

Textile | India

IPO | 18 September 2023

Sai Silks (Kalamandir) Limited

A Premium Silk Ethnic Retailer



About the Company

Sai Silks (Kalamandir) (SSKL), established in 2005, headquartered in Hyderabad is one of the largest apparel retailers in South India offering retail textile products such as sarees, women's wear, men's wear and kids wear. SSKL, through its four store formats including 'Kalamandir', 'VaraMahalakshmi Silks', 'Mandir' and 'KLM Fashion Mall', offers its products to various segments of the market including premium ethnic fashion, ethnic fashion for middle income and value-fashion, with a variety of products across different price points, thereby catering to customers across all the market segments through offline and online marketplaces.

Multiple formats catering to all segments

SSKL has a strong presence across four states in Southern India with a network of 54 stores located in prime / central areas of the cities to tap the purchasing power of customers in a cluster-based mode. India is a land of diverse culture & heritage, with many festivals celebrated through the year. Sarees is the preferred choice for both rural & urban India during festivals and its market is expected to grow 16.5% CAGR over FY23-27 and South India is the largest saree market contributing to 50% of total saree sales where SSKL is being strategically placed with strong brands and presence across segments. It has a strong focus on technology – built in-house ERP to strengthen operational efficiencies across all the stores needs and inventory requirements to cross sell the higher inventory.

Strong demographics for sustained demand

India has the 3rd largest apparel market globally and is experiencing a growing demand for organized/online retail led by higher earnings and increase in women workforce and rising female population aged over 25 years are expected to reach to 45.5 Crs in 2031. The women Indian wear segment is expected to grow at a CAGR of 18% over FY 2023-2027 period and Indian and fusion wear continues to lead the growth in women's apparel with Saree and SKD contributing the highest revenue share including an upward trend towards purchase of branded products including fashion and lifestyle.

Financials in Brief

On the financial front, the company reported a turnover of Rs 677Crs, Rs 1129Crs and Rs 1351Crs for FY21, FY22 and FY23 respectively, on a consolidated basis. It posted net profit of Rs 5.1Crs, Rs 57.7 Crs and Rs 97.6 Crs respectively for the aforementioned period. While the company's top-line continued to grow, registering a CAGR of ~41% over FY21-23, while the bottom line has grown exponentially with higher margins improvement over the past few years.

Our View

The Indian ethnic wear business is a difficult business to replicate, given its high customer needs and complex inventory management. Dressing in ethnic wear is now a common trend not only at wedding celebrations but also country-wide festivals and other occasions and celebrations. Production is in-house and through third parties and its entire supply chain and inventory management is system driven and algorithmically managed at every stage in its supply and distribution chain. SSKL intends to continue to enhance the brand recall of products through the expansion of footprint digital marketing campaigns, brand ambassador content and outdoor advertising. **This gives SSKL a strong competitive advantage in the women's ethnic wear, strong margins and returns profile over the past few years, we expect consistent growth in its key metrics through its store expansion over the next few years, we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	210-222
Face Value (Rs)	2
Issue Open/Closing Date	20-Sep-23/22-Sep-23
Fresh Issues (Crs)	600.0
OFS (Crs)	601.0
Total Issue (Crs)	1,201.0
Minimum Bid Qty. (Nos)	67
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	3,405

*At higher band

Object of the Issue

- ▶ Expansion of new stores and ware houses
- ▶ Repayment of borrowings
- ▶ General corporate purposes

Strengths

- ▶ Leading ethnic wear player of the Southern India
- ▶ Strong brands to attract all segments of customers
- ▶ Efficient business model in offline and online
- ▶ Expand footprint within India through owned stores and franchise network

Key Risk

- ▶ Taste of consumer preferences changes leads to high inventory
- ▶ Concentration of stores located in Southern India

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	95.2	60.8
Others	4.8	39.2

Key Financials

(Rs Crs)	FY21	FY22	FY23
Stores Count	42	46	54
Avg Revenue per stores	16.1	24.6	25.0
Revenue	677	1,129	1,352
EBITDA	62.4	133.0	212.5
EBITDA Margin (%)	9.2	11.8	15.7
PAT	5	58	98
PAT Margin (%)	0.8	5.1	7.2
EPS (Rs)	0.3	3.8	6.4
RocE (%)	8.5	21.7	23.6
RoE (%)	2.1	19.2	24.6
D/E Ratio	0.89	0.87	0.87
Net Worth	243	301	397

