



Kalahridhaan Trendz Limited

IPO Note



IPO Details		Company Background					
Opening Date	Feb 15, 2024	<ul style="list-style-type: none"> ○ Kalahridhaan Trendz Limited was originally incorporated in the year 2016 and had its registered office in Ahmedabad, Gujarat, India. ○ The Company is engaged in the business of manufacturing and trading of Fabric with embroidery works, Trading of grey cloths, purchase of grey cloth and printing and dyeing for preparing suiting, shirting and dress materials for sale it in the market. ○ The Company is the first stage wholesalers, who directly supply the material to the wholesalers. ○ As of December 31st, 2023, the Company had 277 employees on its payroll. 					
Closing Date	Feb 20, 2024						
Stock Exchange	NSE SME						
Lot Size	3,000 Shares						
Issue Price	₹ 45 per share						
Issue Size	Aggregating up to 22.49 Cr.						
Fresh Issue	Aggregating up to 22.49 Cr.						
Offer for Sale	-						
Application Amount	₹ 1,35,000						
IPO Objective		Market Capitalization (In Cr.)					
Working capital requirements.		Pre-Issue	Post-Issue				
General corporate purposes.		₹ 55	₹ 77				
Meeting Public Issue Expenses.							
Pre-Issue Shareholding			Financial Summary (In Lacs)				
Category	No. of Shares	% of Total Shares	For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Promoter & Promoter Group	1,17,28,061	96.22%	Total Assets	5,979.34	10,297.94	10,962.54	10,979.30
Public	4,60,939	3.78%	Net Assets	900.01	1,146.22	1,812.23	2,290.94
Promoter of the Company			Total Borrowing	3,145.56	5,249.90	6,105.33	6,702.43
1.	Niranjan Agarwal		Total Revenue	13,235.91	18,390.4	18,417.0	8,434.54
2.	Aditya Agarwal		Profit After Tax	110.53	246.20	666.01	478.70
3.	Sunitadevi Agarwal		Tentative Timeline				
Competitive Strengths			Opening Date	Feb 15, 2024			
1.	Experience Promoters and Team.		Closing Date	Feb 20, 2024			
2.	Prime Location of manufacturing Unit.		Basis of Allotment	Feb 21, 2024			
3.	Quality Assurance.		Initiation of Refunds	Feb 22, 2024			
4.	Unique kind of product.		Credit of Shares to Demat	Feb 22, 2024			
			Listing Date	Feb 23, 2024			

Company Background and Analysis

Kalahridhaan Trendz Limited was originally incorporated on May 27, 2016. Company is engaged mainly in the business of manufacturing and trading of Fabric with embroidery works, Trading of grey cloths, purchase of grey cloth and printing and dyeing for preparing suiting, shirting and dress materials for sale it in the B2B market only. Company is preparing the suiting, shirting & dress material products and focus on the whole sale market. Company is the first stage wholesalers, who directly supply the material to the wholesalers.

In case of Embroidery Segment, Company undertakes the embroidery work for its own business as well as on behalf of the other clients. In addition to this it also gets embroidery work out sourced. Company also deals in purchase and sell of grey cloths as well as the suiting, shirting and dress materials. It has two embroidery knitting machines having capacity of 15,000 meters per day.

As a part of expansion of business activities, as a part of forward integration, Company has also taken over the textile dying and printing business unit on rent basis in February 2018, where it is carrying out the dying and printing of suiting, shirting and dress materials for its own use as well as on job work too.

Company's main business activities can be mainly divided in to two segments.

- Embroidery Knitting activities and
- Cloths dying and Printing activities.

