of both Acetone and IPA.

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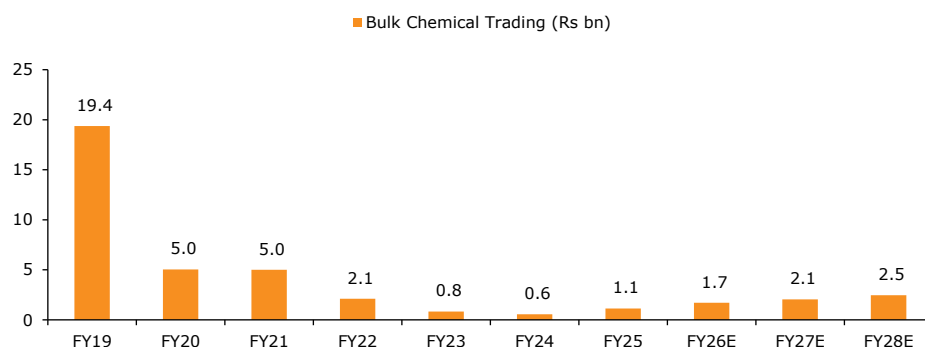
Other products

The industrial chemical business also includes methanol, liquid carbon dioxide (CO₂), and the old ammonia plant of ~129ktpa. Methanol is used in formaldehyde, methyl derivatives, and as a solvent. The company is an opportunistic producer of methanol, with a capacity of 100ktpa. The company manufactures methanol depending upon international prices and the economic viability of operations, given the favorable natural gas pricing. The plant remained non-operational in FY25 due to cost disadvantages vs imports and high natural gas prices.

Liquid CO₂ is primarily used in beverages and welding. DFPC is one of India's leading suppliers, with an installed capacity of 72ktpa. Liquid CO₂ is a by-product of ammonia production; the company produces a very high quality of liquid CO₂, which is 'food grade' certified and is supplied to various beverage manufacturers. Liquid CO₂ is also used in engineering industries as a shield glass for welding. The company resumed full operations in Feb-25 after temporary disruptions, and is now regaining market share. We have forecast *nil* revenues for methanol over FY25-28E.

Apart from manufacturing of products, the chemicals segment has revenues coming from trading of bulk and specialty chemicals. Trading used to account for a substantial portion of revenues pre-Covid; however, now, it accounts for an insignificant percentage of revenues.

Exhibit 47: Bulk chemical trading revenues have declined substantially post-FY19



Source: Company, Emkay Research

Crop Nutrition to benefit from brand business/launches

Along with the TAN business, the Crop Nutrition Business (CNB) was under Mahadhan AgriTech (MAL), a wholly owned subsidiary of DFPC before the scheme of arrangement. Post the restructuring, TAN business was carved out to be under DMSL and CNB remained under MAL. CNB offers a comprehensive product portfolio under its flagship brand 'Mahadhan', encompassing NPK fertilizers (Smartek), crop-specific balanced nutrient formulations (Croptek), crop-stage-specific water-soluble fertilizers (WSF; Solutek), bentonite sulphur (Bensulf Super-Fast), and a range of other advanced specialty fertilizers.

Its flagship product range effectively addresses the needs of both field and horticultural crops – Mahadhan Croptek supports key crops such as onion, maize, cotton, sugarcane, potato, and soybean, while Mahadhan Solutek delivers fully water-soluble nutrients designed for horticultural varieties, including grapes, pomegranate, tomato, banana, and sugarcane.

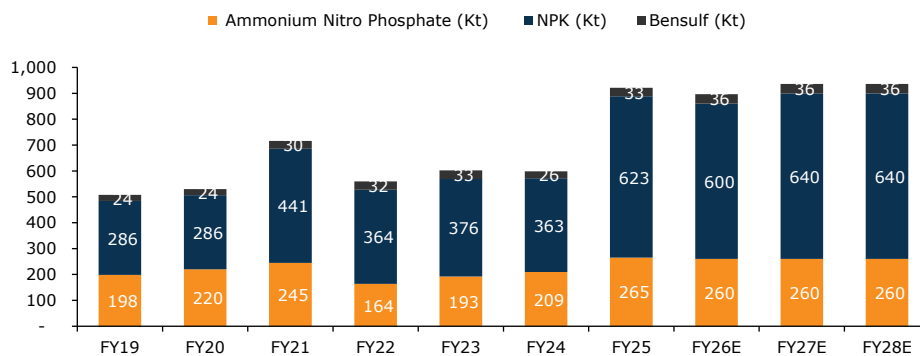
The recent focus of MAL has been to transition from a commodity-driven business to a holistic crop nutrition solutions provider, delivering customised, crop-specific offerings, which are underserved by peers. This can be vouched by MAL's strategic tie-up with Haifa Group of Israel in Apr-24, to promote nutrient solutions suited for precision and drip irrigation-based farming. MAL shall benefit from Haifa's expertise in WSF which shall enhance its portfolio.

MAL is the only producer of NPK fertilizers enriched with secondary and micronutrients, led by its proprietary Nutrient Unlock Technology (NUT) that improves nutrient use efficiency. It is the only manufacturer of 24:24:0 nitro phosphate (NP) fertilizer in India. It holds a ~20% market share in NPK fertilizers in Maharashtra. MAL holds the leading position in India's bentonite sulphur and WSF market as well, with a dominance across Maharashtra, Gujarat, and Karnataka, and a growing reach in other Southern and Northern regions of India.

MAL has a manufacturing capacity of 300ktpa of ammonium nitro phosphates (ANP), 800ktpa of NPK fertilizers, and 57ktpa of Bensulf. These plants are located in Taloja, except for 32ktpa of Bensulf capacity in Panipat, Haryana. MAL is a dominant manufacturer in the state of Maharashtra and is expanding its market share in other states.

In FY25, CNB recorded a milestone of selling ~1mmt in bulk fertilizer sales and liquidation, driven by favorable monsoon and increasing adoption of crop-specific nutrient solutions. Manufactured bulk fertilizer volumes grew 55% YoY, while Croptek sales recorded a 76% YoY jump to ~200kt, reflecting strong market traction. The Croptek user base grew to 0.7mn farmers, covering over 0.6mn hectares across key crops such as cotton, onion, sugarcane, potato, maize, and soybean. The focus on marketing technology and rising farmer adoption helped MAL to grow its Croptek volumes by ~60% YoY in H1FY26, while the bulk volumes have decreased due to limited availability of critical raw material. The volume loss in bulk fertilizers was replaced by sale of traded fertilizers. We expect a modest recovery in those manufacturing bulk fertilizer volumes as well in the next year.

