

Company Overview

Sonaselection India Limited is an integrated fabric manufacturing and processing company engaged in the production of value-added textile products, with capabilities spanning fabric manufacturing, processing and readymade garments. Its product portfolio includes 100% cotton fabric, cotton lycra, cotton blends, polyester blends, polyester-viscose and polyester fabrics, enabling it to cater to varied end-use requirements across the textile value chain. The company operates a manufacturing facility in Bhilwara, Rajasthan, spread across approximately 49,540 sq. mtr., with an installed processing capacity of 82.44 million metres per annum. Its integrated operating model covers sourcing of greige fabric or yarn, in-house bleaching, dyeing, finishing, quality testing, grading and outbound logistics, providing greater control over product quality, processing timelines and customer specifications. Incorporated in 2022, the company initially operated as a textile processing and job-work unit before transitioning towards a manufacturing-led model, with its cotton fabric processing plant becoming operational in July 2024. In FY26, manufacturing contributed 81.5% of revenue from operations, while job work and readymade garments contributed 17.3% and 1.2%, respectively, reflecting a significant shift towards higher-value manufacturing activities. Revenue and profitability witnessed strong growth during the period, supported by the company's transition towards a manufacturing-led business model and increasing scale of operations. The company has also recently entered the readymade garments segment through its subsidiary, strengthening its presence across the textile value chain. With a growing manufacturing base, diversified fabric portfolio, increasing contribution from manufacturing and initial expansion into exports, Sonaselection is positioned to participate in the structural growth of India's textile and apparel industry while retaining exposure to both manufacturing and processing revenues.

Objects of the issue

The IPO comprises a Fresh Issue aggregating up to Rs.142 crores. The Net Proceeds from the Fresh Issue are proposed to be utilized for the following purposes:

- Repayment and/or pre-payment, in full or part, of certain borrowings availed by our Company from banks;
- Funding of capital expenditure towards purchase of plant and machineries at the existing Manufacturing Facility situated at located at 18th K M Stone, Chittorgarh Road, Hamirgarh, Bhilwara Rajasthan, India; and
- General Corporate purposes.

Investment Rationale

Strategically located manufacturing facility with modern technologies supporting operational efficiency and product quality

The company operates an integrated manufacturing facility in Bhilwara, Rajasthan, a well-established textile hub with a strong fibre-to-fabric ecosystem comprising spinning, weaving and dyeing units. Its presence within this established cluster provides access to a reliable supplier network, skilled manpower and ancillary services, supporting manufacturing efficiency and operational execution. The facility is designed to undertake end-to-end processing of cotton fabrics within a single location, which helps reduce material movement, production lead times and coordination requirements while enabling greater process control and consistency in output quality. The manufacturing unit is equipped with modern processing machinery, including stenter, merceriser, washing range, sanforiser, singeing, microsand suiding and cloth pressing machines, supported by real-time digital monitoring to improve process uniformity and reduce defects. The company also operates an in-house quality assurance laboratory equipped with specialised testing and colour management systems, enabling quality checks across various stages of production. Further, the integration of automation, digital process controls and qualified textile professionals supports the development of value-added and customised fabrics while improving operational efficiency and energy utilisation. The combination of a strategically located manufacturing facility, integrated processing capabilities, modern machinery and in-house quality assurance infrastructure provides the company with a scalable platform to cater to evolving customer requirements and strengthen its competitive position in the textile processing industry.

Issue Details

Offer Period	17th Sept 2026 - 21st Sept 2026
Price Band	Rs. 94 to Rs. 99
Bid Lot	150
Listing	BSE & NSE
Issue Size (no. of shares in Cr.)	1.4
Issue Size (Rs. in Cr.)	142
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%
BRLM	Choice Capital Advisors Private Ltd.

Registrar	Kfin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	86.2%	64.5%
Public	13.7%	35.5%
Total	100.0%	100.0%

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Sonaselection India Ltd.

Integrated business model combining manufacturing and job-work activities supporting flexibility and capacity utilisation

The company follows an integrated business model combining in-house manufacturing with job-work processing, providing operational flexibility while enabling better control over quality, production schedules and capacity utilisation. The company initially commenced operations as a processing unit undertaking job-work activities following the acquisition of an established textile processing facility. As its customer base expanded, it strategically transitioned towards a manufacturing-led model by establishing its own cotton processing plant, which commenced operations in July 2024. This transition has enabled the company to process greige fabric into finished fabric in-house, providing greater control over product quality, production planning, cost efficiency and consistency while strengthening its position across the fabric value chain. The manufacturing-led approach has resulted in a significant increase in the contribution of manufacturing to revenue, which accounted for 81.5% of revenue from operations in FY26, compared with 11.3% in FY24, while the share of job-work revenue declined over the same period. At the same time, the continued presence of job-work activities provides flexibility to utilise available capacity and maintain optimal operating levels. Overall, the combination of manufacturing and job-work capabilities provides the company with a balanced operating model, allowing it to leverage its in-house infrastructure while retaining flexibility in capacity utilisation and customer requirements.

