



IPO Note

Avi Ansh Textile Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Avi Ansh Textile Limited was originally incorporated as "Rajneesh Spinners Private Limited" on April 27, 2005. The registered office is located at North-West Delhi, India.
- **Business Activity:** The company is engaged in the business of manufacturing and is an exporter of 100% cotton yarn, including combed and carded cotton yarn in various counts.
- **Revenue Stream:** The company's majority revenue is generated from yarn (Rs. 10,822.75 lakhs) and fabric (Rs. 3,316.12 lakhs) for FY2024.
- **Human Resource:** The company has 281 full-time employees as on Sep 12, 2024.

Objects of the Issue -

- To meet Working Capital Requirements
- Term Loan Repayment
- General Corporate Purposes

Promoters Name -

Anil Kumar Jain, Geeta Jain, Avi Jain, G A Alloys Private Limited, S J Metals Private Limited, A K Jain (HUF), Sanjeev Mittal (HUF), Ramesh Mittal (HUF), S C Jain (HUF), Arihant Yarnfab Private Limited, Akanksha Jain and Ansh Jain

Rationale for recommendation -

- ✓ The bottom line and profitability margins have been inconsistent and a sudden increase can be seen for FY2024 which might not be sustainable.
- ✓ The company had negative cash flow from operations for FY2024.
- ✓ The CCC has remained quite high for FY2024.
- ✓ The DE ratio has remained high over the years.
- ✓ The company has high concentration of customers and suppliers.
- ✓ The textile industry is high fragmented.

IPO Details

Opening Date	Sep 20, 2024
Closing Date	Sep 24, 2024
Allotment Date	Sep 25, 2024
Listing Date	Sep 27, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹62
Issue Size	25.99 Cr.
Fresh Issue	25.99 Cr.
Offer for Sale	-
Application Amt	₹ 1,24,000 (2,000 shares)

INDUSTRY - Textile - Cotton

P/E Average - 76.96

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	11,951.32	12,070.64	14,138.87
EBITDA	553.73	376.62	887.89
Net Profit	155.54	28.74	331.35
RoCE	10.45%	4.57%	19.33%
ROE	12.65%	2.29%	20.88%
P/E	38.99	213.79	18.29

Promoter Share Holding Pattern

Pre-Issue	Post Issue
95.68%	66.99%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	3.39	2.37
BVPS	162.21	29.95
P/E	18.29	26.15
P/BV	0.38	2.07
Mkt Cap (In Cr)	60.67	86.66

Lead Managers -

3Dimension Capital Services Limited

Registrar -

Skyline Financial Services Private Limited

Business Overview -

Avi Ansh Textile Limited is engaged in the business of manufacturing and is an exporter of 100% cotton yarn, including combed and carded cotton yarn in various counts. Additionally, they have vertically integrated into the knitting division, producing superior quality fabrics in dyed and greige variants.

The manufacturing unit is located at Derabassi, Punjab and the capacity utilization remained at 94%, 94% and 92% for FY2022, 2023 and 2024 respectively.

Manufacturing Plant at Derabassi



Group Company -


1. Avi Ansh Enterprises Private Limited
2. Arihant YarnFab Private Limited
3. G A Alloys Private Limited
4. Hichoice Real Estate Private Limited
5. S.J Metals Private Limited

Product Portfolio -

Yarns -

100% Carded Yarn	100% Combed Yarn	Slub Yarn
Made by combining different fibres together.	They undergo combing process so that the fibres are straight and parallel.	These are thickened in random areas of a finished fabric.
		

Fabrics -

Single Jersey	Rib	Interlock	Terry & Diagonal Terry	Rice Knit
Basic, weft-knitted fabric, flat loop, reverse loop	Reversible, double-faced fabric with perpendicular ribs, used for bands and cuffs.	Double-knit fabric, soft, honeycomb-like structure, identical front and back.	Multiple single yarns twisted together, like 2-ply or 3-ply.	High-quality, knitted fabric, often used for exports.
				
Waffel	Thermal	Fleece	Dot Knit	Nirmal Knit
Soft, absorbent fabric, used for robes, towels, blankets.	Warm, textured fabric, perfect for winter.	Fluffy, napped fabric, often synthetic, very warm.	Modern, high-quality fabric, often used for sportswear.	Breathable, comfortable, high-quality, rigorously tested.
				
