

# IPO Report

Choice

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## Sai Silks (Kalamandir) Ltd.

Premier ethnic retailer with a South India foothold



**Salient features of the IPO:**

- **Sai Silks (Kalamandir) Ltd.** (SSKL), which specializes in offering a wide range of ethnic apparel, particularly sarees, and high-quality value-fashion products, is making a second attempt at an IPO to raise around Rs. 1168.5-1201.0cr, which opens on 20<sup>th</sup> Sep. 2023 and closes on 22<sup>nd</sup> Sep. 2023. The price band is Rs. 210-222 per share.
- The IPO is a combination of fresh issue and OFS (offer for sale). SSKL will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, SSKL will be utilizing Rs. 125.08cr for funding capital expenditure towards setting-up of 30 new stores; Rs. 25.4cr for funding capital expenditure towards setting-up of two warehouses; Rs. 280.06cr for funding working capital requirements of the company; and Rs. 50cr for the repayment or pre-payment, in full or part, of certain borrowings availed by the company. Residual funds will be used for general corporate purposes.

**Key competitive strengths:**

- Among the leading ethnic wear and value-fashion retail company in south India having a portfolio of established formats with focused sales and marketing strategy.
- 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.
- Strong presence in offline and online marketplace with an omni-channel network.
- Track record of growth, profitability and unit economics with an efficient operating model.

**Risk and concerns:**

- The business demands the maintenance of substantial inventory levels and failure to uphold an optimal inventory level could negatively impact the business.
- The company operates in a fragmented market characterized by unorganized and single-store players.
- The promoter has pledged a portion of his equity shares and has entered into an agreement for the pledge of shares with certain lenders.
- The business experiences seasonal fluctuations, which can impact the company operations during specific times of the year.

**Below are the key highlights of the company:**

- Established in 2005, SSKL has emerged as one of the top 10 retailers in South India, specializing in ethnic apparel, particularly sarees, and premium value-fashion products.
- SSKL utilizes its extensive network of 54 stores across 12 cities as of July 31, 2023, to promote India's rich culture, traditions, and heritage by offering a wide array of products. Utilizing four distinct store formats – Kalamandir, VaraMahalakshmi Silks, Mandir, and KLM Fashion Mall – SSKL delivers a diverse range of products tailored to different market segments. These offerings encompass premium ethnic fashion, ethnic fashion for the middle-income demographic, and value-oriented fashion, spanning various price points to effectively serve customers across all market segments.
- SSKL started its journey in 2005 with the opening of its first store, 'Kalamandir,' in Hyderabad, Telangana. The store was relatively small, covering 3,213 square feet. However, over the years, they have grown significantly. Today, SSKL operates 54 stores in four major South Indian states: Andhra Pradesh, Telangana, Karnataka, and Tamil Nadu. These stores together cover an area of about 603,414 square feet as of July 31, 2023. Specifically, they have 12 Kalamandir stores, 4 Mandir stores, 19 VaraMahalaxmi stores, and 19 large-format stores under the KLM Fashion Mall brand.

**Issue details**

Price band	Rs. 210 - 222 per share
Face value	Rs. 2
Shares for fresh issue	2.703 - 2.857 cr shares
Shares for OFS	2.707 cr shares
Fresh issue size	Rs. 600cr
OFS issue size	Rs. 568.5 – 601.0 cr
Total issue size	5.410 – 5.564cr shares (Rs. 1168.5 – 1201.0cr)
Bidding date	20 <sup>th</sup> Sept. – 22 <sup>nd</sup> Sept. 2023
Implied MCAP at higher price band	Rs. 3404.7cr
Implied enterprise value at higher price band	Rs. 3915.4cr

Book running lead managers Motilal Oswal Investment Advisors Ltd., HDFC Bank Ltd., Nuvama Wealth Management Ltd.

Registrar Bigshare Services Pvt. Ltd.

