



**August 16, 2024**

**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.: Q1 & FY25 - Earnings Conference Call Transcript.**

Dear Sir/ Madam,

With reference to the captioned subject, please find enclosed herewith the Earnings Call Transcript of the Company's Q1 & FY25 Earnings Conference Call held on August 8, 2024.

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**

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**Unnati Kanani**

**Company Secretary and Compliance Officer**

**Membership No. A35131**

**Encl:** As above



## Neogen Chemicals Limited

### Q1 FY25 Earnings Conference Call Transcript

August 08, 2024

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**Moderator:** Ladies and gentlemen, good day and welcome to Neogen Chemicals Q1 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 call, please signal an operator by pressing "\*" and then "0" on your touch-tone 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, sir.

**Nishid Solanki:** Thank you. Good evening everyone, and welcome to Neogen Chemicals' Q1 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 and Mr. Ketan Vyas – 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 today's conference call could be forward looking in nature. The actual results may vary from these forward-looking statements.

A detailed disclaimer in this regard is available in Neogen Chemicals' Q1 FY25 earnings presentation, which has been uploaded on the stock exchange websites. I would now like to invite Dr. Kanani to share his perspectives. Thank you and over to you, sir.

**Dr. Harin Kanani:** Thank you for joining us on our 1st Quarter Earnings Call for FY25. As always, I begin by sharing my views on the performance and strategy, while Mr. Ketan Vyas, CFO will take you through the financial highlights.

Neogen Chemicals has demonstrated a strong start to the new year with healthy improvement in both top line and profitability matrices. Despite easing pressure, the business landscape was still marked by challenges including low China demand and price, economic uncertainties and supply chain disruptions.

In response to weak global agrochemical markets, we strategically shifted our focus to non-agrochemical applications which offered more stable demand. We overcame severe logistic hurdles through robust supply chain management, solidifying customer ties. Both BuLi Chem and Neogen Ionics have made positive contributions to the consolidated performance.

Let me quickly summarize the key financials for Q1 FY25. Our consolidated revenue stood at Rs. 180 crore, higher by 9% YoY while EBITDA came in at Rs. 31 crore, an increase of 10% translating to EBITDA margin of 17.1%. Profit after tax stood at Rs.

11.5 crore, representing an increase of 18%. Mr. Ketan Vyas will share more insights on the financial performance.

Turning your attention to our segmental performance, in Q1 FY25 organic revenue growth stood at 17%, while inorganic revenues declined by 14%. Both bromine and lithium raw material prices significantly declined during the period. But for this fall in bromine prices, the organic revenues would have been higher by Rs. 14 crore in Q1 FY25. Likewise inorganic revenues would have been higher by Rs. 27 crore if it were not for the steep fall in lithium prices.

Moving on to our expansion initiatives, the initial capacities of both lithium electrolyte salts and electrolyte are up and running. Out of 400 MTPA capacity of electrolyte salts and additives, we have commissioned 200 MTPA and started shipping commercial quantities to international customers based on approvals received. Out of 2,000 MT electrolyte plant, 200 MTPA has been commissioned and trial quantities have been dispatched to three customers. Their approval is underway.

Customer feedback pertaining to product quality and efficiency has been favourable so far. As a result, we are hosting many domestic and international clients to our facility for product inspection and approval processes. These capacities will cater to the immediate needs of customers and will also provide valuable market insights.

With respect to our Greenfield battery chemicals facility using MUIS technology, I am glad to share that we have achieved financial closure for bulk of the CAPEX with favourable terms. Construction work has already commenced and we remain on track for strategically commissioning this facility in FY26 aligning with upcoming battery capacities in India. We anticipate two major battery manufacturers to start production this year and are engaging with them in long-term electrolyte supply contract discussions. Our strategic hiring in battery chemicals is nearly complete and close to 70-80 employees are on board focussing on project execution alongside ongoing phase-I production.

We continue to see strong demand for non-Chinese supply of lithium salts and electrolytes from derisking standpoint and have accordingly initiated discussions through MoUs, pricing commitments with international customers.

In a boost to Indian battery manufacturers, (the government has) exempted critical minerals, such as, lithium from custom duties. This is expected to help reduce production cost of batteries and consequently the overall price of electric vehicles and will also make Neogen's electrolyte more competitive.

We remain positive on electrolyte opportunity in India. As one of the first Indian companies to supply commercially produced, meeting global standard electrolyte, we are pleased to contribute to India's vision of becoming a self-sufficient lithium-ion battery manufacturing hub.

Our future growth strategy centers on scaling up organic and inorganic chemical operations with high emphasis on CSM and advanced intermediates. Our R&D focus on innovation coupled with strategic push into battery chemicals will be instrumental in achieving this.

Neogen also forayed into semiconductor material supply chain during the last quarter, developing some specialty gas products as well as liquid products required for semiconductor application. While navigating present macroeconomic challenges, we remain optimistic about the Indian chemical industry's long-term exponential growth prospect. We intend to harness this potential and create enduring value for our stakeholders.

