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# **SANATHAN TEXTILES LIMITED**

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**IPO NOTE - Investor Education Series**

*December 2024*

## ISSUE HIGHLIGHTS

- Sanathan Textiles was originally incorporated on 10<sup>th</sup> October, 2005. Sanathan is one of the few companies in India with presence across the **polyester, cotton and technical textile** (which find application in multiple end-use segments including automotive, healthcare, construction, sports and outdoor, and protective clothing) sectors and based on their operating income, they had a market share of 1.7% in the overall Indian textile yarn industry as of FY2024.
- Company's business is divided into 3 separate yarn business verticals, consisting of: **Polyester yarn products, Cotton yarn products, and Yarns for technical textiles and industrial uses**. Currently, all the 3 yarn verticals are housed under a single corporate entity.
- As on September 30, 2024, they have more than 3,200 active varieties of yarn products (i.e. yarn products manufactured by them during the period April 1, 2021 to September 30, 2024) and more than 45,000 stock keeping units (SKUs), and capability to manufacture a diversified product portfolio of more than 14,000 varieties of yarn products and more than 190,000 SKUs that are used in various forms and for varied end uses.
- They 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.
- As on June 30, 2024, their facility at Silvassa had a total installed capacity of 223,750 MTPA across the 3 yarn verticals. Their facility is designed with 'Zero Liquid Discharge Solution', where no industrial wastewater is discharged into surface waters, thereby minimizing environmental pollution. They also manufacture products from recycled materials which are sold under the brand 'Sanathan Reviro'.
- From April 1, 2021, to June 30, 2024, they catered to 20,066 customers out of which 983 customers were new customers.
- Further, during June 30, 2024, Fiscal 2024, and Fiscal 2023, the company exported its products to 14, 27 and 29 countries, respectively. As on June 30, 2024, they had more than 925 distributors in 7 countries comprising India, Argentina, Singapore, Germany, Greece, Canada and Israel. On January 2, 2024, they were accorded the status of a 'Three Star Export House'.

## BRIEF FINANCIAL DETAILS\*

(₹ IN CR)

	As at Jun'30,		As at Mar' 31,	
	2024 (03)	2024 (12)	2023 (12)	2022 (12)
Equity Share Capital	71.94	71.94	71.94	71.94
Reserves as stated	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
Revenue Growth (%)	-	(11.17)%	4.52%	
EBITDA	76.44	226.58	259.53	537.61
EBITDA Margin (%) as stated	9.79%	7.66%	7.80%	16.88%
Net Profit for the period	50.07	133.85	152.74	355.44
Net Profit (%) as stated	6.41%	4.53%	4.59%	11.16%
EPS – Basic & Diluted (₹)	6.96 <sup>^</sup>	18.60	21.24	49.40
RONW (%)	3.72% <sup>^</sup>	10.42%	13.40%	36.03%
NAV (₹)	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: RHP, \*Restated Consolidated, <sup>^</sup> not annualized

## Issue Details

**Fresh Issue of Equity Shares aggregating upto ₹ 400 Cr and Offer for Sale of Equity Shares aggregating upto ₹150 Cr**

**Issue size: ₹ 550 Cr**

**Face value: ₹ 10/-**

**Price band: ₹ 305 - 321**

**Bid Lot: 46 Shares** and in multiple thereof

**Post Issue Implied Market Cap =**

**₹ 2,594 – 2,709 Cr**

**BRLMs: DAM Capital Advisors, ICICI Securities**

**Registrar: KFin Technologies Ltd**

**Issue opens on: Thursday, 19<sup>th</sup> Dec' 2024**

**Issue closes on: Monday, 23<sup>rd</sup> Dec' 2024**

## 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

## Issue Break-up

	No. of Shares		₹ In Cr	% of Issue
	@Upper	@Lower		
QIB	9,016,392	8,566,977	275.00	50%
NIB	2,704,918	2,570,094	82.50	15%
-NIB2	1,803,280	1,713,396	55.00	-
-NIB1	901,638	856,698	27.50	-
RET	6,311,476	5,996,885	192.50	35%
<b>Total</b>	<b>18,032,786</b>	<b>17,133,956</b>	<b>550.00</b>	<b>100%</b>

NIB-1= Bid between ₹ 2-10 Lakhs NIB-2 = Bid Abv ₹ 10 Lakhs

Category	Retail Category	NII-Bid between ₹ 2 - 10 Lakhs	NII - Bid Above ₹ 10 Lakhs
Minimum Bid Lot (Shares)	46 Shares	644 Shares	3,128 Shares
Minimum Bid Lot Amount (₹)	₹ 14,766 <sup>^</sup>	₹ 2,06,724 <sup>^</sup>	₹10,04,088 <sup>^</sup>
Appl for 1x	1,30,367 Applications	1,330 Applications	2,661 Applications

## Listing: BSE & NSE

### Shareholding (No. of Shares)

Pre issue	Post issue <sup>~</sup>	Post issue <sup>^</sup>
71,943,000	85,057,754	84,404,059

<sup>~</sup>@Lower price Band <sup>^</sup>@ Upper Price Band

### Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	97.54%	78.03%
Promoter Group	2.46%	1.67%
Public - Others	0.00%	20.30%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## BACKGROUND

### Company and Directors

The Company was originally incorporated as ‘Sanathan Textiles Private Limited’, at Kolkata on October 10, 2005. Paresh Vrajlal Dattani, Ajay Vallabhdas Dattani, Dinesh Vrajdas Dattani, Anilkumar Vrajdas Dattani, D&J Family Trust, P&B Family Trust, A&J Family Trust; and Nimbus Trust are the promoters of the company. Currently, the promoters hold 70,172,750 Equity Shares constituting 97.55% of the issued, subscribed and paid-up Equity Share capital of the company.

