

Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	5,101.5
Fresh Issue (No. of Shares in Lakhs)	418.0
Offer for Sale (No. of Shares in Lakhs)	119.0
Bid/Issue opens on	19-Jul-24
Bid/Issue closes on	23-Jul-24
Face Value	Rs. 2
Price Band	90-95
Minimum Lot	150

Objects of the Issue➤ **Fresh issue: ₹ 3,971 million**

- Funding the capex requirement for expansion of their Dhule Facility.
- Repayment and/or pre-payment, of certain borrowings availed.
- General corporate purposes.

➤ **Offer for sale: ₹ 1,130.5 million**

Book Running Lead Managers	
Pantomath Capital Advisors Pvt. Limited	
Registrar to the Offer	
Linkintime India Pvt. Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	380.0
Subscribed paid up capital (Pre-Offer)	280.9
Paid up capital (post-Offer)	364.5

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	99.8%	70.4%
Public	0.2%	29.6%
Total	100.0%	100.0%

Financials

Particulars (₹ In million)	FY24	FY23	FY22
Revenue from operations	10,672.7	12,050.7	5,044.0
Operating expenses	9,691.3	11,326.2	4,646.8
EBITDA	981.4	724.5	397.2
Other Income	144.1	46.0	3.7
Depreciation	120.9	118.5	90.2
EBIT	1,004.6	651.9	310.7
Interest	107.4	98.1	90.9
PBT	897.2	553.9	219.8
Tax	229.6	135.8	60.6
PAT	667.7	418.0	159.2
EPS	3.7	2.3	0.9
Ratios	FY23	FY22	FY21
EBITDAM	9.2%	6.0%	7.9%
PATM	6.3%	3.5%	3.2%
Sales growth	-11.43%	138.91%	

Company Description

Sanstar Limited (Sanstar) is one of the major manufacturers of plant-based speciality products and ingredient solutions in India for food, animal nutrition and other industrial applications. Its products include liquid glucose, dried glucose solids, maltodextrin powder, dextrose monohydrate, native maize starches, modified maize starches and co-products like germs, gluten, fiber and enriched protein, amongst others.

Sanstar's speciality products and ingredients solutions add taste, texture, nutrients and increased functionality to (i) foods as ingredients, thickening agents, stabilizers, sweeteners, emulsifiers and additives (in bakery products, confectionery, pastas, soups, ketchups, sauces, creams, deserts, amongst others), (ii) animal nutrition products as nutritional ingredients, and (iii) other industrial products as disintegrates, excipients, supplements, coating agents, binders, smoothing & flattering agents, finishing agents, among others.

As per Frost & Sullivan (Company Commissioned Report, dated May 18, 2024), with an installed capacity of 3,63,000 tons per annum (1,100 tons per day), it is the fifth largest manufacturer of maize based speciality products and ingredient solutions in India. Its leading position in the industry, technical knowledge to bring specific functionality and nutrition to end products, more than five decades of presence, state of the art manufacturing facilities, diverse product portfolio and clientele in domestic and global markets, provide it with competitive advantage.

Sanstar is a recognised Two Star Export house from Director General of Foreign Trade, Government of India, while Sanstar Biopolymers Limited, the erstwhile Company which was merged with it pursuant to NCLT, Ahmedabad order dated November 23, 2023, is a recognised Three Star Export House. The company exported products to 49 countries across Asia, Africa, Middle East, Americas, Europe and Oceania, during Fiscal 2024, based on its Restated Consolidated Financial Statements. Additionally, the Company has footprints across India, with its products being sold in 22 states based on Restated Consolidated Financial Statements. As of March 31, 2024, the company has presence in 49 countries for exports. As of the said date, it had 271 employees on its payroll.

Valuation & Outlook

Sanstar Limited is India's fifth-largest producer of maize-based specialty products and ingredient solutions. They began commercial production at their Kutch, Gujarat, and Dhule, Maharashtra facilities in 2006 and 2017, respectively, and have grown to an annual capacity of 363,000 tons.

The company's P/E ratio is 25.7 times based on its FY24 earnings, with a market capitalization of ₹17,313.2 million after the issuance of equity shares and a market cap-to-sales ratio of 1.62 times its FY24 earnings.

Sanstar Ltd is poised for strong growth due to increasing global demand for plant-based products and strategic capacity expansion at its Dhule facility. The company's emphasis on high-margin, value-added products and industry-specific new launches will drive margin expansion, further supported by debt reduction. Looking at these factors we recommend "Subscribe – Long Term" rating to the IPO.

Company's Operations

Sanstar limited are one of the major manufacturers of plant-based specialty products and ingredient solutions in India for food, animal nutrition and other industrial applications. Its products include liquid glucose, dried glucose solids, maltodextrin powder, dextrose monohydrate, native maize starches, modified maize starches and co-products like germs, gluten, fiber and enriched protein, amongst foods. Their speciality products and ingredients solutions add taste, texture, nutrients and increased functionality to foods as ingredients, thickening agents, stabilizers, stheyeteners, emulsifiers and additives (in bakery products, confectionery, pastas, soups, ketchups, sauces, creams, deserts, amongst others), (ii) animal nutrition products as nutritional ingredients, and (iii) other industrial products as disintegrants, excipients, supplements, coating agents, binders, smoothing & flattering agents, finishing agents, among others.

The company has an installed capacity of 3,63,000 tons per annum (1,100 tons per day), they are the fifth largest manufacturer of maize based speciality products and ingredient solutions in India. They believe that their leading position in the industry, technical knowledge to bring specific functionality and nutrition to end products, more than five decades of presence, state of the art manufacturing facilities, diverse product portfolio and clientele in domestic and global markets, provide us with competitive advantage.

