

Qualiance International IPO

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- The company is engaged in the design, engineering, manufacture and export of performance garments for international markets.
- Its overall revenue has lion share from exports which accounted for an average 93.4% per year.
- The company is operating in a highly competitive and fragmented segment.
- Its outperforming margins compared to its peers is surprising.
- Based on its recent average financial data, the issue appears fully priced.
- Well-informed investors may park moderate funds for medium term.

About the Company

Qualiance International Ltd. (QIL) is engaged in the design, engineering, manufacture and export of performance garments for institutional, government and brand clients in international markets. Its product portfolio includes military uniforms, tactical outerwear, high-visibility workwear, weather-resistant and all weather outerwear, police and border patrol uniforms, protective workwear and performance activewear.

The company operates a manufacturing facility located in Tiruppur, Tamil Nadu with a total built up area of over 45,000 square feet over a land area of approximately 1,046.31 square meters and an installed capacity of 450,000 garment pieces per annum. The facility supports garment manufacturing activities from raw material sourcing and fabric development through external suppliers to the production of finished garments. Apart from the regular cut and sew operations in the manufacturing cycle, it also carries out specialized processes including seam sealing, bonded construction, ultrasonic welding, laser cutting and lamination.

Over the past two decades, QIL has manufactured garments based on product specifications and compliance requirements of European military, government and institutional buyers. Its operations focus on the production of garments developed based on client specifications and performance requirements. It has maintained relationships with Swiss government and institutional clients. Its revenue from the sale of manufactured products is primarily derived from exports, which accounted for 98.82% for FY 2026, 93.87% for FY 2025 and 87.77% for FY 2024 of total revenue from operations. Its client base is located across Europe, including Switzerland, and North America, including the United States.

The company supplies garments to the various department of Government of Switzerland and European brands. For all stages of operations from sample development to shipment, it follows quality standards applicable in European markets. Its manufacturing facility includes a quality control system to monitor product standards. All fabrics and accessories used in production comply with international requirements, and test reports from recognized laboratories are obtained to support compliance. The designs for the technical garments manufactured by the Company are provided by the customers.

The Company manufactures such garments in accordance with the designs, specifications, technical drawings, patterns and quality requirements communicated by its customers from time to time. Further, during the design finalization and pre-production stages, the Company may provide design inputs and technical suggestions to its customers based on its knowledge of garment construction, manufacturing processes, and supply-chain and sourcing capabilities relating to fabrics, trims and accessories. However, the final design specifications and approvals remain with the respective customers. As of June 30, 2026, it had 255 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 3552000 equity shares of Rs. 10 each to mobilize Rs 45.11 cr. at the upper cap. The company has announced a price band of Rs. 120 - Rs. 127 per share. The minimum application to be made is for 2000 shares and in multiples of 1000 shares thereon, thereafter. The IPO opens for subscription on September 04, 2026, and will close on September 08, 2026. The IPO constitute 26.40% 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. 38.00 cr. for capex towards setting up a new manufacturing facility, and the rest for general corporate purposes.

The IPO is solely lead managed by Hem Securities Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue. HEM Group's Hem Finlease Pvt. Ltd., is the market maker and also a syndicate member.

The company has issued entire equity capital at par value (based on Rs. 10 FV). The average cost of acquisition of shares by the promoters is Rs. NA, and Rs. 10.00 per share.

Post-IPO, company's current paid-up equity capital of Rs. 9.90 cr. (9900000 equity shares) will stand enhanced to Rs. 13.45 cr. (13452000 equity shares). Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 170.84 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has reported a total income/net profit of Rs. 38.14 cr. / Rs. 2.84 cr. (FY24), Rs. 55.06 cr. / Rs. 4.90 cr. (FY25), and Rs. 80.95 cr. / Rs. 11.87 cr. (FY26). It marked growth in its top and bottom lines for the reported periods.

However, the PAT margins for FY26 raise eyebrows and concern over its sustainability going forward as it is operating in a highly competitive and fragmented segment. Boosted earnings for FY26 (a pre-IPO year) appears to be a window dressing to fetch fancy valuations for IPO. Its contingent liability stood at Rs. 1.17 cr. as of March 31, 2026. Quantum jump in its trade receivables for FY26 raises alarm.

For the last three fiscals, the company has reported an average EPS of Rs. 9.51, and an average RoNW of 41.11%. The issue is priced at a P/BV of 5.08 based on its NAV of Rs. 24.99 per share as of March 31, 2026, but its post-IPO NAV details are missing from the offer document.

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 14.40, and based on FY25 earnings, the P/E stands at 34.89. The issue appears fully priced, based on its average earnings.

For the reported periods, the company has posted PAT margins of 7.63% (FY24), 9.23% (FY25), 15.44% (FY26), and RoCE margins of 18.94%, 21.16%, 37.33%, respectively, for referred periods. Its outperforming margins is a big surprise and appears window dressings.

Dividend Policy

The company has not declared any dividends for the reported periods of the offer document. It has already adopted a dividend policy in January 2026, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Gokaldas Exports, S P Apparels, as its listed peers. They are currently trading at a P/E of 55.5, and 24.4 (as of September 01, 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 51st mandate from Hem Securities Ltd., in the last three fiscals (including the ongoing fiscal. Out of the last 10 listings, 1 opened at par, and the rest with premium ranging from 1.80% to 90.00% on the date of listing.

Conclusion / Investment Strategy

QIL is engaged in the design, engineering, manufacture and export of performance garments for international markets. Its overall revenue has lion share from exports which accounted for an average 93.4% per year. The company is operating in a highly competitive and fragmented segment. Its outperforming margins compared to its peers is surprising. Based on its recent average financial data, the issue appears fully priced. Well-informed investors may park moderate funds for medium 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.

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