



## IPO Note

# S D Retail Limited

Recommendation: **APPLY!**

### Company Background -

- **Incorporation:** S D Retail Limited was originally formed and incorporated on May 14, 2004. The registered office is located at Ahmedabad, Gujarat.
- **Business Activity:** The company is in the business of designing, manufacturing, outsourcing, marketing, and retailing sleepwear under the brand name "SWEET DREAMS".
- **Human Resource:** The company had 237 permanent employees as of July 31, 2024.

### Objects of the Issue -

- Capital expenditure to be incurred by the Company for setting up new exclusive brand outlets ("EBOs")
- To meet Working Capital Requirements
- General Corporate Purposes

### Promoters Name -

Hitesh Pravinchandra Ruparelia, Utpalbhai Pravinchandra Ruparelia, M/S. Sweet Dreams Loungewear (India) LLP (formerly known as Sweet Dreams Loungewear (India) Private Limited) and M/S. Grace Garments LLP (formerly known as Grace Garments Limited)

### Rationale for recommendation -

- ✓ The PE ratio is 32.28 times post-issue which makes it fairly priced.
- ✓ The top line has increased over the years.
- ✓ The bottom line and profitability margins have been inconsistent which should not be a major concern as the company had not passed on the cost of materials to the consumer and similar trend can be seen for peers.
- ✓ The company is looking for expansion and setting up new EBOs.
- ✓ The company has vast experience in the industry.
- ✓ The management overview is satisfactory.

### IPO Details

Opening Date	Sep 20, 2024
Closing Date	Sep 24, 2024
Allotment Date	Sep 25, 2024
Listing Date	Sep 27, 2024
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹124 to ₹131
Issue Size	64.98 Cr.
Fresh Issue	64.98 Cr.
Offer for Sale	-
Application Amt	₹ 1,31,000 (1,000 shares)

### INDUSTRY - Apparel

P/E Average - 42.16

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	12,852.93	13,508.81	16,255.89
EBITDA	1,389.87	795.56	1,380.70
Net Profit	1,011.06	430.17	759.77
RoCE	43.84%	20.83%	29.49%
ROE	33.81%	12.58%	18.18%
P/E	17.82	41.85	23.73

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
88.82%	65.29%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	5.52	4.06
BVPS	334.10	57.03
P/E	23.73	32.28
P/BV	0.39	2.30
Mkt Cap (In Cr)	180.29	245.26

### Lead Managers -

**Beeline Capital Advisors Private Limited**

### Registrar -

**Kfin Technologies Limited**

### Business Overview -

S D Retail Limited is in the business of designing, manufacturing, outsourcing, marketing, and retailing sleepwear under the brand name “SWEET DREAMS”. This brand is targeted primarily at the modern Indian woman’s sleepwear requirements. In addition, they also sell sleepwear for men and kids. Their sleepwear products include Pyjamas, Night Sets, Nighties, T-shirts, etc. They also have adjacent categories such as loungewear, workout wear, athleisure, and work leisure pants.

### Manufacturing Unit and Capacity Utilization -

The company has in-house manufacturing as well as contract manufacturing. The manufacturing unit of the company is located at Ahmedabad. The capacity utilization remained at 85.58%, 87.85% and 83.88% for FY2024, 2023 and 2022 respectively.

### Product Portfolio -

The company offers comprehensive range of sleepwear for men, women, and children. They sell these are the brand name “SWEET DREAMS” and their athleisure category is represented under the brand name “SDMOVE”. These include tracksuits, sweatshirts, workleisure pants, and workout wear. The price range for their products vary from Rs. 899 to Rs. 3,499.



### Sales and Retail Network -

1. EBOs (Exclusive Brand Outlets) - The Company operates under three models: COCO (Company Owned and Company Operated), COFO (Company Owned and Franchise Operated), and FOFO (Franchisee Owned and Franchisee Operated).
2. Modern Retail – These include multi-brand outlets (MBO), large format stores (LFS) and distributors.
3. Online Channels - The company is available across all major marketplaces, including Myntra, Amazon, Flipkart, Tata Cliq, AJIO, NYKAA, and NYKAA Fashion. They also have their own website [www.sweetdreams.in](http://www.sweetdreams.in).

