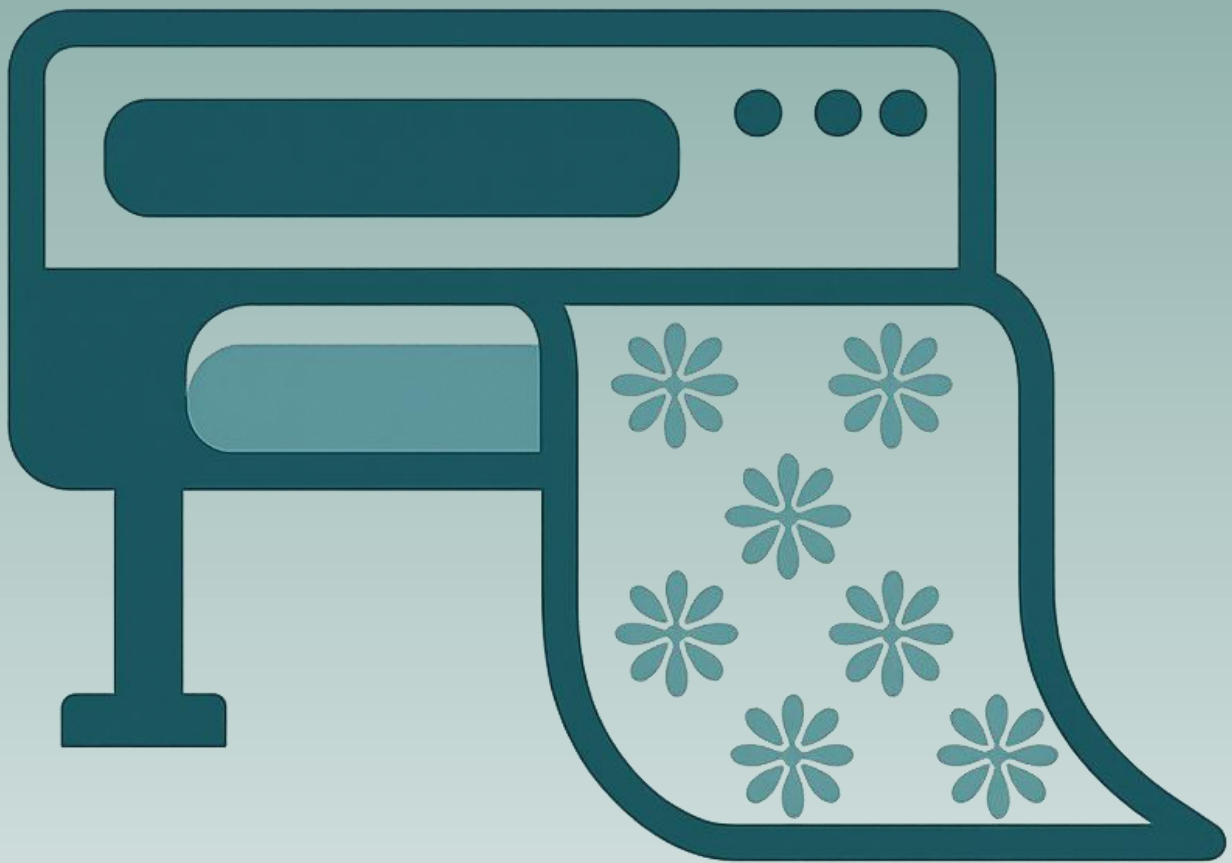


SCOOP

INVESTMENT



Neochem Bio Solutions Limited

IPO Note

About

Neochem Bio Solutions Limited is a specialty performance chemical manufacturing company catering to multiple industries including Textile & Garment Washing, Home & Personal Care, Institutional & Industrial Cleaners, Water Treatment, Paints & Coatings, Paper & Pulp, Construction, Rubber and Dyes & Pigments. They have In house Research & Development lab. They offer 350+ customized formulations across polymers, surfactants, silicones, and sustainable esters. It operates an ISO-certified 22,000 MTPA facility in Ahmedabad supported by an in-house R&D lab. The company serves 225+ domestic customers through 50+ distributors and has a presence in 12 countries. They hold 40 trademarks and follow zero-liquid-discharge practices for sustainable operations.