The bifurcation of income from manufacturing and job work for the last 3 financial year and stub period are as under:

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Sales of Manufacturing Goods	13,235.91	100.00	18,390.46	100.00	17,639.66	95.78	7,969.54	94.57
Job Work	-	-	-	-	777.19	4.22	457.59	5.43
Total	13,235.91	100.00	18,390.46	100.00	18,416.85	100.00	8,427.13	100.00

The marketing strategy of the Company is the combination of direct marketing, identifying sales opportunities to existing and prospective clients. Conversation with manufacturers on an individual basis, all the year round is part of the strategy. Company has always focused on meeting the customer's requirement in the most efficient way by offering them quality products, reasonable price, just in time delivery. Company supports its marketing efforts by maintaining regular personal contacts and meetings.

To conclude, Kalahridhaan Trendz Limited was incorporated in 2016, and has decent experience in the industry. Currently company derives most of its revenue from the sale of Printed Cloths.

Business Strategies

1. Maintain and expand long-term relationships with clients –

The business model is based on client relationships that are established over period of time rather than a project-based execution approach. Company believes that a long-term client relationship with large clients fetches better dividends.

2. Optimal Utilization of Resources –

Company constantly endeavours to improve production process, skill up-gradation of workers, modernization of machineries to optimize the utilization of resources. Company regularly analyses its existing material procurement policy and manufacturing process to identify the areas of bottlenecks and correct the same.

3. Commencement of Process house operations –

To satisfy the customer demands for the printed quality suiting, shirting and dress materials of existing customers as well as new customers, company has started process house operations, wherein it is carrying out the dying and printing of suiting, shirting and dress materials. Thus, company is expanding the business and customers also.

Competitive Scenario and Peer Mapping

Competition

Company operates in a highly competitive business environment. Growing competition in the domestic market from domestic players and/or the international players, it is subject to pricing pressures and require reducing the prices of products in order to retain and/or attract new customers, which may have a material adverse effect on company's revenues and margins. Some of its competitors may be increasing their capacities and targeting the same products in which company is dealing. Further, there are no entry barriers in this industry and any expansion in capacity of existing manufacturers would further intensify competition.

Peer Analysis

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

Particulars	Kalahridhaan Trendz Limited	SPL Industries Limited	Kitex Garments Limited	Monte Carlo Fashion Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	4%	8%	10%	12%
EBITDA Margin	7%	8%	11%	20%
Return on Capital Employed	32%	11%	4%	19%
Return on Equity	37%	13%	7%	17%
EPS (INR)	10.93	8.22	8.65	64.03

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

Particulars	Kalahridhaan Trendz Limited	SPL Industries Limited	Kitex Garments Limited	Monte Carlo Fashion Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	1.34%	10.61%	15.86%	12.61%
EBITDA Margin	4%	11%	22%	20%
Return on Capital Employed	23%	12%	18%	19%
Return on Equity	21%	13%	15%	17%
EPS (INR)	4.04	7.27	18.82	55.01

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

Particulars	Kalahridhaan Trendz Limited	SPL Industries Limited	Kitex Garments Limited	Monte Carlo Fashion Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.84%	12.7%	11.9%	10.6%
EBITDA Margin	3.1%	14.5%	22.0%	18.6%
Return on Capital Employed	18.2%	9.0%	10.7%	11.6%
Return on Equity	12.3%	9.9%	7.8%	10.9%
EPS (INR)	1.81	4.67	8.16	31.98

Industry Overview

Exhibit 1: Domestic textile and apparel industry in India (US\$ billion)

