

September 28, 2026

QIP to strengthen balance sheet; well set for momentum in battery chemicals...

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.

Investment Rationale:

- Strengthening of balance sheet to ward off leverage overhang :** Neogen recently completed its ₹600 crore QIP at ₹2,255/share, aimed at deleveraging, reducing finance costs, funding future organolithium expansion and advancing battery R&D. The issue was over-subscribed 6.5x, with participation from marquee investors including ICICI Prudential MF, Invesco MF, Mirae Asset MF, SBI Life, White Oak, Axis MF and ADIA, providing meaningful financial headroom. Further, subsidiary Neogen Morita New Materials (NML) recently raised ~₹77 crore through issuance of 7.2 lakh shares at ₹1,066.66/share to Morita Investment, with a further ~₹90-95 crore infusion expected in due course to support its advanced battery-materials/electrolyte business. Along with ~₹186 crore of outstanding insurance receivables, we believe these important and timely cash inflows have materially strengthened Neogen's balance sheet and address a key investor concern, while providing greater flexibility to fund its next leg of growth. The development has also been endorsed by CRISIL in its latest upgrade of long-term bank loan facilities and non-convertible debentures (NCDs) of Neogen Chemicals to 'Stable' from 'Negative'.
- 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 FY27 standalone revenues guidance of ~₹1000 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. Exide recently commissioned Phase-I 6 GWh lithium-ion cell manufacturing facility in Bengaluru and Neogen management has specially mentioned the name of Exide in the past. Although the scenario is expected to be competitive (Initial supplies from Chinese players at the behest of Chinese technology), we believe Neogen has the required capabilities both in Electrolytes and Salts to cater to the requirements for Exide and others. The company remains interesting proposition, with an eco-system ready to target EV opportunities but with a significant capex front-loading.

Rating and Target Price: We maintain our BUY Rating with TP of ₹2765 based on 20x FY28E EBITDA.

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		42.3	207.4	168.6%
Adj. EPS (₹)	13.5	18.5	10.9		14.1	69.0	
EV/EBITDA	60.6x	50.3x	55.5x		38.1x	17.2x	
RoCE	8.2%	8.3%	5.4%		5.1%	13.2%	

Source: Company, ICICI Direct Research



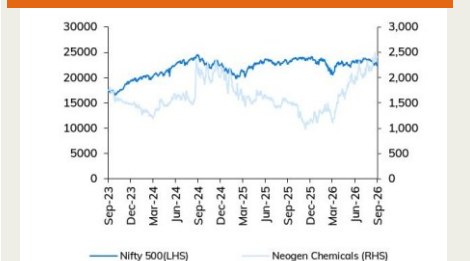
Particulars

Particular	₹ crore
Market Capitalization	7,165
Total Debt (FY26)	1,330
Cash & Invests (FY26)	5
EV	8,490
52-week H/L (₹)	2500 /967
Equity capital (₹) *Post Dilution	30.0
Face value (₹)	10

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	51.2	51.2	53.0	48.3
FII	4.6	4.5	4.1	4.5
DII	22.0	22.6	19.6	23.4
Other	22.2	21.7	23.3	23.8

Price Chart



Key risks

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

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Exhibit 1: Proposed Manufacturing Setup

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

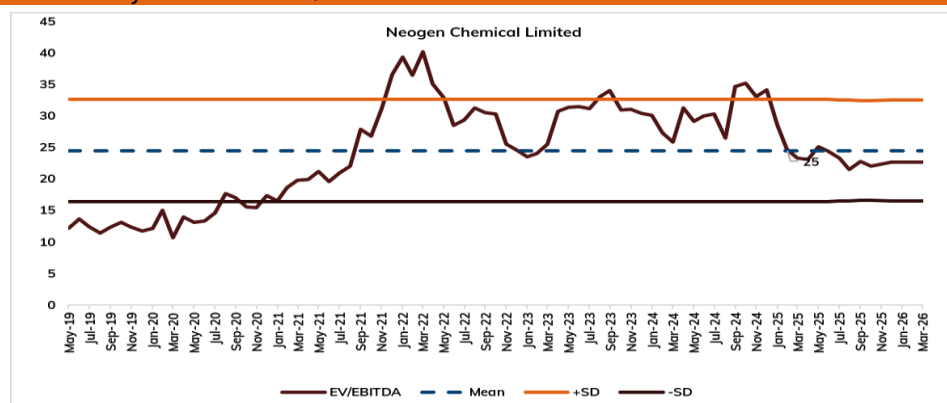
Source: Company, ICICI Direct Research

Exhibit 2: Demand Estimates for the Indian Market

Demand Estimates for the Indian Market		
		FY27
		FY30
Lithium Cell Demand (GWh)		60
Electrolyte Demand		150000
Salt Demand		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	84.4	40.4
Other exceptional items	-14.1	0.0	0.0	0.0
PBT	50.0	40.8	56.4	276.5
Total Tax	15.3	12.3	14.1	69.1
Tax Rate	30.7%	30.2%	25.0%	25.0%
PAT	34.6	28.5	42.3	207.4
Adj.PAT after Min. interest	48.9	28.8	42.3	207.4
Adj. EPS (₹)	18.5	10.9	14.1	69.0
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	56.4	276.5
Depreciation	27.8	27.5	61.8	98.9
After other adjustments				
(Inc) / Dec in Wor. Capital	64.7	-357.0	465.1	287.2
Taxes	-12.3	-19.7	-14.1	-69.1
Others	65.6	76.5	84.4	-66.0
CF from operating activities	196.0	-231.5	653.6	527.5
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	0.0	-0.8	600.0	0.0
Borrowings (Net)	166.2	754.4	-550.0	-550.0
Others	-53.1	-111.9	246.6	57.0
CF from financing activities	113.1	641.7	296.6	-493.0
Net cash flow	-7.5	0.0	343.3	-65.5
Foreign currency translation	0.0	0.0	0.0	0.0
Opening Cash	12.5	5.0	5.0	348.2
Closing Cash	5.0	5.0	348.2	282.7

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet

₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Liabilities				
Share Capital	26.4	26.4	30.0	30.0
Reserves	763.0	789.9	1,945.2	2,143.5
Total Shareholders Funds	789.4	816.3	1,975.2	2,173.6
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	360.7	210.7
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	1,154.1	1,463.8
Total Liabilities	1,747.3	2,901.9	3,654.4	4,515.3
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	348.2	282.7
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	1,342.6	1,979.6
Total Assets	1,747.3	2,901.9	3,654.5	4,515.1

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	14.1	69.0
Adj. Cash EPS	23.7	21.3	34.6	102.0
BV	299.2	309.4	657.5	723.5
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	3.5	9.0
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	1.2	4.6
RoCE (%)	8.3	5.4	5.1	13.2
Core RoIC (%)	9.1	8.5	6.0	15.5
RoE (%)	6.2	3.5	2.1	9.5
Solvency Ratios				
Total Debt / Equity	0.7	1.6	0.4	0.1
Debt / EBITDA	4.2	9.7	3.9	0.6
Interest Coverage	2.3	1.5	1.7	7.8
Current Ratio	1.4	1.2	1.2	1.4
Quick Ratio	0.9	0.7	0.8	0.8
Valuation Ratios (x)				
EV/EBITDA	50.3	55.5	38.1	17.2
P/E	180.6	218.8	169.4	34.5
P/B	8.0	7.7	3.6	3.3
EV/Sales	8.8	8.8	6.3	3.1

Source: Company, ICICI Direct Research

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