



LONG TERM SUBSCRIBE

IPO Report

29th June'26

Snapshot

Company is engaged in the business of manufacturing and trading of carded, combed and compact combed cotton yarns and cotton bales. In Fiscal 2025, Company has achieved the highest ROCE and RONW amongst its selected peers. Company's cotton bales are utilized both for captive production of cotton yarns and for supply to other spinning units and the cotton yarns produced are used in both knitting and weaving applications, catering to a wide spectrum of end-use segments and products including denim, terry towels, shirting, sheeting, sweaters, socks, bottom wear, home textiles, and industrial fabrics.

VALUATION

Company is bringing the issue at price band of Rs 125-136 per share at p/e multiple of 26x on post issue annualized 9months FY26 PAT basis.

Company has integrated cotton spinning infrastructure with modern technologies to support company's product portfolio. Company has long standing relationship with key customers with strategically located manufacturing facility with adequate storage facility and scope for future expansion. Company has renewable energy infrastructure enabling sustainable and cost-efficient manufacturing. Company has strong financials and operating metrics with experienced promoters and management team. Hence, we recommend "Long Term Subscribe" to issue.

Price Band (Rs./Share)	125-136
Opening date of the issue	29th June '2026
Closing Date of the issue	01st July '2026
No of shares pre issue	3,16,42,190 Eq Shares
Issue Size	Rs 170 Cr
Fresh issue	Rs 170 Cr
Fresh issue	1,25,00,000 Eq Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	110

BIDDING DETAILS

QIBs (Including Anchor)	20% of the offer (Approx 25,00,000 eq Shares)
Non-Institutional	40% of the offer (Approx 50,00,000 eq Shares)
Retail	40% of the offer (Approx 50,00,000 eq Shares)
Lead managers	BOI merchant Bankers Ltd , PNB Investment Services Ltd
Registrar to the issue	Bigshare Services Pvt Ltd

WHAT WE LIKE

Renewable Energy Infrastructure Enabling Sustainable and Cost-Efficient Manufacturing

Company have made investments in renewable energy infrastructure, enabling it to operate its manufacturing activities with minimal reliance on conventional grid electricity. As part of company's long-term commitment to environmental sustainability, energy self-reliance, and operational efficiency, company have successfully commissioned and currently operate a 1 MW rooftop solar power unit, a 4 MW ground-mounted solar power plant, and a 2.7 MW wind power plant. These facilities collectively power a significant portion of company's manufacturing operations and meet around 80 % of total power requirement of the plant, allowing company to meet the majority of its captive energy requirements through clean, renewable sources.

Long standing relationship with key customers

With more than a decade of experience in the textile industry, company have established relationships with key customers. Company sell its products to its customers directly in the state of Gujarat and through its reseller for sales outside the state of Gujarat and International exports. A key factor that sets company apart from competitors is its customer-centric approach, focusing on delivering products that align precisely with customer specifications. This commitment to customization and quality has not only supported the growth of company's business but also strengthened its market presence and reputation within the industry. Company have, over the years, established long-standing relationship with its customers such M/s 7 Seas Impex, Elkins Tradelink Ltd. and other customers.

Strategically located manufacturing facility with adequate storage facility and scope for future expansion

Company's Manufacturing Facility is a strategically located facility with ample scope for expansion option available to company: Company's Manufacturing Facility spans a total land area of approximately 65,762 sq. m, with built-up area covering 30,397.11 sq. m i.e. 46.22% of the total land, leaving substantial 35,364.89 sq. m. Vacant land portion for future growth & expansion. Company's manufacturing facility is strategically located at Halvad, District Morbi, Gujarat, in one of the state's major cotton-growing regions, providing direct access to a well-established network of raw material suppliers, logistics providers, and skilled labor.



COMPANY BACKGROUND

Company have a semi-automated and integrated spinning and ginning Manufacturing Facility situated at Halvad, Morbi, Gujarat. Company produce 100% cotton yarns in counts ranging from Ne 26 to Ne 40 which includes carded, combed and combed compact varieties

The ginning process converts raw cotton into cotton bales through stages of cleaning and separation, during which cotton seeds and other by-products are generated. While the cleaned lint is pressed into bales for supply to spinning mills, the separated cotton seeds are sold to industries engaged in oil extraction, animal feed, and other applications, thereby providing an additional revenue stream for Company. A nominal portion of raw cotton is lost as non-recoverable waste during the process.

The spinning of cotton into yarn involves several stages of cleaning, carding and drawing of cotton, during which by-products such as comber, licker-in, and hard waste (collectively, “**cotton waste by-products**”) are generated.

