

04 April, 2025

PICK OF THE MONTH

VOL-11, NO-02

Industry: Other Textile Products

Sangam India Limited

BUY

CMP: Rs.437

TARGET PRICE: Rs.600

TIME : 12 months

Sangam India Limited (SIL) is one of the leading manufacturer of Polyester Viscose (PV) dyed yarn and denim fabric and operates as a fully integrated textile enterprise, managing the entire process from yarn production to fabric manufacturing to garmenting. It offers wide spectrum of portfolio that includes PV blended dyed fabrics, grey yarn, textured yarn, cotton spun and open-end (OE) yarn, fabric processing, cotton knitted fabrics, synthetic blends, denim and garments.

SIL strategically operates via **5 fully equipped state-of-the-art manufacturing facilities** located in key areas of Bhilwara and Chittorgarh in Rajasthan. At a global level, SIL's footprint is stretched to over 50+ countries with a strong global presence. **Sangam Suiting, Sangam Denim and C9 Airwear** are some of the flagship brands offered by the company. SIL has built a diverse client base that matches the wide spectrum of its product offerings. SIL has undertaken **expansion initiatives** to enhance its production capabilities to prepare for future growth while enabling the company to innovate and manufacture good quality products.

SIL is committed to drive growth by strategically diversifying across financial, operational and sustainability with stable growth, better margins and anticipated better return ratios going forward. We initiate coverage on SIL with a **BUY** rating and a TP of Rs600 (32.7x Mar'26E EPS of Rs18.33), implying an upside of ~37%.

Business Verticals: SIL has built a **fully integrated textile model** that serves the manufacturing of yarn to fabrics to garments. Yarn has been the top revenue contributor for the company (~47% of overall sales in FY24) followed by Fabrics and Garments. Given the industry dynamics, the Management is focusing and building capabilities in an efficient manner to **move up the value chain**. The benefits of capex (already incurred a significant amount) are expected to be seen in a gradual and phased manner; this will invariably lead to incremental revenues and also boost the Ebitda margins in the long term.

Advanced Technology: The core focus of the Management has always been skewed towards **sustainability** via adoption of the circular economy approach. Though with the changing trends and adaptability towards **latest technology**, SIL has always ensured to minimise the impact on environmental footprint. The blend of being ahead of the curve alongwith following a **cost optimization** route are the key areas where the Management is trying to enhance it's overall productivity as well as product quality.

Strong Prospects: Prominent flagship brands built over the years, good R&D development across all the segments, working on captive consumption and value-added products, GOI led industry benefits, cost optimisation and focused approach towards strengthening the PnL and B/S are some of the **long term triggers** which are expected to drive the growth for SIL.

SNAPSHOT	
52 week H/L	Mcap (INR mn)
498/295	21,932
Face value: 10	
BSE Code	NSE CODE
514234	SANGAMIND

Shareholding Pattern as on 31st Dec, 2024		
Parameters	No of Shares	%
Promoters	352,55,438	70.1
Institutions	16,36,287	3.2
Public	133,54,834	26.6
TOTAL	50,246,559	100.0

Quarterly Performance				
Parameters (Rs mn)	Mar-24	Jun-24	Sept-24	Dec-24
Sales (Net)	7,011	6,931	6,756	7,540
EBITDA	667	673	556	640
EBITDA (%)	9.5	9.7	8.2	8.5
Other Income	37	51	14	(32)
Interest	233	231	246	215
Depreciation	261	280	278	289
PAT	137	143	56	24
Equity (Rs mn)	503	503	503	503

Annual Performance				
(Rs mn)	FY23	FY24	FY25E	FY26E
Total Revenue	27,123	26,281	29,049	32,907
EBITDA	3,016	2,155	2,600	3,126
EBITDA (%)	11.1	8.2	9.0	9.5
Other Income	171	128	102	106
Interest	539	714	836	800
Depreciation	794	968	1,131	1,205
PBT	1,854	600	735	1,228
*PAT	1,305	408	479	921
Equity (Rs mn)	450	502	502	502
EPS (INR)	29.4	8.2	9.5	18.3

Ratio Analysis				
Parameters (Rs mn)	FY23	FY24	FY25E	FY26E
EV/EBITDA (x)	10.0	15.1	12.4	10.1
EV/Net Sales (x)	1.1	1.2	1.1	1.0
M Cap/Sales (x)	0.8	0.8	0.8	0.7
M Cap/EBITDA (x)	7.3	10.2	8.4	7.0
Debt/Equity (x)	1.2	1.3	1.2	1.1
ROCE (%)	21.7	9.0	9.4	11.7
Price/Book Value (x)	2.3	2.2	2.1	2.0
P/E (x) (TTM)	5.4	30.3	41.5	23.8

Source: Annual Report, Progressive Research

Note: Data calculated as on 03rd April, 2025, *FY23 and FY24 includes exceptional item

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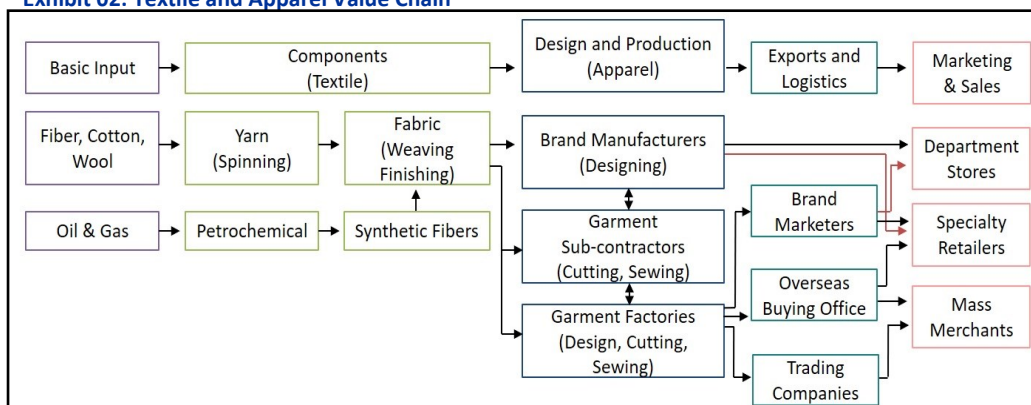
Indian Textile Industry: is among the largest in the world, spanning a vast value chain from cotton cultivation to high-end apparel manufacturing. The industry contributes ~5% to the global trade in textiles and apparel market, ~2.3% to the GDP (further anticipated to increase to ~5% by 2030 as per CII) and ~7% of industry output in terms of value. The Indian textile industry owns a significant manufacturing base of variety of fibres and yarns including natural fibers such as cotton, jute, silk and wool as well as synthetic or man-made fibers like polyester, viscose, nylon and acrylic. India remains one of the largest suppliers of **textiles and apparel (T&A)** to countries such as the US, the European Union and the Middle East (ranked as world's **6th largest** exporter in 2023 and the sector accounted for ~8% of India's total exports in 2024). The T&A market exports a wide range of products, including cotton textiles, yarn, fabrics and readymade garments. According to the CII, the cumulative exports of T&A in April'24-Jan'25 stood at USD29,997mn as compared to USD27,697mn in the same period last year; growth of ~8.30% (in April-Nov'24, the apparel exports from India to the US grew by 14.3%, to Spain by 20.7% and 33.6% to Netherlands). As per Textile Industry's Amrit Kaal Roadmap, the T&A market is expected to reach at USD350bn by 2030; CAGR of ~10% (in 2022 stood at USD165bn); driven by changing fashion trend, technological advancements, increased popularity of online shopping platforms.

