

IPO Note

GLOBAL SURFCAE LIMITED

March 13, 2023





March 13, 2023

Details of the Issue

Price Band	₹ 133 - ₹ 140
Issue Size	₹ 147 Cr - ₹ 155 Cr
Face Value	₹ 10
Bid Lot	100
Listing on	BSE, NSE
Post Issue Mcap	₹ 564 Cr - ₹ 594 Cr
Investment Range	₹ 13,300 - ₹ 14,000

Important Indicative Dates (2022)

Opening	13 - Mar
Closing	15 - Mar
Basis of Allotment	20 - Mar
Refund Initiation	21 - Mar
Credit to Demat	22 - Mar
Listing Date	23 - Mar

Lead Manager

Unistone capital Private Limited

No of shares (Mn)

Fresh Issue of Shares	8.52
Offer for Sales	2.55
Total No of Shares	11.07

Offer Details

Offer Size	₹ 155 Cr
Fresh Issue	₹ 119 Cr
OFS	₹ 36 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	77.49	5.54	5.83	50%
NIB	23.25	1.66	1.75	15%
Retail	54.24	3.87	4.08	35%
Empl.	-	-	-	-
Total	154.98	11.07	11.07	100%

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	2.49	73.55	2.35	55.46
Promoter Group	0.87	25.80	0.76	17.90
Public	0.02	0.65	1.13	26.64
Employee Trust	-	-	-	-
Total	3.39	100	4.24	100

[Invest Now](#)[Company Profile](#)

Global Surfaces Limited has a strong focus on research and development, which has enabled them to create innovative products that meet the evolving market demands. The company's R&D facility is located at Unit II in Mahindra World City SEZ, Jaipur, Rajasthan, where they constantly work on developing and improving their products. Additionally, the company has implemented several sustainable practices to minimize their impact on the environment, such as water conservation, waste reduction, and energy efficiency.

[Business Highlights & Services](#)

GSL is engaged in the business of processing natural stones and manufactures engineered quartz. Natural stones, such as granite, marble, and slate, are unique in their composition and appearance due to complex geological processes. Engineered quartz, used in countertops, is a composite material made up of crushed stone and a resin binder.

Globally, the natural and engineered stone (combined) market accounted for \$65,746 million in 2022 and is expected to reach of \$ 114,504 million by 2032. In the year 2022, the natural stone segment accounted for a major 59% of market share with \$ 38,829 million while the contribution of engineered stone segment stood at \$ 26,917 million. However, in projected years between 2022 and 2027, the engineered stone is expected to grow at a higher CAGR of 6-7% as compared to natural stone which is expected to grow at a CAGR of 5-6%. This is mainly because the engineered stones are non-porous, strong, durable and stain resistant. The engineered stones are also available in various colours and designs which is making them a preferred choice.

GSL has two units in Jaipur, Rajasthan for processing and manufacturing natural stones and engineered quartz. Unit I was acquired in 2004 under the Recovery of Debt Due to Banks and Financial Institutions Act, and is solely dedicated to processing natural stones such as marble, granite, and quartzite. It's strategically located close to raw material sources, minimizing logistics costs. Unit II, set up in FY 2017-18, is dedicated to manufacturing engineered quartz and has an R&D facility. Both units are within 20 km of each other. Prior to the acquisition of Unit I, company was in the real estate construction business.

GSL products have application in the flooring, wall cladding, countertops, cut-to size and other items. Their products are used in both commercial and residential industry and are sold within and outside India. Majority of their operational revenues comprise of export sales. Approximately 99% of their revenues from operations have been derived from exports during the Fiscals 2020, 2021 and 2022 and approximately 98% of their revenues from operations have been derived from exports during the period ended September 30, 2022. They are focused on exporting their products and have exported to the United States of America, Canada, Australia and Middle East.

GSL's business model is aimed at consistently expanding their product portfolio by developing new designs. They constantly engage with their customers through marketing and promotional activities and industry-specific events. their sales team works closely with their customers to obtain their insights and feedback about the upcoming trends in the industry which enables them to develop and improve their products to fulfil the tastes and demands of the market.

