BUY

Sanathan Textiles

Steady quarter; Punjab plant ramp-up remains key monitorable

Your success is our success

Textiles ▸ Result Update ▸ **August 04, 2026**

CMP (Rs): 481 | TP (Rs): 625

Sanathan Textiles (STL) reported consolidated EBITDA of ~Rs1.1bn (up 55%/14% yoy/qoq and ~10% above our estimate), led by strong showing from the Silvassa plant. Consolidated volumes stood at 99kt, up ~62% yoy but down ~2% qoq, as downstream customers deferred purchases in anticipation of a price correction. Blended realization shot up 10%/16% yoy/qoq, owing to the cost pass-through of expensive input materials (PTA and MEG) during the quarter. Gross margin at the Silvassa unit increased by ~200bps qoq, as we believe STL received inventory-gain benefits on account of low-cost PTA and MEG. However, similar benefits were not realized at the Punjab plant. Hence, consolidated gross margin stood at ~30%, flat qoq, but down by 100bps yoy. Consequently, total EBITDA came in at ~Rs1.1bn (up 55%/15% yoy/qoq) or ~Rs11/kg, while Silvassa plant's margin stood at ~Rs18/kg. Our view: We see the inventory-led standalone margin gain as transient rather than structural. Further, we expect restocking-led demand in upcoming quarters, resulting in better operating rates at both plants. We broadly maintain our FY28E PAT, and roll forward to 1QFY29E EPS, valuing STL at 13x PER. Our TP rises by ~14% to Rs625 (Rs550 earlier); maintain BUY.

Silvassa leads the show; Punjab ramp-up looks imminent

STL (consolidated) delivered revenue growth of ~79% yoy (~14% qoq) to Rs13.3bn, in line with our estimate, on volumes of 99kt (up 62% yoy; albeit down 2% qoq). Consolidated gross margin stood at ~30% (flat qoq but down 100bps yoy), underpinned by the standalone performance. Gross margin (standalone) expanded by ~260bps yoy (~200bps qoq) to 33.6%, as STL consumed low-cost PTA/MEG inventory. Fixed costs increased by 81%/14% yoy/qoq as STL is ramping up the Punjab plant and incurring overhead charges. Consequently, EBITDA stood at Rs1.08bn (Emkay: Rs978mn; ~11% beat), up ~55%/15% yoy/qoq, with margin at 8.1% vs 9.3% in 1QFY26 and 8.1% in 4QFY26; standalone EBITDA margin came in at 11.7% (vs 9.3% yoy) against ~2.5% for the subsidiary. Consolidated PAT stood at Rs240mn (in-line), down ~41% yoy.

Growth pipeline intact, with improving leverage profile

STL plans cumulative capex of ~Rs6.5bn over FY27-28E. We maintain a positive stance, led by 1) doubling of technical textile capacity to 18ktpa at Silvassa, where commercial production commences shortly; 2) the ~91ktpa brownfield expansion at the Punjab unit by Mar-27, taking the site's capacity to 900tpd; and 3) a 73k-spindle cotton yarn plant at Dhar, MP, by 2HFY28, aided by PM MITRA incentives. Collectively, we estimate incremental revenue of ~Rs13bn at optimal utilization. Unlike the Punjab Phase-1 capex, the abovementioned expansion plans are far lighter, owing to brownfield programs. Net debt should peak at ~Rs15bn in FY27E, with net debt/EBITDA easing to 1.1x by FY29E (vs 4.7x in FY26) as FCF turns positive at ~Rs2bn in FY28E.

Target Price – 12M	Jun-27
Change in TP (%)	**13.6**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	29.9

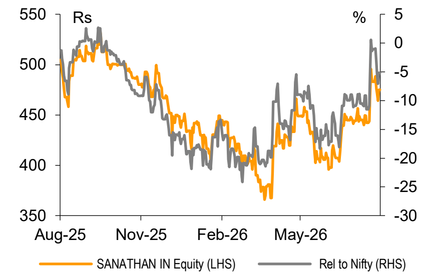
Stock Data	**SANATHAN IN**
52-week High (Rs)	552
52-week Low (Rs)	352
Shares outstanding (mn)	84.4
Market-cap (Rs bn)	41
Market-cap (USD mn)	425
Net-debt, FY27E (Rs mn)	15,190.0
ADTV-3M (mn shares)	0.0
ADTV-3M (Rs mn)	18.0
ADTV-3M (USD mn)	0.2
Free float (%)	21.4
Nifty-50	24,614.9
INR/USD	95.4

