# LAXMI ORGANIC INDUSTRIES LIMITED

## Issue highlights

- **Laxmi Organic Industries Limited ("Laxmi Organic")** was incorporated on May 15, 1989. The company is a **leading manufacturer of Acetyl Intermediates and Specialty Intermediates with almost 3 decades of experience in large scale manufacturing of chemicals**. 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**. Further, post completion of the Yellowstone Chemicals Pvt. Ltd. ("YCPL") Acquisition, their market share in the ethyl acetate market will be further enhanced.
- **Company's products are currently divided into 2 broad categories, namely the Acetyl Intermediates ("AI") and the Specialty Intermediates ("SI").** The Acetyl Intermediates include ethyl acetate, acetaldehyde, fuel-grade ethanol and other proprietary solvents, while the Specialty Intermediates comprises of ketene, diketene derivatives namely esters, acetic anhydride, amides, arylides and other chemicals. They have dedicated manufacturing facilities for each AI & SI with combined installed capacity of 239,365 MTPA. They have DSIR approved 2 R&D facilities with state of the art infrastructure for synthesis of advanced intermediates.
- The company has Diversified product portfolio in various high growth industries, including pharma, agrochem, paints & coatings, printing, packaging, dyes & pigments.
- Laxmi Organic has global footprint with customers in over 30 countries
- In 2010, Laxmi Organic commenced manufacturing the Specialty Intermediates by **acquiring Clariant's diketene business**. Laxmi Organic is the **only manufacturer in India of diketene derivatives with a market share of approximately 55 %** in terms of revenue in Fiscal 2020.
- Laxmi Organic also proposes to diversify into **manufacturing of specialty fluorochemicals** to which end, they have **recently acquired assets including plant & machinery, design and operating paperwork, REACH registrations and patents of Miteni**, a manufacturer of organic fluorospecialties and electrochemical fluorination.

## Brief Financial Details*

*( ₹ In Cr)*

| | As at Sep'30, | As at Mar' 31, | | |
|---|---|---|---|---|
| | 2020(6) | 2020(12) | 2019(12) | 2018(12) |
| Equity Share Capital | 45.02 | 45.02# | 50.05 | 10.01 |
| Reserves^ | 426.43 | 380.94 | 398.84 | 368.36 |
| Net worth as stated | 471.45 | 425.96 | 448.89 | 378.37 |
| Revenue from Operations | 813.41 | 1,534.12 | 1,568.52 | 1,393.07 |
| Revenue Growth (%) | - | (2.19)% | 12.59% | - |
| EBITDA as stated | 86.34 | 143.71 | 158.62 | 154.41 |
| EBITDA (%) as stated | 10.60% | 9.34% | 10.08% | 11.06% |
| Profit Before Tax | 56.20 | 80.80 | 97.59 | 113.31 |
| Net Profit for the period | 45.48 | 70.21 | 72.39 | 75.70 |
| Net Profit (% )as stated | 5.59% | 4.56% | 4.60% | 5.42% |
| EPS (₹ ) | 2.02 | 2.86 | 2.89 | 3.03 |
| RoNW (%) | 9.65% | 16.45% | 16.13% | 20.01% |
| Net Asset Value (₹ ) | 20.99 | 18.97 | 17.98 | 15.16~ |
| ROE (%) | 10.12% | 15.99% | 17.46% | 22.13% |
| ROCE (%) | 10.87% | 17.50% | 20.65% | 26.57% |
| Asset Turnover Ratio | 0.77 | 1.47 | 1.64 | 1.82 |
| Working Capital Turnover Ratio | 5.85 | 10.86 | 11.34 | 14.53 |

*Source: RHP ***Consolidated,** Ratios calculated for 30th Sep' 2020 are not annualised. #Reduction of Equity capital due the buyback of shares. ^Reserve excluding revaluation of assets, write-back of depreciation and amalgamation, ~ Adjusted for Bonus issue.*

## *Issue Details*

***Equity Shares aggregating upto ₹ 600 Cr***
*(Fresh Issue of Equity shares aggregating upto ₹ 300 Cr and Offer for sale of equity shares aggregating upto ₹ 300 Cr)*

### Issue summary

**Issue size: ₹ 600 Cr**
**No. of shares: 46,511,626 – 46,153,846**
**Face value: ₹ 2**

### Issue summary

**Price band : ₹ 129 - 130**
**Bid Lot**:**115 Shares** and in multiple thereof

**Post Issue Implied Market Cap =**
**₹ 3,404 – 3,428 Cr**

**BRLMs**: **Axis Capital**, DAM Capital
**Registrar:** Link Intime India Pvt. Ltd.

**Issue opens on**: Monday**, 15th Mar'2021**
**Issue closes on**:Wednesday**, 17th Mar'2021**

### Indicative Timetable

| Activity | On or about |
|---|---|
| Finalisation of Basis of Allotment | 22-03-2021 |
| Refunds/Unblocking ASBA Fund | 23-03-2021 |
| Credit of equity shares to DP A/c | 24-03-2021 |
| Trading commences | 25-03-2021 |

### Issue break-up

| | No. of Shares | ₹ In Cr | % of Issue |
|---|---|---|---|
| QIB | 23,255,812 – 23,076,922 | 300 | **50%** |
| NIB | 6,976,744 – 6,923,077 | 90 | **15%** |
| Retail | 16,279,070 – 16,153,847 | 210 | **35%** |
| **Total** | **46,511,626 – 46,153,846** | **600** | **100%** |