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

**Ketan Vyas:**

Thank you, Dr. Harin. Good evening everyone, and welcome to the Q1 FY25 Earnings Call. I will take you through the key financial highlights. Please note that these are on a consolidated basis and based on YoY comparison.

In Q1 FY25, our revenues increased by 9% to Rs. 180 crore. Despite challenging operating conditions, this growth was volume driven, primarily due to higher contribution from non-agrochemical products amid with weak pricing.

Organic chemicals saw 17% revenue growth reaching Rs. 142 crore, while inorganic chemicals experienced a 14% decline in revenue, totalling Rs. 38 crore. As explained by Dr. Harin, the revenues would have been higher, but for the decline in prices of both bromine and lithium raw materials. Revenue mix between domestic and export was 73% and 27%, respectively.

EBITDA rose by 10% to Rs. 30.8 crore. The increase occurred despite higher employee costs and other expenses aligning with capacity expansion initiatives at Neogen Ionics. Margins were maintained at 17.1% and were supported by operational efficiency even though there was continued pricing pressure across key products.

Profit after tax came in at Rs. 11.5 crore, an 18% increase. This strong operational performance was further enhanced by lower tax rate. Depreciation and interest expenses are expected to rise due to accelerated capital expenditure in battery chemicals.

That concludes my initial remarks. I will now request the Moderator to open the forum for the Q&A session.

**Moderator:** We will now begin the question-and-answer session. Our first question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

**Abhijit Akella:** Dr. Harin, to start with a couple (*of questions*) on the battery chemicals business. One is what is our line of sight into the new battery capacities coming up in India over the next 12 to 18 months? So far we have heard announcements from may be three major battery makers, Ola, Exide and Amara Raja. But have not heard much from the others here at least as far as I am aware. So, how do you see the capacity coming up in India and will you have the confidence that we will be able to sell out our 30,000 tons by the scheduled timeline of say H2 FY26 or could there be a need to may be delay it a little bit to match with the customers' plans?

**Dr. Harin Kanani:** Thanks for the question. As you mentioned, for the electrolyte we already have three battery manufacturers - Ola, Exide and Amara Raja and as you mentioned, they are likely to start in the current year and next financial year. On top of that, there was also Reliance, which is expected to start in the next financial year, and also there will be Lucas TVS a little bit later down the line. From the point of view of achieving 30 KT full utilization level, the main target was FY28. So, by FY28, we also expect that there will be JSW and Tatas, both of which have also announced their intention to get into battery manufacturing. At least one of them or both would have started. And we also expect some smaller battery manufacturers who are making for electronic application as well as home usage and some niche applications. Some of them would start in the current financial year and some would start by 2025-26 calendar years. So, we feel confident that our target to reach full utilization level by FY28 or FY29. That continues to remain, and we are on track to do that. I still feel that we will need more than 2,000 MT capacity in FY26. So, by second-half of FY26, we would need at least 5 giga or 10 giga kind of electrolyte support. That is my expectation. At least for now, it looks like we would be on track to bring the electrolyte capacities on line in the second half of FY26. So, that would be still on track, and we do not see any reason to delay so far.

**Abhijit Akella:** And then on the pricing front, China electrolyte prices are somewhere in the ballpark of \$3 a kilo I believe at present. So, how do we negotiate the pricing with our customers, what sort of discussion do we have around there?

**Dr. Harin Kanani:** I would not like to discuss specific numbers because when you go to China also, there is a range of electrolyte prices depending on the quality and the formulation that you are actually looking at. And the second point is China price would be in China. So, you would also need to consider and factor in whether those electrolytes can be brought to India, and when they come to India, you know what would be the

final delivered landed prices of these. And in some cases it is very complicated just from the logistics point of view, especially when your volume becomes thousands of metric tons, it becomes very complicated to just manage the logistic. So, just from the criticality point of view, also like you would have to basically make sure that the electrolyte would have to be supplied from India.

So, I think when we are discussing with our customers, even our customers know that prices in China will fluctuate. They are more keen to understand that after accounting for all the raw material price fluctuation, the contribution which Neogen is bringing in, what is that and is that competitive across what they see internationally. And so far, the answer to that has been, yes. We have also done many simulations for our customers. The Chinese price also goes through crazy lows and crazy highs. So, overall, when they look at a three-year, four-year kind of point of view, having a more stable formula driven price is much better than just spot buying of something as critical as the electrolyte. Most of the customers have also acknowledged that and they have seen that and that is basically driving the discussions.

**Abhijit Akella:** With regard to the salt sales into the international markets, any sort of feelers from your global customers regarding whether there would be any change in their plans in the event of a Trump presidency? Could there be some changes to the Inflation Reduction Act or just some changes to the battery demand outlook or something like that, if Trump administration came to power?

