

August 14, 2025

Q1FY26 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		REDUCE	
Target Price	1,883		1,799	
Sales (Rs. m)	82,112	92,158	82,112	92,158
% Chng.	-	-	-	-
EBITDA (Rs. m)	11,424	13,583	11,599	13,616
% Chng.	(1.5)	(0.2)	-	-
EPS (Rs.)	50.5	58.9	51.1	60.0
% Chng.	(1.2)	(1.8)	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	76,818	82,819	82,112	92,158
EBITDA (Rs. m)	11,233	10,918	11,424	13,583
Margin (%)	14.6	13.2	13.9	14.7
PAT (Rs. m)	8,108	6,974	6,885	8,028
EPS (Rs.)	59.4	51.1	50.5	58.9
Gr. (%)	(4.8)	(14.0)	(1.3)	16.6
DPS (Rs.)	7.5	7.5	7.4	8.6
Yield (%)	0.4	0.4	0.4	0.5
RoE (%)	18.2	13.7	12.1	12.7
RoCE (%)	20.9	15.4	12.4	12.3
EV/Sales (x)	3.2	3.1	3.2	3.0
EV/EBITDA (x)	22.0	23.7	23.3	20.5
PE (x)	30.8	35.8	36.3	31.1
P/BV (x)	5.2	4.6	4.2	3.7

Key Data DPNT.BO | DN IN

52-W High / Low	Rs.3,095 / Rs.1,775
Sensex / Nifty	80,598 / 24,631
Market Cap	Rs.250bn / \$ 2,852m
Shares Outstanding	136m
3M Avg. Daily Value	Rs.442.48m

Shareholding Pattern (%)

Promoter's	49.28
Foreign	6.68
Domestic Institution	22.62
Public & Others	21.42
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.8)	(3.7)	(35.7)
Relative	(4.9)	(9.2)	(36.9)

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Saurabh Ahire

saurabhahire@plindia.com | 91-22-66322537

Soft realizations keep margins under strain

Quick Pointers:

- Hydrogenation and CNA plants commercialized and are currently in trial runs
- Capex guidance of Rs8–10bn in FY26 and Rs30bn in FY27

Following the recent price correction, we upgrade the stock to 'HOLD' with a revised target price of Rs1,883, valuing it at 32x FY27E EPS. DN's Q1FY26 adjusted revenue stood at Rs18.7bn, declining to 13.6% YoY and 7% QoQ. Operating performance was impacted by ongoing pricing pressure, oversupply from China, and a decline in spreads. The Advanced Intermediates segment witnessed stable volumes across most products, except agrochemical intermediates, which were affected. The Phenols segment reported steady volumes, but profitability remained subdued due to an influx of cheap imports. Going forward, spreads in the phenolics segment are expected to see some uptick. Projects such as CNA and Hydrogenation were commercialized during the quarter. WNA and the R&D centre are expected to be commissioned in Q2FY26, while Nitration, MIKB, and MIBC projects are likely to come online in H2FY26. The total planned capex for the polycarbonate value chain stands at Rs85bn; however, the management's guidance of only Rs8bn-10bn capex for FY26 suggests the polycarbonate resin project is unlikely to be commissioned by Dec'27 as previously guided.

DN has been undertaking numerous growth initiatives, primarily in the Phenolics segment. While domestic demand for all products is expected to remain robust, the threat of cheap imports will likely keep margins under pressure. The agrochemicals business is expected to continue facing headwinds in the near term. The stock is currently trading at ~31x FY27 EPS. We upgrade to 'HOLD' rating.

- Adj consolidated revenue declined by 14% YoY:** DN reported consolidated revenue of Rs18.9bn. Adjusting for government incentives of Rs172.3mn, revenue came in at Rs18.7bn, down 14% YoY and 7% QoQ. Topline growth was constrained by continued pricing pressure across the company's portfolio.
- Adj EBITDAM declined to 9.2% during Q1FY26:** Adj gross profit margin was 25% (vs 30.8% in Q1FY25 and 25.1% in Q4FY25), down 580bps YoY due to lower spreads. Adj EBITDA stood at Rs1.7bn, down 44.3% YoY, but up 11.4% QoQ (vs Rs3.1bn in Q1FY25 and Rs1.5bn in Q4FY25). Adj EBITDA margin came in at 9.2% (vs 14.3% and 7.7%).
- Segmental mix:** Adj Phenolics revenue mix was 68% of total adj revenue with adj EBIT/kg at Rs8.7 (calculated), vs Rs17.3in Q1FY25 and Rs6.7 in Q4FY25. Advanced Intermediates' revenue share was 32% with 6% EBIT margin. Phenolics contributed to 74% of overall adj EBIT, while Advanced Intermediates' contribution was 26%.