**Listing : BSE & NSE**

### Shareholding (No. of Shares)

| Pre issue | Post issue~ | Post issue^ |
|---|---|---|
| 240,585,850 | 263,841,663 | 263,662,773 |

~@Lower price Band ^@ Upper Price Band

### Shareholding (%)

| | Pre-Issue | Post-Issue |
|---|---|---|
| Promoters & Promoter Gr | 89.51% | 72.92% |
| Public | 10.49% | 27.08% |
| **Total** | **100.00%** | **100.00%** |

*For additional information & risk factors please refer to the Red Herring Prospectus.*

## BACKGROUND

### Company and Directors

**The company was incorporated as** Laxmi Organic Industries Limited at Mumbai on May 15, 1989. The company was promoted by Ravi Goenka and Yellow Stone Trust.

### Brief Biographies of Directors

**Ravi Goenka** is the Promoter, Chairman and Managing Director of the company. He has been associated with the company since inception, and has approximately 30 years of experience in the chemicals and paper industries, 16 years of experience in the education industry, and 21 years in the power industry. He is a director on the board of International Knowledge Park Pvt. Ltd. which established Ecole Mondiale World School and Russell Square International College.

**Satej Nabar** is the Executive Director and Chief Executive Officer of the company. He has been associated with the company since April 1, 2020 and has around 31 years of experience in the chemicals industry and has handled numerous functions including, sales and marketing, corporate strategy, innovation and manufacturing. Prior to joining the company, he was associated with Atul Ltd. as president – polymers business; Styrolution ABS (India) Ltd. as head – sales and marketing; BASF South East Asia Pte Ltd. as manager- Asia Pacific, Styrolux Market/Business Development; Reliance Industries Ltd. as deputy general manager- technical (PE), Bhor Industries Ltd. as unit manager of a plant in Satara; Caprihans India Ltd. as a project engineer; Garware-Wall Ropes Ltd. as the executive in the new-projects department; and Kabra Extrusion technik Ltd. of Kolsite Group of Industries as engineer, design.

**Harshvardhan Goenka** is the Executive Director – Business development and Strategy of the company. He has 9 years of experience in the chemicals industry. He has been associated with the company since September 15, 2011 and heads the business development initiatives of the company.

**Rajeev Goenka** is the Non-Executive Director of the company. He has been associated with the company since August 12, 1994 and has approximately 26 years of experience in the chemicals industry, 21 years of experience in the renewable energy, and 17 years of experience in the field of education. He was the vice president-business development of Maharashtra Aldehydes Chemicals Ltd. from 1991 to 1994 and currently serves as a member on the board. He is the founding member of, and a director on the board of directors of International Knowledge Park Pvt. Ltd. which established Ecole Mondiale World School and Russel Square International College.

**Manish Chokhani** is the Independent Director of the company. He has been associated with the company since March 30, 2012 and has 13 years of experience in the securities market. Prior to joining the company, he was the director of Enam Securities Pvt. Ltd. from 2006 to 2019. He served as the managing director and chief executive officer of Axis Capital Ltd from 2012 to 2013. He served as chairman of TPG Growth India during 2015-2016, and as senior advisor to TPG Growth during 2013 to 2019. He currently holds the position of independent director on the boards of various companies including Zee Entertainment Enterprises Ltd., Westlife Development Ltd., Shoppers Stop Ltd., Auxilo Finserve Pvt. Ltd. and Parksons Packaging Ltd. He also serves on the governing board of Flame University. He is also a director on the board of directors of Livinguard AG, a healthcare technology company based in Switzerland.

**O.V. Bundellu** is the Independent Director of the company. He has been associated with the company since February 21, 2011 and has approximately 37 years of experience in the banking industry. Prior to joining the company, he was associated with Indian Bank as manager, and with IDBI Bank Ltd. as whole-time director (designated as deputy managing director).

**Sangeeta Singh** is the Independent Director of the company. She has been associated with the company since September 4, 2017. Prior to joining the company, she was associated with KPMG as an executive director, heading human resources in India.

**Dr. Rajeev Vaidya** is the Independent Director of the company. He has approximately 30 years of experience in the chemicals industry and around 4 years of experience in investment advisory services. He is presently associated with Alpha Investments and Services LLC as the initial member. In the past, he has been associated with Dupont Specialty Products USA, LLC and has held varied capacities within the Dupont business divisions and companies, ranging from research engineer to global president for the DuPont Building Innovations business.

### Key Managerial Personnel

**Partha Roy Chowdhury** is the Chief Financial Officer of the company and the President – Corporate of the company. He joined the company on January 25, 2016. He has more than 31 years of experience in building and leading businesses through complex operational issues, financial restructuring, international expansion and capital market transactions. In the past, he has been associated with Arvind Mafatlal Group, Indian Oxygen Ltd., ESAB India Ltd. and Navin Fluorine International Ltd.

**Aniket Hirpara** is the Company Secretary of the company and the Vice President – Legal & Secretarial. He is responsible for overlooking the secretarial and legal matters of the company. He joined the company on August 3, 2012. He has more than 15 years of experience in secretarial and legal matters.

**TCN Sai Krishnan** is the Chief Operating Officer of the company. He joined the company on November 26, 2019. He has approximately 30 years of experience in manufacturing, projects, procurement & supply chain with speciality chemicals, petro chemicals, paints, inks & FMCG industries.

