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IPO Report

18th May '25

Snapshot

Company is a textile manufacturer based in Surat, specializing in the production of unbleached synthetic grey fabric. This fabric serves as a fundamental material for further processing, such as dyeing and printing, in various industries, including fashion, traditional textiles, technical textiles, home décor, and interior design. The versatility of grey fabric allows it to complement a wide range of unbleached fabrics across different styles, making it a valuable resource in the textile supply chain. In addition to grey fabric, company also manufactures polyester textured yarn (“PTY Yarn”), which is produced by heating polyester oriented yarn (“POY Yarn”), company’s raw material used in the production of grey fabric.

VALUATION

Company is bringing the issue at price band of Rs 205-216 per share at p/s multiple of approx. 14.73x on pot issue FY25E PAT basis.

Company has market position in grey fabric and Polyester Textured Yarn (“PTY”) manufacturing. Company has investment in highly efficient water jet looms capable of producing flawless fabric in both quality and quantity. Also, company has fully integrated manufacturing units established in strategic location along with delivering strong financial and operating metrics & experienced Promoters with execution capabilities.

Hence we recommend “Subscribe” to the issue.

Price Band (Rs./Share)	205-216
Opening date of the issue	20 th May '2025
Closing Date of the issue	22 nd May '2025
No of shares pre issue	1,99,37,295 Eq Shares
Issue size	Rs 144.89 Cr
Fresh Issue	Rs 144.89 Cr
No Of Shares	67,08,000 Eq Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	69
No of shares post issue	2,66,45,295 Eq Shares
BIDDING DETAILS	
QIBs (Including Anchor)	75% of the offer
Non-Institutional	15% of the offer
Retail	10% of the offer
Lead managers	Beeline Capital Advisors Private Limited
Registrar to the issue	KFIN Technologies Limited

WHAT WE LIKE

Company is a textile manufacturer based in Surat, Gujarat specialised in manufacturing of unbleached synthetic grey fabric, well positioned to capitalize on the growing demand in this sector

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Delivering strong financial and operating metrics

Company has organically grown its operations and has demonstrated an increase in revenues and profitability. Company’s revenue from operations grew at a CAGR of 116.84% from ₹4,233.40 lakhs in Fiscal 2022 to ₹19,905.56 lakhs in Fiscal 2024, based on its Restated Financial Information. Company’s restated profit after tax margin was 13.85%, 11.85%, 12.04%, 4.25% in the nine months period ended December 31, 2024 and during Fiscals 2024, 2023 and 2022, respectively

Investment in water jet looms capable of producing uniform textured fabric; fully integrated manufacturing units established in strategic location

Water jet looms offers significant advantages over traditional power looms in the manufacturing of synthetic grey fabric. The adoption of water jet looms presents significant benefits in the production of synthetic grey fabric. These machines offer greater precision in the weaving process, resulting in fabric that exhibits uniform texture and consistent quality. Unlike traditional power looms, which may require more mechanical components and labour-intensive setups, water jet looms can operate at higher speeds with reduced downtime.



COMPANY BACKGROUND

Company commenced its operations in 2020, and the production from its first unit, Unit 1 located at Plot No. AA/93/P, Hojiwala Industrial Estate, SUSML, Surat, Gujarat, was subsequently started in 2021. As on date, company operates three manufacturing units in Surat, Gujarat, equipped with textile manufacturing technologies for, inter alia, texturizing, warping, water jet looms, and textile folding.

