

Company Overview

Kusumgar Limited manufactures woven, coated and laminated synthetic engineered fabrics, specializing in high-performance textile solutions based on polyamide and polyester filaments and polyurethane chemistry, engineered for high tensile and tear strength, abrasion resistance, air permeability and waterproofing. Leveraging strong process expertise, the company has built a portfolio of over 1,000 SKUs across aerospace and defence, industrial and automotive, and outdoor and lifestyle applications, and has also expanded into value-added finished solutions for aerospace and military use, including parachute systems, stealth solutions and rapid deployment systems. The company operates in the technically intensive engineered fabrics industry, where precision manufacturing, product innovation and application-specific expertise create significant entry barriers. Its business model centers on high-technology applications, supported by close customer collaboration and strategic partnerships, positioning it to benefit from supply chain diversification, rising exports and defence indigenisation. Operations span four segments. Aerospace and Defence Fabrics develops mission-critical fabrics for parachutes, aerial systems, tactical clothing and stealth systems for Indian and international customers. Aerospace and Defence Solutions extends into integrated end-products such as parachute systems, camouflage nets, decoys and shelters, along with maintenance and repair services. Industrial and Automotive Fabrics covers specialized fabrics for tapes, mechanical rubber goods and inflatable structures. Outdoor and Lifestyle Fabrics supplies technical fabrics for activewear, winter wear, rainwear, backpacks and tents, with several global brands nominating the company as an approved supplier.

Objects of the issue

The IPO consists entirely of an Offer for Sale of up to Rs. 650 crores by the Promoter Selling Shareholders, with no fresh issue component.

Investment Rationale

High Entry Barriers Underpin Sustainable Competitive Advantage

The company operates in niche engineered fabric markets characterized by high entry barriers, which have enabled it to establish a strong competitive position over several decades. Since its inception in 1970, the company has developed more than 1,000 unique engineered fabric configurations, supported by deep technical expertise, specialized manufacturing capabilities and long-standing customer relationships. The foremost competitive advantage lies in its technical know-how and manufacturing expertise, which are built around complex fabric engineering, lightweight fine-denier fabrics, the ability to process both Nylon 6 and Nylon 66, advanced coating and lamination technologies, and an integrated manufacturing value chain. These capabilities are difficult to replicate and require significant time, investment and process knowledge, creating a substantial technological moat. Another key entry barrier is the long product qualification and approval cycle across its end markets. In defence applications, product development and customer qualification can typically span two to ten years, involving close collaboration with customers to develop highly customized solutions. Similarly, products supplied to industrial and automotive customers undergo extensive validation and qualification processes, resulting in sticky customer relationships and high switching costs once approvals are secured. The company's ability to design and manufacture application-specific, customized solutions further strengthens customer retention. Products are developed according to precise customer specifications, making replacement by alternative suppliers challenging due to the complexity of redesigning and requalifying products. This is particularly relevant in mission-critical applications where product performance is integral to customer operations.

Advance Technical Capabilities Driving High-Value Product Development

The company has established strong technical expertise in synthetic engineered fabrics, enabling it to develop high-performance, application-specific textile solutions for customers across aerospace and defence, industrial, and outdoor segments. Its core competencies span fine denier fabric manufacturing, processing of Nylon 6 and Nylon 66, complex fabric engineering, advanced coating and lamination technologies, and a fully integrated manufacturing value chain. The company's ability to manufacture lightweight fabrics using fine denier yarns, combined with expertise in polyurethane chemistry and specialized polymers such as TPU, silicone, and PTFE, allows it to produce fabrics

Issue Details

Offer Period	08th July. 2026 - 10th July. 2026
Price Band	Rs. 398 to Rs. 419
Bid Lot	35
Listing	BSE & NSE
Issue Size (no. of shares in Cr.)	1.6
Issue Size (Rs. in Cr.)	650
Face Value (Rs.)	1

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	Axis Capital Ltd., IIFL Capital Services Ltd., Motilal Oswal Investment Advisors Ltd.
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Registrar	Bigshare Services Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	90.5%	74.7%
Public	9.5%	25.3%
Total	100.0%	100.0%

(Assuming issue subscribed at higher band)

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with superior durability, functionality, and performance characteristics. Furthermore, its end-to-end integration from yarn selection and weaving to coating, lamination, and finished product fabrication ensures stringent quality control, traceability, cost optimization, and reduced dependence on external suppliers. These technical capabilities have enabled the company to develop differentiated and high-value products, including ultra-lightweight parachute fabrics (0.75 ounces per square yard), infrared reflective fabrics, extreme cold weather clothing fabrics, and multi-spectral camouflage systems, creating a strong competitive advantage in niche, technology-intensive markets with high entry barriers.

