

Ashutosh Fibre IPO

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- The company is engaged in textile segment and does its activities on a B2B model.
- The company manufactures variety of products to meet demands from its customers.
- The company is operating in a highly competitive and fragmented segment.
- Based on its recent average financial data, the issue appears greedily priced.
- There is no harm in skipping this pricey and dicey IPO.

About the Company

Ashutosh Fibre Ltd. (AFL) is engaged in the textile segment having variety of products. In 1995, the ownership of the Company was transferred to the family of its current promoter through a transfer of shares. At the time, the Company was engaged in both manufacturing and trading activities. Trading continued to contribute significantly to the business until FY 2006-07; however, over time, manufacturing emerged as the primary area of focus. The Company has scaled its operations and established a manufacturing facility in Petlad, Gujarat, specializing in the production of various technical and synthetic yarns.

Technical textiles products are specifically designed to deliver functional and performance-based characteristics. These are engineered to meet defined technical requirements such as high tensile strength, thermal resistance, flame retardancy, chemical stability, durability, lightweight characteristics, moisture management and more depending on their end-use application. They are widely used across various industrial, protective and specialized sectors where functional performance is the primary consideration.

AFL operates in four categories of technical textiles (i) Indutech, (ii) Protech, (iii) Hometech and (iv) Mobiltech. In the Indutech segment, its products cater to industrial applications such as filtration, geotextiles and process industry textiles. One of its key products in this segment is polypropylene spun yarn, manufactured from polypropylene fibres that are lightweight, chemically resistant, have low moisture absorption and provide good abrasion resistance. These properties make it suitable for use in filter cartridges, filter cloths, ropes, webbings and other industrial applications where chemical stability and dimensional integrity are required. In the Protech segment, it manufactures yarns and fabrics with inherent properties such as strength, flame retardancy and heat resistance, used in personal protective equipment, safety apparel and industrial thermal barriers. In the Hometech segment, its yarns are used in home furnishing textiles, carpets and home filtration media. In Mobiltech segment, the company manufactures friction resistant yarns that are primarily used in the production of automotive friction materials such as brake pads, clutch facings and transmission

components.

The Company operates on a business to business (B2B) business model. It supplies yarns and fabrics directly to industrial manufacturers, processors and institutional buyers. It has engaged with 109, 130 and 128 customers in the Fiscal Years 2026, 2025 and 2024, respectively. Further, it has engaged with 49, 58 and 55 suppliers in the Fiscal 2026, 2025 and 2024 respectively. AFL's products are used as raw material inputs across industries such as filtration and pollution control (gas and liquid filter media, filter cartridges, filter cloths), construction and infrastructure (geotextiles, ropes, webbings), automotive (friction materials, thermal insulation, seat fabrics), packaging (antistatic FIBC), safety and protective equipment (flame-retardant clothing, industrial protective wear, PPE kits) and home furnishing (carpets, upholstery, curtains and home filtration media).

The company customizes products based on client requirements and supply in accordance with technical specifications. Its business model emphasizes recurring supply to industrial clients rather than direct sales to retail consumers.

AFL's product range includes specialized yarns such as para-aramid yarn (high strength and heat resistance), meta-aramid yarn (flame retardancy), modacrylic-blended yarns (thermal stability and flame resistance), peroxidised PAN yarn (heat insulation), antistatic polypropylene yarn (to reduce static build-up in sensitive environments), FR Viscose blends (protective fabrics) and DREF-spun yarns with glass filament cores or aramid sheaths (industrial and protective uses). These products are manufactured either as part of its own product range or on a job work basis, depending on client requirements. As of June 30, 2026, it had 169 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 6124800 equity shares of Rs. 10 each to mobilize Rs 56.35 cr. at the upper cap. The company has announced a price band of Rs. 87 - Rs. 92 per share. The minimum application to be made is for 2400 shares and in multiples of 1200 shares thereon, thereafter. The IPO opens for subscription on August 31, 2026, and will close on September 02, 2026. The IPO constitute 28% of the post-IPO paid-up capital of the company. The shares will be listed on NSE SME Emerge. From the net proceeds of the fresh equity issue, it will utilize Rs. 25.51 cr. for capex on purchase of new equipment and machinery, Rs. 20.00 cr. for repayment/prepayment of certain borrowings, and the rest for general corporate purposes.