Global surface limited is promoted and managed by Managing Director and Promoter, Mr. Mayank Shah who has been instrumental in the growth of the Company. Mr. Shah has played a key role in reviving and turning around a sick and closed unit (i.e. Unit I) into a profitable venture, facilitating technology upgradation in the production process,



diversification of business into engineered quartz and spearheading their venture of setting foot in previously untapped markets.

Product Capacity, Production and Utilization:

Global Surfaces processes natural stone at Unit-I and manufactures engineered quartz at Unit-II. The raw materials and finished goods are stored at their respective units. They source raw materials from their suppliers based on quality specifications and cost-effectiveness. Additionally, they import some specific types of grit and powder from preferred suppliers based in Europe.

Fiscal	Units	Natural Stone	Quartz
2019-20	capacity	471,164 sq. mtrs.	386,608.20 q. mtrs.
	Production	296,935.29 sq. mtrs.	272,117.91 sq. mtrs.
	Utilization	63%	70.38%
2020-21	capacity	471,164 sq. mtrs.	521,643.60 sq. mtrs.
	Production	269,780.90 sq. mtrs	333,950.56 sq. mtrs
	Utilization	57.20%	64.01%
2021-22	capacity	471,164 sq. mtrs.	521,643.60 q. mtrs.
	Production	135,393.61 sq. mtrs.	359,783.22 sq. mtrs.
	Utilization	28.72%	68.96%

Proposed Expansion Plan

To aid their growth efforts and expand their presence in the international markets they propose to set up a new facility in Dubai, UAE for manufacturing engineered quartz. This Proposed Facility shall be set up through their wholly owned subsidiary Global Surfaces FZE incorporated in UAE. Global Surfaces FZE has taken on lease a parcel of land admeasuring 39,657.63 square meters situated at Plot no. S-50902, The Jebel Ali Free Zone, Dubai, UAE for a period of twenty years where it has been granted a rent-free lease period till June 13, 2023.

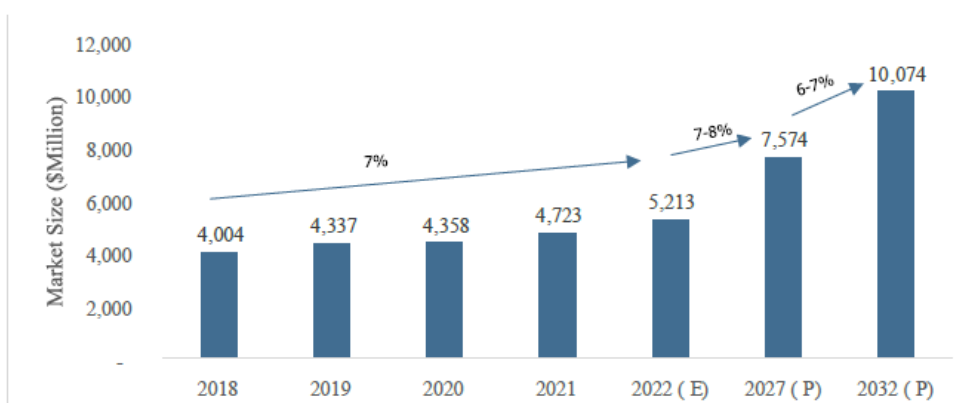
Post completion of their proposed expansion plans, the new unit is expected to have an estimated installed capacity of 622,896 Sq. M/ annum and is expected to be operational from FY 2023-24 onwards. Consistent with their past practices, be the capacity of the Proposed Facility will increased in a phased manner to ensure the optimum utilization.

The information on their Proposed Facility is indicative and remain subject to the potential difficulties and uncertainties that construction projects face including cost overruns or delays. They are in the process of obtaining various consents, approvals and acknowledgements from regulatory authorities that are routine in nature in relation to the proposed expansion at the New Unit.

