

February 9, 2025

BSE Limited

Department of Corporate Services
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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.: Q3FY25 - 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 Q3FY25 Earnings Conference Call held on February 3, 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,

For Neogen Chemicals Limited

Unnati Kanani

Company Secretary and Compliance Officer

Membership No. A35131

Encl: As above



Neogen Chemicals Limited

Q3 FY25 Earnings Conference Call Transcript February 03, 2025

Moderator: Ladies and gentlemen, good day and welcome to Neogen Chemicals Limited's Q3 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 "*" then "0" on your touchtone phone. Please note that this call 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' Q3 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' Q3 FY25 earnings presentation, which has been 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, Dr. Kanani.

Dr. Harin Kanani: Thank you, Nishid. Good evening everyone, and welcome to our Earnings Call for Q3. Before I commence, I would like to wish all of you a very Happy New Year 2025. I hope you have had an opportunity to review our Quarterly Results Presentation. As always, I will start by providing an overview of our performance and strategic direction, followed by our CFO, Mr. Gopikrishnan, who will detail the financial results.

We have delivered an impressive performance in the period under review with 22% growth in revenue and 71% improvement in EBITDA. This performance is attributed to the hard work and dedication of the entire team, as well as the effectiveness of our strategic initiatives. It came on the back of some challenges which we had in the previous year in the same quarter. The key drivers of this year's growth are strong ramp up in BuLi Chem and sustained volume gains in our base business, both in organic products as well as in inorganic products. Notably, higher top line was achieved despite the depressed pricing environment and ongoing global headwinds, demonstrating our ability to effectively navigate market and fluctuations.

The robust recovery was also fuelled by new product launches and a focus pursuit of export opportunities. This success underscores our commitment to innovation and expanding our global footprint. Underlining our business model's responsiveness, we have strategically adopted to the persistent slowdown in agrochemicals by proactively shifting our focus to other end use sectors like semiconductors, flavours and fragrance, select industrial custom synthesis manufacturing opportunities, diversifying revenue streams and capitalising on emerging market trends.

Now, before providing an update on the expansion initiative, let me share some important developments:

- Honourable National Company Law Tribunal has approved the amalgamation of BuLi Chemicals India Private Limited with Neogen Chemicals. With this, BuLi Chemicals stands merged with Neogen Chemicals effective 31st January 2025. Therefore, the standalone results you see include BuLi Chem. This is expected to streamline operations, reduce cost and enhance Neogen's market position in pharma and agrochemicals.
- BuLi Chem saw significant progress this quarter. It broadened its product offerings with introduction of new lithium products, further enhancing its profile in the market. In a key strategic move, we expanded our reach by commencing exports to EU, Korea and Japan, opening new avenues for growth. Adding to this positive momentum, BuLi Chem received EC approval for its brownfield expansion, paving the way for increased production capacity and further opportunities. These of course, will happen after we receive final clearances from the regulatory authority.

I will now provide an update on the expansion initiatives:

- New capacity of 400 metric tonnes per annum of lithium electrolyte salts and additives at our Dahej and 2,000 metric tonnes of electrolyte at Dahej:
- Trial supplies and initial approved materials have been shipped to customers. A phased commissioning strategy is underway to meet India's growing battery materials' demand, aligned with incoming battery capacities in India.

- The Indian ACC battery manufacturing ecosystem is gaining momentum, with one major manufacturer already in trial production at a giga scale and several other expected to commence operation at a giga scale within next two years. There are also several small Megawatt hour level capacities which have started and Neogen has actively started working with them on approvals. This growth will drive demand for locally sourced electrolyte and lithium salts.
- In line with this, we are discussing and establishing long-term partnership with battery manufacturers for electrolyte supply. We have also submitted our samples for electrolyte salts to our international customers. We have submitted the data based on our production and now we are awaiting their final approval for the audit, after which we can commence international salt sales on a more active basis.

Update on the Greenfield battery materials facility using MUIS technology:

- This project is rapidly advancing, having achieved full financial closure. Civil work is progressing quickly with 70% of the civil work and design work completed. Modular plant development is underway at our international partner. And equipment assembly and installation is in progress. Key equipment and machinery are expected from MEC by the second-half of calendar year 2025, after which planned installation will accelerate. So we are on track to start commercial production in FY26.
- Of the total of Rs. 1,500 crore CAPEX that we have envisaged, around Rs. 419 crore has already been deployed till Q3 FY25, and we remain on track to start commercial production here by FY26.

Looking ahead, we are particularly excited about the progress of Neogen Ionics and its lithium salts and electrolyte projects. The Indian SEZ battery manufacturing landscape is rapidly evolving, and we are also seeing strong Government support in policy to support faster adoption of EVs as well as battery storage systems. In order to boost domestic manufacturing, the recent budget has also added some more capital goods for EV manufacturing in the list of exempted capital goods, which will further speed up this process.

Similarly, the customs duty on many lithium products, on the lithium carbonate remains nil, and recycling is being encouraged. This will significantly reduce overall production cost and encourage innovation in lithium and battery value chain.

Based on our current momentum and promising outlook, we are confident in achieving our FY26 revenue guidance of Rs. 950 to Rs. 1,000 crore on standalone business and beyond FY26, the rapid scale up of both lithium salts and electrolyte will be the primary drivers of our consolidated performance.

In conclusion, Neogen Chemicals remains committed to long-term growth strategy. We are undeterred by short-term market fluctuations and are focussed on capitalising on emerging opportunities to generate sustained value for all our

stakeholders. We are confident that our strategic investment, agile business model and dedicated team will deliver continued success in the years to come.

