

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

SANSTAR LIMITED

Jul 19, 2024





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Details of the Issue

Price Band	₹ 90 - ₹ 95
Issue Size	₹ 510 Cr
Face Value	₹ 2
Bid Lot	150
Listing on	BSE, NSE
Post Issue Mcap	₹ 1,731.32 Cr
Investment Range	₹ 13500 - ₹ 14,250

Important Indicative Dates (2024)

Opening	19 - Jul
Closing	23 - Jul
Basis of Allotment	24 - Jul
Refund Initiation	25 - Jul
Credit to Demat	25 - Jul
Listing Date	26 - Jul

Lead Manager

Pantomath Capital Advisors Private Limited

Offer Details

Offer Size	₹ 510 Cr
Fresh Issue	₹ 397 Cr
OFS	₹ 113 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	255	28.3	26.8	50
NIB	77	8.5	8.05	15
Retail	179	19.8	18.7	35
Em- ploy.	-	-	-	-
Total	510	56.6	53.5	100

Invest NowCompany Profile

Founded in 1982, Sanstar Limited is a leading Indian manufacturer of specialty plant-based products and ingredient solutions for food, pet food, and industrial applications. Their product range includes liquid glucose, maltodextrin powder, dextrose monohydrate, and various maize starches. These are utilized as ingredients, thickeners, stabilizers, sweeteners, emulsifiers, and additives in food products, nutritional ingredients in pet food, and various agents in industrial products.

Sanstar operates two large manufacturing facilities in Dhule, Maharashtra, and Kutch, Gujarat, covering 245 acres, with a capacity of 3,63,000 tons annually. As India's fifth largest corn-based specialty product manufacturer, Sanstar exports to 49 countries and has a presence in 22 Indian states. As of March 31, 2024, the company employs 271 people, including 60 permanent employees.

Business Highlights & Services

Company operate manufacturing facilities in Dhule, Maharashtra, and Kutch, Gujarat. To meet growing demand and expand the product range, it plan to enhance their Dhule facility by adding new buildings, machinery, equipment, and utilities. This expansion will increase its capacity by 1,000 Tons Per Day (TPD), bringing its total installed capacity to 2,100 TPD. The project, estimated to cost ₹2,015.55 mn, is largely funded by proceeds from this offer, covering ₹1,815.55 mn. The expansion is expected to commence commercial manufacturing in FY26. Post this capex company will be the 3rd largest maize-based specialty product manufacturer in India. This growth will aid them to serve new and existing customers better, introduce new products, and support it long-term strategy.

The company's investment strategy aims to expand its customer base in India and globally by leveraging existing relationships and securing repeat orders. It seeks organic growth through product innovation, introducing items like dextrose anhydrous and sorbitol powder, and exploring new applications in various industries. By strategically managing key accounts and offering a comprehensive range of plant-based products, the company positions itself as a preferred supplier. Ongoing investments in innovation and efficiency will ensure competitiveness, while a strong focus on export growth will drive higher margins. This approach will help capture market share, making the company a compelling investment opportunity.

The global market for maize-based derivatives is set to grow from USD 5,414 mn in 2023 to USD 6,985 mn by 2029 (CAGR of 4.33%), while the Indian market will expand from USD 439 million to USD 598 million in the same period (CAGR of 5.29%). These high-margin products are crucial in pharmaceuticals, food, personal care, and flavors & fragrances. Company derive revenue was 4.26% in FY24 and 4.62% in FY23. To meet rising demand and boost margins, company will expand its Liquid Glucose and Dextrose Monohydrate production by 300 tons/day and add 50 tons/day for Dextrose Anhydrous at its Dhule, Maharashtra plant. Additionally, it has 1,250 tons/year capacity for organic starches and is registered with APEDA. The global organic starch market, valued at USD 33.84 billion in 2023, is growing, with India poised for expansion due to increasing demand for organic food products. Organic starches, derived from non-GMO sources like potatoes and maize, are vital in food, pharmaceuticals, and nutraceuticals, driven by the rise of plant-based foods, clean label demand, regulatory restrictions on synthetic additives, and higher per capita income. Company is well-positioned to leverage these trends, aiming to scale its manufacturing and sales efforts to capitalize on growth in the organic starch segment, targeting both domestic and export markets like the USA and Australia.



The Government of India's accelerated target to achieve a 20% ethanol blend in petrol by 2025 presents a significant growth opportunity. This move is expected to expand the domestic ethanol market by 500%, reaching 1,016 billion liters by 2025 and increasing the sector's value to over ₹500,000 million. With ethanol distillation capacity set to triple to 1,500 crore liters annually, supported by government incentives and stringent targets, the ethanol production sector is poised for robust growth. Previously reliant mainly on molasses, ethanol production is now diversifying to include maize as a major feedstock. Company has established strong maize sourcing capabilities, sourcing from key maize-producing states like Maharashtra and Madhya Pradesh and leveraging relationships with farmers, traders, and aggregators across India. Given company expertise in manufacturing specialty products and ingredient solutions, company is strategically positioned to capitalize on this burgeoning opportunity in maize-based ethanol production.