Sector Speciality Retail

Promoters Nagakanaka Durga Prasad Chalavadi and Jhansi Rani Chalavadi

**Issue break-up**

Category	Percent of issue (%)	Number of shares
QIB portion	50%	2.705 – 2.782cr shares
Non institutional portion (Big)	10%	0.541 - 0.556cr shares
Non institutional portion (Small)	5%	0.270 – 0.278cr shares
Retail portion	35%	1.893 – 1.948cr shares

**Indicative IPO process time line**

Finalization of basis of allotment	27 <sup>th</sup> Sept. 2023
Unblocking of ASBA account	29 <sup>th</sup> Sept. 2023
Credit to demat accounts	3 <sup>rd</sup> Oct. 2023
Commencement of trading	4 <sup>th</sup> Oct. 2023

**Pre and post - issue shareholding pattern**

	Pre-issue	Post-issue
Promoter & promoter group	95.24%	60.80%
Public	4.76%	39.20%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**Retail application money at higher cut-off price per lot**

Number of shares per lot	67
Application money	Rs. 14,874 per lot

## Key highlights of the company (Contd...):

Companies	CMP (Rs/sh)	FV (Rs/sh)	6M (R%)	12M (R%)	M Cap (Rs cr)	EBIDTA Mar. (%)	NPM	RoE	RoA (%)	D/E	EV (Rs cr)
Sai Silks (Kalamandir) Ltd.	222	2	-	-	3405	15.7%	7.2%	24.6%	8.0%	1.4	3915
Vedant Fashions Ltd.	1314	1	15.9%	-3.6%	31,902	52.5%	31.7%	30.7%	19.8%	0.3	31,674
TCNS Clothing Co. Ltd.	380	2	-16.3%	-41.6%	2,403	11.8%	-1.5%	-2.9%	-1.2%	0.9	2932

Companies (Rs cr)	P/E	P/BV (x)	P/S	EV/EBIDTA (x)	Debt	CASH	EPS	Sales	EBIDTA	PAT	Net Worth
Sai Silks (Kalamandir) Ltd.	34.9	8.6	2.5	18.4	560.4	49.7	6.4	1351.5	212.5	97.6	397.3
Vedant Fashions Ltd.	74.3	22.8	23.5	44.5	399.8	10.0	17.7	1354.93	711.1	429.1	1399.9
TCNS Clothing Co. Ltd.	-138.2	3.9	2.0	20.7	553.5	22.9	-2.8	1201.589	141.6	-17.5	611.7

Companies	Gross margin	Current ratio	Quick ratio	Inventory receivable turnover ratio	Cost to Retail Ratio	Inventory to total assets	Net sales to inventory	Number of stores	Average store area (sq. ft.)	Average revenue per store (Rs. crore)	Average revenue per sq. ft. (Rs.)
Sai Silks (Kalamandir) Ltd.	39.1%	1.4	0.2	2.3	60.9%	0.57	2.0	54	11,174.0	25.0	22,397.0
Vedant Fashions Ltd.	74.0%	3.4	2.9	8.6	26.0%	0.08	7.8	649	2,265.0	2.1	9,217.2
TCNS Clothing Co. Ltd.	66.7%	2.0	0.8	2.8	33.3%	0.33	2.4	675	N/A	1.8	N/A

Note: Financials as of FY23 (with IPO adjustments); Source: Choice Broking Research