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

G. Sarathy:

Thank you, Dr. Harin Kanani. Good evening everyone, and welcome to the Neogen Chemicals' Q3 FY25 Earnings Call. I shall now take you through the key financial highlights. Please note that these are all on a consolidated basis and analysis is based on year-on-year comparison.

We are pleased to report a strong recovery in revenue, reaching Rs. 201 crore, marking a 22% growth. This was boosted by volume growth in base business and healthy contribution from BuLi Chem, which is now a part of the Neogen Chemicals standalone.

Organic revenue for the quarter stood at Rs. 177 crore, reflecting an increase of 36%, while inorganic revenue witnessed a 29% decline amounting to Rs. 24 crore. Both bromine and lithium raw material prices experienced a sharp decline during the quarter on a year-on-year basis. Adjusting for this fall, organic revenue would have been higher by Rs. 34 crore in Q3 FY25, while inorganic revenue would have been higher by Rs.13 crore during the same period.

EBITDA grew significantly by 71%, reaching Rs. 34.6 crore. This was driven by improved plant utilisation, operational efficiency and lower employee cost. Despite pricing pressure, the consolidated margin remained strong at 17.2%.

Our Profit After Tax came in at Rs. 10 crore. This was steered by strong operational results coupled with favourable base effect due to one-time expenses recognised in Q3 of previous year.

The ongoing CAPEX in Neogen Ionics led to increased depreciation and higher interest expenses on a consolidated basis.

The domestic to export revenue mix for the quarter stood at 65% to 35%.

This concludes my initial remarks. I will now request the moderator to open the forum for Q&A session. Thank you.

Moderator:

Thank you very much. We will now begin the Q&A session. We will take our first question from the line of Arun Prasath from Avendus Spark. Please go ahead.

Arun Prasath:

Good evening, Dr. Harin. Thanks for the opportunity. So, Dr. Harin, you mentioned in your opening remarks that one of the customers is in the trial period of manufacturing electrolyte. So, without naming the customer for salt, can you also give the status of construction of other key potential customers' plants and what stage of construction or near construction and what is our state of qualification with each of these customers?

Dr. Harin Kanani:

Sure. One of the customers has started manufacturing in their giga factory. And in parallel, the second customer is also likely to start sometime in 2025. There are at

least two more customers who are likely to start by 2026, and another two by the end of 2026/early 2027.

So, if we think of the end of 2026 kind of scenario, we expect at least 5 giga factories; the capacities they are targetting is between 5 giga to 30 giga range, and the fifth one would perhaps be starting by 2027.

Now these are giga scale kind of customers. On top of that, there are smaller companies which currently have planned like 100 mega or 1 giga kind of an ultimate because these are other capacities, such as, for mobile phones, laptops, some drones, and some very specific lithium and battery applications, more niche applications which these guys are targetting. So, these customers also remain in contact with us and many of these customers have just started consuming.

Now for some of the customers, one challenge which they are facing is that they got technology from an international partner, and some of them don't have the electrolyte recipes with them. So, you know, at least their initial demand, unfortunately they are forced to buy from the international supplier in very small quantities, but they are actively looking (*for alternatives*)...they are facing a lot of hurdles - many times the material comes but if they are not able to use it quickly, then it degrades. This creates issues in their performance. We are right now working very actively with them to help them give an alternate electrolyte composition which is performing, at least in our test, similar or better (*than the material they are currently using*), so that they can switch over to Neogen. So, we feel gradually this switchover should start happening, and these smaller capacity customers will be permanent customers for our 2,000 KTA production in Dahej and the giga customers when they begin, when they require few 100 metric tonnes, few 500 metric tonnes per annum, in the beginning when they are at 1 giga or so, they will start with our Dahej and as they go to 4 giga, 5 giga, they will move to our Pakhajan facility. This is how we are looking at it.

So, as the trial production gets over, may be towards the end of Q3 and early next financial year Q1, the electrolyte volume once the giga facility starts, minimum it requires like 500 to 1,000 metric tonne per annum, so one customer itself can fill 25 to 50% of our capacity. Once that happens, we will start seeing a big jump and each customer starting the factory will give us one additional bump in our sales volume.

So, I think the way we are right now, just when these first 2 customers, the giga customers who are starting this year, they will be ready for a bigger volume beginning of calendar year 2026 and around that time, basically Q4 of next financial year, we are also targetting our Pakhajan facility to come online. So, it matches very well and the customers are also very comfortable that they know the electrolyte, they will not get stuck. So, the giga customers are happy. Wherever they need support in terms of figuring out their recipes, improving their recipes, either based on our expertise or using Mitsubishi's expertise that we are providing them. So, all

the customers remain happy and very actively discuss their requirements with Neogen.

Arun Prasath: Very helpful, Dr. Harin. Just similarly can you also help us understand about the salt customers in the export markets?

Dr. Harin Kanani: Yes. As we had said earlier, we had started the initial 200 metric tonnes per annum capacity, and in parallel 400 tonnes in which one section of that is making the intermediate and making some salts and additives on a trial basis. So, this was currently the quality which is already commissioned, and the remaining is currently getting optimised. So, the quality is also getting optimised.

Now finally we have achieved what is one of the toughest quality requirements of international customers and this data we have recently shared with our customers. They are looking at it. Once they feel that this production is stable, then they would come and do the audit and in parallel, they might do sample work from this commercial, stable, final, optimised process.

So, once those samples get approved and we pass the audit, hopefully in the current financial year or maximum by early Q1, then they would basically start buying. Their demand is much bigger and once they approve, we can very quickly achieve full utilisation level. Therefore, we also continue to keep increasing the capacity from 400 to 2,500.

