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**Issue Offer**

**Fresh Issue of equity shares upto INR 300Cr and OFS of 23,076,923 shares by Promoters group taking the total issue size at Rs 300 cr.**

**Issue Summary**

Price Band (INR)	129-130
Face Value (INR)	2
Implied Market Cap (INR Cr)	3,428
Market Lot	115
Issue Opens on	March 15, 2021
Issue Close on	March 17, 2021
No. of share pre-issue	24,05,85,850
No. of share post issue	26,36,62,773
Listing	NSE / BSE

**Issue Break-up (%)**

QIB Portion	50
NIB Portion	15
Retail Portion	35

**Book Running Lead Managers**

Axis Capital  
DAM Capital

**Registrar**

Link Intime India Pvt. Ltd.

**Shareholding Pattern**

	Pre-Issue	Post-Issue
Promoters	89.51%	72.92%
Public & Others	10.49%	27.08%

**Objects of the issue**

- Investment in the wholly owned Subsidiary – Capex for fluorospecialty
- Funding capex and working capital
- Purchase of plant and machinery
- Debt Management
- General Corporate Purposes

**The Laxmi Organics Industries Ltd.** is a leading manufacturer of Acetyl Intermediates and Specialty Intermediates with three decades of experience in large scale manufacturing of chemicals, incorporated in 1989. At present, Company stands among the largest manufacturers of ethyl acetate in India with a market share of ~30% of the Indian ethyl acetate market and only manufacturer of diketene derivatives with 55% of market share in the Indian diketene derivatives market. Company has two dedicated manufacturing facilities for each segment in Mahad, Maharashtra. Company also has 2 distilleries located in Satara district and Kolhapur district in Maharashtra with aggregate installed production capacity of 17,2120 KLPA.

**Key Strengths:**

- **Leading manufacturer of ethyl acetate with significant market share and only Indian manufacturer of diketene derivatives with largest product portfolio:** Ethyl acetate is a highly versatile solvent used in multiple applications across industries. It is derived from non-aromatic raw materials and is not easily replaceable with other solvent. Laxmi Organic has been the largest exporter of ethyl acetate from India which amounted total ethyl acetate exports from the country. Being the only manufacturer of diketene derivatives, company has rapidly gained ~55% domestic market share. Company manufactures a range of specialty chemicals that cater to pharmaceuticals, colorants and agrochemical industries.
- **Diversified customer base along with long-standing relationships with marquee customers across the geographies:** Company has global footprints with customers more than 30 countries in front-end and third party agreements. The products of the companies are used in many high growth industries and the diversified customer base across such industries has enabled company to minimize impact of industry-specific disruptions on business. Company has low customer concentration and no customer contributed to more than 10% of total revenue. Top 10 customers (in H1FY21) are with the company since FY16.
- **Strategically located manufacturing facilities, vertical integration and supply chain efficiencies:** All the manufacturing facilities of the company are strategically located with in close proximity to several ports and are expediently import their raw materials and export their products with a cost and logistical advantages. The distilleries enable backward integrated plants provide effective control over raw materials and also reduce their dependence on third parties for ethanol.
- **In-house R&D capabilities and consistent track record of technology absorption:** The company has dedicated multipurpose labs and 45% new products comes from internal R&D capabilities. The dedicated team of research scientists comprising 49 employees are predominantly works on development of new products based on complex chemistries and has also developed 5 different chemistry platforms on a commercial scale. The company has demonstrated a track record of concept to commercialization and has added 20 new products over the last decade.

**Valuation and View:**

**At upper price band the issue is offered at P/E of 45.5x to its FY20 EPS of INR 2.9. Stock looks expensive given higher share of commodity products in product portfolio. The company is going through expansion with IPO proceeds, speciality portfolio share to increase, increased product portfolio and higher focus on R&D with niche product pipeline. We are recommending to book gains post listing and re enter at lower levels.**

## Business Segments of the Company

The Laxmi Organics Industries Ltd. is a leading manufacturer of Acetyl Intermediates and Specialty Intermediates with three decades of experience in large scale manufacturing of chemicals, incorporated in 1989. Since then, company has been on a journey of transformation. They initially started manufacturing acetaldehyde and acetic acid in 1992, and soon thereafter moved on to manufacturing of ethyl acetate in 1996. Laxmi Organic is currently among the largest manufacturers of ethyl acetate in India with a market share of approximately 30% of the Indian ethyl acetate market. Further, post completion of the YCPL Acquisition, their market share in the ethyl acetate market will be further enhanced.

