

IPO Details		Company Background										
<b>Opening Date</b>	Dec 19, 2023	<ul style="list-style-type: none"> <li>Shanti Spintex Limited was originally incorporated in the year 2010 and has its registered office in Ahmedabad, Gujarat, India.</li> <li>The company is primarily engaged in the manufacturing and selling of denim fabrics.</li> <li>The company manufacture various types of denim fabrics such as power stretch spandex denim, knit denim, lightweight denim, rigid denim, over-dyed denim and flat finish 3/1 denim.</li> <li>The company's production facility has the capability to produce grey fabrics in various designs such as twill weave, knit dobby weave, structure dobby weave, broken twill weave and satin weave.</li> <li>As of 30<sup>th</sup> November 2023, the Company had 72 employees on its payroll.</li> </ul>										
<b>Closing Date</b>	Dec 21, 2023											
<b>Stock Exchange</b>	BSE SME											
<b>Lot Size</b>	2,000 Shares											
<b>Issue Price</b>	₹ 66 to ₹70 per share											
<b>Issue Size</b>	Aggregating up to 31.25 Cr.											
<b>Fresh Issue</b>	Aggregating up to 18.82 Cr.											
<b>Offer for Sale</b>	Aggregating up to 12.43 Cr.	<b>Market Capitalization (In Cr.)</b>										
<b>Application Amount</b>	₹ 1,40,000						<b>Pre-Issue</b>	<b>Post-Issue</b>				
<b>IPO Objective</b>		₹ 99		₹ 118								
To meet Working Capital Requirements.		<b>Financial Summary (In Lacs)</b>										
General Corporate Purpose.							<b>For the Period Ended</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Sep-23</b>	
<b>Pre-Issue Shareholding</b>			<b>Total Assets</b> 11,926.8 13,631.3 17,588.3 17,457.3									
<b>Category</b>	<b>No. of Shares</b>	<b>% of Total Shares</b>						<b>Net Assets</b> 4,136.1 4,622.7 5,603.9 6,122.3				
Promoter & Promoter Group	1,24,24,000	87.49%										
Public	17,76,000	12.51%	<b>Total Revenue</b> 11,293.7 25,526.5 37,071.2 16,237.6									
<b>Promoter of the Company</b>								<b>Profit After Tax</b> 337.5 486.5 1,012.8 523.7				
1	Bharat Bhushan Omprakash Agarwal											
2	Rikin Bharatbhushan Agarwal		<b>Opening Date</b> Dec 19, 2023									
<b>Competitive Strengths</b>								<b>Closing Date</b> Dec 21, 2023				
1	Capability to manufacture a diverse range of denim fabrics through an in-house weaving unit.		<b>Basis of Allotment</b> Dec 22, 2023									
2	Stringent quality control mechanism ensuring standardized product quality.							<b>Initiation of Refunds</b> Dec 26, 2023				
3	A synergy of the young and experienced management team with a committed employee base.		<b>Credit of Shares to Demat</b> Dec 26, 2023									
								<b>Listing Date</b> Dec 27, 2023				

### Company Background and Analysis

The Company was originally incorporated on 23, August 2010. The company is primarily engaged in the manufacturing and selling of denim fabrics. The company manufacture various type of denim fabrics such as power stretch spandex denim, knit denim, lightweight denim, rigid denim, over-dyed denim and flat finish 3/1 denim.

The company's production facility has the capability to produce grey fabrics in various designs such as twill weave, knit dobby weave, structure dobby weave, broken twill weave and satin weave. The company offers denim fabrics in a diverse spectrum of shades such as indigo blue, IBST, sulphur black, sulphur grey, halogen blue and ecru colour which have weights ranging from 4.50 Oz./sq. yd to 14.50 Oz./sq. yd. and widths spanning from 62" (157cm) to 78" (198 cm).

The company's operations encompass the utilization of diverse types of yarns such as cotton yarn, ring yarn, viscose yarn, slub yarn, cotton spandex, polyester spandex, tencel, lyocell etc which are procured by the company from the domestic market. The company also directly procure grey fabrics from the market, which are subsequently sent for finishing, and are then sold to customers. The company outsourced the yarn dyeing and grey fabrics finishing process to third parties.

