

Neogen Chemicals (NEOGEN)

Chemicals | 3QFY25 Result Update

HOLD

CMP: Rs2,090 | Target Price (TP): Rs2,000 | Downside: 4%

4 February 2025

All eyes on Battery business scale up

Key Points

- NEOGEN's 3QFY25 consolidated performance came 3% above our estimates on account of volume-led growth in the core business, continued momentum in the BuLi business amid challenging pricing environment and weakness in the agrochemicals segment.
- While in Q3FY25, there is a slowdown in electrolyte demand which is expected to pick up in coming quarters, overall commentary for FY26 and beyond is encouraging. We are building in Battery Chemicals revenue of Rs3.5bn in FY26. In the base business, CSM growth was driven by the scale-up of non-Agchem end-user industries and the management maintained its guidance of ~20% revenue share in FY26.
- While we remain structurally positive on the Battery chemicals business, risk-reward is not very attractive at the current price point amid near-term uncertainties related to existing business demand recovery, pricing pressure and working capital concerns and hence we maintain Hold with a TP of Rs2,000 valued at 34x PE on Dec'26E.

3QFY25 performance update: NEOGEN's 3QFY25 revenue grew by 22.5% wherein the organic chemicals business grew by 36% and Inorganic chemicals revenue declined by 29% YoY. Domestic revenue share during the quarter stood at 65%. Both key RM prices of Bromine and Lithium continued to be lower on YoY basis, Organic business growth was mainly led by Volume-led growth as well as scaling up of BuLi, which is operating at full capacity now. The Battery business' revenue is expected in the range of Rs0.25-0.3bn in FY25 (vis-à-vis earlier guidance of Rs0.5bn-Rs0.8bn) on account of a slowdown in electrolyte demand. Overall, EBITDA saw a robust 70% YoY growth, reaching Rs0.34 billion, led by higher plant utilization, enhanced operational efficiency, and reduced employee costs.

Big plans in Battery chemicals to drive earnings from 2HFY26: The management indicated that NEOGEN's upcoming expansion plan under the new subsidiary Neogen Ionics with a total capex outlay of Rs15bn spread over FY24-26 is on track out of which nearly Rs4bn is already deployed in Q3FY25. On the electrolyte formulation front, the existing 2KTPA plant should be commissioned in a phased manner and the management indicated that NEOGEN is on track to commission the main 30KTPA plant under MUIS technology on time. 70% Civil construction related the work has already been completed, and MUIS has also started plant construction work at its end. Also, in the organic business, BuLi capacity can be doubled with minimal capex. In the recent budget, additional EV based capital goods were exempted, and customs duty on lithium carbonate remains nil, reducing costs and strengthening the lithium-ion value chain. Based on current momentum and promising future outlook, the management is confident to achieve FY26 revenue guidance of Rs9-10bn on the stand-alone business.

| | |
|---------------|-----------|
| Est Change | No change |
| TP Change | No change |
| Rating Change | No change |

Company Data and Valuation Summary

| | |
|------------------------------------|----------------------|
| Reuters | NEOE.BO |
| Bloomberg | NEOGEN IN |
| Market Cap (Rsbn / US\$mn) | 50.3 / 581.5 |
| 52 Wk H / L (Rs) | 2,420 / 1,176 |
| ADTV-3M (mn) (Rs / US\$) | 118.6 / 1.4 |
| Stock performance (%) 1M/6M/1yr | (14.6) / 14.2 / 30.2 |
| Nifty 50 performance (%) 1M/6M/1yr | (0.6) / (2.0) / 8.3 |

| Shareholding | 1QFY25 | 2QFY25 | 3QFY25 |
|--------------|--------|--------|--------|
| Promoters | 56.9 | 51.2 | 51.2 |
| DII's | 22.5 | 22.5 | 22.5 |
| FII's | 4.7 | 8.2 | 7.7 |
| Others | 15.9 | 18.1 | 18.5 |
| Pro pledge | 0.0 | 0.0 | 0.0 |