**Dr. Harin Kanani:** As far as the talks I am having with the customers, at least most of the customers are looking at Neogen. Of course, as an IRA fulfilling act, but they are also looking at decoupling from China and having an alternate to China. So, some of the agreements which we signed with these customers, while the volumes are not committed but the prices - again formula-driven prices - using the same rationale that we have seen earlier and even though they are currently much higher as compared to China, they understand that India has its own dynamics and outside China, they still see Neogen as one of the cheapest source. So, they are more focussed on that. Neogen being the cheapest source outside China, they would like to engage and at least buy certain amount of their quantities from them. So, we have not seen them reduce the numbers or the demand that we were talking of. We still see them interested in buying from Neogen as an alternative.

So, I think the initial electrolyte capacity which Neogen is setting up - of 5,500 MT - initially would be internally consumed. The question is not whether that capacity can get filled. The question is how fast would we have to increase depending on what percentage of volume we will get in the international market. Because, as we have shown in our presentation also, the demand in the international market for salt is very high. If we can maintain our position to be the cheapest source outside China and more and more customers see value in having Neogen as a completely China-free supply chain, IRA compliant and in absence of even IRA, basically as a backup source for their supply chain surety, how many customers see the value and how fast you would have to add more capacity beyond what we are currently planning is the question. But again, the first capacity has to come online. We need to give confidence to our customers that we can make on a large scale, the quality and at the cost which we are currently estimating and then the discussions can go forward from there.

**Moderator:** The next question is from the line of Jason Soans from IDBI Capital. Please go ahead.

**Jason Soans:** Basically, I know you have given some plans in terms of the funding for the battery chemicals business, but just now so that the funding you have got the closure, just wanted to understand, I believe we had Rs. 1,150 crore debt funding plan for the whole CAPEX of the battery chemicals. So, just wanted finer details on that. I believe the EMI will start hitting from FY27 after the moratorium ends. I also believe that you have got around Rs. 9 billion term loan from SBI as well. So, some finer details on that would be helpful.



**Dr. Harin Kanani:** Basically we received from SBI for especially our Pakhajan Greenfield site, we have already received the funding and it has a two year moratorium and it has a 10 year repayment; in that also the first two years no interest, no premium, no installment, then after that one year only interest payment and then after year three, you start paying the installment back and that too it is graduated, so in a sense that it is not like 10% every year. In the initial years it would be around 4%, 5% and then some of it will be back-ended. So, it will be kind of ballooning. The repayment would start around the time when the electrolyte and salt plant would be close to running at full capacity and again till the time the project completes, there is a complete moratorium on all the interest payments, etc. Similarly, we have tied up with another of our existing bankers for our expansion activities which are ongoing in Dahej where we have a 10-year period where the first year is like a moratorium because that facility will start producing faster and then similar terms as SBI where you start paying installment after another year and then some of the installments are also back-ended and not uniform.

**Jason Soans:** So, basically what I understand is, there is this SBI term loan of around Rs. 9 billion and the other one should be of Rs. 2 - 2.5 billion. Is that the right understanding?

**Dr. Harin Kanani:** Out of Rs. 2.5 billion we have already secured around Rs. 1 billion and another Rs. 1.5 billion is under discussion.

**Jason Soans:** Two loans of Rs. 9 billion and Rs. 2.5 billion are there, right?

**Dr. Harin Kanani:** Nine and one. So, it is 10; Rs. 1.5 billion is under final round of discussion.

**Jason Soans:** Just wanted to understand also, of course battery chemicals is a very crucial business for us. Now I just wanted to know along with the discussions, whatever the initial discussions we have, how far do you think we are from signing a concrete long-term contract with these battery manufacturers, which will probably secure a lot of volumes for us in the electrolytes business. So how far do you think we are from that point?

**Dr. Harin Kanani:** As we discussed earlier, there are two or three customers who would be basically needing electrolyte, in the current - this and next financial year. I am talking of the larger giga scale, as Mr. Abhijit mentioned, Ola, Exide and Amara Raja. All of them have a commitment that they want to localize. We have been strongly engaging with them. Especially, in case of Ola, they also mentioned us in one of their news releases and we have also worked with them for last many years developing different recipes with them. So, we work very closely with them. Of course, we are still awaiting. Any giga scale production will go through first small 1,000 cell trial, then 10,000 cell trial, and then may be one trial run in the giga plant and then based on the outcome of that, we can start discussing long term contracts. So, in the next 18 months, we should be able to convince two out of three or three out of three customers to basically sign up with Neogen and get into long-term agreement for electrolytes.

**Jason Soans:** And sir, I just wanted to understand that you recently have incorporated a subsidiary in Japan. Just wanted to know what is the rationale behind that, what are you looking at from that subsidiary?

**Dr. Harin Kanani:** We are very fortunate that we are able to hire a very senior level person who has many years of experience leading a Japanese agrochemical company in Japan as well as in India. So, he is helping us with all our strategy and our business development activities. We felt with the number of interactions which we are having in Japan for battery materials, then also for our CSM business and some other initiatives related to n butyl lithium, some semiconductor related project we needed a dedicated Japan team. The main role (*of this team*) is to develop under the leadership of this senior person, a Japan team, which can then work more closely with the customers. For example, earlier some very senior level meetings would happen once in three months or once in five months and either me or Mr. Surana is visiting Japan. Now, follow-up visits can be done by our Japan team almost on a monthly basis. So, some of the things which would take six months, nine months

would now happen in three months, six months and also the customers feel more confident having the Japanese present. This is the main role of the Japan subsidiary.

