

Manan Goyal
manangoyal@rathi.com

Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	12,010
Fresh Issue (No. of Shares in Lakhs)	270.3
Offer for Sale (No. of Shares in Lakhs)	270.7
Bid/Issue opens on	20-Sep-23
Bid/Issue closes on	22-Sep-23
Face Value	₹ 2
Price Band	210-222
Minimum Lot	67

Objects of the Issue

- **Fresh Issue: ₹6,000 million**
 - Funding capital expenditure towards setting up 25 new stores
 - Funding capital expenditure towards setting-up of two warehouses.
 - Full or part repayment and/or prepayment of certain outstanding secured borrowings availed by the company.
 - Funding working capital requirements of the company.
 - General corporate purposes and Unidentified Inorganic Acquisitions.
- **Offer for sale: 6,010 million.**

Book Running Lead Managers	
Motilal Oswal Investments Advisors Limited	
HDFC Bank Limited	
Nuvama Wealth Management Limited	
Registrar to the Offer	
Bigshare Services Private Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	420.00
Subscribed paid up capital (Pre-Offer)	252.68
Paid up capital (Post - Offer)	306.73

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	95.2	60.8
Public	4.8	39.2
Total	100	100

Financials

Particulars (₹ In million)	FY23	FY22	FY21
Revenue from operations	13,514	11,293	6,772
Operating expenses	11,389	9,963	6,149
EBITDA	2,125	1,330	624
Other Income	75	37	18
Depreciation	410	308	295
EBIT	1,790	1,059	348
Interest	454	286	274
PBT	1,336	773	73
Tax	360	196	22
Consolidated PAT	976	577	51
EPS	6.36	3.76	0.33
Ratios	FY23	FY22	FY21
EBITDAM	15.73%	11.78%	9.21%
PATM	7.22%	5.11%	0.76%
Sales growth	19.67%	66.75%	

Company Description

They are amongst the top 10 retailers of ethnic apparel, particularly sarees, in south India in terms of revenues and profit after tax in Fiscal 2020, 2021 and 2022. Through their four store formats, i.e., Kalamandir, VaraMahalakshmi Silks, Mandir and KLM Fashion Mall, they offer their products to various segments of the market that include premium ethnic fashion, ethnic fashion for middle income and value-fashion, with a variety of products across different price points, thereby catering to customers across all market segments. They leverage their store network of 54 stores as of July 31, 2023, to focus on spreading India's vibrant culture, traditions and heritage by offering a diverse range of products which includes various types of ultra-premium and premium sarees suitable for weddings, party wear, as well as occasional and daily wear; lehengas, men's ethnic wear, children's ethnic wear and value fashion products comprising fusion wear and western wear for women, men and children.

The share of organized retailing in apparel has increased from 14% in Fiscal 2007 to 32% in Fiscal 2020. The evolution of the market, in its current phase, represents distinct segmentation of channels of organized retail for apparel. This phase also represents emergence of category leaders in respective groups of western (formal and casual), Indian, and athleisure. Historically, the ethnic retail trade of sarees was dominated by unorganized players in small format stores with a very few organized players. Founders recognized the opportunity and in order to address the gap in the market, they commenced operations in 2005. Today, they offer one of the widest portfolios of saree SKUs among women's apparel brands in India. With large retail outlets that provide customers a wide variety of options in ethnic wear across various price points.

Their business was founded by Managing Director, Nagakanaka Durga Prasad Chalavadi a first generation entrepreneur. They commenced operations through their first 'Kalamandir' store in 2005 at Hyderabad, Telangana with a store size of 3,213 square feet and have over the years expanded to 54 stores in four south Indian states, i.e., Andhra Pradesh, Telangana, Karnataka and Tamil Nadu, with an aggregate area of approximately 603,414 square feet, as of July 31, 2023. As of July 31, 2023, their average store size, calculated on the basis of their operating stores, is 10,390 square feet for their Kalamandir format stores, 3,310 square feet for their Mandir format stores, 6,099 square feet for their VaraMahalakshmi format stores, and 18,400 square feet for their KLM Fashion Mall format stores. They believe their stores provide a unique experience and customer service, which combined with their inventory and variety of SKUs that they offer, enables them to attract and retain a growing customer base that, as of July 31, 2023, exceeded over 5.98 million customers in India.

Valuation

Sai Silk (Kalamandir) limited is among the leading ethnic and value-fashion Retail Company in south India having a portfolio of established formats with focused sales and marketing strategy with strong presence in offline and online marketplace with an omni-channel network and Leading apparel retail brand in India with a scalable model, which is well positioned to leverage growth in the ethnic and value-fashion apparel industry in India with Track record of growth, profitability, and unit economics with an efficient operating model.

At the upper price band company is valuing at P/E of 33x with a market cap of ₹ 34,047 million post issue of equity shares and return on net worth of 24.56%.

We believe that company is fairly priced and recommend a "Subscribe- Long term" rating to the IPO.

Their Formats

By leveraging their experience in selling ethnic wear, they have over the years expanded their store portfolio to four formats, hybrids and derivatives thereof, each offering different set of products catering to the respective target segments and they continue to expand their product range to meet the demand of their different target segments. They offer a diverse range of products which includes (a) various types of ultra-premium and premium sarees suitable for weddings, party wear as well as occasional and daily wear; (ii) lehengas, (iii) men's ethnic wear, (iv) children's ethnic wear (v) value fashion products comprising fusion wear and western wear for women, men and children and (vi) North Indian women ethnic celebration wear such as designer lehengas.

