

Regaal Resources Ltd– IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
12 August 2025	14 August 2025	₹96-102	SUBSCRIBE

Company Overview

Incorporated in 2012 and headquartered in Kolkata, Regaal Resources Ltd. is engaged in manufacturing maize-based speciality products, including native maize starch, modified starch, value-added products, and co-products. Regaal Resources is one of India's largest maize-based specialty product manufacturers, with a total installed crushing capacity of 750 tonnes per day (TPD), which is planned to be expanded to 1,650 TPD.

The company's manufacturing facility is strategically located within the maize catchment area in Bihar, just 110 km from Gulabghagh, one of India's largest maize markets, enabling efficient procurement and reduced logistics costs. Key product segments in FY25 comprised native maize starch (59.3% revenue share), modified starch (0.5%), co-products (21.8%), value-added products (1.6%), and traded maize (16.8%). Its product range includes starch, dextrin's, gluten, germ, fibre, and value-added offerings such as baking powder, custard powder, maize flour, and icing sugar.

In FY25, domestic operations accounted for 92.8% of revenue, with the East contributing 38.8%, North 31.6%, West 15.9%, and the rest of India 6.5%, while exports formed 7.2%, going to Malaysia (3.3%), Bangladesh (2.2%), and Nepal (1.7%). End-user industries served include paper (27.4% revenue share), animal feed (13.2%), food manufacturing (7.5%), other manufacturing (16.5%), and dealers/distributors (35.5%).

The company's customer base of about 261 includes notable names such as Emami Paper Mills Ltd., Manioca Food Products Pvt. Ltd., Century Pulp & Paper, Kush Proteins Pvt. Ltd., Shri Guru Oil Industries, Mayank Cattle Food Ltd., Aarnav Sales Corporation, AMV Sales Corporation, Eco Tech Papers, Genus Paper Board Pvt. Ltd., Krishna Tissues Pvt. Ltd., Maruti Papers Pvt. Ltd., and M/s Vasu and Sons etc.

Business Model

Regaal Resources Ltd. operates an integrated maize processing business model, sourcing maize primarily from the Bihar maize belt and nearby states through traders, agri-distribution companies, and direct farmer relationships. Its strategically located facility near Gulabghagh mandi enables low-cost, efficient procurement and consistent supply. Using wet milling technology, the company produces native maize starch, modified starch, co-products such as gluten, germ, and fibre, and value-added products like baking powder, custard powder, maize flour, and icing sugar, along with traded maize. These products cater to diverse end-user industries, including paper, animal feed, food manufacturing, and other manufacturing segments, while sales are made directly to large customers and through dealers and distributors. The revenue mix in FY25 was heavily domestic at 92.8%, with exports to Malaysia, Bangladesh, and Nepal contributing 7.2%. Capacity expansion from 750 TPD to 1,650 TPD is underway to meet growing demand. Competitive strengths include its strategic location, diversified product basket, large-scale operations, and ESG-compliant manufacturing with captive power generation, enabling it to serve high-growth industrial sectors efficiently.

Investment Rationale

1. Strategic Location Advantage

Regaal Resources' plant in Kishanganj, Bihar is located in a top maize-producing belt contributing 11.58% of national output. Proximity to Gulabghagh mandi ensures cost-efficient, high-quality raw material procurement. Being the only maize milling plant in Bihar strengthens supply security and pricing advantage. The location offers easy access to domestic markets and export hubs like Nepal and Bangladesh. State policy incentives and abundant water supply further enhance profitability and operational continuity. The Seemanchal and Koshi regions, including Purnea, Kishanganj, Araria, and Katihar, have emerged as major maize hubs, where maize has replaced other crops as the main cash crop. The proximity to this mandi is a critical logistical advantage, reducing inbound freight costs and ensuring consistent, timely procurement.



2. Strong Procurement and Storage Capabilities

The company sources maize from traders, agri-distribution companies, and directly from farmers through aggregators. In FY25, traders supplied 80.8%, agri-distributors 14.1%, and farmers 5.1%. Storage infrastructure includes 4 silos (40,000 MT) and warehouses (25,000 MT), totalling 65,000 MT capacity. This enables continuous production and price risk management. Strong farmer relationships ensure consistent supply quality.

3. High-Utilization and ESG-Compliant Operations

Operating at 99.74% capacity utilization, the facility reflects high efficiency and demand visibility. A 7.1 MW captive power plant supports energy self-sufficiency and cost savings. ZLD systems recycle water, ensuring environmental compliance and sustainability. Automated packing and specialized storage optimize material handling. Multiple ISO certifications and HALAL accreditation reinforce product quality and safety standards.

