

November 13, 2025

Delay in battery customer commitments to weigh on sentiments...

About the stock: Commencing operations in 1991, Neogen Chemicals manufactures specialty organic bromine-based chemical compounds as well as specialty inorganic lithium-based chemicals compounds.

- Neogen has two segments viz. (i) organic chemicals, (ii) inorganic chemicals which find applications in pharmaceutical intermediates, agrochemical intermediates, engineering fluids, polymers additives and water treatment chemicals.
- The company has committed ₹1500 crore to foray in Battery chemicals Business primarily electrolyte, electrolyte salt and additives.

Investment Rationale:

- Q2FY26- Stable topline with subdued margins** – Revenues stood at ₹209 crore, up 8% YoY. Organic chemicals (88% of revenue) up 12% YoY to ₹184 crore. However, this was offset by a 14% decline in Inorganic revenues (11% of revenues) to ₹24 crore. Gross profit margin stood at 46.5%, up ~330 bps YoY. EBITDA stood at ₹30 crore, down 13% YoY, translating to margins of 14.4%, down ~350 bps YoY, this decline was due to higher employee costs and sharp increase in insurance premiums after the fire incident and also due to higher job costs. PAT declined 69% YoY to ₹3.4 crore, with margins at 1.6%, down ~400 bps YoY, this sharp decline was attributable to increased finance costs.
- Guidance slashed for FY26, FY27 for electrolytes business** – The battery business is facing a slower than expected offtake due to delays in domestic battery capacity additions, pushing the commencement of commercial production of electrolytes from Pakhajan to H1FY27 and lithium salts to H2FY27, compared to the earlier target of end-FY26. Consequently, the management has sharply downgraded its FY26E revenue guidance for this segment to ₹30-40 crore from the earlier guidance of ₹300 crore. For FY27, the downward revision is to ₹ 400-500 crore from an earlier guidance of ₹ 1000 crore. The company has maintained its long-term revenue guidance of ₹2,400-2,900 crore by FY29, which looks demanding though. For the base business, the management has maintained earlier guidance.
- Leverage situation is slightly worrisome** – Despite sounding confident about the visibility of execution for electrolyte salt (peak potential 5500 MT; almost completely booked) and electrolyte (peak potential 32000; gradual orderbook build-up) the leverage position is alarming (moratorium in place) with very low margin of safety and many moving parts. We will monitor the progress on the electrolytes front. **Downgrade to HOLD.**

Rating and Target price

- Our target price is ₹ 1395 based on 14x FY28E EBITDA of ₹ 395 crore.

Key Financial Summary

(₹ Crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Revenue	686.2	690.7	777.6	6.5%	860.8	1,359.4	2,192.7	67.9%
EBITDA	111.6	110.1	136.3	10.5%	146.3	244.7	394.7	70.2%
EBITDA Margins (%)	16.3%	15.9%	17.5%		17.0%	18.0%	18.0%	
Adj.PAT	49.9	35.6	48.9	-1.0%	50.7	46.9	125.6	60.3%
Adj. EPS (₹)	20.0	13.5	18.5		19.2	17.8	47.6	
EV/EBITDA	29.4x	32.5x	27.5x		30.9x	19.5x	12.8x	
RoCE	11.8%	8.2%	8.3%		4.8%	6.7%	10.7%	

Source: Company, ICICI Direct Research



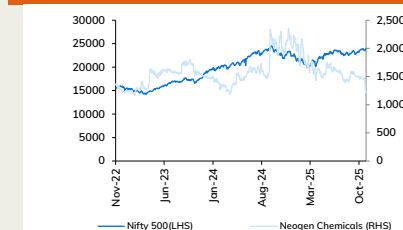
Particulars

Particular	Amount
Market cap (₹ Crore)	3,190
FY25 Total Debt (₹ Crore)	566
FY25 Cash & Inv (₹ Crore)	5
EV (₹ Crore)	3,751
52 Week H/L	2420 /1393
Equity Capital (₹ Crore)	26.4
Face Value (₹)	10

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	51.2	51.2	51.2	51.2
FII	7.7	7.8	7.4	5.1
DII	22.5	22.8	23.0	25.2
Others	18.5	18.2	18.5	18.4

Price Chart



Key risks

- (i) Negative- Increasing pressure on balance sheet (ii) Positive- New contract wins for electrolytes and salts