- **Kalamandir** was established in 2005 with the first store opening in Ameerpet, Hyderabad in Telangana and they market the format as 'Symbol of the South' for its product offerings, affordability and brand equity. The Kalamandir format stores provides contemporary sarees and other ethnic wear in certain of the stores targeting middle-class and upper-middle class customers.
- **Mandir** was established in 2011 with the first store opening in Banjara Hills, Hyderabad. The Mandir brand is the one stop destination of ultra-premium designer high-end sarees, including party wear, festive wear, occasional wear sarees, and lehengas which can be customized as per the requirements of customers.
- **VaraMahalakshmi** was established in 2011 with the first store opening in Chickpet, Bengaluru, providing customers the famous Kanchipuram silk sarees and other handloom and occasion wear sarees under one roof. The VaraMahalakshmi format stores offer authentic premium silk sarees and each of the Kanchipuram sarees inculcate contemporariness, making it one of its kind.
- **KLM Fashion Mall** is their store format offering, established in 2017, with the first one opening in Ameerpet, Hyderabad providing value-fashion catering to the youth and the masses with new-age fashion choices at an affordable, value for money price point. It offers variety of products for each segment, including men's wear, women's wear and kid's wear. They have registered two trademarks, i.e., "Common Man Fashion Mall" and "Pocket Friendly Mall" for their KLM Fashion Mall format stores to target the customer segment they intend to capture through its value fashion product offerings and increase brand visibility.

Store Format and Presence

Their ethnic wear and value-fashion products are available through their stores under four different format stores, i.e., Kalamandir, VaraMahalakshmi Silks, Mandir, and KLM Fashion Mall, as well as through e-commerce channels comprising their own website and other online e-commerce marketplaces. The table below provides certain information on their product portfolio and break-down by price range as of July 31, 2023:

Format	Target Segment	Product Portfolio	Average price
	Contemporary ethnic fashion for middle income	Different variety of sarees, such as Tusser, Silk, Kota, Kora, Khadi, Georgette, Cotton and Matka	Approximately ₹ 1,000 to ₹ 100,000
	Premium ethnic silk sarees and handlooms targeting wedding and occasional wear.	The major product offerings includes premium variety of sarees such as Banarasi, Patola, Kota, Kanchipuram, Paithani, and Organza, Kuppadam, , with major focus on handlooms such as Kacheepuram silk sarees	Approximately ₹ 4,000 to ₹ 250,000
	Ultra-premium designer sarees targeting high net-worth individuals	The major product offerings includes ultra-premium variety of designer sarees such as Banarasi, Patola, Ikat, Kanchipuram, Paithani, Organza and Kuppadam	Approximately ₹ 6,000 to ₹ 350,000.
	Value-fashion at affordable price points	Value fashion products comprising fusion wear, sarees for daily wear and western wear for women, men and children	Approximately ₹ 200 to ₹ 75,000

Based on the specific markets that they target, they might opt for a combination of formats to optimize the space that they have available in addition to market feedback. For instance, in December 2022, they launched "Valli Silks" which is a combination of their KLM Fashion Mall and VaraMahalakshmi Silks store formats. Further, to cater to niche segments that may be available in certain geographies that they operate, they may create derivatives of their existing formats. For instance, in September 2022, they launched "Kalamandir Royale" that is an extension of their Kalamandir format in which they offer products with higher price points and more exclusive collections.

Their stores are strategically located in prime areas of the cities in which they operate, to tap into the purchasing power of customers with a cluster-based model where they generally open new stores in the same city rather than extending their store network in other cities, in order to efficiently operate their stores. Further, due to the impact of COVID-19, they recognized the importance of expanding their sales through online e-commerce marketplaces and started selling their products through their own online website, www.kalamandir.com, www.brandmandir.com and www.kanchivml.com, www.klmfashionmall.com and www.kalamandirroyale.com as well as through other third-party online e-commerce websites which provides an omni-channel network to their customers, through their online and offline channels. The seamless integration between their offline and online channels also ensures that their products are easily available to their customers.

The table below sets forth certain performance indicators of all of their Kalamandir, VaraMahalakshmi Silks, Mandir and KLM Fashion Mall stores for the periods indicated:

Particulars	Fiscal 2021	Fiscal 2022	Fiscal 2023
New stores opened during the Fiscal		4	8
Stores closed during the Fiscal	1		
Stores	42	46	54
Stores converted / Format changed during the Fiscal	1	2	-
Cities	11	12	12
Average Store Area (square feet)	12,171	11,974	11,174
Metrics per Square Feet (₹)			
- Average revenue from operations per square feet (for all stores)	13,247	20,502	22,397
- Average revenue from operations per square feet (for Mature stores)	13,058	20,210	22,850
Revenue Metrics per Store (₹ million)			
- Average revenue from operations (for all stores)	161.23	245.50	250.27
- Average revenue from operations (for Mature stores)	161.85	252.64	273.61
Average Capital Expenditure per Store (₹ million)	50.43	51.43	51.72

Store Formats

Kalamandir

Kalamandir was established in 2005 with the first store opening in Ameerpet, Hyderabad in Telangana and is marketed by them the 'Symbol of the South' for its product offerings, affordability and brand equity. The Kalamandir format stores provides contemporary sarees targeting the middle-class and upper-middle class customers. The major product offerings include different variety of sarees, such as Tusser, Silk, Kota, Kora, Khadi, Georgette, Cotton and Matka. As of July 31, 2023, their Company is operating 12 Kalamandir stores with a mix of small, medium and large stores across three states of Andhra Pradesh, Telangana and Karnataka with an aggregate area of approximately 124,677 square feet.



