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(Please scan the QR code to view the RHP)

## SANATHAN TEXTILES LIMITED

Our Company was incorporated as "Sanathan Textiles Private Limited", at Kolkata, West Bengal as a private limited company under the Companies Act, 1956 and received a certificate of incorporation issued by the RoC, on October 10, 2005. Thereafter, our Company was converted into a public limited company pursuant to a resolution passed by the shareholders of our Company passed in their meeting on November 12, 2021, and the name of the Company was changed to its present name "Sanathan Textiles Limited", pursuant to a fresh certificate of incorporation issued by the RoC on November 18, 2021. For details of changes in the name and registered office of our Company, see "History and Certain Corporate Matters" on page 269 of the Red Herring Prospectus dated December 13, 2024 read with the RHP dated December 17, 2024 ("RHP") filed with the RoC.

Registered Office: SRV NO. 187/41/2, Near Surang Bridge, Surang, Dabra & Nagar Haveli, Silvasa - 395230, India. Corporate Office: D-15, Trade World Building Kamala Mills Compound, Senapati Bapat Marg Lower Panel, Mumbai - 400013, Maharashtra, India.  
Contact Person: Desai Jyoti Patrick, Company Secretary and Compliance Officer, Tel: +91 22 6534 3312/3435/6; Email: investors@sanathan.com; Website: https://www.sanathan.com

Corporate Identification Number: U17299GJ2005PLC005690

**OUR PROMOTERS: PARESH VRAJLAL DATTANI, AJAY VALLABHDAS DATTANI, ANILKUMAR VRAJADAS DATTANI, DINESH VRAJADAS DATTANI, NIMBUS TRUST, D&G FAMILY TRUST, A&J FAMILY TRUST AND P&B FAMILY TRUST**

INITIAL PUBLIC OFFER OF UP TO (a) EQUITY SHARES OF FACE VALUE OF ₹10 EACH (EQUITY SHARES) OF SANATHAN TEXTILES LIMITED (COMPANY OR ISSUER) FOR CASH AT A PRICE OF ₹[x] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹[x] PER EQUITY SHARE) (OFFER PRICE) AGGREGATING UP TO ₹3,500.00 MILLION (OFFER) COMPRISING A FRESH ISSUE OF UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹4,000.00 MILLION BY OUR COMPANY (FRESH ISSUE) AND AN OFFER FOR SALE OF UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹1,500.00 MILLION BY THE SELLING SHAREHOLDERS (OFFER FOR SALE) COMPRISING UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹309.37 MILLION BY PARESH VRAJLAL DATTANI, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹346.75 MILLION BY AJAY VALLABHDAS DATTANI, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹355.62 MILLION BY ANILKUMAR VRAJADAS DATTANI, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹371.88 MILLION BY DINESH VRAJADAS DATTANI (THE "PROMOTER SELLING SHAREHOLDERS"), UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹2.50 MILLION BY VAJUBHAI INVESTMENTS PRIVATE LIMITED, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹2.50 MILLION BY VALLABHDAS DATTANI HUF, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹2.50 MILLION BY SONALI AJAYKUMAR DATTANI, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹2.50 MILLION BY DATTANI DINESHKUMAR VRAJADAS HUF AND UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹35.00 MILLION BY BEENA PARESH DATTANI, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹17.50 MILLION BY ANILKUMAR VRAJADAS DATTANI HUF, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹30.00 MILLION BY PARESH KUMAR V DATTANI HUF, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹1.25 MILLION BY JAYSHREE ANILKUMAR DATTANI, UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹2.50 MILLION BY VALLABHDAS DATTANI AND UP TO (a) EQUITY SHARES AGGREGATING UP TO ₹8.13 MILLION BY AJAY KUMAR V DATTANI HUF (THE "PROMOTER GROUP SELLING SHAREHOLDERS" AND TOGETHER WITH THE PROMOTER SELLING SHAREHOLDERS, COLLECTIVELY REFERRED AS SELLING SHAREHOLDERS) AND SUCH OFFER FOR SALE BY THE SELLING SHAREHOLDERS, THE "OFFER FOR SALE").

