BONANZA RESEARCH – SME IPO

Bonanza

22 July 2026

Shree Balaji (Mala) Textiles Limited - NEUTRAL

Company Overview

Shree Balaji (Mala) Textiles Limited is a Kolkata headquartered textile company operating as a B2B contract manufacturer and wholesaler of cotton sarees and ethnic women's wear under the flagship brand "Mala Saree".

Investment Rationale

- **Established Legacy Brand:** "Mala Saree" brand has been in the market since the 1990s with strong recall in Eastern India's Tier II/III markets.
- **Multi-Layered Distribution Moat:** PAN-India network combining 105+ brokers, 69 wholesalers, 3,000 retailers, plus growing e-commerce via SOLV.
- **Diversified Product Catalogue:** Over 600 SKUs across fabrics, weaves, and price bands, enabling wide customer coverage.
- **Asset-Light Operating Model:** 95% of production outsourced via job-work model, low capital intensity, high scalability.
- **ISO 9001:2015 Certification:** Institutionalized quality control – products verified at every manufacturing stage.
- **Improving Profitability Trajectory:** PAT margin expanded from 1.25% (FY24) to 2.76% (FY26), PAT margin expanded from 1.26% (FY24) to 2.76% (FY26), RoE at a healthy 21.28%, ahead of both listed peers.
- **Experienced Promoter Group:** Chairman & MD Binod Kumar Kedia brings 30+ years of textile industry experience.
- **Value for Money Positioning:** Sweet spot pricing from Rs. 175 to Rs. 600, aligned with rising affordable ethnic wear demand in Tier II/III India.

Valuation

At the upper band of Rs. 70, Shree Balaji is valued at roughly 8.6x FY26 EPS of Rs. 8.13 and 1.8x NAV of Rs. 38.17, implying a post-issue market cap of Rs. 6,933 Lakh on an issue size of Rs. 1,890 Lakh. On post-issue diluted equity, P/E rises to 11.8x versus the industry composite of 12.18x. FY26 revenue grew 9.8% to Rs. 21,197 Lakh with PAT of Rs. 585 Lakh and RoNW 21.28%. Thin 2.8% PAT margin and 2.51x debt-equity temper the appeal; valuation looks fair rather than cheap. Hence, we assign a **NEUTRAL** stance to the issue.

IPO Details	
Industry	Textiles & Apparels
Issue Open Date	22-Jul-26
Issue Close Date	24-Jul-26
Price Band	Rs. 66-70
Issue Size*	Rs. 1,890 Lakh
Issue Size (Shares)	27,00,000
Bid Lot	2,000 Shares
Listing Exchanges	BSE SME
Face Value	Rs. 10/-

***At highest price band**

Issue Details	
Fresh Issue*	Rs. 1,890 Lakh
Issue Type	Fresh Capital only
Lead Manager	GYR Capital Advisors
Registrar	Kfin Technologies
Issue structure	Market Maker: 5.04% QIB: 47.19% NII: 14.44% Retail: 33.33%
Allotment	27-Jul-26
Credit of Shares	28-Jul-26
Listing Date	29-Jul-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
Working Capital	1,650
General Corporate Purposes	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	100.00	72.74
Public & Others	-	27.26

Business Highlights

Revenue Mix by Channel:

Channel	Revenue Share
Retailers	46.13%
Wholesalers	27.80%
Dealers	21.74%
E-commerce (SOLV)	4.33%

Geographic Concentration:

- West Bengal / Eastern India: 90.97% of FY26 revenue.

Product Concentration:

- Cotton Sarees: 90.75% of FY26 revenue, 74 Lakh units sold in FY26.

Supplier Base:

- 100 suppliers, top 10 are 47.83% of purchase.

Customer Base:

- Top 10 Customers are 18.59% of revenue.

