



RESEARCH REPORT DATED 10 JULY 2026

# Kusumgar Limited

Mainboard IPO — Research Note

|             |                                                                       |
|-------------|-----------------------------------------------------------------------|
| ISSUE DATES | 8 – 10 July 2026 • Allotment 13 Jul • Listing 15 Jul 2026 (tentative) |
| PRICE BAND  | ₹398 – ₹419 per share • Face value ₹1                                 |
| LOT SIZE    | 35 shares • Retail min ₹14,665 • bHNI min 69 lots / ₹10,11,885        |
| ISSUE SIZE  | ₹650.00 Cr • 1,55,13,126 shares • 100% Offer for Sale                 |

|                                                                                    |                                                                                                           |
|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| <b>SECTOR</b><br>Technical Textiles — Engineered Fabrics<br>(Aerospace & Defence)  | <b>FINANCIALS</b><br>Rev ₹692 Cr (FY26), –11% YoY • PAT ₹98.2 Cr<br>EBITDA margin 27.2% • RoE 25.8%       |
| <b>VALUATIONS</b><br>P/E 44.8x vs peer median 39.8x<br>P/B 8.45x • EV/EBITDA 24.4x | <b>DEMAND</b><br>Anchor 29.84% of issue • 67.55% domestic MF<br>Overall 13.88x • NII 38.64x (Day-2 close) |
| <b>GMP</b><br>≈ ₹155 / +37% over ₹419<br>9 Jul close • indicative only             | <b>RECOMMENDATION</b><br><b>APPLY</b><br><b>(listing gains)</b>                                           |

I P O R E S E A R C H D E S K

Research-first. No leverage. No false promises.

## 2. Executive Summary

Kusumgar makes engineered fabrics — woven, coated and laminated synthetics built for tensile strength, tear resistance, abrasion resistance and waterproofing rather than for how they drape. Parachute canopies and camouflage nets at one end, airbag and adhesive-tape substrates in the middle, technical outerwear for global brands at the other. FY26 revenue from operations was ₹692.00 Cr, down 11.2% on FY25. PAT was ₹98.20 Cr, down 12.3%. EBITDA barely moved, at ₹187.85 Cr against ₹188.39 Cr, so the margin widened to 27.15% — the best in its listed peer set. Both of those facts are true, and they point in opposite directions.

The issue is ₹650 Cr, every rupee of it an Offer for Sale by the promoter family. The company receives nothing. At ₹419 the ask is 44.8x FY26 earnings against a peer median of 39.8x, and the earnings being multiplied are the ones that just went backwards. What supports the trade is the book. Twenty-three anchors took 29.84% of the issue, and 67.55% of that went to nine domestic mutual funds across eighteen schemes. Run those houses through our seven-year base and they have historically bought at an allocation-weighted 55.0x. Here they are buying at 44.8x. For once the anchor list is not reaching.

**APPLY (listing gains).** Demand is where it needs to be — 13.88x overall and 38.64x in NII at Day-2 close, with GMP around ₹155, roughly 37% over the cap price. We are underwriting the open, not the business. Base case listing 25–30%; downside 8–12% below issue on a poor tape. Full-force allocation for bHNI, bid at ₹419. Exit guidance will follow post-listing; we are not carrying a view beyond that.

| Recommendation               | Downside Risk        | Listing View             | Long-Term View                           |
|------------------------------|----------------------|--------------------------|------------------------------------------|
| <b>APPLY (listing gains)</b> | 8% – 12% below issue | +25% to +30% (base case) | <i>Outside our mandate — not covered</i> |

*Not a risk-free recommendation. A strong anchor book does not guarantee listing gains.*

### 3. Company Overview & Business Model

Incorporated in Mumbai in June 1990 and converted to a public limited company ahead of this offer, Kusumgar sells fabric that has to pass a specification, not a fashion buyer. Its products are built on polyamide and polyester filaments with polyurethane chemistry, and the coating and lamination stack extends to TPU, silicone and PTFE. Over 1,000 SKUs sit in the catalogue as at 31 March 2026. Two thousand and seventy-seven people run six manufacturing plants, all in Gujarat, plus one fabrication unit in Uttar Pradesh.

Revenue is almost entirely B2B and splits across four segments. Aerospace and Defence Fabrics supplies parachute and aerial-system cloth, tactical clothing and specialty gear. Aerospace and Defence Solutions is the newer, higher-value extension: the company no longer just sells the cloth, it assembles the parachute system, the camouflage net, the decoy and the deployable shelter, and sells it to governments, including India's. Industrial and Automotive Fabrics covers tape substrates, mechanical rubber goods and inflatables. Outdoor and Lifestyle supplies performance fabric to global activewear and gear brands, typically as a nominated supplier — the brand specifies Kusumgar, the garment maker buys from Kusumgar.

That nomination model is worth pausing on. It gives the company pricing power it would never have selling to the garment maker directly, and it explains a 60% gross margin in what is nominally a textile business. It also means the order does not belong to Kusumgar. It belongs to the brand.

#### Segment revenue mix (₹ Cr, revenue from contracts with customers)

| Segment                       | FY26          | %           | FY25          | %           | FY24          | %           |
|-------------------------------|---------------|-------------|---------------|-------------|---------------|-------------|
| Aerospace & Defence Fabrics   | 213.70        | 31.7%       | 370.09        | 48.1%       | 313.49        | 68.8%       |
| Aerospace & Defence Solutions | 155.02        | 23.0%       | 221.90        | 28.8%       | 0.86          | 0.2%        |
| Industrial & Automotive       | 164.86        | 24.4%       | 112.63        | 14.6%       | 111.39        | 24.4%       |
| Outdoor & Lifestyle           | 125.32        | 18.6%       | 56.90         | 7.4%        | 29.17         | 6.4%        |
| Other sales                   | 15.92         | 2.4%        | 8.57          | 1.1%        | 0.79          | 0.2%        |
| <b>Total</b>                  | <b>674.81</b> | <b>100%</b> | <b>770.10</b> | <b>100%</b> | <b>455.69</b> | <b>100%</b> |

Source: RHP / Abridged Prospectus. Excludes other income. Percentages of revenue from contracts with customers.

