SHRIRAM Financial Services
associated with Sanlam group

Result Update

Q2FY27

Deepak Nitrite Ltd

HOLD

06 November 2026 | CMP*: ₹1,544/- | Sector – Pharmaceutical

Q2FY27 Performance

During Q2FY27, the company reported strong revenue growth of 62% YoY and 19% QoQ to ₹3,076crs. EBITDA increased 207% YoY and 16% QoQ to ₹627crs, with EBITDA margin improving to 20% from 11% in Q2FY26, while moderating from 21% in Q1FY27. The strong performance was primarily driven by the Phenolics segment, which benefited from import disruptions, improved domestic realisations, healthy spreads and efficient procurement. PAT grew 235% YoY and 15% QoQ to ₹398crs, supported by strong operating performance. However, Advanced Intermediates continued to face margin pressure due to aggressive global pricing, higher raw material, energy and freight costs.

Segment performance

- Phenolics: Segment revenue grew 72% YoY to ₹2,291crs and 29% QoQ, while EBIT increased 256% YoY to ₹515crs and 23% sequentially. EBIT margin improved significantly to 22% from 11% in Q2FY26, while it moderated from 24% in Q1FY27. H1FY27 revenue grew 54% to ₹4,066crs, with EBIT increasing 255% to ₹933crs and margins improving to 23% from 10%. Strong domestic demand, higher landed import costs and global supply-chain disruptions supported realisations and profitability. Management expects to achieve a new annual profitability benchmark in FY27, supported by higher utilisation, domestic realisations and procurement efficiencies.
- Advanced Intermediates: Segment revenue increased 38% YoY to ₹811crs and remained broadly flat sequentially at ₹804crs in Q1FY27. EBIT grew 112% YoY to ₹49crs but declined 27% QoQ, with margins contracting to 6% from 8% in Q1FY27. H1FY27 revenue grew 35% to ₹1,615crs, while EBIT increased 98% to ₹116crs, with margins improving to 7% from 5%. Q2 profitability was impacted by customer-led pre-emptive imports of sodium nitrite and nitroaromatics amid elevated raw material prices. Management indicated that customer orders have started returning from Q3, with margins expected to improve in Q4 and further in FY28.

Concall highlights

Advanced Intermediates - Recovery expected from Q3

- Management expects Advanced Intermediates EBIT of ₹240–250crs in FY27, increasing to ₹400–420crs in FY28, with an EBIT margin target of 14–15%.
- The improvement is expected to be driven by higher utilisation of newly commissioned capacities, better operating efficiencies and increased contribution from new products.
- New customer contracts are increasingly formula linked, allowing raw material cost pass-through and reducing earnings volatility.
- Margin outlook: Q3 EBIT margin is expected to be between Q1 and Q2 levels, but closer to Q1. Q4 should improve over Q3, with further improvement expected in FY28.
- Management expects FY28 to be a more normalized year, with newly commissioned assets operating at optimized utilization.

Important Data

Nifty	24,536
Sensex	79,310
CMP* (₹)	1,544
M.CAP (₹ tn)	210.59
52 Week H/L (₹)	₹1,898/₹1,280
NSE Code	DEEPAKNTR
BSE Code	506401
Bloomberg Code	DN:IN

CMP is Close as on 05th November 2026

Shareholding	Mar-26	Jun-26	Sep-26
Promoter	49.30%	49.30%	49.40%
FII	6.20%	6.20%	6.40%
DII	23.50%	23.80%	22.50%
Public	21.00%	20.70%	21.70%

Financials

(₹ crs)

Particulars	FY24	FY25	FY26	FY27E	FY28E
Revenues	7682	8282	7887	10629	12223
EBITDA	1118	1092	981	1594	1833
EBITDAMargin(%)	15%	13%	12%	15%	15%
NetProfit	811	697	551	941	1111
EPS(`)	59.4	51.1	40.4	69.0	81.4
RoE(%)	17%	13%	8%	14%	14%
P/E(x)	26.3	30.6	38.8	22.7	19.2
EV/EBITDA(x)	18.9	20.6	22.9	17.0	14.7

Source: Company, ShriramFS Research

Relative Performance

Return %	1 yr	3yr	5yr
Deepak Nitrite	-10%	-23%	-32%
Nifty 50	-4%	28%	37%
SENSEX	5%	23%	32%

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Phenolics – Strong performance continues

