

## RETAIL EQUITY RESEARCH

# Sanstar Ltd.

## Speciality Products and Ingredients

SENSEX: 80,716

NIFTY: 24,613

**SUBSCRIBE**

Price Range Rs.90- Rs.95

## A key player in maize based derivative products...

Sanstar Ltd., established in 1982, is one of India's largest manufacturers of maize-based specialty products and ingredient solutions. The company caters to various sectors, including food and beverages, animal nutrition, pharmaceuticals, and other industrial applications. Sanstar offers a diversified product portfolio that includes liquid glucose, dried glucose solids, maltodextrin powder, dextrose monohydrate, native maize starches, modified maize starches, and co-products such as germs, gluten, fiber, and enriched protein, among others. The company operate two manufacturing plants in Gujarat and Maharashtra and export to 49 countries across Asia, Africa, the Middle East, the Americas, Europe, and Oceania.

- The Indian maize starch market is projected to grow at a 4.74% CAGR from 2023-29, reaching 9.5mn tons, aided by robust demand across end-user sectors, increased import substitutions, strong export growth, and expanding domestic consumption.
- The company derives 58% of its revenue from the food and beverage industry, the largest consumer of starch and its derivatives. Animal nutrition and other industrial applications contribute 10% and 31%, respectively, in fiscal 2024. Exports, which account for ~35% of revenue, have grown from ₹18.8cr in FY22 to ₹394.4cr in FY24.
- Sanstar has demonstrated consistent growth in terms of revenues and profitability, with revenue, EBITDA, and PAT growing at a CAGR of 45%, 57%, and 105%, respectively, over fiscal 2022-2024. The return ratios have remained strong, with FY24 RoE and RoCE at 26% and 22%, respectively.
- Sanstar is utilizing up to ₹181.6cr from IPO proceeds to expand its Dhule facility in Maharashtra. Post expansion, the company will have an aggregate capacity of 2,100 Metric tons per day (MTD), making it the third-largest player in the maize-based specialty products and ingredient solutions industry.
- As of FY24, total borrowings amount to ₹127.6cr, with a debt-to-equity ratio of 0.5x. By utilizing ₹100cr from IPO proceeds for debt repayment, the debt-to-equity ratio will become negligible.
- In FY24, the EBITDA margin and PAT margin stood at ~9% and ~6%, respectively. Going forward, margins are expected to improve further due to stable demand and cost benefits from the newly commissioned solar plant at the Maharashtra facility.
- At the upper price band of ₹95, Sanstar is available at a P/E of 25.9x (FY24), which appears to be fully priced. Given its leading position in the industry with diverse product portfolio and prestigious clientele in domestic and global markets, robust financial position and improving margin profile, we assign a "Subscribe" rating on a medium to long term basis.

### Purpose of IPO

The offering includes both a fresh issue of ₹397.1cr and an Offer-for-Sale (OFS) of ₹113.1cr. The objective of the offer is the Repayment and/or prepayment of portion of certain outstanding borrowings availed by the company (₹100cr) and funding capex requirement of ₹181.5cr its Dhule facility at Maharashtra and other general corporate purpose.

### Key Risks

- Fluctuations in raw material prices can impact product pricing and margins of the business.
- Any downturn in the end-user industry may adversely impact the overall volume and financial performance of the company.

### Peer Valuation

Company	MCap(₹cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	Mcap/Sales (x)	P/E(x)	EV/EBITDA(x)	P/BV(x)	CMP
Sanstar Ltd	1,731	1,067	9.2	6.3	3.7	26.3	1.6	25.9	18.9	6.8	95
Gujarat Ambuja Exports Limited	6,277	4,927	8.9	7.0	6.2	13.3	1.3	21.9	11.0	2.3	136
Gulshan Polyols Limited	1,258	1,378	4.2	1.3	2.9	3.5	0.9	70.7	22.8	2.1	205
Sukhjit Starch and Chemicals Limited	729	1,375	9.3	3.6	31.9	10.3	0.5	14.3	7.6	1.5	456

Source: Geojit Research, Bloomberg; Valuations of Sanstar is based on upper end of the price band (post issue), Financials as per FY24 consolidated.