Investment Rationale

Diverse End-use Applications – The company offers 350+ formulations across polymers, surfactants, silicones, and biobased esters, catering to a wide range of industries.

Integrated Manufacturing and Quality Infrastructure – The company operates a 22,000 MTPA facility in Ahmedabad, supported by in-house R&D and quality-control labs, along with 1,350 MT of warehousing capacity.

Sustainability-Led Product Development – The company has a strong sustainability focus, supported by a zero-liquid-discharge (ZLD) facility, eco-friendly chemistries, and ISO and global certifications.

Experienced Leadership With Promoter-Led Management – The company is guided by promoters with 20+ years of industry expertise, supported by a strong senior management team with a proven track record of execution.

Over 40 Years of Legacy in Specialty Performance Chemicals – The company has built long-standing customer relationships over four decades, supported by 50+ pan-India distributors and resellers and direct sales channels for international customers.

Strong Financial Growth – The company delivered a 32% revenue CAGR between FY23–FY25, achieving ₹8,417.27 lakh in revenue, ₹1,311.29 lakh EBITDA, and ₹775.07 lakh PAT in FY25.

Issue Details

Fresh issue of 45,88,800 equity shares aggregating up to ₹44.97 Cr

Issue Summary

Issue Size	₹ 44.97 Cr.
Face Value	₹ 10
Price band (per equity share)	₹ 93 - ₹ 98
Market Lot	1,200 Equity Shares
Minimum Investment	2 lots = 2400 shares
No. of Shares pre-issue	1,25,31,953
No. of Shares post-issue	1,71,20,753
Listing	NSE SME (Emerge Platform)

Indicative Timetable

Issue Opens on	2 December, 2025
Issue Closes on	4 December, 2025
Listing Commences on	9 December, 2025

Issue Breakup

Category	Equity Shares
Market Maker	2,32,800 shares
Approx 15% of Net Issue	
NII (Not less than)	
Retail (Not less than)	35% of Net Issue
QIB (Not more than)	50% of Net Issue
Total Issue Size	45,88,800 shares
Category	Equity Shares

Objects of the Issue

Funding working capital requirements upto ₹23.90 Cr
Repayment / prepayment of borrowings upto ₹10.00 Cr
General Corporate Purpose – [*]
Total Gross Proceeds - ₹ 44.97 Cr.

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	91.12%	66.70%
Public & Others	8.88%	33.30%

Book Running Lead Managers

Vivro Financial Service Private Limited

Registrar

MUFG Intime India Private Limited

Key Risks

Geographic concentration – The company’s revenue is heavily concentrated in a few key states, with Gujarat, Maharashtra, and Tamil Nadu contributing the majority. Gujarat’s share has risen sharply from 32 percent in FY23 to 55 percent in H1 FY25, making it the core market. Overall, the top six states consistently account for **82–88 percent of total revenue**, indicating a strong regional focus but also highlighting the opportunity to diversify further into new geographies.

Exhibit 1 : State wise revenue concentration

State	FY 23	FY 24	FY 25	H1FY 25
Gujarat	32.20%	34.88%	46.83%	55.08%
Maharashtra	23.87%	18.85%	15.26%	8.31%
Tamil Nadu	12.53%	10.08%	8.18%	7.80%
Punjab	8.40%	8.20%	6.21%	5.19%
Rajasthan	4.01%	5.45%	4.57%	5.10%
Delhi	5.35%	4.69%	3.43%	6.17%
Total	86.36%	82.15%	84.48%	87.65%

Source: Company RHP

Customer concentration – The company depends on purchase-order-driven sales rather than long-term contracts, making revenue less predictable. Between FY23 and FY25, the top customer contributed 8–14 percent of revenue, and the top five contributed 25–35 percent, indicating reliance on a few large customers and a moderate concentration risk.

