



IPO Note

Ken Enterprises Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** Ken Enterprises Limited was originally incorporated on Jun 05, 1998. The registered office is located at Maharashtra, India.
- **Business Activity:** The company is engaged in the business of greige fabric manufacturing. They also utilize third-party manufacturing services for the production of greige fabric on a job-work basis.
- **Revenue Stream:** The company derives majority of its revenue from the grieger fabric manufactured by third-party.
- **Human Resource:** The company has 228 employees as on Dec 31, 2024.

Objects of the Issue -

- Unidentified Acquisitions in India and abroad
- Purchase of New Machinery
- Capital Expenditure for renovation of both Manufacturing Facilities
- To meet Working Capital Requirements
- General Corporate Expenses
- Issue Expenses

Promoters Name -

Nikunj Hariprasad Bagdiya and Bina Hariprasad Bagdiya

Rationale for recommendation -

- ✓ The PE ratio of the company is 16.16 times which makes it fairly priced.
- ✓ The company's top line has increased consistently over the years.
- ✓ The does not have any concentration in suppliers and customers.
- ✓ The company is into exports as well and has created a good presence globally.
- ✓ The company has vast experience in the industry.
- ✓ The management of the company is decent.

IPO Details

Opening Date	Feb 05, 2025
Closing Date	Feb 07, 2025
Allotment Date	Feb 10, 2025
Listing Date	Feb 12, 2025
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹94
Issue Size	83.65 Cr.
Fresh Issue	58.27 Cr.
Offer for Sale	25.38 Cr.
Application Amt	₹ 1,12,800 (1,200 shares)

INDUSTRY - Textile

Avg. P/E ratio as per RHP - 27.98

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Nov-24
Revenue	35,479.84	36,396.26	40,220.78	32,642.01
EBITDA	950.30	481.86	1,975.43	1,725.44
Net Profit	236.47	394.87	892.74	952.65
RoCE	19.74%	7.38%	37.48%	20.74%*
ROE	7.40%	10.99%	19.90%	12.17%*
P/E	72.87	43.72	19.34	16.16*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
81.21%	49.72%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	4.86	5.82
BVPS	174.61	47.80
P/E	19.34	16.16
P/BV	0.54	1.97
Mkt Cap (In Cr)	172.64	230.92

*Annualized

Lead Managers -

Corporate Makers Capital Limited

Registrar -

Skyline Financial Services Private Limited

Business Overview -

Ken Enterprises Limited operates as a design-to-delivery solutions provider for both greige and finished fabrics. They offer a diverse range of fabrics such as structures, seer suckers, double layer, three layer, four layer, chambrays, fashion fabrics with metallic yarns etc., catering to various applications such as women fashion wear, men and kids’ shirts, home textiles, embroidery, light canvas etc. amongst others. The company has global presence as well (South Korea, Bangladesh, Italy, Thailand, Mexico and other countries).

Business Model: The company avails third party manufacturers services for manufacturing of most of the greige fabric on job work basis, in and around Ichalkaranji, Maharashtra which is fabric weaving ecosystem, for boosting manufacturing capacities. This model has helped the company to be asset light.

Subsidiary: Kuber Cotspin Private Limited, incorporated on Oct 19, 2005, is engaged in spinning, weaving, manufacturing, dyeing, and selling textiles, yarn, fabrics, garments, and related materials.

Manufacturing Units: The company has two manufacturing units located at Shirol taluka in the Ichalkaranji vicinity for manufacturing of griege fabrics. The average capacity utilization for both the units remained at 98%, 97.5% and 98% in FY22, FY23 and FY24 respectively.



Product Portfolio:

The product portfolio encompasses greige, dyed (being supported by third parties), printed and ready for dyeing (RFD)/prepared for dyeing (PFD) fabrics.