Issue Details	
Date of opening	July 19, 2024
Date of closing	July 23, 2024
Total No. of shares offered (cr.)	5.37
Post Issue No. of shares (cr)	18.2
Price Band	₹90- ₹95
Face Value	₹2
Bid Lot	150 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,250
Maximum application for retail (upper price band for 14 lot)	₹ 1,99,500
Listing	BSE,NSE
Lead Managers	Pantomath Capital Advisors Pvt.Ltd

Registrar	Link Intime India Pvt Ltd
Issue size (upper price)	Rs.cr
Fresh Issue	397.1
OFS	113.1
<b>Total Issue</b>	<b>510.2</b>

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	99.8	70
Public-Others	0.2	30
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Issue structure	Allocation (%)	Size Rs.cr
Retail	35	178.6
Non-Institutional	15	76.5
QIB	50	255.1
	-	
<b>Total</b>	<b>100</b>	<b>510.0</b>

Y.E March (Rs cr) Consol.	FY22	FY23	FY24
Sales	504.4	1,205.1	1,067.3
Growth (%)	-	138.9	-11.3
<b>EBITDA</b>	<b>39.7</b>	<b>72.4</b>	<b>98.1</b>
Margin(%)	7.9	6.0	9.2
<b>PAT Adj.</b>	<b>15.9</b>	<b>41.8</b>	<b>66.8</b>
Growth (%)	-	163.1	59.7
<b>EPS</b>	<b>0.9</b>	<b>2.3</b>	<b>3.7</b>
<b>P/E(x)</b>	<b>108.9</b>	<b>41.4</b>	<b>25.9</b>
EV/EBITDA (x)	45.7	25.4	18.9
RoE (%)	18.6	22.3	26.3

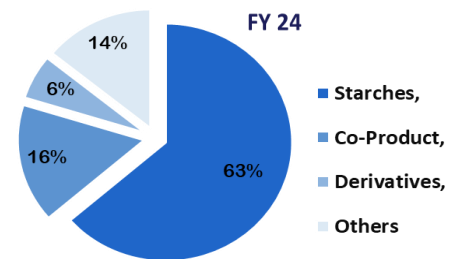
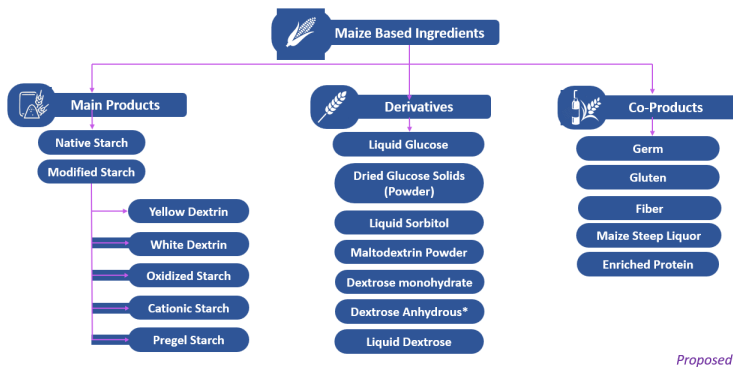
## Business Description of Products

### Speciality Products and Ingredient Solutions

Sanstar's speciality products and ingredients solutions add taste, texture, nutrients and increased functionality to (i) foods as ingredients, thickening agents, stabilizers, sweeteners, emulsifiers and additives (in bakery products, confectionery, pastas, soups, ketchups, sauces, creams, deserts, amongst others), (ii) animal nutrition products as nutritional ingredients, and (iii) other industrial products as disintegrants, excipients, supplements, coating agents, binders, smoothing & flattering agents, finishing agents, among others.

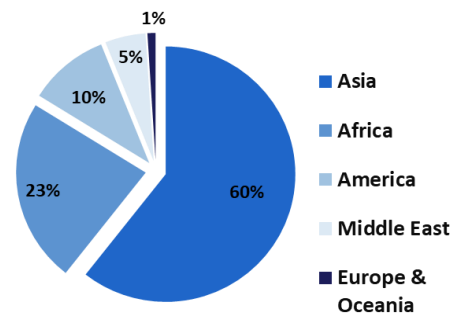
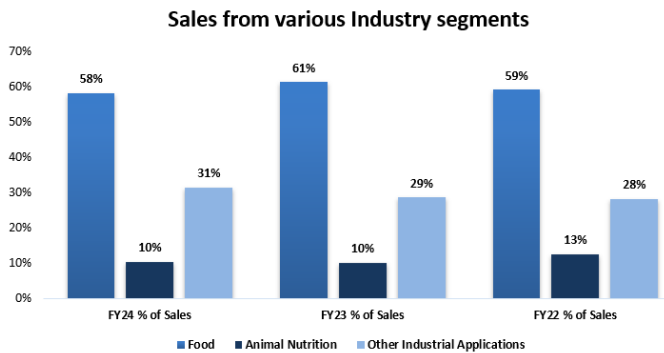
### Diversified Business Model

