

Incorporated in 2005, Sanathan Textiles Limited is a polyester yarn manufacturer and a global supplier of Cotton Yarn. Company's Promoters i.e., Paresh Vrajlal Dattani, Ajay Vallabhdas Dattani, Anilkumar Vrajdas Dattani and Dinesh Vrajdas Dattani have experience of 44 years, 27 years, 44 years and 44 years, respectively, in the textile industry.

Business Overview :

- Company's business is divided into three separate yarn business verticals, consisting of: (a) Polyester yarn products; (b) Cotton yarn products; and (c) Yarns for technical textiles and industrial uses. These technical textiles are used in various sectors such as automotive, healthcare, construction, sports and outdoor activities, and protective clothing.
- Based on its operating income, it had a market share of 1.7% in the overall Indian textile yarn industry as of Fiscal 2024.
- Currently, all the three yarn verticals are housed under a single corporate entity. This has facilitated its diversification into new segments which in turn has helped the company in serving a large number of customers across various sectors.
- As on September 30, 2024, it has more than 3,200 active varieties of yarn products (i.e. yarn products manufactured by them during the period April 1, 2021 to September 30, 2024) and more than 45,000 stock keeping units (SKUs), and capability to manufacture a diversified product portfolio of more than 14,000 varieties of yarn products and more than 190,000 SKUs that are used in various forms and for varied end uses.
- The company also has a high share of value-added products such as dope dyed, superfine / micro, functional, industrial and technical yarn, cationic dyeable and specialty yarn which are produced after extensive in-house research. These value added products are tailor-made to customer requirements and have properties and characteristics which are distinctive from its other products.
- Company's products are manufactured at its facility at Silvassa. Over the years, Company has scaled up its production and as on June 30, 2024, its facility at Silvassa had a total installed capacity of 223,750 MTPA across the three yarn verticals.
- Company manufacture products across all verticals, polyester yarn products continue to be its largest item of production.
- It manufacture polyester chips using purified terephthalic acid (PTA) and mono ethylene glycol (MEG) and convert the chips into polyester yarn through various intermediate processing to impart specific properties to the yarn.
- The company's clients comprise several multinational, regional and local companies such as Welspun India Limited, Valson Industries Limited, G.M. Fabrics Private Limited, Premco Global Limited, Creative Garments Textile Mills Private Limited, Banswara Syntex Limited, AYM Syntex Limited, Techno Sportswear Private Limited, Haren Textiles Private Limited, Khosla Profil Private Limited, Tulip Elastics Private Limited and more.
- During June 30, 2024, Fiscal 2024 and Fiscal 2023, company catered to 983, 1,571 and 1,684 customers, respectively.
- As of June 30, 2024, Fiscal 2024, and Fiscal 2023, Sanathan Textiles Limited exported its products to 14, 27 and 29 countries.
- As of June 30, 2024, the company had more than 925 distributors in 7 countries, including India, Argentina, Singapore, Germany, Greece, Canada, and Israel.
- As of June 30, 2024, Company has installed rooftop solar projects at its Silvassa facility with a capacity of 2.35 MW.

NSE SYMBOL	SANATHAN
SECTOR	TEXTILES
ISSUE SIZE	Rs. 550 Crs.
PRICE BAND	Rs. 305 - 321
BID SIZE (Nos.)	46
FACE VALUE	Rs. 10.00
MARKET CAP	Rs. 2709.37 Crs
RATING	SUBSCRIBE

TENTATIVE DATES	
ISSUE OPEN DATE	19TH DEC 2024
ISSUE CLOSE DATE	23RD DEC 2024
BASIS OF ALLOTMENT	24TH DEC 2024
INITIATION OF REFUNDS	26TH DEC 2024
CREDIT OF SHARES	26TH DEC 2024
LISTING DATE	27TH DEC 2024

