

## BORANA WEAVES LIMITED

## IPO NOTE



IPO Price Band: INR 205 to 216 per share

M.Cap: ~INR 575.54 Cr.

Recommendation: May Subscribe

**ABOUT:** Incorporated in Oct'20, Company manufactures polyester textured yarn ('PTY Yarn'), unbleached synthetic grey fabric from its three manufacturing units located in Surat, Gujarat which are equipped with total of 15 texturizing machines, 6 warping machines, 700 water jet looms & 10 folding machines with current aggregate installed capacity of 2,332.80 lakh meters per annum which is proposed to be augmented by 1,127.52 lakh meters per annum with Unit 4 (proposed funding from IPO proceeds) which will constitute 32.58% of capacity post expansion. Capacity utilization for 9MFY25 stood at 79.62%

**INVESTMENT RATIONALE:**

- Strategic location positioned to capitalize on sector demand**
  - Unbleached synthetic grey fabric serves as fundamental material for further processing (dyeing / printing etc.) in various industries (fashion, technical textiles, home décor, interior design, traditional textiles)
  - 98% of revenues are derived from customers located in Gujarat while 90% of suppliers are in Gujarat (9MFY25)
- Superior manufacturing capabilities** with use of water jet looms to produce uniform textured fabric and consistent quality
  - Operates at higher speeds with reduced downtime & lower energy consumption
- Experienced promoter track record** with the Promoter and Chairman & Managing Director (Mr. Mangilal Ambalal Borana) having over 24 years of experience in textiles industry
  - Group Companies include R&B Denims Ltd. (Listed on BSE with M.Cap of ~INR 813 Cr.), Borana Filaments Pvt. Ltd., Ricon Textile Pvt. Ltd. Arham Weaves Pvt. Ltd. etc.

**BRIEF FINANCIALS:**

Particulars (INR Cr.)	FY22	FY23	FY24	9M-FY25
Revenue	42	135	199	212
Growth Rate Y-o-Y %		220%	47%	
Gross Margin %	28.0%	36.3%	38.5%	39.1%
EBITDA %	12.2%	19.2%	20.7%	21.8%
PAT %	4.2%	12.0%	11.8%	13.6%
Debt (Short+Long)	28	41	71	56
Equity	2	24	48	77
Debt/Equity	15.37x	1.69x	1.48x	0.72x
NWC	10	23	21	45
NWC (days)	90	61	39	58
NWC includes Inventory, Receivables & Payables; & NWC days is computed as % of rev.				
ROE %	99.4%	67.6%	49.5%	38.2%
ROCE %	12.0%	33.9%	27.0%	27.3%
CFO / EBITDA %	-ve	26%	54%	56%

**IPO VALUATION & VIEW:**

Issue is valued at P/E ratio of 24.4x and 14.7x respectively based on FY24 and FY25 (annualized 9M-FY25) PAT respectively. Considering the strengths of experienced promoter, manufacturing capabilities, strategic location being partially offset by commoditized nature of product, related party transactions, reliance on Unit 4 commencement to drive sales growth, we recommend a 'May Subscribe' to this issue.

**ISSUE SUMMARY**

Particulars	Details
Price Band (INR)	205 to 216
Face Value (INR)	10
Implied M.Cap (INR Cr.)	575.54
Exchange	BSE, NSE
Minimum Lot Size (Retail   HNI)	69   966
Issue Opens on	20-May-2025
Issue Closes on	22-May-2025
Listing Date	27-May-2025
No. of shares pre-issue (#)	1,99,37,295
Fresh Issue of Shares (#)	67,08,000
Offer for Sale (#)	0
No. of shares post-issue (#)	2,66,45,295
Funds Mobilized (INR Cr.)	
(a) Fresh Issue of Shares	144.89
(b) Offer for Sale	0.00
IPO Reservation	
(a) QIB shares offered	>=75%
(b) Retail shares offered	<=10%
(c) NII (HNI) shares offered	<=15%
Registrar	KFin Technologies
Book Running Lead Managers	Beeline Capital Advisors Pvt. Ltd.
Objects of Issue (INR Cr.)	
(a) Capex for new manufacturing unit to produce grey fabric	71.35
(b) Funding of Working Capital	26.50
(c) Funding of GCP	●
(d) Funding of issue related expenses	

**SHAREHOLDING**

Particulars	Pre-Issue	Post-Issue
Promoter & Promoter Group	87.19%	65.24%
Public & Others	12.81%	34.76%
Total	100.00%	100.00%

**KEY RISKS / MONITORABLES**

- Production from Unit 4 is expected in Dec'25. Any additional topline growth will be from Unit 4 operations as FY25 sales is expected to be driven via peak utilization of existing units
- Related party sales constitute ~14% revenue for 9M-FY25 (26% in FY24, 35% in FY23, 51% in FY22)
- Outstanding contingent liabilities in form of Bank Guarantees issued for Ricon Textile Pvt. Ltd. (Group Co.) of INR 9.82 Cr.

