

Rating: Subscribe for long term

Issue Offer

Total issue size of INR 5,101mn including Fresh Issue of shares aggregating upto INR 3,971mn and OFS aggregating upto INR 1,130mn.

Issue Summary

Price Band (INR)	90-95
Face Value (INR)	2
Implied Market Cap (INR Mn)	17,313
Market Lot	150
Issue Opens on	July 19, 2024
Issue Close on	July 23, 2024
No. of share pre-issue	140,444,250
No. of share post issue	182,244,250
Listing	NSE , BSE

Issue Break-up (%)

QIB Portion	≤50
NII Portion	≥15
Retail Portion	≥35

Book Running Lead Managers

Pantomath Capital Advisors Pvt Ltd

Registrar

Link Intime India Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	99.77%	70.37%
Public & Others	0.23%	29.63%

Objects of the issue

- Funding the Capital expenditure requirement for expansion of the Dhule facility
- Repayment and/or pre-payment, in part or full, of certain borrowings availed
- General Corporate expenses

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Sanstar Ltd, a leading Indian manufacturer of plant-based specialty products and ingredient solutions, supplying to food, animal nutrition, and industrial sectors with key products like liquid glucose, dried glucose solids, maltodextrin powder, and native maize starches, while also developing new products. The company generates around 65% of its revenue domestically and 35% from international customers while sourcing maize locally from farmers. With manufacturing facilities in Dhule and Kutch, Sanstar Ltd has an installed capacity of 1,100 tonnes per day. Over the past three years, the company has experienced rapid growth, with a topline CAGR of approximately 46% and a PAT CAGR of about 105%, maintaining healthy margins and return ratios compared to peers. Despite a dip in FY24 revenues due to maintenance shutdowns, the company sustained steady margins.

Investment Rationale

Global demand coming in for Plant based products: Plant based specialty products are seeing increased demand coming in from FMCG and processed foods sector. Customers are moving towards better quality and healthier products which are plant based. The sector is witnessing high demand coming in from USA, Europe and developing countries like India as companies are looking to move their supply chain to India. Foods segment, which has the highest share in industries the company caters to, will drive the growth going forward.

Capacity expansion to boost overall production capabilities: The company has planned for capacity expansion at their Dhule facility. The expansion will increase the capacity by 330,000 TPA to 577,500 TPA, taking the overall capacity of the company to 2,100 TPD. The Dhule plant has 4x potential for expansion and can achieve 4,000-5,000 TPD as the company has unused land. The expansion is expected to complete by July'25. The Dhule facility is also located strategically and has access to 25-30% of total maize production in India.

Increasing share of value added products to drive margin expansion: Value added products of the company have 35% share while 65% of revenue comes from Starch. Value added products extract higher margins than starch. The company is working towards increasing their value added share and expect to have majority revenue coming in from these products in the near term. Derivatives products, which have minor share currently, are expected to drive growth due to increased demand and new product launches. The company has been operating at 90% overall capacity utilisation. The company also does not maintain order book of more than 1.5-2 months which protects them from fluctuating raw material prices. Export market will be growth driver going forward as demand from global customers has seen an uptrend. They also have plan to pay off debt with the proceeds which will lead to increased profitability. The company also plans to launch new products especially for the pharma sector.

Valuation and View: Sanstar Ltd is set for strong growth driven by rising global demand for plant based products and strategic capacity expansion at Dhule facility. The company's focus on high margin value added products and new launches for specific industries will drive margin expansion complemented by reduction in debt. At the upper band price of INR 95, the issue is valued at 25.9x P/E based on FY24 EPS of INR 3.66 (post issue). We recommend "Subscribe for long term" to the issue.

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Stock Rating Scale

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