- In 2020, the Indian apparel market was worth US\$ 55.9 billion (Rs. 4,477.50 billion), but it dipped to US\$ 51.4 billion (Rs. 4,117.50 billion) in 2022 due to the negative impact of the COVID-19 pandemic, a decrease of about 4.1%. Nonetheless, a promising outlook is anticipated for the period spanning FY2022 to FY2027, the clothing market is expected to grow significantly, with a projected CAGR of 21%. By 2027, it is predicted to be worth US\$ 133.53 billion. This growth is because more people are becoming aware of brands, using digital technology for shopping, having more money to spend, and living in urban areas.
- Over the years, organized retailing in the apparel industry has seen substantial growth, rising from 14% in FY2007 to 32% in FY2020. This shift towards organized retail has resulted in a change in consumer demand away from unorganized outlets. By FY25, organized saree sales are expected to make up 40% of this market.
- Within the Women's Indian wedding and festive wear market, sarees made up the largest share at 41% in FY22. The saree market is anticipated to see a steady growth of 16.5% CAGR from FY23 to FY27, reaching a value of Rs. 1,24,837cr. The cultural importance of sarees makes them a significant choice for wearing and gifting during festivals all over India, particularly in South India. As a result, South India is the biggest saree market, accounting for 50% of total saree sales in FY22.
- The company strategically positions its stores in key city locations to leverage the purchasing power of local customers. They follow a cluster-based model, primarily expanding within the same city rather than venturing into new cities. This approach allows for efficient store operations and better customer engagement.
- The company's retail outlets offer a distinctive customer experience and exceptional service. This, coupled with their diverse product range and extensive inventory, has allowed them to successfully attract and retain a continually expanding customer base. As of July 31, 2023, their customer count in India has surpassed 5.98 million.
- Moreover, in response to the challenges posed by the COVID-19 pandemic, SSKL acknowledged the significance of diversifying sales channels by venturing into online e-commerce platforms. They initiated sales through their proprietary websites, including [www.kalamandir.com](http://www.kalamandir.com), [www.brandmandir.com](http://www.brandmandir.com), [www.kanchivml.com](http://www.kanchivml.com), [www.klmfashionmall.com](http://www.klmfashionmall.com), and [www.kalamandirroyale.com](http://www.kalamandirroyale.com). Additionally, they expanded their reach by partnering with various third-party online e-commerce platforms, creating an omni-channel network that caters to customers through both online and offline channels.
- The company offers ethnic wear and value-fashion products through four distinct store formats: Kalamandir, VaraMahalaxmi Silks, Mandir, and KLM Fashion. Each of these formats caters to a unique product profile. Kalamandir, for instance, targets the middle-income demographic and specializes in contemporary ethnic fashion. They offer a wide variety of sarees, including Tusser, Silk, Kota, Kora, Khadi, Georgette, Cotton, and Matka. It was established in 2005, with the first store opening in Ameerpet, Hyderabad in Telangana.

## Key highlights of the company (Contd...):

Key operational metrics	FY20	FY21	FY22	FY23	CAGR	Y-o-Y (FY23 annual)
No of stores	43	42	46	54	7.9%	17.4%
Average store area (sq. ft.)	12,121	12,171	11,974	11,174	-2.7%	-6.7%
Average revenue per sq. ft. (Rs.)	22,553	13,247	20,502	22,397	-0.2%	9.2%
Average revenue per store (Rs. cr)	27.3	16.1	24.6	25.0	-2.9%	1.9%
Average CapEx per store (Rs. cr)	4.9	5.0	5.1	5.2	2.1%	0.6%

