



## IPO Note

### Cedar Textile Limited

Recommendation: **AVOID**

**Business - Cedar Textile Limited** manufactures and sells its products like Yarn, Technical Textile IFR, Fabrics and Dyed Yarn.

#### Objects of the Issue -

Particulars	Amount
Installation of Grid-tied Solar PV Rooftop System for Captive evacuation	Rs. 8.00 Cr.
Modernization of the Machines	Rs. 17.00 Cr.
Working Capital Requirement	Rs. 24.90 Cr.
General Corporate Purposes	

#### Promoters Name -

Mr. Rajesh Mittal, Mr. Virender Goyal, Mr. Bachangada Nachappa Monnappa and Mrs. Bachangada Monappa Saraswati

Promoter Share Holding Pattern	
<b>Pre Issue</b> 100.00%	<b>Post Issue</b> 68.66%

#### Rationale for recommendation -

**Cedar Textile Limited** was incorporated in Sep-2020 and has limited operating experience. The company faces moderate customer concentration, with the top 10 customers contributing between 37% and 63% across FY22 to Dec-24 and is geographically dependent on Punjab and Bangladesh, exposing it to regional and client-specific risks. It also has significant supplier concentration, with the top 10 suppliers accounting for 90.46% of purchases as of Dec-24. Operating in a highly competitive segment, the company is vulnerable to market share erosion and highly subject to geopolitical disruptions. The company's topline declined by 26.29% in FY23 due to a surge in cotton prices that reduced demand for cotton yarn, but grew by 18.37% in FY24 on account of diversification into blended and technical yarns and stabilization of cotton prices. However, sales as of Dec-24 were adversely affected by political instability in Bangladesh due to delays in letter of credit clearance. EBITDA and PAT margins have generally improved and remained aligned, except in FY23 where PAT margin declined due to tax adjustments. Margin improvements are primarily due to lower COGS and other expenses as a percentage of revenue, despite rising finance costs. RoCE and RoE have been volatile due to fluctuating revenues. Operating cash flows were negative in FY22 and FY23 but turned positive in FY24 due to better working capital management. The D/E ratio has been on a declining trend, supported by a higher proportion of equity infusion compared to debt. The overall management is not entirely satisfactory due to several governance-related observations. The company's post-issue P/E of 20.67 makes it **highly valued**. Thus, we recommend to **AVOID** the IPO.

#### IPO Details

Opening Date	Jun 30, 2025
Closing Date	Jul 02, 2025
Allotment Date	Jul 03, 2025
Listing Date	Jul 07, 2025
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹130 - ₹140
Issue Size	60.90 Cr.
Fresh Issue	60.90 Cr.
Offer for Sale	-
Application Amt	₹ 1,40,000 (1,000 shares)

#### KPIs (In Lakhs)

KPI's	FY 22	FY 23	FY 24	Dec-24*
<b>Revenue</b>	21,740.31	16,024.98	18,968.38	14,909.67
<b>EBITDA</b>	1,525.89	1,563.42	2,881.05	2,607.24
<b>Net Profit</b>	798.63	458.94	1,105.03	939.86
<b>RoCE</b>	15.40%	12.92%	24.82%	14.07%
<b>ROE</b>	83.23%	32.35%	43.79%	7.58%
<b>P/E</b>	13.15	22.88	9.50	20.67

\*Annualized

#### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	14.73	6.77
BVPS	33.65	89.30
P/E	9.50	20.67
P/BV	4.16	1.57
Mkt Cap (In Cr)	133.40	194.30

\*Annualized

#### Lead Managers -

**Fast Track Finsec Private Limited**

#### Registrar -

**Skyline Financial Services Private Limited**

## Industry Overview –

India's textiles sector is one of the oldest industries in the Indian economy, dating back to several centuries. The fundamental strength of the textile industry in India is its strong production base of a wide range of fibre/yarns from natural fibres like cotton, jute, silk, and wool, to synthetic/man-made fibres like polyester, viscose, nylon and acrylic.

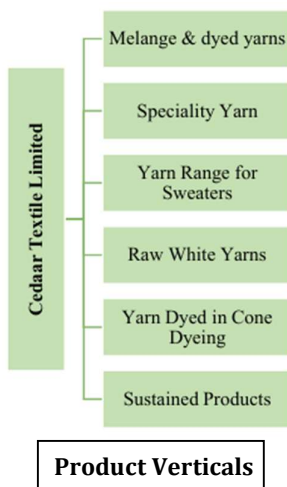
**Market Size** – India being the world's largest cotton producer, is projected to produce 32.3 million bales in 2023–24, with major contributions from Maharashtra, Karnataka, and Madhya Pradesh. The total cotton availability in 2023-24 is estimated at 34.6 million bales, exceeding the domestic demand of 31.1 million bales. Natural fibres remain the backbone of the textile industry, which is expected to grow from US\$138 billion to US\$195 billion by 2025. In FY25 (April-June), total textile exports were valued at US\$ 9.17 billion. India's ready-made garment (RMG) exports are likely to surpass US\$ 30 billion by 2027, growing at a CAGR of 12-13%.

