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**SANSTAR LIMITED**

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**IPO NOTE**

*July 2024*

## ISSUE HIGHLIGHTS

- Incorporated on February 26, 1982, **Sanstar Ltd** is one of the manufacturers of plant-based specialty products and ingredients solutions in India for food, animal nutrition and other industrial applications. Promoted by Gautam Choudhary, Sanstar Group (SG) comprises of 2 entities, namely Sanstar Ltd and Sanstar Bio Polymers Ltd (SBPL). The group is engaged in manufacturing of **maize based specialty products and ingredients solutions and its co-products such as Gluten, Germ and Bran**. Sanstar Ltd and Sanstar Biopolymers Ltd, are merged on November 23, 2023.
- Sanstar manufactures **maize starch, dextrin, modified starches, liquid glucose, high maltose maize syrup, maltodextrin, dextrose monohydrate, sorbitol, gluten, germ and steep liquor**. The products find application in **Textiles, Paper, Pharmaceutical, Food, Adhesives, Animal Nutrition & many other industries**. Novel application such as bio polymers, bioethanol, biomaterials, mock meats also boost the demand for starch.
- Company's manufacturing facilities are in Gujarat and Maharashtra which are the major states producing maize in India. Post the expansion, Sanstar will have aggregate capacity of 2,100 MTD and be 3rd largest player in maize base specialty products and ingredient solutions providers industry.
- Sanstar sources its maize through various channels, including mandi procurement, local stock houses, and direct farmer buying. This multifaceted approach allows Sanstar to ensure a consistent supply of high-quality maize while supporting local farmers and communities.
- Sanstar has a reputed clientele of companies such as AB Mauri, ITC, Capital Foods, Hindustan Unilever, Godrej Agrovet and Zydus wellness in domestic market. Sanstar has a strong presence in states of Maharashtra, Gujarat, and Andhra Pradesh.
- Sanstar is making strides in markets of Telangana, Tamil Nadu, Madhya Pradesh, and Bihar. In exports markets, Sanstar supplies starch and other products to ~49 countries with Malaysia, Kenya and Vietnam being the top importers.

## BRIEF FINANCIAL DETAILS\*

(₹ IN CR)

	As at Mar' 31,		
	2024	2023	2022
Equity Share Capital	28.09	28.09	29.50
Net Worth	215.91	149.28	48.97
Total Borrowings	127.64	111.70	85.22
Revenue from Operations	1,067.27	1,205.07	504.40
Revenue Growth (%)	(11.44)%	138.91%	-
EBITDA	98.14	41.81	15.92
EBITDA Margin (%)	9.20%	6.01%	7.87%
Net Profit for the year	66.77	41.81	15.92
Net Profit (%)	6.17%	3.46%	3.15%
EPS – Basic & Diluted (₹)	4.75	2.98	1.08
ROE (%)	30.92%	28.00%	32.51%
ROCE (%)	25.43%	23.82%	32.51%
NAV (₹)	15.37	10.63	3.32
Debt Equity Ratio	0.50	0.60	1.00

Source: RHP, \*Restated Consolidated, Reduction in Share Capital due to Pursuant to scheme of amalgamation of the Company and Sanstar Biopolymers Ltd.

## Issue Details

**Fresh Issue of 41,800,000 Equity Shares and Offer for Sale of 11,900,000 Equity Shares**

**Issue size: ₹ 483 – 510 Cr**

**No. of shares: 53,700,000 Shares**

**Face value: ₹ 2/-**

**Price band: ₹ 90 - 95**

**Bid Lot: 150 Shares and in multiple thereof**

**Post Issue Implied Market Cap =**

**₹ 1,640 – 1,731 Cr**

**BRLMs: Pantomath Capital**

**Registrar: Link Intime India Pvt Ltd**

**Issue opens on: Friday, 19th July, 2024**

**Issue closes on: Tuesday, 23<sup>rd</sup> July, 2024**

## Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	24-07-2024
Refunds/Unblocking ASBA Fund	25-07-2024
Credit of equity shares to DP A/c	25-07-2024
Trading commences	26-07-2024

## Issue Break-up

	No. of Shares	₹ In Cr		% of Issue
		@Lower	@Upper	
QIB	26,850,000	241.65	255.08	50%
NIB	8,055,000	72.50	76.52	15%
-NIB2	5,370,000	48.33	51.02	-
-NIB1	18,795,000	24.17	25.51	-
RET	18,795,000	169.16	178.55	35%
<b>Total</b>	<b>53,700,000</b>	<b>483.30</b>	<b>510.15</b>	<b>100%</b>

