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Issue Detail	
Price Band (Rs)	Rs.129- 130
Face Value (Rs)	2
Issue Size (Rs)	600 Cr
Issue Type	Book Building
Minimum lot	115
Issue Opens	March 15, 2021
Issue Closes	March 17, 2021
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	March 22, 2021
Unblocking of Funds	March 23, 2021
Credit of shares to Demat Account	March 24, 2021
Listing on exchange	March 25, 2021

Other Detail	
Book Running Lead Managers	Axis Capital Limited, DAM Capital Advisors Limited
Registrar	Link Intime India Private Limited

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Laxmi Organic Industries Limited

Company Background

Incorporated in 1989, Laxmi Organic Industries Ltd ("Laxmi Organic") 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. 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 Parshuram, Maharashtra to manufacture four specialty chemicals.

Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.300Cr and Offer for sale of Equity Shares aggregating upto Rs.300Cr. (The company has undertaken a Pre-IPO Placement of 15,503,875 Equity Shares at a price of Rs.129/- per share, aggregating to Rs.200 crore)

Issue Objectives

Particulars	(Rs. In Cr)
Investment in subsidiary firm, Yellowstone Fine Chemicals Private Limited (YF-CPL) to partly finance the capex to establish a new manufacturing facility.	60.40
To invest in YFCPL for financing working capital requirements.	37.74
To finance the capex for expansion of SI manufacturing facility.	91.06
To finance business working capital requirements.	35.18
To purchase plant and machinery for infrastructure development at SI facility.	12.57
To make prepayment or repayment of borrowings availed by the company and subsidiary, Viva Lifesciences Pvt Ltd (VLPL).	179.31
To meet general corporate purposes.	

IPO Share Allotment Pattern

Category	Allocation	Number of Shares at Rs.129	Number of Shares at Rs.130	Issue Size (Rs.Cr)
QIB	50%	2,32,55,813	2,30,76,923	300
Non-Institutional	15%	69,76,744	69,23,076	90
Retail	35%	1,62,79,069	1,61,53,846	210
Total		4,65,11,626	4,61,53,846	600

Outlook and Valuations

Laxmi Organic is currently among the largest manufacturers of ethyl acetate in India with a market share of approximately 30% of the Indian ethyl acetate market. The company's capacity of speciality chemicals will increase to 82,525 MTPA by November 2021 from the current 78,045 MTPA. It has entered the fluoro speciality chemicals business through the acquisition of assets of Italy's Miteni. Commercial production from the new fluoro chemical plant is expected to start from March 2022, which offers a promising scope for growth. At the upper price band of Rs.130, the stock is valued at 37.68x FY21E EPS of Rs.3.45/- (based annualize latest earnings and on diluted basis). **We recommend investors to SUBSCRIBE to the IPO.**

Investment Rationale

Leading manufacturer of ethyl acetate with significant market share

Ethyl acetate is a highly versatile solvent used in multiple applications across industries. It is derived from non-aromatic raw materials. The bio-based origin of ethyl acetate gives it a distinct identity and making it a preferred solvent over traditional solvents, given its lower toxicity when exposed to humans. The allowance of ethyl acetate in the human body is more than other solvents. In 2015, REACH banned products including glues containing toluene, chloroform, or benzene. In view of health hazards, this ban might be adopted by other regions as well and according to the Frost & Sullivan Report, such ban will enhance the need to move to a green solvent like ethyl acetate which will in turn be beneficial to the company.

As there are no drop-in replacements for ethyl acetate available for the customers, it cannot be easily replaced by their customers with other solvents. Further, ethyl acetate has one of the higher evaporation rates among solvents making it a preferred solvent across multiple industries. Additionally, it is a low impact input (in terms of its relative cost in their final product) for the pharma and agro products.

Company's conversion efficiencies have been strong and maintained consistently helping in consistent contribution margin maintenance throughout business cycles. They are currently among the largest manufacturers of ethyl acetate in India with a market share of approximately 30% of the Indian ethyl acetate market.

Only Indian manufacturer of diketene derivatives with a significant market share and one of the largest portfolios of diketene products

Traditionally, India fulfilled most of its diketene demand from imports which were mainly from Europe or from China. Over the last decade, being the only manufacturer of diketene derivatives, pursuant to inter alia company's R&D efforts and customer relationships they have rapidly gained domestic market share and held a market share of approximately 55% of the Indian diketene derivatives market in terms of revenue in Fiscal 2020. Their SI Manufacturing Facility manufactures a range of specialty chemicals that cater to pharmaceuticals, colorants and agrochemical industries and also substitute possible imports. They were one of the largest suppliers of diketene based specialty intermediates in Europe from India in calendar year 2019.

The increasing demand in pharmaceuticals and agrochemicals from developing economies like India is likely to increase the consumption of diketene and its derivatives, where Laxmi Organic has a very strong presence which currently offers more than 34 products as part of their Specialty Intermediates portfolio and have one of the largest portfolios of diketene products.

Diversified customer base across high growth industries and long-standing relationships with marquee customers

Their products find application in a number of high growth industries including pharmaceuticals, agrochemicals, dyes & pigments, inks & coatings, paints, printing & packaging, flavours & fragrances, adhesives and other industrial applications. Amongst the industries to which they cater, during the forecast period of 2019-24 the global active pharmaceutical ingredients market size is projected to grow at a CAGR of 5%-6%, the global agrochemicals and fertilizer market is expected to garner revenue at a CAGR of 5.5-6%, and the paints, coatings and additives industry is projected to grow at a CAGR of 5.1%.