#### Revenue mix across product categories

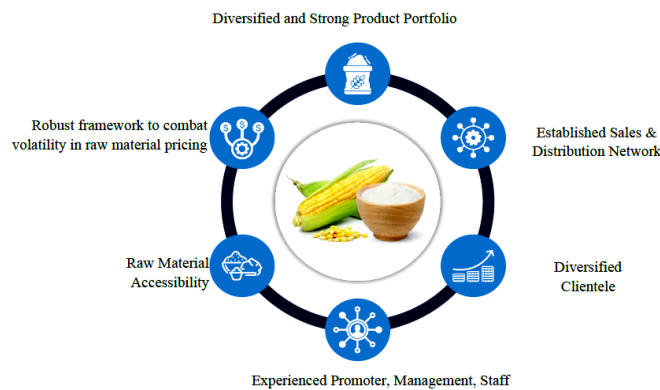


Source: Investor presentation, RHP, Geojit Research

#### Geographical mix of exports



## Competitive Strengths



Source: Company Commissioned Report from Frost & Sullivan, dated May 18, 2024

- One of the largest manufacturers of maize based speciality products and ingredient solutions in India with diverse product portfolio; Company has grown with Revenue and PAT CAGR of 45% and 105% over Fiscal 2022-2024.
- Speciality products and ingredients solutions player catering to diverse industry segments and poised to benefit from mega industrial trends.
- strategically located, sustainability driven, state of the art manufacturing facilities.
- Global presence in a market with high entry barriers.
- Strong financial growth along with robust performance metrics.
- Two Generations of Promoters with domain knowledge.
- Well positioned to leverage the large opportunities in speciality products and ingredient solutions industry.
- Large, diversified customer base with long lasting relationships.

## Key strategies

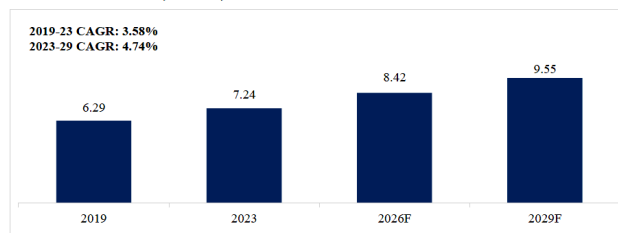
- Expand manufacturing capacities to capture additional market share.
- Leverage industry-leading capabilities by continuing to diversify customer base and increase wallet share with existing customers.
- Increase global footprint and augment growth in current geographies.
- Increase the revenue contribution from derivative products and scale up organic ingredients segment.
- Foray into manufacturing of Ethanol through leveraging maize sourcing capabilities.

## Industry outlook

The Global Maize Starch market is anticipated to rise at a considerable rate during the forecast period with a CAGR of ~4.25% between 2023 and 2029. In 2023, the market was valued at USD 45,195 Mn in value terms and was around 84.5 Mn MT in volume terms. Maize starch is a carbohydrate extracted from the endosperm of Maize. Maize starch is the most commercially used starch in various industries. Food and Beverage, Pharmaceutical, Adhesive, Paper, Textile are some of the major industries using maize based specialty products and ingredients solutions.

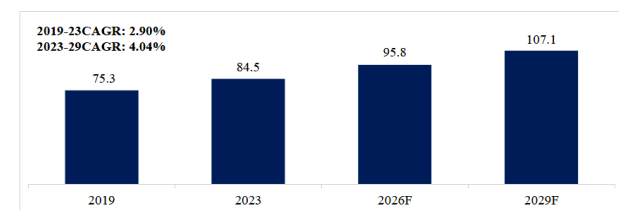
The Global maize-based speciality products and ingredients solutions industry is estimated to be valued at \$ 45,195 million in calendar year 2023 and is estimated to grow to \$ 58,021 million in calendar year 2029. Similarly, the Indian industry is estimated to be valued at \$ 3,121 million in calendar year 2023 and is estimated to grow to \$ 4,210 million in calendar year 2029.