Sanstar are a recognized Two Star Export house from Director General of Foreign Trade, Government of India, while Sanstar Biopolymers Limited, the erstwhile Company which was merged with the Company pursuant to NCLT, Ahmedabad order dated November 23, 2023, is a recognized Three Star Export House. During Fiscal 2024, their revenue from exports was ₹ 3,944.38 million respectively, representing 35.53 % of the Gross Revenue from Operations, on the basis of the Restated Consolidated Financial Statements. They exported their products to 49 countries across Asia, Africa, Middle East, Americas, Europe and Oceania, during Fiscal 2024, on the basis of the Restated Consolidated Financial Statements. Additionally, the Company has footprints across India, with its products being sold in 22 states on the basis of their Restated Consolidated Financial Statements, as on the date of this Red Herring Prospectus.

The two manufacturing facilities spread across cumulative area of 10.68 million square feet (approximate 245 Acres) are located at Dhule in the state of Maharashtra and Kutch in the state of Gujarat. Their Dhule Facility is the latest, sustainability focused, state of the art, automated facility and has been designed by an in-house team of 24 engineers. Their manufacturing facilities are strategically located in terms of both proximity to their raw material sources i.e. maize harvesting belts as they'll as seaports of Mundra, Kandla, Hazira and Nhava Sheva, for export of finished products. Dhule Unit has been duly certified in accordance with FSSAI, FSSC 22000:2018, Kosher, HALAL, International Standards for Quality Management Systems as per ISO 9001:2015 and SGS's Certificate for India's National Programme for Organic Production Standards, amongst others. Similarly, the Kutch unit is registered with United States Food and Drug Administration (USFDA) and also hold certifications like FSSAI, HACCP, HALAL, ISO 9001:2015.

The following table sets forth a breakdown of their Gross Revenue from Operations from various industry segments, for the periods indicated:

INDUSTRY/SECTOR(in millions)	FY 2024	FY 2023	FY 2022
Food	6541	7728	3044
Animal Nutrition	1160	1275	649
Other Industrial Applications	3489	3608	1456

The company operates two manufacturing facilities located at Dhule in the state of Maharashtra and Kutch in the state of Gujarat. To cater to the growing demand of their products from the existing customers and to meet requirements of new customers, they intend to expand the manufacturing capacities for existing products including native starches, modified starches, liquid glyucose, dextrose monohydrate. They also intend to add manufacturing capacities for their new products like dextrose anhydrous. To achieve this, they intend to expand the manufacturing capabilities at Dhule, Maharashtra facility by installing additional factory building, machinery and equipment and utilities to increase the installed capacities by 1,000 Tons Per Day (TPD). The total area of the land at Dhule Facility is 7.90 million square feet (approximate 181 acres). The cost of the proposed expansion is estimated to be ₹ 2,015.55 million.

With the proposed expansion, the aggregate installed capacity of both the facilities is expected to increase to 2,100 TPD. The proposed expanded capacity is estimated to commence commercial manufacturing during Fiscal 2026 as per the Company commissioned TEV Report dated December 30, 2023, prepared by Dun & Bradstreet. As per Frost & Sullivan Report, once the proposed expansion is commissioned, The Company is expected to become the third largest manufacturer of maize based speciality products and ingredient solutions in India by installed capacity.

They believe that the proposed expansion will enable them to further scale up their operations, onboard new customers across existing and new end application segments, introduce new products, better serve their existing customers, enable us to better address the business requirements of large customers, and facilitate their growth strategy.

Currently the company exports its products to over 49 countries across Asia, North America, Central America, South America, Middle East, Africa and Europe. Historically, countries like Malaysia, Vietnam, Kenya, Indonesia and United Arab Emirates have been their top 5 export destinations by revenue. Their revenue from exports as a % of Gross Revenue from Operations has increased to 35.53% during Fiscal 2024 from 3.65% during Fiscal 2022 on the basis of the Restated Consolidated Financial performance.

The global market size for maize based derivatives is estimated at USD 5,414.00 million in CY 2023 and is expected to expand at CAGR of 4.33% from CY 2023 to CY 2029 to reach USD 6,985.00 million by CY 2029. Similarly, market size for maize based derivatives in India is estimated at USD 439.00 million in CY 2023 and is expected to expand at CAGR of 5.29% from CY 2023 to CY 2029 to reach USD 598.00 billion by CY 2029. Maize based derivatives are generally higher margin products than native starches and find applications in specialized industries like pharmaceuticals, food, personal care, flavors and fragrances, among others. On the basis of Restated Consolidated Financial Statements, their revenue contribution from derivatives for the Fiscal 2024 and Fiscal 2023 has been 4.26%, and 4.62% respectively. They intend to further increase the contribution from the sale of derivatives to increase their margins and returns going forward.

In this direction, they propose to expand the manufacturing capacity of Liquid Glucose and Dextrose Monohydrate at their Dhule, Maharashtra plant by 300 tons per day (i.e. 150 tons each) to address the growing demand and capture the market share in derivatives. Additionally, they are setting up manufacturing capacity of 50 tons per day of Dextrose Anhydrous, as part of their proposed expansion plan.

Diversified Sales Channel Ensuring Global Coverage

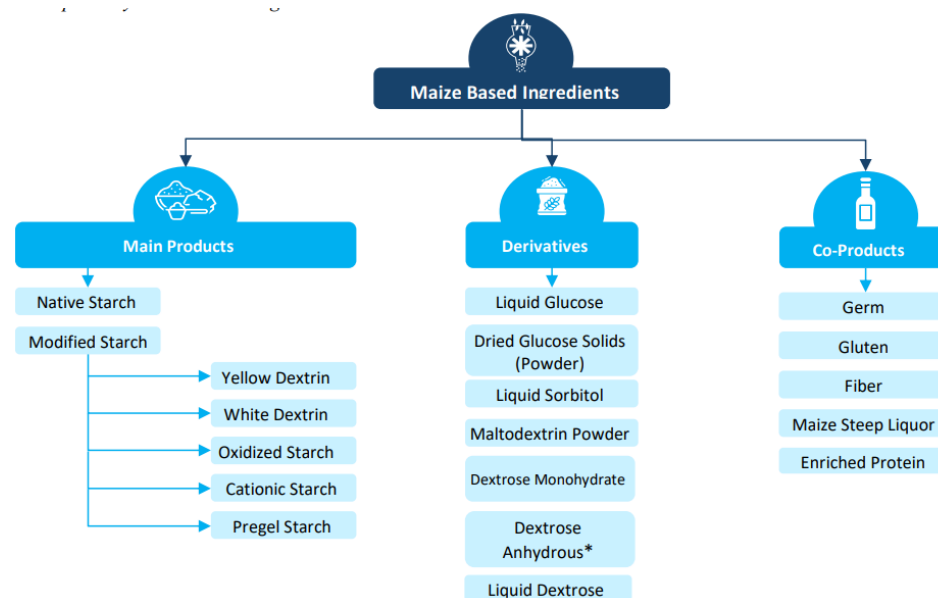
Their customer base can be broadly classified as follows:

- *Manufacturers of end products:* They are manufacturers of end products under their own brand or are contract manufacturers of end products for other organizations. They use their products directly as ingredients/ raw materials in the end product. For e.g. confectionery manufacturers, pharmaceutical formulations manufacturers, edible oil manufacturers, bakery product manufacturers, animal nutrition product manufacturers, adhesive manufacturers, paper products manufacturers, etc.
- *Manufacturers of ingredients / agents / excipients:* They are manufacturers of ingredients / agents / excipients for their clients who ultimately use these products in the end products meant for consumers.
- *Distributors/ Traders/ Aggregators:* They are aggregators / stockists of various ingredients and solutions who supply to end user companies / ingredient manufacturers. They sell their products to distributors in bulk as per the specifications provided by us who in turn supply to the customers.

Geography wise sales on the basis of Restated Consolidated Financial Statements:

Product (in millions)	FY 2024	FY 2023	FY 2022
Domestic Sales	7156	8828	4962
Exports Sales	3944	3776	187
Gross Revenue from Operations	11100	12605	5150

Broad description of Products and Applications



Strengths:

One of the largest manufacturers of maize based speciality products and ingredient solutions in India with diverse product portfolio; They have grown with Revenue and PAT CAGR of 45% and 105% over Fiscal 2022-2024

They are the fifth largest manufacturer of maize based speciality products and ingredient solutions in India. They commenced commercial manufacturing from their manufacturing facilities located at Kutch, Gujarat and Dhule, Maharashtra in the year 2006 and 2017 respectively and have grown their business to the current scale with an installed capacity of 363,000 tons per annum (1,100 tons per day). They are a recognized Two Star Export House from Director General of Foreign Trade, Government of India (while Sanstar Biopolymers Limited, the erstwhile Company which was merged with their Company vide NCLT order dated November 23, 2023, is a recognized Three Star Export House). Their Company offers a diversified portfolio of speciality products and ingredient solutions including liquid glucose, dried glucose solids, maltodextrin powder, dextrose monohydrate, native maize starch, modified maize starches and co-products like germs, gluten, fiber and enriched protein, amongst others. They have experienced sustained growth in various financial indicators including their revenue, profitability, cash flows and returns as they as consistent improvement in their balance sheet position in the last three Fiscals, wherein they have seen an increase in their net worth.

They have demonstrated consistent growth in terms of revenues and profitability. Their revenue from operations has increased at a CAGR of 45.46% from ₹ 5,044.02 million in Fiscal 2022 to ₹ 10,672.71 million in Fiscal 2024 while their profit after tax has grown at a CAGR of 104.79% from ₹ 159.21 million in Fiscal 2022 to ₹ 667.67 million in Fiscal 2024. They believe that their diversified product portfolio, established market position, their commitment to quality and large capacities have enabled them to establish a strong market presence and has provided them with increased visibility domestically as well as globally. They believe that their presence in various markets reduces their dependence on any single market and minimizes the risk of any adverse developments or material changes in the economic outlook in any single market.

Through their experience in the speciality products and ingredient solutions industry and they have been able to add derivative products to their product portfolio which is expected to be one of the major drivers of their growth going forward.

Speciality products and ingredients solutions player catering to diverse industry segments and poised to benefit

They are a speciality products and ingredients solutions company manufacturing native and modified maize starches, derivatives and co-products for applications including ingredients, thickening agents, stabilizers, thickeners, emulsifiers, additives, nutritional ingredients, disintegrants, excipients, supplements, coating agents, binders, smoothing & flattening agents, finishing agents, amongst others, across diverse end user industries. Their manufacturing facilities, their exports presence & exposure in over 49 countries and their track record of commercializing and scaling up new products, position us advantageously to capture requirements of diverse end user industrial sectors.

They believe that the increasing demand of maize based speciality products and ingredient solutions in food and beverages, animal nutrition, pharmaceuticals, adhesives, paper, textiles, etc. from developing economies like India is likely to increase the consumption of these ingredient.

Their strategically located, sustainability driven, state of the art manufacturing facilities

Large land with ample scope for future expansion: Their Dhule Facility in Maharashtra is their latest and largest manufacturing facility which commenced operations in the year 2017. It is located on an aggregate land area of 7.90 million square feet (approximate 181 acres) of which 2.46 million square feet (approximate 56 acres) is available for future expansion. This facility has an aggregate installed capacity of 247,500 tons per annum (750 tons per day) as on March 31, 2024.

Automation: It is highly automated and is equipped with Supervisory Control and Data Acquisition ('SCADA') and PLC Automation Systems, enabling us to manufacture products such as native starches, modified starches and yellow dextrin, minimize the number of employees required, and as a result, reduce cost and human error. Their Company has been using SCADA based automation system at the Dhule Facility.

Sustainability focused: Their Company has installed a bio-gas plant with an installed capacity of 1.56 megawatts to generate electricity from environmentally friendly, sustainable means. Biogas generated from starch plant waste can be utilized as a renewable energy source through anaerobic digestion. This process breaks down organic matter, including starch co-products, to produce biogas, primarily methane and carbon dioxide. This biogas can be used as a fuel for generating electricity and heat, providing an energy source for the plant's operations.

