BUY

Kusumgar

Forged for the Forces; initiate with BUY

Textiles | Initiating Coverage | **July 15, 2026**

CMP (Rs): 419 | TP (Rs): 800

We initiate coverage on Kusumgar (KSL) with BUY and TP of Rs800 (upside: ~91%). KSL is a specialist manufacturer of engineered fabrics, high-performance woven, coated, and laminated synthetics based on polyamide (Nylon) and polyester chemistry, spanning the aerospace and defense, industrial, and outdoor end-markets. With >1,000 difficult-to-replicate fabric SKUs and a fully integrated value chain, KSL is one of the major manufacturers of military parachute fabric, apart from the US and China. Our positive stance is propped by 1) significant headroom to grow in its best-paying segment—A&D Fabrics; 2) global defense budget coupled with multiple FTAs auguring well for domestic players; 3) endeavor to enter high entry barrier products which ensures a best-in-class margin profile; and 4) diversified growth engines that cushion single-segment shocks. We forecast revenue/EBITDA/PAT CAGR of ~34/~35/~46% over FY26-29E, led by a contracted defense-order recovery from FY27, and value KSL at 40x Jun-28E EPS for our TP of Rs800.

Significant headroom to grow in A&D Fabrics (KSL's best-paying segment)

A&D Fabrics contributes ~45-50% of revenue (5-year average) and earns the highest operating margins in the portfolio (>25%). With only 3-4% domestic market share, we see ample scope for KSL to gain market share, on the back of the global and domestic A&D-fabric markets seeing a rapid ~10% and ~20% CAGR over the next five years, to ~$8.5bn and ~$1.5bn, respectively, along with low capacity utilization (~50% in FY26).

Higher defense budgets and asymmetric warfare augur well

Recent geopolitical conflicts like Russia-Ukraine, India-Pakistan, Israel-Palestine, and the ongoing US-Iran tensions have augmented defense budgets in India and globally. For example, India's defense capex outlay CAGR was ~4% over FY21-25, but increased ~17% over FY25-27(BE), primarily due to 'Operation Sindoor' in May-25. Further, usage of asymmetric warfare techniques like camouflage nets and inflatable decoys (Ind-Pak) as well as cargo parachutes (Russia-Ukraine) is likely to be a precedent and accelerate use of these products in future warfare. EU/UK being one of the major defense spending regions and an ongoing FTA with India augurs well for domestic players.

KSL stands out on moat, diversification, and margins

A wide moat (>1,000 SKUs, fine-denier weaving, Nylon 6/66 handling, in-house coating/lamination, full integration, sticky relationship) makes KSL one of the major military-parachute fabric makers, apart from the US and China. Its four diversified engines limit risk; in FY26, defense revenue (~55% of revenue) declined (A&D Fabrics/Solutions were down 42%/30%, respectively), with the fall cushioned by ~46%/120% growth in Industrials/Outdoor, respectively, thereby curbing the revenue decline to ~11%. Further, KSL's profitability improved, from being below the peer-set's (pre-Covid) to the highest EBITDA margin among listed peers (in FY26).

Kusumgar: Financial Snapshot (Consolidated)

Y/E Mar (mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	7,790	6,920	11,460	12,797	16,530
EBITDA	1,884	1,879	3,163	3,354	4,593
Adj. PAT	1,120	982	1,951	2,139	3,084
Adj. EPS (Rs)	11.0	8.3	16.4	18.0	25.9
EBITDA margin (%)	24.2	27.1	27.6	26.2	27.8
EBITDA growth (%)	42.9	(0.3)	68.4	6.0	36.9
Adj. EPS growth (%)	(74.0)	(25.2)	98.7	9.6	44.2
RoE (%)	56.3	25.8	32.5	26.6	28.9
RoIC (%)	55.9	20.6	30.5	30.5	38.8
P/E (x)	38.0	50.8	25.6	23.3	16.2
EV/EBITDA (x)	24.0	27.8	16.0	14.5	10.2
P/B (x)	16.5	9.9	7.1	5.5	4.1
FCFF yield (%)	(5.8)	(0.8)	4.1	4.0	4.5

Source: Company, Emkay Research

Target Price – 12M	Jun-28
Change in TP (%)	**NA**
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	90.9

Stock Data	**KUSUMGAR IN**
52-week High (Rs)	0
52-week Low (Rs)	0
Shares outstanding (mn)	0.0
Market-cap (Rs bn)	50
Market-cap (USD mn)	525
Net-debt, FY27E (Rs mn)	607.8
ADTV-3M (mn shares)	0.0
ADTV-3M (Rs mn)	0.0
ADTV-3M (USD mn)	0.0
Free float (%)	24.3
Nifty-50	24,052.1
INR/USD	96.2
Shareholding, Jun-26	
Promoters (%)	75.7
FPIs/MFs (%)	0.0/0.0

Price Performance

(%)	1M	3M	12M
Absolute	0.0	0.0	0.0
Rel. to Nifty	0.0	0.0	0.0

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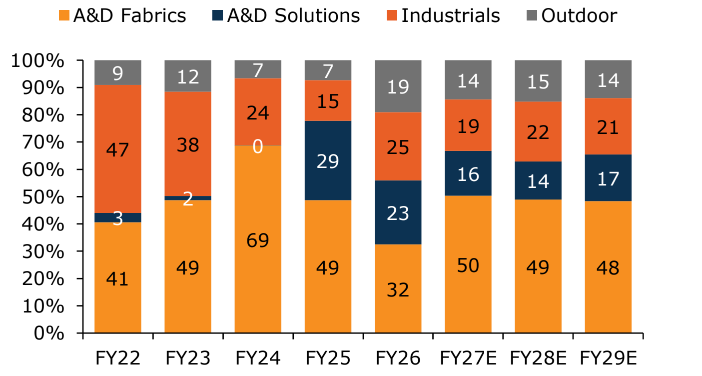
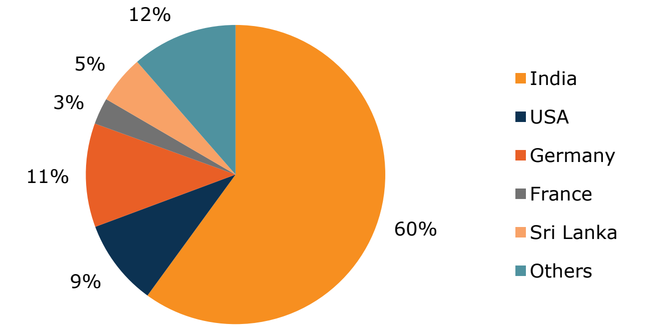


Source: Company, Emkay Research

Exhibit 2: Exports contribute to ~40% of revenue, with Germany being KSL's largest export market, followed by the US



Source: Company, Emkay Research

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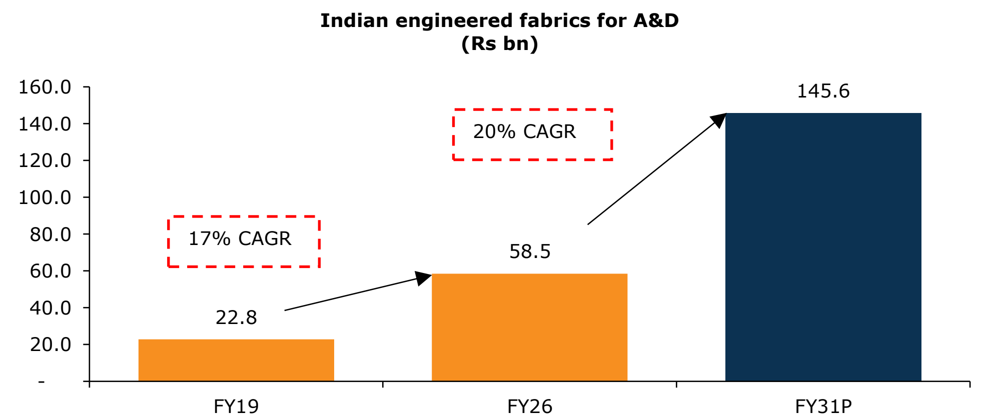

Source: Company, Emkay Research

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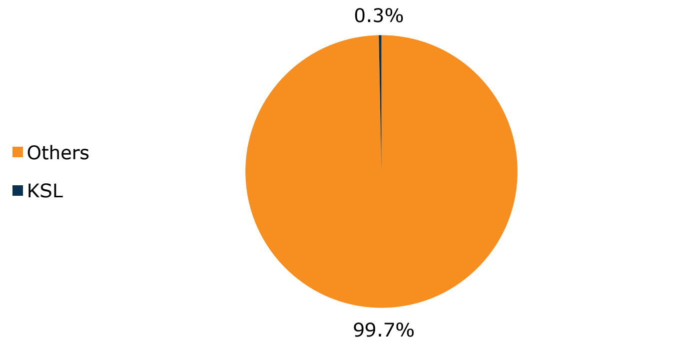
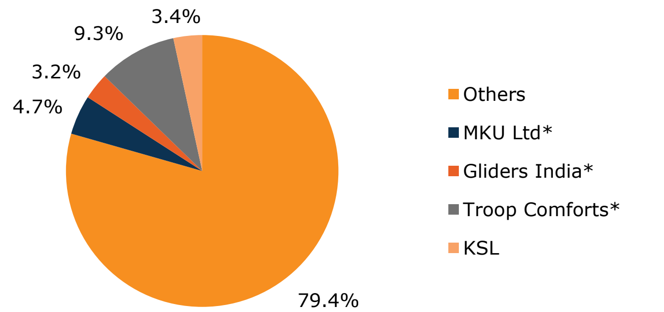


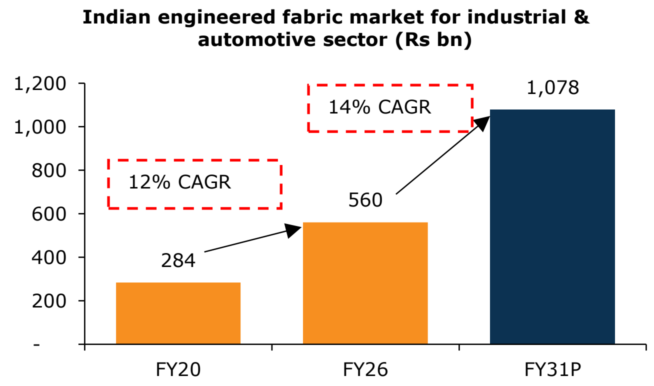
Source: Company, Emkay Research

Exhibit 5: ...while it is ~3.5% in the domestic market, giving KSL ample headroom for growth and for capturing market share



Source: Company, Emkay Research; Note: FY25 revenues have been considered

Exhibit 6: India's industrial and automotive fabrics market is expected to grow ~14% over FY26-31P



Source: Company, Emkay Research

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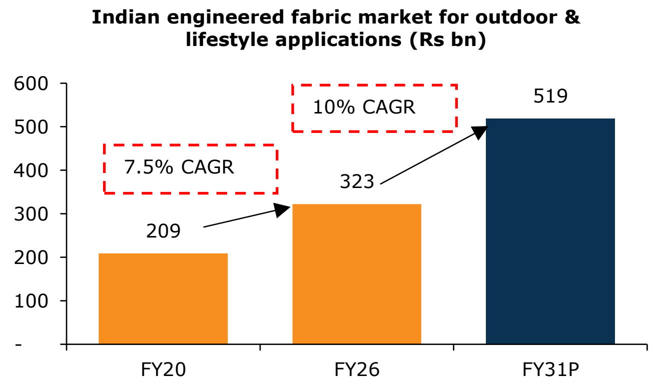

Source: Company, Emkay Research

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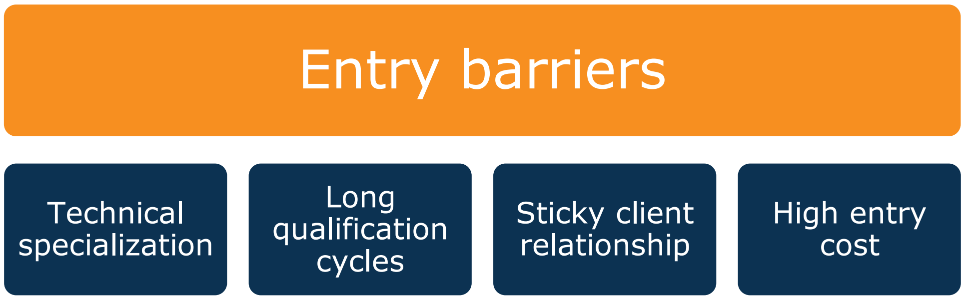
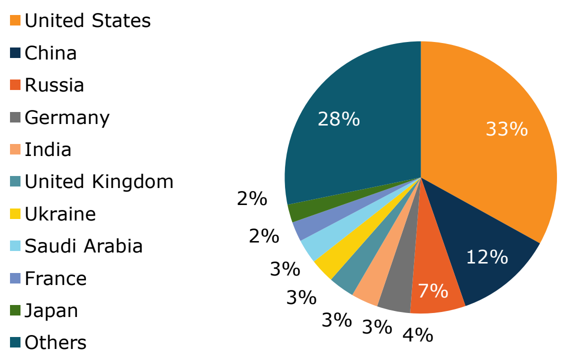


Source: Company, Emkay Research

Exhibit 9: In CY25, India was among the top-5 countries in defense spends, with ~3% share in global defense spends



Source: Company, Emkay Research

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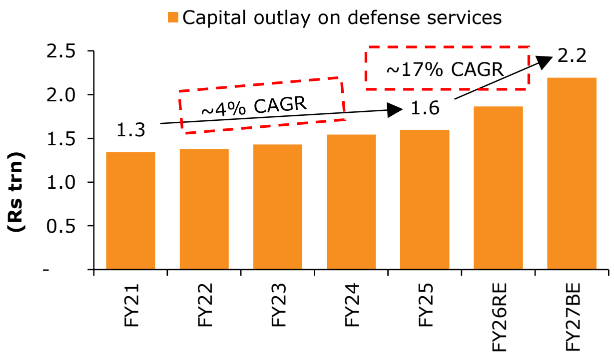
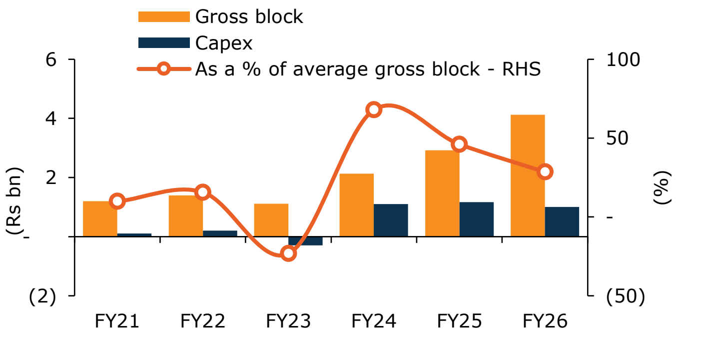