### Brief Biographies of Directors and Key Managerial Personnel

**Paresh Vrajlal Dattani** is one of the Promoter and Chairman and Managing Director of the company. He has been on the Board of the company since incorporation of the company. He is responsible for supervision of overall performance of the company. He has 46 years of experience in the textile industry.

**Ajay Vallabhdas Dattani** is one of the Promoter and Joint Managing Director of the company. He has been on the Board of the company since incorporation of the company and is responsible for managing the operations and expansion of the cotton division. He has over 18 years of experience in the textile industry.

**Anilkumar Vrajdas Dattani** is one of the Promoter and an Executive Director of the company. He has been on the Board of the company since incorporation of the company. He has 46 years of experience in the textile industry.

**Dinesh Vrajdas Dattani** is one of the Promoter and an Executive Director of the company. He has 19 years of work experience in the textile industry. He is responsible for providing strategic inputs for their business operations based on his experience in the textile industry.

**Debabrata Sarkar** is an Independent Director of the company. He has been on the Board of the company since November 22, 2021. He has more than 30 years of work experience in the Banking and finance sector.

**Khurshed Thanawalla** is an Independent Director of the company. He is appointed on the Board of the company on November 22, 2021. He has over 39 years of experience across the spectrum of the textiles industry.

**Rupal Vora** is an Independent Director of the company and has been on the Board of the company since March 31, 2023. She has more than 25 years of experience in Direct Taxes and Accounts/Finance.

**Vinay Aggarwal** is an Independent Director of the company. He has been on the Board of the company since November 22, 2021. He has more than 35 years of experience in finance sector.

**Sanjay Anirudh Shah** is the Chief Financial Officer of the company. He has been associated with the company since March 16, 2024. He has several of experience in the field of finance.

**Dsouza Jude Patrick** is the Company Secretary and Compliance Officer of the company. He has been associated with the company since November 2, 2021. He has over 8 years of experience in corporate secretarial and legal work.

## OBJECTS OF THE ISSUE

Objects	Amount (₹ Cr)
• Repayment or pre-payment, in full or in part, of certain of the outstanding borrowings availed by the Company	160.00
• Investment in the subsidiary viz. Sanathan Polycot Pvt Ltd, for repayment and/ or pre-payment, in full or part, of certain borrowings availed by the subsidiary viz. Sanathan Polycot Pvt Ltd	140.00
• General Corporate Purposes	[ • ]
<b>Total</b>	[ • ]

## OFFER DETAILS

Particulars		No. of Shares	WACA per Equity Share (₹)
Fresh Issue (₹ 400 Cr)	(₹ 400 Cr)	Upto 1,31,14,754~ - 1,24,61,059^ Equity Shares^	–
<b>The Offer for Sale</b>	<b>(₹ 150 Cr)</b>		
<b>The Promoter Selling Shareholders:</b>			
Paresh Vrajlal Dattani	(₹ 30.94 Cr)	Upto 9,63,769 Equity Shares	3.51
Ajay Vallabhdas Dattani	(₹ 34.68 Cr)	Upto 10,80,218 Equity Shares	3.40

The Offer for Sale			
Anilkumar Vrajdas Dattani	(₹ 35.56 Cr)	Upto 11,07,850 Equity Shares	3.04
Dinesh Vrajdas Dattani	(₹ 37.19 Cr)	Upto 11,58,505 Equity Shares	4.05
The Promoter Group Selling Shareholders:			
Vajubhai Investments Pvt Ltd	(₹ 0.25 Cr)	Upto 7,788 Equity Shares	5.56
Vallabhdas Dattani HUF	(₹ 0.25 Cr)	Upto 7,788 Equity Shares	5.56
Sonali Ajaykumar Dattani	(₹ 2.25 Cr)	Upto 70,093 Equity Shares	30.36
Dattani Dineshkumar Vrajdas HUF	(₹ 0.25 Cr)	Upto 7,788 Equity Shares	5.56
Beena Paresh Dattani	(₹ 3.50 Cr)	Upto 1,09,034 Equity Shares	1.11
Anilkumar Vrajdas Dattani HUF	(₹ 1.75 Cr)	Upto 54,517 Equity Shares	29.71
Paresh Kumar V Dattani HUF	(₹ 3.00 Cr)	Upto 93,458 Equity Shares	31.14
Jayshree Anilkumar Dattani	(₹ 0.125 Cr)	Upto 3,894 Equity Shares	5.56
Ajay Kumar V Dattani HUF	(₹ 0.013 Cr)	Upto 405 Equity Shares	1.67
Vallabhdas Dattani	(₹ 0.25 Cr)	Upto 7,788 Equity Shares	Negligible

(~ at lower price band and ^ at upper price band); WACA=Weighted Average Cost of Acquisition

## SHAREHOLDING PATTERN

Particulars	Pre-offer#		Offer for Sale Shares and Fresh Issue	Post-offer	
	Number of Equity Shares*	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter	7,01,72,750	97.54%	43,10,343	6,58,62,407	78.03%
Promoters Group	17,70,250	2.46%	3,62,555	14,07,695	1.67%
<b>Total for Promoter</b>	<b>7,19,43,000</b>	<b>100.00%</b>	<b>46,72,897</b>	<b>6,72,70,103</b>	<b>79.70%</b>
Public	0	0.00%	1,24,61,059	1,71,33,956	20.30%
<b>Total for Public Shareholders</b>	<b>0</b>	<b>0.00%</b>		<b>1,71,33,956</b>	<b>20.30%</b>
<b>Total Equity Share Capital</b>	<b>7,19,43,000</b>	<b>100.00%</b>		<b>8,44,04,059</b>	<b>100.00%</b>

Source: RHP

## BUSINESS OVERVIEW

Sanathan is one of the few companies in India with presence across the **polyester, cotton and technical textile** (which find application in multiple end-use segments including automotive, healthcare, construction, sports and outdoor, and protective clothing) sectors and based on their operating income, they had a market share of 1.7% in the overall Indian textile yarn industry as of Fiscal 2024.

