



IPO Details

Opening Date	Aug 25, 2023
Closing Date	Aug 29, 2023
Stock Exchange	NSE SME
Lot Size	4000 Shares
Issue Price	₹30 per share
Issue Size	Aggregating up to 13.96Cr
Fresh Issue	13.43Cr
Offer for sale	0.53Cr
Application Amount	₹1,20,000

IPO Objective

Working capital requirements including margin money.

Prepayment/repayment of certain secured borrowings availed by the company.

General corporate purpose and offer expenses.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	85,13,600	97.95%
Public	1,78,560	2.05%

Promoter of the Company

1	Mr. Rohit Toshniwal
2	Mr. Norat Mal Choudhary
3	Ms. Prabha Lakhotia
4	Ms. Sadhana Toshniwal

Competitive Strengths

1	Technology
2	Repeat orders
3	In House Preparatory.
4	Ability to cater huge demands
5	Comprehensive Product Portfolio

Company Background

- Company was incorporated in the year 2011 and has its registered office in Rajasthan.
- Company is engaged in manufacturing of high standard fabric which is used for various purposes such as garments, home furnishings, and industrial applications, etc.
- Company also manufactures cotton yarn dyed fabrics which are always in demand by the garment manufacturing industry.
- In 2015, Company decided to enter into expansion with backward integration which is a pre-process of fabric weaving.
- As on March-23, Company has 114 employees on its payroll.

Market Capitalization

Pre-Issue	Post-Issue	(In Cr.)
₹ 26	₹39	

Financial Summary

	(In Lacs)		
For the Period Ended	Feb-23	Mar-22	Mar-21
Total Assets	7,179.34	6,998.59	6,711.23
Net Assets	1,724.07	1,435.78	1,393.54
Total Borrowings	4,016.40	4,243.75	4,026.58
Total Revenue	9,101.07	8,698.36	7,475.54
Profit After Tax	288.71	42.64	31.90

Tentative Timeline

Opening Date	Aug 25, 2023
Closing Date	Aug 29, 2023
Basis of Allotment	Sep 01, 2023
Initiation of Refunds	Sep 04, 2023
Credit of Shares to Demat	Sep 05, 2023
Listing Date	Sep 06, 2023



Company Background and Analysis

Company was incorporated in the year 2011 and is engaged in manufacturing of high standard fabric which is used for various purposes such as garments, home furnishings, and industrial applications, etc. Company has expertise in manufacturing of primarily cotton suiting fabric and cotton shirting fabric apart from polyester based and cotton-polyester blended fabrics and also manufactures cotton yarn dyed fabrics which is always in demand by the garment manufacturing industry. At present sales have penetrated home state of Rajasthan as well as some other states like Gujarat, Maharashtra and Delhi. In the year 2014, Company exposed product to international markets through Merchant Exporters in which company do not have to face the risk of forex fluctuation. In 2015, company decided to enter into expansion with backward integration which is a pre-process of fabric weaving. As a result, company installed and commissioned further machinery of Textile Preparatory (Sizing Machine Plant) in manufacturing facility in Rajasthan thereby improving the quality and timely delivery of the orders.

PLANT & MACHINERY INSTALLED AT MANUFACTURING UNIT:

Sr. No.	List of Machineries	Quantity
1	Tsudakamoa Airjet Looms	28
2	Kaser Compressors	4
3	Kaser Air Dryers	3
4	Prashant Gamatex Sectional Warping	1
5	Prashant Westpoint Sizing Machine	1
6	Prashant Direct Warping Machine	2
7	Cheema Boiler	1
8	Cone Re Winding Machine With Splicer	2

INSTALLED CAPACITY AND CAPACITY UTILISATION IN THE LAST THREE YEARS:

(Units in Metres per Annum)

2021-22		2020-21		2019-20	
Installed Capacity	Utilization	Installed Capacity	Utilization	Installed Capacity	Utilization
60,00,000	88.50%	60,00,000	86.50%	60,00,000	83.60%

REVENUE FROM OPERATIONS AND TOTAL INCOME FOR THE FINANCIAL PERIODS ENDIN FEB 28, 2023 AND FINANCIAL YEARS ENDING 2022, 2021 AND 2020 WERE AS FOLLOWS:



Particulars	For the period		For the financial year ended					
	From April 01, 2022 to November 30, 2022		2021-22		2020-21		2019-20	
	Rs. In Lakhs	%	Rs. In Lakhs	%	Rs. In Lakhs	%	Rs. In Lakhs	%
Sale from Manufactured Goods	6,108.76	100%	8,695.75	100%	7,470.44	100%	9,930.66	100%
Sale from Traded Goods	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Revenue	6,108.76	100%	8,695.75	100%	7,470.44	100%	9,930.66	100%
Profit After Tax	214.32	100%	41.9	100%	32.14	100%	29.32	100%

REASONS FOR INCREASE IN PROFITS

- 1) The cotton prices were at 30 years high during the period mainly because of low production of cotton at global level.
- 2) In the period there was good global as well as domestic demand of cotton suiting fabric.
- 3) The company has also started catering to new clients with their customised demands such as suitings/ bottom wears for which there are comparatively lesser players in the market.



Business Strategies

1. Continue to optimize product mix to improve margins

The company continues to actively manage product mix at each of its plants to ensure maximizing profit margins. Dobby (a process of giving design to fabrics) based suiting products have higher gross margins than other products.

2. Increase focus on building brand

The company plans to spend the majority of its advertising budget on activities such as foreign marketing tours for developing export markets, starting finished fabrics marketing through online retail and wholesale distributor network, increased marketing base by developing domestic markets such as New Delhi, Kanpur etc. Also, major focus shall be to foray into exports of canvas-based fabrics to China, USA and other European countries.

3. Increase sales of products by reaching out to finished whole sellers and expanding export markets

Currently, the company is planning to increase sales of products by increasing the number of markets by developing newer export avenues. Strategy is to focus on increasing the width and depth of product range as the company is planning to use the additional working capital to develop sheeting, exports, home furnishing markets etc.

4. Focus on special product development for Exports

The company is planning to put up stalls in the upcoming fairs of grey textiles coming up this year to make a network in the international market. By analysing the current requirements in the exports market in technical textiles, the company is focussed to develop a technical team for the same. Further, for exports, the need is upgraded machinery and the company is planning to fulfil the same by continuously negotiating with the vendors.

Competitive Scenario and Peer Mapping

Competition

The company faces high competition from the existing players in the market Arvind Limited, RSWM Limited, Vardhman Textiles Limited etc. The bargaining power of the company is low and the threat of new entrants is high. Competition in this sector varies for products and regions and the company has to compete with other manufacturers on the basis of product range, product quality, and product price including factors, based on reputation, regional needs, and customer convenience.



Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -

Particulars	Sahaj Fashions Limited	Arvind Limited	RSWM Limited	Vardhman Textiles Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	3%	5%	3%	8%
EBITDA Margin	9%	10%	4%	13%
Return on Capital Employed	22%	14%	2%	9%
Return on Equity	16.72%	12%	9%	9%
EPS (INR)	3.90	15.47	26.08	27.50

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

Particulars	Sahaj Fashions Limited	Arvind Limited	RSWM Limited	Vardhman Textiles Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.48%	3.02%	6.44%	16.12%
EBITDA Margin	6.35%	10.36%	2.45%	23.63%
Return on Capital Employed	13.36%	14.16%	-1.23%	21.06%
Return on Equity	2.93%	8.21%	23.79%	20.15%
EPS (INR)	0.58	9.14	52.28	53.55

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -

Particulars	Sahaj Fashions Limited	Arvind Limited	RSWM Limited	Vardhman Textiles Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.41%	-0.53%	0.90%	6.95%
EBITDA Margin	7.38%	9.42%	1.80%	13.26%
Return on Capital Employed	13.93%	4.68%	-7.21%	5.49%
Return on Equity	2.23%	-0.99%	2.65%	6.62%
EPS (INR)	0.43	-0.64	4.42	14.40



