

Deepak Nitrite

Global oversupply to limit margin expansion

We maintain SELL on Deepak Nitrite (DNL), with a price target of INR 1,532. DNL is venturing into polycarbonate (PC) manufacturing with an investment of INR 50bn. The 1,65,000 TPA PC plant shall commence operations by H2FY29. Additionally, the company will invest INR 60bn to set up capacities for allied products Bisphenol A, Phenol and Acetone and other infrastructure. Current plants are running at full capacity, leaving limited scope for volume growth before these projects get commissioned. These projects will be primarily debt-funded. The balance sheet, as a result, will become debt-ridden from a debt-free position, leading to a decline in leverage ratios. Net debt to EBITDA will change from 1.3 in FY26 to 4.7 in FY29, net debt to equity will change from 0.2 in FY26 to 1.2 in FY29, and interest coverage ratio will change from 16.4 in FY26 to 3.1 in FY29. Aggressive capacity expansions by Chinese and domestic players in both phenol and polycarbonate until 2030 will put pressure on individual product prices, thus limiting the scope of margin expansion in the Phenolics and Polycarbonate business. Further, this will limit the ramp-up in capacity utilization for PC in the medium term, post commissioning. We expect EPS CAGR of -9% over FY27-29E. The stock is currently trading at 23/29/27x FY27/28/29E EPS.

Rationale for Trinseo's exit from the PC business

In our view, Trinseo's decision to exit the polycarbonate business reflects a clear, multi-year deterioration in the economics of its engineered materials and polymer solutions segments. Post 2021/2022, the company saw a sustained decline in net sales, volumes, and EBITDA as weak demand, customer destocking, and softer pricing—particularly in building & construction, appliances, consumer electronics and PC itself—eroded margins in both these segments (Exhibits 1 and 2).

The shutdown of one PC line in 2023 reduced volumes further (Exhibit 3), while high raw material and energy costs depressed profitability and exposed Trinseo's structurally uncompetitive position versus integrated Asian suppliers. Even in 2024, when EBITDA improved due to restructuring and cost reductions, polycarbonate volumes remained weak and overall profitability continued to rely on shedding low-margin products rather than PC market recovery (Exhibit 4). With margins collapsing, fixed costs rising, and global oversupply pressuring realizations, Trinseo ultimately concluded that remaining in virgin polycarbonate manufacturing was neither economically viable nor strategically aligned, leading to a full shutdown of its PC operations and a pivot toward external sourcing and licensing of proprietary technology instead (Exhibit 5).

This dynamic is favorable for new entrants in India, who benefit from lower energy costs, stronger demand growth, and the advantage of domestic market proximity. For DNL, this creates an opportunity to emerge as a credible regional supplier, provided execution is strong and product quality meets automotive and electronics specifications.

SELL

CMP (as on 23 Oct 2026) INR 1,447

Target Price INR 1,532

NIFTY 22,600

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,460	INR 1,532
EPS %	FY27E +88.7%	FY28E 14.9%

KEY STOCK DATA

Bloomberg code	DN IN
No. of Shares (mn)	136
MCap (INR bn) / (\$ mn)	197/2,078
6m avg traded value (INR mn)	514
52 Week high / low	INR 1,898/1,280

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(12.5)	(16.5)	(18.1)
Relative (%)	(8.2)	(10.6)	(4.5)

SHAREHOLDING PATTERN (%)

	Jun-26	Sep-26
Promoters	49.34	49.39
FIs & Local MFs	23.76	22.50
FPIs	6.25	6.40
Public & Others	20.65	21.71
Pledged Shares	0.00	0.00

Source: BSE

Nilesh Ghuge

nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Aditya Iyer

aditya.iyer@hdfcsec.com
+91-22-6171-7356

Priya Gupta

priya.gupta1@hdfcsec.com
+91-22-6171-7361

Financial summary

Year Ending March (Rs mn)	1Q FY27	4Q FY26	QoQ (%)	1Q FY26	YoY (%)	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	25,776	21,203	21.6	18,899	36.4	82,819	78,871	1,00,510	1,03,494	1,07,238
EBITDA	5,402	3,760	43.7	1,896	185.0	10,918	9,807	15,069	14,638	19,573
APAT	3,450	2,198	56.9	1,123	207.4	6,974	5,601	8,671	7,000	7,187
Diluted EPS (Rs)	25.3	16.1	56.9	8.2	207.4	51.1	41.1	63.6	49.8	52.7
P/E (x)						28.3	35.2	22.8	29.0	27.5
EV/EBITDA(x)						18.8	21.4	15.9	18.2	14.8
RoE (%)						13.7	10.0	14.0	10.2	9.6

Source: Company, HSIE Research

Change in estimates

Y/E Mar	FY27E Old	FY27E New	% Ch	FY28E Old	FY28E New	% Ch
EBITDA (INR mn)	9,777	15,069	54.1	14,092	14,638	3.9
Adj. EPS (INR/sh)	33.7	63.6	88.7	43.4	49.8	14.9

