



# MSEARCH

## IPO OFFERING

### LAXMI ORGANIC INDUSTRIES LTD



### About Company

### Recommendation: Subscribe for Listing gain

Laxmi Organic Industries Ltd (Laxmi Organic) is a leading manufacturer of Acetyl Intermediates and Specialty Intermediates with almost 3 decades of experience in large scale manufacturing of chemicals. It has diversified product portfolio in various high growth industries, including pharma, agrochem, paints & coatings, printing, packaging, dyes & pigments. With this it is also currently amongst the largest manufacturers of ethyl acetate in India with a market share of approximately 30% of the Indian ethyl acetate market. They have been the largest exporter of ethyl acetate from India in the 6 months ended September 30, 2020 and Fiscals 2020, 2019 and 2018 and one of the largest exporters of ethyl acetate to Europe from India since 2012. Laxmi Organic has wide global footprint with customers in over 30 countries.

Price Band	: Rs. 129 to 130 per share
Face Value	: Rs. 2
Bid Lot size	: 115 Shares
Issue size	: Rs. 600 Cr
Issue Opens	: March 15 <sup>th</sup> 2021, Monday
Issue Closes	: March 17 <sup>th</sup> 2021, Wednesday
Min App Amount	: Rs. 14,950 /- at upper band

**Important Note:** All retail applications compulsory in UPI mode\*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

**Msearch View:** We believe Laxmi Organic IPO offer gives investors a unique investment opportunity in high knowledge intensive specialty chemicals manufacturer and leading exporter of ethyl acetate product with ~30% market share. We are also very optimistic about the sector as increasing demand in Pharma and agrochemicals from developing economies like India, is likely to increase the consumption of diketene and its derivatives, wherein Laxmi Organic has a very strong presence under Specialty Intermediates portfolio and it is the only Indian manufacturer of diketene derivatives with ~55% market share. We also assume that the sector will also attract multiyear export opportunities in the current "Made in India & Make for World" an initiative by the Indian Govt which will add impetus to the emergence of India as a future manufacturing hub for the specialty chemicals industry for the world. Considering its well-diversified presence in pharmaceuticals, Agrochemicals & Colour pigments segments and long-standing relationships with marquee customers with a global presence Laxmi Organic is well placed to tap the sector growth with low competition because of high entry barriers due to complex chemistries business nature. **On valuations parse at upper price band (Rs 130/-), the issue is asking for a market cap of Rs 3428 Cr with price earnings ratio at 32x FY21E earnings annualized vs. industry average P/E at ~30x which seems IPO offer is fairly priced compared to its peers while higher export potential and leading producer of ethyl acetate & diketene derivatives justifies higher premium for listing gain. Considering all the above factors we recommend investors to "SUBSCRIBE FOR LISTING GAIN ONLY".**



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### BASIC FINANCIAL DETAILS

Particulars Rs (in Cr)	2018	2019	2020	6M FY21
Equity Share Capital	10	50	45	45
Reserves as stated	368	399	381	426
Net worth as stated	378	448	426	471
Revenue from Operations	1393	1568	1534	813
Revenue Growth (%)	-	12.59%	-2.19%	-
EBITDA as stated	154	159	144	86
Profit Before Tax	113	98	81	56
Net Profit for the period	76	72	70	45
EPS (Rs )	3.03	2.89	2.86	2.02
RONW%	20.01%	16.13%	16.45%	9.65%
ROCE%	26.57%	20.65%	17.50%	10.87%
NAV (₹ )	15.16	17.98	18.97	20.99

Source: Company RHP

### COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr).

Companies	Mcap	FV	Revenue	EPS	NAV	P/E	RoNW
Laxmi Organic Industries Ltd	3428	2	1534	2.86	18.97	32	16.45%
Aarti Industries Ltd	22278	5	4621	30.77	170.96	24.92	18%
Atul Ltd	20024	10	4093	224.69	1063.63	17.75	21.12%
Navin Flourine Ltd	12980	2	1061	82.60	285.46	14.68	28.42%
SRF Ltd	32675	10	7258	177.29	858.26	30.58	20.66%

Source: Company RHP