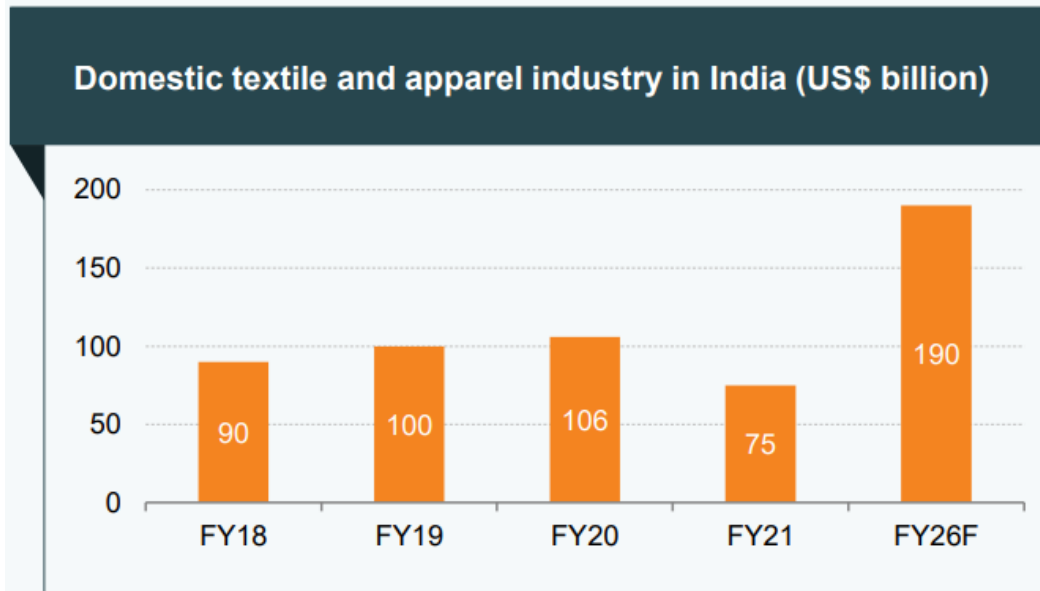
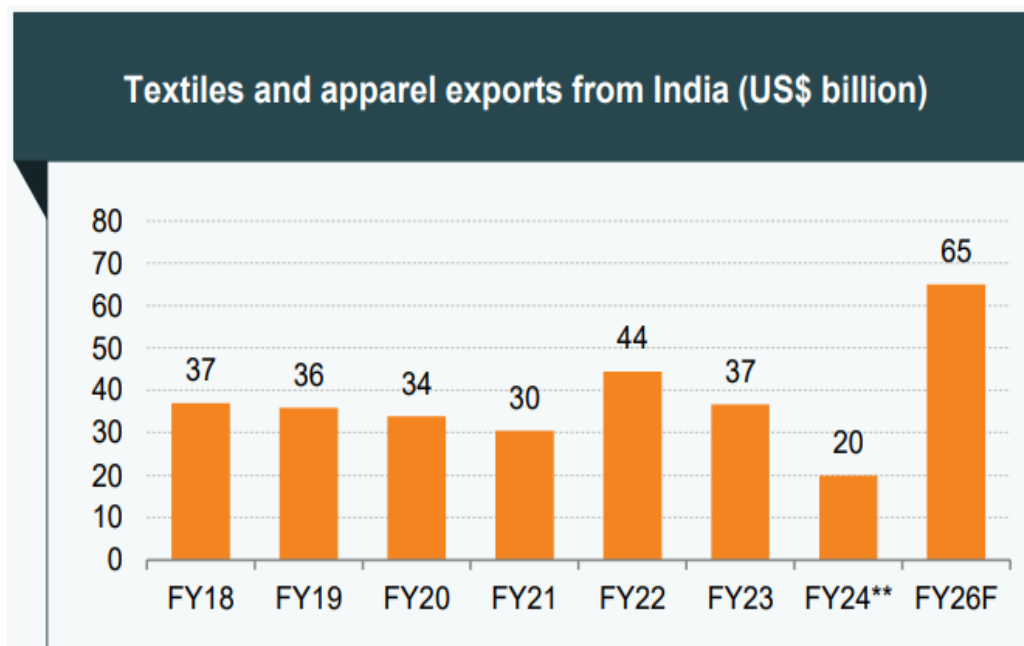


Exhibit 2: Textiles and apparel exports from India (US\$ billion)



(Source: ibef.org)

