

Sanstar Limited

Ingredients | India

IPO | 18 July 2024

SUBSCRIBE 

About the Company

Sanstar Limited (SSL) incorporated in 1982 is one of the largest manufacturers of plant-based specialty products and ingredient solutions in India for food, animal nutrition and other industrial applications with two state of the art manufacturing facility located at Maharashtra and Gujarat spread over 245 acres of land, has ample scope for expansion of capacities, new products and increasing its portfolio presence across various industries serving to 525 customers in FY24 and exports to 49 countries.

Specialty Products with competitive advantage

SSL has an installed capacity of 3,63,000 tons per annum (1,100 tons per day) and of the fifth largest manufacturer of maize based specialty products and ingredient solutions in India. 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, amongst others. Our specialty 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 & flattering agents, finishing agents, among others.

Industry drivers remain robust

India is 6th largest maize producer in the world and has abundant availability of raw material catering to Food, Animal Nutrition, Pharma, etc across the industries. India is largest exporter of maize starch globally and it is also Top 10 exporter of sweeteners. As the renewed focus for corn sugar syrup, corn oil compared to white sugar and regular oil is being on an increasing trend worldwide, demand in end user industries will continue to grow at 6-9% in various industries which will thrive growth for SSL in the coming years.

New products and exports to drive growth

SSL manufacturing facility at Kutch is registered with the USFDA for this facility in August 2023 which is valid up to December 2024 and the new enhanced facility at Dhule will be operational by the middle of the next year with expansion into dextrose anhydrous and IP grade starches to grow contribution from pharmaceuticals segment and chemicals sectors to further bolster the product basket and market position. SSL is pursuing to increase share of exports from Americas, Europe & Oceania and Middle East; and add new customers in existing geographies with growing contribution of derivatives in the mix to enhance margins.

Financials in Brief

SSL revenues from operations is from various industry segments like Food (59%), Industrial Applications (30%) and Animal Nutrition (11%) average for the last three years with a diversified sales channel ensuring global coverage as exports have moved from 3% in FY22 to 35% in FY24 moving up the value chain in high margin products. Revenues grew at 45% CAGR while EBITDA and PAT grew at 57% and 105% over FY22-24.

Our View

SSL has over six decades of industry experience, world class best manufacturing facilities with SCADA and European machines with ample scope of expansion to capture additional market share across the entire chain of specialty products and ingredient solutions. Its diverse application of products across industries will continue to grow its revenues multifold, proximity to procurement hubs, scale up value added products through leveraging the backward integration experience will help for margin retention and expansion, efficient balance sheet position will target higher operating cash flows and earnings enhancing the overall value for all the stakeholders in the long term. **Hence, we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	90-95
Face Value (Rs)	2
Issue Open/Closing Date	19-July-24/23-July-24
Fresh Issues (Cr\$)	397
OFS (Cr\$)	113.1
Total Issue (Cr\$)	510
Minimum Bid Qty. (Nos)	150
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Cr\$)*	1731

*At higher band

Object of the Issue

- ▶ Expansion of the Dhule facility
- ▶ Repayment of Borrowings
- ▶ General Corporate Purposes

Strengths

- ▶ Strong financial growth along with robust performance metrics.
- ▶ Specialty products and ingredients solutions player catering to diverse industry segments.
- ▶ Global presence in a market with high entry barriers exporting to 49 countries.
- ▶ Large, diversified customer base with long lasting relationships and increase wallet share with new products.

Key Risks

- ▶ Shortage of maize could hamper production and margins.

Key Financials

(Rs Cr\$)	FY22(12)	FY23(12)	FY24(12)
Revenue	504.4	1,205.0	1,067.2
EBITDA	39.7	72.5	98.1
EBITDA Margin (%)	7.9	6.0	9.2
PAT	15.9	41.8	66.8
PAT Margin (%)	3.2	3.5	6.3
Diluted EPS (Rs)	0.9	2.3	3.7
RoE (%)	32.5	28.0	30.9
RoCE (%)	32.5	23.8	25.4
Net Worth	55.7	158.4	225.2
Total Borrowings	85.2	111.7	127.6