VaraMahalakshmi

VaraMahalakshmi was established in 2011 with the first store opening in Chickpet, Bengaluru providing customers the famous Kanchipuram silk sarees under one roof. The VaraMahalakshmi store format offers authentic premium silk sarees and each of the Kanchipuram sarees inculcate contemporariness making it one of its kind. They have scaled the VaraMahalakshmi to other markets in south India such as Bengaluru, Hyderabad, Chennai, Vijaywada and Nellore among others and as of July 31, 2023, they operated 19 small, medium and large stores across four south Indian states with an aggregate area of ₹ 115,889 square feet. The major product offerings includes sarees such as Banarasi, Patola, Kota, Kanchipuram, Paithani, and Organza, Kuppadam.



Mandir

Mandir was established in 2011 with the first store opening in Banjara Hills, Hyderabad in 2011. Their Mandir format store is the one stop destination of ultra-premium designer high-end sarees, including party wear, festive wear, occasional wear sarees, and lehengas which can be customized as per the requirements of customers. The major product offerings includes sarees such as Banarasi, Patola, Ikat, Kanchipuram, Paithani, Organza and Kuppadam. As of July 31, 2023, they are operating four high-end small format Mandir stores in Hyderabad, Telangana with an aggregate area of approximately 13,240 square feet. Their stores in Hyderabad are strategically located in areas of the city that are best suited to the purchasing power of their targeted demographic. For example, their Mandir store in Banjara Hills is an independent outlet which, due to its location, leads to larger transactions per visit to their stores.



KLM Fashion Mall

KLM Fashion Mall is their store format offering established in 2017, with the first one opening in Ameerpet, Hyderabad providing value-fashion catering to the youth and the masses with new-age fashion choices at an affordable, value for money price point. It offers variety of products for each of the segments including men's wear, women's wear and kid's wear. The popularity of the KLM Fashion Mall is established by the fact that they have opened 19 large format stores since 2017 with presence across three states with an aggregate area of 3,49,608 square feet as of July 31, 2023. The average size of their KLM Fashion Mall as of July 31, 2023, is approximately 18,400 square feet.



Strengths:

- **Among the leading ethnic and value-fashion retail company in south India having a portfolio of established formats with focused sales and marketing strategy**

They are amongst the top 10 retailers of ethnic apparel, particularly sarees, in south India in terms of revenues and profit after tax in Fiscal 2020, 2021 and 2022. The share of organized apparel retail which was 32% in 2020 is expected to increase to 48% in 2027. The share of organized retail in women's apparel, which was 19% in Fiscal 2015, increased to 31% in Fiscal 2022 and is expected to reach 44% by Fiscal 2028, amounting to ₹ 1,754.44 billion. Focussed approach towards offering consistent quality at affordable prices has been driving growth in the value fashion segment. The consistent delivery of this promise in tier II, III and IV cities has been aiding the transition of consumers from the unorganized traditional shops to the organized value retailers. They consider that the variety of products offered by them at different price points have allowed them to serve over 5.98 million customers since their inception.

Between Fiscal 2021 and Fiscal 2023, they opened 15 stores including three format conversions providing requisite experience in expanding their store network.

Store Format	FISCAL			Total Number of Stores
	2021	2022	2023	
Kalamandir	-	1	4	5
VaraMahalakshmi	1	2	2	5
Mandir	-	1	1	2
KLM Fashion Mall	-	2	1	3

The table below sets forth certain information relating to revenue from operations for the periods indicated:

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount (₹ million)	% of Total Revenue from Operations	Amount (₹ million)	% of Total Revenue from Operations	Amount (₹ million)	% of Total Revenue from Operations
Telangana	2,845	42.02%	5,116	45.30%	6,064	44.87%
Andhra Pradesh	2,611	38.56%	4,153	36.78%	4,429	32.77%
Tamil Nadu	445	6.57%	766	6.78%	1,219	9.02%
Karnataka	870	12.85%	1,258	11.14%	1,802	13.34%
Total	6,771	100.00%	11,293	100.00%	13,515	100.00%