- At VaraMahalaxmi Silks, their main focus is on premium ethnic silk sarees and handloom products, specifically designed for weddings and special occasions. They offer a high-quality range of sarees including Banarasi, Patola, Kota, Kanchipuram, Paithani, Organza, and Kuppadam, with a strong emphasis on handwoven Kancheepuram silk sarees. It was established in 2011 with the first store opening in Chickpet, Bengaluru.
- Mandir caters to an exclusive clientele, primarily high-net-worth individuals, with a focus on ultra-premium designer sarees. Their collection includes exquisite designer sarees such as Banarasi, Patola, Ikat, Kanchipuram, Paithani, Organza, and Kuppadam. It was established in 2011 with the first store opening in Banjara Hill, Hyderabad.
- At KLM Fashion Mall, their target market is budget-conscious shoppers looking for affordable value-fashion items. They offer a wide range of value-fashion products, including fusion wear, everyday sarees, and Western wear for women, men, and children. It was established in 2017 with the first one opening in Ameerpet, Hyderabad.
- SSKL efficiently oversees inventory, logistics, and their entire supply chain through four strategically located warehouses in Karnataka, Andhra Pradesh, Telangana, and Tamil Nadu, covering a total area of approximately 164,000 square feet. Additionally, they maintain designated storage space within one of their Chennai stores in Tamil Nadu. Over the past three fiscal years and up to July 31, 2023, SSKL has sourced products from a network of 4,832 master weavers, weavers, and vendors spanning across India.
- To remain a top apparel and saree retailer in South India, SSKL plans to keep growing their store network in both South India and other regions of the country. Right now, they are mainly present in South India and want to strengthen their presence in those areas where there is room for more growth. They also have plans to open new stores and increase their reach across South India to better manage their stores.
- The company's expansion strategy focuses on opening 30 stores specifically in the Tamil Nadu region. They believe this market is on the rise, especially since Tamil Nadu has the highest saree consumption. Recognizing the potential and strong demand in Tamil Nadu, the company is eager to expand its presence in this state. In their expansion plan, they intend to open approximately 7 stores in the fiscal year 2024, followed by 18 stores in the next fiscal year 2025. The remaining stores will be established in FY26. By following this timeline, they aim to have a strong presence in the state of Tamil Nadu.
- The Company strategically positions its stores in prime locations, distributing them across four states. In Telangana, they maintain 25 stores, which accounted for Rs. 606.4 crore (44.9% of revenue) in FY23. In Andhra Pradesh, there are 16 stores contributing Rs. 442.9 crore (32.8% of revenue) during the same period. In Karnataka, the Company operates 9 stores, generating Rs. 180.2 crore (13.3% of revenue) in FY23. Additionally, they have 4 stores in Tamil Nadu, which contributed Rs. 121.9 crore (9% of revenue) in FY23.
- The company operates through two distinct sales channels: physical retail and e-commerce. During the COVID-19 period, they began generating revenue online. In the fiscal years 2023, 2022, and 2021, a substantial majority of their revenue, specifically 98.63%, 98.48%, and 99.19%, respectively, was generated through physical retail stores. The remaining portion of their revenue, constituting 1.37%, 1.52%, and 0.81%, respectively, was derived from e-commerce operations.
- The company's revenue is derived from two main segments: sarees and other garments. In FY21, sarees contributed Rs. 444.9cr, accounting for 65.70% of the total revenue, while the other garment segment generated Rs. 232.2cr, representing 34.30% of the revenue. In FY22, sarees contributed Rs. 760.7cr, making up 67.36% of the total revenue, while the other garment segment contributed Rs. 368.6cr, comprising 32.64% of the revenue. In FY23, the saree segment's contribution increased further to Rs. 924.1cr, making up 68.38% of the revenue, while the other segment contributed Rs. 427.3cr, accounting for 31.62% of the total revenue.

**Peer comparison and valuation:** SSKL ranks amongst the top 10 retailers in South India, specializing in ethnic wear, with a primary emphasis on sarees. Setting aside the challenges posed by the COVID-19 pandemic, the company has showcased impressive growth in terms of both revenue and profitability. The company's P/E multiple at a higher price band, after adjusting for post-IPO fully diluted paid-up equity, comes out to 34.9x (to its FY23 EPS of Rs. 6.36), which seems fairly valued.

If we compare SSKL to its peer companies, the company appears to hold a favorable position, particularly when evaluating their respective performances. As part of its expansion strategy involving the establishment of new stores, SSKL is poised to consistently increase its revenue, facilitating steady and sustainable growth in the long term and thus we assign a **"SUBSCRIBE"** rating for the issue.

