



**IPO Report**

18<sup>th</sup> July '24

**Snapshot**

Company is one of the major manufacturers of plant based speciality products and ingredient solutions in India for food, animal nutrition and other industrial applications. Company's 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.

**VALUATION**

Company is bringing the issue at price band of Rs 90-95 per share at p/e multiple of 26x on post issue FY24 PAT basis.

Company being one of the largest manufacturers of maize based speciality products and ingredient solutions in India with diverse product portfolio is speciality products and ingredients solutions player catering to diverse industry segments and poised to benefit from mega industrial trends. Company's strategically located, sustainability driven, state of the art manufacturing facilities along with global presence in a market with high entry barriers has strong financial growth along with robust performance metrics. Company is well positioned to leverage the large opportunities in speciality products and ingredient solutions industry and large, diversified customer base with long lasting relationships. Hence, looking after all above we recommend "Subscribe" on issue.

<b>Price Band (Rs./Share)</b>	<b>90-95</b>
<b>Opening date of the issue</b>	<b>19<sup>th</sup> July '2024</b>
<b>Closing Date of the issue</b>	<b>23<sup>rd</sup> July '2024</b>
<b>No of shares pre issue</b>	140,444,250 Eq Shares
<b>Issue Size</b>	Rs 483-510 Cr
<b>No of shares</b>	53,700,000 Shares
<b>Fresh issue</b>	41,800,000 Equity Shares
<b>Offer for Sale</b>	11,900,000 Equity Shares
<b>Face Value (Rs/ share)</b>	Rs 2/share
<b>Bid Lot</b>	150

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 26,850,000 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 8,055,000 Eq Shares)
<b>Retail</b>	35% of the offer ( Approx 18,795,00 Eq Shares)
<b>Lead managers</b>	Pantomath Capital
<b>Registrar to the issue</b>	Link Intime India Pvt Ltd

**WHAT WE LIKE**

***One of the largest manufacturers of maize based speciality products and ingredient solutions in India with diverse product portfolio; Company have grown with Revenue and PAT CAGR of 45% and 105% over Fiscal 2022-2024***

Company is the fifth largest manufacturer of maize based speciality products and ingredient solutions in India. Company commenced commercial manufacturing from Company's manufacturing facilities located at Kutch, Gujarat and Dhule, Maharashtra in the year 2006 and 2017 respectively and have grown company's business to the current scale with an installed capacity of 363,000 tons per annum

***Global presence in a market with high entry barriers***

Company have sold its products to 49 countries across Asia, Africa, Middle East, Europe, North America, South & Central America and Oceania regions during Fiscal 2024. Company's top export destinations include Malaysia, Vietnam, Kenya, Indonesia, United Arab Emirates, Nigeria, Sri Lanka, Ghana, Thailand, among others. Company is a recognised Two Star Export House under the Indian Ministry of Commerce (while Sanstar Biopolymers Limited, the erstwhile Company which was merged with company is a recognised Three Star Export House).

***Strong financial growth alongwith robust performance metrics***

Company have experienced sustained growth in various financial indicators including its revenue, profitability, cash flows and returns as well as consistent improvement in its balance sheet position in the last three Fiscals, wherein company have seen an increase in its net worth. Company have demonstrated consistent growth in terms of revenues and profitability. Company's revenue from operations has increased at a CAGR of 45.46% from ₹ 5,044.02 million in Fiscal 2022 to ₹ 10,672.71 million in Fiscal 2024 while its profit after tax has grown at a CAGR of 104.79% from ₹ 159.21 million in Fiscal 2022 to ₹ 667.67 million in Fiscal 2024, on the basis of its Restated Consolidated Financial Statements. The value of company's exports has grown at a CAGR of 358.33% from ₹ 187.77 million in Fiscal 2022 to ₹ 3,944.38 million in Fiscal 2024, on the basis of company's Restated Consolidated Financial Statements. Company's exports contributed to 35.53% in its Gross Revenue from Operations during Fiscal 2024.



