

July 18, 2024

Issue Details		
Issue Opens	July 19, 2024	
Issue Closes	July 23, 2024	
Issue Size (Rs. Cr)	Rs 483 – Rs 510 Cr	
Issue Size - OFS (Cr. Shares)	1.19	
Issue Size – Fresh (Cr. Shares)	4.18	
Authorized Shares	19,00,00,000	
Issued, Subscribed and Paid Up Sh. Pre offer	14,04,44,250	
Face Value	2.00	
Lot Size (Sh)	150 Shares	
Price Band	Rs 90 – Rs 95	
Issue Type	Book Built Issue IPO	
BRLMs	Pantomath Capital Advisors Pvt Ltd	
Registrar	Linkintime India Pvt Ltd	
Listing Venue	BSE, NSE	
Finalization of Allotment	On or about 24/07/2024	
Initiation of refund	On or about 25/07/2024	
Credit to Demat Account	On or about 25/07/2024	
Listing	On or about 26/07/2024	
Issue Structure		
Categories	Allocation	
QIBs	>50%	
Non-Institutional	<=15%	
Retail Portion	<=35%	
Total	100%	
Shareholding Pattern		
Categories	Pre issue	Post Issue
Promoter	57.22%	43.27%
Promoter Group	42.56%	27.09%
Public	0.22%	29.64%
Total	100%	100%
Recommendation		
SUBSCRIBE		

Company Background

Sanstar Ltd (Sanstar) was founded in 1982 and manufactures specialty plant-based products and ingredient solutions for food, pet food and other industrial applications in India. Its product portfolio includes liquid glucose, dried glucose solids, maltodextrin powder, dextrose monohydrate, native maize starches, modified maize starches, and by-products such as germ, gluten, fiber and fortified proteins.

Objects of the Issue

- Fresh Issue of up to 4,18,00,000 Equity Shares and Offer for Sale of up to 1,19,00,000 Equity Shares by the selling shareholders.
- Funding the capital expenditure requirement for the expansion of the Dhule Facility for an amount of Rs 181.55 Cr
- Repayment and/or pre-payment, in part or full, of certain borrowings availed by the Company amounting to Rs 100 Cr.
- General Corporate Purposes

Key Points

- Sanstar's products find use as ingredients, thickeners, stabilizers, sweeteners, emulsifiers, and additives (including in baked goods, confectionery, pasta, soups, ketchup, sauces, creams and desserts).
- Sanstar has two manufacturing facilities covering a total area of 10.68 million square feet at Dhule in the state of Maharashtra and Kutch in the state of Gujarat. With an installed capacity of 3,63,000 tons per annum (1,100 tons per day), the company is the fifth largest manufacturer of corn-based specialty products and ingredients in India.
- Sanstar exports its products to 49 countries including Asia, Africa, the Middle East, America, Europe and Oceania. The company also has a pan-India presence where its products are sold in 22 states.
- An ever increasing global demand for plant-based products and Sanstar's strategic capacity expansion at its Dhule facility, provides an ideal platform for a long term growth trajectory.
- Focus on high margin value added products and new launches for specific industries is expected to drive margin expansion for Sanstar which shall be further complemented by a reduction in debt.
- Sanstar's revenue from operations increased from Rs 504.40 Cr in fiscal 2022 to Rs 1,067.27 Cr in fiscal 2024 at a compound annual growth rate (CAGR) of 45.46%, according to its restated consolidated financial statements. Between fiscal years 2022 and 2024, their profit after tax climbed at a compound annual growth rate (CAGR) of 104.79%, from Rs 15.92 Cr to Rs 66.77 Cr.

