

Q1FY25 Result Update

- During Q1FY25, Deepak Nitrite Ltd. (DNL) posted stable sequential earnings numbers, aided by Phenolics segment’s healthy performance. Advanced intermediate segment remained a bit under pressure in terms of margins. Resilient performance came amid challenging external environment, while inventory destocking and excess supply from china persisted during the quarter as well, geopolitical unrest led logistical challenges impacted export assignments adding to the sectoral headwinds.
- In Q1FY25, DNL’s consol. revenue came in at ₹2,167crs up+23%YoY/+2% QoQ driven by combination of factors such as growth in volumes and proactive initiatives undertaken by the company with the aim to acquire new customers and expand into new territories.
- During the quarter, on account of improved product mix, gross profit margin stood at 30.8% coming largely flat (-4bps YoY/ +9bps QoQ) and gross profit came at ₹667crs up+22% YoY/+2% QoQ. Healthy plant utilization levels led by uptick in volumes resulted in operating leverage gains enhanced EBITDA margins by +241bps YoY/+11bps QoQ to 14.3% and EBITDA growing by +47% YoY/+3% QoQ to ₹309crs.
- Amid ongoing capex cycle, depreciation charges remain elevated at ₹47crs up +25% YoY/+2% QoQ, which was somewhat offset by sequential correction in tax rate to 26%. Resultantly, adjusted profit after tax came at ₹203cr up+35% YoY/ +16% QoQ. Sequential de-growth of -20% is on account of insurance claim, related to the fire incident which took place at the Nandesari plant in Gujarat, worth ₹80cr were received in Q4FY24.
 - While softness in Agro-chemical demand continued for this quarter as well, it was offset by higher contribution from demand pertaining to other end-user segments such as dyes, pigment, paper and homecare. For the quarter, **Advanced Intermediates** segment’s revenues was flat YoY/ up+7% YoY to ₹716crs. While volumes improved for most of the product segment, inventory destocking and dumping by Chinese manufacturers continued to pressure prices resulting in EBIT margins contracting-693bps YoY/ -1,066bps QoQ to 9%. Management is hopeful of revival in agrochemical segment by H2FY25.
 - **Phenolics** segment revenue came at ₹1,464crs up +37% YoY/flat QoQ, driven by healthy demand environment witnessed during the quarter. This supported +598bps YoY/+12bps QoQ margin expansion to 14%. Management believes capacity addition for phenol downstream products would further accelerate this growth momentum

Important Statistics

Nifty	24,541
Sensex	80,437
MCAP (₹ bn)	~394.00
52-week H/L (₹)	₹3,169/₹1,922
NSE Code	DEEPAKNTR
BSE Code	506401
Bloomberg Code	DN:IN

Shareholding pattern (%)		Jun24
Promoter		49.24
FII		6.86
DII		21.20
Public & Others		22.70

Financials

				(₹ Cr)
(₹ cr)	1QFY24	4QFY24	1QFY25	
Revenue from operations	1,768	2,126	2,167	
COGS	1,224	1,474	1,500	
Gross Profit	545	652	667	
Gross Profit Margin	31%	31%	31%	
Total operating expense	335	351	357	
EBITDA	210	301	309	
EBITDA margin	12%	14%	14%	
EBIT	172	255	262	
Profit before tax	202	269	275	
Tax expense	52	95	72	
Reported PAT	150	254	203	
EPS	11	19	15	

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
Deepak Nitrite	45%	38%	959%
Nifty 50	27%	48%	122%
SENSEX	24%	45%	115%

View

- Deepak Nitrite Ltd. posted resilient performance as significant margin pressure in AI segment owing to headwinds in agrochemical segment was somewhat offset by demand recovery in other discretionary segments such as dyes, pigments and homecare. Healthy demand led margin improvement in phenolics segment supported overall performance.

