May 26, 2025

BSE Limited
Department of Corporate Services
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street, Kala Ghoda, Fort, Mumbai 400 001
Scrip Code No: 542665

National Stock Exchange of India Limited
Listing Department, Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051
Company Symbol: NEOGEN

Sub.: Q4 & FY25 - Earnings Conference Call Transcript.

Dear Sir/ Madam,

With reference to the captioned subject, please find enclosed herewith the Earnings Conference Call Transcript of the Company's Q4 & FY25 Earnings Conference Call held on May 19, 2025.

The transcript is also being uploaded on the company's website at https://neogenchem.com/financial-performance/.

Kindly take the same on your record.

Thanking you,
Yours faithfully,
For Neogen Chemicals Limited

UNNATI RAJESH KANANI
Digitally signed by UNNATI RAJESH KANANI
Date: 2025.05.26 14:28:43 +05'30'

Unnati Kanani
Company Secretary and Compliance Officer
Membership No. A35131

Encl: As above

Neogen Chemicals Limited

Q4 FY25 Earnings Conference Call Transcript
May 19, 2025

Moderator: Ladies and gentlemen, good day and welcome to Neogen Chemicals Limited's Q4 FY25 Earnings Conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you, and over to you.

Nishid Solanki: Thank you. Good evening everyone, and welcome to Neogen Chemicals' Q4 FY25 Earnings Conference Call for analysts and investors. Today, we are joined by senior members of the management team including Dr. Harin Kanani – Managing Director; Mr. Anurag Surana – Director and Mr. Gopikrishnan Sarathy – Chief Financial Officer. We will commence the call with opening thoughts from the management team, post which we shall open the forum for Q&A, where the management will be addressing queries of the participants.

Before we commence, I would like to share our standard disclaimer. Certain statements made or discussed on the conference call today may be forward-looking statements. The actual results may vary from these forward-looking statements. A detailed disclaimer in this regard is available in Neogen Chemicals' Q4 FY25 earnings presentation, which has been shared earlier and uploaded on the stock exchange websites.

I would now like to invite Dr. Harin Kanani to share his perspectives. Thank you, and over to you sir.

Dr. Harin Kanani: Thank you, Nishid. Good evening everyone, and welcome to our Earnings Call for Q4 and full year FY25. We appreciate your taking the time to join us today to discuss our financial performance and provide an update on our strategic initiatives.

I will begin with a review of our performance for Fiscal Year 2025. I am pleased to report that we concluded the year on a positive note, achieving 13% revenue growth and 24% improvement in EBITDA.

This performance is satisfying as we accomplished it against a difficult global industry backdrop, which led to weak pricing trends as well as a fire incident in Neogen Chemicals which happened towards the end of the quarter. Despite these headwinds, we did observe some pockets of domestic demand resilience that helped partly mitigate the impact. Our ability to deliver amidst these challenges was an outcome of our agility with which we swiftly navigated *(the crisis)* by pivoting towards product applications with favorable demands like Semiconductor, Flavor & Fragrance, and select opportunities in Ag-Chem, Pharma, and Industrial CSM, among others.

During the quarter and full year, both organic and inorganic chemical segments demonstrated steady volumes. While global pricing remained a factor, our ability to capture greater market share through increased volumes underscored the strength of our product offering and operational efficiency.

Now before providing updates on expansion initiatives, let me share some important developments:

- On March 5, 2025, a fire occurred at Neogen Chemicals, Dahej facility which impacted our main manufacturing plant, MPP-3, warehouse and tank farms. While there were no injuries or casualties, production at the plant had to be suspended. We are fully covered by insurance for both, asset damage and business interruption. To mitigate the impact, we have already shifted production of certain products to our other sites, subject to customer approvals and construction has commenced for the replacement plant at an adjacent location within the same site which will be operational by Q4 FY26. While this incident has necessitated a revision of our FY26 revenue guidance of Rs. 775 crore to Rs. 850 crore, we are taking all necessary steps to restore normalcy and minimize disruption.
- Following EC approval for brownfield expansion, we have more than doubled the capacity of BuLi Chemical Facilities at Patancheru, Hyderabad from 120 metric tonnes active to 300 metric tonnes active through de-bottlenecking. This enhances our manufacturing capability for critical organolithium compounds which are essential reagents in the production of complex pharma, agrochemical and semiconductor intermediates.
- In another major development, we are incorporating a wholly-owned subsidiary of Neogen Ionics, namely, Neogen Morita New Materials Limited, subject to the name approval by ROC. The objective is to address growth opportunities in lithium-ion battery material space, especially related to electrolyte salts needed for internal consumption for electrolytes as well as to meet global market demand. In addition to this, Neogen Ionics Limited is in advanced discussion with Morita Chemical Industries Company Limited of Japan for formation of a joint venture company in India. And to facilitate the same, Neogen Ionics is in the process of formation of this wholly-owned subsidiary.

Shifting our focus to strategic growth drivers, I will now provide update on expansion initiatives:

- New capacity of 400 metric tonnes per annum of lithium electrolyte salts and additives, and 2,000 metric tonnes of electrolyte for Dahej.

- For salts, 200 metric tonnes per annum capacity has been commissioned with the first approved material already shipped to the customers. Trial production is ongoing for another 200 metric tonnes per annum. Further expansion of salts includes 1,100 metric tonnes to be commissioned by September 2025, and another 1,000 metric tonnes by March 2026
- For electrolyte, 2,000 metric tonnes has been fully commissioned. A major ACC battery manufacturer has commenced trial production and commercial production is expected to begin by Q1 or Q2 FY26, and our initial capacity is well aligned with their requirement

Update on Greenfield Battery Materials facility using MUIS technology:

- Construction is moving swiftly with civil work erection and engineering phase nearing completion. The modular plant is also nearly completed with structural work substantially finished. Concurrently, equipment assembly and installation are also nearing end. Major equipment has been assembled by MUIS and is expected to arrive on site by Q2 FY26, thereby accelerating plant installation. Based on this progress, we remain on track to commission the facility by March 2026 or earlier.

