

IPO Details:

IPO Date	July 19, 2024 to July 23, 2024
Face Value	₹2 per share
Price Band	₹90 to ₹95 per share
Lot Size	150 Shares
Total Issue Size	53,700,000 shares (aggregating up to ₹510.15 Cr)
Fresh Issue	41,800,000 shares (aggregating up to ₹397.10 Cr)
Offer for Sale	11,900,000 shares of ₹2 (aggregating up to ₹113.05 Cr)
Issue Type	Book Built Issue IPO
Listing At	BSE, NSE
Share holding pre issue	140,444,250
Share holding post issue	182,244,250
Investor Category	Shares Offered
QIB Shares Offered	Not less than 50% of the Net Issue
Retail Shares Offered	Not less than 35% of the Offer
NII (HNI) Shares Offered	Not more than 15% of the Net Issue
Retail (Min & Max) shares	150 shares & 2100 shares
Retail (Min & Max) application amount	₹14,250 & ₹199,500
S-HNI (Min shares & application amount)	2,250 Shares & ₹213,750
S-HNI (Max shares & application amount)	10,500 Shares & ₹997,500
B-HNI (Min shares & application amount)	10,650 Shares & ₹1,011,750
Basis of Allotment	Wednesday, July 24, 2024
Initiation of Refunds	Thursday, July 25, 2024
Credit of Shares to Demat	Thursday, July 25, 2024
Listing Date	Friday, July 26, 2024
Cut-off time for UPI mandate confirmation	5 PM on July 23, 2024
Promoters	MR. Gouthamchand Sohanlal Chowdhary, Sambhav Gautam Chowdhary, and Shreyans Gautam Chowdhary are the company's promoters.
Registrar	Link Intime India Private Ltd

Company Profile:

Incorporated in 1982, Sanstar is 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. The company exports its products to 49 countries across Asia, Africa, the Middle East, the Americas, Europe, and Oceania. Sanstar also has a pan-India presence, with its products sold in 22 states.

Sanstar Ltd's total income for the financial year ended March 31, 2024, declined 10.5% to ₹1,081.6 crore compared to ₹1,209.6 crore in the preceding fiscal year. The company's net profit for FY24 surged 59.5% to ₹66.77 crore from ₹41.81 crore in FY23, respectively.

Object of the issue:

The Net Proceeds of the Fresh Issue, i.e., Gross Proceeds of the Fresh Issue less the offer expenses apportioned to the Company are proposed to be utilized in the following manner:

- Funding the capital expenditure requirement for the expansion of the Dhule Facility;
- Repayment and/or pre-payment, in part or full, of certain borrowings availed by the Company, and;
- General Corporate Purposes.

Financial Details:

In Cr

Particulars	FY24	FY23	FY22
Income:			
Revenue from operations	1067.3	1205.1	504.4
Other income	14.4	4.6	0.4
Total income	1081.7	1209.7	504.8
Expense:			
Cost of materials consumed	832.9	958.9	391.5
Purchases of Stock-in-Trade	-	1.2	-
Changes in inventory of finished goods, work in process and stock in trade	-6.7	2.5	-4.4
Employee Benefit Expenses	22.0	19.3	10.5
Finance Costs	10.7	9.8	9.1
Depreciation and Amortization Expense	12.1	11.9	9.0
Other Expenses	120.9	150.8	67.1
Total Expenses	992.0	1154.3	482.8
Profit Before Tax (PBT)	89.7	55.4	22.0
Tax Expense:			
Current Tax	16.7	5.4	5.7
Deferred Tax	6.3	8.2	0.4
Total Tax Expenses	23.0	13.6	6.1
Profit for the period/year (PAT)	66.8	41.8	15.9

Competitive Strengths :

- **Largest Manufacturer of Maize-Based Products in India:** Major Indian maize products manufacturer with 45% revenue and 105% PAT CAGR (FY22-24). Exports to 49 countries, recognized as a Two-Star Export House.
- **Benefitting from Industrial Trends:** Specializes in maize starches and derivatives for multiple industries. Strong export presence in 49 countries, enhancing position to leverage growth in end-user sectors.
- **Strategically Located, Sustainable Manufacturing Facilities:** Dhule facility, automated and sustainability-focused, has 247,500 tons/year capacity. Located in Maharashtra's maize belt, ensuring low costs. Expansion plans include increased capacity and solar/biogas facilities.
- **Leveraging Opportunities in the Industry:** Abundant maize production, growing demand, and diverse applications drive growth. The company's large capacities and strong customer relationships position it for increasing demand.