### Geographical Revenue-Bifurcation -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
India	12,846.46	98.92	13,489.36	98.26	16,245.27	99.13
Kuwait	72.37	0.56	153.12	1.12	77.97	0.48
UAE	66.57	0.51	71.08	0.52	65.15	0.40
Others	0.93	0.01	14.14	0.10	0.00	0.00
<b>Total</b>	<b>12,986.33</b>	<b>100.00</b>	<b>13,727.70</b>	<b>100.00</b>	<b>16,388.39</b>	<b>100.00</b>

### Utilization of Net Proceeds -

The net proceeds of the issue will be utilized for Capital expenditure to be incurred by the Company for setting up new exclusive brand outlets (“EBOs”) (Rs. 1,648.85 lakhs), funding working capital requirements (Rs. 3,500 lakhs), and remaining for general corporate purposes.

**Competition -**

- 1. Market Competition:** The sleepwear industry is highly competitive where the key factors of competition primarily comprise of quality, price and availability of the product and variety of products offered.
- 2. Geographic Competition:** The company faces competition from international, national, regional and niche brands and unorganized players.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

**Business Strategies -**

1. The company intends to expand COFO (Company Owned, Franchise Operated) model and COCO (Company Owned, Company Operated) stores and expand EBO network across various regions of India.
2. The company intends to increase their digital presence and invest in digital channels to build an omni-channel engagement experience, supported by e-commerce team.
3. The company intends to diversify their product portfolio.

**Risk Factors -**

The company has a litigation of Rs. 627.08 lakhs against it filed by M/s. Royale King Fashions Private Limited to NCLT under section 9 of Insolvency and Bankruptcy Code, 2016 based on non-maintainability of the suit by the petitioners herein, on account of amount mismatch and other deviations from terms of supplies and claim made based on purchase orders, Performa invoices and other expenses not backed by supply from terms of supplies.

The company's significant portion of revenue is dependent on women's sleepwear which contributed to 57.04%, 51.42% and 50.96% for FY2024, 2023 and 2022 respectively.

The company is largely dependent on top 10 suppliers which contributed to 93.58%, 90.67% and 99.72% for FY2024, 2023 and 2022 respectively.

The top 5 states which include Delhi, Gujarat, Haryana, Punjab and Uttar Pradesh contributed 58.01% for FY2024.

The company has 5 outstanding cases against it for tax matters amounting to Rs. 48.30 lakhs and 3 cases against it for other litigation matters amounting to Rs. 651.47 lakhs.

The company has filed 19 cases regarding criminal and other litigation matters amounting to Rs. 114.79 lakhs.

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

The company has contingent liabilities of Rs. 46.03 lakhs.

**PEER ANALYSIS -**

Particulars	S D Retail Limited			Go Fashions (India) Limited			Bella Casa Fashion & Retail Limited			S. P. Apparels Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	7.87%	3.18%	4.67%	8.43%	12.23%	10.61%	5.41%	3.76%	4.32%	9.7%	7.5%	8.1%
EBITDA Margin	10.81%	5.89%	8.49%	34.29%	33.51%	33.71%	10.53%	7.75%	8.20%	18.6%	15.0%	15.8%
RoCE	43.84%	20.83%	29.49%	11.78%	17.48%	15.23%	25.78%	17.78%	20.12%	17.0%	17.3%	16.5%
ROE	33.81%	12.58%	18.18%	8.12%	15.91%	13.71%	16.02%	10.25%	11.99%	13.4%	12.4%	11.8%
EPS (INR)	7.35	3.13	5.52	8.47	15.33	15.33	9.73	6.75	8.87	32.96	32.49	35.72
P/E	17.82	41.85	23.73	117.52	65.53	78.62	18.18	17.36	33.85	10.63	9.90	16.25

**Interpretation -**

- The company has less market cap compared to its peers and the products offered by the peer companies are different.
- The cash conversion cycle of S D Retail is less compared to its peers.
- The NP margin's trend is similar for S D Retail, Bella Casa Fashion & Retail and S. P. Apparels.
- The RoCE and ROE of the company is high compared to peers.
- The PE ratio of the company is less compared to Go Fashions (India) and Bella Casa Fashion & Retail.