Source: Company, Emkay Research

Exhibit 11: KSL has recently finished its capex on capacity addition…



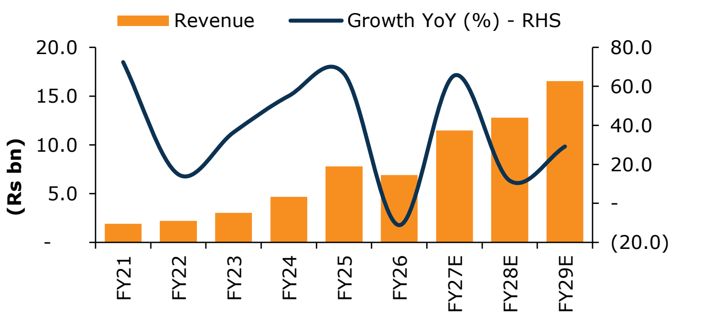
Source: Company, Emkay Research; Note: FY23 capex is negative due to the sale of a Rs305mn worth gross block

Exhibit 12: …giving it further headroom to grow with its current capacity

Particulars	FY23	FY24	FY25	FY26
Processing Dyeing, Finishing, Printing, and Coating				
Installed capacity (mn mtr)	46.9	46.9	127.8	127.8
Production (mn mtr)	38.7	44.2	46.5	63.3
Capacity utilization (%)	***82.8***	***94.3***	***42.3***	***49.5***
Weaving				
Installed capacity (mn mtr)	19.7	19.7	19.7	34.2
Production (mn mtr)	17.9	15.9	16.0	21.4
Capacity utilization (%)	***88.9***	***79.7***	***84.4***	***62.5***

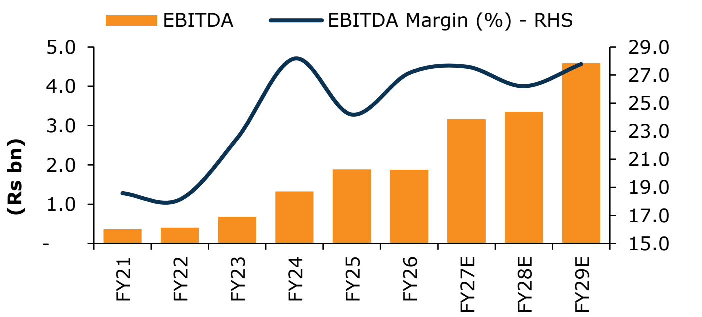
Source: Company, Emkay Research

Exhibit 13: We expect revenue CAGR of ~34% over FY26-29E



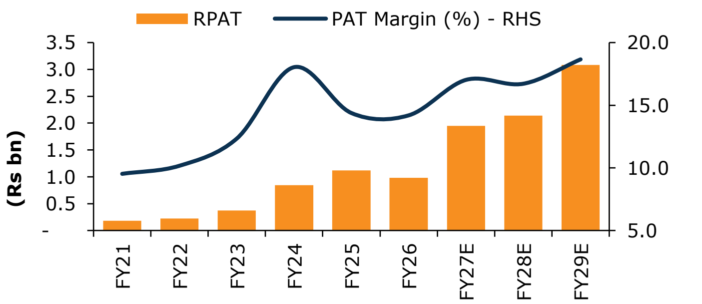
Source: Company, Emkay Research

Exhibit 14: We expect EBITDA to see ~35% growth over FY26-29E, with 70bps margin expansion



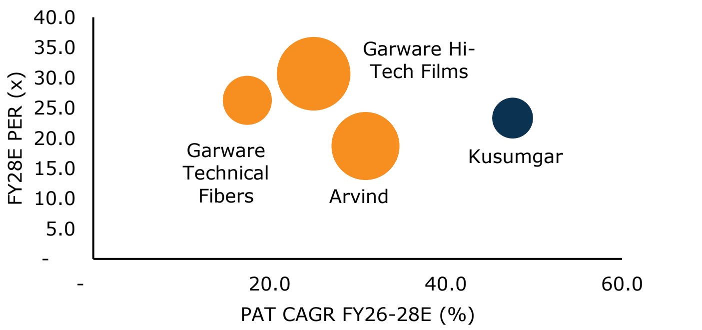
Source: Company, Emkay Research

Exhibit 15: We expect PAT CAGR of 46% over FY26-29E



Source: Company, Emkay Research

Exhibit 16: KSL is relatively well placed among peers



Source: Company, Emkay Research; Note: Bubble sizes are basis current market capitalization; PAT growth rate for Garware Technical Fibers and Garware Hi-Tech Films is assumed to be similar, basis its past performance

Exhibit 17: KSL – Valuation summary

Particulars	Units	FY28E	FY29E
APAT	Rs mn	2,139	3,084
Jun-28E APAT	**Rs mn**		**2,375**
Target Multiple	x		40
Target Mcap	**Rs mn**		**95,010**
No of shares	mn		119
Target Price	**Rs**		**800**
Upside	%		91
CMP	Rs		419

Source: Company, Bloomberg, Emkay Research

Investment Thesis

Significant headroom to grow in A&D Fabrics (KSL's best-paying segment)

A&D Fabrics contributes ~45-50% to KSL's revenue (5-year average) and earns the highest operating margins in the portfolio (>25%). With only 3-4% domestic market share, we see ample scope for KSL to gain market share, on the back of global and domestic A&D-fabric markets seeing a rapid ~10% and ~20% CAGR over the next five years to ~$8.5bn and ~$1.5bn, respectively, and low capacity utilization (~50% in FY26).

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Exhibit 18: DuPont analysis

Particulars	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PAT/PBT (%)	73.6	73.7	75.5	73.3	74.3	72.8	72.8	72.8	72.8
PBT/EBIT (%)	94.9	100.1	93.9	100.3	97.8	95.6	100.6	104.4	105.2
EBIT/Sales (%)	13.6	13.8	17.4	24.5	19.8	20.4	23.2	22.0	24.4
Asset Turnover (x)	1.7	1.7	2.4	2.9	3.1	2.0	2.6	2.6	3.0
Assets/Equity (x)	1.2	1.1	1.4	1.7	1.3	0.9	0.7	0.6	0.5
ROE (%)	**18.9**	**19.1**	**40.3**	**86.1**	**56.3**	**25.8**	**32.5**	**26.6**	**28.9**

Source: Company, Emkay Research

Significant headroom to grow in A&D Fabrics (KSL's best-paying segment)

Specialized high-growth niche within technical textiles

- Engineered fabrics are a subset of technical textiles, built for functional performance (tensile and tear strength, abrasion resistance, waterproofing, breathability).
- These fabrics are custom-developed for applications across defense, aerospace, automotive, industrial, outdoor, and medical end-uses.

Exhibit 19: Engineered fabrics span diverse performance-critical end-uses

End-use sector	Key applications	Critical properties
Defense	Body armor, tactical gear, stealth system, rapid-deployment system	Strength, abrasion resistance, fire retardancy, low stretch
Aerospace	Parachutes, paragliders, hot-air balloons, evacuation slides, life vests	Lightweight, high strength-to-weight, air-permeability control
Industrial	Filtration, conveyor/transmission belts, hoses, tapes, heddle belts	Chemical/thermal resistance, tensile strength, durability
Automotive	Airbags, seat-belt webbing, tyre cord, wire-harness tapes, headliners	Thermal stability, abrasion resistance, high tensile strength
Outdoor and lifestyle	Luggage, backpacks, tents, sleeping bags, athleisure, rainwear	Water/UV resistance, breathability, lightweight, durability
Medical	Surgical drapes, gowns, wound dressings, mask filtration	Antimicrobial, fluid resistance, sterility
Construction	Geotextiles, roofing membranes, insulation	Weathering resistance, waterproofing, thermal insulation

Source: Company, Emkay Research

Exhibit 20: Key applications of engineered fabrics in Aerospace and Defense

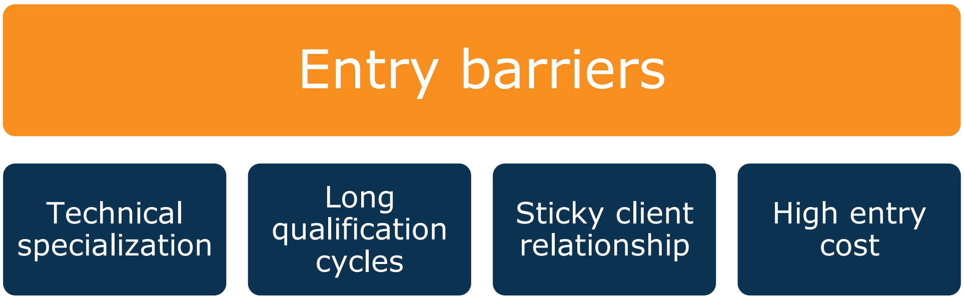
	Parameters	Definition	Key characteristic
Parachute systems & inflatables	Parachutes	Aerial equipment designed for **controlled descent** through the atmosphere	Provide enhanced strength, durability, & resistance to environmental factors, ensuring **reliable deployment** and safety during descent or flight
	Paragliders	Aerial equipment designed for **gliding flight** through the atmosphere	Provide strength and durability, resists environmental stresses to ensure harmless deployment, **stable flight, and safe descent**
	Hot air balloons	Aerial equipment designed to **control descent** or provide **sustained flight** by utilising air resistance and aerodynamic principles	Provide uniformity, strength, and airtightness, ensuring safe and efficient flight with **controlled ascent and descent**
	Aerostats	**Inflatable structures** such as balloons or **blimps** used for sky surveillance, communication, or weather monitoring	Provide **multi-layered laminates** to ensuring durability and resistance to harsh environmental conditions
Stealth & tactical systems	Rain poncho	Lightweight, **waterproof covering** designed to shield personnel and gear from rain and wet conditions	Provides **full-body protection from rain** and stays durable even in harsh conditions
	Bulletproof jackets	Personal **protective gear** incorporating ballistic-resistant materials to absorb and disperse impact	Delivers **reliable ballistic protection** while maintaining mobility, comfort, and durability
	ECWCS	A **three-layered clothing** system specifically designed and evaluated to provide insulation, waterproofing, strength & lightweight properties	Superior **thermal insulation** and moisture-wicking properties to ensure protection in **extreme cold** and **high-altitude** conditions
	High altitude & visibility clothing	Specialized clothing engineered for operations in high-altitude, low-visibility environments	Ensures water resistance, **abrasion resistance**, and **high-visibility markings** for safety in harsh climates
	CBRN	**Protective gear** designed to shield against hazardous **CBRN threats** while maintaining durability, breathability, and mobility	Comprehensive protection from **environmental threats** while maintaining **mobility** and **breathability**
Rapid deployment systems	Camouflage sets	**Specialised nets designed to conceal** military personnel and equipment by blending with the surroundings, reducing visual & infrared detection	Provides **stealth and concealment**, providing coverage against **visual** and **infrared detection** with advanced trilobal patterns and adaptive functionality
	Rucksacks	Heavy-duty **load-carrying packs** designed for transporting equipment and supplies	**Ergonomic, durable**, and modular with **high load capacity** for extended operations
	MOLLE system	Modular Lightweight Load-Carrying Equipment system with webbing and attachment points	Enables **customizable, secure, and adaptable gear configuration** for mission-specific needs

Source: Company, Emkay Research

High entry barriers protect incumbents

- The engineered fabrics market is difficult to penetrate given multiple entry barriers; hence, incumbents enjoy sticky orders and minimal threat from new entrants.
- Mastering the chain—from technical fiber selection to advanced coating and finishing—often requires years of specialized experience, which serves as the primary barrier for new competitors.
- In case of Defense and Industrial sectors, testing and qualification periods typically last 2-10 years—from initial design to revenue, making entry unattractive without deep pockets.
- Further, safety-critical applications like parachutes and ballistic gear demand absolute precision, as defects can be fatal. This factor makes qualified suppliers difficult to replace, once trust is established.
- Lastly, entry costs are high, driven by the need for large infrastructure, specialized imported machinery, and stringent certifications such as AS9100D for aerospace and IATF for automotive applications.

Exhibit 21: Why new entrants find it difficult to penetrate the engineered fabrics market

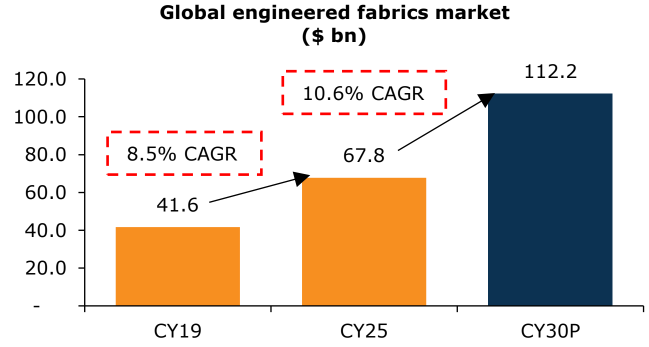


Source: Company, Emkay Research

India's A&D market – Small globally, but scaling up fast

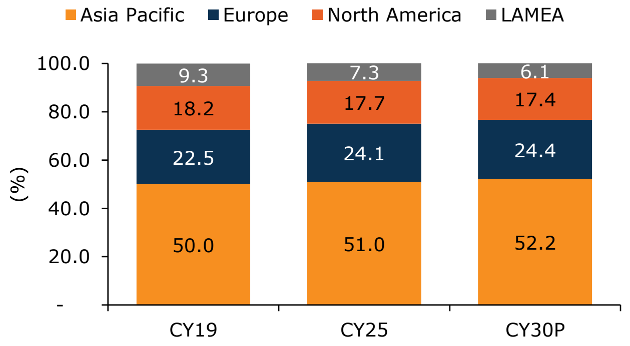
- The global engineering fabrics market is large and growing steadily. It is expected to grow from ~$68bn in CY25 to ~$111bn by CY30, at ~10% CAGR, on the back of rising demand for lighter, stronger, multifunctional materials.
- By end-use, three segments dominate globally. Industrial and automotive is the largest segment, at ~47%, followed by Outdoor and lifestyle at ~32%, and Aerospace and defense at ~8% being the fastest-growing (Exhibit 24).