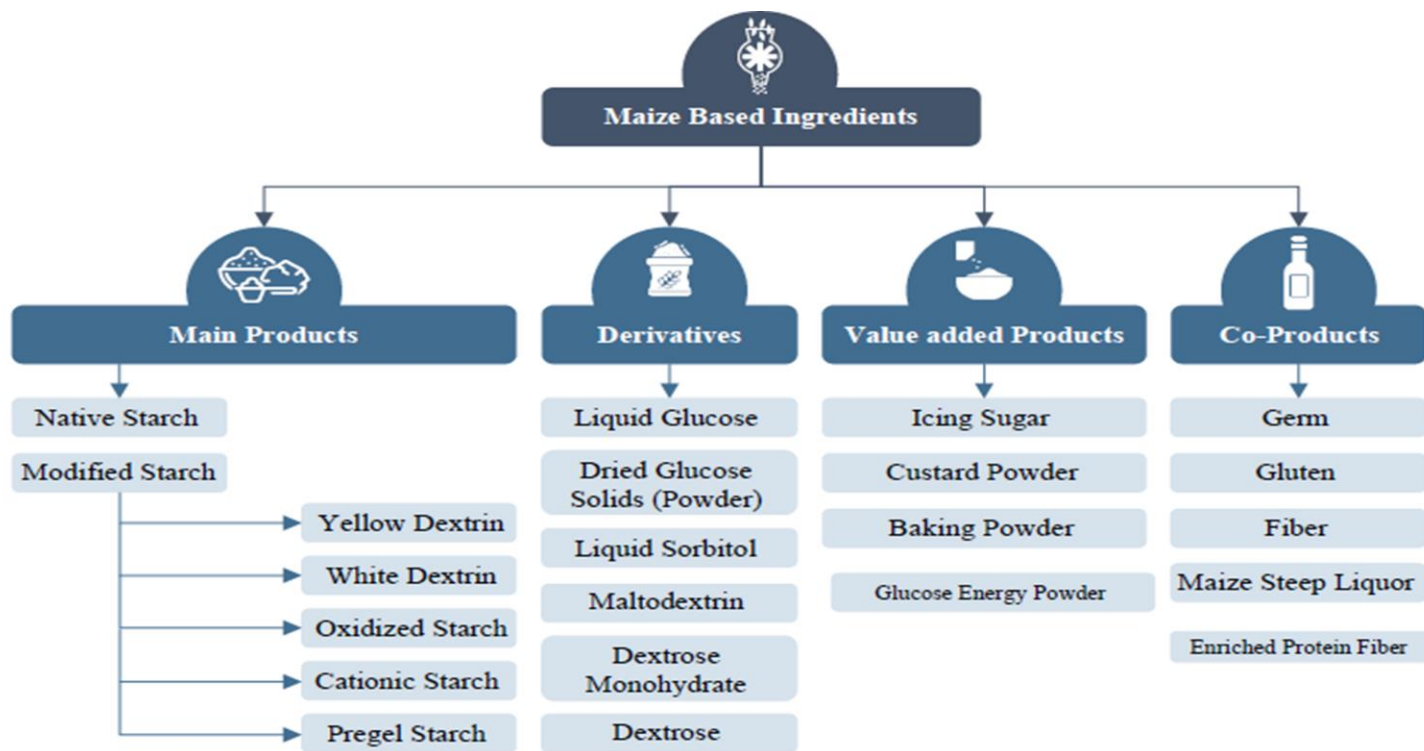
Recommendation --

Sanstar's financial performance is driven by its established market position in the industry, increasing global footprint, high entry barriers, expanded manufacturing capacities to capture additional market share, and long-lasting customer relationships, which enable it to tap the significant opportunities in existing and future products. India finds itself in a sweet spot with respect to the growth in the Specialty Chemicals segment accentuated further by the China Plus One Policy. In lieu of a steady growth in Sanstar's operations we would hence recommend a SUBSCRIBE to the issue.