We are quite confident that majority of it will be online by June 2025 and some balance residual capacity would be ready by September 2025. We feel that the existing 400 metric tonnes, once they are optimised, once we have the customer approval, they will fully start contributing from Q1, maximum by Q2, and by Q2 next year, we would also have the remaining capacity up to 2,500 tonnes coming online in phases. So, in the second-half of it, we should have that also fully available and to support our electrolyte production in Pakhajan, additional salt capacity also, which is required to support that, that also will come online in the next financial year by Q4. So Pakhajan remains on track.

In case of Dahej, electrolyte capacities, the main challenge is that the customer demand is increasing for the electrolyte salt, we have now achieved reasonably stable production, which data we have shared. So, once we get customer approval either this quarter or next, then we will achieve full utilisation very fast.

Arun Prasath: Just one clarification, Dr. Harin. So, the export customers with whom we are engaging, one of them started their side of the plant?

Dr. Harin Kanani: Yes. These guys are already buying from China. They want to start switching from China to us.

Arun Prasath: Okay, understood. And this will be how many customers?

Dr. Harin Kanani: We just need approvals, the demand already exists.

Arun Prasath: Okay. We are talking about how many such customers, Dr. Harin?

Dr. Harin Kanani: We have engaged with more than 20-25 customers globally, out of which four or five are active. We feel these four or five, (*with whom*) we have discussions or MoUs in place, can completely take our full capacity. So, we are not actively engaging (*with the remaining*). Our first focus is on the (*active*) customers. As our capacities come online and once we start regular business with them then there are other customers whom we can approach. So, currently these 4-5 customers are the ones we are working with quite actively.

Arun Prasath: Understood. And just my final question on Neogen Ionics. You talked about the formula-based pricing a couple of quarters ago on these products. Is this now fairly accepted by the customers or you are still having exposure to the spot open market?

Dr. Harin Kanani: The long-term contracts or the MoUs we have are all formula based. But, those are the customers who will, as I mentioned, once the quality approval comes, once the audit comes, that business will kick in. Till such time, we are just trying to sell in the spot market or trying to sell the intermediate. So, our salt as well as additive, everything together in nine months at least we were in single digits. Now we are in double digits. So, that's good news.

Some of it is considered trial production, so will be adjusted as part of our CAPEX, but in Ionics at least we will be in double digits. Most of this is intermediate sales to our competitors in China or some not very high-quality required kind of market. The long-term formula driven market will basically kick in once those contract approvals come in place.

Arun Prasath: Correct. And in a steady state, what kind of a long-term versus spot mix that we are targetting?

Dr. Harin Kanani: Most of it will be long term because the long-term contract we have can basically take care of our entire capacity what we have planned.

Arun Prasath: Understand. Thanks for answering all the questions. I have a couple of questions more, but I will come up with the follow up. Thank you.

Dr. Harin Kanani: Thank you.

Moderator: We will take our next question from the line of Abhijit Akella from Kotak Securities. Go ahead.

Abhijit Akella: Yes. Good evening, and thank you so much. On the battery chemicals business, Dr. Harin, we previously had an expectation of doing somewhere around Rs. 50 to Rs. 75 crore of revenue this year, followed by somewhere around Rs. 450 - Rs. 500 crore next year. If you could please update us on whether you think those numbers are still on track or could there be a little bit of slippage in terms of timelines?

Dr. Harin Kanani: For the current financial year, we expect a slippage because the Indian electrolyte demand which was expected by us to pick up in the second-half is now going to start only towards the end of the year and early next year. That was basically from whatever our battery production or the cell production which is going to happen in

India; and on the salt side because of this delayed approval, it would be somewhere between Rs. 20 crore to Rs. 25 crore, maximum up to Rs. 30 crore for the current financial year.

The next year we are still reviewing. The upper end still remains Rs. 500 crore based on the capacity, but depending on when these approvals come in, whether we get that by the end of the current financial year or Q1 and second is how fast the electrolyte demand picks up. Depending on that, it would be somewhere in the range of Rs. 300-400 crore or Rs. 300-500 crore, which we will let you know by the next financial year, in May in the next quarter call, we will have a better visibility on that.

Abhijit Akella: Okay, got it. And just the other one was with regard to some of the financials. One was regarding the other expenses which seem to have increased quite significantly quarter-on-quarter. So, what's driving that? And if you could please also just update us on the debt position at the end of the quarter. Thank you.

Dr. Harin Kanani: Sure. I will let Gopi answer this question.

G. Sarathy: Other expenses on a quarter-on-quarter basis is on the higher side by around Rs. 7 crore. This has been largely seasonal. Even last year on a quarter-on-quarter basis, it had gone up. The main reason being one is some Diwali bonuses to the employees and also there are some major exhibitions which happened during this part of the year. These two factors, along with a few one timers, have contributed to this increase. This is something which is quite seasonal and has been there in every quarter even in the past.

Coming to the debt amount, on a standalone basis, debt has been close to Rs. 450 crore and on a consolidated basis, it is at Rs. 570 crore.

Abhijit Akella: Thank you. I will come back in the queue for more. Thanks.

G. Sarathy: Thank you.

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

Rohit Nagraj: Thanks for the opportunity, and congrats on good set of numbers. First question, Dr. Harin, is in terms of feedback from the customers and time taken to again rework on the recipes. Generally, how much time does it take for us to again go back to the quality that the customers are asking? And have we seen such kind of quality lapses, at least in the initial part, when we have been sampling to the customers? Thank you.

Dr. Harin Kanani: For electrolytes, we don't have any quality issues. Whatever electrolytes we have been supplied, we are doing well there. There is no challenge on the electrolyte side. Electrolyte, as you know, is basically mixing the salt along with solvents, along with additives.

