IPO REVIEW

Unitec Fibres IPO

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- The company is engaged in the manufacturing of RPSF, by using recycled polyester and its waste.
- It posted inconsistency in its top and bottom lines for the reported periods.
- It is operating in a highly competitive and fragmented segment.
- Based on its recent average financial data, the issue appears fully priced.
- Only well-informed/cash surplus/risk seekers may park moderate funds for long term.

About the Company

Unitec Fibres Ltd. (UFL) is engaged in the manufacturing of Recycled Polyester Staple Fibre (“RPSF”), a product created from recycled polyester raw materials. The production process begins with the procurement of raw materials like PET flakes, PET chips and other polyester waste materials. These materials are then converted into raw inputs, spun into fibre and processed to meet the requirements of customers related to fibre properties like colour and density. Its products find applications in industries like the automobiles (carpet, roof liners, trunks), home furnishing (sofa, curtains, carpets) and textile sectors (spinning mills). Its manufacturing process focuses on the regeneration of polyester fibre through the utilization of PET flakes, PET chips and other PET waste derived from discarded plastic bottles and post-consumer waste streams.

By converting such recyclable materials into Recycled Polyester Staple Fibre ("RPSF"), UFL contributes to resource conservation, waste reduction and the production of environmentally sustainable products. As on the date of this Red Herring Prospectus, it has two operational manufacturing units, located at M.I.D.C., Tarapur Industrial Area, Tarapur, Palghar, Thane – 401506. Further, its Manufacturing Unit 1 and Manufacturing Unit 2 are situated on land and premises obtained on lease from Maharashtra Industrial Development Corporation (“MIDC”).

These facilities have a combined installed capacity of up to 27,984 metric tonnes per annum ("MTPA") for the production of Recycled Polyester Staple Fibre ("RPSF"). In addition to its existing operations, the company has recently acquired land admeasuring approximately 47,494 square meters in Valsad, Gujarat, where UFL is in process of setting up an additional RPSF production line which will be designated as Unit 3. As of March 31, 2026, it had 171 employees on its payroll, and additional 116 contract labourers working in different departments.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 3916800 equity shares of Rs. 10 each to mobilize Rs. 34.47cr. at the upper cap. The company has announced a price band of Rs. 83 – Rs. 88 per share. The minimum application to be made is for 3200 shares and in multiples of 1600 shares thereon, thereafter. The issue opens for subscription on September 23, 2026 and will close on September 25, 2026. The shares will be listed on BSE SME. The IPO constitute 27.16% of the post-IPO paid-up capital of the company. From the net proceeds of the issue, the company will utilize Rs. 31.00 cr. for repayment/prepayment of certain borrowings, and the rest for general corporate purposes.

The IPO is solely lead managed by Smart Horizon Capital Advisors Pvt. Ltd., while Bigshare Services Pvt. Ltd. is the registrar to the issue. SHRENI Group's Shreni shares Ltd. is a market maker, and also a syndicate member.

After issuing/converting initial equity capital at par value, the company also issued further equity shares in the price range of Rs. 42.00 – Rs. 100 per share, between March 2010, and February 2021. The average cost of the acquisition of shares by the promoters' data is missing from the offer document.

Post-IPO, company's current paid-up equity capital of Rs. 10.50 cr. (10501778 equity shares) will stand enhanced to Rs. 14.42 cr. (14418578 equity shares). Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 126.88 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted total income/ net profit, of Rs. 204.99 cr. / Rs. 7.42 cr. (FY24), Rs. 227.13 cr. / Rs. 8.22 cr. (FY25), Rs. 224.86 cr. / Rs. 7.60 cr. (FY26). The company posted inconsistency in its top and bottom lines for the reported periods. Its contingent liability stood at Rs. 7.40 cr. as of March 31, 2026, that raises concern.

For the last three fiscals, the company has reported an average EPS of Rs. 7.40 and an average RoNW of 13.13%. The issue is priced at a P/BV of 1.42 based on its NAV of Rs. 61.89 per share as of March 31, 2026 , but its post-IPO NAV data is missing from its 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 16.70, and based on FY25 earnings, the P/E stands at 15.44. The issue appears fully priced based on its recent average earnings.

The company has posted PAT Margins of 3.63% (FY24), 3.63% (FY25), 3.39% (FY26) and RoCE margins of 20.20%, 15.04%, 9.05%, 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 Ganesha Ecosphere, Divyadhan Recycling, as its listed peers. They are currently trading at a P/E of 47.6, and 35.4 (as of September 22 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 the 30th mandate from Smart Horizon Capital Advisors, in the last three fiscals (including the ongoing one). Out of the last 10 listings, 2 opened at discount, 2 at par, and the rest listed with a premium ranging from 0.03% to 12.99% on the listing date. The merchant banker has an average track record.

Conclusion / Investment Strategy

UFL is engaged in the manufacturing of RPSF, by using recycled polyester and its waste. It posted inconsistency in its top and bottom lines for the reported periods. It is operating in a highly competitive and fragmented segment. Based on its recent average financial data, the issue appears fully priced. Only well-informed/cash surplus/risk seekers may park moderate funds for long 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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