## COMPANY BACKGROUND

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 & flattering agents, finishing agents, among others.

As per Frost & Sullivan (Company Commissioned Report, dated May 18, 2024), with an installed capacity of 3,63,000 tons per annum (1,100 tons per day), company is the fifth largest manufacturer of maize based speciality products and ingredient solutions in India. Company's leading position in the industry, technical knowledge to bring specific functionality and nutrition to end products, more than five decades of presence, state of the art manufacturing facilities, diverse product portfolio and clientele in domestic and global markets, provide company with competitive advantage.

Company is a recognised Two Star Export house from Director General of Foreign Trade, Government of India, while Sanstar Biopolymers Limited, the erstwhile Company which was merged with Company pursuant to NCLT, Ahmedabad order dated November 23, 2023, is a recognised Three Star Export House. During Fiscal 2024, company's revenue from exports was ₹ 3,944.38 million respectively, representing 35.53 % of its Gross Revenue from Operations, on the basis of company's Restated Consolidated Financial Statements. Company exported its products to 49 countries across Asia, Africa, Middle East, Americas, Europe and Oceania, during Fiscal 2024, on the basis of company's Restated Consolidated Financial Statements. Additionally, Company has footprints across India, with its products being sold in 22 states on the basis of company's Restated Consolidated Financial Statements.

Company's two manufacturing facilities spread across cumulative area of 10.68 million square feet (approximate 245 Acres) are located at Dhule in the state of Maharashtra and Kutch in the state of Gujarat. Company's Dhule Facility is the latest, sustainability focused, state of the art, automated facility and has been designed by company's in-house team of 24 engineers. Company's manufacturing facilities are strategically located in terms of both proximity to its raw material sources i.e. maize harvesting belts as well as seaports of Mundra, Kandla, Hazira and Nhava Sheva, for exports of its finished products. Company's 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, company's Kutch unit is registered with United States Food and Drug Administration (USFDA) and also hold certifications like FSSAI, HACCP, HALAL, ISO 9001:2015.



**INVESTMENT RATIONALE**

<p><i>Speciality products and ingredients solutions player catering to diverse industry segments and poised to benefit from mega industrial trends</i></p>	<p>Company is a speciality products and ingredients solutions company manufacturing native and modified maize starches, derivatives and co-products for applications including ingredients, thickening agents, stabilizers, sweeteners, emulsifiers, additives, nutritional ingredients, disintegrants, excipients, supplements, coating agents, binders, smoothing &amp; flattering agents, finishing agents, amongst others, across diverse end user industries. Company’s manufacturing facilities, company’s exports presence &amp; exposure in over 49 countries and its track record of commercialising and scaling up new products, position company advantageously to capture requirements of diverse end user industrial sectors. Growth of 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.</p>
<p><i>Company’s strategically located, sustainability driven, state of the art manufacturing facilities</i></p>	<p>Company’s products are offered at various price points and the pricing risk is suitably mitigated as majority of its sales are directly to customers. Company’s sales and marketing team takes into consideration various factors such as landing costs, discounts, and applicable taxes to arrive at the list price of its offerings. To counter the volatility in the cost of company’s raw materials, company adjust and revise the prices for its products on a monthly basis. Furthermore, when the fluctuation in the price of raw materials go beyond a certain level during the period concerned, the list prices of products are revised as and when required. Most of the production that company entail is carried by it after the receipt of the order at a pre-agreed price and hence, as a result company is able to maintain the margins and work on a cost plus model and are largely immune to commodity price fluctuations, which has helped in maintaining EBITDA margins between 4.73% to 6.04% consistently over last three Fiscals. Additionally, company source raw materials from a diversified base of suppliers. Its top 10 key raw material suppliers for mild steel wires and stainless-steel wires include Steel</p>
<p><i>Two Generations of Promoters with domain knowledge</i></p>	<p>Manufacturing of speciality products and ingredient solutions requires an experienced and sound team with expertise in efficient and cost-effective procurement, technical understanding of manufacturing process, understanding of customers’ requirements and building long term relationships with them, among others. Management having significant experience with highs and lows of this sector have advantage over the competition.</p> <p>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. Company leverage the understanding and the exposure of its management and professional team comprising inter-alia, company’s Chairman and Managing Director, Gouthamchand Sohanlal Chowdhary, its Joint-Managing Director Sambhav Gautam Chowdhary, its Joint-Managing Director, Shreyans Gautam Chowdhary, its Head of Purchase and Procurement Ruchit Patel, its Chief Financial Officer Harishkumar Shisupaldas Maheshwary, among others, in managing its operations and tapping new growth avenues. The knowledge and exposure of its Promoters and its management team provide company with a competitive advantage as company seek to grow its existing markets and enter new geographical markets.</p>