Financial and Valuation Summary

| Particulars (Rsmn) | FY24 | FY25E | FY26E | FY27E |
|--------------------|-------|-------|--------|--------|
| Net Sales | 6,907 | 8,216 | 12,385 | 19,828 |
| Growth YoY% | 0.7 | 19.0 | 50.7 | 60.1 |
| Gross margin % | 44.6 | 44.4 | 45.0 | 45.0 |
| EBITDA | 1,101 | 1,423 | 2,217 | 3,549 |
| EBITDA margin % | 15.9 | 17.3 | 17.9 | 17.9 |
| Adj PAT | 357 | 466 | 875 | 1,782 |
| Growth YoY% | -28.7 | 30.8 | 87.6 | 103.8 |
| Adj EPS | 13.5 | 17.7 | 33.2 | 67.6 |
| RoCE | 5.9 | 5.6 | 6.2 | 10.2 |
| RoE | 5.2 | 5.7 | 8.0 | 14.8 |
| RoIC | 6.1 | 6.5 | 6.9 | 12.1 |
| P/E | 154.7 | 118.3 | 63.0 | 30.9 |
| EV/EBITDA | 47.8 | 37.0 | 26.9 | 13.0 |
| P/BV | 6.4 | 6.1 | 5.5 | 4.7 |

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links – [3QFY25 Presentation](#)

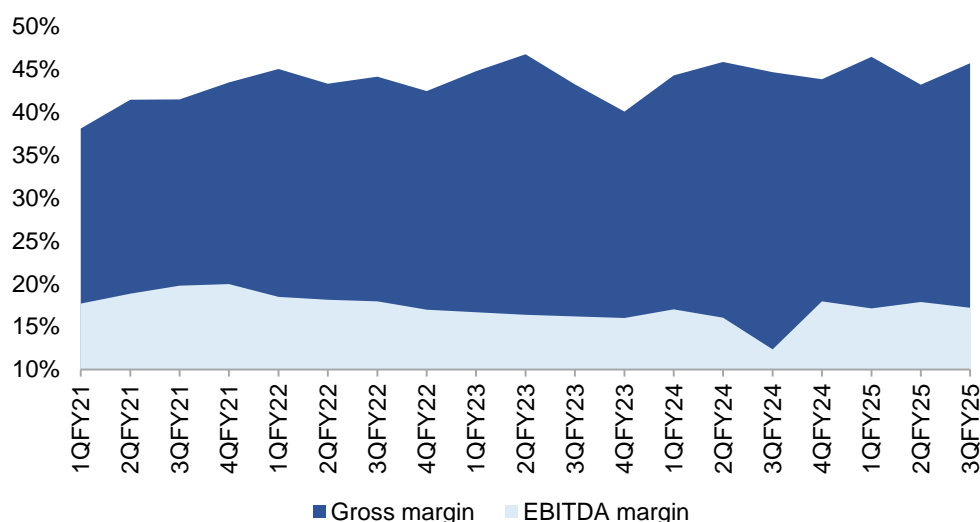
Please refer to the disclaimer towards the end of the document.

