

Q2FY25 Result Update

- During Q2FY25, Deepak Nitrite Ltd. (DNL) posted mixed performance, as muted growth in Advanced Intermediate segment was offset by healthy earnings of the Phenolics segment. The company announced plans to set up a greenfield manufacturing facility to produce Polycarbonate, undertaking a capex investment worth ₹5,000cr with technology transfer from Trinseo and expected to be commissioned by FY28e.
- In Q2FY25, DNL's consol. revenue came in at ₹2,032crs up +14%YoY but down -6% QoQ on account of short-term challenges arising out of persistent underpriced product availability from China.
- During the quarter, on account of improved realizations in phenolics segment, the gross profit margin stood at 32.0% up +121bps QoQ (down -246bps YoY) and gross profit came at ₹650crs down -3% QoQ (up +6% YoY). Demand challenges led under-utilization, and higher operating expenses amid capex phase led to EBITDA margins moderate -236bps YoY/up +37bps QoQ to 14.6% and EBITDA remained flat at ₹298cr down -2% YoY/-4% QoQ.
- Amid ongoing capex cycle, depreciation charges remain elevated at ₹48crs up +23% YoY/+2% QoQ. Other income for the quarter rose +2% YoY/+13% QoQ to ₹21cr. Resultantly, adjusted profit after tax came at ₹194cr down -5% YoY/ -4% QoQ.
 - For the quarter, **Advanced Intermediates** segment's revenues were impacted by order deferments from EU customers amid an excessive inventory situation. As a result, segmental revenue stood at ₹606cr down -10% YoY/ -15% YoY. Although the company was able to maintain wallet share mix, it witnessed softness in prices as well. Inventory destocking and dumping by Chinese manufacturers continued to pressure prices resulting in EBIT margins contracting-759bps YoY/ -146bps QoQ to 8%.
 - **Phenolics** segment revenue came at ₹1,443crs up +29% YoY/flat QoQ, driven by healthy volume offtake witnessed during the quarter. This supported EBIT margins at 15% slightly down -33bps YoY/up +70bps QoQ.

Important Statistics

Nifty	23,454
Sensex	77,339
MCAP (₹ bn)	~367
52-week H/L (₹)	₹3,169/₹2,021
NSE Code	DEEPAKNTR
BSE Code	506401
Bloomberg Code	DN:IN

Shareholding pattern (%) Sep'24	
Promoter	49.24
FII	06.68
DII	22.30
Public & Others	21.79

Financials

(₹ Cr)

(₹ cr)	FY23	FY24	FY25E	FY26E
Revenues	7,972	7,682	8,450	9,464
Gross Profit	2,625	2,446	2,704	3,170
Gross Profit Margin	33%	32%	32%	34%
EBITDA	1,289	1,123	1,217	1,524
EBITDA Margin	16%	15%	14%	16%
Net Profit	852	731	797	997
EPS	62	59	58	73
P/E (x)	43	45	46	37
RoE (%)	23%	16%	15%	16%

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
Deepak Nitrite	25%	27%	693%
Nifty 50	18%	31%	95%
SENSEX	17%	29%	90%

View

- Deepak Nitrite Ltd. posted muted performance amid challenging times in AI segment due to Chinese dumping led sluggish demand. However, the robust performance by Phenolics division buoyed the quarterly performance. While these business sentiments may have an impact in Q3FY25, management expects this scenario to improve from Q4FY25 onwards.
- As multiple projects such as MIBK / MIBC, Acetophenone are likely to get commissioned in H1FY25 and Photochlorination, Nitration, Acid Unit & R&D center will be commissioned by H2FY25. Thus, in anticipation of healthy earnings growth in FY26 on the back of recovery in existing business and contribution from new projects, **we recommend to HOLD the company at CMP ₹2671.30, trading at 37x its FY26e P/E ratio.**

Prasad Hase

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21st November 2024

₹2,671.30/-

 View – **Hold**
Quarterly Financial Performance

(₹ Cr)