Source: Company, HSIE Research

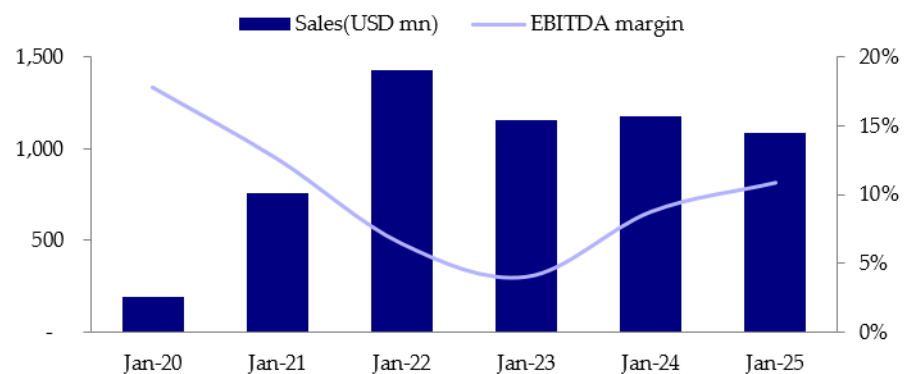
HSIE vs Consensus estimates

Y/E Mar	FY27E HSIE	FY27E Consensus	% Deviation	FY28E HSIE	FY28E Consensus	% Deviation
EBITDA (INR mn)	15,069	15,189	(0.8)	14,638	15,948	(8.2)
Adj. EPS (INR/sh)	63.6	65.9	(3.5)	49.8	61.8	(19.4)

Source: Bloomberg, HSIE Research

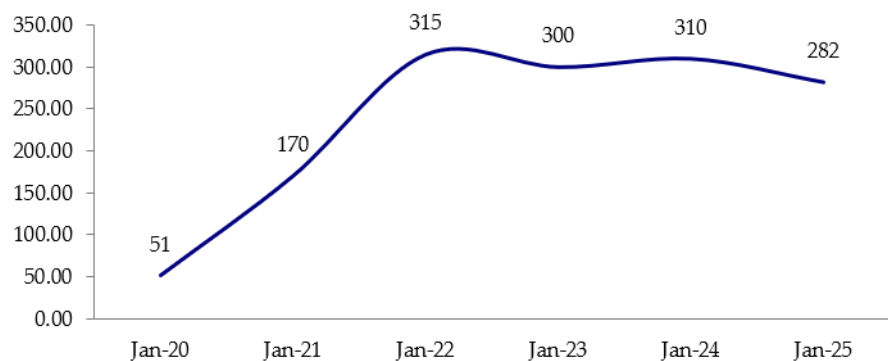
Exhibit 1: Financial performance of the Engineered Materials business

Financial performance of Engineered Materials



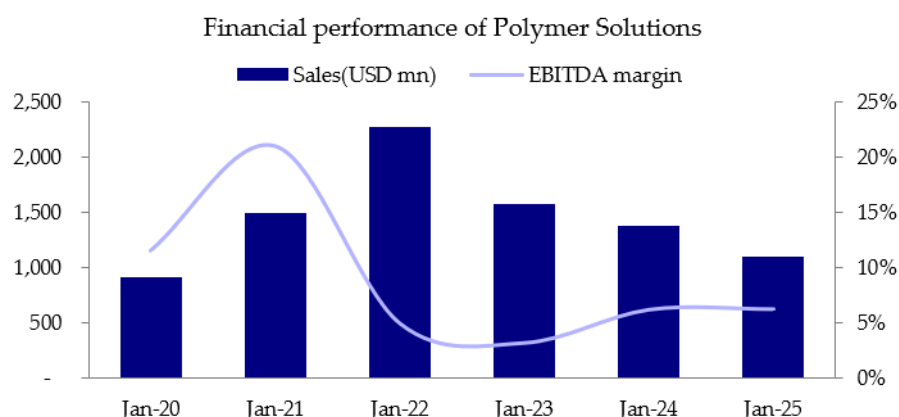
Source: Company, HSIE Research

Engineered Materials Volumes (kt)