**Jason Soans:**

In terms of what we are recently hearing, volume sales in EV, there is a slowdown happening, probably sales for hybrids, plug-in hybrids probably are on the growth path, people are looking at - charging to be an issue, range anxiety, all these things are there. So, just wanted to know from your perspective how are you looking at it if there is some delay in these capacities coming online. Could you please give your perspective on this?

**Dr. Harin Kanani:**

From whatever discussions I have had so far, we have to look at it in two ways: one is the international business for salt and the local business for electrolyte in India. So, when I am thinking of the electrolyte salt business in the international market, what I am seeing is, there already exists a market which is far bigger than the capacity that we are putting for our salt. So, it is just a question of proving ourselves, proving that we are the best back up to China that they can have, and then depending on that, what would be that market share which you can get. IRA is one of the driving factors, but in addition to IRA, just having a backup to China, which is having the lowest difference compared to China is also of interest. So, when I am thinking of the international business, the existing capacity with which what we are starting is just to prove that we can make the salts at scale at commercially competitive prices, which are attractive to the customers and then depending on how fast the EV market will develop, how much percentage of market share we can get in the international market, we will decide how fast we grow beyond the existing 5,500 MTPA capacity. So, when I am thinking of that, I am thinking the factors which you mentioned like range anxiety, plug-in hybrid versus pure EV, I mean these are the things which will play out and that will determine how fast we will grow beyond the initial 5,500 MT salt capacity which we are installing.

Now, when you think of India market, I personally feel that in India, like the energy storage, specially for renewable there is a very good opportunity. Of course, EV is there, and we are seeing that two wheelers and three wheelers there is very large and very fast penetration that continues and we still are at a very low contribution to the overall sales. In two wheelers, we are around 4% - 5% and in four wheelers we are at only about 2%. So, I feel as more and more products come to the market, more and more customized products will come. I feel there is still a lot of room for EV to grow. And on top of that, we have the energy storage demand. We have seen the Government also become more proactive giving the grid level energy storage projects. They used to be around 100 MW hour, then they ask for bidding of 500 MW and now there are some giga level bids also which are happening. So, more and more renewable solar energy will also require this battery storage. So, we will have to again watch that depending on how well EV is accepted, will we see 150,000 MT kind of electrolyte demand in 2030; will it be 120,000 or will it be 250,000? I mean the jury is still out on that and I think we will have some idea on that in one or two years' time. Again, for me this is more a question of beyond FY28. What is the demand which we are looking at and how soon we need to increase capacity, depending on how this plays out.

**Jason Soans:**

Just wanted to know sir, broad revenue, EBITDA, PAT for BuLi Chem if you can give for FY24 and what is the outlook on that going ahead?

**Dr. Harin Kanani:**

BuLi Chem has mostly one product. So, for confidentiality reason I do not want to give exact EBITDA numbers there, but I would like to say that, our BuLi business has stabilized. In fact, Q1 was better than earlier and in Q2 also we are seeing a very good order book where we feel we will be fully utilizing its capacity. We also got in-principle environmental clearance. So, as we see one or two quarters more with a very limited CAPEX, we have an ability to increase capacity also at least two times by just some debottlenecking. So, I think so far, the way BuLi has been progressing, we are very happy with the progress. Not only in India, but we have already started shipping our products to Korea and Japan, which were the first markets we had identified and we are also seeing positive interest from Europe as well as US. Also,

in addition to the traditional pharma and agro business which BuLi India was doing before we acquired it, we have also been able to improve our quality where it can now be used for semiconductor applications also in Japan and Korea markets. So, I think overall it is moving positively, and we feel it will contribute well in the current financial year. As we had also given a target of Rs. 50-100 crore at full utilization levels, we feel in current year it will contribute in that range, at least Rs. 50 crore and I would say closer to between Rs. 50 and 100 crore, but closer to Rs. 70 crore or higher by the end of the year.

**Moderator:** The next question is from the line of Archit Joshi from B&K Securities. Please go ahead.

**Archit Joshi:** I just have one question and specifically you mentioned about renewable power earlier which also seems a prospect for electrolytes and salts being a use case application. Sir, I think from what we have heard in the last few months - may be quarters - that the scale of ambition of the Government at least in renewable power seems to be far higher in terms of CAPEX and even the private CAPEX over here has been quite high and that having a use case in renewable power also becomes a big enough area for electrolytes to be put in use. What would be the scenario over there, I mean, the batteries you can use in solar and wind may be, are they fully imported? Why are we not participating for those application areas given that the pace of CAPEX over there is may be much faster than what is happening on the EV battery side. What would be your thoughts on that?