The company derive almost 100% of its revenue from Gujarat-based customers which are either manufacturers, wholesalers or traders. The category-wise revenue for the six-month period ended September'23, fiscal 2021, 2022 and 2023 were as follows: -

(Amount in Lakhs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	(%)	Amt	(%)	Amt	(%)	Amt	(%)
Denim Fabrics	9,245.69	81.96	9,267.00	36.35	12,754.29	34.44	5,156.15	31.77
Finishing of Grey Fabrics	1,267.34	11.24	6,712.27	26.33	18,343.08	49.53	6,364.76	39.21
Yarn	637.70	5.65	9,503.90	37.28	5,738.80	15.50	4,485.72	27.64
Windmill	-	0.00	-	0.00	193.04	0.52	210.71	1.30
Others (scrap, job work)	129.34	1.15	7.78	0.03	4.03	0.01	14.67	0.09
<b>Total Sale</b>	<b>11,280.07</b>	<b>100.00</b>	<b>25,490.95</b>	<b>100.00</b>	<b>37,033.24</b>	<b>100.00</b>	<b>16,232.01</b>	<b>100.00</b>

To conclude, the company was incorporated in the year 2010. The company generates the least revenue from the Windmill Category, and it generates the majority of its revenue from Two categories namely Denim Fabrics, and Yarn. The company is raising total gross proceeds of Rs. 31.25 Cr. Rs. 18.82 Cr is being raised through fresh issue of shares.

## Business Strategies

### 1. Expand the domestic presence in existing and new markets -

The company intends to deploy an additional field force consisting of sales and marketing representatives who shall meet the customers/ prospective customers to market the products. The company believes that enhancing its presence in additional regions will enable it to reach out to a larger population.

### 2. Focus on consistently meeting quality standards -

The company intends to focus on adhering to the quality standards of the products. Providing the desired and good quality products helps the company in enhancing customer trust and maintaining long-term relationships with them.

### 3. Maintaining cordial relationships with the suppliers, customers and employees -

The company believes in maintaining good relationships with the suppliers, customers and employees which are the most important factors to keep the Company growing. The company believes that establishing strong, mutually beneficial long-term relationships with strategic suppliers is a critical step in improving performance across the supply chain, generating greater cost efficiency and enabling the business to grow and develop.

### 4. Continue to strive for cost efficiency -

The company will continue to focus on further increasing its operations and improving operational effectiveness at the production facilities. The company wishes to constantly pass such benefits to the customers and increase the efficiency further. The company also wishes to target economies of scale to gain increased negotiating power on procurement.

## Competitive Scenario and Peer Mapping

### Competition

The company faces significant competition from the existing and potential competitors in India and overseas markets that may have substantially greater brand recognition, longer operating histories, greater financial, product development, sales, marketing, more experienced management, access to a cheaper cost of capital and other resources than the company has. Some of the significant competitors in the organized segment include R&B Denims Limited, Manomay Tex India Limited, United Polyfab Gujarat Ltd and Jindal Worldwide Ltd. Competition in the industry is based on a range of factors including pricing, marketing, delivery time, payment terms etc. The industry in which the company operates is highly competitive and fragmented. The competition emerges from small as well as big players in the textile and home furnishing industry. The company has a low barrier to entry. The bargaining power with the customers is high in the sector in which the company operates.

### Peer Analysis

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

Particulars	Shanti Spintex Limited	Jindal Worldwide Limited	R&B Denims Limited	Manomay Tex India Limited	United Polyfab Gujarat Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	3%	6%	6%	2%	1%
EBITDA Margin	6%	11%	13%	6%	4%
Return on Capital Employed	18%	22%	18%	16%	12%
Return on Equity	18%	18%	19%	11%	8%
EPS (INR)	7.13	5.77	2.13	7.18	2.62

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

Particulars	Shanti Spintex Limited	Jindal Worldwide Limited	R&B Denims Limited	Manomay Tex India Limited	United Polyfab Gujarat Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2%	4%	8%	1%	1%
EBITDA Margin	5%	8%	14%	5%	5%
Return on Capital Employed	9%	28%	31%	13%	16%
Return on Equity	11%	20%	34%	12%	16%
EPS (INR)	3.43	5.45	3.02	5.25	4.49