- Management expects to determine a new annual profitability benchmark by FY27, supported by higher utilisation, domestic realisations and procurement efficiencies.
- Production capability is close to 4 lakh tonnes on an annualised basis. However, Q2 production was slightly below this level due to propylene supply disruptions.
- The company procured feedstock from non-traditional sources at higher prices to maintain production. Management expects throughput to improve during the winter months.
- IPA operations are running at nearly 100% utilisation. Its acid-route manufacturing process provides an advantage during periods of propylene supply disruption.
- Management does not view the current profitability as a traditional commodity supercycle. Performance is supported by strong Indian demand, geopolitical disruptions, higher freight and insurance costs, currency depreciation and delayed imports.
- Indian phenol consumption is estimated at around 6 lakh tonnes, growing at 6–7% annually. Management believes domestic demand can absorb additional industry capacity.
- The company does not anticipate significant disruption from new domestic phenol capacity in the short to medium term. Customers increasingly prefer domestic sourcing to reduce freight costs, forex exposure and supply uncertainty.

New capacities – Commissioning and ramp-up

- The chlorination, photochlorination and specialty chemicals facilities at Dahej, involving an investment of approximately ₹300crs, have been commissioned.
- These facilities are designed to handle multiple products and applications, including agrochemicals, electronic chemicals, solvents and personal care, reducing dependence on individual customer campaigns. Management expects these facilities to contribute meaningfully as utilisation improves.
- Acetophenol production has commenced, with initial supplies already made and orders received. Management expects ramp-up to be visible from Q3, followed by further improvement in utilisation.
- MIBK/MIBC facilities are operating at approximately 60% utilisation. Management indicated that the plants are operating at or above targeted efficiencies and utilisation can be increased to 100% at short notice, depending on market demand and profitability.
- REACH registrations have been obtained for MIBK/MIBC, opening up export opportunities, particularly in Europe for frothing agents and mining chemicals.

Polycarbonate – Project timeline and customer approvals

- The polycarbonate resin project remains on track for commissioning in FY29, with management clarifying that the timeline has not shifted to FY30.
- The project involves an integrated propylene-to-polycarbonate chain, with the company working towards feedstock integration across PDH, phenol and BPA.
- Polycarbonate resin production could potentially start earlier using purchased BPA.
- The company has initiated pilot-scale compounding activities and received approvals across applications in electronic grids, mobility and defence.
- Management is focusing on expanding the number of approved applications rather than targeting volumes at this stage.
- India imported more than 2 lakh tonnes of polycarbonate resin last year, with imports increasing further in the current period.
- Compounding approvals have a longer qualification cycle. Management expects compounding capacity to be expanded as demand develops.

- The company expects the polycarbonate asset to be fully optimised by FY31, with captive consumption supporting the ramp-up of phenol, acetone and BPA.
- Management highlighted that captive consumption from the compounding business will support the ramp-up of the integrated polycarbonate chain, including phenol, acetone and BPA.

Capex – Significant investment over FY27–FY30

- The company expects to incur capex of ₹800–900crs in H2FY27.
- Planned capex for FY28 is ₹2,200–2,400crs, followed by approximately ₹2,500crs in FY29 and ₹2,500–3,000crs in FY30.
- Total planned investment is approximately ₹11,700crs, with the majority directed towards the polycarbonate project.
- Advanced Intermediates capex is expected to remain relatively modest, largely comprising debottlenecking and selective investments.
- Management indicated that the equity requirement is largely completed, with approximately ₹50crs remaining. Bank funding is expected to commence.

Valuation & Outlook

While pricing volatility and geopolitical disruptions continue to impact the global chemical industry, Deepak Nitrite is benefiting from healthy domestic demand in Phenolics and improved competitiveness of domestic supply. Management expects Phenolics profitability to establish a new annual benchmark in FY27, supported by strong demand, higher utilisation, procurement efficiencies and improved feedstock availability. In Advanced Intermediates, customer demand has started recovering from Q3, with management expecting EBIT to increase from ₹240–250crs in FY27 to ₹400–420crs in FY28, supported by higher utilisation of newly commissioned capacities, process improvements, cost optimisation and formula-linked customer contracts. Ramp-up of new products such as acetophenol, MIBK/MIBC and specialty chemicals is expected to further support growth. Post the better-than-expected Q2FY27 results, we have factored in the improved earnings outlook and revised upwards our FY27 revenue/EBITDA/PAT estimates by 22%/41%/52% and FY28 estimates by 25%/45%/56%, respectively. We expect revenue/EBITDA/PAT to grow at a CAGR of 24%/37%/42% over FY26–28. **We maintain a HOLD rating.**

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Consolidated Quarterly Performance