Currently, all the 3 yarn verticals are housed under a single corporate entity. This has facilitated their diversification into new segments which in turn has helped the company in serving a large number of customers across various sectors. As on September 30, 2024, they have more than 3,200 active varieties of yarn products (i.e. yarn products manufactured by them during the period April 1, 2021 to September 30, 2024) and more than 45,000 stock keeping units (**SKUs**), and capability to manufacture a diversified product portfolio of more than 14,000 varieties of yarn products and more than 190,000 SKUs that are used in various forms and for varied end uses. They 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.

These value-added products are tailor-made to customer requirements and have properties and characteristics which are distinctive from their other products. Company's business is divided into 3 separate yarn business verticals, consisting of:

- Polyester yarn products,
- Cotton yarn products,
- Yarns for technical textiles and industrial uses.

Company's products are manufactured at their facility at Silvassa. Over the years, Sanathan has scaled up its production and as on June 30, 2024, their facility at Silvassa had a total installed capacity of 223,750 MTPA across the 3 yarn verticals. While they manufacture products across all verticals, polyester yarn products continue to be their largest item of production. They manufacture polyester chips using purified terephthalic acid (**PTA**) and mono ethylene glycol (**MEG**) and convert the chips into polyester yarn through various intermediate processing to impart specific properties to the yarn.

Sanathan expects the global yarn industry as well as the demand for yarn products to steadily grow over the next few years. Increasing demand for apparel from the fashion industry coupled with the growth of e-commerce platforms is expected to drive the market over the forecast period. Indian textile and apparel industry is also projected to grow at a CAGR of 6.0-7.0%

from Fiscal 2024 till Fiscal 2028. During this period, exports are expected to grow at a CAGR of 4.5-5.5% while domestic industry is expected to grow at slightly higher pace of 7.0-8.0%. The future growth in Indian textile and apparel market will be led by various economic factors such as increase in discretionary income, rising urban population. Further, the demand is poised by increase in online retailing, shift from cotton to man-made fiber, robust growth of technical textiles segment. Additionally, global industry expanding outside of China would aid the Indian export markets in the growth trajectory. They will seek to capitalize on the growth opportunities in the yarn industry considering their current scale of operations, network of distributors, number of customers that they cater to and spearheaded by an experienced management team.

## MARQUEE CLIENTELE

Sanathan has, over the years, established long-standing relationship with consumer brands:

<ul style="list-style-type: none"> <li>• Welspun India Ltd,</li> <li>• Valson Industries Ltd,</li> <li>• G.M. Fabrics Pvt Ltd,</li> <li>• Premco Global Ltd,</li> <li>• Creative Garments Textile Mills Pvt Ltd,</li> <li>• Banswara Syntex Ltd,</li> <li>• AYM Syntex Ltd,</li> <li>• Techno Sportswear Pvt Ltd,</li> <li>• Haren Textiles Pvt Ltd,</li> <li>• Khosla Profil Pvt Ltd,</li> <li>• Tulip Elastics Pvt Ltd,</li> <li>• Ganesha Ecosphere Ltd,</li> <li>• Udyogi International Pvt Ltd,</li> <li>• Page Industries Ltd,</li> </ul>	<ul style="list-style-type: none"> <li>• D'Décor Home Fabrics Pvt Ltd,</li> <li>• Siyaram Silk Mills Ltd,</li> <li>• Duvalli S.A.,</li> <li>• G.M. Syntex Pvt Ltd,</li> <li>• Maruti Rub -Plast Pvt Ltd,</li> <li>• Geosys India Infrastructures Ltd,</li> <li>• Wildcraft India Ltd,</li> <li>• SRF Ltd,</li> <li>• RSWM Ltd,</li> <li>• Sangam (India) Ltd,</li> <li>• Ateliers Reunis De Filature,</li> <li>• Abhay Trading Company,</li> <li>• Ascent Yarns Pvt Ltd.</li> </ul>
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From April 1, 2021, to June 30, 2024, they catered to 20,066 customers out of which 983 customers were new customers. During June 30, 2024, Fiscal 2024 and Fiscal 2023, they catered to 983, 1,571 and 1,684 customers, respectively. While revenue from domestic sales is the largest component of their revenue from operations, a significant portion of their revenues also emanate from exports.

Further, during June 30, 2024, Fiscal 2024, and Fiscal 2023, the company exported its products to 14, 27 and 29 countries, respectively. As on June 30, 2024, they had more than 925 distributors in 7 countries comprising India, Argentina, Singapore, Germany, Greece, Canada and Israel. On January 2, 2024, they were accorded the status of a 'Three Star Export House'.

The company has 53 registered trademarks and has made applications for registration of 10 trademarks.