**Sruti Bora** is the Chief Transformation Officer and Head HR of the company. He is responsible for the human resources and transformation initiatives of the company. He joined the company on October 15, 2018.

**Jitendra Agarwal** is the Executive Vice President- AI of the company. He joined the company on June 1, 2018. He has over 27 years of experience in multi-domain such as finance, accounts, global procurement, supply chain, sales and marketing, operations and industrial relations and BU management.

**Virag Shah** is the Executive Vice President- SI Business of the company. He joined the company on July 30, 2020. He has approximately 18 years of experience in marketing, sales, business development of specialty chemicals, pharmaceutical intermediates and active pharmaceutical ingredients.

**Dr. Ajay Audi** is the Senior Vice-President- Research and Development of the company. He joined the company on December 9, 2013, and is responsible for synthesis and analytical developments of old and new molecules and intermediates of future prospects for the company at the R&D centres. He has over 16 years of experience in the field of process developments and scale ups of Agro –AIs and pharma – active pharmaceutical ingredients.

**B. P Pant** is the Senior Vice President- Business Development (P&A) of the company. He joined the company on February 28, 2018. He has over 24 years of experience in the field of process research, program management, business development, sales and marketing of agrochemical intermediates/AIs, pharmaceutical intermediates and specialty chemicals.

## OBJECTS OF THE ISSUE

The company proposes to utilise the net proceeds of the Fresh Issue and the proceeds from the Pre-IPO Placement (“**Net Proceeds**”) towards funding the following objects:

*( ₹ In Cr)*

| Objects | Amount |
|---|---|
| • Investment in the wholly owned Subsidiary, Yellowstone Fine Chemicals Pvt. Ltd. (“**YFCPL**”) for part-financing its capital expenditure requirements in relation to the setting up of a manufacturing facility for fluorospecialty chemicals (“**Proposed Facility**”); | 60.40 |
| • Investment in YFCPL for funding its working capital requirements; | 37.74 |
| • Funding capital expenditure requirements for expansion of their SI Manufacturing Facility (“Proposed Expansion”); | 91.06 |
| • Funding working capital requirements of the company; | 35.18 |
| • Purchase of plant and machinery for augmenting infrastructure development at their SI Manufacturing Facility; | 12.57 |
| • Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company and their wholly owned Subsidiary, Viva Lifesciences Pvt. Ltd (“**VLPL**”); | 179.31 |
| • General Corporate Purposes | [ • ] |
| **Total** | [ • ] |

**Utilization of Net Proceeds and Schedule of Deployment**

*( ₹ In Cr)*

| Particulars | Total Estimated Cost | Amount already deployed as on Jan’31, 2021 | Amount which will be financed from Net Proceeds | Estimated Utilisation of Net Proceeds | | |
|---|---|---|---|---|---|---|
| | | | | Fiscal 2021 | Fiscal 2022 | Fiscal 2023 |
| • Investment in Yellowstone Fine Chemicals Pvt. Ltd. (“**YFCPL**”) for part-financing its capital expenditure | 242.03 | 69.82 | 60.40 | - | 60.40 | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| requirements in relation to the setting up of the proposed facility | | | | | | |
| • Investment in YFCPL for funding its working capital requirements; | - | - | 37.74 | - | 10.13 | 27.61 |
| • Funding capital expenditure requirements for expansion of their SI Manufacturing Facility | 136.71 | 15.44 | 91.06 | - | 91.06 | - |
| • Funding working capital requirements of the Co. | - | - | 35.18 | - | 19.45 | 15.73 |
| • Purchase of plant and machinery for augmenting infrastructure development at their SI Manufacturing Facility; | 12.57 | - | 12.57 | - | 12.57 | - |
| • Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company and Viva Lifesciences Pvt. Ltd ("**VLPL**"); | - | - | 179.31 | - | 179.31 | - |
| **Total** | | | [●] | [●] | [●] | [●] |

## OFFER DETAILS

| The Offer | Amount | No. of Shares |
|---|---|---|
| **Fresh Issue** | ₹ 300 Cr | Upto 23,255,813~ - 23,076,923^ Equity Shares |
| **Offer for Sale** | | |
| Yellow Stone Trust – The Promoter Selling Shareholder | ₹ 300 Cr | Upto 23,255,813~ - 23,076,923^ Equity Shares |

*(~ at lower price band and ^ upper price band)*

**Details of Pre- IPO Placement of Rs.200 Cr**

The company has undertaken a Pre-IPO Placement of **15,503,875 Equity Shares** at a price of **₹ 129/** - per share, aggregating to **₹ 200** crore as under:

| Name of the Entity | No. of Equity Shares | Amount (₹ Cr) |
|---|---|---|
| IIFL Special Opportunities Fund – Series 7 | 5,503,875 | 71.00 |
| One Up Financial Consultants Pvt Ltd | 775,193 | 10.00 |
| Ashoka India Equity Investment Trust PLC | 2,713,178 | 35.00 |
| Malabar India Fund | 4,224,806 | 54.50 |
| Malabar Value Fund | 813,953 | 10.50 |
| GMO Emerging Domestic Opportunities Fund | 1,094,319 | 14.12 |
| Nishant Agarwal | 378,551 | 4.88 |
| **Total** | **15,503,875** | **200.00** |