Market Aspects of Textiles Industry-

India is the world's second-largest producer of textiles and garments. It is also the sixth-largest exporter of textiles spanning apparel, home and technical products. India has a 4% share of the global trade in textiles and apparel. The textiles and apparel industry contribute 2.3% to the country's GDP, 13% to industrial production and 12% to exports. The textile industry has around 45 million of workers employed in the textiles sector, including 3.5 million handloom workers. The textile industry has around 45 million of workers employed in the textiles sector, including 3.5 million handloom workers. India's textile and apparel exports (including handicrafts) stood at US\$ 44.4 billion in FY22, a 41% increase YoY. Total textile exports are expected to reach US\$ 65 billion by FY26. The Indian textile and apparel industry is expected to grow at 10% CAGR from 2019-20 to reach US\$ 190 billion by 2025-26. The Indian apparel market stood at US\$ 40 billion in 2020 and is expected to reach US\$ 135 billion by 2025. The Rs. 10,683 crore (US\$ 1.44 billion) PLI scheme is expected to be a major boost for the textile manufacturers. The scheme proposes to incentivise MMF (man-made fibre) apparel, MMF fabrics and 10 segments of technical textiles products.

Growth Drivers of Textiles Industry

The Indian textiles market is expected to be worth >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 December 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. In September 2021, the government approved a Rs. 10,683 crore (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.

Foreign Investment Flowing into Textiles Sector

100% FDI is permitted in the sector. Cumulative FDI inflows in the textiles sector (including dyed and printed textiles) stood at US\$ 4.2 billion between April 2000-March 2023. The textiles industry in India is experiencing a significant increase in collaboration between global majors and domestic companies. International apparel giants like Hugo Boss, Liz Claiborne, Diesel and Kanz have already started operations in India. In April 2021, South Korea's textile major Youngone announced that it will start its operations within six months at Kakatiya Mega Textile Park in Warangal, providing employment to 12,000 people in the region.

(Source: prospectus)

Key Managerial Personnel

Niranjana Agarwal, aged 60 years, is a Promoter and Managing Director of the company. He has been associated with the Company as a director since Inception i.e. May 27, 2016. He is not Matriculate. He has been leading the Strategy and Business Development department of the Company from the year 2016. He is also the Supreme authority in all operational, financial and marketing proposals by the teams. He possesses more than 40 Year of experience in the textile industry. His major roles include administering business strategies to streamline company growth and ensure smooth running of existing operations.

Aditya Agarwal, aged 30 years, is a Whole-time director of the company. He has been associated with the Company as a director since Inception i.e. May 27, 2016. He has completed his Bachelor of Technology in Chemical Engineering from Nirma University, Gujarat in the year 2015. He Possessed expertise in Textile chemicals, Manufacturing and designing of products. His responsibilities include acting as a mediator between other Directors and company team heads. He supervises all client interactions and manages the client relations.

Sunitadevi Agarwal, aged 56 years, is a Promoter & Non-Executive Director of the company. She is not Matriculate. She is always associated with the routine course of business of the Company. Currently, she looks after the HR related matters in the Company.

Bharatkumar Chaudhary, aged 34 years, is an Independent Director of the Company. He has completed his Bachelor of Commerce from Gujarat University in the year 2010, also Bachelor of Laws from Gujarat University in the year 2017. He has more than 8 years of Experience & Proficient in Corporate Restructuring, Company law, Stock Exchange Compliance, FEMA, Takeover, Intellectual property law.

Ankit Kumar Agrawal, aged 33 years, is an Independent Director of the company. He is an Associated Members of the Institute of Company Secretaries of India since 2016. he has completed his Bachelor of Business Administration from Hemchandra charya North Gujarat University in the year 2010, Master of Business Administration from Sikkim Manipal University in the year 2013. He has More than Five years of experience in the field of Finance, Legal and corporate secretarial.