They are an environmentally conscious company, and they encourage the use of renewable resources. The company has also recently entered into an agreement with third party for purchase of electricity from a solar power generating station and has also entered into an agreement to subscribe to shares of the vendor of the electricity. As of June 30, 2024, the company had installed rooftop solar projects at their Silvassa facility with a capacity of 2.35 MW. Further, during Fiscal 2024, 0.86% of the energy consumed is derived from renewable resources, i.e. the rooftop solar projects at their Silvassa facility. The 1<sup>st</sup> rooftop solar project become operational from the calendar year 2019. The energy used from renewable resources in unit 1 and unit 2 at their Silvassa facility during the quarter ended June 30, 2024, Fiscal 2024, Fiscal 2023 and Fiscal 2022 is as follows:

### Solar Power Generation Summary

Period	<i>(in Megawatt)</i>	
	Unit 1	Unit 2
June 30, 2024	487	395
Fiscal 2024	1,561	1,337
Fiscal 2023	1,628	1,362
Fiscal 2022	1,637	1,427

## COMPANY'S PRODUCT PORTFOLIO

Company's business is divided into 3 separate yarn business verticals, consisting of: (a) Polyester yarn products; (b) Cotton yarn products; and (c) Yarns for technical textiles and industrial uses.

- **Polyester yarn products:**

The company offers a wide variety of polyester yarn products such as polyester partially oriented yarn / partially oriented yarn, draw textured yarn, air-textured yarn, fully drawn yarn, twisted yarn, recycle yarn and blended yarn which are available

in various filaments, deniers, lustres (full dull / semi dull / bright / cationic) and colours (dope-dyed technology). The polyester yarns produced by them has applications in varied industries such as apparel, sports and athleisure, active and innerwear, home textiles, technical textiles, travel & leisure, logistics & mobility, medical purposes, etc. They have recently set up a new business – recycled yarn, where they buy chips made from recycled materials and convert them into yarns for fabrics.

- **Cotton yarn products:**

The types of cotton yarns include cotton carded yarn, cotton combed compact yarn, and others. Cotton yarn is used for industrial as well as other purposes such as weaving, knitting, flat knits, protective apparel, denim, etc.

- **Yarns for technical textiles and industrial uses:**

Technical textiles are a niche segment with applications across agriculture, roads, railway tracks, sportswear, health on one hand and bullet proof jackets, fireproof jackets, high altitude combat gear and space applications on the other. Technical textiles have been slowly but steadily gaining ground due to one or more of the reasons such as: functional requirement, health & safety; cost effectiveness; durability; high strength; light weight; versatility; customization; user friendliness; eco friendliness; logistical convenience etc.

As on June 30, 2024, they have a diversified product portfolio with capability to manufacture more than 14,000 varieties of yarn products with more than 190,000 SKUs that are used in various forms and for varied end uses. In line with their aim to be an environmentally conscious company, they also manufacture variety of eco-friendly yarns such as coloured yarns, bio-degradable yarns, etc. Further, they also manufacture recycled yarns, wherein the yarns are produced from recycled plastic.

## MANUFACTURING UNITS

The company manufactures products at their facility at Silvassa. They commenced manufacturing journey by acquiring the polyester yarn manufacturing business from Sanathan Texturisers with an installed capacity of 4,500 MTPA in Fiscal 2006. Company's Silvassa Facility is divided into 2 units. Unit 1 comprises plants for manufacturing Cotton Yarn, Partially Oriented Yarn, Fully Drawn Yarn and Industrial Yarn and for continuous polymerization. Unit 2 comprises plants for manufacturing Cotton Yarn, Drawn Texture Yarn, Air Textured Yarn and Twisted Yarn.

Their facility is designed with 'Zero Liquid Discharge Solution', where no industrial wastewater is discharged into surface waters, thereby minimizing environmental pollution. They also manufacture products from recycled materials which are sold under the brand 'Sanathan Reviro'.

Further, they have recently commenced cotton yarn operations at unit 3 of their Silvassa Facility through their Subsidiary viz. Sanathan Polycot Pvt Ltd, and they anticipate that they will commence cotton yarn operations at Unit 4 of their subsidiary i.e. Sanathan Polycot Pvt Ltd in Fiscal 2026.

### Total installed capacity

Products Name	Quarter ended on June 30, 2024	As of March 31,		
		2024	2023	2022
Polyester	2,00,750	2,00,750	2,00,750	2,00,750
Cotton Yarn	14,000	14,000	14,000	14,000
Technical Textiles	9,000	9,000	9,000	9,000
<b>Total</b>	<b>2,23,750</b>	<b>2,23,750</b>	<b>2,23,750</b>	<b>2,23,750</b>

(MTPA)

### Actual production

Particulars	Quarter ended on June 30, 2024		As of March 31,					
	Actual Production (MTPA)	Capacity Utilization (%)	2024		2023		2022	
			Actual Production (MTPA)	Capacity Utilization (%)	Actual Production (MTPA)	Capacity Utilization (%)	Actual Production (MTPA)	Capacity Utilization (%)
Polyester	51,057	101.73	204,447	101.84	211,611	105.41	208,316	103.77
Cotton Yarn	3,892	111.21	15,564	111.17	13,959	99.71	14,907	106.48
Technical Textiles	2,112	93.89	8,460	94.00	7,866	87.40	7,171	102.44
<b>Total</b>	<b>57,061</b>	<b>102.01</b>	<b>228,471</b>	<b>102.11</b>	<b>233,436</b>	<b>104.33</b>	<b>230,394</b>	<b>103.90</b>

