



IPO NOTE

Shri Ram Twistex Ltd.

20th February 2026

Company Overview

Shri Ram Twistex Limited manufactures 100 percent cotton yarns with a focus on compact and value-added products. Its portfolio includes compact ring spun and carded yarns in both combed and carded variants, along with Eli Twist, compact slub and Lycra blended yarns catering to applications such as denim, home textiles, shirting, and knitwear. The company operates entirely in the B2B segment, supplying institutional textile manufacturers, garment exporters and bulk buyers. The revenue mix is anchored by carded yarn, which contributed 51.3% of revenue in FY25, followed by Eli Twist yarn at 29.6%. Combed yarn accounted for 6.2%, Lycra blended yarn 4.9%, cotton waste 3.5%, FP bales 2.6% and open-end yarn 1.0%, with compact slub yarn forming a marginal share. Manufacturing is undertaken at a single facility in Gondal, Gujarat, with over twenty-seven thousand spindles operating on a three-shift basis. The plant is equipped with modern spinning and quality control systems and supported by in-house warehousing for raw materials and finished goods. Sales are predominantly domestic, with 93.9% of FY25 revenue derived from India and 6.1% from exports routed through merchant exporters. Domestic sales are executed through direct institutional relationships and brokers, with a significant concentration in Gujarat and presence across other key textile states. The customer base is relatively concentrated, with top customers contributing a substantial share of revenues. Cotton bales constitute the primary raw material and are sourced through brokers from major cotton-producing states. Procurement is aligned with the harvest season to benefit from favourable pricing, with buffer inventory maintained to ensure uninterrupted operations. The company also utilizes pledge-based financing against cotton stocks to optimize working capital management.

Objects of the issue

The company proposes to utilize net proceeds from the issue towards the following objects:

- The company will not receive any proceeds from the issue as the entire offer comprises of OFS worth Rs. 110 crores.

Investment Rationale

Integrated and technology-driven spinning facility enhances efficiency, quality control and value-added capabilities

The company operates a fully integrated spinning facility at Gondal, Gujarat, covering the entire yarn manufacturing value chain from cotton bale procurement to finished yarn packaging. Key processes including cleaning, carding, combing, spinning, and winding are housed within a single location, enabling tighter process control, lower material handling losses and improved coordination across production stages. This integrated setup enhances operational efficiency, ensures consistency in yarn quality, and reduces production lead times. At the core of its manufacturing capability is compact ring spinning technology, which improves fibre alignment and reduces yarn hairiness and breakage compared to conventional systems. This enables the production of stronger, smoother, and more uniform yarns that meet the quality standards of institutional textile manufacturers. To further strengthen its value-added portfolio, the company is commissioning in-house Two-for-One twisting machines, which enhance its ability to manufacture high-performance Eli Twist and Lycra blended yarns. Bringing twisting operations in-house improves quality control, reduces turnaround time, and enhances cost efficiency, while deepening vertical integration. The integrated infrastructure allows the company to manufacture a diversified range of yarns catering to knitting, weaving and hosiery segments, while offering customization in terms of count, ply, twist, and fibre characteristics. This operational flexibility strengthens customer relationships and positions the company to scale efficiently while maintaining product quality and responsiveness to market requirements.

Established customer relationships and strategic location support revenue stability and scalability

The company benefits from long-standing relationships with institutional customers, bulk purchasers, and merchant exporters, built over nearly a decade of operations. It operates through a lean direct sales structure supplemented by a network of eight third-party brokers and agents as of September 30, 2025. These intermediaries assist in identifying prospects, facilitating order negotiations, and expanding market reach, enabling the company to maintain consistent customer engagement without significant fixed sales overhead.

Issue Details

Offer Period	23rd Feb. 2026 - 25th Feb. 2026
Price Band	Rs. 95 to Rs. 104
Bid Lot	144
Listing	BSE & NSE
Issue Size (no. of shares in Crs)	1.06
Issue Size (Rs. in Crs)	110
Face Value (Rs.)	10

Issue Structure

QIB	75%
NIB	15%
Retail	10%
BRLM	Interactive Financial Services Ltd.
Registrar	Bigshare Services Private Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	47.07%	34.59%
Public	52.93%	65.41%
Total	100.0%	100.0%

(Assuming issue subscribed at higher band)

Over the recent fiscals, the company has served more than forty-five customers annually, with a meaningful portion of key and non-key customers associated for over four years, reflecting relationship continuity and repeat business visibility. Its customer-centric approach, with an emphasis on product customization across count, ply, and technical specifications, strengthens stickiness and supports sustained demand. In addition, the manufacturing facility in Gondal, Gujarat, provides strategic and logistical advantages. The plant is located within a well-developed textile ecosystem with access to cotton-producing regions, skilled labour, and established logistics infrastructure. Proximity to national highways, rail connectivity and port access enhances supply chain efficiency for both domestic and export markets. The facility spans a sizeable land parcel with only a portion currently built up, providing headroom for future capacity expansion. Dedicated on-site storage infrastructure supports efficient handling of cotton bales and finished goods, enabling effective inventory management, smooth dispatch cycles and reduced operational bottlenecks. Collectively, strong customer relationships combined with strategic location and expansion flexibility enhance revenue stability and position the company for scalable growth.