Read that table again, because it is the whole report. In FY24 the defence fabrics line was 68.8% of revenue. In FY26 the two defence lines together are 54.6%, and in absolute rupees they fell from ₹591.99 Cr to ₹368.72 Cr — a 38% contraction in the segment that carries the equity story. Of the ₹223 Cr that went missing, a little over half was backfilled by Outdoor & Lifestyle and Industrial & Automotive, which more than doubled and grew 46% respectively. Management's explanation, and it is a fair one, is that a large defence order completed in FY25 with nothing of equivalent size behind it. That is what a project business looks like. The question is whether you are being asked to pay a products multiple for it.

Promoters are Yogesh Kantilal Kusumgar (textile technology, Bombay University, 40-plus years), his son Siddharth (Chairman and Managing Director, 25 years in technical textiles) and Sapna Siddharth Kusumgar (Joint Managing Director, 21 years). Ankur Kothari is Executive Director and CEO; Kinnar Mehta is CFO. Three independent directors. It is a family business with a professional layer bolted on top, which is the norm in this sector and not by itself a concern.

## 4. Market Position & Client Base

Kusumgar does not disclose market share, and the industry report it commissioned does not give it one. What the company sells instead is the barrier to entry, and on that it has a case. Aerospace and defence fabric has to be qualified. Qualification cycles run years, the customer writes the specification into its own approval file, and switching means re-qualifying. Once you are in a parachute programme you tend to stay in it. The same logic, weaker, applies to airbag and tape substrates.

### Customer concentration

| Particulars                            | FY26          | FY25        | FY24        |
|----------------------------------------|---------------|-------------|-------------|
| Top customer (% of revenue)            | 11.13%        | n.d.        | n.d.        |
| Top 5 customers (₹ Cr)                 | 306.24        | 571.55      | 312.06      |
| Top 5 customers (% of revenue)         | 45.38%        | 74.22%      | 68.48%      |
| <b>Top 10 customers (% of revenue)</b> | <b>59.52%</b> | <b>n.d.</b> | <b>n.d.</b> |

Source: RHP. n.d. = not disclosed. Top-5 customers are not necessarily the same entities across years.

The top ten took 59.52% of FY26 revenue and the single largest took 11.13%. Above the 50% line, so it goes in the risk section. But the shape of the improvement matters more than the level. Top-five concentration fell from 74.22% to 45.38% in one year, and it fell because the biggest customer shrank, not because Kusumgar signed new ones. Concentration that improves through customer loss is not diversification. It is contraction wearing diversification's clothes.

Nine of the top ten customers withheld consent to be named. The only disclosed name is Decathlon, and even there the relationship is indirect — Kusumgar contracts with fabricators who supply Decathlon S.A., and those fabricators in aggregate were a top-five customer in each of the last three years. For a company asking for a premium on the quality of its customer roster, one disclosed name out of ten is thin. We understand why (defence customers rarely consent), and we still register it.

On competition, the RHP names Garware Technical Fibres, SRF and Arvind domestically, and DuPont, Freudenberg, TenCate and Milliken globally. None of the three Indian names is a clean comparable. Garware is the closest and is 2.2x Kusumgar's revenue at roughly two-thirds of its EBITDA margin. Against the global set, Kusumgar is a rounding error on scale and competes on cost and responsiveness, not technology depth. Its moat is real but it is narrow: process knowledge, approval files, and an integrated plant that lets it run 1,000 SKUs without the changeover cost killing it.

## 5. Geographic Distribution & Revenue Model

The single most under-discussed number in this issue is the export mix. It went from 23.22% of revenue in FY25 to 39.99% in FY26. That is not a drift. That is a different company.

### Revenue from contracts with customers, by geography (₹ Cr)

| Geography     | FY26          | %           | FY25          | %           | FY24          | %           |
|---------------|---------------|-------------|---------------|-------------|---------------|-------------|
| Within India  | 404.97        | 60.0%       | 591.29        | 76.8%       | 338.95        | 74.4%       |
| Outside India | 269.84        | 40.0%       | 178.81        | 23.2%       | 116.74        | 25.6%       |
| Germany       | 75.72         | 11.2%       | 40.35         | 5.2%        | 27.66         | 6.1%        |
| USA           | 62.80         | 9.3%        | 67.89         | 8.8%        | 46.56         | 10.2%       |
| Sri Lanka     | 34.96         | 5.2%        | 10.28         | 1.3%        | —             | —           |
| France        | 19.34         | 2.9%        | 20.82         | 2.7%        | 7.24          | 1.6%        |
| South Africa  | 7.04          | 1.0%        | 6.26          | 0.8%        | 6.72          | 1.5%        |
| Others        | 69.97         | 10.4%       | 33.20         | 4.3%        | 28.57         | 6.3%        |
| <b>Total</b>  | <b>674.81</b> | <b>100%</b> | <b>770.10</b> | <b>100%</b> | <b>455.69</b> | <b>100%</b> |

Source: RHP. Others includes Bangladesh, Indonesia, Israel, UK, Serbia, Australia, China, Hong Kong, Singapore, South Korea, Taiwan, Thailand, Turkey and Vietnam.

Germany nearly doubled. Sri Lanka went from nothing to ₹34.96 Cr in two years — almost certainly apparel fabricators serving European brands, which is what Sri Lanka does. The export growth is Outdoor & Lifestyle and Industrial, sold into a China-plus-one sourcing shift and, prospectively, into the tariff relief that India's recent trade agreements open up. It is a genuine tailwind and management is right to lean on it.