**Details of Shareholding Pattern:**

| | Pre-offer | | | Post-offer | |
|---|---|---|---|---|---|
| Shareholders | Number of Equity Shares | % of Total Equity Share Capital | *No. of Shares offered* | Number of Equity Shares | % of Total Equity Share Capital |
| Yellow Stone Trust (through its trustee, Ravi Goenka) | 199,938,282 | 83.10% | *23,076,923* | 176,861,359 | 67.08% |
| Other Members of the Promoter and Promoter Group | 15,863,185 | 6.40% | | 15,401,447 | 5.84% |
| **Total for Promoter and Promoter Group** | **215,339,729** | **89.51%** | | **192,262,806** | **72.92%** |
| **Total for Public Shareholder** | **25,246,121** | **10.49%** | | **71,399,967** | **27.08%** |
| **Total Equity Share Capital** | **240,585,850** | **100.00%** | ***23,076,923*** | **263,662,773** | **100.00** |

*No. of shares offered are @ upper price band*

## BUSINESS OVERVIEW

Laxmi Organic Industries Limited ("**Laxmi Organic**") is a leading manufacturer of Acetyl Intermediates and Specialty Intermediates with almost 3 decades of experience in large scale manufacturing of chemicals. Since their inception in 1989, they have been on a journey of transformation. They initially started manufacturing acetaldehyde and acetic acid in 1992, and soon thereafter moved on to manufacturing of ethyl acetate in 1996. 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. Further, post completion of the YCPL Acquisition, their market share in the ethyl acetate market will be further enhanced. In 2010, Laxmi Organic commenced manufacturing the Specialty Intermediates by acquiring Clariant's diketene business. The diversification of their product portfolio into varied chemistries in Specialty Intermediates has enabled them to create a niche for themselves. **Laxmi Organic 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's products are currently divided into 2 broad categories, namely the Acetyl Intermediates ("AI") and the Specialty Intermediates ("SI").** The Acetyl Intermediates include ethyl acetate, acetaldehyde, fuel-grade ethanol and other proprietary solvents, while the Specialty Intermediates comprises of ketene, diketene derivatives namely esters, acetic anhydride, amides, arylides and other chemicals. Their products find application in various high-growth industries, including pharmaceuticals, agrochemicals, dyes & pigments, inks & coatings, paints, printing & packaging, flavours & fragrances, adhesives and other industrial applications. Laxmi Organic also proposes to diversify into manufacturing of specialty fluorochemicals to which end, they have recently acquired assets including plant & machinery, design and operating paperwork, REACH registrations and patents of Miteni, a manufacturer of organic fluorospecialties and electrochemical fluorination. They are well placed to enter into the high margin specialty fluorochemicals space through this acquisition. According to the Frost & Sullivan Report, given their expertise in the Acetyl Intermediates and the Specialty Intermediates segments, their entry into the fluorochemicals space will put them at a differentiated position from other chemicals manufacturers.

Over the years, Laxmi Organic has significantly expanded their scale of operations and global footprint with customers in over 30 countries including China, Netherlands, Russia, Singapore, United Arab Emirates, United Kingdom and United States of America.

They have offices in Leiden (Netherlands), Shanghai (China) and Sharjah (United Arab Emirates) which enables them to assess international demand and increase their customer outreach thereby bolstering their product development initiatives. They also have arrangements with third parties for usage of storage tanks in inter alia Mumbai for storage of raw materials and finished goods, and Rotterdam (Netherlands), Antwerp (Belgium) and Genoa (Italy) for storage of finished products which enables them to deliver their products on short notice. They have been the largest exporter of ethyl acetate from India in the 6 months ended September 30, 2020 and Fiscals 2020, 2019 and 2018 and one of the **largest exporters of ethyl acetate to Europe from India since 2012**.

As of September 31, 2020, the company had 649 permanent employees.

The company has diversified customer base, in India and abroad. They supply their products to customers in over 30 countries including China, Netherlands, Russia, Singapore, United Arab Emirates, United Kingdom and United States of America. Their customers include multinational companies as well as domestic companies.

| | |
|---|---|
| • Syngenta Asia Pacific Pte. Ltd.,<br>• Covestro (India) Pvt. Ltd.,<br>• Alembic Pharmaceuticals Ltd.,<br>• Dr. Reddy's Laboratories Ltd.,<br>• Flint Group India Private Ltd.,<br>• Granules India Ltd.,<br>• Hetero Labs Ltd.<br>• Heubach Colour Pvt. Ltd.,<br>• Hubergroup India Pvt. Ltd., | • Huhtamaki India Ltd.,<br>• Laurus Labs Ltd.,<br>• Macleods Pharmaceuticals Pvt. Ltd.,<br>• Mylan Laboratories Ltd.,<br>• Neuland Laboratories Ltd.,<br>• Parikh Packaging Pvt. Ltd.,<br>• Suven Pharmaceuticals Ltd.,<br>• Colourtex Industries Pvt. Ltd. and<br>• UPL Ltd. |

**Intellectual property**

The company has obtained trademark registrations with respect to "Laxmi" "Laxmisolv". Further, the company has also obtained a copyright registration with respect to the logo. They hold patents in Belgium, France, Hungary, Italy, Germany, Japan, Netherlands, Spain, Switzerland, United Kingdom and United States of America. They have additionally, filed applications for the grant of 2 process patents in India which are currently pending.

