



CMP: ₹2190-2270

BUY

TP: ₹2890

Upside: 30%

- DNL's Basic Chemicals (BC) segment surprised, with further sharp improvement in margins (up +530bps QoQ) to 34%. The company took advantage of the positive price trend across certain products
- Demand for Fine & Speciality Chemicals continue to be strong.
- The nitro business has a decent mix of large and small customers. The nitro business is also benefitting from the closure of capacities in China and the reluctance of European manufacturers to engage in hazardous chemistries.
- The company is in the advanced stages of doubling the IPA plant capacity and also improving on the power utility costs (via a captive power plant). Management expects these projects to contribute from 3QFY22.
- In terms of new capex, the company has announced a plan to invest Rs7bn into downstream products of phenol and acetone, namely new import-substitute solvents. DNL will invest Rs3bn in new chemistries like fluorination in order to expand specialty product lines.
- DNL aims to select only those products in which the company could be among the top-3 global suppliers for the next 10- 15 years. The key focus areas in terms of end-use segments would be solvents, life science chemicals, and dyes & pigments.
- Apart from growth projects, DNL is setting up a premium high-tech R&D centre. The company will make higher investments in R&D initiatives and launch new products in coming years.

Financial Summary

Consolidated (₹mn)	Revenue	EBITDA Margin (%)	EPS	EPS growth (%)	P/E (x)	RoE (%)	RoCE (%)
FY22E	59,945	25.8	72.3	27.2	29.1	35.3	40.4
FY23E	66,404	26.1	84.1	16.2	25.1	30.4	36.4



Disclaimer:

Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

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Investment

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