Two things follow that the bull case tends to skip. First, forty per cent of revenue now sits in foreign currency and the abridged document discloses no hedging policy. On a ₹692 Cr topline, a five-rupee move on the dollar is not trivial. Second, the export book is structurally lower-margin than defence solutions. If exports keep taking share of the mix, the 27.15% EBITDA margin that justifies the premium becomes harder to hold, not easier. The margin held in FY26 because the defence revenue that disappeared was fabric, not solutions. That will not repeat every year.

Revenue model, plainly: no recurring contracts, no subscription, no annuity. Purchase orders against qualified specifications, priced per metre or per unit, with defence tenders lumpy and export nominations renewable at the brand's discretion. Cash comes in when the customer pays, and in FY26 the customer took a good deal longer to pay. More on that in Section 8.

## 6. Product Development & Technical Moat

This section exists because the company is priced as a technology business rather than a textile one, and that claim deserves testing on its own terms.

What is verifiable: over 1,000 fabric configurations developed in-house; a coating and lamination capability spanning polyurethane, thermoplastic polyurethane, silicone and PTFE; competence in fine-denier light fabrics and in Nylon 6/66 handling, which is genuinely hard; and an integrated value chain that runs from yarn texturing through warping, weaving on water-jet, rapier, air-jet and narrow-needle looms, into scouring, dyeing, printing, coating, lamination and finally cut-and-sew fabrication. Very few Indian companies own that entire stack. It is the reason a 1,000-SKU catalogue is economically viable at this revenue scale.

The move from fabric into finished systems — parachute assemblies, camouflage nets, decoys, deployable shelters, plus maintenance and repair agreements — is the strategically important development of the last three years. It took the Aerospace & Defence Solutions line from ₹0.86 Cr in FY24 to ₹221.90 Cr in FY25 in a single step. It also took it back down to ₹155.02 Cr in FY26, which tells you the line is tender-driven, not capability-constrained.

*What is not in the offer document: a rupee figure for R&D. Not as a percentage of revenue, not as an absolute, not as a capitalised intangible. A company whose entire valuation premium rests on process knowledge and product development has chosen not to quantify what it spends developing product.*

*We do not read that as concealment. Most of the spend is almost certainly buried in plant overhead and in the qualification cycle rather than in a laboratory line item. But it means the technical moat has to be underwritten on the gross margin — roughly 60% — and on the approval files, because there is no disclosed R&D number to test it against.*

Capacity is the other half of the moat, and here the disclosure is clear and unflattering. Utilisation across processing, dyeing, finishing, printing and coating ran at 94.33% in FY24. The company then spent roughly ₹100 Cr raising processing capacity by about 170%, to around 128 million metres. Utilisation is now 49.50%, up from 42.32% in FY25, and fixed-asset turnover has fallen from 5.05x to 3.40x. Half the plant is idle. That is either a coiled spring or a capital allocation error, and which one it turns out to be depends entirely on whether the defence order book comes back.

## 7. IPO Structure & Use of Proceeds

### Issue structure

| Particulars                                           | Amount (₹ Cr) | % of Total  |
|-------------------------------------------------------|---------------|-------------|
| Fresh Issue                                           | Nil           | 0%          |
| Offer for Sale (OFS) — promoter selling shareholders  | 650.00        | 100%        |
| <b>Total Issue Size (1,55,13,126 shares of FV ₹1)</b> | <b>650.00</b> | <b>100%</b> |

### Use of proceeds

| Objective                            | Amount (₹ Cr) | % of Fresh Issue |
|--------------------------------------|---------------|------------------|
| Proceeds to the Company              | Nil           | Not applicable   |
| Siddharth Yogesh Kusumgar — OFS      | 420.00        | —                |
| Sapna Siddharth Kusumgar — OFS       | 200.00        | —                |
| Siddharth Yogesh Kusumgar HUF — OFS  | 30.00         | —                |
| <b>Total to selling shareholders</b> | <b>650.00</b> | <b>—</b>         |

Stated objects: to carry out the Offer for Sale, and to achieve the benefits of listing. Offer expenses and taxes are borne by the selling shareholders.

OFS at 100% of the issue means the promoter family is taking the entire ₹650 Cr off the table and the balance sheet gets nothing. Read it as a signal — but read it accurately.

The promoters' weighted average cost of acquisition is Nil; they have held these shares since inception and are selling roughly 15.8% of the company while retaining 74.71%. This is monetisation by a founding family, not a financial sponsor clearing a position. It is a materially weaker negative than a PE-led OFS. It is still a negative: ₹223.58 Cr of borrowings sit on the balance sheet and none of this money is going to retire them.

### Category-wise allocation

| Category                       | Shares Offered     | % of Total Issue | Max Allottees |
|--------------------------------|--------------------|------------------|---------------|
| Anchor Investors               | 46,28,877          | 29.84%           | 23 anchors    |
| QIB (excluding anchor)         | 30,81,634          | 19.86%           | n.a.          |
| NII — bHNI (bids > ₹10 L)      | 15,42,102          | 9.94%            | 3,147         |
| NII — sHNI (bids ₹2 L – ₹10 L) | 7,71,051           | 4.97%            | 1,573         |
| Retail                         | 53,97,357          | 34.79%           | 1,54,210      |
| Employee reservation           | 92,105             | 0.59%            | n.a.          |
| <b>Total</b>                   | <b>1,55,13,126</b> | <b>100.00%</b>   | <b>—</b>      |

Eligible employees receive a ₹39 per share discount. Promoter holding falls from 90.48% to 74.71% post-issue.

Book Running Lead Managers are Axis Capital, IIFL Capital Services and Motilal Oswal Investment Advisors. Bigshare Services is the registrar. Anchor lock-in releases 50% on 12 August 2026 and the balance on 11 October 2026 — dates worth writing down if you intend to hold past the exit note. The detailed track record of the three BRLMs, and of every anchor in the book, is in Section 10.