DETAILS OF THE OFFER FOR SALE BY THE SELLING SHAREHOLDERS			
NAME OF THE SELLING SHAREHOLDER	TYPE	AMOUNT (IN ₹ MILLION)	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARES* (IN ₹)
Pareesh Vrajlal Dattani	Promoter Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹309.37 million	3.51
Ajay Vallabhdas Dattani	Promoter Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹346.75 million	3.49
Anilkumar Vrajadas Dattani	Promoter Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹355.62 million	Nil
Dinesh Vrajadas Dattani	Promoter Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹371.88 million	Nil
Vajubhai Investments Private Limited	Promoter Group Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹2.50 million	5.56
Vallabhdas Dattani HUF	Promoter Group Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹2.50 million	5.56
Sonali Ajaykumar Dattani	Promoter Group Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹2.50 million	30.36
Dattani Dineshkumar Vrajadas HUF	Promoter Group Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹2.50 million	5.56
Beena Pareesh Dattani	Promoter Group Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹35.00 million	Nil
Anilkumar Vrajadas Dattani HUF	Promoter Group Selling Shareholder	Up to (a) Equity Shares of face value of ₹10 each aggregating up to ₹17.50 million	Nil

\*Calculated on a fully diluted basis. As certified by the Independent Chartered Accountant, Jain Tripathi & Co, pursuant to a certificate dated December 17, 2024. For a complete list of all Selling Shareholders and their average cost of acquisition per Equity Share, see "Summary of the Offer Document - Average Cost of Acquisition of all Promoters and the Selling Shareholders" on page 31 of the RHP.

Our company is engaged in the business of manufacturing textile yarn, which is divided into three separate business verticals, consisting of Polyester yarn products; Cotton yarn products; and Yarns for technical textiles and industrial uses.

The Offer is being made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations.

• QIB Portion: Not more than 50% of the Offer • Non-Institutional Portion: Not less than 15% of the Offer • Retail Portion: Not less than 35% of the Offer

PRICE BAND: ₹305 TO ₹321 PER EQUITY SHARE OF FACE VALUE OF ₹10 EACH

THE FLOOR PRICE AND THE CAP PRICE ARE 30.50 TIMES AND 32.10 TIMES THE FACE VALUE OF THE EQUITY SHARES RESPECTIVELY.

BIDS CAN BE MADE FOR A MINIMUM OF 46 EQUITY SHARES AND IN MULTIPLES OF 46 EQUITY SHARES THEREAFTER

THE PRICE TO EARNINGS RATIO BASED ON DILUTED EPS FOR FISCAL 2024 AT THE UPPER END OF THE PRICE BAND IS 17.26 TIMES

AS COMPARED TO THE AVERAGE INDUSTRY PEER GROUP PE RATIO OF 29.50 TIMES.

WEIGHTED AVERAGE RETURN ON NET WORTH FOR LAST THREE FULL FINANCIAL YEARS IS 15.68%

In accordance with the recommendation of Committee of Independent Directors of our Company, pursuant to their resolution dated December 13, 2024, the above provided price band is justified based on quantitative factors/KPIs disclosed in the "Basis for the Offer Price" section on page 154 of the RHP vis-a-vis the weighted average cost of acquisition ("WACA") of primary and secondary transactions, as applicable, disclosed in the "Basis for the Offer Price" section on page 154 of the RHP and provided below in this advertisement.

In making an investment decision and purchase in the Offer, potential investors must only rely on the information included in the Red Herring Prospectus and the terms of the Offer, including the merits and risks involved and not rely on any other external sources of information about the Offer available in any manner.

### RISKS TO INVESTORS:

For details, refer to "Risk Factors" on page 34 of the RHP.