**INDUSTRY OVERVIEW -****Sleepwear Market in India -**

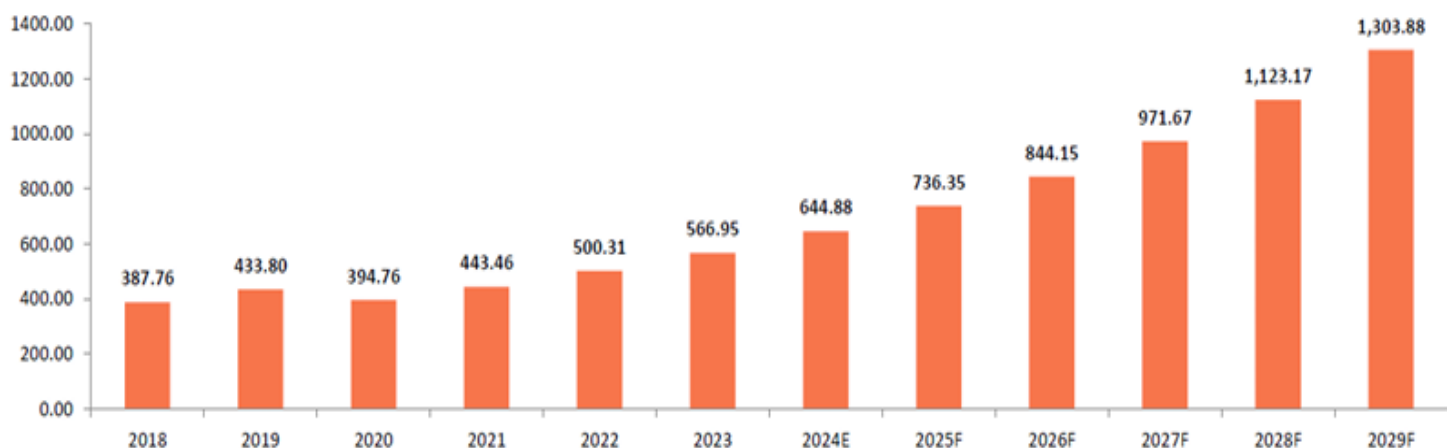
The India sleepwear market is anticipated to reach market size of USD 1303.88 Million by 2029, with progressive CAGR of 15.12% by 2024-29. The sleepwear industry in India has witnessed significant growth over the past decade. Traditionally, sleepwear in India consisted of simple and utilitarian garments, but evolving fashion trends, increasing disposable income, and a growing awareness of comfort and lifestyle have transformed this sector into a dynamic and profitable market.

**Sleepwear Market by segment -**

Women - The market size of women's sleepwear segment is expected to grow at CAGR of 14.43%.

Men - The market size of women's sleepwear segment is expected to grow at CAGR of 15.98%.

Kids - The market size of women's sleepwear segment is expected to grow at CAGR of 17.77%.



(Source: RHP)

**Key Management -**

- The overall management of the company is satisfactory.
- The promoter and management have good experience.
- There is an evidence of dual chairmanship, which is not favourable.
- The CFO has good and relevant experience.



<b>Key Management Persons Name -</b>	<b>Hitesh Pravinchandra Ruparelia</b>
<b>Age</b>	58
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, 20+ years of experience
<b>Qualification</b>	Higher Secondary and Diploma in Computer Technology
<b>Responsibility</b>	Responsible for major policy decisions and day-to-day management.
<b>Other Directorships</b>	Intimate Apparel Association Of India LLP, Sweet Dreams Loungewear (India) LLP, SD Fashions LLP etc.

<b>Key Management Persons Name -</b>	<b>Utpalbhair Pravinchandra Ruparelia</b>
<b>Age</b>	52
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 20+ years of experience
<b>Qualification</b>	Bachelor of Science (2nd Year)
<b>Responsibility</b>	Responsible for introducing a vast range of products
<b>Other Directorship</b>	Sweet Dreams Loungewear (India) LLP, SD Fashions LLP, Grace Garments LLP and Shaligram Apparels LLP

<b>Key Management Persons Name -</b>	<b>Vishesh Jailesh Dalal</b>
<b>Age</b>	34
<b>Designation and No. of years of Experience</b>	Nominee Director, 13+ years of experience in private equity, consulting and entrepreneurship
<b>Qualification</b>	Chartered Accountant and Master of Business Administration
<b>Other Directorship</b>	Goldenpi Technologies Private Limited, Ocean Drinks Private Limited LLP, Relativity Investment Advisors LLP and Aspentree Advisors LLP

<b>Key Management Persons Name -</b>	<b>Simeran Bhasin</b>
<b>Age</b>	48
<b>Designation and No. of years of experience</b>	Non-Executive Director, 2+ years of experience in marketing and brand management
<b>Qualification</b>	Bachelor of Commerce and Post Graduate Diploma in Management.
<b>Other Directorships</b>	Ragtagger Lifestyle Private Limited