In 2010, Laxmi Organic commenced manufacturing the Specialty Intermediates by acquiring Clariant’s diketene business. The diversification of their product portfolio into varied chemistries in Specialty Intermediates has enabled them to create a niche for themselves. Laxmi Organic is the only manufacturer of diketene derivatives in India with a market share of approximately 55 % of the Indian diketene derivatives market in terms of revenue in Fiscal 2020 and one of the largest portfolios of diketene products.

**Laxmi Organics has two broad product categories: Acetyl Intermediates (AI) and the Specialty Intermediates (SI).**

- Acetyl Intermediates (AI):** The Acetyl Intermediates include ethyl acetate, acetaldehyde, fuel-grade ethanol and other proprietary solvents.
- Specialty Intermediates (SI):** The Specialty Intermediates comprises of ketene, diketene derivatives namely esters, acetic anhydride, amides, arylides and other chemicals.

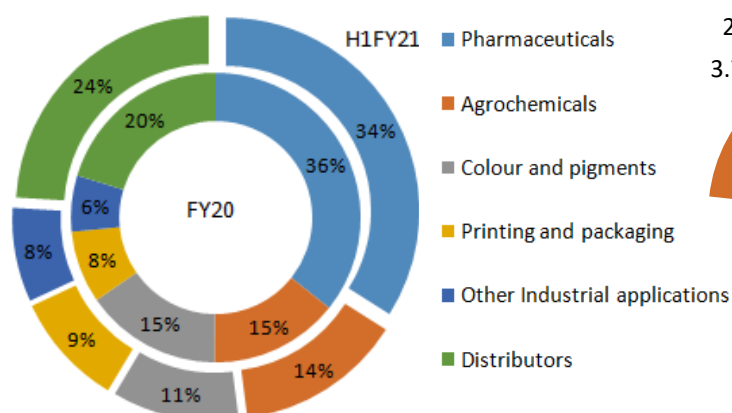
Laxmi Organics have dedicated manufacturing facilities for each AI & SI with combined installed capacity of 239,365 MTPA. They have DSIR approved 2 R&D facilities with state of the art infrastructure for synthesis of advanced intermediates. The Manufacturing Facilities’ power consumption is dependent on the grid for 46.96% of company’s own capacity of 7.5 MW, which reduces the external dependence and ensure a regular supply of power and steam. Company has Diversified product portfolio in various high growth industries, including pharma, agrochem, paints & coatings, printing, packaging, dyes & pigments.

Laxmi Organic also proposes to diversify into manufacturing of specialty fluorochemicals to which end, they have recently acquired assets including plant & machinery, design and operating paperwork, REACH registrations and patents of Miteni, a manufacturer of organic fluorospecialties and electrochemical fluorination.

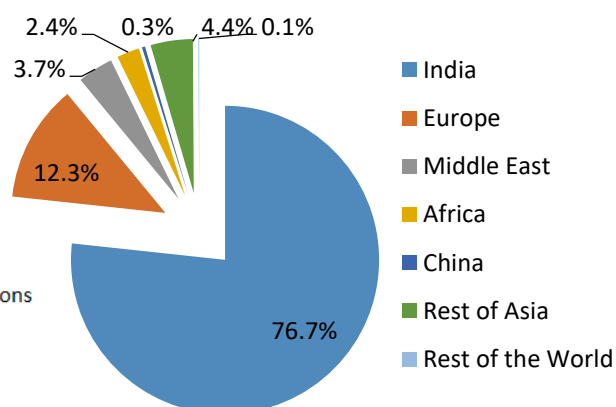
Over the years, Laxmi Organic has significantly expanded their scale of operations and global footprint with customers in over 30 countries including China, Netherlands, Russia, Singapore, United Arab Emirates, United Kingdom and United States of America.

