LOGIC TRADE

INVESTMENT RESEARCH

Aastha Spintex Limited

IPO Note

NEUTRAL

Issue Opens: 29 June 2026 | Closes: 01 July 2026 | Listing: BSE & NSE
Price Band: INR 125 - INR 136 | Issue Size: INR 170 Crore | Lot: 110 shares

24 June 2026

About

Aastha Spintex Limited was incorporated in 2013 and converted to a public limited company in February 2025. The company manufactures and trades carded, combed, and compact combed cotton yarns and cotton bales from a semi-automated integrated facility at Halvad, Morbi, Gujarat — strategically located near premium cotton-growing belts. Spinning capacity stands at 7,700 MT per annum (25,920 spindles across 15 compact ring spinning machines) and ginning capacity at 12,000 MT per annum (28 machines). The facility operates 24x7, 365 days a year. Products are sold on a B2B basis to textile manufacturers, yarn exporters, and fabric processors catering to denim, terry towels, shirting, sheeting, sweaters, socks, home textiles, and industrial fabrics. By-products (cotton seeds from ginning; licker-in and hard waste from spinning) generate additional revenue streams.

Investment Rationale

Rapid margin re-rating via captive renewable energy — EBITDA margins expanded dramatically from 4.85% in FY23 to 11.23% in FY24 and 13.20% in FY25. A combined 7.7 MW of captive power (1 MW rooftop solar + 4 MW ground-mounted solar + 2.7 MW wind) commissioned in FY23-24 slashed net power costs by ~55% in FY25, turning a structurally high-cost item into a competitive advantage. Net PAT jumped from INR 1.1 crore (FY23) to INR 22.9 crore (FY25).

Transformative Falcon Yarns acquisition — The proposed 100% acquisition of Falcon Yarns Private Limited (Gondal, Rajkot) for INR 131.51 crore will more than double the combined spinning capacity from 7,700 MT to 17,457 MT per annum. On a proforma consolidated FY25 basis, the combined entity would have reported revenue of ~INR 597 crore and diluted EPS of INR 9.00, implying just ~15x P/E at the upper band — compelling if integration succeeds. Falcon also has a VAT concession of INR 98.68 crore over 12 years under Gujarat Textile Policy, adding further value.

Consistent revenue trajectory — Revenue grew from INR 239 crore (FY23) to INR 351 crore (FY25), a ~21% CAGR. 9M FY26 revenue already stands at INR 313 crore (annualising to ~INR 417 crore). Customer additions accelerated sharply and the top-10 customer share declined from 84.71% (FY24) to 59.94% (FY25).

Improving balance sheet and credit profile — Debt-to-equity improved from 1.35x (FY23) to 0.79x (FY25) and further to 0.66x by December 2025. Long-term borrowings reduced from INR 40.6 crore to INR 26.3 crore. Credit rating upgraded from IND BB+/Stable to IVR BBB+/Stable. ROE and ROCE have sustained above 18% in FY24 and FY25.

Strong industry tailwinds — India's textile industry, estimated at USD 195 billion in 2025, is projected to reach USD 623 billion by 2035 at a 12.3% CAGR. Cotton textiles form 38-40% of the market. Union Budget 2026-27 introduced the National Fibre Scheme and reaffirmed support for spinning cluster modernisation.

Hedged procurement model — Cotton bales are procured against confirmed yarn orders, locking in input cost at the order stage. Buffer stock is built during the harvest season (Oct-Mar) at relatively lower prices, insulating margins from intra-season commodity volatility.

Issue Summary

Issue Size	INR 170 Crore (fresh issue of 1,25,00,000 equity shares at upper band)
Face Value	INR 10 per equity share
Price Band	INR 125 to INR 136 per equity share
Market Lot	110 Equity Shares
Min. Investment (Retail)	INR 14,960 at upper band (1 lot of 110 shares)
Pre-Issue Shares	3,16,42,000 equity shares
Post-Issue Shares	4,41,42,000 equity shares
Listing	BSE Limited and NSE (Designated Stock Exchange: BSE)
BRLMs	BOI Merchant Bankers Limited and PNB Investment Services Limited
Registrar	Bigshare Services Private Limited