Industries Overview:

The Indian natural stone market was valued at \$5.2 billion in 2022, expected to grow at a CAGR of 7% until 2032 when it is projected to reach \$10.1 billion. However, issues such as illegal mining, lack of environmental clearances, and government policies could hinder growth. The granite industry faced challenges in 2019 due to lack of policy support and GST implementation, but exports of granite blocks and slabs totaled \$119.12 million in FY21 and \$148.67 million in FY22.

Indian Natural Stone Market (\$Million)



Product Profile:

- Marble:** Marble is metamorphic limestone that captures foreign substances, resulting in unique colors and veining. It can be polished and used for ornamental or architectural purposes, and comes in a range of colors including white, black, yellow, red, and green. However, it is relatively soft and less stain resistant compared to other stones, and requires careful maintenance. Marble can be economically mined on a large scale and occurs in deposits that can be hundreds of feet thick. Its color can vary from white to bluish, gray, pink, yellow or black, depending on impurities present.

The Marble Portfolio Consist of Fantasy Brown, River Blue, Marine Black, Calcutta veneto, and Ocean blue.



Fantasy Brown



River Blue

- Granite:** Granite is an igneous rock that forms underground as magma cools and crystallizes. It is composed of various minerals such as feldspar, quartz, and mica, with quartz being the hardest component. Granite comes in a range of colors and textures, from clear to heavily veined, and is extremely durable, stain-resistant, and easy to care for. It is widely used for countertops, flooring, paving stones, building veneer, and monuments. Granite constitutes 70-80% of the Earth's crust and two fifths of the global natural stone market.

The Granite portfolio include Azul Nuevo, Bianco Star, Blue Dunes, Blue Flower, Crema petra, Dona Brown, Mona Lisa, Monte Cristo, Shadow Blue, sparkle grey and Sparkle Blue.



Blue Dunes

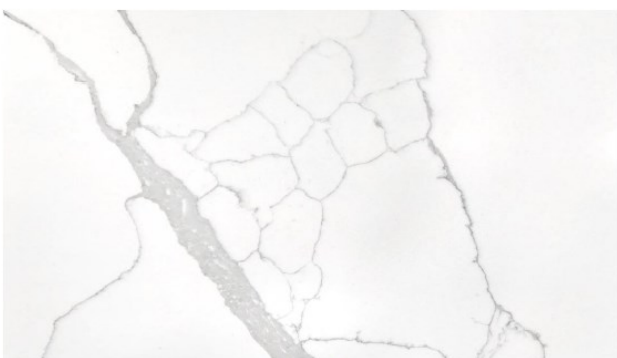


Monte Cristo



Blue Flower

- Quartzite:** Quartzite is a strong, durable, and chemically resistant rock formed from metamorphosed quartz-rich sandstone. Its interlocking crystalline structure makes it tough, and it often appears as white or grey, but can also be stained with iron to produce colors like pink, red, or purple. Quartzite is commonly found at the crest of mountains due to its durability and resistance to weathering and erosion. One variety offered in their portfolio is Picasso Quartzite.





Competition

In India, the market for natural stones is made up of numerous small and large players. Engineered quartz, on the other hand, is predominantly sold in the Asia-Pacific region and is largely dominated by global players like Cosentino Spain, Caesarstone Ltd., and Cambria USA, as well as domestic companies such as Pokarna Ltd., ARO Granite Industries Ltd., Johnson Marble & Quartz Ltd., and Esprit Stones Pvt. Ltd. The main factors that drive competition in the industry are the quality of products, pricing, and product range. Their company has been operating in the market for 18 years and is known for its broad range of top-quality products and strong capabilities in product development, which enables them to remain competitive.

Industries Peers Comparison

Name of the company	Face Value (₹)	Revenue	NAV (₹)	P/E	RoNW(%)
Global surface Limited	10	190.31	39.58	NA	26.59%
Peer Group					
Pokarna Limited	2	650.19	142.85	29.53	17.67%

Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

- Investment in Global Surfaces FZE for part-financing its capital expenditure requirements in relation to the setting up of the Proposed Facility of ₹ 90 cr.
- General Purpose.