Source: RHP

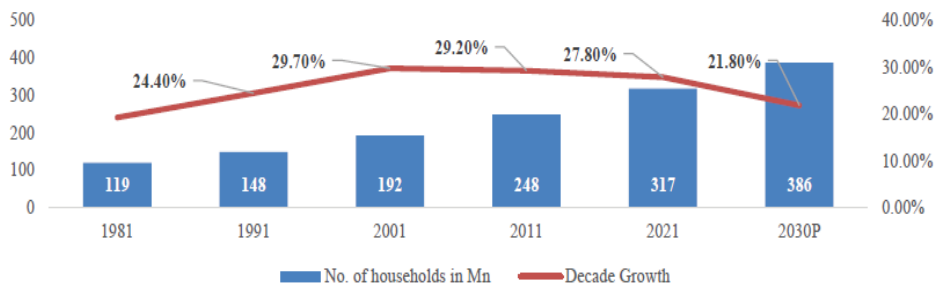
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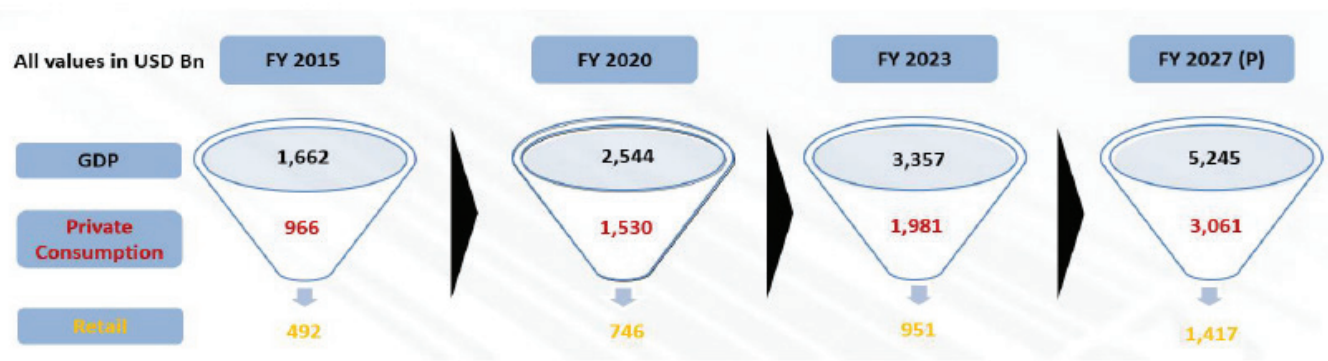
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Exhibit 1: Total number of households in India (In Million) and Decadal growth over the years (%)



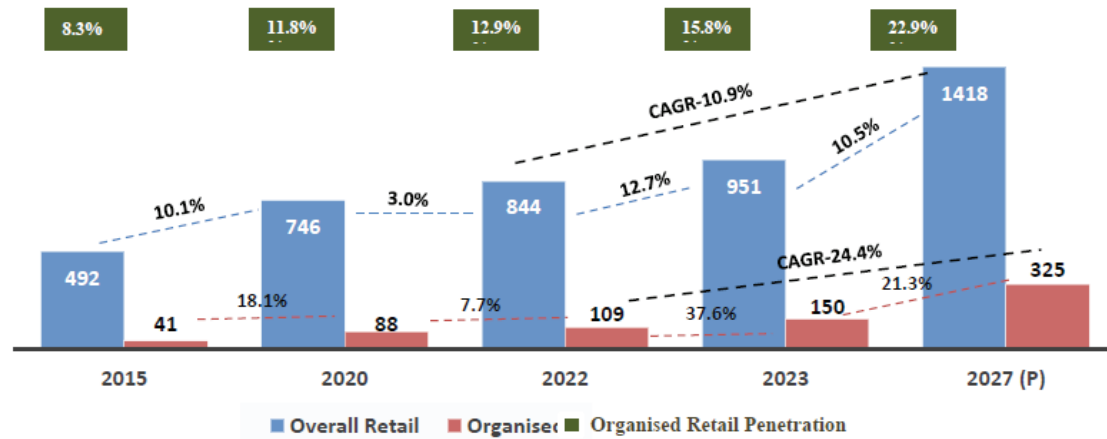
Source: RHP, Census, Technopak Analysis, Note: Decadal growth for period 2021 to 2030P reflects a 9-year period

