



**IPO Report**

12<sup>th</sup> Aug '24

**Snapshot**

Company is a key player in sarees wholesale (B2B) segment and its origin into the sarees business dates back to the year 1966. Company is also engaged in the wholesale business of other women’s apparel wear such as kurtis, dress materials, blouse pieces, lehengas, bottoms, etc. On an average of more than 90% of company’s total revenues are generated from sale of sarees. In Fiscal 2024, company have served over 13,000 unique customers and its product catalogue consists of more than 3,00,000 different SKUs..

**VALUATION**

Company is bringing the issue at price band of Rs 152-160 per share at p/e multiple of 21x on post issue FY24 PAT basis. Company has diversified supplier and customer base with diverse product portfolio, bulk buying capabilities. Company has experienced promoters and strong management team with strong existing client and supplier relationships & collaborative and experienced work force. Hence , we recommend “Long term Subscribe” on issue

<b>Price Band (Rs./Share)</b>	<b>152-160</b>
<b>Opening date of the issue</b>	<b>12<sup>th</sup> Aug '2024</b>
<b>Closing Date of the issue</b>	<b>14<sup>th</sup> Aug '2024</b>
<b>No of shares pre issue</b>	3,31,00,000 Eq Shares
<b>Issue Size</b>	Rs 152-160 Cr
<b>Offer for Sale</b>	35,01,000 Equity Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	90

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 50,00,401 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 15,00,120 Eq Shares)
<b>Retail</b>	35% of the offer ( Approx 35,00,280 Eq Shares)
<b>Lead managers</b>	Unistone Capital Pvt. Ltd
<b>Registrar to the issue</b>	Bigshare Services Pvt. Ltd

**WHAT WE LIKE**

***Diversified supplier and customer base***

Company have developed long-standing relationships with the manufacturers in hubs like Surat, Varanasi, Mau, Madurai, Dharmavaram, Kolkata, and Bengaluru. Company regularly source sarees and other women’s apparel from more than 900 weavers/suppliers across different states in India. Currently, company’s product catalogue lists more than 300,000 different SKUs. Company majorly sells the products in southern and western regions comprising mainly of Maharashtra, Goa, Karnataka and Tamil Nadu and Company has served more than 13,000 unique customers in fiscal 2024.

***Diverse product portfolio***

Company’s product portfolio spans over a wide range of items, including sarees, kurtis, dress materials, blouse pieces, lehengas, bottoms, etc. with over 300,000 different SKUs. Company’s diverse product range enables it to mitigate the risk of over-reliance on a single category of product and provides company with an edge over its competitors in terms of the variety offered by company to its customers.



## COMPANY BACKGROUND

Saree is an ethnic wear garment which has its origin in India and is one of the most popular readymade garment in India which is worn on casual occasions as well as on festive occasions. A saree typically ranges from six to nine yards in length and can be worn in several ways. In India there are different kind of sarees which are prevalent with Indian women. The most prevalent sarees include silk sarees, cotton sarees, synthetic fibre sarees etc. apart from these prevalent fabric sarees, there are blends and mixture of fabrics in which sarees are available across the saree industry in India. The demand for saree market in India in recent years have come from growth in the wedding and celebration wear market. However, the industry is seeing the change in the consumer buying pattern as customers are seeking quality and premium products. The change in the buying pattern has resulted in players selling higher priced sarees than the value range sarees. This is expected to drive the growth for the market in the coming years. Saree industry in India is expected to grow at a 5-6% CAGR over fiscal 2024 to fiscal 2029 reaching Rs 650-675 billion by fiscal 2029. (Source: CRISIL Report).

The saree market in India has been traditionally dominated by small retail shops and unorganised players who usually have standalone outlets which is characterised by loyal customer group. The unorganised players usually have fewer number of SKUs, and many of these players stock the sarees based on the local or region specific demand. On the other hand, with rising aspiration of the country's middle class and rising disposable income, the organised players are tapping in to this demand for branded and quality products. The organised retailers in particular are targeting the saree market with offerings in the mid to premium range. As the disposable income for people in India increases and large global and Indian brands across the industries make their way into the overall apparel market, the aspiration to wear branded apparel have increased in the Indian population. For sarees as well this aspiration has created an opportunity for organised branded players to launch their offerings to cater to this particular demand. (Source: CRISIL Report).

### Company's journey since 1966:

In the year 1966, Late Laxmandas Danomal Dulhani (the father of company's promoter, Shankar Dulhani) along with his mother Late Dharmibai Danomal and three others had launched "M/s. Saraswati Sadi Depot", a partnership firm formed under the Indian Partnership Act, 1932, for undertaking trading of women's apparel wear. The firm operated in this capacity until 1996. In 1993, the second generation of the Dulhani family entered the family business and decided to reorganize and consolidate their business operations. With a view to run entire business operations under a single entity, they merged four separate sole proprietorship businesses, namely M/s. Saraswati Sadi Depot (the sole proprietorship of Sujandas Dulhani), M/s. Swami Sadi Center (the sole proprietorship of Mahesh Dulhani), M/s. Ambica Sadi Center (the sole proprietorship of Shevakram Dulhani), and M/s. Geeta Textiles (the sole proprietorship of Shankar Dulhani) into a new partnership firm named "M/s. Saraswati Sadi Depot".

