Neogen Chemicals Limited (NEOCHE)

ICICI Direct

CMP: ₹2,050 | Target ₹ 2,460 (20%) | Target Period: 12 months

BUY

July 29, 2026

Result Update

Strong base performance; Battery business expected to generate momentum…

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, polymers additives and water treatment chemicals.
- As the per the new strategy to address the opportunities emanating from EV ecosystem, it has earmarked a capex of ₹1,795 crore for the Lithium battery materials business with a strategic tie-up with Japanese companies.

Result Performance and Investment Rationale:

- **Neogen Q1FY27 – Strong print driven by both segments:** revenue stood at ₹250.3 crore, up 34% YoY. Segment wise, Organic Chemicals (78% of revenues) were up 18% to ₹194 crore. Inorganic Chemicals (22% of revenues) grew 154% to ₹57 crore. GPM came in at 46.6% up ~100 bps YoY. EBITDA came in at ₹48.2 crore, up 53% YoY translating to margins of 19.3%, up ~240 bps YoY. Finance cost stood at ₹21 crore, up 64% YoY, driven by higher debt drawdown to fund ongoing CAPEX and increased working capital intensity. PAT for the quarter stood at ₹17 crore, up ~67%. Company delivered a resilient performance despite the temporary shutdown at its Dahej plant, supported by efficient utilization of toll manufacturing facilities (other contract manufacturers) that ensured business continuity. Growth was led by robust traction in the Organolithium portfolio (part of Organic Chemicals), aided by higher plant throughput, while a favourable product mix helped sustain margins. The company also reported record quarterly revenues in both its Organolithium and Battery Chemicals (part of Inorganic Chemicals) sub-segments, alongside healthy volume growth. Additionally, the company has a net insurance claim receivable of ₹186 crore. Till date it has already received ₹164 crore.
- **Base business stable; Ground set for traction in battery materials** – The base business outlook, driven by bromine and lithium price dynamics, continued to be stable amid some macro volatility. The management has increased FY27 standalone revenues guidance to ~₹1000 crore from ₹875–950 crore, owing to strong momentum in organolithium and lithium compounds. In the battery materials segment (Neogen Ionics), the company expects revenues to exceed ₹300 crore in FY27, with most of the ramp-up expected in H2FY27 as customer qualifications and commissioning activities progress. Besides this, the company plans to raise ₹600 crore (we have baked in a hypothetical price of ₹2000/share for our estimates) primarily to be utilized for deleveraging and strengthening balance sheet as the company prepares for next leg of opportunities. The company remains a risky but an interesting proposition, with an eco-system ready to target EV opportunities but with a significant capex front-loading and a high leverage.

Rating and Target Price: We maintain our BUY Rating with TP of ₹2460 based on 18x FY28E EBITDA.

NEOGEN CHEMICALS LTD.

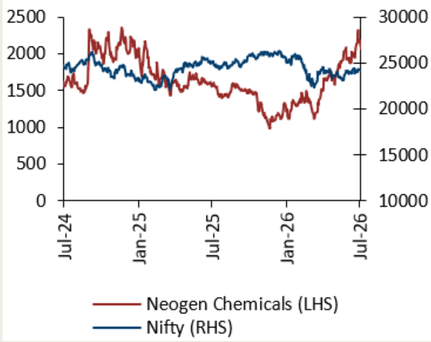
Particulars

Particular	₹ crore
Market Capitalization	5,547
Total Debt (FY26)	1,330
Cash & Invests (FY26)	5
EV	6,872
52-week H/L (₹)	2374/967
Equity capital (₹)	26.4
Face value (₹)	10

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	51.2	51.2	51.2	53.0
FII	5.1	4.6	4.5	4.1
DII	25.2	22.0	22.6	19.6
Other	18.4	22.2	21.7	23.3

Price Chart



Key risks

- Delay in offtake of battery chemicals business.
- Significant leverage on balance sheet.

