

Sai Silk (Kalamandir) Ltd

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Sai Silk (Kalamandir) Ltd, also referred to as SSKL, was incorporated in the year 2005. In terms of revenue and profit after tax for FY21, FY22 and FY23; they are among the top 10 retailers of ethnic apparel in South India. SSKL offers a diverse range of products which includes various types of ultra-premium and premium sarees suitable for weddings, party wear, as well as occasional and daily wear; lehengas, men's ethnic wear, children's ethnic wear and value fashion products comprising fusion wear and western wear for women, men and children.

The notable aspects of their business strategy are the use of IT infrastructure to improve operational efficiencies, scale and enhance productivity. The innovative technology solutions implemented assist in front end and back-end operations, which include procurement, distribution, and supply chain operations. Enterprise Resource Planning (ERP) systems are integrated with Artificial intelligence to provide store level insights.

SSKL has a retail store network of 54 stores as of July 31st, 2023, in four states – Telangana, Andhra Pradesh, Karnataka and Tamil Nadu. The store portfolio is further diversified in four store formats – Kalamandir, Vara Mahalakshmi, Mandir and KLM Fashion Mall. To manage the inventory the company has four warehouses operational across the four states with an aggregate area of approximately 1,64,000 sq ft and a designated storage space in Chennai. A network of 4832 master weavers, weavers and vendors across India is utilized to source the products. Further, the company plans to expand its network of stores in South India and maintain its position as a market leader in women ethnic wear, especially sarees.

Industry	Apparel and Retail
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Issue Details	
Listing	BSE & NSE
Open Date	20 th Sept 2023
Close Date	22 nd Sept 2023
Price Band	INR 210-222
Face Value	INR 2
Market Lot	67 shares
Minimum Lot	1 Lot

Issue Structure	
Offer for Sale	49.95%
Fresh Issue	50.05%
Issue Size (Amt)	INR 1201 cr
Issue Size (Shares)	5,40,99,027
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	12,63,39,085
Post issue sh (nos)	15,33,66,112
Post issue M Cap	3404.72 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter & group	95.23	60.80
Public	4.77	39.20
TOTAL	100.00	100.00

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY21	677.2	62.4	5.1	4.9	0.8	0.3	15.9	2.1	7.5	662.0	14.0	57.6
FY22	1,129.3	138.2	57.7	9.5	5.1	3.8	19.6	19.2	20.9	58.9	11.3	26.1
FY23	1,351.5	219.3	97.6	13.2	7.2	6.4	26.0	24.6	25.7	34.8	8.5	16.8

Growth Strategies

Expansion of Stores through COCO Model

SSKL plans to open 30 new stores in Tamil Nadu in the next three fiscal years. Out of the 30 stores, 25 stores will be of VaraMahalaskhmi and 5 will be of Kalamandir store format. The company also plans further franchise and B2B models to tap unorganized sectors potential.

Focusing on customer experience

The company intends to enhance customer experience by focusing on consumer loyalty and rewards program under the name 'Smile Rewards'. This will be integrated into the Customer Relationship Management (CRM) software system to track and leverage data analytics for customer-centric experience.

Leveraging technology to improve cost efficiency.

Further investments would be made to migrate into better software packages to improve the back-end operations in order to improve productivity, save time, optimize inventory and supply chain management. Strategic expansion of warehouses would allow faster dispatches to the customer.

Focus of Sale of Products through E-commerce

The company intends to focus on expansion of online sales channels to benefit from changing trends of customer behavior. The focus will be on digital channels to build an omni channel engagement experience for the customer.

Key Risks & Concerns

- The business is impacted by seasonal variations in sales volumes, which may cause companies revenues to vary significantly between different quarters in a fiscal year.
- Any failure in the quality control processes may have an adverse effect on the business, results of operations and financial condition.
- The growth of online retailers and current trends of discounting and pricing strategies may adversely affect the pricing ability, which may have an adverse effect on the results of the operations and financial condition.

Issue Structure and Offer Details

The proposed issue size of SSKL is INR 1201 cr (INR 601 cr OFS and 600 cr fresh issue) and the price band for the issue is in the range of INR 210 – 222 and the bid lot is 67 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Offer
NIB	Not less than 15% of the Offer
Retail	Not less than 35% of the Offer

Number of shares based on a higher price band of INR 222

Source: Company Reports

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Mr. Nagakanaka Durga Prasad Chalavadi	Not more than 143Cr	6409345
Mrs. Jhansi Rani Chalavadi	Not more than 177Cr	7949520
Mrs. Dhanalakshmi Perumalla	Not more than 69Cr	3083865
Mr. Doodeswara Kanaka Durgarao Chalavadi	Not more than 15Cr	656295
Mr. Kalyan Srinivas Annam	Not more than 141Cr	6346975
Mr. Subash Chandra Mohan Annam	Not more than 48Cr	2120500
Mr. Venkata Rajesh Annam	Not more than 12Cr	505500