Revenue from Industries

Industry / Sector	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	₹ in million	% of Gross Revenue from Operations	₹ in million	% of Gross Revenue from Operations	₹ in Million	% of Gross Revenue from Operations
Food	6,451.93	58.12	7,720.83	61.25	3,044.45	59.11
Animal Nutrition	1,160.06	10.45	1,275.67	10.12	649.74	12.62
Other Industrial Applications	3,489.05	31.43	3,608.94	28.63	1,456.24	28.27
Gross Revenue from Operations	11,101.04	100.00	12,605.44	100.00	5,150.43	100

Revenue from Export

Product	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	₹ in million	% of Gross Revenue from Operations	₹ in million	% of Gross Revenue from Operations	₹ in million	% of Gross Revenue from Operations
Domestic Sales	7,156.66	64.47	8,828.71	70.04	4,962.66	96.35
Exports Sales	3,944.38	35.53	3,776.73	29.96	187.77	3.65
Gross Revenue from operations	11,101.04	100.00	12,605.44	100.00	5,150.43	100.00

Product wise revenue

Product	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	₹ in million	% of Gross Revenue from Operations	₹ in million	% of Gross Revenue from Operations	₹ in million	% of Gross Revenue from Operations
Starches	7,012.05	63.17	8,118.07	64.40	3,012.18	58.48
Derivatives	718.62	6.47	668.78	5.31	51.09	0.99
Co-Products	1,829.61	16.48	2,160.55	17.14	1,718.65	33.37
Others	1,540.76	13.88	1,658.04	13.15	368.51	7.15
Gross Revenue from operations	11,101.04	100	12,605.44	100	5,150.43	100.00

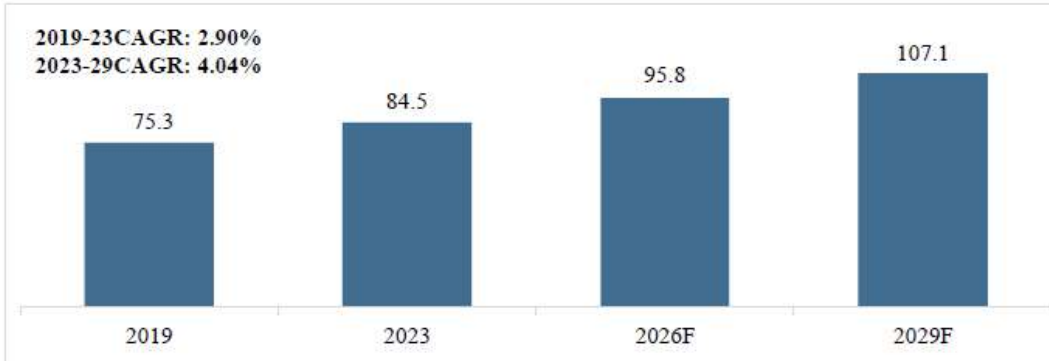
Geography wise revenue

Geography	(% of total exports revenue)		
	Fiscal 2024	Fiscal 2023	Fiscal 2022
Asia	60.11	58.34	83.10
Africa	23.30	29.82	16.90
Middle East	5.44	9.27	0.00
Americas	9.83	1.74	0.00
Europe and Oceania	1.33	0.83	0.00
Total	100.00	100.00	100.00