Company's Promoter

Mayank Shah is the Promoter and Managing Director of their Company. Mr. Shah has been re-designated as he Managing Director for a period of 5 (five) years commencing from March 02, 2019.

Board of Directors

It boards of directors include Praveen Mayank Shah who is the MD of the company. Sweta Shah, Ashish Kumar Kachawa, Dinesh Kumar Govil, Yashwant Kumar Sharma, sudhir Baxi are the Non-Executive Non- Independent director of the company.

Companies Competitive Strength :

- Consistent Growth.
- Wide product portfolio and multiple designs.
- Established presence in international markets.
- Experienced and result oriented Promoter.
- Synergy of young and experienced management team with a committed employee base.
- Effective quality checks thereby reducing loss.
- R&D set up for new product development

**Key Strategies Implemented by Company**

- Increasing their global footprint and augmenting growth in current geographies.
- Setting up strategically located manufacturing facility.
- Continue to add to product portfolio by introducing new designs.
- Technology integration and plant automation to improve productivity.

Particulars (Rs Cr)	2022(6)	2022	2021	2020
Equity Share Capital	33.86	33.86	6.45	6.45
Reserves	115.07	100.17	91.98	58.03
Net worth as stated	148.93	134.04	98.43	64.48
Revenue from Operation	97.98	190.31	175.37	163.29
Revenue Growth (%)	-	8.52%	7.40%	-
EBITDA as Stated	19.23	41.80	47.43	40.32
EBITDA margin (%)	19.63%	21.97%	27.05%	24.69%
Profit Before Tax	14.22	36.11	34.53	20.72
Net Profit for the period	13.59	35.68	33.93	20.96
Net Profit (%) as Stated	13.87%	18.72%	19.35%	12.84%
EPS (₹)	4.01	10.52	10.02	6.19
RoNW (%)	9.12%	26.59%	34.47%	32.51%
NAV (₹)	43.98	39.58	152.61	99.98
ROCE (%)	7.89%	20.85%	35.75%	32.95%
Debt to Equity Ratio	0.34	0.28	0.38	0.83

Valuations and Recommendation:

- Global surface limited annualized earning arrives at ₹ 27.18 Cr based on (6MFY23). Company is expected to have post Market cap of ₹ 594. Cr, Which implies a earning multiple (P/E) of 21.85(x).
- The valuation is in line with listed peers and company's diverse product portfolio and scalable production facilities provide it with a competitive advantage, enabling it to withstand competition from its peers. We recommend "Subscribe" rating to the issue.



Notes

GEPL Capital Pvt. Ltd

Head Office: D-21/22 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Reg. Office: 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Research Analyst – Mr. Harshad D. Gadekar | + 022-6618 2685 | Harshadgadekar@geplcapital.com

Disclaimer: This report has been prepared by GEPL Capital Private Limited ("GEPL Capital "). GEPL Capital is regulated by the Securities and Exchange Board of India. This report does not constitute a prospectus, offering circular or offering memorandum and is not an offer or invitation to buy or sell any securities, nor shall part, or all, of this presentation form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities. This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy, recommendation or any other content contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. All investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GEPL Capital as a result of using different assumptions and criteria. GEPL Capital is under no obligation to update or keep current the information contained herein. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect GEPL Capital's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by GEPL Capital or any other source may yield substantially different results. GEPL Capital makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information or opinions contained herein. Further, GEPL Capital assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent development, information or events, or otherwise. Neither GEPL Capital nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. In no event shall GEPL capital be liable for any direct, special indirect or consequential damages, or any other damages of any kind, including but not limited to loss of use, loss of profits, or loss of data, whether in an action in contract, tort (including but not limited to negligence), or otherwise, arising out of or in any way connected with the use of this report or the materials contained in, or accessed through, this report. GEPL Capital and its affiliates and/or their officers, directors and employees may have similar or an opposite position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). The disclosures contained in the reports produced by GEPL Capital shall be strictly governed by and construed in accordance with Indian law. GEPL Capital specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL Capital and GEPL Capital accepts no liability whatsoever for the actions of third parties in this regard.