**Government Initiatives** - PM -Mega Integrated Textiles and Apparel Park, Production- Linked Incentive Scheme, Samarth Initiative (Support for Skilling), National Technical Textile Mission (NTTM).

**Outlook** - The Indian textile industry is poised for steady growth, driven by rising domestic consumption, export demand and government initiatives like PLI and PM MITRA. Increasing focus on sustainable and man-made fibres is reshaping the sector's future. With projected growth to US\$195 billion by 2025, the industry holds strong long-term potential despite global headwinds.

## Business Overview -

**Cedaar Textile Limited** manufactures and sells its products like Yarn, Technical Textile IFR, Fabrics and Dyed Yarn. The is engaged in the manufacturing of Quality Melange Yarn for use in the household textile, woven goods and hosiery. The company was originally incorporated as 'Cedaar Textile Private Limited' on Sep 28, 2020. The company sources raw materials such as Polyester (Normal and Recycled), Viscose, Cotton, Acrylic and other fibers, with cotton being the primary raw material.



*Dyed yarn*



- The company is highly concentrated in yarn segment, contributing 97.20% in FY24 and 75.00% as of Dec-24.
- The company's exports are highly dependent on Bangladesh, any political or geographic instability in Bangladesh directly affects the revenue.
- The company's capacity utilization of spinning segment is in range of 50%-70% and dyeing segment is 75% - 90%.

## End Users wise Revenue Bifurcation -

Particulars	FY22		FY23		FY24		Dec-24	
	Amt	%	Amt	%	Amt	%	Amt	%
Domestic Customers (other than dealer)	2,713.19	12.48%	3,044.75	19.00%	3,603.97	19.00%	2,464.58	22.00%
Dealers (including domestic and overseas)	6,137.29	28.23%	7,211.24	45.00%	8,535.74	45.00%	4,817.13	43.00%
Export Customers (other than dealer)	12,889.83	59.29%	5,768.99	36.00%	6,828.68	36.00%	3,920.92	35.00%
<b>Total</b>	<b>21,740.31</b>	<b>100%</b>	<b>16,024.98</b>	<b>100%</b>	<b>18,968.39</b>	<b>100%</b>	<b>11,202.63</b>	<b>100%</b>

## Business Strategies -

- The company's aims to optimize cost by reducing production and supply chain management and also increase production capacity.
- The company plans to reduce its production costs by installing a solar energy plant, which will ensure a stable energy supply while also lowering overall energy expenses.
- The company plans to enter into new segments of products and also install upgraded machines to increase the capacity and efficiency of the Dye House.

**FINANCIAL SNAPSHOT**

Key Performance Indicators (Amt in Lakhs)					Key Ratios				
Particulars	FY22	FY23	FY24	Dec-24*	Particulars	FY22	FY23	FY24	Dec-24*
<b>P&amp;L Statement</b>					<b>Per Share Data</b>				
Total Income	22,043.72	16,187.94	19,101.24	11,390.67	Diluted EPS	10.65	6.12	14.73	6.77
Total Expenses	21,127.48	15,543.43	17,602.52	10,450.20	BV per share	383.83	567.40	33.65	89.30
EBITDA	1,525.89	1,563.42	2,881.05	1,958.99	<b>Operating Ratios</b>				
EBIT	1233.6	1233.82	2513.99	1653.45	EBITDA Margins	7.02%	9.76%	15.19%	17.49%
PBT	916.24	644.51	1,498.72	940.47	PAT Margins	3.67%	2.86%	5.83%	6.30%
Tax Expenses	117.61	185.57	393.69	234.29	Inventory days	42.91	111.54	141.58	134.84
Net Profit	798.63	458.94	1,105.03	706.18	Debtor days	44.64	54.69	45.65	50.31
<b>Balance Sheet</b>					Creditor days	41.50	49.44	42.62	57.79
<b>Total Equity</b>	<b>959.57</b>	<b>1,418.51</b>	<b>2,523.55</b>	<b>6,069.74</b>	<b>Return Ratios</b>				
<b>Liabilities</b>					RoCE	15.40%	12.92%	24.82%	14.07%
Non-Current Liabilities	7,052.01	8,131.98	7,604.39	4,025.51	RoE	83.23%	32.35%	43.79%	7.58%
Current Liabilities	7,433.59	8,033.99	9,694.63	12,181.45	<b>Valuation Ratios (x)</b>				
<b>Total Liabilities</b>	<b>14,485.60</b>	<b>16,165.97</b>	<b>17,299.02</b>	<b>16,206.96</b>	EV/EBITDA	7.89	9.02	5.72	4.31
<b>Assets</b>					Market Cap/Sales	0.02	0.02	0.55	1.30
Non-Current Assets	7,187.51	7,566.24	8,004.64	8,168.51	P/E	13.15	22.88	9.50	20.67
Current Assets	8,257.66	10,018.24	11,817.93	14,108.19	Price to Book Value	0.36	0.25	4.16	1.57
<b>Total Assets</b>	<b>15,445.17</b>	<b>17,584.48</b>	<b>19,822.57</b>	<b>22,276.70</b>	<b>Solvency Ratios</b>				
<b>Cashflow Statement</b>					Debt/Equity	12.61	9.66	5.79	0.94
Operating Cashflow	-1,542.31	-196.01	485.44	1,098.21	Current Ratio	1.11	1.25	1.22	1.54
Investing Cashflow	-608.68	-649.41	-251.39	-493.94	Quick Ratio	0.77	0.64	0.46	0.46
Financing Cashflow	2,153.26	847.33	-234.17	-568.88	Asset Turnover	1.41	0.91	0.96	0.75
					Interest Coverage Ratio	1.99	1.64	2.19	1.84