Exhibit 2: India's Consumption Funnel in Fiscal (in US\$ Billion)



Source: RHP, Technopak Analysis. 1US\$ = Rs 80

Exhibit 3: Overall Retail Market in Fiscal (US\$ Billion)



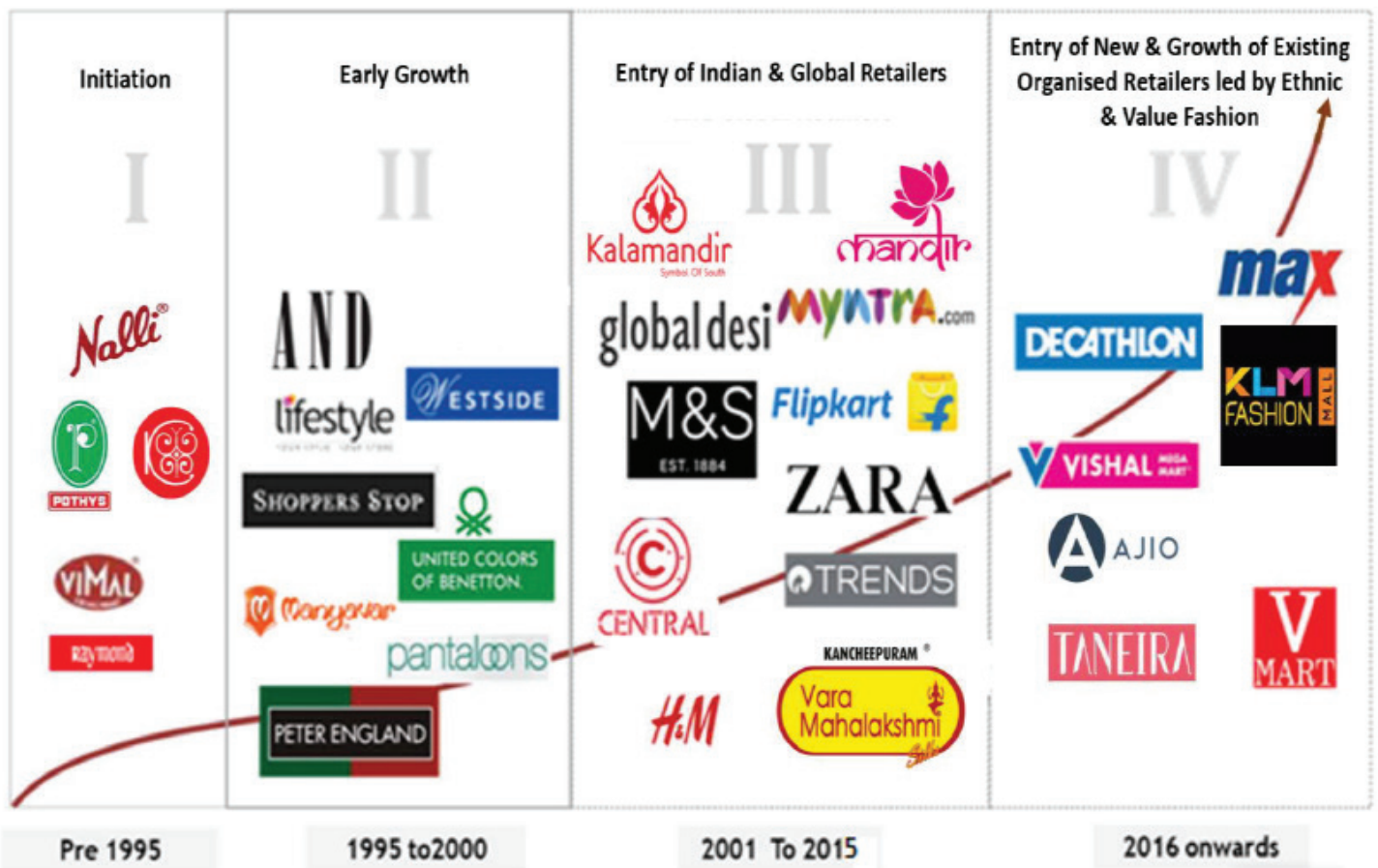
Source: RHP

Exhibit 4: Share of Brick and Mortar and E-commerce across Categories in Fiscal

	Fiscal 2027				
	Share of Retail	Retail Size (US\$ Billion)	Share of Unorganised retail	Share of organised B&M Retail	Share of organised E-commerce
Food and Grocery	59.4%	842.6	88.5%	6.6%	4.9%
Jewellery	8.7%	123.9	58.0%	32.8%	9.2%
Apparel and Accessories*	10.4%	147.1	51.4%	24.6%	24.0%
Footwear	1.3%	18.5	58.0%	19.0%	23.0%
Pharmacy and Wellness	3.2%	44.7	77.5%	13.3%	9.2%
Consumer Electronics	7.8%	110.8	52.0%	13.0%	35.0%
