

Deepak Nitrite

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	DN IN
Equity Shares (m)	136
M.Cap.(INRb)/(USDb)	237.5 / 2.7
52-Week Range (INR)	2779 / 1700
1, 6, 12 Rel. Per (%)	-4/-17/-44
12M Avg Val (INR M)	540

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	82.6	92.1	100.0
EBITDA	10.3	13.7	15.4
PAT	6.4	8.3	8.7
EPS (INR)	47.3	61.0	63.5
EPS Gr. (%)	-7.5	29.1	4.1
BV/Sh.(INR)	435.4	487.5	541.7
Ratios			
Net D:E	0.3	0.6	0.9
RoE (%)	11.4	13.2	12.3
RoCE (%)	9.1	9.2	7.2
Payout (%)	14.7	14.7	14.7
Valuations			
P/E (x)	36.8	28.5	27.4
P/BV (x)	4.0	3.6	3.2
EV/EBITDA (x)	24.4	20.0	19.7
Div. Yield (%)	0.4	0.5	0.5
FCF Yield (%)	-2.5	-8.6	-12.0

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	49.3	49.3	49.2
DII	22.7	22.6	22.3
FII	6.2	6.7	6.7
Others	21.8	21.4	21.8

FII includes depository receipts

CMP: INR1,741 TP: INR1,530 (-12%) Sell

Muted operating performance amid macro challenges

Operating performance in line with estimate

- Deepak Nitrite (DN) reported a weak operating performance, with EBITDA declining 31% YoY to INR2b in 2QFY26. Gross margin contracted 440bp YoY to 27.6% and EBITDA margin contracted 390bp, driven by macro headwinds, pricing trends, and tariff developments.
- Amid a volatile geopolitical environment and shifting global trade dynamics, we expect a recovery in 2H, led by the ramp-up of new capacities, improved volumes from market seeding of new products and SKUs, and the company's strategic initiatives to pivot into non-traditional geographies and debottleneck certain capacities.
- We broadly retain our estimates for FY26/FY27/FY28 and estimate a CAGR of 6%/12%/8% in revenue/EBITDA/PAT over FY25-28E. We value the stock at 25x FY27E EPS to arrive at our TP of INR1,530. Reiterate Sell.

Phenolics and Intermediates segments continue to face margin headwinds

- 2Q revenue declined 6% YoY to INR19b (est. INR19.3b), primarily due to a 3% and 8% decline in the Advanced Intermediates and Phenolic segments to INR5.9b/INR13.3b.
- Gross margin came in at 27.6% (down 440bp YoY), while EBITDAM stood at 10.7% (down 390bp YoY). Employee costs as a % of sales stood at 5.2% (vs. 4.8% in 2QFY25), while other expenses stood at 11.6% (vs. 12.6% in 2QFY25).
- EBITDA declined 31% YoY to INR2b (our est. INR2b), while EBIT for the Advanced Intermediates/Phenolic segments declined 47%/52% YoY to INR1.1b/INR230m.
- EBIT margins for Advanced Intermediates/Phenolic contracted 390bp/630bp to 3.9%/8.6% in 2QFY26.
- Reported PAT declined 39% YoY to INR1.2b (in line with est.), down 39% YoY.
- In 1HFY26, its revenue/EBITDA/Adj. PAT declined 10%/35%/42% to INR38b/INR4b/INR2b.

Highlights from the management commentary

- Guidance and outlook:** The global environment remains difficult due to rising geopolitical tensions and trade barriers. While near-term conditions are challenging, the company expects 2H performance to be better, led by the ramp-up of new capacities and the launch of new products. Key projects are progressing well, with the Nitric Acid unit and Methyl isobutyl ketone (MIBK) and Methyl Isobutyl Carbino (MIBC) unit expected to be operational by 4QFY26.
- Strategic initiatives:** The company is addressing the macro headwinds by expanding into new geographies, increasing its focus on the Indian business, investing in upstream capabilities, debottlenecking capacities, and protecting wallet share. Profitability pressures are being contained through diversified energy sourcing, overhead control, and continued cost optimization.

- **Polycarbonate:** The company's fully integrated Polycarbonate complex (India's first) is progressing as planned and is targeted for commissioning in Jan-Mar'28, supported by Petronet LNG tie-ups and strong regulatory tailwinds. While upstream capacity is being built, the company is already supplying polycarbonate-based compounds to electronics and auto customers to secure early validation. This will enable a seamless, cost-efficient integration once domestic polycarbonate production comes online.