Pique	Lycra Blended	Dry Fit	Honeycomb Matte	Spun matte
Textured cotton fabric, used in knit or woven form, often with a cellular pattern.	Heat-resistant, synthetic fabric, often used with other synthetics.	Moisture-wicking polyester fabric, keeps athletes dry and comfortable.	Raised threads in small rectangles, created by combining plain and twill weave.	High-quality, knitted fabric, often used for exports.
				

Product-wise Revenue-Bifurcation -*(Amt in Lakhs)*

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Cotton Scrap	659.83	5.52	679.09	5.63	971.22	6.87
Cotton Yarn	11,249.60	94.13	11,063.21	91.65	9,742.32	68.90
Yarn Traded	41.89	0.35	-	-	-	-
Cotton Traded	-	-	82.95	0.69	-	-
Synthetic Yarn Traded	-	-	-	-	102.52	0.73
Fabric	-	-	245.38	2.03	3,322.81	23.50
Total	11,951.32	100.00	12,070.64	100.00	14,138.87	100.00

Utilization of Net Proceeds -

The net proceeds of the issue will be utilized for term loan repayment (Rs. 394.76 lakhs), funding working capital requirements (Rs. 2,011.94 lakhs) and for general corporate purposes (Rs. 56.29 lakhs).

Competition -

- 1. Market Competition:** The textile (manufacturing) industry is highly competitive where the key factors of competition primarily comprise of quality, price and availability of the product and variety of products offered as well as customer service.
- 2. Geographic Competition:** The company faces competition from international, national, regional and niche brands and unorganized players.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

Business Strategies -

1. The company intends to expand manufacturing capacity and had taken steps in the past by doubling the capacity to 12,000 spindles and also expanding their vertical into knitting business.
2. The company intends to expand its export market and diversify their customer base.
3. The company intends to expand its business by entering into garmenting sector.

Risk Factors -

The company's significant portion of revenue is dependent on top 10 customers which contributed to 72.87%, 58.77% and 51.29% for FY2024, 2023 and 2022 respectively.

The company is dependent on top 10 suppliers which contributed to 61%, 70.25% and 42.94% of the revenue generated for FY2024, 2023 and 2022 respectively.

The company has 13 outstanding cases against it for tax matters amounting to Rs. 110.81 lakhs and the group companies have 13 outstanding cases against it for tax matters amounting to Rs. 2.47 lakhs.

The company had negative cash flow from operations for FY 2024.

The company has contingent liabilities of Rs. 2,105.73 lakhs.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is 3Dimension Capital Services Limited. This is their first mandate.

PEER ANALYSIS –

Particulars	Avi Ansh Textile Limited			Shanti Spintex Limited			United Polyfab Gujarat Limited			Manomay Tex India		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.30%	0.24%	2.34%	1.91%	2.73%	2.57%	1.42%	0.84%	0.72%	1.3%	1.8%	2.2%
EBITDA Margin	4.63%	3.12%	6.28%	4.81%	5.95%	5.11%	5.11%	4.57%	3.75%	5.0%	6.0%	8.5%
RoCE	10.45%	4.57%	19.33%	8.95%	18.56%	19.08%	16.59%	12.00%	13.45%	14.1%	15.6%	10.6%
ROE	12.65%	2.29%	20.88%	10.56%	18.04%	15.03%	17.06%	8.59%	8.28%	11.4%	11.2%	10.1%
EPS (INR)	1.59	0.29	3.39	4.88	10.12	13.01	4.49	2.61	3.09	5.25	7.91	7.20
P/E	38.99	213.79	18.29	-	-	3.82	13.07	28.72	29.61	12.38	15.15	23.10

Interpretation –

- The products offered by Shanti Spintex and Manomay Tex are related denim fabrics and not comparable on an apple-to-apple basis.
- The company’s market cap is very less compared to its peers.
- The cash conversion cycle of Avi Ansh Textile is less compared to Manomay Tex and more than Shanti Spintex and United Polyfab Gujarat.
- The NP margin and EBITDA margin of the company has been inconsistent compared to peers.
- The RoCE and RoE of the company is high compared to peers for FY2024.
- The PE ratio of the company is less compared to United Polyfab Gujarat and Manomay Tex.

INDUSTRY OVERVIEW -

Textile Market in India -

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.