Industry Overview

Exhibit 1: Textiles and apparel industry

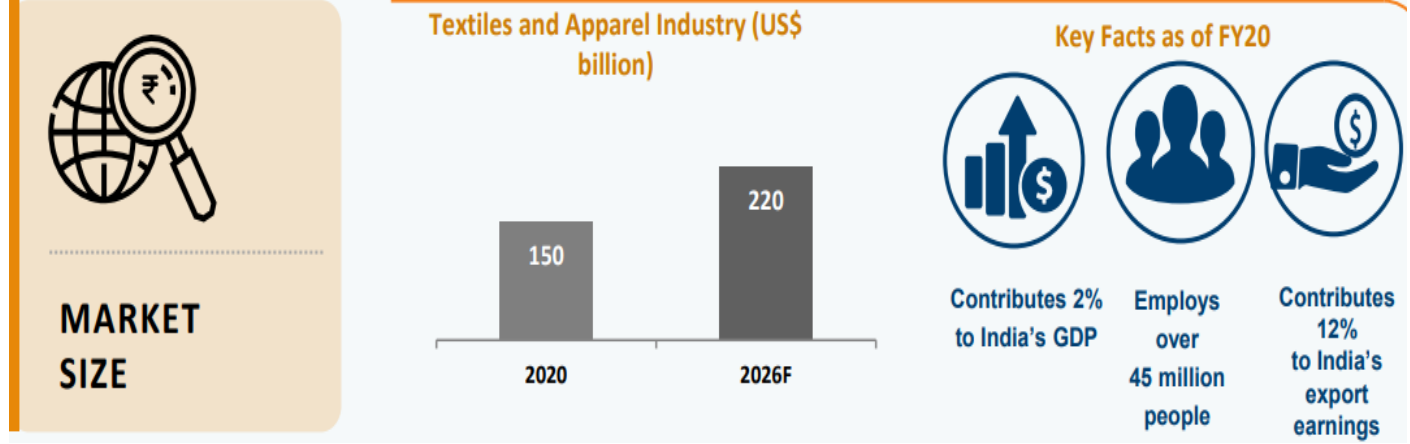
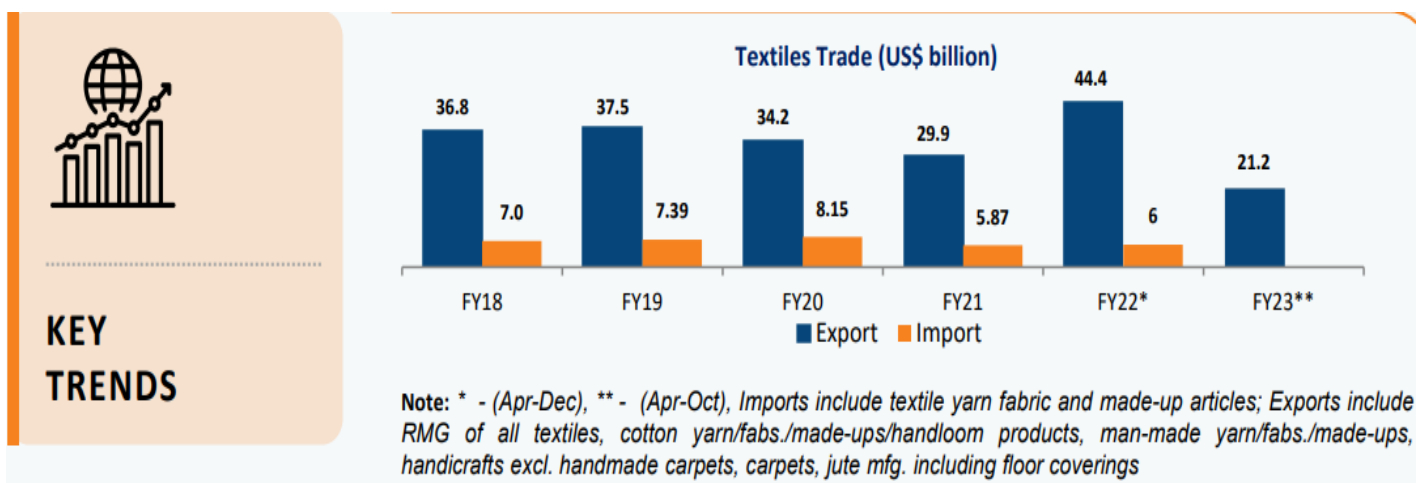


Exhibit 2: Share of India's textile exports



Exhibit 3: Textiles trade.