Strategies:

- **Manufacturing Expansion:** Expand Dhule, Maharashtra facility for starch products, adding 1,000 TPD capacity, becoming India's third largest maize products manufacturer by 2026.
- **Customer Base Diversification:** Increase customer base, enhance product range like dextrose anhydrous, liquid glucose, focusing on organic growth, customer relationships, and international markets.
- **Global Expansion:** Export to 49 countries, increase market share globally, expand sales in existing and new geographies with dedicated teams and offices.
- **Revenue from Derivatives and Organic Starches:** Grow derivatives revenue with expanded capacities for liquid glucose, dextrose monohydrate, and dextrose anhydrous. Scale organic starch segment amidst rising demand.
- **Entry into Ethanol Production:** Leverage maize sourcing capabilities to enter ethanol production in India, aligned with government's 20% ethanol blend target by 2025.

Revenue Breakup :

In Cr

Industry / Sector	Revenue from Operations					
	FY24		FY23		FY22	
	(₹)	%	(₹)	%	(₹)	%
Food	645.19	58.12	772.08	61.25	304.45	59.11
Animal Nutrition	116.01	10.45	127.57	10.12	64.97	12.62
Other Industrial Applications	348.91	31.43	360.89	28.63	145.62	28.27
Total	1110.10	100.00	1260.54	100.00	515.04	100.00

Export Breakup :

In Cr

Name of the Country	FY24		FY23		FY22	
	(₹)	%	(₹)	%	(₹)	%
Region						
Asia	237.10	60.11	220.33	58.34	15.60	83.1
Africa	91.90	23.3	112.62	29.82	3.17	16.9
Middle East	21.44	5.44	35.02	9.27	-	-
Americas	38.76	9.83	6.56	1.74	-	-
Europe and Oceania	5.24	1.32	3.14	0.83	-	-
Total	394.44	100.00	377.67	100.00	18.78	100.00
Geography wise sales						
Domestic Sales	715.67	64.47	882.87	70.04	496.27	96.35
Exports Sales	394.44	35.53	377.67	29.96	18.78	3.65
Total	1110.10	100.00	1260.54	100.00	515.04	100.00

Peers Comparison:

Name of the company	Total Income (₹ Cr)	Face Value (per share) (₹)	P/E	EPS (Basic) (₹)	EPS (Diluted) (₹)	PAT Margin (%)	ROE (%)	NAV (per share) (₹)
Sanstar Limited	1081.68	2.00	-	4.75	4.75	6.17	30.92	15.37
Listed peers								
Gujarat Ambuja Exports Limited	5071.42	1.00	18.65	7.54	7.54	6.82	12.49	60.37
Gulshan Polyols Limited	1390.18	1.00	73.31	2.85	2.85	1.28	2.30	123.63
Sukhjit Starch and Chemicals Limited	1385.04	10.00	15.01	31.98	31.98	3.61	9.94	321.75

Key risk factors:

- Fluctuations in raw material prices may impact product pricing, affecting the financial condition and cash flows.
- During peak maize harvesting, substantial working capital is crucial. Shortfalls could adversely affect operations and overall business performance.
- Ongoing litigations pose risks; adverse outcomes could impact the operational results.
- Delays or cost overruns in Dhule Facility expansion plans may adversely affect business operations.
- Delays or failures in equipment procurement or construction could lead to cost and time overruns for Dhule Facility expansion.
- Maize processing requires specific conditions; disruptions or power shortages may adversely affect operations.
- Reliance on local farmers and unorganized markets for raw materials poses supply chain risks for manufacturing operations.

SUMMARY :

The company, a major Indian manufacturer of specialty products for global markets, aims to balance its export-to-domestic revenue ratio to 36:64 with improved margins. Despite varying top-line results, bottom-line growth remains steady, bolstered by new solar and gas projects and reduced finance costs.

Launching its maiden combo IPO, offering 41.8 million fresh shares and 11.9 million via Offer for Sale at Rs. 90-95 per share, it aims to raise Rs. 510.15 crore for expansion and debt reduction. Post-IPO, equity will rise to Rs. 36.45 crore, targeting a market cap of Rs. 1,731.32 crore.

Financially, it averages Rs. 3.55 EPS and 30.22% RoNW over three years, with robust revenue (45.46% CAGR) and profit growth (104.79% PAT CAGR). The IPO's P/BV stands at 6.18 and 2.82 post-IPO, with P/E ratios at 18.95x to 20.00x based on FY24 earnings. FY24 saw PAT margins at 6.17% and RoCE at 25.73%. Given its trajectory, hence we recommend our clients to **"SUBSCRIBE"** to the issue.

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