## REVENUE FROM OPERATIONS

(₹ in crore)

Particulars	Quarter ended on June 30, 2024		As of March 31,					
	Revenue from operations	% of Revenue from operations	2024		2023		2022	
			Revenue from operations	% of Revenue from operations	Revenue from operations	% of Revenue from operations	Revenue from operations	% of Revenue from operations
Polyester yarn products	600.46	76.87%	2,284.49	77.24%	2,600.41	78.11%	2,448.88	76.88%
Cotton yarn products	146.23	18.72%	548.92	18.56%	624.25	18.75%	642.64	20.17%
Industrial and technical textiles yarns	34.44	4.41%	124.10	4.20%	104.55	3.14%	93.80	2.95%
<b>Total</b>	<b>781.13</b>	<b>100.00%</b>	<b>2,957.50</b>	<b>100.00%</b>	<b>3,329.21</b>	<b>100.00%</b>	<b>3,185.32</b>	<b>100.00%</b>

(₹ in crore)

Particulars	Quarter ended on June 30, 2024		As of March 31,					
	Revenue from operations	% of Revenue from operations	2024		2023		2022	
			Revenue from operations	% of Revenue from operations	Revenue from operations	% of Revenue from operations	Revenue from operations	% of Revenue from operations
<b>Exports</b>	<b>26.76</b>	<b>3.43%</b>	<b>129.73</b>	<b>4.39%</b>	<b>340.19</b>	<b>10.22%</b>	<b>415.58</b>	<b>13.05%</b>
- Argentina	1.89		22.55		196.75		149.69	
- Japan	5.28		23.68		11.84		0.90	
- Morocco	1.78		4.88		13.76		11.32	
- South Korea	3.95		22.49		16.83		23.15	
- USA	576		20.67		20.33		49.87	
- Others*	8.11		35.46		80.67		180.64	
<b>Domestic</b>	<b>754.36</b>	<b>96.57%</b>	<b>2827.77</b>	<b>95.61%</b>	<b>2989.02</b>	<b>89.78%</b>	<b>2769.74</b>	<b>86.95%</b>
<b>Total</b>	<b>781.13</b>	<b>100.00%</b>	<b>2,957.50</b>	<b>100.00%</b>	<b>3,329.21</b>	<b>100.00%</b>	<b>3,185.32</b>	<b>100.00%</b>

\* Others include Australia, Austria, Bangladesh, Belgium, Brazil, Germany, Greece, Mexico, Portugal, Spain, Singapore, Thailand, Turkey, Uruguay etc.

Particulars	Quarter ended on June 30, 2024		As of March 31,					
	Revenue from operations	% of Revenue from operations	2024		2023		2022	
			Revenue from operations	% of Revenue from operations	Revenue from operations	% of Revenue from operations	Revenue from operations	% of Revenue from operations
Top 10 customers	193.64	24.79%	685.02	23.16%	734.06	22.05%	653.08	20.50%
Top 5 customers	131.66	16.85%	419.96	14.20%	469.38	14.10%	408.80	12.83%

## COMPETITIVE STRENGTHS

- **One of the few companies (amongst the peer group) in India with presence across the polyester, cotton and technical textile sectors**

Sanathan is present across 3 yarn verticals, i.e. (a) Polyester yarn products; (b) Cotton yarn products; and (c) Yarns for technical textiles and industrial uses. One of their business strengths lies in the diversity of their product range and the relatively higher share of value-added products. As of June 30, 2024, they manufacture more than 14,000 varieties of yarn products with more than 190,000 SKUs that are used in various forms and for varied end uses.

They 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.

Products Name	Quarter ended on June 30, 2024	As of March 31,		
		2024	2023	2022
Total products sold (Quantity in Cr)	5.78	22.58	24.05	24.20
Value added products sold (Quantity in Cr)	3.01	11.72	11.48	12.42
Value added products sold as a % of Total products sold	5.20	5.19	4.78	5.13

- **Focus on the product development of new products, through process innovation**

Sanathan has an in-house Product Innovation and Development team that is continually focusses on developing value added products and using their existing machines and infrastructure to prepare customized made to order products.

They offer a varied range of value-added products which constitute a significant proportion of their revenues have higher margins since these are tailor-made to customer requirements and distinctive properties and characteristics such as Cationic

Dyeable, Born Dyed, Functional, Industrial Yarn, Speciality Yarn and Superfine /Micro. As of June 30, 2024, they had a 5-member Product Innovation and Development team located at Silvassa to analyse, test and improve their products.

- ***Fully integrated Yarn manufacturing plant set up at a strategic location with equipment supplied by domestic and globally renowned players***

Company's products are manufactured at their facility at Silvassa which lies in western Gujarat which has access to the textile markets of Gujarat and Maharashtra. Their automatic doffing, transportation and package handling systems meet global inventory management standards, and their automated warehouse management system ensures high efficiency, less damage and better inventory management in limited space for handling a large number of SKUs.

Their Operating Facility is ISO 9001:2015, ISO 14001, and ISO 45001:2018 certified and is also Standard 100 certified by OEKO-TEX.

As on September 30, 2024, they have more than 3,200 active varieties of yarn products and more than 45,000 SKUs, and capability to manufacture a diversified product portfolio of more than 14,000 varieties of yarn products and more than 190,000 SKUs that are used in various forms and for varied end uses.