This project will fast track our entry into high growth lithium-ion battery material segment, crucial for India's EV and energy storage industries. By becoming a domestic manufacturer at scale, Neogen can capture substantial market share, reduce India's import dependence and leverage our first mover advantage with proven global technology. This strategic move not only diversifies our revenue streams and enhances our value proposition, but also positions Neogen as a critical supplier within the advanced battery supply chain, contributing to further growth and profitability.

Though FY25 had its difficulties, the future of Neogen Chemicals looks promising. We are strategically positioned to capitalize on our profound expertise in multiple chemistries to fuel sustained growth. Our approach involves a dual focus - continued emphasis on higher value specialty chemicals in which we excel and significant new impetus from our developing lithium-ion battery material segment. Overall, we are confident in our ability to continue to deliver value to our shareholders through strategic execution, innovation and unwavering commitment to operational excellence.

That concludes my opening remarks. I would now request our CFO, Mr. Gopikrishnan Sarathy to share financial highlights for the period under review.

Gopikrishnan Sarathy: Thank you, Dr. Kanani. Good evening everyone, and welcome to Neogen Chemicals' Q4 & FY25 Earnings Call. I shall now take you through the financial highlights. Please note, all the numbers are on consolidated basis, and are based on year-on-year comparison.

For FY25, our revenue stood at Rs. 778 crore, higher by 13%. This was driven by strong volumes in the core business, including BuLi Chem. This growth came in spite of soft pricing environment as well as unavailability of our Dahej plant for 25 days in the month of March 2025. Neogen Ionics reported a revenue of Rs. 12 crore for FY25. The revenue would have been higher, but for the fire event which led to loss of finished goods inventory.

Organic revenue for the year stood at Rs. 666 crore, reflecting 22% increase, while inorganic revenue stood at Rs. 112 crore. Lower bromine prices on a year-on-year basis impacted the revenue trajectory in Organic Chemicals. Had they remained stable, Organic revenue for FY25 would have been higher by Rs. 81 crore. Likewise, lithium prices also witnessed a decline on a year-on-year basis. Adjusting for this decrease, Inorganic revenue would have been higher by Rs. 16 crore in FY25.

Further, EBITDA stood at Rs. 136 crore, grew by 24%. This was driven by operating leverage from higher volume and supported by our continued focus on cost optimization. As a result, EBITDA margin improved to 17.5% in FY25, an increase of 160 basis points over that of FY24. PAT for FY25 stood at Rs. 35 crore, down by 2%. PAT was impacted by the exceptional items charge of Rs. 14 crore for the damage caused to certain PPE, inventory and estimated cost of incidental charges due to the fire incident at our Dahej facility.

Let me also give you a quick summary of Q4 FY25 financials:

For Q4 FY25, we recorded a revenue of Rs. 203 crore, while EBITDA came in at Rs. 36 crore. PAT stood lower at Rs. 2 crore, primarily due to the exceptional factors related to the fire incident explained earlier.

For FY25, we incurred a total CAPEX of Rs. 470 crore in Neogen Ionics, out of the total of Rs. 1,500 crore planned. As of FY25, our total debt stood at Rs. 566 crore, while our networth remained strong at Rs. 789 crore.

With this, I will now request the moderator to open the forum for Q&A. Thank you.

Moderator: Thank you very much. The first question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Okay, so first a few book-keeping questions. If I look at the working capital side, we have seen a significant improvement there, led by both inventory as well as payables being higher. Your thoughts on what could be a sustainable number on the overall basis in individual inventory as well as payables?

Dr. Harin Kanani: As we have said, when we were planning to hit full utilization in FY26, we basically were targeting 140 to 150 days of inventory, and between 75 to 95 days of working capital of the debtors, and similar number we wanted to target on the creditors side, so that our debtors and creditors are balanced, and we reach around 140 - 150 days of total working capital cycle.

Long term, beyond reaching full utilization in FY26, we would like to bring this down to around 110 to 120 days. This is on a standalone basis. And in Neogen Ionics, we are targeting to keep it below 90 days. So, on a consol basis, we would be below 100 days is our long-term target over the next 2 to 3 years.

Ankur Periwal: Sure. And just on the payable side, the sharp jump for the year-end was more a timing issue, and we should be back to that 80-90 days average as you suggested, right?

Dr. Harin Kanani: That's right. Basically, our intention is to ensure that our debtors and creditors are more or less balanced, and we will keep making business decisions and operational decisions to improve the inventory part.

Ankur Periwal: Sure, that's helpful. The second question is on the net block. We see a Y-o-Y reduction in net block, and there is a jump in the advances as well, which to my mind is because of the insurance bit. So, have we written-off the entire gross block there for the new asset? Just trying to understand the accounting treatment.

Dr. Harin Kanani: Yes. May be Gopi can answer this question better.

Gopikrishnan Sarathy: We have written-off the asset to the extent it has been damaged, and the balance utility section, ETP section, admin building, NIL block, all those which have been good have been continued as is, because they are in good condition. Only the MPP-3 and the warehouse have been written-off.

So, the accounting treatment is simple. Basically, as per accounting standard, since the loss has impacted both, the inventory as well as PPE, to the extent it is damaged, I need to recognize the loss. And to the extent we can recover, we have to recognize an insurance claim, which is also elaborated in our notes to the SEBI accounts. So, that's what we have done.

Ankur Periwal: Sure, and the construction of this plant should be done by mid of next financial year.

Dr. Harin Kanani: No, we have given a 9 to 12-month target. So, from the incident, if you look at the fire note that we have circulated, we are targeting for this plant to come on line by Q4 of the current financial year. So, next year we expect the plant to be fully available.

Ankur Periwal: Sure, thank you. And just lastly, on the battery plant ramp-up, any customer approvals that we are looking at as well as the timelines, both at the domestic as well as from the global customers, if you can share your thoughts.

Dr. Harin Kanani: We had visits post the fire because the customers wanted to assess. So, they came and they saw that the battery plant was not affected and the operations here were continuing, except for some inventory we lost, because we had a common inventory storage. So, some raw material and finished goods inventory we had lost, but other than that the plant was running okay. So, both were satisfied.

And on the India Electrolyte side, it depends on the Indian demand ramping up. So, we are just waiting for our customers' demand, we are fully ready. And the progress which we are making in Pakhajan is also in such a way that in 2026, as we have discussed in earlier call, 4 - 5 giga factories would be starting and we should be able to take care of all of their 2026 demands. So, I think Electrolyte business will depend only on the demand side.