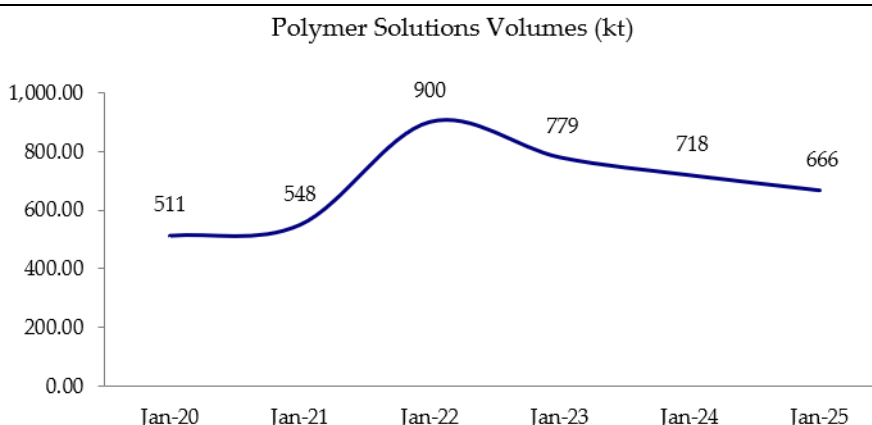


Source: Company, HSIE Research

Exhibit 2: Financial performance of the Polymer Solutions business



Source: Company, HSIE Research



Source: Company, HSIE Research

Exhibit 3: One PC line shutdown in 2023

2023 vs. 2022

Of the 31% decrease in net sales, 15% was due to **lower sales volumes primarily impacted by a decrease in polycarbonate sales from the announced shutdown of one production line**, lower sales of copolymers for building & construction, industrial, and consumer durables applications related to customer destocking and a weaker macroeconomic environment. The volume decrease was partially offset by higher volumes for automotive applications. Also contributing to the overall decrease was a 16% decrease from lower pricing due to the pass through of lower raw material costs.

The \$62.6 million, or 55%, decrease in Adjusted EBITDA was primarily due to lower sales volume of \$42.4 million, or 37%. Also contributing to the overall decrease was a decrease of \$29.7 million, or 26%, due to lower margins. Weaker demand, including in building & construction and appliance applications, contracted margins and led to lower volumes.

Source: Company, HSIE Research

Exhibit 4: PC volumes declined in 2024 vs 2023 due to weak market conditions

Polymer Solutions Segment

(\$ in millions)	Year Ended December 31,			Percentage Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Net sales	\$ 1,382.0	\$ 1,575.6	\$ 2,273.9	(12)%	(31)%
Adjusted EBITDA	\$ 85.8	\$ 50.5	\$ 113.1	70 %	(55)%
Adjusted EBITDA margin	6 %	3 %	5 %		

2024 vs. 2023

Of the 12% decrease in net sales, 14% was due to lower sales volumes in polycarbonate and weaker market conditions. Offsetting this was a 2% increase from higher pricing due to the pass-through of higher styrene costs.

Source: Company, HSIE Research

Exhibit 5: Rationale for Trinseo's exit

In the face of recent market downturns, lower demand and pricing volatility, we have continued to implement multiple restructuring initiatives including product line shutdowns and workforce reductions which are designed to reduce costs, streamline commercial and operational activities, improve profitability and improved cash flow generation. We have also taken steps to reduce our exposure to cyclical markets and strengthen our competitive position through the closure of certain underperforming or uncompetitive plants and product lines. This includes closure of our global styrene manufacturing operations, as well our decisions to exit virgin polycarbonate manufacturing and to decommission our polycarbonate plant at our Stade, Germany facility in connection with the sale of manufacturing assets. Following these actions, our downstream styrene and polycarbonate needs will be purchased from external suppliers.

Source: Company, HSIE Research

Covestro has given a similar commentary as per their 2025 annual report (Exhibit 6).

Exhibit 6: Covestro's commentary

The market for standardized polycarbonates is, however, very likely to grow only minimally in the coming years because of a current lack of impetus for increased demand from sectors such as the construction and consumer goods industries. We are therefore working toward passing a growing proportion of our polycarbonate volume on to the Solutions & Specialties segment for further processing and sale in high-growth markets, such as electromobility and 5G infrastructure.

The Performance Materials segment is home to most of our production facilities, and as such is key to implementing our circularity strategy. The focus here is on steps such as continually optimizing our production facilities, procuring and using sustainable energy, procuring alternative raw materials, and developing more sustainable product solutions, e.g., for MDI and TDI. The use of alternative raw materials enables us to produce these diisocyanates with a smaller carbon footprint, which was demonstrated and certified by way of mass balancing and the ISCC PLUS certification for end products of some of our production sites, e.g., Dormagen (Germany) (for TDI) and Krefeld-Uerdingen (Germany) (for MDI).

Solutions & Specialties Segment Strategy

The Solutions & Specialties segment covers a broad range of customer-specific solutions and specialty products in the following business entities: specialty polycarbonates (Engineering Plastics), precursors for coatings and adhesives (Coatings & Adhesives), polyurethane specialties and solutions (Tailored Urethanes), Thermoplastic Polyurethane, high-quality films (Specialty Films), and specialty elastomers (Elastomers). This means that the Solutions & Specialties segment provides customized materials and services for clearly defined applications and niches. The segment is distinctive, boasting customer proximity and intrinsic value.

Source: Company, HSIE Research

Capacity addition in Asia shall exert pressure on already suppressed margins

As per industry reports, a significant amount of capacity will be added both in phenol (Exhibit 7) and polycarbonates (Exhibit 8) till 2030 by both Chinese and domestic players.