As a result of this consolidation, the Dulhani family gradually ceased conducting business under the original partnership firm, "M/s. Saraswati Sadi Depot," which had been operating since 1966. By 1996, no business activities were being carried out in the original firm, leading to its dissolution in that year. From 1993 onwards, all business operations were consolidated and conducted under the single entity known as "M/s. Saraswati Sadi Depot". This strategic move was aimed to streamline and centralize the Dulhani family's entire business operations within a single entity i.e "M/s. Saraswati Sadi Depot".

The third generation of the Dulhani family brought with it new ideas and the business showed consistent growth, crossing ₹ 2,000 million in sales in fiscal 2014. Pursuant to growth in business, the partnership firm shifted its operations to the newly constructed Uchgaon premises at Kolhapur, Maharashtra in 2015 - a landmark in the firm's history. The newly constructed complex spans over approx. 169,120 sq. ft. area having designated section for different varieties of sarees and other women's apparel wear within the complex for ease of shopping. The business expanded their product range to include ready-made garments in 2017 with the beginning of Kurti sales. Since then, the ready-mades portfolio has grown to include several other offerings such as bottoms, pyjamas, one-piece clothing and dresses. The Kurti business of the partnership firm has grown significantly and has been recognized with awards such as "Star of the Industry" and "Iconic Brand" at the annual Kurti Expo events. In Fiscal 2018, sales of M/s. Saraswati Sadi Depot crossed ₹ 4,000 million mark. For its contributions to the commerce in the state of Maharashtra, the partnership firm was awarded with the "Achievers of South Maharashtra" award by the Times of India. The revenues and profit after tax of M/s. Saraswati Sadi Depot have grown at a CAGR of 9.07% from ₹ 2,229.17 in FY 2014 to ₹ 4,093.69 in FY 2021 and at a CAGR of 20.34% from ₹ 34.51 in FY 2014 to ₹ 126.12 in FY 2021, respectively

With a view to give perpetual succession to the business, the Dulhani family incorporated Saraswati Saree Depot Private Limited in 2021. Pursuant to the Memorandum of Understanding dated March 30, 2021 executed between the partnership firm and Company, the former has ceased to carry on the wholesale business and the same is being carried on by the latter. After incorporation in 2021, Company has been carrying on the business with the same core values and management team. In Fiscal 2024 Company provided service to more than 13,000 unique customers and crossed ₹ 6,000 million in sales in Fiscal 2024. Company's sarees are sourced from different manufacturers across India. Over the years, company have developed relationships with these manufacturers in hubs like Surat, Varanasi, Mau, Madurai, Dharmavaram, Kolkata, and Bengaluru. Company regularly source sarees and other women's apparel from more than 900 weavers/suppliers across different states in India. Currently, company's product catalogue lists more than 300,000 different SKUs.



**INVESTMENT RATIONALE**

<i>Existing client and supplier relationships</i>	Company's Promoters and their family members having been in the business of women's apparels for over five decades, their relationships with weavers/suppliers and its customers is a core competitive strength for company. Due to the strength of the long-standing relationships with suppliers, Company enjoys several benefits in terms of pricing, exclusivity in designs, and payment terms, all of which is passed on to its customers by the way of attractive prices, an exclusive product range, and high-quality products. Company's Promoters existing relationships help it to get repeat business from its customers. This has helped company to maintain a long-term working relationship with its customers and improve company's customer retention strategy.
<i>Collaborative and experienced work force</i>	The workforce is the backbone and value-addition into the productivity and creativity of Company. The employees are enthusiastic to accept new challenges which helps the Organization to grow. The management with years of experience in the industry and understanding of nature of work allows others to learn from them. Hence, it enhances the efficiency and renders quality and quantity output.
<i>Bulk buying capabilities</i>	In order to offer a diverse portfolio to its customers, company focus on purchasing in bulk from its weavers / suppliers. Company's bulk purchasing capabilities enable it to optimize costs and reduce supply chain risks. Further, procurement in bulk allows company to negotiate better prices and in turn offer competitive prices to its customers.
<i>Experienced Promoters and management team</i>	<p>Shankar Dulhani, Promoter, Chairperson and Executive Director of Company has been associated with Company since incorporation. He has a rich experience of over 38 years in the industry and has a deep understanding of the product and all its facets spanning from manufacturing to marketing and business development. Vinod Dulhani, Promoter, Managing Director and Chief Executive Officer of Company has been associated with Company since incorporation and has an experience spanning over 27 years in the field of wholesale saree business. He has developed several functions in the business sector from product development, business development, operations, and administration. He has been influential in developing network with some of the oldest weaving houses of India and has consistently worked towards building efficiency across various departments of the business. He is currently spearheading the Company's leadership in its plans for exponential growth over the next decade. Mahesh Dulhani and Rajesh Dulhani both being Promoters and Executive Directors have around three decades of experience in the industry. Mahesh Dulhani is currently leading the Company's marketing efforts, and its plans to build strong brands across the product portfolio. Rajesh Dulhani is an essential part of the leadership team at the Company and is at the forefront of developing the business' processes.</p> <p>Company's Board comprises of a combination of industry specialists, technology executives and independent members who bring significant value, maturity and their experience in Company. Company's management team consists of professionals with several years of experience and knowledge in the industry and their respective fields such as sales, marketing, technical support, R&amp;D, supply chain, production and finance.</p>