And on the salt side, the customers have visited. They have seen the plant, and they said we wanted to do a very detailed audit. So, they have basically planned the detailed audit in the beginning of the second half of the year, and the final approval they are expecting by Q3. So, sometime in Q3 is where the commercial shipment should start.

They have also looked at the progress in Pakhajan. The Pakhajan salt site also we are targeting by Q4. So, mostly the revenue contribution from there will start coming from next year onwards.

The progress which we are making in Dahej for the salt was appreciated by the customers and they, with whatever geopolitical happening, they have asked us to fast track the capacity increase to 2,500 tonnes there, because they want to reduce their dependence on China, starting end of the current calendar year. So, basically Q3 financial year onwards, they would like Neogen to start shipping, and Q4 is where they expect major ramp up there.

As the Indian cell makers' demand increases, we are ready to completely take care of their demand for electrolytes, and they have almost qualified the plant. Only some additional trials are needed, but otherwise there is no challenge on the electrolyte side.

Ankur Periwal: Great, sir. Just one clarification. The ramp up on the salt side, Q3 onwards is largely for the global customers and India is already there. Is that right in that sense?

Dr. Harin Kanani: Salt is only global, right, because otherwise its internal consumption.

Ankur Periwal: Yes, yes. Okay. Fair enough. That's it from my side. Thank you. All the best. Thanks.

Dr. Harin Kanani: Yes. Thank you.

Moderator: Thank you. The next question is from the line of Naushad Chaudhari from Aditya Birla Mutual Fund. Please go ahead.

Naushad Chaudhari: Hi. One question on this fire incident. Out of Rs. 360 crore of loss, how much is for the inventory?

Dr. Harin Kanani: Approximately Rs. 160 crore to Rs. 180 crore would be inventory-related, and the balance is the physical assets.

Naushad Chaudhari: Okay. Second, in the Battery Chemical business, a lot has changed in the last two-three years in terms of overall economics of the business. I have heard your explanation. But in capitalism, no commodity we have seen in the world can have such a huge disparity for a very long period of time, for a short period of time. One country can have different price, other can have different. But over a long period of time, things have to get at equilibrium. So do you think from the point where we had started versus today, the economics of the business has completely changed versus what we were expecting? And we need to rethink how we should see this business?

Dr. Harin Kanani: Thanks for the question. I fully agree with you that over a period of time, most of the countries will have to come to more reasonable numbers which are the right numbers. And we have seen that, if you look at a 4-year, 5-year data of China, there are times when they go very low, but then they go very high basically to make up for that. And then sometimes, there is a period when it's average. So I fully agree with you.

Our view today and most of the people's view today is that because China set up very large capacity thinking of a very bullish not only China trend, but also international trend. Therefore, they kept the prices lower. And if they sustain at this level, we have already started seeing some of the companies, they are the smaller, weaker players, to start exiting the market.

And we believe eventually, and also the demand is not growing, especially outside China at a rate which was estimated. But overall, what we have seen is the demand is still growing. Energy storage is also one very strong growth area which has emerged. And overall, once the demand and supply match out, we expect the prices will become more reasonable and would be higher as compared to what it is today. It is across the value chain. If you look at the price of lithium, if you look at the price of electrolyte salts, or you look at the price of electrolytes.

Having said that, we are right now in two businesses. One is electrolytes for India, and second is electrolytes salts for the international market. Whenever we look at electrolytes in India, we feel because one, there is a necessity that this has to be local. And even if you were to think as compared to international parity, at the same apple to apple, so let's say we are talking 10 KTA to 10 KTA demand or 50 KTA to 50 KTA or 1 KTA to 1 KTA, we feel our price is very much close to what the international price is, the landed cost, if you were to consider. So I think that's very much in line.

If you look internationally, yes, today the salt prices are very low. And we believe these are not sustainable. But the premise there was, are we the cheapest source outside China? And that still remains true that outside China, we remain one of the key cheapest sources.

And with whatever is happening, all the international companies, if you think of within EVs the contribution of the battery; within that you think of contribution of electrolytes, and then you think of contribution of the salt, and that too lithium is something which is anyway a pass-through. So if you think of the manufacturing cost of the salt as a contribution, it's very low in the overall EV or a battery price, but it's very critical. So in case if tomorrow there is any disruption on supply from China, definitely they need a backup source.

So I think we still have that space of a backup. As I told you, even the customers who visited, their question was, Harin, how can you bring up the capacities faster, and not any concern? So they really have that concern. So we feel there's a very strong demand for a non-China supply, and we qualify for that.

Naushad Chaudhari: See because tomorrow your customer also have to fight with somebody for the market. And today, because of the unavailability and discomfort, they might be in aggression to get the new suppliers on board. But eventually, because there is no case study that the one commodity which is not very so difficult to make, can trade at very differential price versus in some other countries. There are many commodities which cannot be transported, but it has to have some parity. So maybe eventually when your customer starts facing this competition, one has to match that. So apart from customers looking for China Plus One, is there any other advantage we Indian players have, which can help us to get the required ROCE from these projects?

Dr. Harin Kanani: Sure. One is China Plus One. Second is the business model. Because historically the way China works is go very low, very high. They don't work on a price plus model. In fact, if you ask them for a price plus model, their price also comes very close to where our prices are.

On top of that, I think these are two factors. And you might have heard recently in our announcement that we have made significant progress in getting into a JV with one of the Japanese companies. They are in this business for the last 30 years. They have two plants in China. They are already making in China. And they have made in China and supplied for last 30 years against Chinese competition in China.

We will have some of the benefit of their 30 years of experience. Their quality is supposed to be among the best, when it comes to electrolyte salt. So we now have advantage of a better quality, which leads to better performance of the final electrolyte, and the battery is made out of that.

On top of that, you would also have experience, which will allow us to further compete in a very aggressive market. And again, you are right that the China price today is very low, but we have faced similar situation in Specialty Chemicals, in Pharma. There are many intermediates for which China reduces the price and then they increase the price. We have sustained against Chinese competition for many of our pharma molecules by having more steady, fair price and giving that option where the customer makes more money over 4-year, 5-year period, once this price is basically recalibrated. So it's a different quality, different price model, and criticality. Everything together makes us still attractive for the customer.

