

Details of the Issue

Price Band	₹ 129 - ₹ 130
Issue Size	₹ 600 Cr
Opening Date	Mar 15, 2021
Closing Date	Mar 17, 2021
Face Value	₹2
Bid Lot	115
Listing on	BSE, NSE

Objects of the Issue

Investment in subsidiary firm, Yellowstone Fine Chemicals Private Limited to partly finance the capex to establish a new manufacturing facility.

To invest in YFCPL for financing working capital requirements.

To finance the capex for expansion of SI manufacturing facility.

To finance business working capital requirements.

To purchase plant and machinery for infrastructure development at SI facility.

To make prepayment or repayment of borrowings availed by the company and subsidiary, Viva Lifesciences Pvt Ltd (VLPL).

To meet general corporate purposes.

Lead Managers

Axis Capital Limited
DAM Capital Advisors Ltd (Formerly IDFC Securities Ltd)

Registrar

Link Intime India Private Ltd

Investment Details

No. of shares at cut-off	351
Max. Amount to be paid	₹ 1,94,805

Company Background

Laxmi Organic Industries Limited (“Laxmi Organic”) was incorporated on May 15, 1989. The company is a leading manufacturer of **Acetyl Intermediates and Specialty Intermediates** with almost 3 decades of experience in large scale manufacturing of chemicals. Laxmi Organic is currently among the largest manufacturers of ethyl acetate in India with a market share of approximately **30% of the Indian ethyl acetate market**.

Company’s products are currently divided into 2 broad categories, namely the **Acetyl Intermediates (“AI”) and the Specialty Intermediates (“SI”)**. The Acetyl Intermediates include ethyl acetate, acetaldehyde, fuel-grade ethanol and other proprietary solvents, while the Specialty Intermediates comprises of ketene, diketene derivatives namely esters, acetic anhydride, amides, arylides and other chemicals. Laxmi Organic is the only manufacturer in India of diketene derivatives with a market share of approximately 55 % in terms of revenue in Fiscal 2020.

Laxmi Organic also proposes to diversify into manufacturing of specialty fluorochemicals to which end, they have recently acquired assets including plant & machinery, design and operating paperwork, REACH registrations and patents of Miteni, a manufacturer of organic fluorospecialties and electrochemical fluorination.

Further, post completion of the Yellowstone Chemicals Pvt. Ltd. (“YCPL”) Acquisition, their market share in the ethyl acetate market will be further enhanced.

Industries Catered - pharma, agrochem, paints & coatings, printing, packaging, dyes & pigments.

Key Customers - Syngenta Asia Pacific Pte. Ltd., Covestro (India) Pvt. Ltd., Alembic Pharmaceuticals Ltd., Dr. Reddy’s Laboratories Ltd., Flint Group India Private Ltd., Granules India Ltd., Hetero Labs Ltd. Heubach Colour Pvt. Ltd., Hubergroup India Pvt. Ltd., Huhtamaki India Ltd., Laurus Labs Ltd., Macleods Pharmaceuticals Pvt. Ltd., Mylan Laboratories Ltd., Neuland Laboratories Ltd., Parikh Packaging Pvt. Ltd., Suven Pharmaceuticals Ltd., Colourtex Industries Pvt. Ltd. and UPL Ltd.

Promoters - Ravi Goenka and Yellow Stone Trust

Strengths & Strategies**Leading manufacturer of ethyl acetate with significant market share**

They have also been one of the largest exporters of ethyl acetate to Europe from India since 2012. They have a long-standing presence in Europe with approximately 2 decades of experience in the sales of ethyl acetate in Europe and is the only Indian company engaged in the sale of ethyl acetate with a direct presence in Europe currently.

Only Indian manufacturer of diketene derivatives with a significant market share and one of the largest portfolios of diketene products

The increasing demand in pharmaceuticals and agrochemicals from developing economies like India is likely to increase the consumption of diketene and its derivatives, where Laxmi Organic has a very strong presence which currently offers more than 34 products as part of their Specialty Intermediates portfolio and have one of the largest portfolios of diketene products.