Valuation

Shri Ram Twistex Limited operates as a B2B-focused cotton yarn manufacturer with a diversified product mix spanning carded, compact and value-added yarns, supported by an integrated spinning facility and institutional customer relationships. The company's manufacturing integration, customization capabilities and presence across knitting and weaving segments position it to participate in both domestic textile demand and export-linked opportunities. The operating environment remains structurally favourable. The industry is projected to scale to USD 350 billion by 2030, supported by favourable demographics, raw material availability, a fully integrated textile value chain and policy support. As the second largest spinning capacity globally after China, India remains a key supplier of cotton yarn, with nearly 70% of production consumed domestically. Financially, the company has delivered steady revenue and operating growth over FY23 to FY25, with Revenue, EBITDA and PAT registering CAGRs of 9.4%, 10.2% and 97.5%, respectively. While EBITDA margins moderated to 8.2% in FY25 from 8.8% in FY24 due to elevated input and other costs, margins remain broadly stable compared to FY23 levels. The sharp improvement in PAT CAGR reflects operating leverage benefits and improved cost absorption over the period. Return ratios have strengthened meaningfully, with ROE improving from 3.4% in FY23 to 10.8% in FY25 and ROCE expanding from 7.2% to 10.9% over the same period. The improvement in capital efficiency indicates better utilization of the expanded spindle base and gradual normalization of profitability metrics. **On the valuation front, with the company trading at a P/E of 38.2x based on its FY25 earnings, which we believe is fairly priced given the stronger financials compared to its peers. We thus recommend a "SUBSCRIBE" rating from a medium-to long-term perspective.**

Key Risks

- Revenue remains concentrated, with the top customer contributing 28.6%, 33.0%, 44.4% and 37.3% in 6M FY26, FY25, FY24 and FY23, respectively. Loss or reduced business from key customers could materially impact financial performance and cash flows.
- Geographic concentration in Gujarat, where the manufacturing facility, registered office, and a significant share of revenue are based, exposes operations to regional risks.
- Dependence on a limited supplier base for cotton bales makes the company vulnerable to supply disruptions and cotton price volatility, impacting costs and margins.

Income Statement (Rs. in million)

Particulars	FY23	FY24	FY25	H1FY26
Revenue				
Revenue from operations	2,131	2,316	2,550	1,321
Total revenue	2,131	2,316	2,550	1,321
Expenses				
a) cost of material consumed	1,803	2,013	2,811	1,290
b) Changes in inventories of finished goods	94	36	-554	-182
c) Employee benefits expense	41	42	45	23
d) Other Expenses	21	22	39	21
Total operating expenses	1,959	2,113	2,341	1,152
EBITDA	172	203	209	169
Depreciation & amortization	88	63	60	36
EBIT	84	140	149	132
Finance costs	39	45	68	35
Other Income	5	1	13	2
PBT	49	96	94	99
Current Tax	17	28	25	23
Deferred tax	12	3	-11	6
Total tax	29	31	14	29
Net Profit	21	66	80	70
Diluted EPS	1	2	3	2

Cash Flow Statement (Rs. in million)

Particulars	FY23	FY24	FY25	H1FY26
Cash Flow from operating activities	101	-49	218	89
Cash flow from/(used in) investing activities	-47	-22	-100	-73
Net cash flows (used in) / from financing activities	-52	68	-114	-17
Net increase/(decrease) in cash and cash equivalents	2	-3	3	-2
Cash and cash equivalents at the beginning of the period	2	4	1	4
Cash and cash equivalents at the end of the period	4	1	4	3

Source: RHP, BP Equities Research

Balance Sheet (Rs. in million)

Particulars	FY23	FY24	FY25	H1FY26
Assets				
Non-Current Assets				
Property, plant and equipment	778	707	682	784
Capital work in progress	0	22	105	41
Intangible assest	0	0	0	0
Financial Assets	0	0	0	0
(i) Other financial assets	12	25	59	61
(ii) Investment	4	5	5	5
Other Non-Current Assets	0	28	4	22
Total Non Current assets	795	787	855	914
Current Assets				
Inventories	285	240	640	875
Financial Assets	0	0	0	0
(i) Investments	0	0	0	0
(ii) Trade Receivables	208	445	320	272
(iii) Cash and cash equivalents	4	1	4	3
(iv) Bank balances other than (iii) above	0	0	0	0
other financial assets	21	34	61	32
Current tax assets (Net)	0	0	0	0
Other current assets	45	37	62	79
Total Current Assets	562	756	1,087	1,260
Total Assets	1,357	1,543	1,942	2,174
Equity and Liabilities				
Equity Share Capital	118	294	294	294
Other Equity	494	374	447	513
Total Equity	611	668	740	807
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	348	392	405	395
Provisions	2	3	4	3
Deferred tax liabilities	34	48	38	44
Total Non-Current Liabilities	384	443	446	442
Current Liabilities				
Financial Liabilities				
(i) Borrowings	209	279	220	212
(iii) Trade Payables	138	132	426	653
(iv) Other financial liabilities	2	2	1	1
Provisions	11	12	10	10
Current tax liabilities (Net)	0	6	11	30
Other current liabilities	2	1	88	19
Total Current Liabilities	362	432	756	925
Total Liabilities	746	875	1,202	1,367
Total Equity and Liabilities	1,357	1,543	1,942	2,174

Source: RHP,StoxBox

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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