Strategic location: Their Dhule Facility is located in the maize production belt of Maharashtra and Madhya Pradesh which account for around 25% of the country's total maize production. This allows us to procure maize, which is their largest raw material, at competitive prices and latest freight costs. Being tactically located in raw material belts, their Company enjoys the benefit of one of the latest procurement costs for maize in the industry.

Storage infrastructure: Their Company has more than 50,000 MT of maize storage silos and finished goods storage at the Dhule Facility which helps in reducing the costs of handling losses, transportation as they'll as reduces costs attached with outside third-party storage rents.

Global presence in a market with high entry barriers

The company has sold their products to 49 countries across Asia, Africa, Middle East, Europe, North America, South & Central America and Oceania regions during Fiscal 2024. Their top export destinations include Malaysia, Vietnam, Kenya, Indonesia, United Arab Emirates, Nigeria, Sri Lanka, Ghana, Thailand, among others. They are a recognized Two Star Export House under the Indian Ministry of Commerce (while Sanstar Biopolymers Limited, the erstwhile Company which was merged with their Company is a recognized Three Star Export House). The maize based speciality products and ingredient solutions industry in which they operate has high entry barriers, which include the high capital costs of building manufacturing facilities, the lead time and expenditure required for research and development and building customer confidence and relationships which can only be achieved through a long gestation period, the limited availability of raw materials necessary for manufacturing due to alternative applications of the raw materials, certain level of capacities required for achieving economies of scale, competition from well established players like us, among others.

Additionally, the Business to Business (B2B) nature of their business creates significant exit barriers for their customers as well. Their products find application across diverse end industries globally, including food, animal nutrition and various industrial applications which are subject to various rules and regulations across geographies. This leads to their customers performing rigorous quality checks and tests on their products right from the sample sharing stage to the commercial manufacturing stage, which involves time and resources on the part of their customers. Given this, the customers generally do not prefer to change the suppliers frequently and this results in the propensity amongst the customers to continue with the same set of suppliers.

Strong financial growth along with robust performance metrics

The company has a strong balance sheet with growing cash flows. They have experienced sustained growth in various financial indicators including their revenue, profitability, cash flows and returns as well as consistent improvement in their balance sheet position in the last three Fiscals, wherein they have seen an increase in their net worth. They have demonstrated consistent growth in terms of revenues and profitability. Their revenue from operations has increased at a CAGR of 45.46% from ₹ 5,044.02 million in Fiscal 2022 to ₹ 10,672.71 million in Fiscal 2024 while their profit after tax has grown at a CAGR of 104.79% from ₹ 159.21 million in Fiscal 2022 to ₹ 667.67 million in Fiscal 2024, on the basis of their Restated Consolidated Financial Statements. The value of their exports has grown at a CAGR of 358.33% from ₹ 187.77 million in Fiscal 2022 to ₹ 3,944.38 million in Fiscal 2024, on the basis of their Restated Consolidated Financial Statements. Their exports contributed 35.53% % to the Gross Revenue from Operations during Fiscal 2024.

Particulars	Fiscal 2024	Fiscal 2023	Fiscal 2022
Revenue from Operations	10,672.7	12,050.7	5,044.0
EBITDA	981.4	724.5	397.2
EBITDA Margin (%)	9.2	6.0	7.9
PAT	667.7	418.1	159.2
PAT Margin (%)	6.2	3.5	3.2
EPS - Basic & Diluted	4.8	3.0	1.1
Total Borrowings	1,276.4	1,117.0	852.2
Net worth	2,159.1	1,492.8	489.7
ROE (%)	30.9	28.0	32.5
ROCE (%)	25.4	23.8	23.2
Debt - Equity Ratio	0.5	0.6	1.0
Fixed Assets Turnover Ratio	5.3	6.2	3.8
Net Cash from/ (used in) Operating Activities	286.0	(60.2)	297.1
No. of Plants	2.0	2.0	1.0
Total installed capacity in metric tonnes per day	1,100.0	1,100.0	750.0
No. of customers	525.0	541.0	215.0
Export presence (no. of countries)	49.0	49.0	5.0
Revenue CAGR (%)			45.5
EBIDTA CAGR (%)			57.2
PAT CAGR (%)			104.8

Key Strategies:

Expand their manufacturing capacities to capture additional market share

They operate two manufacturing facilities located at Dhule in the state of Maharashtra and Kutch in the state of Gujarat. To cater to the growing demand of their products from their existing customers and to meet requirements of new customers, they intend to expand their manufacturing capacities for existing products including native starches, modified starches, liquid glucose, dextrose monohydrate. They also intend to add manufacturing capacities for their new products like dextrose anhydrous. To achieve this, they intend to expand their manufacturing capabilities at their Dhule, Maharashtra facility by installing additional factory building, machineries and equipment's and utilities to increase their installed capacities by 1,000 Tons Per Day (TPD). The total area of the land at their Dhule Facility is 7.90 million square feet (approximate 181 acres). The cost of the proposed expansion is estimated to be ₹ 2,015.55 million as per the Company commissioned TEV Report dated December 30, 2023, prepared by Dun & Bradstreet. Of this, cost of the proposed expansion up to ₹ 1,815.55 million is proposed to be funded by Net Proceeds of this Offer. With the proposed expansion, the aggregate installed capacity of both the facilities is expected to increase to 2,100 TPD. The proposed expanded capacity is estimated to commence commercial manufacturing during Fiscal 2026 as per the Company commissioned TEV Report dated December 30, 2023, prepared by Dun & Bradstreet. As per Frost & Sullivan Report, once the proposed expansion is commissioned, their Company is expected to become the third largest manufacturer of maize based speciality products and ingredient solutions in India by installed capacity.