## BUSINESS IMPACT – COVID 19

There has been a mixed effect of COVID-19 on the acetyl intermediates business. The industry has witnessed an increase in sales and growth in flexible packaging and aluminium foil segment used to package the food & beverages. Healthcare sector was in demand during COVID crisis, which impacted positively on the pharmaceutical segment. However, the other commodities used in end applications like paints, coatings, adhesives, sealants, elastomers, etc. have been severely impacted due to the low demand attributed by the lockdowns imposed by various countries in all the continents .

They were permitted to continue operations during the lockdown since certain products manufactured by them were categorised as essential goods. While the AI Manufacturing Facility continued operations during the lockdown, the SI Manufacturing Facility was shut down initially for a period of 15 days. Post April 15, 2020, both Manufacturing Facilities have been fully operational. However, due to limited availability of labour, logistics and supply chain constraints, the Manufacturing Facilities were initially operating at sub-optimal capacity utilization until mid-May 2020. Subsequently, their plant utilization has improved, raw material suppliers have resumed operations and supply and logistics have become more regular.

The details of capacity utilisation at the Manufacturing Facilities during the period mentioned below:

| Manufacturing Facility | Capacity utilisation from May 1, 2020 till December 31, 2020 (in %) | Capacity utilisation from March 1, 2020 till April 30, 2020 (in %) |
|---|---|---|
| AI Manufacturing Facility | 78.55 | 75.66 |
| SI Manufacturing Facility | 67.50 | 41.06 |

They have continued selling products to their customers and during the 6 months ended September 30, 2020, their revenue from operations on a consolidated basis was ₹ 813.41 crore, including sales of products aggregating to ₹ 806.02 crore.

The company has continued to source raw materials from their suppliers and have been able to continue to supply their products to their customers. **To meet the requirement for sanitisers during the COVID-19 pandemic, they have leveraged their manufacturing capabilities to manufacture sanitisers.**

## COMPANY PRODUCT PORTFOLIO

The products currently manufactured by the company are divided into 2 categories, namely the Ac**etyl Intermediates** and the **Specialty Intermediates**.

The contribution of their manufactured Acetyl Intermediates and the Specialty Intermediates manufactured by the company and others (including traded goods) to their revenue from sale of manufactured products and services, on a standalone basis:

| Product Segment | 6 Months ended Sep' 30, 2020 | | Fiscal 2020 | | Fiscal 2019 | | Fiscal 2018 | |
|---|---|---|---|---|---|---|---|---|
| | Revenue ₹ Cr | % to the Total | Revenue ₹ Cr | % to the Total | Revenue ₹ Cr | % to the Total | Revenue ₹ Cr | % to the Total |
| Acetyl Intermediates* | 410.41 | 55.37% | 801.85 | 59.33% | 883.57 | 62.24% | 620.98 | 49.22% |
| Specialty Intermediates* | 223.96 | 30.21% | 434.69 | 32.16% | 452.72 | 31.89% | 408.47 | 32.38% |
| Others (including traded goods) | 106.86 | 14.42% | 114.97 | 8.51% | 83.38 | 5.87% | 232.18 | 18.40% |
| **Revenue from sale of manufactured products and services** | **741.24** | **100.00%** | **1,351.51** | **100.00%** | **1,419.68** | **100.00%** | **1,261.63** | **100.00%** |

**Acetyl Intermediates and Specialty Intermediates manufactured by the company including exports to Laxmi Netherlands.*

## MANUFACTURING FACILITIES AND DISTILLERIES

The company currently has 2 strategically located Manufacturing Facilities in Maharashtra located over 80,000 sq.mtr. of land. The AI Manufacturing Facility dedicated to the manufacturing of the Acetyl Intermediates, while the SI Manufacturing Facility dedicated to the manufacturing of the Specialty Intermediates.

The Manufacturing Facilities are equipped with sophisticated technology and have received a number of accreditations including ISO 45001:2018, ISO 9001:2015 and ISO 14001:2015. The company is one of the few Indian chemical companies to be recognised with RESPONSIBLE CARE certification by the Indian Chemical Council. They have received authorisation from the U.S. Department of Agriculture for use of the USDA Certified Biobased Product Label for Ethyl Acetate.

The details of Manufacturing Facilities are set forth below:

| Period | Installed production capacity at end of Fiscal/Period (MTPA) | Available production capacity for the Fiscal/ Period (MT) | Actual Production for the Fiscal/period (MT) | Capacity Utilization ( %) |
|---|---|---|---|---|
| **Acetyl Intermediates** | | | | |
| 9 months period ended Dec'31, 2020 | 161,320 | 120,990 | 93,844.95 | 77.56% |
| Fiscal 2020 | 161,320 | 161,320 | 134,816.61 | 83.57% |

| Period | Installed production capacity at end of Fiscal/Period (MTPA) | Available production capacity for the Fiscal/ Period (MT) | Actual Production for the Fiscal/period (MT) | Capacity Utilization ( %) |
|---|---|---|---|---|
| Fiscal 2019 | 161,320 | 161,320 | 128,869.63 | 80.00% |
| Fiscal 2018 | 161,320 | 161,320 | 103,946.57 | 64.44% |
| **Specialty Intermediates ("SI")** | | | | |
| 9 months period ended Dec'31, 2020 | 78,045 | 58,533.75 | 36,776.41 | 62.82% |
| Fiscal 2020 | 78,045 | 78,045.00 | 46,937.00 | 60.14% |
| Fiscal 2019 | 78,045 | 78,045.00 | 42,941.00 | 55.02% |
| Fiscal 2018 | 76,230 | 76,230.00 | 44,558.00 | 58.00% |

Further, their Distilleries are used for the manufacturing of ethanol or specially denatured sprit from molasses. Ethanol is a raw material in the manufacturing of ethyl acetate.

