

## Neogen Chemicals (NEOGEN) – BUY

### Company Update

Current Market Price (CMP) <b>Rs.1,480</b>	Fair Value (FV) <b>Rs.1,870</b>
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### Rationale:

- Much-improved earnings for Q4FY24, following a particularly weak Q3FY24.
- First phase of battery chemicals capacity commissioned.
- The expansion plan on track for H2FY26; the growth story remains on track.
- Working capital remains a concern.
- Positive outlook for growth across both battery chemicals and base business.
- Make modest revisions post results; revise DCF based FV to Rs1,870.

(CSM-Custom Synthesis Manufacturing; DCF-Discounted Cash Flow)

### Company Update:

#### **Positives:**

- Our positive thesis predicated on expected ramp-up in sales of electrolytes in India.
- Neogen's technology tie-up with MUIS likely bolsters its credibility even further.
- Good chances for a foray into other segments of the battery chemicals industry.
- See potential for the CSM business to scale up meaningfully in years to come.
- Organolithium via BuLi Chemicals to also play a big role in driving growth.

#### **Negatives:**

- Balance sheet strains remain the main concern.
- Working capital days increased further to 275 days (from 167 in FY23).

[Click here](#)

For detailed report dated 3<sup>rd</sup> May 2024. Note: CMP & valuation may differ due to difference in dates.



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