Exhibit 22: Global engineered fabrics market expected to see ~11% CAGR over the next 5 years



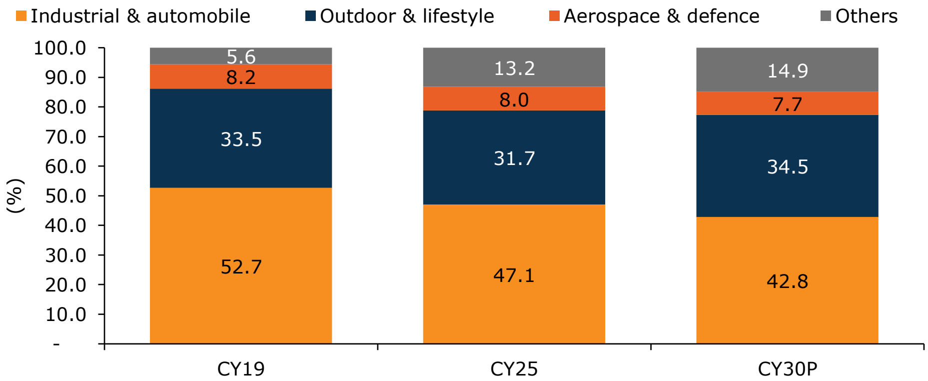
Source: Company, Emkay Research

Exhibit 23: Asia Pacific is the fastest growing market by region, gaining 120bps share in the mix



Source: Company, Emkay Research; Note: LAMEA = Latin America and Middle East Asia

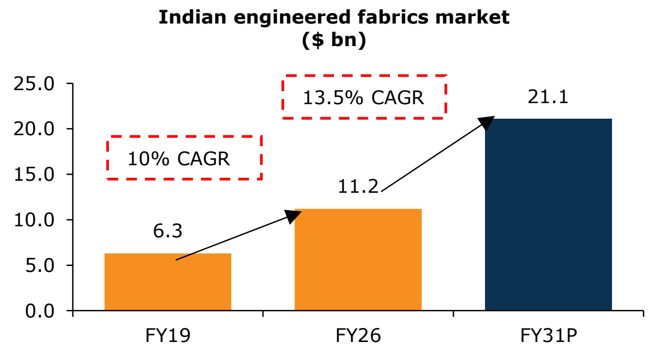
Exhibit 24: A&D Fabrics forms ~8% of the global market, seeing ~10% CAGR over CY25-30P (in line with broader markets)



Source: Company, Emkay Research

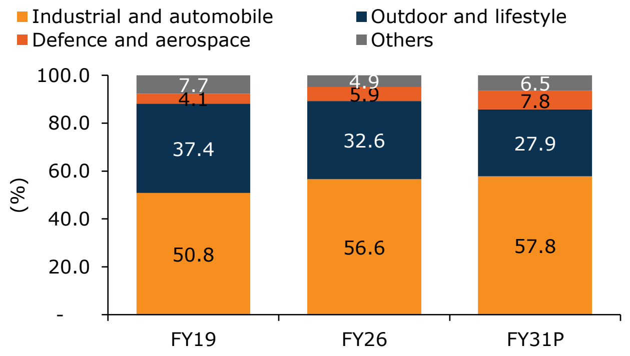
- India is a smaller market, albeit growing faster. It is expected to grow to ~$21bn by FY31 (vs ~$11bn in FY26), implying ~13.5% CAGR, supported by higher defense spend.
- India's end-use mix is broadly similar to the global markets', although inclined more toward the industrials and automotive segment. Industrials and automotive leads at ~57%, followed by Outdoor and lifestyle at ~33%, and Aerospace and defense at ~6% (Exhibit 26).

Exhibit 25: The Indian engineered fabrics market is expected to see ~14% CAGR over the next 5 years



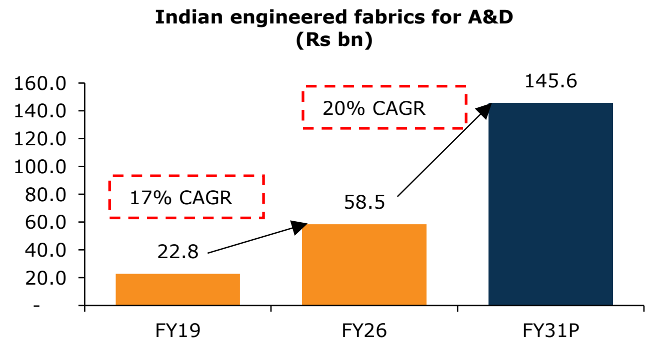
Source: Company, Emkay Research

Exhibit 26: India's defense spend to boost its share in the mix by FY31P, with A&D forming ~8% of the mix (vs ~6% in FY26)



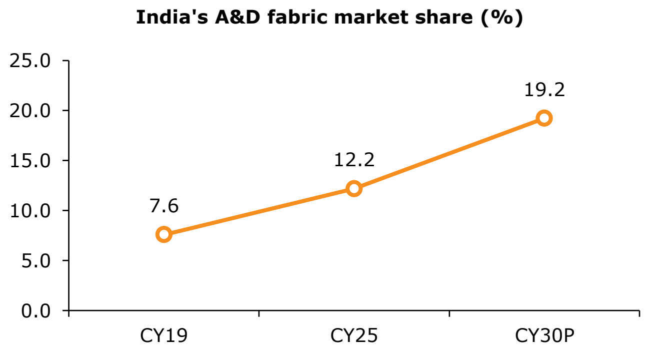
Source: Company, Emkay Research

Exhibit 27: The domestic A&D market expected to see ~20% CAGR over FY26-31P…



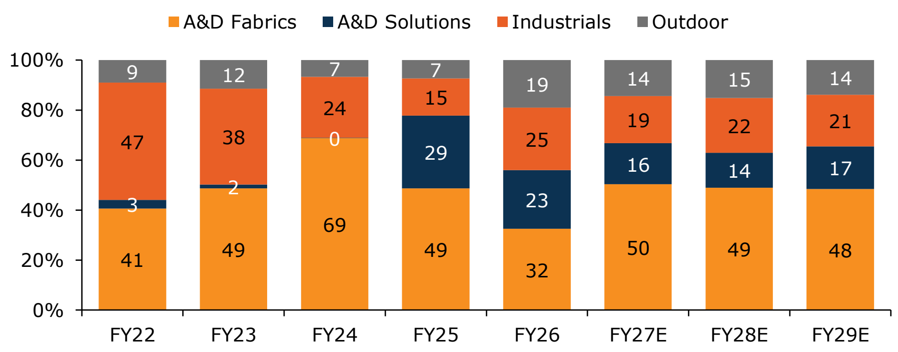
Source: Company, Emkay Research

Exhibit 28: …as a result, India's market share in the A&D Fabrics global market is seen increasing by ~7pps over the next 5 years



Source: Company, Emkay Research

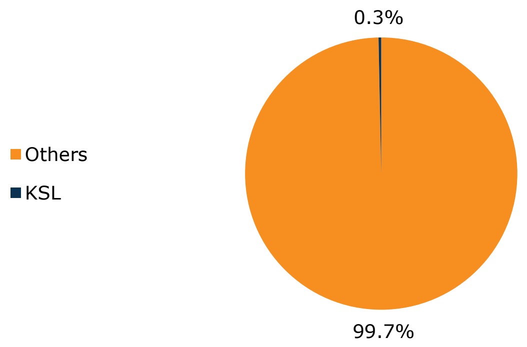
Exhibit 29: KSL's A&D Fabrics revenue forms ~50% of the contracted revenue



Source: Company, Emkay Research

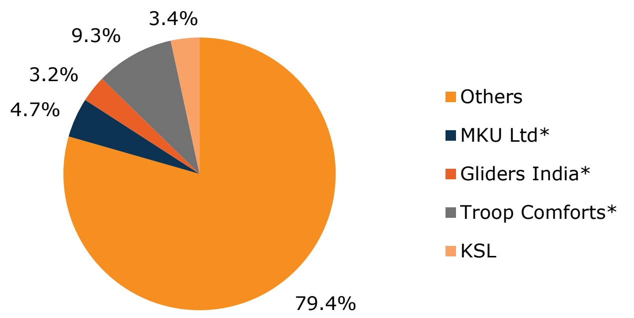
- A&D Fabrics form KSL's core and contribute ~50% of company revenue (FY22-26 average).
- With only 3-4% domestic market share, we see ample scope for KSL to gain market share, on the back of the global and domestic A&D Fabrics markets seeing a rapid ~10% and ~20% CAGR over the next five years to ~$8.5bn and ~$1.5bn, respectively, and low capacity utilization (~50% in FY26).

Exhibit 30: KSL's market share in the global A&D Fabrics market is less than ~0.5%...



Source: Company, Emkay Research

Exhibit 31: ... while being ~3.5% in the domestic market, giving KSL ample headroom to grow and capture market share



*Source: Company, Emkay Research; Note: *FY25 revenues were considered*

Exhibit 32: KSL can scale up its revenue to ~Rs20bn on the existing gross block

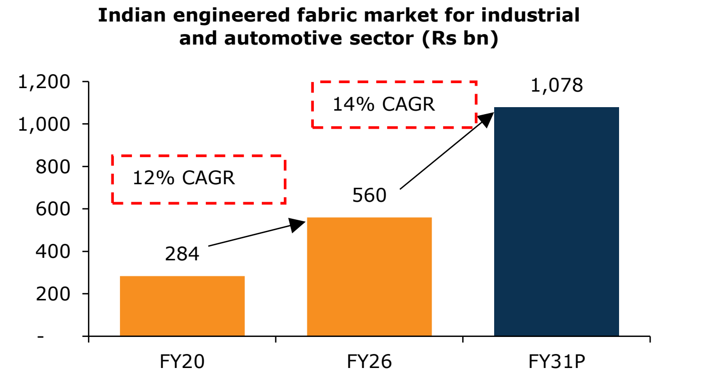
Particulars	FY23	FY24	FY25	FY26
Processing, Dyeing, Finishing, Printing, and Coating				
Installed capacity (mn mtr)	46.9	46.9	127.8	127.8
Production (mn mtr)	38.7	44.2	46.5	63.3
Capacity utilization (%)	***82.8***	***94.3***	***42.3***	***49.5***
Weaving				
Installed capacity (mn mtr)	19.7	19.7	19.7	34.2
Production (mn mtr)	17.9	15.9	16.0	21.4
Capacity utilization (%)	***88.9***	***79.7***	***84.4***	***62.5***

Source: Company, Emkay Research

Industrials and Outdoor to add scale, see steady growth

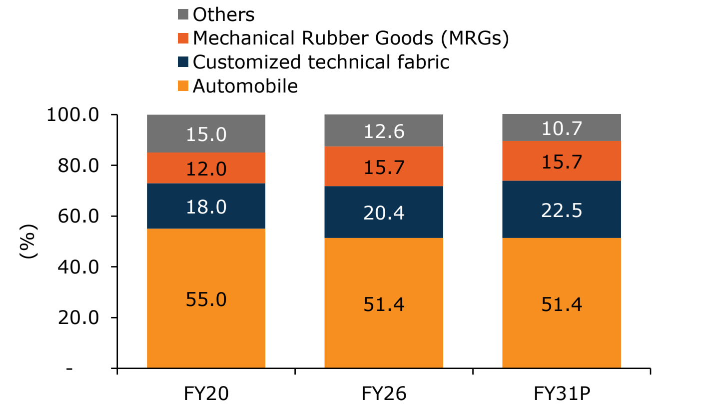
- KSL's other two markets are also growing steadily.
  - India's industrial and automotive segment is set to see ~14% CAGR over FY26-31E, on the back of automobiles and mechanical rubber goods.

Exhibit 33: India's industrial and automotive fabrics market CAGR is expected at ~14% over FY26-31P…



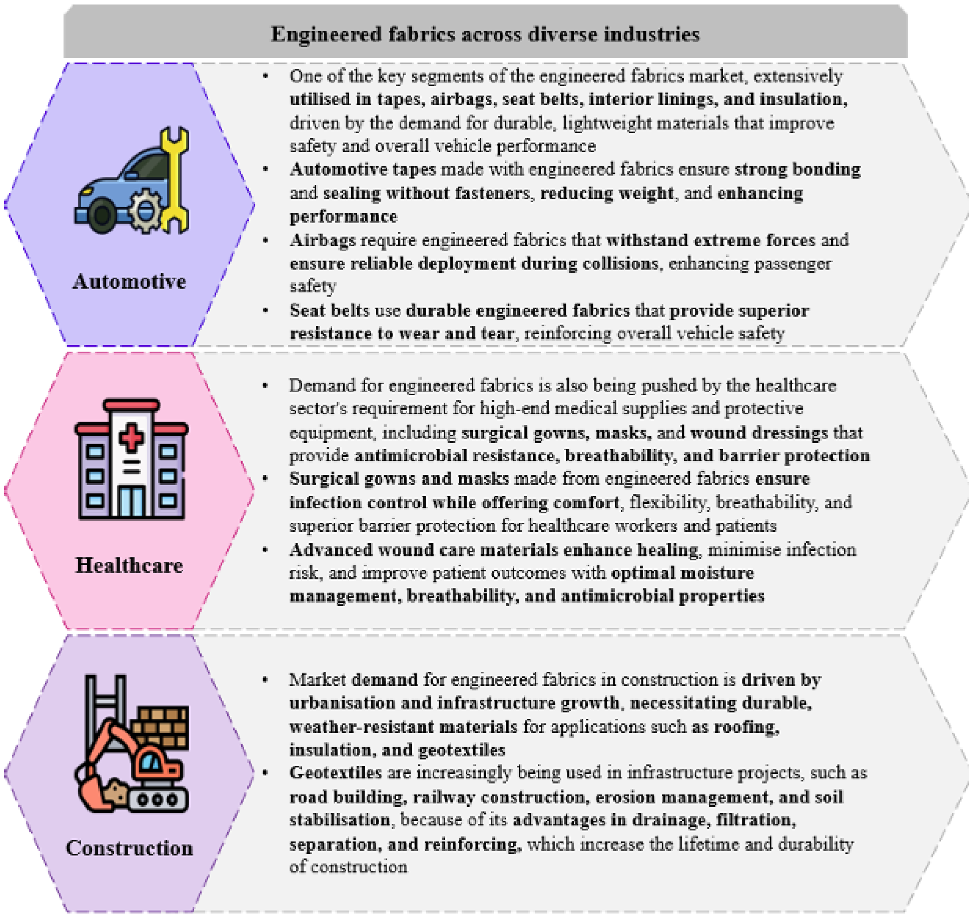
Source: Company, Emkay Research

Exhibit 34: …led by customized fabric, at ~16% CAGR and gaining ~210bps of mix share by FY31P



Source: Company, Emkay Research

Exhibit 35: Application of engineered fabrics in the industrial and automotive sector



- One of the key segments of the engineered fabrics market, extensively **utilised in tapes, airbags, seat belts, interior linings, and insulation,** driven by the demand for durable, lightweight materials that improve safety and overall vehicle performance
- **Automotive tapes** made with engineered fabrics ensure **strong bonding** and **sealing without fasteners, reducing weight**, and **enhancing performance**
- **Airbags** require engineered fabrics that **withstand extreme forces** and **ensure reliable deployment during collisions**, enhancing passenger safety
- **Seat belts** use **durable engineered fabrics that provide superior resistance to wear and tear**, reinforcing overall vehicle safety

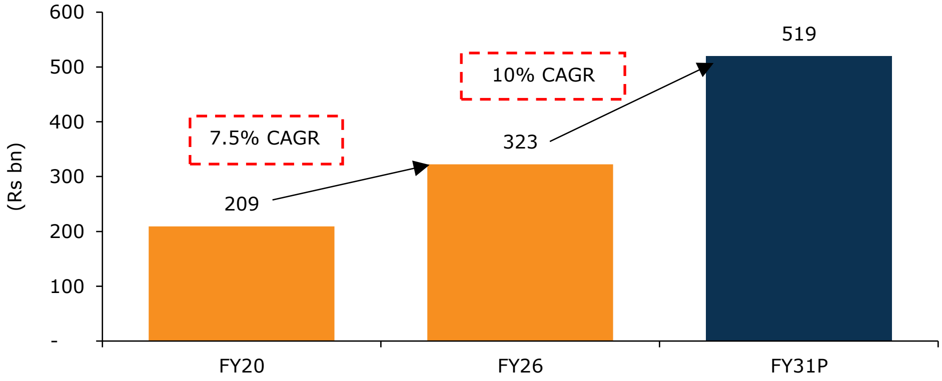
- Demand for engineered fabrics is also being pushed by the healthcare sector's requirement for high-end medical supplies and protective equipment, including **surgical gowns, masks,** and **wound dressings** that provide **antimicrobial resistance, breathability, and barrier protection**
- **Surgical gowns and masks** made from engineered fabrics **ensure infection control while offering comfort**, flexibility, breathability, and superior barrier protection for healthcare workers and patients
- **Advanced wound care materials enhance healing**, minimise infection risk, and improve patient outcomes with **optimal moisture management, breathability, and antimicrobial properties**

- Market **demand** for engineered fabrics in construction is **driven by urbanisation and infrastructure growth**, **necessitating durable, weather-resistant materials** for applications such as **roofing, insulation, and geotextiles**
- **Geotextiles** are increasingly being used in infrastructure projects, such as **road building, railway construction, erosion management, and soil stabilisation**, because of its **advantages in drainage, filtration, separation, and reinforcing,** which increase the lifetime and durability of construction

Source: Company, Emkay Research

- Outdoor and lifestyle adds a similar tailwind, growing ~10% in India, as athleisure demand rises and global brands shift more of their sourcing onshore.