- ***Long standing association with leading consumer brands with a low customer concentration***

The company has established long-standing relationships with few of the leading consumer brands. From April 1, 2021, to June 30, 2024, they catered to 20,066 customers out of which 983 customers were new customers. They have been associated with their Top 10 customers for an average period of over 10 years. As on June 30, 2024 they had 925 distributors in 7 countries including India which was instrumental in an effective supply-chain management and helped augment their sales across geographies.

- ***Deep knowledge and understanding of optimal product assortment and strong supplier network enabling procurement at predictable and competitive pricing, leading to an overall efficient cycle***

The company focuses on using their deep knowledge of the clusters and regions in which they operate to customise their product assortment keeping in mind local demands and preferences. They also continuously focus on enhancing the products that they manufacture. They operate a standardised procurement system and procure most of their products on a purchase-order basis.

- ***Healthy financial performance***

The company focuses on operational and functional excellence has contributed to their track record of healthy financial performance. Their strong financial performance reflects the efficacy of the manufacturing and supply -chain management protocols that they have implemented. Their steady operating cash flows enable them to meet the present and future needs of their customers and develop new value-added products. They have also significantly invested in the capacity expansion and modernisation of their facility at Silvassa as well as in certain of their product innovation endeavours.

- ***Experienced management team with a proven track record***

The company attributes their growth to the experience of their Promoters and senior management team. Their promoters have cumulative experience of approximately 160 years in the textiles industry with more than 48 years in the yarn business. Their promoters have considerable experience in the textile industry, which has contributed to the growth trajectory of the company. The Board of Directors are ably supported by a qualified and experienced team of Key Managerial Personnel and members of Senior Management.

## **KEY BUSINESS STRATEGIES**

- ***Expanding the manufacturing capacity***

The company proposes to increase their scale of operations in all their 3 verticals to cater to such projected increase in demand. They are already in the advanced stage of commissioning a greenfield facility. They anticipate commencing cotton yarn operations at unit 4 of their Silvassa Facility in Fiscal 2026 which is expected to have an installed capacity of 10,950 MTPA.

For their yarns for technical textiles and industrial uses vertical, they plan to set up an inhouse facility at their Punjab Manufacturing Facility to make specialised high intrinsic viscosity raw material required to make yarns for technical textiles and industrial end-use. They are in the advanced stage of commissioning the Punjab Manufacturing Facility, through their Sanathan Polycot Pvt Ltd, one of their wholly owned subsidiaries.



- **Enhance value addition in existing products and development of new products**

Company's strategy is to provide their customers with a comprehensive range of products at 'value for money' prices. They will continue to focus on optimal product assortment in each cluster of their operation keeping in mind the local needs and preferences. They have an in-house team that is constantly working with a focus on increasing value-added products and utilizing the existing infrastructure to make customized made to order products which are unique in colour, property, characteristics to suit specific customer requirement.

- **Harnessing digitization and technology in production processes with a focus on energy efficiency and sustainable practices**

The company has and will continue to invest in equipping their facilities with specialized infrastructure and advance equipment, capable of catering to the international industry standards that is expected of them. Keeping pace with the technological developments in the industry is a key to ensuring process development and product diversity and is essential to maintain their competitive edge. They have harnessed the benefits of technology and digitization to bring about cohesion in planning, production and processing of their products.

## INDUSTRY OVERVIEW

### Segment-wise offerings by key players under review

Players	Yarn*		Fabrics^	Technical offerings	Garments	Others **
	Cotton	Polyester				
Ambika Cotton Mills Ltd	✓	✗	✓	✗	✗	Na
Alok Industries Ltd	✓	✓	✓	✓	✓	Home textiles
Bombay Dyeing & Mfg Co Ltd	✗	✓	✗	✗	✓	Home textiles
Filatex India Ltd	✗	✓	✓	✗	✗	PET chips, other specialty products
Garden Silk Mills Pvt Ltd	✗	✓	✓	✗	✗	Polyester Chips
Garware Technical Fibers Ltd	✗	✗	✗	✓	✗	Na
Indo Rama Synthetics (India) Ltd	✗	✓	✗	✗	✗	Polyester staple fiber, Polyester chips, power
KPR Mill Ltd	✓	✓	✓	✗	✓	Green power, Sugar
Nahar Spinning Mills Ltd	✓	✓	✗	✗	✓	Sugar, Poly films etc
Nitin Spinners Ltd	✓	✓	✓	✗	✗	Na
RSWM Ltd3	✓	✓	✓	✗	✗	IT Services, Power Generation
Shree Durga Syntex Pvt Ltd	✗	✓	✓	✗	✗	Polyester Chips
Sanathan Textiles Ltd	✓	✓	✗	✓	✗	Na
Sangam (India) Ltd	✓	✓	✓	✗	✓	Na
SRF Ltd	✗	✗	✗	✓	✗	Specialty chemicals, Fluorochemicals
Sutlej Textiles and Industries Ltd	✓	✓	✗	✗	✗	Home Textiles
Rajapalayam Mills Ltd	✓	✗	✓	✗	✗	Na
Wellknown Polyesters Ltd	✗	✓	✗	✓	✗	Na

\*On standalone basis;