The details of Production Capacity (Period)	Capacity Utilization (%)	Installed capacity (MTPA)	Total Available capacity (MT)	Actual Production (MT)
<b>Acetyl Intermediates (AI)</b>				
9MFY21	77.6%	161,320	120,990	93,845
FY20	83.6%	161,320	161,320	134,817
<b>Specialty Intermediates (SI)</b>				
9MFY21	62.8%	78,045	58,534	36,776
FY20	60.1%	78,045	78,045	46,937
<b>The details of Distilleries Capacity</b>				
<b>Jarandeshwar Distillery</b>				
9MFY21	24%	8,100	4,960	1,201
FY20	48%	8,100	8,100	3,916
<b>Panchganga Distillery</b>				
9MFY21	32%	9,112	5,605	1,798
FY20	26%	9,112	9,112	2,328

### % of revenue from sale of the key industries



### Geography-wise break-up (H1FY21)



Source: RHP, Company, Arihant Research

## Management

Board of Directors	Description
<b>Ravi Goenka</b>	<b>Ravi Goenka</b> is the Promoter, Chairman and Managing Director of the company. He has been associated with the company since inception, and has approximately 30 years of experience in the chemicals and paper industries, 16 years of experience in the education industry, and 21 years in the power industry.
<b>Satej Nabar</b>	<b>Satej Nabar</b> is the Executive Director and Chief Executive Officer of the company, associated with the company since April 1, 2020 and has around 31 years of experience in the chemicals industry and has handled numerous functions like sales and marketing, corporate strategy, innovation and manufacturing.
<b>Harshvardhan Goenka</b>	<b>Harshvardhan Goenka</b> is the Executive Director – Business development and Strategy of the company. He has 9 years of experience in the chemicals industry and heads the business development of the company.
<b>Rajeev Goenka</b>	<b>Rajeev Goenka</b> is the Non-Executive Director of the company. He has been associated with the company since August 12, 1994 and has approximately 26 years of experience in the chemicals industry, 21 years of experience in the renewable energy.
<b>Manish Chokhani</b>	<b>Manish Chokhani</b> is the Independent Director of the company. He has been associated with the company since March 30, 2012 and has 13 years of experience in the securities market.
<b>O.V. Bundellu</b>	<b>O.V. Bundellu</b> is the Independent Director of the company. He has been associated with the company since February 21, 2011 and has approximately 37 years of experience in the banking industry.
<b>Sangeeta Singh</b>	<b>Sangeeta Singh</b> is the Independent Director of the company. She has been associated with the company since September 4, 2017. Prior to joining the company she was heading human resources in KPMG, India.
<b>Dr. Rajeev Vaidya</b>	<b>Dr. Rajeev Vaidya</b> is the Independent Director of the company. He has approximately 30 years of experience in the chemicals industry and around 4 years of experience in investment advisory services.
Key Managerial Personnel	
<b>Partha Roy Chowdhury</b>	<b>Partha Roy Chowdhury</b> is the Chief Financial Officer of the company and the President – Corporate of the company. He joined the company on January 25, 2016. He has more than 31 years of experience in building and leading businesses.
<b>Aniket Hirpara</b>	<b>Aniket Hirpara</b> is the Company Secretary of the company and the Vice President – Legal & Secretarial. He is responsible for overlooking the secretarial and legal matters of the company. He has more than 15 years of experience in secretarial and legal matters
<b>TCN Sai Krishnan</b>	<b>TCN Sai Krishnan</b> is the Chief Operating Officer of the company. He has approximately 30 years of experience in manufacturing, projects, procurement & supply chain with speciality chemicals, petrochemicals, paints, inks & FMCG industries.
<b>Sruti Bora</b>	<b>Sruti Bora</b> is the Chief Transformation Officer and Head HR of the company. He is responsible for the human resources and transformation initiatives of the company.
<b>Jitendra Agarwal</b>	<b>Jitendra Agarwal</b> is the Executive Vice President- AI of the company. He joined the company on June 1, 2018. He has over 27 years of experience in multi-domain such as finance, accounts, global procurement, supply chain, sales and marketing, operations and industrial relations and BU management.
<b>Virag Shah</b>	<b>Virag Shah</b> is the Executive Vice President- SI Business of the company. He joined the company on July 30, 2020. He has approximately 18 years of experience in marketing, sales, business development of specialty chemicals, pharmaceutical intermediates and active pharmaceutical ingredients.
<b>Dr. Ajay Audi</b>	<b>Dr. Ajay Audi</b> is the Senior Vice-President- Research and Development of the company. He joined the company on December 9, 2013, and is responsible for synthesis and analytical developments of old and new molecules and intermediates of future prospects for the company at the R&D centres. He has over 16 years of experience in the field of process developments and scale ups of Agro –AIs and pharma – active pharmaceutical ingredients.
<b>B. P Pant</b>	<b>B. P Pant</b> is the Senior Vice President- Business Development (P&A) of the company. He joined the company on February 28, 2018. He has over 24 years of experience in the field of process research, program management, business development, sales and marketing of agrochemical intermediates/AIs, pharmaceutical intermediates and specialty chemicals.