In-house research and development capabilities and consistent track record of technology absorption

They have 2 DSIR recognised research and development facilities (“R&D Facilities”), comprising of their R&D Facility located within the SI Manufacturing Facility which primarily deals with projects related to the direct application of ketene and diketene and their innovation center

Source: RHP, GEPL Capital Research

LAXMI ORGANIC INDUSTRIES LIMITED

March 10, 2021

located at Rabale, Navi Mumbai (the “Rabale Innovation Centre”), which predominantly works on development of new products for them based on complex chemistries.

Expanding and optimising the product portfolio

The company intends to diversify their existing product portfolio by adding new products (including downstream and value added products) which are synergistic with their existing products and chemistries. In June 2019, the company acquired assets including plant & machinery, design and operating paperwork, REACH registrations and patents of Miteni, a manufacturer of organic fluorospecialties and electrochemical fluorination with a view to foray into the fluorospecialty chemical business and leverage their experience, capabilities and relationships. The assets acquired from Miteni include inter alia differentiated world-class technology and equipment and a library of more than 100 products including products in research and development and scale-up stages.

The company is in the process of setting up the Proposed Facility in Lote Parshuram, Maharashtra for manufacturing fluorospecialty chemicals which is proposed to commence operations by the fourth quarter of Fiscal 2022.

Valuation & Recommendation

Laxmi Organics will continue to leverage their know-how in complex chemistries and their experience in engineering to focus on the addition of downstream and value-added products to their product portfolio as well as addition of fluorospecialty products to their portfolio.

The offer is priced at an annualized PE of ~32x on H1FY21 which is fairly priced as compared with peers.

We recommend a SUBSCRIBE rating to the issue.

Financial Snapshot

Particulars	H1FY21	FY20	FY19	FY18
Equity Share Capital	45.02	45.02	50.05	10.01
Reserves	426.43	380.94	398.84	368.36
Net worth as stated	471.45	425.96	448.89	378.37
Revenue from Operations	813.41	1534.12	1568.52	1393.07
EBITDA as stated	86.34	143.71	158.62	154.41
EBITDA (%) as stated	10.6%	9.3%	10.1%	11.1%
Profit Before Tax	56.2	80.8	97.59	113.31
Net Profit for the period	45.48	70.21	72.39	75.7
Net Profit (%) as stated	5.6%	4.6%	4.6%	5.4%
EPS (₹)	2.02	2.86	2.89	3.03
RoNW (%)	9.7%	16.5%	16.1%	20.0%
Net Asset Value (₹)	20.99	18.97	17.98	15.16~
ROE (%)	10.1%	16.0%	17.5%	22.1%
ROCE (%)	10.9%	17.5%	20.7%	26.6%
Asset Turnover Ratio	0.77	1.47	1.64	1.82

(In ₹ crore except per share data)

(6M data not annualized)

Source: RHP, GEPL Capital Research

NOTES

GEPL CAPITAL Pvt Ltd (formerly known as Gupta Equities Pvt. Ltd.)
 Head Office: D-21/22 Dhanraj mahal, CSM Marg, Colaba, Mumbai 400001
 Reg. Office : 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Associate Analyst - Gaurav Hinduja

Disclaimer:

This report has been prepared by GEPL Capital Private Limited ("GEPL Capital"). GEPL Capital is regulated by the Securities and Exchange Board of India. This report does not constitute a prospectus, offering circular or offering memorandum and is not an offer or invitation to buy or sell any securities, nor shall part, or all, of this presentation form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities. This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy, recommendation or any other content contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. All investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GEPL Capital as a result of using different assumptions and criteria. GEPL Capital is under no obligation to update or keep current the information contained herein. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect GEPL Capital's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by GEPL Capital or any other source may yield substantially different results. GEPL Capital makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information or opinions contained herein. Further, GEPL Capital assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent development, information or events, or otherwise. Neither GEPL Capital nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. In no event shall GEPL Capital be liable for any direct, special indirect or consequential damages, or any other damages of any kind, including but not limited to loss of use, loss of profits, or loss of data, whether in an action in contract, tort (including but not limited to negligence), or otherwise, arising out of or in any way connected with the use of this report or the materials contained in, or accessed through, this report.

GEPL Capital and its affiliates and/or their officers, directors and employees may have similar or an opposite positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). The disclosures contained in the reports produced by GEPL Capital shall be strictly governed by and construed in accordance with Indian law. GEPL Capital specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL Capital and GEPL Capital accepts no liability whatsoever for the actions of third parties in this regard.