**Dr. Harin Kanani:** Archit, yes, I mean I agree with you and whatever I have also heard in trade conferences, we are seeing Government being very active and also they have realized that more renewable energy can come only with storage. So, storage is a very critical component of that. In fact, some of the battery trade shows that we used to go to, now we are seeing some of the solar people come here because they want to understand because battery is becoming a very critical component for renewable energy also to be successful. Having said that, this was always the plan. So, even in the 160 GW hours (capacity) that we have projected, which was estimated by industry body, around 40 GW hour was already planned to be for energy storage. Again this was the estimate of two years back. I do not think people have put a revised number that how much it will be by 2030, but I think once a lot of policy measures which the Government is discussing to support that, once the industry gets clarity on that, we will be able to say whether the 40 GW hour can further increase. But to clarify, there is already a plan for that, but again, whether it can exceed that, that is something which we need to still see.

Also, I think even in case of Reliance they have shown that they wanted to use this because of their zero-carbon target and again their use case also was energy storage. Now from our side, it is almost the same thing. In fact, most of the people will use LFP-based cells because they are cheaper. There are some small variations on the cathode and anode side, but electrolyte in-principle remains the same, only the additives can be a little less complex or something. So, basically our facility can take care of renewable energy and also energy storage demand of battery cells.

**Archit Joshi:** Just a follow up on the same thing. How is the supply chain working out to be over there? Because I am sure that there is a lot of money being poured in these projects already, they also must have had some plans with respect to storage and all. So, how are they dealing with it right now given that there is no particular battery manufacturer in India?

**Dr. Harin Kanani:** Same ways as whatever EVs are doing today - that they import the cells and then the batteries are assembled here and there are a couple of companies which are specialized in that and there are some which are even specialized not only in assembling the batteries, but also put all these batteries together in a container and that becomes a module which is then supplied to as a energy storage model. There are some companies which are also specialized there. The expectation is that as India's cell manufacturing picks up and again, I am not very sure of Ola because they have their own internal consumption and how much they are planning for energy



- storage. But clearly for Exide and Amara Raja or Reliance, or even Lucas TVS - for all of them, energy storage is one of the markets which they would definitely look at.
- Moderator:** The next question is from the line of Aniruddha Shetty from Solidarity Investment Managers. Please go ahead.
- A Shetty:** I had two questions. My first question was a follow up to the last question around hybrid vehicles. Just wanted to understand this more simply. Typically between an EV and a hybrid vehicle, how does the consumption of electrolyte change? I know it would be different depending on the model, but just as a rule of thumb how different is that?
- Dr. Harin Kanani:** What we know is that at least some of these hybrids use the anode carbon along with LTO, so lithium titanate. And when they use that, the electrolyte consumption per GW hour actually increases. So, at least some of the models of these hybrids, in the past, we said that the NMC battery would require 500 MT per giga, LFP somewhere between 1,200 to 1,500 MT per giga, hybrid battery, specially at least some of the designs which are popular would use somewhere between 1,500 to 2,000 MT per giga. But this is based on my understanding and is theoretical. We have not yet talked to anybody who is specifically making this type of cells within India. We have so far not seen activity to make cells specifically for hybrid in India. So, I have not been able to double check this number.
- A Shetty:** The second question was more on the balance sheet side. If you could share some colour around how our net working capital situation has evolved since the last quarter?
- Dr. Harin Kanani:** It has been improving. Overall, we have been operating cash flow positive in the 1st Quarter and as of now. Well, you will get to see more numbers in September, but we are on a stable and improving trend, it is not becoming worse.
- Moderator:** The next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead sir.
- Abhijit Akella:** The custom duty cut. Does that apply to imports of lithium carbonate and hydroxide as well or is it only for the pure metal itself?
- Dr. Harin Kanani:** Actually, it is the reverse; it applies to lithium carbonate and lithium hydroxide.
- Abhijit Akella:** So, it is a straight saving in our raw material cost?
- Dr. Harin Kanani:** Yes, yes. So, in the international market, it does not make so much of a difference because anyway we would have advance licence because ultimately it is getting exported. But when we are selling it locally to that extent our cost goes down.
- Abhijit Akella:** And just the other thing was slide 20 of the presentation mentions that the organic revenue would have been higher by Rs. 14 crore adjusted for the decline in the bromine price. So, does that mean that instead of Rs. 142 crore, it should have been Rs. 156 crore for the quarter, is that how we should interpret it?
- Dr. Harin Kanani:** The values given there are that if the same selling price was applicable today, I guess it is also bromine as well as market conditions. So if I was selling product at Rs. 120 earlier - and I am just saying as an example - if I am selling today at Rs. 110, so that delta was basically transferred, then the revenue would have been Rs. 156 crore and similarly in case of battery. Battery is where I mean the inorganic lithium is where you can see bigger where if the same lithium prices existed as what we sold in Q1 FY24, it would have been Rs. 27 crore higher. Volume wise, in the case of organic, the growth is bigger and in case of inorganic also there is a volume growth. But just because of the lower prices, either it is shown as a lower growth, or decline in the revenue numbers.
- Abhijit Akella:** So, the numbers would have been Rs. 156 crore in organic and Rs. 65 crore in inorganic?
- Dr. Harin Kanani:** Correct. It is the same rate as we had in Q1 that were applicable last year. So, I think we were already seeing lithium prices declining and then Q2, Q3 was where they

bottomed out. Now, they are stable. So, I think in two, three quarters you will have this impact, then depends on what lithium does and how the bromine and organic molecules contribute.