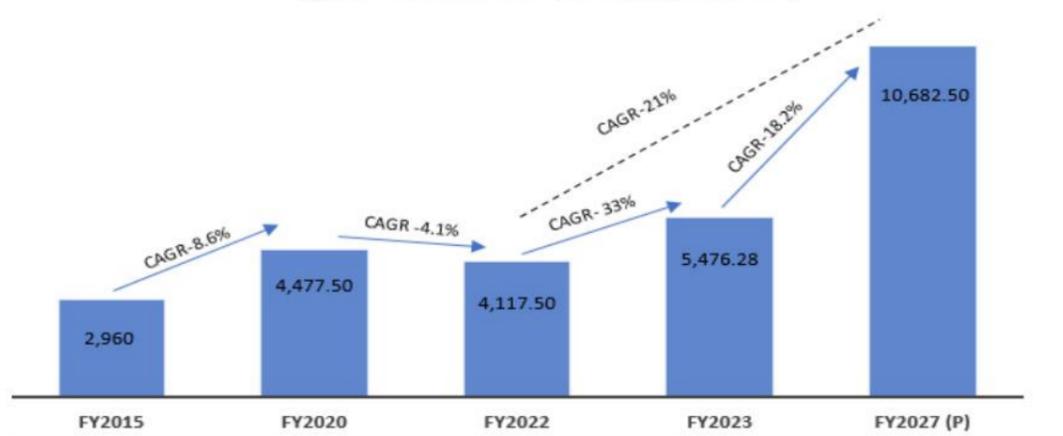
- **Leading ethnic wear retail brand in India with a scalable model, well positioned to leverage growth in the ethnic and value-fashion apparel industry in India**

They are amongst the top 10 retailers of ethnic apparel, particularly sarees, in south India in terms of revenue and profit after tax in Fiscal 2020, 2021 and 2022. Launched in 2005, they focus on spreading India's vibrant culture, traditions and heritage through their ethnic wear brands. Company consider their business model to be scalable and efficient and they generally achieve immediate positive cash flow for their new format stores and achieve break even for capital expenditure incurred for setting up the exclusive format store within a reasonable period from store opening, depending on the store format.

The Indian apparel market size in Fiscal 2020 was US\$ 55.9 billion (₹ 4,477.50 billion) and reached a market value of US\$ 51.4 billion (₹ 4,117.50 billion) in Fiscal 2022. Between Fiscal 2022 and Fiscal 2027 the apparel market is expected to grow at a CAGR of 21% to reach US\$ 133.53 billion in Fiscal 2027 on the back of factors like higher brand consciousness, increasing digitization, greater purchasing power and increasing urbanization. While the apparel market has degrown by approximately 4.1% to reach a value of US\$ 51.47 billion in Fiscal 2022 due to negative impact of COVID-19 pandemic, the market is expected to recover at a higher pace of 21% between Fiscal 2022 and Fiscal 2027.

While the CAGR of total apparel market between Fiscal 2020 and Fiscal 2027 is expected to be approximately 13.2%, the branded apparel and organized apparel retail are expected to grow at CAGR of approximately 17.7% and approximately 19.9% respectively in the same period. In other words, growth of both branded apparel share and organized apparel retail share in apparel category will outpace the overall category growth. COVID-19 gave impetus to the growth of e-commerce which is expected to become a significant growth driver for the organized market.

Apparel Market Size in India (in ₹ Billion, year in Fiscal)

**Key Strategies:**

➤ **Expand their footprint within India through owned stores and franchise network by leveraging their brand appeal**

The saree and others category (which includes lehengas, Indian dresses and gowns) is expected to grow at a CAGR of 19% from Fiscal 2022 to Fiscal 2027, to reach ₹ 1,248.37 billion in Fiscal 2027. In order to maintain their position as a leading apparel and saree retailer in south India, they will continue to focus on expanding their network of stores in south India and other regions of the country. They are currently present only in south India and intend to deepen their penetration in those regions, where there could be potential for further expansion. They intend to continue to follow their cluster-based expansion model and expand their presence in across south India in order to ensure better operational control over their stores.

They further intend to leverage their experience to expand their operations by opening new stores, hybrids and derivatives thereof in key cities across India. For instance, in December 2022, they launched “Valli Silks” which is a combination of their KLM Fashion Mall and VaraMahalakshmi Silks store formats. Further, to cater to niche segments that may be available in certain geographies that they operate, they may create derivatives of their existing formats. For instance, in September 2022, they launched “Kalamandir Royale” that is an extension of their Kalamandir format in which they offer products with higher price points and more exclusive collections. Using their brand leverage, their product quality and customer engagement, they hope to increase their footprint and scale of operations. Their expansion into newer markets offers them potential for market share gains, increased brand recognition and economies of scale. They intend to open approximately 30 additional stores and these are planned over the course of the next two Fiscals with more focus on expanding their VaraMahalakshmi Silks store formats. They also intend to focus on expanding of the KLM Fashion Mall in order to tap the growing potential of value-fashion brand and propose to open 5 additional stores through a franchisee model. They also wish to explore further franchisee and B2B models with the objective of tapping the unorganized market as well as improve return ratios through additional margins. As part of their efforts to open additional stores they undertake detailed market research and analysis to identify potential locations for such stores. They will continue to adopt a methodical approach in evaluating and selecting suitable locations for the establishment of new stores, such as target customer segment concentration, market potential and accessibility. They anticipate that such expansion will further increase their market share in the value-fashion brand segment and increase their profitability and revenue from operations.

