



MSEARCH

INITIAL PUBLIC OFFER (IPO)

18-07-2024

SANSTAR LTD

19-07-2024 TO 23-07-2024

Industry: Other Agricultural Products

Price Band: ₹90 - 95

Recommendation: Subscribe for Long Term

Post Implied Market Cap: – ₹1,640 - ₹1,731 Cr

Key Data

Issue Size (₹ Cr)	483 - 510
Fresh (₹)	397
OFS (₹)	113
No. of shares offered	53,700,000
Face Value (₹ /share)	2
Bid Lot	150

About the Company

Sanstar Ltd (Sanstar) is a leading Indian manufacturer of plant-based specialty products and ingredients derived from maize. They produce a range of products including maize starch, dextrin, modified starches, liquid glucose, high maltose maize syrup, maltodextrin, dextrose monohydrate, sorbitol, gluten, germ, and steep liquor. These products are used in various industries such as textiles, paper, pharmaceuticals, food, adhesives, and animal nutrition. Additionally, novel applications like biopolymers, bioethanol, biomaterials, and mock meats are driving starch demand. Sanstar's manufacturing facilities are located in Gujarat and Maharashtra, key maize-producing states in India.

Investment Rationales

- **One of the largest manufacturers of maize based specialty products and ingredient solutions in India with diverse product portfolio:** Company is the 5th largest manufacturer of maize-based specialty products and ingredient solutions in India. They began operations in 2006 in Kutch, Gujarat, and expanded to Dhule, Maharashtra in 2017, reaching an installed capacity of 363,000 TPA. With a revenue and PAT CAGR of 45% and 105% over FY 2022-2024, they have grown significantly. Recognized as a 2-Star Export House by DGFT-Gol, Sanstar exports to 49 countries across various regions. Their diverse product portfolio includes liquid glucose, dried glucose solids, maltodextrin powder, dextrose monohydrate, native and modified maize starches, and co-products like germs, gluten, fiber, and enriched protein.
- **Specialty products and ingredients solutions player catering to diverse industry segments and poised to benefit from mega industrial trends:** Sanstar Ltd's business is intricately linked to the growth of various end-user industries, including food and beverages, animal nutrition, pharmaceuticals, adhesives, personal care, paper, and textiles. In the food industry, their maize-based specialty products are used in custards, desserts, sauces, instant foods, baked goods, and more, serving as thickening agents, stabilizers, emulsifiers, sweeteners, and bulking agents. For animal nutrition and veterinary medicine, they provide protein and energy supplements, yield enhancers, binding agents, and stabilizers. Industrial applications span pharmaceuticals, where their products are used in tablet coatings, nutritional supplements, and intravenous fluids, and personal care products, where they act as stabilizers, bulking agents, and humectants. Additionally, their products are used as binders and additives in adhesives and paper processing, and starch ether enhances mortar performance in construction. Biopolymers derived from modified starch are applied in packaging, agriculture, and wastewater treatment, and their modified starches are used for encapsulating flavours and perfumes. The increasing demand for these maize-based specialty products in developing economies like India is likely to drive further consumption across these diverse industries.
- **Global presence in a market with high entry barriers:** Sanstar Ltd exported products to 49 countries across Asia, Africa, the Middle East, Europe, North America, South & Central America, and Oceania, during FY 2024. Key export destinations included Malaysia, Vietnam, Kenya, Indonesia, UAE, Nigeria, Sri Lanka, Ghana, and Thailand. The maize-based specialty products and ingredient solutions industry has high entry barriers, and the B2B nature of Sanstar's business creates significant exit barriers for customers. Their products adhere to high-quality standards and stringent product approval systems.
- **Large, diversified customer base with long lasting relationships:** In FY 2024, Sanstar Ltd served over 525 customers, with 96 customers placing repeat orders for the past three years. The company has fostered customer loyalty through approachable management, a dedicated marketing team, a customer-centric culture focusing on quality and performance, and modern, automated facilities emphasizing environmental and sustainability practices.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	24-07-2024
Refunds/Unblocking ASBA Fund	25-07-2024
Credit of equity shares to DP A/c	25-07-2024
Trading commences	26-07-2024

Shareholding (No. of shares)

Pre-Issue	140,444,250
Post Issue (Lower price band)	184,566,472
Post Issue (Higher price band)	182,244,250

Shareholding Pattern

Promoter:	
Pre Issue	57.22%
Post Issue	43.27%
Promoter Group:	
Pre Issue	42.56%
Post Issue	27.09%
Public - Others:	
Pre Issue	0.22%
Post Issue	29.63%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: Pantomath Capital

Registrar: Link Intime Pvt. Ltd.

Listing: BSE & NSE

Research Analyst

Rajan Shinde

rajan.shinde@mehtagroup.in

022-61507142

Risk

- Fluctuation in the prices of raw materials.
- Significant requirement of working capital during harvesting season for procurement and storage.