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

Particulars	Shanti Spintex Limited	Jindal Worldwide Limited	R&B Denims Limited	Manomay Tex India Limited	United Polyfab Gujarat Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	3.0%	2.6%	5.5%	0.9%	0.0%
EBITDA Margin	10.0%	6.8%	13.7%	5.6%	11.4%
Return on Capital Employed	8.9%	15.8%	22.0%	9.6%	10.3%
Return on Equity	8.2%	10.5%	23.3%	4.8%	0.0%
EPS (INR)	2.38	2.20	1.18	1.87	0.21

**Industry Overview**

Exhibit 1: Textiles and Apparel Industry (US\$ billion)

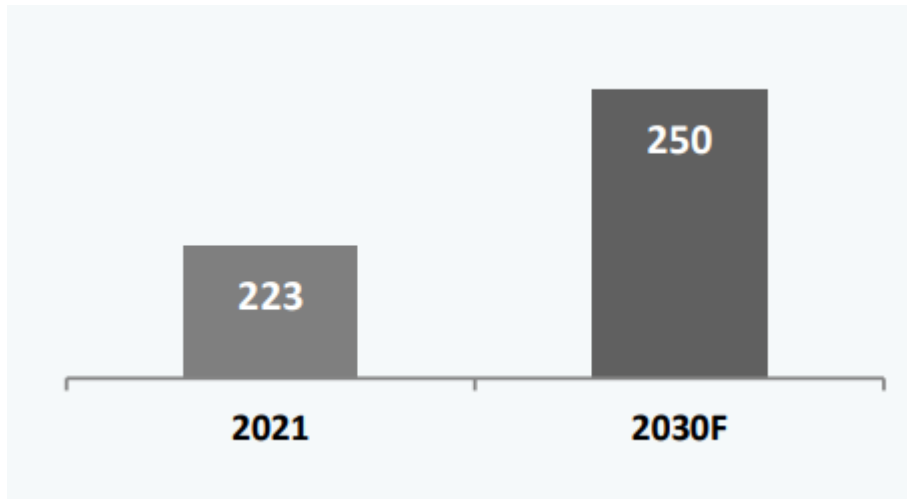
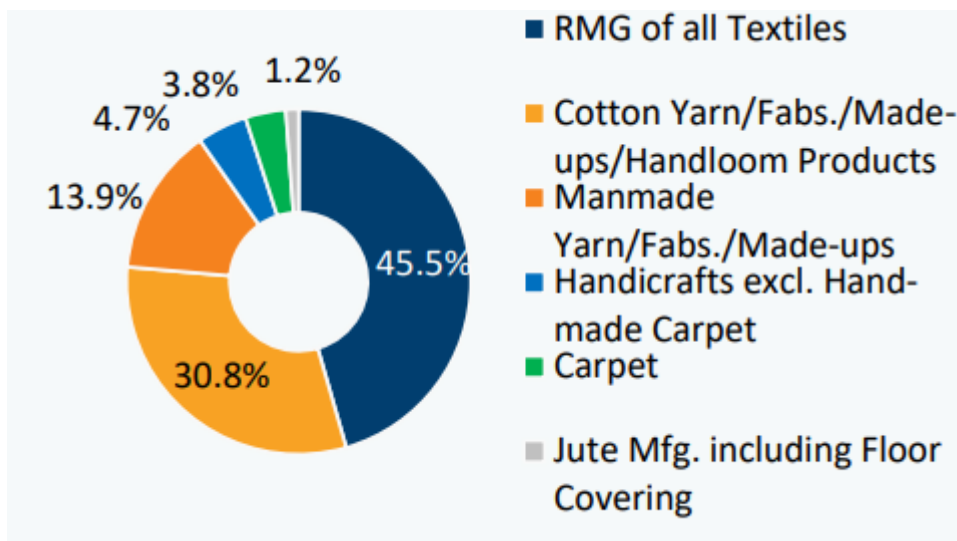


Exhibit 2: Share of India’s textile exports (Between April-March (2022-23))



(Source: ibef.org)

## **Textile – Industry Scenario**

India's textiles sector is one of the oldest industries in the Indian economy, dating back to several centuries. The industry is extremely varied, with hand-spun and hand-woven textiles sectors at one end of the spectrum, with the capital-intensive sophisticated mills sector at the other end. The fundamental strength of the textile industry in India is its strong production base of a wide range of fibre/yarns from natural fibres like cotton, jute, silk and wool, to synthetic/man-made fibres like polyester, viscose, nylon and acrylic.