Exhibit 1: 3QFY25 consolidated performance

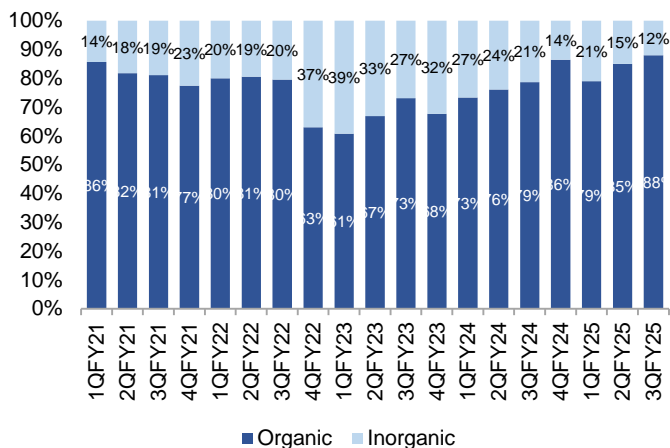
| Particulars (Rsmn) | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25E | FY24 | FY25E |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Sales | 1,649 | 1,617 | 1,644 | 1,997 | 1,800 | 1,934 | 2,014 | 2,468 | 6,907 | 8,216 |
| YoY Change (%) | 11.5 | 9.2 | -11.7 | -2.1 | 9.1 | 19.6 | 22.5 | 23.6 | 0.7 | 19.0 |
| Gross Profit | 730 | 741 | 735 | 876 | 836 | 835 | 921 | 1,055 | 3,082 | 3,647 |
| Margin (%) | 44.3 | 45.8 | 44.7 | 43.9 | 46.4 | 43.2 | 45.7 | 42.7 | 44.6 | 44.4 |
| EBITDA | 281 | 259 | 203 | 358 | 308 | 345 | 346 | 423 | 1,101 | 1,423 |
| YoY Change (%) | 13.8 | 6.8 | -32.7 | 9.8 | 9.8 | 33.1 | 70.7 | 18.2 | -1.4 | 29.3 |
| Margin (%) | 17.0 | 16.0 | 12.3 | 17.9 | 17.1 | 17.8 | 17.2 | 17.1 | 15.9 | 17.3 |
| Depreciation | 55 | 58 | 57 | 59 | 68 | 71 | 71 | 116 | 229 | 326 |
| Interest | 108 | 111 | 105 | 97 | 98 | 128 | 134 | 182 | 421 | 542 |
| Other income | 18 | 19 | 16 | 22 | 16 | 8 | 11 | 36 | 75 | 70 |
| Extraordinary Items | - | - | - | - | - | - | - | - | - | - |
| PBT (bei) | 136 | 109 | 56 | 225 | 157 | 154 | 152 | 161 | 528 | 625 |
| PBT | 136 | 109 | 56 | 225 | 157 | 154 | 152 | 161 | 528 | 625 |
| Tax | 39 | 31 | 46 | 55 | 43 | 45 | 52 | 18 | 171 | 158 |
| ETR (%) | 28.5 | 28.0 | 82.7 | 24.7 | 27.3 | 29.3 | 34.5 | 11.2 | 32.4 | 25.4 |
| Reported PAT | 98 | 79 | 11 | 169 | 115 | 110 | 100 | 144 | 357 | 466 |
| Adj. PAT | 98 | 79 | 11 | 169 | 115 | 110 | 100 | 144 | 357 | 466 |
| YoY Change (%) | -11.8 | -19.8 | -92.8 | 18.3 | 17.6 | 38.4 | 844.3 | -15.2 | -28.7 | 30.8 |
| Adj. EPS | 3.9 | 3.2 | 0.4 | 6.4 | 4.3 | 4.2 | 3.8 | 5.4 | 13.5 | 17.7 |

Source: Company, Nirmal Bang Institutional Equities Research

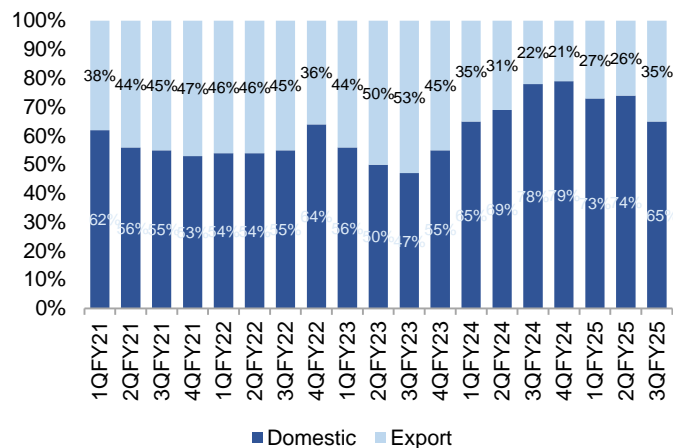
Exhibit 2: Consolidated Gross margin & EBITDA margin quarterly trend



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Quarterly segment revenue share


Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 4: Quarterly geographical revenue share


Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 5: Actual performance v/s NBIE and Consensus estimates

| Consolidated (Rsmn) | 3QFY25 | 3QFY25e (NBIE) | Variance | 3QFY25e (BBG Consensus) | Variance |
|---------------------|--------|----------------|----------|-------------------------|----------|
| Revenue | 2,014 | 1,957 | 3% | 1,923 | 5% |
| EBITDA | 346 | 339 | 2% | 324 | 7% |
| EBITDA margin | 17.2% | 17.3% | -10bps | 16.8% | 35bps |
| PAT | 100 | 122 | -18% | 117 | -15% |

