



IPO Note

Saraswati Saree Depot Limited

Recommendation: **APPLY!**

Company Background -

- Saraswati Saree Depot Limited was established on March 18, 2021. The registered office is located at Kolhapur, Maharashtra.
- The company is engaged in the wholesale business of sarees and other women's apparel wear such as kurtis, dress materials, blouse pieces, lehengas, bottoms, etc.
- They have two stores which are located at Kolhapur and Ulhasnagar, Maharashtra.
- The company had 314 permanent employees as of June 30, 2024.

Objects of the Issue -

- Funding Working Capital Requirements
- General Corporate Purposes

Promoters Name -

Mahesh Dulhani, Rajesh Dulhani, Shankar Dulhani and Vinod Dulhani

Rationale for recommendation -

- ✓ The top line, bottom line and profitability margins have increased consistently over the years.
- ✓ The company has a PE ratio 21.46 times post-issue which makes it fairly priced compared to sector PE.
- ✓ The company plans to enter into men's ethnic wear segment as well.

IPO Details

| | |
|-----------------------|---|
| Opening Date | Aug 12, 2024 |
| Closing Date | Aug 14, 2024 |
| Allotment Date | Aug 16, 2024 |
| Listing Date | Aug 20, 2024 |
| Stock Exchange | BSE, NSE |
| Lot Size | 90 Shares |
| Issue Price Per Share | ₹152 to ₹160 |
| Issue Size | 160.01 Cr. |
| Fresh Issue | 104.00 Cr. |
| Offer for Sale | 56.02 Cr |
| Application Amt | ₹ 14,400 – ₹ 1,87,200 (90 to 1,170 shares) |

| KPI's | KPIs (In Cr) | | |
|------------|--------------|--------|--------|
| | FY 22 | FY 23 | FY 24 |
| Revenue | 549.58 | 601.89 | 610.90 |
| EBITDA | 20.85 | 34.05 | 40.43 |
| Net Profit | 12.31 | 22.97 | 29.53 |
| RoCE | 163.14% | 93.43% | 60.77% |
| ROE | 99.20% | 64.93% | 45.49% |
| P/E | 43.01 | 23.05 | 17.94 |

Promoter Share Holding Pattern

| | |
|-----------|------------|
| Pre-Issue | Post Issue |
| 100.00% | 74.75% |

Valuation Parameters

| Particulars | Pre-Issue | Post Issue |
|-----------------|-----------|------------|
| EPS | 8.92 | 7.46 |
| BVPS | 19.61 | 34.29 |
| P/E | 17.94 | 21.46 |
| P/BV | 8.16 | 4.67 |
| Mkt Cap (In Cr) | 529.60 | 633.60 |

Lead Managers -

Unistone Capital Private Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Saraswati Saree Depot Limited was established on March 18, 2021. The company is a key player in sarees wholesale (B2B) segment and their origin into the sarees business dates to the year 1966. They are also engaged in the wholesale business of other women’s apparel wear such as kurtis, dress materials, blouse pieces, lehengas, bottoms, etc. In Fiscal 2024, they have served over 13,000 unique customers and the product catalogue consists of more than 3,00,000 different SKUs.

Their sarees are sourced from different manufacturers across India. Over the years, they have developed relationships with these manufacturers in hubs like Surat, Varanasi, Mau, Madurai, Dharmavaram, Kolkata, and Bengaluru. They source sarees and other women’s apparel from more than 900 weavers/suppliers across different states in India.

Business Process –

- Identification of weavers/ suppliers
- Placing order for preparing of samples as per specification
- Inspection and examination of quality of the sample product
- Placing order for approved products
- Photoshoots of the product, on case-to-case basis
- Packaging and dispatch of the products from manufacturing units to their stores
- Goods are checked on arrival for any quality defects
- Sales activity takes place at the store.
- Products are subsequently dispatched to their customers.
- Their customers (retailers) subsequently sale the products to the end users.

Products Portfolio –

- Sarees – differentiated by occasion, fabric, weave, pattern and ornamentation.
- Kurtis, Dress Materials, Blouse Pieces, Shirt and Pant Pieces for men, Lehengas, Bottoms and other women’s apparel accessories.