Products furthered manufactured by customers from greige fabric	End use of their product
High Value Apparel Fabrics	High Value apparels
Voiles	Ladies wear
Light Canvas fabrics	Shoe uppers, Bags, Cargo pants
Organic and sustainable fabrics	High-end apparel
Bed Linen	Home Textiles
Contamination-free white guaranteed apparel fabrics	High value apparels
Narrow width fabrics with tuck-in selvages	Medical bedsheets
Double faced fabrics	High-end Ladies apparel
Work wear	Uniforms for workers
Shoe Canvases	Shoes

Manufacturing Process:



Revenue Bifurcation –

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Own Manufacturing	14,247.83	40.16%	14,060.43	38.63%	14,187.86	35.27%
Job work	21,232.01	59.84%	22,335.83	61.37%	26,032.92	64.73%
Total	35,479.84	100.00%	36,396.26	100.00%	40,220.78	100.00%

Competition -

- Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product quality, technological advancements, cost efficiency, timely delivery, service reliability, and the depth of senior-level relationships.
- Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- Barriers to entry:** Low barriers to entry.
- Threat of Substitutes:** High threat of substitutes.
- Bargaining Power of Buyers:** The bargaining power is high with the customers.
- Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

Business Strategies –

- The company aims to organically diversify product offerings and reach a broader customer base, leveraging in-house capabilities and weaving facilities.
- The company is currently approved vendors for global brands such as ZARA, Primark and Target. They intend to become approved members of many other global brands as well.
- The company intends to focus on adhering to quality standards of the products.
- The company intends to regularly participate in trade fairs and other such events to expand their global foot print.

Risk Factors –

The company has 21 cases against it for tax, criminal and civil matters amounting to Rs. 82.84 lakhs and has filed 3 cases for criminal matters amounting to Rs. 13.10 lakhs.

The subsidiary company has 7 cases against it for tax matters amounting to Rs. 0.08 lakhs.

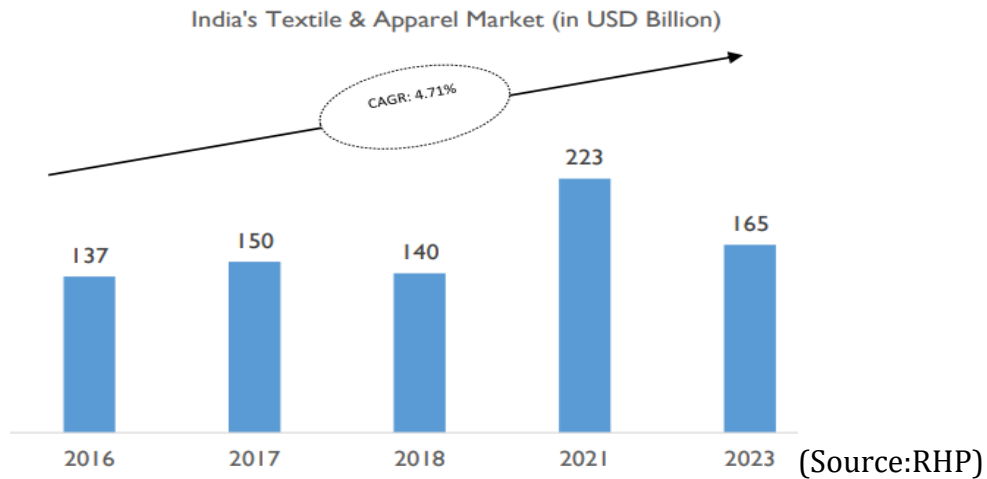
The directors/ promoters have 1 case against them for tax matters amounting 0.004 lakhs.

The company had negative cash flow from operations for FY23.