Indicative Timetable

Anchor Investor Bidding Date	Thursday, 25 June 2026
Bid/Issue Opens on	Monday, 29 June 2026
Bid/Issue Closes on	Wednesday, 01 July 2026
Allotment Finalisation	Thursday, 02 July 2026
Credit to Demat Account	Friday, 03 July 2026
Tentative Listing Date	Monday, 06 July 2026

Objects of the Issue

Part payment — Falcon Yarns acquisition (Tranche III)	INR 111.51 crore
Inter-corporate deposit for Falcon Yarns working capital	INR 10.00 crore
General Corporate Purpose	Up to 25% of Gross Proceeds
Total Gross Proceeds	INR 170 crore (at upper band)

Shareholding Pattern

Shareholder	Pre-Issue	Post-Issue
Promoters	74.23%	53.21%
Public and Others	25.77%	46.79%
Total	**100%**	**100%**

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Key Risks

Falcon Yarns acquisition — premium valuation and integration uncertainty — This is the most material near-term risk. Tranche III (INR 111.51 crore for the remaining 84.79% stake) is contingent on IPO completion and payable by July 31, 2027. The acquisition price of INR 33.33 per share represents a 130% premium to Falcon's own buyback price of INR 14.46 per share conducted just 9 months earlier in September 2024. As of the RHP date, Aastha holds only 15.21% of Falcon. Integration risk, alignment of operations, and potential hidden liabilities could adversely impact consolidated financial performance. If Aastha fails to make Tranche III payment by the longstop date, the SHA terminates and the strategic rationale of the IPO collapses.

Negative operating cash flows for two consecutive periods — CFO was -INR 18.1 crore in FY25 and -INR 13.6 crore in 9M FY26, driven by aggressive inventory accumulation. Inventories surged 110% YoY to INR 118.7 crore in FY25 and further to INR 165.3 crore by December 2025. Funding has relied on short-term borrowings, which have risen from INR 40.4 crore (FY23) to INR 80.8 crore (December 2025), increasing liquidity risk.

Critical dependence on a single reseller for out-of-state sales — 7 Seas Impex is the sole reseller for all cotton yarn sales outside Gujarat and for exports. Though this share has declined from 66.61% (FY23) to 33.88% (FY25) of product revenue, the exclusivity arrangement means Aastha must source from third parties when reseller demand exceeds its own capacity. Third-party purchases ranged from INR 99 lakh (FY23) to INR 1,257 lakh (9M FY26). Any disruption to 7 Seas Impex could sever Aastha's access to out-of-state markets and export customers.

Exhibit 1: Revenue Channelled Through 7 Seas Impex

Period	Sales to 7 Seas (INR Lakh)	% of Product Revenue
FY2023	15,649	66.61%
FY2024	16,202	54.73%
FY2025	11,646	33.88%
9M FY2026	7,141	22.99%

Source: Company RHP, Logic Trade

Single manufacturing facility — no operational redundancy — The entire business runs from one plant at Halvad, Morbi. Any disruption — equipment failure, power outage, labour dispute, natural disaster, or regulatory action — would halt all production with no fallback. The ginning unit further concentrates risk by operating seasonally for only 6-7 months (October-March).

History of regulatory non-compliances — Five suo moto compounding applications were filed in September 2025 covering 9+ years of violations: CSR non-compliance for 6 consecutive years (FY17-18 to FY22-23); non-appointment of internal auditor for 3 years (FY21-22 to FY23-24); uneven calls on shares (FY14-15); irregular director appointments (FY14-15); and delayed Company Secretary appointment. While the RoC has approved compounding, final penalties remain undetermined and raise governance concerns.

Working capital intensity increasing with scale — The working capital turnover ratio has deteriorated from 12.14x (FY23) to 6.45x (FY25) and 3.44x (9M FY26), indicating each unit of revenue requires progressively more working capital — a trend likely to continue post the Falcon acquisition.

Raw cotton price volatility — Cotton bales constitute ~85% of materials consumed. While the hedged procurement model mitigates in-season risk, off-season buffer-stock procurement exposes the company to mark-to-market losses if cotton prices fall after purchase. The ginning division also faces farmer-level pricing and quality risks.