(Source: RHP)

They have two stores which are in Kolhapur and Ulhasnagar, Maharashtra.



Kolhapur Store

Revenue Bifurcation Product-wise -

(Amt in Crores)

| Particulars | FY 2022 | | FY 2023 | | FY 2024 | |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Amt | % | Amt | % | Amt | % |
| Sarees | 500.13 | 91.00 | 553.36 | 91.94 | 555.01 | 90.85 |
| Kurtis | 26.41 | 4.81 | 24.10 | 4.01 | 32.16 | 5.26 |
| Blouse Pieces | 7.23 | 1.32 | 8.14 | 1.35 | 9.40 | 1.54 |
| Pant & Shirt Pieces | 6.09 | 1.10 | 6.76 | 1.12 | 6.85 | 1.12 |
| Others | 9.71 | 1.77 | 9.53 | 1.58 | 7.50 | 1.23 |
| Total | 549.58 | 100.00 | 601.89 | 100.00 | 610.91 | 100.00 |

Competition -

- **Market Competition:** The apparel sector is highly competitive where the key factors of competition primarily comprise quality of product, variation in product portfolio, price and timely delivery.
- **Geographic Competition:** The company faces competition from organized as well as unorganized players in both domestic and international market.
- **Barriers to entry:** Low barriers to entry.
- **Bargaining Power of Suppliers:** The bargaining power is high with the suppliers.
- **Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

Strengthening Inventory Management Practices: The company's strategic approach revolves around a continuous cycle of review, replenishment, and product innovation to ensure a fresh and appealing selection is always available to customers, thus preventing monotony and driving sustained interest.

Entering men's ethnic wear segment: The company intends to enter in men's ethnic wear space to gain due to increasing trend of multi-day weddings, wider acceptance of traditional outfits during festival celebrations and the emergence of brands in the Indian wedding and celebration wear market, which has been highly unorganized.

Leverage technology to bring cost efficiency and enhance experience: The company intends to manage operating costs through leveraging technology as they expect it will not only improve sales but also ensure customer satisfaction.

Risk Factors -

The company has 4 outstanding cases against it for statutory/ regulatory proceedings amounting to Rs. 0.076 Cr.

The company derives a significant portion of revenue from western zone which accounted to 80.88%, 81.37% and 82.66% for FY ended 2022, 2023 and 2024.

The company is dependent on sale of saree for majority of their revenue which accounted to 91.00%, 91.94% and 90.85% for FY ended 2022, 2023 and 2024.

The company had negative cash flow from operations for FY ended 2022 and 2024.

The company has unsecured loans of Rs. 37.839 Cr.

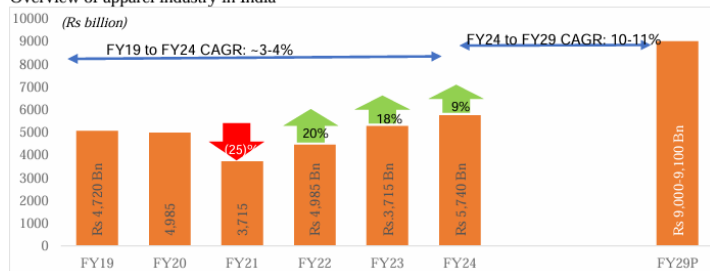
PEER ANALYSIS

| Particulars | Saraswati Saree Depot Limited | | | Go Fashion (India) Limited | | | Sai Silks (Kalamandir) Limited | | |
|---------------|-------------------------------|-------|-------|----------------------------|-------|-------|--------------------------------|-------|-------|
| | FY 22 | FY 23 | FY 24 | FY 22 | FY 23 | FY 24 | FY 22 | FY 23 | FY 24 |
| NP Margin | 2% | 4% | 5% | 20% | 12% | 11% | 5% | 7% | 7% |
| EBITDA Margin | 4% | 6% | 7% | 54% | 39% | 35% | 13% | 17% | 17% |
| RoCE | 168% | 93% | 61% | 23% | 19% | 15% | 26% | 29% | 14% |
| ROE | 99% | 65% | 45% | 19% | 16% | 14% | 19% | 25% | 9% |
| EPS (INR) | 3.72 | 6.94 | 8.92 | 15.33 | 15.33 | 15.77 | 4.79 | 8.11 | 7.51 |
| P/E | 43.01 | 23.05 | 17.94 | 64.93 | 65.53 | 76.42 | 0.00 | 0.00 | 26.68 |