- **Concall takeaways:** (1) Domestic and export revenue mix stood at 86%:14% in Q1FY26. (2) Recovery remained muted in a few agrochemicals' intermediates, revival expected in upcoming quarter. (3) Dumping from China continued to keep realizations under pressure. (4) Phenolics segment witnessed stable demand with better sequential realization during the quarter. (5) Short-term benefits are visible from the transition to renewable energy; the company has target to meet 60–70% of power consumption from renewable sources by FY27. (6) The US tariff is expected to have a limited impact on the company, as exposure to the US market is only 2.5–3%. (7) Products with application in dyes and pigments space, volumes have remained intact with marginal growth. (8) Hydrogenation and CNA plants are currently undergoing trial runs. (9) WNA commissioning activities are in progress, with completion targeted for Q2FY26. (10) Nitration and MIBK/MIBC projects are expected to be commissioned in H2FY26. (11) Nitric acid plant will help in margin improvement by 200-300bps for the AI segment. (12) Polycarbonate compounding will meaningfully contribute from FY27-FY28, approval cycles are close to 18 months for these products.

Exhibit 1: Q1FY26 Result Overview - Consolidated (Rs mn)

Y/e March	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var.	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Net Sales	18,899	21,668	(12.8)	20,528	(7.9)	21,797	(13.3)	82,112	82,819	(0.9)
Gross Profit	5,292	6,667	(20.6)	6,534	(19.0)	6,673	(20.7)	25,962	24,940	4.1
Margin (%)	28.0	30.8		31.8		30.6		31.6	30.1	
EBITDA	1,896	3,092	(38.7)	2,900	(34.6)	3,165	(40.1)	11,424	10,918	4.6
Margin (%)	10.0	14.3		14.1		14.5		13.9	13.2	
Other Income	246	188	30.6	205		228	7.8	821	839	(2.1)
Depreciation	513	475	8.0	548	(6.5)	513	-	2387	1954	22.2
EBIT	1,629	2,806	(41.9)	2,557	(36.3)	2,881	(43.5)	9,858	9,803	0.6
Interest	81	58	41.4	114		93	(13.0)	554	275	101.5
PBT before exceptional items	1,547	2,748	(43.7)	2,443	(36.7)	2,787	(44.5)	9,304	9,528	(2.3)
Total Tax	425	723	(41.2)	612	(30.6)	762	(44.2)	2,419	2,554	(5.3)
ETR (%)	27.5	26.3		25.0		27.3		26.0	26.8	
Adj. PAT	1,123	2,025	(44.6)	1,831	(38.7)	2,025	(44.6)	6,885	6,974	(1.3)
Exceptional Items	0	0		0	-	0		0	0	
PAT	1,123	2,025	(44.6)	1,831	(38.7)	2,025	(44.6)	6,885	6,974	(1.3)

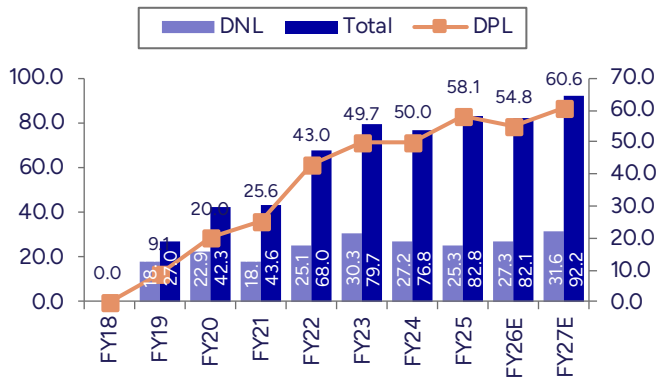
Source: Company, PL

Exhibit 2: Q1FY26 - Segmental Performance (Rs mn)

Y/e March	Q1FY26	Q1FY25	YoY gr.	Q4FY25	QoQ gr.	FY26E	FY25	YoY gr.
Advanced Intermediates	6,053	7,157	-15.4%	6,539	-7.4%	27,287	25,273	8%
Phenolics	13,040	14,636	-10.9%	15,323	-14.9%	54,825	58,051	-6%
Intersegment	194	125		65		-	505	
Total Revenue	18,899	21,668	-12.8%	21,797	-13.3%	82,112	82,819	-1%
Advanced Intermediates	355	665	-46.7%	449	-21.0%	2,422	1,757	38%
Phenolics	1,179	2,076	-43.2%	2,393	-50.7%	6,615	7,830	-16%
Interest	81	58	41.4%	93	-13.0%	554	275	101%
Other unallocable expenses	(95)	(65)	46.8%	(38)	147.4%	-	(216)	-100%
Total EBT	1,547	2,748	-43.7%	2,787	-44.5%	9,304	9,528	-2%
EBIT Margins								
Advanced Intermediates	5.9%	9.3%		6.9%		8.9%	7.0%	
Phenolics	9.0%	14.2%		15.6%		12.1%	13.5%	

