



Issue Details

Issue Open Date

13th

March 2023

Issue Close Date

15th

March 2023

Lot Size

100 Shares**₹133/- to ₹140/-**

Price Band

Issue Size

₹1.55 bn**11.07 mn shares**

No of Shares

Face Value

₹10/- per share



Offer Breakup

Category	Allocation	Issue size (No. of Shares)	
		Lower Band	Upper Band
QIB	50%	73,61,55,000	77,49,00,000
NII	15%	51,53,08,500	54,24,30,000
Retail	35%	22,08,46,500	23,24,70,000
Total	100%	1,47,23,10,000	1,54,98,00,000





About Company

Incorporated in the year 1991, Global Surfaces Ltd. (GSL) is involved in the business of mining, producing, and exporting natural stones and engineered quartz. The company's product offering includes slabs and countertops that can be used for various purposes like flooring, indoor wall cladding, vanity tops, reception desk, table tops, staircases, and more. Presently, the company has two manufacturing units in Rajasthan, with Unit I exclusively dedicated to processing natural stones such as marble, granite, and quartzite and Unit II for manufacturing engineered quartz. The company is an export-driven business (derived ~99% of revenue through exports for FY20, FY21, and FY22) and sells products in countries like the United States of America, Canada, Australia, and the Middle East.

The objective of the offer

The objects of the net fresh issue is to raise funds for:

- a) Prepayment, in full or part, of borrowings availed by the company's subsidiaries.
- b) General corporate purposes.





Strengths

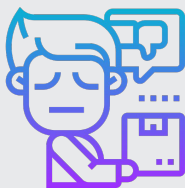


**Effective
quality checks
thereby
reducing loss**



**Established
presence in
international
markets**

Risks



**Dependant on
few customers
for the major part
of the Revenue**



**No long term
agreements with the
suppliers for sourcing
of Raw Materials**



**Working Capital
Intensive**



Investment Rationale

Higher focus on the engineered quartz segment is set to drive business growth going forward

It is estimated that the market for EV transmission is expected to grow at a CAGR of 77-82% in the FY2022-27 period in both volume and value terms. To capitalize on this opportunity, the company intends to increase its market share in both the Indian and overseas markets by providing comprehensive transmission solutions and components to EV OEMs and acquiring new customers within this segment. Presently, the company has a contract for the supply of EV transmission systems for one of the leading providers of EVs in India. However, this has not materialized yet commercially. Another area of interest for the company is the UV segment in which its share in total PV production has risen to 35% from 20% earlier. Thus, with higher penetration of DCT in the compact UV and UV segments, the company stands to benefit as it is the only company to manufacture DCT systems in the Indian market.

Strategically located manufacturing facilities

The business has followed a strategic approach in setting up its facilities in a manner that helped them to minimize its costs. Illustrating this, the company's manufacturing facility - Unit I is located near its key raw material (i.e. blocks of natural stones) where it could source its raw materials more efficiently, thereby reducing the logistics and transportation cost of the business. Moreover, the company has positioned its new manufacturing facility in The Jebel Ali Free Zone, Dubai where it enjoys the benefit of being income tax exempt and having free trade privileges as compared to manufacturing units established in landlocked areas that use rail and roads for transportation.

Valuation and Outlook

On the way forward, Global Surfaces Ltd. aims on increasing its focus on the engineered quartz segment wherein it commands higher margins as compared to the natural stones segment. While the company's overall capacity utilization for natural stones stood at 63.0%, 57.2%, and 28.7% for FY20, FY21, and FY22, respectively, the engineered quartz segment's overall capacity utilization was reported at 70.4%, 64.0%, and 69.0% for the period. On the upper end of the price band, the issue is valued at a P/E of 13x based on FY2022 earnings. However, the declining margin profile of the business (EBITDA margin: 24.7% in FY20 v/s 22.0% in FY22) and deterioration in key return ratios like ROCE (33.0% in FY20 v/s 20.9% in FY22) and ROE (32.5% in FY20 v/s 26.6% in FY22) remain a cause of concern. We, therefore, remain cautious over this issue and recommend an "AVOID" rating.



Important Financials Data

For the year/period ended (in Crore)

IPO closing Date	FY20	FY21	FY22	H1FY23
Revenue				
Revenue from Operations	1,633	1,754	1,903	980
Total Revenue	1,633	1,754	1,903	980
Expenses				
Cost of raw material and components consumed	714	794	986	492
Purchases of Stock in Trade	2	-	-	-
Changes in inventories of finished goods and work- in-progress	(4)	(74)	(119)	(36)
Employee benefit expenses	104	123	149	65
Other expenses	414	439	469	266
Total Operating Expenses	1,230	1,281	1,485	787
EBITDA	403	473	418	192
Depreciation and Amortization expenses	169	130	108	44
Other income	25	36	80	13
EBIT	259	379	391	161
Finance costs	52	34	34	19
PBT	207	345	361	361
Current tax	37	61	65	32
Deferred Tax charge/ (credit)	(39)	(55)	(60)	(26)
Total tax	(2)	6	5	6
PAT	210	210	356	136
Diluted EPS	6.2	10.0	10.5	4.0



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Last 10 IPO Performances

IPO Listing Date	Company Name	Issue Size (Rs.)	Current Price at BSE (Rs.)	Current Price at NSE (Rs.)	Gain (%)
Jan 12, 2023	Sah Polymers Limited	65	79.36	78.4	22.09
Jan 04, 2023	Radiant Cash Management Services Limited	94	96.64	97.2	2.81
Apr 13, 2022	Hariom Pipe Industries Limited	153	447.15	446.7	192.25
May 24, 2022	Venus Pipes & Tubes Limited	326	728.5	728.35	123.47
Feb 08, 2022	Adani Wilmar Limited	230	474.5	474.4	106.3
Nov 22, 2022	Kaynes Technology India Ltd	587	934.1	931.15	59.13
Apr 08, 2022	Ruchi Soya Industries Ltd	650	1009.35		55.28
Nov 21, 2022	Archean Chemical Industries Limited	407	621.45	621.65	52.69
Nov 16, 2022	Global Health Limited	336	508.85	508.85	51.44
Apr 11, 2022	Veranda Learning Solutions Limited	137	197.9	199.2	44.45

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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