Exhibit 01: Indian Textile and Apparel Industry (in USD bn)



Source: Ministry of Textiles and CareEdge Ratings

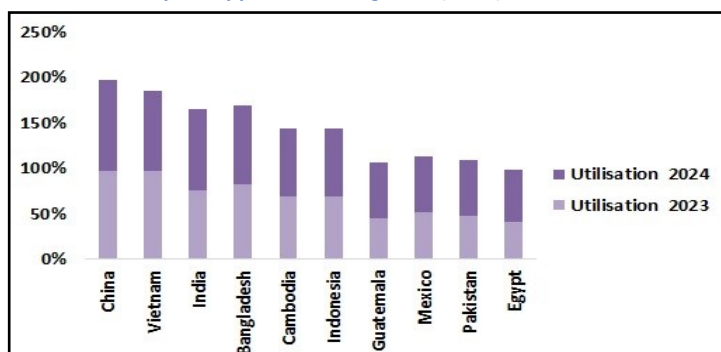
Exhibit 02: Textile and Apparel Value Chain



Source: SIL Annual Report 2021, Progressive Research

As per the recent estimates released by the Ministry of Commerce, India's exports of T&A from April 2024 to February 2025 stood at ~USD33.2bn, which is ~7.2% higher as compared to the same period of last year. India is a major player in global textile exports holding a **4th position** worldwide, with exports at USD36.7bn in 2024. As of FY24, US, Bangladesh and UK are the top 3 importers of textile products from the Indian markets with a combined contribution of ~42%. The textile exports are anticipated to reach ~USD65bn by 2026 (from the current USD34.43bn) with an ambitious target of USD100bn by 2030. Many international brands (Walmart, Pepco, Tesco, GAP, Decathlon, Marks & Spencer and Next) intend to increase their sourcing from India to reduce the dependence on China. As per United States Fashion Industry Association (USFIA), India is regarded as the new rising star for Asian sourcing bases. In addition to this, abundant availability of raw material and ~1,254 global organic textile standard (GOTS) certified facilities (China: 220 GOTS) makes India a viable sourcing destination.

Exhibit 03: Top 10 Apparel Sourcing Base (2024)



Source: usfashionindustry.com, Progressive Research

Exhibit 04: Top Export Destinations

Export Destination	FY21	FY22	FY23	FY24	H1FY25
US	26%	27%	29%	28%	29%
Bangladesh	7%	12%	7%	8%	8%
UK	5%	5%	6%	6%	6%
UAE	7%	6%	6%	6%	5%
Germany	4%	4%	4%	4%	4%
Netherlands	2%	2%	3%	3%	3%
Spain	2%	2%	3%	2%	3%
France	2%	2%	3%	3%	2%
Australia	NA	NA	NA	NA	2%

Source: Ministry of Textiles, Crisil MI&A, Progressive Research

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Indian Textile Industry (contd.):

Some of the key triggers for the upcoming growth in the industry includes factors like,

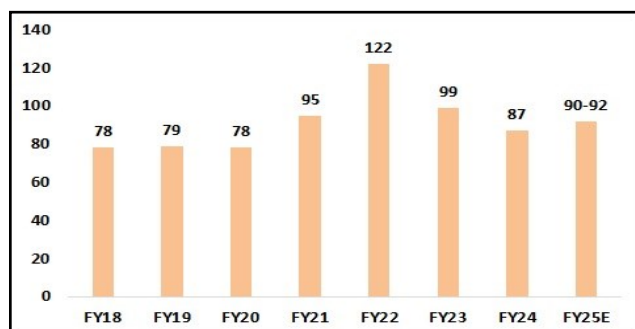
GOI Incentives: coupled with multiple schemes to increase the economies of scale, export potential and competitiveness in the textile sector are anticipated to further boost the sentiments. Several schemes like Pradhan Mantri Mega Integrated Textile Region and Apparel (PM-MITRA); the 5F vision of farm-fibre-factory-fashion-foreign, PLI, Kasturi Cotton Bharat, National Technical Textile Mission (NTTM), Amended Technology Upgradation Fund Scheme (A-TUFS) and Scheme for Capacity Building in Textiles Sector (SAMARTH) have been recently launched.

Sustainable and Organic Textiles: the industry's value chain consumes significant resources, including chemicals, dyes, utilities and fuels, leading to negative environmental and social impacts. Manufacturers are actively adopting sustainable processes such as recycling, water conservation and production of bio-friendly textiles.

E-commerce Splurge: via websites like Myntra, Ajio, Meesho, etc. is addressing the need of digital platforms to reach international buyers.

Free Trade Agreements (FTAs): although India has been part of many FTAs, the domestic textile sector has not been able to reap the benefits; for e.g. Bangladesh enjoys an import tariff of 0% on RMG trade to UK due to FTAs, whereas India faces an import tariff of ~10%. Thus in order to incentivize textiles export, GOI has been working on FTAs with the EU, the UK, Australia and Canada.

Exhibit 05: Cotton Yarn Spreads (Rs per kg)



Source: SIL Q1FY25 PPT, Progressive Research

Exhibit 06: India's MMF Export Trend (USD mn)

Product	Value		Growth (%)
	Apr-Aug (2023-24)	Apr-Aug (2024-25)	
MMF	177.16	184.88	4.4
MMF Yarn	649.38	687.10	5.8
MMF Fabric	845.97	820.82	(3.0)
MMF Made-ups	587.27	615.69	4.8
Total	2259.78	2308.49	2.2

Source: DGCI&S and SRTEPC Analysis, Progressive Research

Cotton Yarn: is used in fabric weaving created by twisting cotton fibres together to form thread. Cotton yarn prices are affected by various factors, including the production capacity of companies, government policies, exchange rates, creation of artificial scarcity, fluctuations in cotton prices which invariably affects the yarn prices; all these elements collectively influence the cost and availability of cotton yarn in the market. In FY24, the profitability of cotton yarn spinners was affected by **lower cotton yarn spreads** and inventory losses. Going forward, with better availability of domestic cotton and continued downstream demand, the recovery in the cotton yarn spreads is expected to be Rs90-92 per kg in FY25 from the earlier Rs87 per kg, thereby **improving the margins** of spinner players in India. According to Eximpedia, the global cotton yarn market stood at USD86.1bn in 2024 and is further anticipated to increase to USD117.7bn by 2032. Among all the cotton yarn exporting countries, India is the world's **4th foremost** exporter of cotton yarn, with a significant 31.2% market share. About 25-35% of India's cotton yarn production is exported, with the rest being used domestically. According to cotton yarn export data, India exported around USD11.7bn worth of cotton yarn, textiles and handlooms in 2024; a rise of ~6.7% as compared to 2023. With regard to states, Gujarat is the top cotton yarn producer in India, contributing over 35% of the country's cotton yarn production. Some of the top **export markets** from India for cotton yarn includes, USA, Bangladesh, China, Sri Lanka and the UAE.