NIB-1=NII Bid between ₹ 2 to 10 Lakhs

NIB-2 =NII Bid Above ₹ 10 Lakhs

Category	Retail Category	NII-Bid between ₹ 2 - 10 Lakhs	NII - Bid Above ₹ 10 Lakhs
Minimum Bid Lot (Shares)	150 Shares	2,250 Shares	10,650 Shares
Minimum Bid Lot Amount (₹)	₹ 14,250 <sup>^</sup>	₹ 2,13,750 <sup>^</sup>	₹ 10,11,750 <sup>^</sup>
Appl for 1x	1,25,300 Applications	1,193 Applications	2,387 Applications

## Listing: BSE & NSE

## Shareholding (No. of Shares)

Pre-issue	Post-issue
140,444,250	182,244,250

## Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	57.22%	43.27%
Promoter Group	42.56%	27.09%
Public	0.22%	29.63%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## BACKGROUND

### Company and Directors

The Company was incorporated as ‘Continental Papers Limited’ on February 26, 1982. Subsequently, pursuant to a Scheme of Amalgamation entered into between the company and Sanstar Biopolymers Ltd (‘Transferor Company’), the Transferor Company was merged into the company as a going concern on November 23, 2023. Gouthamchand Sohanlal Chowdhary, Sambhav Gautam Chowdhary and Shreyans Gautam Chowdhary are the promoters of the company. Currently, the promoters, in aggregate, hold 80,366,100 Equity Shares in the company, representing 57.22% of the issued, subscribed and paid-up Equity Share capital of the company.

### Brief Biographies of Directors

**Gouthamchand Sohanlal Chowdhary** is the Chairman and Managing Director of the company. He is one of the Promoters of the company and has been associated with the company since February 22, 2012. He has served on the board of Sanstar Biopolymers Ltd (merged with the company) for a period of 38 years since September 27, 1985. He supervises the overall functions of the company and is responsible for overseeing the strategic growth initiatives and expansion plans.

**Sambhav Gautam Chowdhary** is the Joint Managing Director and one of the Promoters of the company. He has been associated with the company since February 22, 2012. He has served on the board of Sanstar Biopolymers Ltd (merged with the company) for a period of 13 years since March 30, 2011. During the year 2005-06, he was employed with Infosys Technologies Ltd. He is responsible for day-to-day operations and expansion plans of the Company.

**Shreyans Gautam Chowdhary** is the Joint Managing Director and one of the Promoters of the company. He has been associated with the company since February 22, 2012. He has served on the board of Sanstar Biopolymers Ltd (merged with the company) for a period of 13 years since March 30, 2011.

**Sejal Ronak Agrawal** is an Independent Director of the company. She has been associated with the company since November 1, 2023.

**Atul Agrawal** is an Independent Director of the company. He has been associated with the company since November 1, 2023. Previously, he was associated with the Central Bank of India and Indian Overseas Bank.

**Aniket Sunil Talati** is an Independent Director of the company. He has been associated with the company since November 1, 2023.

**Harishkumar Shisupaldas Maheshwary** is the Chief Financial Officer of the company with effect from March 31, 2015. He handles the accounting and financial related matters of the company.

**Fagun Harsh Shah** is the Company Secretary and Compliance Officer of the company. She has been appointed as Company Secretary of the company with effect from June 15, 2020.

## OBJECTS OF THE ISSUE

Objects	Amount (₹ Cr)
• Funding the capital expenditure requirement for expansion of the Dhule Facility	181.56
• Repayment and/or pre-payment, in part or full of certain borrowings availed by the company	100.00
• General Corporate Purposes	[ • ]
<b>Total</b>	<b>[ • ]</b>

## OFFER DETAILS

Fresh Issue	No. of Shares	WACA per Equity Share (₹)
<i>Fresh Issue</i>	<i>Upto 41,800,000 Equity Shares</i>	–
<b>The Offer for Sale by:</b>	<b><i>Upto 11,900,000 Equity Shares</i></b>	
<b>Promoter Selling Shareholders:</b>		
Gouthamchand Sohanlal Chowdhary	Upto 500,000 Equity Shares	2.17
Sambhav Gautam Chowdhary	Upto 500,000 Equity Shares	1.80
Shreyans Gautam Chowdhary	Upto 500,000 Equity Shares	0.35
<b>Promoter Group Selling Shareholders:</b>		
Rani Gouthamchand Chowdhary	Upto 3,800,000 Equity Shares	0.34
Richa Sambhav Chowdhary	Upto 3,300,000 Equity Shares	0.70
Samiksha Shreyans Chowdhary	Upto 3,300,000 Equity Shares	0.44