Valuation and view

- Despite capacity expansion, new projects, process optimization, and a focus on innovation and sustainability, we expect DN's performance to be weighed down by industry-wide challenges. Persistent oversupply from China and rapidly evolving geopolitical developments continue to exert pricing pressure and weigh on operational performance.
- We broadly retain our estimates for FY26/FY27/FY28 and estimate a CAGR of 6%/12%/8% in revenue/EBITDA/PAT over FY25-28E. We value the stock at 25x FY27E EPS to arrive at our TP of INR1,530. Reiterate Sell.

Consolidated - Quarterly Snapshot

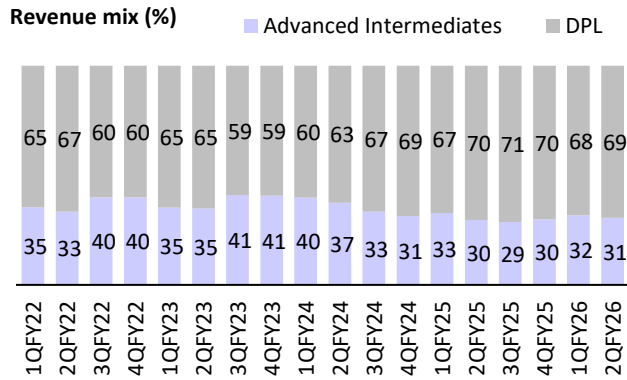
Y/E March	(INR m)											
	FY25				FY26				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Gross Sales	21,668	20,320	19,034	21,797	18,899	19,019	20,963	23,738	82,819	82,618	19,229	-1%
YoY Change (%)	22.5	14.3	-5.3	2.5	-12.8	-6.4	10.1	8.9	7.8	-0.2	-5.4	
Total Expenditure	18,577	17,345	17,349	18,631	17,003	16,976	18,127	20,178	71,901	72,285	17,299	
Gross Margin (%)	30.8%	32.0%	26.8%	30.6%	28.0%	27.6%	30.7%	32.0%	30.1%	29.7%	27.5%	
EBITDA	3,092	2,975	1,685	3,166	1,896	2,043	2,836	3,559	10,918	10,333	1,930	6%
Margin (%)	14.3	14.6	8.9	14.5	10.0	10.7	13.5	15.0	13.2	12.5	10.0	
Depreciation	475	485	482	513	513	533	550	580	1,954	2,175	525	
Interest	58	63	61	93	81	79	107	113	275	380	102	
Other Income	188	213	210	228	246	200	225	249	839	919	237	
PBT before EO expense	2,748	2,640	1,352	2,788	1,547	1,630	2,404	3,115	9,528	8,697	1,540	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	2,748	2,640	1,352	2,788	1,547	1,630	2,404	3,115	9,528	8,697	1,540	
Tax	723	698	371	762	425	443	606	774	2,554	2,248	389	
Rate (%)	26.3	26.4	27.4	27.3	27.5	27.2	25.2	24.8	26.8	25.9	25.2	
Reported PAT	2,025	1,942	981	2,025	1,122	1,187	1,797	2,341	6,974	6,448	1,151	3%
Adj PAT	2,025	1,942	981	2,025	1,122	1,187	1,797	2,341	6,974	6,448	1,151	3%
YoY Change (%)	35.1	-5.3	-51.4	3.4	-44.6	-38.9	83.2	15.6	-7.3	-7.5	-40.73	
Margin (%)	9.3	9.6	5.2	9.3	5.9	6.2	8.6	9.9	8.4	7.8	6.0	

Exhibit 1: Change in estimates

Particulars	Actual/ Revised			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue (INR m)	82,618	92,138	1,00,003	82,828	92,325	1,00,200	0%	0%	0%
EBITDA (INR m)	10,333	13,730	15,432	10,221	13,674	15,370	1%	0%	0%
PAT (INR m)	6,448	8,322	8,665	6,539	8,409	8,738	-1%	-1%	-1%
EPS (INR)	47.3	61.0	63.5	47.9	61.7	64.1	-1%	-1%	-1%

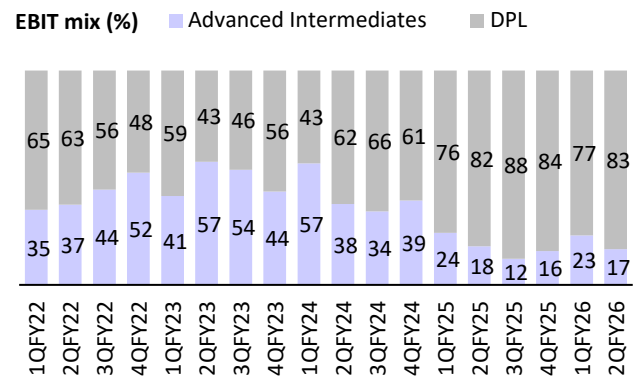
2QFY26 in charts

Exhibit 2: Contribution of Phenolics to total revenue declined to 69% in 2QFY26 from 70% in 1QFY25