## Covid-19 Impact on Company's Business

There has been a mixed effect of COVID-19 on the acetyl intermediates business. The industry has witnessed an increase in sales and growth in flexible packaging and aluminium foil segment used to package the food & beverages. Healthcare sector was in demand during COVID crisis, which impacted positively on the pharmaceutical segment. However, the other commodities used in end applications like paints, coatings, adhesives, sealants, elastomers, etc. have been severely impacted due to the low demand attributed by the lockdowns imposed by various countries in all the continents .

## Financial Performance

Particulars (INR Cr.)	FY18	FY19	FY20	6MFY21
<b>Revenue from Operations</b>	<b>1376</b>	<b>1569</b>	<b>1534</b>	<b>813</b>
Cost of materials consumed	656	888	781	352
Purchase of stock in trade	321	250	287	209
Changes in Inventories	-9	-42	29	12
<b>COGS</b>	<b>968</b>	<b>1,096</b>	<b>1,097</b>	<b>574</b>
<i>Gross Profit</i>	407	473	438	240
Employee Benefits Expense	53	65	69	36
Other Expenses	203	255	255	119
<b>EBITDA</b>	<b>151</b>	<b>153</b>	<b>114</b>	<b>85</b>
<b>EBITDAM(%)</b>	<b>11.0%</b>	<b>9.8%</b>	<b>7.4%</b>	<b>10.5%</b>
Other Income	3	6	4	1
Depreciation and Amortisation Expenses	31	44	49	23
EBIT	123	115	69	64
Finance Costs	10	17	14	7
PBT and share of profit/(loss) & Exceptional items	113	98	55	56
Share of profit/(loss) of a Joint Venture	0	0	0	0
Exceptional items	0	0	26	0
PBT	113	98	81	56
<b>Tax Expense</b>	<b>38</b>	<b>25</b>	<b>11</b>	<b>11</b>
Current Tax	31	24	16	12
Deferred tax	7	1	-5	-1
Short / (Excess) provision	0	0	0	0
<b>Profit for the year</b>	<b>76</b>	<b>72</b>	<b>70</b>	<b>45</b>
<b>PATM(%)</b>	<b>5.5%</b>	<b>4.6%</b>	<b>4.6%</b>	<b>5.6%</b>
<b>Earning Per Share</b>				
<b>Basic and Diluted</b>	<b>3.0</b>	<b>2.9</b>	<b>2.9</b>	<b>2.0</b>
<b>Equity Share Capital</b>	<b>10</b>	<b>50</b>	<b>45</b>	<b>45</b>
<b>RoNW (%)</b>	<b>20.0%</b>	<b>16.1%</b>	<b>16.5%</b>	<b>9.7%</b>
<b>Total Borrowings</b>	<b>192</b>	<b>141</b>	<b>124</b>	<b>154</b>
<b>Debt to Equity Ratio</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

Peer Comparison (as on 31<sup>st</sup> March 2020)

Name of the Company (FY20)	Face Value	CMP* INR	EPS INR	P/E x	RoNW (%)
<b>Laxmi Organic Industries Ltd.</b>	<b>2</b>	<b>130</b>	<b>2.9</b>	<b>45.5</b>	<b>9.7%</b>
Aarti Industries Ltd.	5	1284	27.5	46.7	18.0%
Atul Ltd.	10	6785	226.0	30.0	21.1%
Navin Fluorine International Ltd.	2	2672	81.3	32.8	28.9%
SRF Ltd.	10	5599	156.6	31.8	20.7%

Name of the Company (FY20)	Revenue INR in Crs	EBITDA INR in Crs	EBITDAM (%)	PAT INR in Crs	PATM (%)
<b>Laxmi Organic Industries Ltd.</b>	<b>1534</b>	<b>114</b>	<b>7.4%</b>	<b>70</b>	<b>4.6%</b>
Aarti Industries Ltd.	4621	977	23.3%	547	13.1%
Atul Ltd.	4093	902	22.0%	671	16.4%
Navin Fluorine International Ltd.	1062	263	24.8%	401	37.8%
SRF Ltd.	7209	1455	20.2%	916	12.7%

Source: RHP, Company, Arihant Research \*as on 12<sup>th</sup> March 2021

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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