

Neogen Chemicals (NEOGEN) - ADD

Q4FY26 Result Update

Current Market Price (CMP) Rs.1691	Fair Value (FV) Rs.1770
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Rationale:

- Reported improved results despite an insignificant contribution from battery chemicals.
- Inorganic chemicals benefited from firmness in lithium.
- Capex for the battery chemicals projects has been revised higher and timelines pushed back by a couple of quarters.
- This may not matter much if customer approvals come in by end-FY27.
- We cut rating to ADD following sharp run-up in the stock with a revised FV of Rs1,770.

👍 Positives:

- Consolidated revenues grew 12.1% qoq (22% yoy), driven primarily by the inorganic chemicals business.
- Inorganic chemicals business grew 61% qoq and 141% yoy amid a spike in prices of lithium derivatives.
- Operating leverage helped EBITDA margins expand 330 bps qoq to 17.8%.
- Management kept revenue guidance for Neogen Ionics unchanged at ~Rs300 cr for FY27, albeit back-ended.
- FY28 revenues from Ionics are anticipated in the range of ~Rs1200-1400 cr.
- Management guided to 18-20% RoCE even after the revision in capex.

👎 Negatives:

- Gross margins fell due to higher input costs.
- Net debt stood at ~Rs1300 cr at year-end, up from ~Rs530 cr in FY25.

(EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation; ROCE = Return on Capital Employed)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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