One number that has not made it into the coverage: in September 2025 the company raised roughly ₹128 Cr of primary capital and the promoters sold about ₹200 Cr of secondary, both at ₹365 per share. The weighted average cost of acquisition across all shares transacted in the year before the RHP is ₹365.72. The cap price of ₹419 is 1.15x that. Ten months, fifteen per cent. Whatever else this issue is, it is not a promoter marking his own book up three-fold on the way to the exchange, and the pre-IPO investors who paid ₹365 — Motilal Oswal Finvest, Edelweiss Discovery, Spark Midas, WhiteOak, Ashoka — are sitting on a modest gain, not a windfall. That is the strongest single argument for the price.

## 8. Financial Performance Analysis

### Profit & loss (₹ Cr)

| Particulars             | FY24   | FY25   | FY26   | 2Y CAGR |
|-------------------------|--------|--------|--------|---------|
| Revenue from Operations | 467.91 | 779.00 | 692.00 | 21.6%   |
| Total Income            | 474.55 | 790.21 | 711.78 | 22.5%   |
| EBITDA                  | 131.85 | 188.39 | 187.85 | 19.4%   |
| EBITDA Margin (%)       | 28.18% | 24.18% | 27.15% | —       |
| PAT                     | 84.40  | 111.99 | 98.20  | 7.9%    |
| PAT Margin (%)          | 17.78% | 14.17% | 13.80% | —       |
| Basic EPS (₹)           | 8.32   | 11.03  | 9.68   | —       |

Source: Restated Consolidated Financial Information, RHP. PAT margin computed on total income. EBITDA margin on revenue from operations.

### Balance sheet & cash flow (₹ Cr)

| Particulars                     | FY24     | FY25     | FY26     |
|---------------------------------|----------|----------|----------|
| Net Worth                       | 140.36   | 257.75   | 502.95   |
| Total Borrowings                | 76.53    | 246.50   | 223.58   |
| Debt / Equity (x)               | 0.55     | 0.96     | 0.44     |
| Net Debt                        | (66.76)  | 205.31   | 175.52   |
| Net Debt / EBITDA (x)           | (0.51)   | 1.09     | 0.93     |
| Cash flow from operations (CFO) | 200.96   | (154.98) | 28.26    |
| Cash used in investing          | (199.58) | 2.06     | (102.66) |
| CFO less investing outflow      | 1.38     | (152.92) | (74.40)  |
| RoE (%)                         | 86.13%   | 56.26%   | 25.82%   |
| RoCE (%)                        | 55.87%   | 42.89%   | 24.76%   |
| Working capital cycle (days)    | (10)     | 14       | 90       |

Source: Restated Consolidated Financial Information and Key Performance Indicators, RHP. Net investing outflow includes items other than capex.

Take the trajectory first. Revenue compounded 21.6% over two years and EBITDA 19.4%, both respectable. PAT compounded 7.9%, which is not. The gap is finance cost and depreciation on a plant that got 170% bigger. Then look at what happened inside FY26: revenue fell ₹87 Cr, EBITDA fell ₹0.54 Cr. Margin expanded 297 basis points on a shrinking topline. That is not operating leverage — operating leverage works the other way. It is mix. The revenue that vanished was Aerospace & Defence Fabrics, the lowest-margin line in the defence stack, and what replaced it was solutions work and export nominations. The margin story is real, and it is a consequence of the revenue decline rather than a defence against it.

Returns tell the same story from the other side. RoE fell from 86.13% to 25.82% in two years. Most of that is arithmetic — net worth went from ₹140.36 Cr to ₹502.95 Cr as pre-IPO capital came in and profits were retained, so the denominator tripled while the numerator grew 16%. An 86% RoE on a ₹140 Cr equity base was never a durable number. But RoCE fell from 55.87% to 24.76% too, and RoCE is far less sensitive to the equity raise. That decline is the idle capacity showing up in the ratio. At 25.8% RoE and 24.8% RoCE, Kusumgar is still the best of its peer group. It is simply nowhere near what the trend line implied two years ago.

Deleveraging is genuine on the ratio and cosmetic on the rupee. Debt-to-equity halved from 0.96x to 0.44x, but borrowings only fell from ₹246.50 Cr to ₹223.58 Cr. The ratio improved because equity went up, not because debt came down. Net debt of ₹175.52 Cr against ₹187.85 Cr of EBITDA is manageable and nobody should lose sleep over it. Nobody should call it deleveraging either.

*The number that bothers us most is the working capital cycle: minus ten days in FY24, fourteen days in FY25, ninety days in FY26.*

*Cumulative three-year PAT is ₹294.59 Cr. Cumulative three-year cash from operations is ₹74.24 Cr. Twenty-five paise of every reported rupee of profit has turned into cash. FY26 on its own converted 29%. The company incurred negative operating cash flow of ₹154.98 Cr in FY25 and flags in the RHP that it may do so again.*

Where did the cash go? Into receivables and inventory, and the RHP is candid that defence revenue is lumpy and that debtors move with it. Government customers pay on their own schedule. That is a known feature of the sector and it is not evidence of anything improper. What it does mean is that reported PAT is a weak proxy for owner earnings here, that a 44.8x multiple on that PAT is being applied to a number the business has not yet collected, and that the accounting quality question deserves a place in the risk section rather than a footnote. The statutory auditor has recorded observations under CARO across all three reported years, and the company discloses past delays in remitting statutory dues. Neither is disqualifying. Both are housekeeping items that a listed company gets asked about every quarter.

