

17th May 2023

CMP – ₹1,932/-

View – Accumulate on Dip

Q4FY23 Result Update

- During Q4FY23, the company reported steady performance growth of 5% yoy to ₹1961Cr v/s ₹1872Cr on account of operational efficiency and the company was able to operate its facilities at high utilization rates. EBITDA margin has improved sequentially as the company was able to pass on partial higher input cost to customers and witnessed realization gain in selected products. PAT has improved on sequentially due to operating leverage combined with stable other income and lower finance cost.
- During FY23, revenue grew by 17% yoy to ₹7972Cr v/s ₹6802Cr in FY22, growth driven by higher volume growth in phenolics segment. EBITDA was impacted due to a high base effect on account of higher realization for some products in the prior period combined with sharp rise in input prices as well as utility costs such as power and fuel in FY23.
 - Despite global volatility and inflationary pressures, the company's advanced intermediates segment grew by 7% yoy to ₹810Cr v/s ₹759Cr in Q4FY23 and grew by 21% yoy to ₹3034 in FY23. The company has also enhanced its portfolio with new additive products.
 - Phenolics segment grew steady growth of 4% yoy to ₹1173Cr in Q4FY23 however, reported growth of 16% yoy to ₹4970Cr in FY23 backed by higher operating capacity utilization at phenol plant. EBIT margin declined yoy basis due to the drop in realization from the unusually high base in the prior period.
- Update on project** – BTC/BTF plant is expected to be commissioned in Q3FY24, while the acid plant is expected to be commissioned in Q4FY24. Both MIBC and MIBK plants are planned to be commissioned in Q1FY25.
- Phenol plant are operating at more than 120% of its capacity during Q4FY23, The company is undertaking debottlenecking of phenol facility which will increase the production by 10% and this is expected to come on stream by Q1FY24.
- The company envisages capex plan of ₹2500Cr which will be a mix of growth projects plus backward integrated projects. This investment will help to broaden its product offerings with addition of new value added downstream, forward integration projects and new chemistry platforms and drive its future growth.

Important Statistics

MCAP (₹ bn)	~265
52-week H/L (₹)	₹2,356.60/₹1,681.15
NSE Code	DEEPAKNTR
BSE Code	506401

Shareholding pattern (%)	Mar'23
Promoter	49.13%
FII	7.72%
DII	15.06%
Public	28.10%

Financials

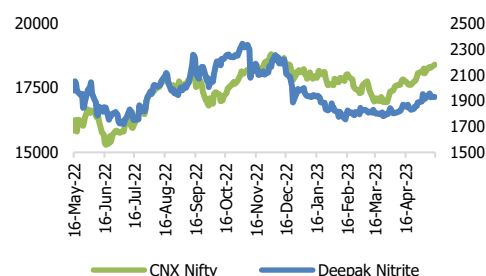
	(₹ Cr)			
Particulars	FY22	FY23	FY24E	FY24E
Revenues	6,802	7,972	8,480	9,824
EBITDA	1,600	1,289	1,696	1,965
EBITDA Margin (%)	24%	16%	20%	20%
Net Profit	1,067	852	1,156	1,335
EPS (₹)	78.20	62.46	84.73	97.86
RoE (%)	32%	21%	22%	20%
RoCE (%)	40%	27%	29%	26%
P/E (x)	25	31	23	20
EV/EBITDA (x)	16	20	15	13

Source: Company, Way2Wealth

View

- Going ahead, We believe that the company aim to become largest player in solvent through investing in value added downstream derivatives of phenol and acetone including, brownfield expansion of existing product line, adding new chemistry platforms of photo chlorination & fluorination and backward integration of key inputs which will enhance margins.
- At CMP of ₹1930 Deepak Nitrite Ltd. is trading at ~13x FY25E EV/EBITDA & 20x FY25E PE, which is at discount to its peers given other ratios and operating metrics and thus recommend investors to ACCUMULATE the stock on dips.**

Relative Performance



Source: Company, Way2Wealth

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Quarterly Financial Performance

