

Deepak Nitrite

Estimate change

TP change

Rating change



CMP: INR1,634

TP: INR1,470 (-10%)

Sell

Steady operating performance amid macro challenges

Operating performance misses estimate

- Deepak Nitrite (DN) reported a healthy operating performance, with EBITDA growing 25% YoY (on a low base) to INR2b amid persistent macroeconomic challenges.
- Phenolic segment EBIT grew 20% YoY, driven by higher plant utilization and process optimization, while Advanced Intermediate EBIT declined 11% YoY due to continued pricing pressure from aggressive Chinese dumping, global oversupply, residual inventory restocking, and import competition.
- We expect DN's performance to remain under pressure in the short term amid persistent industry-wide challenges. Continued oversupply from China, coupled with rapidly evolving geopolitical developments, is likely to sustain pricing pressure and weigh on overall operational performance.
- We reduce our FY26/FY27 earnings estimates by 17%/7% while maintaining our FY28 estimates, and project a CAGR of 5%/9%/7% in revenue/EBITDA/PAT over FY25-28. We value the stock at 24x FY28E EPS to arrive at our TP of INR1,470. Reiterate Sell.

Intermediate segment continues to face margin headwinds

- 3Q revenue grew 4% YoY to INR19.8b (est. in line), primarily led by an 18% YoY growth in Advanced Intermediates to INR6.5b, while Phenolic revenue declined 2% YoY to INR13.4b.
- Gross margin came in at 27.8% (up 100bp YoY), while EBITDAM stood at 10.7% (up 180bp YoY). Employee costs as a % of sales stood at 5.4% (vs. 5.2% in 3QFY25), while other expenses stood at 11.8% (vs. 12.8% in QFY25).
- EBITDA grew 25% YoY to INR2b (our est. INR2.5b), while EBIT for Phenolics grew 20% YoY, and EBIT for Advanced Intermediates declined 11%.
- EBIT margins for Advanced Intermediates contracted 80bp, while EBIT margins for Phenolic expanded 200bp YoY to 11%.
- Adjusted PAT stood at INR1b (est. of INR1.5b), rising 11% YoY (Adjusted for the one-time impact of labor code).
- In 9MFY26, its revenue/EBITDA/Adj. PAT declined 5%/22%/31% to INR57.7b/INR6b/INR3.4b.

Highlights from the management commentary

- **Guidance and outlook:** While the global environment remains characterized by persistent pricing pressures and heightened competitive intensity, management expects a favorable performance in 4QFY26, driven by strategic priorities, including product innovation, geographical expansion, and leveraging in-house nitric acid production.
- **Polycarbonate:** The company is systematically building an integrated ecosystem from raw material security to the final polycarbonate product, supported by strategic tie-ups with key vendors and suppliers. The financial arrangements and funding structures are in the final stages to ensure capital and balance sheet readiness. This is expected to come online over the next 2-2.5 years in an integrated fashion with propylene, phenol, BPA, and then polycarbonates.

Bloomberg	DN IN
Equity Shares (m)	136
M.Cap.(INRb)/(USD\$)	222.9 / 2.5
52-Week Range (INR)	2258 / 1513
1, 6, 12 Rel. Per (%)	5/-16/-38
12M Avg Val (INR M)	457

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	80.0	89.0	96.6
EBITDA	8.6	11.9	14.0
PAT	4.9	7.3	8.5
EPS (INR)	36.3	53.8	62.5
EPS Gr. (%)	-29.1	48.4	16.2
BV/Sh.(INR)	425.4	471.3	524.7

Ratios

Net D:E	0.3	0.5	0.9
RoE (%)	8.8	12.0	12.6
RoCE (%)	7.1	8.3	7.2
Payout (%)	14.7	14.7	14.7

Valuations

P/E (x)	45.4	30.6	26.4
P/BV (x)	3.9	3.5	3.1
EV/EBITDA (x)	27.9	21.8	20.8
Div. Yield (%)	0.3	0.5	0.6
FCF Yield (%)	-3.1	-7.5	-13.3

Shareholding Pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	49.3	49.3	49.2
DII	23.2	22.7	23.2
FII	6.1	6.2	6.6
Others	21.4	21.8	20.9

FII includes depository receipts

- **Product development:** The company has a pipeline of ~15 products across R&D and pilot stages, with key opportunities in mining chemicals, personal care, flavors & fragrances, and polymer applications. The Methyl Isobutyl Ketone (MIBK)/Methyl Isobutyl Carbinol (MIBC) project is progressing well and is targeted for commissioning in 4QFY26.