## 9. Valuation

### Comparison with listed industry peers

| Company                  | Rev FY26 (₹ Cr) | P/E (x)      | P/B (x)     | RoNW (%)      | NAV (₹)      |
|--------------------------|-----------------|--------------|-------------|---------------|--------------|
| <b>Kusumgar @ ₹419</b>   | <b>692.00</b>   | <b>44.8</b>  | <b>8.45</b> | <b>25.82%</b> | <b>49.56</b> |
| Garware Technical Fibres | 1,528.79        | 39.80        | 5.84        | 15.29%        | 136.44       |
| SRF Ltd                  | 15,786.51       | 43.77        | 5.72        | 13.76%        | 473.74       |
| Arvind Ltd               | 9,303.19        | 32.72        | 3.34        | 10.91%        | 154.47       |
| <b>Peer Median</b>       | <b>—</b>        | <b>39.80</b> | <b>5.72</b> | <b>13.76%</b> | <b>—</b>     |

Source: RHP "Basis for the Offer Price". Peer P/E on NSE closing prices of 19 June 2026. P/B computed by us. Kusumgar P/E on post-issue equity and FY26 restated earnings; 45.0x on diluted EPS of ₹9.31.

At ₹419 the company is asking 44.8x FY26 earnings, 8.45x book and 24.4x EV/EBITDA on an enterprise value of roughly ₹4,575 Cr. Peer median P/E is 39.80x. So a 13% premium on earnings and a 48% premium on book, against a peer set that grew last year while Kusumgar shrank.

Management, and the eight brokerages that have put out a Subscribe on this issue, will argue the premium is earned on quality rather than growth. On the numbers, they are not wrong. Kusumgar's 27.15% EBITDA margin is the highest in the comparison set — Garware runs near 21%, SRF near 23%. RoNW of 25.82% is close to double the peer median of 13.76%. It is the smallest company in the table by a distance and the most profitable per rupee of revenue. That combination does not usually trade at a discount.

We would still not underwrite this multiple for the long run, and we say so plainly. A 13% earnings premium is defensible; an 8.45x book multiple on a business converting a quarter of its profit into cash is harder to defend. The margin that justifies the premium was flattered by the disappearance of low-margin defence fabric revenue. The RoNW that justifies the premium is falling fast and will fall further as the post-IPO equity base does its work. Strip both back to a normalised view and you are paying roughly 45x for a project business with a 90-day working capital cycle, half its plant idle, and no fresh capital arriving to fix either.

*The strongest valuation argument is not the peer table. It is the tape.*

*In September 2025 the company placed ₹128 Cr of primary equity and the promoters sold ₹200 Cr of secondary, both at ₹365 per share. Weighted average cost of acquisition across everything transacted in the twelve months before the RHP is ₹365.72. The cap price is 1.15x that, ten months later. Institutional money that did full diligence on this company last September paid ₹365 and is being asked to mark it at ₹419 today. That is a rational, defensible step-up, and it is a far better test of the price than any multiple.*

For the trade we are actually recommending, the multiple is not the binding constraint. It matters to whoever holds this on 16 July. It matters far less to whoever is out by then.

## 10. Demand, Anchor Quality & BRLM Track Record

### 10.1 Subscription trajectory

| Category (ex-anchor base)  | Day 1 — 8 Jul | Day 2 close — 9 Jul | Day 3 — 10 Jul      |
|----------------------------|---------------|---------------------|---------------------|
| QIB (excluding anchor)     | n.d.          | 2.30x               | Bidding open        |
| NII — bHNI + sHNI combined | n.d.          | 38.64x              | Bidding open        |
| Retail                     | n.d.          | 10.04x              | Bidding open        |
| Employee                   | n.d.          | 2.07x               | Bidding open        |
| <b>Overall</b>             | <b>3.68x</b>  | <b>13.88x</b>       | <b>Bidding open</b> |

n.d. = the exchanges do not publish this granularity intraday. Exchange-published multiples use the full offer including the anchor portion as denominator and read lower: 3.45x on Day 1 (QIB 0.47x, NII 7.35x, Retail 3.52x) and 4.68x on Day 2. This report was finalised while Day-3 bidding was still open.

The bHNI and sHNI split is not separately published intraday and we will not estimate it. What we can say is that at Day-2 close the combined NII book stood at 38.64x with QIB, which does the bulk of its bidding in the final ninety minutes of the last day, at only 2.30x. That is the normal shape. The retail book at 10.04x on Day 2 is strong for a ₹650 Cr issue and the employee portion clearing 2x is a small, honest tell.

### 10.2 Grey market premium

GMP was around ₹155 at Day-2 close, roughly 37% over the ₹419 cap, having peaked near ₹171–173 on 5–6 July and softened for two consecutive sessions. Mid-session quotes on 9 July printed ₹151. The grey market is an unregulated, thinly traded, cash-settled side bet run by a handful of operators. It has no clearing house, no audit trail and no obligation to anyone. It tells you what a small group of people currently think other people will pay on Wednesday. It is a sentiment gauge with a decent hit rate on direction and a poor one on magnitude, and a GMP that is fading into the close of the book is worth more attention than a GMP that is rising.

### 10.3 Anchor quality — backtested against our seven-year base

| Anchor (fund-house level)   | Shares   | % of book | Prior issues | Avg P/E they buy | Avg listing gain | ₹ Cr  |
|-----------------------------|----------|-----------|--------------|------------------|------------------|-------|
| Nippon India MF (3 schemes) | 7,75,670 | 16.76%    | 154          | 74.6x            | 27.3%            | 32.50 |
| SBI MF (2 schemes)          | 5,37,005 | 11.60%    | 106          | 30.1x            | 33.8%            | 22.50 |
| WhiteOak Capital MF (2)     | 4,77,330 | 10.31%    | 64           | 62.4x            | 18.8%            | 20.00 |
| BlackRock Global Funds      | 4,77,330 | 10.31%    | 26           | 45.1x            | 19.7%            | 20.00 |
| Goldman Sachs               | 4,77,330 | 10.31%    | 131          | 56.5x            | 23.6%            | 20.00 |
| ISIF (2 schemes)            | 2,44,035 | 5.27%     | not in base  | —                | —                | 10.23 |
| India Acorn Fund            | 2,38,665 | 5.16%     | 9            | 22.6x            | 35.4%            | 10.00 |
| Mirae Asset MF (2)          | 2,38,665 | 5.16%     | 89           | 34.0x            | 33.4%            | 10.00 |
| Motilal Oswal MF            | 2,38,665 | 5.16%     | 101          | 87.3x            | 26.8%            | 10.00 |
| Bandhan MF (2)              | 2,38,665 | 5.16%     | 116          | 76.0x            | 26.7%            | 10.00 |