What I referred to earlier was that some of the customers import the technology from a Chinese, Japanese or a Korean cell maker. Sometimes the cell makers there

also don't know what is the recipe of electrolyte. So, till they don't know what is the recipe, we are actually helping them figure that out to find an electrolyte composition which is giving as good as what they are getting or even better. So, that is what I was referring to.

Now that process and approval depends on the customer and stringency can take any time from two-three months to even six-seven months. But so far, whenever we have submitted our electrolytes to all the customers, the quality has been good and has been well appreciated. In fact, some of them found our quality is better as compared to even some of the Korean or the Chinese electrolytes which they imported, and again they are all very keen to localise this in India, either because of their PLI benefit or it's just very difficult to import electrolyte even in small volumes internationally.

Again in electrolyte salts we have been able to achieve the quality which is required internationally. But we are trying to reach the highest quality which is required, which is the most stringent one required for some of the best customers in the world.

Now that has already been achieved. We have already shown this data to our customer and our customer is currently evaluating it. Based on their evaluation, they will further proceed. This was something which was expected but it was something which took a little bit longer for us to achieve as compared to this is the first time we were doing it and there were some learnings. We have now incorporated those and now we are able to achieve the quality which is required.

We are now waiting for the final customer go ahead where the customer will come to evaluate the final modified (*process*) because any change has to be validated by them. So, the final modified process or the improved process, they will come and validate, and then the commercial field can start.

Rohit Nagraj:

This is helpful. The second question is in terms of the overall capacity. So, the 400 MTPA electrolyte salt additives plus 2,000 metric tonnes of electrolyte, how much of this capacity will be utilised for domestic market and how much of this capacity is likely to be for the exports market? And I understand that for MUIS electrolyte the entire capacity is supposed to be for domestic market because I think the electrolyte does not make sense to export to any other geographies because of the composition. Thank you.

Dr. Harin Kanani:

Yes, you are absolutely right. The electrolyte capacity of 2,000 MTPA and 30,000 MTPA is largely targetted for the domestic market. May be some small quantity in geographies where there is no niche electrolyte producer where, small niche guys don't have an option, that's where we might export a little bit, but I would say 95% would be domestic; only 5%, if at all, would be exports in case of electrolyte.

When it comes to electrolyte salt, look, we are the electrolyte maker. So, we will be the internal consumers, and rest of all will be exports for the international market.

So, we are having 400 now, which is going to become 2,500 by next financial year, and then it is going to become 5,500 by the end of next financial year.

So, all of this, except for whatever is the electrolyte internal consumption will be sold in the international market and between 4-5 customers which we have mentioned, they can pick up this entire quantity. So, their consumption is there for this entire quantity. It will be mostly exports. And then as our electrolyte demand in India continues, most likely in the future, we will have to add capacity both, you know, to keep meeting the increasing demand of the international customers as well as our increasing internal consumption.

Rohit Nagraj: Yes, this is helpful. Thanks a lot, and all the best.

Dr. Harin Kanani: Okay, thank you.

Moderator: Thank you. We will take our next question from the line of Jason Soans from IDBI Capital. Please go ahead.

Jason Soans: Yes, sir, thanks for taking my question. Sir, my first question is, sometime back, you did mention that steady-state realisations for electrolytes, I believe, was around \$8 to \$9 per kg and lithium salts from \$28 to \$35 per kg. I understand that, but you know what's happened in the interim is battery grade lithium carbonate has witnessed a steep decline. It's gone from around \$15,000 per tonne to around \$10,500 per tonne around that, and that's in that range itself. So, just wanted to know with the raw material price seeing such a sharp decline, what would the steady-state realisations for both these products be?

Dr. Harin Kanani: I still believe that, when I recently spoke to lithium companies, they expect, the stable lithium price to be between \$15 to 25 per kg. what you mean as a steady-state. The current price is not sustainable because majority of the new miners are not able to make money. So, if the situation doesn't change, you know, they will stop production and then you will have another supply side shock.

So, steady-state, people expect to be between \$15 to \$25, \$20 being the average lithium carbonate or lithium hydroxide price, and the range is what we had given is keeping in mind \$15 to \$25 per kg lithium carbonate price range. So, all the guidance we had given, we had given based on steady-state, not based on large numbers. So, they continue.

And yes, if the price remains what it is today, then, may be electrolyte could be cheaper by about \$1/\$1.5 per kg. Depending on, not only lithium, but other salt and solvent and other additives demand, prices are also lower. So, depending on that, we again don't worry too much about that because we are more focussed on the absolute EBITDA or absolute ROCE is what we basically focus on.

So, that remains our guidance and that remains our main focus. So, depending on price fluctuation, EBITDA percentage or those numbers can change, but our CAPEX doesn't change because of that except slight working capital adjustment. But otherwise majority of the investment remains the same and therefore the absolute EBITDA or margin that we are targeting also remains the same.

Jason Soans: Yes, sure. Actually, my question was just emanating from the fact that, you know, if the (*prices of*) raw material decreases, then the absolute EBITDA also...if the realisation comes down, the absolute EBITDA also goes down. That could hamper some of the positions. But you are saying that probably you expect the lithium carbonate prices to revert back to main levels going ahead and so fair thing.

Dr. Harin Kanani: And also, the contract is such that, the raw material price increase or decrease is a pass through. So, while the percentage will change, per kg or per dollar, whatever our contribution that we are looking for, that does not change. It only changes that we have projected that when we do 30 KTA plan, what will be my operating cost, what will be my utilisation levels? So, as long as I am able to achieve those operational numbers, the absolute EBITDA will not change.

Jason Soans: Yes, sure. Okay. So, my next question is, you have again spoken about it. I understand that electrolytes, they need to be domestically procured as it's not feasible to transport (*it*) being voluminous in nature. But again, just from this perspective that, you know, raw material prices, lithium carbonate, they have seen such a sharp decline. So, do you see a significant risk from China import or predatory pricing for this - for the electrolyte?