Financials In INR Crs	FY24	FY23	FY22
Revenue from Operations	1,067.27	1,205.07	504.40
Profit Before Interest, Depreciation & Tax (PBIDT)	112.55	77.05	40.09
Profit Before Tax (PBT)	89.72	55.39	21.98
Profit After Tax (PAT)	66.77	41.81	15.92
EPS	4.75	2.98	1.08

Source: Company's RHP, Ace Equity, AUM Research

Industry Overview



Source: Company's RHP, AUM Research

End Use Industries Growth Rate

Sr No	End Use Industry	Global Growth Rate 2023-27	India Growth Rate 2023-27
1	Animal Nutrition	7.32%	8.21%
2	Snacks	6.34%	9.01%
3	Confectionary	5.88%	8.86%
4	Convenience Foods	6.76%	9.89%
5	Sauces & Spices	6.48%	8.51%
6	Spreads	6.57%	6.87%
7	Pharma	5.87%	6.89%
8	Paper	3.20%	4.10%
9	Apparel	2.76%	3.58%

Source: Company's RHP, AUM Research

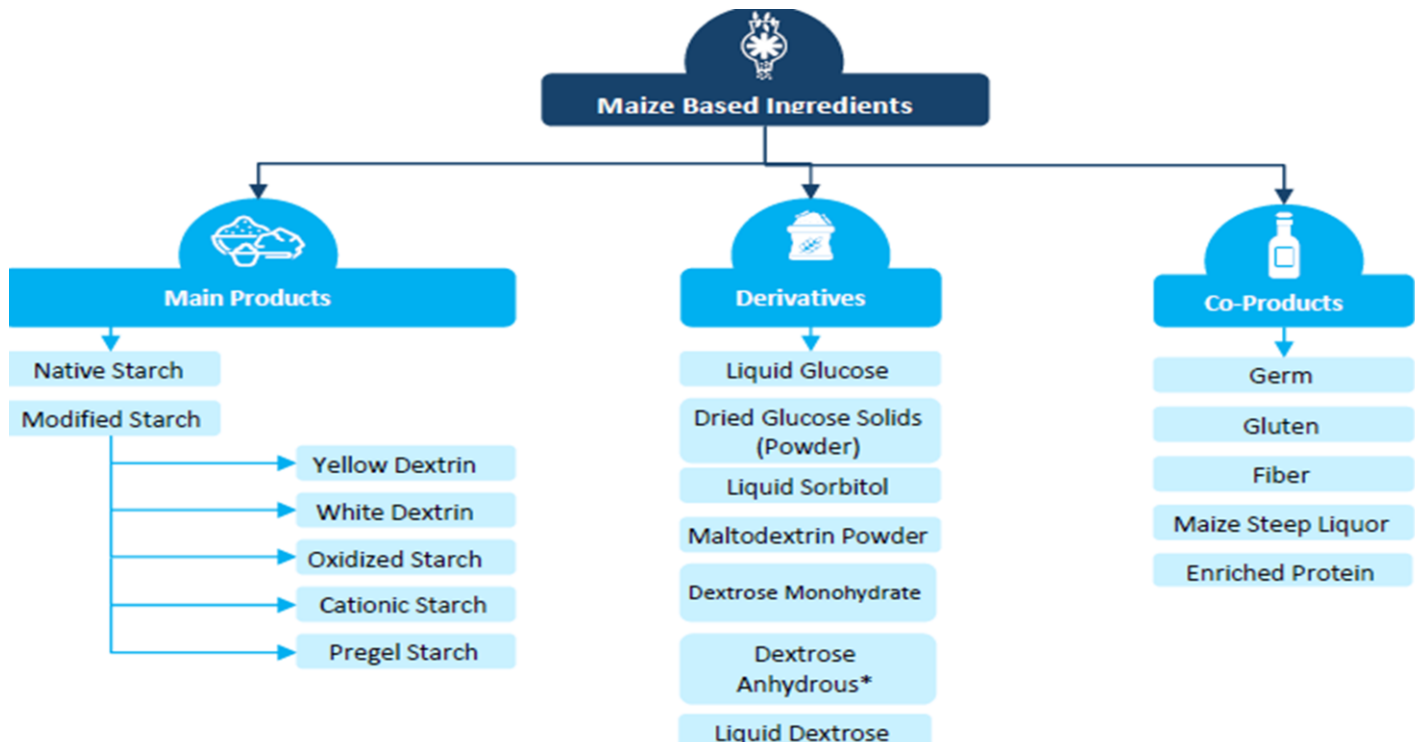
- **Demand:-** The increasing demand of maize based ingredient in food and beverage, pharma and animal nutrition, adhesive, paper, textile, etc from developing economies like India is likely to increase the consumption of these ingredient.
- **Exports:-** India has always been a net exporter of Maize starch. Globally, India is the largest exporter of maize starch with 20% of share in 2022. South-East Asian countries are the major importers of maize starch from India.
- **Rank:-** India is major producer of maize globally. It ranked 6th in the world's maize production and 4th in terms of maize acreage. Across 205.87 Mn Ha, 1.21 billion MT of maize was produced worldwide. Maize is 3rd most grown cereal after paddy and wheat in India. Rising demand of maize for Ethanol production will also push Indian farmer to increase the productivity in coming years. Thus, abundance in maize availability is allowing many wet millers to increase the plant capacities.
- **Uses:-** Starch has multiple uses across industries. Food industry is largest consumer of maize based specialty products and ingredients solutions.
- **Changing Lifestyle:-** With the changed lifestyles, ready to eat/cook foods are gaining popularity. Baby food, chips, baked goods, drinks, candies, sauces, soups, noodles, pasta and ready to eat snacks are some sectors where consumption of starch is increasing.