Indian Apparel Industry -

The apparel market in India is expected to grow at a CAGR of 10-11% CAGR by FY 2029. The segment faced consumption slowdown in FY 2020. Growth in the market was impacted in FY 2021 because of pandemic-induced slowdown and the ban on sale of non-essentials during the financial year. Further, lower discretionary spending, delays in the opening of malls and lower footfalls impacted demand. FY 2021 witnessed a decline of ~25% due to the impact of the pandemic. The market recovered in FY 2022 as economy started to open and there was gradual recovery in the market going into FY 2023 as people started returning to retail shops. In FY 2024, market the apparel market in India showed robust growth of 9% on account of sustained demand recovery in the domestic market.

Overview of apparel industry in India

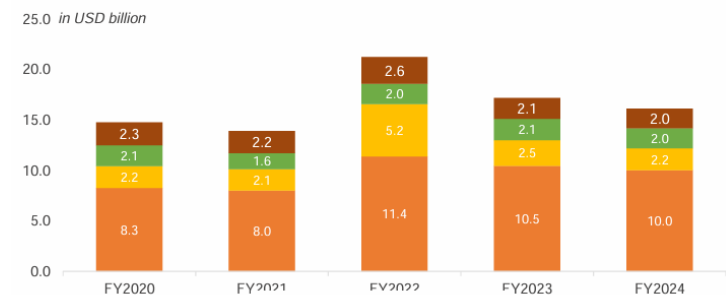


(Source: RHP)

Indian Apparel Exports -

Exports of textile and apparel stood at USD 34.4 billion and accounted for 8% of the total export in FY 2024. Exports of textiles and apparel witnessed a notable decline in FY 2020 and FY 2021 due to covid-19 and subsequent economic slowdown, low consumer spending and disruptions in manufacturing operations.

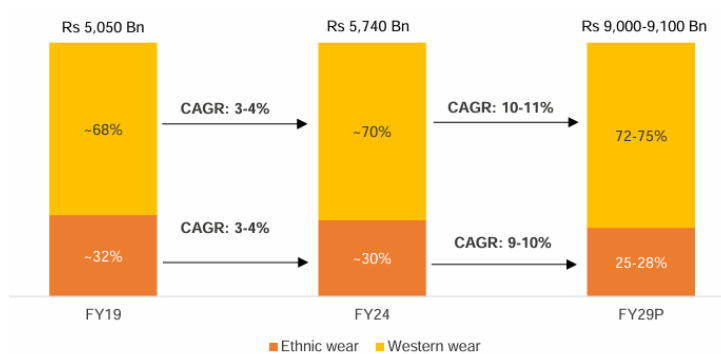
India's Top Export Markets of Textile & Apparel products



(Source: RHP)

Ethnic Wear in India-

Ethnic wear contributed to approximately 30% of the overall apparel market in India. However with changing consumer preference for western wear and ethnic wear being constrained to celebration/wedding wear, the share of ethnic wear in overall apparel industry is expected to decrease going ahead with share falling to ~25-28% by FY 2029. Western wear in comparison is expected to grow at a faster rate than ethnic wear and hence is expected approximately 72-75% of the overall market by FY 2029.



(Source: RHP)

Indian Saree Industry-

The saree industry in India grew at ~3-4% CAGR over FY 2018 to 2020 fuelled by growth in the overall apparel market as well as other macro factors like increased disposable income in the past. After recovering from covid-19 related stress in FY 2023, saree industry recorded ~5% growth supported by demand from festive and wedding season. The saree industry grew at estimated ~5% in FY 2024 with estimated value of ~Rs.515 billion in FY 2024. Saree industry in India is expected to grow at a 5-6% CAGR over FY 2024 to FY 2029 reaching Rs 650-675 billion by FY 2029.