Drashti Solanki, aged 29 years, is an Independent Director of the company. She is an Associated Members of the Institute of Company Secretaries of India since 2016. She has completed her Bachelor of Commerce, Master of Commerce (External) and Bachelor of Law from Gujarat University. She has More than Five years of experience in the field of Company Law.

To conclude, the company has 3 promoters, out of which one have vast experience and rest has decent experience in the fields, which helps in the overall growth and the industry directly linked to the operations. The Directors of the company also have good experience in fields which will also help in the growth of the company.

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
Revenue from Operations	13,235.91	18,390.14	18,416.85	8,427.13
Other Income	-	0.32	0.16	7.41
Total Income	13,235.91	18,390.46	18,417.01	8,434.54
Expenses				
Cost of material consumed	11,405.47	18,626.39	15,336.66	5,999.79
Manufacturing Expenses	2,031.85	1,025.81	1,064.28	666.75
Change in inventories	-718.60	-2,060.73	511.97	636.42
Employee benefits expense	24.15	46.23	76.14	26.00
Finance costs	239.03	312.97	463.40	363.37
Depreciation and Amortization expense	18.80	19.06	23.38	45.95
Administrative Selling & Other Expenses	82.06	90.78	51.21	61.12
Total Expenses	13,082.76	18,060.51	17,527.04	7,799.40
Earnings Before Interest, Taxes, Depreciation & Amortization	410.98	661.66	1,376.59	1,037.05
EBITDA Margin	3%	4%	7%	12%
Profit/(Loss) before exceptional items and tax	153.15	329.95	889.97	635.14
Exceptional items	-	-	-	-
Profit/(Loss) before tax	153.15	329.95	889.97	635.14
Tax Expense				
Current Tax	42.62	84.07	217.93	165.43
Deferred Tax	-	-0.32	6.03	-8.99
Total Tax Expense	42.62	83.75	223.96	156.44
Profit/(Loss) for the year	110.53	246.20	666.01	478.70
Net Profit Margin	1%	1%	4%	6%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	609.45	609.45	609.45	1,218.90
Reserve and Surplus	290.56	536.77	1,202.78	1,072.04
Total Equity	900.01	1,146.22	1,812.23	2,290.94
2. Non-current liabilities				
Long Term Borrowings	1,256.84	1,632.00	2,401.72	2,285.71
Deferred Tax Liabilities (Net)	-	-	2.06	-
Long term provisions	2.67	3.84	4.37	4.67
Total Non-current liabilities	1,259.51	1,635.84	2,408.15	2,290.38
3. Current liabilities				
Short-term borrowings	1,888.72	3,617.90	3,703.61	4,416.72
Trade payables	1,852.40	3,803.66	2,790.96	1,773.56
Other Current Liabilities	28.42	24.65	32.30	15.12
Short-term Provisions	50.28	69.67	215.29	192.58
Total Current liabilities	3,819.82	7,515.88	6,742.16	6,397.98
Total Liabilities	5,079.33	9,151.72	9,150.31	8,688.36
Total Equity and Liabilities	5,979.34	10,297.94	10,962.54	10,979.30
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	85.14	98.60	301.09	282.17
Deferred Tax Assets (Net)	3.64	3.96	-	6.93