| Anchor (fund-house level)     | Shares           | % of book   | Prior issues | Avg P/E they buy | Avg listing gain | ₹ Cr          |
|-------------------------------|------------------|-------------|--------------|------------------|------------------|---------------|
| Axis Max Life Insurance       | 1,79,725         | 3.88%       | 33           | 45.9x            | 16.5%            | 7.53          |
| Kotak Mahindra Life Insurance | 1,29,022         | 2.79%       | 59           | 80.0x            | 12.8%            | 5.41          |
| Tata MF                       | 1,27,920         | 2.76%       | 95           | 42.2x            | 21.9%            | 5.36          |
| Axis MF (2 schemes)           | 1,26,840         | 2.74%       | 103          | 43.2x            | 35.1%            | 5.31          |
| ICICI Prudential MF           | 1,22,010         | 2.64%       | 163          | 56.4x            | 24.2%            | 5.11          |
| <b>Total — 23 anchors</b>     | <b>46,28,877</b> | <b>100%</b> | <b>—</b>     | <b>55.0x wtd</b> | <b>25.8% wtd</b> | <b>193.95</b> |

IPO Research Desk proprietary base: 687 mainboard anchors, 2020–2026. Scheme-level allotments rolled up to fund house. Weighted averages allocation-weighted across the 94.7% of the book we could match.

Start with the fit. This anchor group has historically bought mainboard issues at an allocation-weighted 55.0x P/E. Kusumgar is 44.8x. They are not stretching outside their valuation comfort zone — if anything this is cheap relative to what they normally pay. Their prior picks averaged a 25.8% listing gain on a 29.0x average subscription. Kusumgar at 13.88x on Day 2, with QIB yet to arrive, is tracking into that band rather than ahead of it. On the two tests that matter, the book supports the trade.

Now the texture, which is less flattering. Five houses in this book — SBI MF (buys at 30.1x), India Acorn (22.6x), Mirae (34.0x), Tata (42.2x) and Axis MF (43.2x) — are paying above their historical average multiple here. Of those, SBI MF is the one to watch: 106 prior mainboard issues, the second-highest average listing gain in the marquee tier at 33.8%, and a disciplined 30x habit. It put ₹22.50 Cr into an issue at 44.8x. Either they see the FY27 defence book, or they wanted the name.

What is missing is louder than what is present. Ten of the most persistent anchors in our base are absent from this book: HDFC MF (147 prior issues), Aditya Birla Sun Life MF (142), Societe Generale (140), Kotak Mahindra MF (109 — only Kotak Life is here), Nomura (99), SBI Life (96), HDFC Life (91), Morgan Stanley (81), Abu Dhabi Investment Authority (76) and Government of Singapore (53). On a ₹194 Cr anchor tranche, allocation was tight and absence is not proof of a pass. But “twenty-three anchors” reads better in a headline than the top tier actually is.

*One structural observation the coverage has missed. WhiteOak Capital MF took 10.31% of the anchor book and has not anchored a mainboard issue in our base since 2024; WhiteOak Capital India Opportunities Fund is already on the pre-IPO register at 0.91%. India Acorn (5.16%) sits inside the Ashoka-WhiteOak family, which also holds Ashoka India Equity Investment Trust at 0.91%. Motilal Oswal MF (5.16%) anchored an issue its own group's investment bank is running, and Motilal Oswal Finvest holds 2.60% pre-IPO.*

*Roughly a fifth of the anchor book therefore sits with houses already on the cap table. All of it is disclosed and entirely lawful. It is simply not the same signal as a cold institution underwriting the price for the first time, and it should be discounted accordingly when you read the 67.55% mutual fund number.*

## 10.4 What the 2026 vintage actually did

| Anchor vintage (this book's houses) | Avg listing-day gain | Avg gain held today | Read                            |
|-------------------------------------|----------------------|---------------------|---------------------------------|
| 2024 issues                         | +9.9%                | +85.8%              | Listed flat, compounded         |
| 2025 issues                         | +40.9%               | +42.2%              | Listed well, held               |
| <b>2026 issues</b>                  | <b>+43.8%</b>        | <b>+4.8%</b>        | <b>Listed hot, gave it back</b> |

Allocation-weighted across the anchor houses in Kusumgar's book that participated in each calendar year. Source: IPO Research Desk seven-year base.

This is the most important table in the report. Issues anchored by these same houses in calendar 2026 have listed up an average 43.8% — and the entire gain has since evaporated, with those positions currently sitting on 4.8%. Compare 2024, where the same houses' picks listed at 9.9% and are now up 85.8%. The market regime has inverted. Two years ago you were paid to hold an IPO. This year you are paid to sell it on the open. That is not a stylistic preference on our part. It is what the data says, and it is precisely why this desk's mandate on Kusumgar ends at the exit note.

### 10.5 BRLM track record — backtested

| Book Running Lead Manager   | IPOs 2020–26 | Positive   | Hit rate     | Avg listing gain | CY2026 (issues / positive / avg) |
|-----------------------------|--------------|------------|--------------|------------------|----------------------------------|
| Axis Capital                | 114          | 80         | 70.2%        | 14.94%           | 5 / 2 / –3.25%                   |
| IIFL Capital Services       | 100          | 68         | 68.0%        | 17.07%           | 3 / 0 / –7.07%                   |
| Motilal Oswal Inv. Advisors | 43           | 29         | 67.4%        | 16.30%           | 2 / 2 / +5.67%                   |
| <b>Combined</b>             | <b>257</b>   | <b>177</b> | <b>68.9%</b> | <b>16.0%</b>     | <b>10 / 4 / –2.6%</b>            |

IPO Research Desk proprietary base: 77 mainboard lead managers, 2020–2026.