Valuation and view

- The global chemical industry continues to face a challenging operating environment, with sustained pricing pressure, intense competition, and uneven demand trends driven by shifting trade flows and aggressive pricing by Chinese producers. While the favorable shift in US tariffs offers a constructive long-term outlook, the near- to medium-term impact on the company is expected to remain moderate, given its limited exposure.
- We reduce our FY26/FY27 earnings estimates by 17%/7% while maintaining our FY28 estimates. We project a CAGR of 5%/9%/7% in revenue/EBITDA/PAT over FY25-28E. We value the stock at 24x FY28E EPS to arrive at our TP of INR1,470. Reiterate Sell.

Consolidated - Quarterly Snapshot

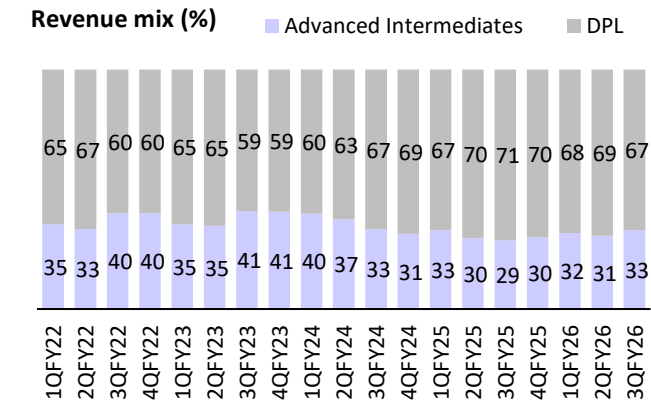
Y/E March	FY25				FY26				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Gross Sales	21,668	20,320	19,034	21,797	18,899	19,019	19,750	22,359	82,819	80,026	18,914	4%
YoY Change (%)	22.5	14.3	-5.3	2.5	-12.8	-6.4	3.8	2.6	7.8	-3.4	-0.6	
Total Expenditure	18,577	17,345	17,349	18,631	17,003	16,976	17,641	19,789	71,901	71,409	16,455	
Gross Margin (%)	30.8%	32.0%	26.8%	30.6%	28.0%	27.6%	27.8%	28.5%	30.1%	28.0%	30.5%	
EBITDA	3,092	2,975	1,685	3,166	1,896	2,043	2,109	2,570	10,918	8,617	2,459	-14%
Margin (%)	14.3	14.6	8.9	14.5	10.0	10.7	10.7	11.5	13.2	10.8	13.0	
Depreciation	475	485	482	513	513	533	576	590	1,954	2,211	550	
Interest	58	63	61	93	81	79	110	115	275	386	80	
Other Income	188	213	210	228	246	200	85	200	839	730	225	
PBT before EO expense	2,748	2,640	1,352	2,788	1,547	1,630	1,508	2,065	9,528	6,751	2,053	
Extra-Ord expense	0	0	0	0	0	0	128	0	0	128	0	
PBT	2,748	2,640	1,352	2,788	1,547	1,630	1,380	2,065	9,528	6,622	2,053	
Tax	723	698	371	762	425	443	382	520	2,554	1,769	518	
Rate (%)	26.3	26.4	27.4	27.3	27.5	27.2	27.7	25.2	26.8	26.7	25.2	
Reported PAT	2,025	1,942	981	2,025	1,122	1,187	998	1,545	6,974	4,852	1,535	
Adj PAT	2,025	1,942	981	2,025	1,122	1,187	1,091	1,545	6,974	4,946	1,535	-29%
YoY Change (%)	35.1	-5.3	-51.4	3.4	-44.6	-38.9	11.2	-23.7	-7.3	-29.1	56.47	
Margin (%)	9.3	9.6	5.2	9.3	5.9	6.2	5.5	6.9	8.4	6.2	8.1	

Exhibit 1: Change in estimates

Particulars	Actual/ Revised			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue (INR m)	80,026	88,973	96,594	79,190	88,222	95,769	1%	1%	1%
EBITDA (INR m)	8,617	11,863	14,006	9,638	13,138	14,770	-11%	-10%	-5%
PAT (INR m)	4,946	7,339	8,530	5,976	7,905	8,174	-17%	-7%	4%
EPS (INR)	36.3	53.8	62.5	43.8	58.0	59.9	-17%	-7%	4%

