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SHREE KARNI FABCOM LIMITED


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Our Company was originally formed as a limited liability partnership under the name 'Shree Karni Fabcom LLP', bearing LLP identification number AAM-1759 pursuant to a certificate of incorporation dated March 7, 2018 issued by the Registrar of Companies, Gujarat at Ahmedabad. Subsequently, pursuant to a resolution passed in the meeting of the partners held on November 26, 2022, Shree Karni Fabcom LLP was converted into a private limited company under the name 'Shree Karni Fabcom Private Limited' and a certificate of incorporation dated April 11, 2023 was issued by the Registrar of Companies, Central Registration Centre. Subsequently, pursuant to a resolution passed by our Board of Directors in their meeting held on October 3, 2023 and by the Shareholders at an extra-ordinary general meeting held on October 10, 2023 our Company was converted into a public limited company and consequently the name of our Company was changed to 'Shree Karni Fabcom Limited' and a fresh certificate of incorporation dated October 20, 2023 was issued by the Registrar of Companies, Gujarat at Ahmedabad. For details relating to change in the Registered Office of our Company, please refer to “History and Certain Corporate Matters” on page 144 of the RHP.

Registered office: Plot 188,189,190, Block No. 314, Rajhans Texpa, Village Baleshvar, Taluka Palsana, Surat - 394 317, Gujarat, India | **Telephone:** +91 262 235 0900 | **E-mail:** shreekarni@skflindia.com | **Facsimile:** N.A | **Website:** www.skflindia.com

Contact Person: Jyoti Chitlangiya, Company Secretary & Compliance Officer | **Corporate Identity Number:** U47820GJ2023PLC140106

OUR PROMOTERS: MANOJ KUMAR KARNANI, RADHE SHYAM DAGA, RAJIV LAKHOTIA AND RAJ KUMAR AGARWAL

THE ISSUE IS BEING MADE IN ACCORDANCE WITH CHAPTER IX OF THE SEBI ICDR REGULATIONS (IPO OF SMALL AND MEDIUM ENTERPRISES) AND THE EQUITY SHARES ARE PROPOSED TO BE LISTED ON SME PLATFORM OF NSE Limited (NSE EMERGE).

THE ISSUE

INITIAL PUBLIC OFFER OF UPTO 18,72,000 EQUITY SHARES OF FACE VALUE OF ₹10/- EACH (“EQUITY SHARES”) OF SHREE KARNI FABCOM LIMITED (THE “COMPANY” OR “SHREE KARNI” OR “ISSUER”) AT AN ISSUE PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) FOR CASH, AGGREGATING UP TO ₹ [●] LACS (“PUBLIC ISSUE”) OUT OF WHICH 93,600 EQUITY SHARES OF FACE VALUE OF ₹ 10/- EACH, AT AN ISSUE PRICE OF ₹ [●] PER EQUITY SHARE FOR CASH, AGGREGATING ₹ [●] LACS WILL BE RESERVED FOR SUBSCRIPTION BY THE MARKET MAKER TO THE ISSUE (THE “MARKET MAKER RESERVATION PORTION”). THE PUBLIC ISSUE LESS MARKET MAKER RESERVATION PORTION I.E. ISSUE OF 17,78,400 EQUITY SHARES OF FACE VALUE OF ₹ 10/- EACH, AT AN ISSUE PRICE OF ₹ [●] PER EQUITY SHARE FOR CASH, AGGREGATING UP TO ₹ [●] LACS IS HEREINAFTER REFERRED TO AS THE “NET ISSUE”. THE PUBLIC ISSUE AND NET ISSUE WILL CONSTITUTE 26.47% AND 25.15% RESPECTIVELY OF THE POST- ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

- QIB PORTION: NOT MORE THAN 49.97% OF THE NET ISSUE
- RETAIL PORTION: NOT LESS THAN 35.02% OF THE NET ISSUE
- NON-INSTITUTIONAL PORTION: NOT LESS THAN 15.01% OF THE NET ISSUE
- MARKET MAKER PORTION: UPTO 93,600 EQUITY SHARES OR 5.00% OF THE ISSUE

PRICE BAND: ₹ 220.00 TO ₹ 227.00 PER EQUITY SHARE OF FACE VALUE ₹ 10/- EACH.