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Q2FY26 Results / Conference call highlights

Battery Chemicals

- The management highlighted that they're experiencing delay in the commercial production of electrolytes and expect the production to begun in H1FY27 and Electrolyte Salt in H2FY27.
- The greenfield capacity at Pakhajan will be the only non-FEOC compliant plant for Electrolyte Salt in India, aligning with the U.S. lithium-ion battery cell producers' requirement to comply with foreign entities' concern guidelines.
- For Electrolyte salts, the company has received a provisional approval and will be receiving their final approval by January and once that is received the commercial production of salt can be initiated. This will aid to the company's expectation of receiving a strong demand in H2FY27.
- Capacity wise, most of the salts capacity is now in China with some capacities in Japan between 3 KTA-5 KTA. Korea has ~2 KTA capacity. Meanwhile Neogen is having ~4KTA capacity.
- From the US perspective, the total demand stands at 40 KTA-60 KTA.
- For Electrolyte salts, the company currently has a capacity of 5.5 KTA and have full agreements for the same. Moreover, they have maintained their guidance of achieving full utilization by FY29.
- For the electrolytes business, the company expects to be ready for trial productions and stabilization by Q1FY27.
- Electrolytes usually have a shelf life of ~ 3 months. However, within this time span also there's some degradation and hence majority of the big cell producers consume electrolyte within 15 days only.
- A leading Indian giga-scale customer has completed the stringent PPAP and approved the Dahej plant for long-term commercial supply to meet its electrolyte requirements.
- The JV between NIL and Morita Chemicals Industries Co. Ltd. will be called Neogen Morita New Materials Limited (NML). NIL will be responsible for production of solid LiPF6 salt. NIL will hold a minimum of 80% ownership in the JV.

Guidance

Battery Chemicals (Neogen Ionics)

- The management highlighted that the battery cell commissioning has been delayed by a year due to which they won't be able to achieve their guidance of ₹300 crore revenues in FY26.
- For FY27, the company has guided for ₹400-500 crore of revenues while maintaining their long-term guidance of FY29 to ₹2,400-2,900 crore on the back of full utilization.
- The company highlighted that they expect an equal distribution to the topline from both electrolytes and electrolyte salts.
- For Neogen Ionics, the margin can be in the range of 16-20%, depending on the price of lithium and other raw materials.

Base Business (Organic + Inorganic)

- The management has guided for ₹850 crore in revenues for FY26, ₹950-1,000 crore in FY27 and ₹1,150 crore in FY28.
- On the margins front, going ahead, the company expects to maintain its margin performance of 18%, in its base business.

Others

- On a consolidated level, at the capex of ₹1,500 crore, the company expects a gross block of ₹2,000 crore on a consolidated basis.
- The management expects its peak debt to reach ₹1,800 crore with full utilization expected to be in FY28.
- On the inventory front, the increase in inventory is attributed to the fire incident in Dahej, wherein the company lost ₹170-180 crores of inventory.

- So far, the company has completed capex of ₹620 crore and, and going ahead they will be doing ₹500 crore of capex. They have also maintained their guidance of ₹1,500 crore for its battery chemicals business.

Exhibit 1: Proposed Manufacturing Setup

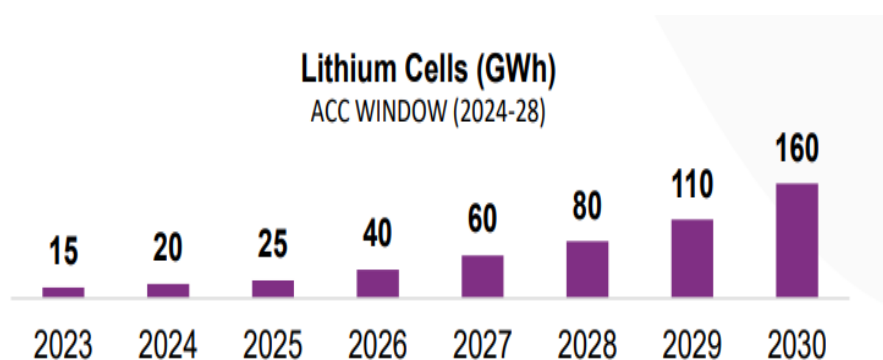
Manufacturing Locations	Land Area	Year	Planned Capacities	
			Electrolyte	Lithium Electrolyte Salts & Additives
Dahej	6,455 m2	FY25	2,000 MT	400 MT
		FY26	0	1,100 MT
		FY27	0	1,000 MT
Pakhajan	264,285 m2	FY27	30,000 MT	3,000 MT
Total	270,740 m2		32,000 MT	5,500 MT