All three sit at or below the median. Among the 29 lead managers in our base with ten or more mainboard issues, the median hit rate is 70.6%. Axis Capital ranks 16th, IIFL 20th, Motilal Oswal Investment Advisors 23rd. The lifetime numbers are unremarkable and the trend inside them is worse: this trio ran 151 issues between 2020 and 2022 with a 78.1% hit rate, and 106 issues between 2023 and 2026 with a 55.7% hit rate. In calendar 2026 they have taken ten mainboard issues to market between them. Four listed above the offer price. The weighted average listing-day move was minus 2.6%. IIFL's 2026 book is nought for three.

**Reconciling the two backtests is the analytical work.** The anchor cohort's 2026 picks listed at +43.8%. This BRLM trio's 2026 book listed at –2.6%. Same market, same year, opposite results — because they are different samples. An anchor chooses which issues to enter. A bookrunner has to take its whole pipeline to market, including the issues nobody wanted. The overlap is where the money is, and the question for Kusumgar is which side of that line it falls on: a 29.84% anchor tranche, 67.55% domestic mutual fund money, and 23 names is not the profile of the issues these houses lost money on this year. Kusumgar sits on the right side of the split. We do not treat the BRLM record here as a positive. We treat it as neutral-to-mildly-negative, and we let the anchor tape carry the trade.

*Strong anchor participation and a good BRLM track record reduce listing risk; they do not eliminate it.*

## 11. Risk Factors

### 1. [PRIMARY CONCERN] Earnings went backwards into the offer.

Revenue from operations fell 11.2% and PAT fell 12.3% in FY26. The company is asking 44.8x for the smaller number, against a peer median of 39.8x. Every part of the bull case — margin, RoE, entry barriers — is true, and none of it changes the fact that the multiple expanded while the earnings contracted. What would change our view: a disclosed FY27 defence order book, or two quarters of restored growth in Aerospace & Defence Solutions. Neither exists yet.

### 2. The defence engine is the part that shrank.

This is sold as an aerospace and defence story, and it is priced as one. In FY26 Aerospace & Defence Fabrics fell 42% and Aerospace & Defence Solutions fell 30%; together they went from ₹591.99 Cr to ₹368.72 Cr. The topline was held up by Outdoor & Lifestyle and Industrial fabric, which are structurally lower-margin and sold to brands and tier-one suppliers who can re-nominate. Defence revenue is tender-driven and lumpy by nature. Buying it on a trailing multiple is a category error; we are only doing so for six days.

### 3. Cash conversion and a 90-day working capital cycle.

The working capital cycle went from minus 10 days in FY24 to 14 in FY25 to 90 in FY26. Cumulative three-year PAT is ₹294.59 Cr; cumulative three-year cash from operations is ₹74.24 Cr. That is 25 paise of cash per rupee of reported profit. FY25 operating cash flow was negative ₹154.98 Cr and the RHP warns it may go negative again. Reported earnings are a weak proxy for owner earnings here.

### 4. One hundred per cent Offer for Sale.

Nothing reaches the company. ₹650 Cr goes to the promoter family, which retains 74.71% and whose weighted average cost of acquisition is Nil. Set against that: ₹223.58 Cr of borrowings stay on the books, half the new plant is idle, and there is no primary capital to work either problem. A founding-family monetisation is a materially softer signal than a sponsor exit, and the family is keeping three-quarters of the equity. It is still ₹650 Cr of supply with no offsetting use of proceeds.

**5. Customer and supplier concentration.** The top customer took 11.13% of FY26 revenue and the top ten took 59.52%. On the buy side, the top ten suppliers accounted for 51.42% of the cost of materials consumed, and the company holds no long-term supply agreements with them. Both ends of the value chain are concentrated and neither is contractually locked. Nine of the top ten customers declined to be named in the RHP.

**6. Single-state manufacturing footprint.** All six manufacturing facilities are in Gujarat; only the fabrication unit sits elsewhere. Flood, labour action, power disruption or a regional policy change hits the entire production base at once. There is no disclosed contingency capacity.

**7. Idle capacity and the capex overhang.** Utilisation across processing, dyeing, finishing, printing and coating is 49.50%, against 94.33% two years ago, after roughly ₹100 Cr was spent expanding processing capacity by

170%. Fixed-asset turnover has fallen from 5.05x to 3.40x. Depreciation on that base is already in the P&L; the revenue to absorb it is not. If the defence book does not return, this is the line where it shows up first.

- 8. Audit observations and statutory-dues delays.** The statutory auditor has recorded CARO observations on the standalone financial statements for FY24, FY25 and FY26. The company separately discloses past instances of delayed payment of statutory dues. Neither item is disqualifying and neither carries a quantified penalty today. Both are the kind of housekeeping a newly listed company gets asked about on every earnings call, and both belong in the file.

**9. ⚠ Listing Volatility.**

Even with a 29.84% anchor tranche and 67.55% domestic mutual fund participation, mainboard issues in the current regime have shown 8–15% intraday swings on debut. GMP has already faded from roughly ₹171 to ₹155 across two sessions. On a poor open we see downside of 8% to 12% below the ₹419 issue price, and a further leg lower cannot be excluded if the broader tape turns between Friday's close and Wednesday's listing. This is not a risk-free recommendation. A strong anchor book does not guarantee listing gains.