Particulars	Q2FY25	Q2FY24	YoY % change	Q1FY25	QoQ % change	1HFY25	1HFY24	YoY% change
Net sales	2,032	1,778	14%	2,167	-6%	4,199	3,546	18%
COGS	1,382	1,166	19%	1,500	-8%	2,882	2,389	21%
Gross Profit	650	612	6%	667	-3%	1,316	1,157	14%
Gross Profit Margin	32.0%	34.4%	-246 bps	30.8%	121 bps	31.4%	32.6%	-127 bps
Employees Expense	97	85	14%	95	2%	192	169	14%
Power & Fuel Expense	122	118	3%	118	3%	240	235	2%
Other Expense	133	107	24%	144	-8%	277	240	15%
EBITDA	298	302	-2%	309	-4%	607	512	18%
EBITDA margins %	14.6%	17.0%	-236 bps	14.3%	37 bps	14.4%	14.4%	1 bps
Depreciation	48	39	23%	47	2%	96	78	24%
EBIT	249	263	-5%	262	-5%	511	435	18%
Interest Expense	6	3	135%	6	10%	12	4	168%
Other income	21	17	25%	19	13%	40	49	-18%
PBT	264	277	-5%	275	-4%	539	479	13%
Tax Expense	70	72	-3%	72	-3%	142	124	15%
PAT	194	205	-5%	203	-4%	397	355	12%
Exceptional items	-	-		-		-	-	
Reported PAT	194	205	-5%	203	-4%	397	355	12%
PAT margins %	9.6%	11.5%	-198 bps	9.3%	21 bps	9.4%	10.0%	-56 bps
EPS (Basic & diluted)	14	15	-5%	15	-4%	29	26	12%

Source: Company, Way2Wealth

(₹ Cr)

Segment revenue	Q2FY25	Q2FY24	YoY % change	Q1FY25	QoQ % change	1HFY25	1HFY24	YoY% change
Advanced Intermediates								
Sales	606	670	-10%	716	-15%	1,322	1,379	-4%
EBIT	47	103	-54%	67	-29%	114	218	-48%
EBIT margins %	8%	15%	-759 bps	9%	-146 bps	9%	16%	-721 bps
Phenolics								
Sales	1,443	1,120	29%	1,464	-1%	2,907	2,188	33%
EBIT	215	170	26%	208	4%	422	258	64%
EBIT margins %	15%	15%	-33 bps	14%	70 bps	15%	12%	274 bps

Source: Company, Way2Wealth

21st November 2024

₹2,671.30/-

 View – **Hold**
Financial Performance

	(₹ Cr)					
Financial	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	4,360	6,802	7,972	7,682	8,450	9,464
COGS	2,264	4,114	5,348	5,236	5,746	6,294
Gross Profit	2,096	2,688	2,625	2,446	2,704	3,170
Gross Profit Margin %	48%	40%	33%	32%	32%	34%
Employees cost	247	274	318	351	406	454
Power and Fuel Costs	265	439	542	457	507	568
Other Expense	337	375	475	514	575	625
Total Expenditure	3,113	5,202	6,683	6,559	7,233	7,940
EBITDA	1,247	1,600	1,289	1,123	1,217	1,524
EBITDA margins %	28.6%	23.5%	16.2%	14.6%	14.4%	16.1%
Depreciation	153	178	166	166	211	265
EBIT/ Operating Profit	1,094	1,422	1,123	958	1,006	1,259
Interest	74	34	25	12	25	30
Other income	22	46	48	76	92	113
PBT	1,042	1,434	1,146	1,022	1,072	1,341
Provision for current tax	266	368	294	291	276	345
PAT	776	1,066	852	731	797	997
Exceptional items	-	-	-	80	-	-
Reported PAT	776	1,066	852	811	797	997
PAT margin %	17.8%	15.7%	10.7%	10.6%	9.4%	10.5%
EPS (Basic & diluted)	57	78.2	62.5	59.5	58.4	73.1

Source: Company, Way2Wealth

21st November 2024

₹2,671.30/-

View – Hold

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Name of the Security	Deepak Nitrite Ltd.
Name of the analyst	Prasad Hase
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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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