The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of textiles industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles makes it unique in comparison to other industries in the country. India's textiles industry has a capacity to produce a wide variety of products suitable for different market segments, both within India and across the world. The Indian textile and apparel industry is expected to grow at 10% CAGR from 2019-20 to reach US\$ 190 billion by 2025-26. India has a 4% share of the global trade in textiles and apparel.

India is the world's largest producer of cotton. Estimated production stood at 362.18 lakh bales during cotton season 2021-22. Domestic consumption for the 2021-22 cotton season is estimated to be at 338 lakh bales. Cotton production in India is projected to reach 7.2 million tonnes (~43 million bales of 170 kg each) by 2030, driven by increasing demand from consumers. In FY23, exports of readymade garments (RMG) cotton including accessories stood at US\$ 7.68 billion till January 2023. It is expected to surpass US\$ 30 billion by 2027, with an estimated 4.6-4.9% share globally.

Production of fibre in India reached 2.40 MT in FY21 (till January 2021), while for yarn, the production stood at 4,762 million kgs during the same period. Natural fibres are regarded as the backbone of the Indian textile industry, which is expected to grow from US\$138 billion to US\$195 billion by 2025. India's textile and apparel exports (including handicrafts) stood at US\$ 44.4 billion in FY22, a 41% increase YoY. During April-October in FY23, the total exports of textiles stood at US\$ 21.15 billion. India's textile and apparel exports to the US, its single largest market, stood at 27% of the total export value in FY22. Exports of readymade garments including cotton accessories stood at US\$ 6.19 billion in FY22.

During April-October in FY23, the total exports of textiles stood at US\$ 21.15 billion. Exports of textiles (RMG of all textiles, cotton yarns/fabs./made-ups/handloom products, man-made yarns/fabs./made-ups, handicrafts excl. handmade carpets, carpets and jute mfg. including floor coverings) stood at US\$ 44.4 billion in FY22. India's ready-made garment (RMG) exports are likely to surpass US\$ 30 billion by 2027, growing at a CAGR of 12-13%. In July 2021, the government extended the Rebate of State and Central Taxes and Levies (RoSCTL) scheme for exports of apparel/garments and made-ups until March 2021. This helped boost exports and enhance competitiveness in the labour-intensive textiles sector.

(Source: prospectus)

## Key Managerial Personnel

**Bharat Bhushan Omprakash Agarwal**, aged 64, is one of the Promoters, Chairman, CFO and Whole Time Director of the Company. He is a visionary entrepreneur and has played a pivotal role in expanding the business operations of the Company. He has work experience of over 43 years in the textile industry and has completed his Higher Secondary + 1 education. He currently looks after the overall administration and finance operations of the Company.

**Rikin Bharatbhusan Agarwal**, aged 32, is one of the Promoters, and Managing Director of the company. He has been on the Board since 2014. He has completed his Bachelor of Commerce. He has an experience of around 9 years in the textile industry. He is currently looking after the production and marketing function of the Company.

**Bhavik Rameshbhai Talati**, aged 43, is the Non-Executive Director of the Company. He has an experience of around 24 years in the textile industry. He has completed his Diploma in Textile Manufacturing Technology.

**Kruti Vyas**, aged 30, is the Independent Director of the company. She has a work experience of around 7 years in the secretarial field. She is a qualified member of the Institute of Company Secretaries of India. She is currently working as a Company Secretary in Jhingo Capital Management Private Limited.

**Sejal Romak Agarwal**, aged 34, is the Independent Director of the Company. She has work experience of around 9 years in auditing, taxation, valuation and allied corporate matters. She is currently working as a Practicing Chartered Accountant in Ahmedabad.

To conclude, the company has 2 promoters and one of them has vast experience and the other has good experience in the industry in which the company operates. The remaining Directors of the company have good knowledge and experience in their respective fields.