Man-Made Fibre (MMF): are textile materials which are chemically synthesized and have exceptional strength, durability and versatility. MMFs are generally categorized into 2 types: **synthetic** (made from crude oil) and **cellulosic** (made from wood pulp). Polyester, acrylic and polypropylene are some of the key types of synthetic fiber. The industry contributes ~16% to the overall India's textile exports (world's 6th largest exporter of MMF textiles). As per IBEF, the 2 primary components of MMF are **polyester and viscose** which collectively account for ~94% in volume terms; of this polyester accounts for around 77.5%. As per The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC), the top 10 markets accounted for ~55% of India's total MMF textile exports; USA leading the market share at ~17%, followed by Turkey at ~7%, Bangladesh at ~6% and the UAE at ~5%. The other important markets included Brazil (5%), Sri Lanka (4%), the UK (3%), Italy (3%), Germany (3%) and Spain (2%). The exports of Indian MMF textiles are expected to increase by ~75% to reach USD11.4bn by 2030 from USD6.5bn in 2022. **Value-added** segments like fabrics and made-ups constituted ~62% of total MMF textile exports. MMFs are becoming a favorite choice amongst weavers and spinners in India to remain cost competitive in case of fluctuations in the prices of cotton. Needless to say, MMFs aren't expected to replace the natural fibre but rather work as a blend providing the best in both the scenarios.

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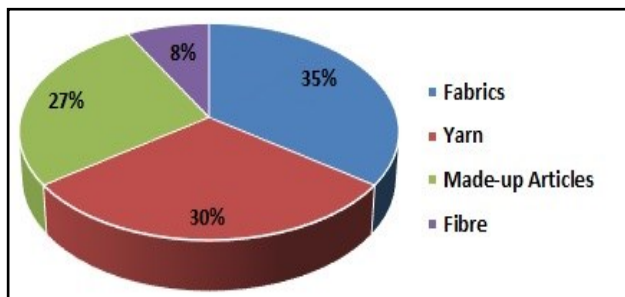
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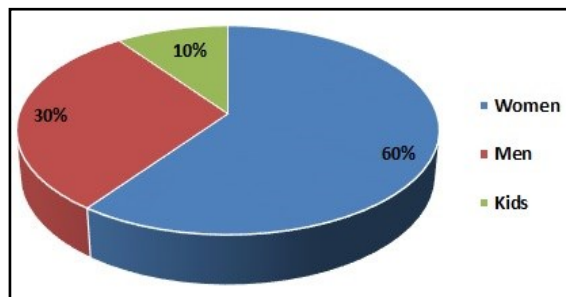
Indian Textile Industry (contd.):

Exhibit 07: Segment wise share of MMF (Apr-Aug 2024)



Source: Unitedwebnetworks.com, Progressive Research

Exhibit 08: India's Innerwear Market



Source: SIL Annual Report 2024, Progressive Research

Activewear Segment: is a part of the broader sports apparel market. The fashion landscape has experienced a significant transformation that has embraced the trend of dressing for comfort. **Activewear** has become the most prominent style statement in the recent past as consumers are seeking more comfort coupled with style at workplace and home while **athleisure** sits at the intersection of exercise and leisure. According to various industry reports, the Indian activewear or activewear market is estimated to grow from USD411bn in 2021 to USD793bn by 2028; a CAGR of ~9.9% during the forecast period. This growth is attributed to a couple of factors such as evolving lifestyle and fitness preferences, increased participation of women and kids in sports activities, promotion of activewear as casual wear by big brands bodes well for the market. For a long time, the activewear market in India has been dominated by international brands such as Nike, Reebok, Puma, Adidas, ASICS, Decathlon amongst others whereas some of the popular homegrown brands in India includes Aastey, BlissClub, Silvertraq, Alcis and Good Indian.

Indian Innerwear Segment: was once highly price sensitive with cautious spend, however, in recent times, the market has expanded its horizon from just being an essential commodity to a **fashion accessory** focused on comfort and styling. Rising earnings, discretionary expenditure, and the working women population, coupled with growing fashion consciousness among millennials, changing perception of men's innerwear, eco-friendly choices and a new focus on self-expression along with confidence have altered the domestic market. The Indian innerwear market is largely dominated by **women's innerwear** which accounts for ~60% of the total market followed by men and kids. As per Grand View Research, the India innerwear market generated a revenue of USD12,236mn in 2023 and is expected to reach USD20,478mn by 2030; a CAGR of ~7.6% during the forecast period.

Indian Denim Market: enjoys production of over 1,600 million metres per annum, making it the **2nd largest** producer of denim fabric globally, after China. The total number of denim fabric mills in operation stands at ~50+ under the organized segment. According to a survey, ~65% of the fabric is used domestically while the balance contributes to exporting destinations such as Bangladesh, Colombia, Venezuela, Egypt, Sri Lanka and the UAE. As per Apparel Views, the Indian denim market is expected to reach at ~USD9.15bn by 2026, up from USD6.15bn in 2023. In terms of exports, India's denim exports are expected to reach ~650-700 million meters by 2027 (after China and Pakistan. India is the world's **3rd largest exporter** of denim fabric accounting for a 11% market share. In 2023, China's denim fabric exports stood at USD1.7bn followed by Pakistan at USD522mn and India at USD291mn). The global denim market is expected to grow at a CAGR of ~6.4% to reach ~USD150bn by 2030 (stood at ~USD105bn in 2023) where US continues to remain the dominant contributor to the global denim sales accounting for ~25%.

About the Company: Sangam India Limited (SIL) was founded in 1984 under the visionary leadership of Chairman **Mr. R. P. Soni**. With the adoption of a comprehensive approach, SIL operates as a **fully integrated textile enterprise**, managing the entire process from yarn production to fabric manufacturing and garmenting. Over the last four decades, the company has emerged as a prominent manufacturer of Polyester Viscose (PV) dyed yarn and denim fabric. SIL has a wide spectrum of portfolio that includes PV blended dyed fabrics, grey yarn, textured yarn, cotton spun and open-end (OE) yarn, fabric processing, cotton knitted fabrics, synthetic blends, denim and garments. SIL has been offering products of high quality that blend style as well as comfort. SIL strategically operates via **5 fully equipped state-of-the-art manufacturing facilities** located in key areas of Bhilwara and Chittorgarh in Rajasthan. These advanced facilities illustrate a blend of technology, precision and execution of the production process with highest standards of excellence. At a global level, SIL's footprint is stretched to over 50+ countries which establishes a strong global presence. Sangam Suiting, Sangam Denim and C9 Airwear are some of the **flagship brands** offered by the company. With a strong foundation and extensive presence, SIL has built a diverse **client base** that matches the wide spectrum of its product offerings; these include Banswara Syntex, Siyaram, BSL, Vimal, RSWM, Arvind, Marks & Spencer, Reliance Trends, Zivame, Myntra, Lifestyle International and Westside etc. This broad portfolio reflects the company's commitment to excellence and its strategic growth in both domestic and international markets. The company is powered by a total of **10,727** head count with ~**8,885+** skilled employees. **Mr. Anurag Soni** is the Managing Director of the company.

