SME IPO Note

BONANZA RESEARCH – SME IPO

Bonanza

31 August 2026

Ashutosh Fibre Limited – SUBSCRIBE

Company Overview

Ashutosh Fibre Limited, incorporated in 1985 and headquartered in Ahmedabad, manufactures technical and synthetic yarns from a single facility at Petlad, Gujarat. It runs a business-to-business model across four technical textile categories, Indutech, Protech, Hometech and Mobiltech, supplying para aramid, meta aramid, modacrylic, FR viscose, high tenacity polyester and polypropylene yarns into filtration, automotive friction, protective wear and home furnishing end uses. Exports reached eight countries in FY26.

Investment Rationale

- **Margin Re-rating with a Structural Base:** EBITDA margin expanded from 14.69% in FY24 to 26.47% in FY26 as raw material cost fell from 61.88% to 55.08% of total income and the 4 MW captive solar plant cut power and fuel cost by Rs. 260 Lakh. PAT more than doubled to Rs. 1,604 Lakh, a 51% CAGR.
- **Best Return Ratios in the Peer Set:** RoNW of 30.91% and ROCE of 26.29% in FY26 compare with 15.92% and 21.59% for Garware Technical Fibres and under 4% RoNW for both RSWM and Reliance Chemotex.
- **Proprietary Aramid Recycling:** A dedicated fabric to fibre regeneration line converts end of life para aramid fabric into secondary raw material. Recycled aramid was 21.46% of FY26 raw material purchases, cutting dependence on imported virgin fibre.
- **Funded Capacity Expansion:** Rs. 2,551 Lakh of proceeds lifts installed capacity 26% from 4,775 MT to 6,025 MT. The synthetic yarn line already ran at 96.51% utilisation in FY26.
- **Near Debt Free After the Issue:** Rs. 2,000 Lakh repays Citibank facilities that stood at Rs. 2,441 Lakh on 30 June 2026, taking debt equity from 0.92x to under 0.3x and freeing up the Rs. 468 Lakh FY26 finance cost.

Valuation

At the upper band of Rs. 92 the issue is priced at 9.03x FY26 EPS of Rs. 10.19 and 12.55x post issue diluted EPS, against a peer average of 20.42x, a discount of over 55%. Post issue market capitalisation stands at Rs. 20,125 Lakh. Backed by RoNW of 30.91%, ROCE of 26.29% and a near debt free balance sheet after repayment, the pricing leaves room on the table. Hence, we recommend **SUBSCRIBE**.

IPO Details	
Industry	Diversified
Issue Open Date	31-Aug-26
Issue Close Date	02-Sep-26
Price Band	Rs. 87 – 92
Issue Size*	Rs. 5,635 Lakh
Issue Size (Shares)	61,24,800
Bid Lot	1,200 Shares
Listing Exchanges	NSE SME
Face Value	Rs. 10/-

*At highest price band

Issue Details	
Fresh Issue*	Rs. 5,635 Lakh
Issue Type	Fresh Capital
Lead Manager	Mefcom Capital Markets
Registrar	KFin Technologies
Issue structure	Market Maker: 5.28% QIB: 49.96% NII: 15.02% Retail: 35.02%
Allotment	03-Sep-26
Credit of Shares	04-Sep-26
Listing Date	07-Sep-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
Capex	2,550.83
Repayment	2,000.00
General Corporate Purposes	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	59.79	43.05
Public & Others	40.21	56.95

Business Highlights

- **Product Mix (FY26):** Para aramid based spun yarn 27.66% of revenue, 100% polypropylene yarn 22.95%, high tenacity polyester 11.22%, meta aramid and viscose blends 8.09%, modacrylic 6.33% and 100% acrylic spun 5.63%. Job work services added a further 9.04%.
- **Capacity and Utilisation (FY26):** Combined installed capacity of 4,775 MT against production of 4,275 MT, or 89.52% utilisation. The synthetic yarn line ran at 96.51% while the dedicated 100% polypropylene line ran at 63.95%.
- **Geographic Mix (FY26):** Domestic 59.15% and exports 38.99%. Within India, Gujarat 29.14%, Uttar Pradesh 7.74%, Maharashtra 6.21% and Punjab 6.18%. Overseas, China 21.80%, Germany 6.44%, Hungary 6.22% and Brazil 2.33%.
- **Manufacturing and Quality:** Five processing lines and three spinning technologies, Ring Spun, DREF friction spun and Open End, producing counts from 0.4 Ne to 50 Ne. Certified to ISO 9001, ISO 14001, ISO 45001 and OEKO-TEX Standard 100, with defect and rejection rates at 0.13% of FY26 revenue.
- **Customer Base:** 109 customers served in FY26 from 49 suppliers, with average customer relationships of about six years.