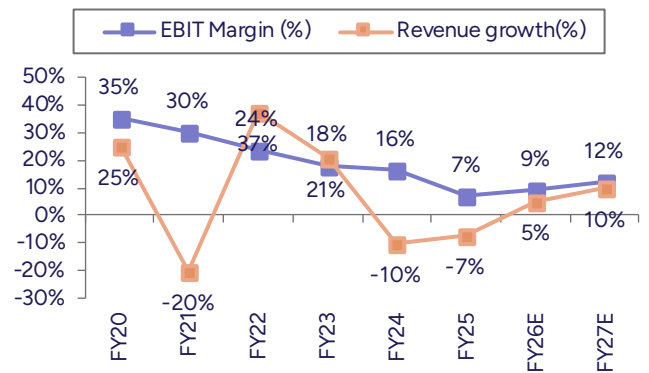
Source: Company, PL

Exhibit 3: Revenue to grow at 5% CAGR in FY25-27E



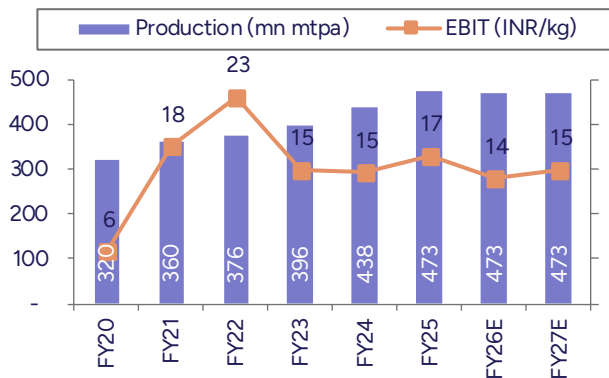
Source: Company, PL

Exhibit 4: AI EBIT margin to be at 12% in FY27



Source: Company, PL

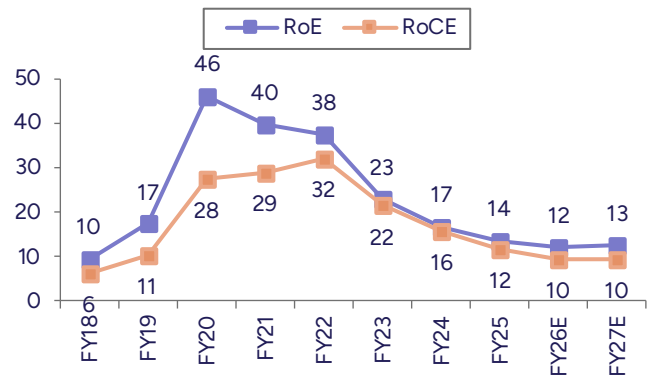
Exhibit 5: Phenolics EBIT to be at Rs15/kg in FY27



Source: Company, PL

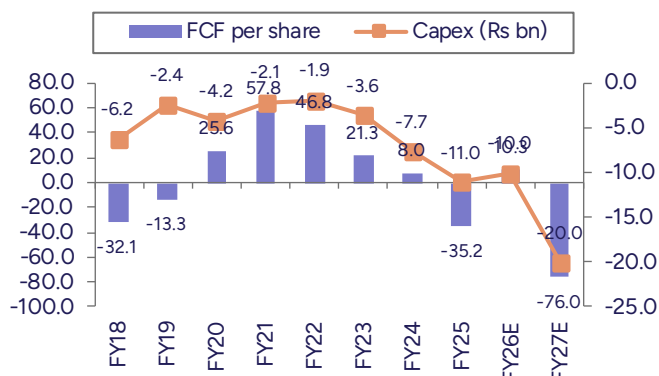
(FY26E AND FY27E EBIT/kg is Inclusive of government incentives of Rs800mn per year)

