BORANA WEAVES LIMITED

May 19, 2025

BORANA

SMC Ranking

★½☆☆☆ (1.5/5)

Issue Highlights

Industry	Textile
Fresh Issue (Shares)	6,708,000
Net Offer to the Public	**6,708,000**
Issue Size (Rs. Cr.)	137-144.89
Price Band (Rs.)	205-216
Offer Date	20-May-25
Close Date	22-May-25
Face Value	10
Lot Size	69

Issue Composition

	In shares
Total Issue for Sale	6,708,000
QIB	5,031,000
NIB	1,006,200
Retail	670,800

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	87.19%	65.24%
QIB	0.00%	18.88%
NIB	12.81%	13.36%
Retail	0.00%	2.52%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

Proposing to finance the cost of establishing a new manufacturing Unit to expand its production capabilities to produce grey fabric at Surat, Gujarat, India

Funding incremental working capital requirements

General Corporate Purposes

Book Running Lead Manager

- Beeline Capital Advisors Private Limited

Name of the registrar

- KFIN Technologies Limited

About the company

Incorporated in 2020, Borana Weaves Limited is a manufacturer of unbleached synthetic grey fabric based in Surat, Gujarat. The company's unbleached synthetic grey fabric is often widely used as a base for further processing (including dyeing and printing) in industries such as fashion, traditional textiles, technical textiles, home decor, interior design, etc. The company also manufactures polyester textured yarn ("PTY Yarn"), which is produced by heating polyester oriented yarn ("POY Yarn"), its raw material used in the production of grey fabric. Borana Weaves Limited company operates three manufacturing units in Surat, Gujarat, equipped with textile manufacturing technologies for, inter alia, texturizing, warping, water jet looms, and textile folding. As of September 30, 2024, the company had a total of 15 texturizing machines, 6 warping machines, 700 water jet looms, and 10 folding machines active at its three units.

Strength

Company Market Position: Based in Surat, Gujarat, the company manufactures unbleached synthetic grey fabric used across fashion, home décor, and technical textile industries. Its versatile product serves as a base material for dyeing and printing. With three manufacturing units in Surat and plans for a fourth, the company is expanding its production capabilities with advanced machinery. It has shown consistent growth in production and maintains strong supplier relationships to ensure raw material availability. While most customers are in Gujarat, the company also supplies to states like Rajasthan, UP, West Bengal, Haryana, and Delhi. Revenue from Gujarat was ₹198.86 crore, ₹135.39 crore, ₹42.33 crore, and ₹208.15 crore for FY 2024, FY 2023, FY 2022, and the nine months ended December 31, 2024, making up over 98% of operations. Revenue from outside Gujarat was ₹0.20 crore, ₹0.0076 crore, nil, and ₹3.47 crore, respectively.

Strategic Investment in Water Jet Looms and Integrated Manufacturing Facilities: The company has adopted advanced water jet looms at its Surat-based manufacturing units, enabling the production of high-quality, uniform textured synthetic grey fabric. Compared to traditional power looms, water jet looms offer greater weaving precision, higher operating speeds, reduced yarn breakage, and lower downtime—resulting in higher efficiency, lower waste, and more sustainable production. As of December 31, 2024, the company operated 700 water jet looms, along with 15 texturizing machines, 6 warping machines, and 10 folding machines across its three units. A break-up of the active machines at its three units is also provided below as of December 31, 2024:

Unit	No. of active water jet looms as of December 31, 2024
Unit 1	144
Unit 2	256
Unit 3	300

The company's facilities are strategically located in Surat, a leading textile hub in South Gujarat, enabling close proximity to its key suppliers and customers. This regional focus has helped build strong relationships based on trust, integrity, and product consistency. Most equipment used is sourced from reputed domestic and global synthetic fibre industry players, and operations are carried out using pollution-light machinery. To support future growth, the company plans to establish an additional manufacturing unit at Plot No. B5/3, B5/4, and B5/5, Hojiwala Industrial Estate, SUSML, Sachin, Surat – 394230. This new unit

will also feature texturizing, warping, folding machines, and additional water jet looms. The company also imported POY Yarn—its key raw material—from China and Singapore, with import costs amounting to ₹57.68 crore in FY 2024 and ₹30.90 crore in FY 2023. There were no imports in FY 2022 and the nine-month period ending December 31, 2024. Apart from Surat, the company's supply chain and market access extend to Ahmedabad and Mumbai, further strengthening its regional reach and production capabilities.

Strong Financial and Operating Performance: The company has achieved robust organic growth, reflected in rising revenues and profitability. Its revenue from operations increased at a CAGR of 116.84%, from ₹42.33 crore in Fiscal 2022 to ₹199.06 crore in Fiscal 2024, based on Restated Financial Information. The restated profit after tax (PAT) margin stood at 13.85% for the nine months ended December 31, 2024, and 11.85%, 12.04%, and 4.25% for Fiscals 2024, 2023, and 2022, respectively.

