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Issue Offer

An Offer for Sale of 27,072,000 equity shares, and a Fresh Issue amounting to INR 6,000 Mn.

Issue Summary

Price Band (INR)	210 to 222
Face Value (INR)	2
Implied Market Cap at upper price band (INR Mn)	34,047
Market Lot	67
Issue Opens on	20-Sep-23
Issue Close on	22-Sep-23
No. of share pre-issue	126,339,085
No. of share post issue	153,366,112
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≤ 50
NIB Portion	≥ 15
Retail Portion	≥ 35

Book Running Lead Managers

Motilal Oswal Investment Advisors Ltd
HDFC Bank Ltd
Nuvama Wealth Management Ltd

Registrar

Bigshare Services Pvt. Ltd

Shareholding Pattern

	Pre-Issue	Post- Issue
Promoters & Promoter Group	95%	61%
Public & Others	5%	39%

Objects of the issue

- Funding capex towards setting up 30 new stores (INR 125 Cr) , and 2 warehouses (INR 25 Cr).
- Funding WC requirements (INR 280 Cr).
- Repayment or pre-payment of certain borrowings (INR 50 Cr).
- General corporate purposes.

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Incorporated in 2005, **Sai Silks Kalamandir Ltd (SSKL)** is among the top 10 ethnic wear retailers in south India with a dominant presence in Sarees across the value chain (which constitute 2/3rd of revenues, the rest coming from salwar kameez sets, menswear, kidswear, etc). They are the youngest textile company to cross the INR 1,000 Cr revenue mark in just 17 years since its inception. SSKL operates across 4 store formats- Kalamandir, Varamahalakshmi Silks, Mandir, and the KLM Fashion Mall. The company prides itself on its strong focus on technology as its built-in ERP has helped strengthen operational efficiencies and scale up the business thus far. Headquartered in Hyderabad, they have an offline presence across Telangana, Karnataka, Andhra Pradesh, and Tamil Nadu, and an online presence that ships pan-India. Today, they have a combined store area of 6 lakh+ sq. ft. across 54 stores, and 12 cities- Karnataka and AP constitute ~80% of revenues. Due to the nature of the product offering, the company does not engage in providing discounts or have an EOSS. SSKL has a pan India procurement network with 4,800+ weavers and a warehousing capacity of 1,64,000 sq. ft. It boasts a thorough design and quality control process through its long-standing relationships with artisans.

Market Leaders in a fast-growing market with a presence across the value chain: South India comprises 50% of India's saree market. Most of this market is unorganized but is quickly losing share to organized retailers, and within the organized segment SSKL is a trusted brand in the southern market. Women's Indian wear is expected to grow at a CAGR of 18% over FY23-27 and reach a market size of INR 2,61,061 Cr. Sarees specifically are expected to grow 16.5% and reach a size of INR 1,24,837 Cr over the same period. In FY22 they had a 10% share in the organized saree market in South India.

Expansion into new, attractive territories: The current focus is to increase their presence in Tamil Nadu which is one of the largest saree-consuming states in the country- specifically silk sarees, making it a very attractive market in line with SSKL's core offering. They are currently underpenetrated in Tamil Nadu with only 4 Varamahalakshmi Silks stores in the state and will be adding more on a cluster-based model with the IPO proceeds. Most of these stores will be Varamahalakshmi Silks stores which have the highest price range with premium offerings. So far, the current stores in Tamil Nadu have become the top-grossing stores with higher revenue and profitability metrics compared to the same stores in other states, despite being open for a relatively short period. All future store expansions will be on a leasing model.

Cluster-based expansion: The company adopts a cluster-based expansion model which ensures that the store has a strong foothold in its current region before foraying into newer ones. This allows for favorable unit economics and higher efficiency concerning inventory management. It also enables optimization of the supplier base, warehousing infrastructure and product offering based on region-specific customer preferences given that culture varies every 100 to 150 Km. It also creates entry barriers for other competing brands.

Technology-driven approach brings cost efficiency and scalability: SSKL prides itself on its technology-driven approach with a sophisticated back office which enables efficient management of the entire supply chain, and a focus on data analytics which has helped it observe customer trends and buying patterns at the store level. This gives the company an edge over the unorganized market and is one of the reasons it has achieved such a scale of operations in such a short period.

Growing e-commerce presence to enter new geographies: To reach a pan-India presence, the company has an omnichannel presence via its own websites and 3rd party channels. Pricing across these channels is more uniform. The general e-commerce market has been growing rapidly since the COVID-19 pandemic and the company is making investments across its digital infrastructure to tap into this growth.

Valuation and Outlook: At the upper price band of INR 222 the issue is priced at a P/E of 27x based on the FY23 EPS of INR 8.11. The company has organically built its strengths from the ground up which have reflected in its healthy growth in profitability and revenues over the years. The driven and skilled management has been a key reason for its success. We believe it is well poised to grow into the future given its market leadership, focus on providing good quality products and enhancing customer experience. We recommend that investors **Subscribe**.