The amount is based on a higher price band of INR 222

Source: Company Reports

SSKL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	677.2	1,129.3	1,351.5	Adjusted EPS (INR)	0.3	3.8	6.4
YoY Growth (%)		66.8	19.7	Adjusted Cash EPS (INR)	2.3	5.8	9.1
Raw Material Cost	1.7	(109.3)	(213.0)	Adjusted BVPS (INR)	15.9	19.6	26.0
RM Cost to Sales (%)	0.2	(9.7)	(15.8)	Adjusted CFO per share (INR)	(1.0)	3.0	2.7
Employee Cost	85.0	98.9	133.5	CFO Yield (%)	(0.4)	1.3	1.2
Employee Cost to Sales (%)	12.5	8.8	9.9	Adjusted FCF per share (INR)	(0.1)	3.0	1.3
Other Expenses	528.2	1,001.6	1,211.6	FCF Yield (%)	(0.0)	1.3	0.6
Other Exp to Sales (%)	78.0	88.7	89.7	Solvency Ratio (X)			
EBITDA	62.4	138.2	219.3	Total Debt to Equity	0.9	0.9	0.9
Margin (%)	9.2	12.2	16.2	Net Debt to Equity	0.8	0.7	0.7
YoY Growth (%)		121.7	58.7	Net Debt to EBITDA	3.1	1.5	1.3
Depreciation & Amortization	29.5	30.8	41.0	Return Ratios (%)			
EBIT	32.9	107.4	178.3	Return on Equity	2.1	19.2	24.6
Margin (%)	4.9	9.5	13.2	Return on Capital Employed	5.0	14.3	17.5
YoY Growth (%)		226.5	66.1	Return on Invested Capital	7.5	20.9	25.7
Other Income	1.9	3.7	7.5	Working Capital Ratios			
Bill discounting & other charges	27.4	33.8	52.2	Payable Days (Nos)	58	42	62
Fin Charges Coverage (X)	1.2	3.2	3.4	Inventory Days (Nos)	198	154	186
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	1	1	1
PBT	7.3	77.3	133.6	Net Working Capital Days (Nos)	141	113	125
Margin (%)	1.1	6.8	9.9	Net Working Capital to Sales (%)	38.6	30.9	34.2
YoY Growth (%)	(86.3)	957.7	72.8	Valuation (X)			
Tax Expense	2.2	19.6	36.0	P/E	662.0	58.9	34.8
Tax Rate (%)	29.8	25.4	26.9	P/BV	14.0	11.3	8.5
PAT	5.1	57.7	97.6	EV/EBITDA	57.6	26.1	16.8
Margin (%)	0.8	5.1	7.2	EV/Sales	5.3	3.2	2.7
YoY Growth (%)	(87.8)	1,024.3	69.2	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	7.3	77.3	133.6
Net Profit	5.1	57.7	97.6	Adjustments	38.2	75.5	57.0
Margin (%)	0.8	5.1	7.2	Change in Working Capital	(58.5)	(87.6)	(113.4)
YoY Growth (%)		1,024.3	69.2	Less: Tax Paid	(2.2)	(19.6)	(36.0)
Balance Sheet				Cash Flow from Operations	(15.2)	45.6	41.2
Share Capital	24.1	24.1	24.1	Net Capital Expenditure	(5.5)	(25.3)	(60.1)
Total Reserves	218.8	276.5	373.2	Change in Investments	(12.4)	(16.7)	(0.0)
Shareholders Fund	242.9	300.6	397.3	Cash Flow from Investing	(18.0)	(42.0)	(60.1)
Long Term Borrowings	57.4	48.7	65.4	Change in Borrowings	40.8	34.5	67.1
Deferred Tax Assets / Liabilities	14.5	12.8	11.5	Less: Finance Cost	(27.4)	(33.8)	(52.2)
Other Long Term Liabilities	47.2	70.2	169.1	Proceeds from Equity	6.1	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	3.0	2.5	4.6	Dividend Paid	0.0	0.0	0.0
Total Liabilities	365.0	434.7	647.9	Cash flow from Financing	19.4	0.7	14.9
Net Block	225.2	249.2	379.5	Net Cash Flow	(13.8)	4.3	(4.0)
Capital Work in Progress	2.1	0.0	0.0	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	18.1	4.3	8.6
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	4.3	8.6	4.6
Long Term Loans & Advances	28.8	32.5	36.3				
Other Non Current Assets	0.0	0.0	0.0				
Net Current Assets	109.0	153.0	232.2				
Total Assets	365.0	434.7	647.9				

Source: Ventura Research

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