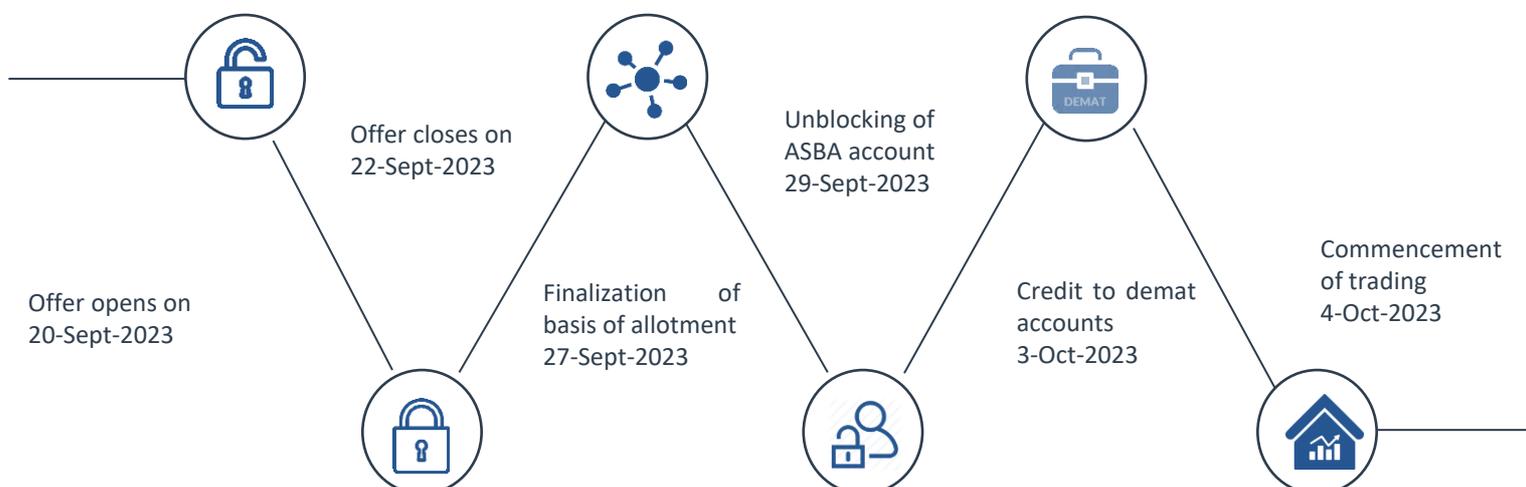
## About the issue:

- SSKL is coming up with an IPO with 5.410 – 5.564cr shares (fresh issue: 2.703 - 2.857cr shares; OFS shares: 2.707cr shares) in offering. This offer represents 35.3% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 1168.5 – 1201.0cr.
- The issue is through book building process with a price band of Rs. 210 - 222 per share.
- Lot size comprises of 67 equity shares and in multiple of 67 shares thereafter.
- The issue will open on 20<sup>th</sup> Sept. 2023 and close on 22<sup>nd</sup> Sept. 2023.
- The IPO is a combination of fresh issue and OFS. SSKL will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, SSKL will be utilizing Rs. 125.08cr for funding capital expenditure towards setting-up of 30 new stores; Rs. 25.4cr for funding capital expenditure towards setting-up of two warehouses; Rs. 280.06cr for funding working capital requirements of the company; and Rs. 50cr for the repayment or pre-payment, in full or part, of certain borrowings availed by the company. Residual funds will be used for general corporate purposes.
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter & promoter group currently have 95.24% in the company, which will get reduced to 60.80% post-IPO. Consequently, the public stake will increase from 4.76% to 39.20% post-IPO.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	95.24%	60.80%
Public	4.76%	39.20%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Pre-issue financial performance:

**Performance over FY20-23:** Driven by robust sale of sarees, the company has grown its total operational revenue by a CAGR of 4.8% over the period, despite the significant impact of COVID-19 on its operations. Revenue from sarees grew by a CAGR of 7.1% and 21.5% YoY, whereas revenue from other garments is flattish compared to FY20, but grew 15.9% over FY22.

Gross profit margin has increased steadily over the years by 11 percentage points over FY20 reaching 39.1% in FY23. EBITDA margin and EBIT margin have also shown consistent growth increasing by 349 bps and 364 bps over FY22, reaching 15.7% and 12.7%, respectively, in FY23. PAT margin has increased from 3.6% in FY20 to 7.2% in FY23. Return on equity (RoE), return on assets (RoA), and return on capital employed (RoCE) have all shown improvement. RoE has increased from 19.2% in FY22 to 24.6% in FY23, which is an increase of 537 bps.

The total debt and the net debt has increased over the years due to which the finance cost has increased by 58.5% in FY23 to Rs 45.4cr. However, the net debt to EBITDA is relatively stable and so is the net debt to equity. The net debt to EBITDA is 2.4 times and the net debt to equity is 1.3 times in the latest fiscal.

The company's cash conversion cycle has increased from 151 days to 180 days due to an increase in the inventory days from 209 days in FY22 to 259 days in FY23. The company's payable days increased too, from 59 days in FY22 to 80 days in FY23. The company's debtor days is stable at 1 since the company operates on a cash and carry business model. The business's current ratio is stable at 1.4. However, due to the high concentration of inventory in the business's current assets, the company's quick ratio is low at 0.2.