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Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Revenue	690.7	777.6	862.0	11.7%	1,209.5	2,293.5	63.1%
EBITDA	110.1	136.3	137.3	11.7%	199.6	412.8	73.4%
EBITDA Margins (%)	15.9%	17.5%	15.9%		16.5%	18.0%	
Adj.PAT	35.6	48.9	28.8		37.8	193.9	159.7%
Adj. EPS (₹)	13.5	18.5	10.9		12.4	63.8	
EV/EBITDA	52.6x	43.8x	49.0x		33.4x	15.0x	
RoCE	8.2%	8.3%	5.4%		4.9%	11.8%	

Source: Company, ICICI Direct Research

Q1FY27 Earnings Conference Call Highlights

Battery Chemicals Business-

- For the Electrolytes business, the commercialization depends mainly on the Indian gigafactories. In the current situation, one gigafactory has already begun large-scale production, second factory has started trial production and two additional gigafactories are expected before FY27 end.
- Management sounded significantly more confident on salts, as four global electrolyte manufacturers have already approved Neogen's manufacturing site, Customers are transitioning away from Chinese supply chains due to US non-FEOC regulations.
- Management highlighted FY28 salts capacity utilization should be ~70-80%.
- Current battery **CAPEX under execution can support revenue of ₹2,400-₹2,900 crore, with the target being full capacity utilization by FY29.**
- The current capacity is designed for ~30 GWh electrolyte and ~40 GWh electrolyte salts.
- Management emphasized this addresses only a fraction of India's expected demand, **as Government projections state that current battery demand is 33 GWh currently; 92 GWh by 2027; 200 GWh by 2032.**
- On the Non-FEOC opportunity, Four out of five major US electrolyte manufacturers have approved Neogen's facilities, which gives them access to nearly the entire US electrolyte market.

Pricing Commentary-

- Cost pass-through mechanisms have been successfully initiated with customers for key raw materials and input costs to safeguard operating margins.
- Battery chemical pricing is fixed based on a lithium-based formula, **with stable lithium carbonate prices expected between US$15 to US$25.**
- During Q2 and Q3, some customers may require special pricing, potentially lower than the long-term formula price, to secure volumes as they transition from Chinese suppliers.
- Current China spot prices for lithium are lower than the company's formula price, though the difference has significantly reduced compared to 2024 and 2025.
- The company aims for all battery chemical sales to be under contracted terms by Q4 of the current financial year, moving away from volatile spot market dependency.
- In terms of legacy business pricing, Q1 growth was predominantly driven by volumes. Management indicated ~₹15 crore, growth came from higher lithium/raw material pricing.

Guidance-

- Management increased **standalone revenue (base business) guidance for FY27, from the earlier ₹875-950 crore to ₹950-1,050 crore now.**
- Key reasons behind the upgrade are: (i) Organolithium plant reached full utilization during Q1FY26, (ii) Strong demand across speciality chemicals, (ii) Better Volume visibility across core products.
- FY28 standalone revenue could grow another 10-15% **implying ~₹1,100-₹1,200 crore; although formal guidance will be issued later.**
- The legacy business FY27 EBITDA margin guidance is maintained at 18% ±1–1.5%. Despite, Dahej restart expenses, toll manufacturing expenses, freight inflation, FY28 objective is to move towards 18-20% EBITDA margins.
- For the Battery Chemicals Business, **the guidance is maintained at ₹300 crore**, with ~₹200 crore coming from Lithium Electrolyte salts and ₹100 crore from Electrolytes.
- For the Battery business, the management refrained from EBITDA guidance because lithium prices fluctuate and capacity utilization will be uneven initially. Instead, management guided towards, **20% ROCE at full utilization, on ~₹1,800 crore invested capital.**

QIP and Capital Allocation

- **Board approved ₹600 crore QIP**, with an aim to deleverage balance sheet, reduce finance costs, fund future organolithium expansion, invest in advance battery R&D.
- If the raised funds are used entirely for debt reduction, then the annual interest savings could be ~₹40-50 crore.
- The entire ₹1,800 crore CAPEX for battery chemicals is expected to be completed by the end of FY27, funded by remaining debt, Morita's contribution of US$ 20 million expected to come around Q2-Q3FY27, and ₹30-40 crore equity from Neogen.