➤ **Leverage technology to bring cost efficiency and enhance customer experience**

Company intend to further improve their operating efficiency through global best practices. They currently use an in-house ERP system that was developed by Soul of Pluto Tech LLP, a member of Promoter Group. The measures that they intend to undertake include investing further in their IT infrastructure by migrating into better software resources at the back-end of their operations in order to improve productivity and time savings. They intend to expand and upgrade their existing warehouses to optimize their inventory and supply management. They intend to strategically expand their warehouse operations as well as implement new technologies to further expand and improve customer deliveries and enhance customer buying experience with faster dispatches. They intend to also undertake data analytics that will allow them to better understand customer preferences, improve sales and help scale their operations. Further, they are in the process of launching their loyalty program “Smile Rewards” for customers of KLM Mall stores through a new CRM software system which will allow them to earn points and shopping vouchers on purchases, which can be redeemed. They have launched pilot testing of the “Smile Rewards” membership in certain of their KLM Mall stores in Hyderabad. “Smile Rewards” will provide its members exclusive offers, special invitations to in-store activities and sale previews, among other benefits.

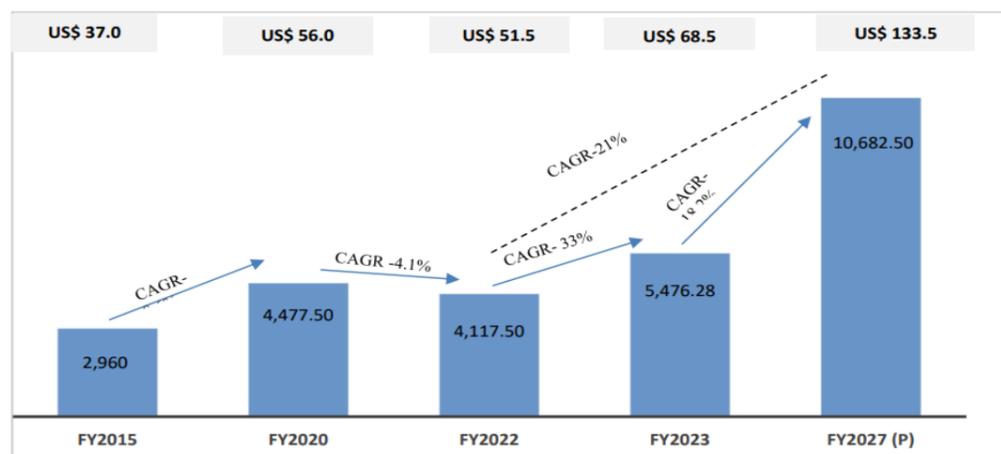
Industry Snapshot:**India Apparel Market Size and Level of Organization**

Apparel market size in Fiscal 2020 was US\$ 55.9 billion (₹ 4,47,750 crore) and reached a market value of US\$ 51.4 billion (₹ 4,11,750 crore) in Fiscal 2022. Between Fiscal 2022 and Fiscal 2027 the apparel market is expected to grow at a CAGR of 21% to reach US\$ 133.53 billion in Fiscal 2027 on the back of factors like higher brand consciousness, increasing digitization, greater purchasing power and increasing urbanization.

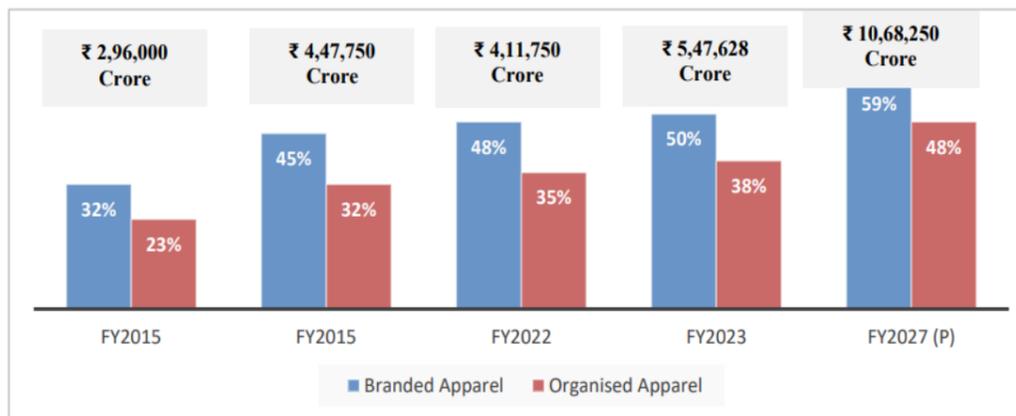
While the apparel market has de-grown by approximately 4.1% to reach a value of US\$ 51.47 billion in Fiscal 2022 due to negative impact of COVID-19 pandemic, the market is expected to recover at a higher pace of 21% between Fiscal 2022 and Fiscal 2027. While the CAGR of total apparel market between Fiscal 2020 and Fiscal 2027 is expected to be approximately 13.2%, the branded apparel and organized apparel retail

are expected to grow at CAGR of approximately 17.7% and approximately 19.9% respectively in the same period. In other words, growth of both branded apparel share and organized apparel retail share in apparel category will outpace the overall category growth. COVID-19 gave impetus to the growth of e-commerce which is expected to become a significant growth driver for the organized market.

Apparel Market Size in India (in ₹ Crore) (Year In Fiscal)



Share of Branded Apparel and Organized Apparel Retail as a percentage of Apparel Market (Year in Fiscal)



India has the youngest population in comparison to other leading economies. The median age in India was estimated to be 28.1 years in Calendar Year 2021 as compared to 38.1 and 37.4 in the United States and China, respectively, and is expected to remain under 30 years until 2030. Younger population is naturally pre-disposed to adopting new trends and exploration given their educational profile and their exposure to media and technology, which presents an opportunity for domestic consumption in the form of branded products and organized retail.