Naushad Chaudhari: Sure, I have a few follow ups. I will come back in the queue. Thank you.

Moderator: Thank you. The next question comes from the line of Abhijit Akella from Kotak Institution Equities. Please go ahead.

Abhijit Akella: Yes, good evening, and thank you so much. First, would it be possible to just share with us the revenue breakdown for the full year Fiscal 2025 please, in terms of Bromine Compounds, Advanced Intermediates, and then the CSM business?

Dr. Harin Kanani: Yes. The Bromine Compounds basically contributed to roughly around 55% of the revenue; and the Advanced Intermediates and CSM together were roughly around 25% of the revenue. Then I think the Inorganic was around 15% of the revenue; and the BuLi was around 10% of the revenue.

Abhijit Akella: Okay. I think it's gone to about 105% actually. So that's fine. Maybe yes, some rounding error somewhere. So just to clarify, the Neogen Ionics business is part of organic or inorganic, in the way we presented?

Dr. Harin Kanani: (Blank Audio) (0:28:30) .. Rs. 12 crore. It would have been higher because majority of the salt shipments, we were planning in the end of the quarter were impacted. So normal quarter would have been somewhere between Rs. 5 crore to Rs. 8 crore additional is what we would have achieved, had the fire not happened.

Abhijit Akella: So Neogen Ionics is part of organic or inorganic?

Dr. Harin Kanani: Inorganic.

Abhijit Akella: Got it. Okay. And also just one sort of book-keeping thing. The Rs. 12 crore revenue for the full year, whereas the difference between consol and standalone revenues is only about Rs. 4 crore. How do we reconcile that?

Dr. Harin Kanani: Some of the raw materials till we directly got approvals, Neogen used to import and then share it, that is, transfer it to Neogen Ionics. So, it's gross.

Abhijit Akella: Okay. Got it.

Dr. Harin Kanani: Yes. I have the revised numbers with me. Gopi just pulled up. So 44% was Bromine Derivatives; around 31% was Advanced Intermediates and Contract; 11% was Organolithium, BuLi; the Inorganic Lithium Compounds was 11%; and the Battery was about 1%.

Abhijit Akella: Thank you. On the Battery Chemicals business, last quarter you had mentioned a revenue target of somewhere around Rs. 300 to Rs. 500 crore for Fiscal 2026. Does that still seem feasible, given the fact that it seems that the Salt approvals are taking maybe a quarter or two longer than we previously thought?

Dr. Harin Kanani: Yes. Rs. 300 to Rs. 500 crore looks now closer to Rs. 300 than Rs. 500 depending on the approvals.

Abhijit Akella: Okay. And also the delay is because of the fire in any way or is it just something to do with the customer schedule?

Dr. Harin Kanani: I think a little bit of both, because for example, the customer was planning, but then the fire happened. So what happens is before their expert teams come for validation, they sent a pre-team to look at the situation, then they come. So maybe like a quarter delay because of that.

Abhijit Akella: Got it. Also for Fiscal 2027, is there any rough number you have in mind? I know it's very, very far away, and it depends on the market, but any rough number we could work with, for revenues, Battery?

Dr. Harin Kanani: Again, internally what we are targeting is, it has to be a 4-digit number. We did single digit last year, we did double digit this year. The target is in the current year, we want to do three digits and the year after four digits. But again, it depends on how much electrolyte market share we get. So that is one of the criteria and how the salt volumes ramp up. The capacity will be there to do Rs. 1,000 crore plus revenue, but how much Rs. 1,000 crore plus is something that we need to decide.

Abhijit Akella: All right, fair enough. I have just one last thing from my side and I will get back in the queue for more. One is just this investment with Morita, any sort of size in terms of CAPEX or something that we would have in mind. And on the margin side, while we have guided to the Rs. 775 to Rs. 850 crore revenue from the base business for FY26, any dent on the margins, because of maybe moving the production around within our plants or somewhere outside as well?

Dr. Harin Kanani: On the first bit, the CAPEX. Basically what will happen is that the salt capacity that we are planning, especially the Pakhajan salt capacity of 3,000 metric tonnes, this will basically be transferred to the joint venture, the subsidiary company. So the overall CAPEX would remain more or less the same.

We are doing the exact alignment of Morita's technology with Neogen. We have already done quite a bit. And based on that, we have even modified some of our existing plants. But the exact overall impact would be done, let's say, as we conclude the JV, and we will then know the exact change, whether positive or negative on the site. But we will basically see what is the total CAPEX.

Overall, the capacity plan remains the same. And the 3,000 tonne, which we are setting up in Pakhajan, and maybe future salt capacities, would be done by this subsidiary JV company. That is what we are targeting.

More or less, we feel it should be similar to what we have guided. The total CAPEX of Neogen Ionics in the battery space will be Rs. 1,500 crore. But as we conclude our discussions and once we have aligned completely, then we will be able to see if there is any revision on the overall CAPEX, and the breakdown on how much will remain with NIL and how much will go in the JV. This we will provide at a later date.

In reference to your second question about margins, broadly speaking, the margin should follow the same trajectory, except as you said, we will have to move around production or do some bit of outsourcing wherever it's permitted. Some impact of that. That should ideally be covered by the business interruption, like the loss on profit policy that we have for insurance, because of any additional costs. The only thing is from an accounting point of view or from an insurance point of view, I don't know when we will be able to recognize that, because normally the loss on profit policy gets completed once the reinstatement is over, because then you know exactly how much profit you lost. Most of that will happen either in Q4 or in the next financial year, we will know. Any margins that we miss, we should be able to cover through that. But I don't know on a quarter-on-quarter basis how it will move. Overall, if we think of it, once you have taken that into account, the 18.5%+/- 1.5% at the Neogen level, we should have that. And Neogen Ionics will be ROCE driven.

Abhijit Akella: Thank you. That's very helpful. I will get back in the queue for more.

Dr. Harin Kanani: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Arun Prasath with Avendus Spark. Please go ahead.

Arun Prasath: Thanks for the opportunity. Good evening, Dr. Harin. My first question is something around this Morita JV. Can you just help us understand why we entered into a JV in the first place? Because it wasn't there in the past. So what is the need at this point of time? What is it we are trying to do, this JV, which we couldn't do it earlier? And what would be the CAPEX contribution from the JV partner, and all those things? Those details can you just help with?