Strategy

Capturing Market Opportunities in the Growing Synthetic Fibre Industry: India is witnessing a strong shift towards synthetic textiles, driven by factors such as affordability, durability, and ease of maintenance. Polyester demand in India currently stands at approximately 4 million tonnes and is projected to grow to 6.7 million tonnes by 2025, indicating a rising consumer preference for synthetic materials. Changing fashion trends, increasing brand consciousness, and faster style cycles are further fueling this demand. Globally, the end-use market for man-made fibers is expected to grow by 3.7% by 2025. The Indian synthetic textile industry is poised to benefit from this momentum, with expanding opportunities in both domestic and export markets. Synthetic textiles are also gaining popularity in non-apparel uses due to their versatile and functional properties. As of December 31, 2024, the company's actual production stood at 139.31 crore meters per annum. To enhance capacity, the company plans to set up a new manufacturing unit at Plot No. B5/3, B5/4, and B5/5, Hojiwala Industrial Estate, SUSML, Sachin, Surat – 394230. This unit will be equipped with advanced machinery including texturizing machines, warping machines, water jet looms, and folding machines. The proposed facility will have an installed capacity of 112.75 crore meters per annum, taking the total installed capacity to 346.03 crore meters per annum. The unit will be constructed on a 10,836 sq. m. leasehold plot and requires standard government approvals. Rising urbanization — with India's urban population expected to grow from 35% in 2023 to 40% by 2030 — will further boost demand for low-maintenance synthetic textiles. The company aims to capitalize on these opportunities by leveraging its scale, supplier network, and strong customer base.

Increasing Wallet Share and Expanding Customer Base: The company believes its strong market presence and customer relationships position it well to grow wallet share with existing clients and expand into new customer segments. As urbanization drives demand for practical and low-maintenance textiles, especially synthetic ones, the company is targeting new markets in Gujarat, including Bharuch, Vapi, and Valsad. It has also introduced an innovative jacketing fabric using reactive polyurethane (RPU) technology. This product, made from grey fabric woven on water jet looms, is dyed and coated with RPU. While production is currently outsourced, the company is evaluating its future potential within the technical textile segment. With a combination of customer trust and new product innovation, the company is well-positioned to deepen market penetration and unlock new growth opportunities.

Leveraging Water Jet Loom Technology for Entry into Technical Textiles: To diversify its product portfolio and expand market reach, the company plans to utilize its water jet loom infrastructure to manufacture technical textiles. These are specialized fabrics used in automotive, medical, and industrial applications. India's textile exports are projected to grow to USD 65 billion by FY 2026, with strong emphasis on man-made fibers and technical textiles. This shift, supported by innovation and sustainability trends, underscores the relevance of technical textile manufacturing. The company's core competencies in synthetic grey fabrics and PTY Yarn provide a strong base for entering this high-value segment. With its existing 700 water jet looms, the company can efficiently produce technical textiles that meet stringent functional requirements, opening doors to new application areas and revenue streams.

Risk factor

- **Regulatory Approvals:** The company's operations for the proposed Unit 4 are subject to obtaining necessary approvals, licenses, and permits. Failure to secure these could materially impact its business, financial condition, cash flows, and operating results.
- **Customer Concentration and Contract Risk:** As of December 31, 2024, over 98% of revenue is derived from customers located in Gujarat, with no long-term agreements in place. This geographic and contractual concentration exposes the company to significant business risks.
- **Related Party Transactions:** The company routinely enters into transactions with related parties in the ordinary course of business. While these are subject to internal review, there is no assurance that such dealings will not adversely affect its financial condition or results of operations.
- **Product Concentration Risk:** The company's business is highly dependent on the sale of grey fabric, which contributed 84.24% of operational revenue in the nine months ended December 31, 2024. Any disruption in production or decline in demand or pricing of grey fabric could materially affect the company's business and financial performance.

Peer comparison

The Company does not have any listed industry peers in India or abroad and it may be difficult to benchmark and evaluate our financial performance against other companies that operate in the same industry as that of Company.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.216, the stock is priced at pre issue P/E of 11.02 x on an Estimated Annualised FY25 EPS of Rs.19.60. Post issue, the stock is priced at a P/E of 14.73x on its EPS of Rs. 14.66. Looking at the P/B ratio at Rs.216 pre issue, book value of Rs. 43.42 of P/Bvx 4.97x. Post issue, book value of Rs.86.87 of P/Bvx 2.49x.

Considering the P/E valuation, on the lower end of the price band of Rs.205, the stock is priced at pre issue P/E of 10.46 x on an Estimated Annualised FY25 EPS of Rs. 19.60. Post issue, the stock is priced at a P/E of 13.98x on its EPS of Rs. 14.66. Looking at the P/B ratio at Rs.205 pre issue, book value of Rs. 43.42 of P/Bvx 4.72x. Post issue, book value of Rs.86.87 of P/Bvx 2.36x.