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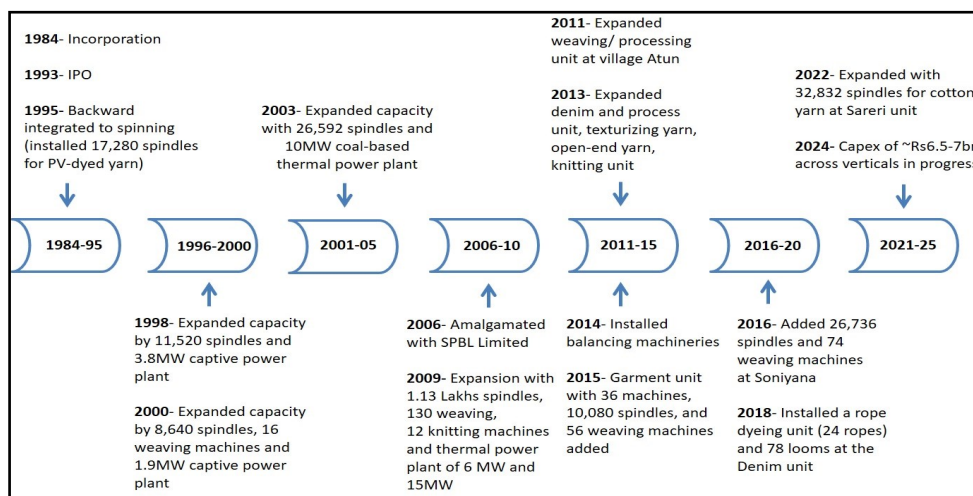
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Exhibit 09: Key Milestones



Source: SIL Annual Report 2024, Progressive Research

Sangam Ventures Ltd (SVL), subsidiary company of SIL was incorporated in December, 2021 and is wholly owned subsidiary of the parent company from the date of incorporation. The sole purpose for SVL creation was to undertake a greenfield project for garment manufacturing and to setup a world class plant for **seamless garments**. The product range offered by SVL comprises of garments in various blends such as polyamide, spandex, polypropylene and natural fibres. The synergies derived from the parent company helps SVL with vast experience of the promoters and also longstanding relationships with their customers. In addition to this the **second generation** of the promoter's family has also joined the business and plays an active role in the daily operations. In FY24, SVL had contributed ~Rs463.3mn to the total revenue of the group and till September 2024, the company has achieved revenue of Rs372.4mn, at healthy margins of more than 20% (as the garments business fetches a higher margin). As per Crisil rating report for Feb'25, SVL is expected to achieve revenue of ~Rs650-700mn with an operating margin of ~21% in FY25E. SVL faces high working capital requirements and also intense competition. The company needs to maintain a large number of stock-keeping units in order to cater to the diverse customer requirements; this exposes the company to risks arising from inventory or dead stock. Thus, the working capital days are stretched and the Management is already working on reducing the same. In the current scenario, the working capital cycle is expected to remain stable with gross current assets of ~260-270 days as on 31st March, 2025, driven by receivables of ~73 days and inventory holding period of ~180-185 days. Going forward, the ramp up in scale of operations is expected to be supported by addition of new customers and repeat orders from existing customers.

Investment Rationale:

(A) Business Verticals: a) Yarn: contributed ~47% in FY24 and ~51% in Q3FY25 to the overall sales. The yarn division plants are located at Biliya, Kalan, Soniyana and Sareri in Rajasthan (India). The division is renowned for producing and exporting high-quality cotton, particularly S-6 quality (*which indicates the fitness of the fiber*). The company's expertise extends to producing 100% cotton yarns, including Core Spun Yarn, Eli twist yarn and Slub Yarn. Under this business, each type of yarn is crafted with precision which caters to diverse market needs with high performance standards. Sangam Spinners, SIL's flagship division is regarded as one of the largest manufacturers of PV dyed yarn in South Asia (SIL's market share stands at ~20-25%). SIL is the **largest buyer** of viscose from Grasim Industries (which has ~80-85% market share globally); using this viscose coupled with the in-house benefit of dyeing polyester, SIL manufactures PV dyed yarn. So far the company has produced more than **20,000+ colours** of PV dyed yarns which are then later converted into fabric. The company has an **ISO 9001:2008 accreditation** and has earned a reputation to serve as **market leader** and a **price maker** in the **PV dyed** yarn segment. These are extensively used in the manufacturing of suiting, shirting, knitting and carpets. As of Q3FY25, the yarn production capacity (inclusive of knitting machine production) stood at 103,140MTPA (metric tonnes per annum) while spindles and rotors capacity stood at 297,744 and 2,664 respectively. The company exports these PV dyed yarns to ~34+ countries including Argentina, Bangladesh, Belgium, Brazil, Colombia, Chile, Egypt, Germany, Iran, Italy, Nepal, Poland, Portugal, Romania, South Africa, Spain, Switzerland, Turkey, USA, etc. The company has to its credit a **4-star export** house status. Raymond, Siyaram, Aditya Birla, RSWM, Donear, Bekaert, TBM, Bossa are some of the premium clients. As of Q3FY25, the number of customers in PV yarn and cotton yarn stood at 434 and 194 respectively.

Exhibit 10: Manufacturing Locations

Locations	Facilities
Atun, Bhilwara	Weaving, Processing & Garment Plant
Biliya Kalan, Bhilwara	Denim Weaving & Processing Plant
Biliya Kalan, Bhilwara	Spinning Plant Unit-I
Sareri, Bhilwara	Spinning Plant Unit-II
Soniyana, Chittorgarh	Spinning Plant Unit-III

Source: SIL Q3FY25 PPT, Progressive Research

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Investment Rationale (contd.):

(A) Business Verticals (contd.):

Exhibit 11: Yarn Product Offerings

Product	Range
Synthetic Ring Spun Yarn	100% polyester/viscose/acrylic/modal/bamboo/tencel and their blends. Available in raw white, melanges and solid shades
Fancy Yarn	Cotton/linen blends, poly/cotton blends, viscose/wool blends, poly/viscose blends, poly/viscose/acrylic blends, injection & normal slubs, industrial yarn for carpet, neppy yarn etc.
Cotton Yarn (ring and open end)	100% cotton yarn (combed and carded yarn) compact yarn slub yarn, siro yarn- Eli twist, cotton lycra yarn. End use: knitting and weaving
Indigo Dyed Yarn	100% cotton/viscose/modal/tencel/siro/eli-twist yarn, slub/neppy yarn. End use: knitting and weaving
Knitted Fabric	Single Jersey/RIB/interlock/pique/looper (terry)/indigo knits. Available with/without lycra (cotton and synthetic blends)
Suitings/Shirting Fabric	polyester/viscose, polyester/cotton, poly/viscose/spandex, 100% cotton PV lycra, poly/viscose/linen, poly/viscose/wool & polyester woolen segment with premium finishes
Denim Fabrics	Cotton Denim-rigid and stretch, cotton polyester-rigid and stretch, denim with linen/excel/tencel/modal/slub 100% tencel. Availability: basic, ring slub, OE slub, multi-colour cross hatch. Shades: indigo/SBET/IBST, sulphur and ecru version with all kinds of finishes
Seamless Knitting	Brand C9 & Pvt. Label. Activewear: legging, sports bra, t-shirt, tank, top, jacket, perf tee, track pant, cycling shorts. Intimate-wear: basic bra, briefs, camisole, tube bra, thong, boy shorts. Shape-wear: thigh shapewear, tummy tucker, brief shapewear, shaper shorts.

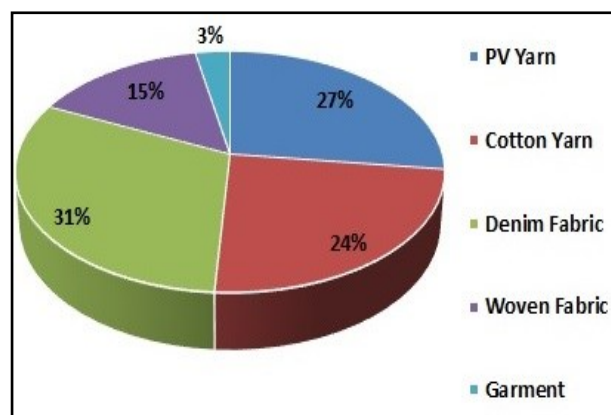
Source: SIL Website, Progressive Research

b) Fabric: is categorized into **PV fabric** and **denim fabric** and contributed ~50% of sales in FY24 i.e. ~22% from PV fabric and ~28% from denim fabric while the same was ~46% in Q3FY25 i.e. ~15% from PV fabric and ~31% of sales from denim fabric.

