IPO REVIEW

Kusumgar IPO

By **Dilip Davda** · SEBI Registered Research Analyst · Reg. No. INH000003127 Reviewed on 3 July 2026

- The company is engaged in manufacturing of engineered fabrics primarily used for special purposes by defense, automotive and industrial segments.
- The company posted inconsistency in its top and bottom lines for shift in its order book and capex on expansion plans.
- The IPO appears greedily priced based on its recent financial data.
- Its debt of Rs. 223+ cr. as of March 31, 2026, raise concern.
- Well-informed/cash surplus/risk seekers may park funds for long term.

About the Company

Kusumgar Ltd. (KL) is a manufacturer of woven, coated and laminated synthetic fabrics, referred to as engineered fabrics. The company offers engineered fabrics and solutions focusing on polyamides and polyester filaments and polyurethane chemistry that cater to the high-performance requirements of customers. Its expertise is manufacturing fabrics where critical performance parameters include tensile strength, tear strength, abrasion resistance, comfort, air permeability, and water proofing, among others. It has leveraged process knowledge and product development expertise to manufacture over 1,000 unique fabric configurations (referred to as stock keeping units, or “SKUs”) as at March 31, 2026, to build a niche around synthetic functional and performance fabrics, addressing growing demand in the aerospace and defence, industrial and automotive, and outdoor and lifestyle segments.

In recent years, KL has built on its expertise and industry knowledge to expand into manufacturing finished products for aerospace and military applications, such as parachute systems, stealth solutions, and rapid deployment systems. The engineered fabrics industry is an industry that requires precision and a high level of technical know-how (source: 1Lattice Report). The company leverages its technical strengths and partnerships to focus on high-technology applications. Its business model drives profitable growth, and it believes it is poised for continued growth, driven by exports, global supply chain shifts, modernisation and indigenisation of military equipment, expanded product lines and technological innovations.

The global engineered fabrics industry has grown from US$41.6 billion in 2019 to US$67.8 billion in 2025 with a CAGR of 8.5% from 2019-2025, and is projected to reach US$112.2 billion in 2030, representing a CAGR of 10.6% from 2025-2030 (source: 1Lattice Report). The industrial and automobile segment accounted for 47.1% of the global engineered fabrics industry value in 2024, while the outdoor and lifestyle segment held 31.7%. The defence and aerospace segment made up

8.0%. By 2029, the share of outdoor and lifestyle is expected to increase to 34.5%, while the share of defence and aerospace is expected to remain about the same at 7.7%, and the share of the industrial and automobile segment is projected to decrease to 43.6% (source: 1Lattice Report).

KL manufactures products primarily for four market segments: (i) Aerospace and Defence Fabrics; (ii) Aerospace and Defence Solutions; (iii) Industrial and Automotive Fabrics; and (iv) Outdoor and Lifestyle Fabrics, each of which has high entry barriers (source: 1Lattice Report). Aerospace and Defence Fabrics: Fabrics used in aerospace and defence applications must meet exact specifications, which require a high level of technical manufacturing expertise (source: 1Lattice Report). The company works closely with end-users to understand their needs and to create fabrics optimized for their strength-to-weight ratio, durability, comfort, and other performance parameters. The company develops bespoke products for customers as per their unique requirements. It is development and manufacturing partners of aerospace and defence fabrics for an Indian government customer, and it exports aerospace and defence fabrics to countries all over the world. It supplies fabrics for the following aerospace and defence applications: (i) parachutes and other aerial systems; (ii) tactical clothing and specialty gear; and (iii) stealth systems and rapid deployment systems.

Aerospace and Defence Solutions - Using the expertise gained from fabric manufacturing, it has selectively expanded into manufacturing end-user solutions for domestic and export customers in the aerospace and defence markets. The company divide these end-user solutions into three business lines: (i) aerial systems, such as parachute systems; (ii) stealth systems, such as camouflage nets; and (iii) rapid deployment systems, such as decoys and shelters. In addition, KL also enters into maintenance and repair service agreements with certain clients.

Industrial and Automotive Fabrics - It manufactures fabrics for a variety of industrial applications, including the automotive sector. It divides Industrial and Automotive Fabrics segment into four business lines: (i) fabrics for tapes; (ii) custom fabric solutions; (iii) mechanical rubber goods (MRG) fabrics; and (iv) inflatable fabrics.