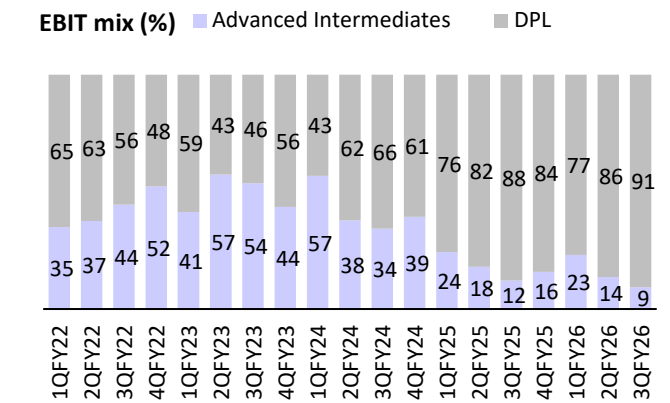
3QFY26 in charts

Exhibit 2: Contribution of Phenolics to total revenue remained flat



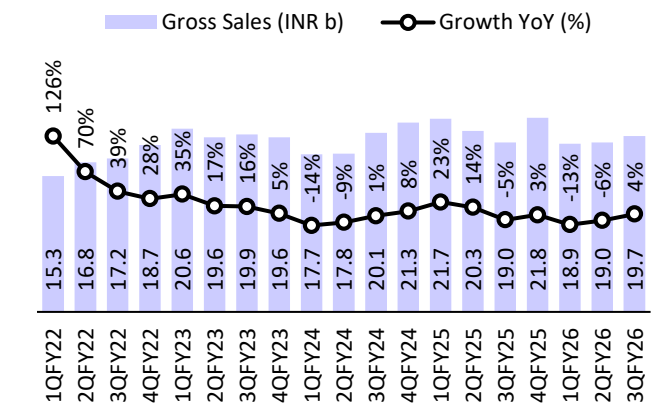
Source: Company, MOFSL

Exhibit 3: EBIT mix trend



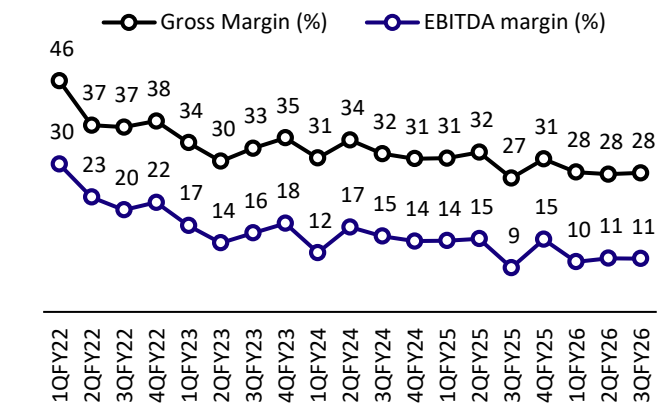
Source: Company, MOFSL

Exhibit 4: Sales grew 4% YoY



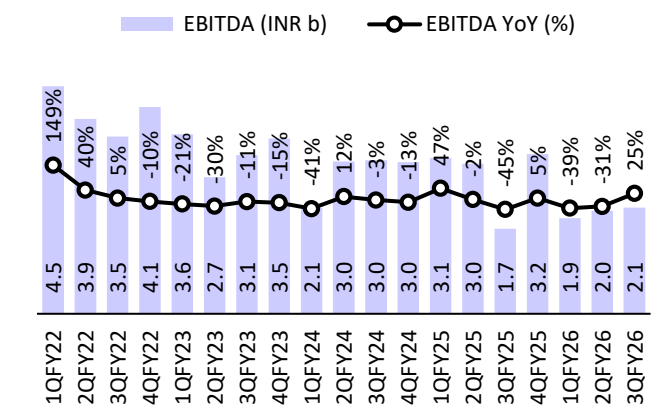
Source: Company, MOFSL

Exhibit 5: Margin trends



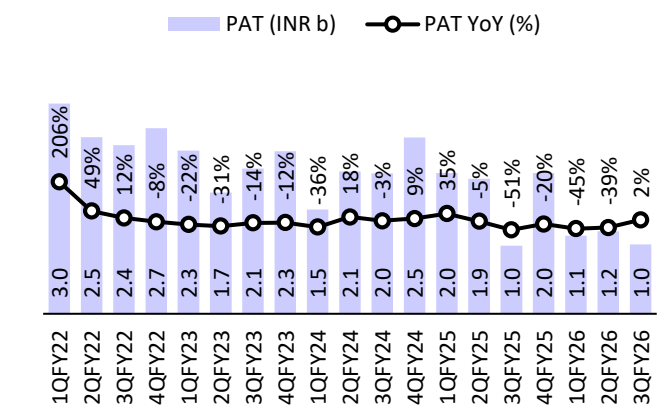