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Exhibit 2: Profit and Loss Statement (INR Crore)

Particulars	FY2023	FY2024	FY2025	9M FY2026
Revenue from Operations	239.3	304.9	351.2	313.3
Revenue Growth (YoY)	-	27.4%	15.2%	-
Raw Material Cost (net inv. chg.)	193.4	226.6	278.1	257.8
Manufacturing Expenses	16.7	14.0	10.3	8.0
Employee Benefits Expense	7.5	7.3	8.1	6.5
Other Expenses	10.1	12.8	8.3	7.9
EBITDA	**11.6**	**34.2**	**46.4**	**35.3**
EBITDA Margin (%)	4.85%	11.23%	13.20%	11.25%
Finance Costs	7.4	10.5	10.7	8.0
Depreciation and Amortisation	5.8	6.3	8.1	6.1
Profit Before Tax	1.3	21.2	32.1	24.2
Tax Expense	0.2	4.9	9.2	6.7
Net Profit (PAT)	**1.1**	**16.3**	**22.9**	**17.6**
PAT Margin (%)	0.44%	5.34%	6.53%	5.60%
Basic EPS (INR)	0.39	5.96	8.29	5.79
Diluted EPS (INR)	0.39	5.96	8.29	5.56

Source: Company RHP, Logic Trade

Exhibit 3: Restated Balance Sheet (INR Crore)

Particulars	FY2023	FY2024	FY2025	Dec 2025
Equity Share Capital	27.3	27.3	29.9	31.6
Reserves and Surplus	32.7	49.1	91.2	121.5
Total Equity	**60.0**	**76.4**	**121.1**	**153.2**
Long-Term Borrowings	40.6	38.1	26.3	20.6
Short-Term Borrowings	40.4	44.8	68.7	80.8
Trade Payables	22.2	65.1	39.5	55.2
Other Current Liabilities	3.9	7.2	8.6	11.6
Total Liabilities and Equity	**172.6**	**240.6**	**274.2**	**331.7**
Property, Plant and Equipment	73.2	87.5	80.7	75.0
Other Non-Current Assets	2.0	1.0	0.9	0.7
Total Non-Current Assets	**75.2**	**88.4**	**81.5**	**75.7**
Inventories	44.4	56.5	118.7	165.3
Trade Receivables	14.9	72.7	39.1	45.3
Cash and Bank Balances	6.1	6.5	11.1	9.7
Other Current Assets	32.0	16.5	23.8	35.7
Total Current Assets	**97.4**	**152.2**	**192.7**	**256.0**

Source: Company RHP, Logic Trade

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Exhibit 4: Key Financial Ratios and Performance Metrics

Metric	FY2023	FY2024	FY2025	9M FY2026
EBITDA Margin (%)	4.85%	11.23%	13.20%	11.25%
PAT Margin (%)	0.44%	5.34%	6.53%	5.60%
Return on Equity / ROE (%)	1.76%	21.32%	18.93%	11.46%*
Return on Capital Employed / ROCE (%)	4.58%	18.95%	18.89%	12.13%*
Debt to Equity Ratio (x)	1.35x	1.08x	0.79x	0.66x
Current Ratio (x)	1.23x	1.29x	1.64x	1.72x
Debt Service Coverage Ratio (x)	0.65x	1.35x	2.37x	2.14x
Inventory Turnover Ratio (x)	4.01x	4.31x	3.15x	1.74x#
Trade Receivables Turnover (x)	18.00x	6.96x	6.28x	7.42x
Working Capital Turnover (x)	12.14x	12.29x	6.45x	3.44x
Net Cash from Operations (INR Cr)	15.5	12.9	-18.1	-13.6

*Source: Company RHP, Logic Trade. * Not annualised. # As at December 31, 2025.*

Exhibit 5: Peer Comparison — Listed Cotton Yarn Spinners (Standalone, FY2025)

Company	Revenue (INR Cr)	Diluted EPS (INR)	Mkt Price (INR, 15-Jun-26)	P/E (x)	RONW (%)
Aastha Spintex - Pre-Issue	351.2	8.29	N.A.	N.A.	18.93%
Aastha Spintex - Proforma Consol.	597.1	9.00	N.A.	N.A.	20.07%
Ambika Cotton Mills Limited	702.1	114.83	1,636	14.25x	7.27%
Lagnam Spintex Limited	605.6	7.28	81	11.15x	10.64%
Pashupati Cotspin Limited*	636.7	0.82	87	106.54x	8.35%
Industry P/E Average				**43.98x**	