Pre-issue financial snapshot (Rs. cr)	FY20	FY21	FY22	FY23	CAGR	Y-o-Y (FY23 annual)
Revenue from sarees	752.4	444.9	760.7	924.2	7.1%	21.5%
Revenue from other products	423.0	232.2	368.6	427.3	0.3%	15.9%
Total revenue from operations	1175.5	677.1	1129.3	1351.5	4.8%	19.7%
Revenue growth rate (%)		-42.4%	66.8%	19.7%		
Gross profit growth rate (%)		-30.1%	69.9%	35.1%		
Gross profit margin (%)	28.0%	34.0%	34.7%	39.1%	1110 bps	447 bps
EBITDA growth rate (%)		-39.9%	121.5%	53.8%		
EBITDA margin (%)	8.8%	9.2%	12.2%	15.7%	690 bps	349 bps
EBIT growth rate (%)		-57.6%	210.7%	67.8%		
EBIT margin (%)	6.6%	4.9%	9.1%	12.7%	608 bps	364 bps
Restated reported PAT growth rate (%)		-87.8%	1023.8%	69.2%		
Restated reported PAT margin (%)	3.6%	0.8%	5.1%	7.2%	364 bps	211 bps
Inventory days	161	302	209	259	17.2%	24.0%
Debtor days	1	1	1	1	7.3%	-3.8%
Payable days	(74)	(113)	(59)	(80)	2.7%	36.1%
Cash conversion cycle	88	189	151	180	27.0%	19.2%
Fixed asset turnover ratio	4.7	3.0	4.5	3.6	-8.7%	-21.4%
Total asset turnover ratio	1.7	1.0	1.3	1.1	-13.3%	-17.4%
Working capital turnover ratio	19.0	7.9	8.6	7.0	-28.2%	-18.6%
Current ratio	1.2	1.4	1.4	1.4	6.1%	2.2%
Quick ratio	0.1	0.1	0.2	0.2	17.5%	-2.9%
Total debt	266.5	292.4	373.6	560.4	28.1%	50.0%
Net debt	243.6	269.5	326.5	510.7	28.0%	56.4%
Debt to equity	1.2	1.2	1.2	1.4	7.0%	13.5%
Net debt to EBITDA	2.3	4.3	2.4	2.4	0.8%	1.7%
Net debt to equity	1.1	1.1	1.1	1.3	6.9%	18.4%
RoE (%)	18.2%	2.1%	19.2%	24.6%	638 bps	537 bps
RoA (%)	6.1%	0.8%	6.8%	8.0%	192 bps	115 bps
RoCE (%)	24.5%	9.6%	26.4%	28.7%	414 bps	231 bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking

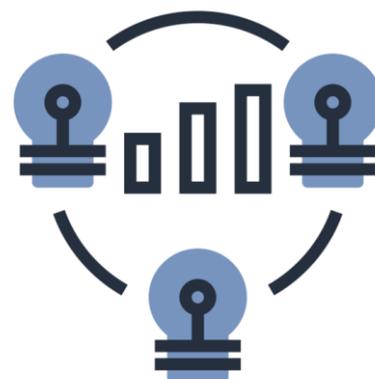


### Competitive strengths:

- Among the leading ethnic wear and value-fashion retail company in south India having a portfolio of established formats with focused sales and marketing strategy.
- 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.
- Strong presence in offline and online marketplace with an omni-channel network.
- Track record of growth, profitability and unit economics with an efficient operating model.

### Business strategy:

- Expand the footprint within India through owned stores and franchise network by leveraging the brand appeal.
- Increase focus on sale of products through e-commerce.
- Leverage technology to bring cost efficiency and enhance customer experience.
- The company's growth strategy focuses on expanding within the same city, using a cluster-based approach, rather than expanding into new cities.



### Risk and concerns:

- The business demands the maintenance of substantial inventory levels and failure to uphold an optimal inventory level could negatively impact the business.
- The company operates in a fragmented market characterized by unorganized and single-store players.
- The promoter has pledged a portion of his equity shares and has entered into an agreement for the pledge of shares with certain lenders.
- The business experiences seasonal fluctuations, which can impact the company operations during specific times of the year.