Source: Company, MOFSL

Exhibit 6: EBITDA grew 25%



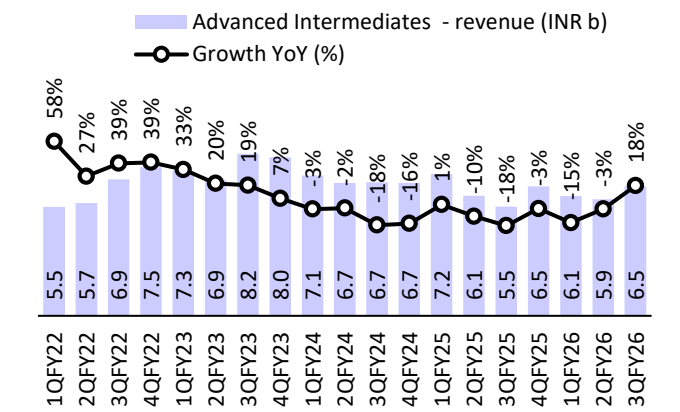
Source: Company, MOFSL

Exhibit 7: Reported PAT trend



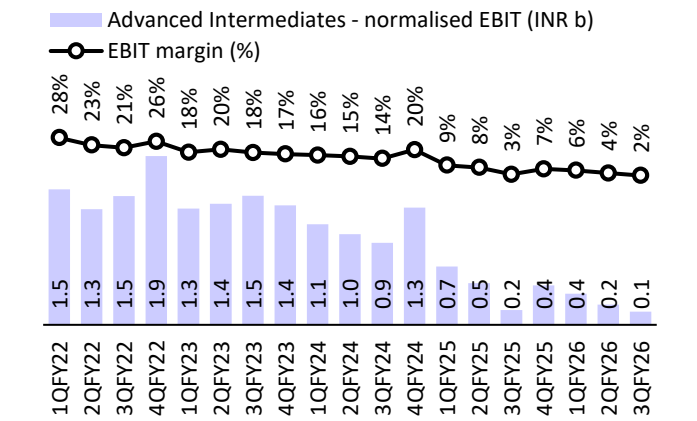
Source: Company, MOFSL

Exhibit 8: Revenue from AI grew 18% YoY



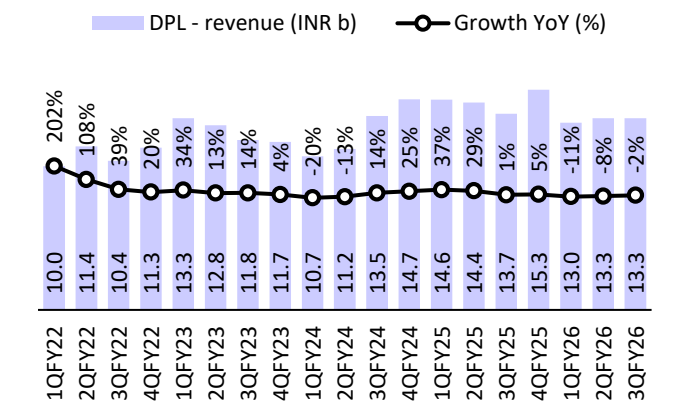
Source: Company, MOFSL

Exhibit 9: AI EBITM trend



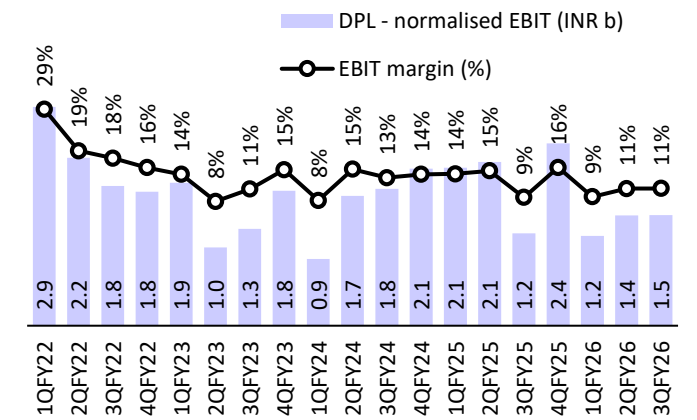
Source: Company, MOFSL

Exhibit 10: Revenue from DPL declined 2% YoY...