Industry Outlook

India's textile industry, a key player in the global market, saw its textile exports reach over USD 44 billion in FY 2022, representing about 15% of the country's total export earnings and 4.6% of global textile trade. The sector's exports are led by ready-made garments, cotton textiles, and increasingly by man-made fibers. Major markets include the United States, the European Union, Bangladesh, the UK, and the UAE. Growth is driven by rising global demand, supportive government initiatives like the Production Linked Incentive (PLI) scheme, and India's diverse product range. The synthetic fabric industry in India has demonstrated significant variability in production over the past few years, reflecting the sector's adaptability to changing market conditions. As a pivotal segment of the textile industry, synthetic fabric plays an essential role in meeting diverse consumer demands and contributing to economic growth. The industry's performance is indicative of broader market trends, technological advancements, and shifts in consumer preferences. (Source: D&B Report). In the fiscal year 2018-19, production was robust at 95,897 thousand metric tons. However, this was followed by a slight decline in 2019-20 to 92,452 thousand metric tons. The downturn continued into 2020-21, with production dropping to 83,296 thousand metric tons, a trend attributed to the global disruptions caused by the COVID-19 pandemic. Despite these challenges, the industry showed resilience, with a Compound Annual Growth Rate (CAGR) of approximately 5.19% over the period from 2018-19 to 2023-24, reflecting a steady recovery and growth trajectory. (Source: D&B Report)

Outlook

Borana Weaves Limited is engaged in the production and marketing of unbleached synthetic grey fabrics for the B2B segment. The company's transition from conventional methods to water jet loom technology has delivered notable operational benefits. Over the past three years, it has recorded strong revenue and profit growth, supported by its presence in high-demand textile segments, backward integration through in-house yarn production, and upcoming expansion via a new manufacturing unit. These factors position the company well for future growth. However, with 84.24% of its operational revenue derived from grey fabric sales, the business remains highly concentrated. Any disruption in production, or adverse changes in demand or pricing for grey fabric, could significantly impact its performance.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	20-May-25
BID/ISSUE CLOSES ON	22-May-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	23-May-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	26-May-25
Credit of Equity Shares to Demat Accounts of Allottees	26-May-25
Commencement of trading of the Equity Shares on the Stock Exchanges	27-May-25

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Dec-24 (9 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	211.62	199.06	135.40
Total expenditure	165.58	157.88	109.33
Operating Profit	**46.03**	**41.17**	**26.06**
OPM%	21.75	20.68	19.25
Other Income	4.09	0.55	0.13
Total Net Income	**50.12**	**41.72**	**26.19**
Interest	3.94	4.18	2.21
PBDT	**46.18**	**37.54**	**23.98**
Depreciation	9.87	9.15	4.09
Loss before tax	**36.31**	**28.39**	**19.90**
Exceptional items	-0.73	-	-
Restated loss before tax	**35.58**	**28.39**	**19.90**
Tax	6.28	4.81	3.60
Profit & Loss	**29.31**	**23.59**	**16.30**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Dec-24	As on 31-Mar-24	As on 31-Mar-23
Non-current assets			
Tangible Assets			
Property, plant and equipment	68.66	72.79	33.32
Right of use assets	1.40	1.56	1.78
Financial Assets			
Investments	0.45	0.45	1.78
Other financial assets	9.32	9.32	4.10
Deferred tax assets (net)	0.50	0.08	0.00
Total non-current assets	**80.33**	**84.20**	**40.99**
Current asset			
Inventories	28.35	23.77	20.28
Financial Assets			
Trade receivables	21.64	11.04	7.41
Cash and cash equivalents	0.15	0.01	0.09
Current tax assets (net)	0.00	0.00	0.07
Other current assets	19.20	18.03	7.14
Total current assets	**69.33**	**52.85**	**34.99**
Total Assets	**149.67**	**137.05**	**75.98**
Non-current liabilities			
Financial liabilities			
Borrowings	39.83	48.05	20.18
Lease liabilities	1.30	1.35	1.51
Deferred tax liabilities (net)	0.00	0.00	0.13
Total Non- Financial liabilities	**41.13**	**49.41**	**21.83**
Current liabilities			
Financial Liabilities			
Borrowings	14.20	21.05	18.71
Lease Liability	0.24	0.32	0.32
Trade payables- Total outstanding dues of micro and small enterprises	1.12	7.11	1.01
Trade payables-Total outstanding dues of creditors other than micro and small enterprises	3.61	6.21	3.94
Other financial liabilities	1.42	0.24	1.70
Other current liabilities	7.60	0.04	0.05
Provisions	2.60	4.02	3.29
Current tax liabilities (net)	0.93	0.96	0.00
Total Financial liabilities	**31.72**	**39.95**	**29.04**
Total	**72.86**	**89.36**	**50.87**
Net worth represented by:			
Equity share capital	19.94	0.04	0.04
Other equity	56.87	47.66	24.07
Net Worth	**76.81**	**47.70**	**24.11**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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