WACA=Weighted Average Cost of Acquisition

## SHAREHOLDING PATTERN

Shareholders	Pre-offer#		Offer for Sale Shares and Fresh Issue	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter	80,366,100	57.22%	1,500,000	78,866,100	43.27%
Promoter Group	59,779,000	42.56%	10,400,000	49,379,000	27.09%
<b>Total for Promoter and Promoter Group</b>	<b>140,145,100</b>	<b>99.79%</b>	<b>11,900,000</b>	<b>128,245,100</b>	<b>70.37%</b>
Public	299,150	0.21%	41,800,000	53,999,150	29.63%
<b>Total for Public Shareholders</b>	<b>299,150</b>	<b>0.21%</b>	<b>41,800,000</b>	<b>53,999,150</b>	<b>29.63%</b>
<b>Total Equity Share Capital</b>	<b>140,444,250</b>	<b>100.00%</b>		<b>182,244,250</b>	<b>100.00%</b>

## BUSINESS OVERVIEW

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. Their 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. Company’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 disintegrants, excipients, supplements, coating agents, binders, smoothing & flattening agents, finishing agents, among others.

With an installed capacity of 3,63,000 TPA, Sanstar is the 5<sup>th</sup> largest manufacturer of maize based speciality products and ingredient solutions in India. Their leading position in the industry, technical knowledge to bring specific functionality and nutrition to end products, more than 5 decades of presence, state of the art manufacturing facilities, diverse product portfolio and clientele in domestic and global markets, provide them with competitive advantage.

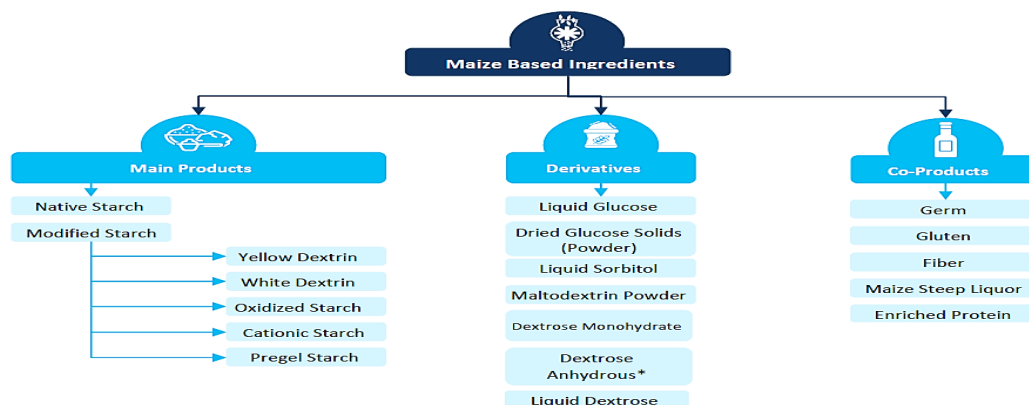
Sanstar is a recognised 2-Star Export house from Director General of Foreign Trade, GoI, while Sanstar Biopolymers Ltd, the erstwhile Company which was merged with the company pursuant to NCLT, Ahmedabad order dated 23-11-2023, was a recognised 3-Star Export House. The company exported their products to 49 countries across Asia, Africa, Middle East, Americas, Europe and Oceania. Additionally, the company has footprints across India, with its products being sold in 22 states.

Company’s 2 manufacturing facilities spread across cumulative area of 10.68 msf (approx. 245 Acres) are located at Dhule in the state of Maharashtra and Kutch in the state of Gujarat. The Dhule Facility is the latest, sustainability focused, state of the art, automated facility and has been designed by their in-house team of 24 engineers. Company’s manufacturing facilities are strategically located in terms of both proximity to their raw material sources i.e. maize harvesting belts as well as seaports of Mundra, Kandla, Hazira and Nhava Sheva, for exports of their finished products.

Their 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.

## COMPANY PRODUCTS

Company’s speciality products and ingredient solutions, their description and applications:



\*Proposed

**The information of the speciality products and ingredient solutions, their description and applications:**

Product Name	Brief description	Major Applications
<b>Native Maize Starch</b>	Native starch is powder obtained from starchy part of maize	Foods (processed foods, bakery, confectionery), Pharmaceuticals
<b>Modified Maize Starch</b>	Prepared by physically, enzymatically, or chemically by treating native starch to change its properties	Pharmaceuticals, Paper
<b>Yellow Dextrin</b>	Water-soluble produced using less acid & high temperatures for a long time-period. The Yellow Dextrin is used to produce high solids pastes (40-60%).	Adhesives, Dyes, Abrasives, Packaging
<b>White Dextrin</b>	Water-soluble optically active solutions of low viscosity which is white in colour	Pharmaceuticals, Paper, Textile, Explosive Metal Azides
<b>Liquid Glucose</b>	A clear, viscous, colourless solution with functional properties including viscosity, humectancy, high fermentability, colligative properties, along with imparting sweetness.	Food (confectionary, candies, syrups, bakery, ready to eat sweets), Pharmaceutical
<b>Dried Glucose Solid</b>	Dried Glucose Solids is in uniform powdered format with high bulk density, equivalent to sucrose, yet with lower sugar content	Food (confectionary, jams, jellies, preserves, syrup toppings)
<b>Maltodextrin</b>	Maltodextrin is a polysaccharide with major application as a thickener and a food additive. Partial hydrolysis is used to produce it from starch. Maltodextrin occurs as a white hygroscopic spray dried powder	Food (additives, anti-caking agents, bulking agent, food flavour carrier and in artificial sweeteners)
<b>Liquid Dextrose</b>	The crystallized or liquid form of D-glucose made by full hydrolysis of starch used as sources of carbohydrates or as soluble carrier	Bio-Industry & Fermentation-Processing Aids, Plant Care-Fertilizers, Nutrients
<b>Dextrose Monohydrate</b>	Monohydrate form of D-glucose which is a natural Monosaccharide and Carbohydrate. Dextrose Monohydrate has a sweet taste and is used as a sweetener and texturizing agent. It is also used as a fermentation substrate.	Pharmaceuticals (nutritional supplement), Food (confectioneries, jams, jellies; bakery, biscuits, cookies), Beverages, Animal Nutrition
<b>Liquid Sorbitol</b>	It is a bulk sweetener with excellent humectant and texturizing agent. Sorbitol is about 60% as sweet as sucrose offering one-third fewer calories.	Food (processed foods, bakery, confectionery, and seafood), Personal Care (incl. Cosmetics), Pharmaceuticals
<b>Co-products</b>	Germ, Gluten, Fiber, and Maize steep liquor	Food, Animal Nutrition

Company's products are subjected to quality testing and assurance processes before being packed and dispatched to customers. The quality control and assurance team comprises 27 employees.

Sanstar is led by their Promoters comprising the Chairman and Managing Director Gouthamchand Chowdhary and Joint Managing Directors, Sambhav Chowdhary and Shreyans Chowdhary, who cumulatively have over 60 years of exposure of managing the business dealing in their industry segment. Each of the Promoters is actively involved in the critical aspects of their business, including manufacturing, procurement, finance, process and plant engineering, sales and marketing.

**Diversified Sales Channel Ensuring Global Coverage**

Industry	Applications
<b>Manufacturers of end products</b>	They are manufacturers of end products under their own brand or are contract manufacturers of end product for other organisations. 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.
<b>Manufacturers of ingredients / agents / excipients:</b>	They are manufacturer of ingredients / agents / excipients for their clients who ultimately use these products in their end products meant for consumers.
<b>Distributors / Traders / Aggregators / Indenting Agents:</b>	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 them who in turn supply to their customers.

## REVENUE FROM OPERATIONS

(₹ Cr)

Industry / Sector	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue (₹ Cr)	% of Revenue	Revenue (₹ Cr)	% of Revenue	Revenue (₹ Cr)	% of Revenue
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	348.90	31.43%	360.89	28.63%	145.62	28.27%
<b>Gross Revenue from Operations</b>	<b>1,110.10</b>	<b>100.00%</b>	<b>1,260.54</b>	<b>100.00%</b>	<b>515.04</b>	<b>100.00%</b>

### Revenue from Operations: Product-mix wise

Product	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue (₹ Cr)	% to Revenue	Revenue (₹ Cr)	% to Revenue	Revenue (₹ Cr)	% to Revenue
Starches	701.21	63.17%	811.81	64.40%	301.22	58.48%
Co-Products	71.86	6.47%	66.88	5.31%	5.11	0.99%
Derivatives	182.96	16.48%	216.06	17.14%	171.87	33.37%
Others	154.08	13.88%	165.80	13.15%	36.85	7.15%
<b>Gross Revenue from operations</b>	<b>1,110.10</b>	<b>100.00%</b>	<b>1260.54</b>	<b>100.00%</b>	<b>515.04</b>	<b>100.00%</b>

### Revenue from Operations: Geography-wise

Particular	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue (₹ Cr)	% to Revenue	Revenue (₹ Cr)	% to Revenue	Revenue (₹ Cr)	% to Revenue
Sales – Domestic	715.67	64.47%	882.87	70.04%	496.27	96.35%
Sales – Exports	394.44	35.53%	377.67	29.96%	18.78	3.65%
<b>Gross Revenue from operations</b>	<b>1,110.10</b>	<b>100.00%</b>	<b>1,260.54</b>	<b>100.00%</b>	<b>515.04</b>	<b>100.00%</b>

## MANUFACTURING FACILITIES

Company's Dhule Facility in Maharashtra is the latest and largest manufacturing facility which commenced operations in the year 2017. It is located on an aggregate land area of 7.90 msf of which 2.46 msf is available for future expansion. This facility has an aggregate installed capacity of 247,500 TPA as on March 31, 2024. It has state of the art, highly automated, sustainability focused facility with ample scope for expansion. The company has more than 50,000 MT of maize storage silos and finished goods storage at the Dhule Facility. The company proposes to expand the capacity of the Dhule Facility by utilising the existing land available for expansion.