Shareholding, Jun-26	
Promoters (%)	78.6
FPIs/MFs (%)	1.5/12.7

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	8.2	6.9	(4.2)
Rel. to Nifty	6.7	4.8	(3.7)

1-Year share price trend (Rs)



Sanathan Textiles: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	29,986	38,112	60,128	74,724	80,667
EBITDA	2,628	2,844	4,971	7,709	8,852
Adj. PAT	1,605	774	1,529	3,725	4,749
Adj. EPS (Rs)	21.3	9.2	18.1	44.1	56.3
EBITDA margin (%)	8.8	7.5	8.3	10.3	11.0
EBITDA growth (%)	16.0	8.2	74.8	55.1	14.8
Adj. EPS growth (%)	14.5	(57.0)	97.7	143.5	27.5
RoE (%)	10.4	4.2	7.8	16.8	18.0
RoIC (%)	14.1	6.3	8.3	13.7	15.2
P/E (x)	22.6	52.4	26.5	10.9	8.5
EV/EBITDA (x)	19.0	19.0	11.2	7.1	5.6
P/B (x)	2.2	2.2	2.0	1.7	1.4
FCFF yield (%)	(22.9)	(4.9)	(0.4)	3.9	12.5

Source: Company, Emkay Research

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Conference call KTAs

Demand/Volume

- The management targets 85-90% capacity utilization in 2QFY27 and 95-96% in the quarter thereafter.
- Buyers deferred purchases through Apr-26 and May-26 in anticipation of a price correction, and industry operating rates moderated over the first two months of the quarter.
- Demand and utilization began recovering from Jun-26, and the management expects better demand in 2QFY27, particularly from end-Sep-26 onward.
- Technical textiles capacity operated at ~94% utilization, with revenue of ~Rs330mn in 1QFY27. STL expects 7.5kt of incremental technical textile volume in FY27 from the 9ktpa second phase at Silvassa.

Price

- Raw material pass-through was delayed, as customers deferred purchases through volatility, with industry pricing beginning to adjust toward the close of the quarter.
- Spreads improved sequentially across all three yarn segments.

Cost

- PTA and MEG prices rose sharply and were highly volatile through Apr-26 and May-26.
- The GAIL PTA facility is expected to be commissioned in 2QFY27, which will cut import dependence materially toward end-FY27.
- The company is also in talks with the new domestic PTA supplier on volumes, and will finalize terms once the plant is commercialized; the shift from imported to domestic PTA will be phased.

Margins

- Punjab delivered revenue/EBITDA of Rs5.5bn/Rs120mn in 1QFY27, implying EBITDA of ~Rs2,600/t.
- The management targets EBITDA/t of ~Rs13,000 at Punjab in FY28, vs ~Rs11,000/t at Silvassa in FY26 – blended across polyester, cotton, and technical yarns.
- Further, the management reiterated its FY27 consolidated EBITDA guidance of Rs5.2-5.4bn.

Capex

- Punjab Phase-2 expansion of 250tpd is expected to be commissioned in 1QFY28 and will be ramped up in phases to reach full capacity over the successive 1-2 quarters.
- Capex for the greenfield cotton spinning unit in MP is estimated at ~Rs4bn for 72,500 spindles; this project is expected to deliver an asset turn of ~0.85x, implying Rs3.5-3.75bn of incremental revenue.

Others

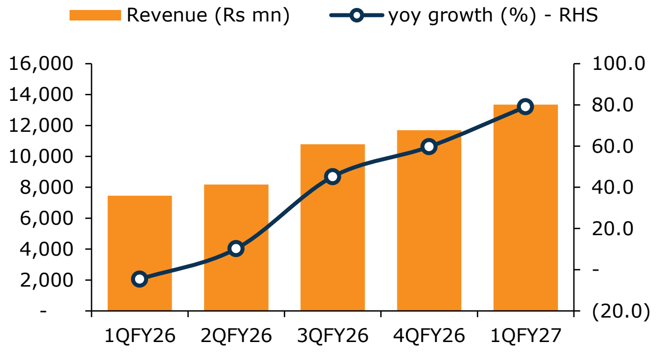
- Silvassa currently operates on a 60:40 imported:domestic PTA mix, with domestic PTA on contract basis, and the imported PTA is on short-term contracts that are rolled over.
- Raw material inventory at 1QFY27-end was ~8-10 days.
- Polyester inventory is normally run at 10-12 days and stood at 12-13 days across both sites; cotton finished inventory is held at ~70 days.
- The 32MW captive hybrid wind-solar arrangement will be commissioned in phases, and is expected to deliver a meaningful reduction in power cost.