Home and Living	4.6%	64.5	68.0%	10.9%	21.1%
Others	4.7%	66	80.0%	8.0%	12.0%
Total	100.0%	1418	77.1%	11.9%	11.0%

Source: RHP, * Accessories include Bags, Belts, Wallets & Watches. Technopak Analysis. 1US\$ = Rs 80

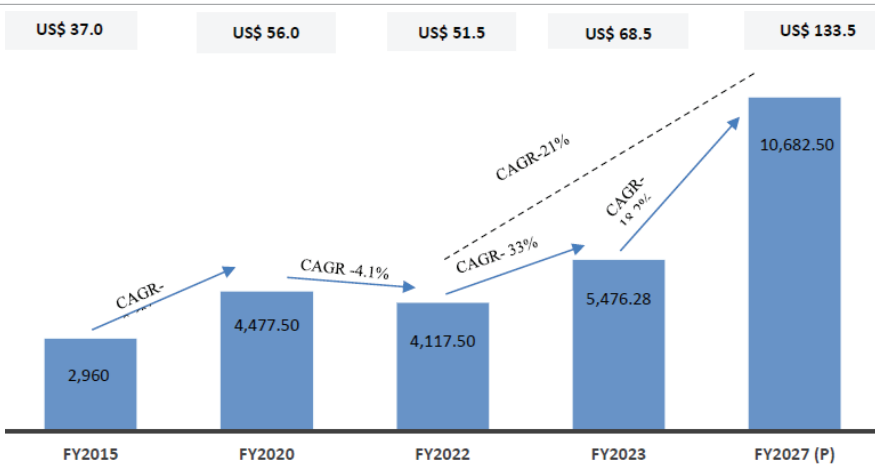
Exhibit 5: Organized Apparel Retail's Evolution in India



Source: RHP, Technopak Analysis

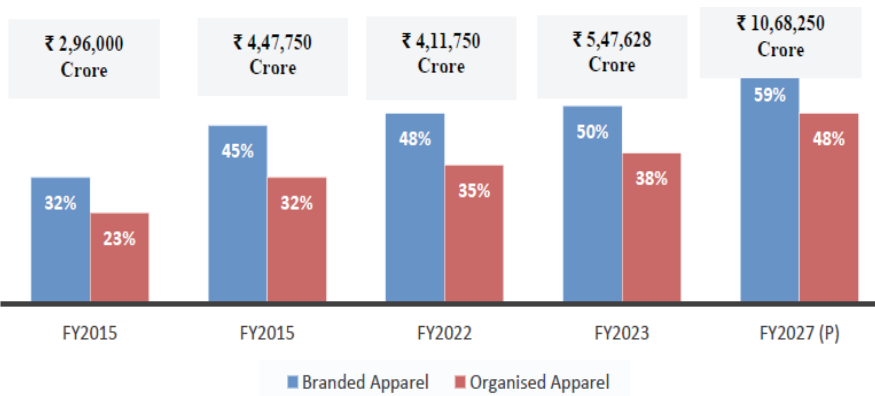
Note: The graph represents the four phases of the organized retail evolution and indicates the players who took center stage in these phases.

Exhibit 6: Apparel Market Size in India (in Rs Crore) (Year In Fiscal)



Source: RHP, Technopak Analysis; Note: Year indicates Fiscal; Excludes accessories (Bags, Belts, Wallets etc.)