(Source: Prospectus)

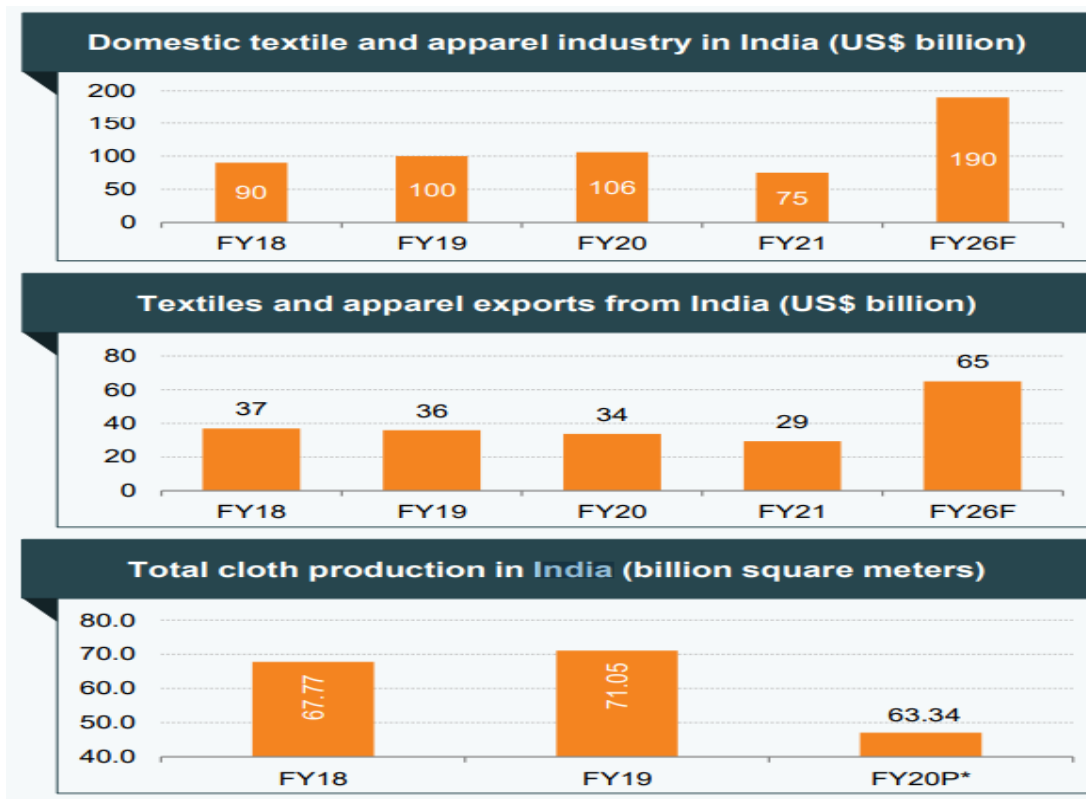


TEXTILE GLOBAL INDUSTRY

Global Textiles and Apparel trade witnessed a sharp recovery in 2021 to US\$ 867 billion registering a growth of ~12% on a pandemic induced low base of US\$ 775 billion in 2020. The recovery in 2021 even surpassed the 2019 levels with ~3% growth. Apparels, which constitute a major share in the Textile & Apparels trade, grew by 18% in 2021 to US\$ 490 billion compared to US\$ 416 billion in 2020, and managed to even surpass the 2019 levels of US\$ 482 billion. The overall textiles trade is expected to reach US\$ 1 trillion by 2025 and apparel with a major share, alone is expected to reach US\$ 600 billion by 2025 with a CAGR growth of 4% & 5% respectively on a 2021 base year.

INDIAN TEXTILE INDUSTRY

The size of India’s textile market stood at US\$ 223 billion in 2021, growing at a CAGR of 10.23% from 2016. The Indian textiles market is expected to be worth over US\$ 209 billion by 2029. India’s textile and apparel exports to the US, its single largest market, stood at 27% of the total export value in FY22. In September 2022, the Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles, Mr. Piyush Goyal, advocated that India should take its textile exports to US\$ 100 billion by 2030, aided by the trade pacts with Australia and the UAE. In September 2021, the government approved a ₹ 10,683crs (US\$ 1.44 billion) production-linked incentive (PLI) scheme for the textiles sector. This will benefit the textile manufacturers registered in India. Incentives under the scheme will be available for five years from 2025-26 to 2029-30 on incremental turnover achieved from 2024- 25 to 2028-29. The scheme proposes to incentivise MMF (manmade fibre) apparel, MMF fabrics and 10 segments of technical textiles products.