Exhibit 36: Indian engineered fabrics market for outdoor and lifestyle applications expected to see 10% CAGR over the next 5 years



Source: Company, Emkay Research

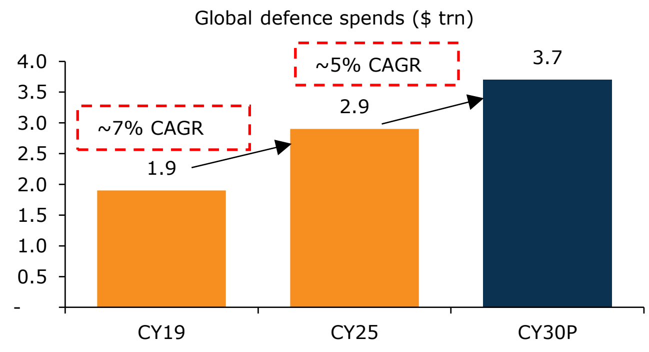
- With the China+1 theme playing out, global buyers are diversifying sourcing away from China and to India, thus improving demand for locally made engineered fabrics.
- Policy reinforces the pull – with PLI for technical textiles, the PM-MITRA parks are lowering costs further and expanding domestic capacity.

Higher defense budgets and asymmetric warfare augur well

Rising defense spend globally and domestically

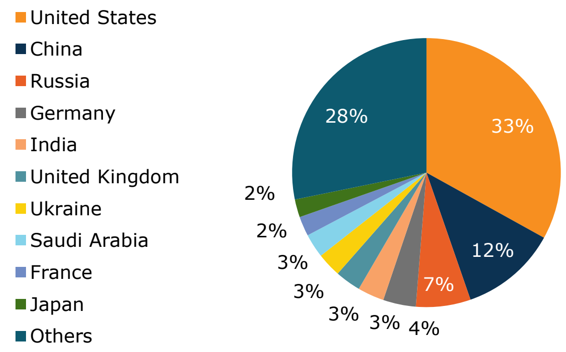
- Global spending on defense is on the rise, and hit a record ~$2.9trn in CY25; it is set to reach ~$3.7trn by CY30P, as geopolitical tensions compel countries to rearm and modernize.
- Spending is heavily concentrated among the top five countries, which make up ~60% of the total global defense spends.
- US leads the pack with spends of ~$954bn (~33%), trailed by China (~$336bn, ~12%), Russia (~$190bn, ~7%), Germany (~$114bn, ~4%), and India (~$92bn, ~3%).

Exhibit 37: Global defense spend expected to increase at ~5% CAGR over the next 5 years



Source: Company, Emkay Research

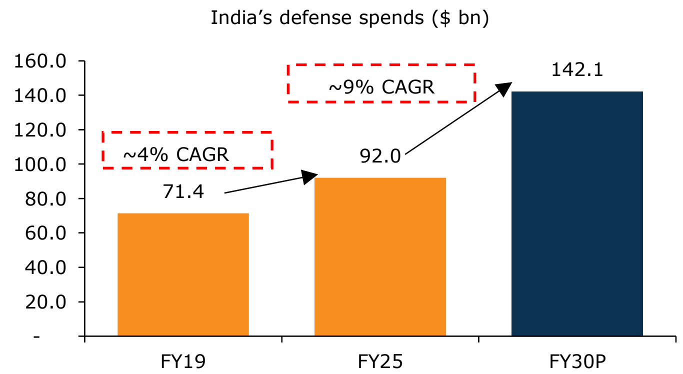
Exhibit 38: In CY25, India was among the top-5 countries in defense spend, with ~3% share in global defense spends



Source: Company, Emkay Research

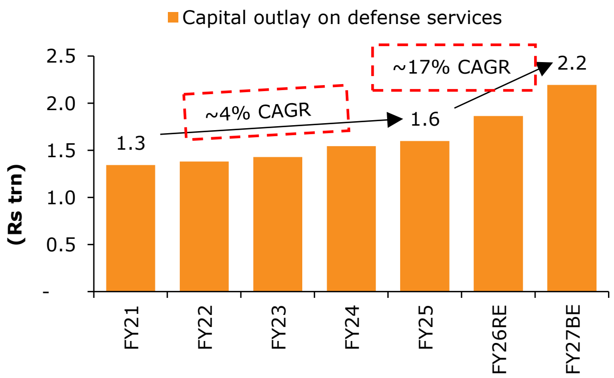
- India's defense spending is projected to grow from ~$92bn in FY25 to ~$142bn by FY30P at a ~9% CAGR (~2x the global pace of ~5%) amid border-security needs and modernization.
- In the FY26 budget, GoI raised its defense capital outlay (the procurement budget KSL supplies into) from Rs1,598bn in FY25 to Rs2,193bn by FY27BE.

Exhibit 39: India's defense spend expected to see ~9% CAGR over FY25-30P



Source: Company, Emkay Research

Exhibit 40: India's budgeted defense capital outlay has increased to Rs2.2trn by FY27BE



Source: Company, Emkay Research

Asymmetric warfare – A new paradigm

- Modern warfare has widened the use of technical textiles well beyond body armor and parachutes.
- In Ukraine, inflatable decoys made from synthetic fabrics, replicating the thermal, radar and visual signatures of tanks, launchers, and aircraft, have become a low-cost way to absorb expensive enemy munitions and extend the survivability of real forces.

Exhibit 41: Decoy army tank…

Source: Industry, Emkay Research

Exhibit 42: …inflatable structures…

Source: Industry, Emkay Research

- India is adopting the same playbook; during Operation Sindoor (May-25), Indian forces used camouflage, concealment, and decoy deployments to mask their assets.
- Since then, the IAF has acquired ~400 inflatable decoys made from specialized materials that mimic the radar and infrared signatures of its frontline jets and air-defense systems.

Exhibit 43: …base camps…

Source: Industry, Emkay Research

Exhibit 44: …and cargo parachutes

Source: Industry, Emkay Research

- We believe that as defense spending increasingly focuses on force protection, rapid deployment, and asymmetric warfare capabilities, demand for advanced technical textiles is expected to rise.
- This creates a structural growth opportunity for manufacturers of engineered fabrics and coated technical textiles catering to defense and aerospace applications.

Export tailwinds

- Indian textile exporters face a duty disadvantage in the UK and EU, where rivals such as Bangladesh, Vietnam, and several African nations ship in at 0% duty.
- The duty-based gap has been narrowing over the past ~3 years, with India having signed FTAs with the UK, EU, UAE, Australia, and New Zealand.
- The India-UK FTA is ratified and expected to come into force in Jul-26, taking India's duty to 0%; the India-EU deal on ratification is set to follow in H1CY27.
- KSL is well placed to capture the export opportunity, with ~40% exports revenue in FY26 and Europe being the fastest-growing region, led by Germany (11.2% of FY26 revenue) – ahead of the US (9.3%).

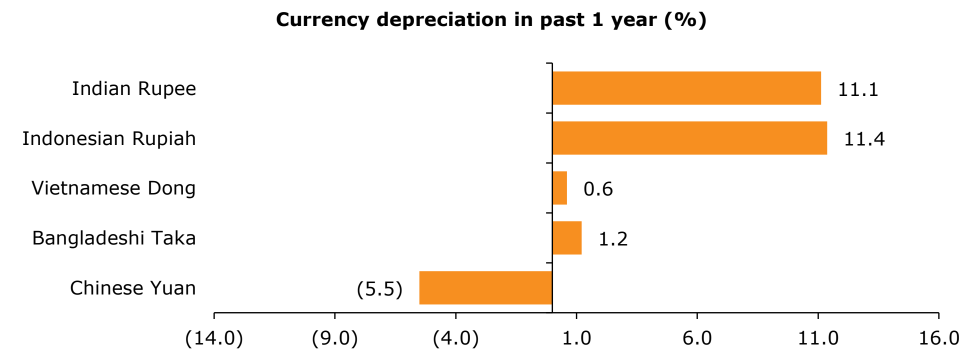
Exhibit 45: India's FTA status with major apparel markets

Sr no	FTA partner (country)	Status
1	UAE	In force; implemented on May-22
2	Australia	In force; implemented on Dec-22
3	UK	Ratified; implementation expected in Jul-26
4	New Zealand	Implementation expected in 2HCY26
5	Canada	Likely to sign an agreement by 2HCY26-end
6	EU-27 (European Union)	Implementation expected in 1HCY27

Source: Industry, Emkay Research

- The situation has turned favorable on the US front, with a temporary 10% duty under Section 122 remaining over the MFN rate.
- With Section 122 expiring in ~mid-Jul-26, India will be at parity with competing nations and sits ~7-8% below China (which carries an additional duty under Section 301).
- Currency reinforces the shift, with the rupee down ~11% over the past year against the USD and the Yuan up ~7%, a ~18pps swing in India's favor vs China.

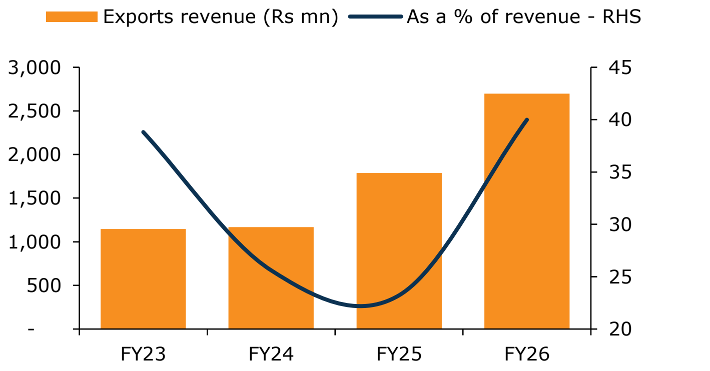
Exhibit 46: The rupee depreciated ~11% against the USD, over the last year



Source: Bloomberg, Emkay Research

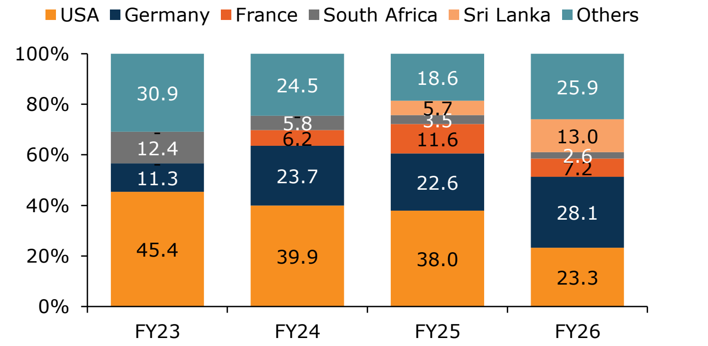
- Together, the currency and tariff gaps lift India's aggregate cost advantage over China to ~24-25% in the US market.
- KSL is well-placed for these shifts, with an established European footprint, the right product mix, and modest direct US exposure (~9% of FY26 revenue, its two largest US accounts already re-routed offshore), leaving it geared for the upside as duty rates decrease.

Exhibit 47: KSL's export share rebounds to ~40% in FY26…



Source: Company, Emkay Research

Exhibit 48: …with EU (Germany and France) emerging as a key hotspot, while share of US dips amid tariff-related uncertainty



Source: Company, Emkay Research

KSL stands out on moat, diversification, and margins

A wide moat in a niche, high-barrier business

- KSL has built >1,000 unique fabric SKUs over five decades, spanning 15D (D = denier) to 1,000D yarns across nylon, polyester, and aramids (Kevlar).
- Its technical edge is specific, making extremely light fine-denier fabrics, handling difficult Nylon 6/66 polymers, and finishing them with in-house coating and lamination.

Exhibit 49: KSL's technical edge

Sr no	Strength	Why this is KSL's USP
1	Fine-denier weaving	Extremely light, high-strength fabric; yarn breakage and tension control are managed well by KSL
2	Nylon 6 / Nylon 66 handling	Heat-sensitive, prone to uneven dyeing and creasing; few can process consistently
3	Complex fabric engineering	Tailored weaves and finishes for specific performance needs
4	Coating & lamination	PU, TPU, silicones, PTFE for waterproofing, durability, protection
5	Integrated value chain	Yarn to finished product, giving control over quality, cost, and traceability
6	Sticky client relationships	Multi-year qualification and safety-critical specs make customers slow to switch, once approved

Source: Company, Emkay Research

- This makes KSL one of the few manufacturers of military parachute fabric apart from the US and China; KSL has been the primary parachute-fabric supplier for an Indian government customer since 1976.
- It is also the official fabric and parachute-systems partner for India's Gaganyaan space mission and has since moved downstream into finished parachute systems.

Exhibit 50: Case studies defining KSL's growth story

Case study	Segment	Key objective	Significant Outcome / Impact
Customer A (Global Parachute Leader)	**Aerospace and Defense**	To provide a reliable alternative supply source during Covid-19 disruptions	• Became the preferred Indian partner for a major US-based company • Developed high-altitude parachute systems under 'Make in India'
Customer B (Automotive Wire Harness Tapes)	**Industrial and Automotive**	To replace Chinese sourcing and co-develop material alternatives like Nylon 6	• Completed a rigorous two-year qualification • Volumes scaled from 1mn mtr to 7mn mtr • Developed specialized yarns for Electric Vehicle (EV) applications
Decathlon	**Outdoor and Lifestyle**	To supply technical fabrics (eg Belharra) and localize yarn sourcing in India	• Became a global partner, delivering over 600km of fabric in a single year • Successfully trailed India-developed yarns for global adoption
90-liter Rucksack	**Defense / Tactical Gear**	To replace heavy, low-durability natural fibre fabrics with high-performance engineered fabrics	• Developed a custom waterproof fabric that won a massive government tender for ~795k units, executed between 2019 and 2022

Source: Company, Emkay Research

Diversified growth engines limit segmental risk

- KSL runs four growth engines (A&D Fabrics, A&D Solutions, Industrials, and Outdoor), with each tied to a different demand driver; hence, any slowdown in one is unlikely to impact the total demand.