These cotton waste by-products are sold to industries manufacturing non-woven fabrics and open-end yarns, providing an additional revenue stream for Company. Nominal portion of cotton in the range of 0.1% to 0.3% of the total cotton yarn produced is non-sellable waste.

Company have more than a decade of operational experience in the textile industry, it presently operate through its manufacturing facility which is strategically located at Halvad, Morbi (Gujarat) in proximity to high quality cotton growing area of Gujarat and spans a built-up area of approximately 30,397.11 sq. m (“**Manufacturing Facility**”).

As on date of this Red Herring Prospectus, company have a spindle count capacity of 25,920 spindles through 15 compact ring spinning machines and an annual 12,000 MT production capacity of cotton bales through 28 ginning machines. Company have a cotton yarn production capacity of 7,700 MT per annum. Company’s manufacturing Facility operates 24 hours per day on a 3-shift basis to maximize output and ensure uninterrupted operations and usually operates for 365 days a year.

Company’s customer base in Gujarat has been a key driver of its growth. Since company operate from within the state, company have consistently focused on building lasting relationships with its customers. Company’s direct presence in the region has enabled company to better understand local needs, streamline its operations, and efficiently meet their product requirements, thereby ensuring higher customer retention.

During the Fiscals 2025, 2024 and 2023, company served 40, 32 and 42 repeat customers, and added 191, 46 and 43 new customers. Further during the preceding three Fiscals, company served more than 250 customers across textile industry, out of which 14 have been associated with company for a period of more than 5 years. During the Fiscals 2025, 2024 and 2023, the top ten customers contributed to ₹ 20,601.96 lakhs, ₹ 25,076.98 lakhs and ₹ 19,002.16 lakhs towards its revenue from sale of products, during the Financial Years 2025, 2024 and 2023, respectively, constituting 59.94%, 84.71% and 80.88% of company’s revenue from sale of products, during the said period.

Company is also an environmentally conscious organization committed to promoting the use of renewable energy. As part of company’s sustainability efforts, company installed a rooftop solar power plant, ground-mounted solar power plant and wind power plant, which became operational in 2023, 2023 and 2024 respectively to source captive power thereby substantial cost effectiveness on power cost. The installed capacity of this rooftop solar power plant, groundmounted solar power plant and wind power plant stands at 1 MW, 4 MW and 2.7 MW respectively. This initiative supports company’s shift toward clean energy, contributing to its daily power requirements and resulting in a generation of average 37,692 units per day collectively during the period in between April 2024 to March 2025 resulting in reduction of monthly electricity expenses.

OBJECTS OF OFFER

Company proposes to utilize the Net Proceeds from the Issue towards funding the following objects:

1. Part of Payment of the purchase consideration for the acquisition of Falcon Yarns Private Limited;
2. Inter-Corporate deposits for funding working capital requirement of Falcon Yarns Private Limited; and
3. General Corporate Purposes

RISKS

Company is significantly dependent on 7 Seas Impex for majority of its sales outside Gujarat and exports, and any adverse development in this arrangement could materially and adversely affect company’s business, results of operations and financial condition.

Source:RHP



Consolidated Financials

(Rs in lakhs)

Financials	FY23	FY24	FY25	9Months FY26
Total Revenue (A)	23926.50	30486.16	35116.02	31328.50
Total Expenditure (B)	22520.00	26766.53	30129.91	27568.48
EBIDTA	1406.50	3719.63	4986.11	3760.02
EBIDTA Margin	5.88	12.20	14.20	12.00
Other Income	42.72	80.92	101.04	73.92
Depreciation	579.92	626.95	805.21	612.20
EBIT	869.30	3173.60	4281.94	3221.74
Interest	739.34	1050.86	1073.27	801.04
PBT	129.96	2122.74	3208.67	2420.70
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	129.96	2122.74	3208.67	2420.70
Exceptional	0.00	0.00	0.00	0.00
PBT	129.96	2122.74	3208.67	2420.70
Tax	24.13	493.98	917.06	665.08
PAT	105.83	1628.76	2291.61	1755.62
NPM	0.44	5.34	6.53	5.60
ROE%	1.76	21.32	18.93	11.46
EPS	0.39	5.96	8.29	5.79
Eq Cap	2,730.99	2,730.99	2,993.62	3,164.22
Net Worth	6,000.94	7,637.83	12,105.22	15,318.16

(Source: RHP)



DISCLAIMER

HEM Securities Limited ("Research Entity or HSL") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services, merchant banking services, Portfolio Management Services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.