Dr. Harin Kanani: Like I said, even some of the customers who are currently getting small volumes from China or Korea because of the reasons I explained to you earlier, they are all very actively getting, even if they are running a 10 Megawatt or a 50 Megawatt hour plant, still it's such a big headache that they are actively working with us to localise it. So, it is a big pain. Also, there are many hidden costs when you bring it and suppose if the material has gone bad, either your performance of the cell goes bad or you have to discard the electrolyte which is also not very easy to do by the way. Because of that people do want to change and so that remains a very clear view. Already China is doing predatory pricing, but when we look at our 30 KTA and we look at China, then we look at further logistic costs in bringing those containers, and sending them back. And then if you further factor in customs duties which are expected to come in beyond 2026. So, I think when you factor all of that in, most customers can clearly see value in a local supplier.

Jason Soans: Okay, sure. And finally, just wanted to ask from a related standpoint only. Now in the two wheelers and the Olas, the bikes etc., I believe this fully imported battery packs are being imported from various players like LG or Panasonic. This fully imported battery packs are being imported from China or from whichever geographies, most of them China. Could that be a risk? I mean, if fully imported battery packs continue to be imported at a cost-effective price, could that be a risk to our battery chemical business by any chance?

Dr. Harin Kanani: Just a clarification. Most of the companies like Ola etc., are not importing full battery packs. They are importing cells and the battery pack is mostly made internally. Some of them might be importing battery pack, but most of the battery packs get made in India. Only the cells get imported. In both the cases, the main issue is, would these companies directly import cells and not make it in India. There

are two parts. One is, there is a PLI so that was the whole reason for PLI where at least there is Ola and there is Reliance, two of whom have very large 20-20 giga kind of support from the Government. So, this is one aspect. Then in the past, the Government was very clear that once cell production will start in India, there will be customs duties. There will be BIS standards. Those kind of things will come. Right now they are not there because there are no manufacturers to take care of the requirement. I think that is what is something which is very clear to all cell producers that the Government definitely wants localisation.

On top of that for many of Indian customers if you look, for example, Tata has internal consumption. They have plant Tata Agratas. Ola has its own Ola Gigafactory. Then so many of these have internal consumption. So, even from a strategic point of view, batteries are the new engines of vehicles. That is where your performance from one car to another car changes and that is one of the key factors. Most of this, even from the strategic, from innovation, from design point of view, they want to internalise it. That's the reason why, as I mentioned, there are at least six or seven companies actively working to set up capacities, ranging from minimum 12, 13 giga to 30 giga in the next three to four years. And I think none of them are worried about sales coming from China at a very low cost. Of course, they want to reduce the gap, they want to be as competitive as possible. At the same time, they know something is required for local production. There's a very clear Government policy and mandate and also their own requirement to localise it.

Jason Soans: Sure, thanks for answering all my questions.

Moderator: We will move on to the next question from Archit Joshi from Nuvama Institutional Equities. Please go ahead.

Archit Joshi: Hi, Good evening and thanks for the opportunity. Earlier we said that over the next, may be 2-3 years, we do expect Gigafactory in the range of somewhere around 5 to 30 Gigawatt hours. I just wanted to understand while these Gigafactories are being set up for the first time in India by most of them. I think some of them already have it, but a large part of this will be by newer companies and new capacities. So, while they put up the capacity, how is their own ramp up time? I am sure there's going to be a learning curve involved in that. And while they ramp up their capacities, how does it affect our own demand dynamics, including the ones that you mentioned before, the ones may be you are importing already and unable to figure out what kind of recipes to use in the existing set of battery cells and we're trying to figure out how to replace them or to create an equivalent grade of what they are using. What challenges do we foresee in the OEMs who wish to ramp up the capacities over the period of let us say 3 to 4 years?

Dr. Harin Kanani: Each battery maker will have their own learning. And like I said, one of the approaches, that when they are learning in the initial smaller volumes, we can take care from Dahej and as their volumes stabilise and become bigger, we can take it to Pakhajan. So Dahej becomes a more flexible startup plan, but Pakhajan, hopefully the newer site that we have, is fully ramped up and is directly working

with customers where we have very strong clarity of demand and can work with a lot of clarity and with good operational efficiencies. Each customer is aware of these challenges. They keep some time; they keep some learning time for that. And when the first factory happens in India and after that when the second happens, third happens, within country also lot of knowledge and the learning which keeps coming in which helps make the second one better than the first, third one better than the second and so on and so forth. So, I am sure we will do a better job there. Of course, each customer has their own strategy like one of the customer is going to have a whole set of team which will be running their plant for 6 months. So, the experienced guys will come and they will run the team here for 6 months. There are many such strategies to reduce the time lag and I see in 2025 the demand will depend on that (and) may be in the first half of 2026. But after 2026 second half there will be ramp up happening from existing guys which will be more predicted because when somebody starts with 1 giga, may be the first giga is tough but then 1 giga to 5 giga is smoother and 5 to 20 is even further smoother.

So, I think there will be ramp ups which will be happening which will be more predictable. So I think yes, we will have some pain in 2025 and 2026, but I think second half of 2026-27 onwards we should be good and with the giga factories which are coming and the position in which Neogen is, we are quite confident to achieve...FY28 or FY29, the guidance which we have given for full utilisation of our electrolyte plant because you can appreciate. I mean it's only going to be able to serve 30 giga, if all these 6 or 7 customers are coming at 10 giga plus kind of volume that is something which will be very easy to fill by FY28, worst case FY29, the way we had predicted.