(₹ Cr)								
Financial	Q4FY23	Q4FY22	YoY % change	Q3FY23	QoQ % change	FY23	FY22	YoY % change
Net sales	1961	1872	5%	1991	-1%	7972	6802	17%
Total Income	1961	1872	5%	1991	-1%	7972	6802	17%
COGS	1373	1187	16%	1339	3%	5539	4211	32%
Employees cost	77	71	8%	81	-4%	318	274	16%
power & fuel cost	129	129	0%	134	-3%	542	439	24%
Administrative & other Expense	128	105	22%	123	4%	475	375	27%
Total Expenditure	1613	1462	10%	1676	-4%	6683	5202	28%
EBITDA	348	410	-15%	315	11%	1289	1600	-19%
EBITDA margins %	18%	22%		16%	12%	16%	24%	
Depreciation	41	45	-8%	41	0%	166	178	-6%
EBIT/ Operating Profit	307	366	-16%	273	12%	1123	1423	-21%
Interest	4	7	-37%	6	-23%	25	34	-27%
Other income	13	4	255%	13	-6%	48	46	4%
PBT	315	362	-13%	281	12%	1146	1434	-20%
Provision for current tax	59	89	-34%	65	-10%	259	353	-27%
Provision for Deferred Tax	23	6	307%	7	229%	35	15	135%
PAT	234	267	-12%	209	12%	852	1067	-20%
reported PAT	234	267	-12%	209	12%	852	1067	-20%
PAT margins %	12%	14%		10%	14%	11%	16%	
EPS (Basic & diluted)	17.15	19.59	-12%	15.33	12%	62.46	78.20	-20%

Source: Company, Way2Wealth

(₹ Cr)								
Segment revenue	Q4FY23	Q4FY22	YoY % change	Q3FY23	QoQ % change	FY23	FY22	YoY % change
Advanced Intermediates	801	750	7%	818	-2%	3034	2511	21%
Phenolics	1170	1128	4%	1182	-1%	4970	4303	16%
Total	1970	1879	5%	1999	-1%	8004	6814	17%
Less: Inter segmt rev.	9	6	44%	8		32	12	160%
Net sales	1961	1872	5%	1991	-1%	7972	6802	17%

Segment result								
Advanced Intermediates	137	193	-29%	147	-7%	555	596	-7%
EBIT margins %	17%	26%		18%		18%	24%	
Phenolics	177	176	1%	127	39%	594	867	-31%
EBIT margins %	15%	16%		11%		12%	20%	
Total	314	369	-15%	274	14%	1150	1463	-21%
Less: Interest	4	7	-37%	6	-24%	25	34	-27%
Unallocated (inc/ exp (net))	6	1	957%	12	-51%	21	6	274%
total PBT	315	362	-13%	281	12%	1146	1434	-20%

Source: Company, Way2Wealth

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 View – **Accumulate on Dip**
Financial Performance

(₹ Cr)

Financial	FY21	FY22	FY23	FY24E	FY25E
Net sales	4360	6802	7972	8480	9824
growth %	3%	56%	17%	6%	16%
Total Income	4360	6802	7972	8480	9824
COGS	2264	4114	5348	5512	6386
Employees cost	247	274	318	339	393
power & fuel cost	265	439	542	509	589
other Expense	337	375	475	424	491
Total Expenditure	3113	5202	6683	6784	7859
EBITDA	1247	1600	1289	1696	1965
EBITDA margins %	29%	24%	16%	20%	20%
Depreciation	153	178	166	170	200
EBIT/ Operating Profit	1094	1423	1123	1526	1765
Interest	74	34	25	25	25
Other income	22	46	48	40	40
PBT	1042	1434	1146	1541	1780
Provision for current tax	240	353	259	385	445
Provision for Deffered Tax	26	15	35	0	0
PAT	776	1067	852	1156	1335
reported PAT	776	1067	852	1156	1335
PAT margin %	18%	16%	11%	14%	14%
EPS (Basic & dilluted)	56.88	78.20	62.46	84.73	97.86

Source: Company, Way2Wealth

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Disclosure of Interest Statement Deepak Nitrite Ltd. as on 17th May 2023

Name of the Security	Deepak Nitrite Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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