

Retail Research	IPO Note
Sector: Textile	Price Band (Rs): 94-99
16 th September 2026	Recommendation: NEUTRAL

Sonaselection India Ltd.

Company Overview:

Sonaselection India Ltd (SIL) is an integrated textile manufacturer and processor with an installed processing capacity of 82.4 mn metres p.a. (MMPA) at its Bhilwara, Rajasthan facility. It manufactures and processes cotton, cotton-lycra, cotton-blend and polyester-blend fabrics, with key activities such as bleaching, dyeing and finishing carried out in-house. SIL initially operated as a job-work fabric processor but has transitioned to a manufacturing-led business model following the commissioning of its cotton fabric processing plant in Jul'24, with manufacturing revenue contribution rising from 11.3% in FY24 to 81.5% in FY26. The company operates a vertically integrated model, spanning sourcing, processing and delivery of finished fabrics. In FY26, SIL expanded into the Readymade Garments (RMG) segment through its subsidiary, which contributed 1.2% of revenue. The business remains predominantly domestic-focused, with 99.8% of FY26 revenue generated in India, while exports contributed 0.2%.

Key Highlights:

1. Strategically located manufacturing facility: SIL operates an integrated manufacturing facility in Bhilwara, Rajasthan, a textile hub with 400+ textile units. It offers end-to-end cotton fabric processing at a single location, supported by advanced machinery, digital monitoring systems, and an in-house quality laboratory. In FY26, the facility had an installed capacity of 82.4 MMPA (54.0 MMPA in FY24), with production increasing from 48.3 MMPA in FY24 to 68.2 MMPA in FY26, while maintaining capacity utilization levels of 89.5%, 78.2%, and 82.7% in FY24, FY25, and FY26, respectively.

2. Integrated manufacturing & job work model: SIL operates an integrated business model combining manufacturing and job work activities, optimizing capacity utilization and revenue diversification. Following the commissioning of its cotton processing plant in Jul'24, the company strengthened its in-house manufacturing capabilities, with manufacturing contributing 81.5% of revenue in FY26 compared to 11.3% in FY24.

3. Strong customer relationships and diversified customer base: SIL has built a diversified customer base, serving 909 customers in FY26, up from 417 in FY25 and 191 in FY24. The company had a customer retention rate of 20.1% (Rs 104 cr) in FY26. Revenue concentration remains moderate, with the top 10 customers contributing 29.4% of FY26 revenue, compared to 48.2% in FY24.

Industry Outlook: India's Textile and apparel market is expected to grow at a CAGR of 16.8% over FY26-FY30E period. Indian Textile Processing market is expected to grow at a CAGR of 7.2% over FY24-FY30E period.

Key Risks: (i) Geographic concentration in Rajasthan (ii) Liquidity and cash flow Risks (iii) Pending legal proceedings involving the company and key stakeholders.

View & Valuation: Sonaselection India Ltd. is an integrated fabric manufacturing and processing company that reported strong growth during FY24-26, with Revenue/EBITDA/PAT CAGR of 107%/73%/61% driven by its transition to a manufacturing-led business model. At the upper price band of Rs 99, the issue is valued at 16.5x FY26 post-issue P/E, which appears reasonable. However, concerns regarding high geographic concentration in Rajasthan with FY26 Revenue/Purchases contribution at 37.3%/96.0% respectively. Further, SIL reported negative operating cash flow of Rs -14.2 cr/Rs -110 cr in FY25/FY26 respectively, alongside elevated leverage (D/E: 2.5x) and high working capital intensity (inventory days: 109; receivables days: 73). Considering these factors, we assign a NEUTRAL rating to the IPO and would prefer to track cash flow generation, balance sheet deleveraging, and execution consistency post listing.

Issue Details	
Date of Opening	17 th September 2026
Date of Closing	21 st September 2026
Price Band (Rs)	94 – 99
Fresh Issue (Rs cr) @UB	142
Total Issue (Rs cr) @UB	142
Total Issue Size (No. of shares)	1,43,00,000 shares
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	534 – 563
BRLMs	Choice Capital Advisors Pvt Ltd
Registrar	Kfin Technologies Ltd
Bid Lot	150 shares and in multiples thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue	
Particulars (Rs cr)	Estimated utilization from net proceeds
Repayment and/or pre-payment, in full or part, of certain borrowings	80.0
Funding of capex towards purchase of plant and machineries	50.6
General corporate purposes*	-
Net proceeds from fresh issue*	-

*The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	3,66,67,014	86.2
Public & Others	58,61,667	13.8
Total	4,25,28,681	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	3,66,67,014	64.5
Public & Others	2,01,61,667	35.5
Total	5,68,28,681	100.0

Source: RHP, SBICAP Securities Research

Financial Overview

Particulars (Rs cr)	FY24	FY25	FY26	FY24-FY26 CAGR (%)
Revenue	121	316	517	106.7%
YoY (%)	-	161.2%	63.6%	-
EBITDA	28	58	84	72.9%
YoY (%)	-	104.6%	46.0%	-
PAT	13	19	34	61.2%
YoY (%)	-	41.8%	83.3%	-
Gross Margin (%)	60.1%	41.5%	40.8%	-
EBITDA Margin (%)	23.3%	18.2%	16.3%	-
PAT Margin (%)	10.8%	5.9%	6.6%	-
ROE (%)	33.7%	26.5%	32.7%	-
ROCE (%)	11.8%	14.7%	18.1%	-
Fixed Asset Turnover (x)	1.6	1.9	2.8	-
D/E (x)	3.7	3.0	2.5	-
P/E (x)	32.2	22.7	12.4	-
EV/EBITDA (x)	19.8	10.8	8.0	-
CFO	18	(14)	(11)	-
CFI	(108)	(50)	(20)	-
CFF	95	61	33	-
FCF	(88)	(64)	(34)	-

Source: RHP, SBICAP Securities Research

Peer Comparison – FY26

Particulars (Rs cr)	Sonaselection India Limited	Sangam (India) Limited	Nitin Spinners Limited
CMP (Rs @ UB)	99	569	621
Mkt Cap (@ UB)	563	2,857	3,492
Sales	517	3,235	3,208
EBITDA	84	321	453
PAT	34	87	178
EBITDA Margin (%)	16.3	9.9	14.1
PAT Margin (%)	6.6	2.7	5.5
RoE (%)	32.7	8.1	12.1
RoCE (%)	18.1	9.9	11.9
P/E (x)	16.5	32.8	19.6
EV/EBITDA (x)	8.0	12.7	10.2
Mkt Cap/Sales (x)	1.1	0.9	1.1

Source: RHP, SBICAP Securities Research.

For Sonaselection India Ltd., the Market Cap, P/E (x), Mkt Cap/Sales (x), RoE (%) and EV/EBITDA (x) are calculated on post-issue equity capital at the upper price band.

CMP of peer companies is live price of 16th September, 2026

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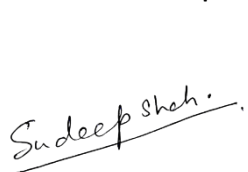
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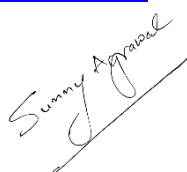
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