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 6: Change in earnings estimates

| Consolidated (Rsmn) | Old Estimates | | | New estimates | | | Change (%) | | |
|---------------------|---------------|--------|--------|---------------|--------|--------|------------|-------|-------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 8,216 | 12,385 | 19,828 | 8,216 | 12,385 | 19,828 | - | - | - |
| EBITDA | 1,423 | 2,217 | 3,549 | 1,423 | 2,217 | 3,549 | - | - | - |
| EBITDA % | 17.3% | 17.9% | 17.9% | 17.3% | 17.9% | 17.9% | - | - | - |
| APAT | 466 | 875 | 1,782 | 466 | 875 | 1,782 | - | - | - |

Source: Nirmal Bang Institutional Equities Research

Exhibit 7: Update on various expansion initiatives

The aggregate CAPEX stands at Rs. 1,500 crore, with peak revenue potential ranging from Rs. 2,500 to Rs. 2,950 crore, depending on lithium prices.

Battery Chemicals Business

Details of expansion projects announced

Current project updates

Lithium Electrolyte Salts



New capacity of 400 MTPA for manufacturing Lithium Electrolyte Salts and additives



- 200 MTPA commissioned; first approval material shipped to the customers
- For remaining 200 MTPA, trial production has commenced

Electrolytes



Plant for manufacturing 2,000 MT of Electrolyte at Dahej facility



- 200 MT commissioned; trial supply from commercial plant given to 4 customers

Several domestic and international customers visited and approved the facility of Battery Materials; now awaiting approval of commercial products manufactured from the site.

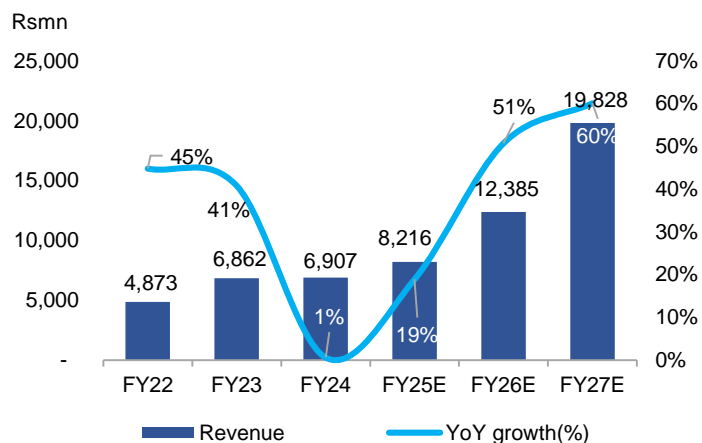
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Proposed expansion plan under Neogen Ionics

| Manufacturing locations | Land Area | Year | Planned Capacities | |
|----------------------------------|------------------------------|------|--------------------|---------------------------------------|
| | | | Electrolyte | Lithium Electrolyte Salts & Additives |
| Dahej SEZ | 6,455 m ² | FY25 | 2,000 MT | 2,500 MT |
| Pakhajan, Dahej PCPIR (New site) | 264,285 m ² | FY26 | 30,000 MT | 3,000 MT |
| Total | 270,240 m² | | 32,000 MT | 5,500 MT |

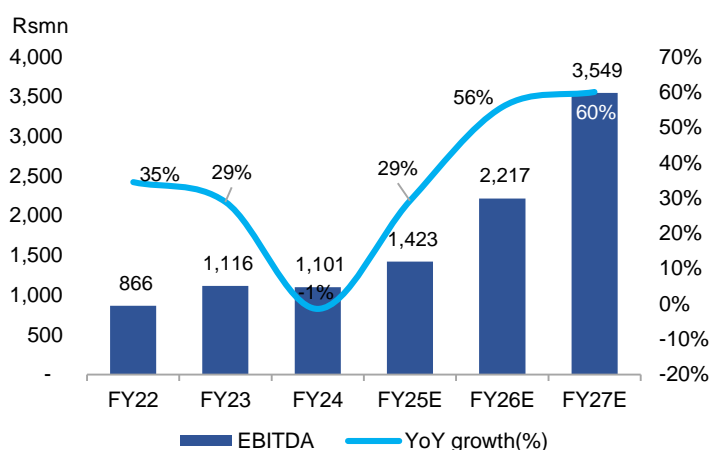
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Revenue growth - We are building in ~42% CAGR over FY24-27E