Outdoor and Lifestyle Fabrics - Its Outdoor and Lifestyle Fabrics segment caters to the global market for synthetic performance wear (“activewear”), such as “athleisure”, winter wear, rainwear, and fashion jackets, and personal gear (“hardlines”), such as backpacks, luggage, etc. As of March 31, 2026, it had overall 2077 (including 1026 contract workers) employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route secondary IPO of Rs. 650.00 cr. (approx. 15513126 equity shares of Re. 1 each at the upper cap), The company has announced a price band of Rs. 398 – Rs. 419 per equity shares of Re. 1 each. The issue opens for subscription on July 08, 2026, and will close on July 10, 2026. The minimum application to be made is for 35 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 14.78% of the post-IPO paid-up equity capital. This being a pure Offer for Sale (OFS), no

funds are coming to the company. This issue is being made to provide exit to some of its stakeholders, and unlock the listing benefits.

The company has reserved equity shares worth Rs. 3.5 cr. for its eligible employees and offering them a discount of Rs. 39 per share. From the rest, it has allocated not more than 50% for QIBs, not less than 15% for HNIs, and not less than 35% for Retail investors.

The joint Book Running Lead Managers (BRLMs) to this issue are Axis Capital Ltd., IIFL Capital Services Ltd., Motilal Oswal Investment Advisors Ltd., and Bigshare Services Pvt. Ltd. is the registrar to the issue. Motilal Oswal Financial Services Ltd. is a syndicate member.

The company has issued initial equity shares at par value, and has issued further equity shares in the price range of Rs. 6.00 – Rs. 44.66 per share (based on FV of Re. 1) between September 2008 and May 2009. It has also issued bonus shares in the ratio of 3 for 1 in February 2025, 11 for 40 in March 2025. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. NIL, and Rs. 219.61, per share.

Post-IPO, its current paid-up equity capital of Rs. 10.50 cr. will stand same as this is a pure secondary issue. Based on the upper cap of the price band, the company is looking for a market cap of Rs. 4399.14 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit, of Rs. 474.55 cr. / Rs. 84.40 cr. (FY24), Rs. 790.21 cr. / Rs. 111.99 cr. (FY25), and Rs. 711.78 cr. / Rs. 98.20 cr. (FY26). The company posted inconsistency in its top and bottom lines for the reported periods. Rs. 114.80 cr. worth of contingent liabilities as of March 31, 2026, raises alarm. Declining profit margins raise concern.

According to the management, shift of orders and their heavy spending for expansion and new machineries in last two fiscals created mismatch in its financial performances. Since all of those issues are now taken care of, the company is poised for bright prospects ahead.

For the last three fiscals, the company has posted an average EPS of Rs. 9.90 (basic) and an average RoNW of 46.02 %. The issue is priced at a P/BV of 8.45 based on its NAV of Rs. 49.56 as of March 31, 2026, and at a P/BV of 8.75 based on its post-IPO NAV of Rs. 47.90 per share at the upper price.

If we attribute FY26 earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 44.81. Based on FY25 earnings, the P/E stands at 39.27. The issue appears greedily priced.

For the reported periods, while the company has posted PAT margins of 17.78 % (FY24), 14.17% (FY25), 13.80% (FY26), and RoCE margins of 55.87%, 42.89%, 24.76%, respectively for the referred periods.

Dividend Policy

The company not paid any dividends for the reported periods of the offer document. It has already adopted a dividend policy in September 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Garware Technical, Arvind Ltd., SRF Ltd., as its listed peers. They are currently trading at a P/E of 34.7, 35.0, and 43.5 (as of July 03, 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

The three BRLMs associated with this issue have handled 91 issues in the last 3 fiscals (including the ongoing one), out of which 24 issues closed below the offer price on listing date.

Conclusion / Investment Strategy

KL is engaged in manufacturing of engineered fabrics primarily used for special purposes by defense, automotive and industrial segments. The company posted inconsistency in its top and bottom lines for shift in its order book and capex on expansion plans. The IPO appears greedily priced based on its recent inconsistent financial data. Its debt of Rs. 223+ cr. as of March 31, 2026, raise concern. Well-informed/cash surplus/risk seekers may park funds for long term.

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.

SEBI Registered Research Analyst – Mumbai · Registration No.: INH000003127 (Perpetual)

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