Leverage their industry-leading capabilities by continuing to diversify their customer base and increase wallet share with existing customers

They intend to continue to expand their customer base by leveraging their relationships with their existing customers in India and globally, while simultaneously pursuing opportunities to develop new relationships. They aim to continue to maintain their track-record of repeat orders from their existing customers as well as expand and strengthen their relationships as part of their organic growth efforts. They intend to focus on leveraging their relationships with their customers to improve their existing products and also increase the number of products that they currently manufacture for each customer. By leveraging their experience of manufacturing native starches, modified starches, liquid glucose, dextrose monohydrate, maltodextrin powder, they intend to manufacture new products like dextrose anhydrous, liquid dextrose, sorbitol powder, food grade modified starches, among others. They are continuing to explore several additional applications of their existing and planned products in existing and new industries including pharmaceuticals, food, biotech, biopolymers, bioethanol, among others. They believe that this will result in adding new customers and in an increase in the wallet share of each customer, their revenues, margins, and profitability which is expected to ensure longevity of relationships with their customers.

They intend to capitalize on the current set of customers consolidating their supplier bases to capture greater total value content. In order to achieve this, they intend to actively manage their key customer accounts to increase customer interaction and collaborate with their customers in their product development efforts. They intend to create a large portfolio of plant-based speciality products and ingredient solutions, covering the entire value chain to become a comprehensive supplier for their customers. They will continue to invest in innovation, automation, modern technology, and equipment to continually improve their efficiencies and capitalize on changing customer preferences. Exports have been the significant stay of their growth, and they intend to continue to focus on sales in international markets. Export sales provide us with higher margins on their products.

Increase their global footprint and augment growth in current geographies

Currently the company exports their products to over 49 countries across Asia, North America, Central America, South America, Middle East, Africa and Europe. Historically, countries like Malaysia, Vietnam, Kenya, Indonesia and United Arab Emirates have been their top 5 export destinations by revenue. Their revenue from exports as a % of Gross Revenue from Operations has increased to 35.53% during Fiscal 2024 from 3.65% during Fiscal 2022 on the basis of their Restated Consolidated Financial Statements. With a view to further diversifying their customer base and increasing their market share, they intend to augment their sales in the geographic markets where they sell their products as well as expand

into new geographies. They intend to achieve this by having dedicated sales and marketing teams, opening dedicated warehouses and sales offices to serve these markets better and on a real-time basis.

The table below provides a breakdown of their export revenue by geographies:

Geography	Fiscal 2024	Fiscal 2023	Fiscal 2022
Asia	60.1	58.3	83.1
Africa	23.3	29.8	16.9
Middle East	5.4	9.3	0.0
Americas	9.8	1.7	0.0
Europe and Oceania	1.3	0.8	0.0
Total	100.0	100.0	100.0

Increase the revenue contribution from derivative products and scale up organic ingredients segment

The global market size for maize based derivatives is estimated at USD 5,414.00 million in CY 2023 and is expected to expand at CAGR of 4.33% from CY 2023 to CY 2029 to reach USD 6,985.00 million by CY 2029. Similarly, market size for maize based derivatives in India is estimated at USD 439.00 million in CY 2023 and is expected to expand at CAGR of 5.29% from CY 2023 to CY 2029 to reach USD 598.00 billion by CY 2029. Maize based derivatives are generally higher margin products than native starches and find applications in specialized industries like pharmaceuticals, food, personal care, flavors and fragrances, among others. On the basis of their Restated Consolidated Financial Statements, their revenue contribution from derivatives for the Fiscal 2024 and Fiscal 2023 has been 4.26%, and 4.62% respectively. They intend to further grow the contribution from sale of derivatives to increase their margins and returns going forward. In this direction, they propose to expand manufacturing capacity of Liquid Glucose and Dextrose Monohydrate at their Dhule, Maharashtra plant by 300 tons per day.

Their Company has an installed capacity of 1,250 tons per annum of manufacturing of organic starches in India and is registered with Agricultural and Processed Food Products Export Development Authority (APEDA). As per Frost & Sullivan (Company Commissioned Report, dated May 18, 2024), the global organic starch market is estimated at USD 33.84 billion in CY 2023. In the Indian scenario, the consumption of organic starch and syrups is still in the nascent stage. Rising demand for organic food including organic instant soups, sauces, and gravies has been on the rise to ensure that these products have the right consistency and taste, while catering to the clean label conscious consumers. Organic starches naturally form hydrocarbons whose raw material sources are organic certified and processed by organic, non-GMO (Genetically Modified Organism) seeds. Some of the common raw material sources of organic starch are - potatoes, maize, waxy maize and wheat. These are further processed by mechanical processes to produce starch without the use of any chemical, solvent and additives. Starch, being an important thickening agent in puddings, soups, sauces, snacks and gum or jelly products among many other instant/ ready to eat products, serves as an important commodity in the organic food industry.

Foray into manufacturing of Ethanol through leveraging their maize sourcing capabilities

Current ethanol scenario- The Government of India has chosen to push up the 20% Ethanol blend objective in petrol by five years, from year 2030 to year 2025. According to Ministry of Petroleum and Natural Gas, Government of India, Ethanol market is predicted to expand by 500% domestically. At a 20% blending level, the demand for ethanol is expected to rise to 1,016 billion litres by 2025. Consequently, the value of the Ethanol sector will increase from about ₹ 90,000 million to over ₹ 500,000 million, i.e. a growth of more than 500%. Ethanol distillation capacity is expected to grow by more than three times to 1,500 Crore liter annually.

With Government support and stern targets, Ethanol production sector has flourished in previous 3-4 years and will continue to grow as demand for sustainability and clean fuel rises. Companies manufacturing Ethanol are expected to be at advantage with different feedstocks being used. Till 2017- 18, Molasses from sugar industry was the only major source of feedstock for ethanol manufacturing. The increasing demand for Ethanol cannot be sustained only by molasses and other feedstocks such as maize will contribute in greater terms.

