

IPO NOTE

Issue Details

Price Band: ₹ 210 to ₹ 222

Issue Opens on: September 20, 2023

Issue Closes on: September 22, 2023

Lot Size: 67 Shares & in Multiples thereafter

Issue Highlights

Issue Size: ₹ 1,201 Cr.

No of Shares: 54,099,027

Face Value: ₹ 2

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	600.00
Offer for Sale	601.00
Total	1,201.00

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (At upper band)
QIB	50	600.50
HNI	15	180.15
Retail	35	420.35
Total	100	1,201.00

Listing

BSE & NSE

Lead Managers

- HDFC Bank Limited
- Motilal Oswal Investment Advisors Limited
- Nuvama Wealth Management Limited

Registrar

Bigshare Services Private Limited

ANALYST

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COMPANY OVERVIEW

Sai Silk (Kalamandir) Commenced operation in 2005 at Hyderabad with first store, and have over the years expanded to 54 stores in four south Indian states, i.e., Andhra Pradesh, Telangana, Karnataka and Tamil Nadu, with an aggregate area of approximately 603,414 square feet, as of July 31, 2023. It is amongst the top 10 retailers of ethnic apparel, particularly sarees, in south India in terms of revenues and profit in Fiscal 2020, 2021 and 2022.

The company offers a diverse range of products which includes various types of ultra-premium and premium sarees suitable for weddings, party wear, as well as occasional and daily wear; lehengas, men's ethnic wear, children's ethnic wear and value fashion products comprising fusion wear and western wear for women, men and children.

The company has expanded presence in online e-commerce marketplace and started selling products through their own online websites, www.kalamandir.com, www.brandmandir.com, www.kanchivml.com, www.klmfashionmall.com and www.kalamandirroyale.com as well as through other third-party online e-commerce websites which provides an omnichannel network to customers through online and offline channels. Their increased focus towards e-commerce has expanded the reach of products and in Fiscal 2023, their sarees were shipped to 25 states and six union territories in India.

HIGHLIGHTS

1. Portfolio of established formats with focused sales and marketing strategy.
2. Leading apparel retail brand in India with a scalable model
3. Strong presence in offline and online marketplace with an omni-channel network
4. Track record of growth, profitability and unit economics with an efficient operating model

OBJECTS OF THE ISSUE

1. Funding capital expenditure towards setting-up of 30 new stores (₹ 125.08 Cr.).
 2. Funding capital expenditure towards setting-up of two warehouses (₹ 25.39 Cr.), and
 3. Funding working capital requirements of the Company (₹ 280.06 Cr.)
 4. Repayment or pre-payment, in full or part, of certain borrowings availed by the Company (₹ 50 Cr.)
- Offer for Sale of 27,072,000 Equity Shares. The Company will not receive any proceeds from Offer for Sale.

OUR VIEW

Sai Silk (Kalamandir) Ltd. offers a diverse range of products including various types of ultra-premium and premium sarees for weddings, party wear and daily wear; lehengas, men's ethnic wear, children's ethnic wear and value fashion products. The products are sourced from 4,832 master weavers, weavers and vendors across India. In terms of revenue and profit after tax they are among the top 10 retailers of ethnic apparel in South India.

The company plans to open approximately 30 new stores over the course of the next three Fiscals across different formats, i.e., Vara Mahalakshmi and Kalamandir. It intends to expand their domestic footprint through owned stores and franchise network by leveraging the brand appeal. It has implemented innovative technology initiatives at the front-end and back-end operations. Their existing ERP system is currently being integrated with AI (Artificial Intelligence) features to provide detailed store level insights.

The business is however affected by seasonality like wedding seasons and festivals. Any changes in the quality of the products, preferences, taste of the consumer may adversely impact the demand. The company had previously tried to raise fund in its maiden IPO in February 2013.

The topline CAGR of the company is approximately 41.3% over FY21-23. It operated on an EBITDA Margin of 15.73% and PAT Margin of 7.22% for FY23 and generated an ROE and ROCE of 27.96% and 23.55% respectively for FY 2023. The issue is priced at a P/BV of 6.72 based on its NAV of ₹ 33.02 as of March 31, 2023 and the company is asking a P/E multiple of 27.37x on upper end of the price band over diluted EPS of FY 2023 (₹ 8.11). Comparing with the peers the highest P/E (Trent limited) – 163.76x and Lowest P/E (Shoppers Stop Limited) – 69.34x, the issue seems reasonably priced.

Looking at both opportunities and challenges faced by the company and keeping the further performance of the company, investors may apply in the IPO for Medium to Long term.

Brief Financials

PARTICULARS	₹ in Million		
	FY '23	FY '22	FY '21
Total Income	13,589.20	11,330.16	6,790.95
Total Expenditure	12,253.51	10,557.30	6,717.87
EBITDA	2,125.31	1,330.48	623.61
Profit/(Loss) before Tax	1,335.69	772.86	73.07
Profit/(Loss) for the year	975.88	576.87	51.31
E.P.S. (Diluted)	8.11	4.79	0.43
P/E (x) (Diluted)	27	-	-

PRICE CHART (@ ₹ 222) (Retail Category)

LOT SIZE	Amount
67	14,874
134	29,748
201	44,622
268	59,496
335	74,370
402	89,244
469	104,118
536	118,992
603	133,866
670	148,740
737	163,614
804	178,488
871	193,362

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount(Rs.)
Between ₹ 2 to ₹ 10 Lakhs (Minimum Shares)	932	208,236
Between ₹ 2 to ₹ 10 Lakhs (Maximum Shares)	4,489	996,558
Above ₹ 10 Lakhs	4,556	1,011,432

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	27/09/2023
Initiation of refunds/unblocking ASBA Fund	28/09/2023
Credit of Equity Shares to demat accounts of Allottees	29/09/2023
Commencement of trading of the Equity Shares on the Stock Exchanges	03/10/2023

For more details, please refer RHP,
https://www.sebi.gov.in/filings/public-issues/sep-2023/sai-silk-kalamandir-limited-rhp_76854.html

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