Exhibit 6: Return ratios to hover at 10-13%



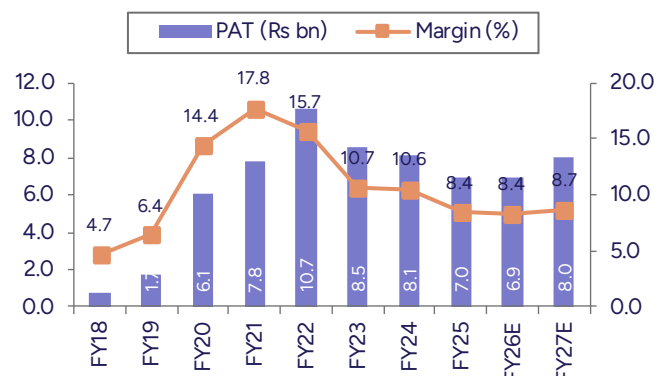
Source: Company, PL

Exhibit 7: Capex not in sync with FCF



Source: Company, PL

Exhibit 8: PAT margin to reach 9% in FY27



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	76,818	82,819	82,112	92,158
YoY gr. (%)	(3.6)	7.8	(0.9)	12.2
Cost of Goods Sold	52,361	57,879	56,149	62,857
Gross Profit	24,457	24,940	25,962	29,301
Margin (%)	31.8	30.1	31.6	31.8
Employee Cost	3,511	3,922	4,274	4,659
Other Expenses	9,714	10,101	10,264	11,059
EBITDA	11,233	10,918	11,424	13,583
YoY gr. (%)	(12.9)	(2.8)	4.6	18.9
Margin (%)	14.6	13.2	13.9	14.7
Depreciation and Amortization	1,657	1,954	2,387	2,823
EBIT	9,576	8,964	9,037	10,760
Margin (%)	12.5	10.8	11.0	11.7
Net Interest	118	275	554	833
Other Income	761	839	821	922
Profit Before Tax	10,219	9,528	9,304	10,848
Margin (%)	13.3	11.5	11.3	11.8
Total Tax	2,908	2,554	2,419	2,821
Effective tax rate (%)	28.5	26.8	26.0	26.0
Profit after tax	7,310	6,974	6,885	8,028
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,108	6,974	6,885	8,028
YoY gr. (%)	(4.8)	(14.0)	(1.3)	16.6
Margin (%)	10.6	8.4	8.4	8.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,108	6,974	6,885	8,028
YoY gr. (%)	(4.8)	(14.0)	(1.3)	16.6
Margin (%)	10.6	8.4	8.4	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,108	6,974	6,885	8,028
Equity Shares O/s (m)	136	136	136	136
EPS (Rs)	59.4	51.1	50.5	58.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	31,690	42,739	52,739	72,739
Tangibles	31,690	42,739	52,739	72,739
Intangibles	-	-	-	-
Acc: Dep / Amortization	8,763	10,717	13,104	15,927
Tangibles	8,763	10,717	13,104	15,927
Intangibles	-	-	-	-
Net fixed assets	22,927	32,022	39,635	56,812
Tangibles	22,927	32,022	39,635	56,812
Intangibles	-	-	-	-
Capital Work In Progress	7,735	16,491	16,491	16,491
Goodwill	-	27	-	-
Non-Current Investments	1,219	5,109	5,109	5,109
Net Deferred tax assets	(1,736)	(2,128)	(2,128)	(2,128)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	7,599	9,264	9,108	10,124
Trade receivables	12,984	12,738	11,248	12,624
Cash & Bank Balance	4,655	4,066	3,501	119
Other Current Assets	3,844	4,937	4,895	5,494
Total Assets	60,962	84,653	89,987	1,06,773
Equity				
Equity Share Capital	273	273	273	273
Other Equity	47,693	53,614	59,489	66,339
Total Networth	47,966	53,887	59,762	66,612
Non-Current Liabilities				
Long Term borrowings	2,170	12,591	20,000	29,000
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	5,823	5,218	5,130	5,702
Other current liabilities	3,007	2,993	2,968	3,331
Total Equity & Liabilities	60,962	76,817	89,987	1,06,773