**Financial Snapshot**

<b>Profit and Loss Statement</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Sep-23</b>	
Revenue from Operations	11,280.07	25,490.94	37,033.22	16,232.01	
Other Income	13.66	35.57	38.05	5.61	
<b>Total Income</b>	<b>11,293.73</b>	<b>25,526.51</b>	<b>37,071.27</b>	<b>16,237.62</b>	
<b>Expenses</b>					
Raw Material Consumption	8,193.32	22,326.42	33,289.08	14,485.54	
Change in inventories of finished goods, work in progress and stock in trade.	164.62	-126.57	-1,072.89	-481.70	
Employee benefits expense	200.75	218.83	254.82	108.59	
Finance costs	266.57	240.61	337.38	184.99	
Depreciation and Amortization expense	408.66	408.43	451.55	235.80	
Other expenses	1,590.94	1,882.00	2,397.45	986.49	
<b>Total Expenses</b>	<b>10,824.86</b>	<b>24,949.72</b>	<b>35,657.39</b>	<b>15,519.71</b>	
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>1,130.44</b>	<b>1,190.26</b>	<b>2,164.76</b>	<b>1,133.09</b>	
<b>EBITDA Margin</b>	<b>10%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>	
<b>Profit/(Loss) before tax</b>	<b>468.87</b>	<b>576.79</b>	<b>1,413.88</b>	<b>717.91</b>	
Tax Expense					
Tax Expense for Current Year	-	37.08	260.83	135.37	
Deferred Tax	131.36	53.12	140.24	58.80	
Total Tax Expense	131.36	90.20	401.07	194.17	
<b>Profit/(Loss) for the year</b>	<b>337.51</b>	<b>486.59</b>	<b>1,012.81</b>	<b>523.74</b>	
<b>Net Profit Margin</b>	<b>3%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>	

<b>Balance Sheet</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Sep-23</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' funds</b>					
Share Capital	710.00	710.00	710.00	1,420.00	
Reserve and Surplus	3,426.14	3,912.73	4,893.93	4,702.31	
<b>Total Equity</b>	<b>4,136.14</b>	<b>4,622.73</b>	<b>5,603.93</b>	<b>6,122.31</b>	
<b>2. Non-current liabilities</b>					
Long Term Borrowings	3,429.45	3,937.38	3,063.29	2,270.19	
Deferred Tax Liabilities	544.79	597.91	738.16	796.95	
Long Term Provisions - Gratuity	5.01	7.51	7.29	8.35	
<b>Total Non-current liabilities</b>	<b>3,979.25</b>	<b>4,542.80</b>	<b>3,808.74</b>	<b>3,075.49</b>	
<b>3. Current liabilities</b>					
Financial Liabilities					
Short-term borrowings	849.38	931.26	1,114.37	1,204.25	
Trade payables					
Due to MSME	-	-	-	-	
Due to Others	2,856.31	3,422.21	6,686.33	6,593.88	
Other Current Liabilities	75.05	48.54	98.52	55.24	
Short-term Provisions	30.70	63.79	276.45	406.13	
<b>Total Current liabilities</b>	<b>3,811.44</b>	<b>4,465.80</b>	<b>8,175.67</b>	<b>8,259.50</b>	
<b>Total Liabilities</b>	<b>7,790.69</b>	<b>9,008.60</b>	<b>11,984.41</b>	<b>11,334.99</b>	
<b>Total Equity and Liabilities</b>	<b>11,926.83</b>	<b>13,631.33</b>	<b>17,588.34</b>	<b>17,457.30</b>	
<b>ASSETS</b>					
<b>1. non-current assets</b>					
Property, Plant and Equipment					
Tangible Assets	5,697.20	5,289.15	6,415.21	6,829.99	
Capital Work-in-Progress	-	27.12	-	-	
Non-Current Investments	200.00	200.00	200.00	200.00	



