



CAPSTOCKS &amp; SECURITIES (INDIA) PVT. LTD.

## Neogen Chemicals

|                                 |                          |
|---------------------------------|--------------------------|
| Issue Date: April 24 – April 26 | Sector: Chemical         |
| Price Range: Rs 212 - Rs 215    | Location: Mumbai         |
| Market Lot: 65                  | Inc Yr: 1991             |
| Face Value: 10                  | Issue Size: Rs 132 Crore |

Incorporated in 1991, Neogen Chemicals is Mahape, Navi Mumbai based manufacturer of bromine-based and lithium-based specialty chemicals in India. Neogen makes both organic and inorganic chemical compounds. These specialty chemicals are used in pharmaceutical intermediates, agrochemical intermediates, engineering fluids, electronic chemicals, polymers additives, water treatment chemicals, construction chemicals, and flavors and fragrances.

As on February 28, 2019, we have manufactured an aggregate of 198 products comprising 181 organic chemicals and 17 inorganic chemicals. The company markets and sells products in India, Europe, Japan, and the USA.

The manufacturing units of the company are located in Navi Mumbai in Maharashtra and Karakhadi, Vadodara in Gujarat. Neogen is proposing to expand its manufacturing facilities by setting up new units at Vadodara Facility and the Dahej Facility. The Proposed Dahej Facility is a green-field manufacturing facility for manufacturing inorganic chemical products.

The company annually manufactures 1,30,400 liters of organic chemicals and 1,200,000 Kg. of inorganic chemicals.

The competitive strengths of the company are:

1. Wide product range
2. Stable customer base
3. A specialized business model with high entry barriers
4. Continuous investment in R&D
5. Highly knowledge-intensive industry
6. Stable suppliers

The objects of the Fresh Issue are:

1. Prepayment or repayment of all or a portion of certain borrowings availed by the Company;
2. Early redemption of 9.8% FRCPS;
3. Long term working capital; and
4. General corporate purposes.

**Our Rating: 16 (Average)**

## Rating Procedure

|                  | Criteria for giving points          | Points    | Out Off |
|------------------|-------------------------------------|-----------|---------|
| Business Risk    | Lesser risk higher points           | 3         | 5       |
| Financial Risk   | Lesser risk higher points           | 2         | 5       |
| Market Risk      | Lesser risk higher points           | 3         | 5       |
| Objective of IPO | Growth & expansion gets more points | 3         | 5       |
| Price            | Fair price will get more points     | 5         | 10      |
| Total            |                                     | <b>16</b> | 30      |

|   |               |               |   |               |           |
|---|---------------|---------------|---|---------------|-----------|
| A | 21 & Above 21 | Best to apply | D | 11 to 14      | Poor      |
| B | 18 to 20      | Good          | E | 10 & Below 10 | Very Poor |
| C | 15 to 17      | Average       |   |               |           |

**Note:** The issue is aggressively priced. The issue size (around Rs 132 crore) being lower than Rs 250 crore, the shares will be listed in T-group. Investors with long term view can subscribe the issue of Neogen Chemicals.

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