

Zetwerk Manufacturing Business Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
15 October 2026	19 October 2026	₹143-151	Avoid

Investment Summary

Zetwerk Manufacturing Businesses Limited operates a technology-led, asset-light manufacturing platform for the global B2B durable goods and procurement ecosystem. The company executes a dual-segment strategy comprising a Manufacturing Business (catering to Energy, Precision, and Capital Goods verticals) and an Ecosystem Business (supplying industrial commodities like metals and petrochemicals). Its business model combines a vast, fragmented network of third-party suppliers with 26 owned global facilities, orchestrated by its proprietary Zetwerk OS, serving a robust enterprise client base with a manufacturing order book of ₹13,062.40 Cr as of June 30, 2026. Revenue from operations increased from ₹12,364.37 Cr in FY24 to ₹15,913.32 Cr in FY26, while the consolidated restated net loss widened significantly to ₹1,606.17 Cr in FY26 from ₹917.95 Cr in FY24, accompanied by sustained negative operating cash flows of ₹(681.53) Cr in FY26. The IPO comprises a **Fresh Issue for 18,74,82,119 shares** of up to **₹2,830 Cr** and an **Offer for Sale for 14,45,25,036 shares** of upto **₹2,182 Cr** at the upper price band of ₹151. Fresh proceeds will fund **₹1,300 Cr** towards repayment of Company borrowings and **₹860 Cr** towards repayment of Subsidiary borrowings, alongside inorganic acquisitions and general corporate purposes. While the issue commands a post-issue market capitalization of **~₹25,583 Cr** at a **1.61x** P/S multiple, the persistent history of substantial unprofitability, continuous operational cash burn, heavy reliance on short-term third-party purchase orders, and the necessity to deploy fresh equity capital primarily for debt reduction present severe operational and valuation constraints.

Company Overview

Incorporated in 2017, Zetwerk Manufacturing Businesses Limited operates a technology-led, asset-light manufacturing platform for the global B2B durable goods and procurement ecosystem. The company runs two core segments: the Manufacturing Business (encompassing Energy Products, Precision Products, and Capital Goods) and the Ecosystem Business (supplying industrial commodities including metals and petrochemicals). Zetwerk combines a broad third-party supplier network across India, North America, and Southeast Asia with 26 operated manufacturing facilities across India, Spain, the USA, and Germany. Geographically, India generated 83.53% of continuing operational revenue in the three months ended June 30, 2026, with the United States contributing 12.77%. Promoted by Amrit Pratik Acharya and Srinath Ramakkrushnan, the company's initial public offering comprises a Fresh Issue aggregating up to ₹2,830 Cr and an Offer for Sale of up to 14,45,25,036 Equity Shares by promoters, the promoter group, and investor shareholders.

Business Model

Zetwerk Manufacturing Businesses Limited operates a technology-led, asset-light manufacturing platform that caters to the global B2B durable goods and procurement market. The company orchestrates its revenue generation through two distinct segments Manufacturing Business, this segment executes both build-to-print and Original Design Manufacturing (ODM) contracts. It provides highly engineered components across three verticals Energy Products (catering to renewable energy, power transmission, and AI infrastructure), Precision Products (serving consumer electronics, aerospace, and defense), and Capital Goods (delivering fabricated structures and equipment for infrastructure, oil & gas, and heavy industries). Ecosystem Business operating alongside its manufacturing arm, this segment procures and supplies critical industrial raw materials and commodities—such as ferrous and non-ferrous metals (steel, aluminum, zinc, copper, lead) and petrochemicals—to customers across infrastructure and manufacturing supply chains. Operationally, Zetwerk relies on a low capital expenditure model, outsourcing the majority of its production to a highly fragmented network of third-party medium-and-small scale suppliers across India, the USA, and Southeast Asia. To complement this asset-light ecosystem and service specialized capabilities, the company also operates 26 of its own manufacturing facilities globally across India, Spain, the USA, and Germany. The entire operational lifecycle—from AI-driven supplier matching to production tracking and inventory management—is unified and managed through its proprietary software platform, Zetwerk OS.

Investment Rationale

Integrated, Technology-Led Manufacturing Ecosystem: Zetwerk leverages a diversified, platform-driven model, capturing revenue across the industrial supply chain via its core Manufacturing Business—spanning Energy Products, Precision Products, and Capital Goods—and its raw material Ecosystem Business. This synergistic structure, orchestrated by its proprietary Zetwerk OS, mitigates reliance on any single sector while fostering cross-vertical operational resilience.

Deep Penetration in High-Growth Secular Markets: The company is strategically positioned to capture structural tailwinds across high-capex sectors, including renewable energy, aerospace and defense, and artificial intelligence infrastructure. The platform commands a robust Manufacturing Business order book of ₹13,062.40 Cr as of June 30, 2026, showcasing deep reach and sustained volume traction driven by enterprise clients.

Asset-Light, Capital-Efficient Engine: Zetwerk acts as a highly scalable infrastructure layer for durable goods manufacturing, aggregating a fragmented network of third-party suppliers alongside 26 owned facilities across India, the USA, Spain, and Germany. It currently empowers a vast client base, processing immense volumes that drove an 80.15% repeat customer revenue share in FY26.