(Source: Prospectus)



Key Managerial Personnel

Mr. Rohit Toshniwal, aged 62 Years, is the Promoter, Chairman & Whole-Time Director of Company. He holds an experience of over 3 decades in industry. He is a commerce graduate from University of Rajasthan and comes from a well-known family based at Kishangarh Rajasthan. He started his career in late 80's with yarn trading at Madanganj Kishangarh. In 90's he additionally entered into financing and real estate development on personal level. Thereafter in the year 2003, he set up a Marble Processing Unit at Kishangarh under the name "Sahaj Marbles" (a proprietorship concern owned by Ms. Sadhana Toshniwal) as Kishangarh is one of the largest Marble processing hub. Further, to pursue his long-term dream to enter into the textile manufacturing, he co-founded Sahaj Fashions Limited in the year 2011. Currently, he is taking care of strategic planning and decision making of company.

Norat Mal Choudhary, aged 74 years, is the Promoter & Managing Director of Company. He holds an experience of over a decade in industry. He is a Civil Engineering from Government Polytechnic college, Ajmer and started his career with Irrigation Department of Rajasthan and gradually promoted to senior level and then took voluntary retirement in the year 2004. He shares good relationship and network in all the government departments and political fronts. Currently, he is looking after the overall performance of the company.

Ms. Prabha Lakhotia, aged 57 years, she is a Graduate in Arts from University of Rajasthan. She has interest in creative crafts and arts. She is currently Office Bearer in many social organizations. Currently She is President of Indian Ladies Club Ajmer. She is a Non-Executive Director in the Company and is not actively involved in the day-to-day affairs of the company.

Sadhana Toshniwal, aged 59 years, is the Non-Executive Director of company. She completed her schooling from Gujarat. Currently she is President of "Maheshwari Mahila Mandal" Kishangarh branch. At present, she is not actively involved in the day-to-day workings of the Company.

Mr. Mukul Lakhotia, aged around 34 years, is the Chief Financial Officer of company. He is a qualified Chartered Accountant from Institute of Chartered Accountants of India. He is associated with the company since its inception as finance head and is responsible for the overall financial planning of the company. He is dynamic and well versed with the changing statutory compliances and government policies.

Ms. Shilpi Agarwal Aged 33 Years, she is a Qualified Company Secretary since 2013. She has a strong academic background. She also has wide experience of 9 years in MCA and SEBI related compliances of various listed and unlisted companies.

To conclude, the company has 4 promoters. Rohit Toshniwal has good knowledge and experience but others don't have experience in the industry and overall business in which the company operates in.


Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
Revenue from Operations	7,470.44	8,695.75	9,097.58	
Other Income	5.1	2.61	3.49	
Total Income	7,475.54	8,698.36	9,101.07	
Expenses				
Cost of Materials consumed	6,426.31	7,649.1	7,989.31	
Purchase of stock-in-trade	-	-	-	
Changes in inventories of Finished goods, work-in-Progress	34.37	-184.74	-225.68	
Employee benefits expense	165.46	218.74	203.18	
Finance costs	384.21	380.23	326.95	
Depreciation and Amortization expense	130.68	117.63	91.85	
Other expenses	291.33	460.38	322.81	
Total Expenses	7,432.36	8,641.34	8,708.42	
Earnings Before Interest, Taxes, Depreciation & Amortization	552.97	552.27	807.96	
EBITDA Margin	7%	6%	9%	
Profit/(Loss) before exceptional items and tax	43.18	57.02	392.65	
Less: Exceptional Items	-	-	-	
Profit/(Loss) before tax	43.18	57.02	392.65	
Tax Expense				
Current Tax	11.93	15.36	103.61	
Current Year	-	-	-	
Earlier Year	-	-	-	
Deferred tax	-0.64	-0.99	0.33	
Total Tax Expense	11.29	14.37	103.94	
Profit/(Loss) for the year	31.9	42.7	288.7	
Net Profit Margin	0.43%	0.49%	3.17%	

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
ASSETS				
Non-Current Assets	1,012.58	915.55	823.72	
Property, Plant and Equipment	-	-	-	
Right of use of assets	-	-	-	
Capital Work-in-progress	-	-	-	
Intangible assets	-	-	-	
Intangible Assets Under Development	-	-	-	
Financial Assets	-	-	-	
Long term loans and advances	25.75	27.75	27.75	
(i) Investments	-	-	-	
(ii) Other Financial Assets	-	-	-	
Deferred Tax Assets (net)	-	-	-	



