

**Q4FY24 Result Update**

- During Q4FY24, Deepak Nitrite Ltd. (DNL) posted robust top-line growth, however, higher operating costs resulted in EBITDA coming in flat sequentially, and elevated tax rate impacted bottom-line profitability. Under Advanced Intermediate, segmental margins recouped despite pricing pressure due to Chinese dumping while Phenolic segment's margins remained intact despite weak pricing during the quarter, aided by debottlenecking initiatives.
- In Q4FY24, DNL's consol. revenue came in at ₹2,126crs up +8%YoY/+6% QoQ led by Phenolics segment, witnessing healthy volume growth on account of high plant utilization. Advanced Intermediate segment was able to maintain sequential performance supported by volume gains coming in from non-Agrochemical segments.
- During the quarter, several products witnessed steep decline in realizations, even sharper than RM prices in some cases, which led to gross profit margin declining by -416bps YoY/-101bps QoQ to 30.7% and gross profit coming in at ₹652crs down -5% YoY/ up +2% QoQ. However, operating leverage led by high utilization at Phenolics plant coupled with favorable product mix enabled company to report EBITDA at ₹301crs down-13% YoY/flat QoQ and EBITDA margin at 14.2% down -358bpsYoY/-100bpsQoQ.
- Owing to higher depreciation charge and elevated tax rate during the quarter, profit after tax came at ₹174cr down -26% YoY/ -14% QoQ. Additionally, insurance claim, related to the fire incident which took place at the Nandesari plant in Gujarat, worth ₹80cr were received during the quarter.
  - While Agro-chemical segment continued to witness demand headwinds, management focused on discretionary end-user categories that witnessed improved demand such as dyes & pigments, textile & paper, homecare and glass to achieve better volumes. Resultantly, **Advanced Intermediates** segment's revenues were down by -16% YoY but flat QoQ at ₹671crs. Aided by volume gains, EBIT margins expanded +290bps YoY/ +606bps QoQ to 20%. Several initiatives taken around backward integration and capacity expansion would support segmental performance improvement going forward and will also be aided by expected increase in demand later this year.
  - **Phenolics** segment's revenue came at ₹1,466crs up +25% YoY/+9% QoQ, on account of healthy volume growth marking high utilization rates during the quarter. This driving operating leverage leading to +74bps QoQ expansion (-107bps YoY) to 14%, for the quarter.
- **Update on project** – Management expects projects worth ₹1,800-2,000crs to get commissioned in FY25, and cash-outflow would be around ₹1,200crs. Key projects are progressing well and hydrogenation and nitration projects would be implemented in phase-wise manner starting from 2QFY25.
- To expand research capabilities, company has plans to set up a new R&D center at Savli in Vadodara, which is likely to be operational by March 2025.
- Expansion plans at MIBK, MIBC (Derivatives of acetone) site are progressing well and will be commissioned on time.

**Important Statistics**

<b>Nifty</b>	22,888
<b>Sensex</b>	75,170
<b>MCAP (₹ bn)</b>	320.52bn
<b>52-week H/L (₹)</b>	₹2,620/₹1,900
<b>NSE Code</b>	DEEPAKNTR
<b>BSE Code</b>	506401
<b>Bloomberg Code</b>	DN:IN

<b>Shareholding pattern (%)</b>		<b>Mar'24</b>
<b>Promoter</b>		49.13
<b>FII</b>		6.72
<b>DII</b>		19.27
<b>Public &amp; Others</b>		24.87

**Financials**

<b>Particulars</b>	<b>(₹ Cr)</b>			
	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
Revenues	7,972	7,682	8,604	9,894
Gross Profit	2,625	2,446	2,891	3,404
Gross Profit Margin	33%	32%	34%	34%
EBITDA	1,289	1,123	1,407	1,751
EBITDA Margin	16%	15%	16%	18%
Net Profit	852	731	942	1,162
EPS	62	59	69	85
P/E (x)	38	40	34	28
RoE (%)	23%	16%	18%	19%

*Source: Company, Way2Wealth*
**Relative Performance**

<b>Return (%)</b>	<b>1 Yr</b>	<b>3Yr</b>	<b>5 Yr</b>
<b>Deepak Nitrite</b>	<b>10%</b>	<b>33%</b>	<b>630%</b>
<b>Nifty 50</b>	24%	49%	92%
<b>SENSEX</b>	21%	47%	90%