**Abhijit Akella:**

On the CSM business, if you could please give us some update about how things are looking there? I know there has been destocking and all of those things, but you have been in discussions with several customers. So, how is that coming along? And by when could we see some traction in that business?

**Dr. Harin Kanani:**

In spite of all these challenges that we see and lack of demand from some of the agro CSM customers, we did a good job of contribution from CSM and contract manufacturing. So, we are still able to maintain upward of 15% of revenue. Our target is to reach 20% of the revenue in CSM business.

What has helped us? As I explained earlier, we have flavours and fragrance; and we also started diversifying. We have some more pharma projects, some more flavours and fragrance projects and we also started diversifying into some other applications, such as, something which is used in engineering, something which is used as a starting material by other specialty chemical companies like to make a specialty polymer or something and also something in semiconductor. All of these together, these projects are exciting and helped us maintain the CSM at 15% level. We hope that as these projects develop further and also once the agro demand comes back, we will hope to cross around 20% target that we have for sure by next financial year. If the agro business comes back well in the second-half, then may be even in the current financial year we can get 20% contribution from CSM.

**Moderator:**

The next question is from the line of Ayush Rathi from Aditya Birla Money. Please go ahead.

**Ayush Rathi:**

Sir, you seem to be on track with a lot of battery business plans, which is really a positive thing. I actually wanted to understand if you could give some insights on the pricing scenario, like do we see a plateau forming or prices are still firming up or how volatile are the prices right now in the current financial, if you could just give some colour?

**Dr. Harin Kanani:**

If I look at our inorganic chemicals, which are mostly lithium-based compounds, we saw raw material prices hit their bottom and now they generally trade in a narrow band of around \$10 - \$12 or \$13, so let us say \$11.5 +/- \$1.5 for last one or two quarters. Lithium, which is the base material, and I think our customers also who are waiting for the prices to bottom out have now realized that this is the bottom and we have seen the demand again come back. So, we have seen some increase in our sales price but more or less it has stabilized now and we feel from here, as the lithium prices will increase then the prices can go up. My analysis also says, that in the long term, the current price of lithium is unsustainable, because this is the price at which the old mining companies can make profit, but the new mining companies cannot. So, if they stay at this level, you will see some of the new miners stop production which would reduce the supply and then you will again see the prices go up. So, that is my expectation. Now whether that happens within one year, in two years, depends on many things. But this is my expectation on the lithium side.

In terms of organic chemicals, I think the input prices were also going down. Prices of bromine, solvents, petrochemical, compounds, they were all reducing. That was one part. But the bigger part also was that, China, where there is excess capacity when the demand is less, they tend to dump. Some of the places we have seen like the delta between raw material and the final almost disappear. So, they are selling at RMC kind of price levels but what we have seen is the lowest has already happened about a quarter ago. Now they are stable, or they are slightly increasing, not yet a rapid increase, but seems to have seen the bottom pricing on the organic side.

**Ayush Rathi:**

One basic question I wanted to ask. Recently, the Government has reduced customs duty on lithium. By any chance, do we see any prices of our end products which is

electrolytes going down? If you could just explain the unit economics, does it affect our margins?

**Dr. Harin Kanani:** Basically I use this lithium carbonate to make lithium LIPF6 or other electrolyte salts, and then that electrolyte salt gets into formulation. Again, directly at a formulation level, in terms of weight, only 15% is electrolyte salt. And if you consider lithium carbonate, the contribution of that would be even lower, because the electrolyte salt has lithium and something. So a 7.5% decrease at the electrolyte level gives me a very small reduction like a couple of percentage points, but again when you are doing volumes like 30 KTA it is the percentage that matters and this is something which is positive for us where we can import lithium carbonate without paying any duty. So, that makes our LIPF6 and our electrolyte more competitive.

**Moderator:** The next question is from the line of Yash Shah from Investec. Please go ahead.

**Yash Shah:** Sir, my first question was regarding our inorganic segment. Adjusted for the lithium prices fall, we would have had a volume growth of somewhere between 45% to 50% YoY in this quarter in the inorganic segment. And then the previous year sir, we closed at 75% to 80% of utilization. Do we have enough capacity for the rest of the year, in this segment, is my first question?

**Dr. Harin Kanani:** Yes.

**Yash Shah:** Another question which I had was, we mentioned a couple of times on the call that we are trying to position ourselves as China Plus One, be the next cheapest alternative outside China. If you had to quantify in terms of the similar quality we supply to China, what will be the price differential? In some ways you can quantify that?