- The global yarn industry as well as the demand for yarn products to steadily grow over the next few years. Increasing demand for apparel from the fashion industry coupled with the growth of e-commerce platforms is expected to drive the market over the forecast period. Indian textile and apparel industry is also projected to grow at a CAGR of 6.0-7.0% from Fiscal 2024 till Fiscal 2028. During this period, exports are expected to grow at a CAGR of 4.5-5.5% while domestic industry is expected to grow at slightly higher pace of 7.0-8.0%.
- The future growth in Indian textile and apparel market will be led by various economic factors such as increase in discretionary income, rising urban population. Further, the demand is poised by increase in online retailing, shift from cotton to man-made fiber, robust growth of technical textiles segment.
- As of June 30, 2024, Company has installed rooftop solar projects at its Silvassa facility with a capacity of 2.35 MW.
- For quarter ended June 30, 2024, Fiscal 2024, Fiscal 2023 and Fiscal 2022, based on company's Restated Financial Statements: its total revenue from operations were Rs.781.13 crore, Rs. 2957.50 crore, Rs. 3329.21 crore and Rs.3185.32 crore, respectively. Its EBITDA (i.e., sum of restated profit/loss for the year, tax expense, depreciation expense and finance cost less other income) was Rs. 76.49 crore, Rs. 226.58 crore, Rs. 259.53 crore and Rs. 537.61 crore, respectively. Its profit after tax was Rs.50.10 crore, Rs.133.85crore, Rs.152.74 crore and Rs.355.44 crore respectively. Its total debt to equity ratio of 0.49 times, 0.30 times, 0.25 times and 0.38 times, respectively.

(Source— RHP)

STRENGTHS

- The company is one of the few companies (amongst peer group) in India with presence across the polyester, cotton and technical textile sectors.
- Focus on the product development of new products, through process innovation.
- Fully integrated Yarn manufacturing plant set up at a strategic location with equipment supplied by domestic and globally renowned players.
- Long standing association with leading consumer brands with a low customer concentration.
- Deep knowledge and understanding of optimal product assortment and strong supplier network enabling procurement at predictable and competitive pricing, leading to an overall efficient cycle.
- Healthy financial performance.
- Experienced management team with a proven track record.

(Source— RHP)

OBJECTS OF THE OFFER

- **The Offer for Sale** - Company will not receive any proceeds from the Offer for Sale of shares of Rs. 150.00 crores. The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale.
- **Fresh Issue** - The Company would also raise up to Rs. 400.00 crores by offering fresh shares. Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects.
 - Repayment/prepayment, in full or part, of all or certain outstanding borrowings availed by the Company;
 - Investment in its subsidiary viz. Sanathan Polycot Private Limited, for repayment and/ or pre-payment, in full or part, of certain borrowings availed by its subsidiary viz. Sanathan Polycot Private Limited;
 - General Corporate purposes

RISKS

- Company is dependent on third party suppliers for certain raw materials. Company do not have long term agreements for supply of its raw materials.
- If company is unable to gauge the demand of its products accurately and are unable to maintain an optimal level of inventory, its business, results of operations and financial condition may be adversely affected.
- Any variation in the utilization of the Net Proceeds as disclosed in this Red Herring Prospectus shall be subject to certain compliance requirements, including prior Shareholders' approval.
- Company's relationship with its distributors is critical to its business.
- Company may not be able to successfully manage the growth of its business if company is not able to effectively implement its strategies.

PEER COMPARISON

	Face Value (Rs.)	CMP In Rs. (18-12-2024)	TTM EPS (Rs.)	BV per share (Rs.)	P/E (X)	P/BV (X)	M. Cap / Sales
KPR Mills	1.00	1128.50	23.67	136.95	47.7	8.2	6.7
Vardaman Textiles	2.00	545.20	27.53	325.98	19.8	1.7	1.6
Indo Count Indus	2.00	392.85	15.62	110.99	25.2	3.5	2.1
Filatex India	1.00	66.76	2.61	27.98	25.6	2.4	0.7
Garware Technical Fibres	10.00	4628.30	113.61	565.81	40.7	8.2	6.4
Sanathan Textiles	10.00	321.00	15.86	204.36	20.2	1.6	0.9

(**On upper price band and on FY 2025 annualised EPS)

RECOMMENDATION

At the upper band of offer price of Rs 321, the issue has been priced at P/BV of 1.6 times and P/E of 20.2 times on enhanced equity. Compared to peer group, average P/BV of 4.8 times and average P/E of 31.8 times, SANATHAN TEXTILES LTD is reasonably valued.