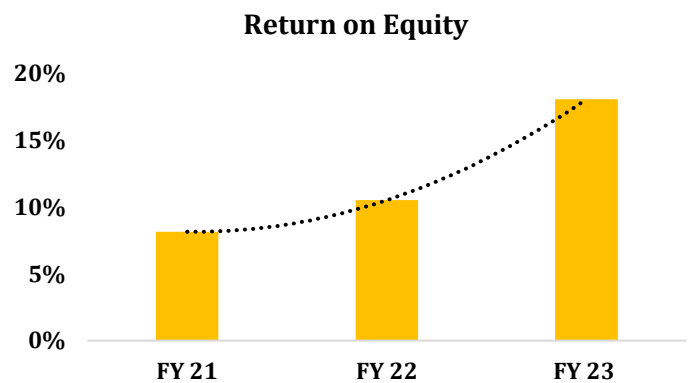
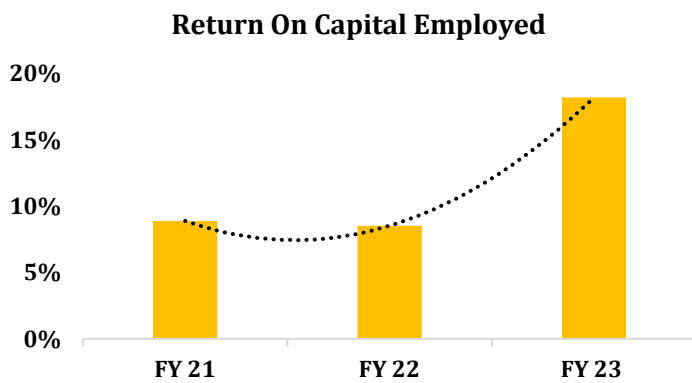
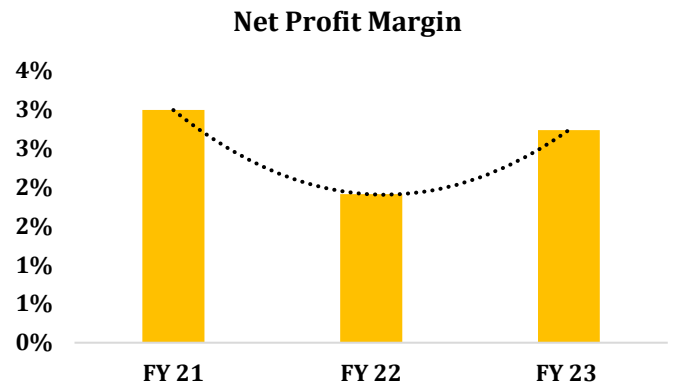
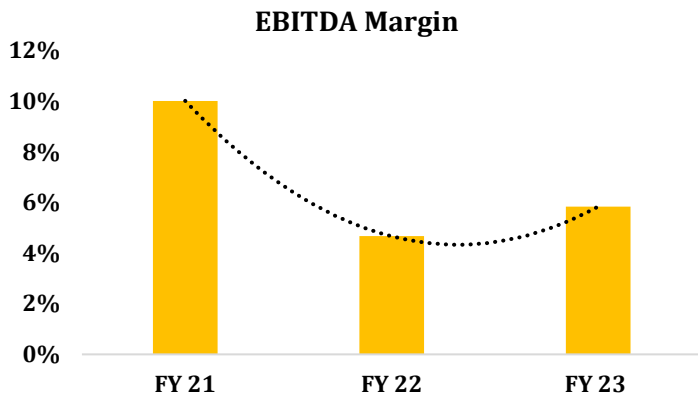
<b>Balance Sheet</b>					<b>(In Lacs)</b>
Long-term Loans and Advances	13.58	1,147.76	-	-	
<b>Total Non-Current assets</b>	<b>5,910.78</b>	<b>6,664.03</b>	<b>6,615.21</b>	<b>7,029.99</b>	
<b>2. Current assets</b>					
Inventories	321.34	688.82	1,885.47	2,114.44	
Trade receivables	3797.03	5,171.11	6,827.58	6,983.25	
Cash and Bank Balances	594.65	313.81	484.69	293.83	
Short-term loans and advances	1,195.46	677.44	1,634.59	869.71	
Other Current Assets	107.56	116.12	140.80	166.10	
<b>Total Current assets</b>	<b>6,016.04</b>	<b>6,967.30</b>	<b>10,973.13</b>	<b>10,427.33</b>	
<b>Total Assets</b>	<b>11,926.82</b>	<b>13,631.33</b>	<b>17,588.34</b>	<b>17,457.32</b>	