Financials

Profit & Loss Statement:

Particulars (in Lakh)	FY24	FY25	FY26	CAGR (FY24-26)
Revenue from Operations	19,554	19,304	21,197	4%
EBITDA	1,023	1,320	1,550	23%
EBITDA Margin	5.23%	6.84%	7.31%	
PAT	246	495	585	54%
PAT Margin	1.26%	2.56%	2.76%	

- Revenue CAGR 4% (FY24–FY26); FY25 dipped 1.28% due to softening fabric rates, before rebounding 9.81% in FY26.
- PAT more than doubled in FY25 from Rs. 245.64 Lakh to Rs. 494.61 Lakh on expense rationalization (lower director remuneration and finance costs).
- Steady EBITDA margin expansion of 208 bps over two years reflects operating leverage as the company shifted toward direct management of Jetpur.
- Finance costs remain elevated (35% of EBITDA in FY26), working capital financing is a significant drag.

Balance Sheet:

Particulars	FY24	FY25	FY26	Particulars	FY24	FY25	FY26
Equity & Liabilities				**Assets**			
Net Worth	1,670	2,165	2,751	PPE	416	414	389
Long Term Debt	241	128	3	Inventories	2,621	3,665	2,882
Short Term Debt	4,896	4,747	6,906	Trade Rec.	9,203	9,391	10,427
Trade Payables	4,179	4,513	3,421	Cash	422	256	584

- Assets are 94% current in nature, dominated by receivables and inventories, classic working capital heavy trading model.
- Net Worth grew 1.65x in two years from Rs. 1,670 Lakh to Rs. 2,750 Lakh, on retained earnings.
- Debt/Equity remains elevated at 2.51x.
- Shift from unsecured to secured debt is credit-positive.
- Non-current assets jumped in FY26 due to direct takeover of Jetpur facility.

Cash Flow:

Particulars	FY24	FY25	FY26
Operating Cash Flow	400.32	880.11	(1,326.52)
Investing Cash Flow	0.12	(21.53)	10.32
Financing Cash Flow	(346.13)	(885.49)	1,309.37
Net Cash Flow	54.31	(26.91)	(6.83)

- Operating Cash Flow turned sharply negative in FY26 Rs. -1,326.52 Lakh despite record PAT, driven by Rs. 1,036 Lakh jump in receivables and lower payables.
- Investing activity is minimal, asset-light model confirmed.
- Cash balance remains thin Rs. 50 Lakh, liquidity dependent on bank lines.

Key Ratios:

Ratio	FY26
Return on Equity	23.82%
Return on Capital Employed	15.65%
Debt-Equity Ratio	2.51x
Current Ratio	1.16x
EPS (Rs.)	8.13
NAV (Rs.)	38.17

- ROE: Strong shareholder return.
- ROCE: Healthy capital efficiency, but below RoE due to leverage.
- D/E Ratio: High leverage, balance sheet risk remains elevated.
- Current Ratio: Tight liquidity, limited short-term cushion.

Peer Comparison

Metrics	Mala Saree	N R Vandana Tex	Saraswati Saree Depot
Revenue	21,197	30,415	63,116
EBITDA	1,550	2,432	3,781
PAT	585	1,046	2,341
EPS (Rs.)	8.13	4.73	5.89
RONW	21.28%	14.43%	12.02%
NAV (Rs.)	38.17	31.11	49.16
P/E Ratio	8.61	14.80	8.83

Risk & Concerns

- Product Concentration: Cotton sarees are 90.75% of revenue.
- Geographic Concentration: West Bengal / East India are 90.97% of revenue.
- Supplier Concentration: Top 10 are 47.83% of purchases.
- Negative Operating Cash Flow of Rs. -1,326.52 Lakh in FY26 despite record PAT.
- Working capital intensive business model with 140 day cash cycle likely stretching to 172 days.
- Highly fragmented industry with strong unorganized-sector competition.
- Raw material inflation (cotton, grey fabric) can compress already thin margins.

Name	Designation	
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