**Dr. Harin Kanani:** Yes, I mean we do say we are the cheapest outside China, but we also say that if you take a three-year or a four-year view, we will also add more value as compared to China. And we have done some calculations that if somebody had entered into a formula-based pricing with Neogen four years ago when lithium went very high, very low, they were using the same formula at which we are currently selling LIPF-6 or the agreements which we have gotten into with international customers as compared to the spot China market price, they would have made more money by paying us higher for some portion of the time because when they pay us high, it is like X, but when China increases price during shortage, it is crazy high. So, overall, we still add more value to them. So, it is not just saying that, "Oh! We are the best, cheapest source outside China". Of course, if you wanted to do the hedging, that is where it helps because let us say other suppliers also have added value. That is why there is a supplier in Japan as well as in Korea. But we could have added more value because our cost is lower compared to them. In terms of percentage, it is difficult to say because like I said, China has crazy low crazy high, which one I compare? There are times when we are 30, 40, 50% more expensive, even 60% more expensive and there are times when we are one-third the price of China, if I just apply this formula price versus the Chinese spot prices.

**Moderator:** The next question is from the line of Nilesh Ghuge from HDFC Securities. Please go ahead.

**Nilesh Ghuge:** My question is on the CAPEX for our organic, inorganic segments. As you mentioned, while answering previous question that you have sufficient capacity for organic, but any plan to put up an expansion in organic and inorganic capacity in FY26-27?

**Dr. Harin Kanani:** On the organic side, we have capacity, till Neogen reaches around Rs. 1,000 crore. Neogen standalone, which is about Rs. 1,000 crore in which organic contribution would be somewhere around Rs. 700 to Rs. 750 crore. So, we already have capacity in place for that. And we still will hit that number of Rs. 175 crore of organic production and you can see we are still far away from that. Till that time, we have capacity.

We also feel that after we reach peak utilization level at least in the current scenarios instead of immediately adding more capacity, we would like to stabilize the products, get better product mix and use the same capacity may be with some small debottlenecking or small CAPEX to contribute more. So, I think if we maintain our target that by FY26 Neogen reaches its full utilization level we reach Rs. 1,000 crore and then FY27 we debottleneck and get another 15% odd revenue growth. So, till FY27 most likely, unless there is some very large project and you never say never, but at least in our current plans, we would just like to continue with the existing capacity, use it to the fullest and optimize the product mix and the capacity utilization. So most likely FY27 is where we would consider organic CAPEX to take care of our growth in FY28 and FY29. But I think FY25 and FY26 most likely no significant organic CAPEX. As I mentioned in one of my earlier answers in BuLi, we do see scope for increasing the capacity because there our expectation is based on order book, this year we will start hitting full utilization of the capacity which we had estimated, and with the environmental approval which has come in, we still have to do some more stages of processing of that. But once we get the approval, may be by second-half, we may look at further increasing the BuLi capacity. But it is just an incremental debottlenecking type, so it will not require too much of CAPEX from our side on the organic side.

The inorganic side, in our existing facility, just by debottlenecking, without significantly making a new investment, we will be able to add more capacity. So, it is something which I am not planning. But, yes, once we start hitting Rs. 150, 200 crore, a quarterly number of Rs. 50 crore plus on a stable lithium price basis, that is when we will start considering whether we need to slightly increase lithium capacity.

**Nilesh Ghuge:**

And secondly, on our electrolyte business, you do say that, you have already sent samples to your customers and customers will sign may be probably in FY26 a long-term contract for the supply of electrolyte. So, just for my understanding, is it like that the customers are waiting for our commercial facility to be commissioned and then get the product with the quality and the purity of the electrolyte and then they will sign contract, is it like that?

**Dr. Harin Kanani:**

First of all, a clarification. I said in FY25 or FY26 but we can sign some contracts this year also. In my view our facility is there. Especially if I am thinking of the large giga customers, our facility is there before they start. So, we are ready for them. It is just that they need to use our electrolyte once in the plant, get confidence and then based on that they can go ahead and sign the contract. Also, there are two kinds of contracts. One says, I will supply to you, you will buy from me, and the second says you will buy XYZ quantity minimum, and I will supply maximum so much. So, for the second type of contracts to happen, you need to also have a volume clarity on the sides of the customer. So, these giga factories as they ramp up their production and their production stabilizes, then they will have a better view.

**Moderator:**

The next question is from the line of Sabyasachi Mukherjee from Bajaj Finserv Asset Management Company. Please go ahead.

**S Mukherjee:**

First question is could you talk about this semiconductor opportunity that you mentioned in your remarks? What are these products exactly, is it exports opportunity or domestic opportunity as well. How big could be this opportunity?

**Dr. Harin Kanani:**

Basically, there are three types. The organolithium compounds which we are making in BuLi, find usage to make other chemicals, which are then used in semiconductors. We would be like a Tier-2 supplier in case of a semiconductor chip manufacturing facility where we would supply this organolithium to somebody who would then make the chemical which would go into semiconductor. So, this is one opportunity we have.