\*Annualized

**Financial Analysis –**

- **Revenue from Operations –**
  - The company's top line decreased by 26.29% in FY23, which is primarily due to increase in price of cotton which reduced demand for cotton yarn. The company changed strategy of production and produced mix yarns, which consist of 50% of cotton & 50% polyester and sold more 100% polyester yarn. Polyester based yarns have lower selling price which directly impacted the revenue.
  - The company's topline grew by 18.37% in FY24, which is primarily due to company's strategy of diversification into different blended yarns, dealings made in yarn dyed, technical textiles and fabrics and additionally stabilizing of cotton prices also contributed to revenue growth.
  - The company's topline as of Dec-24 was impacted by political instability in Bangladesh. The company had received orders from Bangladesh but letter of credit was delayed resulting in decrease in sales.
- **EBITDA and PAT Margins –** The company's EBITDA and PAT margins have shown consistent improvement and generally remained aligned, except in FY23, where despite an improvement in EBITDA margin, the PAT margin declined due to tax adjustments. The improvement in margins over the years is primarily driven by a reduction in material cost of goods sold (COGS) and other expenses as a percentage of revenue. Despite an increase in finance costs, the net effect has been positive, resulting in overall margin improvement.
- **RoCE and ROE –** The company's RoCE and ROE have been volatile, primarily due to fluctuation in revenue from operations over the years.
- **Operating cashflow –** The company reported negative operating cash flows in FY22 and FY23; however, it turned positive in FY24 due to a reduction in trade receivables from customers and an increase in trade payables to suppliers, resulting in lower cash outflows.
- **D/E ratio –** The company's debt-to-equity (D/E) ratio has been declining despite raising funds through both equity and borrowings, primarily because the proportion of equity raised has been higher than that of debt.

**Lead Manager –**

The lead manager of the issue is Fast Track Finsec Private Limited. The lead manager has managed 6 IPOs in last 3 years, among them 5 IPOs have opened in premium and 1 IPO has opened in discount to their issue price on their respective listing dates.

## Risk Factors -

The company has moderate customer concentration, with its top 10 customers contributing 56.83% in FY22, 37.08% in FY23, 47.04% in FY24 and 63.30% as of Dec-24. This concentration, coupled with geographic reliance on Punjab and Bangladesh, exposes the business to regional and client-specific disruptions. The company also has supplier concentration, top 10 suppliers contributing 90.46% of total purchases as of Dec-24. Additionally, the company operates in a highly competitive segment, increasing the risk of market share erosion. The company has unsecured loans outstanding of Rs. 110.15 Lakhs. The company's high reliance on working capital loans may disrupt business if unable to secure when required. In addition to the company-specific risks mentioned, the company is exposed to high geopolitical risk, as the textile industry is particularly vulnerable to disruptions arising from geopolitical tensions.

## Key Management

- Mr. Rajesh Mittal is the Managing Director of the company with 28 years of experience in textile industry.
- Mr. Virender Goyal serves as the Executive Director and Chief Financial Officer. While he brings over 30 years of experience in engineering, project management and business strategy, he lacks formal education and professional experience in finance and financial operations.
- The company's Non-Executive Independent Directors possess significant experience in their respective fields. However, the reclassification of certain Executive Directors as Non-Executive Independent Directors is a notable observation that seeks attention while assessing the company's corporate governance practices.
- The company's Corporate Secretary and Compliance Officer has 10 years of expertise in legal compliance, company regulations and coordination with various business stakeholders.

**Conclusion** - The overall management of the company is not entirely satisfactory, as there are certain observations that needs consideration during evaluation.

## Peer Analysis

Particulars	Cedaar Textile Limited			Shiva Texyarn Limited			Vardhman Textiles Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.67%	2.86%	5.83%	4.18%	-1.53%	-3.14%	15.64%	7.67%	6.40%
EBITDA Margin	7.02%	9.76%	15.19%	11.80%	5.55%	3.62%	25.67%	15.01%	13.59%
RoCE	15.40%	12.92%	24.82%	20.46%	4.49%	-1.30%	23.98%	11.75%	9.45%
ROE	83.23%	32.35%	43.79%	14.04%	-4.86%	-8.74%	20.08%	9.29%	6.94%
EPS (INR)	10.65	6.12	14.73	15.44	-5.04	-8.31	54.58	27.97	22.20
P/E	13.15	22.88	9.50	13.61	-23.78	-16.90	7.99	10.50	19.92

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