Company's manufacturing facility at Kutch is registered with the USFDA for this facility in August 2023 which is valid upto December 2024. This manufacturing facility at Kutch, Gujarat had commenced operations in the year 2006. It is located on an aggregate land area of 2.77 msf of which 1.84 msf is available for future expansion. This facility has an aggregate installed capacity of 350 TPD as on March 31, 2024. This facility has maize storage area admeasuring around 13,670 square feet and finished goods storage area of 25,850 square feet, allowing them to store large quantities of raw materials and finished goods.

### Capacity and capacity utilisation:

Period	Dhule Facility			Kutch Facility		
	Annual Installed Capacity (TPA)	Actual Utilization (TPA)	Capacity Utilization (%)	Annual Installed Capacity (TPA)	Actual Utilization (TPA)	Capacity Utilization (%)
Fiscal 2024	247,500	219,678	89%	115,500	93,194	81%
Fiscal 2023	247,500	210,657	85%	115,500	108,302	94%
Fiscal 2022	247,500	182,536	74%	115,500	101,425	88%

## COMPETITIVE STRENGTHS

- *One of the largest manufacturers of maize based speciality products and ingredient solutions in India with diverse product portfolio*

Sanstar is the 5<sup>th</sup> 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 has grown their business to the current scale with an installed capacity of 3,63,000 TPA. They have grown with Revenue and PAT CAGR of 45% and 105% over Fiscal 2022-2024. They are a recognised 2-Star Export House from DGFT-Gol and exported their products to 49 countries across Asia, Africa, Middle East, Europe & Oceania and Americas.

They 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.

- **Speciality products and ingredients solutions player catering to diverse industry segments and poised to benefit from mega industrial trends**

Company’s business is directly linked to the growth in end user industries including food and beverages, animal nutrition, pharmaceuticals, adhesives, personal care, paper, textiles, among others.

Industry	Applications
Food	<ul style="list-style-type: none"> <li>• In custard, desserts, sauces, instant foods, tablets, baked foods, confectioneries, pastas, soups and mayonnaise;</li> <li>• As thickening agents, stabilizers and emulsifiers in various foods,</li> <li>• In cream fillings, gravies, tomato ketchup, pasty creams, dairy desserts,</li> <li>• In confectionary, candies, syrups, ready to eat sweets, bakery,</li> <li>• Used as sweetener and bodying agent in confectionary products, jams, jellies, preserves, syrup and toppings,</li> <li>• Food additive, anti-caking agent, bulking agent, and food flavour carrier, artificial sweeteners.</li> </ul>
Animal Nutrition and Medicine	<ul style="list-style-type: none"> <li>• As protein and energy supplement, yield enhancer, binding or pelleting agent, expanding agent, as stabilizing, thickening, anticaking, and bulking agent, buffering agent in veterinary medicine</li> </ul>
Other Industrial Applications	<ul style="list-style-type: none"> <li>• As disintegrants, coating-thickening-binding agents, excipients, granulating agents for tablet coating, supplements to replenish lost nutrients and electrolytes (including in ORS), intravenous fluids to provide nutrients to patients under intensive care, tablet and capsule diluent, glidant in Pharmaceuticals</li> <li>• As nanoparticles to stabilize emulsions, pickering emulsions, which are useful in cosmetics, as humectant, texturizer, stabilizer, bulking agent in Personal Care products</li> <li>• As binders in adhesives. As ingredients for paper converting, coatings, surface sizing solution for paper processing, wet end additives, flocculant, binder, and bonding agent, aesthetic ingredient</li> <li>• Starch Ether is used in Dry Mix Building Mortar as it increases the performance, sag resistance, and consistency of mortar</li> <li>• Applications of biopolymers derived from modified starch include packaging, adhesives, agriculture, superabsorbent and wastewater treatment</li> <li>• Flavour compounds with low solubility can form complexes with highamylose maize starch, providing novel encapsulation and monetary benefits. Modified starches are used in encapsulated perfume particles which are then used in laundry compositions</li> </ul>

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 ingredients.

- **Strategically located, sustainability driven, state of the art manufacturing facilities**

Company’s manufacturing facilities are strategically located in terms of both proximity to their raw material sources i.e. maize harvesting belts as well as seaports of Mundra, Kandla, Hazira and Nhava Sheva, for exports of their finished products. The Dhule Facility is the latest, sustainability focused, state of the art, automated facility and has been designed by their in-house team.