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☐ Manufacturing / production process:

☐ Production of PTY Yarn & grey fabric is carried out as follows:

- Texturizing: Raw material polyester oriented yarn ('POY Yarn') is heated to produce polyester textured yarn (PTY)
- Warping: Convert separate PTY Yarn packages into a warp beam or yearn roll (crucial for weaving)
- Drawing: Straighten the PTY Yarn to ensure uniformity for next stages
- Water Jet Weaving: Involves water jet looms (high pressure) to interlace yarn to create finished fabric
  - ✓ Company has 700 operational water jet looms split across Unit 1: 144, Unit 2: 256 & Unit 3: 300
  - ✓ Further 348 water jet looms in Unit 4 are proposed to be added
- Folding: Carried out by automated machine, followed by a physical quality checking to result in folded lots
- Computerized tagging of folded lots with important details (lot number, date of production, length of fabric and a QR scan code)

☐ Key Financial & Operational Data:

Operating Revenue	FY22		FY23		FY24		9M-FY25	
	INR Cr.	%	INR Cr.	%	INR Cr.	%	INR Cr.	%
Grey Fabric	19.4	45.8%	85.4	63.1%	143.7	72.2%	178.3	84.2%
Yarn	21.5	50.8%	45.7	33.8%	52.6	26.4%	30.3	1.4%
Other Product	1.4	3.4%	4.3	3.1%	2.8	1.4%	3.0	1.4%
Total	42.3	100.0%	135.4	100.0%	199.1	100.0%	211.6	100.0%
Installed Cap. (Lakh meter p.a.)*	213.8		787.9		1,603.8		1,749.6	
Avg. Capacity Utilization %	56.93%		83.78%		79.51%		79.62%	
Employee Count (#)	193		568		793		666	
Supplier Data	INR Cr.	% & # of suppliers	INR Cr.	% & # of suppliers	INR Cr.	% & # of suppliers	INR Cr.	% & # of suppliers
Domestic: Gujarat	27.2	79.3%	59.8	59.0%	54.5	44.6%	95.8	71.7%
Domestic: Other than Gujarat	7.1	20.7%	10.6	10.5%	10.1	8.3%	37.8	28.3%
Imports	-	-	30.9	30.5%	57.7	47.1%	-	-
Total Purchases	34.3	100.0% #6	101.3	100.0% #24	122.3	100.0% #25	133.5	100.0% #20
Customer Concentration	INR Cr.	%	INR Cr.	%	INR Cr.	%	INR Cr.	%
Top 1	14.7	34.8%	35.4	26.2%	32.8	16.5%	17.6	8.4%
Top 5	27.7	65.5%	68.0	50.2%	77.7	39.0%	62.1	29.4%^
Top 10	33.7	79.7%	85.6	63.2%	109.0	54.8%	94.6	44.7%

\*Pro-rata basis no. of months for which unit was operational | FY25 installed capacity is 2,332.8 lakh meters p.a.

^Top 5 customers included group Companies Borana Industries LLP, Arham Weaves

☐ Growth Estimates:

- We understand that Company has potential to achieve ~INR 290 Cr. of annual topline with peak utilization of all 3 units which translates into annualized PAT of ~INR 40 Cr.
- Unit 4 has potential to achieve ~INR 120 Cr. of topline when running at peak capacity. However, for FY26, since Unit 4 will be operational in H2, contribution will be lower in this financial year

☐ Peer Comparison: Company has indicated that there are no listed peers in this product profile

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For any queries or grievances: Mr. Nishant Gupta | Email: [nishant.gupta@mcapital.in](mailto:nishant.gupta@mcapital.in) | Contact Number: 8171433387 | Website: [www.mcapital.in](http://www.mcapital.in) | Twitter: [@Mcapital\\_In](https://twitter.com/Mcapital_In)

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- Buy: > 15%
- Hold: -5% to 15%
- Reduce: -15% to -5%
- Sell: < -15%