Source: Company, MOFSL

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



Source: Company, MOFSL



Earnings concall highlights

Operational highlights:

- Amid persistent macroeconomic challenges, Deepak Group delivered a resilient 3QFY26 performance, driven by operational agility and a consistent focus on disciplined value creation.
- The company's improved working capital discipline drove better operational efficiency, contributing to a reduction in the cash conversion cycle.
- Overhead rationalization and cost management across operations further contributed to this improvement.
- The domestic to export revenue mix stands at 83 to 17.

Advanced Intermediates

- Aggressive Chinese dumping and overcapacity continue to challenge pricing power, particularly impacting products that face headwinds of heightened competition and residual inventory destocking.
- The company is systematically building an integrated ecosystem spanning from raw material security to the final polycarbonate product, supported by strategic tie-ups with key vendors and suppliers.
- Portfolio pricing remains under pressure due to aggressive pricing from Chinese imports.
- EBIT was impacted by continued pressure arising from global oversupply.

Phenolic

- The company reported consistent performance, supported by improved volumes and operating efficiencies.
- Strategic cost optimization in Phenolics bolstered profitability, partly mitigating the impact of lower price realizations.
- Volume gains drove better operating leverage, resulting in higher profitability on a YoY basis.
- It reinforced market leadership despite import headwinds, leveraging robust manufacturing capabilities to ensure domestic demand fulfilment.
- Higher sales volumes in ethanol and acetone, better net raw material realizations, and process optimization with efficiency gains contributed to enhanced operating leverage.

Polycarbonate:

- The company is systematically building an integrated ecosystem spanning from raw material security to the final polycarbonate product, supported by strategic tie-ups with key vendors and suppliers.
- Necessary financial arrangements and funding types are in the final stage, ensuring readiness for both capital and balance sheet perspectives.
- It plans to go online with this asset over the next 2-2.5 years in an integrated fashion with propylene, phenol, BPA, and then polycarbonates.

Deepak Chem Tech Limited (DCTL)

- It has completed vertical integration across the ammonia-nitration-amines chain, establishing Deepak Group as a premier global player.
- This strategic move unlocks a wider product range, secures operations against market volatility, and delivers superior margins and cost efficiency across key intermediates.

Outlook

- Ramp-up of new capacities at DCTL, along with potential integration benefits, is expected to strengthen performance over the ensuing period.
- A favorable shift in US tariffs provides a positive long-term outlook, though immediate financial impact is moderate to better due to limited current exposure.
- The group's integrated approach of leveraging in-house nitric acid production for downstream nitration and amination is set to steadily improve overall profitability.
- It remains focused on driving operational excellence, accelerating the ramp up of new capacities, and expanding the specialty and high-value product portfolios while deepening geographical diversification.
- Near-term market conditions may continue to be influenced by global supply and demand dynamics.
- The company expects 4Q to be better than 3Q.
- Agrochemicals continues to show a marginally improved outlook, although consistent improvement has not yet materialized.

Product development

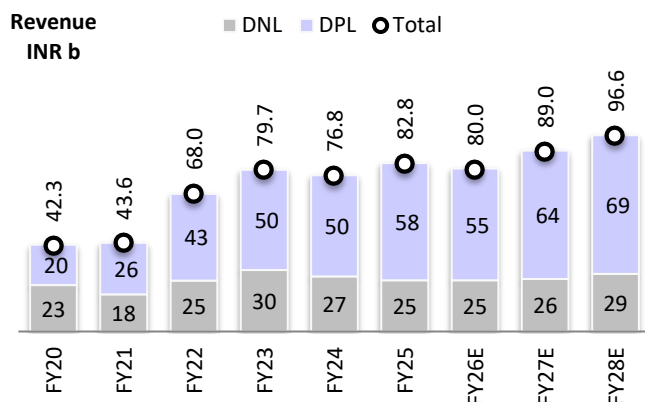
- MIBK/MIBC Project is progressing well and is targeted for commissioning in the current quarter.
- Polycarbonate plant dismantling is underway in Stade (Germany), marking a major milestone towards relocating the facility to India. Project progress is on schedule and aligned with planned installation and commissioning activities.
- The company has a pipeline of about 15 products at various stages between R&D and piloting, and is awaiting customer feedback with regards to samples.
- The larger segments, in terms of applications, include mining chemical, personal care, flavors and fragrances, and polymer.

