

The Issue

Type of Issue	Issue size Rs. Mn
Fresh Issue	1,449
Offer for sale	-
Total	1,449
Post issue mkt cap*	5,755
Lot size	69 shares

***At Upper Price Band**
Issue Break-Up

Reservation for	% of Issue
QIB	75%
NII	15%
Retail	10%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	20 May, 2025
Bid/Offer Closing Date	22 May, 2025
Finalization of the Basis of Allotment	23 May, 2025
Credit of shares	26 May, 2025
Listing Date	27 May, 2025

Use of Proceeds	Rs. Mn
New manufacturing unit to produce grey fabric at Surat	713
Working capital requirement	265
General Corporate Purpose	

BRLM & Registrar

Manager	Beeline Capital Advisors
Registrar	KFIN Technologies

Gearing up to capitalize on high growth in textile industry...

Company Overview:

- Commenced operations in 2020, **Borana Weaves Ltd** is a Surat based textile manufacturer specializing in production of unbleached synthetic grey fabric as well as polyester textured yarn (PTY Yarn).
- The grey fabric serves as a fundamental material which finds application in dyeing and printing processes required in various industries including fashion, traditional textiles, technical textile, home décor and interior design.
- The company's revenue has grown at a CAGR of 116.8% over FY22-24. Over the same period, contribution of grey fabric increased to 72.2% from 45.89% while that of yarn decreased to 26.4% from 50.8%.
- Borana Weaves operates 3 manufacturing units equipped with various textile manufacturing technologies like texturizing (15 machines), warping (6 machines), water jet looms (700 looms), and textile folding (10 machines) with an average capacity utilization of 79.6% in 9M FY25 up from 56.9% in FY22.
- As of December 2024, the company customer base, mainly comprising of wholesalers, has increased from 65 in FY22 to 204 in 9MFY25. Majority of the customers are based in Gujarat with revenue from the state close to 100.0% in FY22-24 and exceeding 98.0% in 9M FY25.

Valuation and Outlook:

At an upper price band of Rs 216, Borana Weaves is valued at PE of 24.4x on FY24 earnings vs Industry peer set average PE of 35x. The company is engaged in the manufacturing of specialized synthetic grey fabric and polyester textured yarn. The demand for polyester in India is projected to grow from 4MnT to 6.7MnT by 2025. Also, the global end-use market for man-made fibers is expected to expand by 3.7% by 2025. Over FY22-24, the company's Revenue/EBITDA/APAT has registered a CAGR of 116.8%/182.1%/262.1% respectively. Within 9M of FY25, revenue has already surpassed FY24 reported revenue owing to scale in capacity utilization of unit 3 which got commercialized in Q4 FY24. Through the use of IPO proceeds, the company intends to set up new manufacturing unit to reach 346Mn meter per annum capacity and continue to capitalize on growing demand for synthetic fabric. Additionally, foraying into production of high margin technical textile is expected to further improve business margins. In FY24, the company's ROE and ROCE was at 49.5% and 24.3% respectively. **We have a "Subscribe" rating for the IPO on account of strong industry growth tailwinds, higher capacity utilization (>75%) in existing facility coupled with new facility and diversifying into high margin products.**

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Source: RHP

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MAY 20, 2025

Borana Weaves Ltd.

Shareholding Pattern	Holding (%)	
	Pre Issue	Post Issue*
Promoters & Promoter Group	87.2	65.2
Others/Public	12.8	34.8
Total	100.0	100.0

* At upper price band

Issue Structure (Rs. Mn)	Floor	Cap
Net Offer	1,375	1,449
QIB Portion (75% of Offer)	1,031	1,087
Non Institutional portion (15% of Offer)	206	217
Retail portion (10% of Offer)	138	145

Key Financial Summary (Rs. Mn)	FY22	FY23	FY24	CAGR (FY22-24)
Revenue	423	1,354	1,991	116.8%
EBITDA	52	261	412	182.1%
<i>EBITDA margin (%)</i>	<i>12.2%</i>	<i>19.2%</i>	<i>20.7%</i>	-
Adj. PAT	18	163	236	262.1%
<i>Adj. PAT margin (%)</i>	<i>4.2%</i>	<i>12.0%</i>	<i>11.8%</i>	-
EPS (Adj for issue)	0.7	6.1	8.9	262.1%

Borana Weaves Ltd.