(Source: RHP)

Key Management -

| | |
|---|--|
| Key Management Persons Name - | Shankar Dulhani |
| Age | 57 |
| Designation and No. of years of experience | Promoter, Chairperson and Executive Director, 38+ Years of experience in apparel industry |
| Qualification | High School from Maharashtra State Board of Secondary Education |
| Roles and Responsibility | Responsible for guiding the board in critical decision-making processes, strategy formulation, and business development of the Company |
| Other Directorships | Saraswati Fabric Private Limited, Navratan Steel and Power LLP, Rajmata Developers LLP, Vitnav Realtors LLP and Trupti Buildcon LLP etc. |

| | |
|---|--|
| Key Management Persons Name - | Vinod Dulhani |
| Age | 46 |
| Designation and No. of years of experience | Promoter, Managing Director and CEO, 27+ years of experience in apparel industry |
| Qualification | High School from Maharashtra State Board of Secondary Education |
| Roles and Responsibility | Responsible for activities like product development, business development, operations, and administration of the Company |
| Other Directorships | - |

| | |
|---|---|
| Key Management Persons Name - | Mahesh Dulhani |
| Age | 54 |
| Designation and No. of years of experience | Promoter and Executive Director, 30+ years of experience in apparel industry |
| Qualification | High School from Maharashtra State Board of Secondary Education |
| Roles and Responsibility | Currently looks after Company's sales operations, manages customer relations, and oversees the company's marketing functions. |
| Other Directorships | Saraswati Fabric Private Limited |

| | |
|---|---|
| Key Management Persons Name - | Rajesh Dulhani |
| Age | 49 |
| Designation and No. of years of experience | Promoter and Executive Director, 29+ years of experience in apparel industry |
| Qualification | High School from Maharashtra State Board of Secondary Education |
| Roles and Responsibility | Responsible for the product and procurement functions of the company, including supply chain management, supplier relations, and product quality management |
| Other Directorships | - |

| | |
|---|---|
| Key Management Persons Name - | Charushila Kumbhar |
| Age | 47 |
| Designation and No. of years of experience | Independent and Non-Executive Director, 20+ years of experience in microbiology |
| Qualification | PhD in Microbiology and MBA |
| Roles and Responsibility | - |
| Other Directorships | Motivisor Learning LLP |

| | |
|---|---|
| Key Management Persons Name - | Manik Lal Karmakar |
| Age | 63 |
| Designation and No. of years of experience | Independent and Non-Executive Director |
| Qualification | Master's in Economics, |
| Roles and Responsibility | - |
| Other Directorships | Lalithaa Jewellery Mart Limited and Edificio Developers LLP |

| | |
|---|--|
| Key Management Persons Name - | Rupali Shelake |
| Age | 41 |
| Designation and No. of years of experience | Independent and Non-Executive Director, 15+ years of experience in computer science and teaching |
| Qualification | Master's in Engineering |
| Roles and Responsibility | - |
| Other Ventures | Associated with Cusrow Wadia Institute of Technology, Pune since 2006 as a lecturer |

| | |
|---|--|
| Key Management Persons Name - | Yatiraj Marda |
| Age | 49 |
| Designation and No. of years of experience | Independent and Non-Executive Director, 20+ years of experience in taxation and auditing |
| Qualification | Qualified CA |
| Roles and Responsibility | - |
| Other Directorships | - |

| | |
|---|---|
| Key Management Persons Name - | Amar Thorat |
| Age | 66 |
| Designation and No. of years of experience | Independent and Non-Executive Director, 30+ years of experience |
| Qualification | Qualified CA |
| Roles and Responsibility | - |
| Other Directorships | - |