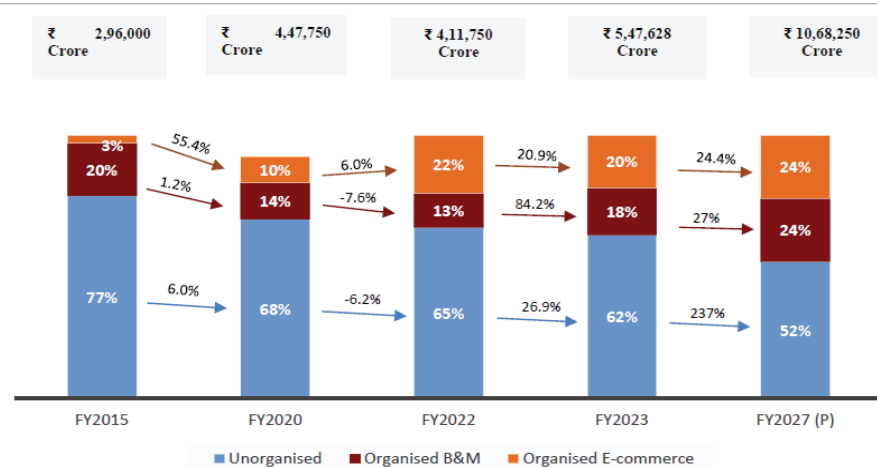
Exhibit 7: Share of Branded Apparel and Organized Apparel Retail as a percentage of Apparel Market (Year in Fiscal)



Source: RHP, Technopak Analysis

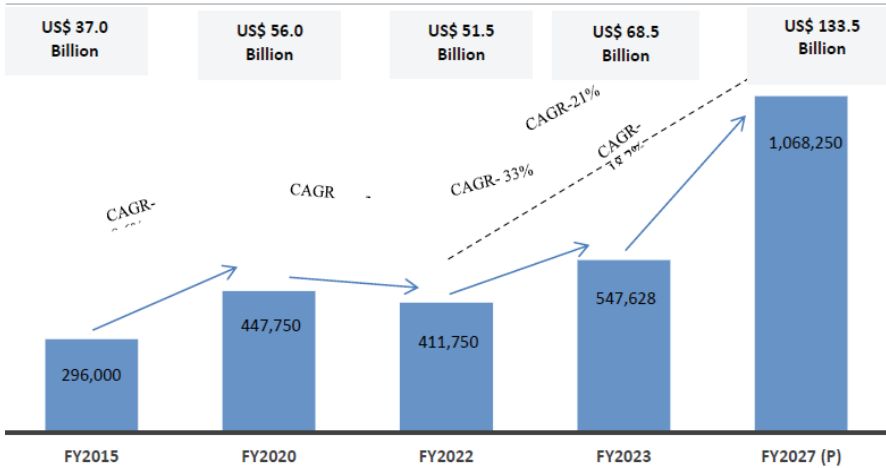
Branded apparel signifies registered trademarks that are regularly patronized by customers and that are sold through both organized retail and trade channels. Organized retail signifies formal retail channels of Exclusive Brand Outlets (EBOs), Multi Brand Outlets (MBOs), Large Format Stores (LFS), E-commerce etc. Apparel retailed through these organized retail points of sales is necessarily branded. Therefore, organized share is less than the share of Branded apparel in total share.

Exhibit 8: Share and Growth of Organised Vs Unorganised in Apparel Industry (in Rs Crore)



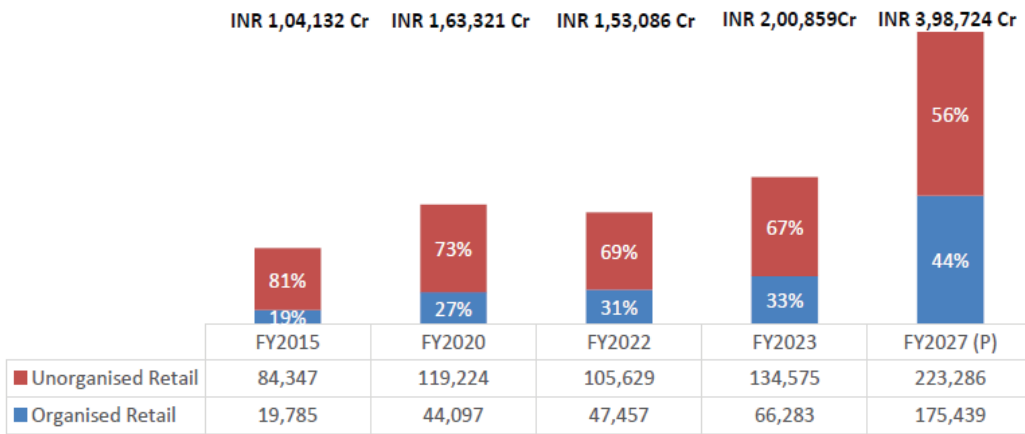
Source: RHP, Technopak Analysis

Exhibit 9: Apparel Market Size in India (in Rs Crore) (Year In Fiscal)