India Maize Starch Market, Mn Tons, 2019-2029F



Source: Frost & Sullivan Primary Research & Analysis

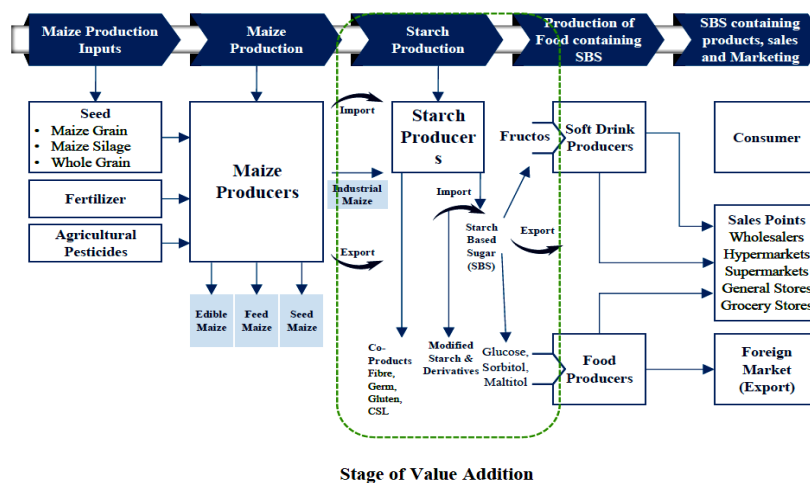
Global Maize Starch Market, Mn Tons, 2019-2029F



Source: Frost & Sullivan Primary Research & Analysis

Source:RHP

### Value Chain of Maize Based Specialty Products And Ingredients Solutions Industry in India



Source: NISAD, Frost & Sullivan

## Promoter and promoter group

Gouthamchand Sohanlal Chowdhary, Sambhav Gautam Chowdhary & Shreyans Gautam Chowdhary are the Promoters of the Company.

### Brief Biographies of directors

- **Gouthamchand Sohanlal Chowdhary** is the Chairman and Managing Director of the Company. He has been on the Board of the Company since September 27, 1985.
- **Sambhav Gautam Chowdhary** is the Joint Managing Director and one of the Promoters of the Company. He has been associated with the Company since February 22, 2012.
- **Shreyans Gautam Chowdhary** is the Joint Managing Director and one of the Promoters of the Company. He has been associated with the Company since February 22, 2012.
- **Sejal Ronak Agrawal** is an Independent Director of the Company. She has been associated with the Company since Nov 1, 2023.
- **Atul Agrawal** is an Independent Director of the Company. He has been associated with Company since Nov1, 2023.
- **Aniket Sunil Talati** is an Independent Director of the Company. He has been associated with the Company since Nov 1, 2023.



## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	FY24
Sales	504.4	1,205.1	1,067.3
% change	-	138.9	-11.4
<b>EBITDA</b>	<b>39.7</b>	<b>72.4</b>	<b>98.1</b>
% change	-	82	35
Depreciation	9.0	11.9	12.1
<b>EBIT</b>	<b>30.7</b>	<b>60.6</b>	<b>86.1</b>
Interest	9.1	9.8	10.7
Other Income	0.4	4.6	14.4
Exceptional items	-	-	-
<b>PBT</b>	<b>22.0</b>	<b>55.4</b>	<b>89.7</b>
% change	-	152	62.0
Tax	6.1	13.6	23.0
Tax Rate (%)	28	25	26
<b>Reported PAT</b>	<b>15.9</b>	<b>41.8</b>	<b>66.8</b>
Adj	-	-	-
<b>Adj. PAT</b>	<b>15.9</b>	<b>41.8</b>	<b>66.8</b>
% change	-	163.1	59.7
Post issue No. of shares (cr)	18.2	18.2	18.2
<b>Adj EPS (Rs)</b>	<b>0.9</b>	<b>2.3</b>	<b>3.7</b>
% change	-	163.1	59.7

### BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	FY24
Cash	1.8	6.6	5.2
Accounts Receivable	40.2	91.2	117.5
Inventories	12.7	26.5	114.0
Other Cur. Assets	16.2	44.7	66.2
Investments	0.2	2.6	2.0
Deff. Tax Assets	-	-	-
Net Fixed Assets	133.1	195.7	202.1
CWIP	3.3	0.9	20.5
Intangible Assets	-	-	-
Other Assets	-	-	-
<b>Total Assets</b>	<b>207.0</b>	<b>368.0</b>	<b>528.0</b>
Current Liabilities	22.5	36.4	99.5
Provisions	13.5	29.3	36.3
Debt Funds	85.2	111.7	127.6
Other Fin. Liabilities	0.3	2.8	1.6
Deferred Tax liability	0.8	1.0	8.8
<b>Equity Capital</b>	<b>29.5</b>	<b>28.1</b>	<b>28.1</b>
<b>Reserves &amp; Surplus</b>	<b>55.7</b>	<b>159.0</b>	<b>225.7</b>
Shareholder's Fund	85.2	187.1	253.8
<b>Total Liabilities</b>	<b>207.0</b>	<b>368.0</b>	<b>528.0</b>
<b>BVPS (Rs)</b>	<b>4.7</b>	<b>10.3</b>	<b>13.9</b>

### CASH FLOW

Y.E March (Rs cr)	FY22	FY23	FY24
PBT Adj.	22.0	55.4	89.7
Non-operating & non cash adj.	17.7	20.9	21.9
Changes in W.C	-10	-82.3	-83.0
<b>C.F.Operating</b>	<b>30.0</b>	<b>-6.0</b>	<b>29.0</b>
Capital expenditure	-1.8	-74.7	-40.8
Change in investment	-	-	-
Sale of investment	-	-	-
Other invest.CF	-2.7	3.3	3.9
<b>C.F - investing</b>	<b>-4.5</b>	<b>-71.4</b>	<b>-36.9</b>
Issue of equity	-	-1.4	-
Issue/repay debt	-16.3	26.5	15.9
Dividends paid	-	-	-
Other finance.CF	-8.7	58.0	-10.7
<b>C.F - Financing</b>	<b>-25.0</b>	<b>83.1</b>	<b>5.2</b>
Change. in cash	0.2	5.7	-3.1
Opening Cash	0.5	0.6	6.3
Closing cash	0.7	6.3	3.2

### RATIOS

Y.E March	FY22	FY23	FY24
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	7.9	6.0	9.2
EBIT margin (%)	6.1	5.0	8.1
Net profit mgn.(%)	3.2	3.5	6.3
ROE (%)	18.6	22.3	26.3
ROCE (%)	26.4	21.0	22.0
<b>W.C &amp; Liquidity</b>			
Receivables (days)	29	20	36
Inventory (days)	12	7	31
Payables (days)	13	9	33
Current ratio (x)	2.0	2.6	2.2
Quick ratio (x)	1.9	2.7	1.2
<b>Turnover &amp;Levg.</b>			
Net asset T.O (x)	3.8	7.3	5.4
Total asset T.O (x)	2.4	4.2	2.4
Int. covge. ratio (x)	3.4	6.2	8.0
Adj. debt/equity (x)	1.0	0.6	0.5
<b>Valuation ratios</b>			
EV/Sales (x)	3.6	1.5	1.7
EV/EBITDA (x)	45.7	25.4	18.9
P/E (x)	108.9	41.4	25.9
P/BV (x)	20.3	9.3	6.8

## DISCLAIMER & DISCLOSURES

### **Certification**

I, Rajeev T, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

**For General disclosures and disclaimer:** Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

### **Regulatory Disclosures:**

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company ( yet to start operations)), Geojit Techloan Private Ltd ( P2P lending (yet to start operations)), Geojit IFSC Ltd ( a company incorporated under IFSC Regulations( yet to start operations)), Qurum Business Group Geojit Securities LLC ( a joint venture in Oman engaged in Financial Services ), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services ). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

#### 1. Disclosures regarding Ownership:

*Geojit confirms that:*

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

*Further, the Analyst confirms that:*

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

#### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

#### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

#### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Rajeev T, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

#### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: [www.geojit.com](http://www.geojit.com). For investor queries: [customercare@geojit.com](mailto:customercare@geojit.com). **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: [compliance@geojit.com](mailto:compliance@geojit.com). **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: [grievances@geojit.com](mailto:grievances@geojit.com). Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