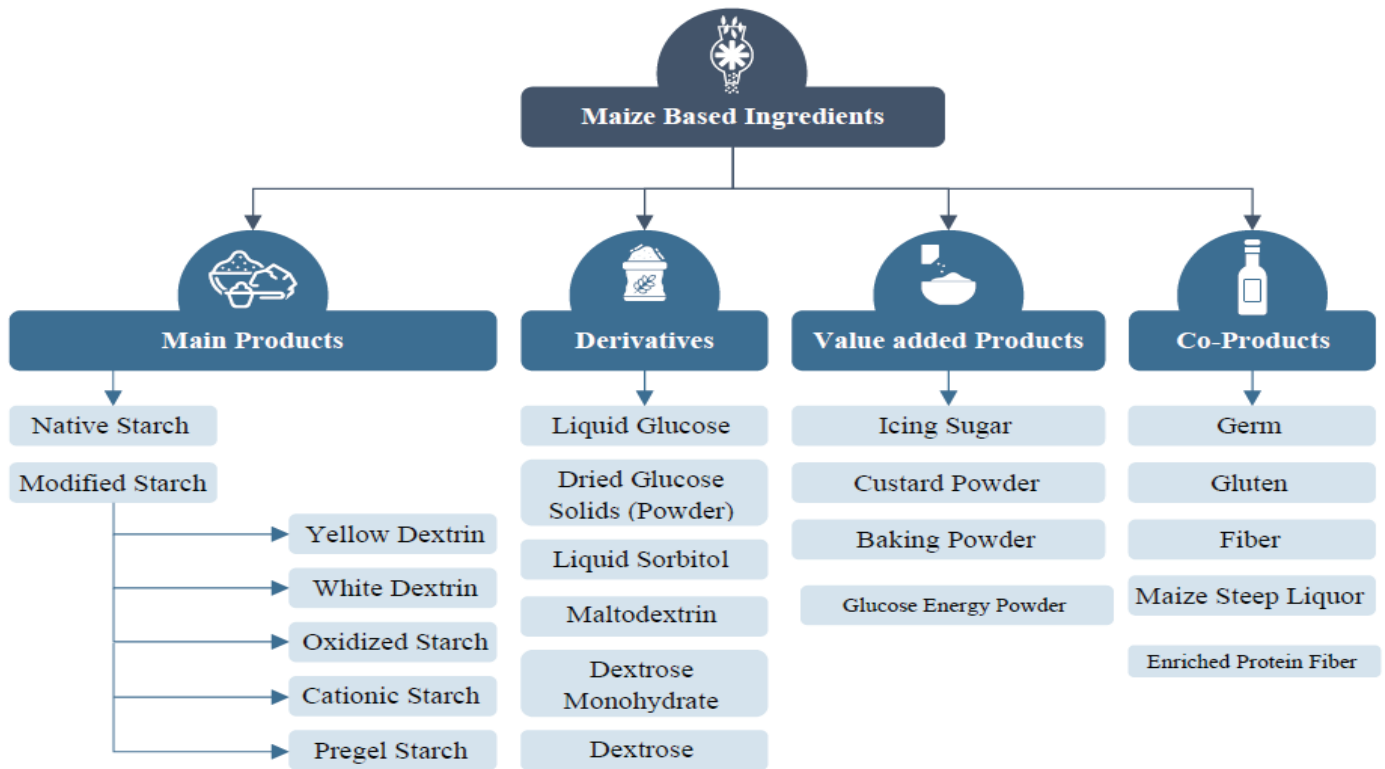
Source: RHP

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Exhibit 1: Maize based speciality products and ingredient solutions



Source: RHP

Exhibit 2: Diverse product portfolio with Diversified clientele base across diverse industries