Source: Company Estimates, ICICI Direct Research

Exhibit 2: Demand Estimates for the Indian Market

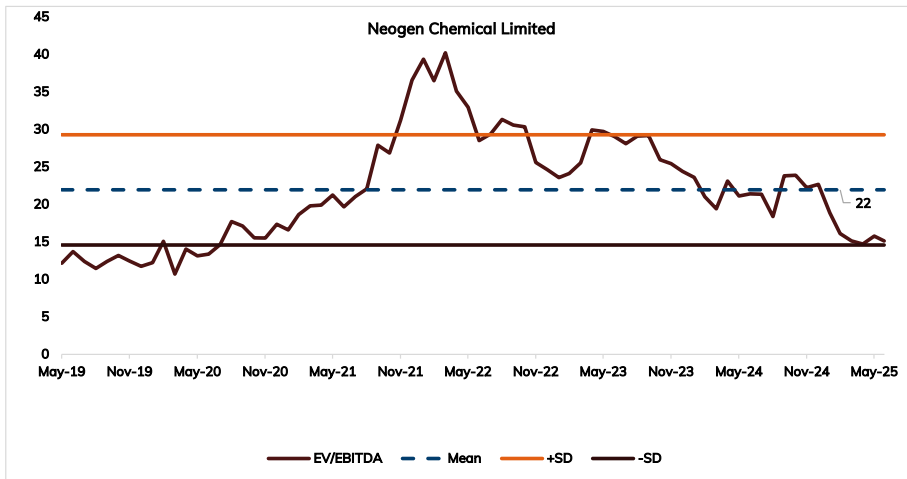
Demand Estimates for the Indian Market		
	FY27	FY30
Lithium Cell Demand (GWh)	60	160
Electrolyte Demand	56250	150000
Salt Demand	6750.0	18000
Electrolyte Market	3938	10500

Source: Company Estimates, ICICI Direct Research

Exhibit 3: Indian Market Demand Estimates for the Lithium Cells


Source Neogen Chemicals Company Presentation, ICICI Direct Research

Exhibit 4: 2-year forward EV/EBITDA band



Source: Bloomberg, Company Estimates, ICICI Direct Research

Financial Tables

Exhibit 5: Profit and loss statement

₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
Total Operating Income	777.6	860.8	1,359.4	2,192.7
Growth (%)	12.6	10.7	57.9	61.3
Raw Material Expenses	423.1	473.4	734.1	1,184.0
Gross Profit	354.5	387.3	625.3	1,008.6
Employee Cost	64.8	68.9	108.8	175.4
Other Operating Expenses	153.3	172.2	271.9	438.5
EBITDA	136.3	146.3	244.7	394.7
Growth (%)	23.9	7.3	67.2	61.3
Other Income	4.0	3.0	3.0	3.0
EBITDA, including OI	140.3	149.3	247.7	397.7
Depreciation	27.8	43.1	79.0	86.9
Net Interest Exp.	48.5	38.6	106.1	143.3
Other exceptional items	-14.1	0.0	0.0	0.0
PBT	50.0	67.6	62.6	167.5
Total Tax	15.3	16.9	15.6	41.9
Tax Rate	30.7%	25.0%	25.0%	25.0%
PAT	34.6	50.7	46.9	125.6
Adj.PAT after Minority interest	48.9	50.7	46.9	125.6
Adj. EPS (₹)	18.5	19.2	17.8	47.6
Shares Outstanding	2.6	2.6	2.6	2.6

