

## Lagnam Spintex to raise Rs 24.6 Cr through NSE SME IPO : Attractive Issue



Incorporated in 2010, Lagnam Spintex is Bhilwara, Rajasthan based manufacturer of cotton yarn for the domestic & international market.

Lagnam Spintex is coming up with an IPO of Rs 24.60 Cr to raise funds for its upcoming manufacturing facility at Bhilwara, Rajasthan. The Issue price of the public offer is set at Rs 41 (FV Rs 10). The company is proposed to list at NSE Emerge platform. The promoters are selling 34.02% of the company shares through this IPO. The dates of the IPO Likely 4th September 2018.

### Overview of Firm:

Lagnam-Spintex Private Limited is based at Bhilwara(Rajasthan). LSPL is family owned business , incorporated by Mr. D. P. Mangal and his son , Mr. Anand Mangal in June 2010. Commercial production commenced in January 2012. The company is engaged in the manufacture of high quality 100% virgin cotton yarn in range of 7s and 20s for various product segments such as Denim , Home Furnishing , Terry Towel amongst others. The company procures basic raw material , cotton bales through agents within the state of Rajasthan. The company has completed its second phase of project and increased its manufacturing capacity to 6000 MT per year with 1920 rotors in its spinning unit and achieved capacity of more than 95%. The company is setting up new manufacturing facility for high quality Ring Spun carded and combed yarn with capacity of 18.61 TPD with 25536 spindles.

### Firm Follows following Strategies:

1. Brand Image and expanding their Customer base
2. Investing in infrastructure and technology to improve functional efficiency
3. Enhancing existing products and diversifying product family

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### IPO Summary

#### LAGNAM SPINTEX LIMITED

Lot Size	3,000 shares
Issue Price	Rs. 41/-
Issue Open	04 <sup>th</sup> September,2018
Issue Closes	07 <sup>th</sup> September,2018

### Object of the Issue (Rs. in Lakhs)



- Setting up of additional cotton yarn Manufacturing Unit
- Issue Expenses

Details	Particulars
Issue Size	Rs. 24.60 Crores
Face Value	Rs. 10/-
Equity Shares	60,00,000
Pre-Issue Equity Shares	1,16,69,000
Post-Issue Equity Shares	1,76,69,000
Lead Managers	Holani Consultants Private Limited BOI Merchant Bankers Limited
Registrar	Bigshare Services Private Limited

### SME IPO Factsheet

\*Top Customers in India, 2018



### Business Overview

Our Company is an ISO 9001:2015 certified Company engaged in the business of manufacturing of high quality open end cotton yarn for domestic and export market ranging from count Ne 4 to Ne 20 which is used in Denim, Terry Towels, Bottom Wears, Home Textiles and Industrial Fabrics etc.

With the proposed expansion, the manufacturing capacity will more than double from 16.5 MT per day to 35.1 MT per day and will significantly diversify the end use for our product offering.

We have been recognized as "One Star Export House" by the Director General of Foreign Trade. Also received OEKO-Tex certification

### Investment Rational

**Robust Financial performance:** The company revenue is growing at CAGR of 19.07% and PAT is increasing by 34.04% on a year on year basis since 2013.

**Experienced Promoters:** Promoter of our Company has experience of 38 years in textile industry.

**Increase in manufacturing capacity:** With the commissioning of new manufacturing facility, the production capacity of our company will increase to 35.1 MT yarn per day from present 16.5 MT yarn per day

**Low Finance Cost:** The Company has low interest financial cost. The debt of INR 94 Cr carries net interest payment outgo of 3.50% to 4.15% after considering subsidy from Government

**Investment Grade Rating:** ICRA have awarded BBB- rating to the company and SBI has granted SB 5 rating to the company

**Technological advantage:** Our expansion plant will be a fully automatic plant equipped with latest technology with machines imported from internationally renowned manufacturers such as Reiter, Truetzschler, Uster, Saurer, Luwa and Electro Jet



## Insights from Personal Interview

We are thankful to Mr. D.P. Mangal (Chairman) and Mr. Anand Mangal (MD) for throwing the light about the company and their future plans.



**D.P.MANGAL**



**ANAND MANGAL**

### Below are the glimpse of points highlighted:

- The company has received sanction of loan of Rs. 94 Crore from consortium of SBI & PNB for New Project for setting up additional manufacturing facility of 25,536 spindles for production of Ring Spun Combed and Carded Yarn. Bankers have disbursed the initial amount of the sanctioned Loan, prior to public issue which shows credit worthiness of the company.
- Company is coming out an IPO of Rs. 41 per Share, the promoters have subscribed the same @ RS. 50 Per share amounting to Rs. 9 Crore which shows commitment of the promoters.
- Company is one of the very few companies in Textile Industry which have been making profit from First year of its operation.
- The Company is installing fully automatic and technological driven machines which are specially being imported from Germany and Switzerland.
- The Company is planning to commence commercial production of new plant by September 2019.
- The daily production of the Company is 16.5MT which will increase to 35.1MT after the expansion of new plant in September 2019.
- The Company is managed by highly qualified directors. The Chairman of the company has exposure of almost two decades in textile industry.
- The Company has huge land bank which can be utilized for the future expansions.

### Objective of Issue:

Firm is setting up new yarn manufacturing facility. The cost of project and expense of issue is RS. 12540 lacs. To meet this expense of project, 19.61 % of total expense is proceeded through Issue. Firm is taking almost 75% loan for completion of project. Also, SME IPO, will drive their firm's image at India level. Also, this will help to cater corporate image of firm in Indian equity market.

### Firm Promoters:

#### 1. Dwarka Prasad Mangal, Chairman and Whole time Director

" He is CA and having 45 years of industry experience. Including 38 years of textile industry experience. He has great knowledge of textile industry from project implementation to overall management of industry.

#### 2. Anand Mangal, Promotor and Managing Director

" He is Management degree holder from UK. He has 7 years of experience in field of business administration, sales and marketing.

Promoters have clear track record of not having any of criminal or civil case till date.



### Capital WIP – Proposed Plant



### Firm Financial:

Particulars	Amount in INR Cr.				
	2018	2017	2016	2015	2014
Revenue(Sales)	83.90	75.03	56.17	49.46	41.87
PAT	4.68	3.67	2.08	1.57	1.44
PAT Margin	5.58%	4.89%	3.71%	3.19%	3.46%
EPS	4.01	3.14	1.787	1.352	1.240
ROCE	14.59%	15.66%	12.82%	11.59%	14.18%
Return on assets	8.99%	7.57%	4.11%	4.56%	5.72%

Company showed strong financial performance from 2014 with revenue growth of 18.97% CAGR and PAT growth of 34.14% CAGR year on year. PAT margin ratio is in increasing trend for past four years, showing growing potential of the company to gain earnings.

EPS, another indicator of profitability, more than doubled from 1.787 in 2016 to 4.015 in 2018. Return on asset, important indicator for a manufacturing company is 8.99% from 4.11% in 2016.

### Recommendation:

Company has showed robust financial performance with strong sales and increasing profitability ratio. Further, company is also expanding its current plants and developing new production facility, too. So, company is aggressively growing and also keeping healthy debt to equity ratio in this development journey. Future of the company will be definitely bright with bigger and better production facilities. Robust demand of cotton yarn in both domestic and international market will open new opportunities for the company.

Considering all the aspects of the company and the industry, it is clear that company will perform great in future. We are suggesting investors to subscribe for the IPO and stay invested for long term gain.