- **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.

The maize-based speciality products and ingredient solutions industry in which the company operates has high entry barriers and additionally, **the B2B nature of their business creates significant exit barriers for their customers as well**. Their products and the processes involved, their products are subject to, and measured against, high quality standards and product approval systems and specifications.

- **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 3 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 ₹ 504.40 crore in Fiscal 2022 to ₹ 1,067.27 crore in Fiscal 2024 while PAT has grown at a CAGR of 104.79% from ₹ 15.92 crore in Fiscal 2022 to ₹ 66.77 crore in Fiscal 2024.

- ***Two Generations of Promoters with domain knowledge***

Company's promoters and senior management team possess relevant exposure and acumen in the speciality products and ingredient solutions industry across maize procurement, supplier and farmer relationships management, business development, product research and development, finance, operations, administration, marketing and human resource management. The company leverage the understanding and the exposure of their management and professional team manages their operations and tapping new growth avenues. The knowledge and exposure of the promoters and management team provide them with a competitive advantage as they seek to grow their existing markets and enter new geographical markets.

- ***Well positioned to leverage the large opportunities in speciality products and ingredient solutions industry***

Company's market position in the industry is a reflection of their vast experience, large capacities and lasting customer relationships, which enables them to tap the large potential and opportunities in their existing and future products.

- ***Large, diversified customer base with long lasting relationships***

The company had served over 525 customers during the Fiscal 2024. They have also established long term relationships where 96 customers had placed repeat orders with them in each of the previous 3 Fiscals.

The company has earned customer loyalty by approachable management addressing their concerns and relationships developed by the marketing team; nurturing customer centric culture that focuses on quality assurance and performance standards; and offering modern, automated facilities with an emphasis on sound environmental and sustainability focused measures and practices.

## **KEY BUSINESS STRATEGIES**

- ***Expand the manufacturing capacities to capture additional market share***

Currently, the company operates 2 manufacturing facilities. 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.

To achieve this, they intend to expand their manufacturing capabilities at Dhule facility by installing additional factory building, machineries and equipment's and utilities to increase the installed capacities by 1,000 TPD. With the proposed expansion, the aggregate installed capacity of both the facilities is expected to increase to 2,100 TPD. Once the proposed expansion is commissioned, the company is expected to become the 3<sup>rd</sup> largest manufacturer of maize based speciality products and ingredient solutions in India by installed capacity.

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

The company intends to focus on leveraging their relationships with the 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, the company intends 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 will continue to invest in innovation, automation, modern technology, and equipment to continually improve the efficiencies and capitalize on changing customer preferences.

- ***Increase the global footprint and augments growth in current geographies***

The company, with a view to further diversify their customer base and increase 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 real-time basis. Additionally, they intend to expand their exports presence in markets where their current penetration is low or negligible including into North America, Europe and Africa.

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

The company intend to grow the contribution from sale of derivatives to increase their margins and returns going forward. They propose to expand manufacturing capacity of Liquid Glucose and Dextrose Monohydrate at their Dhule plant by 300 TPD to address the growing demand and capture the market share in derivatives. Additionally, they are setting up manufacturing capacity of 50 TPD of Dextrose Anhydrous, as part of their proposed expansion plan.

**Growth Drivers for Organic Starches** are - Increased use of organic starches in plant-based foods market/ alternative meat market is showing exponential growth; Increasing consumer consciousness for clean label food products; Stringent regulations on synthetic additives in food, pharma, and nutraceutical industry; Changing consumer lifestyles and food preferences along with growth in per capita income and Increased adoption of non-GMO sustainable practices among manufacturers.

In the Indian scenario, the consumption of organic starch and syrups is still in the nascent stage. The company has an installed capacity of 1,250 TPA of manufacturing of organic starches in India. 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.

- **Foray into manufacturing of Ethanol through leveraging the maize sourcing capabilities**

The GoI has chosen to push up the 20% Ethanol blend objective in petrol. 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 ₹ 9,000 crore to over ₹ 50,000 crore, i.e. a growth of more than 500%. Ethanol distillation capacity is expected to grow by more than 3 times to 1,500 Crore litre annually.