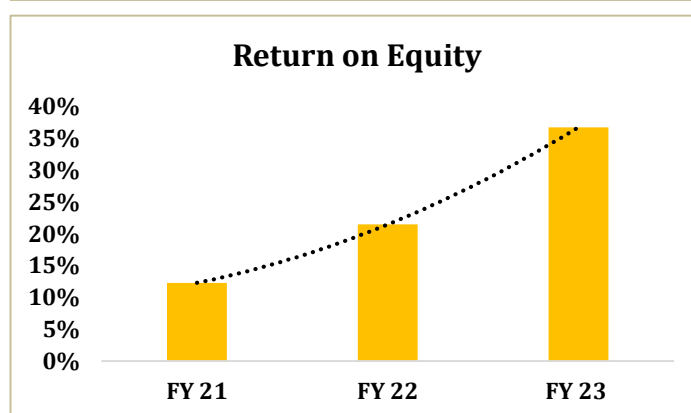
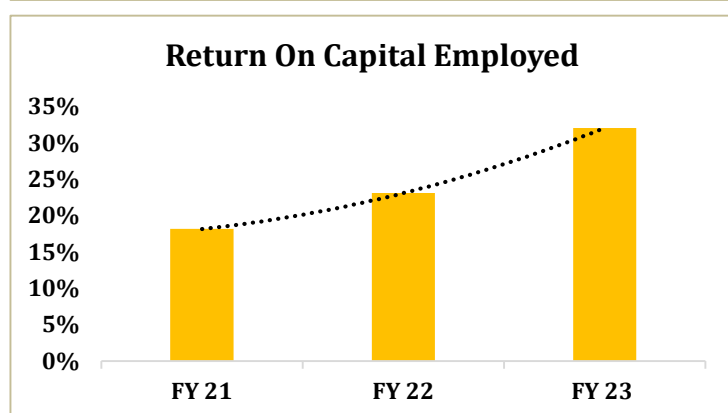
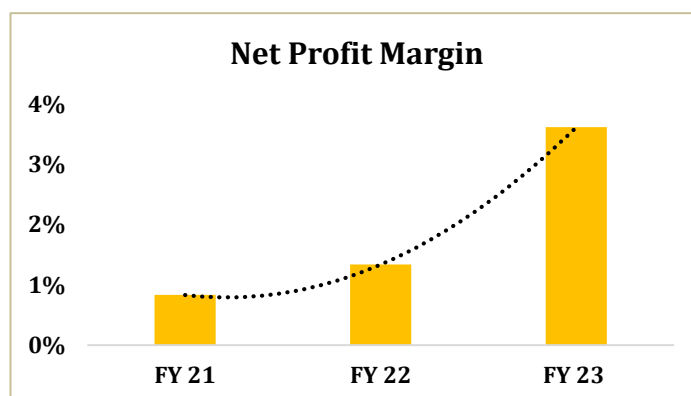
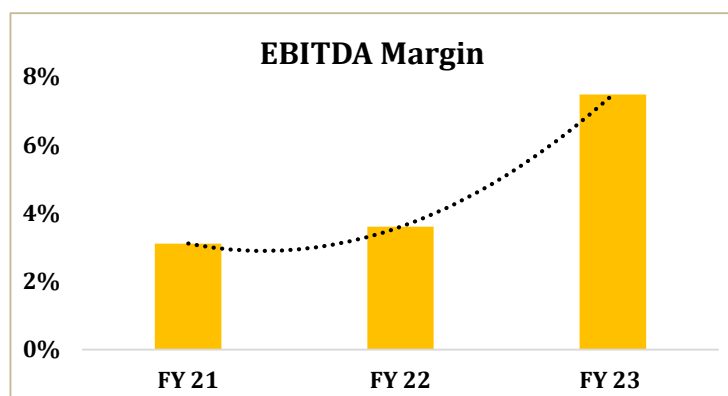
Balance Sheet				(In Lacs)
Non-current Investments	0.05	30.05	65.25	65.25
Total Non-Current assets	88.83	132.61	366.34	354.35
2. Current assets				
Inventories	3,603.40	5,223.49	4,784.40	5,027.92
Trade receivables	2,087.52	4,801.05	5,463.26	5,290.12
Cash and Bank Balances	10.77	7.69	206.00	213.11
Short-term loans and advances	187.95	133.09	142.54	93.80
Other Current Assets	0.87	-	-	-
Total Current assets	5,890.51	10,165.32	10,596.20	10,624.95
Total Assets	5,979.34	10,297.93	10,962.54	10,979.30

Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
Net Cash Flow from Operating Activities	-539.83	11.74	-68.11	507.31
Net Cash Flow from Investing Activities	-0.57	-76.64	-246.08	-27.02
Net Cash Flow from Financing Activities	530.49	61.82	312.34	-473.18