Apparel E-tail

The share of E-tail in apparel and accessories in overall retail share was 17.5% in Fiscal 2020.. It is estimated that in Fiscal 2022, E-tail’s share in Apparel and Accessories was over 22% and the share is expected to reach to approximately 24% by Fiscal 2027.

Broad types of Apparel E-tailers (2022)



Lifestyle E-tailers fall into 5 key types based on merchandize offering and business models:

- **Horizontal Marketplace:** Having a wide spectrum of offering and multi-brand offering.
- **Vertical Marketplace:** They have a relatively narrower category focus, e.g., apparel and lifestyle and offer multiple brands within their segments.
- **Online-only Fashion Retailers:** They offer lesser categories, but along with multi-brand offering they also have a focus on private brands.

- **Online-only Curators:** They are Indian only focused players. While they have a sizeable category offering in the form of apparel and lifestyle, their products are principally based around Indian taste.
- **Online Extensions of B&M Retailers:** Many B&M centric players have forayed into E-tailing. This trend is observed with multi-format retailers like Future Retail, Future Lifestyle Fashions, Shoppers Stop as well as apparel and lifestyle brands like Kalamandir, Pothy's, Nalli, Fabindia etc.

Women Apparel and Women Indian Wear Market

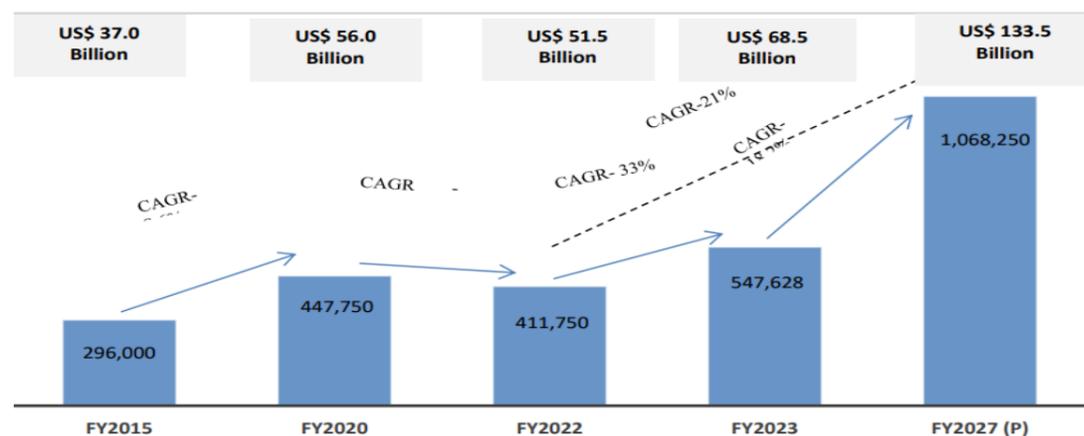
India Apparel Market Size and Level of Organization

Apparel market size in Fiscal 2022 was ₹ 4,11,750 crore (US\$ 51.5 billion) and expected to grow at a CAGR of approximately 21% between Fiscal 2022 and Fiscal 2027 to reach ₹ 10,68,250 crore (US\$ 133.5 billion) by Fiscal 2027 on the back of factors like higher brand consciousness, increasing digitization, greater purchasing power and increasing urbanization.

While the apparel market witnessed a de-growth by approximately 4.1% from a value of ₹ 4,47,750 crore (US\$ 56 Billion) in Fiscal 2020 due to negative impact of COVID-19 pandemic, the market is expected to recover at a higher pace of 18.2% between Fiscal 2023 and Fiscal 2027.

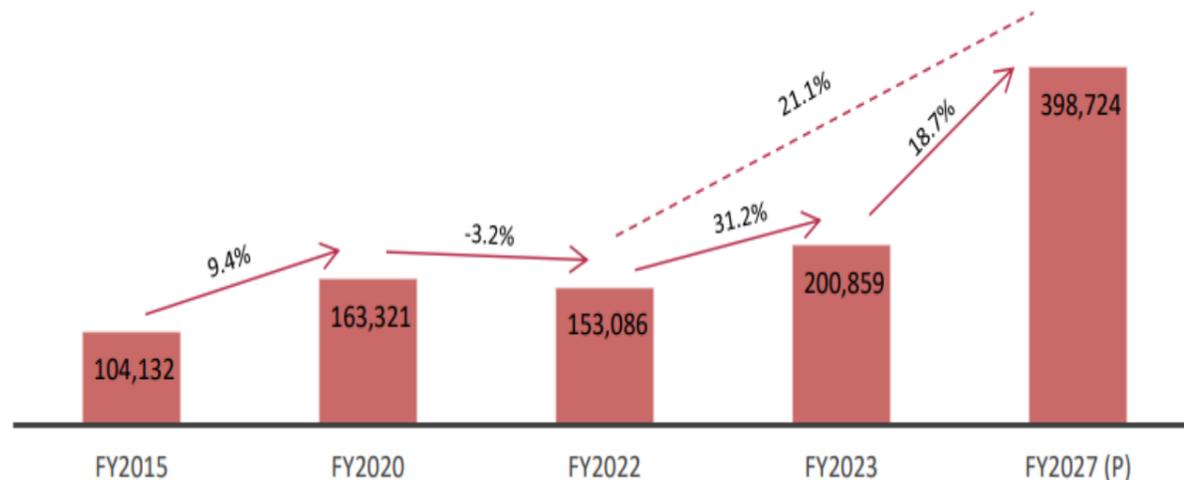
While the CAGR of total apparel market between Fiscal 2020 and Fiscal 2027 is expected to be approximately 13.2%, the branded apparel and organized apparel retail are expected to grow at CAGR of approximately 18% and approximately 20% respectively in the same period. In other words, growth of both branded apparel share and organized apparel retail share in apparel category will outpace the overall category growth. COVID-19 gave impetus to the growth of e-commerce which is expected to become a significant growth driver for the organised market. The pace of adoption of online purchase has, hence, further accelerated and has emerged as an important channel for apparel and lifestyle retail.