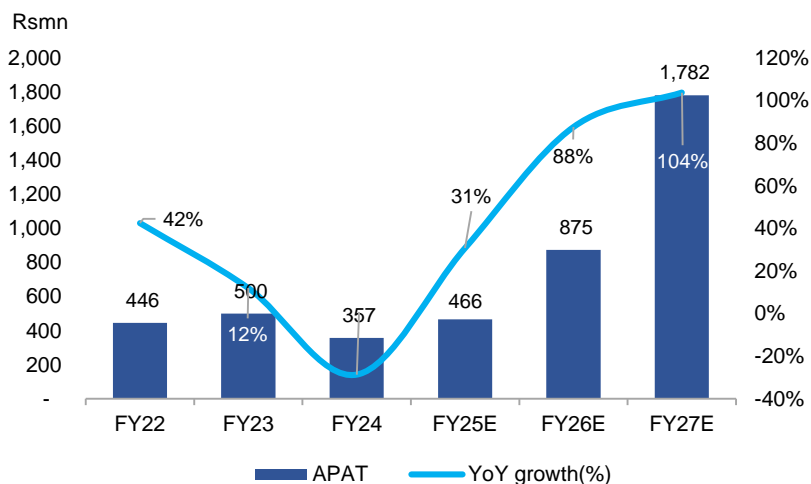
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: EBITDA growth - We are building in ~48% CAGR over FY24-27E



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Earnings growth - We are building in ~71% CAGR over FY24-27E



Source: Company, Nirmal Bang Institutional Equities Research

Financials

Exhibit 12: Income statement

| Y/E March (Rsmn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|------------------------|--------------|--------------|--------------|---------------|---------------|
| Net Sales | 6,862 | 6,907 | 8,216 | 12,385 | 19,828 |
| Growth YoY% | 40.8 | 0.7 | 19.0 | 50.7 | 60.1 |
| Gross Profit | 2,977 | 3,082 | 3,647 | 5,573 | 8,923 |
| Gross margin % | 43.4 | 44.6 | 44.4 | 45.0 | 45.0 |
| Staff costs | 468 | 620 | 621 | 941 | 1,507 |
| % of Sales | 6.8 | 9.0 | 7.6 | 7.6 | 7.6 |
| Other expenses | 1,392 | 1,361 | 1,603 | 2,415 | 3,866 |
| % of Sales | 20.3 | 19.7 | 19.5 | 19.5 | 19.5 |
| EBITDA | 1,116 | 1,101 | 1,423 | 2,217 | 3,549 |
| Growth YoY% | 28.9 | -1.4 | 29.3 | 55.8 | 60.1 |
| EBITDA margin % | 16.3 | 15.9 | 17.3 | 17.9 | 17.9 |
| Depreciation | 162 | 229 | 326 | 510 | 660 |
| EBIT | 954 | 872 | 1,096 | 1,707 | 2,889 |
| Interest | 289 | 421 | 542 | 720 | 810 |
| Other income | 45 | 75 | 70 | 251 | 405 |
| PBT (bei) | 710 | 528 | 625 | 1,238 | 2,485 |
| PBT | 710 | 528 | 625 | 1,238 | 2,485 |
| ETR | 29.6 | 32.4 | 25.4 | 29.4 | 28.3 |
| PAT | 500 | 357 | 466 | 875 | 1,782 |
| Adj PAT | 500 | 357 | 466 | 875 | 1,782 |
| Growth YoY% | 12.0 | -28.7 | 30.8 | 87.6 | 103.8 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Balance sheet