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Crores

| Particulars | FY 22 | FY 23 | FY 24 |
|---|---------------|---------------|---------------|
| Revenue from Operations | 549.58 | 601.89 | 610.90 |
| Other Income | 0.73 | 1.63 | 1.68 |
| Total Income | 550.31 | 603.52 | 612.58 |
| Expenses | | | |
| Purchase of stock-in-trade | 572.80 | 547.94 | 548.99 |
| Changes in Inventories of WIP, Finished Goods & Stock in Trade | -75.75 | -17.06 | -14.90 |
| Employee benefits expense | 9.67 | 9.94 | 9.77 |
| Finance Cost | 4.49 | 3.81 | 2.47 |
| Depreciation and Amortization expense | 0.60 | 0.99 | 0.98 |
| Other expenses | 22.01 | 27.01 | 26.61 |
| Total Expenses | 533.82 | 572.65 | 573.93 |
| EBITDA | 20.85 | 34.05 | 40.43 |
| EBITDA Margin | 3.79% | 5.66% | 6.62% |
| Profit/(Loss) before exceptional items and tax | 16.49 | 30.87 | 38.66 |
| Income from Associates | - | - | 0.717 |
| Profit/(Loss) before tax | 16.49 | 30.87 | 39.37 |
| Tax Expense | | | |
| Current tax | 4.18 | 7.90 | 10.03 |
| Deferred Tax | - | - | -0.21 |
| Short/ (Excess) Provision for earlier years | - | - | 0.03 |
| Total Tax Expense | 4.18 | 7.90 | 9.84 |
| Profit/(Loss) for the year | 12.31 | 22.97 | 29.53 |
| Net Profit Margin | 2.24% | 3.81% | 4.82% |

Statement of Assets and Liabilities

Amt in Crores

| Particulars | FY 22 | FY 23 | FY 24 |
|---|---------------|---------------|---------------|
| EQUITY AND LIABILITIES | | | |
| 1. Shareholders' funds | | | |
| Share Capital | 0.10 | 0.10 | 33.10 |
| Other Equity | 12.31 | 35.28 | 31.81 |
| Total Equity | 12.41 | 35.38 | 64.91 |
| 2. Non-current liabilities | | | |
| Financial Liabilities | | | |
| (i) Borrowings | - | - | - |
| (ii) Other financial liabilities | - | - | - |
| Provisions | - | - | - |
| Total Non-current liabilities | - | - | - |
| 3. Current liabilities | | | |
| Financial Liabilities | | | |
| (i) Borrowings | 66.62 | 41.43 | 43.49 |
| (ii) Trade Payables | | | |
| (a) Outstanding Dues to MSME | 12.55 | 18.90 | 11.58 |
| (b) Outstanding Dues to other than MSME | 75.65 | 89.55 | 83.22 |
| (iii) Other Financial Liabilities | 2.52 | 2.44 | 0.44 |
| Provisions | 0.13 | 0.83 | 1.35 |
| Current Tax Liabilities (net) | 0.05 | 0.32 | 0.95 |
| Total Current liabilities | 157.52 | 153.47 | 141.03 |
| Total Liabilities | 157.52 | 153.47 | 141.03 |

| Particulars | FY 22 | FY 23 | FY 24 |
|-------------------------------------|---------------|---------------|---------------|
| Total Equity and Liabilities | 169.93 | 188.85 | 205.94 |
| ASSETS | | | |
| 1. Non-current assets | | | |
| Property, Plant and Equipment | 2.98 | 2.81 | 2.83 |
| Intangible assets | 0.21 | 0.26 | 0.22 |
| Financial Assets | | | |
| (i) Investments | - | 3.50 | 4.22 |
| (ii) Other financial assets | 0.01 | 0.23 | 0.01 |
| Deferred Tax Assets | - | - | 0.21 |
| Total Non-Current assets | 3.20 | 6.80 | 7.48 |
| 2. Current assets | | | |
| Inventories | 75.75 | 92.81 | 107.70 |
| Financial Assets | | | |
| (i) Trade receivables | 68.83 | 65.65 | 75.13 |
| (ii) Cash and cash equivalents | 17.23 | 19.05 | 9.87 |
| (iii) Other financial assets | 0.40 | 0.12 | 0.25 |
| Other Current Assets | 4.52 | 4.43 | 5.51 |
| Total Current assets | 166.74 | 182.05 | 198.45 |
| Total Assets | 169.93 | 188.86 | 205.94 |

| Cash Flow Statement | Amt in Crores | | |
|---|---------------|--------|-------|
| Particulars | FY 22 | FY 23 | FY 24 |
| Net Cash Flow from Operating Activities | -41.21 | 35.19 | -8.54 |
| Net Cash Flow from Investing Activities | -3.79 | -4.37 | -0.23 |
| Net Cash Flow from Financing Activities | 62.13 | -29.00 | -0.41 |