Apparel Market Size in India (in ₹ Crore) (Year In Fiscal)



Women Apparel Market in India

The women apparel market contributes approximately 37% of the total apparel market of India in Fiscal 2022 and is estimated at ₹ 1,53,086 crore (approximately US\$ 19.1 Billion) and the same is expected to grow at a CAGR of 21.1% for the next 5 years to reach ₹ 3,98,724 crore (US\$ 49.8 Billion) by Fiscal 2027.

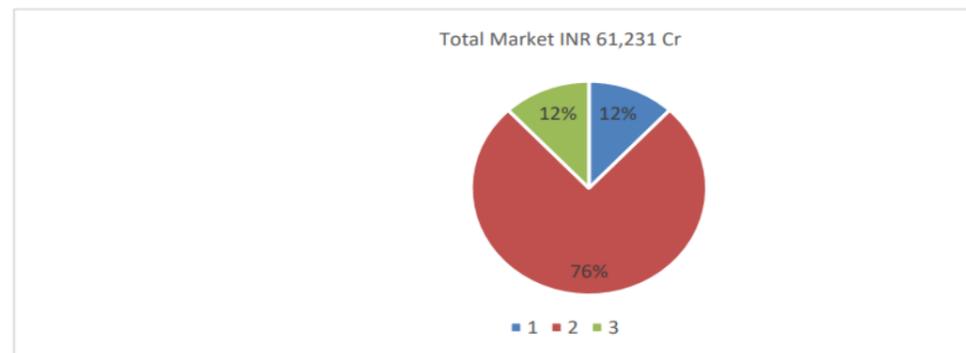


Indian Wedding and Festive wear Market

The Indian Wedding and Festive wear market comprises of Indian apparel worn on occasions like weddings and related celebrations, festivals; other occasions with friends and family; other events of significance etc.

This market was valued at ₹ 61,231 crore in Fiscal 2022. Within is market, the share of Indian Women Occasion wear is most significant capturing 76% of the market and valued at ₹ 46,211 crore for Fiscal 2022.

Split of Women, Men and Kids category in Indian Wedding and Festive wear market- Fiscal 2022



The growth in this segment is being driven by the saree category with a 41% share of this segment valued at ₹ 18,861 crore for Fiscal 2022. SKD Sets accounted for 28% valued at ₹ 13,107 crore for Fiscal 2022, and Lehenga, Indian dresses/ gowns accounted for 21% valued at ₹ 9,824 crore for the same time period. The Indian wear Wedding and Festive Saree market is being driven by the South Indian Wedding and Festive Saree market with a 50-55% contribution to the same. The wedding industry is an important contributor to the saree market in south India, with high cultural significance of saree for wearing and gifting purposes, with an average south Indian wedding contributing to the purchase of 50-100 sarees in various price ranges from mass to premium.

Key Cities for Saree workmanship:

- **Kancheepuram**- Kancheepuram in Tamil Nadu is the hub for the Kancheepuram/kanjivaram saree with fine weaves of mulberry silk with coarse threads dipped in silver or gold (zari). The Kancheepuram saree comes under the Geographical Indication Act, whereby the sellers have to maintain certain quality and weight in all aspects in order to label their saree as Kancheepuram while selling.
- **Mysore**- Mysore in Karnataka is the largest producer of mulberry silk in the country, approximately 70%. There is a Government Silk Factory in Mysore named KSIC (Karnataka Silk Industries Corporation Limited) that was established in 1912, which produces 100% pure silk and zari sarees.
- **Kota**- Kota doria sarees are lightweight and easy to drape, made in Kota city of Rajasthan. These have square patterns called khats and fall in the affordable price range.
- **Bishnupur**- The Baluchari saree that was first made in Murshidabad in West Bengal is now made in Bishnupur. The sarees are made from silk with scenes from Mahabharata or Ramayana being depicted on the pallus in two different threads and the saree takes nearly a week to manufacture.
- **Chanderi**- Chanderi in Madhya Pradesh is the hub for chanderi sarees which began in the 13th century. The sarees can be produced from three kinds of fabrics- pure silk, chanderi cotton and silk cotton. The sarees are light weight and marked by luminescent gold on them. Traditional coins, floral art, peacocks, and modern geometric patterns are woven into different Chanderi patterns.
- **Maheshwar**- Maheshwar in Madhya Pradesh has been a handloom production centre since the 5th century. The saree is made from cotton and has vibrant and contrasting colours, and feature narrow coloured borders, checks and stripes with a solid coloured body. The speciality of Maheshwari sarees is the reversible border on them which can be worn on both sides.
- **Bangalore and Mysore**- Bangalore is famous for its soft silk weaves. Bangalore silk sarees are liked by women- both young and elder for their sophisticated look with intricate weaves made using pure silks. The Mysore silk crepe from the Mysore city of Karnataka can be traced back to 1785 AD and is woven from hardspun silk yarn and is one of the most widely used form of silk across India.
- **Surat and Rajkot**- Surat has a large number of textile mills where different kinds of textiles with different printing and weaving styles are produced. The sarees that are famous from Surat are brocade, gharchola, panetar, and tanchoi. The Patola saree from Rajkot known as Rajkot Patola is widespread and famous. In this saree, yarn is resist dyed before being woven into fine fabrics and since motifs are created out of dyed yarn, both sides have the same and equally prominent designs.