| Y/E March (Rsmn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------------------------|--------------|---------------|---------------|---------------|---------------|
| Share Capital | 249 | 264 | 264 | 264 | 264 |
| Reserves & Surplus | 4,576 | 7,339 | 7,726 | 8,545 | 10,222 |
| Net worth | 4,825 | 7,603 | 7,990 | 8,809 | 10,486 |
| Long term debt | 1,291 | 1,242 | 5,000 | 7,000 | 5,000 |
| Short term debt | 2,331 | 2,693 | 4,500 | 5,500 | 4,000 |
| Total debt | 3,622 | 3,935 | 9,500 | 12,500 | 9,000 |
| Net Debt | 2,655 | 3,810 | 3,793 | 10,926 | -2,706 |
| Other non-current liabilities | 325 | 499 | 729 | 1,313 | 2,327 |
| Total Equity & Liabilities | 8,772 | 12,037 | 18,219 | 22,622 | 21,813 |
| Gross block | 3,897 | 5,607 | 9,821 | 18,821 | 7,571 |
| Accumulated depreciation | 422 | 651 | 977 | 1,487 | 2,146 |
| Net Block | 3,475 | 4,956 | 8,844 | 17,334 | 5,424 |
| CWIP | 358 | 1,089 | 550 | - | - |
| Intangible and others | - | - | - | - | - |
| Other non-current assets | 139 | 728 | 728 | 728 | 728 |
| Investments | 768 | 5 | 5 | 5 | 5 |
| Trade receivables | 1,774 | 2,817 | 2,026 | 3,917 | 4,889 |
| Inventories | 2,930 | 3,824 | 2,660 | 5,003 | 6,627 |
| Cash & Cash equivalents | 207 | 125 | 5,707 | 1,574 | 11,706 |
| Other current assets | 887 | 1,070 | 858 | 257 | 257 |
| Total current assets | 6,558 | 7,837 | 11,251 | 10,750 | 23,479 |
| Trade payables | 1,566 | 1,446 | 1,681 | 3,555 | 4,617 |
| Other current liabilities | 201 | 1,131 | 1,476 | 2,639 | 3,205 |
| Total current liabilities | 1,766 | 2,577 | 3,158 | 6,194 | 7,823 |
| Total Assets | 8,772 | 12,037 | 18,219 | 22,622 | 21,813 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Cash flow

| Y/E March (Rsmn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| PBT | 710 | 528 | 625 | 1,238 | 2,485 |
| Depreciation | 162 | 229 | 326 | 510 | 660 |
| Interest | 289 | 421 | 542 | 720 | 810 |
| Other adjustments | 9 | -84 | -70 | -251 | -405 |
| Change in Working capital | -1,359 | -1,288 | 2,749 | -596 | -968 |
| Tax paid | -115 | -98 | -158 | -364 | -702 |
| Operating cash flow | -304 | -292 | 4,013 | 1,257 | 1,878 |
| Capex | -785 | -3,028 | -3,675 | -8,450 | 11,250 |
| Free cash flow | -1,089 | -3,319 | 339 | -7,193 | 13,128 |
| Other investing activities | -159 | 872 | 70 | 251 | 405 |
| Investing cash flow | -945 | -2,156 | -3,605 | -8,199 | 11,655 |
| Issuance of share capital | - | 2,467 | - | - | - |
| Movement of Debt | 1,361 | 313 | 5,565 | 3,000 | -3,500 |
| Dividend paid (incl DDT) | -69 | -75 | 151 | 528 | 908 |
| Other financing activities | -289 | -340 | -542 | -720 | -810 |
| Financing cash flow | 1,003 | 2,365 | 5,174 | 2,808 | -3,402 |
| Net change in cash flow | -245 | -82 | 5,582 | -4,134 | 10,132 |
| Opening C&CE | 452 | 207 | 125 | 5,707 | 1,574 |
| Closing C&CE | 207 | 125 | 5,707 | 1,574 | 11,706 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Key ratios