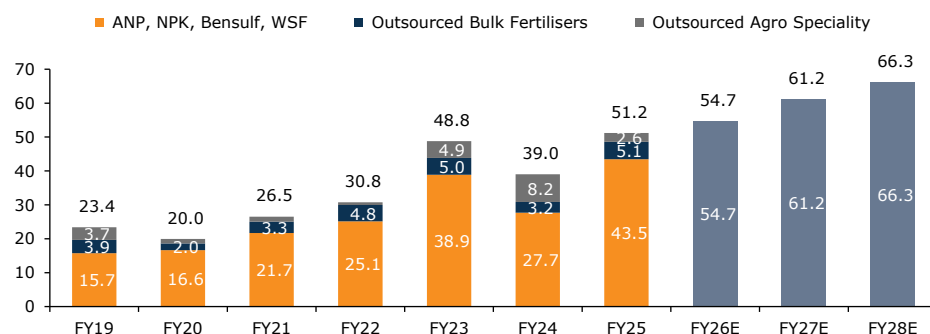
Exhibit 48: NPK volumes have grown significantly due to Smartek brand's acceptance



Source: Company, Emkay Research White Marquee Solutions (team.emkay@whitemarquesolutions)

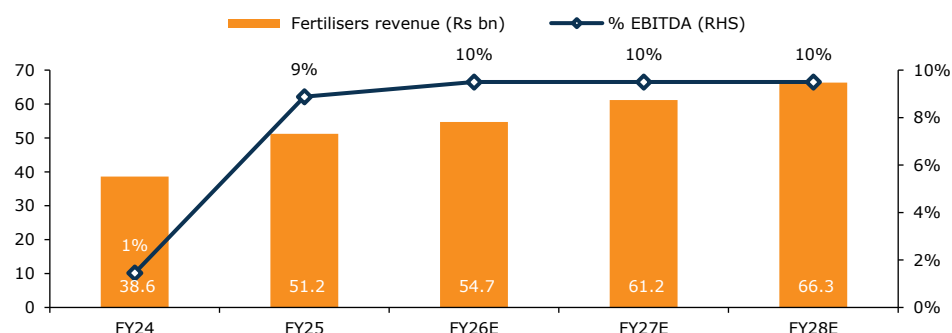
The contribution from fertilizer business was ~50% of the overall FY25 revenues; however, the mix in overall EBITDA was ~24%. We expect revenue CAGR of ~9% for this business over FY25-28E. We expect modest utilization levels for NP and NPK capacities at 80% in FY27E/28E. We foresee that, going forward, the company shall dedicate its manufacturing capacities for CropTek and specialty fertilizers as these have better margins, and shall import fertilizers for its Smartek supply. We build in a 50bps improvement in margins over FY25-28E, to factor in operating leverage from increase in capacity utilization levels.

Exhibit 49: Fertilizer segment revenue CAGR expected at 9% over FY25-28E



Source: Company, Emkay Research

Exhibit 50: Fertilizer business margins to be almost stable over the next couple of years



Source: Company, Emkay Research

This division is backed by a strong in-house R&D team comprising 14 PhDs and agricultural experts, whose innovations have been validated through >1,100 field trials conducted across varied agro-climatic regions. MAL operates an NABL-accredited soil testing laboratory with the capacity to analyse up to 15,000 soil, petiole, and water samples annually. The company also runs an applied research, training, and innovation center in Baramati, Maharashtra, along with an in-house field research farm near its Pune headquarters.

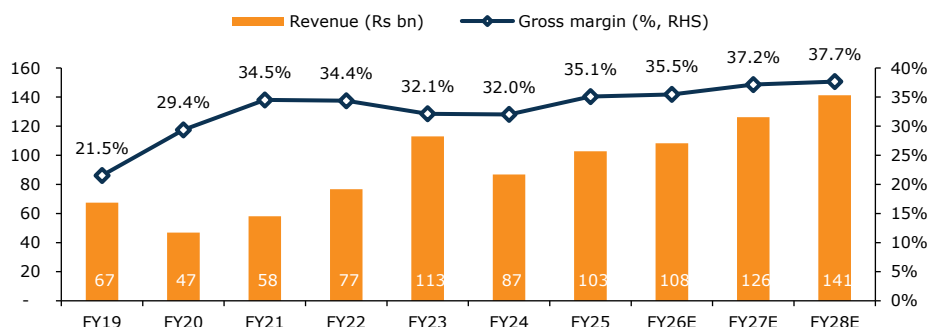
MAL follows a 360° farmer engagement model, integrating extensive on-ground interaction with strong digital connectivity. Its network comprises 600+ field representatives across 12 states, supported by 4,000+ direct dealers and more than 20,000+ retailers. In FY25, the company organized >13,000 product demonstrations, engaging ~0.6mn farmers nationwide. MAL also leverages multiple digital platforms—including Facebook, WhatsApp, YouTube, Instagram, and its Mahadhan website—to deepen farmer outreach.

The outlook for this segment is positive as India has good water reservoir levels (due to above-normal monsoon), facilitating higher ground moisture level for Rabi season of 2025. With a long-term view, we expect MAL to consistently do well and grow reasonably YoY, thereby enhancing its market share. We believe that DFPC as a group shall be focusing more on specialty chemicals, given the opportunities. However, we understand that the fertilizer segment has hidden assets in terms of supply chain with farmers and brand recall. This shall help the company benefit, if there are potential acquisitions in the agrochemical space.

Financial Analysis

DFPC's long-term revenue CAGR stood at 7% over FY19-25, led by stable volume growth in the fertilizer business (CAGR of 15%). Excluding bulk trading business revenue (down from Rs19.4bn in FY19 to Rs1.1bn in FY25), the chemical business saw a 12% CAGR over FY19-25. DFPC's overall revenue is expected to see ~11% CAGR over FY25-28E (FY24-27E CAGR: 13%), on commissioning of TAN and the nitric acid plant and their immediate ramp-up aligned with mid-term supply contracts in place. We expect revenue to grow from ~Rs103bn in FY25 to Rs141bn in FY28E. We expect stable performance for the fertilizer business, with ramp up in Smartek and specialty water soluble fertilizers business.