## Financial statements:

Profit and loss statement (Rs. cr)						
	FY20	FY21	FY22	FY23	CAGR over FY20-FY23	Annual growth over FY22
<b>Revenue from operations</b>	<b>1175.6</b>	<b>677.2</b>	<b>1129.3</b>	<b>1351.5</b>	<b>4.8%</b>	<b>19.7%</b>
Purchases of stock-in-trade	(873.5)	(445.2)	(847.2)	(1035.6)	5.8%	22.2%
Changes in inventories	27.4	(1.7)	109.3	213.0	98.1%	94.8%
<b>Gross profit</b>	<b>329.5</b>	<b>230.4</b>	<b>391.5</b>	<b>528.8</b>	<b>17.1%</b>	<b>35.1%</b>
Employee benefit expense	(106.9)	(86.6)	(102.8)	(140.8)	9.6%	37.1%
Other expenses	(118.9)	(81.5)	(150.6)	(175.5)	13.8%	16.5%
<b>EBITDA</b>	<b>103.7</b>	<b>62.4</b>	<b>138.1</b>	<b>212.5</b>	<b>27.0%</b>	<b>53.8%</b>
Depreciation and amortization expenses	(26.0)	(29.5)	(30.8)	(41.0)	16.4%	33.1%
Impairment losses			(5.1)		0.0%	0.0%
<b>EBIT</b>	<b>77.7</b>	<b>32.9</b>	<b>102.2</b>	<b>171.5</b>	<b>30.2%</b>	<b>67.8%</b>
Finance costs	(27.4)	(27.4)	(28.6)	(45.4)	18.4%	58.5%
Other income	3.1	1.8	3.7	7.5	34.6%	101.8%
<b>PBT</b>	<b>53.4</b>	<b>7.3</b>	<b>77.3</b>	<b>133.6</b>	<b>35.8%</b>	<b>72.8%</b>
Tax expenses	(11.3)	(2.2)	(19.6)	(36.0)	47.2%	83.6%
<b>Reported PAT</b>	<b>42.1</b>	<b>5.1</b>	<b>57.7</b>	<b>97.6</b>	<b>32.3%</b>	<b>69.2%</b>

Balance sheet statement (Rs. cr)						
	FY20	FY21	FY22	FY23	CAGR over FY20-FY23	Annual growth over FY22
Equity share capital	23.5	24.1	24.1	24.1	0.9%	0.0%
Other equity	208.1	218.9	276.6	373.3	21.5%	35.0%
Non current borrowings	34.6	57.4	48.7	65.4	23.7%	34.4%
Non-current lease liabilities	55.6	46.7	69.0	166.4	44.1%	141.0%
Other non-current financial liabilities	0.5	0.6	1.1	2.7	74.8%	142.0%
Non-current provisions	3.0	3.0	2.5	4.6	15.8%	83.9%
Net deferred tax liabilities	14.2	14.5	12.8	11.5	-6.9%	-10.1%
Trade payables	170.1	107.6	129.1	230.0	10.6%	78.1%
Current borrowings	130.1	159.9	211.8	280.1	29.1%	32.2%
Current lease liabilities	12.42	15.37	17.59	14.03	4.2%	-20.2%
Other current financial liabilities	33.2	12.6	25.3	31.8	-1.4%	25.7%
Current net tax liabilities/Current tax payable	4.7	1.8	21.2	12.2	37.1%	-42.4%
Short-Term Provisions	0.2	0.2	0.2	0.5	44.9%	116.5%
Other current liabilities	2.6	3.0	2.4	3.8	13.9%	57.0%
<b>Total liabilities</b>	<b>692.8</b>	<b>665.4</b>	<b>842.5</b>	<b>1220.5</b>	<b>20.8%</b>	<b>44.9%</b>
Property, plant and equipment	171.8	158.7	163.2	204.7	6.0%	25.5%
Capital work-in-progress		2.1			0.0%	0.0%
Right-of-use assets	67.5	56.7	78.4	169.3	35.9%	115.9%
Other Intangible Assets	11.9	9.8	7.6	5.5	-22.9%	-28.2%
Non current financial assets	22.4	23.4	23.8	27.6	7.2%	16.2%
Other non current assets	3.9	5.4	8.7	8.6	30.0%	-1.5%
Inventories	371.5	367.0	476.4	689.7	22.9%	44.8%
Trade receivables	1.7	2.3	1.9	2.9	19.8%	52.4%
Cash and cash equivalents	22.8	22.9	47.0	49.7	29.6%	5.7%
Current loans	4.5	5.5	16.2	34.4	97.1%	112.3%
Other current financial assets	0.02	0.11	0.33	0.89	281.0%	171.5%
Other current assets	14.7	11.6	18.9	27.1	22.7%	43.5%
<b>Total assets</b>	<b>692.8</b>	<b>665.4</b>	<b>842.5</b>	<b>1220.5</b>	<b>20.8%</b>	<b>44.9%</b>