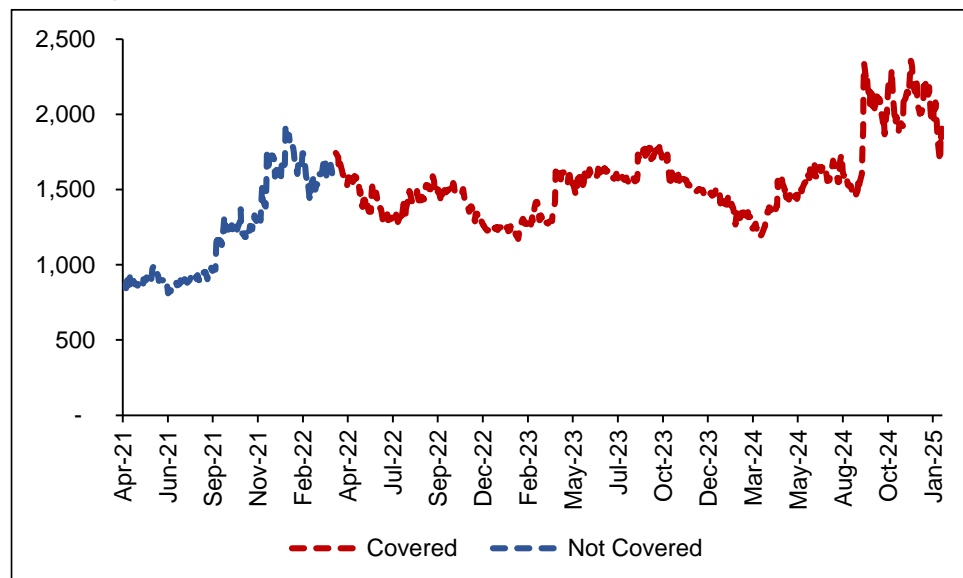
| Y/E March | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------------------|-------|-------|-------|-------|-------|
| Per share (Rs) | | | | | |
| Adj EPS | 20.0 | 13.5 | 17.7 | 33.2 | 67.6 |
| Book value | 206.8 | 325.8 | 342.4 | 377.5 | 449.4 |
| DPS | 3.0 | 3.0 | 2.1 | 4.0 | 8.1 |
| Valuation (x) | | | | | |
| P/Sales | 7.1 | 7.1 | 5.9 | 3.9 | 2.5 |
| EV/EBITDA | 46.1 | 47.8 | 37.0 | 26.9 | 13.0 |
| P/E | 104.3 | 154.7 | 118.3 | 63.0 | 30.9 |
| P/BV | 10.1 | 6.4 | 6.1 | 5.5 | 4.7 |
| Return ratios (%) | | | | | |
| RoCE | 8.9 | 5.9 | 5.6 | 6.2 | 10.2 |
| RoCE (pre-tax) | 12.6 | 8.7 | 7.6 | 8.8 | 14.2 |
| RoE | 10.7 | 5.2 | 5.7 | 8.0 | 14.8 |
| RoIC | 9.6 | 6.1 | 6.5 | 6.9 | 12.1 |
| Profitability ratios (%) | | | | | |
| Gross margin | 43.4 | 44.6 | 44.4 | 45.0 | 45.0 |
| EBITDA margin | 16.3 | 15.9 | 17.3 | 17.9 | 17.9 |
| PAT margin | 7.2 | 5.1 | 5.6 | 6.9 | 8.8 |
| Liquidity ratios (%) | | | | | |
| Current ratio | 1.6 | 1.5 | 1.5 | 0.9 | 2.0 |
| Quick ratio | 0.9 | 0.8 | 1.1 | 0.5 | 1.4 |
| Solvency ratio (%) | | | | | |
| Net Debt to Equity ratio | 0.6 | 0.5 | 0.5 | 1.2 | -0.3 |
| Turnover ratios | | | | | |
| Fixed asset turnover ratio (x) | 2.0 | 1.5 | 1.1 | 0.9 | 1.5 |
| Debtor days | 76 | 121 | 108 | 88 | 81 |
| Inventory days | 130 | 178 | 144 | 113 | 107 |
| Creditor days | 68 | 80 | 69 | 77 | 75 |
| Net Working capital days | 138 | 220 | 182 | 123 | 113 |

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

| Date | Rating | Market price (Rs) | Target price (Rs) |
|-------------------|--------|-------------------|-------------------|
| 31 March 2022 | Buy | 1,655 | 2,000 |
| 16 May 2022 | Buy | 1,385 | 1,600 |
| 9 August 2022 | Buy | 1,427 | 1,640 |
| 19 September 2022 | Hold | 1,510 | 1,600 |
| 8 November 2022 | Hold | 1,412 | 1,570 |
| 13 February 2023 | Buy | 1,299 | 1,500 |
| 22 March 2023 | Hold | 1,301 | 1,300 |
| 15 May 2023 | Hold | 1,473 | 1,400 |
| 07 August 2023 | Hold | 1,566 | 1,600 |
| 28 September 2023 | Hold | 1,747 | 1,800 |
| 09 November 2023 | Hold | 1,546 | 1,600 |
| 12 February 2024 | Hold | 1,280 | 1,300 |
| 2 May 2024 | Hold | 1,585 | 1,550 |
| 9 August 2024 | Hold | 1,556 | 1,550 |
| 13 November 2024 | Hold | 2,024 | 2,000 |
| 4 February 2025 | Hold | 2,090 | 2,000 |

Rating Chart



DISCLOSURES

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BUY > 15%

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