Exhibit 7: Upcoming capacities in Phenol

Plant	Country	Project type	Plant Status	Start Year	Capacity(ktpa)
Deepak Nitrite	India	New Plant	Construction	2028/2029	300
Haldia Petrochemicals	India	New Plant	Construction	2026	345
Hainan Huasheng New Material Technology Co Ltd	China	New Plant	Construction	Not disclosed	400
ZRCC Phase II	China	New Plant	Construction	Not disclosed	40
Rongsheng New Materials Co Ltd	China	New Plant	Construction	2026	400
Zhejiang Petrochemical Co Ltd	China	New Plant	Construction	2027	400
SABIC Fujian Petrochemical Co Ltd	China	New Plant	Construction	2026	250
SanMu Group	China	New Plant	Planned	Not disclosed	400
Shiyong Chemical Co Ltd, Yangzhou	China	New Plant	Planned	Not disclosed	280
ZPC Jintang	China	New Plant	Planned	2028+	40
Baling PC	China	New Plant	Entering Construction	Not disclosed	220

Source: Companies, HSIE Research

Exhibit 8: Upcoming capacities in Polycarbonate

Plant	Country	Project type	Plant Status	Start Year	Capacity(ktpa)
Deepak Nitrite	India	New Plant	Construction	2028	165
SABIC Fujian Petrochemical Zhangzhou	China	New Plant	Construction	2026	290
China Shenhua Coal to Liquid and Chemical Yulin	China	New Plant	Construction	2028	260
CNOOC and Shell Petrochemicals Company Huizhou	China	New Plant	Construction	2026	260
Hainan Huasheng New Material Technology Company Dongfang	China	New Plant	Construction	2026	260
Rongsheng New Materials Taizhou- Plant 1	China	New Plant	Construction	2026	260
Rongsheng New Materials Taizhou- Plant 2	China	New Plant	Construction	2026	260
Heilongjiang Longjiang Chemical Daqing	China	New Plant	Announced	2030	200

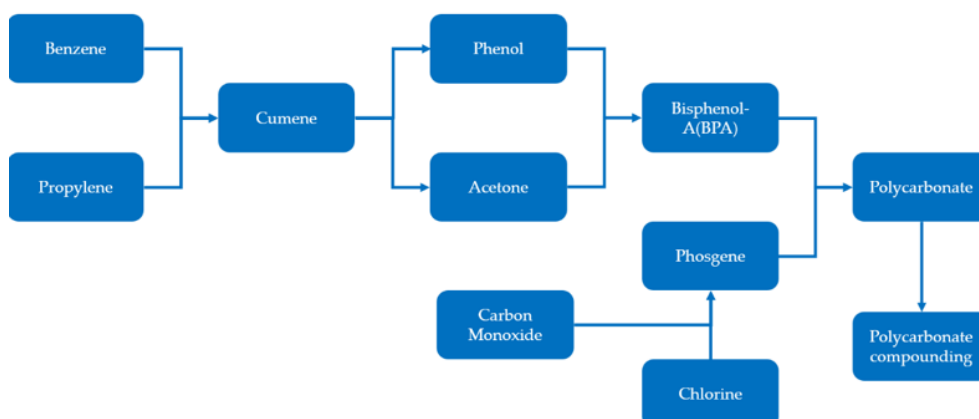
Source: Companies, HSIE Research

To put these numbers in perspective, the global phenol capacity in 2024 was ~12,000 ktpa with ~20% capacities concentrated in China. By the end of 2030, ~3,300 ktpa capacity will be added, of which ~2,650 kt will be contributed by China. Similarly, the global PC capacity in 2025 was ~8,500 kt, with ~60% production capacity concentrated in China. By the end of 2030, ~2,100 kt capacity will be added, of which ~2,000 kt will be contributed by China.

Chinese players have a lower cost of production vs European players due to their integrated value chains and lower energy costs. Players who are running PC operations in Europe are facing the challenges of oversupply, high feedstock and energy costs, and weak demand. Similar to Trinseo, Covestro plans to scale down PC production at its Antwerp site from four production lines to one citing similar challenges. SABIC's announcement to shut down one of its two PC lines in Spain in November 2023 reinforces the same challenges. The lower operating costs in Asia vs Europe and weakening European production signal a shift in competitiveness toward Asia-based integrated producers.

Against this backdrop, Deepak Chem Tech's entry into polycarbonate through its planned 165 ktpa integrated PC facility (Exhibit 9) carries several strategic implications – both opportunities and competitive challenges.