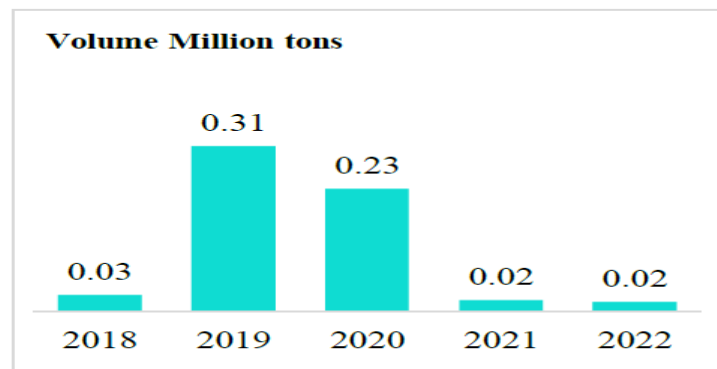
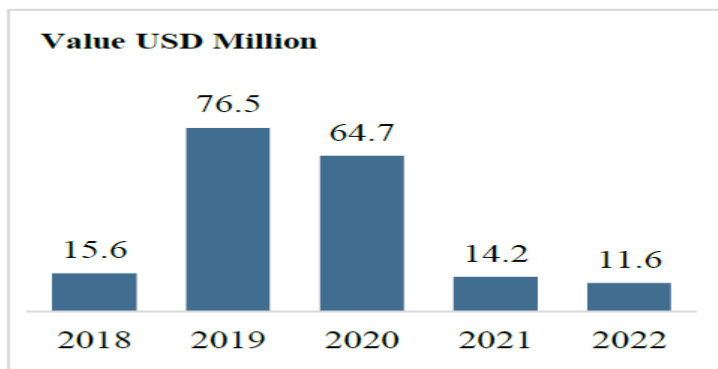
Their Company has established strong maize sourcing capabilities over the period, leveraging both the relationships with farmers, particularly in the states of Maharashtra and Madhya Pradesh, which cumulatively account for 25% of the maize production in India, as well as sourcing from traders and aggregators of maize across the country. They believe that these capabilities along with their experience in the value chain of manufacturing speciality products and ingredient solutions could be well leveraged to foray into and scale up the production of Ethanol based on maize grain.

Industry Snapshot

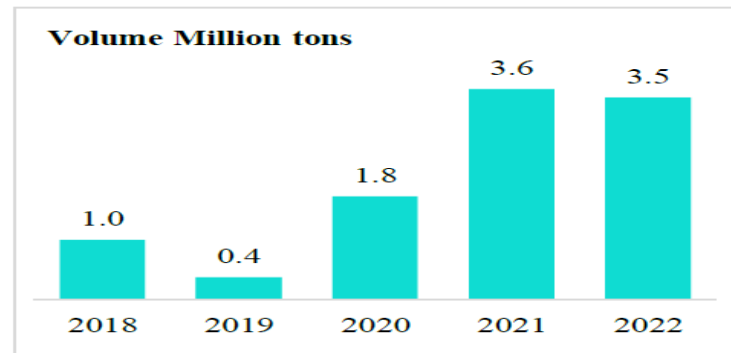
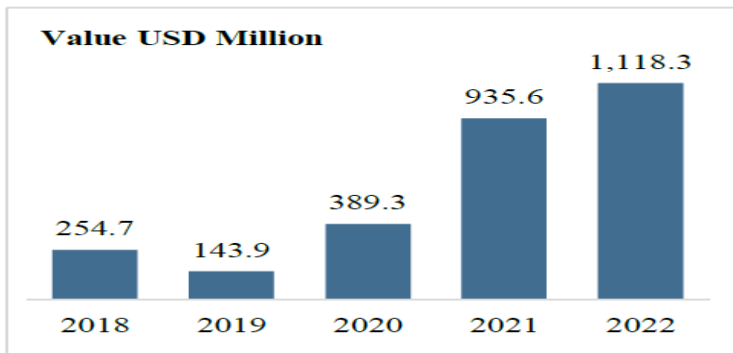
Overview of Maize Production in India

India's contribution to global maize production registered a moderate increase from 2.6% in FY2020 to 3.3% in FY2023 and is forecast to marginally decline to 2.9% in FY2024 owing to stronger output coming from South America. India has the potential to increase its maize production from the current levels of ~37.5 million tons to 50 million tons by raising yield to 5 tons/ha over the next five years. There is an increased demand for maize in India which is also evident from an upward trend over the last two decades on area and productivity gains from new improved hybrid seeds. Domestic demand from livestock feed manufacturers and the maize starch industry is driving the growth along with the prevalent competitive prices. Production has increased at CAGR 5.5% from 2019-20 to 2023-24. India ranks 4th in terms of global maize acreage and 6th in production. Rising domestic demand for industrial usage and poultry feed may outstrip the domestic maize production in the near future.

Maize Import, India, 2018 – 2022



Maize Export, India, 2018 – 2022



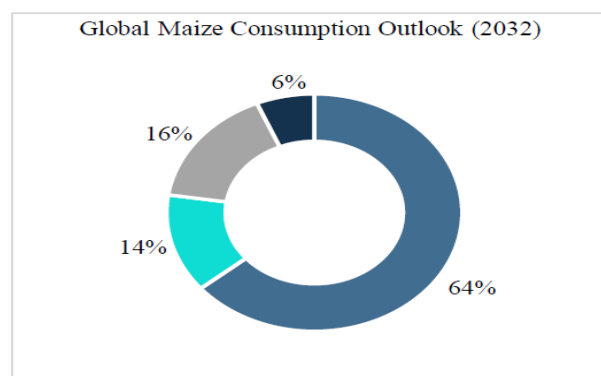
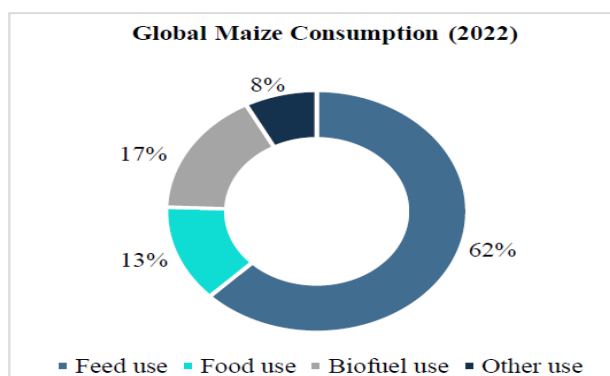
Overview of Maize Consumption Trend in India

Global maize consumption is projected to increase by 1.2% per annum as per OECD-FAO Agriculture outlook compared to 2.3% per annum in the previous decade. This increase is principally driven by higher incomes that translate into higher feed demand, which accounts for the largest share of total utilization, rising from 57% in the base period to around 59% by 2032. 52% of the increase in feed consumption will be in Asian countries (more than half of this in China) due to fast expanding livestock and poultry sectors. Feed demand globally is expected to rise by 110 MT to 794 MT, mainly in China, the United States, Brazil, Indonesia, Argentina, India, Vietnam, and Egypt.