### Financial overview of key players

Company	Operating Income (₹ Cr)					Profit after Tax (₹ Crore)				
	CAGR (FY22-24)	Q1FY25	FY24	FY23	FY22	CAGR (FY22-24)	Q1FY25	FY24	FY23	FY22
Alok Industries Ltd	(13.2)%	1,006.3	5,509.6	6,937.3	74,309.5	NM	(206.9)	(846.8)	(880.5)	(208.6)
Ambika Cotton Mills Ltd*	(2.7)%	209.1	860.8	847.5	908.6	(40.8)%	21.5	63.0	111.9	179.9
Filatex India Ltd*	5.8%	1,054.3	4,287.6	4,304.2	3,828.6	(39.5)%	32.3	110.7	89.9	302.7
Garware Technical Fibers Ltd	5.6%	336.3	1,325.6	1,305.5	1,189.4	12.4%	46.8	208.2	172.2	164.8
Indo Rama Synthetics (India) Ltd	(1.3)%	944.3	4,109.2	4,322.6	4,218.7	NM	(19.2)	(203.4)	(24.6)	269.1
KPR Mills Ltd	12.0%	1,609.7	6,092.4	6,185.9	4,858.2	(2.2)%	203.3	805.4	814.1	841.8
Nahar Spinning Mills Ltd*	(7.8)%	820.9	3,054.3	2,820.6	3,596.5	NM	6.6	(51.1)	110.8	502.2
Nitin Spinners Ltd*	3.5%	803.0	2,882.0	2,406.7	2,692.3	(36.5)%	42.1	131.5	164.8	326.1
Rajapalayam Mills Ltd	11.7%	218.0	862.6	865.2	691.6	(48.4)%	(6.9)	44.4	81.9	166.6

Company	Operating Income (₹ Cr)					Profit after Tax (₹ Crore)				
	CAGR (FY22-24)	Q1FY25	FY24	FY23	FY22	CAGR (FY22-24)	Q1FY25	FY24	FY23	FY22
RSWM Ltd	3.1%	1,207.9	4,057.9	3,788.9	3,817.4	NM	(14.7)	(21.1)	122.9	246.2
Sangam (India) Ltd	3.95	693.1	2,629.2	2,715.9	2,437.8	(46.1)%	14.3	40.8	130.5	140.7
<b>Sanathan Textiles Ltd</b>	<b>(3.6)%</b>	<b>781.1</b>	<b>2,957.9</b>	<b>3,329.3</b>	<b>3,185.9</b>	<b>(38.6)%</b>	<b>50.1</b>	<b>133.8</b>	<b>152.7</b>	<b>355.4</b>
Sutlej Textiles and Industries Ltd	(6.1)%	658.1	2,713.1	3,085.2	3,076.5	NM	(11.4)	(135.6)	37.3	150.2
SRF Ltd	2.7%	3,464.1	13,126.0	14,842.8	12,433.7	(15.9)%	252.2	1,335.7	2,162.3	1,888.9
Wellknown Polyesters Ltd*	0.8%	Na	5482.6	5,698.5	5,392.8	(32.1)%	Na	210.5	221.5	456.1

NM=not meaningful

### Key ratios (FY24)

Company	Operating Margin (%)	Profit Margin (%)	RoCE (%)	Gearing ratio (Times)	Interest Coverage Ratio (Times)
Alok Industries Ltd	1.1%	(15.4)%	(4.4)%	(1.3)	0.1
Ambika Cotton Mills Ltd*	12.6%	7.3%	10.9%	0.2	6.5
Filatex India Ltd*	5.6%	2.6%	11.5%	0.2	8.7
Garware Technical Fibers Ltd	20.5%	15.7%	22.6%	0.1	18.3
Indo Rama Synthetics (India) Ltd	(0.9)%	(5.0)%	(5.5)%	3.6	(0.2)
KPR Mills Ltd	20.9%	13.2%	20.5%	0.3	17.8
Nahar Spinning Mills Ltd*	3.4%	(1.7)%	0.4%	0.8	1.4
Nitin Spinners Ltd*	13.1%	4.6%	11.1%	1.2	4.6
Rajapalayam Mills Ltd	11.2%	5.1%	3.4%	0.5	2.4
RSWM Ltd	2.4%	(0.5)%	3.1%	1.5	2.1
Sangam (India) Ltd	8.3%	1.6%	6.3%	1.5	2.8
<b>Sanathan Textiles Ltd</b>	<b>7.9%</b>	<b>4.5%</b>	<b>11.5%</b>	<b>0.6</b>	<b>8.6</b>
Sutlej Textiles and Industries Ltd	(0.9)%	(5.0)%	(6.9)%	0.9	NM
SRF Ltd	19.6%	10.2%	12.9%	0.4	9.1
Wellknown Polyesters Ltd*	8.6%	3.8%	7.4%	0.6	7.0

\*On standalone basis

### COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31<sup>ST</sup> MARCH 2024)

Name of the Company	Consolidated/ Standalone	Face Value	Revenue for Fiscal 2024 (₹ Cr)	EPS (₹)		P/E	RoNW	NAV (₹)
				Basic	Diluted			
<b>Sanathan Textiles Ltd</b>	<b>Consolidated</b>	<b>10</b>	<b>2,957.50</b>	<b>18.60</b>	<b>18.60</b>	<b>NA</b>	<b>10.42%</b>	<b>177.22</b>
K.P.R. Mill Ltd	Consolidated	1	6,059.68	23.56	23.56	39.68	18.48%	127.50
Vardhman Textiles Ltd	Consolidated	2	9,504.68	22.20	22.20	21.19	7.00%	314.69
Indo Count Industries Ltd	Consolidated	2	3,557.07	17.06	17.06	22.75	16.35%	105.48
Filatex India Ltd	Standalone	1	4,285.90	2.49	2.49	24.30	9.19%	27.13
Garware Technical Fibres Ltd	Consolidated	10	1,325.61	102.16	102.16	39.57	16.87%	621.49