Product Offerings and Store Formats



	Kalamandir	Mandir	Vara Mahalakshmi	KLM Fashion Mall
Category focus	Ethnic fashion for middle income	Ultra-premium designer sarees	Premium ethnic sarees & handlooms for wedding & occasion wear	Value fashion at affordable price points
Product Portfolio	Sarees such as Tusser, Silk, Kota, Kora, Khadi, Georgette, Cotton & Matka	Designer sarees such as Banarasi, Patola, Ikat, Kanchipuram, Paithani, Organza, & Kuppadam	Premium sarees such as Banarasi, Patola, Kota, Paithani, Organza, Kuppadam, and Kancheepuram silk sarees	Products like sarees for daily wear and western wear for women, men & children
Price Range	INR 1,000- 100,000	INR 6,000- 350,000	INR 4,000- 250,000	INR 200- 75,000
Avg. Invoice Value	INR 5,017	INR 24,024	INR 12,351	INR 2,568
Stores	12 small / medium / large stores	4 small format stores	19 small / medium / large stores	19 large format stores
Avg. store size	10,390 sq. ft.	3,310 sq. ft.	6,099 sq.ft.	18,400 sq. ft.
Geographies served	AP, Telangana & Karnataka	Telangana	Telangana, AP, Karnataka & TN	AP, Telangana & Karnataka
Distribution	EBO & Online	EBO & Online	EBO & Online	MBO & Online

Source: Company Presentation, Arihant Capital Research

Peer Comparison

Name of the company	Standalone/ Consolidated	Income (INR Mn)	Diluted EPS (INR)	BVPS (INR)	P/E (x)	ROE (%)
SSKL	S	13,589	8.11	33.02	27.37	24.56
Vedant Fashions	C	13,952	17.68	57.66	71.29	30.65
TCNS	S	12,176	(2.75)	99.1	-	-
Go Fashion	S	6,772	15.33	96.36	87.74	15.91
ABFRL	C	125,344	(0.38)	35.24	-	-
Shoppers Stop	C	40,789	10.51	18.79	69.34	56.3
Trent	C	85,025	12.51	74.91	163.76	14.78

Source: RHP, Arihant Capital Research

Financial Summary

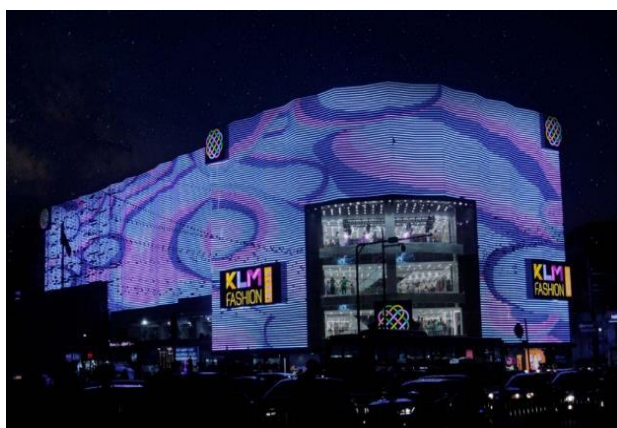
Particulars (INR Mn)	FY21	FY22	FY23
Revenue	6,772	11,293	13,515
EBITDA Margin	9.21%	11.78%	15.73%
Gross Margin	34.02%	34.66%	39.13%
Profit	51	577	976
ROE	2.16%	21.22%	27.96%
ROCE	8.51%	21.71%	23.55%
D/E (x)	0.89	0.87	0.87

Source: RHP, Arihant Capital Research

About the Management:

Key Person	Description
Ravindra Vikram Mamidipudi	Chairman & Independent Director. He has been a Director since February 18, 2022 and is a member of the Institute of Chartered Accountants of India. He has four decades of experience in finance sector and is a partner at M. Anandam & Co., Chartered Accountants since 1981.
Nagakankana Durga Prasad Chalavadi	Managing Director. He is also one of the Promoters and has been associated with the Company since its incorporation. He has 16+ years of experience in the retail sector, and is responsible for the overall management, finance, internal controls and security systems of the Company.
Kalyan Srinivas Annam	Whole-time Director. He has been associated with the Company since 2009. He has approximately 15 years of experience in the retail business and is responsible for projects, strategic planning, brand building, and business development and leads all related media and advertising activities for the Company. He is also responsible for the legal administration activities of the Company.
Doodeswara Kanaka Durgarao Chalavadi	Whole-time Director. He has been associated with the Company since 2009 and has approximately 12 years of experience in the field of retail business. He is responsible for the procurement and marketing activities of the Company.

Source: RHP, Aриhant Capital Research

The stores:

Source: Company Presentation, Aриhant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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