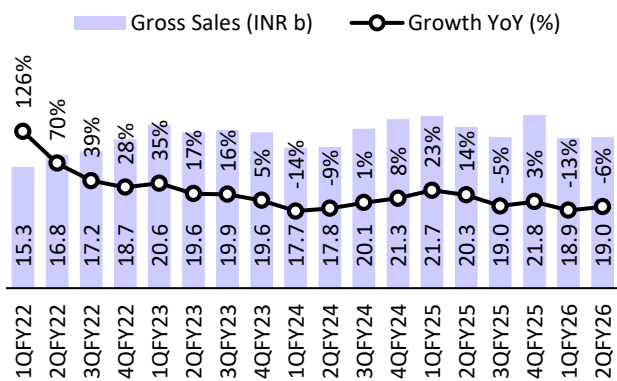
Source: Company, MOFSL

Exhibit 3: EBIT mix trend



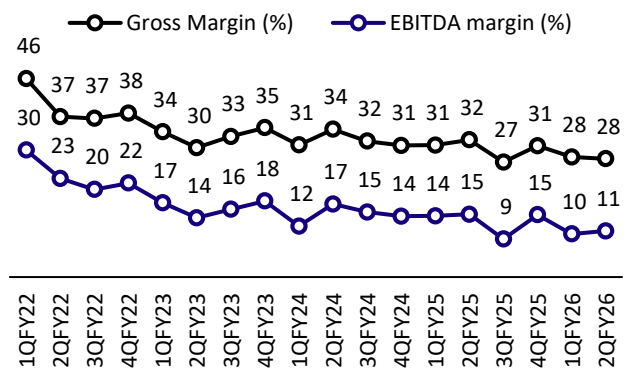
Source: Company, MOFSL

Exhibit 4: Sales down 6% YoY



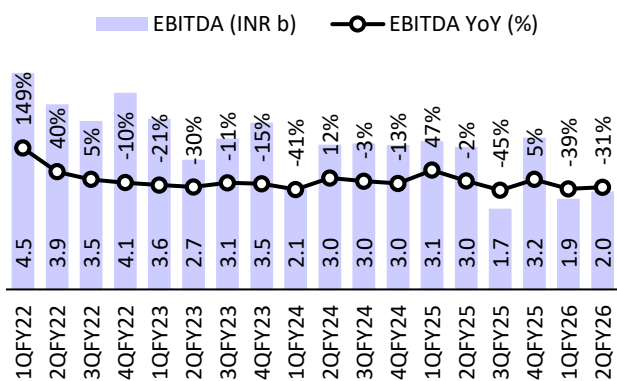
Source: Company, MOFSL

Exhibit 5: Margin trends



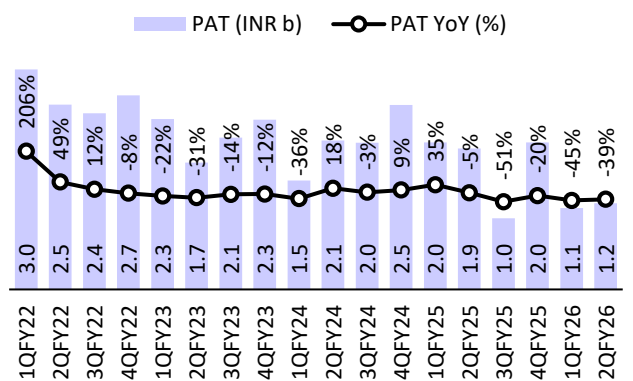
Source: Company, MOFSL

Exhibit 6: EBITDA trend



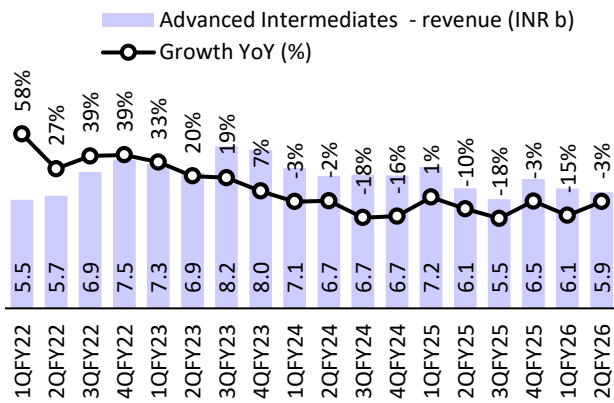
Source: Company, MOFSL

Exhibit 7: Reported PAT was down 39% YoY



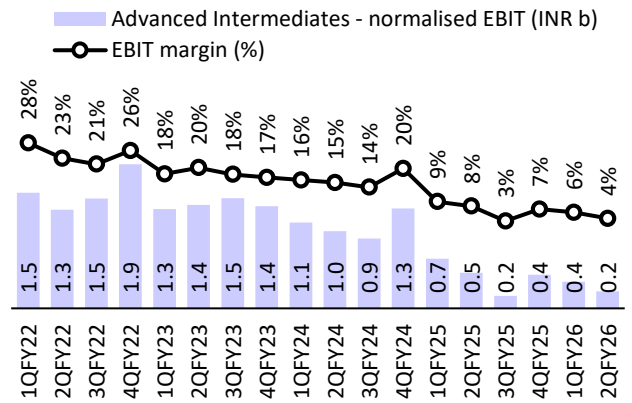
Source: Company, MOFSL

Exhibit 8: Revenue from AI declined 3% YoY



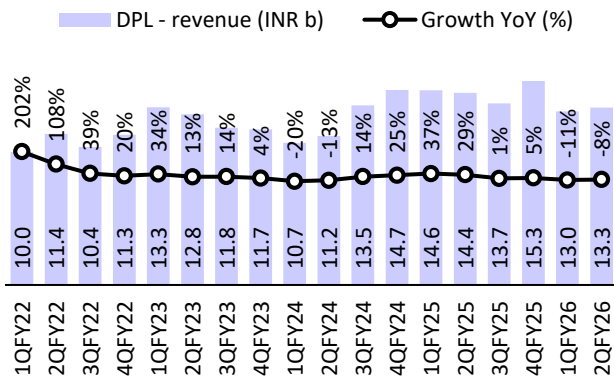
Source: Company, MOFSL

Exhibit 9: AI EBITM trend



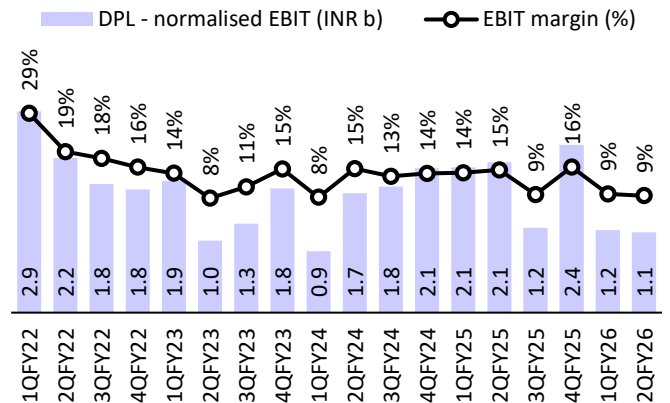
Source: Company, MOFSL

Exhibit 10: Revenue from DPL declined 8% YoY...



Source: Company, MOFSL

Exhibit 11: ...with EBIT margin at 9%



Source: Company, MOFSL



Earnings concall highlights

Operational highlights:

- The marginal sequential revenue increase was driven by improved performance in the Phenolics segment, supported by lower feedstock prices, higher volumes, and a better product mix.
- However, YoY performance weakened due to global tariff actions in the US, underpriced Chinese imports, and softer realizations in several Advanced Intermediates products.
- EBITDA improvement on a sequential basis was driven by cost optimization measures, including lower energy costs, overhead rationalization, and improved production throughput.
- Profitability remained under pressure, largely due to weaker pricing in the Advanced Intermediates business.
- Aggressive cost optimization measures across power and fuel expenses, along with the rationalization of overheads, helped improve EBITDA on a QoQ basis.
- The company maintained stable volumes in Advanced Intermediates despite pricing challenges, supported by interventions such as focusing on market share protection, entering non-traditional geographies, and securing upstream feedstock availability.