The manufacturing units of company are located at the following premises: Unit 1: Plot No. AA/93/P, Hojiwala Industrial Estate, SUSML, Sachin, Surat – 394230 (admeasuring 3,180.46 sq. m.). Unit 2: Plot No. AA/34 & B/16/16, Hojiwala Industrial Estate, SUSML, Sachin, Surat – 394230 (admeasuring 7,224.00 sq. m.). Unit 3: Plot No. A 4/6, Hojiwala Industrial Estate, SUSML, Sachin, Surat – 394230 (admeasuring 7,224.00 sq. m.). The Registered and Corporate Office of Company is situated at Plot No AA/34, B 16/16, Hojiwala Industrial Estate, SUSML, Sachin, Surat, Gujarat, India – 394230. Most of the manufacturing and processing in company's units are carried out using textile manufacturing technologies, pollution light machinery and tools which are supplied by domestic and global players in the synthetic fibre industry. As of December 31, 2024, company had a total of 15 texturizing machines, 6 warping machines, 700 water jet looms and 10 folding machines active at its three units. The Indian market is experiencing a notable shift towards synthetic textiles, driven by their affordability, durability, and ease of maintenance. Current demand for polyester in India stands at approximately 4 million tonnes and is projected to rise to 6.7 million tonnes by 2025, indicating a growing consumer preference for synthetic materials. Further, evolving fashion trends, particularly the rise in brand consciousness and rapidly changing styles, are increasing the appeal of synthetic textiles. With the global end-use market for man-made fibers expected to expand by 3.7% by 2025, the Indian synthetic textile industry is well-positioned to benefit, with growth opportunities in both domestic consumption and exports. Company's majority customer base (comprising of wholesalers) in Gujarat has contributed to company's growth. With company's office, manufacturing units, and operational activities also based in this state, company have endeavoured to foster strong connections with its customers. Company's direct presence in the region has helped company deliver products to its customers. During the Fiscal Years 2024, 2023 and 2022, and nine months period ended December 31, 2024, company catered to 170, 177, 65 and 204 customers, respectively, and company's revenue from sales stood at ₹ 19,905.56 lakhs, ₹ 13,539.90 lakhs, ₹ 4,233.40 lakhs and ₹ 21,161.52 lakhs, respectively, translating to average compounded annual growth rate of 116.84% for the last three Financial Years



INVESTMENT RATIONALE

<p><i>Company is a textile manufacturer based in Surat, Gujarat specialised in manufacturing of unbleached synthetic grey fabric, well positioned to capitalize on the growing demand in this sector</i></p>	<p>Company is well positioned to capitalize on the growing demand in this sector. Company's presence in the industry allows company to leverage the expertise of its Promoters and manufacturing capabilities to meet the needs of its customers. Company has shown steady growth in its production capacity and utilization across company's units over the past three financial years. Further, company's relationships with suppliers ensure a supply of raw materials, which is essential for maintaining company's production standards and meeting customer expectations. Company use polyester oriented yarn as company's raw material in production of synthetic grey fabric and PTY Yarn.</p>
<p><i>Investment in water jet looms capable of producing uniform textured fabric; fully integrated manufacturing units established in strategic location</i></p>	<p>Water jet looms offers significant advantages over traditional power looms in the manufacturing of synthetic grey fabric. The adoption of water jet looms presents significant benefits in the production of synthetic grey fabric. These machines offer greater precision in the weaving process, resulting in fabric that exhibits uniform texture and consistent quality. Unlike traditional power looms, which may require more mechanical components and labour-intensive setups, water jet looms can operate at higher speeds with reduced downtime. This efficiency enhances the ability to meet larger production demands without compromising on quality. Additionally, the water jet technology places less tension on the polyester textured yarn, decreasing the likelihood of breakage during weaving. This results in fewer interruptions in the production cycle, lower waste generation, and a more streamlined manufacturing process compared to traditional methods.</p> <p>Furthermore, the reliance on water as a propulsion method lessens energy consumption, and the absence of harmful chemicals associated with conventional fabric treatments promotes a more sustainable approach to textile manufacturing</p>
<p><i>Experienced Promoters with execution capabilities</i></p>	<p>Company attribute its growth to the experience of its Promoters. Company's Promoter and Chairman and Managing Director, Mangilal Ambalal Borana has over 24 years of experience in textiles industry and has been responsible in augmenting relationships with various stakeholders which has helped company expand its operations. He is also currently associated as a director with Borana Filaments Private Limited which is involved in manufacturing and processing industrial and synthetic fabrics, yarns, including cotton, wool, silk, nylon, polyester, and other fibrous materials. It also undertakes services like twisting, texturizing, dyeing, bleaching, printing, and processing of man-made and natural fibres in various forms. Company's Promoters and Executive Directors, Ankur Mangilal Borana and Rajkumar Mangilal Borana both have over a decade of experience in the textile industry, which has contributed to the growth trajectory of company.</p>