PV Fabric: SIL's fabric division is equipped with the latest technology and state-of-the art computerized designing looms such as high speed air jet looms (models includes Somet Mythos, Toyota Tappet & Jacquard, Picanol & Tsudakoma), P7100 Sulzer Tappet & Jacquard looms and Dornier Jacquard looms to produce one of the **finest fabrics** in polyester/viscose, polyester/cotton, pure cotton, PV lycra, polyester woolen segment, 100% wool fabrics. **Sangam Suiting** is the flagship brand of SIL which contributes to the overall market presence. SIL serves as one of the largest exporters and market leaders in the PV fabric division with a substantial market share. The fabrics requirements are met via value-added yarns and in-house yarn capabilities to enhance fabric performance. As of FY24, the fabric weaving and fabric processing capacity stood at ~48MMPA (million meters per annum) and ~72MMPA respectively.

Denim Fabric: The modernized denim plant had an annual denim fabric production capacity of 48MMPA in FY24 while as of December 2024 the same stood at 60MMPA; 5 indigo processing lines with 302 weaving machines and 1 rope dyeing for denim fabric weaving. The plant is well equipped with advanced sheet dyeing and finishing ranges. SIL's denim fabric ranges from 40Oz (*ounces per square yard*) to 15Oz which utilised various types of yarns such as TFO, Eli twist, OE, Excel Linen, Tensile, Slubs, Rings, Ring Slub, Multi-Count, Multi-Twist, Cotton Stretch and Poly Stretch. The company adheres to **international quality protocols** such as Global Organic Textile Standards (GOTS), Global Recycled Standards, Better Cotton Initiative (BCI), OEKO-TEX certification which signifies the company's commitment to deliver fabrics that meet these stringent quality requirements. The texture, quality, durability and visual appeal for **Sangam Denim brand** is defined by the **latest finishing techniques** such as Flat, Thermo, Mill Wash, Calendar and Over Dyed. SIL's denim fabric product range covers basic, twills, broken, satins, denim shirting, fancy dobby, regular dobby in stretch, some non-stretch categories and also poly-cotton versions. SIL leverages value-added yarns and in-house yarn capabilities in order to produce the denim fabrics of high performance and high quality. These have a very strong domestic market position with leading brands in the domestic as well as the international market.

Exhibit 12: Product Offerings



Source: SIL Q3FY25 PPT, Progressive Research

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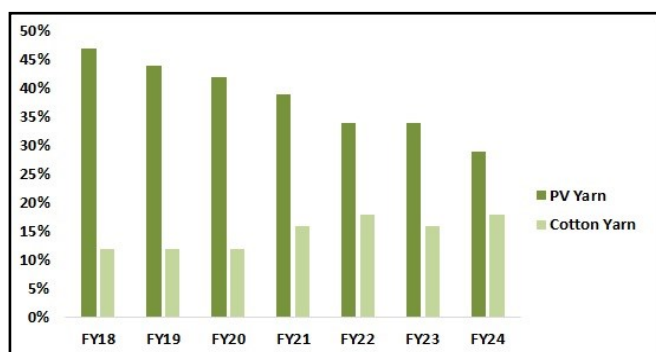
TIME : 12 months

Investment Rationale (contd.):

(A) Business Verticals (contd.):

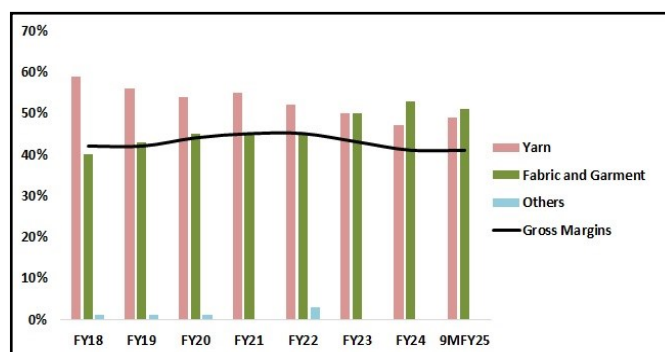
c) Garments: this business division is at a **nascent stage** and contributed ~3% to the overall sales in FY24 as well as Q3FY25. The company has a well-established state-of-the-art-plant located at Atun, Bhilwara that is dedicated to manufacture **seamless garment production**. Seamless garment technology is an advancement in the apparel industry which essentially eliminates the fabric laying, cutting and sewing process; the elimination of the last 2 processes **saves a lot on costs and time**, ensures higher productivity, quick response production. A decade ago, SIL's Board made an investment to the tune of ~Rs1,200mn in order to foray into seamless garment manufacturing and had set a target to manufacture ~10,000 pieces of seamless garments per day. For this, SIL had imported 36 circular knitting machines from **Santoni, Italy**; the world leader in seamless knitting technology. The main intent was to introduce a new arena of innerwear, activewear and casualwear for both men and women. The company sells its seamless garments via its WoS **Sangam Lifestyle Ventures Ltd (SVL)** under its **C9 Airwear brand**, launched in 2015. The company offers a range of products that encompasses a variety of blends, including polyamide, spandex, polypropylene, as well as natural fibres, such as bamboo, cotton, and viscose. C9 brand is available pan India via the vast distribution network, through its website; www.c9airwear.com, as well as on several 3rd party shopping platforms, such as Myntra, Nykaa, Amazon, Flipkart and Ajio. Equipped with cutting-edge machinery, the plant boasts of a production capacity of ~251.94 crore spa and has 114 seamless garment knitting machines (as of Dec'24). The number of customers as of Q3FY25 stood at 294+ (FY24: 1016+) while the no. of touchpoints stood at ~2,000+.

Exhibit 13: Yarn Revenue Contribution



Source: SIL Q3FY25 PPT, Progressive Research

Exhibit 14: Value-added Products



Source: SIL Q3FY25 PPT, Progressive Research

(B) Value Addition: As per Crisil Ratings Report, the average **global blending of cotton and synthetic** is ~40:60 whereas **India's** cotton blending stands at 65%, indicating a considerable scope for the substitution with synthetic yarn. As a part of growth strategy, SIL has made conscious efforts to **move up the value chain** and thus increase the contribution of fabric and garments to its overall revenue/product portfolio mix. As of Q3FY25, the contribution from fabrics and garments came in at ~46% and ~3% respectively whereas yarn contributed ~51%. The Management intends to **change the mix** over the next 2 years (by FY26E) as ~60%+ from fabrics and garments and balance from the yarn. The increased revenue mix of value-added products i.e. fabric and garments will effectively help mitigate the market fluctuations and ensure a steady gross and profit margins. SIL follows the concept of **circular economy**; recycling and waste management at a broader level. The company undertakes this initiative by conversion of plastic wastes into reusable materials via **sustainable processes**. At present, the company has recycled ~30,000MT p.a. of fiber from 38,400MT plastic waste; additionally, the company has annually processed ~12,500MT cotton and other waste in order to minimize the environmental footprint. SIL has adopted an effective approach to mitigate water and waste management risk and has implemented 4 sewage treatment plants (STPs) and 3 effluent treatment plants (ETPs) plants at all its facilities. These help **regulate water waste** and also ensure the status of a **Zero Liquid Discharge (ZLD)**.