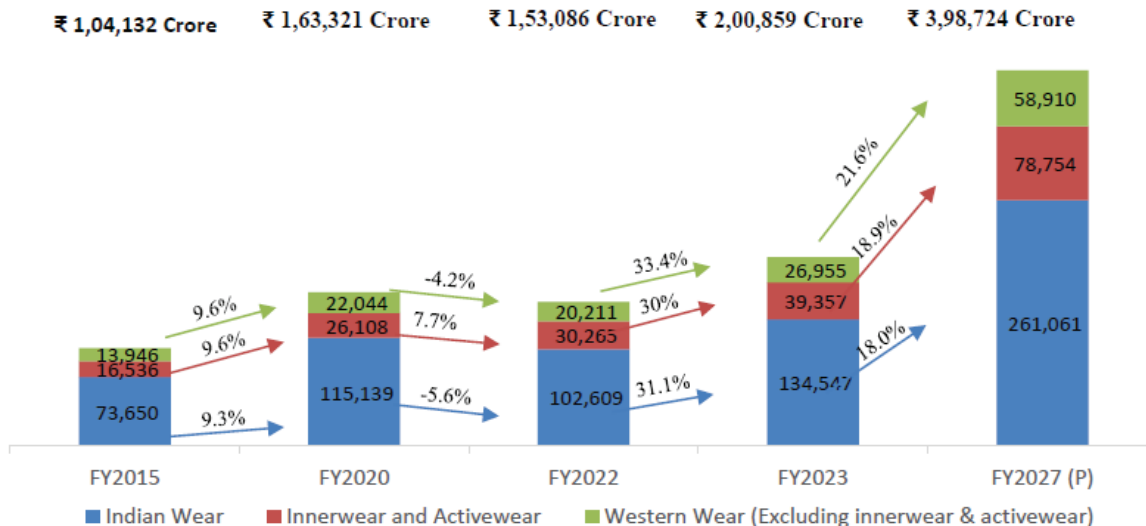
Source: RHP, Technopak Analysis; Note: Year indicates Fiscal; Excludes accessories (Bags, Belts, Wallets etc.)

Exhibit 10: Share of Organised and Unorganised Retail as a percentage of Women Apparel Market (in Rs Crore) – Fiscal 2015, Fiscal 2020, Fiscal 2022, Fiscal 2023, Fiscal 2027P