Investors - SUBSCRIBE to **SANATHAN TEXTILES LTD - IPO** considering fully integrated Yarn manufacturing plant, long standing association with leading consumer brands, one of the few companies in India with presence across the polyester, cotton and technical textile sectors and consistent financial performance.

PROFIT & LOSS A/C

(In Rs. Crore.)

	FY 2022	FY 2023	FY 2024	3 MONTHS JUN FY 2025
Income				
Revenue from operations	3185.32	3329.21	2957.50	781.13
Other income	16.14	15.81	22.30	6.63
Total income	3201.46	3345.02	2979.80	787.76
Expenses				
Cost of materials consumed	2063.27	2334.91	2131.72	547.62
Purchases of stock-in-trade	32.47	5.23	0.64	0.63
Changes in inventories	-72.00	65.15	-0.07	8.99
Employee benefits expense	94.74	88.54	90.60	23.92
Finance costs	32.46	22.42	23.08	5.10
Depreciation and amortisation expense	42.17	43.49	44.39	11.20
Other expenses	529.23	575.86	508.04	123.53
Total expenses	2722.34	3135.59	2798.40	720.99
Profit before tax	479.12	209.43	181.41	66.77
Tax expense				
for the period/year	112.71	47.90	42.14	16.15
pertaining to earlier years	2.60	0.43	-0.81	0.00
Deferred tax charge	8.37	8.36	6.23	0.55
Total Tax Expense	123.68	56.69	47.56	16.70
Profit for the period/year	355.44	152.74	133.85	50.07

BALANCE SHEET
(In Rs. Crore.)

	FY 2022	FY 2023	FY 2024	3 MONTHS JUN FY 2025
Assets				
Property, plant and equipment	894.87	948.37	926.47	923.80
Capital work-in-progress	2.39	18.80	140.51	372.31
Intangible assets	0.00	2.13	2.48	2.23
Goodwill	1.91	1.91	1.91	1.91
Other non-current assets	36.98	133.96	222.99	286.45
Total non-current assets	936.15	1105.16	1294.35	1586.69
Inventories	443.92	401.60	405.50	404.13
Investments	54.84	47.50	106.95	130.00
Trade receivable	136.19	141.74	125.68	157.13
Cash and Bank Balance	7.93	9.02	29.93	18.19
Other financial assets	2.85	0.44	1.60	2.31
Other current assets	143.76	103.89	168.20	177.63
Total current assets	860.32	801.51	909.33	942.84
Total assets	1796.47	1906.67	2203.68	2529.53
Equity and liabilities				
Equity share capital	71.94	71.94	71.94	71.94
Other equity	914.70	1068.17	1203.03	1252.94
Total Equity	986.64	1140.11	1274.97	1324.89
Borrowings	280.02	221.64	337.20	607.27
Provisions	6.52	7.00	7.62	8.32
Deferred tax liabilities (net)	62.94	71.21	77.53	78.00
Other non-current liabilities	0.93	0.54	1.01	2.81
Total non-current liabilities	350.41	300.40	423.36	696.40
Borrowings	98.17	59.36	42.68	37.66
Trade payables	337.62	377.32	436.95	432.14
Other financial liabilities	7.32	6.82	7.34	9.09
Other current liabilities	7.42	20.16	14.98	16.13
Provisions	2.84	2.51	2.76	2.85
Current tax liabilities (net)	6.06	0.00	0.65	10.38
Total current liabilities	459.43	466.16	505.35	508.25
Total liabilities	809.83	766.56	928.71	1204.64
Total equity and liabilities	1796.47	1906.67	2203.68	2529.53

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 Regd. Office and Corporate Office - 1101, Merlin Infinite, DN - 51, Salt Lake City, Sector - 5, Kolkata - 700 091 (West Bengal, India)
 Tel: 033 6628 0000 | E-mail: compliance@eurekasec.com | Website: www.eurekasec.com

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