Others

- Sodium Nitrite Anti-Dumping Duty (ADD) – U.S. Dept. of Commerce, in its notification on 26th January, 026, has completely removed ADD (45.16%) on Deepak's export of Sodium Nitrite to the US.
- Favorable US and EU trade agreements provide medium- to long-term tailwinds, enhancing export competitiveness, supporting market share gains, and accelerating the transition toward green energy by sourcing 60 to 70% of the energy mix from hybrid renewable sources, improving energy efficiency, and embedding green chemistry principles.
- EU India FTA requires ratification by several countries, which may take 6-8 months to materialize.
- 3QFY26 and 4QFY26 will be the first period where the company would have a 100% consumption of nitric.
- 60-70% of the company's products are not directly affected by Chinese oversupply.
- The company has made a medium-scale investment in Dahej for agrochemicals. The facility is uniquely positioned because it has strong value integration with the chemistries and processes employed by the company.
- The company expects to incur capex of INR25b in FY27.

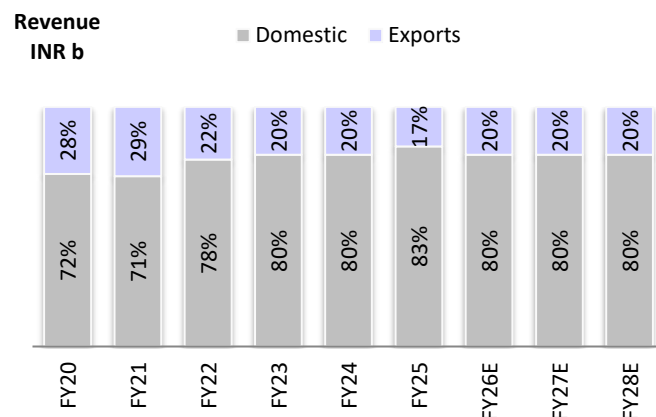
Financial story in charts

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



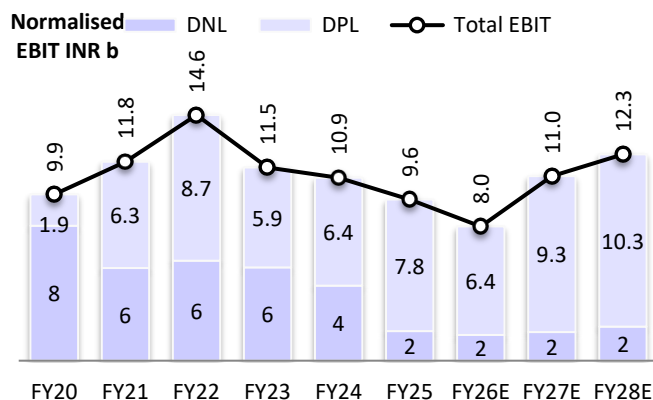
Source: MOFSL

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



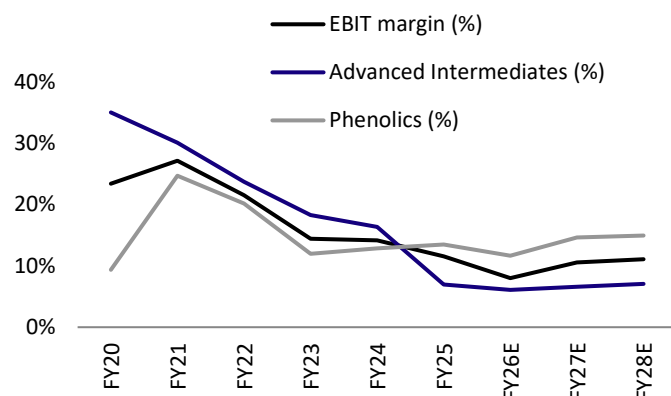