- No long term raw material supply agreements.** We do not have long term agreements for supply of our raw materials. If we are unable to procure raw materials of the required quality and quantity, at competitive prices, our business, results of operations and financial condition may be adversely affected. Majority of our raw materials are sourced from few key suppliers. Discontinuation of operations of such suppliers may adversely affect our ability to source raw materials at a competitive price. For quarter ended June 30, 2024, Fiscals 2024, 2023 and 2022, our total cost of material consumed was ₹5,476.21 million, ₹21,317.15 million, ₹23,349.10 million and ₹20,632.70 million representing 75.95%, 76.18%, 74.46% and 75.79% respectively, of our total expenses.
- Risk regarding inability to gauge demand and maintain optimal inventory.** If we are unable to gauge the demand of our products accurately and are unable to maintain an optimal level of inventory, our business, results of operations and financial condition may be adversely affected. As of June 30, 2024, March 31, 2024, March 31, 2023 and March 31, 2022, our inventory as a percentage of our current assets was 42.86%, 44.59%, 50.11% and 51.60%, respectively and our inventory turnover ratio (i.e., cost of goods sold divided by average inventory) during these periods was 5.51 times, 5.28 times, 5.69 times and 5.45 times. Our inventory cycle (i.e., inventory turnover days) was 66 days, 69 days, 61 days and 80 days, during quarter ended June 30, 2024, Fiscals 2024, 2023 and 2022, respectively.
- Dependence on distributors.** Our relationship with our distributors is critical to our business. During quarter ended June 30, 2024, Fiscals 2024, 2023 and 2022, 96.55%, 94.48%, 93.01% and 93.31%, respectively, of our total revenue from operations was attributable to our distributors. If we are unable to maintain successful relationships with our distributors, our business, results of operations and financial condition may be adversely affected. As on June 30, 2024, we had more than 925 distributors in 7 countries comprising 916 distributors in India, 2 distributors each in Argentina, Canada and Singapore, and 1 distributor each in Germany, Greece and Israel.
- Risk related to high working capital requirement.** Our Company has a high working capital requirement and if our Company is unable to raise sufficient working capital the operations of our Company will be adversely affected. We are in the advanced stages of commissioning a manufacturing facility in Wazirabad, Punjab through our Subsidiary, Sanathan Polycot Private Limited. Once this Subsidiary is operational, then it will also have to arrange for further funding for additional working capital requirement.

Details of our working capital during Fiscals 2024, 2023 and 2022 are set out below:

Particulars	As at and for quarter ended June 30, 2024	Fiscal 2024	Fiscal 2023	Fiscal 2022
Working capital requirements (i.e., sum of trade receivables and inventory, as reduced by trade payables) (in ₹ million)	1,291.24	942.29 <sup>A</sup>	1,660.27	2,424.87
Details of financing of working capital requirements				
- Cash credit and Packing Facilities (in ₹ million)	-	-	14.96	13.20
- Internal accruals (in ₹ million)	1,291.24	942.29	1,645.31	2,411.67
Working capital days	55 days	49 days	46 days	67 days

<sup>A</sup>Our working capital requirements reduced from ₹1,660.27 million to ₹942.29 million in Fiscal 2024 primarily due to an increase in our trade payables from ₹3,773.16 million in Fiscal 2023 to ₹4,369.46 million in Fiscal 2024.

- Reduction in operating revenue and PAT Margin in Fiscal 2024 as compared to previous Fiscal.** Our revenue from operations and our PAT Margin has reduced in Fiscal 2024 as compared to Fiscal 2023. Our revenue from operations decreased by 11.17% from ₹33,292.13 million in Fiscal 2023 to ₹29,575.04 million in Fiscal 2024 and profit after tax of the Company decreased by 12.37% from ₹1,527.41 million in Fiscal 2023 to ₹1,338.48 million in Fiscal 2024. If we are unable to maintain or increase our revenue from operations, our profit and our profit margin, then it may have an adverse effect on our business operations and our growth strategies.

Set out below is our revenue from operations, our profit after tax and our PAT Margin during quarter ended June 30, 2024, Fiscals 2024, 2023 and 2022:

Particulars	Quarter ended June 30, 2024	Fiscal 2024	Fiscal 2023	Fiscal 2022
Revenue from operations (in ₹ million)	7,811.28	29,575.04	33,292.13	31,853.20
Profit after tax (in ₹ million)	500.73	1,338.48	1,527.41	3,554.42
PAT Margin <sup>(1)</sup>	6.41%	4.53%	4.59%	11.16%

PAT Margin = Profit after tax / Revenue from operations.

- Risk related to dependence on limited geographies.** During quarter ended June 30, 2024, Fiscals 2024, 2023 and 2022, we derived 62.51%, 65.10%, 60.88% and 55.63% our revenue

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