Archit Joshi:

Sure sir. I have got a few more sir. Second one on long-term contracts. I mean that at least envisage as on date, with the kind of movements that we have seen in lithium carbonate and lithium hydroxide, prices are stable probably for now. We have seen a haywire cycle of that, may be in the past, during COVID. Of course, it might be completely abnormal at that point in time due to various reasons. But these contracts, ideally I think the endeavour will obviously be to have our per kg or per tonne margin protected. How do we foresee these kind of challenges while we speak to our customers for a higher volume sale to a particular OEM? Any understanding of this particular design with the long-term contracts?

Dr. Harin Kanani:

No. So I think at least customers, especially the ones which are OEMs, who have self-consumption internally, they prefer this model because they know lithium prices and commodity prices are going to go up and down and just think if you are an auto maker or something, you have seen steel prices also fluctuate and this is what they like. When they work with their Tier-1, Tier-2 vendors, they want those vendors to have a pass through on the material cost. And basically, focus on efficiency in the conversion cost or things like that. So, I think that's a model especially where you have internal consumption of the cell. Those customers really appreciate that and they are okay with it. So, I think we have not seen so far, any challenges. For some we have already signed MoU. While we have not started

getting the POs, the MoUs or even contracts that we have signed, in those contracts, the raw material prices are a pass through. With others with whom we have not yet signed a contract, because the customer demand is crystallising, as a principle they also expect a pass through pricing. We have also shown data that if you go back 4 years and you have a pass through price versus you have a spot price, actually in the pass through price, the customer saves money because in the spot, you go with crazy lows and then you go with crazy highs. So the crazy highs more than make up for the crazy lows. On a stable basis the pass through is good for the customer because they have seen that they can get more value out of it and they save money over a 3 year, 5 year kind of time and that's what most of the OEMs are looking for. We have had success so far in whatever 2-3 contracts we have done. And the other people are not averse to that logic. So, I don't see a big challenge there.

Archit Joshi:

Sure, sir. I have got two very short ones. I will squeeze both of them into one question. So, first, your thoughts on IRA. Is the narrative coming under threat by any chance, given the incumbent residents and import tariffs that we are incurring.

Second, this Rs. 300-Rs. 500 crore revenue band that we are speaking of on the Neogen Ionics business for the next financial year, how would that split be in terms of salts and electrolytes? That's it from me. Thanks a lot.

Dr. Harin Kanani:

On IRA side, each Government will decide on their own what is the best? So, if you look at from policy on one side, there is a discussion about IRA getting changed, modified and on the other side there's also a threat to put more customs duties on China than what are already in place. We have basically asked our customers; what do you feel about it? And they said, IRA or no IRA - I am talking of the international customers - just from a supply security point of view also, we want to have an alternate because we can't depend 95% on China. And many customers are even 100% dependent on China. So, they definitely want an alternative. My view is that considering the consumption which my customers have and the contracts which they have done, none of them have said that I am going to require less. So, I think whether IRA or whatever modified avatar of that or once the dust settles after whatever customs duty modifications, etc., happen, the customers definitely want it. Depending on how finally, how the IRA looks like and how the customs duties look like that will just mean how fast we need to grow our salt capacity for the international market. So, the speed and how much more are the questions. What we are planning today is in my view, question irrespective, and that's what the customers like even in our pharma, agro, we kept using China-Plus-One kind of turn and our existing capacity is the bare minimum required; may be even on a China-Plus-One you would need more. If there is a stringent IRA, then you would need much more, so that's my view on that. It's a little bit difficult. The Rs. 300 crore to Rs. 500 crore, the range of how much will be salt and how much will be electrolyte, it depends again, as I said, on one of the variables is how much electrolyte will be needed from India. We have a model where it can be 50:50 - 50% domestic and 50% (*imported*). But most likely I expect salt will be heavier. We will have more

- contribution from salt, but again let me give you more colour on this in our next call once I have more clarity from my customers.
- Archit Joshi:** Sure, thank you. All the best.
- Moderator:** Thank you. Next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.
- Bhargav:** I was just looking at your PPT which says that in electrolytes, you started supplying this 200 tonnes to four customers. But as against that, the electrolyte salt capacity commission is also 200 tonnes. So, is it fair to say that we are using external salt or everything is captive when we are supplying this electrolyte?
- Dr. Harin Kanani:** No. The salt that we have, 200 tonnes, will require only 40 tonnes of the salt. Again, we are also not using 200 tonnes fully. So, yes, we are selling. The salt capacity is still additional. So, if you say in terms of giga term, the 200 metric tonne electrolyte is 0.2 gigawatt hours of LFP, NMC kind of mix. And 200 tonne of salt is approximately close to around 2 giga. So, we still have extra salt capacity. And that is how we will be in this year and next year because this additional salt capacity is targetted for the international market.
- Bhargav:** So, this 100% electrolyte which we are supplying, we are using our own salt, right? That's fair to assume, as of now?
- Dr. Harin Kanani:** We are still using some international salts, but that is mostly for one customer who wants to have a backup. Second, we also retain the flexibility that if the international salt demand is much more, we can use for India purpose where there is still not IRA. So, I think we are approving some other international sources as well. But yes, the intent is to use maximum internally, for internal consumption and then only if there is additional required, we will import.
- Bhargav:** And in these trials which we are giving to four customers, you mentioned that we need 4 to 5 customers to fill our capacity for electrolytes. So, these four customers whom we are supplying, is that part of the four or five potential customers we are looking to supply for filling our full capacity?
- Dr. Harin Kanani:** No. These 4 to 5 customers are for completing our 30 KTA plant. We don't need 4, 5 customers may be; but yes. But those are different because some of them have not yet started.
- Bhargav:** Okay, so these four customers essentially are sort of fairly small customers.
- Dr. Harin Kanani:** Yes and for the trial requirements of the Giga factory.
- Bhargav:** Because then, I was just wondering, how do we scale that up to in FY26 because if we are still not supplying trials, then *(are we)* confident that we will reach that Rs. 300 to Rs. 500 crore of revenue which we are guiding for '26?
- Dr. Harin Kanani:** Yes, so again, we'll give more details, but like I said, the Giga factory is likely to start regular production by the end of this quarter, early next quarter and also more customers are approving us. Then in the second half of the year, the second giga factory is also expected to start. All this will help us with the electrolyte demand

