IPO REVIEW

Harikanta Overseas IPO

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- The company is primarily engaged in the manufacturing of synthetic textile fabrics.
- On a standalone basis, it posted lackluster financial performance for FY23 and FY24.
- Bumper profits from FY25 onwards raises eyebrows and concern over its sustainability, as it is operating in a highly competitive and fragmented segment.
- Merchant Banker has poor track record.
- Though it looks fully priced based on its FY25 and 8M-FY26 numbers, it appears aggressively priced otherwise.
- There is no harm in skipping this pricey and dicey IPO.

About the Company

Harikanta Overseas Ltd. (HOL) is engaged in the manufacturing of Synthetic textile fabrics. Its product portfolio includes Ikat fabrics, polyester garment fabrics, saree fabrics, dhupion fabrics, poly linen, and natural fiber. The company primarily caters fabric to women’s wear, producing fabrics for sarees, dress materials, and kurtas, while also offering fabrics for men’s kurtas. Although its fabrics have multiple end uses, the majority of them are utilized in the manufacturing of different types of sarees.

With the objective of supplying products to overseas customers, it has set up a manufacturing unit at Surat, Gujarat. In its early years, the Company marketed its products through merchant exporters. With expertise and increasing international demand, it gradually started focusing into direct exports as well, establishing itself as a player in the textile export market. The Company initially supplied products to Cambodia and the domestic market in Surat.

Over time, its export network expanded to include Bahrain, Singapore, and Thailand, while on the domestic front, the Company extended its presence to other key markets such as Delhi, Bangalore, Karnataka, Maharashtra, Uttar Pradesh, Punjab and Rajasthan. At present, it caters to domestic markets as well as international markets. At times, due to production overload and the need to meet dispatch timelines, the company also engages third-party job workers or procure finished goods from outside agencies. Such purchases are subsequently processed at its facility, where it undertakes finishing, packaging, and quality checks before the products are sold to customers. As of February 28, 2026, it had 111 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 2670000 equity shares of Rs. 10 each to mobilize Rs. 25.63 cr. at the upper cap. The company has announced a price band of Rs. 91 - Rs. 96 per share of Rs. 10 each. The minimum application to be made is for 2400 shares and in multiples of 1200 shares thereon, thereafter. The issue opens for subscription on May 20, 2026 and will close on May 22, 2026. The shares will be listed on BSE SME. The IPO constitute 27.06% of the post-IPO paid-up capital of the company. From the net proceeds of the fresh equity issue, it will utilize Rs. 5.40 cr. for capex on factory premises, Rs. 9.33 cr. for capex on plant and machineries, Rs. 4.75 cr. for working capital, and the rest for general corporate purposes.

The IPO is solely lead managed by Interactive Financial Services Ltd., and Bigshare Services Pvt. Ltd. is the registrar to the issue. Aftertrade Broking Pvt. Ltd., is the market maker, and Beeline Broking Ltd. is a syndicate member. The IPO is underwritten to the tune of 15% by Interactive Financial, and 85% by Erudore Capital Pvt. Ltd.

After issuing initial equity capital at par value, it issued further equity shares at a fixed price of Rs. 100 per share between November 2024 and January 2025. It has also issued bonus shares in the ratio of 6 for 1 in December 2024. The average acquisition cost per share by the promoters is Rs. 7.73 per share. Surprisingly, the pages of the offer document are not numbered. However, as per PDF file page no. 34 the average cost per share shown as Rs. 7.73, and on page no. 69 is shown as Rs. 7.89 per share. The clarification from promoters/merchant banker is needed.

Post-IPO, company’s current paid-up equity capital of Rs. 7.20 cr. will stand enhanced to Rs. 9.87 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 94.71 cr.

Financial Performance

On the financial performance front, for the two fiscals, the company has (on a standalone basis) posted total income/ net profit, of Rs. 15.06 cr. / Rs. 0.25 cr. (FY23), Rs. 11.27 cr. / Rs. 0.82 cr. (FY24). On a consolidated basis, the company reported total income/net profit of Rs. 35.50 cr./ Rs. 4.47 cr. (FY25), and for 8M-FY26 ended on November 30, 2025, it posted net profit of Rs. 5.09 cr. on a total income of Rs. 26.28 cr. Thus, it has posted erratic financial performances for the reported periods.

For the last three fiscals, the company has reported an average EPS of Rs. 3.84 and an average RoNW of 33.76%. The issue is priced at a P/BV of 3.68 based on its NAV of Rs. 26.08 per share as of November 30, 2025, but its post-IPO NAV data is missing from offer documents.

If we attribute FY26 annualized super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 12.42, and based on FY25 earnings, the P/E stands at 21.19. The issue appears aggressively priced despite its recent bumper earnings. Its outperforming margins compared to listed peers is a big surprise and raise concern over its sustainability going forward.

The company has posted PAT Margins of 1.69% (FY23), 7.38% (FY24), 12.70% (FY25), 19.50% (8M-FY26), and RoCE margins of 19.03%, 35.11%, 37.56%, 31.99%, respectively for referred periods. The company has posted unbelievable margins.

Dividend Policy

The company has not paid any dividends on the equity shares for the reported periods of the offer document. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Betex India, and Swasti Vinayaka Synth., as its listed peers. They are currently trading at a P/E of 16.0, and 15.8 (as of May 14, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash.

Merchant Banker's Track Record

This is the 31st mandate from Interactive Financial in the last five fiscals (including the ongoing one). Out of the last 11 listings, 6 opened at discount, 1 at par, and the rest with premium ranging from 1.10% to 15.43% on the date of listing. Thus, the lead manager has a poor track record.

Conclusion / Investment Strategy

HOL is primarily engaged in the manufacturing of synthetic textile fabrics. On a standalone basis, it posted lackluster financial performance for FY23 and FY24. Bumper profits from FY25 onwards raises eyebrows and concern over its sustainability, as it is operating in a highly competitive and fragmented segment. Small paid-up equity capital post-IPO indicates longer gestation period. Merchant Banker has poor track record. Though it looks fully priced based on its FY25 and 8M-FY26 numbers, it appears aggressively priced otherwise. There is no harm in skipping this pricey and dicey IPO.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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