IPO REVIEW

Madhur Knit Crafts IPO

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- The company is engaged in the business of textiles manufacturing focusing product developments.
- Over the years, it has widened its portfolio ranging from Blankets, consumer textiles, technical textiles etc.
- The company marked growth in its top and bottom lines for the reported periods.
- Boosted bottom lines from FY25 onwards raise eyebrows and concern over its sustainability, as it is operating in a highly competitive and fragmented segment.
- Based on its super earnings for the reported periods, the issue appears aggressively priced.
- There is no harm in skipping this pricey and dicey issue.

About the Company

Madhur Knit Crafts Ltd. (MKCL) was incorporated with the objective of becoming a textile manufacturer focused on product development and process efficiency. While incorporated in 1997, commercial operations commenced in 2013 with a focus on manufacturing blankets.

Since then, the Company has grown into a diversified textile business offering a wide range of fabrics and garments. Although the Company has ventured into technical textiles, including paint roller fabrics that require precision processes such as chemical coating and lamination, revenue from these segments remain minimal, with the bulk of operations driven by consumer textile products.

The Company’s operations are strategically located in Ludhiana, a well-established textile hub, providing access to a reliable network of suppliers, raw materials (such as yarns), logistics service providers, and national distribution channels. This location ensures supply chain stability, smooth procurement, and timely dispatch of finished goods. Over the years, the Company has transitioned from minimal processing to a fully integrated yarn-to-cloth manufacturing model, focusing on complete value addition from converting yarn into finished cloth and producing high-quality textile products.

Significant capital expenditures have been made in recent years to establish modern production facilities, enhancing production capacity, operational efficiency, and product quality. These investments have optimized production processes, reduced labor intensive operations, and minimized maintenance costs. The Company’s production infrastructure includes advanced machinery such as a PLC-controlled multi-chamber system with thermal oil heating (8 chambers), brushing machines, fabric embossing 3D punching machines, bonding machines, dyeing machines (4 units), shearing and

printing machines, and a hydraulic lift for material handling. As of February 28, 2026, it had 177 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 5326800 equity shares of Rs. 10 each to mobilize Rs 53.27 cr. at the upper cap. The company has announced a price band of Rs.95- Rs. 100 per share. The minimum application to be made is for 2400 shares and in multiples of 1200 shares thereon, thereafter. The IPO opens for subscription on August 24, 2026, and will close on August 27, 2026. The IPO constitute 28.02% of the post-IPO paid-up capital of the company. The shares will be listed on NSE SME Emerge. From the net proceeds of the fresh equity issue, it will utilize Rs. 15.92 cr. for working capital, Rs. 3.68 cr. for capex on installation of rooftop solar plant, Rs.20.85 cr. for repayment of debt, and the rest for general corporate purposes.

The IPO is solely lead managed by SKI Capital Services Ltd., while Skyline Financial Services Pvt. Ltd., is the registrar to the issue. NNM Securities Pvt. Ltd., is the market maker. The IPO is underwritten to the tune of 15% by SKI Capital and 85% by Giriraj Stock Broking Pvt. Ltd.

After issuing initial equity capital at par value, the company issued further equity shares in the price range of Rs. 21.50 – Rs. 500 per share between March 2012, and February 2026. It has also issued bonus shares in the ratio of 17 for 10 in March 2013, and 4 for 1 in June 2025. The average cost of acquisition of shares by the promoters is Rs. 2.51, Rs. 3.59, and Rs. 5.74 per share.

Post-IPO, company’s current paid-up equity capital of Rs. 13.68 cr. (13682432 equity shares) will stand enhanced to Rs. 19.01 cr. (19009232 equity shares). Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 190.09 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has reported a total income/net profit of Rs. 89.56 cr. / Rs. 0.90 cr. (FY23), Rs. 108.41 cr. / Rs. 1.70 cr. (FY24), Rs. 171.76 cr. / Rs. 11.03 cr. (FY25), and Rs. 194.79 cr. / Rs. 12.35 cr. (11M-FY26). It marked growth in its top and bottom lines for the reported periods. However, the PAT margins from FY25 onwards raise eyebrows and concern over its sustainability going forward as it is operating in a highly competitive and fragmented segment. FY25 and 11M-FY26 earnings appears to be inflated one to fetch fancy valuations.

For the last three fiscals, the company has reported an average EPS of Rs. 4.86, and an average RoNW of 23.24%. The issue is priced at a P/BV of 3.08 based on its NAV of Rs. 32.47 per share as of February 28, 2026, and at a P/BV of 1.96 based on its post-IPO NAV of Rs. 50.96 per share at the upper cap.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 14.10, and based on FY25 earnings, the P/E stands at 17.24. The issue appears

aggressively priced, based on its average inflated earnings.

For the reported periods, the company has posted PAT margins of 1.01% (FY23), 1.57% (FY24), 6.43% (FY25), 6.34% (11M-FY26), and RoCE margins of 13.78%, 13.09%, 33.49%, 31.11%, respectively, for referred periods.

Dividend Policy

The company has not paid any dividend 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 Kaytex Fabrics as its listed peer. It is trading at a P/E of 5.05 (as of August 21, 2026). However, they are not truly comparable on an apple-to-apple basis.

Merchant Banker's Track Record

This is 6 th mandate from SKI Capital Services Ltd. in the last three fiscals (including the ongoing one). Out of last 5 listings, 1 listed at discount, and the rest with premium ranging from 16.09% to 90.00% on the listing date.

Conclusion / Investment Strategy

MKCL is engaged in the business of textiles manufacturing focusing product developments. Over the years, it has widened its portfolio ranging from Blankets, consumer textiles, technical textiles etc. The company marked growth in its top and bottom lines for the reported periods. Boosted bottom lines from FY25 onwards raise eyebrows and concern over its sustainability, as it is operating in a highly competitive and fragmented segment. Based on its super earnings for the reported periods, the issue appears aggressively priced. There is no harm in skipping this pricey and dicey issue.

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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