<b>Key Management Persons Name -</b>	<b>Manish Kapoor</b>
<b>Age</b>	46
<b>Designation and No. of years of experience</b>	Non-Executive & Independent Director, 10+ years of experience
<b>Qualification</b>	Diploma in Apparel Marketing and Merchandise Management
<b>Responsibility</b>	Responsible for providing his expertise in Management and compliance related matters of the Company and also provides inputs in business matters.
<b>Other Directorships</b>	Pepe Jeans India Limited

<b>Key Management Persons Name -</b>	<b>Harshil Rajendrabhai Patel</b>
<b>Age</b>	39
<b>Designation and No. of years of experience</b>	Non-Executive & Independent Director, 5+ years of experience
<b>Qualification</b>	Chartered Accountant
<b>Responsibility</b>	Responsible for providing his expertise in Finance related matters of the Company
<b>Other Ventures</b>	Harshil Patel & Co. (a Practicing Chartered Accountant firm)

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	12,852.93	13,508.81	16,255.89
Other Income	20.72	60.04	72.59
<b>Total Income</b>	<b>12,873.65</b>	<b>13,568.85</b>	<b>16,328.48</b>
<b>Expenses</b>			
Cost of Material Consumed	6,316.86	6,976.38	7,589.51
Changes in Inventories of finished goods, WIP	-594.09	-308.99	-7.47
Employee Benefit Expenses	1,293.39	1,486.02	1,488.38
Finance Cost	170.85	196.40	292.97
Depreciation and Amortisation	76.27	76.10	132.33
Other expenses	4,446.90	4,559.84	5,804.77
<b>Total Expenses</b>	<b>11,710.18</b>	<b>12,985.75</b>	<b>15,300.49</b>
<b>EBITDA</b>	<b>1,389.87</b>	<b>795.56</b>	<b>1,380.70</b>
<b>EBITDA Margin</b>	<b>10.81%</b>	<b>5.89%</b>	<b>8.49%</b>
<b>Profit/(Loss) before tax</b>	<b>1,163.47</b>	<b>583.10</b>	<b>1,027.99</b>
<b>Tax Expense</b>			
Current tax	161.76	161.94	283.82
Deferred Tax	-9.35	-9.01	-15.60
<b>Total Tax</b>	<b>152.41</b>	<b>152.93</b>	<b>268.22</b>
<b>Profit/(Loss) for the year</b>	<b>1,011.06</b>	<b>430.17</b>	<b>759.77</b>
<b>Net Profit Margin</b>	<b>7.87%</b>	<b>3.18%</b>	<b>4.67%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	62.56	62.56	125.11
Reserves and surplus	2,927.49	3,357.66	4,054.87
<b>Total Equity</b>	<b>2,990.05</b>	<b>3,420.22</b>	<b>4,179.98</b>
<b>2. Non-current liabilities</b>			
Long-term provisions	5.98	34.21	53.73
<b>Total Non-current liabilities</b>	<b>5.98</b>	<b>34.21</b>	<b>53.73</b>
<b>3. Current liabilities</b>			
Short-term borrowings	1,844.13	2,051.31	4,354.72
Trade Payables			
(i) Total outstanding dues of MSME	464.65	546.19	939.79
(ii) Total outstanding dues of creditors other than MSME	1,471.38	1,514.56	966.50
Other Current Liabilities	937.45	1,100.99	1,515.88
Short-term provisions	45.92	168.18	214.93
<b>Total Current liabilities</b>	<b>4,763.53</b>	<b>5,381.23</b>	<b>7,991.82</b>
<b>Total Liabilities</b>	<b>4,769.51</b>	<b>5,415.44</b>	<b>8,045.55</b>
<b>Total Equity and Liabilities</b>	<b>7,759.56</b>	<b>8,835.66</b>	<b>12,225.53</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	269.64	291.56	477.87
Intangible Assets	14.17	8.21	4.80
Deferred Tax Assets (Net)	43.88	52.89	68.49
Long term loans and advances	3.00	3.00	10.91
Other Non-current Assets	55.32	97.73	276.37
<b>Total Non-Current assets</b>	<b>386.01</b>	<b>453.39</b>	<b>838.44</b>
<b>2. Current assets</b>			