The 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. 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 OVERVIEW

### Capacities of Indian Maize based Speciality Products and Ingredient Players

Indian Maize Starch Producing Companies	Installed Maize milling Capacities, TPA	Market Share based on Maize milling Capacities, %
Gujarat Ambuja Starch Products Ltd	4,000	21.6%
Roquette India Pvt Ltd *	2,720	14.7%
Sukhjit Starch Products Ltd	1,600	8.7%
BlueCraft Agro	1,250	6.8%
Sanstar Ltd	1,100	5.9%
Sayaji Maize Products Ltd	850	4.6%
Cargill*	800	4.3%
Universal Starch Chem -Allied Products	750	4.1%
Gulshan Polyols	600	3.2%
ShreeGluco Biotech*	600	3.2%
Sahyadri Starch & Industries Ltd.	600	3.2%
Everest Starch	600	3.2%
Paramesu Biotech	500	2.7%
Kasyap Sweeteners*	420	2.3%
Rajaram Corn Products Ltd*	300	1.6%
Santhosh Maize & Industries Ltd	300	1.6%
Others	1,500	8.1%

### Key Financial Indicators of Indian Maize based Speciality Products and Ingredient Solutions Players

Company	Growth CAGR % (2018-23)	Revenue (₹ Cr)		
		2023	2022	2021
Gujarat Ambuja Starch Products <sup>^</sup>	19%	3,203	2,644	1,958
Sukhjit Starch Products <sup>\$</sup>	28%	1,057	823	509
Sanstar	63% <sup>≠</sup>	1,178	505	310
Universal Starch Chem - Allied Products	21%	519	458	297
Tirupathi Starch Products	11%	365	320	200
Gulshan Polyols <sup>~</sup>	13%	202	168	89
Riddhi Siddhi Gluco Biols	(15)%	193	150	302

Source:RHP;

<sup>^</sup> Maize Processing revenue,

<sup>\$</sup> Revenue from Starch & Derivative,

Revenue for Sanstar for FY 2023 is consolidated whereas revenue for FY 2021 and FY2022 is standalone value.

<sup>~</sup>Starch revenues; <sup>≠</sup>YOY 2021-22

**Key Financial Indicators of Indian Maize Based Speciality Products and Ingredient Solutions Players:**

Company Name	ROCE (%)			ROA (%)			EBITDA (₹ Cr)			EBITDA Margin (%)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Gulshan Polyols	9.2	19.9	24.9	4.6	10.6	12.5	9.51	15.22	13.30	9	14	17
Gujarat Ambuja Starch Products	16.5	31.0	28.0	11.1	17.3	15.0	54.91	74.12	56.15	12	16	12
Riddhi Siddhi Gluco Biols	3.6	6.2	4.7	2.1	9.8	20.8	6.35	10.29	7.73	42	68	26
Sukhjit Starch Products	-	20.0	8.3	-	7.4	6.9	14.30	15.30	6.86	10	13	10
Tirupathi Starch Products	14.0	14.0	5.0	3.8	5.2	0.8	-	2.12	0.93	-	7	5
Universal Starch Chem -Allied Products	14.7	22.6	15.2	2.9	6.1	3.6	-	2.79	1.85	-	6	6
<b>Sanstar</b>	<b>23.7</b>	<b>23.2</b>	<b>21.0</b>	<b>11.4</b>	<b>7.7</b>	<b>7.1</b>	<b>72.66</b>	<b>39.72</b>	<b>37.05</b>	<b>6.1</b>	<b>7.9</b>	<b>11.9</b>

Source: Annual Reports, Money control, Frost & Sullivan Research

**Key Financial Indicators of Indian Maize based speciality products and ingredient solutions players**

Company Name	Equity ratio			Debt Ratio			Debt- Equity Ratio		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Gulshan Polyols	0.58	0.70	0.70	2.40	7.70	6.80	0.33	0.20	0.00
Gujarat Ambuja Starch Products	0.8	0.80	0.80	5.72	10.3	14.20	0.09	0.10	0.10
Riddhi Siddhi Gluco Biols	0.88	1.00	1.10	8.40	11.9	9.20	0.05	0.04	0.10
Sukhjit Starch Products	0.54	0.53	0.47	2.20	3.50	2.90	0.24	0.70	0.40
Tirupathi Starch Products	0.27	0.20	0.20	1.39	1.00	1.00	3.67	4.40	0.20
Universal Starch Chem -Allied Products	0.29	0.30	0.20	1.40	2.20	1.70	1.11	0.87	1.37
<b>Sanstar</b>	<b>0.51</b>	<b>0.41</b>	<b>0.35</b>	<b>0.30</b>	<b>0.41</b>	<b>0.52</b>	<b>0.60</b>	<b>1.00</b>	<b>1.47</b>

**COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31<sup>ST</sup> MARCH 2024)**

Company Name	Consolidated / Standalone	Face Value	Current Market Price <sup>^</sup> (₹)	Total Income for Fiscal 2024 (₹ in Cr)	EPS	PAT Margin (%)	NAV	P/E	RoNW (%)
					Basic & Diluted				
<b>Sanstar Ltd</b>	<b>Consolidated</b>	<b>2</b>	<b>[ • ]</b>	<b>1,081.68</b>	<b>4.75</b>	<b>6.17</b>	<b>15.37</b>	<b>[ • ]</b>	<b>30.92</b>
Gujarat Ambuja Exports Ltd	Consolidated	1	140.61	5,071.42	7.54	6.82	60.37	18.65	12.49
Gulshan Polyols Ltd	Consolidated	1	208.93	1,390.18	2.85	1.28	123.63	73.31	2.30
Sukhjit Starch and Chemicals Ltd	Consolidated	10	480.00	1,385.04	31.98	3.61	321.75	15.01	9.94

Source: RHP; <sup>^</sup>Current market price (CMP) is the closing market price of the equity shares of the respective companies on NSE on July 5, 2024; P/E Ratio has been computed based on the CMP.

**Comparison of Key Performance Indicators with Listed Industry Companies**

(₹ in crore or unless otherwise stated)

Particulars	Sanstar		Gujarat Ambuja Exports		Gulshan Polyol		Sukhjit Starch and Chemicals	
	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Revenue from Operations (₹ Cr)	1,067.27	1,205.07	4,926.70	4,908.99	1,377.98	1,179.73	1,375.35	1,446.57
EBITDA (₹ Cr)	98.14	72.45	442.37	475.04	58.08	88.00	128.02	147.09
EBITDA Margin (%)	9.20%	6.01%	8.98%	9.68%	4.21%	7.46%	9.31%	10.17%
PAT (₹ Cr)	66.77	41.81	345.87	330.10	17.76	45.18	49.96	63.36
Profit Margin (%)	6.17%	3.46%	6.82%	6.62%	1.28%	3.81%	3.61%	4.37%
EPS (Basic & Diluted)	4.75	2.98	7.54	7.20	2.85	8.69	31.98	40.56
Total Borrowings (₹ Cr)	127.64	111.70	197.02	220.67	353.70	252.86	324.49	319.28
Net worth (₹ Cr)	215.91	149.28	2,769.00	2,433.98	771.07	755.62	502.64	465.54
ROE (%)	30.92%	28.00%	12.49%	13.56%	2.30%	5.98%	9.94%	13.61%
ROCE (%)	25.43%	23.82%	10.90%	14.95%	2.31%	5.91%	11.48%	14.43%
Debt - Equity Ratio	0.05	0.60	0.07	0.09	0.46	0.33	0.65	0.69
Fixed Assets Turnover Ratio	5.28	6.16	4.90	4.73	2.66	4.28	2.64	2.74
Net Cash from/(used in) Operating Activities	28.60	(6.02)	213.15	241.36	66.28	15.44	77.74	40.97
No. of Plants	2	2	5	5	2	2	4	4
Total installed capacity in MTPD	1,100	1,100	NA	4,000	NA	600	NA	1,600-1,700
No. of customers	525	541	NA	1,300+	NA	NA	NA	NA
Export presence (no. of countries)	49	49	NA	100+	NA	42+	NA	NA

\*The bonus issue of 1:1 was made on March 15, 2024, effect of the same has also been given in the preceding year EPS i.e. March 31, 2023.

### Restated Statement of Cash Flows

	Fiscal 2024	Fiscal 2023	Fiscal 2022
<b>Profit before tax</b>	<b>89.72</b>	<b>55.39</b>	<b>21.98</b>
Adjustments Related to Non-Cash & Non-Operating Items	21.89	20.92	17.71
<b>Operating Profits before Working Capital Changes</b>	<b>111.61</b>	<b>76.31</b>	<b>39.69</b>
Adjustments for Changes in Working Capital	(66.33)	(76.95)	(4.30)
<b>Net cash generated from operations before tax</b>	<b>45.28</b>	<b>(0.64)</b>	<b>35.39</b>
Income tax paid (net)	(16.69)	(5.38)	(5.68)
<b>Net cash generated from operating activities (a)</b>	<b>28.59</b>	<b>(6.02)</b>	<b>29.71</b>
Net cash used in investing activities (b)	(36.89)	(71.39)	(4.50)
Net cash used in financing activities (c)	5.20	83.04	(25.03)
Net (decrease) / increase in cash and cash equivalents during the period (a+b+c)	(3.10)	5.63	0.18
Add: Cash and cash equivalents as at the beginning of the period	6.27	0.64	0.46
Cash and cash equivalents as at the end of the period	3.18	6.27	0.64

#### AXIS CAPITAL LIMITED

Axis House, 1<sup>st</sup> Floor, Level-1, C-Wing, C-2, Wadia International Center, Pandurang Budhkar Marg, Worli, Mumbai 400 025.  
Tel: +91 22 4325 2525; Fax: +91 22 4325 3000

[www.axiscapital.co.in](http://www.axiscapital.co.in)

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