Source: RHP; P/E Ratio has been computed based on the closing market price of equity shares on BSE/NSE on October 31, 2024

### COMPARISON WITH LISTED INDUSTRY PEERS

(in ₹ Cr, unless otherwise indicated)

Particulars	Sanathan Textiles				K.P.R. Mill				Vardhman Textiles			
	Q1 FY2025	FY2024	FY2023	FY2022	Q1 FY2025	FY2024	FY2023	FY2022	Q1 FY2025	FY2024	FY2023	FY2022
Revenue from Operations	781.13	2,957.50	3,329.21	3,185.32	1,609.66	6,059.68	6,185.88	4,822.48	2,308.59	9,504.68	10,137.49	9,622.34
EBITDA	76.44	226.58	259.53	537.61	314.74	1,236.69	1,274.39	1,218.71	360.79	1,015.86	1,364.54	2,313.41
EBITDA margin	9.79%	7.66%	7.80%	16.88%	19.55%	20.41%	20.60%	25.27%	15.63%	10.69%	13.46%	24.04%
Profit after tax	50.07	133.85	152.74	355.44	203.31	805.35	814.10	841.84	239.77	636.70	804.75	1,551.04
Return on equity	15.41%	11.09%	14.36%	43.95%	Na	19.97%	23.62%	30.41%	Na	7.14%	9.76%	21.48%

Particulars	Sanathan Textiles				K.P.R. Mill				Vardhman Textiles			
	Q1 FY2025	FY2024	FY2023	FY2022	Q1 FY2025	FY2024	FY2023	FY2022	Q1 FY2025	FY2024	FY2023	FY2022
Return on capital employed	14.04%	11.80%	15.54%	35.83%	Na	19.78%	22.58%	26.38	Na	8.32%	10.97%	21.55%
Net debt	626.74	349.95	271.98	370.26	Na	1,083.29	1,239.51	1,063.99	Na	1,756.87	1,601.86	1,916.40
Net debt / EBITDA	2.05	1.54	1.05	0.69	Na	0.88	0.97	0.87	Na	1.73	1.17	0.83
Fixed asset turnover ratio	3.38	3.19	3.51	3.56	Na	2.50	2.68	2.49	Na	2.54	2.59	2.77
Working capital cycle (days)	55	54	44	65	Na	250	210	220	Na	325	237	296

Particulars	Indo Count Industries				Filatex India				Garware Technical Fibres			
	Q1 FY2025	FY2024	FY2023	FY2022	Q1 FY2025	FY2024	FY2023	FY2022	Q1 FY2025	FY2024	FY2023	FY2022
Revenue from Operations	941.43	3,557.07	3,011.55	2,842.02	1,054.34	4,285.90	4,303.87	3,828.09	336.26	1,325.61	1,305.55	1,189.40
EBITDA	145.08	559.02	454.27	434.10	63.10	237.85	231.98	532.74	64.40	271.62	229.53	222.91
EBITDA margin	15.41%	15.72%	15.08%	15.27%	5.98%	5.55%	5.39%	13.92%	19.15%	20.49%	17.58%	18.74%
Profit after tax	77.80	337.93	276.78	358.61	32.28	110.66	89.90	302.73	46.76	208.18	172.20	164.78
Return on equity	Na	17.41%	16.36%	24.89%	Na	9.61%	8.23%	32.76%	Na	18.50%	17.33%	18.50%
Return on capital employed	Na	16.84%	15.57%	18.03%	Na	11.31%	11.76%	31.16%	Na	20.83%	19.93%	20.95%
Net debt	Na	821.53	749.22	916.57	Na	227.25	249.95	355.59	Na	(30.44)	91.25	40.52
Net debt / EBITDA	Na	1.47	1.65	2.11	Na	0.96	1.08	0.67	Na	(0.11)	0.40	0.18
Fixed asset turnover ratio	Na	2.79	2.90	4.79	Na	3.39	3.30	3.17	Na	5.22	5.42	5.04
Working capital cycle	Na	295	269	381	Na	23	18	32	Na	176	98	162

### Restated Statement of Cash Flows

	For the quarter ended Jun'30,	For the year ended March 31,		
	2024	2024	2023	2022
<b>Profit before tax</b>	<b>66.77</b>	<b>181.41</b>	<b>209.43</b>	<b>479.12</b>
Adjustments Related to Non-Cash & Non-Operating Items	10.74	61.26	63.51	65.06
<b>Operating Profits before Working Capital Changes</b>	<b>77.51</b>	<b>242.67</b>	<b>272.94</b>	<b>544.18</b>
Adjustments for Changes in Working Capital	(41.05)	(14.56)	144.64	(135.56)
<b>Net cash generated from operations before tax</b>	<b>36.46</b>	<b>228.11</b>	<b>417.58</b>	<b>408.62</b>
Income tax paid (net)	(6.41)	(36.38)	(55.27)	(114.06)
<b>Net cash generated from operating activities</b>	<b>30.05</b>	<b>191.73</b>	<b>362.31</b>	<b>294.56</b>
Net cash used in investing activities	(298.47)	(245.29)	(235.06)	(114.19)
Net cash used in financing activities	256.68	74.47	(126.16)	(198.98)
Net (decrease) / increase in cash and cash equivalents during the period	(11.74)	20.91	1.09	(18.61)
Add: Cash and cash equivalents as at the beginning of the period	29.93	9.02	7.93	26.53
<b>Cash and cash equivalents as at the end of the period</b>	<b>18.19</b>	<b>29.93</b>	<b>9.02</b>	<b>7.92</b>

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