Exhibit 1: Consolidated 1QFY27 performance

Particulars (Rs mn)	1QFY27	1QFY26	yoy (%)	4QFY26	qoq (%)	1QFY27E	Var (%)
Volume (kt)	99.0	61.0	62.3	101.0	(2.0)	106.3	(6.9)
Blended realization (Rs/kg)	135	122	10.3	116	16.5	126	7.1
Revenue	**13,347**	**7,453**	**79.1**	**11,692**	**14.2**	**13,391**	**(0.3)**
COGS	9,309	5,122	81.7	8,150	14.2	9,680	(3.8)
Employee costs	340	251	35.4	346	(1.6)	339	0.2
Other expenses	2,618	1,385	89.1	2,252	16.3	2,394	9.4
EBITDA	**1,081**	**696**	**55.4**	**944**	**14.5**	**978**	**10.5**
EBITDA margin (%)	8.1	9.3	(124) bps	8.1	2 bps	7.3	79 bps
EBITDA/kg	11	11	(4.3)	9	16.8	9	18.7
Depreciation	347	117	196.5	322	7.7	322	7.7
Interest cost	386	46	736.1	369	4.6	369	4.6
Other income	36	21	70.1	60	(40.3)	50	(28.2)
PBT	**383**	**553**	**(30.8)**	**313**	**22.5**	**336**	**13.9**
PBT margin (%)	2.9	7.4	(455) bps	2.7	20 bps	2.5	36 bps
Exceptional item	-	-	-	-	-	-	-
Tax	145	149	(2.7)	97	49.3	84	72.5
PAT	**238**	**404**	**(41.1)**	**216**	**10.4**	**252**	**(5.6)**
PAT margin (%)	1.8	5.4	(364) bps	1.8	(6) bps	1.9	(10) bps

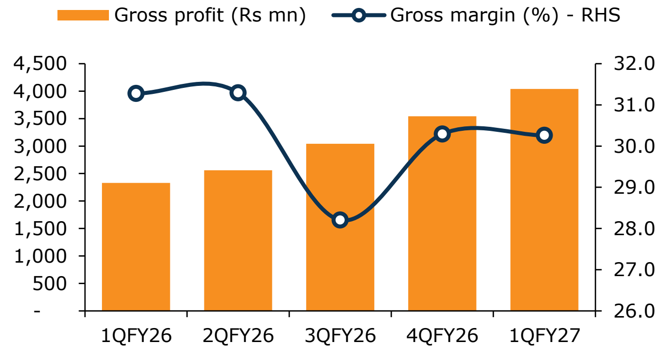
Source: Company, Emkay Research

Exhibit 2: Revenue growth trend



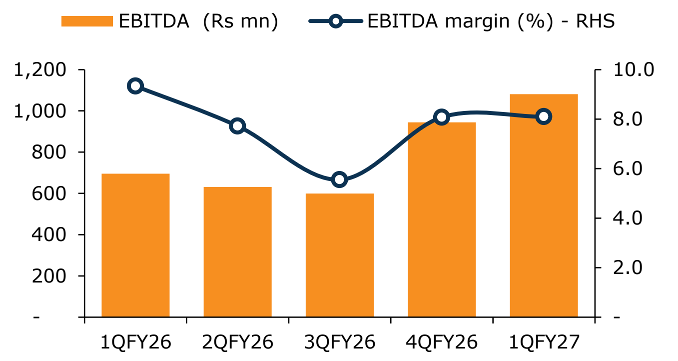
Source: Company, Emkay Research

Exhibit 3: Gross profit and gross margin trends



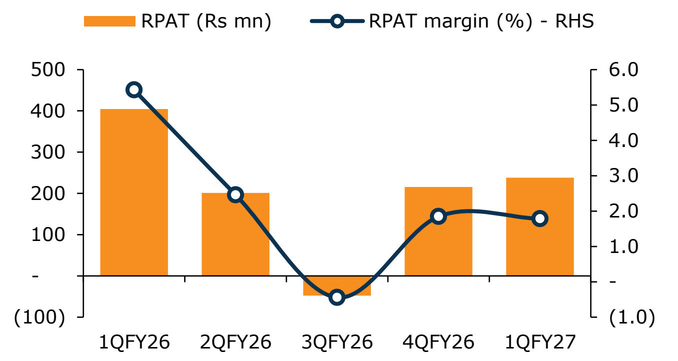
Source: Company, Emkay Research

Exhibit 4: EBITDA and EBITDA margin trends



Source: Company, Emkay Research

Exhibit 5: PAT and PAT margin trends



Source: Company, Emkay Research

Exhibit 6: Performance trend and key assumptions

Particulars (Rs/kg)	FY25	FY26	FY27E	FY28E	FY29E
Volume (kt)	**242**	**340**	**493**	**646**	**683**
Revenue	124	112	122	116	118
COGS	88	78	87	82	83
Employee cost	4	4	3	2	2
Other expenses	21	22	22	19	20
EBITDA	**11**	**8**	**10**	**12**	**13**
EBITDA margin (%)	8.8	7.5	8.3	10.3	11.0

