IPO REVIEW

Fascinate Textiles IPO

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- The company is engaged in the manufacturing and marketing of readymade garments.
- The company marked growth it its top and bottom lines for the reported periods.
- Bumper profits from FY25 onwards raise eyebrows and concern over its sustainability as it is operating in a highly competitive and fragmented segment.
- Based on its recent financial data, the issue appears aggressively priced.
- Only well-informed/risk seekers may park moderate funds for medium term.

About the Company

Fascinate Textiles Ltd . (FTL) is engaged in the manufacturing of readymade garments, with operations based in West Bengal. Its product range spans menswear, womenswear, and childrenswear, with a significant portion of its output focused on garments for children. Its offerings include t-shirts, joggers, vests, leggings, shorts, and infant wear, among others, catering to a variety of end-use segments and age groups.

FTL is an ISO 9001:2015 certified company. This certification reflects the presence of defined quality management systems and standardized operational procedures across processes. It reinforces FTL’s ability to meet buyer specifications consistently, supports compliance with international trade norms, and contributes to the facilitation of cross-border operations, including import and export. It develops samples both in response to themes and mood boards provided by buyers, as well as through its own in-house design initiatives. Once a sample receives approval, it undertakes production at its manufacturing facility. Company’s garments are supplied to large-format retailers and wholesalers in the local market.

Its manufacturing activities are primarily concentrated in Barasat, North 24 Parganas, West Bengal, where the company owns and operates its production facility. Most operations following fabric processing including cutting, printing, stitching, and finishing are conducted in-house, while a part of stitching requirement is outsourced. The company manages design development, sample creation, and production schedules internally through a team of merchandisers, each assigned to specific buyers to ensure continuity and coordination.

It procures yarn, which is then sent for knitting and dyeing through external job workers. Once the processed fabric is received, all subsequent manufacturing operations are carried out within its facility. A significant portion of its production infrastructure is automated, including the use of automatic printing and sequencing machines. This integration of technology enables it to maintain

consistency, enhance efficiency, and uphold quality across its product offerings. As of March 31, 2026, it had a total 254 employees (including 148 contract workers).

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of 4293600 equity shares of Rs. 10 each to mobilize Rs. 66.98 cr. at the upper cap. The IPO consists of 3457600 fresh equity shares (worth Rs. 53.94 cr. at the upper cap), and an Offer for Sale (OFS) of 836000 equity shares (worth Rs. 13.04 cr. at the upper cap). The company has announced a price band of Rs. 148 - Rs. 156 per share. The minimum application to be made is for 1600 shares and in multiples of 800 shares thereon, thereafter. The IPO opens for subscription on August 11, 2026, and will close on August 19, 2026. The IPO constitute 31.20% 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. 25.15 cr. for incremental working capital, Rs. 2.68 cr. for repayment/prepayment of certain borrowings, Rs. 12.35 cr. for capex on additional manufacturing facility, and the rest for general corporate purposes.

The IPO is solely lead managed by Affinity Global Capital Market Pvt. Ltd. while Cameo Corporate Services. Ltd., is the registrar to the issue. Giriraj Stock Broking Pvt. Ltd. is the market maker. The issue is underwritten to the tune of 15% by Affinity Global and up to 85% by Giriraj Stock Broking.

After issuing initial equity capital at par value, the company issued further shares in the price range of Rs. 15 – Rs. 949 per share, between March 2021, and July 2025. It has also issued bonus shares in the ratio of 6 for 1 in August 2025. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. Nil, Rs. 2.05, Rs. 4.08, and Rs. 5.55 per share.

Post-IPO, company’s current paid-up equity capital of Rs. 10.30 cr. will stand enhanced to Rs. 13.76 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 214.67 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has reported a total income/net profit of Rs. 28.90 cr. / Rs. 0.48 cr. (FY24), Rs. 60.28 cr. / Rs. 5.81 cr. (FY25), and Rs. 117.23 cr. / Rs. 15.10 cr. (FY26). The sudden boost in its bottom lines from FY25 onwards raise eyebrows and concern over its sustainability. Rising trade receivables raise alarm.

For the last three fiscals, the company has reported an average EPS of Rs. 9.30, and an average RoNW of 44.34%. The issue is priced at a P/BV of 5.11 based on its NAV of Rs. 30.52 per share as of March 31, 2026, and at a P/BV of 2.51 based on its post-IPO NAV of Rs. 62.05 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 14.22, and based on FY25 earnings, the P/E stands at 36.97. The issue appears aggressively priced, based on its average earnings.

For the reported periods, the company has posted PAT margins of 1.65% (FY24), 9.65% (FY25), 12.89% (FY26), and RoCE margins of 11.66%, 42.41%, 54.82%, respectively, for referred periods.

Dividend Policy

The company has not paid any dividend for the reported periods of the offer document. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Iris Clothing, Kewal Kiran Clothing, as its listed peers. They are currently trading at a P/E of 59.1, and 21.4 (as of August 07, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison is nothing but an eyewash.

Merchant Banker's Track Record

This is 10th mandate from Affinity Global in the last four fiscals (including the ongoing one). Out of last 9 listings, 2 listed at discount, 3 at par, and the rest with premium ranging from 5.88% to 51.79% on the listing date.

Conclusion / Investment Strategy

FTL is engaged in the manufacturing and marketing of readymade garments. The company marked growth it its top and bottom lines for the reported periods. Bumper profits from FY25 onwards raise eyebrows and concern over its sustainability as it is operating in a highly competitive and fragmented segment. Based on its recent financial data, the issue appears aggressively priced. Only well-informed/risk seekers may park moderate funds for medium term.

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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