THE FLOOR PRICE IS 22.0 TIMES OF THE FACE VALUE AND

THE CAP PRICE IS 22.7 TIMES OF THE FACE VALUE OF THE EQUITY SHARES.

BIDS CAN BE MADE FOR A MINIMUM OF 600 EQUITY SHARES AND

IN MULTIPLES OF 600 EQUITY SHARES THEREAFTER.

RISKS TO INVESTORS:

- We cannot assure you that the proposed manufacturing units for dyeing of fabrics and the unit for manufacturing bags will become operational as scheduled, or at all, or operate as efficiently as planned. If we are unable to commission our new manufacturing unit in a timely manner or without cost overruns, it may adversely affect our business, results of operations and financial condition.
- As on date we have not obtained any of the approvals, clearances and permissions as may be required from the relevant authorities for the proposed manufacturing units. In the event we are unable to obtain such approvals and permits, our business, results of operations, cash flows and financial condition could be adversely affected.
- Our expansion into new product categories and an increase in the number of products offered by us may expose us to new challenges and more risks.
- Our Company has a very limited operating history of dyeing operations, which will make it difficult for the investors to evaluate our historical performance or future prospects.
- We cannot assure that we shall be able to utilize our proposed manufacturing units to their full capacity or up to an optimum capacity, and non-utilisation of the same may lead to loss of profits or can result in losses, and may adversely affect our business, results of operations and financial condition.
- The Merchant Banker associated with the Issue has handled only 2 (two) public issue in the past three years.

• Average cost of acquisition of Equity Shares for the Promoters are as under:

| NAME | WACA in ₹ per equity share |
|---------------------|----------------------------|
| Manoj Kumar Karnani | 2.00 |
| Raj Kumar Agarwal | 2.00 |
| Rajiv Lakhotia | 2.00 |
| Radhe Shyam Daga | 2.00 |

- The Issue Price at the upper end of the Price Band is ₹ 227.00 per Equity Share.
- The Weighted average cost of acquisition compared to floor price and cap price:

| Types of transactions | Weighted average cost of acquisition (₹ per Equity Shares) | Floor price (i.e. ₹ 80) | Cap price (i.e. ₹83) |
|---|--|-------------------------|----------------------|
| WACA of Primary Issuance (except for bonus issue) (exceeding 5% of the pre issue capital) | NA* | NA* | NA* |
| WACA for secondary sale / acquisition (exceeding 5% of the pre issue capital) | NA* | NA* | NA* |

*As there were no primary Issuance of shares and /or secondary sale / acquisition in last 18 months from the date of this Red Herring Prospectus.

- The Weighted average cost of acquisition of all Equity Shares transacted in the last one year, 18 months and three years from the date of RHP is as given below:

| Period | Weighted Average Cost of Acquisition (in ₹) | Upper end of the Price Band (₹ 227) is "X" times the weighted Average cost of Acquisition | Range of acquisition price: Lowest Price - Highest Price (in ₹) |
|--------------|---|---|---|
| Last 1 year | 7.58 | 29.96 | NIL ^ – 147.00 |
| Last 3 years | NA* | NA* | NA* |

^ By way of bonus issue.

*A There were no secondary sale / acquisition of shares in last 18 months from the date of this Red Herring Prospectus.

PROPOSED LISTING:

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the Emerge Platform of the National Stock Exchange of India Limited (“NSE”) in terms of the Chapter IX of the SEBI (ICDR) Regulations, 2018 as amended from time to time. Our Company has received an 'in-principle' approval letter dated February 23, 2024 from NSE for using its name in the Offer Documents for listing our shares on the Emerge Platform of NSE. For the purpose of this Issue, the Designated Stock Exchange will be NSE.