Source: Company, Emkay Research

Exhibit 7: Valuation snapshot

Valuation (Rs mn)	1QFY29E
Assumed PER (x)	**13**
PAT (Rs mn)	3,981
Equity Value	**51,752**
Shares o/s (mn)	84
Value per Share (Rs)	**625**
CMP (Rs)	481
Potential Upside (%)	30.1

Source: Company, Emkay Research

Exhibit 8: Change in estimates

Particulars (Rs mn)	FY27E				FY28E				FY29E	
	Revised	Earlier	Var (%)	yoy (%)	Revised	Earlier	Var (%)	yoy (%)	Introducing	yoy (%)
Revenue	60,128	57,873	3.9	57.8	74,724	69,934	6.8	24.3	80,667	8.0
EBITDA	4,971	4,922	1.0	74.8	7,709	7,593	1.5	55.1	8,852	14.8
PAT	1,529	1,311	16.7	97.7	3,725	3,561	4.6	143.5	4,749	27.5

Source: Company, Emkay Research

Sanathan Textiles: Consolidated Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**29,986**	**38,112**	**60,128**	**74,724**	**80,667**
Revenue growth (%)	1.4	27.1	57.8	24.3	8.0
EBITDA	**2,628**	**2,844**	**4,971**	**7,709**	**8,852**
EBITDA growth (%)	16.0	8.2	74.8	55.1	14.8
Depreciation & Amortization	459	931	1,512	1,777	1,901
EBIT	**2,169**	**1,913**	**3,459**	**5,931**	**6,951**
EBIT growth (%)	19.1	(11.8)	80.9	71.5	17.2
Other operating income	-	-	-	-	-
Other income	175	194	142	63	349
Financial expense	180	959	1,562	1,250	1,250
PBT	**2,165**	**1,148**	**2,039**	**4,745**	**6,050**
Extraordinary items	0	0	0	0	0
Taxes	560	375	510	1,020	1,301
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**1,605**	**774**	**1,529**	**3,725**	**4,749**
PAT growth (%)	19.9	(51.8)	97.7	143.5	27.5
Adjusted PAT	**1,605**	**774**	**1,529**	**3,725**	**4,749**
Diluted EPS (Rs)	**21.3**	**9.2**	**18.1**	**44.1**	**56.3**
Diluted EPS growth (%)	14.5	(57.0)	97.7	143.5	27.5
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	8.8	7.5	8.3	10.3	11.0
EBIT margin (%)	7.2	5.0	5.8	7.9	8.6
Effective tax rate (%)	25.9	32.6	25.0	21.5	21.5
NOPLAT (pre-IndAS)	**1,608**	**1,289**	**2,594**	**4,656**	**5,456**
Shares outstanding (mn)	84	84	84	84	84

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	844	844	844	844	844
Reserves & Surplus	17,236	17,877	19,406	23,131	27,880
Net worth	**18,080**	**18,721**	**20,250**	**23,975**	**28,724**
Minority interests	-	-	-	-	-
Non-current liab. & prov.	809	839	839	839	839
Total debt	**10,842**	**15,121**	**15,621**	**15,621**	**15,621**
Total liabilities & equity	**29,910**	**34,992**	**37,021**	**40,746**	**45,495**
Net tangible fixed assets	9,309	28,166	29,014	30,517	32,201
Net intangible assets	15	9	9	9	9
Net ROU assets	-	-	-	-	-
Capital WIP	15,870	2,520	2,360	3,280	1,195
Goodwill	19	19	19	19	19
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	**1,385**	**1,690**	**431**	**1,322**	**6,326**
Current assets (ex-cash)	7,189	13,567	14,532	17,131	18,190
Current Liab. & Prov.	5,371	12,145	10,510	12,698	13,610
NWC (ex-cash)	**1,818**	**1,422**	**4,022**	**4,433**	**4,580**
Total assets	**29,910**	**34,992**	**37,021**	**40,746**	**45,495**
Net debt	9,457	13,430	15,190	14,299	9,295
Capital employed	29,910	34,992	37,021	40,746	45,495
Invested capital	**11,160**	**29,616**	**33,065**	**34,978**	**36,809**
BVPS (Rs)	214.2	221.8	239.9	284.1	340.3
Net Debt/Equity (x)	0.5	0.7	0.8	0.6	0.3
Net Debt/EBITDA (x)	3.6	4.7	3.1	1.9	1.1
Interest coverage (x)	13.1	2.2	2.3	4.8	5.8
RoCE (%)	**10.3**	**6.7**	**10.3**	**15.9**	**17.4**