Exhibit 9: DCTL's PC value chain

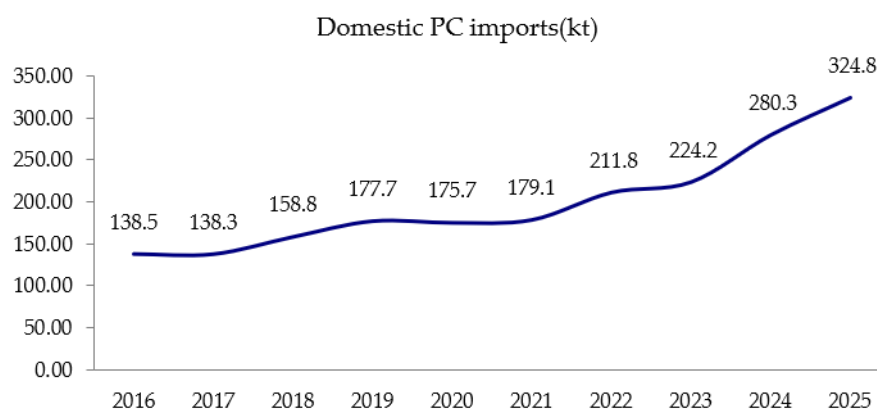


Source: Company, HSIE Research

The company stands to benefit from India's rising demand, high import dependency, and the strategic value of upstream-to-downstream integration. Their end-to-end integration will offer a structural cost advantage— critical because feedstock economics largely determines competitiveness in polycarbonate. Integrated operations also provide better margin stability versus standalone resin manufacturers exposed to volatile merchant markets. This integration is particularly valuable as India deepens its engineering plastics capabilities and seeks local alternatives to imported high-performance polymers.

India's domestic environment provides additional tailwinds. The country remains one of the fastest-growing polycarbonate markets globally, with demand expected to rise from ~325 kt in 2025 (Exhibit 10), driven by end-use industries such as construction, automotive, electricals and electronics, and engineered plastics.

Exhibit 10: Domestic polycarbonate imports

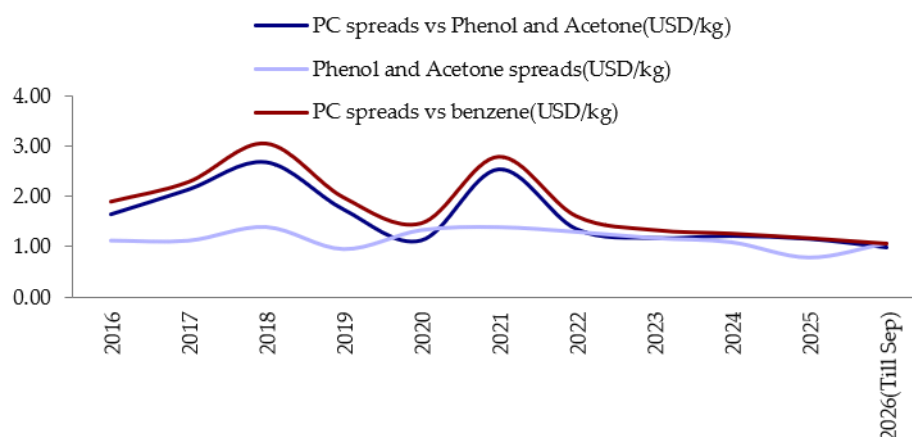


Source: Industry, HSIE Research

DCTL's PC facility will cater to a market that remains structurally reliant on imported resin for compounding and sheet applications. Even at full utilization, the project would replace only 40–50% of current imports.

However, the broader supply environment introduces new risks that DNL must factor into its long-term strategy. China's upcoming phenol and polycarbonate capacities combined with its aggressive export push amplifies global oversupply and could pressure regional prices. At the same time, Haldia Petrochemicals' inauguration of their 345 ktpa Phenol and 215 ktpa Acetone plant in Haldia, West Bengal, and their announced plan to enter polycarbonate will add to the domestic competition. While India's demand growth can absorb part of this capacity, the combined effect of large new volumes, both domestically and globally, is likely to exert downward pressure on product spreads, going ahead (Exhibit 11). For Deepak Phenolics Ltd (DPL), the phenol business could face price compression as both regional and domestic supply rise, thus limiting the scope for margin expansion.

Exhibit 11: Median product spreads



Source: Industry, HSIE Research

Executing projects worth INR ~110bn

The company announced an investment outlay of ~INR 140bn in FY23, which would be implemented over the next 4-5 years. This plan is backed by two MoUs signed with the Government of Gujarat. The ongoing investments are split into two major MoU commitments:

- **MoU 1 (May 2023):** Initially valued at INR 50bn, focusing on specialty chemicals, Phenol, Acetone, and Bisphenol-A (BPA).
- **MoU 2 (January 2024):** An additional INR 90bn commitment to establish projects for manufacturing Polycarbonate (PC) Resins & Compounds, Methyl Methacrylate (MMA), Poly Methyl Methacrylate (PMMA), and Aniline.

Some of the projects have been commissioned and the remaining capex of INR ~110bn will be implemented in the next 2-3 years (Exhibit 12).