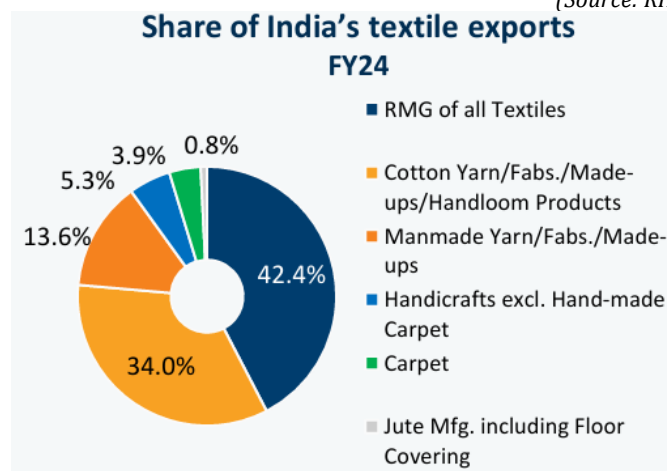
(Source: RHP)



Textile Exports –

India’s textile and apparel exports (including handicrafts) stood at US\$ 36.68 billion in 2022-23. During April-November (2022 23), the total exports of textiles stood at US\$ 23.1 billion. Exports of readymade garments including cotton accessories stood at US\$ 6.19 billion in FY22. Exports for 247 technical textile items stood at Rs. 5,946 crores (US\$ 715.48 million) between April-June (2023-24) India’s textiles industry has around 4.5 crore employed workers including 35.22 lakh handloom workers across the country.

(Source: RHP)



Key Management -

- The overall management of the company is decent.
- The promoter and management have enough experience.
- There is an evidence of dual chairmanship, which is not favourable.



Key Management Persons Name -	Anil Kumar Jain
Age	58
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 37+ years of experience in the yarn and hosiery sector
Qualification	B.Com degree
Other Directorships	Arihant Yarnfab Private Limited, S.J Metals Private Limited, G A Alloys Private Limited and Avi Ansh Enterprises Private Limited

Key Management Persons Name -	Geeta Jain
Age	56
Designation and No. of years of experience	Promoter and Non-Executive (Woman) Director, 10+ years of experience in cotton yarn industry
Qualification	Bachelors of Arts
Other Directorship	Arihant Yarnfab Private Limited, S.J Metals Private Limited, G A Alloys Private Limited, Hichoice Real Estate Private Limited etc.

Key Management Persons Name -	Vinay Bansal
Age	47
Designation and No. of years of Experience	Non-Executive Independent Director, 19+ years of experience in Audits, assurance, Risk Advisory Services and corporate restructuring
Qualification	B.Com (H), FCA, CIA, CISA, CFSA, MBF-ICAI, Insolvency Professional (IBBI)
Other Directorship	-

Key Management Persons Name -	Brij Mohan Sharma
Age	67
Designation and No. of years of experience	Non-Executive Independent Director, 40+ years of experience in finance, banking, taxation, and company law
Qualification	Chartered Accountant, Information System Audit (ISA), Passed Limited Insolvency Examination
Other Ventures	Vijaya Bank, Union Bank of India, Canara Bank etc.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	11,951.32	12,070.64	14,138.87
Other Income	65.44	78.93	75.79
Total Income	12,016.76	12,149.57	14,214.66
Expenses			
Cost of Material consumed	9,241.04	9,746.06	11,419.01
Changes in Inventories of finished goods, WIP	42.88	-101.58	-970.16
Employee Benefit Expenses	528.71	613.64	763.09
Finance Cost	133.86	163.75	227.14
Depreciation and Amortisation	269.49	253.19	292.88
Other expenses	1,584.96	1,435.90	2,039.04
Total Expenses	11,800.94	12,110.96	13,771.00
EBITDA	553.73	376.62	887.89
EBITDA Margin	4.63%	3.12%	6.28%
Profit/(Loss) before tax	215.82	38.61	443.66
Tax Expense			
Current tax	58.62	16.27	116.07
Deferred Tax	1.66	-6.40	-3.76
Total Tax	60.28	9.87	112.31
Profit/(Loss) for the year	155.54	28.74	331.35
Net Profit Margin	1.30%	0.24%	2.34%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	978.49	978.49	978.49
Reserves and surplus	251.13	278.25	608.73
Total Equity	1,229.62	1,256.74	1,587.22
2. Non-current liabilities			
Long-term borrowings	1,468.74	1,414.69	1,456.61
Long-term provisions	20.65	28.99	34.42
Total Non-current liabilities	1,489.39	1,443.68	1,491.03
3. Current liabilities			
Short-term Borrowings	1,191.13	1,778.77	3,024.59
Trade Payables			
(i) Total outstanding dues of MSME	-	1.04	24.29
(ii) Total outstanding dues of creditors other than MSME	231.01	29.50	153.21
Other Current Liabilities	114.40	121.82	89.15
Short-term provisions	81.30	60.80	153.14
Total Current liabilities	1,617.84	1,991.93	3,444.38
Total Liabilities	3,107.23	3,435.61	4,935.41
Total Equity and Liabilities	4,336.85	4,692.35	6,522.63
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	1,622.68	1,522.11	2,025.61
Capital WIP	63.04	391.16	-
Deferred Tax Assets (Net)	1.47	7.87	11.63
Other Non-current Assets	158.59	168.15	136.23
Total Non-Current assets	1,845.78	2,089.29	2,173.47
2. Current assets			