Advanced Intermediates

- The segment reported revenue of INR5.88b, compared to INR6.05b in 1QFY26 and INR6.06b in 2QFY25.
- EBIT weakness was driven by US tariff actions and sustained inflow of Chinese products at lower prices.
- Despite this, the company maintained its volumes and wallet share. Input security is expected to improve once the Nitric Acid plant becomes fully operational in 4QFY26.
- Business was impacted by the direct and indirect impact of US tariff actions, along with the continued influx of underpriced Chinese products, which remains a major constraint on a broader sectoral rebound.
- The company drove interventions to increase volumes and maintain market share, thereby delivering largely stable revenue.
- While sustained pressure on realizations impacted profitability in the AI segment, multiple remedial measures and cost optimization actions were undertaken to partly mitigate the impact.

Phenolic

- The Phenolic segment recorded revenue of INR13.33b vs INR13.04b in 1QFY26, showing sequential growth driven by higher throughput and a favorable product mix.
- The segment also benefited from continuous variable cost optimization and deeper integration across the value chain.
- Stable domestic demand enabled the company to maximize the benefits of its deeply integrated manufacturing, resulting in continuous variable cost optimization.
- The company expanded its market share in the Phenolics segment.
- Additionally, the Phenolics business registered the highest quarterly production and sales of IPA in 2Q.

Polycarbonate:

- The company has planned investments in a large-scale complex that will house India's first integrated Polycarbonate project, marking a significant step toward achieving self-reliance and increasing value addition within the country.
- This project is supported by long-term feedstock supply arrangements with Petronet LNG and benefits from strong policy support under the Atmanirbhar Bharat initiative.
- Discussions are currently at an advanced stage regarding the supply of certain utilities as part of the integrated facility.
- The company's first priority is to ensure that polycarbonate can be produced in the most cost-efficient manner. However, since this is a large-scale project and will take a few years to complete, the company has simultaneously taken steps to move downstream.
- In the interim, the company has begun establishing its presence in the customers' ecosystem by offering compounded products that use polycarbonate as the base material.
- Once these compounded products are accepted and validated by customers in segments such as electronics, mobile devices, and automotive components, it will effectively position polycarbonate manufacturing as a natural upstream integration, even though the decision to develop it was taken first.

Macro environment:

- The operating environment remains complex and challenging as the company enters FY26.
- Compared to the previous year, conditions have deteriorated meaningfully, with US tariffs, dumping intensity, and underpricing now far more severe.
- The company has countered these pressures by expanding into non-traditional geographies and proactively engaging with customers to protect market share and maintain volumes.
- The global operating environment remains strained due to rising geopolitical tensions and increasing trade barriers
- While near-term conditions are challenging, the company expects performance to improve in H2 with the ramp-up of new capacities and initial volumes from new products and SKUs, with additional upside if US tariffs ease.

Outlook

- A strong pipeline of upstream products, including Nitric Acid, and downstream products, such as MIBK and MIBC, is set to become operational over the next few quarters.
- The company is making rapid progress on its large CAPEX program, with new Phenol, Acetone, and IPA capacities supporting full integration toward PC resin production.
- Management expects a better trajectory for select agchem intermediates in 2H, with further upside possible if US tariffs ease.
- The Nitric Acid plant, expected to be fully operational by 4Q, will ensure reliable input supply and support margin improvement.
- A new world-class R&D center will drive innovation and product development.
- Backward integration for nitration products and the expansion of existing product lines remain key growth drivers.
- Performance is expected to improve on the back of higher agrochemical intermediate volumes from Europe and other regions.

Additional contribution is anticipated from debottlenecked capacities and improved value-capture across the integrated chain.

Product development

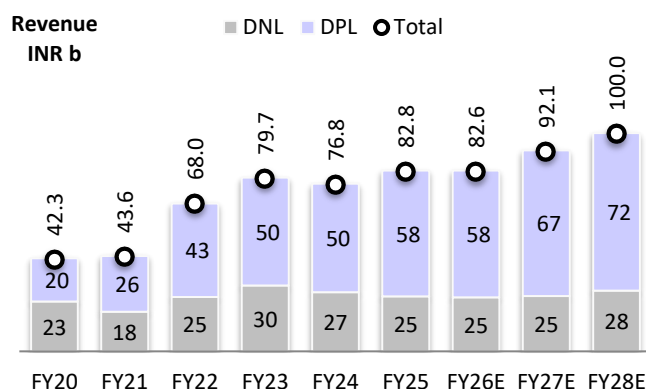
- The company launched seven new products in 2Q, all developed in-house without external technology licenses. These include life-science products and effect chemicals used in polymers, flame retardants, and mining applications.
- These products are currently in customer validation cycles of 3–5 months, with full commercial ramp-up expected by end-4Q or mid-1Q. Early feedback indicates that product specifications exceed market standards.
- In the polymer compounding business, validation cycles can extend up to 18 months. The company has commissioned a pilot facility at Savli and is in discussions with potential strategic partners.