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	11,017	9,528	9,304	10,848
Add. Depreciation	1,657	1,954	2,387	2,823
Add. Interest	118	275	554	833
Less Financial Other Income	761	839	821	922
Add. Other	(627)	(560)	-	-
Op. profit before WC changes	12,165	11,196	12,245	14,505
Net Changes-WC	(720)	(2,798)	1,575	(2,056)
Direct tax	(2,665)	(2,152)	(2,419)	(2,821)
Net cash from Op. activities	8,781	6,247	11,401	9,628
Capital expenditures	(7,685)	(11,049)	(10,000)	(20,000)
Interest / Dividend Income	40	337	-	-
Others	427	(4,201)	-	-
Net Cash from Invst. activities	(7,218)	(14,913)	(10,000)	(20,000)
Issue of share cap. / premium	-	102	-	-
Debt changes	1,679	8,069	7,409	9,000
Dividend paid	(1,023)	(1,023)	(1,010)	(1,178)
Interest paid	(98)	(194)	(554)	(833)
Others	(123)	1,108	-	-
Net cash from Fin. activities	435	8,062	5,845	6,989
Net change in cash	1,998	(605)	7,246	(3,382)
Free Cash Flow	1,096	(4,802)	1,401	(10,372)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	59.4	51.1	50.5	58.9
CEPS	71.6	65.5	68.0	79.6
BVPS	351.7	395.1	438.1	488.4
FCF	8.0	(35.2)	10.3	(76.0)
DPS	7.5	7.5	7.4	8.6
Return Ratio(%)				
RoCE	20.9	15.4	12.4	12.3
ROIC	15.8	12.2	9.6	9.3
RoE	18.2	13.7	12.1	12.7
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.2	0.3	0.4
Net Working Capital (Days)	70	74	68	68
Valuation(x)				
PER	30.8	35.8	36.3	31.1
P/B	5.2	4.6	4.2	3.7
P/CEPS	25.6	28.0	26.9	23.0
EV/EBITDA	22.0	23.7	23.3	20.5
EV/Sales	3.2	3.1	3.2	3.0
Dividend Yield (%)	0.4	0.4	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	20,320	19,034	21,797	18,899
YoY gr. (%)	14.3	(5.3)	2.5	(12.8)
Raw Material Expenses	13,823	13,931	15,124	13,607
Gross Profit	6,497	5,103	6,673	5,292
Margin (%)	32.0	26.8	30.6	28.0
EBITDA	2,975	1,685	3,165	1,896
YoY gr. (%)	(1.6)	(44.7)	5.1	(38.7)
Margin (%)	14.6	8.9	14.5	10.0
Depreciation / Depletion	485	482	513	513
EBIT	2,491	1,203	2,653	1,383
Margin (%)	12.3	6.3	12.2	7.3
Net Interest	63	61	93	81
Other Income	213	210	228	246
Profit before Tax	2,640	1,352	2,787	1,547
Margin (%)	13.0	7.1	12.8	8.2
Total Tax	698	371	460	419
Effective tax rate (%)	26.4	27.4	16.5	27.1
Profit after Tax	1,942	981	2,327	1,128
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,942	981	2,327	1,128
YoY gr. (%)	(5.3)	(51.4)	(8.3)	(44.3)
Margin (%)	9.6	5.2	10.7	6.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,942	981	2,327	1,128
YoY gr. (%)	(5.3)	(51.4)	(8.3)	(44.3)
Margin (%)	9.6	5.2	10.7	6.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,942	981	2,327	1,128
Avg. Shares O/s (m)	136	136	136	136
EPS (Rs)	14.3	7.2	17.1	8.3

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-25	Reduce	1,799	1,963
2	29-May-25	Reduce	1,799	2,096
3	08-Apr-25	Reduce	1,645	1,835
4	17-Feb-25	Hold	1,960	1,899
5	08-Jan-25	Reduce	2,295	2,460
6	14-Nov-24	Reduce	2,438	2,639
7	17-Oct-24	Reduce	2,582	3,000
8	05-Oct-24	Reduce	2,564	2,829
9	22-Aug-24	Reduce	2,717	2,970

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	420	407
2	Bharat Petroleum Corporation	Reduce	311	332
3	Bharti Airtel	Accumulate	2,090	1,930
4	Clean Science and Technology	Hold	1,425	1,445
5	Deepak Nitrite	Reduce	1,799	1,963
6	Fine Organic Industries	BUY	5,610	4,807
7	GAIL (India)	Hold	180	181
8	Gujarat Fluorochemicals	Hold	3,580	3,486
9	Gujarat Gas	Hold	432	431
10	Gujarat State Petronet	Accumulate	348	304
11	Hindustan Petroleum Corporation	Accumulate	422	402
12	Indian Oil Corporation	Reduce	138	148
13	Indraprastha Gas	Reduce	186	205
14	Jubilant Ingrevia	Hold	743	777
15	Laxmi Organic Industries	Reduce	179	196
16	Mahanagar Gas	Accumulate	1,559	1,483
17	Mangalore Refinery & Petrochemicals	Accumulate	152	139
18	Navin Fluorine International	Accumulate	5,559	5,198
19	NOCIL	Hold	182	174
20	Oil & Natural Gas Corporation	BUY	273	239
21	Oil India	BUY	581	425
22	Petronet LNG	Hold	311	302
23	Reliance Industries	Accumulate	1,555	1,476
24	SRF	Hold	3,071	3,150
25	Vinati Organics	Accumulate	1,882	1,944

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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