IPO REVIEW

Vivekanand Cotspin IPO

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- The company is engaged in the business of cotton processing and yarn manufacturing.
- It provides all services for cotton yarn manufacturing and is also trading in cotton bales.
- It is operating in a highly competitive and fragmented segment.
- Based on its recent average financial data, the issue appears exorbitantly priced.
- There is no harm in skipping this pricey issue.

About the Company

Vivekanand Cotspin Ltd. (VCL) is engaged in the business of cotton processing and yarn manufacturing, comprising ginning of raw cotton (kapas) into cotton bales and cotton seed, and spinning of cotton bales into cotton yarn. In addition to its manufacturing activities, the Company also undertakes trading of cotton bales and cotton yarn in the ordinary course of business to meet customer requirements and optimize business opportunities. The products manufactured at the Company include Cotton bales, Cotton Seeds and Cotton Yarn.

The company operates in two primary areas: cotton ginning and spinning. In the ginning process, it separates cotton fibers from seeds, which is the first step in preparing raw cotton for textile production. Following this, the company focuses on spinning, where the clean cotton fibers are turned into yarn. This yarn, produced in various counts and quality grades, is used by textile mills for weaving and knitting fabrics. The company's product range is centered on cotton yarn, including carded and combed yarn, which caters to both domestic and international markets. It serves a wide array of industries that require high-quality yarn for fabric production, and its reach extends beyond India, with exports to other countries. The company operates spinning mills, utilizing machinery to ensure efficient production while maintaining quality control.

The manufacturing facility of VCL is situated at Rangpurda, Kadi of Mahesana District in Gujarat state which is close to the rich cotton growing areas of Maharashtra and Saurashtra region of Gujarat. The company has established a production capacity of approximately 4,551 MT of Cotton Yarn and 8,000 MT of Cotton Bales annually. Its plant is equipped with plant and machinery. The level of advancement determines the productivity of machines and labor, which in turn, determines the production of the Company. Its technical team in spinning is well equipped with modern spinning technology and processing techniques by virtue of which it is able to ensure quality yarn. Technology is a crucial aspect of the cotton yarn industry. As of May 30, 2026, it had 146 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 6000000 equity shares of Rs. 10 each to mobilize Rs. 22.20 cr. at the upper cap. The company has announced a price band of Rs. 32 – Rs. 37 per share. The minimum application to be made is for 6000 shares and in multiples of 3000 shares thereon, thereafter. The issue opens for subscription on September 21, 2026 and will close on September 23, 2026. The shares will be listed on BSE SME. The IPO constitute 26.97% of the post-IPO paid-up capital of the company. From the net proceeds of the issue, the company will utilize Rs. 5.27 cr. for capex on plant and machinery, Rs. 11.00cr. for working capital, and the rest for general corporate purposes.

The IPO is solely lead managed by Swastika Investmart Ltd., while MUFG Intime India Pvt. Ltd. is the registrar to the issue. Sunflower Broking Pvt. Pvt. Ltd. is a market maker. Swastika Investmart Ltd. is also a syndicate member. The IPO is underwritten to the tune of 15% by Swastika Investment Ltd., and 85% by Jevin Stock Broker Pvt. Ltd.

After issuing initial equity capital at par value, the company also issued further equity shares at a fixed price of Rs. 64 per share in March 2026. The average cost of acquisition of shares by the promoters is Rs. 4.74, Rs. 14.15 and Rs. 14.88 per share.

Post-IPO, company’s current paid-up equity capital of Rs. 16.25 cr. (16250000 equity shares) will stand enhanced to Rs. 22.25 cr. (22250000 equity shares). Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 82.33 cr.

Financial Performance

On the financial performance front, for the last four fiscals, the company has posted total income/ net profit, of Rs. 358.02 cr. / Rs. 3.35 cr. (FY23), Rs. 75.58 cr. / Rs. 0.87 cr. (FY24), Rs. 290.94 cr. / Rs. 4.07 cr. (FY25), Rs. 409.32 cr. / Rs. 3.69 cr. (FY26). The company posted inconsistency in its top as well as bottom lines for reported periods. While it marked declined top and bottom lines for FY24, it posted lower net profit on higher top line for FY26. This indicates the trends in the textile sector, and the fate of companies in this segment.

For the last three fiscals, the company has reported an average EPS of Rs. 2.70 and an average RoNW of 18.63%. The issue is priced at a P/BV of 2.08 based on its NAV of Rs. 17.81 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 22.29, and based on FY25 earnings, the P/E stands at 20.22. The issue appears exorbitantly priced, based on its recent average earnings.

The company has posted PAT Margins of 0.94% (FY24), 1.35% (FY25), 0.90% (FY26) and RoCE margins of 13.41%, 12.16%, 13.14%, respectively for referred periods.

Dividend Policy

The company has not paid any dividends since incorporation. 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 Lagnam Spintex, Deepak Spinners as its listed peers. They are currently trading at a P/E of 6.78, and 9.68 (as of September 17, 2026). However, they are not truly comparable on an apple-to-apple basis.

Merchant Banker's Track Record

This is the 15th mandate from Swastika Investmart, in the last four fiscals (including the ongoing one). Out of the last 10 listings, 2 opened at discount, 1 at par, and the rest listed with a premium ranging from 0.14% to 110.64% on the listing date.

Conclusion / Investment Strategy

VCL is engaged in the business of cotton processing and yarn manufacturing. It provides all services for cotton yarn manufacturing and is also trading in cotton bales. It is operating in a highly competitive and fragmented segment. Based on its recent average financial data, the issue appears exorbitantly priced. Investor’s fancy is lacking for this segment. There is no harm in skipping this pricey issue.

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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