Others

- The company has secured supply arrangements similar to those for other key raw materials, enabling it to source ammonia both domestically and through imports.
- It plans to significantly increase internal consumption of nitric acid, with the new plant expected to operate at full capacity.
- The Oman facility is expected to take around 24 months from 2QFY26 to reach commercialization.
- Chinese dumping remains a major challenge, particularly in products like sodium nitrite and certain nitro aromatics, where pricing pressure is substantial.
- The company has planned a capex outlay of INR15b for FY26.

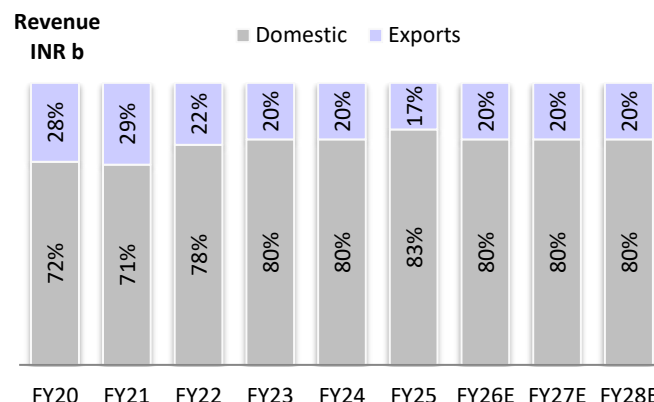
Financial story in charts

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



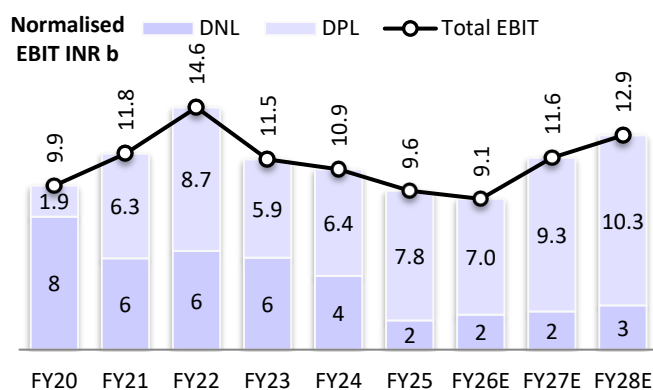
Source: MOFSL

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



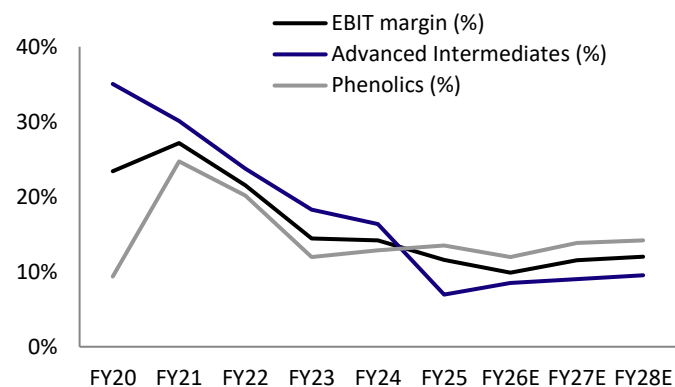
Source: Company, MOFSL

Exhibit 14: Segmental EBIT breakdown of DN



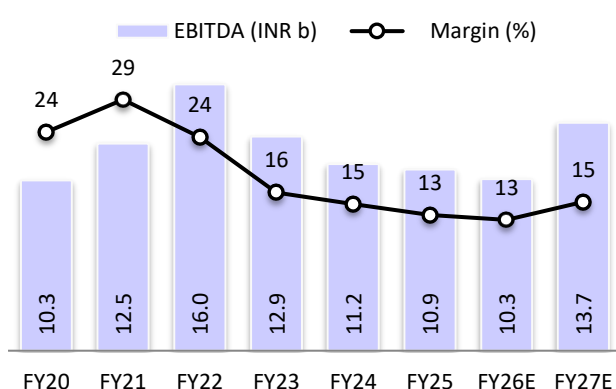
Source: Company, MOFSL

Exhibit 15: EBIT margin



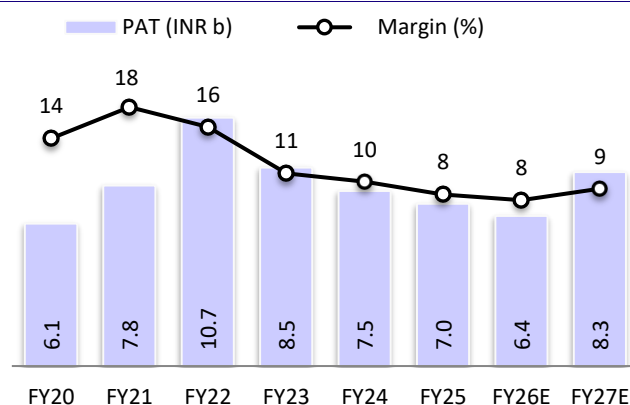
Source: Company, MOFSL

Exhibit 16: EBITDA margin to normalize from FY22 levels



Source: Company, MOFSL

Exhibit 17: Expect ~8% PAT CAGR over FY25-28



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	43,598	68,022	79,721	76,818	82,819	82,618	92,138	1,00,003
Change (%)	3.1	56.0	17.2	-3.6	7.8	-0.2	11.5	8.5
Gross Margin (%)	48.1	39.5	32.9	31.8	30.1	29.7	31.1	31.7
EBITDA	12,470	16,036	12,894	11,233	10,918	10,333	13,730	15,432
Margin (%)	28.6	23.6	16.2	14.6	13.2	12.5	14.9	15.4
Depreciation	1,526	1,777	1,663	1,657	1,954	2,175	3,173	4,471
EBIT	10,944	14,259	11,231	9,576	8,964	8,158	10,557	10,960
Int. and Finance Charges	742	340	248	118	275	380	449	481
Other Income	215	426	476	761	839	919	1,014	1,100
PBT bef. EO Exp.	10,417	14,345	11,459	10,219	9,528	8,697	11,121	11,579
EO Items	0	0	0	798	0	0	0	0
PBT after EO Exp.	10,417	14,345	11,459	11,017	9,528	8,697	11,121	11,579