Dr. Harin Kanani: As I explained earlier, Morita Chemicals is a 100-year old company, based in Japan, and for the last 30 years they were making LiPF6 in China, and they have been making it consistently, competing against China, in China. They are supposed to be the best in the solid LiPF6 technology, even within China. And we felt that as we grow to 3,000 tonnes, and then when we think of, from a future point of view - somebody who has done this business internationally. All the electrolyte makers of the world - in Korea, China, Japan - have used their LiPF6. That makes the approval process for a broader customer base much faster. They also have experience of which customer has which tendency, which customer expects more stable price and benefits. So that also is going to be beneficial. Also having worked on this for almost 30 years, their quality systems, their process systems will be better as well as the safety systems to handle AHF at such a large level, all of this experience which they are bringing. It is the same thing as Mitsubishi. We can make the Electrolyte, but with Mitsubishi we can do better. Similarly, with Morita's help, we can do better. Their technology is superior and when we are talking of higher salt because before it was electrolyte and salt was only for our own internal consumption and then we said, okay we can do international business, but when we want to make salt as a focused business area, then somebody who has done it for last 30 years will add a lot of value.

Almost all non-China customers, the three Koreans and the two Japanese electrolyte makers, whether they are doing business in US or not, they have used their LiPF6. So we basically can work together and also get some capital which is coming in a strategic form. That also helps. And they are constantly updating the technology so the speed with which we can also update technology and keep track on that. So we felt this was something which we were discussing for a long period of time, and we felt just as when we did Mitsubishi. It gave a lot of comfort to our customers. The same thing we felt is that this is also something which can give us superior technology and as a joint venture partner, even more than just license technology. Having considered all of these, this was something which we discussed for a long period of time and because it was a joint venture, many things we needed to align. So it took its time. But we feel it will really consolidate because now you have somebody who has the China experience, who has all the customer approvals and with the same technology, we are making in India a non-China base. So it will be one of the lowest cost outside of China is what we feel and if the China price is same, where we are doing a fair pricing, we can even match basically same as Chinese technology and prices on a fair comparison.

Arun Prasath: Okay. So, out of 5,500 tonnes, 2,500 tonnes will be based on our own technology and 3,000 tonnes will be on the Morita JV, right?

Dr. Harin Kanani: Sorry, the 2,500 tonnes is basically some bit of salt and also additives. So this JV is specifically for electrolyte salt. Majority of the 2,500 tonnes is going to be with the additive part, which is what we will be doing and even the salt part there. While the plant is partly already designed or partly already constructed and remaining under construction, we will try and Morita will also support us on improvement there whatever we can, but the new plant will be built from scratch completely as per their technology. So whatever salt we are doing, the main salt LiPF6 that will be directly exactly Morita Technology or with the help of improvement suggested by Morita Technology. The additive continues to be our own technology and electrolyte 2,000 metric tonnes in Dahej is our own technology. The 30,000 tonnes in Pakhajan will be basically Mitsubishi Technology.

Arun Prasath: Right. Dr. Harin, just again, I am coming back to this. So I am sure we would have been discussing this with Morita for a long period of time. Throughout the last year, we were very confident of making the salt with our own R&D capability and tech. So what pushed us towards this JV? Is it customer feedback or is it that the commercials are now much better? Just wanted to understand that the decision-making part of getting into this JV.

Dr. Harin Kanani: We were discussing with them on technology collaboration or JV almost the same period of time since we started Mitsubishi discussion. This is something which we were discussing for the last 2.5-3 years because we knew that this would be beneficial. So it's the same thing like electrolyte. We can make on our own. There is no change in that, but we can do better with their experience. This is something which we were discussing but as against the technology licence they were very clear in the beginning because they also needed a non-China facility, but you understand that technology licensing is one decision, and a joint venture is a bigger commitment and a bigger decision. So, it took us longer for this to happen. In the past also, if you remember, 3 months - 6 months or even 9 months ago, we felt that we have some balance equity which we need, but our preference is through strategic. We always felt that these kind of JVs where we get strategic money are beneficial for us because we get commitment from them and then we are doing it together. So this is not something which was decided in 3 or 6 months, it took us a bit longer than Mitsubishi to get it to conclusion.

Arun Prasath: This JV is 50-50 control or 51-49? How we should understand this?

Dr. Harin Kanani: It will be significantly controlled by Neogen. It will be much more than 50% for Neogen. So, majorly Neogen control. The exact percentage we’ll share. So it will largely be owned by Neogen, majority control and above.

Arun Prasath: Understood. And secondly, on the guidance you provided, Dr. Harin, it's Rs. 300 crore which falls under the lower band. It seems even if we start by the end of Q3, only from salt, if you have to make Rs. 300 crore for this year, utilization should be much higher, right? It cannot be a very phased-wise increasing utilization, probably north of 70%-80% utilization should be there in FY26. Then only we can get this kind of revenue.

Dr. Harin Kanani: This is not from salt, that is total. Rs. 300-500 crore was total. So it's electrolyte and salt, everything together.

Arun Prasath: But electrolyte, we are not looking to export during this year.

Dr. Harin Kanani: No. Rs. 300-500 crore is the total guidance we had given for Neogen Ionics. Electrolyte will be from India's requirement. As you know, one gigafactory is now getting streamlined. The second one is likely to start by the end of the year. And another, at least one more, will start before/in the Q4 financial year. We are expecting at least three customers requiring electrolytes and so the demand of these three as well as salt in the second half together should be able to do. We had initially guided Rs. 300 to Rs. 500 crore. Now it looks a little bit closer to Rs. 300 crore.

Arun Prasath: Any rough breakup in Rs. 300 crore between salt and electrolyte revenue?

Dr. Harin Kanani: Let me get back to you on that, but I think approximately we had targeted around Rs. 150 to Rs. 200 crore of electrolyte and Rs. 150 to Rs. 200 crore of salt.

Arun Prasath: And the electrolyte part depends upon the local manufacturers' readiness?

Dr. Harin Kanani: That's right.

Arun Prasath: Understood.

Dr. Harin Kanani: Most of these will be more in the second half as compared to the first half.