Source: Company, Emkay Research

Cash flows

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	2,165	1,148	2,039	4,745	6,050
Others (non-cash items)	(68)	(38)	0	0	0
Taxes paid	(585)	(486)	(510)	(1,020)	(1,301)
Change in NWC	738	767	(2,601)	(411)	(146)
Operating cash flow	**2,840**	**3,224**	**2,003**	**6,341**	**7,753**
Capital expenditure	(14,285)	(5,866)	(2,200)	(4,200)	(1,500)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(13,416)**	**(6,314)**	**(2,200)**	**(4,200)**	**(1,500)**
Equity raised/(repaid)	3,726	0	0	0	0
Debt raised/(repaid)	7,040	3,899	500	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(180)	(997)	(1,562)	(1,250)	(1,250)
Dividend paid (incl tax)	0	(17)	0	0	0
Others	-	-	-	-	-
Financing cash flow	**10,587**	**2,885**	**(1,062)**	**(1,250)**	**(1,250)**
Net chg in Cash	11	(205)	(1,260)	891	5,004
OCF	2,840	3,224	2,003	6,341	7,753
Adj. OCF (w/o NWC chg.)	2,102	2,457	4,603	6,752	7,900
FCFF	(11,445)	(2,642)	(197)	2,141	6,253
FCFE	(11,624)	(3,601)	(1,760)	891	5,004
OCF/EBITDA (%)	108.1	113.4	40.3	82.3	87.6
FCFE/PAT (%)	(724.5)	(465.5)	(115.0)	23.9	105.4
FCFF/NOPLAT (%)	**(711.7)**	**(205.1)**	**(7.6)**	**46.0**	**114.6**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	22.6	52.4	26.5	10.9	8.5
EV/CE(x)	1.7	1.6	1.6	1.4	1.1
P/B (x)	2.2	2.2	2.0	1.7	1.4
EV/Sales (x)	1.7	1.4	0.9	0.7	0.6
EV/EBITDA (x)	19.0	19.0	11.2	7.1	5.6
EV/EBIT(x)	23.1	28.2	16.1	9.2	7.2
EV/IC (x)	4.5	1.8	1.7	1.6	1.4
FCFF yield (%)	(22.9)	(4.9)	(0.4)	3.9	12.5
FCFE yield (%)	(28.7)	(8.9)	(4.3)	2.2	12.3
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	5.4	2.0	2.5	5.0	5.9
Total asset turnover (x)	1.3	1.2	1.7	1.9	1.9
Assets/Equity (x)	1.5	1.8	1.8	1.8	1.6
RoE (%)	**10.4**	**4.2**	**7.8**	**16.8**	**18.0**
DuPont-RoIC					
NOPLAT margin (%)	5.4	3.4	4.3	6.2	6.8
IC turnover (x)	2.6	1.9	1.9	2.2	2.2
RoIC (%)	**14.1**	**6.3**	**8.3**	**13.7**	**15.2**
Operating metrics					
Core NWC days	22.1	13.6	24.4	21.7	20.7
Total NWC days	**22.1**	**13.6**	**24.4**	**21.7**	**20.7**
Fixed asset turnover	1.7	1.3	1.5	1.7	1.7
Opex-to-revenue (%)	20.5	22.6	20.6	18.8	18.6

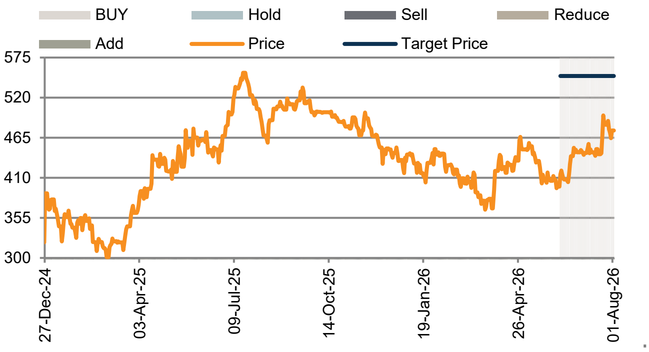
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
08-Jun-26	415	550	Buy	Harsh Mittal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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