Total Tax	2,659	3,678	2,939	2,908	2,554	2,248	2,799	2,915
Tax Rate (%)	25.5	25.6	25.6	26.4	26.8	25.9	25.2	25.2
Minority Interest	-	-	-	0	-	-	-	-
Reported PAT	7,758	10,666	8,520	8,109	6,974	6,448	8,322	8,665
Adjusted PAT	7,758	10,666	8,520	7,522	6,974	6,448	8,322	8,665
Change (%)	27.0	37.5	-20.1	-11.7	-7.3	-7.5	29.1	4.1
Margin (%)	17.8	15.7	10.7	9.8	8.4	7.8	9.0	8.7

Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	273	273	273	273	273	273	273	273
Total Reserves	23,194	33,112	40,627	47,693	53,614	59,116	66,218	73,611
Net Worth	23,467	33,384	40,900	47,966	53,887	59,389	66,490	73,884
Minority Interest	-	-	-	261	360	360	360	360
Total Loans	5,775	3,007	545	2,170	11,705	18,728	38,462	68,611
Deferred Tax Liabilities	1,078	1,229	1,566	1,736	2,128	2,128	2,128	2,128
Capital Employed	30,320	37,620	43,011	52,133	68,080	80,605	1,07,440	1,44,982
Gross Block	22,441	25,263	26,523	31,690	35,262	37,262	39,262	41,262
Less: Accum. Deprn.	3,666	5,443	7,106	8,763	10,717	12,892	16,064	20,536
Net Fixed Assets	18,774	19,820	19,416	22,927	24,546	24,371	23,198	20,727
Goodwill on Consolidation	-	-	-	-	27	27	27	27
Capital WIP	2,068	1,037	3,008	7,735	16,491	29,491	57,859	96,227
Total Investments	1,893	4,390	3,794	1,219	5,109	5,109	5,109	5,109
Curr. Assets, Loans, and Adv.	12,868	19,057	25,069	29,081	31,004	30,723	31,253	33,714
Inventory	3,827	5,846	8,931	7,599	9,264	9,313	10,102	10,896
Account Receivables	7,563	11,291	13,095	12,984	12,738	12,707	14,171	15,381
Cash and Bank Balance	334	418	400	4,655	4,066	3,778	1,500	1,500
Loans and Advances	1,144	1,503	2,644	3,844	4,937	4,925	5,479	5,937
Curr. Liability and Prov.	5,283	6,684	8,277	8,829	9,097	9,115	10,005	10,821
Account Payables	4,367	5,117	6,618	5,823	5,217	5,245	5,690	6,137
Other Current Liabilities	640	1,272	1,216	2,476	3,259	3,251	3,625	3,935
Provisions	276	296	443	531	620	619	690	749
Net Current Assets	7,585	12,373	16,792	20,252	21,908	21,608	21,247	22,893
Appl. of Funds	30,320	37,620	43,011	52,133	68,080	80,605	1,07,440	1,44,982