## OBJECTS OF OFFER

Company are proposed to be utilised in the following manner:

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

## RISKS

Any fluctuations in the prices of company's raw material may adversely affect the pricing of its products and may have an impact on its business, results of operation, financial condition and cash flows.

Source:RHP

## INDUSTRY OVERVIEW

### Overview of players in Indian Maize Starch Industry

The Indian Maize Starch market is anticipated to grow at a of 4.74% from 2023 to 2029, when it is predicted to reach a volume of 9.5 million tons. This sector is booming as maize is easily accessible in India and has multi-fold uses in the food and beverage, pharmaceutical, animal nutrition, textile, and paper industries. Indian Maize starch application segment is dominated by the food and beverage industry. Sustainability, circular economy, having multiple suppliers, diversified customers, and continuous pursuit of innovation. The Maize Starch industry has a positive outlook for the upcoming years. The majority of end use industries have shown strong growth aspirations, which is encouraging for the industry's expansion. Companies are prioritizing advancement in technology and creative- innovative solutions to broaden their business frontiers in domestic as well as global markets. The main growth drivers for this sector are the robust demand across end-user sectors driven by increased import substitutions, strong export growth, and expanding domestic consumption. Growing robust local demand combined with higher exports will boost the market in coming years. Companies sign volume & rate contracts with durations ranging from three months to a year. In rate contracts, prices of end products are fixed for a predetermined period of time. If raw material prices rise during this time, it puts pressure on the manufacture company's margins. Due to the commodity nature of the starch and the extensive government control over sales and procurement for agriculture, players in this business have very little influence over pricing and very little leverage when negotiating with customers.



**Consolidated Financials**

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	5044.02	12050.67	10672.71
Total Expenditure (B)	4646.82	11326.20	9691.3
EBIDTA	397.20	724.47	981.41
EBIDTA Margin	7.87	6.01	9.20
Other Income	3.65	46.01	144.12
Depreciation	90.17	118.54	120.91
EBIT	310.68	651.94	1004.62
Interest	90.85	98.06	107.38
PBT	219.83	553.88	897.24
Share of profit in Asso	0.00	0.00	0.00
PBIT	219.83	553.88	897.24
Exceptional	0.00	0.00	0.00
PBT	219.83	553.88	897.24
Tax	60.62	135.83	229.57
PAT	159.21	418.05	667.67
NPM	3.16	3.47	6.26
ROE%	32.51	28.00	30.92
EPS	1.08	2.98	4.75
Eq Cap	295.00	280.89	280.89
Net Worth	852.14	1,871.31	2,537.62

(Source: RHP)

**Peer Comparison**

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
Sanstar Limited		<b>10,816.83</b>	<b>4.75</b>	<b>15.37</b>	<b>30.92</b>
<b>Peers</b>					
Gujarat Ambuja Exports Limited	18.65	50,714.20	7.54	60.37	12.49
Gulshan Polyols Limited	73.31	13,901.82	2.85	123.63	2.30
Sukhjit Starch and Chemicals Limited	15.01	13,850.40	31.98	321.75	9.94

(Source: RHP)



## DISCLAIMER

HEM Securities Limited (“Research Entity or HSL”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services, merchant banking services, Portfolio Management Services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / 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. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.