Exhibit 51: KSL's four growth engines

Segment	Segment details	FY26 mix	Key demand driver
A&D Fabrics	Woven defense (ballistic, tactical, parachute) and aerospace fabrics	32%	Defense indigenization, Make-in-India
A&D Solutions	Finished parachute systems, camouflage nets	23%	Downstream shift into assembled solutions
Industrials	Tapes (wire-harness, masking), mechanical rubber goods, customized	24%	Auto and EV demand, China+1 sourcing
Outdoor	Luggage, backpack, and performance-apparel fabrics	19%	China+1 brand sourcing to India

Source: Company, Emkay Research

- Each segment sits in a high-growth end-market, hence the revenue mix rebalances internally, depending on which engine is firing.
- In FY26, as defense orders dipped, A&D Fabrics and Solutions fell ~42% and ~30%, while Industrials and Outdoor grew ~46% and ~120%, respectively, thus cushioning the group decline to ~11%.
- The defense dip is temporary, not structural – For example, a large A&D solutions order worth ~Rs2,372mn saw only 24% execution in FY26, with the balance to be executed for FY27.

Exhibit 52: KSL's revenue model

(Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
A&D Fabrics	**1,441**	**3,135**	**3,701**	**2,137**	**5,673**	**6,167**	**7,872**
Growth yoy (%)	58.8	117.6	18.1	(42.3)	165.5	8.7	27.7
As a (%) revenue	48.7	68.7	48.7	32.5	50.3	49.0	48.4
A&D Solutions	**46**	**9**	**2,219**	**1,546**	**1,852**	**1,761**	**2,781**
Growth yoy (%)	(39.0)	(81.1)	25,581.4	(30.3)	19.8	(4.9)	57.9
As a (%) revenue	1.5	0.2	29.2	23.5	16.4	14.0	17.1
Industrials	**1,131**	**1,113**	**1,126**	**1,649**	**2,128**	**2,749**	**3,352**
Growth yoy (%)	7.9	(1.6)	1.2	46.4	29.1	29.1	22.0
As a (%) revenue	38.2	24.4	14.8	25.0	18.9	21.8	20.6
Outdoor	**340**	**304**	**560**	**1,251**	**1,626**	**1,919**	**2,264**
Growth yoy (%)	68.4	(10.5)	84.0	123.3	30.0	18.0	18.0
As a (%) revenue	11.5	6.7	7.4	19.0	14.4	15.2	13.9
Revenue	**3,016**	**4,679**	**7,790**	**6,920**	**11,460**	**12,797**	**16,530**
Growth yoy (%)	36.4	55.1	66.5	(11.2)	65.6	11.7	29.2

Source: Company, Industry, Emkay Research

- We expect group revenue to see ~34% CAGR over FY26-29E, led by the defense recovery from FY27.
- A&D Fabrics leads the rebound, A&D Solutions recovers on the contracted order, and Industrials and Outdoor sustain strong growth, each ahead of its end-market.

Exhibit 53: Segmental growth assumptions (FY26-29E)

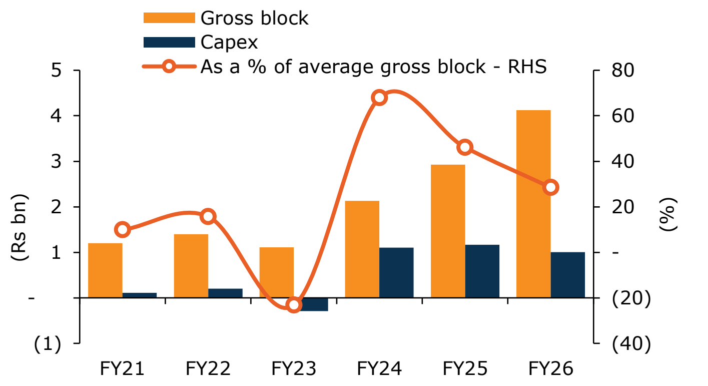
Segment	FY26-29E Revenue CAGR	Key assumptions
A&D Fabrics	~54%	Recovery from a low FY26 base, as defense orders return
A&D Solutions	~22%	Contracted Rs2.4bn order drives the rebound, kept modest as orders are lumpy
Industrials	~27%	China+1 and auto/EV demand, building on strong FY26 momentum
Outdoor	~22%	Brand sourcing into India, tapering off a high FY26 base
Total	**~34%**	**Defense recovery plus broad-based growth across all four engines**

Source: Company, Emkay Research

A progressively de-risking business

- Over the last three years, KSL executed its capex of ~Rs3.3bn and almost quadrupled its gross block, from Rs1.1bn in FY23 to Rs4.1bn in FY26.
- With utilization levels at ~50% in FY26 and ample headroom to grow, the management for a ~Rs0.5bnpa capex over the next four years.

Exhibit 54: KSL has recently finished its capex on capacity addition…



Source: Company, Emkay Research; Note: FY23 capex is negative due to the sale of a Rs305mn worth gross block

Exhibit 55: …giving it further headroom to grow with its current capacity

Particulars	FY23	FY24	FY25	FY26
Processing, Dyeing, Finishing, Printing, and Coating				
Installed capacity (mn mtr)	46.9	46.9	127.8	127.8
Production (mn mtr)	38.7	44.2	46.5	63.3
Capacity utilization (%)	***82.8***	***94.3***	***42.3***	***49.5***
Weaving				
Installed capacity (mn mtr)	19.7	19.7	19.7	34.2
Production (mn mtr)	17.9	15.9	16.0	21.4
Capacity utilization (%)	***88.9***	***79.7***	***84.4***	***62.5***

Source: Company, Emkay Research

- KSL's customer concentration has eased over the last 3 years, with its top-10 customers contributing ~60% of FY26 revenue, down from prior peaks of ~80% in FY24.

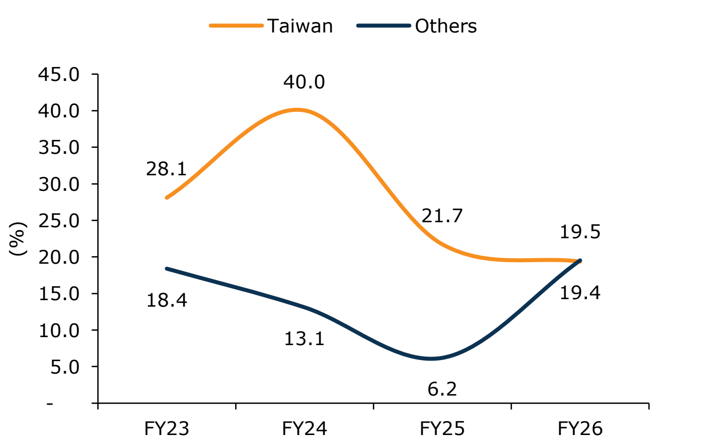
Exhibit 56: KSL's client concentration has decreased significantly in FY26

Particulars (%)	FY23	FY24	FY25	FY26
Top customer	10.0	47.3	28.9	11.1
Top-5 customers	37.5	68.5	74.2	45.4
Top-10 customers	51.6	80.2	84.7	59.5

Source: Company, Emkay Research

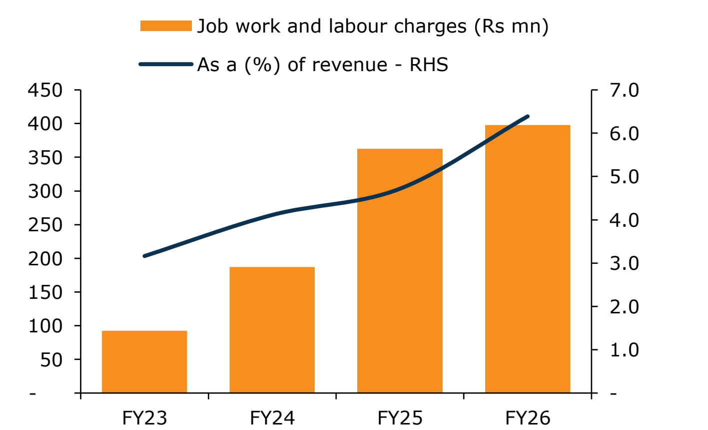
- On the supply front as well, KSL has reduced its dependence in Taiwan (which is now ~19% of material cost vs ~28% in FY23), with no other vendor in a single geography exceeding 10%.
- KSL also outsources low-differentiation steps (weaving, finishing) to stay asset-light, with job-work charges rising to ~6.4% of product sales as they scale up flexibly.

Exhibit 57: KSL's reliance on Taiwan-based suppliers has decreased significantly



Source: Company, Emkay Research

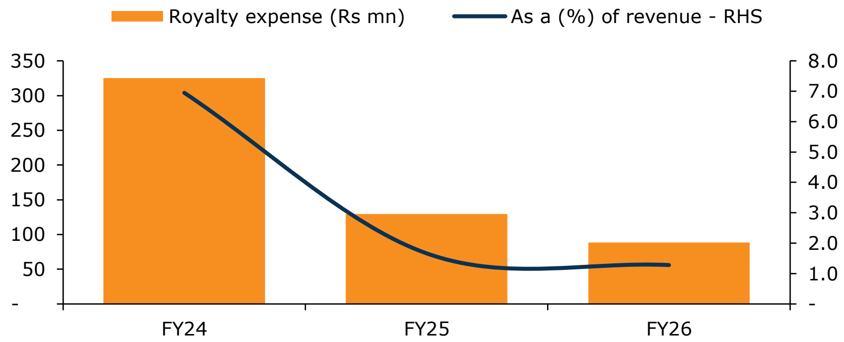
Exhibit 58: Share of outsourced work has increased, as KSL focuses on core differentiated work



Source: Company, Emkay Research

- KSL's profitability is further supported by two levers: 1) declining royalty outflow, following the termination of a specialized technology license for printing infrared-reflective fabrics; and 2) government and export incentives.

Exhibit 59: KSL's royalty expenses have reduced to ~1.5% of the total revenue by FY26 from the highs of ~7% in FY24



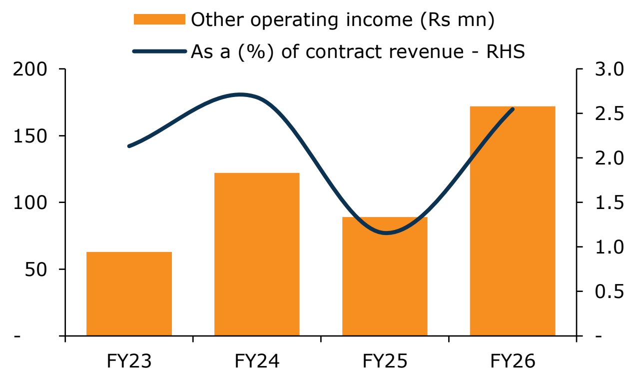
Source: Company, Emkay Research

Exhibit 60: Government incentives…

Particulars (Rs mn)	FY23	FY24	FY25	FY26
Government grants	-	52	18	77
Duty drawback	17	27	29	44
RODTEP income	24	25	21	27
Sale of scrap	20	18	21	23
MEIS income	1	-	-	-
TED income	1	-	-	-
Other operating income	**63**	**122**	**89**	**172**

Source: Company, Emkay Research

Exhibit 61: …contributed ~2.5% of contract revenue in FY26



Source: Company, Emkay Research

- Further, KSL demonstrates a consistent pace of innovation by expanding its portfolio with new product introductions annually.

Exhibit 62: Recently launched SKUs by KSL

Year	New product
FY24	Combat Free Fall (CFF) parachute systems
FY26	Infrared reflective fabric and fabric for extreme cold weather clothing

Source: Company, Emkay Research

Best-in-class performance

- We benchmark KSL with downstream technical textile peers, such as Garware Technical Fibers, Garware Hi-Tech Films, Arvind's AMD division, and SRF's technical textiles division.

Exhibit 63: Revenue trend

Revenue (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY20-26 CAGR (%)
KSL	1,116	1,925	2,211	3,016	4,679	7,790	6,920	35.5
Garware Technical Fibers	9,531	10,346	11,894	13,056	13,256	15,401	15,288	8.2
Garware Hi-Tech Films	9,248	9,890	13,026	14,380	16,770	21,094	21,201	14.8
Arvind (AMD)	7,021	6,778	10,247	12,462	14,250	15,364	18,033	17.0
SRF (Technical Textiles)	13,576	12,401	20,852	18,939	18,980	20,291	18,770	5.5

Source: Company, Emkay Research

- KSL's margin story is one of inflection. Company margin ran below that of peers over FY18-22, then stepped up, to the highest EBITDA margin in this set by FY26 (27.1%). This reflected a richer A&D mix and pricing power, evidenced by the ~56% average gross margin over the past decade.