DISCLAIMER CLAUSE OF SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI): Since the Issue is being made in terms of Chapter IX of the SEBI (ICDR) Regulations, 2018, the Red Herring Prospectus has been filed with SEBI. In terms of the SEBI Regulations, the SEBI shall not issue any observation on the Offer Document. Hence there is no such specific disclaimer clause of SEBI. However, investors may refer to the entire Disclaimer Clause of SEBI beginning on page 233 of the Red Herring Prospectus.

DISCLAIMER CLAUSE OF NSE EMERGE (THE DESIGNATED STOCK EXCHANGE): It is to be distinctly understood that the permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE nor does it certify the correctness or completeness of any of the contents of the Offer Document. The investors are advised to refer to the Offer Document for the full text of the 'Disclaimer Clause of NSE.

CREDIT RATING: This being the Issue of Equity Shares, no credit rating is required.

DEBENTURE TRUSTEES: As this is an Issue of Equity Shares, the appointment of Debenture trustees is not required.

IPO GRADING: Since this Issue is made in terms of Chapter IX of the SEBI (ICDR) Regulations, there is no requirement of appointing an IPO Grading Agency.

AVAILABILITY OF RED HERRING PROSPECTUS: Investors are advised to refer to the Red Herring Prospectus and the Risk Factors contained therein before applying in the Issue. Full copy of the Red Herring Prospectus is available on the website of Company at www.skflindia.com or at website of the BRLM at www.horizonmanagement.in or NSE EMERGE at www.nseindia.com and is expected to be available on the website of SEBI at www.sebi.gov.in,

AVAILABILITY OF BID-CUM-APPLICATION FORMS: **Registered Office:** Plot 188,189,190, Block No. 314, Rajhans Texpa, Village Baleshvar, Taluka Palsana, Surat - 394 317, Gujarat, India. ; Telephone: +91 262 235 0900; E-mail: shreekarni@skflindia.com: Horizon Management Private Limited, Telephone: +91 33 4600 0607; Email ID: smeipo@horizon.net.co, and at the selected locations of Registered Brokers, RTAs and CDPs participating in the Issue. Bid-cum-application Forms will also be available on the websites of NSE and the designated branches of SCSBs, the list of which is available at websites of the stock exchanges and SEBI.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM, on the basis of the Book Building Process and the quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹10 each and the Floor Price is 22.0 times the face value at the lower end of the Price Band and 22.7 times the face value at the higher end of the Price Band. Investors should read the following summary with the section titled “Risk Factors”, the details about our Company under the section titled “Our Business” and its financial statements under the section titled “Restated Financial Information” beginning on page 29, 116, and 167 respectively of the Red Herring Prospectus. The trading price of the Equity Shares of Our Company could decline due to these risks and the investor may lose all or part of his investment.

Qualitative Factors

Some of the qualitative factors and our strengths which form the basis for computing the Issue Price are:

- Specialized technical textile manufacturers with long standing market presence
- Established track record
- Existing client and supplier relationships
- Quality Assurance and Quality Control of our products
- Strategically located manufacturing facilities with modern infrastructure and integrated manufacturing facilities with a core focus on quality
- Cost efficient sourcing and locational advantage
- Well experienced management team with proven project management and implementation skills

For further details, see “Risk Factors” and “Our Business” on pages 29 and 116, respectively.

Quantitative Factors

The information presented in this section is derived from our Restated Financial Statements. For details, see “Financial Information” on page 167. Investors should evaluate our Company and form their decisions taking into consideration its earnings, and based on its growth strategy. Some of the quantitative factors which may form the basis for computing the Issue price are as follows:

1. Basic and Diluted Earnings per Share (EPS), as adjusted for changes in capital

| Fiscal Year ended | Basic EPS (in ₹) | Diluted EPS (in ₹) | Weight |
|--|------------------|--------------------|--------|
| March 31, 2023 | 11.10 | 11.10 | 3 |
| March 31, 2022 | 51.48 | 51.48 | 2 |
| March 31, 2021 | 15.35 | 15.35 | 1 |
| Weighted Average | 25.27 | 25.27 | 6 |
| Eight months period ended November 30, 2023* | 23.80 | 23.80 | - |

*Not Annualised