*Source: Company RHP, NSE closing prices as at June 15, 2026. * EPS adjusted for 10:1 share split (April 18, 2026).*

Management

Exhibit 6: Key Personnel

Name and Age	Designation	Background and Experience
Patel Divyang Jashvantbhai (40)	Chairman and MD	Higher secondary education. Promoter since inception (2013). Over 10 years in textiles. Oversees overall operations, strategic direction, and key client relationships. Also serves on boards of Gyanmata Trading, Devkinandan Paper Mills, and Falcon Yarns.
Gothi Vivek Rasiklal (36)	Whole-time Director	Certificate in Corporate Finance, London School of Business and Finance. Promoter since inception. Oversees financial management, compliance, investor relations, and governance. Over 10 years of textiles experience.
Jashvantbhai Valjibhai Patel (71)	Executive Director	Higher secondary education. Father of CMD; Promoter since January 2014. Over 10 years in textiles operations and management.
Rasiklal Valjibhai Patel	Administrative Head	Promoter. Father of Gothi Vivek Rasiklal; brother of Jashvantbhai Patel. Pivotal role in business development and administrative oversight.
Monpara Kunal Babulal	Chief Financial Officer	Oversees financial reporting, treasury, credit rating maintenance, and statutory compliance for the Company.

Source: Company RHP, Logic Trade

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Valuation and View

At an implied market capitalisation of approximately **INR 600 crore** at the upper price band of INR 136, the IPO is valued at approximately **26x FY25 post-dilution earnings** (post-issue EPS of ~INR 5.19 on 4.41 crore fully diluted shares). Based on annualised 9M FY26 earnings, the P/E is a similar ~25-26x. The IPO price represents a **significant discount to the industry average P/E of 43.98x** but trades at a **premium to the closest comparable listed peers** — Lagnam Spintex (11.15x) and Ambika Cotton Mills (14.25x). On a **proforma consolidated basis** inclusive of Falcon Yarns, the combined entity trades at an attractive **~15x on EPS of INR 9.00** — offering meaningful upside if integration is executed well.

The investment case has genuine merit: captive renewable energy has delivered a durable structural cost advantage driving the key re-rating catalyst (EBITDA margins more than doubling to 13.20%); the Falcon acquisition provides a path to doubling revenue scale with limited incremental capex; and India's textile growth ambitions provide multi-year demand visibility.

However, several factors warrant caution: **(1) Negative operating cash flows** for two consecutive reporting periods driven by inventory builds; **(2) The Falcon acquisition carries material execution risk** — Tranche III (bulk of IPO proceeds) has yet to close, the acquisition price is 130% above Falcon's own buyback value, and the combined entity has not operated as an integrated unit; **(3) Dependence on a single reseller (7 Seas Impex)** for the majority of out-of-state distribution; **(4) Five pending regulatory non-compliance proceedings** with undetermined penalties; and **(5) A single manufacturing facility** with no operational redundancy.

We therefore assign a **NEUTRAL** rating. Risk-tolerant investors with a 12-18 month horizon and conviction on Falcon integration may consider selective participation at the **lower band of INR 125** (implied P/E ~24x), where the margin of safety is modestly better. **Cautious investors should wait for clarity on operating cash flow normalisation and Tranche III completion before entry.**

Investment Rating Definition

Rating	Definition
Subscribe / Buy	Expected absolute returns of more than 20% over specified time period
Neutral / Hold	Expected absolute returns between 20% and -15% over specified time period
Avoid / Sell	Expected absolute returns of less than -15% over a specified time period

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Sr.	Disclosure	Yes/No
A	Analyst or relative has direct/indirect financial interest in the company	No
B	Analyst or relative has material conflict of interest at time of publication	No
C	Analyst or relative holds 1% or more equity in the company	No
D	Analyst/associates received compensation from company in past 12 months	No
E	Analyst/associates managed or co-managed public offering for the company	No
F	Analyst served as officer, director, or employee of the company	No
G	Analyst has been engaged in marketing activity for the company	No

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