Exhibit 64: EBITDA trend

EBITDA (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY20-26 CAGR (%)
KSL	168	358	401	679	1,318	1,884	1,879	49.5
Garware Technical Fibers	1,775	2,044	2,229	2,295	2,716	3,188	2,836	8.1
Garware Hi-Tech Films	1,617	2,180	2,381	2,272	2,820	4,411	4,347	17.9
Arvind (AMD)^	906	976	1,281	1,645	2,223	2,305	2,723	20.1
SRF (Technical Textiles)	1,862	2,123	5,114	3,028	3,189	2,918	2,512	5.1

Source: Company, Emkay Research; Note: ^ EBITDA includes Other Income

Exhibit 65: EBITDA margin trend

EBITDA Margin (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
KSL	15.1	18.6	18.1	22.5	28.2	24.2	27.1
Garware Technical Fibers	18.6	19.8	18.7	17.6	20.5	20.7	18.6
Garware Hi-Tech Films	17.5	22.0	18.3	15.8	16.8	20.9	20.5
Arvind (AMD)^	12.9	14.4	12.5	13.2	15.6	15.0	15.1
SRF (Technical Textiles)	13.7	17.1	24.5	16.0	16.8	14.4	13.4

Source: Company, Emkay Research; Note: ^ EBITDA includes Other Income

Exhibit 66: EBIT trend

EBIT (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY20-26 CAGR (%)
KSL	75	263	305	525	1,148	1,542	1,412	63.0
Garware Technical Fibers	1,583	1,837	2,014	2,072	2,457	2,904	2,492	7.9
Garware Hi-Tech Films	1,414	1,940	2,099	1,948	2,430	3,999	3,896	18.4
Arvind (AMD)*	751	629	1,078	1,417	1,946	2,088	2,507	22.3
SRF (Technical Textiles)*	1,515	1,769	4,714	2,617	2,742	2,381	1,901	3.9

*Source: Company, Emkay Research; Note: *EBIT includes Other Income*

Exhibit 67: EBIT margin trend

EBIT margin (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
KSL	6.8	13.6	13.8	17.4	24.5	19.8	20.4
Garware Technical Fibers	16.6	17.8	16.9	15.9	18.5	18.9	16.3
Garware Hi-Tech Films	15.3	19.6	16.1	13.5	14.5	19.0	18.4
Arvind (AMD)	10.7	9.3	10.5	11.4	13.7	13.6	13.9
SRF (Technical Textiles)	11.2	14.3	22.6	13.8	14.4	11.7	10.1

Source: Company, Emkay Research

Exhibit 68: PAT trend

PAT (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY20-26 CAGR (%)
KSL	61	183	225	372	844	1,120	982	58.9
Garware Technical Fibers	1,393	1,549	1,634	1,709	2,105	2,317	1,987	6.1
Garware Hi-Tech Films	850	1,250	1,539	1,634	2,034	3,312	3,382	25.9

Source: Company, Emkay Research

Exhibit 69: PAT margin trend

PAT margin (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
KSL	5.5	9.5	10.2	12.3	18.0	14.4	14.2
Garware Technical Fibers	14.6	15.0	13.7	13.1	15.9	15.0	13.0
Garware Hi-Tech Films	9.2	12.6	11.8	11.4	12.1	15.7	16.0

Source: Company, Emkay Research

Exhibit 70: Cash conversion days trend

Cash Conversion days (no of)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
KSL	192	110	130	126	104	68	191
Garware Technical Fibers	35	29	35	31	36	34	45
Garware Hi-Tech Films	93	64	83	71	80	77	97

Source: Company, Emkay Research

Exhibit 71: Leverage trend

Net debt/EBITDA (x)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
KSL	1.5	0.6	0.7	0.7	(0.2)	1.4	1.3
Garware Technical Fibers	0.6	0.2	0.2	0.4	(0.2)	0.0	(0.3)
Garware Hi-Tech Films	0.2	(0.4)	(0.5)	(1.1)	(1.4)	(1.5)	(1.8)

Source: Company, Emkay Research

Exhibit 72: ROCE trend

Pre-tax ROCE (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
KSL	14.8	22.2	20.7	38.5	61.9	37.7	20.9
Garware Technical Fibers	22.4	23.6	22.3	20.8	22.5	24.0	21.3
Garware Hi-Tech Films	10.0	12.9	13.9	12.2	14.0	20.6	18.1
Arvind (AMD)	15.7	14.8	25.4	27.8	32.2	27.4	29.3
SRF (Technical Textiles)	13.6	15.2	35.6	18.9	19.1	14.5	10.5

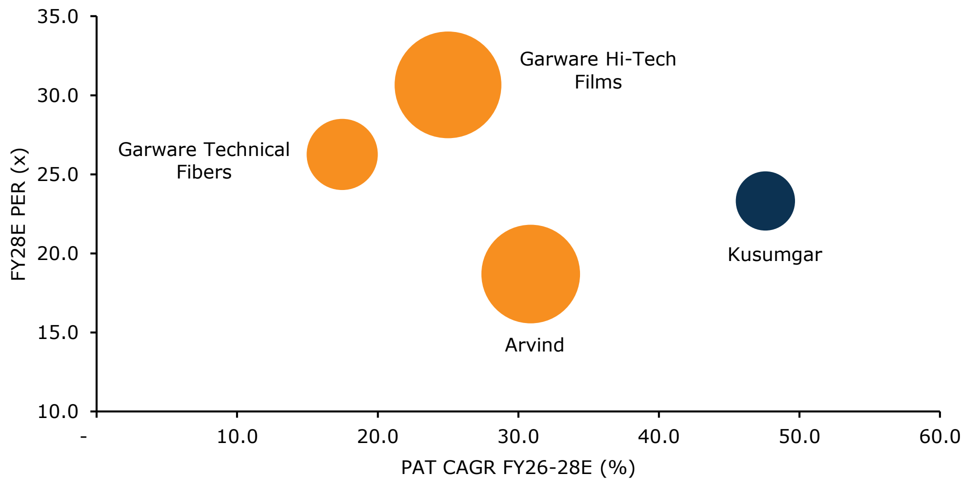
Source: Company, Emkay Research

Exhibit 73: ROE trend

ROE (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
KSL	13.9	18.9	19.1	40.3	86.1	56.3	25.8
Garware Technical Fibers	20.1	20.0	18.3	17.2	18.7	18.7	15.3
Garware Hi-Tech Films	6.2	8.5	10.2	9.3	10.4	15.0	13.5

Source: Company, Emkay Research

Exhibit 74: KSL is relatively well placed among peers

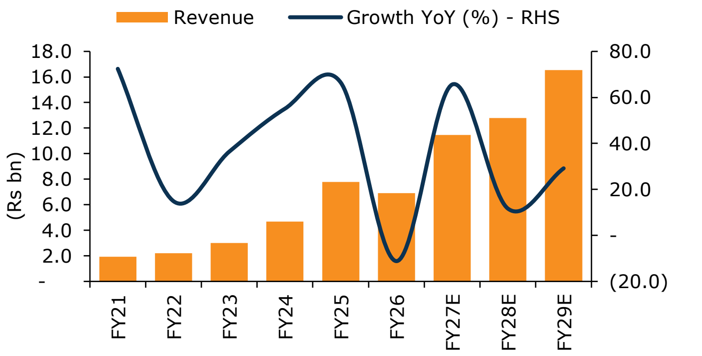


Source: Company, Bloomberg, Emkay Research; Note: Bubble sizes are basis current market capitalization; PAT growth rate for Garware Technical Fibers and Garware Hi-Tech Films are assumed to be similar, basis its past performance

Financial analysis

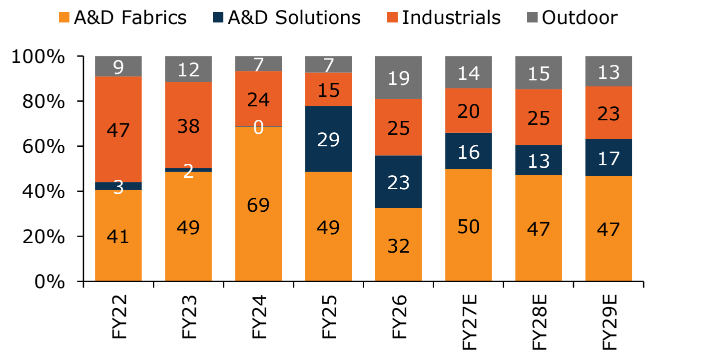
- We expect revenue CAGR of ~34% over FY26-29E, led by a defense-order recovery from FY27 and continued momentum in Industrials. Within this, A&D Fabrics is expected to grow the fastest at ~54% (off a low FY26 base), followed by Industrials at ~27%, and Outdoor and A&D Solutions at ~22%.

Exhibit 75: Annual revenue trend



Source: Company, Emkay Research

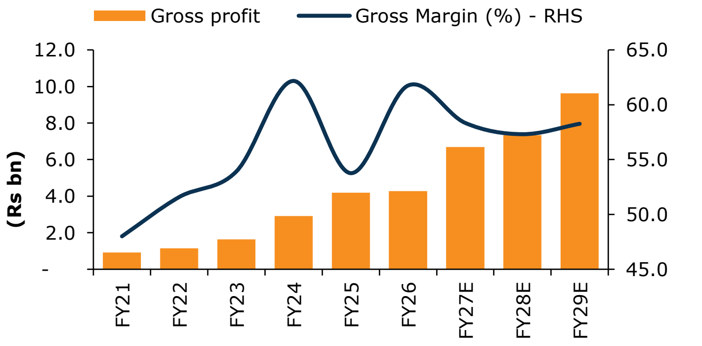
Exhibit 76: Segment-wise revenue-mix trend



Source: Company, Emkay Research

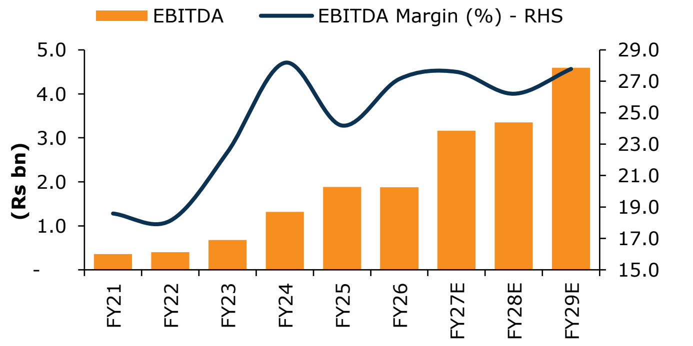
- The revenue mix shifts back toward A&D Fabrics as defense normalizes, with A&D Fabrics rising from ~32% of revenue in FY26 to ~47% by FY29E, while Industrials and Outdoor stay meaningful contributors at ~23% and ~17%, respectively.
- We expect gross margin to normalize to ~58% over FY27-29E, from a high of 61.7% in FY26 (lifted by a higher fabric mix). As volumes scale back up, the fabric-led mix settles margins at a sustainable ~58%, still comfortably above the ~56% decadal average.
- We project ~35% EBITDA CAGR over FY26-29E, with margin expanding to 27.8% in FY29E (~70bps higher than that in FY26). This would be led by operating leverage, as capacity utilization at the new Kothwa and Karanj facilities (both in Gujarat) increases, aided by a richer fabric mix with defense revenue recovering. We expect margins to be rangebound within the 26-28% band over FY27-29E.

Exhibit 77: Gross and gross margin trends



Source: Company, Emkay Research

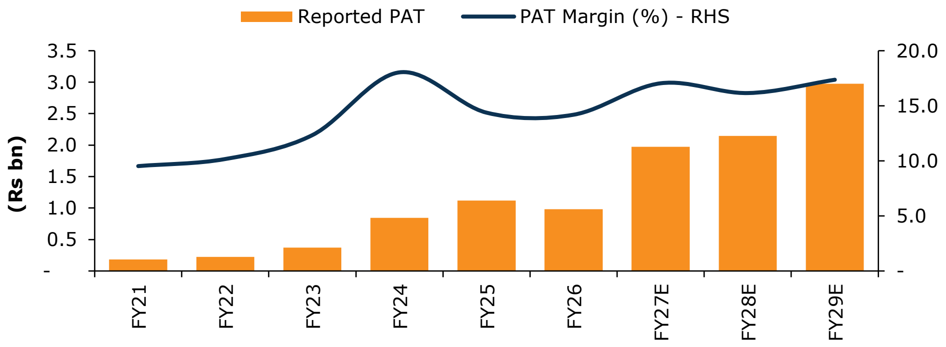
Exhibit 78: EBITDA margin vs EBITDA margin trends



Source: Company, Emkay Research

- APAT is expected to see ~46% CAGR over FY26-29E to ~Rs3.1bn, aided by operating leverage, broadly flat interest (~Rs250mnpa), and a steady ~27% tax rate, taking adjusted EPS from Rs8.3 in FY26 to ~Rs26 by FY29E.

Exhibit 79: PAT and PAT-margin trends



Source: Company, Emkay Research

- We expect the cash conversion cycle to stay range-bound at ~120-125 days, after a large 4QFY26 order temporarily inflated the number of receivable days to ~123. We build in slightly higher number of inventory days, to reflect the rising share of the defense business.

Exhibit 80: Cash conversion cycle

Cash Conversion Cycle (no of)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Inventory days	110	71	75	82	112	64	103	95	96	97
Receivable days	101	67	86	67	33	26	123	60	61	62
Payable days	19	28	31	23	41	22	35	35	36	37
CCC days	**192**	**110**	**130**	**126**	**104**	**68**	**191**	**120**	**121**	**122**

Source: Company, Emkay Research

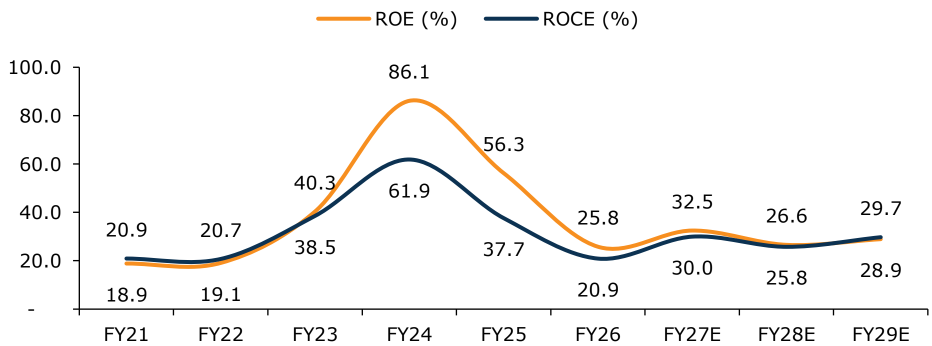
- After peaking in FY24-25 on a small equity base and troughing in FY26 alongside the earnings dip, we see return ratios normalizing to ~29% (ROE) and ~30% (RoCE) by FY29E.

Exhibit 81: DuPont analysis

Particulars	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PAT/PBT (%)	73.6	73.7	75.5	73.3	74.3	72.8	72.8	72.8	72.8
PBT/EBIT (%)	94.9	100.1	93.9	100.3	97.8	95.6	100.6	104.4	105.2
EBIT/Sales (%)	13.6	13.8	17.4	24.5	19.8	20.4	23.2	22.0	24.4
Asset Turnover (x)	1.7	1.7	2.4	2.9	3.1	2.0	2.6	2.6	3.0
Assets/Equity (x)	1.2	1.1	1.4	1.7	1.3	0.9	0.7	0.6	0.5
ROE (%)	**18.9**	**19.1**	**40.3**	**86.1**	**56.3**	**25.8**	**32.5**	**26.6**	**28.9**

Source: Company, Emkay Research

Exhibit 82: Return-ratio trends



Source: Company, Emkay Research

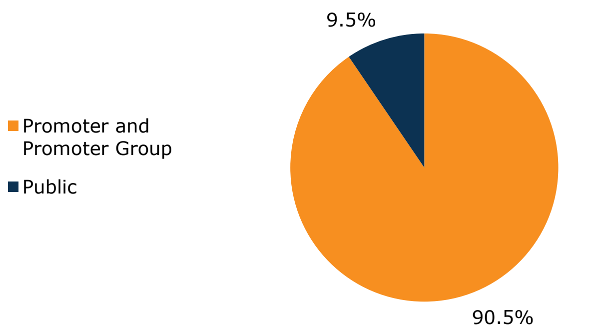
About the IPO

- The IPO is a 100% Offer for Sale (OFS) of up to ~Rs6.5bn by the promoter selling shareholders, at a price band with an upper end of Rs419/share.
- At the Rs419 upper band, the offer represents ~15.5mn shares, or ~13% of post-issue equity, implying market capitalization of ~Rs49,861mn. The share count stays at 119mn, so there is no EPS dilution.
- As the offer is entirely secondary, the proceeds are not linked to any capex, debt repayment, or working-capital plan, consistent with the management's view that its recent capacity build is largely complete and near-term capex needs are modest (~Rs0.5bnpa).
- The listing is aimed at providing liquidity to existing shareholders and a public market for the shares, rather than funding growth; the balance sheet is already funded, with the pre-IPO round having strengthened equity in FY26.

