

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%<br>QIB: 47.19%<br>NII: 14.44%<br>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.

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