NEOCHEM BIO SOLUTIONS LTD.

NEOCHEM Enabling Growth

IPO NOTE

IPO Price Band: INR 93 to 98 per share | M.Cap: ~INR 167.78 Cr. | Recommendation: May Subscribe

ABOUT: Incorporated in 2017, Company is engaged in manufacturing of specialty performance chemicals catering to multiple industries (Textile, Home & Personal Care, Institutional & Industrial Cleaners, Paint & Coatings, Dyes) with ISO certified manufacturing facility of installed capacity 22,000 MTPA located in Ahmedabad, Gujarat & warehousing capacity to store 1,350 MT of raw materials and finished goods.

- Operates under B2B model with sales supported by 50 pan India authorized distributors and reselling agent with sales in domestic markets as well as exports [Domestic | Exports = 91.4% | 8.6% for FY25]
- Product mix comprises of 4 primary segments (a) Polymers (b) Surfactants (c) Silicones (d) Esters & biobased sustainable solutions

INVESTMENT RATIONALE:

- Integrated manufacturing facility with in-house R&D:
  - Capability to produce key intermediates in-house and develop proprietary formulations : product portfolio comprises of 350 customized formulations for diverse customer requirements. Company has 40 registered trademarks
  - Flexible manufacturing facility (partially automated) to produce small to medium batches with capability to handle liquid & powder based chemistries
- Established sales and distribution network
  - Company sells its products directly to customers from its network of more than 50 pan India authorised distributors & reselling agent. In domestic market, sales to 228 & 227 customers for H1FY26 & FY25 respectively
- Experienced promoters with strong management team
  - Promoter and Managing Director, Mr. Swapnil Rameshbhai Makati has over 20 years of experience in the chemicals industry

BRIEF FINANCIALS:

Particulars (INR Cr.)	FY23	FY24	FY25	H1FY26
Revenue *(excl. other inc.)*	48.2	61.2	84.2	45.8
Growth Rate Y-o-Y %		*26.9%*	*37.6%*	
EBITDA *(excl. other inc.)*	4.2	6.0	13.1	8.6
PAT	1.1	1.8	7.8	5.5
Gross Margin %	31.8%	34.3%	32.3%	34.4%
EBITDA % *(excl. other inc.)*	8.8%	9.8%	15.6%	18.7%
PAT %	2.2%	2.9%	9.0%	11.6%
Debt *(Short+Long)*	26.2	33.3	35.6	38.5
Equity	8.1	12.0	19.8	32.2
Debt/Equity	3.3x	2.8x	1.8x	1.2x
NWC	16	21	32	47
NWC (days)	*120*	*127*	*140*	*187*
NWC includes Inventory, Receivables & Payables; & NWC days is computed as % of rev.				
ROE %	18.07%	17.97%	48.82%	21.10%^
ROCE %	17.46%	21.46%	41.67%	22.84%^
CFO / EBITDA %	(17.5%)	32.7%	19.8%	(89.6%)
^Not annualised				

IPO VALUATION & VIEW:

Issue is valued at P/E ratio of 21.6x & 15.3x based on FY25 PAT & H1FY26 annualized PAT. Strengths of integrated manufacturing facility, in-house R&D, established sales & distribution network, experienced promoter is offset by working capital intensive operations, high related party sales and high Debt to Equity ratio, we recommend a 'May Subscribe' to this issue.

ISSUE SUMMARY

Particulars	Details
Price Band (INR)	**93 to 98**
Face Value (INR)	10
Implied M.Cap (INR Cr.)	167.78
Exchange	NSE SME
Min. Lot Size (Retail | HNI)	2,400 | 3,600
Issue Opens on	02-Dec'25
Issue Closes on	04-Dec'25
Listing Date	09-Dec'25
No. of shares pre-issue (#)	1,25,31,953
Fresh Issue of Shares (#)	45,88,800
Offer for Sale (#)	-
No. of shares post-issue (#)	1,71,20,753
Funds Mobilized (INR Cr.) (a) Fresh Issue of Shares (b) Offer for Sale	 44.97 0.0
IPO Reservation (a) QIB shares offered (b) Retail shares offered (c) NII (HNI) shares offered	 <=50% >=35% >=15%
Registrar	MUFG Intime India
Book Running Lead Managers	Vivro Financial
Objects of Issue (INR Cr.) (a) Funding long-term working capital requirements (b) Repayment of borrowings (c) General Corporate Purposes	 23.90 10.00 [•]

SHAREHOLDING

Particulars	Pre-Issue	Post-Issue
Promoter & Promoter Group	91.12%	66.70%
Public	8.88%	33.30%
Total	**100.00%**	**100.00%**