Exhibit 2 : Customer concentration

Particulars	FY 23	FY 24	FY 25
Top 1 Customers	11.42%	8.06%	14.01%
Top 5 Customers	26.12%	25.23%	34.73%

Source: Company RHP

High working capital intensity – The company operates with a long cash cycle, driven by rising trade receivables (107 to 149 days) and high raw material inventory (131–144 days), while trade payables have shortened from 150 to 101 days. This increases the need for continuous working capital funding. IPO proceeds are expected to support these requirements and enable smoother scale-up, but efficient collection and inventory control will remain critical to avoid pressure on cash flows.

Supplier concentration – The company relies heavily on a small group of suppliers, with the top 1 contributing 12–26 percent, the top 5 contributing 34–46 percent, and the top 10 contributing 48–57 percent of total purchases between FY23 and FY25. With no long-term contracts, this concentration exposes operations to supply disruptions, price volatility, and logistics risks.

Exhibit 3 : Supplier concentration

Particulars	FY 23	FY 24	FY 25
Top 1 suppliers	12.38%	25.90%	16.79%
Top 5 suppliers	34.16%	45.96%	35.12%
Top 10 suppliers	50.63%	57.01%	48.21%

Source: Company RHP

Segmental concentration – The company's portfolio is anchored by polymers and surfactants, with esters and silicones forming smaller but growing segments. In FY25, surfactants showed the strongest performance, increasing their share within the overall mix, while silicones and esters also recorded steady improvements. Polymers remained the largest contributor but saw a relative moderation during the year.

Exhibit 4 : Segmental concentration

Particulars	FY 23	FY 24	FY 25
Esters	8.38%	13.04%	13.65%
Polymers	56.21%	51.49%	43.30%
Silicones	8.07%	9.69%	12.12%
Surfactants	27.34%	25.78%	30.93%
Total	100%	100%	100%

Source: Company RHP

Exhibit 5 : Installed capacity & Capacity utilisation

Period	Installed Capacity (MT)	Actual Production (MT)	Capacity Utilization (%)
FY25	22000	9200	41.82%
FY24	22000	7694	34.97%
FY23	22000	5414	24.61%

Source: Company RHP

Industry Outlook

The global specialty chemicals market continues to strengthen, projected to expand from USD 1,190 Bn in FY24 to USD 1,748 Bn by FY29, backed by rising industrial consumption, sustainability-focused formulations and continuous innovation across application categories. Asia-Pacific will remain the dominant contributor, increasing its share from 51 percent to 54 percent by FY29, driven by favourable production economics, skilled ecosystem presence, higher export competitiveness and increasing localisation of supply chains in emerging economies.

In India, the specialty chemicals sector is expected to grow at 10–12 percent CAGR, reaching ₹7.5 Lakh Cr by FY29, supported by manufacturing expansion, import substitution and policy encouragement. Growth will be led by performance chemicals, home and personal care ingredients, coatings, dyes and textile auxiliaries, with strong demand visibility across both B2B and consumer-driven industries.

Performance chemicals globally are projected to reach USD 149 Bn by 2029, significantly driven by agriculture, construction, automotive and personal care applications. India’s textile chemical market is forecast to reach ₹0.50 Lakh Cr, aligned with rising export capacity, while home & personal care chemicals could touch ₹0.22 Lakh Cr, supported by hygiene awareness, premium product adoption and e-commerce penetration.

The industry is rapidly moving toward innovation-led, high-performance, biodegradable and regulatory compliant chemistries, creating opportunities for suppliers who can scale sustainably and deliver advanced formulations. With global players diversifying sourcing away from China and focusing on reliability and compliance, India is emerging as a high-potential alternative for contract manufacturing and specialty formulation supply.

