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Issue Offer

Fresh Issue of 9,232,955 equity shares up to INR 3,250 Mn and OFS of 6,526,983 shares by Promoters group taking the total issue size at INR 2,297 Mn

Issue Summary

Price Band INR	334-352
Face Value INR	10
Implied Market Cap INR mn.	18,013.9
Market Lot	42
Issue Opens on	Oct 23, 2024
Issue Close on	Oct 25, 2024
No. of share pre-issue	41,943,023
No. of share post issue	51,175,978
Listing	NSE, BSE

Issue Break-up %

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

Registrar

Link Intime India Private Ltd

Book Running Lead Managers

Equirus Capital Private Limited
SBI Capital Markets Limited

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	81.06%	53.68%
Public & Others	18.94%	46.32%

Objects of the issue

- Repayment/pre-payment, in full or in part, of certain outstanding borrowings availed by the Company.
- General corporate purposes.

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The company founded in 1956 which is a leading manufacturer of ethanol-based chemicals and operates an integrated bio refinery in India with a 570 KLPD ethanol production capacity as of June 30, 2024. It is one of India's largest ethanol producers by volume (Frost & Sullivan Report, March 2024) and the world's largest MPO manufacturer by installed capacity. The company is also one of only two global producers of natural 1,3-butanediol and the sole Indian manufacturer of bio ethyl acetate. Additionally, it established India's first bio-based EVE manufacturing facility by March 2024. The company's diverse product portfolio includes bio-based chemicals, sugar, various ethanol grades, and power, serving industries such as food, beverages, pharmaceuticals, cosmetics, and energy. According to Frost & Sullivan, the company offers the widest bio-based product range among its peers in India.

Investment Rationale:

Continuing to diversify product offerings and improving operational efficiency:

The company manufactures a diverse range of products, including bio-based chemicals, ethanol, sugar, and power, with key offerings like ethyl acetate, bio-ethyl acetate, MPO, and 1,3 butylene glycol. Plans are underway to expand distillery capacity from 600 KLPD to 1,000 KLPD, with environmental clearance secured. The company has launched EVE and continues to explore new value-added products. Under the 'Jivana' brand, it markets sugar and food products, aiming for broader geographical reach and product line expansion. To enhance operational efficiency, the company is diversifying feedstock by incorporating grains and bagasse, optimizing processes, and reducing fossil fuel use through renewable energy adoption. Strong customer relationships and quality certifications are expected to support future growth and product commercialization.

One of the largest producers of Ethanol in terms of volume: The company is a leading producer of ethanol-based chemicals in India, with a 570 KLPD ethanol capacity as of March 31, 2024. It ranks as the largest MPO manufacturer globally and is the only Indian producer of bio ethyl acetate. As of June 30, 2024, its capacity utilization ranged from 2.64% to 58.39%, generating revenues of INR 946.01 million in Q1 FY24. The company primarily supplies oil marketing firms under India's ethanol blended petrol program, with the Indian ethanol market projected to grow from USD 7 billion in 2023 to USD 17.5 billion by 2028. It produces various bio-based chemicals, enabling customers to substitute conventional materials effectively.

Diversified Product Portfolio and Customer Base:

The company has significantly expanded its manufacturing capabilities and product portfolio, which includes bio-based chemicals, sugar, and ethanol. This diversification reduces reliance on any single product category. According to Frost & Sullivan, the company boasts the widest range of bio-based products in India. With tightening global regulations on hazardous chemicals, demand for green chemicals is expected to rise over the next decade. The company's bio-based chemicals serve various industries, including personal care, cosmetics, food, fuel, paints, and pharmaceuticals. Ethanol produced is primarily sold to oil marketing companies and is also used in beverages and pharmaceuticals.

Valuation and View:

The company is an integrated bio-refinery in India, with an installed ethanol capacity of 570 KLPD as of March 31, 2024, making it one of the largest producers of ethanol in terms of volume. It operates three R&D facilities registered with the Department of Scientific and Industrial Research (DSIR), viewing research and development as a key growth driver to meet customer demands for new products. Utilizing sugarcane as its primary feedstock, the company manufactures a diverse range of products, including bio-based chemicals (such as ethyl acetate, MPO, and butanol), sugar, ethanol, and power. The company maintains a robust network of farmers in Karnataka to source sugarcane and plans to implement additional measures to ensure feedstock security.

At the upper band of INR 352, the issue is valued at a P/E ratio of 146.47x, based on a FY24 EPS of INR 2.4x . We are recommending a "Subscribe" for this issue.

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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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