Source: Company, MOFSL

Exhibit 14: Segmental EBIT breakdown of DN



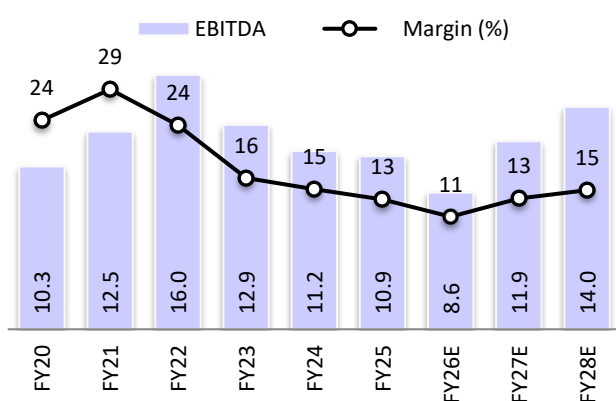
Source: Company, MOFSL

Exhibit 15: EBIT margin



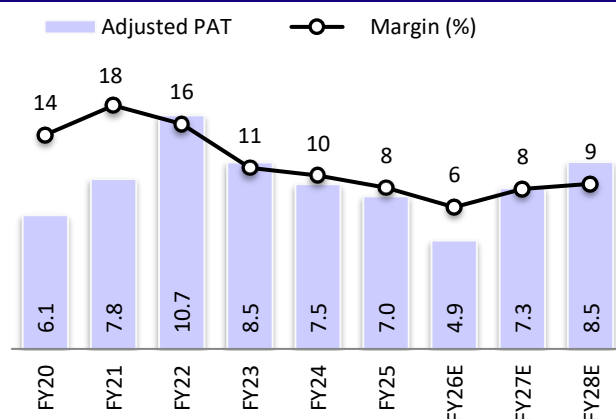
Source: Company, MOFSL

Exhibit 16: EBITDA margin to normalize from FY22 levels



Source: Company, MOFSL

Exhibit 17: Expect ~7% 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	80,026	88,973	96,594
Change (%)	3.1	56.0	17.2	-3.6	7.8	-3.4	11.2	8.6
Gross Margin (%)	48.1	39.5	32.9	31.8	30.1	28.0	29.6	30.8
EBITDA	12,470	16,036	12,894	11,233	10,918	8,617	11,863	14,006
Margin (%)	28.6	23.6	16.2	14.6	13.2	10.8	13.3	14.5
Depreciation	1,526	1,777	1,663	1,657	1,954	2,211	2,487	2,818
EBIT	10,944	14,259	11,231	9,576	8,964	6,407	9,376	11,188
Int. and Finance Charges	742	340	248	118	275	386	372	589
Other Income	215	426	476	761	839	730	803	800
PBT bef. EO Exp.	10,417	14,345	11,459	10,219	9,528	6,751	9,807	11,399
EO Items	0	0	0	798	0	128	0	0
PBT after EO Exp.	10,417	14,345	11,459	11,017	9,528	6,622	9,807	11,399
Total Tax	2,659	3,678	2,939	2,908	2,554	1,769	2,468	2,869
Tax Rate (%)	25.5	25.6	25.6	26.4	26.8	26.7	25.2	25.2
Minority Interest	-	-	-	0	-	1	-	-
Reported PAT	7,758	10,666	8,520	8,109	6,974	4,852	7,339	8,530
Adjusted PAT	7,758	10,666	8,520	7,522	6,974	4,946	7,339	8,530
Change (%)	27.0	37.5	-20.1	-11.7	-7.3	-29.1	48.4	16.2
Margin (%)	17.8	15.7	10.7	9.8	8.4	6.2	8.2	8.8