Globally, maize use for biofuel production is expected to increase at a much slower rate than in the past two decades as national ethanol markets of key producers are constrained by biofuel policies. Brazil and USA together account for more than 80% of the increase. The global consumption of maize is anticipated to rise to 1.36 Bn MT by 2032, primarily driven by higher per - capita income leading to increased meat consumption and, in turn, higher demand for animal nutrition. The proportion of maize used in animal nutrition is expected to further increase to about 64%, mainly due to rapid expansion of the livestock sector, particularly poultry, in Southeast Asian countries.

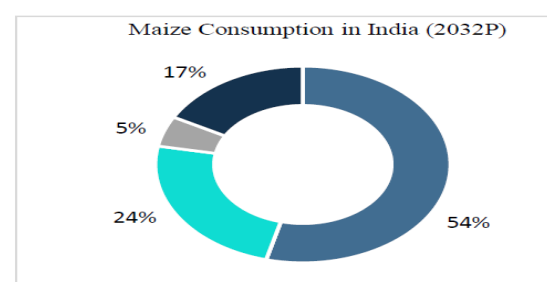
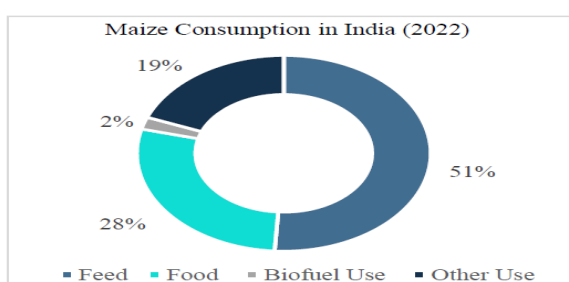
Overview of Prices for Maize in India

Maize is the largest crop in the Feed grain segment in India and overall, the third most important staple crop in India. Maize prices have declined below Rs. 2,000 per quintal in commercial markets hovering around or below the minimum support price (MSP) of Rs. 1,962 in key producing states such as Karnataka, Maharashtra, and Madhya Pradesh in view of high moisture in the crop.



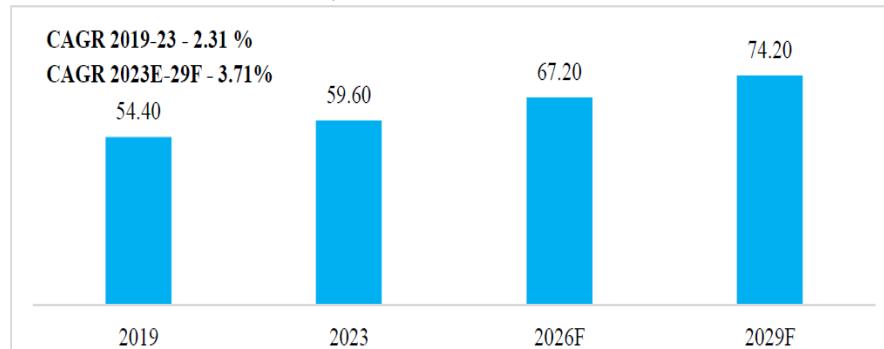
Maize Consumption Trend in India

Maize consumption in India reached around 30.6 million MT in 2022 and expected to reach around 31.3 million MT by 2023. Feed industry consumed about 51% of the total maize, while food consumption accounted for 29%. Biofuel production using maize is still in its initial stages, with just about 1% of maize currently being utilized for this purpose. Domestic demand from feed manufacturers and the starch industry supports competitive prices. This encouraged farmers to cultivate maize, with plantings rising above 10.1 million hectares in MY 2022/2023. By 2032, the share of maize used in animal nutrition is expected to increase to about 54% by 2032.



Global Native Maize Starch Market

The Global Native Maize Starch industry is expected to be valued at USD 29,631 million in 2023 with estimated growth rate of CAGR of 3.78 % from 2023 -2029. Historically, the native maize starch market grew at CAGR of 2.78% from 2019 till 2023. Increasing demand from Food & Beverages, Textiles, Paper industries clubbed with governments focus to increase productivity of maize is driving the growth the native maize starch market. Use of native maize starch in cosmetics, adhesives and pharmaceutical industry is further fueling the growth of market. In terms of volume, the native maize starch market is expected to be valued at 59.6 million tons in 2023 having grown at CAGR 2.31% from 2019. The market is expected to reach 74.2 million tons by 2029 with CAGR of 3.71%.

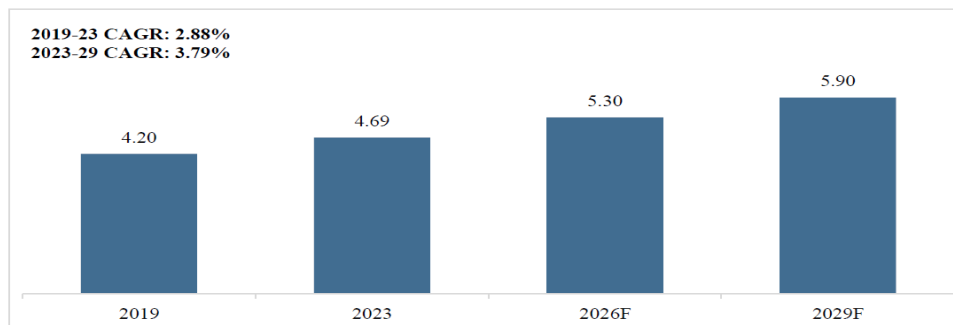


Native Maize Starch is available in forms like flakes, pearls, coarse or fine powders and larger particles but the powder form is majorly used across globe. Native Maize starches have certain inherent features for use in the development of foods, pharmaceuticals, and industrial products. Specially food industry prefers starch in powder form to be used for pasta, noodles, sauces, salad dressings, ready to eat sausages and so on. Among other advantages, they are readily available, generally low in price, and yield a simple, consumer-friendly label when listed in an ingredient panel.

