IPO Note

BONANZA WEALTH MANAGEMENT RESEARCH

Bonanza

29 June 2026

Aastha Spintex Ltd.- Subscribe

Company Overview

Aastha Spintex Limited is a Gujarat based textile manufacturer engaged in the manufacturing and trading of 100% cotton yarns and cotton bales. The company produces carded, combed, and compact combed yarns catering to diverse end use industries such as denim, shirting, home textiles, terry towels, sweaters, socks, and industrial fabrics. It operates an integrated spinning and ginning facility at Halvad, Morbi, where cotton is processed into cotton bales and subsequently converted into value added yarns, while surplus cotton bales are sold to external customers.

The company benefits from its strategic location in Gujarat, providing easy access to cotton growing regions and efficient raw material sourcing. Its manufacturing facility has an installed capacity of 25,920 spindles and 28 ginning machines, with annual capacities of 7,700 MT of cotton yarn and 12,000 MT of cotton bales. Additionally, Aastha Spintex has invested in rooftop solar, ground-mounted solar, and wind power plants for captive power consumption, helping reduce energy costs and improve operational efficiency.

Investment Rationale

- Aastha Spintex operates an integrated spinning and ginning facility, enabling better control over quality, production efficiency and costs. Its renewable energy infrastructure, which meets nearly 80% of power requirements, further enhances operating margins.
- The proposed acquisition of Falcon Yarns will increase spinning capacity from 7,700 MT to 17,457 MT per annum, strengthening the company's production capabilities, customer base and market presence while providing meaningful scale benefits.
- The manufacturing facility is located close to major cotton growing regions, ensuring efficient raw material procurement, lower logistics costs and reliable access to cotton, a key input.
- The company follows an order linked procurement model by purchasing cotton bales after order confirmation, helping mitigate raw material price volatility. It also maintains buffer inventory during peak cotton seasons to ensure uninterrupted production.
- Aastha Spintex has built durable relationships with key customers over the years, supporting recurring business, revenue visibility and stable demand across textile applications.
- The company has adequate vacant land at its existing facility for future capacity expansion and plans to strengthen its domestic and export presence through direct customer acquisition beyond Gujarat.
- The business is led by experienced promoters with deep industry expertise, supported by a professional management team focused on operational excellence and long-term growth.

Valuation

Aastha Spintex has demonstrated a strong improvement in its financial performance, with revenue increasing from Rs.239 crore in FY23 to Rs.351 crore in FY25, while PAT expanded sharply from Rs.1 crore to Rs.23 crore, reflecting improved operating efficiency and profitability. The proposed acquisition of Falcon Yarns is expected to more than double the company's spinning capacity from 7,700 MT to 17,457 MT per annum, providing a meaningful growth runway through higher production capacity, a wider customer base and operating leverage. Further, the company's integrated manufacturing model, strategic location in Gujarat's cotton belt and renewable energy infrastructure, which meets nearly 80% of its power requirements, are likely to support margins over the long term. While risks relating to cotton price volatility, customer concentration and reliance on a single manufacturing facility remain, the company is well positioned to benefit from the structural growth in the domestic textile industry. At the upper price band, the issue is valued at around Pre issue basis 18.8x FY25 earnings, which appears reasonable considering its improving profitability, expansion plans and growth prospects. Accordingly, we recommend a **SUBSCRIBE** rating for investors with a medium- to long-term investment horizon.

IPO Details

Industry	Textile
Issue Open Date	29th June 2026
Issue Close Date	01st July 2026
Price Band (Rs.)	125-136
Issue Size (Cr)*	~Rs. 170
Issue Size *(Shares)	1,25,00,000
Bid Lot	110 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 10.0/-

* **At highest price band**

Issue Details

Sale Type (Rs. Cr)	Fresh issue - 170
Issue Type	Book Building
Book Running Lead Manager	BOI Merchant Bankers Ltd, PNB Investment Services Ltd
Registrar	Bigshare Services Pvt. Ltd.
Issue structure	QIB: 50.0% Non-Institutional: 15.0% Retail: 35.0%
Credit of Shares to Demat Account	03rd July 2026
Issue Listing Date	06th July 2026

* **At highest price band**

Objects of the Issue

Particular	Estimated utilization from Net proceeds (Rs Cr.)
Part Payment of the purchase consideration for the acquisition of Falcon Yarns Private Limited	111.51
Repayment/pre-payment, in full or in part, of certain outstanding borrowings availed by our company from scheduled commercial banks	10.00
General Corporate Purposes	-

Shareholding Pattern

Shareholding (%)	Pre(%)	Post*(%)
Promoter	74.2	53.2
Public & Others	25.8	46.8

* **At highest price band**

Business Highlights

- Operates a fully integrated spinning and ginning facility in Gujarat with an annual capacity of 7,700 MT of cotton yarn, 12,000 MT of cotton bales, 25,920 spindles and 28 ginning machines, ensuring quality control, operational efficiency and cost optimization.
- The facility is located in Gujarat's cotton belt with excellent connectivity through road, rail and ports. Proximity to NH-27, Kandla Port and Navkar ICD enables efficient raw material sourcing, lower logistics costs and supports domestic as well as export operations.
- Serves over 250 customers across the textile value chain with long standing relationships, while sourcing cotton from a network of 125+ suppliers in Gujarat, ensuring uninterrupted raw material availability and shorter procurement lead times.
- Operates 1 MW rooftop solar, 4 MW ground mounted solar and 2.7 MW wind power plants, meeting a substantial portion of captive power requirements and reducing energy costs while supporting sustainable manufacturing.
- The proposed acquisition of Falcon Yarns Pvt. Ltd. will increase spinning capacity from 7,700 MT to 17,457 MT per annum, providing immediate scale, broader customer access and faster earnings accretion compared with a greenfield expansion.
- Follows an order-linked procurement model while maintaining buffer cotton inventory during peak procurement seasons, helping mitigate raw material price volatility and ensure uninterrupted production.
- Well positioned to benefit from India's expanding textile industry, supported by rising domestic demand, export opportunities, government initiatives such as the National Fibre Scheme, and India's leadership in global cotton production.
- Semi-automated production supported by in-house testing laboratories, dedicated quality control systems and standardized manufacturing processes ensures consistent product quality and operational reliability.
- Revenue increased 15% YoY to Rs.351 crore in FY25, while PAT margin improved to 6.5%, supported by efficient operations and healthy consolidated return ratios of 19.3% ROE and 13.9% ROCE.