Percentage of the company's total revenue from sale of manufactured products and services on a standalone basis

Industry	FY 2020
Pharmaceuticals	35.70%
Agrochemicals	14.44%
Colour and pigments	15.22%
Printing and packaging	8.07%
Other Industrial applications	9.26%
Distributors	26.30%

Strategically located manufacturing facilities, vertical integration and supply chain efficiencies

The company currently has 2 strategically located Manufacturing Facilities for Acetyl Intermediates and Specialty Intermediates which are located in Mahad, Maharashtra, in close proximity to several ports including the Jawaharlal Nehru (Nhava Sheva) Port, JSW port and Mumbai port which ensures that they have ready access to port facilities and are able expediently import their raw materials and export their products thereby providing them with a cost and logistical advantage. They also have 2 Distilleries located in Maharashtra for the manufacturing of ethanol and specially denatured spirit from molasses. These Distilleries and their 2 Manufacturing Facilities are located close to sugar mills in Maharashtra thereby providing them with easy supply for molasses and reducing transportation costs. Ethanol is a basic raw material required for the manufacture of Acetyls including acetic acid, acetaldehyde and ethyl acetate.

In-house research and development capabilities and consistent track record of technology absorption

The company has demonstrated a track record of concept to commercialization. As on September 30, 2020, they had more than 34 products as part of the Specialty Intermediates product category. Through their R&D efforts, in addition to the products acquired from Clariant, they have added 20 new products (the "New Products") to their Specialty Intermediates portfolio over the last decade. The company has developed 5 different chemistry platforms on a commercial scale. The company has a dedicated team of research scientists comprising 49 employees, as on September 30, 2020.

Global presence and low geographical concentration

In addition to India, Laxmi Organic has customers in over 30 countries. The geography-wise break-up of the company's revenues from sale of manufactured products and services (on a standalone basis)

Geography	FY 2020
India	35.70%
Europe	14.44%
Middle East	15.22%
Africa	8.07%
China	9.26%
Rest of Asia	26.30%

Establishing the fluorospecialty chemicals business

In June 2019, the company acquired assets including plant & machinery, design and operating paperwork, REACH registrations and patents of Miteni, a manufacturer of organic fluorospecialties and electrochemical fluorination with a view to foray into the fluorospecialty chemical business and leverage their experience, capabilities and relationships. The assets acquired from Miteni include inter alia differentiated world-class technology and equipment and a library of more than 100 products including products in research and development and scale-up stages. Further, they have also acquired 14 patents, 41 REACH registrations and all the formulations, production and maintenance data and research and development data through this acquisition. They intend to capture the market share of Miteni given its existing chemistries and past customer base.

The market for fluorochemicals in India was valued at ~USD 40.5 crore for the 2019. It is estimated that up to 20% of pharmaceuticals in the market or in clinical development contain a fluorine atom and 50% of agrochemicals molecules developed recently also contain fluorine.

Financial Snapshot

Particulars (Rs.Mn)	FY2018	FY2019	FY2020	H1FY21
Equity share capital	100	500	450	450
Net worth	3793	4498	4269	4724
Net asset value per share	15.16	17.98	18.97	20.99
Revenue from Operations	13,931	15,685	15,341	8,134
EBITDA	1,544	1,586	1,437	863
EBITDA %	11.06%	10.11%	9.34%	10.6%
Net Profit	757	724	702	455
Diluted EPS (Rs)	3.03	2.89	2.86	2.02
ROE	20.01%	16.13%	16.45%	9.65%*
ROCE	26.57%	20.65%	17.50%	10.87%*

*Not annualized , Source: Company RHP, ACMIIL Research

Comparison With Listed Peers

Company	Standalone/ Consolidated	Total Income (Rs.Mn)	EPS	NAV	P/E	ROE(%)
Laxmi Organic Industries Ltd	Consolidated	15,341	2.86	18.97	37.68^	16.45%
Aarti Industries Limited	Consolidated	46,206	30.77	170.96	41.24	18%
Atul Limited	Consolidated	40,930	224.69	1063.63	29.33	21.12%
Fine Organic Industries Limited	Consolidated	10,380	53.75	201.86	43.27	26.63%
Navin Flourine Limited	Consolidated	10,615	82.53	285.46	32.19	28.42%
Rossari Biotech Limited	Consolidated	6,001	13.23	56.49	77.96	7.8%
SRF Limited	Consolidated	72,094	177.29	858.26	30.57	20.66%

* All the financial information for listed industry peer mentioned above is on a consolidated basis and is sourced from the annual report of the company for the year ended March 31, 2020. P/E Ratio has been computed based on the closing market price as on March 01,,2021.^P/E Ratio has been computed based on the Issue price and annualize September 2020 earning.

Risk and Concern

- A large part of manufacturing facilities are located in one geographic area and therefore, any localized social unrest, natural disaster or breakdown of services or any other natural disaster in and around Mahad, Maharashtra could have material adverse effect on business and financial condition.
- The Company is in the process of setting up the Proposed Facility for manufacturing of fluorospecialty chemicals. A new product line, may not be accepted by their customers which may have an adverse impact on their prospects, growth, results of operations and financial condition.

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RBI Monetary Policy	Techno-Funda
Union Budget Report	Top Mutual Fund Schemes
Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Stock Basket
Rollover Analysis	

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