

Sonaselection India IPO

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- The company is an integrated fabric manufacturer and processing company producing value added products.
- It marked growth in its top and bottom lines for the reported periods.
- The company is operating in a highly competitive and fragmented segment.
- Based on its recent average financial data, the issue appears aggressively priced.
- There is no harm in skipping this pricey offer.

About the Company

Sonaselection India Ltd. (SIL) is an integrated fabric manufacturing and processing company engaged in the production of value added products. Leveraging advanced technology, well established production capabilities and stringent quality systems, it converts raw textiles into finished, high-quality fabrics. Its model enables the company to offer a diversified product portfolio, maintain consistent quality, support innovation in fabric development and provide customers with reliable, cost-efficient and timely solutions, thereby positioning SIL as a preferred partner for brands seeking consistency, innovation and faster delivery timelines. It specializes in the manufacturing of 100% cotton fabric, cotton lycra (stretch) fabric, cotton blends, polyester blends, and in the processing of fabric including 100% cotton, cotton blends, polyester-viscose (P/V) and polyester fabric.

Incorporated in 2022, the Company commenced its operations with a strategic acquisition of an established textile processing unit. Pursuant to a business transfer agreement dated June 17, 2022, it acquired a fully operational processing unit, along with all associated assets and liabilities, on a slump sale basis. Following the acquisition, the Company initially operated as a processing unit undertaking job-work activities for products such as 100% cotton fabric, cotton blends, polyester-viscose (P/V), and polyester fabric. Thereafter, as part of its strategic initiative to transition from a job-work based model to a manufacturing model, the company undertook an expansion of its production capabilities by setting up a cotton fabric processing plant which became operational in July 2024.

In addition to its core manufacturing and processing operations, the company has recently expanded into the readymade garments ("RMG") segment through its Subsidiary incorporated on July 1, 2025. This strategic expansion is expected to strengthen the integration between fabric manufacturing capabilities and the requirements of the RMG segment, enabling better alignment of fabric specifications with downstream garment production needs and enhancing presence across the textile

value chain. Currently, its range of garment products in the menswear segment caters to customers across all age groups. As of July 31, 2026, it had 979 employees on its payroll, and additional 102 contractual workers.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 14300000 equity shares (worth Rs. 141.57 cr. at the upper cap). The company has announced a price band of Rs. 94 – Rs. 99 per equity shares of Rs. 10 each. The issue opens for subscription on September 17, 2026, and will close on September 21, 2026. The minimum application to be made is for 150 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 25.16% of the post-IPO paid-up equity capital. From the net proceeds of the fresh equity issue, the company will utilize Rs. 50.61 cr. for capex towards purchase of plant and machinery, Rs. 80.00 cr. for repayment/prepayment of certain borrowings, and the rest for general corporate purposes.

The sole Book Running Lead Managers (BRLMs) to this issue is Choice Capital Advisors Pvt. Ltd., while KFin Technologies Ltd. is the registrar to the issue. Choice Equity Broking Pvt. Ltd. is a syndicate member.

After issuing initial equity shares at par value, the company issued/converted further equity shares in the price range of Rs/ 50 – Rs. 147 between March 2022, and August 2025. The company also issued bonus shares in the ratio of 4 for 1 in October 2024, and 16 for 10 in November 2005, 1 for 2 in March 2006, 1 for 3 in August 2006, 3 for 10 in September 2007, and 1 for 1 in October 2010. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. 0.77, Rs. 1.72, 3.85, and Rs. 9.89 per share.

Post-IPO, its current paid-up equity capital of Rs. 42.53 cr. (42528681 equity shares) will stand enhanced to Rs. 56.83 cr. (56828681 equity shares). Based on the upper cap of the price band, the company is looking for a market cap of Rs. 562.60 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit, of Rs. 121.31 cr. / Rs. 13.10 cr. (FY24), Rs. 316.47 cr. / Rs. 18.56 cr. (FY25), and Rs. 517.60 cr. / Rs. 34.02 cr. The company marked steady growth in its top and bottom lines for the reported periods. However, bumper FY26 net profit raise eyebrows, as it may not sustain going forward. Year-on-year surge in trade receivables remains concern. As of March 31, 2026, its contingent liabilities stood at Rs. 20.01 cr. Bumper profits for FY26 appears window dressing in a pre-IPO year to pave the way for fancy valuations of the IPO.

For the last three fiscals, the company has posted an average EPS of Rs. 6.11 (Basic) and an average RoNW of 37.63 %. The issue is priced at a P/BV of 4.00 based on its NAV of Rs. 24.78 as of March 31, 2026, and at a P/BV of 2.27 based on its post-IPO NAV of Rs. 43.62 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 P/E of 16.53. Based on FY25 earnings, the P/E stands at 30.28. The issue appears aggressively priced based on its recent average performance.

For the reported periods, the company has reported PAT Margins of 10.82% (FY24), 5.88% (FY25), 6.58% (FY26), and RoCE margins of 16.18%, 16.97%, 19.69% respectively, for the referred periods.

Dividend Policy

The company has not declared any dividends 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 Vishal Fabrics, Sangam (India) Nitin Spinners, as its listed peers. They are currently trading at a P/E of 14.6, 23.0, and 17.3 (as of September 11, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash. This comparison appears to be an eyewash.

Merchant Banker's Track Record

This is the 11 th mandate from Choice Capital Advisors in the last three fiscals. Out of the last 10 listings, 1 opened at discount, and the rest with premium ranging from 0.045% to 90.00% on the date of listing.

Conclusion / Investment Strategy

SIL is an integrated fabric manufacturer and processing company producing value added products. It marked growth in its top and bottom lines for the reported periods. The company is operating in a highly competitive and fragmented segment. Based on its recent average financial data, the issue appears aggressively priced. Considering the textile segment losing its fancy among investors, there is no harm in skipping this pricey offer.

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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