Balance Sheet			
	(In Lacs)		
Income-tax assets (net)	-	-	-
Other Non-current Assets	-	-	-
Total Non-Current assets	1,038.33	943.30	851.47
Current Assets			
Inventories	1,847.93	1,568.64	2,217.26
Financial Assets			
(i) Investments	-	-	-
(ii) Trade Receivables	3,761.13	4,291.5	3,914.7
(iii) Cash and cash equivalents	-	-	-
(iv) Other Bank balances	47.08	176.1	174.84
(v) Other Financial assets	-	-	-
(vi) Loans	10.93	11.44	10.63
Other Current assets	6.33	7.61	10.44
Total Current assets	5,673.40	6,055.29	6,327.87
Total Assets	6,711.73	6,998.59	7,179.34
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	741.22	741.22	741.22
Instruments entirely equity in nature	-	-	-
Other Equity	652.32	694.56	982.85
Total Equity	1,393.54	1,435.78	1,724.07
Liabilities			
Non-current liabilities			
Financial Liabilities			
(i) Borrowings	1,608.65	1,795.46	1,519.24
(ii) Lease liabilities	24.3	23.31	23.63
(iii) Other Financial Liabilities	-	-	-
Provisions	2.36	1.62	2.67
Other Non-current Liabilities	-	-	-
Total Non-current liabilities	1,635.31	1,820.39	1,545.54
Current liabilities			
Financial Liabilities			
(i) Borrowings	2,417.93	2,448.29	2,497.16
(ii) Lease liabilities	-	-	-
(iii) Trade payables	1,159.23	1,223.32	1,237.4
Total outstanding dues of micro and small	-	-	-
Total outstanding dues of other creditors	-	-	-
(iv) Other financial liabilities	-	-	-
Other current liabilities	105.72	70.81	175.17
Provisions	-	-	-
Current tax liabilities (Net)	-	-	-
Total Current liabilities	3,682.88	3,742.42	3,909.73
Total Liabilities	5,318.19	5,562.81	5,455.27
Total Equity and Liabilities	6,711.73	6,998.59	7,179.34



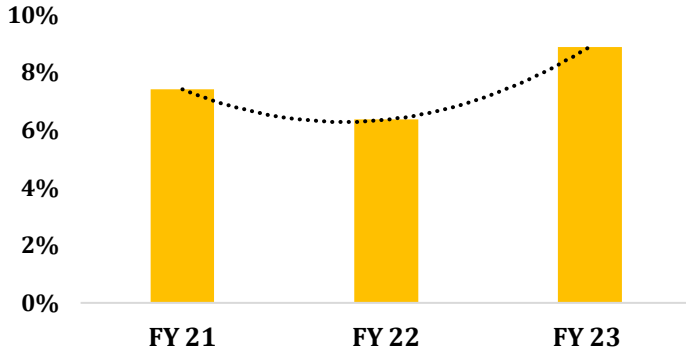
Cash Flow Statement				(In Lakhs)
Particulars	FY 21	FY 22	FY 23	
Net Cash Flow from operating activities	-99.69	312.48	549.99	
Net Cash Flow from investing activities	2.11	-20.39	3.04	
Net Cash Flow from financing activities	105.72	-163.06	-554.30	

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	0.43	0.58	3.9
BV per share	10.73	11.05	13.27
Operating Ratios (%)			
EBITDA Margins	7%	6%	9%
PAT Margins	0.43%	0.49%	3.17%
Inventory days	90.29	65.84	88.96
Debtor days	183.77	180.13	157.06
Creditor days	63.66	62.14	53.69
Return Ratios (%)			
RoCE	14%	13%	22%
RoE	2%	3%	7%
Valuation Ratios (x)			
EV/EBITDA	9.72	9.97	6.89
Market Cap / Sales	0.52	0.45	0.43
P/E	69.77	51.72	7.69
Price to Book Value	2.80	2.71	2.26
Solvency Ratios			
Debt / Equity	2.89	2.96	2.33
Current Ratio	1.54	1.62	1.62
Quick Ratio	1.04	1.20	1.05
Asset Turnover	1.11	1.24	1.27
Interest Coverage Ratio	1.10	1.14	2.19