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	56.9	78.2	62.5	55.1	51.1	47.3	61.0	63.5
EPS Growth (%)	27%	37%	-20%	-12%	-7%	-8%	29%	4%
Cash EPS	68.1	91.2	74.7	67.3	65.5	63.2	84.3	96.3
BV/Share	172.0	244.8	299.9	351.7	395.1	435.4	487.5	541.7
DPS	5.5	7.0	7.5	7.5	7.5	6.9	9.0	9.3
Payout (%)	9.7	9.0	12.0	12.6	14.7	14.7	14.7	14.7
Valuation (x)								
P/E	30.6	22.3	27.9	31.6	34.1	36.8	28.5	27.4
Cash P/E	25.6	19.1	23.3	25.9	26.6	27.5	20.7	18.1
P/BV	10.1	7.1	5.8	5.0	4.4	4.0	3.6	3.2
EV/Sales	5.6	3.5	3.0	3.1	3.0	3.1	3.0	3.0
EV/EBITDA	19.5	15.0	18.4	20.9	22.5	24.4	20.0	19.7
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.5
FCF per share	57.8	46.8	21.3	8.0	-36.2	-43.9	-149.1	-208.2
Return Ratios (%)								
RoE	39.6	37.5	22.9	16.9	13.7	11.4	13.2	12.3
RoCE	29.1	32.1	21.6	16.0	11.9	9.1	9.2	7.2
RoIC	32.1	36.7	24.7	19.0	16.2	14.3	18.5	19.3
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	3.5	4.1	3.6	3.5	3.4	3.9	4.6
Asset Turnover (x)	1.4	1.8	1.9	1.5	1.2	1.0	0.9	0.7
Inventory (Days)	32	31	41	36	41	41	40	40
Debtor (Days)	63	61	60	62	56	56	56	56
Creditor (Days)	37	27	30	28	23	23	23	22
Leverage Ratio (x)								
Current Ratio	2.4	2.9	3.0	3.3	3.4	3.4	3.1	3.1
Interest Coverage Ratio	14.7	41.9	45.3	80.9	32.6	21.4	23.5	22.8
Net Debt/Equity ratio	0.2	0.1	0.0	-0.1	0.1	0.3	0.6	0.9

Consolidated - Cash Flow Statement

(InR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	10,417	14,345	11,459	11,017	9,528	8,697	11,121	11,579
Depreciation	1,526	1,777	1,663	1,657	1,954	2,175	3,173	4,471
Others	852	295	63	-509	-285	380	449	481
Direct Taxes Paid	-2,365	-3,535	-2,600	-2,665	-2,152	-2,248	-2,799	-2,915
(Inc.)/Dec. in WC	-412	-4,643	-4,085	-720	-2,798	12	-1,917	-1,646
CF from Operations	10,019	8,239	6,499	8,781	6,247	9,015	10,027	11,971
(Inc.)/Dec. in FA	-2,140	-1,862	-3,599	-7,685	-11,191	-15,000	-30,368	-40,368
Free Cash Flow	7,879	6,377	2,900	1,096	-4,944	-5,985	-20,341	-28,397
Change in Investments	-1,854	-2,401	816	427	-4,059	0	0	0
Others	33	22	22	40	337	0	0	0
CF from Investments	-3,961	-4,241	-2,761	-7,218	-14,913	-15,000	-30,368	-40,368
Issue of Shares	0	0	0	0	102	0	0	0
Inc./(Dec.) in Debt	-5,246	-2,812	-2,523	1,625	9,277	7,023	19,733	30,149
Interest Paid	-736	-320	-233	-98	-194	-380	-449	-481
Dividend Paid	-4	-750	-955	-1,023	-1,023	-946	-1,221	-1,271
Others	-5	24	120	-68	-100	0	0	0
CF from Fin. Activity	-5,990	-3,858	-3,591	435	8,062	5,697	18,063	28,397
Inc./Dec. in Cash	68	139	148	1,998	-605	-288	-2,278	0
Opening Balance	22	90	229	377	2,380	1,795	1,507	-771
Closing Balance	90	229	377	2,380	1,795	1,507	-771	-771

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