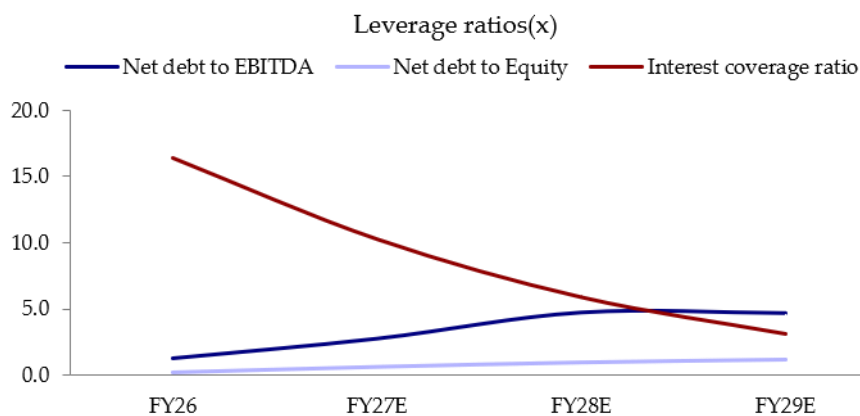
Exhibit 12: Capex plan

Capex (INR bn)	Plant	Capacity(ktpa)	Commissioning date	Synergy	Market focus	End user
Commissioned						
6.0	Nitric Acid(CWA/WNA)	70	Commissioned in December 2025 at Nandesari	Backward Integration for Nitration	Captive & Market Sales	Agchem, Dyes, Intermediates
2.5	Benzo trifluoride(BTF)	NA	Commissioned in March 2024 at Dahej	Backward integration	Captive & Market Sales	Agrochemicals
1.2	R&D Centre (Savli)	NA	Commissioned in October 2025	New product development and innovation	Group innovation hub	Life Sciences, Specialty, Polymers
6.0	MIBK and MIBC(Acetone derivatives)	40 and 8	Commissioned on 6 August 2026	Forward integration of Acetone	Market sales + Import substitution	Electronics, Coatings, Rubber, Mining
Upcoming						
50.0	PC resin	165	H2FY29	Downstream Integration from Phenol/Acetone	Market sales + Import substitution	mobility, electronics, electrical, medical equipment, aerospace, packaging, and other emerging and sunrise industries
35.0	New Phenol, Acetone and IPA complex	300/185/100	CY29(Parallel to PC)	Backward integration for PC plant	Market sales + Import substitution	Base Chemicals, Solvents
25.0	BPA	240	CY29(Parallel to PC)	Full chain value integration	Captive and Market sales + Import substitution	Epoxy resins – Used for coatings, adhesives, and protective linings in food & beverage cans.

Source: Company, HSIE Research

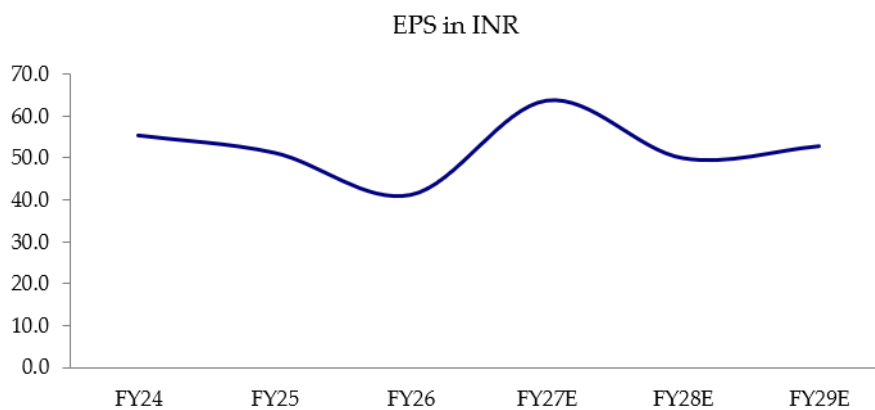
These projects will be primarily debt-funded, leading to a decline in leverage ratios. Net debt to EBITDA will change from 1.3 in FY26 to 4.7 in FY29, net debt to equity will change from 0.2 in FY26 to 1.2 in FY29, and interest coverage ratio will change from 16.4 in FY26 to 3.1 in FY29 (Exhibit 13). We believe that the Phenolics business will enjoy the benefits of high Phenol and Acetone prices due to the US-Iran war in FY27, leading to a strong performance. We believe that these prices will not sustain post FY27; therefore, we expect EPS CAGR of -9% over FY27-FY29E (Exhibit 14), under the assumption that the Phenolics business runs at full utilization and the growth is purely led by realizations.

Exhibit 13: We expect a decline in leverage ratios



Source: Company, HSIE Research

Exhibit 14: We expect EPS CAGR of -9% over FY27-FY29E



Source: Company, HSIE Research

Financials (Consolidated)