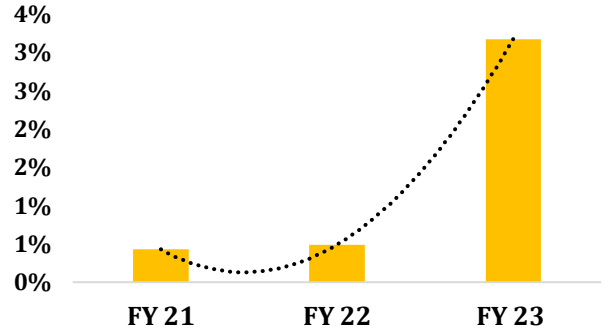


Financial Charts

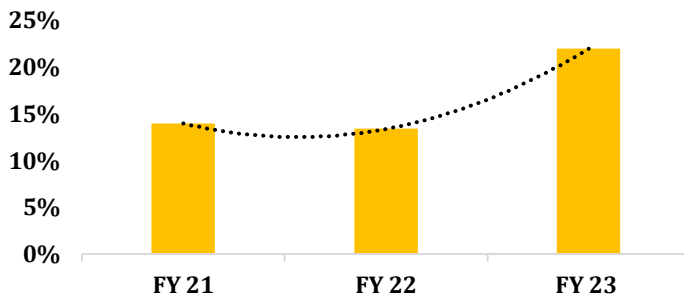
EBITDA Margin



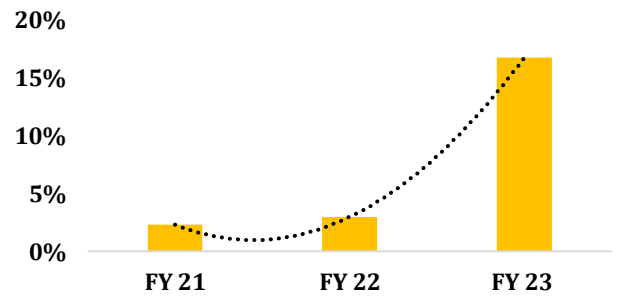
Net Profit Margin



Return On Capital Employed



Return on Equity



Key Risk Factors

1. There are outstanding legal proceedings of amount 1.81 Lakhs involving Company, Promoters and Directors which, may have a material adverse effect on business, operations and financial condition.
2. Company profits are fluctuating in nature.
3. The Company is dependent on few numbers of customers. Any loss of top 10 customers will significantly affect revenues and profitability.
4. Company had negative cash flows of amount -418.82 Lakhs as on November 30,2022 as per the Restated Financial Statements.
5. The average cost of acquisition of Equity Shares by Promoter is lower than the Offer price.

**Track Record of Lead Manager**

The lead manager to the issue is Khambatta Securities Limited. A table has been set below highlighting the details of the IPO of the last company handled by the Lead Manager in recent times –

Khambatta Securities Limited

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	De Neers Tools Limited	22.99	101.00	May 11, 2023	240.75
2.	Quicktouch Technologies Limited	9.33	61.00	May 02, 2023	140.00
3.	Quality Foils (India) Limited	4.52	97.70	Mar 24, 2023	98.00
4.	VELS Film International Limited	33.74	103.40	Mar 22, 2023	90.00
5.	Gayatri Rubbers and Chemicals Limited	4.58	36.75	Feb 07, 2023	59.10
6.	Rudrabhishek Enterprises Limited	18.73	41.70	Jul 13, 2018	181.90

*CMP for all the above-mentioned companies is taken as on 18th Aug 2023.

As per the offer document Khambatta Securities Limited has 6 mandates till date 5 opened at premium and one opened at par.



Recommendation

The company has been into this industry since 2011 and has decent track record of existence. The revenue of the company along with the profit margins has shown extra-ordinary growth raising questions on its sustainability. The management outlook of the company, Rohit Toshniwal has good knowledge and experience in the industry and remaining higher level management doesn't have much experience in the overall business in which the company operates in.

The PE on an annualised and Post IPO basis is around 13.4 times which seems to be highly priced looking at the performance of peer companies average PE 7.31 and size of the company. The business is highly competitive to sustain hence **AVOID** applying this IPO.



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