Key Ratios

| Per Share Data | FY 22 | FY 23 | FY 24 | Valuation Ratios (x) | FY 22 | FY 23 | FY 24 |
|-------------------------|---------|--------|--------|-------------------------|-------|-------|-------|
| Diluted EPS | 3.72 | 6.94 | 8.92 | EV/EBITDA | 2.96 | 1.70 | 2.44 |
| BV per share | 3.75 | 10.69 | 19.61 | Market Cap / Sales | 1.15 | 1.05 | 1.04 |
| Operating Ratios | | | | P/E | 43.01 | 23.05 | 17.94 |
| EBITDA Margins | 3.79% | 5.66% | 6.62% | Price to Book Value | 42.68 | 14.97 | 8.16 |
| PAT Margins | 2.24% | 3.81% | 4.82% | Solvency Ratios | | | |
| Inventory days | 50.31 | 56.28 | 64.35 | Debt / Equity | 5.37 | 1.17 | 0.67 |
| Debtor days | 45.71 | 39.81 | 44.89 | Current Ratio | 1.06 | 1.19 | 1.41 |
| Creditor days | 56.20 | 72.24 | 63.03 | Quick Ratio | 0.58 | 0.58 | 0.64 |
| Return Ratios | | | | Asset Turnover | 3.23 | 3.19 | 2.97 |
| RoCE | 163.14% | 93.43% | 60.77% | Interest Coverage Ratio | 4.51 | 13.40 | 10.34 |
| RoE | 99.20% | 64.93% | 45.49% | | | | |

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Unistone Capital Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Unistone Capital Private Limited –

| Sr. No. | Company Name | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date | CMP* (INR) |
|---------|---|-------------------|----------------------------|---------------|------------|
| 1. | Manglam Infra and Engineering Limited | 27.62 | 56.00 | July 31, 2024 | 96.75 |
| 2. | Platinum Industries Limited | 253.32 | 171.00 | Mar 05, 2024 | 318.55 |
| 3. | Exicom Tele-Systems Limited | 429.00 | 142.00 | Mar 05, 2024 | 392.05 |
| 4. | BLS E-Services Limited | 310.91 | 135.00 | Feb 06, 2024 | 214.45 |
| 5. | Valiant Laboratories Limited | 152.46 | 140.00 | Oct 06, 2023 | 123.85 |
| 6. | Unihealth Consultancy Limited | 56.55 | 132.00 | Sep 21, 2023 | 114.25 |
| 7. | Ratnaveer Precision Engineering Limited | 165.03 | 98.00 | Sep 11, 2023 | 179.75 |
| 8. | Mono Pharmacare Limited | 14.84 | 28.00 | Sep 07, 2023 | 37.45 |
| 9. | Sangani Hospitals Limited | 15.17 | 40.00 | Aug 17, 2023 | 44.25 |
| 10. | Sahana System Limited | 32.74 | 135.00 | June 12, 2023 | 1406.75 |

The company has handled 13 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 8th July 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

Saraswati Saree Depot Limited has been in the industry since 2021 and doesn't have enough experience in the industry. The management overview of the company is decent.

The PE ratio on a post-IPO and annualised basis is 21.46 which makes it fairly priced by looking at the performance of the company and sector. The sector PE is 46.57 times.

The company has seen a consistent increase in the top line and bottom line from FY 2022 - 2024 due to increase in the number of units sold of products. Also, the profitability margins have also increased consistently over the years for the same reason mentioned above, which maybe sustainable in the long run.

The company has performed at par compared to its peers and has better cash conversion cycle, but they are not comparable on an apple-to-apple basis as both the peers Go Fashion (India) Limited and Sai Silks (Kalamandir) Limited have a large market cap compared to Saraswati Saree Depot Limited.

Also, the company is planning to enter men's ethnic wear market as well which will help improve their topline in the future.

The apparel industry is highly fragmented and has many players both in organised and unorganised sector.

Thus, knowledgeable and informed investors **MAY APPLY** to this IPO.

Disclaimer

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