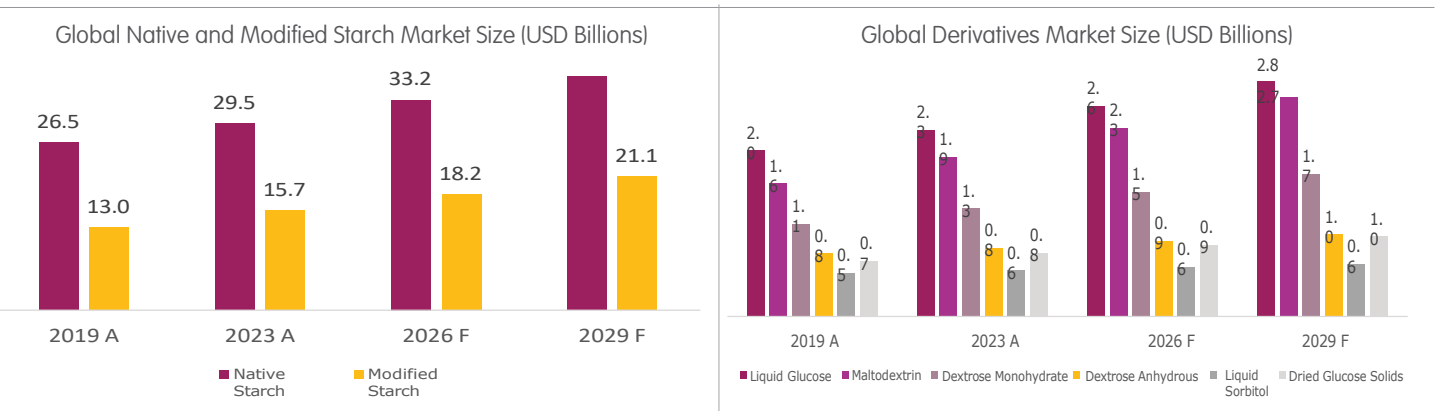
Source: RHP

Exhibit 3: Diverse application of products across end use industries



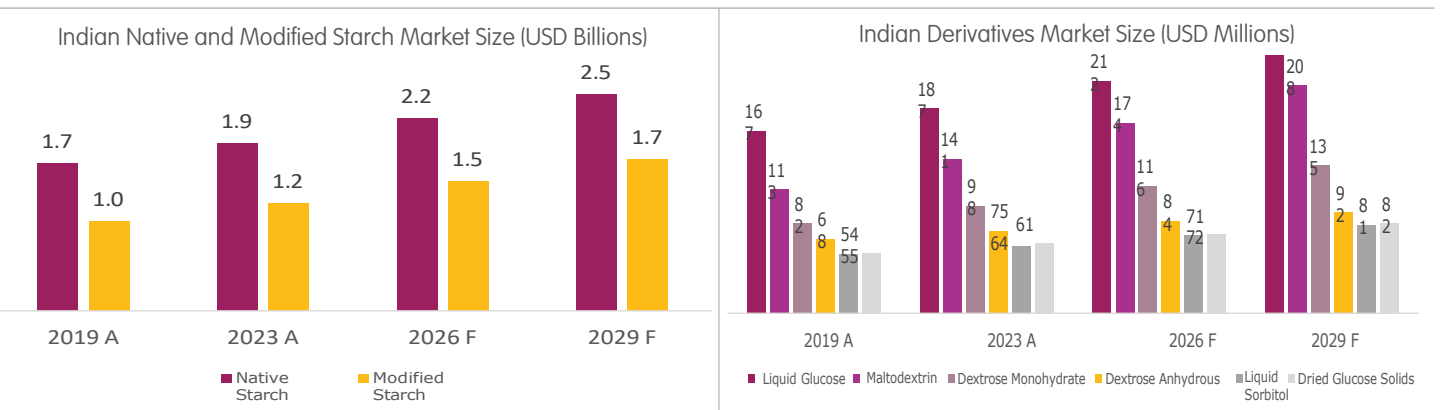
Source: RHP

Exhibit 4: Global Industry Scenario



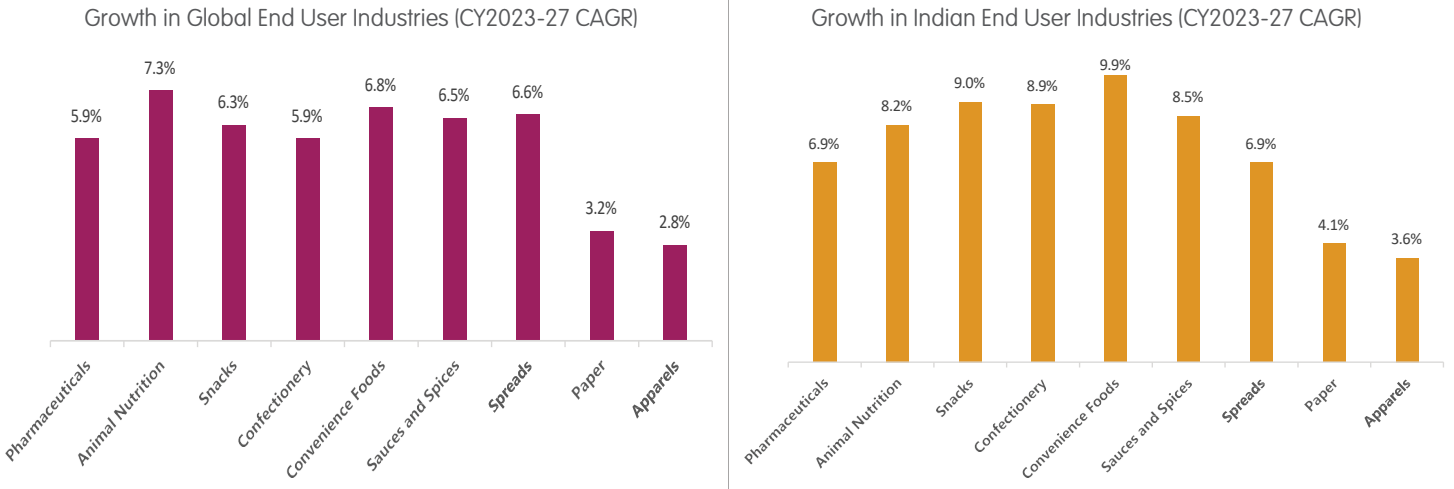
Source: RHP, Frost & Sullivan Report dated May 18, 2024

Exhibit 5: Indian Industry Scenario



Source: RHP, Frost & Sullivan Report dated May 18, 2024

Exhibit 6: Growth in End User Industries and Drivers for growth in Speciality Products and Ingredients Solutions



Source: RHP, Frost & Sullivan Report dated May 18, 2024

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