



Sanstar Limited

By Geetanjali Kedia

IPO Size: Rs. 510 cr

- Rs. 397 cr is Fresh Issue for (i) capex Rs. 182 cr (ii) debt repayment Rs. 100 cr (of Rs. 164 cr as of May 2024)
- Rs. 113 cr is Offer for Sale (OFS) by the promoter (100% stake to drop to 71%)

Price band: Rs. 90-95 per share

M cap: Rs. 1,731 cr, implying 29% dilution

- IPO Date: Fri 19th Jul to Tue 23rd Jul 2024, Listing Fri 26th Jul 2024
- Grey Market Premium (GMP): We are strongly against 'grey market premium' as it is an unofficial figure, against SEBI guidelines.



India's 5th Largest Maize Based Speciality Products Maker

Sanstar manufactures maize based specialty products and ingredients such as liquid glucose, dried glucose solids, maltodextrin powder, dextrose monohydrate, native maize starches, modified maize starches, gluten, fibre and bran, used for food, animal nutrition and industrial applications like pharma, paper, apparel, personal care etc. It has 2 manufacturing facilities at Dhule, Maharashtra and Kutch, Gujarat, with combined installed capacity of 3.63 lakh tons per annum (1,100 tons per day).

Nearly Doubling Capacity

Having crossed 86% capacity utilization in FY24, it is undertaking brownfield expansion of 1,000 tons per day capacity at Dhule, to be operational in 12 months, with Rs. 220 cr capex, of which, Rs. 20 cr spent. Thus, installed capacity will rise by 91% to 6.9 lakh tons per annum by Q2FY26 (2,100 tons per day), by when it will become India's 3rd largest, based on installed capacity.

Financials: Stronger than Peers

FY24 revenue stood at Rs. 1,067 cr, with EBITDA of Rs. 113 cr and PAT of Rs. 67 cr. Due to higher utilisation and better product mix (maize based derivatives are higher margin products than native starches), company's net margin stands healthy at 6.3%. This is higher than #3 player Sukhjit Starch, having 1,600 tons per day installed capacity and 3.6% net margin. #1 player with 4,000 tons per day capacity Gujarat Ambuja Exports clocked 6.8% net margin in FY24.

On an equity of Rs. 28 cr (FV Rs. 2 each), Sanstar's FY24 EPS was at Rs. 4.75 and RoE of 31%, again higher than both the peers - Sukhjit (10%) and Gujarat Ambuja (13%).

Valued for Growth

Company has merged group company Sanstar Biopolymers Limited with itself on 28.11.2023. FY25E PAT will reflect full year of this merger. However, the real earnings kicker will be FY26E onwards, when new capacity of brownfield capacity comes on stream.

On FY25E EPS of about Rs. 5, share is offered at a current year PE multiple of 19x. But FY26E EPS stands at over Rs. 8, leading to a one year forward PE multiple of 12x. Sukhjit Starch reported a YoY decline in FY24 net profit, yet ruling at FY25E PE of 14x. On the other hand, Gujarat Ambuja Exports' PE multiple is 16x, making Sanstar's valuation attractive, for its growth visibility.

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