Financials vs Peers

Particulars	Market Cap (Rs Mn)	FY22-24			FY24				FY25*
		Revenue CAGR	EBITDA CAGR	PAT CAGR	Revenue (Rs Mn)	ROE	ROCE	EV/EBITDA (x)	PE (x)
Borana Weaves Limited	5,755	116.8%	182.1%	262.1%	1,991	49.5%	24.3%	15.7	25.5
Listed Peers									
Jindal Worldwide Ltd	63,000	-15.8%	-8.0%	-16.5%	18,140	10.5%	16.2%	41.3	76.8
Vardhman Textiles Ltd	1,49,940	0.8%	-34.6%	-35.9%	95,050	6.9%	9.0%	10.8	17.0
Arvind Ltd	1,00,320	-1.7%	2.9%	20.8%	77,380	9.4%	14.9%	10.9	27.4
KPR Mill Ltd	4,22,940	12.1%	0.7%	-2.2%	60,600	18.5%	23.3%	22.7	37.6
Gokaldas Exports Ltd	72,210	15.3%	11.0%	16.6%	23,790	10.1%	11.3%	16.9	37.0
Shahlon Silk Industries Ltd	1,260	-0.3%	-3.4%	15.5%	3,110	3.9%	12.9%	13.4	33.3
Average								19.3	38.2

Key Risks:

Regulatory permits: Till the date of RHP, the company only has “Consent to Establish” the proposed Unit-4 for which it is raising money through the IPO. Delay or failure to acquire required permits and approvals of the respective government authorities could delay the expansion.

Geographical risk: All the company’s manufacturing units are based in Surat, Gujarat. Furthermore, as of December 2024, 90.0% of raw material suppliers and more than 98.0% of the customers are based in Gujarat. This exposes the company to various geographical risks like natural disasters, strikes, blackouts, etc. hampering operations and thereby cashflow.

Product concentration: As of December 2024, sale of grey fabric contributed 84.2% to the company’s revenue. Change in manufacturing process, upgradation of technology or invention of better or alternative products could affect the demand for company’s products.

Young growth company: Borana Weaves commenced its operation in 2020. The company experienced a high growth rate which might not be sustainable in the medium to long run. Despite industry expert promoters, the company may not be able to replicate its initial success over time.

Borana Weaves Ltd.

Strengths:

- ⇒ **Expertise in high demand grey fabric production:** Borana Weaves specializes in manufacturing of unbleached synthetic grey fabric, the demand for which is on the rise. Furthermore, it is based in Surat, a major textile and apparel manufacturing hub, thereby having greater access to raw materials like polyester oriented yarn for production purpose. They have also increased their customer base from 65 in FY22 to 204 in 9MFY25, highlighting their business strength.
- ⇒ **Investment in water jet looms:** Their facilities are equipped with 700 water jet looms as on December 31, 2024. Water jet looms unlike traditional power looms offer greater precision in the weaving process at higher speed, and low breakage. This enhances its ability to meet larger production target while simultaneously maintaining uniform texture and consistent quality of the fabric.
- ⇒ **Leveraging Promoters experience in the industry:** The company's promoters are deep rooted with knowledge and decades of experience of textile industry. Further they collectively hold 87.2% of pre-issued equity stake in the company and are likely to drive sustainable growth for the company

Strategies:

- ⇒ **Capturing market opportunities in the growing synthetic fibre industry:** The Indian market for synthetic fabrics is witnessing growing demand on account of its affordability, durability and high-performance. Demand for polyester in India is expected to reach 6.7mn tons by 2025 from current demand of 4mn tons. In addition to this, the global end-use market for man-made fibers is also expected to expand by 3.7% by 2025. With an aim to capture this growth, the company intends to add new capacity of 112.7mn meters per annum to take aggregate capacity to 346mn meters per annum.
- ⇒ **Increasing wallet share from existing customers as well as expanding customer base:** The urban centric demand for textiles is expected to rise on back of rising urban population mix from 35% in 2023 to 40%. Further, the company has recently introduced a new product designed for jacketing by leveraging reactive polyurethane technology. This together is expected to enable the company to increase its wallet share from existing customers plus expand its customer base.
- ⇒ **Venturing into growing market of technical textile:** Technical textiles are specialized fabrics which finds use case in automotive, medical and industrial use. India's textile exports are projected to grow to US\$65bn by FY26 driven by growth in man-made fibers and technical textile. The company aspires to diversify product offerings and expand market reach by leveraging their existing investment in water jet looms to manufacture technical textiles.