Exhibit 51: Revenue CAGR expected at 11% over FY25-28E

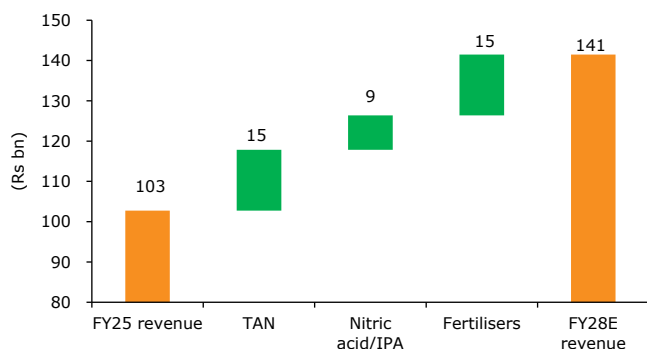


Source: Company, Emkay Research

We expect the chemical business revenue to grow from Rs51.3bn to Rs74.8bn over FY25-28E. The major delta is led by the mining chemicals business, prima facie, 376ktpa of capacity addition for TAN at Gopalpur and stable business growth for the platinum blasting/logistics business. We have addressed the concerns of any realization decline in the TAN business due to supply addition, owing to Chambal's capacity/the end of Russia-Ukraine war. We factor in realization slippage of ~Rs3/kg over FY25-28E and forecast realizations at Rs46/44.5/43/kg over FY26/27/28E. We expect TAN to add ~Rs13.8bn of incremental revenue. Nitric acid capacity addition is another key lever for growth. It should add Rs7.8bn of incremental revenue over the next three years, led by capacity addition of 300ktpa of DNA and 150ktpa of CNA. The other businesses are expected to remain stable.

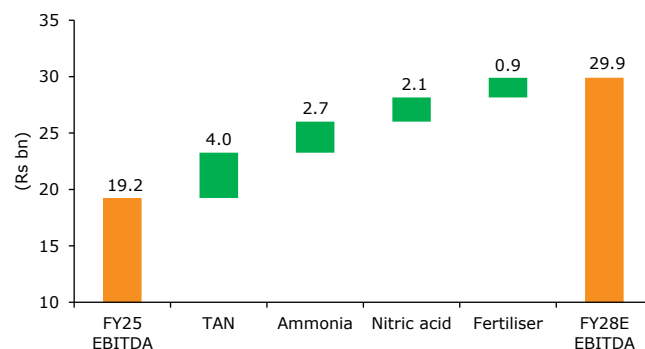
The revenue share of the chemicals business is expected to rise from 48% to 51% over FY25-28E, post commencement of operations of the two plants. On the contrary, fertilizer business' share would decline from 50% to 47% over FY25-28E, amplifying the mix of chemicals business within the company. There are no capex/expansion plans for ANP, NPK, Bensulf, WSF, etc; the company expects to grow by increasing import volumes. We expect the fertilizer business revenue to see a 9% CAGR over FY25-28E.

Exhibit 52: Revenue walk – FY25-28E



Source: Company, Emkay Research

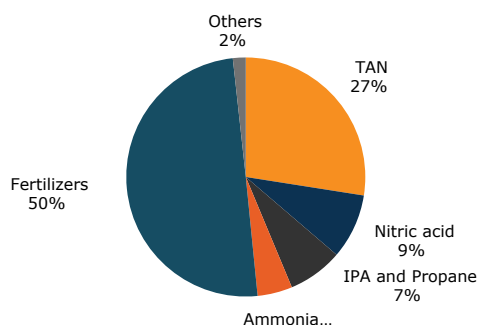
Exhibit 53: EBITDA walk – FY25-28E



Source: Company, Emkay Research

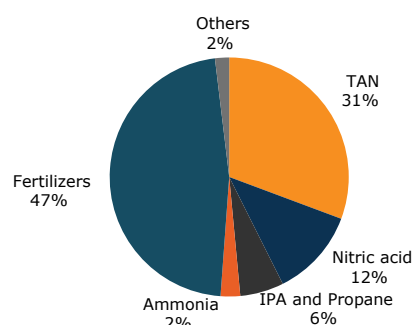
This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions.com)

Exhibit 54: FY25 – Revenue mix



Source: Company, Emkay Research

Exhibit 55: FY28E – Revenue mix



Source: Company, Emkay Research

We expect a ~250-300bps improvement in gross margin over FY25-28E, led by increased contribution from a) ramp-up of TAN and nitric acid plants and b) backward integration of ammonia due to the Equinor contract. As the share of fertilizer business keeps on decreasing, the volatility in gross margins should reduce.

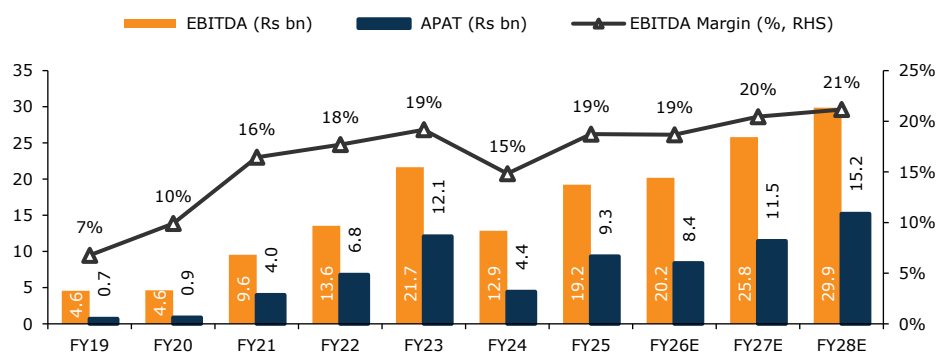
Exhibit 56: Analysis of key expenditure items

Particulars	Rs bn					% of sales				
	FY21	FY22	FY23	FY24	FY25	FY21	FY22	FY23	FY24	FY25
Carriage outward (net)	2.0	1.9	2.2	2.6	3.1	3.4	2.4	1.9	3.0	3.0
Repairs and maintenance (R&M) cost	0.9	1.2	1.3	1.4	1.8	1.6	1.6	1.2	1.7	1.8
Power, fuel, and water	0.8	1.0	0.8	1.1	1.5	1.4	1.3	0.7	1.3	1.5
Consumption of stores and spares	0.9	1.1	1.2	1.2	1.1	1.6	1.5	1.0	1.4	1.1
Legal and professional fees	0.3	0.5	0.5	0.6	0.6	0.6	0.7	0.5	0.7	0.6

Source: Company, Emkay Research

DFPC spends ~3% of its revenue on transportation of goods from the factory to the consignee's address. We expect this cost to grow, with the ramp-up of new capacities. The company also spends a considerable amount on R&M annually (~1.7-1.8% of revenues). A substantial amount of this R&M cost is incurred on buildings. Power and fuel (~1.3-1.5% of revenue), consumption of stores and spares (~1.2% of revenue), legal and professional fees (~0.5-0.7% of revenue) are other key expenditure items.

