

SANATHAN TEXTILES LTD

19-12-2024 - 23-12-2024

Industry: Textile Industry

Price Band: ₹305 - 321

Recommendation: Subscribe for long term

Post Implied Market Cap: - ₹2,594 - ₹2,709Cr

Key Data

Issue Size (₹ Cr)	550
Fresh (₹)	400
OFS (₹)	150
No. of shares offered	1.25 Cr
Face Value (₹ /share)	10
Bid Lot	46

About the Company

Sanathan Textiles Limited, established on October 10, 2005, is a prominent Indian manufacturer specializing in a diverse range of yarn products. The company produces polyester filament yarn, cotton yarn, and yarns for technical textiles, serving both domestic and international markets. Operating from its registered office in Silvassa, Dadra & Nagar Haveli, Sanathan Textiles has positioned itself as a key player in the textile industry. The company is recognized for its commitment to quality and innovation, catering to various sectors within the textile value chain.

Investment Rationales

- Sanathan textiles is one of the few companies in India with presence across the polyester, cotton and technical textile sectors:** Sanathan Textiles produces a range of polyester filament yarns, a key material used in textiles, garments, and industrial applications due to its durability, cost-effectiveness, and versatility. Cotton yarn is a staple product in the textile sector, serving as the base for fabrics and apparel. Sanathan's presence in this segment ensures it captures demand from both domestic and global markets for natural fibres. This emerging sector includes specialized yarns used in industrial, medical, automotive, and infrastructure applications. Sanathan expedition into technical textiles allows it to tap into high-growth, value-added markets. Company also have 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.
- Focus on the product development of new products, through process innovation:** Company is developing new products that helps the company to penetrate additional markets and customer segments, diversifying its revenue streams, improved manufacturing efficiency, Reduction in production costs, Higher yield and quality consistency. This allows Sanathan to price its products competitively while maintaining healthy margins. Innovations in production processes can enable the creation of customized yarns and textiles, appealing to niche markets and higher-margin segments like technical textiles. Markets for technical and functional textiles, such as flame-resistant or moisture-wicking fabrics, are growing.
- Fully integrated Yarn manufacturing plant with equipment supplied by domestic and globally renowned players:** The integration of all stages of yarn production from raw material processing to finished yarn ensures better control over quality, cost, and timelines. This eliminates reliance on external suppliers for intermediate processes, reducing delays and enhancing operational efficiency. Vertical integration minimizes logistics costs and dependency on external vendors, allowing the company to offer competitive pricing in both domestic and export markets. In-house control ensures consistent quality across all product lines, which is crucial for customer satisfaction and retention. The plant's location ensures access to raw materials such as polyester and cotton, reducing procurement costs and transportation time. Advanced machinery reduces wastage, minimizes downtime, and enables the production of innovative, high-performance yarns. A fully integrated plant equipped with advanced machinery allows for large-scale production, meeting growing domestic and international demand efficiently.
- Long standing association with leading consumer brands with a low customer concentration:** A sustained relationship with top consumer brands like Welspun India, Techno Sportswear, Page Industries, D'Décor Home Fabrics, Siyaram Silk Mills etc demonstrates Sanathan Textiles' consistent ability to deliver quality products, meet delivery timelines, and cater to high standards. These associations often result in repeat business and long-term contracts, providing a stable revenue base. Leading brands typically operate in premium segments, offering Sanathan Textiles opportunities to command better pricing and margins for its products. Long-term relationships with top brands ensure a steady flow of orders, contributing to predictable cash flows. Working with a diversified set of brands allows the company to focus on premium products, reducing the risk of competing purely on price. This approach not only demonstrates the company's operational strength but also enhances its appeal as a resilient and diversified investment opportunity.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	24-12-2024
Refunds/Unblocking ASBA Fund	26-12-2024
Credit of equity shares to DP A/c	26-12-2024
Trading commences	27-12-2024

Shareholding (No. of shares)

Pre-Issue	71,943,000
Post Issue (Lower price band)	84,404,059
Post Issue (Higher price band)	84,404,059

Shareholding Pattern

Promoter:	
Pre Issue	97.54%
Post Issue	78.03%
Public - Investor Selling S/h:	
Pre Issue	2.46%
Post Issue	1.67%
Public - Others:	
Pre Issue	0.00%
Post Issue	20.30%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: DAM Capital Advisors, ICICI Securities.

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

Research Analyst

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Risk

- Dependence on commodity prices and volatility in raw materials
- Relationship with the distributors is critical for business
- High capital intensity and technological obsolescence

MView

We believe Sanathan Textiles Ltd IPO offer bring investors an opportunity to invest in a prominent Indian manufacturer specializing in a diverse range of yarn products and presences across the polyester, cotton and technical textile segment, serving both domestic and international markets. We like company business model with fully integrated Yarn manufacturing plant with high focus on the product development of new products, through process innovation. Post ipo Sanathan Textiles is set for new growth from it expansion in Punjab facility, which can boost production to 1,500 tonnes per day by 2027e and with a diverse product range and advanced capabilities, we believe Sanathan is well positioned to meet the rising global demand for yarn and textile products. On valuation parse at the upper price band of ₹ 321/-, the issue is asking for Market cap of ₹2709 cr. Based on annualized FY2025 earnings and fully diluted post-IPO paid-up capital, the company is asking for PE of 13.5x which looks reasonable priced when compared to its peers which are trading above 30x. Hence, looking at all attributes we recommend investors to "SUBSCRIBE" Sanathan Textiles Ltd IPO for long term perspective only.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at June'30	As at March' 31		
	2024 (03)	2024 (12)	2023 (12)	2022 (12)
Equity Share Capital	71.94	71.94	71.94	71.94
Reserves	1,252.94	1,203.03	1,068.17	914.70
Net Worth	1,324.06	1,273.98	1,140.13	987.39
Total Borrowings	644.93	379.88	281.00	378.19
Revenue from Operations	781.13	2,957.50	3,329.21	3,185.32
EBITDA	76.44	226.58	259.53	537.61
Net Profit for the Year	50.07	133.85	152.74	355.44
EPS	23.73	18.6	21.24	49.40
RONW (%)	3.72%	10.42%	13.40%	36.03%
NAV (₹) as stated	184.16	177.22	158.47	137.14
ROE (%)	15.41%	11.09%	14.36%	43.95%
ROCE (%)	14.04%	11.80%	15.54%	35.83%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Standalone/ Consolidated	Revenue for Fiscal 2024 (₹ in Cr)	Mcap (₹ in Cr)	FV	EPS	NAV (₹ Per Share)	P/B	P/E	RoNW (%)
Sanathan Textiles Ltd	Consolidated	2,957.50	2,709	10	23.73	177.22	1.45	13.53	10.42%
K.P.R. Mill Ltd	Consolidated	6,059.68	38,112	1	23.56	127.50	8.14	39.7	18.48%
Vardhman Textiles Ltd	Consolidated	9,504.68	15,183	2	22.20	314.69	1.61	21.2	7.00%
Indo Count Industries Ltd	Consolidated	3,557.07	7,704	2	17.06	105.48	3.51	22.8	16.35%

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 19-12-2024

SANATHAN TEXTILES LTD, EPS/PE,PB, NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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