and on the salt side, as we keep adding, the 200 metric tonnes will become 400 and then will become 2500 by the next year so that will allow us to add more salt capacity. And in Q4 the existing Giga customer will also start ramping up as well as the new Giga factory also may have started or would be ramping up, so together we expect between 300 to 500 MT.

- Bhargav:** And lastly, the gestation - from trial to commercial sale - would be how long?
- Dr. Harin Kanani:** In case of electrolytes we are already working with some of the customers from the beginning. So, then it's very smooth because when they are at kg level they approve us in kg, when they are at 10s of kg, then 100s, then 1000s. So, then as their capacity is ramping up right from the beginning, they are using us. So, then it's very smooth and most of the customers we are working are in this way. So, for electrolyte, we don't see a separate gestation period for approval. Sometimes they do tell us to send it to their international partner. Then it will depend upon the cell - between 3 months to 6 months for the approval.
- Bhargav:** Great, thank you for answering all my questions and all the best.
- Moderator:** Thank you. We will take our next question from the line of Sabyasachi Mukherjee from Bajaj Finserv AMC. Please go ahead.
- S. Mukherjee:** Yes, thanks for the opportunity. Dr. Harin, my first question is, on the international customers. I believe in the last call itself, you mentioned that we have already supplied the trial samples. I believe there is a slight delay in the approval process. By when can we expect the commercials to come in?
- Dr. Harin Kanani:** As I explained earlier, we expect may be in Q4 or early Q1, we should start getting approvals. Then the commercials can start. So, next Q1 or maximum by Q2, you can see the salt volume to start increasing.
- S. Mukherjee:** Okay and any specific reason for this delay or because of the change in administration in the US or something like that?
- Dr. Harin Kanani:** No. Like I said, just we had to achieve stable production. When I say stable, I mean continuous batches with uniform quality for the electrolyte salts. We had met for normal international customers, but what we wanted was customers who have the most stringent demand. Those we have just started meeting. So, for those we also had to optimise our production processes a little bit. And now with the data, the customer will restart the qualification process with this modified because any change you do in the process, they have to audit, approve, everything again. So, that's where we currently are.
- S. Mukherjee:** Got it and whenever this Pakhajan facility comes online, will there again be fresh approval process or how does it work?
- Dr. Harin Kanani:** Yes, the approval process will be again fresh so that side also needs to get approved, but that's basically factored in the time when we said we will start by the end of 2026. So, we expect that trial production will happen. Electrolyte I think might be a bit faster because, as I said, existing customers in India will graduate from here to

there but for the salt, we will have to again see. Of course, we are now more aware of the quality, the modification in the processes have already happened. But again, it is a new site. So, currently we estimate that we would have trial production and approval by the end of the next financial year.

S. Mukherjee: Got it. Second on the domestic electrolyte. In the presentation on the commentary I see that you have mentioned the major ACC factory manufacturers have already started trial production. Any colour on the timelines with their interaction with the specific customers that when probably they'll ramp up and they will take our electrolyte?

Dr. Harin Kanani: They are already taking our electrolyte, they need to take more of it. And as I explained earlier, we expect may be end of the current quarter, early next quarter, their ramp up should happen to closer to giga scale. So, when that happens, then the volume of the electrolyte being sold to them will increase.

S. Mukherjee: Lastly, Dr. Harin, on the base business, when we expect the next set of CAPEX both, on the BuLi Chem as well as the legacy part of the business?

Dr. Harin Kanani: We will be presenting our budget proposal to the board in some time. Once the board approves, we can share more numbers. We are seeing good demand in BuLi. So, I think that's one area which we are going to discuss. By the way, it's no longer BuLi. It is now technically Neogen Patancheru plant. So, in Neogen Patancheru plant, we are considering CAPEX for increasing the capacity, but we are discussing internally with our customers and once the board approves we will update on the same. Similarly, in our Dahej and Karakhadi facilities, we are just doing some debottlenecking or for some different molecules, some specific equipment is needed, but no major CAPEX or capacity increases.

S. Mukherjee: Gopi sir, if you can disclose the 9-month cash flow from operations number, that would be helpful.

G. Sarathy: Generally, cash flow is not given in December quarter. The only thing I can say is, it is substantially improved from what you saw in the September quarter. So it is on an improvement track. We are maintaining the improvement you saw in the 6 months; that continues.

Dr. Harin Kanani: But at a very accelerated rate.

G. Sarathy: So, it's continued in 9 months also.

S. Mukherjee: On the inventory thing, the elevated inventory level that we saw last year those things are in place? That's one concern that I have.

G. Sarathy: See, basically since we have not disclosed the balance sheet in this quarter, it will be difficult for me to tell you those things. The only thing I can tell you is working capital days have substantially improved. It is very much in line with the guidance we had given last time. There has been a substantial improvement in the working capital days.

S. Mukherjee: Okay, thank you. That's all from my side.

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

Nilesh Ghuge: Hi, Harin. My question is on your standalone revenue guidance. You mentioned that you will reach to about Rs. 950 to Rs. 1000 crore in FY26. If I look at the current run rate of nine months, that means about 25% to 28% Y-o-Y growth in FY26 on standalone business. Can you tell me from which end user industry you see the demand because I hope this number is based on the normalised lithium and bromine prices.