Arun Prasath: Understood. On the export side, we spoke about the customers who need to do the field audit by Q2. This we are talking about a couple of customers or multiple customers. How should we look at it and the nature of these customers also can help us understand, are they battery manufacturers or OEMs? If it is battery manufacturers, do they need further approval from the OEMs? This kind of details please help us understand.

Dr. Harin Kanani: Whatever we are doing, at least in the US market, is battery manufacturer plus OEM. They are both aligned on this. So it will be actually electrolyte maker, battery makers and OEMs.

Arun Prasath: Okay. So basically battery manufacturer is the one who will be taking the final shot of giving the approval?

Arun Prasath: Whatever the approval given by the battery manufacturer, that stands final irrespective of what the OEM feels?

Dr. Harin Kanani: No. I am just saying everybody's aligned with this. That's the only thing I am saying.

Arun Prasath: Okay, but our customer is battery manufacturer not the OEM.

Dr. Harin Kanani: Anyway, you know, I would not like to specify more here. We would of course be selling it to the electrolyte makers. But we would have several electrolyte makers, the battery makers, the OEM, everybody is aligned.

Arun Prasath: Understood. This field audit is the final step in the overall approval process or is there anything else apart from this as well?

Dr. Harin Kanani: Basically post field audit, actually battery manufacturing trials would start.

Arun Prasath: Okay, that is approximately how long it will take?

Dr. Harin Kanani: They will do the field audit. There will be a large scale trial in actually making the batteries out of that and any additional trials that people want, the customers would like to do.

Arun Prasath: Okay, so all this can be completed by when?

Dr. Harin Kanani: The target is to complete it in Q3.

Moderator: Thank you. We have the next question from the line of Archit Joshi from Nuvama Institutional Equities. Please go ahead.

Archit Joshi: Hi, good evening. And thanks for the opportunity. I have a few on Morita and the JV that we are working on right now. So the first one is when the MUIS deal had happened, I think we were proposing that there will be a mix or rather, a good mix of some recipes that we will get from MUIS, and which will also be supported by our technical expertise in making the electrolytes. And now it seems as we have indicated that Morita will be taking care of the salt bit, MUIS will be taking care of the electrolyte bit and we obviously will be more like a manufacturer or executor of all this at the end of the day. So it seems like a good trinity in the making of three, three companies working together. Has this all been worked out well because the salts that you probably would have made earlier would have had some discussions with MUIS with regard to what grades and purities that you will be providing and now with Morita coming into the picture. Does that change anything materially? Anything that you might want to comment on how these all three of us will work together?

Dr. Harin Kanani: We have demonstrated our ability to do that. We have sent samples to customers who have approved them. We have made electrolytes for last now 2.5 years and none of this is from the Mitsubishi plant. We are using Mitsubishi because we feel we can learn from their three decades of experience and Mitsubishi started one of the founders of making electrolytes in Japan. Similarly, Morita is one of the founder person in the $LiPF_6$ or electrolyte salt. So we are very happy that both of these guys have trusted Neogen and you know, while it's not public but you know they're both from Japan, they've worked together in the past. So the customers…our existing customers also, they now have even more confidence. Just as before we were having, but Mitsubishi gave added confidence to the customer. So now Morita coming on board gives more confidence especially to future customers. So one of the advantages of having Morita is because they have used Morita quality $LiPF_6$ for especially Japanese and Korean electrolyte makers, they have used it for decades. So they bring that confidence also along. And not only that, very deep understanding of China market having played in China for last 30 years and competed in China against Chinese for the last 20-30 years.

Archit Joshi: Just the pricing bit we were discussing earlier. I think I was reading somewhere that electrolyte prices now ranging somewhere between $9.5-$10. And I think what I heard from you before, Morita does have this experience of manufacturing and selling in China, which I am presuming that will be far more cost competitive. And that's what brings them to our table with regard to their manufacturing expertise. But would that still be low enough in terms of the cost of manufacturing or production? Or at this price point of dollar realization when electrolytes prices have fallen so much, we would additionally need some Government support going ahead? Now that we already have PLIs and all these things in place, would the ancillary companies like us who are into battery chemicals or battery materials, at these price points that we were discussing earlier with an earlier participant, because the business dynamics have changed and stuff like that. Do we think that Morita's technical experience would in itself bring so much capabilities to reduce the cost or do you think that more Government intervention is required?

Dr. Harin Kanani: First of all, you asked about whether Morita can help us reduce the cost. They use better technology and the better technology that we have. Whatever is done, when you think of manufacturing costs in China and manufacturing costs in India, that is always going to be different. And again, our stated goal and Morita is aligned with that goal, that we should basically target 20% ROCE on the business. So, whatever benefits which we can bring will pass on to the customer but again we don't want to commit to a specific price point, but yes with 30 years of experience that will definitely help.

Second point is in none of our business, we have basically expected or planned based on Government support. So we are not basically banking on any Government support or subject to a Government support the business model is possible or not. As you said very clearly that in electrolyte, we have to supply locally, we will supply, at one of the lowest costs available in India, good quality, international quality electrolyte and we have seen positive customer feedback on our not only the quality of electrolyte but also on the transparency and the business model. While electrolyte salt is mostly for the international market what we are going to do with Morita as well as our own internal consumption. So I think with having Morita with 30 years of experience gives us lot of confidence. And as I explained earlier to Arun's question, we are not waiting. This is not something which has triggered in last 6 months, 9 months. It's something which we were discussing for the last 2-2.5 years. But it just took longer time because a joint venture is a much bigger commitment as compared to a technology licence. So it just took us that much longer for everything to fall in place.

Archit Joshi: Sure, that answers a lot. Thank you. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from B&K Securities. Please go ahead.

Rohit Nagraj: Thanks for the opportunity. Again, apologies for harping on the same issue. So first, in terms of the 400 MTP capacity which we had worked on in terms of electrolyte salt, then the next about 2000 tonnes of TPA capacity and now the Morita Technology which will again give us some capacity from $LiPF_6$. All these three products are different and how is the user dynamics for all these three products?