➤ Accounting ratios

Particulars	Fiscal		
	2021	2022	2023
Revenue from Operations	6,772	11,293	13,515
EBITDA	624	1,330	2,125
EBITDA Margin	9.21%	11.78%	15.73%
Gross Margin	2,304	3,915	5,288
Profit for the year	51	577	976
RoE	2.16%	21.22%	27.96%
RoCE	8.51%	21.71%	23.55%
Debt to Equity Ratio	0.89	0.87	0.87
Net Debt/EBITDA	1.25	0.52	0.44

Comparison with listed entity

Name of the company	Face value	Revenue from operations for Financial Year 2023 (₹ million)	EPS (Basic) (₹)	EPS (Diluted) (₹)	P/E	RONW (%)
Sai Silks (Kalamandir) Limited	2	13,589.20	6.36**	6.36**	33*	24.56%
Listed peers						
Vedant Fashions Limited	1	13,951.71	17.68	17.68	71.29	30.65%
TCNS Clothing Co. Limited	2	12,175.98	-2.75	-2.75	NM	NM
Go Fashion (India) Limited	10	6,771.94	15.33	15.33	87.74	15.91%
Aditya Birla Fashion and Retail Limited	10	125,343.60	-0.38	-0.38	NM	NM
Shoppers Stop Limited	5	40,788.60	10.59	10.59	69.34	56.30%
Trent Limited	1	85,025.40	12.51	12.51	163.76	14.78%

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on August 31, 2023.

2) ** P/E and EPS of company is calculated on basis TTM and post issue no. of equity shares issued.

Key Risk:

- Companies business is highly concentrated on the sale of women's sarees and is vulnerable to variations in demand and changes in consumer preference, could have an adverse effect on their business, results of operations and financial condition.
- Current locations of their stores may become unattractive, and suitable new locations may not be available for a reasonable price or acceptable terms, if at all. In addition, they are exposed to risks associated with leasing real estate and any adverse developments could materially affect their business, results of operations and financial condition.
- Company generated substantially all of their sales from stores located in Southern India and any adverse developments affecting their operations in these regions could have an adverse impact on their revenue and results of operations.
- They have entered into a business assets transfer agreement to acquire the business assets of Sai Retail India Limited. Any failure to realise the anticipated benefits of the transfer or any future acquisition, partnership or purchase that they undertake, may have an adverse effect on their business, results of operations, cash flows and financial condition.
- Promoter has pledged certain of his Equity Shares and entered into agreement for the pledge of shares with certain lenders. Any exercise of such pledge by the lender or enforcement of such pledge could dilute the shareholding of these Promoters, which may adversely affect their business and future prospects.
- The nature of their business requires them to maintain sufficient inventories resulting into high inventory costs. If they are unable to maintain an optimal level of inventory, their business, results of operations and financial condition may be adversely affected.
- Company procure their products from third-party vendors and master weavers. They do not enter into long term formal agreements with such vendors and may not be able to procure sufficient quantities or desired quality of products from such vendors and master weavers in a timely manner or at acceptable prices, or on an exclusive basis, which may adversely affect their business, financial condition and results of operations.
- They have incurred indebtedness and an inability to comply with repayment and other covenants in their financing agreements could adversely affect their business and financial condition. Further, certain of their financing agreements involve variable interest rates and an increase in interest rates may adversely affect their results of operations and financial condition.
- Change in customer preferences to purchase products from traditional brick and mortar stores to e-commerce may have an adverse impact on their business, results of operations and financial condition.
- An inability to effectively market their products, or any deterioration in public perception of their brands, could affect customer footfall and consequently adversely impact their business, financial condition, cash flows and results of operations.

Valuation:

Sai Silk (Kalamandir) limited is among the leading ethnic and value-fashion Retail Company in south India having a portfolio of established formats with focused sales and marketing strategy with strong presence in offline and online marketplace with an omni-channel network and Leading apparel retail brand in India with a scalable model, which is well positioned to leverage growth in the ethnic and value-fashion apparel industry in India with Track record of growth, profitability, and unit economics with an efficient operating model.

At the upper price band company is valuing at P/E of 33x with a market cap of ₹ 34,047 million post issue of equity shares and return on net worth of 24.56%.

We believe that company is fairly priced and recommend a "Subscribe- Long term" rating to the IPO.

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- Compliance officer-Deepak Kedia, email id - deepakkedia@rathi.com, Contact no. +91 22 6281 7000.
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