MView

We believe the Sanstar Ltd IPO gives investors an opportunity to invest in one of the leading Indian manufacturers of plant-based specialty products and ingredients derived from maize. As the 5th largest manufacturer of maize-based specialty products in India, the company has demonstrated significant growth, with a revenue and PAT CAGR of 45% and 105% over FY 2022-2024. We believe the company's diverse product portfolio and extensive applications across food and beverages, animal nutrition, pharmaceuticals, and other industrial uses position it well in high-demand markets. We also believe there are high entry barriers in the maize-based specialty products industry and the B2B nature of their business create significant exit barriers for customers, ensuring a stable and loyal customer base. By looking at the financials, the company has shown a substantial growth in revenue from operation and net profit with a CAGR of 45.46% from ₹ 504.40 cr in Fiscal 2022 to ₹ 1,067.27 cr in Fiscal 2024 while PAT has grown at a CAGR of 104.79% from ₹ 15.92 cr in Fiscal 2022 to ₹ 66.77 cr in Fiscal 2024. On valuation parse at the upper band ₹ 95/-, the issue is asking for a Market Cap of ₹ 1731 Cr. Based on FY2024 fully diluted Post-IPO paid-up capital, the company is asking for a PE of 25.93x, which appears the valuations are slightly expensive to its listed peers considering the growth parameters and discounting the near term growth factors. Given the company has demonstrated strong customer loyalty, serving over 525 customers, with 96 placing repeat orders over the past three years. With five decades of presence, a commitment to quality, a customer-centric culture and a diverse product portfolio, Sanstar enjoys a competitive advantage in both domestic and global markets. Their sustainable practices further enhance their market reputation, positioning them as a reliable and respected player in the industry. Hence, we recommend our investors to "SUBSCRIBE" the Sanstar Ltd IPO for a long term perspective. Additionally, we also expect Sanstar can generate decent listing gains over and above 25% on the issue price.



CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at March' 31		
	2024	2023	2022
Equity Share Capital	28.09	28.09	29.5
Net Worth	215.91	149.28	48.97
Total Borrowings	127.64	111.70	85.22
Revenue from Operations	1,067.27	1,205.07	504.40
Revenue Growth (%) as stated	-11.44%	138.91%	-
EBITDA	98.14	41.81	15.92
EBITDA Margin (%)	9.20%	6.01%	7.87%
Net Profit for the Year	66.77	41.81	15.92
Net Profit Margin (%)	6.17%	3.46%	3.15%
EPS - Basic & Diluted (₹)	4.75	2.98	1.08
RoCE (%)	25.43%	23.82%	32.51%
Debt Equity Ratio	0.50	0.60	1.00
NAV (₹)	15.37	10.63	3.32
ROE (%)	30.92%	28.00%	32.51%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Mcap (in Cr)	Consolidated/ Standalone	FV	Total Income FY 2024 (in Cr)	EPS	NAV	P/E	P/B	RoNW (%)
Sanstar Ltd	1,731	Consolidated	2	1,081.68	3.66	11.85	25.9	8.0	30.92%
Gujarat Ambuja Exports Ltd	6,291	Consolidated	1	5,071.42	7.54	60.37	18.2	2.3	12.49
Gulshan Polyols Ltd	1,249	Consolidated	1	1,390.18	2.85	123.63	70.3	2.1	2.30
Sukhjit Starch and Chemicals Ltd	771	Consolidated	10	1,385.04	31.98	321.75	15.4	1.5	9.94

Date as on 31st March 2024, Cline Mcap, PE, calculated as on 18-07-2024

Sanstar Ltd, Revenue EPS/PE, P/B, NAV calculated on annualised basis post money



MSEARCH

DISCLAIMER & DISCLOSURE

This Report is published by Mehta Equities Limited (hereinafter referred to as "MEL") for registered client circulation only. MEL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH00000552. MEL is a registered broker with the Securities & Exchange Board of India (SEBI) and registered with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments, Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stockbroking activities & is Depository participant with Central Depository Services Limited (CDSL), is registered with SEBI for providing PMS services and distribute third party PMS product and also member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

MEL a "Research Entity" under SEBI (Research Analyst) Regulations 2014 has independent research teams working with a Chinese wall rule with other business divisions of MEL as mentioned above.

MEL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. MEL, its associates or Research analyst or his relatives do not hold any financial interest in the subject company. MEL or its associates or Research analysts do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. MEL or its associates or Research Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

MEL or its associates or Research analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Research analyst during the past twelve months. MEL or its associates have not received any compensation or other benefits from the company covered by Research analyst or third party in connection with the research report. Research Analyst has not served as an officer, director or employee of Subject Company and MEL / Research analyst has not been engaged in market making activity of the subject company.

This report is for the personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. MEL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. This research has been prepared for the general use of the clients of MEL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MEL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MEL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. MEL or any of its affiliates or employees 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. MEL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. MEL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, MEL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of MEL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither MEL, nor its directors, employees, or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Analyst Certification: Research Analyst the author of this report, hereby certifies that the views expressed in this research report accurately reflect my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the Research Analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The Research Analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

MEHTA EQUITIES LTD

BSE: - Membership Clearing No. 122 - SEBI Regn. No. INB010683856, NSE: - Membership Clearing No. 13512-
SEBI Regn. No. INB231351231, NSE FO SEBI Regn. No. INF231351231, CIN No: U65990MH1994PLC078478
MSEI: - Membership Clearing No. 51800 - SEBI Regn. No. INB261351234 SEBI registered RA Reg No INH00000552
Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in

Compliance Officer: Prakash Joshi

Email Id: compliance@mehtagroup.in

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: help.kyc@mehtagroup.in Phone: + 91 22 61507154