Dr. Harin Kanani: What we basically have was electrolyte salts and additives and some intermediates of electrolyte salt and we were totally planning 2,500 tonnes in Dahej which was a mix of additive and electrolyte salt and the intermediates and we were planning 3,000 metric tonnes in our Pakhajan facility which is only for electrolyte salt. The additives and the electrolyte salt are basically very similar. They are lithium compounds. We have to purify lithium, then we have to make some basic simple lithium salt like lithium fluoride, lithium chloride. And then from lithium fluoride or chloride or a very high purity lithium carbonate, then we basically go and we make the electrolyte salt or electrolyte additive. The difference between additive and electrolyte salt is just how much it gets used. So usually the electrolyte salt is used between 10% to 15% in the formulation. The additive is normally used between 1% to 3% so that's the only difference but otherwise your end customers are the same and the dynamics remain the same. The pricing for the additive is a little bit higher and slightly lesser number of people make the additive as compared to the electrolyte salt. So these are the different dynamics of the two.

Rohit Nagraj: So the 2,500 metric tonnes salt and additive would be different than LiPF6 which will be with Morita?

Dr. Harin Kanani: No. LiPF6 is also included in the 2,500 tonnes. We started making salt and additive both and salt as our own electrolyte plant comes up, we will need more capacity. So salt, we are increasing capacity in Pakhajan because the international demand of this is much higher. So if we are doing in Pakhajan, we can quickly ramp up. In case of additive, we are already setting up in Dahej. Right now we have not announced any capacity increase of additive in Dahej. If we see the demand increasing, the volume increases to the level where we cannot support at Dahej and we need to go to Pakhajan, then we have environment approvals also in Pakhajan to make the additive.

Rohit Nagraj: Got this. Second question on the numbers. So, for FY26, our legacy business will have about say Rs. 800 crore of revenues and an additional Rs. 300 crore from battery chemicals. So effectively about Rs. 1,100 crore+/-. What could be the EBITDA margin that we are looking for? And slightly similar question for FY27. Given that the affected plant will be up and running, we will obtain close to maybe Rs. 1,100 crore from the legacy business. And you said about Rs. 1,000 crore, which is the aspirational number from the battery chemicals. So effectively about Rs. 2,000 crore of revenues for FY27. So in both the years, what is the kind of margins that we are looking at the EBITDA level?

Dr. Harin Kanani: So, for FY27, I can give you clarity faster. As you said, there will be a full utilization of our new facility because it will be fully available. And demand-wise, you're already seeing a demand of around Rs. 1,100 crore. So, FY27, we will target somewhere around Rs. 1,100 crore of revenue. At full utilization level, that EBITDA should be 18.5%+/- 1% is what we target in our base business. For the Rs. 1,000 crore+ revenue, when I say it's not the number, I am just saying, it will be something more than Rs. 1,000 crore. It's too early for me to say because we need to understand how the electrolyte demand in India basically pans out and that'd be clear as we get closer towards the end of the current year. But the exact EBITDA percentage will depend upon many factors like utilization levels, what are the lithium prices. So, there we have given guidance at full utilization, the revenue of Rs. 2,500 to 2,900 crore at 20% ROCE. Depending on the price of lithium, EBITDA ranges on a lower side 15%-16%, on the higher side going upwards of 20% depending on but for our Rs. 2,500 to 2,900 crore kind of revenue projection which was at a normal lithium price, the EBITDA percentage margins were in 16% to 18% kind of range. So that's on FY27.

On FY26, as I explained earlier, Rs. 775 to Rs. 850 crore, the revised revenue projection due to fire what we have given, normal EBITDA margin would have been 17%-18% but like I said because of the impact of fire, and we have to do operations at different plants some bit outsourcing…so combination of that there will be some impact on the margin that should partly get covered by our loss on profit. But whether that will be applied in the current year or that will be applied in the next year depending on the insurance system and accounting policies, that's something which is not very clear to me.

Rohit Nagraj: Fair enough. Just one question from the modelling perspective. In terms of capitalization of assets or investments during FY26, what are we looking at? There will be one capitalization which will happen because of the plant reconstruction and in between the projects which are likely to be getting commissioned from the salt side. So on a broader basis, how much amount of assets will be capitalized just to get a perspective on what could be the depreciation amount.

Dr. Harin Kanani: Yes. Totally we are expecting the whole, all the lithium CAPEX is likely to be completed by March 2026. So that's around Rs. 1,500 crore will be capitalized. And on the plant side, we are expecting whatever is the replacement value of this. The loss was around Rs. 170 crore. So somewhere around Rs. 200 to Rs. 225 crore as a replacement value is where you would have a full capitalization.

Rohit Nagraj: And what could be the mode of funding for this entire CAPEX?

Dr. Harin Kanani: We are at a very advanced stage of completing the procedure for insurance policies. The funding for the MPP-3 and our insurance is on a reinstatement basis. So any additional CAPEX everything will be taken care from the insurance outflow. For any temporary funding needed, our banks have suggested that they can give us some temporary loan. But mostly it will be from insurance. And on the battery side of it, it is already tied up that the equity we had raised as well as the bank term loans, so long term loans which we have from both our phase one and phase two. And on top of that, now we will also have the JV partnership. So some money will also come in from the JV partnership contributions. All these will be the mode of funding for the battery.

Rohit Nagraj: In terms of FY26 exit, what is the kind of debt that we are looking at? And I understand that probably for the MPP3, there would not be any debt because whatever insurance claim comes in, probably we get topped off with the investments that we are making. But excluding that on the battery chemicals and plus the working capital front, what is the exit rate that we are looking at?

Dr. Harin Kanani: We have seen at Neogen Chemicals, you would have basically similar debt levels at present. Total debt would be around Rs. 400/Rs. 500 crore, including working capital of around Rs. 450 odd crore at the Neogen level. And at the battery, Neogen Ionics level, roughly around 70% is funded by the bank. So, totally from Rs. 1,500 crore - 70% of that - so, somewhere around Rs. 1,100 to Rs. 1,200 crore would be funded by that.

Rohit Nagraj: Sure. That's all from my side. Thanks a lot for answering all the questions and all the best.

Moderator: Thank you. We have the next question from the line of Nilesh Ghuge from HDFC Securities. Please go ahead.

Nilesh Ghuge: Good evening team. Just one bit of question on this CAPEX. As you mentioned that around Rs. 1,100 to Rs. 1,200 crore will be funded through debt. For FY25, you have already incurred CAPEX of about Rs. 470 crore on your Pakhajan greenfield facilities. In this Rs. 470 crore, how much was the debt part?

