

- ❑ Deepak Nitrite has reported a growth of 15.6% in its consolidated revenues at ₹19,911 million in Q3-FY23 as against ₹17,223 million in Q3-FY22. The performance was broad based with growth in Advanced Intermediates which grew ~13% and Phenolics business which grew by 14% YoY. The utilization levels were maintained at high levels with continued improvement through the nine month period.
- ❑ On the profitability front, the company's consolidated operating margins (Ex. Other Income) stood 15.8%% at ₹3,146 million in Q3-FY23 as against 20.4% at ₹3,519 million in Q3-FY22. The decline in operating performance was mainly attributable to due to lag effect in passing on of high raw material prices and other utilities costs. The costs have marginally softened in recent weeks, and this will help in recouping profitability levels going ahead. The consolidated PAT margins for the company during the quarter stood 10.5% at ₹2,084 million as against 14.1% at ₹2,430 million in Q3-FY22.
- ❑ On segment basis, Advanced Intermediates segment revenues stood at ₹8,178 million in Q3-FY23 compared to ₹7,224 million in Q3-FY22, growing by 13.2% Y-o-Y. The EBIT margins for the segment stood at 18% as against 23.4% in same quarter previous year. The margins were impacted due to sharp rise in input costs compared to the corresponding period last year.
- ❑ On its Phenol and Acetone business, the company has achieved capacity utilisation of more than 115% on a sustained basis in the latest quarter. The revenues for the phenolics business stood ₹11,816 million in Q3-FY23 as against ₹10,331 million in same quarter previous year. During the quarter the EBIT margins in the phenolics segment improved sequentially from lows which stood at 10.7% as against 17.8% in same quarter previous year and 8% in Q2-FY23.
- ❑ Going ahead, the management has also pursued to move higher up in the specialty chemicals value chain gradually driven by planned expansion initiatives across SBUs and tactical introduction of several downstream chemicals and complex chemical platforms. The projects which are scheduled to commission in current and next financial year are Brownfield expansion of select products, strengthening backward integration capabilities of key inputs which could enhance margins (Spent Sulfuric Acid Concentration), Value-added downstream derivatives of Phenol and Acetone including solvents (Acetone Derivatives (MIBK & MIBC), Adding new chemistry platforms of photo chlorination and fluorination, Setting up of a compounding asset to participate in India's large & niche requirements in 5G, electronics, EVs and medical devices.
- ❑ We have incorporated current financials and updated our numbers for the company. We continue to remain positive on the stock and maintain our **BUY** rating on the stock with a revised target price of **₹2,350 per share**.

Q3-FY23 Consolidated Results

(In ₹ mn)	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Net Sales	19,911	17,223	15.6%	60,107	49,298	21.9%
Operating Expense	16,765	13,704	22.3%	50,693	37,400	35.5%
EBITDA	3,146	3,519	-10.6%	9,414	11,899	-20.9%
Other Income	134	258		350	424	
Depreciation	411	455		1,254	1,331	
EBIT	2,869	3,321	-13.6%	8,511	10,992	-22.6%
Interest	58	68		203	270	
PBT	2,810	3,253	-13.6%	8,307	10,723	-22.5%
Tax	720	829		2,126	2,728	
Exceptional Items	-	-		-	-	
PAT	2,091	2,425	-13.8%	6,181	7,994	-22.7%
Minority /Other Adj.	(7)	5		(14)	(2)	
Consolidated PAT	2,084	2,430		6,167	7,992	

Margins	Q3-FY23	Q3-FY22	Chg BPS	9M-FY23	9M-FY22	Chg BPS
Operating Margin %	15.8%	20.4%	-463	15.7%	24.1%	-847
Net Margin %	10.5%	14.1%	-364	10.3%	16.2%	-595

Consolidated Financials:

(In ₹ Mn.)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	43,598	68,022	77,205	88,786
Operating Expense	31,152	52,074	62,913	70,130
EBITDA	12,446	15,948	14,292	18,656
Other Income	271	537	579	666
Depreciation	1,526	1,777	1,685	1,807
EBIT	11,191	14,708	13,186	17,515
Interest	773	364	245	255
Misc. items	-	-	-	-
PBT	10,417	14,345	12,941	17,259
Tax	2,659	3,678	3,318	4,426
Minority Interest	-	-	-	-
PAT	7,758	10,666	9,623	12,834