INCOME STATEMENT

INR mn	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenues	76,818	82,819	78,871	1,00,510	1,03,494	1,07,238
<i>Growth %</i>	<i>(3.6)</i>	<i>7.8</i>	<i>(4.8)</i>	<i>27.4</i>	<i>3.0</i>	<i>3.6</i>
Material expenses	52,361	57,879	55,429	70,163	73,615	71,650
Employee Cost	3,511	3,922	4,232	4,622	4,945	5,291
Other Expenses	9,714	10,101	9,403	10,656	10,296	10,724
EBITDA	11,233	10,918	9,807	15,069	14,638	19,573
<i>EBITDA Margin (%)</i>	<i>14.6</i>	<i>13.2</i>	<i>12.4</i>	<i>15.0</i>	<i>14.1</i>	<i>18.3</i>
<i>EBITDA Growth %</i>	<i>(12.9)</i>	<i>(2.8)</i>	<i>(10.2)</i>	<i>53.7</i>	<i>(2.9)</i>	<i>33.7</i>
Depreciation	1,657	1,954	2,246	2,607	3,841	5,902
EBIT	9,576	8,964	7,561	12,462	10,797	13,671
Other Income (Including EO Items)	1,559	839	470	504	635	654
Interest	118	275	460	1,212	1,834	4,391
PBT	11,017	9,528	7,571	11,753	9,598	9,934
Tax	2,908	2,554	2,064	3,082	2,598	2,747
PAT	8,109	6,974	5,507	8,671	7,000	7,187
EO (Loss) / Profit (Net Of Tax)	571	-	(94)	-	-	-
APAT	7,538	6,974	5,601	8,671	7,000	7,187
Share from associates	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-
Consolidated APAT	7,538	6,974	5,601	8,671	7,000	7,187
<i>Consolidated APAT Growth (%)</i>	<i>(11.5)</i>	<i>(7.5)</i>	<i>(19.7)</i>	<i>54.8</i>	<i>(19.3)</i>	<i>2.7</i>
AEPS	55.3	51.1	41.1	63.6	49.8	52.7
<i>AEPS Growth %</i>	<i>(11.5)</i>	<i>(7.5)</i>	<i>(19.7)</i>	<i>54.8</i>	<i>(21.6)</i>	<i>5.7</i>

Source: Company, HSIE Research

BALANCE SHEET

INR mn	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS						
Share Capital	273	273	273	273	273	273
Reserves And Surplus	47,693	53,614	58,096	65,495	71,296	77,429
Total Equity	47,966	53,887	58,368	65,768	71,569	77,702
Minority Interest	261	360	325	325	325	325
Long-term Debt	2,170	10,257	11,348	44,148	75,948	97,948
Short-term Debt	-	1,448	3,930	1,174	965	798
Total Debt	2,170	11,705	15,278	45,322	76,913	98,746
Deferred Tax Liability	1,736	2,128	2,466	2,540	2,616	2,695
Long-term Provision and others	979	1,318	1,511	3,567	3,874	4,583
TOTAL SOURCES OF FUNDS	53,112	69,397	77,948	1,17,521	1,55,297	1,84,050
APPLICATION OF FUNDS						
Net Block	22,927	24,572	32,695	39,189	74,269	1,09,675
Capital WIP	7,735	16,491	18,282	45,347	42,593	37,452
Other non-current assets	1,857	3,113	4,954	5,103	5,256	5,414
Non-current Investments	27	30	182	182	182	182
Total Non-current assets	32,546	44,205	56,113	89,821	1,22,300	1,52,722
Inventories	7,599	9,264	8,623	10,915	11,452	11,146
Debtors	12,984	12,738	15,056	19,058	19,995	19,461
Cash and Cash Equivalents	4,666	4,066	2,690	3,746	7,791	7,237
Other Current Assets	3,168	6,903	4,324	4,410	4,499	4,589
Total Current Assets	28,416	32,971	30,693	38,129	43,737	42,433
Creditors	5,823	5,218	5,341	6,807	7,009	7,262
Other Current Liabilities & Provns	2,028	2,562	3,516	3,622	3,731	3,842
Total Current Liabilities	7,851	7,779	8,858	10,428	10,739	11,105
Net Current Assets	20,565	25,192	21,835	27,701	32,997	31,328
TOTAL APPLICATION OF FUNDS	53,112	69,397	77,948	1,17,521	1,55,297	1,84,050

Source: Company, HSIE Research

CASH FLOW STATEMENT

INR mn	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	11,017	9,528	7,571	11,753	9,598	9,934
Non-operating & EO Items	(1,559)	(839)	(470)	(504)	(635)	(654)
Interest Expenses	118	275	460	1,212	1,834	4,391
Depreciation	1,657	1,954	2,246	2,607	3,841	5,902
Working Capital Change	3,269	(5,226)	1,981	(4,810)	(1,252)	1,115
Tax Paid	(2,738)	(2,162)	(1,726)	(3,008)	(2,522)	(2,668)
OPERATING CASH FLOW (a)	11,763	3,529	10,062	7,251	10,864	18,020
Capex	(9,895)	(12,354)	(12,161)	(36,167)	(36,167)	(36,167)
Free Cash Flow (FCF)	1,868	(8,825)	(2,099)	(28,915)	(25,303)	(18,147)
Investments	(2)	(3)	(152)	-	-	-
Non-operating Income	1,559	839	470	504	635	654
Others	(410)	(1,256)	(1,841)	(149)	(153)	(158)
INVESTING CASH FLOW (b)	(8,747)	(12,774)	(13,684)	(35,811)	(35,685)	(35,670)
Debt Issuance/(Repaid)	1,625	9,536	3,573	30,044	31,591	21,833
Interest Expenses	(118)	(275)	(460)	(1,212)	(1,834)	(4,391)
FCFE	3,375	436	1,014	(84)	4,455	(705)
Share Capital Issuance	-	-	-	-	-	-
Dividend	(1,023)	(1,023)	(822)	(1,272)	(997)	(1,054)
Others	767	408	(45)	2,056	106	709
FINANCING CASH FLOW (c)	1,250	8,645	2,246	29,616	28,866	17,096
NET CASH FLOW (a+b+c)	4,266	(600)	(1,376)	1,056	4,045	(554)
EO Items, Others						
Closing Cash & Cash Equivalents	4,666	4,066	2,690	3,746	7,791	7,237

