

## Equentis Scale

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Below Avg.</b>	<b>Avg.</b>	<b>Good</b>	<b>Very Good</b>	<b>Excellent</b>

Sr. No.	Remarks	Rating (Score)
<i>Overall score</i>		<b><u>3.71</u></b>
<b>1</b>	<b>Financial Ratios Index</b>	<b>3.57</b>
<b>1.1</b>	Past 3yr Revenue CAGR of ~23%	<b>4.0</b>
<b>1.2</b>	Past 3yr EBITDA CAGR of ~36%	<b>4.0</b>
<b>1.3</b>	Past 3yr PAT CAGR of ~40%	<b>4.0</b>
<b>1.4</b>	RoCE: 16% in FY19 and Past 3yr Average RoCE of ~11%	<b>3.0</b>
<b>1.5</b>	RoE: 17.4% in FY19 and Past 3yr Average RoE of ~11%	<b>3.0</b>
<b>1.6</b>	D/E: 1.07x in FY18 & Past 3yr Average Ratio of 0.97xs	<b>4.0</b>
<b>1.7</b>	Free Cash Flow Generation: Cumulative FCFF for last 3 years stands at Rs. -5.9bn.	<b>3.0</b>
<b>2</b>	<b>Management Pedigree Index</b>	<b>4.30</b>
<b>2.1</b>	Ownership: Promoters: Promoter Shareholding stands at 44.85%.	<b>4.0</b>
<b>2.2</b>	Ownership: FIIs & DIIs: As on 30 <sup>th</sup> September, 2019, FII holding stands at 9.40% and DII at 16.45%. SBI Magnum Multicap Fund (2.05%), Franklin India Smaller Companies Fund (4.16%), IDFC Sterling Value Fund (3.44%), L&T Mutual Fund Trustee Ltd (2.35%).	<b>5.0</b>
<b>2.3</b>	Promoter Shares Pledged: NIL.	<b>5.0</b>
<b>2.4</b>	Key Management Profile Deepak Nitrite was founded in 1970 by Mr. C. K. Mehta and is currently run by his son Mr. Deepak Mehta, who is the Chairman and Managing Director. He has also been the Chairman of the National Chemicals Committee at FICCI. Board of Directors of the company includes some very eminent persons from the corporate world – namely Mr. Sudhin Choksey (Managing Director of Gruh Finance), Mr. Sudhir Mankad (Retired IAS officer who has served in senior positions with the Government of Gujarat and Government of India), Dr. Sivaram (eminent scientist and 2006 Padma Shree Award winner) Mr. Sanjay Asher (Senior Partner with Crawford Bayley).	<b>5.0</b>
<b>2.5</b>	Track record towards Capital Discipline, Acquisitions, Capital Expansions	<b>4.0</b>
<b>2.6</b>	Track record towards Accounting Disclosures & Corporate Governance	<b>4.0</b>
<b>2.7</b>	Track record towards Business Risk Diversification & Mitigation	<b>4.0</b>
<b>2.8</b>	Track record towards Business Performance Guidance vs. Actual Performance	<b>4.0</b>
<b>2.9</b>	Rewarding & Protecting interests of Minority shareholders	<b>4.0</b>
<b>2.10</b>	Business foresight & Prudence – successful scale up of operations	<b>4.0</b>
<b>3</b>	<b>Opportunity and Growth Index</b>	<b>4.00</b>
<b>3.1</b>	<b>Substitute for Imports:</b> DNL's Make In India-aligned Phenol and Acetone plant, which commenced commercial production, has created a new benchmark for chemical companies in	<b>4.0</b>

Sr. No.	Remarks	Rating (Score)
	terms of import substitution.	
3.2	<b>Extensive Product Portfolio with Application Diversity:</b> Over the years, DNL has widened its product offerings to have a diversified product portfolio and insulate itself from any slowdown in a particular product or category to de-risk itself.	4.0
3.3	<b>Strong Technical Skills:</b> DNL possesses high levels of technical expertise in the areas of Nitration, Hydrogenation, Oxidation, and Diazotization.	4.0
3.4	<b>Favorable Government Initiatives:</b> The Anti-dumping duty imposed by the government has been positive for DNL as it reduced the imports which resulted in acceptability for DNL's products. Also governments vision of making India the manufacturing hub of chemicals and petrochemicals to cut down imports of chemicals augurs well for the company.	4.0
3.5	<b>DNL's decision to enter value-added segment:</b> DNL's plan to enter downstream derivatives of Phenol and Acetone can improve the margins and profitability going forward. DNL's decision to enter value-added segment rather than being a pure commodity player can benefit the company	4.0
<b>4</b>	<b>Stakeholder Satisfaction Index</b>	<b>3.67</b>
4.1	<i>Creditors:</i> Creditors days stood at 83 days in FY19 with average of 118 days in last 3 years	3.0
4.2	<i>Debt-servicing:</i> DNL's D/E ratio stands 1.07xs for FY19 with D/E ratio averaging 0.97xs over past 3 years.	4.0
4.3	<i>Minority Interests:</i> Dividend payout averaged 18.1% over FY16-19. Management has not taken any decision against interest of minority shareholders.	3.0
4.4	<i>Employees:</i> The company has not issued any ESOPs in past 5 years.	4.0
4.5	<i>Regulatory:</i> No adverse qualification from regulatory bodies	4.0
4.6	<i>Auditors:</i> Nil auditor qualifications	4.0
<b>5</b>	<b>Threat Management</b>	<b>3.00</b>
5.1	<b>Volatility in Raw Material Prices:</b> The entire chemical industry is impacted by volatility in prices of raw materials, as this is directly linked to the prices of end-products and comprises of a major component in the chemical process. Company ensures that a majority of the products are contracted with pass through clauses thereby minimizing adverse impact from raw material fluctuation.	3.0
5.2	<b>Currency Fluctuations:</b> Fluctuation in exchange rates is a regular operating risk. In recent years the degree of volatility has sharpened and the Company has to guard itself against sudden, adverse movements. As DNL exports a wide range of products to various geographies, there is a perennial currency risk that is pro-actively managed by hedging of exposure.	3.0

\*\*Company's Risks are covered in Detailed Report.