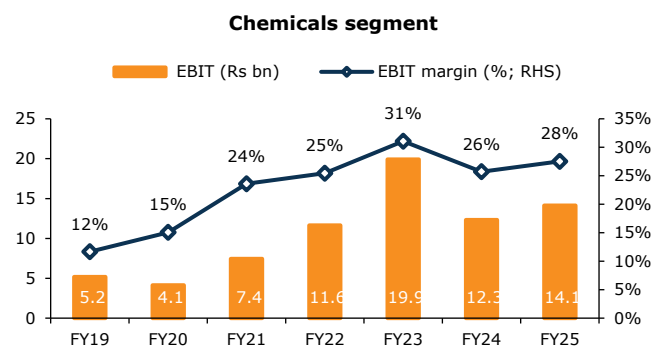
Exhibit 57: EBITDA CAGR expected at ~16% over FY25-28E (FY24-27E CAGR: ~26%)



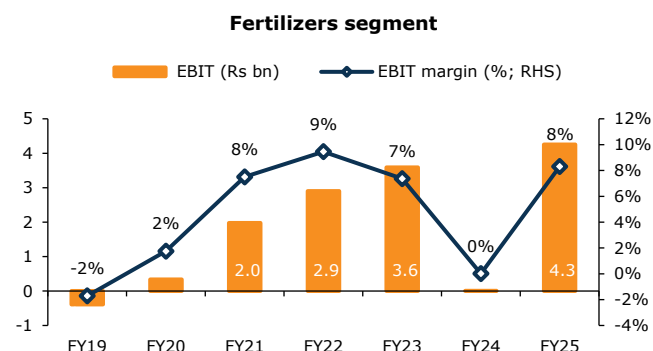
Source: Company, Emkay Research

The company's EBITDA margin profile is likely to improve gradually over FY25-28E to ~21%, on the back of ramp-up of new capacities, leading to operating leverage as well as overall gross margin improvement. TAN capacity (376ktpa) at Gopalpur is expected to add ~Rs3.6bn, while nitric acid would add ~Rs2.2bn. The Equinor contract starting May-26 shall lead to cost benefits of 15-20% on the current natural gas prices. We expect an EBITDA CAGR of >16% during FY25-28E (FY24-27E CAGR: ~26%), given above growth triggers.

We expect PAT to register a ~18% CAGR over FY25-27E (FY24-27E CAGR: ~37%). The lower growth in PAT is due to higher depreciation (capitalization of existing projects) and finance cost. We expect the tax rate to be 27%. Earlier, the tax rates for FY21-24 at ~31% were higher, owing to deferred tax adjustments for carried forward losses of MAL. Once these losses are offset, the tax rate shall reduce to ~25-27% for all the entities.

Exhibit 58: Chemicals – EBIT margin on an improving trend

Source: Company, Emkay Research

Exhibit 59: Fertilizers – EBIT margin improved to FY23 level

Source: Company, Emkay Research

DFPC operates with a very lean working capital model, which is expected to be 20 days from FY27. This is largely due to prudent management of inventory levels (primarily the ammonia value chain). We build in a stable working capital requirement of 40 days of inventory, factoring in the timely LPG shipments, which shall start once the Equinor contract is in place from May-26. We expect payable days to ease as the current gas contracts with shorter credit periods shall be replaced with higher credit provided by Equinor.

To support the trading business, the company's working capital used to be more than 100 days (FY15-18), led by increased receivable days. Also, the business was impacted by multiple external factors such as termination of natural gas supplies, underutilization of expanded capacities, shortage of phosphoric acid, and droughts in the key geographic region of Maharashtra. Post FY19, the company decided to reduce working capital to reduce the debt levels. The company could unwind ~Rs13.5bn from both inventory and receivables over FY19-21. We believe the company is now sufficiently hedged toward any uncertainties, leading to higher working capital requirements. Any further infusion in working capital shall lead to a delay in the debt repayment schedules over FY26-28E.

Exhibit 60: Working capital requirement was stable at ~40 days for 4 of the last 7 years

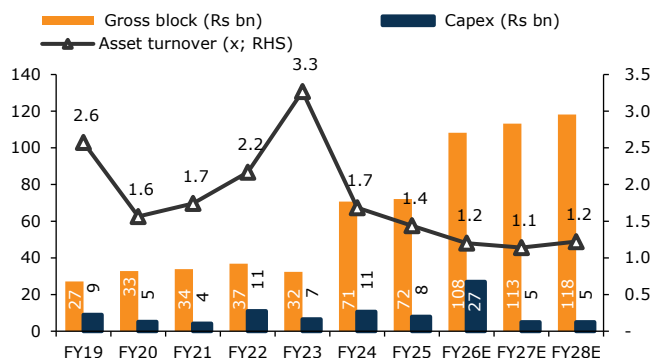
(No of)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Inventory days	45	53	40	50	41	50	38	40	40	40
Receivable days	76	99	58	30	55	62	57	60	60	60
Payable days	80	101	81	67	57	54	61	60	80	80
Core Working Capital days	40	52	17	12	38	58	35	40	20	20

Source: Company, Emkay Research

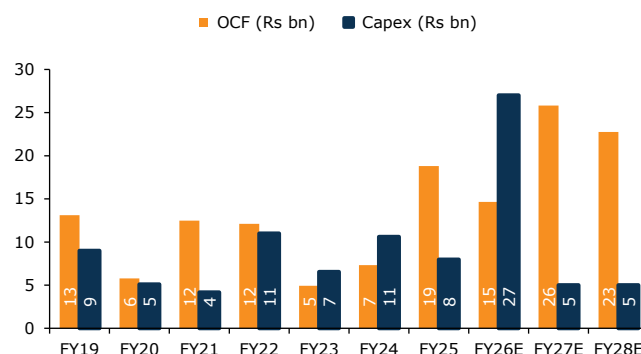
The company has incurred a cumulative capex of ~Rs42bn over FY21-25, toward adding an ammonia plant at Taloja for backward integration, debottlenecking of certain products, and initial expenses toward expanding the nitric acid capacity in Dahej and TAN project at Gopalpur. We build additional capex of Rs10bn over FY26-28E for the latter projects/maintenance. We expect cumulative revenues of Rs20-25bn from nitric acid and TAN projects, considering the inflationary price for nitric acid and small price correction for TAN due to new competition. Thus, asset turnover should stabilize at ~1.1-1.2x.

PCL's 1,500tpd ammonia plant commissioned last year is operating at 100% utilization, meeting ~95% of the group's requirement. This plant is purely for securing raw material at source and reducing import dependency. The incremental benefit from this project was on the margin side, thereby reducing the company-level asset turnover.