Particulars	FY 22	FY 23	FY 24
Inventories	1,382.05	1,349.78	2,772.17
Trade Receivables	429.84	450.53	1,166.52
Cash & Cash equivalents	451.23	608.94	80.46
Short-term loans and advances	57.39	32.78	58.02
Other Current Assets	170.57	161.04	272.01
Total Current assets	2,491.08	2,603.07	4,349.18
Total Assets	4,336.86	4,692.36	6,522.65

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	766.85	270.41	-1,244.95
Net Cash Flow from Investing Activities	-221.38	-482.54	-344.13
Net Cash Flow from Financing Activities	-849.45	369.84	1,060.60

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	1.59	0.29	3.39	EV/EBITDA	6.21	10.20	6.74
BV per share	125.66	128.44	162.21	Market Cap / Sales	0.73	0.72	0.61
Operating Ratios				P/E	38.99	213.79	18.29
EBITDA Margins	4.63%	3.12%	6.28%	Price to Book Value	0.49	0.48	0.38
PAT Margins	1.30%	0.24%	2.34%	Solvency Ratios			
Inventory days	42.21	40.82	71.56	Debt / Equity	2.16	2.54	2.82
Debtor days	13.13	13.62	30.11	Current Ratio	1.54	1.31	1.26
Creditor days	8.90	1.16	5.46	Quick Ratio	0.69	0.63	0.46
Return Ratios				Asset Turnover	2.76	2.57	2.17
RoCE	10.45%	4.57%	19.33%	Interest Coverage Ratio	2.12	0.75	2.62
RoE	12.65%	2.29%	20.88%				

INTERPRETATION –

- The top line has increased over the years (by 1% in FY2023 and by 17% in FY2024). The increase in FY2024 was mainly because the knitting division was in full function and the increase in FY2023 was due to increase in revenue from local sale of both yarn and fabric.
- The net profit had seen a sudden increase of 1,052.92% in FY 2023 which was mainly due the new segment of knitting and they added 20 knitting machines with in-house spinning and knitting which saved cost. Also, they provided grieger fabric along with dyeing facility. The raw cotton prices had also reduced by 25% and the company stocks up cotton for 2-3 months during the period of Sep when the prices are cheapest. For FY2023 there was a decrease of -81.52% which was due to low demand because of Russia-Ukraine war and the raw cotton prices had increased which led to lower profits.
- The PAT margin and EBITDA margin have also remained inconsistent over the years.
- The RoCE and ROE has been inconsistent over the years.
- The PE ratio has improved over the years.
- The DE ratio has remained high for all the years.
- The company had negative cash flow from operations for FY 2024.

Recommendation -

Avi Ansh Textile Limited has been in the industry since 2005 and has vast experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 26.15 times which makes it fairly priced compared to its peers PE.

The company's top line has increased over the years and slight jump can be seen for FY2024. The bottom line has seen a decrease for FY2023 and huge jump in FY2024 which might not be sustainable in the long run. But the profitability margins have been inconsistently over the years. Also, the company had negative cash flow from operations for FY2024.

The cash conversion cycle of the company is high compared to its peers.

The company has high concentration of customers and suppliers and loss of any may adversely affect the financial condition of the company.

The textile industry is highly competitive and fragmented as there are many established players.

Thus, investors can **AVOID** this IPO.

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