Pricing band – At 15% premium to the last fundraise

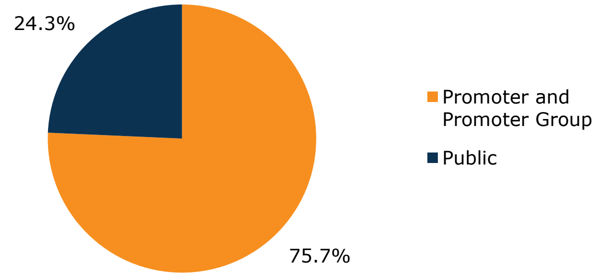
- The Rs419 upper band is set at a modest 15% premium to the recent primary-market activity. In Sep-25, promoters sold shares to a set of marquee institutional investors, at Rs365/share.
- Post-offer, the promoter group continues to hold majority stake, retaining control and alignment, while the ~13% float establishes public ownership.

Exhibit 83: Pre-IPO shareholding pattern



Source: Company, Emkay Research

Exhibit 84: Post-IPO shareholding pattern

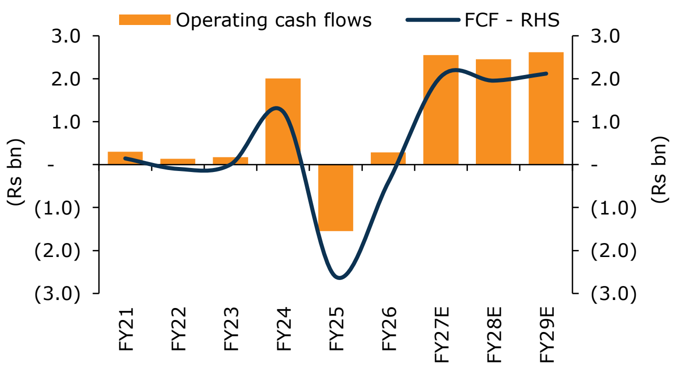


Source: Company, Emkay Research

Cash flow analysis

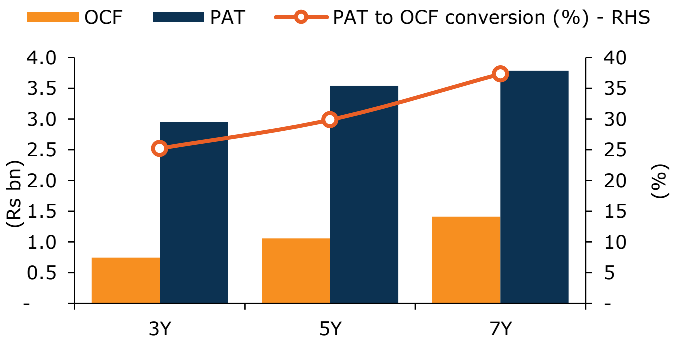
- **FCF generation:** KSL was cumulatively FCF-negative over FY22-26, as it funded a major capacity build and absorbed two one-off liability unwinds, with cumulative OCF of ~Rs1.1bn covering less than half of ~Rs2.9bn of capex. FY25 OCF was negative, as a large customer advance was consumed on delivery (~Rs1bn) and the ECFPL (Engineered Coated Fabric Pvt) acquisition consideration (~Rs1.2bn) was settled; FY26 was negative as receivables and inventory built up on Q4FY26-weighted sales and a deferred order resulting in higher working capital.
- **FCF deployment:** With negative FCF, KSL funded its capex and working capital largely through debt (~Rs1.7bn) and CCPS (~Rs1.2bn raised through CCPS); the company spent ~Rs600mn towards investment and ~Rs300mn toward interest payments.
- **FCF expectation:** We expect KSL to generate cumulative OCF of ~Rs7.6bn over FY27E-29E. Against this, we factor in ~Rs1.5bn of capex and ~Rs0.8bn of interest, with no dividends and borrowings; hence ~Rs5.4bn of surplus cash accrues and places the balance sheet in a net-cash position (-0.6x net debt/EBITDA) by FY29E.
- **Earnings quality:** Over FY21-26, KSL reported cumulative PAT of ~Rs3.5bn against cumulative OCF of ~Rs1.1bn (~37%), reflecting working capital intensity and the customer advanced swings; we expect conversion to improve toward ~85% of EBITDA by FY29E, as working capital stabilizes.

Exhibit 85: OCF and FCF trends



Source: Company, Emkay Research

Exhibit 86: Profit and OCF trends, in phases



Source: Company, Emkay Research

Exhibit 87: Contingent liabilities

Particulars (Rs mn)	FY23	FY24	FY25	FY26
Guarantees undertaken	75	75	-	-
Letter of credit	18	47	53	41
Bank guarantee	-	-	-	1,039
Income Tax Demand	-	-	-	10
Contingent liability	**93**	**122**	**53**	**1,090**
As a % of networth	17	9	2	22

Source: Company, Emkay Research; Note: FY26 bank guarantee was obtained wrt a government contract

Valuation and outlook

- KSL's profitability has improved, from being below peers' to enjoying the highest margin among listed peers now; we expect revenue/EBITDA/PAT CAGR at ~34%/~35%/~46% over FY26-29E, as defense ordering recovers and all four segments scale up.
- With capex modest at ~Rs500mnpa and working capital stabilizing, we expect the balance sheet to move from ~Rs2.4bn net debt in FY26 to a net-cash position by FY29E, removing the leverage overhang that sets KSL apart from net-cash peers.
- The FY26 dip is behind the company, and the recovery rests on a contracted order. A large A&D Solutions contract worth ~Rs2,372mn was only ~24% executed in FY26, with the balance underpinning the FY27 rebound rather than relying on fresh wins.

Multiple reflects a scarce growth-and-quality profile

- KSL does not have a like-to-like listed comparable peer in India. KSL is a pure-play engineered-fabrics maker with a defense-fabric niche. Hence domestic technical-textile names are only partial proxies and the closest global analogue trades on a completely different profile.
- As against domestic peers (Garware Technical, Garware Hi-Tech, SRF, Arvind's AMD), KSL screens with faster growth and the highest EBITDA margin, which in our view justifies a premium multiple.
- The closest global analogue, Taiwan's Formosa Taffeta, is a much larger engineered-fabric maker, albeit low-margin (~2-3% net) and in a revenue decline phase. However, as KSL is a small, fast-growing, high-margin, high-return business, it would not be prudent to compare it with Formosa on the basis of the multiple.
- To ascribe a valuation multiple to KSL, we analysed a few defence proxy companies and technical textile peers.
- We believe KSL's high defense revenue contribution should receive a target multiple between the spectrum of a pure-play defense company and a technical textiles player. Hence, we value KSL at 40x Jun-28E EPS with TP of Rs800, implying ~91% upside.

Exhibit 88: Relative valuation of KSL with pure play defense companies

FY19-26 CAGR (%)	Revenue	EBITDA	PAT	FY28E PER (x)
Data Patterns (India)	32.2	46.4	65.4	52.4
Paras Defence and Space Technologies	17.5	15.8	24.7	69.2
MTAR Technologies	25.0	17.9	13.6	56.3
Kusumgar	27.1	39.3	47.1	23.3

Source: Company, Bloomberg, Emkay Research

Exhibit 89: KSL – Valuation summary

Particulars	Units	FY28E	FY29E
APAT	Rs mn	2,139	3,084
Jun-28E APAT	**Rs mn**		**2,375**
Target Multiple	x		40
Target Mcap	**Rs mn**		**95,010**
No of shares	mn		119
Target Price	**Rs**		**800**
Upside	%		91
CMP	Rs		419

Source: Company, Bloomberg, Emkay Research

Key risks

- **High dependence on defense and aerospace demand:** Nearly 55% of FY26 revenue is derived from aerospace and defense fabrics and solutions, making growth highly dependent on defense procurement cycles, government spending, and timely execution of large orders. Any slowdown in defense capex or delay in project approvals could materially impact revenue growth and capacity utilization.
- **Customer concentration and order visibility:** The company derives ~60% of its revenue from the top-10 customers, with the largest customer contributing ~11% in FY26. Moreover, the absence of long-term supply agreements increases the risk of order volatility, customer loss, or pricing pressure, which could affect earnings visibility.
- **Raw material and supply chain disruptions:** The business relies on imported synthetic yarns and chemicals, with raw material costs forming a significant share of operating expenses. Volatility in input prices, trade restrictions, or disruptions in imports could compress margins, particularly if higher costs cannot be passed on to customers in a timely manner.
- **Offers structure and related-party transactions:** The IPO is entirely an Offer for Sale, hence the company will receive no proceeds and raise no growth capital, with the entire ~Rs6.5bn accruing to the selling promoters. Separately, in Dec-24, the company acquired promoter-owned entity ECFPL for ~Rs1.2bn – a related-party transaction that resulted in cash outflow to the promoters.

About the company

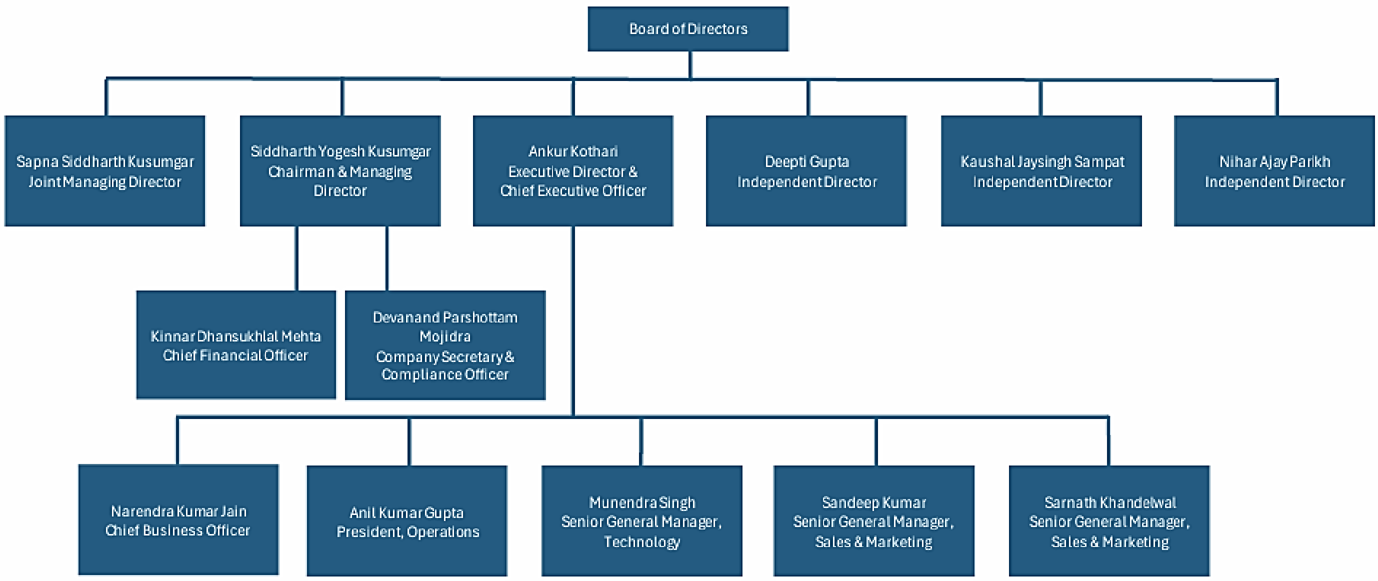
Kusumgar Limited (KSL), incorporated in 1970, is a manufacturer of engineered fabrics, woven, coated and laminated synthetic fabrics built on polyamide, polyester, and polyurethane chemistry, serving high-performance applications across aerospace and defense, industrial and automotive, and outdoor and lifestyle. KSL has, over the past five decades, developed more than 1,000 unique fabric SKUs spanning 15D to 1,000D yarns, building a niche in functional fabrics where crucial parameters include tensile and tear strength, abrasion resistance, waterproofing, and breathability. KSL operates a vertically integrated model across preparatory, weaving, dyeing, printing, finishing, coating, lamination, and fabrication. It has six manufacturing facilities in Gujarat and one fabrication unit at Sikandara (UP), with final-output capacity of ~128mn meters. It one of the major manufacturers of military parachute fabric, apart from the US and China, and has supplied an Indian government customer since 1976; thereafter, it has moved downstream into finished parachute and defense solutions. KSL primarily sells in the domestic market (~60% of FY26 revenue), exporting the balance across Asia, Europe, and the Americas.

Exhibit 90: Management profile

Name	Designation	Description
Siddharth Yogesh Kusumgar	Chairman and Managing Director	Leads the company's strategy and business growth. Has over 25 years of experience in technical textiles.
Sapna Siddharth Kusumgar	Joint Managing Director	Oversees business integration, value-added offerings, and organizational capabilities. Brings over 21 years of experience in HR, IT, and technical textiles.
Ankur Kothari	Executive Director and Chief Executive Officer	Drives growth, financial performance, governance, and operations. Has over 15 years of experience in strategy and textile industry leadership.
Kaushal Jaysingh Sampat	Independent Director	Experienced business leader with expertise in general management, sales, marketing, risk management, and analytics. Former MD of Dun & Bradstreet India.
Deepti Gupta	Independent Director	Professor at IIT Delhi with over 28 years of experience in textile chemical processing, product development, and textile research.
Nihar Ajay Parikh	Independent Director	Brings experience in business strategy, finance, and operations. Also associated with Tejal Mercantile Pvt.