Insurance Recovery & Pakhajan Initiation

- The company has recovered ₹164 crore so far. Outstanding receivable stands at ₹186 crore
- The management aims to commercialize the Pakhajan plant during H2FY27. However, if operational earlier, it could offset any delay in domestic electrolyte demand through additional salt production.

Exhibit 1: Proposed Manufacturing Setup

			Planned Capacities	
Manufacturing Locations	**Land Area**	**Year**	**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**

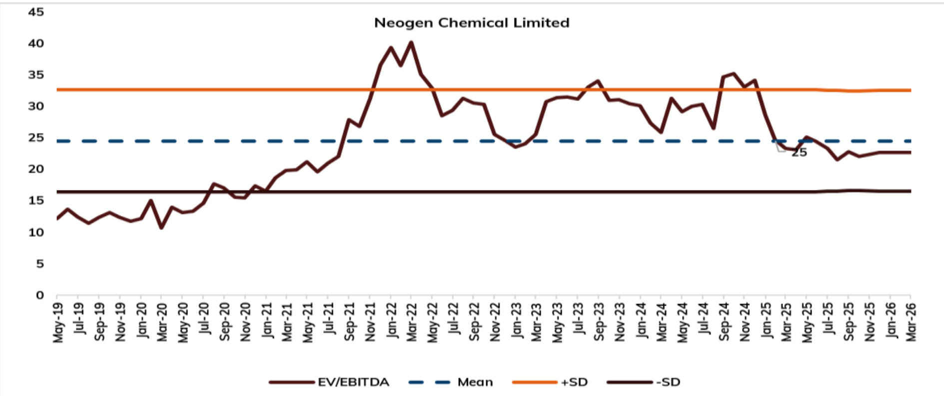
Source: Company, ICICI Direct Research

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, ICICI Direct Research

Exhibit 3: 2 year forward EV/EBITDA band



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Total Operating Income	**777.6**	**862.0**	**1,209.5**	**2,293.5**
Growth (%)	12.6	10.9	40.3	89.6
Raw Material Expenses	423.1	466.5	653.1	1,238.5
Gross Profit	**354.5**	**395.5**	**556.4**	**1,055.0**
Employee Cost	64.8	90.1	108.9	183.5
Other Operating Expenses	153.3	168.1	247.9	458.7
EBITDA	**136.3**	**137.3**	**199.6**	**412.8**
Growth (%)	23.9	0.7	45.4	106.9
Other Income	4.0	6.1	3.0	3.0
EBITDA, including OI	**140.3**	**143.4**	**202.6**	**415.8**
Depreciation	27.8	27.5	61.8	98.9
Net Interest Exp.	48.5	75.1	90.4	58.4
Other exceptional items	-14.1	0.0	0.0	0.0
PBT	**50.0**	**40.8**	**50.4**	**258.5**
Total Tax	15.3	12.3	12.6	64.6
Tax Rate	30.7%	30.2%	25.0%	25.0%
PAT	**34.6**	**28.5**	**37.8**	**193.9**
Adj.PAT after Minority interest	48.9	28.8	37.8	193.9
Adj. EPS (₹)	18.5	10.9	12.4	63.8
Shares Outstanding	2.6	2.6	3.0	3.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
PBT & Extraordinary	50.2	41.1	50.4	258.5
Depreciation	27.8	27.5	61.8	98.9
After other adjustments				
(Inc) / Dec in Working Capital	64.7	-357.0	465.1	287.2
Taxes	-12.3	-19.7	-12.6	-64.6
Others	65.6	76.5	90.4	-48.0
CF from operating activities	**196.0**	**-231.5**	**655.1**	**532.0**
Purchase of Fixed Assets	-317.7	-555.7	-792.9	-100.0
Others	1.1	145.5	186.0	0.0
CF from investing activities	**-316.6**	**-410.3**	**-606.9**	**-100.0**
Proceeds from issue of shares	0.0	-0.8	601.0	0.0
Borrowings (Net)	166.2	754.4	-400.0	-400.0
Others	-53.1	-111.9	240.5	38.9
CF from financing activities	**113.1**	**641.7**	**441.5**	**-361.1**
Net cash flow	-7.5	0.0	489.7	70.9
Effects of foreign currency translation	0.0	0.0	0.0	0.0
Opening Cash	12.5	5.0	5.0	494.6
Closing Cash	**5.0**	**5.0**	**494.6**	**565.5**