<b>Cash Flow Statement</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Sep-23</b>	
Net Cash Flow from Operating Activities	346.35	526.55	1,596.13	1,446.28	
Net Cash Flow from Investing Activities	5.47	-22.42	-1,544.65	-647.92	
Net Cash Flow from Financing Activities	81.53	-784.98	119.41	-989.23	

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Sep-23*</b>
<b>Per Share Data</b>				
Diluted EPS	2.38	3.43	7.13	7.04
BV per share	24.49	27.37	33.18	51.33
<b>Operating Ratios</b>				
EBITDA Margins	10.02%	4.67%	5.85%	6.98%
PAT Margins	2.99%	1.91%	2.73%	3.66%
Inventory days	10.40	9.86	18.58	23.84
Debtor days	122.86	74.04	67.29	78.73
Creditor days	127.11	55.35	73.04	86.24
<b>Return Ratios</b>				
RoCE	9%	9%	18%	16%
RoE	8%	11%	18%	14%
<b>Valuation Ratios (x)</b>				
EV/EBITDA	6.92	7.71	4.29	4.88
Market Cap / Sales	1.05	0.46	0.32	0.36
P/E	29.41	20.41	9.82	9.94
Price to Book Value	2.86	2.56	2.11	1.36
<b>Solvency Ratios</b>				
Debt / Equity	1.03	1.05	0.75	0.57
Current Ratio	1.58	1.56	1.34	1.26
Quick Ratio	1.49	1.41	1.11	1.01
Asset Turnover	0.95	1.87	2.11	0.93
Interest Coverage Ratio	2.71	3.25	5.08	4.85

\*Ratio sheet for Sep-23 is annualized.

## Financial Charts



## Key Risk Factors

1. The Company's substantial portion of the revenues has been dependent upon a few customers. For instance, the top ten customers for six six-month period ended Sept.'23, F.Y. ended March 31, 2023, and March 31, 2022, accounted for 98.20%, 96.04% and 92.58% of the revenue from operations for the respective year.
2. The Company, Promoters and Directors are parties to certain tax proceedings amounting to Rs. 0.95 lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition.
3. The company has contingent liabilities amounting to Rs. 159.2 lakhs which could affect the financial condition.

**Track Record of Lead Manager**

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

**Hem Securities Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	S J Logistics (India) Limited	48.00	125.00	December 19, 2023	183.75
2.	Deepak Chemtex Limited	23.04	80.00	December 06, 2023	117.69
3.	Paragon Fine and Speciality Chemicals Limited	51.66	100.00	November 03, 2023	158.15
4.	E Factor Experiences Limited	25.92	75.00	October 09, 2023	164.00
5.	Arabian Petroleum Limited	20.24	70.00	October 09, 2023	96.05
6.	Saakshi Medtech and Panels Limited	45.16	97.00	October 03, 2023	224.00
7.	Madhusudan Masala Limited	23.80	70.00	September 26, 2023	123.25
8.	Kahan Packaging Limited	5.76	80.00	September 15, 2023	85.00
9.	Asarfi Hospital Limited	26.94	52.00	July 26, 2023	91.99
10.	Kaka Industries Limited	21.23	58.00	July 19, 2023	180.90

\*CMP for the above-mentioned companies is taken as of 19<sup>th</sup> December 2023.

As per the offer document, Hem Securities Limited has had 34 mandates in the last three fiscal years (including the current year). For Hem Securities Limited above-mentioned mandates have opened at premiums on the listing day.

## Recommendation

The company has been in the industry since 2010 and has good experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on a post-IPO basis is 9.94 times which seems to be fairly priced by looking at the performance of the company. The sector P/E is 21.4 times.

The company has seen consistency in the growth of the business in terms of top-line and bottom-line financials. The company's financial outlook is not entirely satisfactory. The company does not produce any unique items. The textile industry in which the company operates is highly fragmented. The company has also seen a decreasing trend in the profitability margins over the years. The company does not also have any unique strategies planned to drive future growth. Thus, we believe there is no harm in avoiding this IPO. Thus, we recommend **Risk Averse - Should Wait Risk Seekers - Should Apply** applying to this IPO.

**Disclaimer**

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