OBJECTS OF OFFER

Company proposes to utilise the Net Proceeds from the Issue towards the following objects:

1. Proposing to finance the cost of establishing a new manufacturing Unit to expand its production capabilities to produce grey fabric at Surat, Gujarat, India ("Proposed Unit 4");
2. Funding incremental working capital requirements; and
3. General Corporate Purposes

RISKS

As of December 31, 2024, more than 98% of company's revenue from its customers is derived from customers based in Gujarat and company do not have long-term agreements with them. Any changes or cancellations of purchase orders from them or company's inability to forecast demand for its products may adversely affect company's business, results of operations and financial condition.

Source:RHP

INDUSTRY OVERVIEW

Textile Industry in India

India is currently one of the largest manufacturers of readymade garments and amongst the largest exporters as well. Domestic market for readymade garments too has grown at a fast pace helping India emerge as one of the fastest growing and lucrative readymade garment markets in the world. Apparel manufacturing alone provides employment to a population of 12.3 Mn.

Domestic demand in the last years witnessed a slowed down as consumers paired down their discretionary spending on the wake of economic uncertainty. Exports too suffered the same fate as recessionary scenario in key export markets – US and EU – dampened demand for readymade garments in those markets.

Domestically, due to the current market slowdown, clothing manufacturers are projected to experience a decline of 25- 30 percent in order bookings for the upcoming festive season. This decrease in demand can be attributed to inflation and the fluctuating costs of inputs such as cotton, polyester yarn, and man-made fibers, which have led to higher prices for customers. As a result, there is a slowdown in demand for clothing products.

However, according to Confederation of Indian Industry (CII), the Indian textile and apparel industry is expected to grow at a 10% CAGR from 2019-20 to reach USD 190 billion by 2025-26 Whereas, domestic apparel market in India stood at USD 40 billion in 2020 and is expected to reach USD 135 billion by 2025.

Synthetic Textile Industry in India

Synthetic fabrics are man-made textiles produced from chemical processes. These fabrics are derived from synthetic fibers such as polyester, nylon, acrylic, and spandex, which are made by polymerizing small molecules into long chains. Synthetic fabrics are widely used in various industries, including fashion, home furnishings, and industrial applications, due to their durability, versatility, and cost-effectiveness.

Synthetic fabrics are prized for their durability, wrinkle resistance, and quick-drying properties. These textiles, made from fibers like polyester, nylon, and acrylic, are strong, resistant to wear and tear, and maintain their shape and appearance even with extensive use. They also offer moisture-wicking and low absorbency features, making them ideal for activewear and easy-to-clean home textiles. Additionally, synthetic fabrics like spandex are known for their exceptional elasticity, providing comfort and flexibility in various garments.


Consolidated Financials

(Rs in Lakhs)

Financials	FY22	FY23	FY24	9M FY 2025
Total Revenue (A)	4233.40	13539.90	19905.56	21161.52
Total Expenditure (B)	3715.95	10933.49	15788.26	16558.37
EBIDTA	517.45	2606.41	4117.30	4603.15
EBIDTA Margin	12.22	19.25	20.68	21.75
Other Income	2.70	12.94	54.90	409.18
Depreciation	161.52	408.54	915.23	986.93
EBIT	358.63	2210.81	3256.97	4025.40
Interest	139.50	221.04	417.80	394.49
PBT	219.13	1989.77	2839.17	3630.91
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	219.13	1989.77	2839.17	3630.91
Exceptional	0.00	0.00	0.04	-72.63
PBT	219.13	1989.77	2839.21	3558.28
Tax	39.28	359.68	480.58	627.65
PAT	179.85	1630.09	2358.63	2930.63
NPM	4.25	12.04	11.85	13.85
ROE%	99.44	67.61	49.45	38.16
EPS	3.59	10.88	11.83	14.70
Eq Cap	1.00	3.98	3.98	1,993.73
Net Worth	180.86	2,411.02	4,769.66	7,680.80

(Source: RHP)

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