Source: Company, Emkay Research

Exhibit 91: Organizational structure

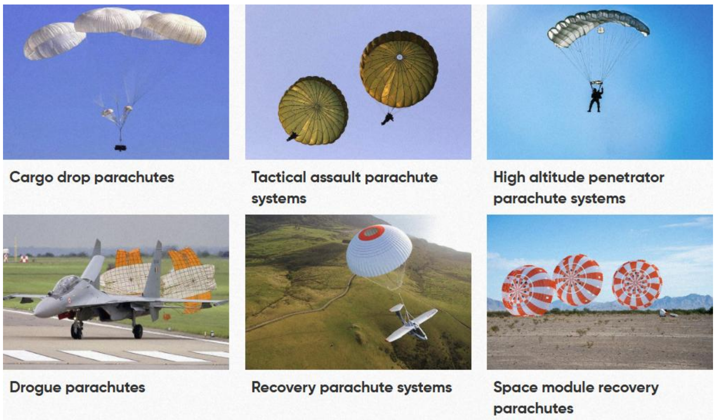


Source: Company, Emkay Research

KSL's product portfolio

Aerospace and Defense Fabrics

Exhibit 92: Parachutes and other aerial systems

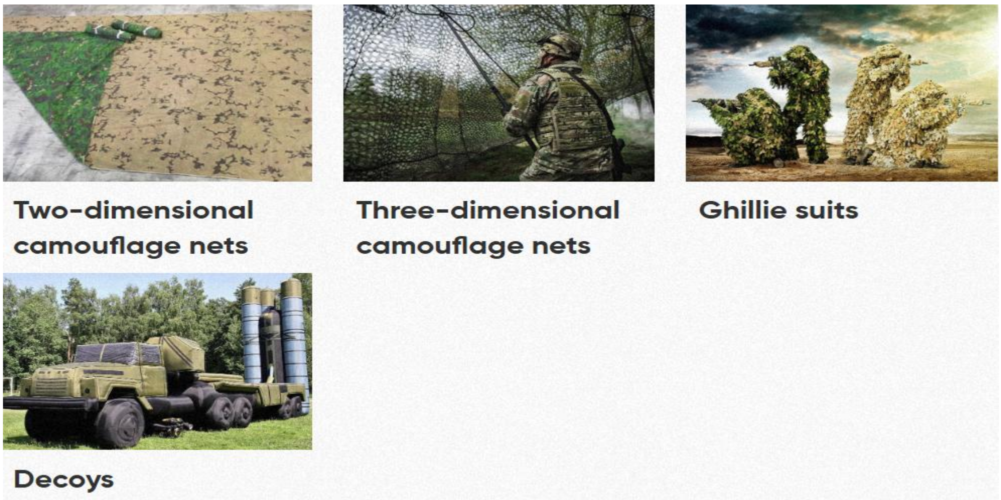


Source: Company, Emkay Research

Exhibit 93: Tactical clothing and specialty gear

Source: Company, Emkay Research

Exhibit 94: Stealth system and rapid deployment system



Source: Company, Emkay Research

Aerospace and Defense Solutions

Exhibit 95: Stealth system

Source: Company, Emkay Research

Exhibit 96: Rapid deployment gear

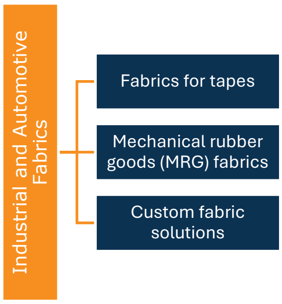
Source: Company, Emkay Research

Exhibit 97: Aerial systems

Source: Company, Emkay Research

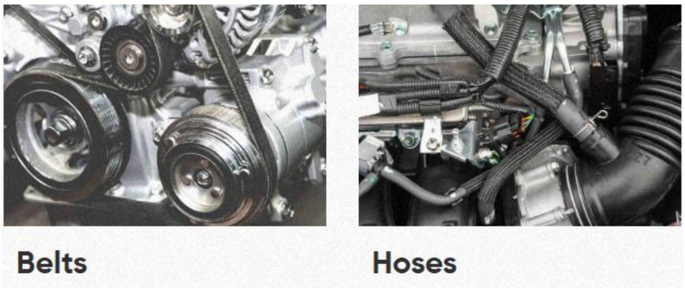
Industrial and Automotive Fabrics

Exhibit 98: Industrial and automative fabrics, by application



Source: Company, Emkay Research

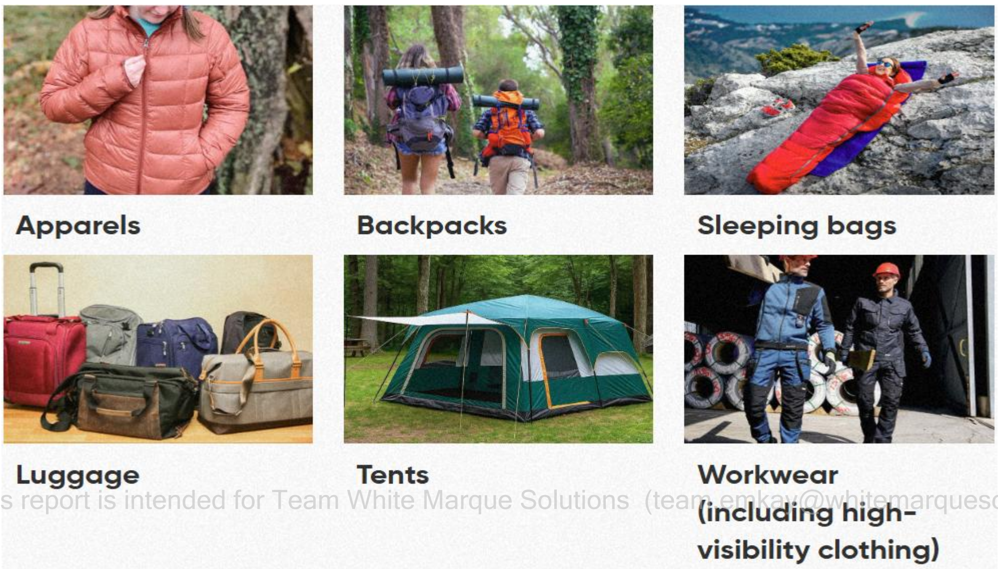
Exhibit 99: Mechanical rubber goods (MRG) fabrics



Source: Company, Emkay Research

Outdoor and Lifestyle Fabrics

Exhibit 100: Outdoor and lifestyle fabrics



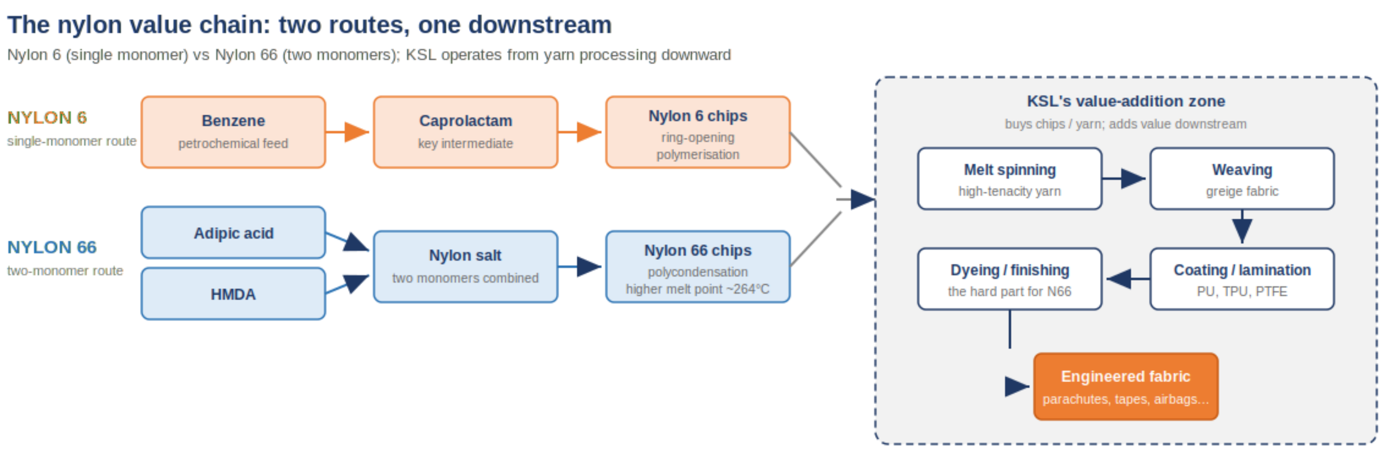
Source: Company, Emkay Research

Annexure

The nylon value chain

- Nylon comes in two grades, and the split starts at the raw material.
  - Nylon 6 is made from a single monomer caprolactam (derived from benzene), which is ring-opened and polymerized into chips.
  - Nylon 66 needs two monomers, adipic acid, and HMDA, combined into a 'nylon salt' and then polycondensed. The two-input route is costlier and makes Nylon 66 harder to manufacture but delivers a higher melting point (~264°C vs ~220°C) and better heat and abrasion resistance.
- From chips, the chain is common: the polymer is melted-spun into high-tenacity filament yarn, which is then woven into greige fabric and finished through dyeing, coating, and lamination into the engineered fabric that ships to customers.
- KSL operates from the yarn-processing stage downward, buying nylon chips/yarn and adding value through weaving, finishing, and coating rather than making the polymer itself.

Exhibit 101: Nylon 6 and Nylon 66 value chain



Source: Company, Emkay Research; Note: HMDA = Hexamethylenediamine

Kusumgar: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**7,790**	**6,920**	**11,460**	**12,797**	**16,530**
Revenue growth (%)	66.5	(11.2)	65.6	11.7	29.2
EBITDA	**1,884**	**1,879**	**3,163**	**3,354**	**4,593**
EBITDA growth (%)	42.9	(0.3)	68.4	6.0	36.9
Depreciation & Amortization	342	467	499	538	564
EBIT	**1,542**	**1,412**	**2,664**	**2,816**	**4,029**
EBIT growth (%)	34.4	(8.5)	88.7	5.7	43.1
Other operating income	-	-	-	-	-
Other income	112	198	271	377	464
Financial expense	146	260	254	254	254
PBT	**1,508**	**1,350**	**2,681**	**2,939**	**4,239**
Extraordinary items	0	0	0	0	0
Taxes	388	368	730	801	1,155
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	**1,120**	**982**	**1,951**	**2,139**	**3,084**
PAT growth (%)	32.7	(12.3)	98.7	9.6	44.2
Adjusted PAT	**1,120**	**982**	**1,951**	**2,139**	**3,084**
Diluted EPS (Rs)	**11.0**	**8.3**	**16.4**	**18.0**	**25.9**
Diluted EPS growth (%)	(74.0)	(25.2)	98.7	9.6	44.2
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	24.2	27.1	27.6	26.2	27.8
EBIT margin (%)	19.8	20.4	23.2	22.0	24.4
Effective tax rate (%)	25.7	27.2	27.2	27.2	27.2
NOPLAT (pre-IndAS)	**1,145**	**1,027**	**1,938**	**2,049**	**2,931**
Shares outstanding (mn)	101	119	119	119	119

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	101	119	119	119	119
Reserves & Surplus	2,476	4,911	6,861	9,000	12,085
Net worth	**2,578**	**5,030**	**6,980**	**9,119**	**12,204**
Minority interests	0	0	0	0	0
Non-current liab. & prov.	17	25	25	25	25
Total debt	**3,022**	**2,885**	**2,885**	**2,885**	**2,885**
Total liabilities & equity	**5,642**	**7,960**	**9,911**	**12,049**	**15,134**
Net tangible fixed assets	1,719	2,457	2,589	2,552	2,488
Net intangible assets	1	3	3	3	3
Net ROU assets	606	606	606	606	606
Capital WIP	452	263	131	131	131
Goodwill	-	-	-	-	-
Investments [JV/Associates]	150	154	154	154	154
Cash & equivalents	**412**	**481**	**2,277**	**3,979**	**5,844**
Current assets (ex-cash)	2,701	4,852	5,437	6,075	7,771
Current Liab. & Prov.	682	1,091	1,522	1,686	2,099
NWC (ex-cash)	**2,019**	**3,761**	**3,914**	**4,389**	**5,672**
Total assets	**5,642**	**7,960**	**9,911**	**12,049**	**15,134**
Net debt	2,610	2,404	608	(1,094)	(2,960)
Capital employed	5,642	7,960	9,911	12,049	15,134
Invested capital	**3,739**	**6,220**	**6,507**	**6,944**	**8,162**
BVPS (Rs)	25.4	42.3	58.7	76.6	102.6
Net Debt/Equity (x)	1.0	0.5	0.1	(0.1)	(0.2)
Net Debt/EBITDA (x)	1.4	1.3	0.2	(0.3)	(0.6)
Interest coverage (x)	11.3	6.2	11.6	12.6	17.7
RoCE (%)	**37.7**	**20.9**	**30.0**	**25.8**	**29.7**

Source: Company, Emkay Research

Cash flows

Y/E Mar (mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	1,508	1,350	2,681	2,939	4,239
Others (non-cash items)	-	-	-	-	-
Taxes paid	(439)	(175)	(730)	(801)	(1,155)
Change in NWC	(3,063)	(1,620)	(154)	(475)	(1,283)
Operating cash flow	**(1,550)**	**283**	**2,550**	**2,456**	**2,619**
Capital expenditure	(1,060)	(694)	(500)	(500)	(500)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	**21**	**(1,027)**	**(500)**	**(500)**	**(500)**
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	1,631	(305)	0	0	0
Payment of lease liabilities	-	-	-	-	-
Interest paid	(124)	(242)	(254)	(254)	(254)
Dividend paid (incl tax)	0	0	0	0	0
Others	-	-	-	-	-
Financing cash flow	**1,507**	**(547)**	**(254)**	**(254)**	**(254)**
Net chg in Cash	(22)	(1,291)	1,796	1,702	1,866
OCF	(1,550)	283	2,550	2,456	2,619
Adj. OCF (w/o NWC chg.)	1,513	1,903	2,704	2,930	3,902
FCFF	(2,610)	(412)	2,050	1,956	2,119
FCFE	(2,756)	(671)	1,796	1,702	1,866
OCF/EBITDA (%)	(82.3)	15.0	80.6	73.2	57.0
FCFE/PAT (%)	(246.1)	(68.4)	92.1	79.6	60.5
FCFF/NOPLAT (%)	**(227.9)**	**(40.1)**	**105.8**	**95.4**	**72.3**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	38.0	50.8	25.6	23.3	16.2
EV/CE(x)	8.1	6.6	5.1	4.1	3.1
P/B (x)	16.5	9.9	7.1	5.5	4.1
EV/Sales (x)	5.8	7.6	4.4	3.8	2.8
EV/EBITDA (x)	24.0	27.8	16.0	14.5	10.2
EV/EBIT(x)	29.3	37.0	18.9	17.3	11.6
EV/IC (x)	12.1	8.4	7.8	7.0	5.7
FCFF yield (%)	(5.8)	(0.8)	4.1	4.0	4.5
FCFE yield (%)	(5.5)	(1.3)	3.6	3.4	3.7
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	14.4	14.2	17.0	16.7	18.7
Total asset turnover (x)	2.2	1.1	1.4	1.2	1.3
Assets/Equity (x)	1.8	1.6	1.4	1.3	1.2
RoE (%)	**56.3**	**25.8**	**32.5**	**26.6**	**28.9**
DuPont-RoIC					
NOPLAT margin (%)	14.7	14.8	16.9	16.0	17.7
IC turnover (x)	3.8	1.4	1.8	1.9	2.2
RoIC (%)	**55.9**	**20.6**	**30.5**	**30.5**	**38.8**
Operating metrics					
Core NWC days	94.6	198.4	124.7	125.2	125.2
Total NWC days	**94.6**	**198.4**	**124.7**	**125.2**	**125.2**
Fixed asset turnover	3.9	2.4	3.0	2.9	3.4
Opex-to-revenue (%)	29.6	34.6	30.7	31.1	30.5

Source: Company, Emkay Research

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SELL	>15% downside

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