The details of Distilleries are set forth below:

| Period | Installed production capacity at end of Fiscal/Period (KLPA) | Available capacity for the Fiscal/ Period (KL) | Actual Production (KL) | Capacity Utilization ( %) |
|---|---|---|---|---|
| **Panchganga Distillery** | | | | |
| 9 months period ended Dec'31, 2020 | 9,112 | 5,605 | 1,798 | 32.08% |
| Fiscal 2020 | 9,112 | 9,112 | 2,328 | 25.54% |
| Fiscal 2019 | 9,112 | 9,112 | 9,423 | 103.41% |
| Fiscal 2018 | 9,112 | 9,112 | 5,134 | 56.35% |
| **Jarandeshwar Distillery** | | | | |
| 9 months period ended Dec'31, 2020 | 8,100 | 4,960 | 1,201 | 24.23% |
| Fiscal 2020 | 8,100 | 8,100 | 3,916 | 48.35% |
| Fiscal 2019 | 8,100 | 8,100 | 3,711 | 45.81% |
| Fiscal 2018 | 8,100 | 8,100 | 952 | 11.75% |

In addition, the company is in the process of setting up the Facility, which is proposed to be used for the manufacturing of fluorospecialty chemicals. The assets acquired by the company from Miteni are to be relocated the Proposed Facility. The estimated aggregate installed production capacity of the Proposed Facility shall be 13,820 TPA.

They are also in the process of expanding the installed capacity of its SI Manufacturing Facility by 4,480 MTPA. The enhanced installed capacity is proposed to be dedicated to 2 products of the company which form part of their Speciality Intermediates' product portfolio.

Further, they are also in the process of expanding its manufacturing capabilities for the Acetyl Intermediates by acquiring YCPL (a wholly owned subsidiary of AHPL) from Ravi Goenka, one of their Promoters and Chairman and Managing Director and Harshvardhan Goenka, a member of the Promoter Group and Executive Director - Business Development and Strategy. YCPL is engaged in the manufacturing of acetaldehyde and ethyl acetate. The aggregate installed production capacity at the YCPL Facility as on December 31, 2020 is 10,500 MTPA of acetaldehyde and 29,200 MTPA of ethyl acetate.

## Research and development

Company's research and development efforts are driven by the requirements of customers (potential and current) and they regularly monitor industry trends to ensure their products and production techniques remain relevant given the evolving market and customer requirements. They have 2 DSIR recognised R&D Facilities, comprising of one R&D Facility located within the SI Manufacturing Facility which primarily deals with projects related to the direct application of ketene and diketene and the Rabale Innovation Centre, which predominantly works on development of new products for them based on complex chemistries. The R&D Facilities are equipped with state-of-the-art research and development infrastructure to synthesise specialty molecules and advanced intermediates. They regularly monitor and update their research and development capabilities.

The company has a dedicated team of highly qualified research scientists holding advanced degrees, who seek to identify and develop new potential marketable products after carrying out a thorough study including product specifications, potential products costs and production timeline, based on the leads brought in by their business development and marketing teams. The R&D team also aims to provide solutions to improve manufacturing efficiency on the existing products and reduce production costs with respect to existing products. As at December

31, 2020, they had 44 permanent employees engaged in the research and development function. They also intend to set up an R&D kilo lab at the Proposed Facility.

## COMPETITIVE STRENGTHS

- ***Leading manufacturer of ethyl acetate with significant market share***

The global ethyl acetate market is expected to grow at a CAGR of more than 4.5% over the next decade in terms of volume and is projected to grow from ~4 MMT in calendar year 2019 to ~5 MMT by calendar year 2024. In terms of revenue, the global ethyl acetate market stands approximately at USD 3.5 billion globally and is expected to grow at 5.5% to 6% CAGR over the next half decade.

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 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.

Laxmi Organic has been the largest exporter of ethyl acetate from India in the 6 months ended September 30, 2020 and Fiscals 2020, 2019 and 2018, which amounted to slightly less than half of the total ethyl acetate exports from the country. They have also been one of the largest exporters of ethyl acetate to Europe from India since 2012. They have a long-standing presence in Europe with approximately 2 decades of experience in the sales of ethyl acetate in Europe and is the only Indian company engaged in the sale of ethyl acetate with a direct presence in Europe currently. Such experience and direct presence in Europe has enabled them to establish and consolidate their position in Europe.

Further, many multinational players are investing in India for manufacturing their flexible packaging, paints and coatings, adhesives and sealants, essentially catering to foreign destinations through exports . According to the Frost & Sullivan Report, active players in the Acetyl Intermediates space like Laxmi Organic will be at a greater advantage in the domestic market.

Company's strategically located and backward integrated AI Manufacturing Facility as well as the economies of scale has, over the years, enabled them to maintain the consistency in quality of their products. Their manufacturing operations are further supported by large storage capabilities at their AI Manufacturing Facility as well as storage tanks in *inter alia* Mumbai, Rotterdam (Netherlands), Antwerp (Belgium) and Genoa (Italy).