Company Overview

Background

- **Incorporation:-** 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.
- **Group Companies:-** 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, were merged on November 23, 2023.
- **Products:-** 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. Noval application such as bio polymers, bioethanol, biomaterials, mock meats also boost the demand for starch.
- **Plants:-** Sanstar’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 speciality products and ingredient solutions providers industry. Sanstar’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 Million Sq Feet of which 1.84 Million Sq Feet is available for future expansion.
- **Raw Material sourcing:-** 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.
- **Clientele:-** 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.
- **Presence:-** 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.
- **R&D:-** Sanstar has in-house Research and Development team. It has developed san-o-gel pre-gelatinized starch and san-o-mould (mould starch) having their application in oil & gas industry and food industry respectively.

Products



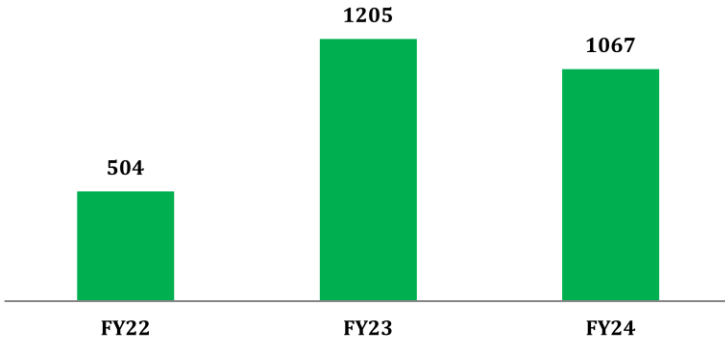
Source: Company’s RHP, AUM Research

Rationale For Investment

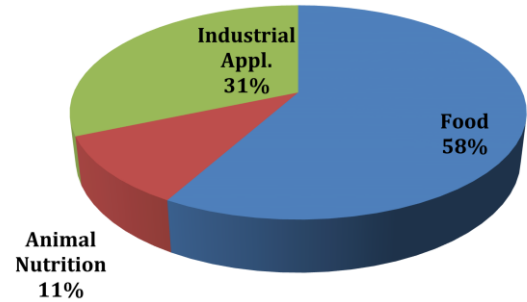
1. **One of the largest manufacturers of maize based speciality products and ingredient solutions in India with diverse product portfolio**
 - **Incredible growth till now:-** Sanstar is the 5th largest manufacturer of maize based speciality products and ingredient solutions in India. They commenced 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.
 - **Diversified product portfolio:-** Sanstar offers 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.
2. **Riding the growth in the Speciality Chemicals segment as a whole**
 - **End user industries:-** Sanstar'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.
 - **Increasing demand for maize:-** 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.
3. **State of the art manufacturing facilities**
 - **Strategically located:-** Sanstar'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.
4. **Global presence and high entry barriers**
 - **Exports:-** Sanstar sells 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.
 - **Entry barriers:-** 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, are measured against high quality standards, product approval systems and specifications.
5. **Large, diversified customer base with long lasting relationships**
 - **Strong entrenched relationship:-** Sanstar serves over 525 customers. They have also established long term relationships where 96 customers had placed repeat orders with them in each of the previous 3 Fiscals.
 - **Customer loyalty:-** Sanstar 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.
6. **Foray into manufacturing of Ethanol through leveraging the maize sourcing capabilities**
 - **GOI Mandate:-** 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 Rs 9,000 Cr to over Rs 50,000 Cr, 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.
 - **Position of Sanstar:-** Sanstar 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.
7. **Increase the revenue contribution from derivative products and scale up organic ingredients segment**
 - **Increase the share of derivative products:-** Sanstar intends to grow the contribution from sale of derivatives to increase their margins and returns going forward. It proposes 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, it is setting up manufacturing capacity of 50 TPD of Dextrose Anhydrous, as part of their proposed expansion plan.
 - **Growth Drivers for Organic Starches:-** Increasing consumer consciousness for clean label food products; Stringent regulations on synthetic additives in food, pharma, and nutraceutical industry as well as changing lifestyle and food preferences.