Borana Weaves Ltd.

SUMMARY INCOME STATEMENT

(Rs. in mn)	FY22	FY23	FY24
Total Operating Income	423	1,354	1,991
YoY		219.8%	47.0%
Cost of materials consumed	305	863	1,225
Gross Profit	118	491	766
Gross Margin	27.9%	36.3%	38.5%
Employee Cost	21	93	179
Other Operating Expenses	45	138	175
EBITDA	52	261	412
EBITDA Margin	12.2%	19.2%	20.7%
Other Income	0	1	5
Net Interest Exp.	14	22	42
Depreciation	16	41	92
Exceptional Items	0	0	0
PBT	22	199	284
Tax	4	36	48
Net Profit	18	163	236
Associate/Minority Interest	0	0	0
Adj. PAT	18	163	236
NPM	4.2%	12.0%	11.8%
EPS	0.7	6.1	8.9

SUMMARY BALANCE SHEET

(Rs. in mn)	FY22	FY23	FY24
Assets			
Net Block	154	333	728
Other Non current Assets	28	67	114
Total Non-Current Assets	181	400	842
Inventories	37	203	238
Trade receivables	71	74	110
Cash and cash equivalents	0	1	0
Bank Balance	0	0	0
Other Current Assets	30	72	180
Total Current Assets	138	350	529
Current Liabilities & Provisions			
Borrowings	86	187	210
Trade payables	3	50	133
Other Financial Liabilities	10	20	6
Short-term provisions	6	33	40
Other current liabilities	3	1	10
Total Current Liabilities	109	290	400
Net Current Assets	28	59	129
Total Assets	210	459	971
Liabilities			
Share Capital	0	0	0
Other Equity	18	241	477
Total Shareholders Funds	18	241	477
Minority Interest	0	0	0
Total Debt	187	202	481
Long Term Provisions	0	0	0
Net Deferred Tax Liability	1	1	0
Other Long Term Liabilities (incl lease liability)	4	15	14
Total Liabilities	210	459	971

Borana Weaves Ltd.

SUMMARY CASH FLOW STATEMENT

(Rs. in mn)	FY22	FY23	FY24
PBT	22	199	284
Depreciation & Amort., Total	16	41	92
After other adjustments	35	238	365
(Inc) / Dec in Working Capital	-82	107	261
Taxes	-1	-39	-40
Cash from Ops.	-83	69	221
Capital Expenditure	-158	-219	-484
Others	-6	-2	3
Cash from Investing	-164	-221	-481
Issue of Share Capital	0	0	0
Net Borrowings	194	32	320
Others	53	121	-61
Cash from Financing	247	153	259
Net Change in Cash	0	1	-1
BF Cash	0	0	1
END Cash	0	1	0

SUMMARY RATIOS

	FY22	FY23	FY24
Profitability			
Return on Assets	5.6%	21.7%	17.2%
Return on Capital Employed	8.6%	35.5%	24.3%
Return on Equity	99.4%	67.6%	49.5%
Margin Analysis			
Gross Margin	27.9%	36.3%	38.5%
EBITDA Margin	12.2%	19.2%	20.7%
Net Income Margin	4.2%	12.0%	11.8%
Short-Term Liquidity			
Current Ratio	1.3	1.2	1.3
Quick Ratio	0.9	0.5	0.7
Avg. Days Sales Outstanding	61	20	20
Avg. Days Inventory Outstanding	45	86	71
Avg. Days Payables	4	21	40
Long-Term Solvency			
Total Debt / Equity	15.1	1.6	1.4
Interest Coverage Ratio	1.6	9.0	6.8
Valuation Ratios			
EV/EBITDA	116.5	23.6	15.7
PER	320.0	35.3	24.4
P/B	0.7	9.0	17.9

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

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DISCLOSURE

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