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement

₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
PBT & Extraordinary	50.2	67.6	62.6	167.5
Depreciation	27.8	43.1	79.0	86.9
After other adjustments				
(Inc) / Dec in Working Capital	64.7	251.5	-172.8	-326.2
Taxes	-12.3	-16.9	-15.6	-41.9
Others	65.6	38.6	106.1	143.3
CF from operating activities	196.0	384.0	59.2	29.6
Purchase of Fixed Assets	-317.7	-1,100.0	-200.0	-150.0
Others	1.1	0.0	0.0	0.0
CF from investing activities	-316.6	-1,100.0	-200.0	-150.0
Proceeds from issue of shares	0.0	0.0	0.0	0.0
Borrowings (Net)	166.2	800.0	300.0	250.0
Others	-53.1	-46.6	-114.0	-151.2
CF from financing activities	113.1	753.4	186.0	98.8
Net cash flow	-7.5	37.4	45.2	-21.6
Effects of foreign currency translation	0.0	0.0	0.0	0.0
Opening Cash	12.5	5.0	42.4	87.6
Closing Cash	5.0	42.4	87.6	65.9

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet

₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
Liabilities				
Share Capital	26.4	26.4	26.4	26.4
Reserves	763.0	805.8	843.8	961.5
Total Shareholders Funds	789.4	832.2	870.2	987.9
Minority Interest	0.0	0.0	0.0	0.0
Long Term Borrowings	170.1	720.1	970.1	1,220.1
Net Deferred Tax liability	17.4	17.8	18.1	18.5
Other long term liabilities	25.9	28.7	45.3	73.1
Long term provisions	11.1	12.3	19.4	31.3
Current Liabilities and Provisions				
Short term borrowings	395.9	645.9	695.9	695.9
Trade Payables	263.2	283.0	446.9	720.9
Other Current Liabilities	62.9	69.6	109.9	177.2
Short Term Provisions	11.4	12.6	20.0	32.2
Total Current Liabilities	733.4	1,011.1	1,272.7	1,626.3
Total Liabilities	1,747.3	2,622.2	3,195.8	3,957.1
Assets				
Net Block	403.9	1,516.9	1,638.0	1,701.1
Capital Work in Progress	156.2	100.0	100.0	100.0
Intangible assets under devl.	0.0	0.0	0.0	0.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Non-current investments	0.5	0.5	0.5	0.5
Deferred tax assets	0.0	0.0	0.0	0.0
Long term loans and advances	13.8	15.3	24.2	39.0
Other Non Current Assets	173.2	191.7	302.7	488.3
Current Assets, Loans & Advances				
Current Investments	0.0	0.0	0.0	0.0
Inventories	309.1	400.9	521.4	720.9
Sundry Debtors	200.2	235.8	335.2	540.7
Cash and Bank	5.0	42.4	87.6	65.9
Loans and Advances	0.4	0.4	0.4	0.4
Other Current assets	485.1	117.9	186.2	300.4
Current Assets	999.8	797.4	1,130.8	1,628.2
Total Assets	1,747.3	2,621.8	3,196.1	3,957.1

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

Year end March	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adj. EPS	13.2	19.2	17.8	47.6
Adj. Cash EPS	23.7	35.6	47.7	80.6
BV	299.2	315.5	329.9	374.5
DPS	3.0	3.0	3.0	3.0
Operating Ratios (%)				
Gross Margin (%)	45.6	45.0	46.0	46.0
EBITDA Margin (%)	17.5	17.0	18.0	18.0
PAT Margin (%)	6.3	5.9	3.5	5.7
Asset Turnover	1.6	0.5	0.7	1.1
Debtor Days	94	100	90	90
Inventory Days	145	170	140	120
Creditor Days	124	120	120	120
Cash Conversion Cycle	116	150	110	90
Return Ratios (%)				
Return on Assets (%)	2.8	1.9	1.5	3.2
RoCE (%)	8.3	4.8	6.7	10.7
Core RoIC (%)	9.1	5.0	7.1	11.2
RoE (%)	6.2	6.1	5.4	12.7
Solvency Ratios				
Total Debt / Equity	0.7	1.6	1.9	1.9
Debt / EBITDA	4.2	9.3	6.8	4.9
Interest Coverage	2.3	2.7	1.6	2.2
Current Ratio	1.4	0.8	0.9	1.0
Quick Ratio	0.9	0.4	0.5	0.6
Valuation Ratios (x)				
EV/EBITDA	27.5	30.9	19.5	12.8
P/E	91.6	63.0	68.0	25.4
P/B	4.0	3.8	3.7	3.2
EV/Sales	4.8	5.2	3.5	2.3

Source: Company, ICICI Direct Research

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