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	3.1%	56.0%	13.5%	15.0%
Operating Margin %	28.5%	23.4%	18.5%	21.0%
Net Margin %	17.8%	15.7%	12.5%	14.5%

Source: Company, Anand Rathi Research

(In ₹ Mn.)	FY-21	FY-22	FY-23E	FY-24E
<u>Liabilities</u>				
Equity Share Capital	273	273	273	273
Reserves & Surplus	23,194	33,112	42,734	55,568
Total Shareholder's Funds	23,467	33,384	43,007	55,841
Minority Interest	-	-	-	-
Long-Term Liabilities	5,240	1,875	1,025	1,025
Other Long-term Liabilities	283	347	347	347
Deferred Tax Liability	1,078	1,229	1,229	1,229
Short-term Liabilities	5,535	7,469	8,478	9,749
Total	35,603	44,305	54,086	68,191
<u>Assets</u>				
Net Fixed Assets	20,842	20,857	21,076	21,291
Long-Term L&A	213	575	575	575
Non Current Investments	25	22	22	22
Other Non-Current Assets	2	3	3	3
Current Asset	14,522	22,847	32,410	46,300
Total	35,603	44,305	54,086	68,191

(Key Ratios)	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	56.9	78.2	70.6	94.1
P/E (x)	38.4	28.0	31.0	23.2
P/B (x)	12.7	8.9	6.9	5.3
ROE	33.1%	32.0%	22.4%	23.0%
ROCE	37.2%	39.9%	28.9%	30.0%

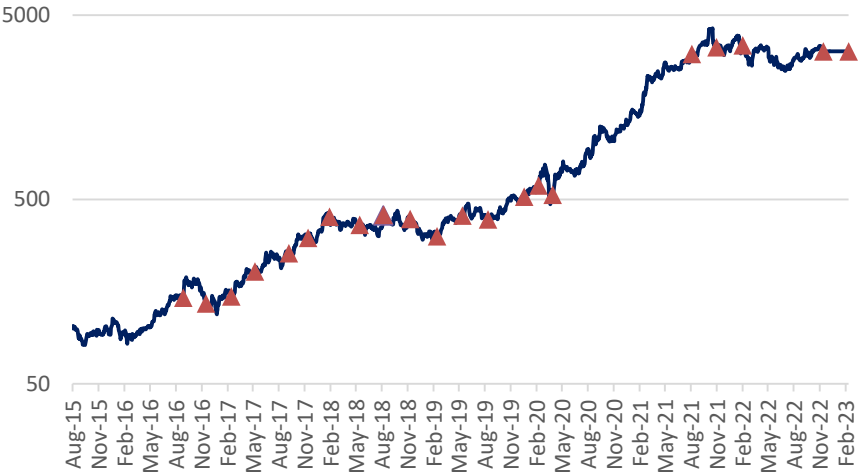
Key Risks:

- ☐ The company's business is exposed to crude oil price.



Rating and Target Price history:

DNL rating history & price chart



Source: Bloomberg, Anand Rathi Research
NOTE: Prices are as on 13 February 2023 close.

DNL rating details

Date	Rating	Target Price (₹)	Share Price (₹)
30-Aug-16	BUY	161	101
19-Nov-16	BUY	161	94
16-Feb-17	BUY	145	102
11-May-17	BUY	179	139
10-Sep-17	BUY	264	207
15-Nov-17	BUY	264	213
30-Jan-18	BUY	346	277
16-May-18	BUY	346	251
10-Aug-18	BUY	346	283
12-Nov-18	BUY	346	269
15-Feb-19	BUY	346	217
16-May-19	BUY	346	282
14-Aug-19	BUY	346	268
21-Dec-19	BUY	496	356
10-Feb-20	BUY	496	411
30-Mar-20	BUY	496	365
09-Aug-21	BUY	2,551	2,120
01-Nov-21	BUY	2,650	2,304
02-Feb-22	BUY	2,758	2,362
15-Nov-22	BUY	2,650	2,186
13-Feb-22	BUY	2,350	1,763

Source: Bloomberg, Anand Rathi Research



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