Exhibit 15: Manufacturing Facility (units and capacity)

Particulars	FY22	FY23	FY24
Spindles	263,280	265,875	297,744
Open-End Rotors	2,568	2,664	2,664
Texturizing Machines	3	3	3
Knitting Machines	22	26	26
Denim Fabric Processing Lines	5	5	5
Indigo Rope Dyeing Range (M/C)	1	1	1
Weaving Machines (no. of looms)	524	524	562
Fabric Processing (MMPA)	72	72	72
Seamless Garments Knitting Machines	58	58	114
Captive Solar Power Plants (in MW)	13	13	17
Wind Power Plants (in MW)	5	5	5

Source: SIL Annual Report 2024, Progressive Research

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PICK OF THE MONTH

VOL-11, NO-02

Industry: Other Textile Products

Sangam India Limited

BUY

CMP: Rs.437

TARGET PRICE: Rs.600

TIME : 12 months

Investment Rationale (contd.):

(B) Value Addition (contd.): All the waste collection aligns with the **Extended Producer Responsibility (EPR)** plan which ensures the hazardous waste is managed properly with the help of authorised waste handlers. The company has 3 solar power plants, 16MW solar power plant capacity and 5MW wind power plant. Going forward, the Management intends to increase the use of **recycled** fiber and reduce plastic waste by utilizing it as a raw material. Though the operations are too small, the company has a small plant for making use of waste yarn/cotton and re-use the same to produce recycled yarns/cotton. SIL has a specialised machine installed for the same; the feed for the same is procured from in-house operations and also outsourced. The adoption of digital textile printing, automation, and smart fabrics is seen shaping the industry as many players are quickly adapting to these changes; SIL too is actively investing in these areas to enhance productivity and product quality. The growth of e-commerce platforms is transforming the entire retail landscape and providing players like SIL with chances to reach a broader customer base. The company's strategy to focus on B-2-C segments and online distribution channels is likely to drive sales growth. In addition to this, the company is also working on **Seamless Technology** and related works. The C9 clothing sub segment incorporates this seamless CP technology. Designed with **4-way stretch** technology, SIL's garments offer exceptional flexibility and comfort, perfect for dynamic movements. SIL clothing/products utilise **advanced breathable** technology which makes each piece lightweight while ensuring fresh feeling all day. Prepared with soft bands, the garments minimise friction between the skin and elastic materials, **preventing chafing**. The use of breathable fabrics promotes rapid drying, thus reducing skin irritation/rashes and chafing.

Financials: Yarn has been the top **revenue contributor** to the overall product portfolio of SIL, followed by Fabrics and Garments. Yarn traditionally has been the **low margin** business for the company given the fluctuations in the cotton yarn spreads. As a step to forward integration, the Management intends to reduce the yarn sales (substitute the products where SIL generates low margins) and utilise the yarn production for **captive consumption** as far as possible. Over the past few FY's, the PV yarn contribution has reduced from ~47% in 2018 to ~27% in FY24 while the cotton yarn has increased from ~12% in FY18 to ~20% in FY24. The revenue contribution of **denim fabric** on the other hand has increased from ~18% in FY18 to ~28% in FY24; increase of ~2.5x in 7 years whereas **garments** revenue contribution surged by ~5x in 7 years; from ~1% in FY18 to ~3% in FY24. Thus, as steps towards **forward integration are taken**, the focus of the Management is seeing a **transitional change** from yarn to fabrics. **The lower realizations** have affected the overall profitability in the last 4-6 months for the company. The current capacity utilization levels for denim stands at ~90-94% with further uptick expected over the coming quarters. In terms of geography, the split between domestic and exports market as of Q3FY25 stood at ~58:42 with margin variations of ~4-5% between domestic and export markets. The expansions in synthetic fabric and yarn are on track for completion which will assist the company to achieve its goal to increase the overall share of fabrics and garments to ~60%+ by FY26E. The company has been increasing its **capacity** in a phased manner in yarns, garments and fabric segments for a **total capex** of ~Rs5,000mn. Out of the total investment, ~Rs3,440mn (in order to support the denim business) is chalked for the **yarn** division which will increase the capacity by ~9.0% from 103,140MTPA (in FY24) to 112,440MTPA; this is expected to be completed by end of June-July 2025. Under the **synthetic fabric** division, the investment is to the tune of ~Rs1,600mn in order to increase the weaving capacity from the current 48MMPA to 65MMPA; this is on track for completion in Q4FY25-Q1FY26. Additionally, the synthetic fabric weaving machines will increase from the current 260 to 340. The **garment business** was earlier running only 1 shift and is currently having 2 shifts; the same is expected to be running in 3 shifts going forward which also explains the ambitious target to increase the contribution of the garments business to shift from 3% to 6% in the next 8-12 quarters. SIL has a spinning capacity of 297,744 spindles, 2,664 rotors and knitting capacity of 26 machines; all of these are expected to increase to 306,864 spindles, 5,064 rotors and 32 knitting capacity machines. The expansions in the synthetic fabric and yarn are on track for completion which will assist the company to achieve its goal to **increase/change the product mix** as yarn: ~33%, fabrics: ~61% and garments: ~6% by FY26E. Going forward, the Management intends to incur **maintenance capex** to the tune of ~Rs150-200mn.

Exhibit 16: Anticipated Capacity Expansion

Particulars	Outlay (Rs in mn)	Machines		Capacity		Timelines
		Current	Post Expansion	Current	Post Expansion	Post Expansion
Yarn	3,440	-	-	103,140MTPA	112,440MTPA	Q1FY26
Spindles (nos.)	-	297,744	306,864	-	-	Q1FY26
Rotors (nos.)	-	2,664	5,064	-	-	Q1FY26
Knitting Machines (nos)	-	26	32	-	-	Q1FY26
Synthetic Fabric	1,600	-	-	48MMPA	65MMPA	Q4FY25
Weaving Machines (nos)	-	260	340	-	-	-

Source: SIL Q3FY25 PPT, Progressive Research

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TIME : 12 months

Financials (contd.):

Once the expansion plans are executed, these will boost the overall revenues and give a boost to the Ebitda margins over the next 6-8 quarters. The company currently has a semi-automatic plant (including a mixture of manual as well as automated machine) which is dependent on the product design as well. With the help of automation, it is possible to reduce the **employees count** to one-third at certain sub-divisions. At SIL, automation is rampant wherever possible with the new expansion plans. Apart from this, the company is also equipped with **2 recycling plants** i.e. soft waste and hard waste. SIL undertakes machine upgrades which assists them in value-added manufacturing. Additionally, as a step towards a circular economy, SIL has a clean energy investment with 3 existing solar power plants already. At present, ~8-10% of the energy requirements are utilised via **renewable sources**. There is good development seen in the **R&D** across all the segments. **Waste yarn** to yarn is a project which has taken baby steps and is currently in progress. The Management is expecting the **margins** to incrementally increase in the next 6-8 quarters with an ambitious target of achieving ~12-13% Ebitda margins in the next 3-4 years. Currently, the overall **freight cost** is seen coming to normal and the same also appears to have peaked out.