Valuation

Kusumgar Limited operates in the niche engineered fabrics and technical textiles industry, with growing exposure to high-growth aerospace and defence, industrial and outdoor textile applications. As one of India's established players in this space, backed by an integrated manufacturing platform with facilities across Gujarat and Uttar Pradesh, high entry barriers, long customer qualification cycles and established relationships with marquee customers, the company is well positioned to capitalize on structural tailwinds including defence indigenisation, rising global defence spending, supply chain diversification and increasing demand for high-performance industrial textiles. Its technical capabilities and long-standing customer relationships enhance earnings visibility and provide strong competitive advantages, supporting sustained profitability even through periods of order-driven revenue volatility. Financially, the company's revenue from operations grew from Rs. 468 crores in FY24 to Rs. 779 crores in FY25, before moderating to Rs. 692 crores in FY26, reflecting the project-based nature of certain defence and industrial orders; even so, revenue compounded at a 21.61% CAGR over FY24-FY26. EBITDA grew at a 19.36% CAGR to Rs. 188 crores in FY26, with the EBITDA margin expanding to 27.15% in FY26 from 24.18% in FY25, reflecting an improving product mix and operational efficiencies that helped offset the topline moderation. PAT stood at Rs. 98 crores in FY26, recording a 7.9% CAGR over the same period, underpinned by a robust PAT margin of approximately 14.2% and healthy earnings per share of Rs. 9.68, highlighting the company's ability to sustain profitability despite higher employee costs, depreciation and finance expenses arising from business expansion. Looking ahead, higher capacity utilization, continued penetration into aerospace and defence applications, growing export demand and sustained operating leverage are expected to drive earnings growth. **At the upper price band of Rs. 419, Kusumgar Ltd. is valued at a P/E multiple of 45.0x based on FY26 earnings. Given the company's historical growth track record, expanding margins, scalable business model and industry growth potential, we believe the valuation is justified. Thus, we recommend a "SUBSCRIBE" rating for this issue with a medium to long-term investment horizon.**

Key Risks:

- ⇒ The company's revenue remains concentrated in a few key business segments, with Aerospace and Defence Fabrics, Industrial and Automotive Fabrics and Aerospace and Defence Solutions contributing approximately 32%, 24% and 23% of FY26 revenue, respectively. While these segments operate in structurally attractive markets, any slowdown in demand, delays in defence procurement, or weakness in industrial and automotive spending could adversely impact the company's revenue growth and profitability.
- ⇒ The company has a relatively concentrated customer base, with its largest customer contributing 11.1% of FY26 revenue, while the top 10 customers accounted for nearly 60% of total revenue. Although these long-standing relationships provide revenue visibility, the loss of a key customer, lower order volumes, or changes in procurement strategies could materially affect the company's financial performance.

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Income Statement (Rs. in Crores)

Particulars	FY24	FY25	FY26
INCOME			
Revenue from operations	468	779	692
Other income	7	11	20
Total income	475	790	712
EXPENSES	0	0	0
Cost of materials consumed	200	371	308
Changes in inventories of finished goods and semi-finished goods	-23	(11)	(52)
Cost of service	-	-	8
Employee benefits expense	41	66	88
Finance costs	6	15	26
Depreciation and amortization expense	17	34	47
Other expenses	118	165	151
Total expenses	359	639	577
Profit before tax	115	151	135
Income tax expense	0	0	0
Current tax	29	41	36
Short provision for tax relating to prior years	0	0	0
Deferred tax expense/(credit)	2	(2)	1
Total income tax expense	31	39	37
Profit for the year	84	112	98
Basic EPS	8.32	11.03	9.68
Diluted EPS	8.32	10.81	9.31

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in Crores)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	201	-155	28
Cash flow from/(used in) investing activities	-200	2	-103
Net cash flows (used in) / from financing activities	21	151	70
Net increase/(decrease) in cash and cash equivalents	23	-2	-5
Cash and cash equivalents at the beginning of the period	10	33	30
Cash and cash equivalents at the end of the period	33	30	27

Source: RHP, BP Equities Research

Balance Sheet (Rs. in Crores)

Particulars	FY24	FY25	FY26
ASSETS			
Non-current assets			
Property, plant and equipment	137	172	236
Right-of-use assets	49	61	71
Capital work in progress	8	45	26
Other intangible assets	0	0	0
Financial assets:			
Investments	12	15	15
Other financial assets	7	6	20
Non-current tax assets (net)	-	3	-
Deferred tax assets (net)	-	0	0
Other non-current assets	8	20	4
Total non-current assets	222	321	372
Current assets			
Inventories	144	137	195
Financial assets	0	0	0
Trade receivables	42	56	233
Cash and cash equivalents	33	30	27
Other bank balances	111	11	21
Loans	-	16	-
Other financial assets	3	24	19
Other current assets	30	38	38
Total current assets	362	311	533
TOTAL ASSETS	585	632	905
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	2	10	12
Other equity	138	248	491
Total equity	140	258	503
LIABILITIES			
Non-current liabilities			
Financial liabilities:			
Borrowings	35	76	85
Lease liabilities	37	48	57
Deferred tax liabilities (net)	3	2	3
Employee benefit obligations	2	3	2
Total non-current liabilities	77	128	147
Current liabilities			
Financial liabilities			
Borrowings	42	171	138
Lease liabilities	5	8	7
Trade payables:			
Total outstanding dues of micro and small enterprises	1	5	3
Total outstanding dues other than above micro and small enterprises	51	42	64
Other financial liabilities	134	10	12
Employee benefit obligations	1	1	0
Other current liabilities	131	10	15
Current tax liabilities (net)	3	-	16
Total current liabilities	367	247	255
Total liabilities	444	375	402
TOTAL EQUITY AND LIABILITIES	585	632	905

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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