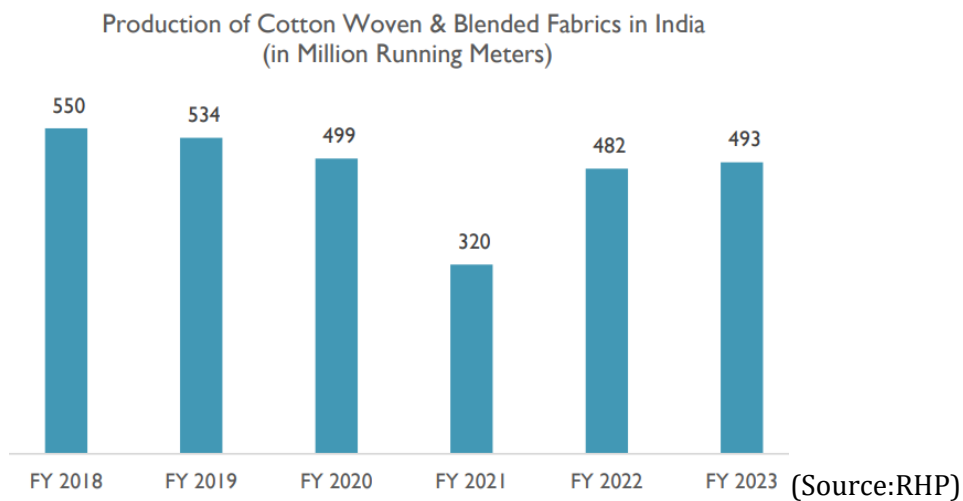
INDUSTRY OVERVIEW -

Indian Textile Market –

The textile market in Indian one of the oldest industries in the country, with a rich heritage that spans centuries. The Indian textile and apparel market size was estimated to be approximately USD 165 billion in 2023, with the domestic market accounting for USD 125 billion and exports contributing USD 40 billion. This growth is driven by increasing domestic demand, favourable government policies, and the rising preference for sustainable and ethically produced textiles, positioning India as a key player in the global textile industry



The total annual production of fabric (comprising of cotton woven fabrics and polyester/viscose blended fabric) in India is estimated to be nearly 493 million running meters³ in FY 2023. Meanwhile the annual production of knitted cotton fabric is estimated to be nearly 121 thousand tons in FY 2023.



India's textile industry, a key player in the global market, saw its textile exports reach over USD 44 billion in FY 2022, representing about 15% of the country's total export earnings and 4.6% of global textile trade. Looking ahead, India's textile exports are projected to grow to USD 65 billion by FY 2026, with emphasis on man-made fibers and technical textiles, supported by innovation and sustainability efforts.



Key Management -



Key Management Persons Name -	Nikunj Hariprasad Bagdiya
Age	47
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 26+ years of experience
Qualification	Bachelors of Textiles
Other Directorships	Kuber Cotspin Private Limited, Zest Lifestyle Private Limited and Zest Performancewear LLP
Key Management Persons Name -	Bina Hariprasad Bagdiya
Age	71
Designation and No. of years of experience	Promoter and Non-Executive Non-Independent Director, 20+ years of experience
Qualification	Not Traceable
Other Directorships	Kuber Cotspin Private Limited and Zest Lifestyle Private Limited
Key Management Persons Name -	Sachin Janardan Mulay
Age	49
Designation and No. of years of experience	Whole time Director and CFO, 29+ years of experience
Qualification	Bachelor of Commerce (Advance Accounting & Auditing)
Responsibility	Involved in day-to-day financial planning and management.
Other Directorships	-
Key Management Persons Name -	Arshita Singh
Age	27
Designation	Non-Executive Independent Director, 5+ years of experience
Qualification	Bachelors of Business Administration & Bachelor of Laws (Honours) and Masters of Law
Other Directorships	Rexpro Enterprises Limited and Tunwal E-Motors Limited
Key Management Persons Name -	Rashmi Sagar Mitkary
Age	39
Designation and No. of years of experience	Non - Executive Independent Director, 9+ years of experience
Qualification	Qualified CS, Bachelors in Science and Masters in Science (Biotechnology)
Other Directorships	TG Sugars Limited and Berar Finance Limited
Key Management Persons Name -	Vinaykumar Ramgopal Jhawar
Age	39
Designation	Non - Executive Independent Director, 13+ years of experience
Qualification	Qualified CA
Other Directorships	-