Dr. Harin Kanani: Yes. Currently the lithium and the bromine prices are a little bit on the lower side. We expect by next financial year, these prices will come back a little bit. I mean even if they become normal, there will be some contribution which is coming from there because as we showed, as compared to last year, of course, last year if you look at 9 months, lithium price still was elevated. So there is still a delta from there. I think some will come but majorly we are seeing a good demand. What we had said, pharma has improved significantly. We are seeing good demand for organolithium. We are seeing bromine derivatives also do well. Agro has just started. So, in Q3, there was some agro contribution, some more we are expecting. So, we feel agro will also recover. And as you said earlier, we have taken several steps in FNF and some other projects as well as CSM business for flavour and fragrance and some industrial. So, overall, with that, we expect that we will be able to target Rs. 950 to Rs. 1,000 crore. Of course, if the lithium prices and bromine prices remain where they are today, may be they will be in Rs. 900 to Rs. 950 crore range, but on an absolute EBITDA basis, Rs. 950 crore whatever we say, 18% plus minus 1-1.5%, is what we are expecting. Now depending on lithium and bromine prices going up and down, it can be slightly lower, slightly higher.

Nilesh Ghuge: Okay. And my second question is on your CSM business. What was the CSM business contribution in 9 months FY25? How is the traction in this business? And if you can talk about the long-term contracts, large scale contracts with the Japanese and the US based pharmaceuticals and other things?

Dr. Harin Kanani: The CSM business is at close to around 14% of our overall revenue. On a quarter-on-quarter basis, it's fluctuated between 12% to 15% in the current financial year. Again, we are targetting that in the next year, we can take it between 15% to 20%. This is actually Contract Manufacturing business. So, in line with what we are doing, only depending on how agro improves, whether it will be agro heavy or whether...I mean right now we still have agro, pharma, flavour and fragrances as well as some industrial and semiconductor. So, all five categories are contributing to that 12% to 15% business. But many of these are just trial productions which we did this year and the previous year. So, I think next year may be some of them will start stabilising and the year after we should see even further growth in that. But right now we are focussed on next year. We will be above 15% - 15% to 20% - would be CSM contribution is what we are expecting. I think the Bromo derivatives will today be at around 50% and as a percentage may remain between 40% to 50%. Advance

intermediates are little bit of a weak area which might be 15% - the ideal target is 20% - but right now it's closer to 10%-12%. That depends on how China situation changes because right now there's a lot of dumping happening both, at API level which reduces the generic API production in India and also some intermediates where they sell very low. That's something which we need to watch on the advanced intermediates side but we are taking steps how actively BuLi can do the organolithium business slightly more than 5%. Like we had said, Rs. 50 to Rs. 100 crore with the current run rate, we might be able to do slightly better than that. So, that might contribute slightly more than 10% to make up for it. And the inorganic lithium will be between 15% to 20% is what we expected. So, I think more or less the only area (*in which we have*) a little bit of concern is the advanced intermediates, mostly because of low Chinese prices of API and intermediates which they are dumping in India. I think that remains the only area of concern. I think that all other segments should be doing well. And industry-wise, pharma is doing good. We are seeing growth in semiconductor application, flavour and fragrance. Agro, we see slight improvement, started a little bit, but we still have to wait a little bit more to figure out how strong the recovery will be in the next year.

Nilesh Ghuge: Thanks, Dr. Harin for answering my questions.

Moderator: Thank you. We will take the last question from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: Thank you so much. Just a couple of quick follow-ups. One is on BuLi Chem. Will it be possible to share some metrics regarding the performance this quarter? I believe there has been some improvement.

Dr. Harin Kanani: Yes. In BuLi also, we have seen growth. This year, particularly this quarter, even EBITDA was slightly better, but overall if you see, it's still that 18%, plus or minus 1%-1.5% range, which I keep telling you which depends on lithium price and other factors. So, I think BuLi is now already reaching full utilisation levels like in Q3, even Q4 is expected (*to be*) full. We have already got the center permission, EC has been received. We are just awaiting local approval. So, once that happens, we are on track to double our capacity with very small CAPEX. And that will allow us to grow this even further in the next financial year.

Abhijit Akella: So, will it be possible to share the revenues for this quarter and the YTD?

Dr. Harin Kanani: Ideally, BuLi has only one or two molecules. So, if I share revenue of that, it's almost revenue of that molecule. And we'd like to keep it as a mixed basket. It becomes direct information on how much exactly we are selling. But whatever we have said at full utilisation, it will be between Rs. 50 to Rs. 100 crore. So, we remain in that range, even for the current financial year. And next year we will be closer to Rs. 100 crore or even exceed the Rs. 100 crore, if the approvals and everything comes in.

Abhijit Akella: Got it, thank you. And the other one was on battery chemicals business. Will it be possible to share the YTD revenues from battery chemicals we have got?

Dr. Harin Kanani: Together, now we are into double digits in the YTD numbers. More than Rs. 10 crore and our guidance overall is at around Rs. 20 to Rs. 30 crore in the current financial year. So that's what remains the target for the current financial year. By the way some of this revenue is from trial production so that might not be recognised as revenue. The actual final balance sheet number could be a little bit lesser, but if I look at the actual sales which have happened, they are in that range.

Abhijit Akella: Okay, got it. Thank you so much and all the best.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments. Over to you sir.

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.

Moderator: Thank you. On behalf of Neogen Chemicals, conclude this conference. Thank you for joining us and you may now disconnect your lines.

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