On top of that in our organic synthesis, we have made a specialty gas of a purity of 99.99% and higher which is used for semiconductor manufacturing. So, we have some projects which are under contract manufacturing model where we make these products for the international market.

And the third is there are some organic chemicals which we are making with very high purity versions of that without the metal content will be used for making certain kind of chemicals for semiconductor. So, again that would be a Tier-2 kind of a supply situation. So, we feel like battery materials, we have an opportunity to be a Tier-2 supplier in the international market, learn from that and then hopefully when semiconductor manufacturing comes in India, we can use that partnership and try to see if we can forward integrate and be a Tier-1 supplier in India. That is something which will take time, but we have just made some start. We have these three engines, one is organic molecules required for semiconductor manufacturing, organolithium compounds and the specialty gases of very high purity for semiconductor application.

- S Mukherjee:** Still, it is early days, but we have made a breakthrough here.
- Dr. Harin Kanani:** Yes. It will be a few crore getting into a few tens of crore in the current financial year. We are just starting with that and then we will see how we can ramp it up and make it more significant going forward.
- S Mukherjee:** Second question is on the mention of Rs. 900 crore to Rs. 1,000 crore by FY26 (*that you mentioned*) in the Press Release as well as in the management commentary in the presentation. This is for the standalone piece, right?
- Dr. Harin Kanani:** Standalone business.
- S Mukherjee:** And if I were to break it down to organic, BuLi and inorganic, it would be somewhat close to Rs. 700 crore to Rs. 750 crore for organic? How does that stack up if you can just...?
- Dr. Harin Kanani:** I would say Rs. 700 crore to Rs. 750 crore for organic, around Rs. 100-odd crore for BuLi and another about Rs. 150-odd crore for inorganic.
- S Mukherjee:** And on top of that, Battery Chemicals should be contributing around Rs. 250 crore to Rs. 300 crore in FY26, right?
- Dr. Harin Kanani:** The capacity which are coming online in the Brownfield in Dahej in this year itself can contribute around Rs. 200 crore to Rs. 250 crore. On top of that, the new capacity will contribute more, and on top of that the Greenfield site will come online in the second-half. The existing capacity can contribute Rs. 200 crore to Rs. 250 crore, but Rs. 250 crore is the bare minimum, plus the new capacities which we are adding by the end of the year they will contribute and plus the Greenfield site will contribute in the second-half. It should be more than Rs. 200 crore to Rs. 250 crore. How much more, please give me some time to tell you, may be by the end of the current year.
- S Mukherjee:** Just a follow up here. Once our electrolyte facility is up and running the smaller one and the Greenfield one comes probably sometime in, let us say September or by December of 2025, the salt capacity will be consumed internally and by that time we will also have some more salt capacity coming up for the international markets. So, what would be the ballpark salt revenue, and electrolyte revenue, any number you have in mind?
- Dr. Harin Kanani:** Like I said, give me some time to give you that number. I have not got the total number, it will be Rs. 250 crore plus additional salt capacity as well as from the Greenfield site. Just to clarify for 30 KTA we would need around 3,000 ton to 4,000 tons of salt, but we do not expect in the first year to use 30 KTA. Salt capacity will also be available in the beginning more for the international market and we will see how we are progressing in international market in the salt and then as electrolyte gets fully utilized by FY28; accordingly we can either keep adding capacity or divert more capacity for India usage.
- S Mukherjee:** One thing, does this Rs. 200 crore that you are saying we can do in FY25 itself coming from salt?
- Dr. Harin Kanani:** No, I said the capacity we have in place which is currently undergoing stabilization that on a full year basis can contribute to Rs. 200 crore in FY26. This year we are not getting full utilization because approvals all that will take time. But all of it will be

approved so the electrolyte and the salt capacity, i.e., 2,000 MTA, 400 tons should give you somewhere close to around Rs. 200 crore along with the increase in capacity to 1000 what we are estimating and then additional thing which will come by end of the year that will may be take some time for approval. So, that is why beyond Rs. 200 crore to Rs. 250 crore some contribution coming from the Brownfield, some contribution coming from Greenfield, but too early to tell exactly how much.

**S Mukherjee:** Any initial readings on what could be the margins from salt revenue or is it too early?

**Dr. Harin Kanani:** In the past also we have said that we expect like ROCE of 20% and also we are targetting, depending on price of lithium somewhere around 16% to 17% kind of EBITDA margins. So far whatever contracts we have signed, we seem to be on track to basically achieve that in salts. So, in salts, we have more visibility because technically if all the contracts that we have signed, if all the customers take the full volume, our entire capacity can get fully utilized just for salt. So, we have clearer visibility on salt. On the electrolytes, as I explained as the Indian players start their electrolyte manufacturing activity, we will have better clarity on margins here.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the Management for closing comments.

**Dr. Harin Kanani:** Thank you everyone for joining the call. I hope we were able to address your queries. If you have any further questions, please feel free to reach out to our Investor Relations team and we will address them. Thank you once again and we look forward to connecting with you again in the next quarter.

**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.

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