- The overall management of the company is decent.
- The promoter and management have decent experience in the industry.
- There is an evidence of dual chairmanship, which is not favourable.
- The senior management includes General Manager, Textile Technocrat, Accountant and HR Manager. They have good experience with an average of 15 years of experience.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Nov-24
Revenue from Operations	35,479.84	36,396.26	40,220.78	32,642.01
Other Income	551.78	1,126.67	691.94	643.10
Total Income	36,031.62	37,522.93	40,912.72	33,285.11
Expenses				
Cost of Material Consumed	29,091.73	31,585.95	32,546.95	26,410.41
Change in Inventories of Stock In Trade	-115.84	-1,087.91	-1,277.14	-329.90
Direct Expenses	4,420.56	4,346.49	5,594.32	3,718.45
Employee Benefit Expenses	516.57	568.17	699.43	547.93
Finance Cost	984.05	963.34	1,346.84	981.54
Depreciation and Amortization Expense	153.67	147.35	128.47	93.78
Other expenses	616.52	501.70	681.79	569.68
Total Expenses	35,667.26	37,025.09	39,720.66	31,991.89
EBITDA	950.30	481.86	1,975.43	1,725.44
EBITDA Margin	2.68%	1.32%	4.91%	5.29%
Profit/(Loss) before tax	364.36	497.84	1,192.06	1,293.22
Tax Expense				
Current tax	128.64	132.39	305.71	325.50
Tax for prior years	1.26	-20.43	0.01	19.66
Deferred Tax	-2.01	-8.99	-6.40	-4.59
Total Tax	127.89	102.97	299.32	340.57
Profit/(Loss) for the year	236.47	394.87	892.74	952.65
Net Profit Margin	0.67%	1.08%	2.22%	2.92%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Nov-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	258.68	258.68	258.68	1,836.63
Reserves and surplus	2,938.97	3,333.82	4,226.55	3,601.24
Total Shareholder's Fund	3,197.65	3,592.50	4,485.23	5,437.87
Minority Interest	0.04	0.04	0.04	0.04
Total Equity	3,197.69	3,592.54	4,485.27	5,437.91
NON-CURRENT LIABILITIES				
Long-term borrowings	794.56	898.53	392.85	163.62
Deferred Tax liability	7.61	-1.38	-7.78	-12.37
Long-Term Provisions	35.72	40.88	57.58	64.23
Total Non-current liabilities	837.89	938.03	442.65	215.48
CURRENT LIABILITIES				
Short-term Borrowings	3,306.05	4,046.91	4,391.54	4,150.63
Trade Payables				
(i) Total outstanding dues of MSME	17.35	38.80	148.14	369.21
(ii) Total outstanding dues of creditors other than MSME	11,088.70	10,701.49	14,385.55	16,070.34
Other Current Liabilities	251.98	190.59	224.04	155.40
Short-term provisions	26.42	7.57	138.29	231.34
Total Current liabilities	14,690.50	14,985.36	19,287.56	20,976.92
Total Liabilities	15,528.39	15,923.39	19,730.21	21,192.40
Total Equity and Liabilities	18,726.08	19,515.93	24,215.48	26,630.31
ASSETS				

Particulars	FY 22	FY 23	FY 24	Nov-24
NON-CURRENT ASSETS				
Property, Plant and Equipment	852.97	841.79	861.63	828.31
Intangible Assets	5.78	5.01	9.76	15.68
Non-current Investments	-	11.75	11.75	11.75
Other Non- current Assets	440.36	461.64	470.34	503.68
Total Non-Current assets	1,299.11	1,320.19	1,353.48	1,359.42
CURRENT ASSETS				
Inventories	7,082.94	8,950.97	11,254.20	10,011.47
Trade Receivables	9,058.14	8,154.26	10,605.29	13,358.70
Cash & Cash equivalents	378.32	54.30	188.97	471.06
Other Current Assets	907.58	1,036.21	813.55	1,429.67
Total Current assets	17,426.98	18,195.74	22,862.01	25,270.90
Total Assets	18,726.09	19,515.93	24,215.49	26,630.32