KEY RISKS / MONITORABLES

- Working capital intensive operations : Company has 350+ customized formulations & inventory holding period is extended to ensure uninterrupted production. Growth strategy to diversify customer base & geographical reach results in higher receivable outstanding
- Related Party Risk: ~43% of FY25 sales (~45.5% for FY24) was to related party Neochem Specialties which acts as reselling agent & is sole proprietorship entity owned & controlled by the Promoter Mr. Swapnil Makati
- High Debt to Equity which currently stands at 1.2x (as on Sep'25). This is expected to come down from IPO proceeds
- Projections as per RHP: FY26 & FY27 revenue is projected as INR 121 Cr. & INR 167 Cr. respectively *[computed using FY26 & FY27 trade receivables projections as per RHP]*

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- **Revenue Mix**: Mix of revenues basis end customer industry, product mix, geographical mix as below:

End Customer Mix	FY23	FY 24	FY 25	H1FY26
Textile	95.9%	90.8%	85.2%	77.0%
HPCI	2.2%	5.2%	10.3%	14.2%
Paint & Coatings	1.5%	3.9%	3.7%	7.9%
Dyes	0.4%	0.3%	0.8%	0.9%
Total	100.0%	100.0%	100.0%	100.0%

Product Mix	FY23	FY 24	FY 25	H1FY26
Esters	8.4%	13.0%	13.7%	18.4%
Polymers	56.2%	51.5%	43.3%	35.5%
Silicones	8.1%	9.7%	12.1%	8.7%
Surfactants	27.3%	25.8%	30.9%	37.4%
Total	100.0%	100.0%	100.0%	100.0%

Geographic Mix	FY23	FY 24	FY 25	H1FY26
Gujarat	32.2%	34.9%	46.8%	55.1%
Maharashtra	23.9%	18.9%	15.3%	8.3%
Tamil Nadu	12.5%	10.1%	8.2%	7.8%
Punjab	8.4%	8.2%	6.2%	5.2%
Other States	14.9%	18.1%	14.9%	17.9%
Sub-Total (Domestic)	91.85%	90.2%	91.4%	94.3%
Exports	8.15%	9.8%	8.6%	5.7%

In July 2024, Company entered into a distribution agreement with a niche fluorine-free bio-based functional water and stain repellent manufacturer based out of the Netherlands for the development and marketing of specialty bio based coatings for textiles and construction industries. Under this arrangement, we hold exclusive rights to distribute its water & stain repellent technologies in India, Bangladesh & Sri Lanka

- **Capacity Utilization:** The reported capacity utilization is as follows

Particulars	FY23	FY 24	FY 25	H1FY26
Installed Capacity (MTPA)	22,000	22,000	22,000	22,000
Utilized Capacity (MTPA)	5,414	7,694	9,200	5,002
% Utilized	24.6%	35.0%	41.8%	22.7% *(not annualized)*
Sales Realization (INR / kg)	89.0	79.5	91.5	91.6
EBITDA (INR / kg)	7.8	7.8	14.3	17.2
PAT (INR / kg)	2.0	2.3	8.4	11.0

Company has been able to increase its capacity utilization Y-o-Y along with higher sales realization. Improvement in EBITDA (INR/kg) indicate better operating leverage on account of economies of scale

- **Promoters:**
  - **Mr. Swapnil Rameshbhai Makati** is Promoter and Managing Director of the Company with over 20 years of experience in manufacturing & trading of specialty chemicals performance industry.
  - **Ms. Hemangini Swapnil Dathia** is Whole Time Director and has been associated with Company since inception & looks after HR. She has completed Diploma in Chemical Engineering from Nirma Institute of Diploma Studies in 2002. She is wife of Promoter.

- **Peer Comparison:** As per RHP, peers mentioned are Rossari Biotech Ltd. & Indian Emulsifiers Ltd.

Particulars (INR Cr.)	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
	Neochem Bio Solutions			Rossari Biotech			Indian Emulsifiers		
Installed Capacity (MTPA)	22,000			3,67,100			12,000		
Operating Revenues	48	61	84	1,656	1,831	2,080	41	67	101
Rev. growth rate % (Y-o-Y)		27%	38%	12%	11%	14%	133%	62%	52%
Gross Margins %	31.8%	34.3%	32.3%	29.3%	29.3%	31.1%	26.8%	29.1%	29.0%
EBITDA Margins %	8.8%	9.8%	15.6%	13.5%	13.6%	12.7%	19.1%	22.2%	19.4%
PAT Margins %	2.2%	2.9%	9.0%	6.5%	7.1%	6.5%	9.4%	13.2%	13.0%
Debt	26	33	36	74	119	218	22	24	26
Equity	8	12	20	915	1,048	1,185	10	28	82
D/E	3.3x	2.8x	1.8x	0.08x	0.11x	0.18x	2.25x	0.83x	0.31x
CFO / EBITDA %	(17.5%)	32.7%	19.8%	68%	17%	52%	2%	2%	(84%)
NWC Days	120	127	140	80	103	101	166	195	263
Market Cap (INR Cr.)	167.78			3,330			193		
PE Ratio	21.6x (FY25 PAT) & 15.3x (annualized H1FY26 PAT)			24.4x (TTM)			11.6x (TTM)		

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- Buy:> 15%
- Hold: -5% to 15%
- Reduce: -15% to -5%
- Sell: <-15%