We expect DFPC to consistently generate Rs12-15bn of OCF with the existing gross block. Post commissioning of new capacities and with the Equinor contract in place, we expect OCF generation of Rs20-22bn, varying based on commodity prices. FY26E cash will be used to fund the ongoing capex. The company will rely on additional borrowings to meet the cash requirement. FY26E is expected to see 2x capex vs OCF generated. The gross debt levels are expected to peak at ~Rs47bn in Mar-26E. We expect the OCF generated from FY27E to be used for repaying debt as there are no material projects lined up; this would reduce the interest burden as well as enhance RoE for the equity shareholders.

Exhibit 61: Asset turnover to stabilize at 1-1.2x going forward

Source: Company, Emkay Research

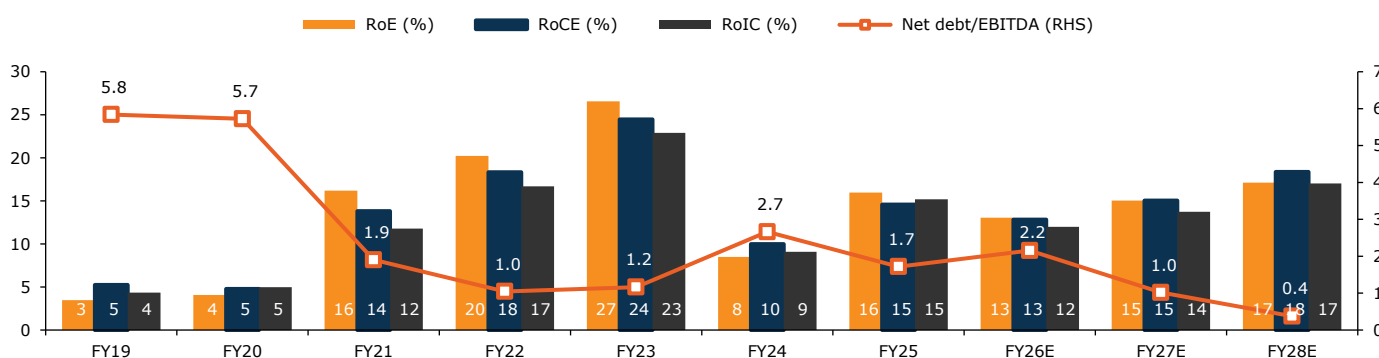
Exhibit 62: OCF generation to fund capex/repay debts

Source: Company, Emkay Research

Pre-Covid, the return ratios were consistently at mid-single digits for 5 years in a row due to high working capital requirement for the fertilizer business, with lower margins. The improvement in ratios from FY21 was primarily due to the price variance in TAN directly contributing to the bottomline. TAN prices scaled up further highs due to the Russia-Ukraine war, leading to the supply-chain disruption and spike in gas prices. TAN prices corrected sharply by 44% in FY24 which led to a 40% decline in EBITDA.

Also, return ratios started falling immediately after the start of capitalization of new assets (PCL ammonia plant) from FY24; this was further aggravated by a cyclical downturn in ammonia post peaking out in Oct-22. We believe that this was primarily due to the addition of new assets at higher costs, compared with older depreciated assets, coupled with price correction. RoCE slipped from the peak of 24% in FY23 to 10% in FY24, due to falling realizations (volumes stable). We expect that now since ammonia prices are favorable and the Equinor contract is in place, the ammonia backward integration benefits shall start to reflect in numbers, improving the RoCE annually.

We expect steady growth in revenue/EBITDA over FY26E-28E, once the TAN and nitric acid capacities ramp up. RoCE should move up to 18% by FY28E, from 15% in FY25. Consistent EBITDA generation of Rs25-30bn annually, along with the company's focus on reducing debt levels, should act as potential lever for multiple re-rating, in our view. RoEs shall remain subdued, as reinvestment of cash-flows will be done at a slower pace, and the focus will be on debt repayment. Starting FY27E, we expect a gradual deleveraging of the balance sheet.

Exhibit 63: Return ratios to improve with ramp-up in TAN/nitric acid volumes; leverage ratio to improve

Source: Company, Emkay Research

We remain optimistic on the cleaner balance sheets for IC and CN business formed post demerger comes into effect as large part of debt shall go to DMSL, as it has the capability to repay them. This would unlock value for all the business at standalone level.

Our EBITDA estimates are 5%/6% lower compared to consensus in FY27/28, as we have built in normalization in TAN spreads. However, our TP is higher than consensus, as we are valuing DFPC on SoTP basis, considering restructuring and demerger of subsidiaries.

Company Overview

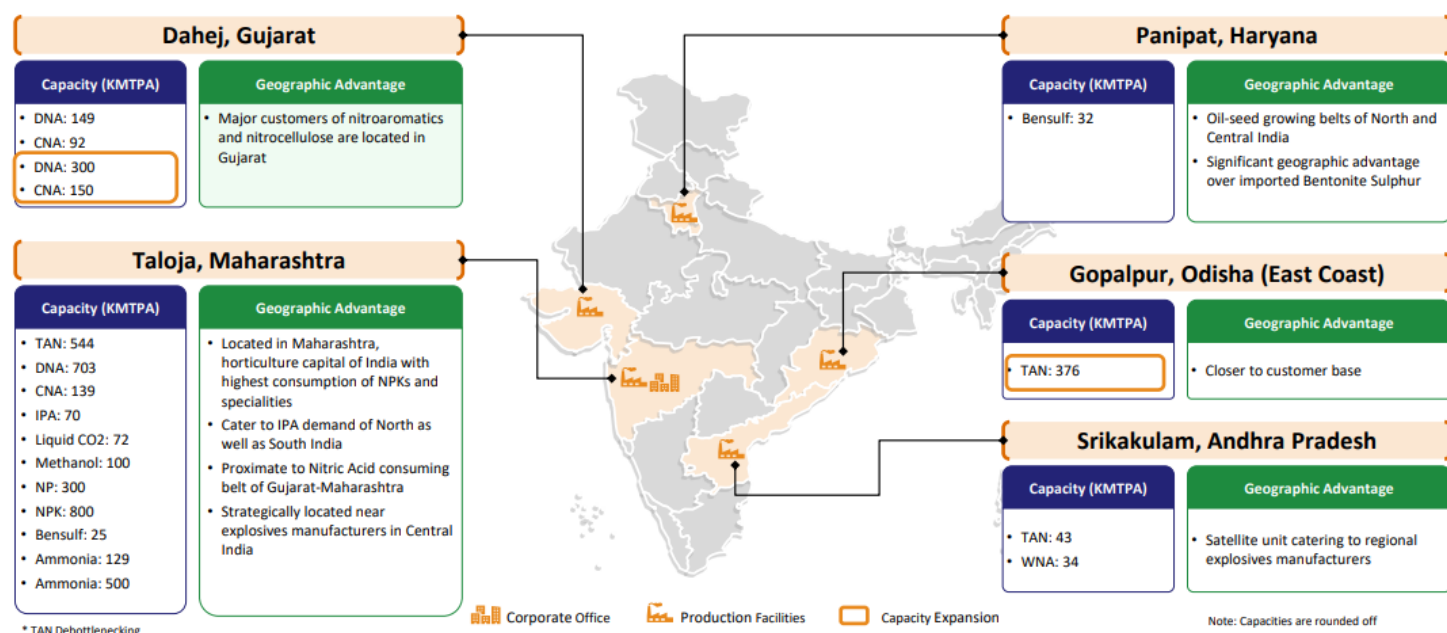
Deepak Fertilisers and Petrochemicals Corporation (DFPC) was founded in CY79 by the Mehta family. It originally began as an ammonia manufacturing company, based in Taloja, Maharashtra. The company grew and expanded rapidly by first launching commercial production of ammonia in CY83, followed by a steady diversification into a broader range of chemicals and fertilizers, incl nitric acid, TAN, and ANP by CY92. These moves positioned DFPC as a strategic player in import substitution, enabling the company to build dominant market shares across products. This strategy has been equally successful for Deepak Nitrite (phenol-acetone plant), another flagship company managed by the Mehta family.