Note: Pre-IPO financials; Source: Choice Equity Broking

## Financial statements (Contd...):

Cash flow statement (Rs. Cr)						
	FY20	FY21	FY22	FY23	CAGR over FY20 - 23	Annual growth over FY22
Cash flow before working capital changes	110.0	68.5	145.6	224.0	26.8%	53.8%
Working capital changes	(1.3)	(78.7)	(98.1)	(136.8)	374.1%	39.5%
<b>Cash flow from operating activities</b>	<b>85.3</b>	<b>(15.2)</b>	<b>45.6</b>	<b>41.2</b>	<b>-21.5%</b>	<b>-9.6%</b>
Purchase of fixed assets and CWIP	(47.4)	(5.5)	(25.3)	(60.1)	8.2%	137.4%
<b>Cash flow from investing activities</b>	<b>(47.4)</b>	<b>(18.0)</b>	<b>(42.0)</b>	<b>(60.1)</b>	<b>8.2%</b>	<b>43.2%</b>
<b>Cash flow from financing activities</b>	<b>(44.8)</b>	<b>19.4</b>	<b>0.7</b>	<b>14.9</b>	<b>-169.3%</b>	<b>2034.5%</b>
<b>Net cash flow</b>	<b>(6.9)</b>	<b>(13.8)</b>	<b>4.3</b>	<b>(4.0)</b>		
Opening balance of cash	25.0	18.1	4.3	8.6	-29.9%	99.0%
<b>Closing balance of cash</b>	<b>18.1</b>	<b>4.3</b>	<b>8.6</b>	<b>4.6</b>	<b>-36.6%</b>	<b>-46.5%</b>

Financial ratios				
Particulars	FY20	FY21	FY22	FY23
<b>Profitability ratios</b>				
Revenue growth rate (%)		-42.4%	66.8%	19.7%
Gross profit growth rate (%)		-30.1%	69.9%	35.1%
Gross profit margin (%)	28.0%	34.0%	34.7%	39.1%
EBITDA growth rate (%)		-39.9%	121.5%	53.8%
EBITDA margin (%)	8.8%	9.2%	12.2%	15.7%
EBIT growth rate (%)		-57.6%	210.7%	67.8%
EBIT margin (%)	6.6%	4.9%	9.1%	12.7%
Restated reported PAT growth rate (%)		-87.8%	1023.8%	69.2%
Restated reported PAT margin (%)	3.6%	0.8%	5.1%	7.2%
<b>Turnover ratios</b>				
Inventory receivable turnover ratio	3.2	1.8	2.7	2.3
Trade receivable turnover ratio	701.0	344.4	544.5	565.9
Accounts payable turnover ratio	6.9	4.9	9.5	7.5
Fixed asset turnover ratio	4.7	3.0	4.5	3.6
Total asset turnover ratio	1.7	1.0	1.3	1.1
Working capital turnover ratio	19.0	7.9	8.6	7.0
<b>Return ratios</b>				
RoE (%)	18.2%	2.1%	19.2%	24.6%
RoA (%)	6.1%	0.8%	6.8%	8.0%
RoCE (%)	24.5%	9.6%	26.4%	28.7%

## IPO rating rationale

**Subscribe:** An IPO with strong growth prospects and valuation comfort.

**Subscribe with Caution:** Relatively better growth prospects but with valuation discomfort.

**Avoid:** Concerns on both fundamentals and demanded valuation.

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