Source: Company, HSIE Research

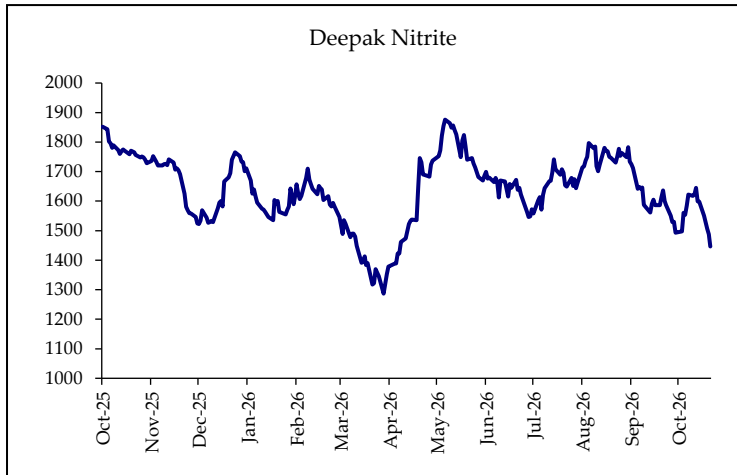
KEY RATIOS

	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY %						
Gross Margin	31.8	30.1	29.7	30.2	28.9	33.2
EBITDA Margin	14.6	13.2	12.4	15.0	14.1	18.3
EBIT Margin	12.5	10.8	9.6	12.4	10.4	12.7
APAT Margin	9.8	8.4	7.1	8.6	6.8	6.7
RoE	17.0	13.7	10.0	14.0	10.2	9.6
RoIC	16.4	14.7	10.5	14.7	9.1	8.1
RoCE	15.8	11.7	8.1	9.8	6.1	6.1
EFFICIENCY						
Tax Rate %	26.4	26.8	27.3	26.2	27.1	27.7
Fixed Asset Turnover (x)	2.6	2.4	1.9	2.0	1.4	0.9
Inventory (days)	53	58	57	57	57	57
Debtors (days)	91	80	99	99	99	99
Other Current Assets (days)	15	30	20	16	16	16
Payables (days)	41	33	35	35	35	37
Other Current Liab & Provns (days)	10	11	16	13	13	13
Cash Conversion Cycle (days)	108	125	124	123	124	121
Net Debt/EBITDA (x)	(0.2)	0.7	1.3	2.8	4.7	4.7
Net D/E	(0.1)	0.1	0.2	0.6	1.0	1.2
Interest Coverage	80.9	32.6	16.4	10.3	5.9	3.1
PER SHARE DATA (INR)						
EPS	55.3	51.1	41.1	63.6	49.8	52.7
CEPS	67.4	65.5	57.5	82.7	78.0	96.0
Dividend	7.5	7.5	6.0	9.3	7.3	7.7
Book Value	351.7	395.1	427.9	482.2	524.7	569.7
VALUATION						
P/E (x)	26.2	28.3	35.2	22.8	29.0	27.5
P/BV (x)	4.1	3.7	3.4	3.0	2.8	2.5
EV/EBITDA (x)	17.3	18.8	21.4	15.9	18.2	14.8
OCF/EV (%)	6.0	1.7	4.8	3.0	4.1	6.2
FCFF/EV (%)	1.0	(4.3)	(1.0)	(12.1)	(9.5)	(6.3)
FCFE/M Cap (%)	1.7	0.2	0.5	(0.0)	2.3	(0.4)
Dividend Yield (%)	0.5	0.5	0.4	0.6	0.5	0.5

Source: Company, HSIE Research

Deepak Nitrite: Company Update

Price history



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

We, **Nilesh Ghuge, MMS, Aditya Iyer, PGDM & Priya Gupta, M.Sc. Finance** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

Any holding in the stock - NO

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. "This report may have been refined using AI tools to enhance clarity and readability."

Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

Deepak Nitrite: Company Update

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg(East), Mumbai 400 042 Tel.: +91-22-30753400 Fax: +91-22-30753435 www.hdfcsec.com
 Compliance Officer: Murli V Karkera, Contact: +91 022-69151436, Email: complianceofficer@hdfcsec.com, For any complaints / grievance: services@hdfcsec.com

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475. BSE Enlistment Number: 5159; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Mutual Funds' Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, enlistment as RA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

SEBI Registration & Disclaimer <https://www.hdfcsec.com/article/disclaimer-1795>.

HDFC Securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
 Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
 Board: +91-22-6171-7330 www.hdfcsec.com