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**View**

- Deepak Nitrite Ltd. posted mixed bag performance with top-line growing at healthy rate despite market challenges, however, subdued operational performance impacted bottom-line profitability. In AI segment, company's focus on product diversification helped as volume gains were largely contributed by discretionary segments amid sectoral challenges in agro-chemical sector. In phenol segment, debottlenecking initiatives enabled the company to sustain margins despite weak phenol prices.
- Amid strong Chinese dumping and sluggish demand in European markets owing to geopolitical tensions, management has given cautious outlook for near term. Pricing pressures and demand challenges especially in Agro-chemical sector would only normalized by 2HFY25.
- **Thus we believe, at CMP of ₹2,300, Deepak Nitrite Ltd. is richly valued at 28x FY26E P/E and given the subdued outlook management has provided for the near term, we recommend investors to Hold this stock.**

29<sup>th</sup> May 2024

₹2,300/-

View – Hold

**Quarterly Financial Performance**

(₹ Cr)

Particulars	Q4FY24	Q4FY23	YoY % change	Q3FY24	QoQ % change	FY24	FY23	YoY% change
Net sales	2,126	1,961	8%	2,009	6%	7,682	7,972	-4%
COGS	1,474	1,278	15%	1,373	7%	5,236	5,348	-2%
Gross Profit	652	683	-5%	637	2%	2,446	2,625	-7%
Gross Profit Margin	30.7%	34.8%	-416 bps	31.7%	-101 bps	31.8%	32.9%	-108 bps
Employees Expense	93	77	20%	89	4%	351	318	10%
Power & Fuel Expense	113	129	-13%	109	4%	457	542	-16%
Other Expense	145	128	13%	134	8%	514	475	8%
EBITDA	301	348	-13%	305	-1%	1,123	1,289	-13%
EBITDA margins %	14.2%	17.7%	-358 bps	15.2%	-100 bps	14.6%	16%	-155 bps
Depreciation	46	41	14%	42	11%	166	166	0%
EBIT	255	307	-17%	263	-3%	958	1,123	-15%
Interest Expense	4	4	-1%	3	51%	12	25	-52%
Other income	19	13	52%	14	41%	76	48	60%
PBT	269	315	-15%	274	-2%	1,022	1,146	-11%
Tax Expense	95	81	17%	72	33%	291	294	-1%
PAT	174	234	-26%	202	-14%	731	852	-14%
Exceptional items	80	-	-	-	-	80	-	-
Reported PAT	254	234	9%	202	26%	811	852	-5%
PAT margins %	12%	12%	2 bps	10%	188 bps	11%	11%	-13 bps
EPS (Basic & diluted)	19	17	9%	15	26%	59	62.5	-5%

Source: Company, Way2Wealth

(₹ Cr)

Segment revenue	Q4FY24	Q4FY23	YoY % change	Q3FY24	QoQ % change	FY24	FY23	YoY% change
Advanced Intermediates								
Sales	671	801	-16%	674	0%	2724	3034	-10%
EBIT	134	137	-2%	94	43%	446	555	-20%
EBIT margins %	20%	17%	290 bps	14%	606 bps	16%	18%	-441 bps
Phenolics								
Sales	1,466	1,170	25%	1,349	9%	5003	4970	1%
EBIT	206	177	16%	180	15%	644	594	8%
EBIT margins %	14%	15%	-107 bps	13%	74 bps	13%	12%	136 bps

Source: Company, Way2Wealth

29<sup>th</sup> May 2024

₹2,300/-

 View – **Hold**
**Financial Performance**

(₹ Cr)

Financial	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
<b>Gross Profit</b>	<b>2,096</b>	<b>2,688</b>	<b>2,625</b>	<b>2,446</b>	<b>2,891</b>	<b>3,404</b>
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
<b>EBITDA</b>	<b>1,247</b>	<b>1,600</b>	<b>1,289</b>	<b>1,123</b>	<b>1,407</b>	<b>1,751</b>
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
<b>PBT</b>	<b>1,042</b>	<b>1,434</b>	<b>1,146</b>	<b>1,022</b>	<b>1,267</b>	<b>1,563</b>
Provision for current tax	266	368	294	291	326	402
<b>PAT</b>	<b>776</b>	<b>1,066</b>	<b>852</b>	<b>731</b>	<b>942</b>	<b>1,162</b>
Exceptional items	-	-	-	80	-	-
<b>Reported PAT</b>	<b>776</b>	<b>1,066</b>	<b>852</b>	<b>811</b>	<b>942</b>	<b>1,162</b>
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

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Name of the analyst	Prasad Hase
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Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
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Receipt of Compensation	No
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