4. Diversified Product Portfolio

Regaal Resources produces native and modified starch, co-products like gluten and germ, and value-added items such as baking powder and maize flour. New additions since FY22 include oxidized starch, dextrin's, and maize steep liquor. Products serve industries from paper to food, pharmaceuticals, and personal care. This diversity reduces dependence on any single sector. It also positions the company to capture demand across high-growth markets. Upcoming launches like maltodextrin, liquid glucose, and dextrose products target high-demand sectors.

5. Wide Sales Network and Loyal Customer Base

The company sells directly, through distributors, and via dealers, reaching customers across India and select export markets. FY25 revenue was 92.8% domestic, with strongholds in East and North India. Export destinations include Malaysia, Bangladesh, and Nepal. Clients include Emami Paper Mills, Century Pulp & Paper, and Krishna Tissues. A balanced channel mix strengthens reach and repeats business potential.

6. Experienced Leadership and R&D Focus

Led by second-generation entrepreneur Anil Kishorepuria, the company benefits from deep industry expertise. An experienced management team and independent directors add governance strength. The in-house R&D unit has expanded the product range since FY22.

7. Strong Growth and Capacity Expansion

Revenue grew from ₹4,879.6 million in FY23 to ₹9,171.6 million in FY25 (CAGR 37%), with EBITDA CAGR at 67.33%. High utilization indicates strong demand momentum. Capacity is being expanded from 750 TPD to 1,650 TPD to capture market growth. Global starch demand is projected to grow steadily, benefiting Regaal's scale. Expansion offers significant revenue and margin upside.

8. Strategic Growth Initiatives

Debt reduction of ₹1,590 million will lower interest costs and improve cash flow. Plans to expand modified starch products cater to niche, high-margin applications. The company is entering South Indian markets for broader domestic reach. Export growth will leverage its location and improved logistics access. White-label manufacturing adds a new, scalable revenue stream.

Key Risk Metrics

1. High Supplier Concentration & No Long-Term Contracts

The Company exhibits significant supplier concentration risk, with purchases from its top 10 maize vendors accounting for over 83% of total maize procurement costs in each of the disclosed financial periods. The absence of long-term supply contracts or arrangements with these vendors heightens exposure to potential supply disruptions and adverse pricing movements. Loss of any key supplier, or a material increase in maize prices, could negatively impact raw material availability, cost structure, and overall revenue performance.

2. Negative Operating Cash Flows

The company has recorded negative net operating cash flows in previous periods. Persistent negative cash flows could strain liquidity, limit funding for working capital and capex, and hamper growth execution.

3. Customer Concentration Risk

A significant portion of revenue comes from the top 10 customers. Losing a key customer or facing a drop in their order volumes could materially affect revenues, profitability, and operational stability.

4. Seasonality & Price Volatility of raw materials

Maize, the main raw material, is seasonal and subject to supply fluctuations and sudden price changes. Even with proximity to maize-growing regions, delays or shortages can increase costs and disrupt production.

5. Geographic Concentration Risk

Sales are concentrated in certain geographies, making growth dependent on sustaining performance in these markets. Any disruption or loss of market share in these regions could affect financial performance and long-term prospects.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Regaal Resources Ltd
IPO Structure	Fresh Capital-cum-Offer for Sale
Issue Size	₹306.0 crore (3,00,00,235 shares)
Price Band	₹96 to ₹102 per share
Face Value	₹5 per share
Post-Issue Market Cap	₹1,047 Cr (approx.)
IPO Opening Date	August 12, 2025
IPO Closing Date	August 14, 2025
Listing	BSE, NSE
Promoter Holding (Pre/Post)	99.6% / 70.4%
Book Running Lead Manager	Pantomath Capital Advisors Pvt Ltd
Use of Proceeds	Repayment/prepayment of term loans 159 Cr & General corporate purposes

Valuation and Outlook

Regaal Resources Ltd., a leading Indian agro-processing company, benefits from a strategic location in Kishanganj, a major maize belt contributing 11.58% to national output, ensuring efficient sourcing and market access. With 99.74% capacity utilization and planned expansion from 750 to 1,650 TPD, it reflects strong demand and execution capability. Its 54-acre integrated facility, captive power plant, and ESG-compliant systems enhance operational strength, while a diversified product mix serves high-growth sectors like food, pharma, and personal care. The company's pan-India presence and strong customer relationships further reinforce its competitive edge. At a **P/E of 21.9x FY25 earnings** and a post-issue **market cap of ₹1,047 Cr**, the issue appears fully priced. While operations are capital-intensive with exposure to agri cycles and limited pricing power, its scale, location, and diversification support long-term growth potential.

Recommendation

We recommend a **Subscribe** rating for medium to long term, supported by Regaal Resources' strategic location, strong capacity utilization, and diversified product portfolio catering to high-growth sectors. The company's expansion plans, robust sourcing model, and pan-India presence enhance its growth visibility. While valuations appear full, its operational strengths and scalability potential make it a compelling long-term play.

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