

About the Company

Incorporated in 2005, Sanathan Textiles Ltd manufactures and exports polyester yarn, cotton yarn, and yarn for technical textiles. The company was listed on both the NSE and BSE in Dec'24. A majority of its revenue comes from polyester yarn. It currently operates with an installed capacity of 223,750 MTPA at its Silvassa facility and is in the process of more than doubling the capacity with expansion in Punjab. Sanathan's clientele includes a number of major textile players across India.

Investment Rationale

- **Capacity Expansion Post IPO:** The company reached a major milestone with the completion of its IPO, where it raised Rs 400 Cr from leading investors and has undertaken an ambitious capacity expansion plan in Punjab. The upcoming Punjab plant is expected to be operational by Q1FY26 (Phase-I), increasing polyester filament capacity from 550 to 1,500 TPD, and will take total capacity to 5.5 Lc MTPA by FY28 in a phased manner. Its current capacities are running at optimum utilisation, and it expects to quickly ramp up the utilisation in the new facilities based on the expected demand.
- **Revenue Growth Along With Margin Expansion:** Most of the customers for Polyester yarn are concentrated in the North, and Sanathan is expected to gain a significant cost advantage due to reduced transportation costs. The company is also expected to benefit from lower power and employee costs in the new facility, while raw material availability is expected to improve as key raw material suppliers are located in the same region. Overall, it expects to see considerable improvement in EBITDA margins coupled with revenue/volume growth.
- **Outlook:** The company's capacity expansion comes at the right time when the Indian textile sector is gaining traction, supported by government policies and global tailwinds such as the India-UK FTA and favourable tariff scenarios compared to global competitors. It aims to reach a topline of Rs 4,600-4,800 Cr with EBITDA margins of 10-11% (which may improve further), marking remarkable growth compared to FY25.

Valuation & Analyst recommendation:

- While newly listed, Sanathan holds rich experience in the Industry and has built long-term relationships with major clients. We expect the company to post a revenue growth of 47%/31% in FY26/FY27, with steady improvement in margins. Accordingly, **we recommend a BUY rating on the stock with a TP of Rs 490/share, implying an upside of 11% from the CMP.**

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
FY24	2,958	227	133	18.5	24	11%	11%	21
FY25	2,999	263	160	19.0	23	10%	8%	18
FY26E	4,420	477	244	28.9	15	13%	12%	10
FY27E	5,803	685	381	45.1	10	17%	16%	7

Source: Axis Securities; CMP as on 17th June, 2025

Duration: 3-6 Months

CMP (Rs)	442
Target Price (Rs)	490
Upside (%)	11%

| Why Sanathan Textiles Ltd

- ✓ **Well Placed to Gain from Industry Tailwinds**
- ✓ **Capacity Expansion**
- ✓ **Improved Geographic Reach**

| Key risks

- ✓ **Increase in Input/RM Costs**
- ✓ **Hiccups in Capacity Ramp-up**
- ✓ **Unfavorable Geopolitical Developments**

MARKET DATA

No. of Shares	8.44 Cr
Market Cap	3,733 Cr
52-week High / Low	488/287
BSE Code	544314
NSE Code	SANATHAN

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| OBJECTIVE



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| Axis PUNCH is a strong, research-based idea based on



Events-Based: Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyse changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
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- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

Strategic Insights: Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

Informed Decisions: Make well-informed investment decisions backed by the expertise of our dedicated research team.

Medium-term Horizon: Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

| Why to choose Axis PUNCH



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