## 12. Investment Strengths & Positive Indicators

- 1. Best margins and best returns in the peer set.** EBITDA margin of 27.15% against roughly 21% at Garware and 23% at SRF. RoNW of 25.82% against a peer median of 13.76%. Kusumgar is the smallest company in the comparison table and the most profitable per rupee of revenue. Gross margin near 60% in a business the market files under “textiles” is not an accident of accounting; it is what a qualified specification is worth.
- 2. The anchor book is buying below its own valuation band.** Across the fourteen fund houses we could match, the allocation-weighted average P/E of the mainboard issues these anchors have historically bought is 55.0x. They are buying Kusumgar at 44.8x. Their prior picks averaged 25.8% on listing day. This is the single strongest quantitative support for the trade, and it is the opposite of what we usually find at this multiple.
- 3. A recent, arm's-length primary round anchors the price.** In September 2025 institutional money paid ₹365 per share for fresh equity, and the promoters sold secondary at the same level. Weighted average cost of acquisition over the trailing year is ₹365.72. At ₹419 the cap price is 1.15x a ten-month-old, diligenced, third-party mark. Very few issues at 44.8x can point to anything comparable.
- 4. Exports have gone from a sideline to 40% of revenue.** Export share moved from 23.22% to 39.99% in one year, with Germany nearly doubling and Sri Lanka appearing from nothing. China-plus-one sourcing and India's recent trade agreements are live tailwinds for the Outdoor & Lifestyle book. It also lowers dependence on a single lumpy domestic defence buyer, which after FY26 is not a small thing.
- 5. Entry barriers are real, and they are the boring kind that last.** Multi-year qualification cycles, customer-written specifications, approval files that have to be rebuilt if the supplier changes, and a vertically integrated plant running preparatory, weaving, processing, coating, lamination and fabrication under one roof. Over 1,000 SKUs is only economic because of that integration. This is not a moat that a well-funded entrant crosses in eighteen months.
- 6. Operating leverage is sitting there, unused.** Processing capacity was expanded roughly 170% to about 128 million metres and utilisation is 49.50%. Depreciation on that asset is already being expensed. If the defence order book returns at anything like FY25 volumes, incremental revenue drops through at a very high contribution margin. It is optionality that costs the buyer nothing today.
- 7. Balance sheet is not a problem.** Net debt of ₹175.52 Cr against ₹187.85 Cr of EBITDA. Net debt to EBITDA of 0.93x, down from 1.09x. Debt to equity of 0.44x, down from 0.96x. The improvement came from the equity raise rather than debt repayment, so it deserves an asterisk — but there is no leverage risk in this name at these levels.
- 8. Demand and sell-side consensus are aligned.** 13.88x overall and 38.64x in NII at Day-2 close, with QIB still to make its final-day bid. GMP around 37%. Of the ten brokerage notes we can see, eight say Subscribe, one says May Apply, one is Neutral, and none says Avoid. Consensus is not an edge, but a book this well supported rarely opens below issue.

## 13. Final Recommendation & Conclusion

### R E C O M M E N D A T I O N

## APPLY (listing gains)

full force across all available PANs • bid at the ₹419 cap

The five pillars do not all line up on the same side here, and this report has said so plainly. Financial quality is mixed: industry-best margins and returns sitting on top of an 11% revenue decline and 25 paise of cash per rupee of reported profit. Valuation at 44.8x FY26 against a 39.8x peer median is a premium, but a disciplined one — it is anchored by a ₹365 primary round placed with institutions only ten months ago. GMP at roughly 37% has faded across two sessions, which we read as a caution against greed rather than a reason to stand aside. Demand is doing exactly what a well-supported book does: 13.88x overall, 38.64x in NII, with QIB yet to make its final-day bid. The one pillar that works against us is the OFS — 100% of the issue, no primary capital — softened, though not erased, by promoters retaining 74.71% at a Nil cost of acquisition.

What carries the trade is the anchor book. Twenty-three anchors took 29.84% of the issue, two-thirds of it domestic mutual fund money, and on our seven-year base this is a group of houses that habitually pays 55.0x buying Kusumgar at 44.8x. Their prior picks averaged 25.8% on debut. Set against that: a syndicate whose combined 2026 book has listed at minus 2.6%, and a market regime in which 2026 issues anchored by these same houses listed up 43.8% and have since given nearly all of it back. We reconcile the two the only way the data permits — by taking the open and leaving. Base case, a +25% to +30% listing.

**For BHNI investors the action is straightforward: apply full force across all available PANs at the ₹419 cap (the 69-lot / 2,415-share BHNI minimum); we will issue a trailing stop-loss (TSL) update post-listing to manage the exit rather than fixing a hold window now. Because the BHNI book is already heavily subscribed, per-application allotment will be small — the multiple-PAN approach is what converts a favourable setup into a position of meaningful size.**

***This is not a risk-free recommendation, and a strong anchor book does not guarantee listing gains. The variables that could reset the thesis — a defence order book that does not return, and a 90-day working capital cycle that has already absorbed three-quarters of reported profit — sit outside the listing window but not outside the price. Size the position, keep a defined exit, and do not let a good grey-market number substitute for a stop.***

### BHNI Guidance

| Investor Category | Guidance              | Allocation Approach                                                             | Hold Horizon                            |
|-------------------|-----------------------|---------------------------------------------------------------------------------|-----------------------------------------|
| BHNI              | APPLY (listing gains) | Full allocation across all available PANs at ₹419; 69-lot (2,415-share) minimum | Hold post-listing; TSL update to follow |

*IPO Research Desk is a BHNI-only advisory. Guidance is for listing gains, not long-term ownership.*

## 14. Standard Disclaimer

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*The analysis presented herein is based on publicly available information and data as of the date of publication. Investors should conduct their own due diligence before making investment decisions. Past performance is not indicative of future results. The author does not guarantee the accuracy, completeness, or timeliness of the information provided. Investment in IPOs and equity markets involves substantial risk, including the risk of loss of principal. Market conditions, company performance, regulatory changes, and macroeconomic factors can significantly impact investment outcomes.*

*Past performance is not indicative of future returns.*