Valuation

Sonaselection India Limited is a textile fabric manufacturer based in Bhilwara, Rajasthan, with capabilities across fabric manufacturing, dyeing, processing and finishing. The company operates an installed capacity of 82.44 million metres per annum and has transitioned from job-work services towards manufacturing and direct sales of finished fabrics, enabling greater value addition and market flexibility. The Indian textile and readymade garment industry offers growth opportunities supported by rising global sourcing diversification and India's increasing role in global apparel manufacturing. The company is also expanding across the textile value chain through its subsidiary, with plans to enter the RMG segment. On the financial front, Revenue/EBITDA/PAT increased to Rs.517 Cr/Rs.85 Cr/Rs.34 Cr in FY26 from Rs.121 Cr/Rs.28 Cr/Rs.13 Cr in FY24, translating into revenue, EBITDA and PAT CAGRs of approximately 106.7%, 72.5% and 61.2%, respectively. At the upper price band of Rs.99, the issue is valued at approximately 12.2x FY26 diluted EPS of Rs.8.1. The valuation appears reasonable relative to the company's strong earnings growth, although margin moderation and elevated debt remain key factors to monitor. The issue proceeds are also proposed to be used partly for repayment/prepayment of borrowings and purchase of plant and machinery. **Considering the strong revenue and profit growth and relatively moderate valuation, we recommend a "SUBSCRIBE" rating.**

Key Risks:

- ⇒ The company operates in a competitive textile industry and faces competition from domestic players. Increased competition may result in pricing pressure, loss of market share and the need for higher investments, which could adversely affect its business, margins and financial performance.
- ⇒ The company is exposed to fluctuations in the prices and availability of raw materials. Any increase in the cost of key raw materials or disruption in their availability could increase production costs, affect margins and adversely impact the company's results of operations and financial condition.
- ⇒ The company has significant working capital requirements and relies on borrowings to meet its financial needs. Any inability to obtain adequate working capital or additional financing on acceptable terms could adversely affect its business operations, liquidity and financial condition.

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Income Statement (Rs. in Corers)

Particulars	FY24	FY25	FY26
Revenue:			
Revenue from operations	121	316	517
Total revenue	121	316	517
Expenses:			
Cost of Materials Consumed	53	218	306
Purchase of Stock-in-Trade	1	1	8
Changes in Inventories of Finished Goods, Work-inProgress and Stock-in-Trade	-5	-35	-8
Employee Benefit Expenses	20	36	48
Other expenses	24	38	79
Total expenses	93	258	433
EBITDA	28	58	84
Depreciation & amortization	7	17	19
EBIT	21	40	65
Finance costs	5	15	18
Other Income	0	1	1
Restated profit before exceptional items and tax	17	26	48
Exceptional items	0	0	0
PBT	17	26	48
Current Tax	3	5	9
Less : MAT Credit (Entitlement) / utilised	0	-2	3
Deferred tax	1	5	2
Total tax	4	8	14
Net profit	13	19	34
Diluted EPS	3.3	4.5	8.1

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in Corers)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	18	-14	-11
Cash flow from investing activities	-108	-50	-20
Cash flow from financing activities	95	61	33
Net increase/(decrease) in cash and cash equivalents	4	-4	2
Cash and cash equivalents at the beginning of the period	0	4	0
Cash and cash equivalents at the end of the period	4	0	2

Source: RHP, BP Equities Research

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Balance Sheet (Rs. in Corers)

Particulars	FY24	FY25	FY26
Assets			
Non-Current Assets			
Property, plant and equipment	75	170	183
Capital work-in-progress	73	10	0
Other Intangible asset	0	0	1
Intangible assets under development	0	1	0
Financial assets	0	0	0
(i) Other financial assets	1	1	1
Total Non Current assets	149	181	185
Current Assets			
Inventories	19	97	154
Financial Assets	0	0	0
i) Trade receivables	14	70	104
ii) Cash and cash equivalents	4	0	2
iii) Bank balances other than cash and cash equivalents	4	5	3
Other current assets	13	18	27
Income Tax Assets (Net)	0	3	0
Total current assets	55	194	290
Total Assets	203	375	475
Equity and Liabilities			
Equity Share Capital	3	16	43
Other equity	36	54	62
Total Equity	39	70	104
Non-Current Liabilities			
Financial Liabilities			
(i) Borrowing	112	131	126
Provisions	1	1	2
Deferred Tax Liabilities (net)	7	13	15
Total Non-Current Liabilities	120	145	144
Current Liabilities			
Financial Liabilities			
(i) Borrowing	33	77	132
(ii) Trade Payables	8	74	81
(iii) Other financial liabilities	4	8	11
Other current liabilities	0	1	1
Provisions	0	0	0
Current tax liabilities (net)	0	0	2
Total Current Liabilities	45	160	227
Total Liabilities	165	305	371
Total Equity and Liabilities	203	375	475

Source: RHP, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392