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	57,755	64,018	71,296
Net Worth	23,467	33,384	40,900	47,966	53,887	58,028	64,290	71,569
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	79,244	1,05,240	1,42,667
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	12,927	15,414	18,233
Net Fixed Assets	18,774	19,820	19,416	22,927	24,546	24,335	23,848	23,030
Goodwill on Consolidation	-	-	-	-	27	27	27	27
Capital WIP	2,068	1,037	3,008	7,735	16,491	29,491	52,859	91,227
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	29,213	33,160	33,792
Inventory	3,827	5,846	8,931	7,599	9,264	9,201	9,935	10,641
Account Receivables	7,563	11,291	13,095	12,984	12,738	12,308	13,684	14,857
Cash and Bank Balance	334	418	400	4,655	4,066	2,930	4,246	2,556
Loans and Advances	1,144	1,503	2,644	3,844	4,937	4,774	5,295	5,738
Curr. Liability and Prov.	5,283	6,684	8,277	8,829	9,097	8,930	9,763	10,517
Account Payables	4,367	5,117	6,618	5,823	5,217	5,182	5,595	5,993
Other Current Liabilities	640	1,272	1,216	2,476	3,259	3,149	3,501	3,801
Provisions	276	296	443	531	620	599	666	724
Net Current Assets	7,585	12,373	16,792	20,252	21,908	20,283	23,397	23,275
Appl. of Funds	30,320	37,620	43,011	52,133	68,080	79,244	1,05,240	1,42,667

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	36.3	53.8	62.5
EPS Growth (%)	27%	37%	-20%	-12%	-7%	-29%	48%	16%
Cash EPS	68.1	91.2	74.7	67.3	65.5	52.5	72.0	83.2
BV/Share	172.0	244.8	299.9	351.7	395.1	425.4	471.3	524.7
DPS	5.5	7.0	7.5	7.5	7.5	5.2	7.9	9.2
Payout (%)	9.7	9.0	12.0	12.6	14.7	14.7	14.7	14.7
Valuation (x)								
P/E	29.0	21.1	26.4	29.9	32.2	45.4	30.6	26.4
Cash P/E	24.2	18.1	22.1	24.5	25.2	31.4	22.9	19.8
P/BV	9.6	6.7	5.5	4.7	4.2	3.9	3.5	3.1
EV/Sales	5.3	3.3	2.8	2.9	2.8	3.0	2.9	3.0
EV/EBITDA	18.5	14.2	17.4	19.8	21.3	27.9	21.8	20.8
Dividend Yield (%)	0.3	0.4	0.5	0.5	0.5	0.3	0.5	0.6
FCF per share	57.8	46.8	21.3	8.0	-36.2	-50.8	-124.4	-219.9
Return Ratios (%)								
RoE	39.6	37.5	22.9	16.9	13.7	8.8	12.0	12.6
RoCE	29.1	32.1	21.6	16.0	11.9	7.1	8.3	7.2
RoIC	32.1	36.7	24.7	19.0	16.2	11.2	16.6	19.3
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	3.5	4.1	3.6	3.5	3.3	3.7	4.1
Asset Turnover (x)	1.4	1.8	1.9	1.5	1.2	1.0	0.8	0.7
Inventory (Days)	32	31	41	36	41	42	41	40
Debtor (Days)	63	61	60	62	56	56	56	56
Creditor (Days)	37	27	30	28	23	24	23	23
Leverage Ratio (x)								
Current Ratio	2.4	2.9	3.0	3.3	3.4	3.3	3.4	3.2
Interest Coverage Ratio	14.7	41.9	45.3	80.9	32.6	16.6	25.2	19.0
Net Debt/Equity ratio	0.2	0.1	0.0	-0.1	0.1	0.3	0.5	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	6,751	9,807	11,399
Depreciation	1,526	1,777	1,663	1,657	1,954	2,211	2,487	2,818
Others	852	295	63	-509	-285	386	372	589
Direct Taxes Paid	-2,365	-3,535	-2,600	-2,665	-2,152	-1,769	-2,468	-2,869
(Inc.)/Dec. in WC	-412	-4,643	-4,085	-720	-2,798	489	-1,798	-1,567
CF from Operations	10,019	8,239	6,499	8,781	6,247	8,067	8,399	10,370
(Inc.)/Dec. in FA	-2,140	-1,862	-3,599	-7,685	-11,191	-15,000	-25,368	-40,368
Free Cash Flow	7,879	6,377	2,900	1,096	-4,944	-6,933	-16,969	-29,998
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	-25,368	-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	-386	-372	-589
Dividend Paid	-4	-750	-955	-1,023	-1,023	-712	-1,077	-1,251
Others	-5	24	120	-68	-100	0	0	0
CF from Fin. Activity	-5,990	-3,858	-3,591	435	8,062	5,925	18,285	28,309
Inc./Dec. in Cash	68	139	148	1,998	-605	-1,008	1,316	-1,689
Opening Balance	22	90	229	377	2,380	1,795	787	2,103
Closing Balance	90	229	377	2,380	1,795	787	2,103	414

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NOTES

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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