

Shreedhar Spinners IPO

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- The company is primarily engaged into manufacturing of compact spun cotton yarn of various counts.
- It has major focus on B2B segment for its marketing.
- The company posted marginal growth in its top lines for the reported periods.
- The sudden boost in its bottom line for FY26 raise eyebrows and concern over its sustainability going forward.
- Only well informed/cash surplus investors may park moderate funds for long term in this aggressively priced IPO.

About the Company

Shreedhar Spinners Ltd. (SSL) is primarily engaged into manufacturing of compact spun cotton yarn of various counts ranging from Ne 10s to Ne 40s at its manufacturing facility located at manufacturing units located at Plot No. T-15, additional Amravati industrial area textile park, Tuljapur, Amravati – 444901, Maharashtra, India for a period of 95 years spread across 1,20,000 sq. mt. and has a production capacity of 10,000 MT per annum of cotton yarn, with 28,608 spindles as of March 31, 2026. Its Manufacturing Facility operates 24 hours per day to maximize output and ensure uninterrupted operations and usually operates for approximately 360 days a year. Its raw material; raw cotton bales are utilized for production of cotton yarns.

These yarns are suitable for both knitting and weaving applications and catering to a wide spectrum of end-use segments and products including but not limited to Apparel, Denim, Terry towels, Shirting, Bed linen, Sweaters, Socks, Furnishing Fabrics and Industrial fabrics. The company operates exclusively in the business-to-business (B2B) segment, supplying its products to buyers such as textile manufacturers, yarn exporters, traders and fabric processors (collectively “Customers”).

Its exclusive B2B focus allows the company to streamline production and supply chain processes around the needs of buyers, ensuring consistent quality, delivery, and efficient order fulfilment. It also allows it to build long-term client relationships and offer customized yarn solutions tailored to specific technical performance parameters and appearance required including count, twist, and strength. SSL sells its products to manufacturers, exporter and traders having a significant presence in Maharashtra.

It has a dedicated in-house Testing and Quality Control Team comprises of 10 members as on April 30, 2026, which undertakes rigorous testing and quality management. It has dedicated manual, semi-

automatic and automatic testing machines. Online automatic contamination sorters, Uster Quantum Clearers and testing machines from USTER (Switzerland) coupled with its dedicated testing and QC team. Its Testing ensuring the quality of raw material dispensed in the production process and also the finished goods delivered to customers. This helps in improving its procurement process thus reducing wastages, returns and other related costs.

SSL sources major raw materials used for manufacturing of cotton yarn includes cotton bales from the different local ginners, traders and Cotton Corporation of India. It enjoys a strategic locational advantage, with its factory situated in the Textile Park at MIDC, Amravati at the heart of Vidarbha's rich cotton-producing region and surrounded by modern infrastructure and numerous textile mills. Over the years, it has developed long-standing relationships with vendors which allows it to source quality raw materials from the vendors. Its proficiency lies in understanding the specific requirement of customers. Its emphasis on quality, reliability and timely delivery has helped it establish long term partnerships with customers. As of April 30, 2026, it had 164 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 5788000 equity shares of Rs. 10 each to mobilize Rs. 30.68 cr. at the upper cap. The company has announced a price band of Rs. 50 - Rs. 53 per share. The minimum application to be made is for 4000 shares and in multiples of 2000 shares thereon, thereafter. The IPO opens for subscription on June 23, 2026, and will close on June 25, 2026. The IPO constitute 27% 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 IPO, it will utilize Rs. 4.95 cr. for capex on purchase of new machinery into existing manufacturing facility, Rs. 21.04 cr. for incremental working capital, and the rest for general corporate purposes.

The IPO is solely lead managed by Marwadi Chandarana Intermediaries Brokers Pvt. Ltd., and MUFG Intime India Pvt. Ltd., is the registrar to the issue. Mansi Share & Stock Broking Pvt. Ltd., is the market maker.

After issuing initial equity capital at par value, the company issued further equity shares at Rs. 50 per share in October 2025. The average cost of acquisition of shares by the promoters is Rs. NA per share.

Post-IPO, company's current paid-up equity capital of Rs. 15.65 cr. will stand enhanced to Rs. 21.44 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 113.62 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company reported a total revenue/net profit of Rs. 126.35 cr. / Rs. 3.35 cr. (FY24), Rs. 134.43 cr. / Rs. 3.42 cr. (FY25), Rs. 146.55 cr. / Rs. 6.17 cr. (FY26). While it marked marginal growth in its top lines, sudden boost in its

bottom line for FY26 raise eyebrows and concern over is sustainability going forward as it is operating in a highly competitive and fragmented segment. Contingent liabilities of approx. Rs. 9.80 cr. and debt equity ratio of 3.89 as of March 31, 2026 raise alarm.

For the reported period, the company has reported an average EPS of Rs. 3.15, and an average RoNW of 19.27%. The issue is priced at a P/BV of 2.79 based on its NAV of Rs. 19.01 per share as of March 31, 2026, but its post-IPO NAV data is missing from the offer documents.

If we attribute FY26 earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 18.40, and based on FY25 earnings, the P/E stands at 33.33. The issue appears aggressively priced, based on its recent bumper earnings.

For the reported periods, the company has posted PAT margins of 2.66% (FY24), 2.54% (FY25), 4.22% (FY26), and RoCE margins of 12.78%, 11.36%, 9.34%, respectively, for referred periods.

Dividend Policy

The company has not paid any dividends 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 AB Cotspin, Siddhi Cotspin, as its listed peers. They are currently trading at a P/E of 39.3. And 7.36 (as of June 19., 2026. However, they are not truly comparable on an apple-to-apple basis.

Merchant Banker's Track Record

This is the 10th mandate from Marwadi Chandarana in the last three fiscals (including the ongoing one). Out of the last 9 listings, 2 opened at par, and the rest listed with a premium ranging from 0.45% to 90.00% on the listing date.

Conclusion / Investment Strategy

SSL is primarily engaged into manufacturing of compact spun cotton yarn of various counts. It has major focus on B2B segment for its marketing. The company posted marginal growth in its top lines for the reported periods. The sudden boost in its bottom line for FY26 raise eyebrows and concern over its sustainability going forward. Only well informed/cash surplus investors may park moderate funds for long term in this aggressively priced 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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