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19th August 2024

₹2,901/-

 View – **Hold**

- Multiple projects for downstream products as well as backward integration such as MIBK/MIBC capacity addition, hydrogenation, and nitric acid are lined up to be commissioned in FY25. Revenue contribution from these projects is expected to flow in from FY26 onwards, which would also enable portfolio diversification.
- **Recovery in agro-chem sector coupled with significant capacity coming online offers positive outlook for 2HFY25, significant run-up in share price since June underlines rich valuation of the company at 34x FY26E P/E at CMP of ₹2,901, Thus, we maintain our recommendation to Hold the stock.**

Quarterly Financial Performance

									(₹ Cr)
Particulars	Q1FY25	Q1FY24	YoY % change	Q4FY24	QoQ % change	FY24	FY23	YoY% change	
Net sales	2,167	1,768	23%	2,126	2%	7,682	7,972	-4%	
COGS	1,500	1,224	23%	1,474	2%	5,236	5,348	-2%	
Gross Profit	667	545	22%	652	2%	2,446	2,625	-7%	
Gross Profit Margin	30.8%	30.8%	-4 bps	30.7%	9 bps	31.8%	32.9%	-108 bps	
Employees Expense	95	84	13%	93	3%	351	318	10%	
Power & Fuel Expense	118	117	1%	113	5%	457	542	-16%	
Other Expense	144	133	8%	145	-1%	514	475	8%	
EBITDA	309	210	47%	301	3%	1,123	1,289	-13%	
EBITDA margins %	14.3%	11.9%	241 bps	14.2%	11 bps	14.6%	16%	-155 bps	
Depreciation	47	38	25%	46	2%	166	166	0%	
EBIT	262	172	52%	255	3%	958	1,123	-15%	
Interest Expense	6	2	218%	4	30%	12	25	-52%	
Other income	19	32	-41%	19	-2%	76	48	60%	
PBT	275	202	36%	269	2%	1,022	1,146	-11%	
Tax Expense	72	52	39%	95	-24%	291	294	-1%	
PAT	203	150	35%	174	16%	731	852	-14%	
Exceptional items	-	-		80		80	-		
Reported PAT	203	150	35%	254	-20%	811	852	-5%	
PAT margins %	9%	8%	87 bps	12%	-259 bps	11%	11%	-13 bps	
EPS (Basic & diluted)	15	11	35%	19	-20%	59	62.5	-5%	

Source: Company, Way2Wealth

									(₹ Cr)
Segment revenue	Q1FY25	Q1FY24	YoY % change	Q4FY24	QoQ % change	FY24	FY23	YoY% change	
Advanced Intermediates									
Sales	716	708	1%	671	7%	2,724	3,034	-10%	
EBIT	67	115	-42%	134	-50%	446	555	-20%	
EBIT margins %	9%	16%	-693 bps	20%	-1,066 bps	16%	18%	-193 bps	
Phenolics									
Sales	1,464	1,068	37%	1,466	0%	5,003	4,970	1%	
EBIT	208	88	137%	206	1%	644	594	8%	
EBIT margins %	14%	8%	598 bps	14%	12 bps	13%	12%	91 bps	

Source: Company, Way2Wealth

19th August 2024

₹2,901/-

View – Hold

Financial Performance

Particulars	₹ Cr					
	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	4,360	6,802	7,972	7,682	8,604	9,894
COGS	2,264	4,114	5,348	5,236	5,713	6,491
Gross Profit	2,096	2,688	2,625	2,446	2,891	3,404
Gross Profit Margin %	48%	40%	33%	32%	34%	34%
Employees cost	247	274	318	351	396	445
Power and Fuel Costs	265	439	542	457	503	554
Other Expense	337	375	475	514	585	653
Total Expenditure	3,113	5,202	6,683	6,559	7,197	8,143
EBITDA	1,247	1,600	1,289	1,123	1,407	1,751
EBITDA margins %	28.6%	23.5%	16.2%	14.6%	16.4%	17.7%
Depreciation	153	178	166	166	215	277
EBIT/ Operating Profit	1,094	1,422	1,123	958	1,192	1,474
Interest	74	34	25	12	16	24
Other income	22	46	48	76	92	113
PBT	1,042	1,434	1,146	1,022	1,267	1,563
Provision for current tax	266	368	294	291	326	402
PAT	776	1,066	852	731	942	1,162
Exceptional items	-	-	-	80	-	-
Reported PAT	776	1,066	852	811	942	1,162
PAT margin %	17.8%	15.7%	10.7%	10.6%	10.9%	11.7%
EPS (Basic & diluted)	56.9	78.2	62.5	59.5	69.0	85.2

Source: Company, Way2Wealth

19th August 2024

₹2,901/-

View – Hold

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Name of the Security	Deepak Nitrite Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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