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Nov-24
Net Cash Flow from Operating Activities	1,122.93	-239.82	1,667.99	1,798.78
Net Cash Flow from Investing Activities	248.37	34.33	-25.44	-65.01
Net Cash Flow from Financing Activities	-1,170.24	-118.53	-1,507.89	-1,451.68

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	FY 25*	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	1.29	2.15	4.86	5.82	EV/EBITDA	7.28	17.61	4.60	1.64
BV per share	124.48	139.85	174.61	47.80	Market Cap / Sales	0.07	0.07	0.06	0.47
Operating Ratios					P/E	72.87	43.72	19.34	16.16
EBITDA Margins	2.68%	1.32%	4.91%	5.29%	Price to Book Value	0.76	0.67	0.54	1.97
PAT Margins	0.67%	1.08%	2.22%	2.92%	Solvency Ratios				
Inventory days	73.07	90.01	102.41	85.08	Debt / Equity	1.28	1.38	1.07	0.36
Debtor days	93.44	82.00	96.51	92.95	Current Ratio	1.19	1.21	1.19	1.19
Creditor days	139.18	121.45	158.44	145.14	Quick Ratio	0.70	0.62	0.60	0.60
Return Ratios					Asset Turnover	1.89	1.86	1.66	2.02
RoCE	19.74%	7.38%	37.48%	20.74%	Interest Coverage Ratio	0.81	0.35	1.37	1.66
RoE	7.40%	10.99%	19.90%	12.17%					

INTERPRETATION –

- The top line has increased consistently over the years. It increased by 2.58% in FY2023 and by 10.51% in FY2024 which was due to increase in sale of products and increase in exports.
- The net profit has also increased by 66.99% in FY2023 and saw a sudden increase by 126.08% in FY2024.
- The EBITDA margin saw a dip in FY2023 and the PAT margin have increased over the years. But it has increased by a low percentage.
- The PE ratio has improved over the years.
- The RoCE saw a dip in FY2023 and RoE has increased over the years.
- The company had negative cash flow from operations for FY23.

PEER ANALYSIS –

Particulars	Ken Enterprises Limited			Laxmi Cotspin Limited			Pashupati Cotspin Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.67%	1.08%	2.22%	2.51%	-4.05%	-0.17%	-	0.85%	1.24%
EBITDA Margin	2.68%	1.32%	4.91%	6.39%	-0.93%	3.96%	-	5.83%	5.98%
RoCE	19.74%	7.38%	37.48%	16.48%	-8.04%	4.12%	-	10.09%	16.08%
ROE	7.40%	10.99%	19.90%	10.19%	-12.27%	-0.41%	-	3.48%	7.00%
EPS (INR)	1.29	2.15	4.86	3.18	-3.42	-0.15	-	2.54	5.43
P/E	72.87	43.72	19.34	6.24	-	-	-	40.20	15.87

- The market cap of the company is less compared to Pashupati Cotspin.
- The PE ratio of the company is higher than Pashupati Cotspin.
- The RoCE and RoE of the company is higher compared to its peers.
- The cash conversion cycle of the company is better compared to its peers.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Corporate Makers Capital Limited**. This is their first mandate.

Recommendation -

Ken Enterprises Limited has been in the industry since 1998 and has vast experience in the industry.

The P/E on a post-IPO annualized basis is around 17.94 times which makes it fairly priced.

The management of the company is decent.

The company's top line has increased consistently over the year and the bottom line of the company experienced a sudden growth in FY2024. The profitability margins have increased over the years with a low percentage but that should not be a concern as the industry is low margin high volume in nature. The RoCE had seen a dip in FY23 and RoE has increased over the years. The company had negative cash flow from operations for FY23.

Also, the company does not have supplier and customer concentration which is favourable.

The company is into exports as well and has presence in more than 10 countries. They are approved vendors for leading international brands such as ZARA (Inditex Group), Target and Primark. The company is raising funds for purchase of new machinery and renovating manufacturing facilities.

But the industry is highly competitive and fragmented and there are many established players, the company will face difficulties in the future without expansion.

Thus, investors can **APPLY** to this IPO for long-term basis and monitor company updates.

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