Particulars	FY 22	FY 23	FY 24
Inventories	2,316.56	2,585.37	2,586.09
Trade Receivables	4,764.85	5,221.86	8,145.58
Cash & Cash equivalents	51.37	69.97	402.23
Short term loans and advances	217.75	467.58	223.53
Other Current Assets	23.01	37.47	29.67
<b>Total Current assets</b>	<b>7,373.54</b>	<b>8,382.25</b>	<b>11,387.10</b>
<b>Total Assets</b>	<b>7,759.55</b>	<b>8,835.64</b>	<b>12,225.54</b>

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-251.52	112.24	-1,219.11
Net Cash Flow from Investing Activities	-88.03	-132.65	-478.59
Net Cash Flow from Financing Activities	304.36	37.85	2,031.06

**Key Ratios**

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	7.35	3.13	5.52	EV/EBITDA	3.44	6.79	5.89
BV per share	477.98	546.74	334.10	Market Cap / Sales	1.91	1.82	1.51
<b>Operating Ratios</b>				P/E	17.82	41.85	23.73
EBITDA Margins	10.81%	5.89%	8.49%	Price to Book Value	0.27	0.24	0.39
PAT Margins	7.87%	3.18%	4.67%	<b>Solvency Ratios</b>			
Inventory days	65.79	69.86	58.07	Debt / Equity	0.62	0.60	1.04
Debtor days	135.31	141.09	182.90	Current Ratio	1.55	1.56	1.42
Creditor days	109.11	108.44	91.76	Quick Ratio	1.06	1.08	1.10
<b>Return Ratios</b>				Asset Turnover	1.66	1.53	1.33
RoCE	43.84%	20.83%	29.49%	Interest Coverage Ratio	7.69	3.66	4.26
RoE	33.81%	12.58%	18.18%				

**INTERPRETATION –**

- The top line has increased over the years (by 5% in FY2023 and by 20% in FY2024). The increase in general was due to sales of products and export incentive. The increase in FY2024 was mainly due to EBOs, LFS and online business and increase in FY2023 was mainly due to MBO's business compensated by degrowth in online business.
- The net profit had seen a sudden decrease of -57.45% in FY 2023 which was mainly due to increase in cost of materials which they did not pass to the consumers and led to lower profit. Whereas an increase of 76.62% in FY2024 was mainly because the company has been able to pass on the increased prices of fabrics to consumers.
- The PAT margin and EBITDA margin have also remained inconsistent over the years.
- The RoCE and ROE has seen dip in FY2023 and increased in FY2024.
- The PE ratio has improved over the years.
- The company had negative cash flow from operations for FY 2024 and 2022.

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Beeline Capital Advisors 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 –

**Beeline Capital Advisors Private Limited –**

<b>Sr. No.</b>	<b>Company Name</b>	<b>Issue Size in Cr.</b>	<b>Issue Price/Share (In INR)</b>	<b>Listing Date</b>	<b>CMP* (INR)</b>
1.	Mach Conferences and Events Limited	125.28	225.00	Sep 11, 2024	266.55
2.	Indian Phosphate Limited	67.36	99.00	Sep 03, 2024	122.00
3.	Positron Energy Limited	51.21	250.00	Aug 20, 2024	412.45
4.	Ashapura Logistics Limited	52.66	144.00	Aug 06, 2024	133.30
5.	V.L. Infraprojects Limited	18.52	42.00	Jul 30, 2024	76.35
6.	Sati Poly Plast Limited	17.63	130.00	Jul 22, 2024	212.75
7.	Dindigul Farm Product Limited	34.83	54.00	Jun 27, 2024	85.00
8.	United Cotfab Limited	36.29	70.00	Jun 24, 2024	55.20
9.	Beacon Trusteeship Limited	32.52	60.00	Jun 04, 2024	111.35
10.	Rulka Electricals Limited	26.40	235.00	May 24, 2024	419.00

The company has handled 48 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 18<sup>th</sup> Sep 2024.

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



## Recommendation -

S D Retail Limited has been in the industry since 2004 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 32.28 times which makes it fairly priced compared to its peers PE.

The company's top line has increased over the years. Also, the bottom line and profitability margins have been inconsistent over the years but that should not be a major concern as similar trend can be observed for the peer companies.

The company is raising funds for expansion and setting up new brand outlets which will help them improve their top line in the future.

The company has created its presence in the niche market of sleepwear and the sleepwear industry is expected to grow at a CAGR of 15.12% for FY2024-29.

Thus, investors can **APPLY** to this IPO.

## Disclaimer

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