Today, DFPC operates in two key segments: Chemicals and Fertilizers. Value-added real estate (VARE) segment is the other segment, which is small and not a focus area. The Chemicals segment includes TAN, nitric acid, and IPA. The company is India's largest producer of TAN (holding ~45% market share). DFPC is the only manufacturer of prilled TAN and medical-grade ammonium nitrate. It is the largest producer of nitric acid in Southeast Asia and has a market share of +50% in India. DFPC is also the leading IPA producer in India, with ~30% market share. Its Fertilizer business is primarily focused on NP and NPK fertilizers, holding around 20% of the market in Maharashtra. Beyond production, DFPC's products serve sectors such as pharmaceuticals, agrochemicals, mining, defense, refining of precious metals, and textiles. Introduction of products like Methanol, Liquid CO₂, and Sulphur Bentonite Fertilizer, further enhance the company's position in the chemicals industry.

DFPC has consistently invested in research, technology, and capacity expansion. In FY24, it commissioned a state-of-the-art 500ktpa ammonia plant; further, it will be adding new capacities for TAN-Gopalpur (376ktpa) and nitric acid-Dahej (450ktpa) by Q4FY26. This commitment to sustainable growth has allowed DFPC to continually increase its domestic and international market share and maintain industry leadership.

DFPC has a non-core VARE business, which includes a mall in Pune called 'Creaticity'. It offers a comprehensive furniture and home décor experience. It is operating at an occupancy of 85% and has over 100 brands. Creaticity has repositioned itself from a retail mall to a holistic furniture-solutions provider. It hosts global brands like Index Living Mall (Thailand), Konfor (Turkey), and Gautier (France). Its value proposition is hooked on curated choices, lifestyle solutions, and phygital integration.

Exhibit 64: DFPC's plant locations and product capacities



Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 65: DFPC's timeline

1979	• DFPC was incorporated as a private company in Pune, Maharashtra.
1982	• Converted to a public company.
1983	• Commissioned ammonia plant at the Taloja, Maharashtra, and started commercial production.
1990	• Officially launched the Mahadhan brand for fertilizers.
1992	• Entered full-scale production of nitric acid, ammonium nitrate, ammonium nitro phosphate (ANP), and other derivatives; diversified into methanol, liquid carbon dioxide, isopropyl alcohol (IPA), and Sulphur Bentonite fertilizer.
1995	• Became a public company on major stock exchanges.
2000	• Set up a new nitric acid plant with 100ktpa capacity at Taloja.
2002	• Sailesh Mehta was elevated to MD; approved buyback of equity shares.
2004	• Licensed to manufacture 70ktpa of IPA at Taloja, with technology from Aker Kvaerner Inc (USA). • Acquired Srikakulam's TAN plant.
2010	• The Board expanded with new directors; began major real estate ventures, including the Creativity mall in Pune.
2011	• Commissioned a 300ktpa TAN plant at Taloja; awarded for excellence in fertilizer extension services.
2014	• Created JV with Platinum Blasting.
2017	• Expanded ammonium nitrate, IPA, Fertilizer. • Commissioned new fertilizer plant in Panipat, Haryana.
2018	• Restructured to create Smartchem Technologies as a wholly owned subsidiary to focus on fertilizers and technical ammonium nitrate; launched Mahadhan Smartek NPK complexes.
2019	• Started commercial production of Nitric acid (CNA: 92ktpa; DNA: 149ktpa) at Dahej, with capex of Rs5.5bn.
2021	• Chemicals segment became the major profit contributor (around 80% of EBIT); Mahadhan brand crossed major market share milestones.
2022	• Crop Nutrition Business volume doubled; launched Solutek and Croptek products for key crops; digital engagement with over six lakh farmers. • DFPC announces demerger of its mining chemicals & fertilizers business to provide focused leadership, simplify group structure and unlock growth potential.
2023	• Ammonia capacity increased; expanded export volumes for IPA; launched new innovative grades for crop-specific solutions.
2024	• Commissioned a 500ktpa ammonia plant at Taloja; announced a project for 376ktpa TAN and 450ktpa Nitric Acid at Gopalpur, Odisha; export expansion led by specialty chemicals. • DFPC entered a 15-year LNG contract with Equinor; supply to begin from mid-CY26.
2025	• PCL, a group company of DFPC, and Petronet LNG executed a 5.5-year Regasification Agreement. • Developed 67 new products and formulations in R&D.