Unprecedented Scale and Trajectory: While historically loss-making and heavily working-capital intensive, the company is demonstrating immense fundamental scale. Operational revenue expanded to ₹15,913.32 Cr in FY26, with the US export channel contributing a significant 14.33% of continuing revenue. Although net cash outflows from operating activities persist (-₹681.53 Cr in FY26), this hyper-scaling reflects aggressive market share consolidation and a drive toward optimized unit economics.

Strategic Capital Deployment: The ₹2,830.00 Cr fresh issue will be heavily directed toward debt repayment, directly deleveraging a balance sheet currently burdened by ₹5,208.06 Cr in outstanding borrowings. By channeling fresh capital into aggressive debt reduction, the company is prioritizing the compression of finance costs to alleviate borrowing pressures and accelerate its trajectory toward sustainable profitability.

Key Risk Factors

Persistent History of Substantial Net Losses: The company incurred consolidated restated net losses of ₹1,606.17 Cr in FY26, ₹370.71 Cr in FY25, and ₹917.95 Cr in FY24, with losses widening to ₹732.98 Cr in Q1 FY27. Discontinued operations in Civil Infrastructure Works created significant drag, logging losses of ₹641.78 Cr in FY26 (including a ₹453.00 Cr impairment charge) and ₹668.85 Cr in Q1 FY27. Heavy investments in new product lines and execution overheads could delay a turnaround toward sustainable net margins.

Sustained Negative Operating Cash Flows: Net operating cash flows remained consistently negative across reporting periods, logging -₹681.53 Cr in FY26, -₹386.29 Cr in FY25, and -₹281.54 Cr in FY24, with outflows escalating to -₹796.40 Cr in Q1 FY27. Continued operational cash burn from working capital expansion (net working capital at ₹1,374.21 Cr as of June 30, 2026) strains liquidity and necessitates external financing.

Heavy Reliance on Third-Party Suppliers: Sourced goods from third parties accounted for 80.46% of combined segment revenue in FY26 (75.71% in Q1 FY27). Furthermore, top 10 suppliers represented 38.18% of continuing operating expenses in FY26. Operating via short-term purchase orders leaves Zetwerk vulnerable to partner disruptions, quality failures, and volatile raw material spikes in steel, aluminum, and copper.

Customer Concentration and Purchase Order Risks: The top 10 customers drove 35.90% of continuing revenue in FY26. Transactions predominantly rely on short-term purchase orders lacking minimum volume commitments, exposing the top line to order deferrals, project cancellations, or end-market cyclical pauses.

Internal Control Weaknesses and Contingent Liabilities: Statutory auditors reported a disclaimer of opinion for FY24 and a qualification for FY25 on internal financial controls concerning project costing and contract billing. Additionally, contingent liabilities stood at ₹1,144.55 Cr (28.91% of Net Worth) as of June 30, 2026, alongside ongoing income tax search proceedings.

Financial Snapshot

Metric	FY24	FY25	In Cr FY26
Revenue from Operations	12,364.37	11,331.86	15,913.32
EBITDA	97.03	322.59	421.34
EBITDA Margin	7.66%	12.06%	12.13%
Profit After Tax (PAT)	(917.95)	(370.71)	(1,606.17)
PAT Margin	-	-	-
Basic EPS (₹)	-	-	-

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Zetwerk Manufacturing Businesses Limited
IPO Issue Size	33,20,07,155 shares (agg. up to ₹5,012 Cr) Fresh Issue 18,74,82,119 shares (agg. up to ₹2,830 Cr) Offer for sale 14,45,25,036 shares (agg. up to ₹2,182 Cr)
Price Band	₹143 – ₹151 per share
Face Value	₹1 per share
IPO Opening Date	15 October 2026
IPO Closing Date	19 October 2026
Listing	NSE / BSE
Promoter Holding (Pre/Post)	Pre-IPO: 15.86% → Post-IPO: ~11.36%
Book Running Lead Managers	Kotak Mahindra Capital Company Limited, Morgan Stanley India Company Private Limited, Goldman Sachs (India) Securities Private Limited, Aventus Capital Private Limited JM Financial Limited, HSBC Securities and Capital Markets Private Limited, Pantomath Capital Advisors Private Limited
Use of Proceeds	• ₹1,300.00 Cr towards repayment and/or pre-payment, in part or full, of all or certain outstanding borrowings of the Company. • ₹860.00 Cr towards repayment and/or pre-payment, in part or full, of all or certain outstanding borrowings of certain Subsidiaries

Valuation and Outlook

At the upper price band of **₹151**, Zetwerk Manufacturing Businesses Limited commands a post-issue market capitalization of **~₹25,583 Cr**, translating to a **1.61x** Price-to-Sales multiple on operational revenues of ₹15,913 Cr. While the company pitches an integrated, technology-led manufacturing model anchored by its scalable B2B platform, the consolidated valuation is structurally weighed down by its working-capital-intensive operations. The Manufacturing and Ecosystem segments drive substantial revenue alongside persistent cash burn, with ₹2,160.00 Cr of fresh issue proceeds explicitly earmarked for debt repayment to alleviate a heavily leveraged balance sheet containing ₹5,208.07 Cr in borrowings. Compounded by sustained negative operating cash flows, this issue offers negligible margin of safety for prospective retail investors. We assign an Avoid rating to this IPO. Key monitorables include the timeline for the core manufacturing business to achieve standalone profitability, organic working capital stabilization without external IPO subsidies, and sustained transition toward positive operating cash flows across its operating arms.

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