Global Glucose Market

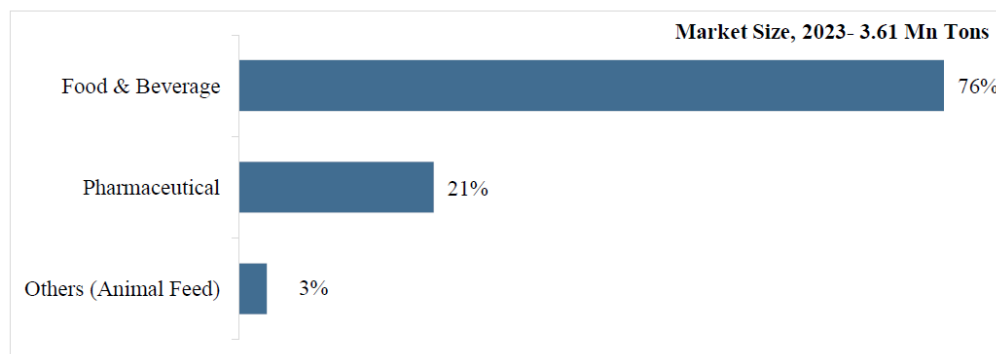
The global glucose market size is estimated at USD 2,265.1 Mn in 2023 and is expected to expand at CAGR of 4.14% from 2023 to 2029 to reach USD 2,888.9 Mn by 2029. In volume terms the market is around 4.7 Mn MT in 2023 and will grow to 5.9 Mn MT recording a CAGR of 3.79%. Liquid Glucose is majorly used as sweetener. It is also used as a texturant, volume enhancing agent, and flavorant and also helps in the prevention of sugar crystallization of sugar molecules in F&B products. The increasing demand for soft drinks, confectionery and bakery products in the food and beverages sector is fuelling the growth of this market. Further, increasing demand for aerated and non-aerated drinks drives the demand for Liquid glucose, as it is widely used as a sweetener in these beverages.

Global Liquid Glucose Market, Million Tons, 2019-2029F



Global liquid glucose market

Liquid Glucose has wide application in the Food & Beverage sector. It is used in the production of frozen desserts and candy. It is also used to add sweetness to baked goods. In some confectionary items it can be used as a necessary ingredient up to the extent of around 40%. It is generally used in the production of homogeneous confectionary products such as chewing gum and chocolates.



Comparison with listed entity

Name of the Company	Face Value	Total Income (in ₹ million)	EPS (Basic & Diluted) (₹)	NAV (₹ per share)	P/E Ratio	RoNW (%)
Sanstar Limited	2/-	10,816.83	3.7	15.37	25.7	30.92
Peer Group						
Gujarat Ambuja Exports Limited	1/-	50,714.2	7.54	60.37	18.65	12.49
Gulshan Polyols Limited	1/-	13,901.82	2.85	123.63	73.31	2.3
Sukhjit Limited	10/-	13,850.4	31.98	321.75	15.01	9.94

Key Risks

- Any fluctuations in the prices of their raw material may adversely affect the pricing of their products and may have an impact on their business, results of operation, financial condition and cash flows.
- They have not entered into any long-term contracts with suppliers for their raw materials and an increase in the cost of, or a shortfall in the availability of such raw materials or their inability to leverage existing or new relationships with their suppliers could have an adverse effect on their business and results of operations.
- During the peak arrival season of maize harvesting, their Company procures and stores significant quantities of maize which is the primary raw material required for the manufacturing of their Company's products and for the purpose of doing the same significant amount of working capital is required. Their inability to meet the said working capital requirement during the peak harvesting season of maize may have an adverse effect on their results of operations and overall business.
- There are pending litigations involving the Company. Any unfavorable order or decision in such proceedings may render affect their results of operations.
- The company sells its products for specific use by certain industries. Any reduction in the demand or requirement for their products in such industries may result in loss of business and may affect their financial performance and condition.
- The company's proposed plans with respect to funding the capital expenditure requirement for expansion of the Dhule Facility are subject to the risk of unanticipated delays in obtaining approvals, implementation and cost overruns which may adversely affect their business and results of operations.
- The company in the usual course of business does not have any long-term contracts with its customers and they rely on purchase orders for delivery of their products and their customers may cancel or modify their orders, change quantities, delay or change their sourcing strategy. The loss of one or more of their top customers or a reduction in their demand for their products or reduction in revenue derived from them may adversely affect the business, results of operations and financial condition.
- The company exports its products to various geographies across the globe. Their products may be subject to import duties or restrictions of the relevant geographies. Additionally, any adverse fluctuation in the foreign exchange rate, unavailability of any fiscal benefits or their inability to comply with related requirements may have an adverse effect on the business and results of operations.

Valuation & Outlook

Sanstar Limited is India's fifth-largest producer of maize-based specialty products and ingredient solutions. They began commercial production at their Kutch, Gujarat, and Dhule, Maharashtra facilities in 2006 and 2017, respectively, and have grown to an annual capacity of 363,000 tons.

The company's P/E ratio is 25.7 times based on its FY24 earnings, with a market capitalization of ₹17,313.2 million after the issuance of equity shares and a market cap-to-sales ratio of 1.62 times its FY24 earnings.

Sanstar Ltd is poised for strong growth due to increasing global demand for plant-based products and strategic capacity expansion at its Dhule facility. The company's emphasis on high-margin, value-added products and industry-specific new launches will drive margin expansion, further supported by debt reduction. Looking at these factors we recommend "**Subscribe – Long Term**" rating to the IPO.

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Mid-Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small Caps (251st company onwards)	>25%	0%-25%	Below 0%

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