Dr. Harin Kanani: Gopi, do you have the number?

Gopikrishnan Sarathy: Yes. Basically, the debt is in two parts. One is the CCD, which is equity contribution, which is already gone. And I have another around Rs. 150 crore to be drawn for the project loan.

Dr. Harin Kanani: So I think basically Rs. 150 crore is from the debt.

Moderator: Thank you. Our next question is from the line of Jason Soans with IDBI Capital. Please go ahead.

Jason Soans: Yes, thanks for taking my question. I just wanted to understand…earlier you have alluded to…we have a really, really good improvement in the working capital, which has reduced quite dramatically. Now I understand there must be definitely a big impact of the fire in it as well because you said the inventory, etc., gets written off as well. So I just wanted to understand if you have done some analysis excluding the fire, what measures have we taken, something with the suppliers or something like that to improve our working capital? Just excluding the fire event, because that will be a one-off thing. And just would want to know what is the sustainable impact of this?

Dr. Harin Kanani: Yes. Excluding fire, as you have seen, we have done certain things to basically work on our debtor cycle as well as our credit cycle. So that has already happened. And you're also more mindful this year because as I told you the year before, we were just ramping up our production and in between we had to change from working from one set of customers to another set. When agro slowed down, we had to move to pharma and other industries. So this was some changeover that we had to do. Other than that, even after you take the fire impact, you can see that overall there is an improvement. I think largely still, we basically maintain the stock levels at a similar level. And even after impacting for fire, in terms of number of days, etc., and our debtors and creditors both improved. Together we were able to do better. I think as I explained in one of the earlier questions after long term, we want to have a policy in place where we can at least manage debtors and creditors so that they can balance each other and by securing better credit terms and funding products and for the stock and the inventory business is working so that we have larger molecules, more visibility. Over a period of time, we can improve that.

Jason Soans: Sure. Thanks for that. And I just wanted to…you do speak about 20% ROCE in your battery business, but are you working with some kind of steady state realizations for salts and electrolytes? I mean, if I am considering the lithium prices, the low lithium prices, just would like to understand if you're working with some steady state realizations for both the products?

Dr. Harin Kanani: We have done business for the last 40 years with Thermax to make lithium bromide and with some other customers for the lithium salts which are for the non-battery market. So in this, what we have seen beneficial both from a customer point of view and our point of view and to sustain a long-term relationship is to have lithium as a price through. Almost all non-China customers really appreciate that because they know we are not making price, money on lithium price fluctuations and that is something which is very transparent, and we are mostly working on what is Neogen's efficiency on conversion. So, this is the way we have done it and the salt business that whatever agreements we have signed where we have basically kept 20% ROCE of course subject to Neogen hitting the manufacturing cost and the operating cost targets. The consumptions have to be correct, the yields have to be correct. But if we get whatever we have targeted correct, then we can basically earn the right to get 20% ROCE on the salt business. Electrolyte, so far we have not yet signed contracts, but majority of the pricing discussions with the customers are on a very transparent basis. As we increase capacity, we will keep reducing per metric tonne margin because my CAPEX per metric tonne is going to reduce. So I think this is really appreciated by the customer and is one of the differential factors when we work with both local as well as international customers. So there is no number which I can predict on the realization because lithium price fluctuation affects significantly, especially salt. Electrolyte, the impact is a bit lower because the lithium content per kg, consumption there is much lower. But in today's scenario, all the other raw materials in electrolyte also are depressed prices. So we pass that on to our customers because we don't want to play on price differential in one market versus other on RM. We want to basically earn our margins through our technology, through the processes, and through controlling cost in the right direction.

Jason Soans: So, totally both the businesses you will basically targeting ROCE of 20%?

Dr. Harin Kanani: Correct, yes. That's the target. In salt, we have been able to already conclude as volume is not 100% confirmed contracts. Whatever price understandings that we have, pricing mechanisms that we have concluded, they basically ensure the 20% ROCE. For the electrolytes, we still because the customers as they get closer to their ramp up. But in principle, that concept is accepted by the customers that everything else has to be priced through. And we need to discuss mostly on Neogen's contribution part.

Jason Soans: Sure. And I just wanted to understand the gross block has reduced. Is that only because of the fire? Or is there any other reason?

Dr. Harin Kanani: That's the only reason, fire.

Jason Soans: And you mentioned that Neogen Ionics has a topline of Rs. 120 million. But when you do a simple minus to minus, the subsidiary revenue is around Rs. 40 million. So what explains the difference?

Dr. Harin Kanani: I explained to an earlier participant that there were some raw materials which were needed which were initially bought by Neogen because Neogen could get credit as a lithium and then they were transferring it to Neogen Ionics. So this you will see in a 3 month, 6 month, 9 month also; but now as Neogen Ionics stands on its own, the business becomes regular then the customers, the suppliers will give directly credit to them. So there are some inter-company transfers which is what explains the Rs. 8 crore.

Jason Soans: Okay. And so just lastly wanted to understand, you mentioned Rs. 300 crore for battery chemicals in FY26. Is that a sort of a guidance? Are you guiding for in FY27 Rs. 1,000 crore for battery chemicals?

Dr. Harin Kanani: Yes. So we have already guided for Rs. 300 to Rs. 500 crore guidance on battery chemicals as we discussed in our call. We will still look at a Rs. 500 crore number but yes, based on the discussions we had on our call, it looks closer to around Rs. 300 crore is what we are saying. Across the first half, we will be able to give you a better idea.

The second is just a number, it will be more than thousand but the guidance, more specifically as a guidance we will let you know maybe as we get closer, once we have clarity on India battery market, as well as once the supply starts to our customers.

Jason Soans: Thank you so much for answering all my questions. Thank you.

Moderator: Thank you. That was our last question, ladies and gentlemen. I would now like to hand the conference over to the management for closing comments.

Dr. Harin Kanani: Thank you all for participating today. We hope we were able to answer your questions. Our Investor Relations team is available for any further questions you may have. We appreciate your time and look forward to speaking with you again next quarter. Thank you again.

Moderator: Thank you. On behalf of Neogen Chemicals Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.