Source: Company, Emkay Research

Exhibit 66: DFPC – Board of Directors

Name of the Director	Designation	Description
Sailesh Chimanlal Mehta	CMD	Industrialist with over 35 years of experience in chemicals and fertilizers, steering DFPC to expand into a multi-business conglomerate. He assumed office as MD in CY02 and was appointed as the Chairman in CY12. He holds a Bachelor of Commerce degree and an MBA from the US. He is currently the Chairman of Fertilisers Association of India (FAI).
Parul Sailesh Mehta	Non-ED	She is a social entrepreneur, philanthropic leader, major influence on CSR, founder of Ishanya Foundation. She is a Commerce graduate from Podar College, Mumbai. She is a recognized speaker in social forums and has been awarded for community engagement.
Madhumilan Parshuram Shinde	Non-ED	He has 30+ years of experience in the chemical and fertilizer industry, specializing in safety and regulatory compliance. He holds a Master's degree and a Diploma in industrial safety. He has been instrumental in implementing ISO safety and quality standards within the company, improved environmental governance, and has made notable contributions to process innovations and workforce development.
Bhuwan Chandra Tripathi	ID	He was the ex-CMD of Gail (India), where he transformed and led major expansions. He has been involved in various policy roles in energy/gas reforms. He is a mechanical engineer from NIT Allahabad. He holds directorships in various other oil and gas companies.
Sujal Shah	ID	He is a founder of SSPA & Co and has 30+ years of experience in valuations, M&A, financial consulting, restructuring, succession planning, etc. He is a CA by profession and has been a team member in drafting the valuation standards for ICAI. He holds directorships in Navin, NOCIL, Atul, etc.
Varsha Purandare	ID	She has over 36 years of experience in banking, capital markets, investments, private equity, and risk management. She is a senior banker and ex-MD/CEO of SBI Caps. She has won accolades for banking innovation and financial inclusion. She holds a bachelor's degree in chemistry. She is director on board of top Tata group companies.
Jayesh Hirji Shah	ID	He is a renowned lawyer in the field of banking and financial services. He founded Juris Corp in 2000 (known for structured finance and restructuring). He is a leading practitioner in the areas of corporate law, dispute resolution, M&A, private equity, insolvency, and restructuring.
Sanjay Gupta	ID	He was ex-CMD of Engineers India and has deep expertise in hydrocarbons. He has managed large public sector projects and is known for project implementation and capacity building in the sector.
Sitaram Kunte	ID	He has served in IAS for more than 35 years and in prominent policy and governance roles. He was a former chief secretary of Maharashtra. He is the architect behind Mumbai's Covid-19 response. He is an expert in finance and urban management reforms and a recipient of government and industry honours. Currently, he serves as a governor at NISM.
Terje Bakken	ID	He has more than 30 years of experience in global chemical/fertilizer industry and specializes in R&D, strategy, and supply chain globally. He holds an MBA from Bath University (UK). He has driven strategic international JVs, led tech-based innovations in manufacturing fertilizers, etc.

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 67: DFPC – Management Team

Name	Designation	Qualification	Experience/Expertise
Yeshil S Mehta	ED – Mahadhan AgriTech	Management from Harvard Business School	- Leading the Crop Nutrition business. - Responsible for P&L management, strategy development and execution, managing strategic growth and business transformation. - Previously, worked with Bain & Co.
Tarun Sinha	President – TAN	B.Tech (Mining Engineering) from Indian School of Mines, Dhanbad	30 years of experience in the mining and steel industry. - Responsible for P&L management, including strategy development and execution, managing strategic alliances for TAN business. - Spent 24 years working with Orica (the world's largest explosives manufacturer). - Previously, worked with BlueScope Steel-Nippon Steel JV.
Raghunath Kelkar	President – IC	Graduate degree in Chemical Engineering from IIT, Delhi	42 years of experience in industrial chemicals marketing and plant operations, dealing with commodities, specialty chemicals, paints, coatings and specialty adhesives. - Responsible for P&L management, including strategy development and execution for the IC business. - Previously, worked with KJL, Schenectady Herdillia, Surfa Coats, Jubilant Life Sciences, and Garware Paints.
Pandurang Landge	President – Manufacturing (Cluster 1, 2, and NPd)	Graduate degree in Chemical Engineering from UDCT, Mumbai University	39 years of experience in operations, project conceptualization, project and product development, execution, commercialization, and running businesses. - Responsible for manufacturing operations and supporting new projects at Dahej/Gopalpur, new product development, etc. - Spent 20 years in Saudi Arabia as a startup head, building a USD1bn company. Started with RCF, with responsibilities of project execution and operations at ammonia plant.
Subhash Anand	President and CFO	CWA (India); CMA (USA)	- More than 30 years of experience within the finance function in areas like strategic advisory and planning, M&A, business finance including taxation, IR, treasury management, capex evaluations, business process restructuring, digitization, etc. - He has previously worked with PI Industries, Solara Active Pharma, Whirlpool of India, Hero Cycles, Sterlite Industries, and Hindustan Copper.
Romy Sahay	President – HR	Graduate degree in Electrical and Electronics Engineering from BITS, Mesra PGDM from XLRI, Jamshedpur	28 years of experience in leading HR for various companies. - Responsible for setting up various HR systems and processes, aligning HR to deliver business results and driving execution. - He has previously worked with Dr Reddy's Laboratories, TELCO, ITC, and ITC Infotech.
Prikshit (Rishi) Agarwal	President – Strategy	MBA from Saïd Business School, University of Oxford; PGDM from IIM Kozhikode	- Has rich experience in operations and strategic consulting, and worked with clients from diverse industries and across various issues and fields. - Responsible for enabling strategy execution, strengthening systems and processes, and focusing on strategic alliances. - Previously, he was a partner at Strategy& (PwC Network) and has worked with FSG Consulting, Russel Reynolds Associates, Deloitte Monitor, and Unilever.
Prasad Joglekar	President – Commercial	MBA (Marketing) from IMS, Devi Ahilya University Graduation in Mechanical Engineering from Madhav Institute of Technology & Science, Jiwaji University	30 years of experience in strategic sourcing, logistics, and supply chain management. - He previously worked with Jubilant Ingrevia (President – supply chain), Jindal Films, Avantor Performance Materials, Dupont India, Micro Inks, and Vedanta.
Arun Vijayakumar	President – Projects	MBA from SP Jain, Mumbai Graduation in Engineering from Malaviya Regional Engineering College, Jaipur	26 years of experience in managing large-scale EPC projects in petrochemical and refining field. - He was previously associated with Hindustan Zinc, Reliance Industries, L&T, and Grasim.
Naresh Kumar Piniseti	President – Corporate Governance	Postgraduate in HR from NIPM; Executive MBA from SIMI; LLB from Andhra University; MA in Sociology	30 years of experience in different facets of Human Resource Development and Industrial Relations. - He has previously worked with Vestas and Bayer.
Debasish Banerjee	President – Strategic Projects	CA; Graduate degree in Science (Maths) from Ranchi University	30 years of work experience in corporate finance and strategy, business turnaround/restructuring, capital markets, project financing, along with building strong relationship with banks, rating agencies, and financial institutions. - He was previously the CFO of Mahadhan Agritech and has worked at Haldi Petrochemicals.