Consolidated Financials

Particular (Rs./Cr.)	FY23	FY24	FY25	9MFY26
Revenue	239.3	304.9	351.2	313.3
EBITDA	14.1	37.2	49.9	37.6
EBITDA M(%)	5.9	12.2	14.2	12.0
PAT	1.1	16.3	22.9	17.6
PAT M(%)	0.4	5.3	6.5	5.6
P/E (x)	406.6	26.4	18.8	-

Risks & Concerns

- A significant portion of sales outside Gujarat and export business is routed through 7 Seas Impex. Any disruption in this relationship could impact revenue growth and market reach.
- Revenue remains concentrated among a limited number of customers, with the top 5 customers contributing over 51.7% of FY25 sales, exposing the company to customer retention risk.
- Operations are dependent on a single integrated manufacturing facility in Gujarat, making the company vulnerable to operational disruptions arising from equipment failure, natural calamities, labour issues or power outages.
- The proposed acquisition of Falcon Yarns involves significant capital deployment and integration risks. Failure to realize expected synergies or delays in integration could impact future profitability and returns.
- The company reported negative operating cash flows during 9MFY26 and FY25, indicating higher working capital requirements and dependence on external funding.
- The company has filed compounding applications for certain historical non-compliances under the Companies Act. Although corrective actions have been taken, potential penalties or adverse regulatory actions remain a risk.

Graphs & Charts

Figure 1: Revenue Trend

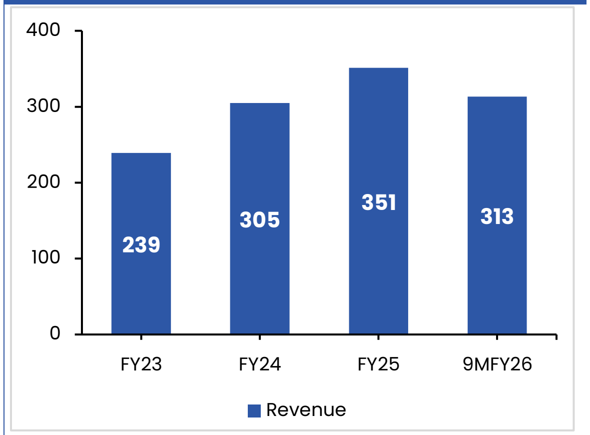


Figure 2: EBITDA trend

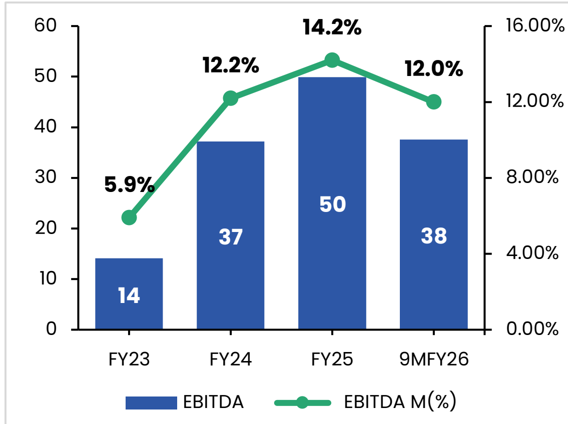


Figure 3: PAT Trend

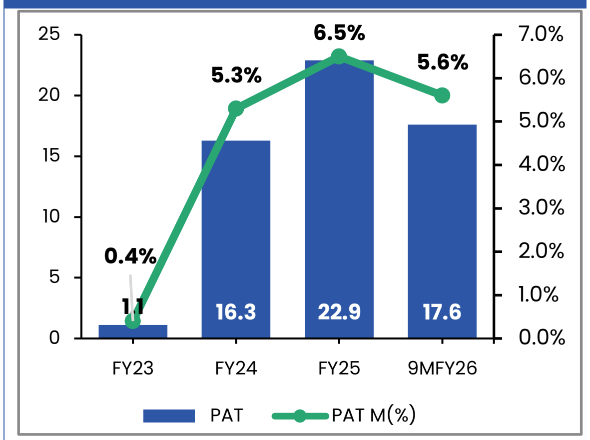
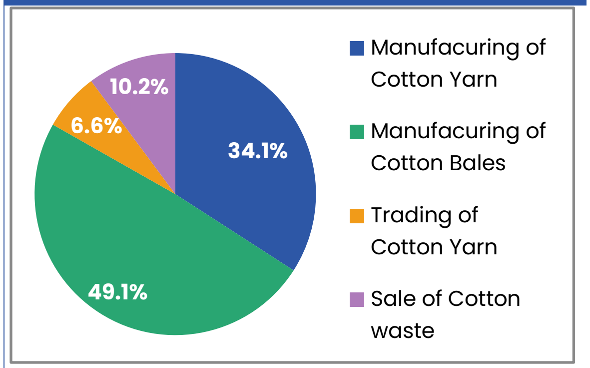


Figure 4: Revenue Mix for FY25



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