## OBJECTS OF OFFER

The Offer comprises a Fresh Issue of up to 6,499,800 Equity Shares of face value ₹10 each, by Company and an Offer for Sale of upto 3,501,000 Equity Shares .

### **Fresh Issue**

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

1. Funding working capital requirements of Company; and
2. General corporate purposes

## RISKS

Company operate out of two stores in Maharashtra which are located at Kolhapur and Ulhasnagar. Any localized social unrest, natural disaster or breakdown of services or any other natural disaster in and around Maharashtra or any disruption in production at, or shutdown of, company's stores could have material adverse effect on company's business and financial condition.

Source:RHP

## INDUSTRY OVERVIEW

### **Overview of recent trends in organised and unorganised saree industry in India**

#### **The saree market in India is largely unorganised with regional and local players**

The saree market in India dominated by smaller unorganised players who usually have standalone/local outlets. The saree market has traditionally been catered by the small retail shops having standalone outlets which is characterised by loyal customer group. The unorganised players usually have fewer number of SKUs, many of these players stock the sarees based on the local or region specific demand. Also majority of these unorganized players provide value range sarees to the mass population although they may stock mid to premium range sarees as well. The unorganised players in the saree industry in India usually have a wholesaler or an agent who supply the sarees to them. As most of these unorganised players are short on capital they rely on very few sourcing points and usually source from select few vendors depending upon the demand and the geography which they cater to.

For these unorganised players as majority of their customers belong to the middle class population, they always have value for money products which are design and trendy sarees at affordable prices. The unorganised players in the saree industry in India largely sell unbranded products as their customer seek value products over labelled one.

On the other hand with rising aspiration of the country's middle class and rising disposable income, the organised players are tapping in to this demand for branded and quality products. The organised retailers in particular are targeting the saree market with offerings in the mid to premium range.

#### **Several large corporates have started entering saree retail space in India**

As the disposable income for people in India increases and large global and Indian brands across the industries make their way in to the overall apparel market, the aspiration to wear branded apparel have increased in the Indian population. For sarees as well this aspiration has created an opportunity for organised branded players to launch their offerings to cater to this particular demand. The key recent big brands launched in India includes Taneria by Tata group, Navyasa by Aditya Birla group and Avantara by Reliance group. These branded saree retailers have set retail outlets in prominent markets across India. Apart from retail shops these players have also leverages e-commerce platforms to list and sell their offerings to the customers. These players are at the nascent stage of brand development in the saree market in India and would require time to establish sourcing and customer base. Also customers in the saree industry are more attracted towards the quality of design, origin and fabric rather than label which can prove to be a challenge for brands with labelled products.



**Consolidated Financials**

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	5495.76	6018.91	6109.04
Total Expenditure (B)	5287.32	5678.38	5704.8
EBIDTA	208.44	340.53	404.24
EBIDTA Margin	3.79	5.66	6.62
Other Income	7.32	16.27	16.76
Depreciation	5.98	9.94	9.78
EBIT	209.78	346.86	411.22
Interest	44.89	38.14	24.68
PBT	164.89	308.72	386.54
Share of profit in Asso	0.00	0.00	7.17
PBIT	164.89	308.72	393.71
Exceptional	0.00	0.00	0.00
PBT	164.89	308.72	393.71
Tax	41.81	78.98	98.44
PAT	123.08	229.74	295.27
NPM	2.24	3.82	4.83
ROE%	99.20	64.93	45.49
EPS	3.72	6.94	8.92
Eq Cap	1.00	1.00	331.00
Net Worth	124.08	353.82	649.09

(Source: RHP)

**Peer Comparison**

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Saraswati Saree Depot Limited</i>		<i>6109.04</i>	<i>8.92</i>	<i>19.61</i>	<i>45.49</i>
<b>Peers</b>					
Go Fashion (India) Ltd	71.80	7628.28	15.32	111.81	13.71
Sai Silks (Kalamandir) Limited	21.34	13735.50	7.51	72.14	9.49

(Source: RHP)



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