- ***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 | 6 months ended September 30, 2020 | Fiscal 2020 |
|---|---|---|
| Pharmaceuticals | 33.98% | 35.70% |
| Agrochemicals | 13.97% | 14.44% |
| Colour and pigments | 10.62% | 15.22% |
| Printing and packaging | 9.51% | 8.07% |
| Other Industrial applications | 7.87% | 9.26% |
| Distributors | 24.04% | 26.30% |
| **Total** | **100.00%** | **100.00%** |

- ***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 sprit 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. Their Distilleries enable backward integration by acting as feeder plants to both their Acetyls as well as Specialty Intermediates operations, provide effective control over raw materials and also reduce their dependence on third parties for ethanol.

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

The research and development of new products to meet company's customers' requirements is a key growth driver of their business. They have 2 DSIR recognised research and development facilities ("**R&D Facilities**"), comprising of their R&D Facility located within the SI Manufacturing Facility which primarily deals with projects related to the direct application of ketene and diketene and their innovation center located at Rabale, Navi Mumbai (the "**Rabale Innovation Centre**"), which predominantly works on development of new products for them based on complex chemistries.

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 | 6 months ended September 30, 2020 | Fiscal 2020 |
|---|---|---|
| India | 76.71% | 75.64% |
| Europe | 12.33% | 13.71% |
| Middle East | 3.75% | 4.36% |
| Africa | 2.37% | 2.38% |
| China | 0.33% | 0.57% |
| Rest of Asia | 4.43% | 2.56% |
| Rest of the World | 0.09% | 0.78% |
| **Total** | **100.00%** | **100.00%** |

- ***The differentiated business model, asset base, product mix and experience in handling complex chemistries create high entry barriers***

The industry in which they operate has high entry barriers due to *inter alia* the involvement of complex chemistries in the manufacturing of their products and the requirement to be enlisted as a supplier after due qualification of the products with certain customers, particularly with the customers in the pharmaceutical and agrochemical industries.

The specialty chemicals industry is highly knowledge intensive. Further, the manufacture of Specialty Intermediates is capital intensive. Given the nature of the application of their products, their processes and products are subject to, and measured against, high quality standards and stringent impurity specifications. Further, with respect to end products manufactured by certain of their customers, the usage of their products has been formally recognised in filings with regulatory agencies, any change in the vendor of the product may require significant time and cost for the customer. The company has achieved a high capital efficiency with high asset turnover and working capital turnover ratios, which enables them to utilise their capital in the optimal manner and remain competitive in the industry they operate in.

- ***Experienced promoter, board of directors and key managerial personnel***

The company has a strong and well experienced Board, which is supported by highly qualified functional heads and key managerial personnel who actively contribute to and participate in their strategies, operations and business development. Their Promoter, Ravi Goenka, who is also their Chairman and Managing Director, has extensive experience in the chemicals industry and has played a significant role in the development of their business. They have benefitted significantly from their Promoter's experience and capabilities, as well as their senior management's diverse backgrounds which have enabled them to understand and anticipate market trends, expand their product portfolio, manage their business operations and growth, leverage customer relationships and respond to changes in the business environment and customer preferences. The key managerial personnel are experienced across various functions such as finance, legal and secretarial and business development.

## KEY BUSINESS STRATEGIES

- ***Volume maximisation at the Manufacturing Facilities by expanding installed capacities to support the growth initiatives***

As a part of the growth strategy, the company intends to maximise production volumes at their Manufacturing Facilities. They are also in the process of expanding their manufacturing capabilities for the Acetyl Intermediates by acquiring AHPL, which through its wholly owned subsidiary-YCPL is engaged in the manufacturing of acetaldehyde and ethyl acetate. Further, as a single site risk mitigation initiative, they are in the process of identifying one or more site for the future growth of their business beyond the currently committed expansion initiatives.

Their capacity utilisation for the 6 months ended December 31, 2020 of the AI Manufacturing Facility was 77.56% and of the SI Manufacturing Facility was 62.82%. They propose to increase the installed capacity at their AI Manufacturing Facility and are in the process of increasing the installed capacity at their SI Manufacturing Facility from 78,045 MTPA to 82,525 MTPA.

- ***Expanding and optimising the product portfolio***

The company intends to diversify their existing product portfolio by adding new products (including downstream and value added products) which are synergistic with their existing products and chemistries. Introduction of such products would increase the profit margins and the long-term contracts would provide them incremental and steady revenues. They also intend undertaking manufacturing of certain products on a contract manufacturing basis with their customers to ensure efficient utilisation of their Manufacturing Facilities and to increase their cash flows.

- ***Increasing the global footprint and augmenting growth in current geographies***

With a view to further diversify their customer base and increase the market share, Laxmi Organic intends to augment their sales in the geographic markets where they sell their products as well as expand into new geographic markets. They will continue to focus their efforts in select geographies such as United States of America, and establish a greater presence there. Their growth strategy in these markets will be to create strong local presence and connect and expertise with required development capabilities to exploit growth potential offered by these markets. Their strong focus will remain on acquiring new customers, retaining existing customers and offering high quality products and innovation.

- ***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.