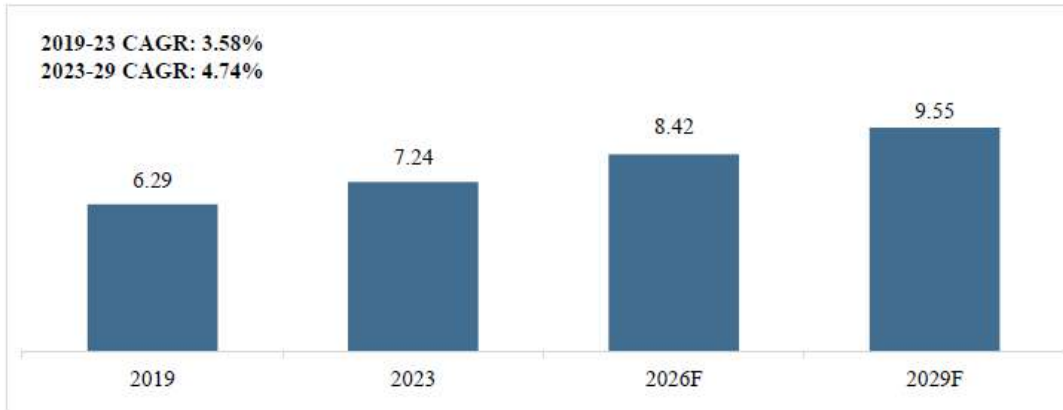


Industries Outlook

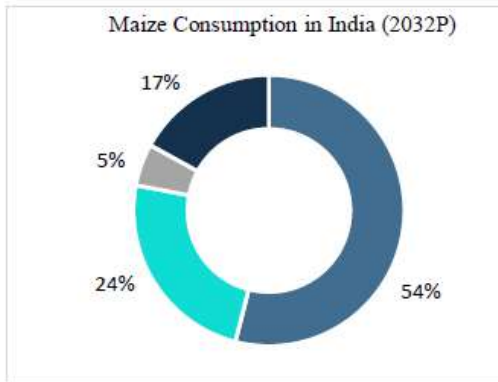
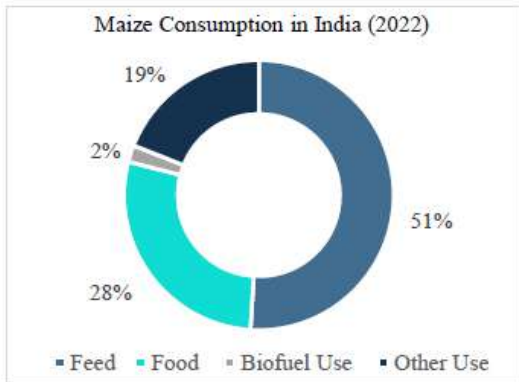
Global Maize Starch Market, Mn Tons, 2019-2029F



India Maize Starch Market, Mn Tons, 2019-2029F



Maize Consumption Pattern and Future Outlook in India



Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Sanstar Limited	2	1,082	4.75	15.35	NA	30.92%
Peers Group						
Gujarat Ambuja Exports Limited	1	5071	7.54	60.37	18.65	12.49%
Gulshan Polyols Limited	1	1,390	2.85	123.63	73.31	2.30%
Sukhjit Starch and Chemicals Limited	10	1385	31.98	321.75	15	9.94%



Companies Competitive Strength :

- One of the largest manufacturers of maize based specialty products and ingredient solutions in India with diverse product portfolio.
- Specialty products and ingredients solutions player catering to diverse industry segments and poised to benefit from mega industrial trends.
- Strategically located, sustainability driven, state of the art manufacturing facilities.
- Global presence in a market with high entry barriers
- Strong financial growth along with robust performance metrics
- Two Generations of Promoters with domain knowledge
- Well positioned to leverage the large opportunities in specialty products and ingredient solutions industry.
- Large, diversified customer base with long lasting relationships

Key Strategies Implemented by Company

- Expand the manufacturing capacities to capture additional market share
- Leverage industry-leading capabilities by continuing to diversify the customer base and increase wallet share with existing customers
- Increase the global footprint and augment growth in current geographies
- Increase the revenue contribution from derivative products and scale up organic ingredients segment
- Foray into manufacturing of Ethanol through leveraging the maize sourcing capabilities

Particular (INR in ₹)	FY24	FY23	FY22
Equity Capital	28	28	29
Reserves and Surplus	226	159	56
Net Worth	254	187	85
Revenue	1,067	1,205	504
Growth (%)	-11%	139%	
EBITDA	99	72	40
EBITDAM (%)	9%	6%	8%
PAT	67	42	16
PATM (%)	6%	3%	3%
ROCE (%)	25%	23%	23%
ROE (%)	31%	28%	33%

Valuations and Recommendation:

- Based on the FY24 earnings relative to the company's post-IPO paid-up equity capital, the issue is priced at a P/E ratio of 25.83X. The valuation suggests that the issue is fairly priced compared to its peers in the market.
- Sanstar Limited is a leading Indian manufacturer specializing in plant-based ingredients that enhance food and industrial applications, improving taste, texture, nutrition, and functionality. With over 6 decades of expertise and state-of-the-art manufacturing facilities featuring SCADA and European machinery, the company is well-positioned for growth in specialty products and ingredient solutions. Its strategic location near procurement hubs and its backward integration experience contribute to strong margin retention and expansion. Sanstar is set to expand its Dhule facility, increasing capacity by 1,000 TPD by July 2025, which is anticipated to drive revenue growth in FY26E. Given the global maize starch market is projected to grow at a 4.25% CAGR and the Indian market at 5.12%, Sanstar is poised for substantial growth in the coming years. Hence, we recommend an "Subscribe" rating for the issue.



Notes

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