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Particulars	Q2FY27	Q2FY26	YoY % change	Q1FY27	QoQ % change	1HFY27	1HFY26	YoY % change
Net sales	3076	1902	62%	2578	19%	5654	3792	49%
Total Income	3076	1902	62%	2578	19%	5654	3792	49%
Cost of goods sold	2005	1377		1628		3633	2738	72%
Gross profit	1072	525	104%	949	13%	2021	1054	33%
Gross profit margins %	35%	28%		37%		36%	28%	25%
Employees cost	127	99	28%	118	7%	245	206	
power & fuel cost	152	106	43%	123	24%	275	220	92%
Other Expenses	166	115	44%	168	-2%	334	234	
Total Expenditure	2450	1698	44%	2037	20%	4487	3398	19%
EBITDA	**627**	**204**	207%	**540**	16%	**1167**	**394**	25%
EBITDA margins %	**20%**	**11%**		**21%**		**21%**	**10%**	43%
Depreciation	71	53	34%	64	12%	135	105	32%
EBIT/ Operating Profit	556	151	268%	477	17%	1032	289	196%
Interest	29	8	267%	23	27%	52	16	
Other income	16	20	-18%	14	16%	30	45	29%
PBT	543	163	233%	468	16%	1010	318	257%
PBT	543	163	233%	468	16%	1010	318	224%
Provision for current tax	148	42	253%	130	14%	278	84	-32%
Provision for Deferred Tax	-3	2	-210%	-8	-64%	-10	3	218%
PAT	398	119	235%	345	15%	743	231	218%
reported PAT	**398**	**119**	235%	**345**	15%	**743**	**231**	232%
PAT margins %	**13%**	**6%**		**13%**		**13%**	**6%**	-435%
EPS (Basic & diluted)	29.16	8.71	235%	25.29	15%	54.45	16.93	222%

Source: Company, ShriramFS Research

(₹ crs)

Segment performance	Q2FY27	Q2FY26	YoY % change	Q1FY27	QoQ % change	1HFY27	1HFY26	YoY % change
Segment Revenue								
Advanced Intermediates	811	588	38%	804	1%	1615	1193	35%
Phenolics	2291	1333	72%	1775	29%	4066	2637	54%
Total	3102	1921	61%	2579	20%	5681	3831	48%
Less: Inter segment rev.	26	19	32%	1	1865%	27	39	-31%
Net sales	3076	1902	62%	2578	19%	5654	3792	49%
Segment result								
Advanced Intermediates	49	23	112%	67	-27%	116	58	98%
EBIT margins %	6%	4%		8%		7%	5%	
Phenolics	515	145	256%	418	23%	933	263	255%
EBIT margins %	22%	11%		24%		23%	10%	
Total	564	168	236%	485	16%	1049	321	227%
Less: Interest	29	8	267%	23	27%	52	16	224%
Unallocated (inc/ exp (net))	-8	-3	138%	-6	32%	-13	-13	6%
Exceptional items						0	0	
total PBT	543	163	233%	468	16%	1010	318	218%

Source: Company, ShriramFS Research

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Financials

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Financial Performance	FY24	FY25	FY26	FY27E	FY28E
Net sales	7682	8282	7887	10629	12223
Total Income	7682	8282	7887	10629	12223
COGS	5236	5788	5324	7228	8312
Gross profit	2446	2494	2344	3401	3911
Gross profit margins %	32%	30%	30%	32%	32%
Employees cost	351	392	423	531	611
power & fuel cost	457	464	447	638	733
Administrative & other Expense	520	547	493	638	733
Selling & Distribution exp	0	0	0	0	0
Total Expenditure	6564	7190	6906	9035	10390
EBITDA	1118	1092	981	1594	1833
EBITDA margins %	15%	13%	12%	15%	15%
Depreciation	166	195	225	313	322
EBIT/ Operating Profit	952	896	756	1281	1511
Interest	12	28	46	75	75
Other income	82	84	60	65	65
PBT	1102	953	757	1271	1501
Provision for current tax	273	228	191	330	390
Provision for Deferred Tax	18	27	16	0	0
reported PAT	811	697	551	941	1111
PAT margins %	11%	8%	7%	9%	9%
EPS (Basic & diluted)	59.4	51.1	40.37	69.0	81.4

Source: Company, ShriramFS Research

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Disclosure of Interest Statement: Deepak Nitrite Ltd. as on 06 November 2026

Name of the Security	Deepak Nitrite Ltd
Name of the analyst	Rupali Singh
Analysts' ownership of any stock related to the information contained Financial Interest Analyst : Analyst's Relative : Yes / No Analyst's Associate/Firm : Yes/No	NIL Yes (15 shares at ₹1619.60 on 24 Sept. 26) No No
Conflict of Interest	No
Receipt of Compensation	No
Shriram FS ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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