The IPO is solely lead managed by Mefcom Capital Markets Ltd., while KFin Technologies Ltd., is the registrar to the issue. Asnani Stock Broker Pvt. Ltd., is the market maker. The IPO is underwritten to the extent of 15% by Mefcom Capital Markets and 85% by Seren Capital Pvt. Ltd.

The company has issued entire equity capital at par value (based on Rs. 10 FV), the company issued bonus shares in the ratio of 8 for 1 in September 2025. The average cost of acquisition of shares by the promoters is Rs. 0.72, Rs. 1.59, and Rs. 2.06 per share.

Post-IPO, company's current paid-up equity capital of Rs. 15.75 cr. (15750000 equity shares) will stand enhanced to Rs. 21.87 cr. (21874800 equity shares). Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 201.25 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has reported a total income/net profit of Rs. 109.89 cr. / Rs. 7.05 cr. (FY24), Rs. 114.97 cr. / Rs. 8.51 cr. (FY25), and Rs. 117.43 cr. / Rs. 16.04 cr. (FY26). It marked growth in its top and bottom lines for the reported periods. However, the PAT margins for FY26 raise eyebrows and concern over its sustainability going forward as it is operating in a highly competitive and fragmented segment. Boosted earnings for FY26 (a pre-IPO year) appears to be a window dressing to fetch fancy valuations for IPO. Its contingent liability stood at Rs. 5.58 cr. as of March 31, 2026, and raises alarm.

For the last three fiscals, the company has reported an average EPS of Rs. 7.64, and an average RoNW of 27.63%. The issue is priced at a P/BV of 2.79 based on its NAV of Rs. 32.95 per share as of March 31, 2026, and at a P/BV of 1.86 based on its post-IPO NAV of Rs. 49.48 per share at the upper cap.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 12.55, and based on FY25 earnings, the P/E stands at 23.65. The issue appears greedily priced, based on its average earnings.

For the reported periods, the company has posted PAT margins of 6.42% (FY24), 7.46% (FY25), 13.67% (FY26), and RoCE margins of 21.00%, 16.27%, 26.29%, respectively, for referred periods. Its outperforming margins is a big surprise and appears window dressings.

Dividend Policy

The company has declared dividends for the reported periods of the offer document, but surprisingly, it had not given the details for the same on dividend policy page. It will adopt a prudent dividend policy, based on its financial performance and future prospects. As per financial data, it paid a dividend of Rs. 0.21 cr. for FY24 and FY25 (Refer page F17 of the offer document). Thus, it has paid dividends only for FY24 and FY25, no dividend for FY26. The narration given on Dividend Policy page is misleading.

Comparison with Listed Peers

As per the offer document, the company has shown RSWM, Reliance Chemotex, Garware Technical, Cedaar Textiles, as its listed peers. They are currently trading at a P/E of 12.9, 15.6, 35.4, and NA (as of August 28, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash.

Merchant Banker's Track Record

This is 6th mandate from Mefcom Capital in the ongoing fiscal. The only listing that took place so far, opened at a premium of 28.31% on the listing date. The offer document does not include its overall performance data as of-late we have witnessed more than four IPOs, but no reference is given in the offer document. Merchant Banker's website (mefcomcap.in) is not opening and responding, and messages flashes as website blocked for your protection. Here appears to be some lapses on compliances.

Conclusion / Investment Strategy

AFL is engaged in textile segment and does its activities on a B2B model. The company manufactures variety of products to meet demands from its customers. The company is operating in a highly competitive and fragmented segment. Based on its recent average financial data, the issue appears greedily priced. Its FY26 margin pattern may not sustain going forward. There is no harm in skipping this pricey and dicey IPO.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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