Additionally, rising environmental consciousness, shift toward green chemistry, automation in production plants and digitalization in process management are redefining competitiveness in this sector. Increased R&D spending, need for product personalization, technology migration, capacity addition through private investment and growing export orders further strengthen the multi-year growth runway. Companies with strong formulation expertise, consistent quality systems, and global reach like Neochem are positioned to capture expanding market opportunities, both domestically and internationally.

Exhibit 6: Indian Specialty Chemicals Market

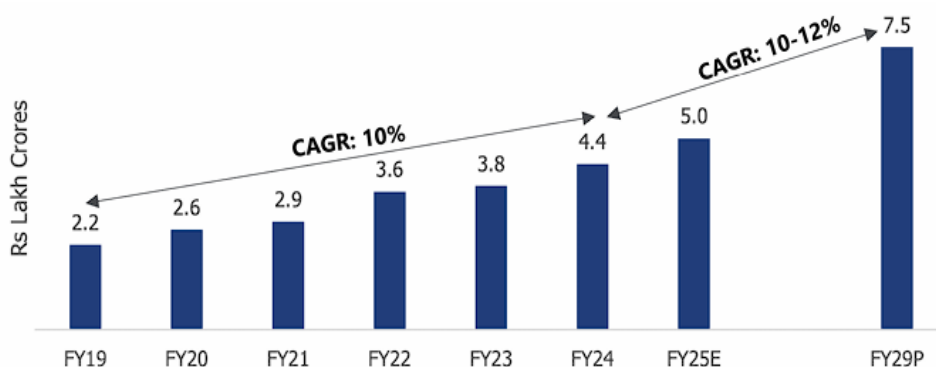


Exhibit 7 : Working capital & funding pattern

Particulars (In Lakhs)	FY23 (Restated)	FY24 (Restated)	FY25 (Restated)	FY26 (Projected)	FY27 (Projected)
Current Assets					
Inventories:					
Inventories – Raw Materials	1,183.15	1,473.06	1,988.79	2,392.86	3,300.44
Inventories – work-in-progress	25.00	25.00	25.00	76.72	104.14
Inventories – Finished Goods	229.91	264.20	297.97	508.63	692.75
Inventories – Packing & stores	55.01	58.72	63.78	108.77	150.02
Trade Receivables	1,416.13	1,673.79	2,527.69	3,316.71	4,312.67
Short term loan and advances	240.90	180.85	307.79	453.98	629.65
Other current assets	16.81	48.03	39.51	56.82	78.81
Total (A)	3,166.92	3,723.65	5,250.54	6,914.48	9,268.49
Current Liabilities					
Trade Payables	1,340.66	1,409.95	1,629.61	2,641.78	3,410.02
Short term provisions	49.62	90.15	278.40	89.76	140.94
Other Current Liabilities (including current maturity of long-term debt)	396.20	340.18	446.49	300.47	300.47
Total (B)	1,786.49	1,840.28	2,354.50	3,032.01	3,851.43
Total Working Capital (A – B)	1,380.43	1,883.38	2,896.04	3,882.47	5,417.06
Funding Pattern					
Short Term Borrowings	1,134.53	1,388.70	1,988.51	920.00	1,227.06
Internal accruals / Networth*	245.90	494.67	907.53	1,972.47	2,390.00
Amount proposed to be utilized from Net Proceeds	-	-	-	990.00	2,390.00
Total	1,380.43	1,883.38	2,896.04	3,882.47	5,417.06

*Internal Accruals = Total working capital requirement less short-term borrowings.

Source: Company RHP

Exhibit 8 : Profit & loss statement

INR Lakhs	FY23	FY24	FY25	H1FY25
Revenue	4,818.84	6,114.63	8,417.27	4,583.16
Total Income	4,879.03	6,200.75	8,615.35	4,718.16
EBITDA	422.84	599.01	1,311.29	859.22
EBITDA Margin %	8.77%	9.80%	15.58%	18.75%
PAT	107.29	180.13	775.07	548.38
IPAT Margin	2.20%	2.91%	9.00%	11.62%
Cash Profit After Tax	228.98	302.09	907.81	611.55
Net Worth	805.14	1,200.21	1,975.27	3,223.66
Current Ratio (times)	1.09	1.17	1.21	1.45
Debt-Equity Ratio (times)	3.26	2.78	1.8	1.2
Return on Equity	18.07%	17.97%	48.82%	21.10%
Return on Capital Employed	17.46%	21.46%	41.67%	22.84%

