

Rating: Subscribe

Issue Offer

Fresh Issue of 12,461,059 equity shares up to INR 4,000 Mn and OFS of 4,672,897 shares by Promoters group taking the total issue size at INR 5,500 Mn.

Issue Summary

Price Band INR	305-321
Face Value INR	10
Implied Market Cap INR Mn.	27093.7
Market Lot	46
Issue Opens on	Dec 19, 2024
Issue Close on	Dec 13, 2024
No. of share pre-issue	71,943,000
No. of share post issue	84,404,059
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

KFin Technologies Limited

Book Running Lead Managers

DAM Capital Advisors Limited
ICICI Securities Limited

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	100%	79.70%
Public & Others	0%	20.30%

Objects of the issue

- Repayment and/ or pre-payment, in full or part, of certain borrowings availed by their Company.
- Investment in their subsidiary viz. Sanathan Polycot Private Limited, for repayment and/ or pre-payment, in full or part, of certain borrowings availed by their subsidiary viz. Sanathan Polycot Private Limited.
- General corporate purposes.

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Deepali Kumari

deepali.kumari@arihantcapital.com

Sanathan Textiles is one of the few companies in India with a presence across polyester, cotton, and technical textiles sectors, serving various end-use segments such as automotive, healthcare, construction, sports, and protective clothing. As of FY24, it held a 1.7% market share in the Indian textile yarn industry. The business operates three verticals—polyester, cotton, and technical yarns—produced at its Silvassa facility, which has a capacity of 223,750 MTPA. With a diverse product portfolio of over 3,200 active yarn varieties and a strong focus on value-added products, the company serves numerous multinational clients. The growing demand for apparel and technical textiles, combined with an expanding Indian textile market, offers significant growth opportunities for the company.

Investment Rationale:

Diverse Product Portfolio and Strong Market Resilience: Sanathan Textiles' strength lies in its diverse product portfolio across polyester, cotton, and technical yarns, with over 14,000 varieties and 190,000 SKUs. The company focuses on value-added products, including dope dyed, functional, and specialty yarns, tailored to customer needs. This broad range of products, combined with consistent high capacity utilization, enables the company to serve multiple industries and markets, insulating it from segmental downturns and regional economic fluctuations.

Focus on Product Innovation and Customization: The company prioritizes product development through process innovation, offering a wide range of value-added products tailored to specific customer needs. The in-house Product Innovation and Development team works on creating unique yarns, such as cationic dyeable, born dyed, functional, industrial, specialty, and superfine/micro yarns, with distinct characteristics and higher margins. Supported by advanced in-house testing facilities and feedback from sales teams, this innovation ensures high-quality, customized products, fostering strong customer relationships and repeat business.

Strategic Manufacturing Facility and Expansion Plans: Sanathan Textiles operates a fully integrated yarn manufacturing plant in Silvassa, Gujarat, strategically located near key raw material suppliers, providing logistical advantages. The facility is equipped with advanced machinery from renowned global and domestic suppliers, designed to handle a high number of SKUs for made-to-order and value-added products. The plant, certified ISO 9001, 14001, and 45001, ensures efficient production through automation and data-driven management, improving profitability.

Expansion of Manufacturing Capacity: The company plans to significantly increase its production capacity with the commissioning of the Punjab Manufacturing Facility, expected to boost output from 550 tonnes to 1,500 tonnes per day by 2027. The company is also expanding cotton yarn production at its Silvassa Facility, with Unit 3 already operational and Unit 4 set for 2026. These expansions, alongside the growth of its sustainable textile business, will support the company's long-term growth.

Valuation and View:

Sanathan Textiles is set for growth with the expansion of its manufacturing capacity, including the Punjab facility, which will boost production to 1,500 tonnes per day by 2027. The company is also enhancing its cotton yarn operations and sustainable textile production. With a diverse product range and advanced capabilities, Sanathan is well-positioned to meet the rising global demand for yarn and textile products. **At the upper band of INR 321, the issue is valued at a P/E ratio of 20x, based on FY24 EPS of INR 15.86. We are recommending a "Subscribe" for this issue.**

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri E Mumbai – 400093 Tel: 91-22 42254800 Fax: 91-22 42254880	6 Lad Colony Y.N Road Indore - 452003, M.P. Tel: 0731-4217100 Fax: 91-731 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri E
Tel. 022-42254800 Fax. 022-42254880