Financial Overview

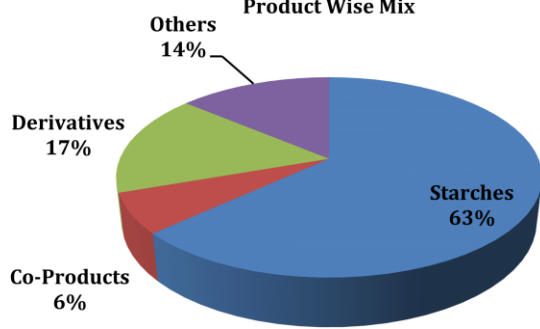
Revenue In INR Cr



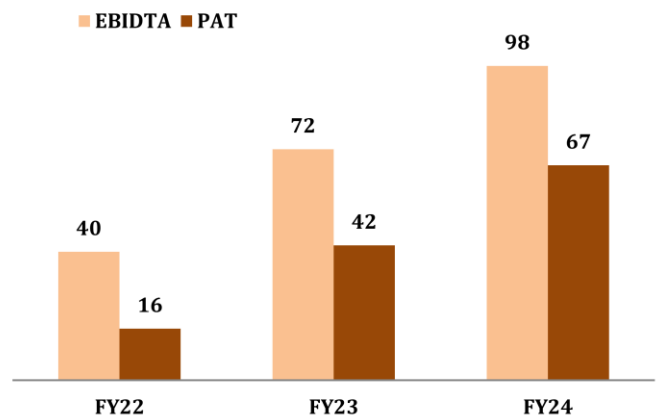
Revenue Share By Industry



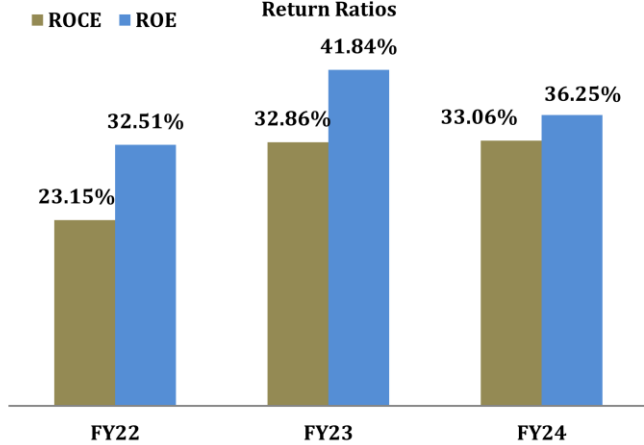
Product Wise Mix



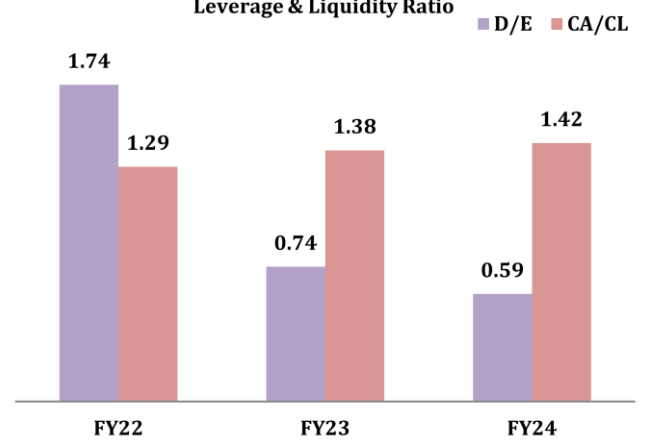
EBIDTA & PAT In INR Cr



Return Ratios



Leverage & Liquidity Ratio



Source: Company's RHP, Ace Equity, AUM Research

July 18, 2024

Particulars (Rs. Crs)	FY24	FY23	FY22
Gross Sales	1,067.27	1,205.07	504.40
Total Income	1,081.68	1,209.67	504.77
Total Expenditure	969.13	1,132.62	464.68
Gross Profit	241.02	242.57	117.32
PBIDT	112.55	77.05	40.09
PBIT	100.46	65.19	31.07
PBT	89.72	55.39	21.98
PAT	66.77	41.81	15.92
Sources of Funds	28.09	28.09	29.50
Equity Paid Up	225.67	159.04	55.71
Reserves and Surplus	217.52	150.88	48.97
Net Worth	127.64	111.70	85.22
Total Debt	345.15	262.58	134.19
Capital Employed	28.09	28.09	29.50
Application of Funds			
Gross Block	247.63	229.70	151.08
Investments	0.16	0.15	0.00
Cash and Bank balance	5.16	6.65	1.81
Net Current Assets	92.37	48.15	17.23
Total Current Liabilities	219.05	125.67	58.58
Total Assets	535.47	372.71	212.38
Cash Flow			
Cash Flow from Operations	28.60	-6.02	29.71
Cash Flow from Investing activities	-36.89	-71.39	-4.50
Cash Flow from Finance activities	5.20	83.04	-25.03
Key Ratios			
Debt to Equity(x)	0.59	0.74	1.74
Current Ratio(x)	1.42	1.38	1.29
ROCE(%)	33.06	32.86	23.15
RONW(%)	36.25	41.84	32.51
PBIDTM(%)	10.55	6.39	7.95

Source: Company's RHP, Ace Equity, AUM Research

July 18, 2024

Aum Capital RESEARCH DESK

Rajesh Agarwal	Research Head	033-4057 21221	rajesh.agarwal@aumcap.com
Tanya Kothari	Manager – Research	033-40572121	tanya.kothari@aumcap.com
Pinaki Banerjee	Manager- Research	033-405721221	pinaki.banerjee@aumcap.com

Disclosure & Disclaimer

This document is solely for the personal information of the recipient and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved) and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. AUM Capital Market Private Limited (hereinafter referred to as "AUM Cap") or any of its affiliates/group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. AUM Cap has not independently verified all the information contained within this document. Accordingly, we cannot testify nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document.

While, AUM Cap endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory compliance or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly. Neither, AUM Cap nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

AUM Cap is registered under SEBI (Research Analysts) Regulations, 2014. Further, AUM Cap hereby declares that –

- AUM Cap/its associates/research analysts do not have any financial interest/beneficial interest of more than one percent/material conflict of interest in the subject company.
- AUM Cap/its associates/research analysts have not received any compensation from the subject company(s) during the past twelve months.
- AUM Cap/its research analysts has not served as an officer, director or employee of company covered by analysts and has not been engaged in market making activity of the company covered by analysts.

AUM Capital Market Private Limited

Registered Office: 226/1, AJC Bose Road, Trinity, 3rd Floor, Unit No.3G, Kolkata – 700020;

Phone: +91(33) 40572121; Fax: +91(33) 24760191

Website: www.aumcap.com; Email: aumresearch@aumcap.com

SEBI Research Analyst Registration No.: INH300002423