Financials

Profit & Loss Statement:

Particulars (in Lakh)	FY24	FY25	FY26	CAGR (FY24-26)
Revenue from Operations	10,987	11,403	11,737	3%
EBITDA	1,614	1,784	3,107	39%
EBITDA Margin	14.69%	15.64%	26.47%	
PAT	705	851	1,604	51%
PAT Margin	6.42%	7.46%	13.67%	

- Revenue has been broadly flat at Rs. 10,978 to 11,700 Lakh over three years, a 3.36% CAGR. The whole of the earnings growth has come from margin rather than volume or price.
- EBITDA margin expanded 1,178 bps over FY24 to FY26. Cost of material consumed fell from 61.88% of total income to 55.08%, and other expenses from 17.88% to 14.56%.
- Power and fuel cost fell Rs. 260 Lakh in FY26 as the 4 MW captive solar plant, commissioned in April 2025, substituted grid power for a full year.
- Other operating revenue of Rs. 219 Lakh in FY26 includes a Rs. 191 Lakh foreign exchange gain, so close to 6% of reported EBITDA is currency driven and not dependable.
- FY26 EPS of Rs. 10.19 is on the post bonus base of 1,57,50,000 shares after the 8:1 bonus issue of September 2025.

Balance Sheet:

Particulars	FY24	FY25	FY26	Particulars	FY24	FY25	FY26
Equity & Liabilities				**Assets**			
Net Worth	2,755	3,585	5,190	PPE	3,186	5,570	5,861
Long Term Debt	1,404	3,090	2,517	Inventories	1,270	1,443	1,828
Short Term Debt	2,082	2,653	2,276	Trade Rec.	1,539	1,928	2,144
Trade Payables	377	450	364	Cash	26	347	44

- Net worth nearly doubled from Rs. 2,755 Lakh to Rs. 5,190 Lakh in two years, entirely out of retained earnings.
- Total borrowings fell from Rs. 5,744 Lakh in FY25 to Rs. 4,792 Lakh in FY26, taking debt equity from 1.60x to 0.92x. Short term debt still includes Rs. 1,020 Lakh of director loans.
- PPE rose from Rs. 3,186 Lakh to Rs. 5,861 Lakh over two years on the Petlad expansion and the solar plant, with a further Rs. 351 Lakh in capital work in progress at March 2026.
- Inventories rose 26.68% and receivables 11.18% in FY26 against revenue growth of 2.93%, which stretched the working capital cycle.
- Cash fell to Rs. 44 Lakh from Rs. 347 Lakh as accruals were used to repay Rs. 1,059 Lakh of long term borrowings.

Cash Flow:

Particulars	FY24	FY25	FY26
Operating Cash Flow	563.54	1,122.22	2,144.35
Investing Cash Flow	(760.62)	(2,629.91)	(1,031.93)
Financing Cash Flow	87.75	1,828.50	(1,414.70)
Net Cash Flow	(109.32)	320.81	(302.28)

- Operating cash flow nearly quadrupled from Rs. 564 Lakh in FY24 to Rs. 2,144 Lakh in FY26, covering FY26 capital expenditure of Rs. 1,037 Lakh twice over as the solar and plant programme completed.
- FY26 financing was a net outflow of Rs. 1,415 Lakh, the first deleveraging year, but net cash flow was still negative in two of the three years, so cash conversion rather than profitability is the weak link.

Key Ratios:

Particular	FY26
Return on Equity	36.56%
Return on Capital Employed	26.29%
Debt-Equity Ratio	0.92x
Current Ratio	1.66x
EPS (Rs.)	10.19
NAV (Rs.)	32.95

Working Capital Cycle:

Particulars	FY24	FY25	FY26
Inventory Days	36	43	51
Debtor Days	48	55	63
Creditor Days	16	17	17
Net Working Capital Cycle	**68**	**82**	**97**

Peer Comparison

Metrics	Ashutosh Fibre	RSWM	Reliance Chemotex	Garware Tech. Fibres	Cedaar Textile
Revenue	11,737	4,55,398	36,201	1,41,898	16,280
EBITDA	3,107	26,532	4,071	27,690	(8,288)
PAT	1,604	5,198	526	21,127	(7,138)
EPS (Rs.)	10.19	11.04	6.97	21.28	(56.16)
RoNW	30.91%	3.79%	3.69%	15.92%	(147.39%)
NAV (Rs.)	32.95	291.21	189.23	133.71	34.9
P/E Ratio	9.03	17.93	16.36	38.35	N/A

Risk & Concerns

- **Flat Topline, Margin Led Earnings:** Revenue CAGR of 3.36% over FY24 to FY26. The FY26 margin rests on a first full year of captive solar, a soft raw material cycle and a Rs. 191 Lakh forex gain, none of it locked in. Reversion to the FY25 margin of 15.64% pulls post issue EPS to roughly Rs. 4 to 5.
- **Customer and Country Concentration:** Top customer 21.80% of FY26 revenue, top five 51.83%, top ten 68.85%. The largest exposure maps to China, itself 21.80% of revenue, so client and country risk overlap.
- **Raw Material and Currency:** Aramid, modacrylic and FR viscose are largely imported, 36.29% of FY26 purchases, with no long term or fixed price supply contracts. Polypropylene and polyester pricing tracks crude.
- **Single Leased Site:** All manufacturing sits at one Petlad facility, and both the registered office and the plant run on leased premises.
- **Working Capital:** Cash conversion cycle at about 97 days in FY26 against 68 days in FY24, with net capital turnover halving from 14.56x to 7.10x.

Name	Designation	SANKET GAJANAN ROGE	Digitally signed by SANKET GAJANAN ROGE DN: cn=SANKET GAJANAN ROGE c=IN o=Personal ou=Personal Reason: I am the author of this document Location: Date: 2026-08-31 19:00+05:30
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