

March 12, 2021

IPO NOTE

ISSUE DETAILS

Price Band: ₹ 129 to ₹ 130
Issue Opens on: March 15, 2021
Issue Closes on: March 17, 2021
Lot Size: 115 Shares & in Multiples thereafter

ISSUE HIGHLIGHTS

Issue Size : ₹ 600 Cr.
No of Shares : 46,153,846
Face Value : ₹ 2

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	300
Offer for Sale	300
Total	600

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	300
HNI	15	90
Retail	35	210
Total	100	600

* 60% Shares of the QIB Portion to Anchor Investors

Listing

BSE & NSE

Lead Managers

- Axis Capital Limited
 - DAM Capital Advisors Limited

Registrar

Link Intime India Private Limited

ANALYST

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COMPANY OVERVIEW

Laxmi Organic Industries is a leading manufacturer of Acetyl Intermediates and Specialty Intermediates with almost three decades of experience in large scale manufacturing of chemicals. Since their inception in 1989, they have been on a journey of transformation. They initially started manufacturing acetaldehyde and acetic acid in 1992, and soon thereafter moved on to manufacturing of ethyl acetate in 1996. It is among the largest manufacturers of ethyl acetate in India with a market share of approximately 30% of the Indian ethyl acetate market. It is the only manufacturer of diketene derivatives in India with a market share of approximately 55 % of the Indian diketene derivatives market in terms of revenue in Fiscal 2020 and one of the largest portfolios of diketene products. Their products are currently divided into two broad categories, namely the Acetyl Intermediates and the Specialty Intermediates. They have two manufacturing facilities in Mahad, Maharashtra (the "Manufacturing Facilities"), with one facility dedicated to Acetyl Intermediates and another dedicated to Specialty Intermediates, which are strategically located in proximity to several ports and each other. The company has Diversified product portfolio in various high growth industries, including pharma, agrochem, paints & coatings, printing, packaging, dyes & pigments. It has global footprint with customers in over 30 countries.

HIGHLIGHTS

1. Leading manufacturer of ethyl acetate with significant market share
2. Only Indian manufacturer of diketene derivatives.
3. Diversified customer base.
4. Strategically located manufacturing facilities, vertical integration and supply chain efficiencies
5. In-house research and development capabilities

Objects of the issue

1. Investment in subsidiary firm, Yellowstone Fine Chemicals Private Limited (YFCPL) to partly finance the capex to establish a new manufacturing facility. (₹ 60.4 Cr.)
 2. To invest in YFCPL for financing working capital requirements. (₹ 37.74 Cr.)
 3. To finance the capex for expansion of SI manufacturing facility. (₹ 91.06 Cr.)
 4. To finance business working capital requirements. (₹ 35.18)
 5. To purchase plant and machinery for infrastructure development at SI facility. (₹ 12.57)
 6. To make prepayment or repayment of borrowings availed by the company and subsidiary, Viva Lifesciences Pvt Ltd (VLPL). (₹ 179.31)
 7. To meet general corporate purposes.
- Company shall not receive any proceeds from the offer for sale.

OUR VIEW

Laxmi Organics was originally incorporated in the year 1989. Over the course of the past few decades, the company has grown in leaps and bounds. Over the years, the company has significantly expanded their scale of operations and global footprint with customers in over 30 countries. The company has long term relations with marquee global clients.

The company has shown Stable revenue and margin growth in the last 3 year and 6 months. However, its FY20 revenues and margins have declined marginally compared to FY19. Higher provisioning for depreciation and amortization impacted its bottom lines for FY19 and FY20, clarified management.

Financially the company earned net profit of Rs.70 Cr. on a turnover of Rs. 1,534 Cr. in FY20 & in H1FY21 it earned profit of Rs. 45 Cr. on turnover of Rs. 813 Cr. company's ROE & ROCE stands at 10.12% & 10.87% respectively on H1FY21.

The issue is priced at a P/BV of 6.19 based on its NAV of Rs. 20.99 per share as of September 31, 2020. At upper price band of ₹ 130, the issue is fully priced based on its P/E of around 45x at FY20 while on the basis of 6 months ended September, 2020 P/E comes around 35x.

Laxmi Organics has considerable long-term debt. In comparison to its peers, Laxmi Organics' financials are lagging behind in some parameters. If the company is able to utilise their position as a market leader in the ethyl acetate segment and maintain efficiency in the growth and expansion plans, then we might see an improvement in the company's financial parameters. Hence, considering all the above factors, we believe the issue is fully priced and has limited upside.

Brief Financials

PARTICULARS	₹ in Million			
	As at Dec. 31, 2020	FY '20	FY '19	FY'18
Total Income	8,143.55	15,386.21	15,743.23	13,960.75
Total Expenditure	7,581.56	14,834.82	14,762.64	12,827.77
Profit before Tax	561.99	808.02	975.89	1,133.14
Profit after Tax	454.84	702.12	723.91	756.95
E.P.S. [diluted (Rs.)]	2.02	2.86	2.89	3.03
P/E (x)	42	45		
RONW (%)	9.65	16.45	16.13	20.01

*Not Annualised

PRICE CHART (@ ₹ 130)

LOT SIZE	Amount
115	14,950
230	29,900
345	44,850
460	59,800
575	74,750
690	89,700
805	104,650
920	119,600
1,035	134,550
1,150	149,500
1,265	164,450
1,380	179,400
1,495	194,350

Please go through the RHP for salient features.

(https://www.sebi.gov.in/filings/public-issues/mar-2021/laxmi-organic-industries-limited-rhp_49422.html)

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	22/03/2021
Initiation of refunds/unblocking ASBA Fund	23/03/2021
Credit of Equity Shares to demat accounts of Allottees	24/03/2021
Commencement of trading of the Equity Shares on the Stock Exchanges	25/03/2021

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