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23*
Per Share Data				
Diluted EPS	1.81	4.04	10.93	5.53
BV per share	5.24	6.67	10.54	29.16
Operating Ratios				
EBITDA Margins	3.11%	3.60%	7.47%	12.31%
PAT Margins	0.84%	1.34%	3.62%	5.63%
Inventory days	99.37	103.67	94.82	109.18
Debtor days	57.57	95.29	108.28	114.88
Creditor days	57.10	76.93	66.56	47.41
Return Ratios				
RoCE	18%	23%	32%	28%
RoE	12%	21%	37%	19%
Valuation Ratios (x)				
EV/EBITDA	9.82	9.66	5.60	5.38
Market Cap / Sales	0.58	0.42	0.42	0.46
P/E	24.86	11.14	4.12	8.14
Price to Book Value	8.59	6.75	4.27	1.54
Solvency Ratios				
Debt / Equity	3.50	4.58	3.37	2.93
Current Ratio	1.54	1.35	1.57	1.66
Quick Ratio	0.60	0.66	0.86	0.87
Asset Turnover	2.21	1.79	1.68	0.77
Interest Coverage Ratio	1.64	2.05	2.92	2.73

*Ratio sheet for Oct-23 is annualized.

Financial Charts



Key Risk Factors

1. The company's top 10 suppliers contributed to the FY 2022-23, FY 2021-22 and FY 2020-21 was 66.28%, 60.68% and 45.07% of the total turnover. Failure to successfully procure raw materials in a timely manner, at competitive rates, or at all, or to identify new raw material suppliers could adversely affect company's business, financial condition and results of operations.
2. The Company, Promoter and Directors are involved in certain litigation which is currently pending at various stages amounting to Rs. 410.34 lakhs. Any adverse decisions in these cases against the Company, Promoter and Director. may impact business and operations of the Company.
3. The company has negative operating cashflow for the FY ended 2021, and 2023. Any operating losses or negative cash flows in the future could adversely affect the results of operations and financial conditions.

Track Record of Lead Manager

The lead manager to the issue is Interactive Financial Services Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Interactive Financial Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Vrundavan Plantation Limited	15.30	108.00	November 06, 2023	55.05
2.	Vivaa Tradecom Limited	7.99	51.00	October 12, 2023	30.22
3.	Crop Life Science Limited	26.73	52.00	August 30, 2023	46.85
4.	Tridhya Tech Limited	26.41	42.00	July 13, 2023	33.15
5.	Bizotic Commercial Limited	42.21	175.00	June 23, 2023	57.73
6.	Sahana System Limited	32.74	135.00	June 12, 2023	963.05
7.	Prospectus Commodities Limited	7.48	61.00	March 20, 2023	103.62
8.	Patron Exim Limited	16.69	27.00	March 06, 2023	8.71
9.	Pace E-Commerce Ventures Limited	66.53	103.00	October 20, 2022	28.70
10.	Dipna Pharmachem Limited	15.21	38.00	September 08, 2022	13.06

*CMP for the above-mentioned companies is taken as of 19th February 2024.

As per the offer document Interactive Financial Services Limited has had 13 mandates in the last three years. For Interactive Financial Services Limited, from the above-mentioned mandates two opened at par, three opened at a discount and the rest all have opened at premiums on the listing date.

Recommendation

The company has been in the industry since 2016 and has decent experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on an annualized and post-IPO basis is 8.14 times which seems to be slightly highly priced by looking at the performance of the company and the sector. The Sector P/E is 30.9 times.

The industry in which the company operates is highly competitive. The company has seen any decent increase in the top line, but in the bottom line of financials it has exponential growth in its FY23, which will be difficult to sustain going forward. And also, the business segment in which the company operates is not unique. There for one can **AVOID** applying for this IPO.



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