Exhibit 17: Annual Segmental Contribution

FY	Yarn (in %)				Fabrics (in %)				Garments (in %)		
	PV	Cotton	Domestic	Exports	Denim	Woven	Domestic	Export	Contr.	Domestic	Export
22	34	18	64	36	26	16	55	45	3	100	-
23	34	17	76	24	25	19	65	35	3	90	10
24	27	20	69	31	28	22	60	40	3	96	4

Source: SIL Annual Report 2024, Progressive Research

Tax benefits seen from the **subsidiary company** (estimated revenue of ~Rs700-720mn) can be achieved from this division at peak capacity utilisation; currently the plant appears to be running at 50-55% capacity utilisation. Though **PLI** is an attractive opportunity, the focus is not on PLI benefits. The focus of the company is looking at the **production per spindle per minute**. The Management is also focusing on the overall production on a weekly as well as monthly level and how to improve the same. The general **asset turnover** in the industry ranges from ~1-1.3x and SIL appears to be very much in line with the same. The company is working towards exploring the opportunities in captive consumption and also looking at value-added products. The overall capacity utilisation is also dependent on the orderbook or job work as well. Given the industry dynamics, **power & fuel and employee costs** are the **major overheads** for the company. **Cost optimization** is a continuous process at SIL. The company has **optimized power** and steam efficiency with 44TPH **agri husk boilers** installed in the denim division and 20TPH agri husk boilers at synthetic fabric divisions to ensure significant cost savings. The focus of the team at SIL is to **reduce costs** and look at improving operational efficiencies. In addition to this, the Management is also diligently working on freeing up working capital and trying to reduce the interest burden. This can involve small inventory loss as well; however, the inventory/stock normalising is also in progress. In the industry, many companies are focusing on **inventory clean up** in the next 3-6 months and are living with the hope that downside revisions do not resurface. Prices continue to fluctuate which are not controllable.

As far as the **debt** is concerned, the long-term debt (as of Q1FY25) stood at ~Rs8,500mn (inclusive of undisbursed loan component), the current debt level stands at ~Rs10bn. As indicated by the Management, the interest cost has almost peaked out (trying to reduce the cost of debt at a lower rate as compared to the current rate of ~8-9%; this is bifurcated into working capital at ~7-7.5% and long-term at ~8.8-9%; however, after the net off with subsidies received via interest subvention the same will be at ~5%); the company has a pre-defined **debt repayment schedule** spread across FY25-29E. The company is currently not looking at any dilution of the promoter stake and ~70.16% of the equity is held by the promoter group. The stock is **highly illiquid** in nature, as the market float is very small, which has its own pros and cons. The Management is open for growth opportunities while exploring/looking at **forward integration** in the garmenting division in distant future. In addition to this, the company is also open to prospects via inorganic expansion/tie-ups, if any. The **export market** continues to be highly volatile while the overall dynamics keep changing. As per the recent development seen in the industry, exports have started picking up; volumes are seen increasing however, the margins continue to be under pressure. The ambitious targets of the Management is to gradually **move up the value chain** and achieve a revenue target of **~Rs40bn** in the next 12-14 quarters with Ebitda margins of ~12-13%. This is anticipated to have sales contributions of ~6% from the Garments segment, ~33% from the Yarn segment and ~61% from the Fabric segment.

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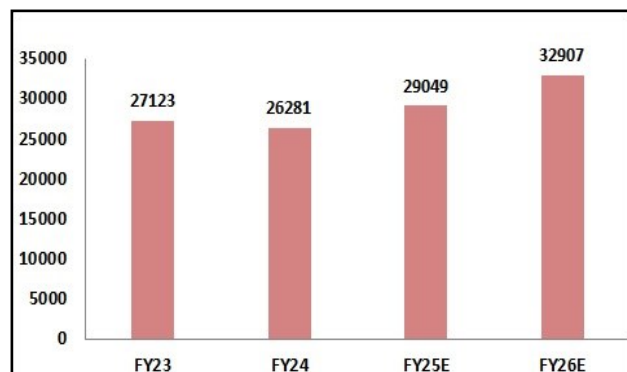
Financials (contd.):

Exhibit 18: Segmental Contribution (FY24)

Parameters	Yarn	Fabric	Garments
Revenue Contribution	PV Yarn: 27%	PV Fabric: 22%	Garments: 3%
	Cotton Yarn: 20%	Denim Fabric: 28%	
Geographical Revenue Distribution	Domestic: 69%	Domestic: 60%	Domestic: 96%
	Exports: 31%	Exports: 40%	Exports: 4%
Market Position	SIL is a leading producer of PV dyed yarn in India and holds a position as a price-maker	Exports to 50+ countries and market leader of denim fabric in the country	One of the largest manufacturer of seamless garments in India
Customer	Manufacturer of synthetic and cotton fabric	Manufacturer of synthetic & denim garments and apparel	Retail Customers
Demand Drivers	PV Yarn: Driven by the demand for cost-effective, durable, and versatile fabrics in various end-uses, including fashion and industrial applications	PV Fabric: Boosted by its affordability, durability, and easy-care properties, catering to both everyday wear and formal garments	Seamless Garments: Increased by the growing trend towards comfort, innovation in fashion technology, and the rise in demand for high-quality, seamless apparel among retail customers
	Cotton Yarn: Influenced by the increasing preference for natural fibres and the growing apparel industry's demand for comfortable and breathable fabrics	Cotton Fabric: Demand is driven by its natural, breathable qualities and rising consumer preference for eco-friendly and sustainable textile options	

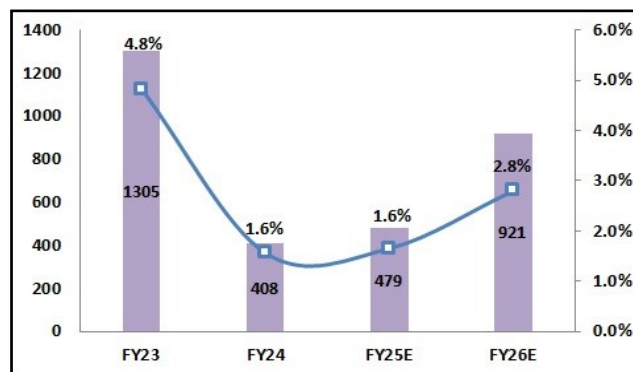
Source: SIL Annual Report 2024, Progressive Research

Exhibit 19: Revenue Trend (Rs in mn)



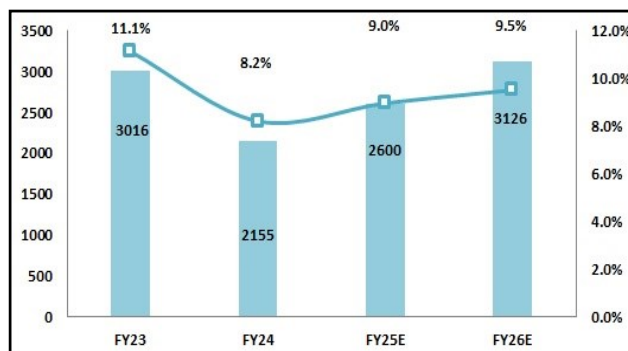
Source: Annual Reports, Progressive Research

Exhibit 20: PAT (Rs in mn) v/s PAT Margins



Source: Annual Reports, Progressive Research

Exhibit 21: Ebitda (Rs in mn) v/s Ebitda Margins



Source: Annual Reports, Progressive Research

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Risks and Concerns:

The company is exposed to **several risk factors** unlike any other company in the textiles industry which can impact the operations. These may include factors affecting the business dynamics, cotton price fluctuations, market fluctuations, political instability, environmental concerns, liquidity issues etc. The fluctuating **material prices** has been a persistent issue for the entire industry. Fluctuations in the costs of essential raw materials, such as cotton and synthetic fibres, can lead to increased production costs and thus can affect the overall profit margins. The company is in **capex mode** which has increased the debt burden to some extent and has also put some pressure on the **working capital** requirements. The company is exposed to **credit risk** influenced mainly by the individual customers including the default risk of the industry and country in which customers operate. SIL is exposed to **foreign exchange risk** arising from foreign currency transactions in USD and small exposure in Euro. The company has had a weakness related to availability of **real time data**; the team appears to be already working on the same and is trying to convert the weaknesses into its strengths. Global economic factors and geopolitical tensions can affect the international trade dynamics and the export demand related to T&A. There is **stiff competition** from many players/competitors from Bangladesh and Vietnam who benefit from lower labor costs and favorable trade agreements. This competition poses a challenge for a number of Indian manufacturers. The stock is **highly illiquid** and is thinly traded on both the exchanges. The promoter group holds ~70.16% of the equity while large funds and HNI's also hold substantially large quantities which is more than ~13% of the equity which can lead to swings in either direction depending on the sentiments of the volumes traded. **High inflationary pressures** can affect consumer spending and overall economic stability. If inflation increases, then consumers reduce discretionary spending, which can impact the demand for textile products. On 6th March 2025, the company was informed about a **fire incident** at the Denim division (at Biliya village Kalan), Bhilwara. The fire was controlled and there were no human injuries or casualties reported. This incident has caused damage to the plant and machinery in that part of the factory. The estimated loss/damage due to fire is to the tune of ~Rs200-250mn. The company has adequate insurance coverage; SIL holds a comprehensive IAR (Industrial All Risk) Policy with a sum insured of Rs5,383.2mn, along with an additional coverage of Rs1,100mn for fire loss of profit through insurance provider. The production and operations are being continued with outside plant and machinery, ensuring minimal disruption to the overall operations. The company is already taking necessary measures to restore the affected area as quickly as possible.

Outlook and Recommendations:

SIL is one of the leading PV dyed yarn manufacturers in India with an operational track record of more than four decades while enjoying ~20-25% market share in India's PV dyed yarn market. The company has a strong presence in Rajasthan with 5 state-of-the-art manufacturing facilities which produces a diverse product portfolio as per customer demands. The company has a **fully integrated model** from Yarn to Fabric to Garments. The **premium products** manufactured by SIL are spread across the entire textile value chain; the company is dedicated to provide a wide variety of high-quality products. GOI has introduced **several initiatives** to support the textile industry, including the PM-MITRA and PLI schemes to enhance production capabilities, reduce imports and promote sustainable practices which can benefit SIL as well. The company currently has a **semi-automatic plant** (including a mixture of manual as well as automated machine) which is dependent on the product design as well. The company is in the process of **upgrading** the old machines to value-added product manufacturing. At SIL, automation is rampant wherever possible with new expansion plans. Textile industry is navigating through tough times. Volatility in the industry continues; while at the same time the lead times are also seen reducing; the overall cycles are also seen changing. In such an environment only the fully integrated players like SIL are expected to be able to mitigate risks associated to volatility and ambiguity.

Some of the **key triggers** like the issues in Bangladesh, China+1, UK FTA, tax benefits via the subsidiary can help the company report better numbers in times to come. The business strategy from fibre to garment has immense scope with tremendous growth opportunities. In the current business for SIL while the opportunities are big, the threat to the existing business is small. As a part of the strategy, the company is looking at projects involving a **quick payback period** of ~4-5 quarters; and with time they intend to look at projects with a payback period of 8-9 quarters and later at 12-13 quarters. As the **purchasing power** of the society is getting upgraded, the process of renovation and modernisation is also progressive at SIL. As the **customer preferences** keeps changing and has changed from traditional to easy products, the operations at SIL also keep adapting to the same while moving towards fancy fashionable clothes. The requirement of the customers/clients is more towards customised and **tailor-made products** and SIL is rightly working in that direction. The focus of the Management was to address business requirements/cater to lower to middle class categories, however, the same is now seen moving towards middle and higher class. Over the decades, SIL too has become quality conscious as the focus is on maintaining/improving the quality of products coupled with its durability.

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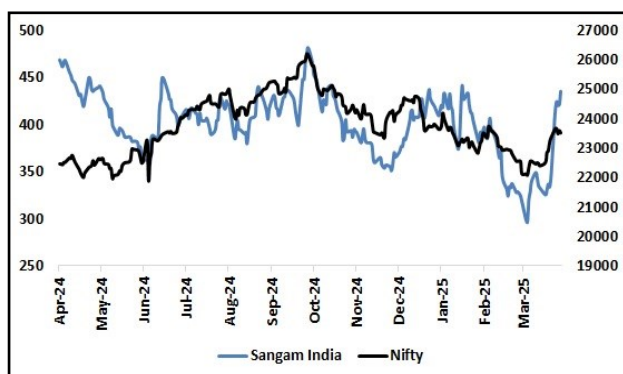
TARGET PRICE: Rs.600

TIME : 12 months

Outlook and Recommendations (contd.):

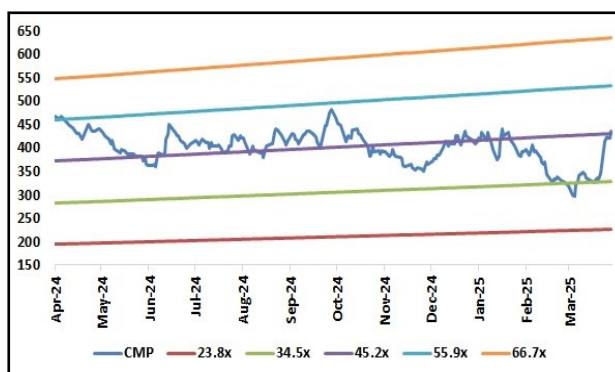
The company has a **proactive Management** team, which is also focused on the welfare of the employees for e.g., their stay near the plant (worker's colony) as well as providing lunch at subsidised rates. The Management is dedicated to drive innovation as well as **deliver superior quality products**. The commitment to sustainability is demonstrated via significant investments in renewable energy, employee development as well as community engagement. The company has undertaken **expansion initiatives** to enhance its production capabilities with a vision to prepare SIL for future growth and enabling the company to innovate and manufacture products with good quality. The commissioning of new capacities is expected to benefit from the anticipated uptick in demand, with stabilising cotton prices and positive trends. It appears, the process of project implementation is almost completed and the Management will now concentrate on execution of these initiatives; some part of the planned capex appears to have been completed at SIL. Currently ~9,120 spindles are added which takes the overall capacity to more than 3 lakh+ spindles. There is **no major capex** planned by the company, but for some maintenance capex (the process of replacement/upgradation at the various plants will continue for a while), the company is open for JV or acquisition provided the same has synergies with the current line of business. There is immense scope for modernisation of the plant/machinery at SIL. The Management has clear vision to be **asset light** going forward and do not want to indulge in any high/major capex. More capital expenditure if any, will come from state government interest subsidy and PLI benefits if any in FY26/FY27E. All the factors mentioned above indicate that SIL is committed to drive growth by strategically diversifying across financial, operational and sustainability with stable growth, better margins and anticipated better return ratios going forward. Thus, we initiate a **BUY** on the stock with a target price of Rs600 for a horizon of 12 months.

Exhibit 22: Price v/s Nifty



Source: Ace Equity, Progressive Research

Exhibit 23: One Year Forward P/E



Source: Ace Equity, Progressive Research

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