

IPO NOTE

Issue Details

Price Band: ₹ 133 to ₹ 140

Issue Opens on: March 13, 2023

Issue Closes on: March 15, 2023

Lot Size: 100 Shares & in Multiples thereafter

Issue Highlights

Issue Size : ₹ 154.98 Cr.

No of Shares : 11,070,000

Face Value : ₹ 10

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	119.28
Offer for Sale	35.70
Total	154.98

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	77.49
HNI	15	23.25
Retail	35	54.24
Total	100	154.98

Listing

BSE & NSE

Lead Managers

- Unistone Capital Private Limited

Registrar

Bigshare Services Private Limited

ANALYST

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COMPANY OVERVIEW

Global Surfaces Limited is engaged in processing natural stones and manufacturing engineered quartz. Natural stones are widely known for their uniqueness, aesthetic appeal, texture, color, and composition as no two natural stones are the same. Engineered quartz on the other hand, is an example of engineered stone used in the countertop industry, which is a composite material made up of crushed stone bonded by an adhesive.

They have two units a Jaipur, Rajasthan for processing and manufacturing of products. Their 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 operational revenues comprise of export sales. Approximately 99% of revenues from operations have been derived from exports during the Fiscals 2020, 2021 and 2022 and 98% during the period ended September 30, 2022.

To expand the presence in the international markets Global Surfaces 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.

HIGHLIGHTS

1. Consistent Growth
2. Wide product portfolio and multiple designs
3. Effective quality checks thereby reducing loss
4. R&D set up for new product development

Objects of the issue

The Offer comprises the Fresh Issue and the Offer for Sale.

The company proposes to utilise the Net Proceeds from the Fresh Issue towards:

1. Investment in wholly owned subsidiary Global Surfaces FZE for part-financing its capital expenditure requirements in relation to the setting up of the Proposed Facility (₹ 90 Cr.) and
2. General corporate purposes.

Company will not receive any proceeds from Offer for Sale.

OUR VIEW

Global Surfaces Limited is engaged in the business of processing natural stones and manufacturing engineered quartz. Natural stone market is expected to grow at a CAGR of 6% and engineered stone market is expected to grow at a CAGR of 7%. The expansion in the construction sector in countries namely Abu Dhabi, Qatar, Saudi Arabia and Dubai is estimated to propel the engineering stone market demand in the coming years.

The Company's ROE and ROCE for FY22 are 26.59% and 20.85% respectively. Debt to Equity ratio improved from 0.83x in FY20 to 0.28x in FY22 and stood at 0.34x at HYFY23. The Company has only one listed peer namely Pokarna Limited. Pokarna's ROE and ROCE for FY22 are 19% and 17% respectively.

At upper price band of ₹ 140, the issue is priced at P/BV of 3.18x at NAV of ₹43.98 as at September 30, 2022 and at P/E of 13.3x at EPS of ₹ 10.52 as at March 31, 2022. The issue seems reasonably priced.

Company depends on a few customers for major part of its revenues. Major exports are done to USA and any adverse developments in this markets can impact the company.

It is an opportunity for investors to enter the flooring industry.

Issue seems reasonably priced. Given above pros and cons, investors can subscribe to the issue with medium term horizon.

Brief Financials

PARTICULARS	₹ in Million			
	As at Sept. 30, 2022	FY '22	FY '21	FY '20
Total Income	992.48	1,983.57	1,790.04	1,657.80
Total Expenditure	850.27	1,622.51	1,444.74	1,450.59
EBITDA	192.30	418.04	474.33	403.16
Profit before Tax	142.21	361.06	345.30	207.21
Profit after Tax	135.88	356.34	339.32	209.64
E.P.S.	4.01	10.52	10.02	6.19
P/E (x)	-	14.98	-	-
RONW (%)	9.12	32.51	34.47	26.59

*Not Annualized

PRICE CHART (@ ₹ 140) (Retail Category)

LOT SIZE	Amount
100	14,000
200	28,000
300	42,000
400	56,000
500	70,000
600	84,000
700	98,000
800	112,000
900	126,000
1,000	140,000
1,100	154,000
1,200	168,000
1,300	182,000
1,400	196,000

HNI Payment Chart

Category	Minimum Bid Lot Share	Minimum Bid Lot Amount(Rs.)
Between ₹ 2 to ₹ 10 Lakhs	1,500	210,000
Above ₹ 10 Lakhs	7,200	1,008,000

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	20/03/2023
Initiation of refunds/unblocking ASBA Fund	21/03/2023
Credit of Equity Shares to demat accounts of Allottees	22/03/2023
Commencement of trading of the Equity Shares on the Stock Exchanges	23/03/2023

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