Source: Company, Emkay Research

Deepak Fertilisers: Consolidated Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	86,761	102,744	108,226	126,223	141,288
Revenue growth (%)	(23.2)	18.4	5.3	16.6	11.9
EBITDA	12,867	19,247	20,198	25,814	29,888
EBITDA growth (%)	(40.6)	49.6	4.9	27.8	15.8
Depreciation & Amortization	3,337	4,033	4,958	6,642	6,942
EBIT	9,530	15,214	15,240	19,172	22,947
EBIT growth (%)	(50.5)	59.6	0.2	25.8	19.7
Other operating income	-	-	-	-	-
Other income	1,228	808	1,082	1,262	1,413
Financial expense	4,038	4,129	3,910	3,575	2,202
PBT	6,720	11,893	12,412	16,860	22,157
Extraordinary items	0	0	0	0	0
Taxes	2,147	2,446	3,351	4,552	5,982
Minority interest	(147)	(111)	(655)	(853)	(974)
Income from JV/Associates	-	-	-	-	-
Reported PAT	4,425	9,336	8,406	11,455	15,201
PAT growth (%)	(63.4)	111.0	(10.0)	36.3	32.7
Adjusted PAT	4,425	9,336	8,406	11,455	15,201
Diluted EPS (Rs)	35.1	74.0	66.6	90.7	120.4
Diluted EPS growth (%)	(63.4)	111.0	(10.0)	36.3	32.7
DPS (Rs)	10.7	9.3	10.0	10.0	15.0
Dividend payout (%)	30.5	12.6	15.0	11.0	12.5
EBITDA margin (%)	14.8	18.7	18.7	20.5	21.2
EBIT margin (%)	11.0	14.8	14.1	15.2	16.2
Effective tax rate (%)	32.0	20.6	27.0	27.0	27.0
NOPLAT (pre-IndAS)	6,484	12,085	11,125	13,996	16,751
Shares outstanding (mn)	126	126	126	126	126

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	5,492	11,085	11,330	15,597	20,744
Others (non-cash items)	203	444	0	0	0
Taxes paid	(3,134)	(4,228)	(3,314)	(4,431)	(5,881)
Change in NWC	(7,801)	1,655	(2,199)	4,548	(1,157)
Operating cash flow	7,318	18,797	14,648	25,809	22,748
Capital expenditure	(11,249)	(8,913)	(27,000)	(5,000)	(5,000)
Acquisition of business	(60)	(965)	0	0	0
Interest & dividend income	243	125	0	0	0
Investing cash flow	(3,763)	(10,615)	(24,083)	(3,738)	(3,587)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	4,319	(1,125)	8,241	(15,692)	(14,809)
Payment of lease liabilities	122	(155)	0	0	0
Interest paid	(4,038)	(4,129)	(3,910)	(3,575)	(2,202)
Dividend paid (incl tax)	(1,351)	(1,172)	(1,262)	(1,262)	(1,894)
Others	(3,151)	(308)	6,000	0	0
Financing cash flow	(4,099)	(6,890)	9,068	(20,530)	(18,905)
Net chg in Cash	(544)	1,292	(367)	1,542	257
OCF	7,318	18,797	14,648	25,809	22,748
Adj. OCF (w/o NWC chg.)	15,119	17,142	16,847	21,262	23,906
FCFF	(3,932)	9,883	(12,352)	20,809	17,748
FCFE	(7,727)	5,879	(16,262)	17,234	15,546
OCF/EBITDA (%)	56.9	97.7	72.5	100.0	76.1
FCFE/PAT (%)	(174.6)	63.0	(193.5)	150.5	102.3
FCFF/NOPLAT (%)	(60.6)	81.8	(111.0)	148.7	106.0

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	1,262	1,262	1,262	1,262	1,262
Reserves & Surplus	54,156	61,104	68,247	78,439	91,746
Net worth	55,419	62,366	69,509	79,702	93,009
Minority interests	378	172	6,827	7,680	8,654
Non-current liab. & prov.	(1,657)	(2,625)	(2,625)	(2,625)	(2,625)
Total debt	40,453	39,327	47,568	31,876	17,067
Total liabilities & equity	96,793	102,721	124,760	120,113	119,585
Net tangible fixed assets	55,506	53,745	84,870	83,228	81,286
Net intangible assets	323	344	344	344	344
Net ROU assets	3,952	4,994	4,994	4,994	4,994
Capital WIP	7,538	14,083	5,000	5,000	5,000
Goodwill	279	277	277	277	277
Investments [JV/Associates]	2,095	3,060	3,060	3,060	3,060
Cash & equivalents	6,192	6,272	4,071	5,613	5,870
Current assets (ex-cash)	35,386	35,747	38,951	45,428	50,850
Current Liab. & Prov.	20,718	23,702	24,707	35,732	39,997
NWC (ex-cash)	14,668	12,045	14,244	9,697	10,854
Total assets	96,794	102,721	124,760	120,113	119,585
Net debt	34,260	33,055	43,497	26,263	11,197
Capital employed	96,793	102,721	124,760	120,113	119,585
Invested capital	71,229	66,941	100,264	94,075	93,291
BVPS (Rs)	439.0	494.0	550.6	631.3	736.8
Net Debt/Equity (x)	0.6	0.5	0.6	0.3	0.1
Net Debt/EBITDA (x)	2.7	1.7	2.2	1.0	0.4
Interest coverage (x)	2.7	3.9	4.2	5.7	11.1
RoCE (%)	11.7	16.2	14.5	16.8	20.5

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	40.3	19.1	21.2	15.6	11.7
EV/CE(x)	2.2	2.1	1.7	1.8	1.8
P/B (x)	3.2	2.9	2.6	2.2	1.9
EV/Sales (x)	2.5	2.1	2.0	1.7	1.5
EV/EBITDA (x)	16.5	11.0	10.5	8.2	7.1
EV/EBIT(x)	22.3	14.0	14.0	11.1	9.3
EV/IC (x)	3.0	3.2	2.1	2.3	2.3
FCFF yield (%)	(1.8)	4.6	(5.8)	9.8	8.3
FCFE yield (%)	(4.3)	3.3	(9.1)	9.7	8.7
Dividend yield (%)	0.8	0.7	0.7	0.7	1.1
DuPont-RoE split					
Net profit margin (%)	5.1	9.1	7.8	9.1	10.8
Total asset turnover (x)	1.0	1.1	1.0	1.1	1.2
Assets/Equity (x)	1.7	1.6	1.6	1.6	1.3
RoE (%)	8.3	15.9	12.7	15.4	17.6
DuPont-RoIC					
NOPLAT margin (%)	7.5	11.8	10.3	11.1	11.9
IC turnover (x)	1.7	1.5	1.3	1.3	1.5
RoIC (%)	12.9	17.5	13.3	14.4	17.9
Operating metrics					
Core NWC days	61.7	42.8	48.0	28.0	28.0
Total NWC days	61.7	42.8	48.0	28.0	28.0
Fixed asset turnover	1.6	1.4	1.2	1.1	1.2
Opex-to-revenue (%)	17.2	16.4	16.8	16.7	16.5

Source: Company, Emkay Research

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