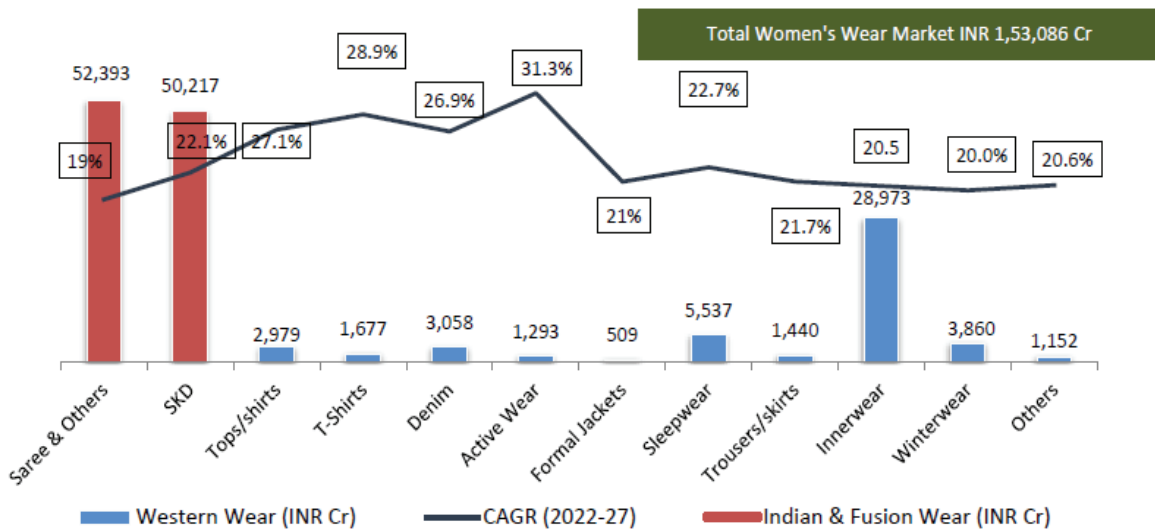
Source: RHP, Technopak Analysis

Exhibit 11: Segment Contribution: Women Apparel market-Fiscal 2015, Fiscal 2020, Fiscal 2022, Fiscal 2023 and 2027P (in Rs Crore)



Source: RHP, Technopak Analysis; Western Wear (excluding Innerwear and Activewear) includes Tops/shirts, T-shirts, Denim, Formal Jackets, Sleepwear, Trousers/skirts, Winterwear and clothing accessories

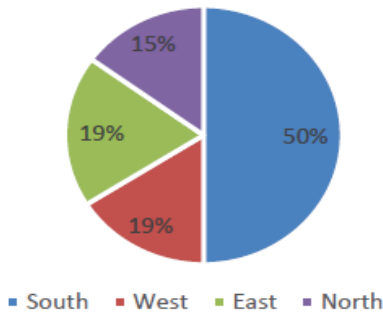
Exhibit 12: Segmentation based on Product type of Women wear market Fiscal 2022 (in Rs Crore) and CAGR Fiscal 2022 to Fiscal 2027



Source: RHP, Technopak Analysis; Note: Year indicates Fiscal. Others: Women Clothing Accessories. 'Others' in Saree and Others includes Lehenga set, Indian dresses/gowns etc. SKD includes Sets, Mix and Match and Dupattas/ Stoles etc

Exhibit 13: Region wise share of Saree Market (Fiscal 2022) (in Rs Crore)

Total Saree Market = INR 52,393 Crore







Source: RHP, Technopak Analysis

Exhibit 14: A timeline illustrating the significant milestones achieved by us since the launch of our business is set out below:

<p><i>Started as a partnership in the name of 'Sai Silks'.</i> First Kalamandir store was launched in Ameerpet (Hyderabad)</p>	<p><i>Kalamandir expands to Karnataka and the rest of Andhra Pradesh</i></p>	<p><i>The first premium brand of the Company, "Mandir" opens its first store in Hyderabad</i></p>	<p><i>'VaraMahalakshmi', a premium retail store launched in Kancheepuram in Tamil Nadu</i></p>	<p><i>First KLM Fashion Mall was launched in Ameerpet. The store has a high fashion quotient with a wide range of styles at affordable prices</i></p>	<p><i>Started online retail for each of our brands with innovative solutions such as video appointments etc.</i></p>
 2005	 2008	 2011	 2012	 2017	 2020

Source: RHP

Exhibit 15: Our ethnic wear and value-fashion products are available through our stores under four different format stores, i.e., Kalamandir, VaraMahalakshmi Silks, Mandir, and KLM Fashion Mall, as well as through e-commerce channels comprising our own website and other online e-commerce marketplaces. The table below provides certain information on our product portfolio and break-down by price range as of July 31, 2023:

Format	Target Segment	Product Portfolio	Average Price Range
	Contemporary ethnic fashion for middle income	Different variety of sarees, such as <i>Tusser, Silk, Kota, Kora, Khadi, Georgette, Cotton and Matka</i>	Approximately ₹ 1,000 to ₹ 100,000
	Premium ethnic silk sarees and handlooms targeting wedding and occasional wear.	The major product offerings includes premium variety of sarees such as <i>Banarasi, Patola, Kota, Kanchipuram, Paithani, and Organza, Kuppadam</i> , with major focus on handlooms such as <i>Kacheepuram</i> silk sarees	Approximately ₹ 4,000 to ₹ 250,000
	Ultra-premium designer sarees targeting high net-worth individuals	The major product offerings includes ultra-premium variety of designer sarees such as <i>Banarasi, Patola, Ikat, Kanchipuram, Paithani, Organza and Kuppadam</i>	Approximately ₹ 6,000 to ₹ 350,000.
	Value-fashion at affordable price points	Value fashion products comprising fusion wear, sarees for daily wear and western wear for women, men and children	Approximately ₹ 200 to ₹ 75,000

Source: RHP

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