

Laxmi Organic Industries Ltd : Good Issue

IPO Note : Leading Manufacturer of Acetyl and Specialty Chemicals. Flat Growth, Lower Margin, Fully Priced : Ranking***



Issue details

Price band (Rs)	Rs.129-130
IPO Opening Date	15/03/2021
IPO Closing Date	17/03/2021
Issue Size	Rs.600 Crore

Recommendation

On the financial performance front, for the last three fiscals, LOIL has posted turnover/net profits of Rs. 1396.08 cr. / Rs. 75.70 cr. (FY18), Rs. 1574.32 cr. / Rs. 72.39 cr. (FY19) and Rs. 1538.62 cr. / Rs. 70.21 cr. (FY20). For the first six months of the current fiscal ended on September 30, 2020, it has earned a net profit of Rs. 45.48 cr. on a turnover of Rs. 814.36 cr. If we annualized FY21-H1 earnings and attribute it to fully diluted post issue equity, then the asking price is at a P/E of around 37.79 against an industry composite P/E of 21.70. The issue appears fully priced. As per offer documents, LOIL has shown **Aarti Industries, Atul Ltd., Fine Organic, Navin Fluorine, Rossari Bio and SRF** as its listed peers. They are currently trading at a P/Es of around 45.16, 33.01, 62.14, 29.22, 71.02 and 42.26. **Based on the company's financial data, the issue appears fully-priced compared to industry composite and listed peers. Only high-risk Investors may consider investing in this IPO.**

Highlights

- **Laxmi Organic Industries Ltd. (LOIL) is a leading manufacturer of Acetyl Intermediates (AI) and Specialty Intermediates (SI) with almost three decades of experience in the large scale manufacturing of chemicals**
- **LOIL currently among the largest manufacturers of ethyl acetate in India with a market share of approximately 30% of the Indian ethyl acetate market**
- **In Fiscal 2010, it commenced manufacturing the Specialty Intermediates by acquiring Clariant's diketene business.**
- **LOIL 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**

Company Introduction

Incorporated in 1989, Laxmi Organic Industries Ltd is a specialty chemical manufacturer that operates in 2 business segments Acetyl Intermediates (AI) and Specialty Intermediates (SI). It is the leading manufacturer of ethyl acetate with over 30% market share in the Indian ethyl acetate market and the only manufacturer of diketene derivatives in India. Its AI segment includes ethyl acetate, acetaldehyde, fuel-grade ethanol, and other proprietary solvents whereas the SI segment includes ketene, diketene derivatives namely esters, acetic anhydride, arylides, amides, and other chemicals. Its products are being used in various industries like pharmaceuticals, agrochemicals, inks & coatings, dyes & pigments, paints, printing & packaging, etc. Alembic Pharmaceuticals Limited, Laurus Labs Limited, Granules India Limited, Hetero Labs Limited, Heubach Colour Private Limited, Hubergroup India Private Limited, Huhtamaki India Limited, Macleods Pharmaceuticals Private Limited, Seven Pharmaceuticals Limited, Colourtex Industries Private Limited, and UPL Limited are some of its customers. The company has a global footprint with customers in 30 countries including but not restricted to China, Russia, Singapore, UAE, UK, USA, Netherland, etc. Currently, it has 2 manufacturing facilities in Mahad, Maharashtra for the manufacturing of AI and SI products. It is also proposing to set-up a new manufacturing facility at Lote



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Financial Summary (Rs. In Crore)

Particulars	Six months ended Sept. 30, 2020	FY2020	FY2019	FY2018
Total Income	814.35	1538.62	1574.32	1396.07
Net Profit	45.48	70.21	72.39	75.69
EPS (Rs)	1.72	2.66	2.74	2.87

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Parshuram, Maharashtra to manufacture four specialty chemicals.

Company Promoters:

Yellow Stone Trust and Ravi Goenka are the company promoters.

Objects of the Issue:

- Investment in subsidiary firm, Yellowstone Fine Chemicals Private Limited (YFCPL) to partly finance the capex to establish a new manufacturing facility. To invest in YFCPL for financing working capital requirements.
- To finance the capex for expansion of SI manufacturing facility. To finance business working capital requirements.
- To purchase plant and machinery for infrastructure development at SI facility. To make prepayment or repayment of borrowings availed by the company and subsidiary, Viva Lifesciences Pvt Ltd (VLPL).
- To meet general corporate purposes.

IPO Issue Proceed

To part finance its plans for investment in its wholly-owned subsidiary (Rs. 98.14 cr.), Capex for expansion of SI manufacturing unit (Rs. 103.63 cr.), prepayment/repayment of certain borrowings (Rs. 179.31 cr.), working capital (Rs. 35.18 cr.) and general corpus fund needs, the company is coming out with a maiden IPO by way of fresh equity issue worth Rs. 300.00 cr. and an offer for sale (OFS) of Rs. 300 cr. thus taking the overall size of the issue to Rs. 600 cr. The issue is for approx 23076935 equity shares of Rs. 2 each for fresh issue as well as for OFS (at the upper cap of the price) making the total issue of 46153870 shares. The company has fixed the price band of Rs. 129.00 - Rs. 130.00 per share. Minimum application is to be made for 115 shares and in multiples thereon, thereafter. The company has reserved 50% for QIBs, 15% for HNIs and 35% for Retail investors. LOIL's current paid-up equity capital of Rs. 48.12 cr. will stand enhanced to Rs. 52.73 cr. post issue. With the higher price of the IPO, the company is looking for a market cap of Rs. 3427.62 cr.

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