Source: Company RHP

Management

Exhibit 9: Key Personnel

Name	Designation	Education and Qualifications	Professional Experience
Mr. Swapnil Rameshbhai Makati	Managing Director	Post Graduate Diploma in Chemical Engineering; Diploma in Planning & Management	20+ Years
Ms. Hemangini Swapnil Dathia	Whole-Time Director	Diploma in Chemical Engineering; MBA in Business Administration	16+ Years
Mr. Dinesh Chopra	Chairman & Non-Executive Director	Degree in Science & Technology with specialization in Marketing and Sales Management	25+ Years
Mr. Rajasekaran Guha	Non-Executive Director	Bachelor's in Commerce; Fellow Member of ICAI, ICMAI, ICSI (Demonstrating expertise in Finance and Secretarial Practice)	30+ Years
Mr. Falgunbhai Prajapati	Non-Executive Independent Director	Bachelor of Science; Master of Labour Welfare from Gujarat University	25+ Years
Mr. Shail Jayesh Shah	Non-Executive Independent Director	Bachelor's in Commerce; Qualified Chartered Accountant with Information Systems Audit certification	14+ Years

Source: Company RHP

Recommendations

Neochem Bio Solutions Limited presents a compelling long-term investment opportunity within India's fast-expanding specialty and performance chemicals sector. The company's wide formulation portfolio, scalable manufacturing capacity, improving utilisation levels and growing international reach provide a solid foundation for sustained multi-year growth. Its increasing emphasis on green, bio-based and high-performance chemistries aligns with global sustainability priorities as well as India's rising import-substitution demand. Supported by an experienced leadership team, strengthening profitability, healthy return metrics and meaningful headroom for capacity-driven expansion, Neochem is well positioned to transition into a high-value, innovation-led specialty chemicals franchise. The company's strategic direction and operational momentum together justify a Strong Subscribe recommendation for a long term.

Valuation View

While valuation benchmarks will depend on final pricing, Neochem's revenue growth trajectory, margin expansion and strengthening return ratios indicate an improving financial profile relative to emerging chemical peers. FY25 ROE stands at 48.82% and ROCE at 41.67%, reflecting efficient capital deployment and profitability improvement driven by product mix enhancement and scale benefits. Debt-equity has reduced materially from 3.26x in FY23 to 1.80x in FY25, positioning the company for a healthier balance sheet. With IPO proceeds allocated toward working capital and debt optimization, Neochem is expected to improve liquidity, accelerate order execution, and widen its margin profile further. Increasing contribution from exports and sustainable chemistry formulations may also support premium realizations over the medium term.

Exhibit 10: Peer Comparison

Name of Company	Revenue from Operations H1 FY26 (₹ Lakhs)	EPS (Basic & Diluted) (₹)	NAV (₹ per share)	P/E Ratio on Closing	
				Price	RoNW (%)
Neochem Bio Solutions Ltd	4,583.16	4.52	25.72	N.A.	21.10%
Rossari Biotech Ltd	1,12,982.30	24.66	226.05	26.00	5.78%
Indian Emulsifiers Ltd.	7698.04	11.4	75.54	8.83	11.78%

Source: Company RHP

Disclaimer

Details of terms used

Investment Rating	Definition
Buy	Expected absolute returns of more than 20% over specified time period
Hold	Expected absolute returns between 20% and -15% over specified time period
Sell	Expected absolute returns of less than -15% over a specified time period
Entry Price	Price at which stock was recommended
Target Price	Expected price of stock at end of specified time period
Potential Upside	Expected absolute returns from entry price over a specified time period
Upside Left	Expected absolute returns from current price to Target price

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