**The company is in the process of setting up the Proposed Facility in Lote Parshuram, Maharashtra for manufacturing fluorospecialty chemicals which is proposed to commence operations by the fourth quarter of Fiscal 2022.**

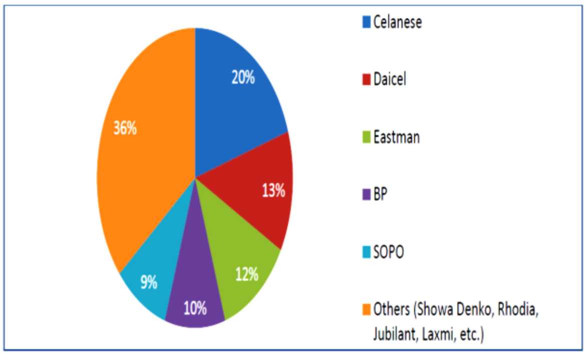
- ***Continuing focus on innovation and leveraging chemistries and technology absorption***

The company intends to increase their initiatives in research and development in order to enhance their diversified product portfolio in both the domestic market and international markets. Their research and development capabilities have enabled the **company to expand their Specialty Intermediates offerings from 14 products as at March 31, 2012 to more than 34 products as at September 30, 2020**. As part of their strategy, they will continue to leverage this know-how in complex chemistries and their experience in engineering to focus on the addition of downstream and value-added products to their product portfolio as well as addition of fluorospecialty products to their portfolio. Their new products in the AI and SI segment are expected to have synergies in terms of raw materials and processes with their existing products.

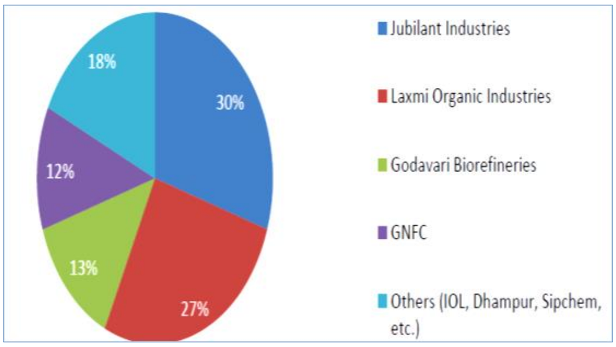
The company has recently entered into a long-term agreement for sale of an agrochemical intermediate to a prominent crop sciences company and also recently launched an intermediate which can be used as an active pharmaceutical ingredient for a drug for HIV. Further, they also intend to set up a dedicated R&D unit for fluorospecialty at the Proposed Facility.

## INDUSTRY OVERVIEW

**Global Acetyl market segmentation by Competitors (excludes Acetic Acid), 2019 (USD 13.4 Bn)**




**Indian Acetyl market segmentation by Competition (excludes acetic acid), 2019 (0.73 MMT)**




**Key plant capacities of Ethyl Acetate in India**

| Company | Plant Location | Capacity (KT) | 2019 Production (KT) | Utilisation |
|---|---|---|---|---|
| Jubilant Life Sciences | Nira MS & Gajraula UP | 150 | 118 | 79% |
| **Laxmi Organic** | **Mahad, Maharashtra** | **127** | **104** | **82%** |
| Yellowstone Chemicals Pvt. Ltd. | Maharashtra | 40 | 20 | 50% |
| Godavari Biorefineries | Sakarwadi, Maharashtra | 105 | 86 | 82% |
| GNFC | Bharuch, Gujarat | 55 | 63 | 114% |

| Company | Plant Location | Capacity (KT) | 2019 Production (KT) | Utilisation |
|---|---|---|---|---|
| IOL Chemicals | Barnala, Punjab | 87 | 42 | 48% |
| Dhampur Alcochem | Bijnor, UP | 50 | 24 | 46% |
| Satyam Petrochemicals | Karad, Maharashtra | 50 | 19 | 39% |
| Ester India | Sahibabad, UP | 12 | 9 | 79% |
| Others (Shatabdi, etc.) | Ghaziabad, UP, etc. | 19 | 9 | 47% |

## COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2020)

| Name of the Bank | Consolidated / Standalone | Face Value | Closing Price on March 31, 2020 ( ₹) | Total Revenue for Fiscal 2020 ( ₹ Cr) | EPS (Basic) | NAV^ | P/E~ | RoNW (%) |
|---|---|---|---|---|---|---|---|---|
| **Laxmi Organic Industries Ltd*** | **Consolidated** | **2** | **[ • ]** | **1,534.12** | **2.86** | **18.97** | **[ • ]** | **16.45%** |
| **Peer Group** | | | | | | | | |
| Aarti Industries Limited | Consolidated | 5 | 76.68 | 4,620.69 | 30.77 | 170.96 | 24.92 | 18.00% |
| Atul Limited | Consolidated | 10 | 398.85 | 4,093.06 | 224.69 | 1,063.63 | 17.75 | 21.12% |
| Fine Organic Industries Limited | Consolidated | 5 | 190.61 | 1,038.08 | 53.75 | 201.86 | 35.46 | 26.63% |
| Navin Flourine Limited | Consolidated | 2 | 121.17 | 1,061.55 | 82.60 | 285.46 | 14.68 | 28.42% |
| Rossari Biotech Limited | Consolidated | 2 | - | 600.09 | 13.42 | 56.49 | - | 7.88% |
| SRF Limited | Consolidated | 10 | 278.33 | 7,209.41 | 177.29 | 858.26 | 15.70 | 20.66% |

*Source: RHP*

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