

Deepak Nitrite (DN) - ADD

Q4FY26 Result Update

Current Market Price (CMP) Rs.1749	Fair Value (FV) Rs.1950
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Rationale:

- Deepak Nitrite reported sharply improved results for Q4FY26, benefiting from the spike in phenol spreads following the outbreak of the Iran war.
- Phenol spreads have corrected sharply in recent weeks.
- Demand may slow in coming quarters.
- We raise FY27E EPS by a sharp 55% to reflect windfall benefits near term, but FY28E by a more modest 8%.
- Our revised FV, rolled over to June 2027, moves to Rs1,950.

👍 Positives:

- EBITDA and net income spiked 78% and 120% qoq, respectively in Q4FY26.
- Phenolics segment EBIT jumped 97% qoq & accounted for almost 90% of company EBIT.
- Management guided to even better earnings in Q1FY27 compared to Q4FY26.
- Margins in advanced intermediates are seen improving in FY27 amid new product launches, backward integration benefits and China's anti-involution measures.
- Management expects tailwinds for nitration-based products due to Chinese restrictions on producers of these.
- MIBK commissioning is expected by Q2FY27, fluorinated molecules from Q3FY27 and polycarbonate by June 2028.

👎 Negatives:

- Advanced intermediates EBIT margins remain anemic at 4.7%.
- Gross debt increased to Rs1500 cr from Rs1200 cr as capex exceeded operating cash flow.

(EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation; MIBK = Methyl Isobutyl Ketone; EPS = Earnings Per Share)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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