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Liabilities				
Share Capital	26.4	26.4	30.4	30.4
Reserves	763.0	789.9	1,941.6	2,125.3
Total Shareholders Funds	**789.4**	**816.3**	**1,971.9**	**2,155.7**
Minority Interest	0.0	0.0	0.0	0.0
Long Term Borrowings	170.1	819.2	419.2	19.2
Net Deferred Tax liability	17.4	12.0	12.3	12.5
Other long term liabilities	25.9	54.2	76.0	144.1
Long term provisions	11.1	12.6	17.7	702.1
Current Liabilities and Provisions				
Short term borrowings	395.9	510.7	510.7	510.7
Trade Payables	263.2	442.1	463.9	628.4
Other Current Liabilities	62.9	224.8	315.5	598.2
Short Term Provisions	11.4	10.0	14.0	26.5
Total Current Liabilities	733.4	1,187.7	1,304.1	1,763.8
Total Liabilities	**1,747.3**	**2,901.9**	**3,801.1**	**4,797.4**
Assets				
Net Block	403.9	474.8	1,963.0	1,964.1
Capital Work in Progress	156.2	857.1	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	34.3	48.1	91.2
Other Non Current Assets	173.2	142.7	200.3	379.8
Current Assets, Loans & Advances				
Current Investments	0.0	0.0	0.0	0.0
Inventories	309.1	568.2	430.8	754.0
Sundry Debtors	200.2	380.4	397.6	628.4
Cash and Bank	5.0	5.0	494.6	565.5
Loans and Advances	0.4	0.4	0.4	0.4
Other Current assets	485.1	438.6	165.7	314.2
Current Assets	999.8	1,392.5	1,489.1	2,262.4
Total Assets	**1,747.3**	**2,901.9**	**3,800.9**	**4,797.9**

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

Year end March	FY25	FY26	FY27E	FY28E
Per share data (₹)	-	-	-	-
Adj. EPS	13.2	10.9	12.4	63.8
Adj. Cash EPS	23.7	21.3	32.8	96.4
BV	299.2	309.4	649.1	709.6
DPS	3.0	3.0	3.0	3.0
Operating Ratios (%)	-	-	-	-
Gross Margin (%)	45.6	45.9	46.0	46.0
EBITDA Margin (%)	17.5	15.9	16.5	18.0
PAT Margin (%)	6.3	3.3	3.1	8.5
Asset Turnover	1.6	1.4	0.6	1.0
Debtor Days	94	161	120	100
Inventory Days	145	241	130	120
Creditor Days	124	187	140	100
Cash Conversion Cycle	116	214	110	120
Return Ratios (%)	-	-	-	-
Return on Assets (%)	2.8	1.0	1.0	4.0
RoCE (%)	8.3	5.4	4.9	11.8
Core RoIC (%)	9.1	8.5	6.0	15.5
RoE (%)	6.2	3.5	1.9	9.0
Solvency Ratios	-	-	-	-
Total Debt / Equity	0.7	1.6	0.5	0.2
Debt / EBITDA	4.2	9.7	4.7	1.3
Interest Coverage	2.3	1.5	1.6	5.4
Current Ratio	1.4	1.2	1.1	1.3
Quick Ratio	0.9	0.7	0.8	0.9
Valuation Ratios (x)	-	-	-	-
EV/EBITDA	43.8	49.0	33.4	15.0
P/E	155.3	188.1	164.8	32.1
P/B	6.9	6.6	3.2	2.9
EV/Sales	7.7	7.8	5.5	2.7

Source: Company, ICICI Direct Research

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Sell: <-15%

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